

**Under what conditions Western promotion of Good Governance in
Public Procurement be successful and contribute to poverty reduction
in Latin America?**



Erasmus

MSc. International Public Management & Public Policy
Faculty of Social Sciences
School of Public Administration
First reader: Dr. A. G. Dijkstra
Second reader: Dr. F. Boons
Author: Hamlet J. Bueno Pérez
Student identification no.: 285234

Under what conditions can Western promotion of Good Governance in Public Procurement be successful and contribute to poverty reduction in Latin America?

Prepared by:

Hamlet Bueno

For:

**MSc. International Public Management & Public Policy
Erasmus University Rotterdam**

Acknowledgements

I would like to thank Georgeos Eliopoulos from the European Commission's Directorate General for Development, who gave me the opportunity to work in a procurement project during my traineeship in his department, which triggered my interest in this subject. My gratitude also goes to Mr. Antonio Ricarte, the Foreign Affairs Secretary of Brazil, who provided me with the right contacts for the research interviews, as well as the cultural détachées from the embassies of Chile and Brazil in the Netherlands, Ms. Castillo and Ms. Cecilia Frossard Pincinato. Many thanks also to all of the interview respondents, Ms. Caroline Nicholas of UNCITRAL, Mr. Robert Anderson of the WTO, Mr. Andres Macgaul and Mr. Luis Prada of the World Bank, Mr. Roberto Lopes from the Brazilian government, and Mr. Felipe Goya from the Chilean government.

I could never have brought this research to completion without the help of my two supervisors. I wish to thank Dr. Geske Dijkstra and Dr. Frank Boons for their useful observations and comments. I would also like to thank Dr. Van Nispen, Dr. Pollitt, Sonja Balsem and the rest of the IMP team and all of my fellow IMP students for their support and friendship.

Furthermore, it would not have been possible to conclude this project without the love and support of my family and friends. My mother Ana O. Pérez Melo has always been a source of inspiration and encouragement. Finally, I want to express my deep appreciation to my friend Lorenz Brongers, for always being there.

Preface

There is a lot of literature out there on public procurement reform, yet there has not been done so much research on the benefits of such reforms for developing countries. In the international political arena, and within development studies, there is much talk about improving governance systems and strengthening institutions in peripheral countries for the sake of poverty reduction. Yet as demonstrating connections between poverty reduction and improved governance indicators might not prove to be among the simplest scientific exercises, we see that little is endeavoured in the scientific world to show that relation. Anyhow, doing research in the field of Public Administration can be regarded as tough by people from the more exact sciences because in many cases it is hard to isolate variables and to quantify empirical material. Precisely this latter has been one of the biggest challenges during this research. On the other hand, the field of Public Administration gives the opportunity to study the bigger problems of today's world, which makes it one of the most fascinating fields to do research in.

Executive summary

Our research question is “Under what conditions can the promotion of good public procurement be successful and contribute to poverty reduction?”. Before going any deeper into this, it is important to clarify the following. Good public procurement implies following the rule of law and improving accountability, transparency, efficiency and effectiveness of government purchases. Different perspectives exist on the inclusion of openness and non-discrimination of foreign suppliers to this set of good procurement principles. First of all this is a political decision on which the political spectrum offers a variety of normative answers. Whether or not good public procurement advocated by the West is at all good for developing countries depends on the emphasis a specific Western advocate of good public procurement puts on the openness principle in good public procurement. A public procurement system that is very much open to foreign suppliers will most probably increase international trade, but at the same time, the repercussion of that for the domestic industry of the developing country could be very negative. We have employed the following methodology to answer our main research question.

First of all we have done desk research of what good procurement standards are and of who promotes them. In the theoretic framework, we have studied what the different conditions, actors and factors are that influence willingness and capability of a developing country to adopt a procurement reform which is advocated by an international organisation. We found that the theories of New Institutionalism, isomorphism and aid conditionality elucidate the conditions under which a government or an institution would start copying a particular international model. However, in order for a certain good public procurement reform which is advocated by an international organisation to be adopted, several institutional barriers need to be overcome. Institutions can be instruments of preservation of the status quo for the dominant classes. The desire of a country to adopt an internationally traded public sector reform can be constrained by the voice of the local stakeholders. Governance theory emphasises on the steering capacity of the state in solving its day-to-day problems. It also refers to legitimacy issues which might arise when developing countries adopt imposed models of government policy from the part of international organisations. Some authors urge to focus on the reality of the local context in order to not incur the so called “cost of isomorphism”, which refers to the repercussions of blind imitation by developing countries of international models of government policy. Furthermore, the New Institutionalist rational choice model stresses the importance of the path dependency, context and group norms in order for real institutional change to take place. In any case adopting a reform would mean adapting it to fit the local context first. Nonetheless, we have seen that changing the legislation sometimes is no guarantee that the good governance reform is actually going to be implemented in the desired way. In the case of good public procurement reform, the desire of a developing country to adopt certain principles is constrained by the quality of its procurement infrastructure, which affects the capability of such a nation to implement the desired change. The procurement infrastructure are the people, the technology and the information at hand in the public administration. Institutional incrementalism can delay adoption of a specific reform, and it takes time to see the benefits of a specific institutional adaptation. Corruption is also a factor which restrains the functioning of good public procurement reform. Our explanatory model comprises the different factors which influence the desire and the capability to change public sector, and aims at explaining adoption or non adoption of international public procurement standards by developing countries.

The second component of our research methodology was to do a comparative analysis of the two most important good procurement frameworks which international organisations present as the ideal legislative frameworks for government procurement. These resulted to be the World Bank's UNCITRAL Model Law on Public Procurement and the World Trade Organisation's Government Procurement Agreement (GPA). We did a SWOT analysis of the two from the perspective of developing countries in order to analyse their desirability for a developing nation. Out of this endeavour it became clear that the legal form of the UNCITRAL Model Law makes it more attractive as a model to follow for developing nations than would be signing of to the GPA.

Subsequently, we performed case studies of Brazil and Chile in which we explored the recent developments in the public procurement systems of these two middle income countries, among other things. Here we found a situation of two countries that have recently passed good public procurement reform without the influence of international change agents like the World Bank or the WTO being too substantial. Neither of the two countries is party to the GPA Code, however we have seen that the procurement systems of these two countries actually are very similar to the UNCITRAL Model Law in terms of the principles that they strive to promote, like for instance transparency, competition and efficiency. We interviewed government officials as well as procurement specialists from the World Trade Organisation, the World Bank and UNCITRAL, and in fact, some of our interview responses led to thinking that there has not at all been an actual promotion of any of these two models in Brazil nor Chile. And finally, although throughout this research endeavour we did not find much empirical evidence that good public procurement can in fact be instrumental in the fight against poverty, all of our interview respondents affirmed our initial believe that it would be plausible to assume a positive correlation between the two, given a certain set of conditions is met.

A public procurement system can facilitate the battle for poverty reduction if it enhances effectiveness. On a different note, an efficient government procurement system will produce savings that can be used to empower impoverished communities through poverty reduction programs, provided the government has no other priorities. Finally, governments could use public procurement as a social policy, in favour of weaker groups of the population as with certain "buy national" policies the government can structurally support the industrial development of those segments of society and their employment rates. Apart from the financial benefits reaped from good public procurement, an efficient, effective and transparent government procurement system can increase trust in government and legitimacy of government action, even if the procurement model has been imported.

Contents

- Acknowledgements iii
- Preface iv
- Executive summary v
- 1 Introduction 1
 - 1.1 Problem analysis 3
 - 1.1.1 Problem background 3
 - 1.2 Research objectives 7
 - 1.2.1 Social relevance of research 7
 - 1.2.2 Scientific relevance of research 7
 - 1.3 Central research question 7
 - 1.3.1 Sub questions 8
 - 1.4 Theories for the theoretical framework 8
 - 1.4.1 Main underlying assumptions 9
 - 1.5 Research methods and design 10
 - 1.6 Scope and limitations of research 14
- 2 Theoretical Framework 15
 - 2.1 Introduction 15
 - 2.2 Governance, the emergence of global good public procurement standards and the effect on poverty reduction 15
 - 2.2.1 Governance 16
 - 2.2.2 Good Governance 17
 - 2.2.3 Good Governance: can it tackle poverty? 20
 - 2.2.4 Promoting good governance in public procurement 24
 - 2.2.4.1 Stakeholders 26
 - 2.2.4.2 Good public procurement as an instrument for poverty reduction 27
 - 2.2.5 Sub conclusion 27
 - 2.3 Factors which enable or hamper the successful adoption and implementation of good procurement standards 29
 - 2.3.1 International trade of public management ideas 29
 - 2.3.2 Why does institutional convergence take place? 31
 - 2.3.2.1 New institutionalism 32
 - 2.3.2.2 Institutional isomorphism 33
 - 2.3.2.3 Conditionality 35
 - 2.3.3 Constraints to the adoption of international standards 36
 - 2.3.3.1 Corruption 38
 - 2.3.4 Sub conclusion 41
 - 2.4 Hypothesis 43
 - 2.4.1 Conceptual model 45
 - 2.4.1.1 Explanatory model 46
- 3 Regulative frameworks for procurement advocated as international standards 47
 - 3.1 Introduction 47
 - 3.2 ICB 47
 - 3.3 GPA 48
 - 3.3.1 What is the GPA? 48
 - 3.3.1.1 Who are the promoters? 48
 - 3.3.1.2 How do they promote it? 49
 - 3.3.2 Which good governance principles are covered by the GPA? 49
 - 3.3.3 Scope and coverage of the GPA Code 50

3.3.4	What are the steps a country needs to take in order to adopt the reform?	50
3.3.5	SWOT analysis.....	51
3.4	UNCITRAL Model Law on Public Procurement	52
3.4.1	What is the UNCITRAL Model Law on Public Procurement?	52
3.4.1.1	Who are the promoters?	52
3.4.1.2	How do they promote it?.....	53
3.4.2	Which good governance principles are covered by the UNCITRAL Model Law on Public Procurement?	53
3.4.3	Scope and coverage of the UNCITRAL Model Law on Public Procurement .	54
3.4.4	What are the steps a country needs to take in order to adopt the framework?.	54
3.4.5	SWOT analysis.....	54
3.5	Comparative analysis GPA-UNCITRAL.....	55
3.5.1	Are public procurement standards advocated by the West any good for developing countries?.....	56
3.5.2	Good procurement package: the normative discussion.....	57
4	Case studies	59
4.1	Introduction	59
4.2	Brazil	60
4.2.1	Political System and public procurement regulation.....	60
4.2.2	Socio-economic forces	62
4.2.3	Administrative system.....	63
4.2.4	Interviews	64
4.2.5	Sub conclusion	64
4.3	Chile	65
4.3.1	Political System and public procurement regulation.....	65
4.3.2	Socio-economic forces	66
4.3.3	Administrative system.....	68
4.3.4	Interviews	68
4.3.5	Sub conclusion	68
4.4	Comparative analysis	68
5	Conclusions and recommendations	71
	Literature list	73
	Appendix I: Interviews.....	A
	Brazil: Head of Coordination of Public Procurement	A
	Chile: Deputy Director of Public Procurement and Public Contracting	B
	World Bank Brazil: Senior Procurement Specialist.....	C
	World Bank: Chile Country procurement specialist	E
	World Trade Organisation: Procurement Specialist.....	G
	UNCITRAL: Public Procurement Specialist	H
	Appendix II: Schacter's correlations of good governance and poverty indicators	J
	Appendix III: Merit index in Latin American Public Administration	M
	Appendix IV: Government effectiveness in Latin America.....	N
	Appendix V: The Abidjan Consensus	Q
	Appendix VI: World Bank Poverty indicators Brazil & Chile	R
	Appendix VII: WDI figures Brazil and Chile	V

Index of tables, boxes and figures

Tables

Table 1: ODA to the Latin America and Caribbean region in 2004 2

Boxes

Box 1: Classification of qualitative data sources 10
 Box 2: Characteristics of Good Governance 18

Figures

Figure 1: Research Variables 11
 Figure 2: Overview of chapters 11
 Figure 3: Developing a case study 13
 Figure 4: Government Effectiveness and Per Capita Income 21
 Figure 5: Government Effectiveness and Infant Mortality 21
 Figure 6: Government Effectiveness and Adult Literacy 22
 Figure 7: Vicious circle of poverty. 23
 Figure 8: Three approaches for poverty reduction 24
 Figure 9: A model of public management reform 30
 Figure 10: Motive and capability for public management reform 31
 Figure 11: Model of Politics 32
 Figure 12: Model of Inequality, Trust, Corruption, and Effective Government 40
 Figure 13: Trust in people and economic inequality 40
 Figure 14: Trajectory of reform towards good public procurement 45
 Figure 15: Explanatory model 46, 59

Glossary and acronyms

ADB	: Asian Development Bank
Bank	: World Bank
DCCP	: Directorate of Public Procurement and Contracting (Chile)
GDP	: Gross Domestic Product (Atlas method)
GNI	: Gross National Income
GPA	: Government Procurement Agreement; WTO regulatory framework for public procurement
ICB	: International Competitive Bidding
IDB	: Inter-American Development Bank (also IADB)
IFI	: International Financial Institution (i.e. World Bank & IMF)
IMF	: International Monetary Fund
FDI	: Foreign Direct Investment
FTA	: Free Trade Agreement
LAC	: Latin America & Caribbean
MDG	: Millennium Development Goal
NPM	: New Public Management
ODA	: Official Development Assistance
Old Public Disciplines	: E.g. central agencies, budgeting, line-departments on specific business areas, and institutions that constrain the behaviour of public servants
PEMP	: Public Expenditure Management Project
Peripheral states	: developing countries
Public procurement	: government purchases
SDR	: Special Drawing Rights of the IMF
SME	: Small and Medium Enterprise
South	: developing countries
UNCITRAL	: United Nations Commission on International Trade Law; Model Law for public procurement
West	: industrialised countries
WTO	: World Trade Organisation

1 Introduction

Throughout my academic experience as an International Public Management & Public Policy master student at Erasmus University I have discovered to have a profound interest in the global public governance theme. Having been born in Latin America, and after spending most of my life in the Netherlands, I have always had a keen attraction to the subject of public governance development in Latin America. Moreover, I have found myself philosophising more than once on the question of how developing countries could learn from the Western world in dealing with public governance in order to overcome their poverty issues. I share the assumption of most the contemporary public management scientific world, by firmly believing that the West can and should assist developing countries in developing good governance systems. Widely acclaimed good governance characteristics like participation, transparency, responsiveness and efficiency have been travelling throughout the world of public management over the past few decades, encouraging governments to follow other governments' steps in reforming towards systems that comply with the various principles of good governance. These waves of public management reform have also been promoted by international institutions like the United Nations, the European Commission, the OECD, the World Bank, the IMF, and at the same time –yet within the multilateral context of round negotiations– within the WTO.

After having completed an internship at the European Commission's "Directorate General for Development & Relations with African, Caribbean and Pacific Countries", and after being an observing participant in a bidding process of the Commission, I got interested in the issue of the public procurement system¹.

Having realised that the public procurement process² in general is a field within the public service that is highly prone to inefficiencies, bribery, and corruption, my concern for the regulation of it was sparked. I wondered if best practices had been discovered for dealing with this issue, whether or not those best practices had been taken over in Latin America, and to what extent these good governance principles could be of an added value in the fight against poverty in the region.

Within the scope of this research there is no need to demarcate public procurement from either local government purchases or national government purchases as the whole range of government purchases will be dealt with as one. As the procedures we are analysing only cover big purchasing projects of yet to be developed goods like roads, bridges and other inexistent products at the time of setting up the contract, this clear demarcation applies to this research: we will not focus on small government purchases of office supplies etc, where some governments negotiate and assign contracts directly for cost-effectiveness and time saving purposes.

A question the reader might have at this early stage is to what extent is the public procurement issue linked to the poverty issue. The answer to that question lies in the following. Good governance across the whole of the public service is recognised as one of the cures for poverty, so why exclude public procurement from that? Moreover, within the Millennium

¹ Public procurement system is the set of rules governing government purchases; i.e. the regulatory framework

² Public procurement process is the act of governmental purchases, in which implementation of the regulatory framework normally should take place

Development Goals (MDGs)³ the concern for good governance is included in the 8th MDG⁴. The 8th MDG is to develop a global partnership for development, and its first sub objective is to develop further an international open trading system that is rule-based, predictable and non-discriminatory, and that includes a commitment to good governance, development and poverty reduction. In addition, Latin American and Caribbean countries receive billions of US dollars as Official Development Assistance to carry out various social and infrastructural programs. Receiving governments need to use the ODA in an efficient way in order for it to be a more effective tool in the fight against poverty, a support of which is the original objective of ODA grants or loans in the first place. In table one we see the European Commission (EC) and its Member States (MS) granted over 3 billion euros of development aid to the Latin American and Caribbean region in 2004, reason enough for us to worry about procurement systems in Latin America; *because is the money given out to the region's governments being spent efficiently through good public procurement systems?* After all, it is money that comes straight out of the European taxpayer's wallet, so there is reason enough to be wary of the issue. Luckily for most development projects donors set a specific number of procurement guidelines that are required to be followed in order to get the funds in the first place. But government budgetary support is an example of a category of ODA funds that is not ruled by imposed procurement guidelines. As it is a relatively new type of aid, it only makes up 5% of ODA donor countries now channel to developing states (OECD, 2005).

Donor	ODA in US\$ million	Share of total ODA
USA	1.645	26
EC + MS	3.021	47

Table 1: ODA to the Latin America and Caribbean region in 2004 (source: European Commission, 2006)

A second and very much relevant reason why it is interesting to investigate about good governance in public procurement systems in Latin America is because vast amounts of public funds (also local money) are involved, and learning about how governments can manage public resources more effectively and efficiently is one key element of the field of 'Public Management and Public Administration'.

IDB figures indicate that Latin American and Caribbean governments' public procurement typically amounts to about 10 to 15 percent of their government expenditure. The regional total for public procurement is therefore of around \$250 billion per year⁵, according to those same IDB figures.

Recently retired chief of the IDB's Procurement Policy and Coordination Office, Jorge Claro de la Maza, says that if the inefficiency of the state—and only the inefficiency, not the fraud—is forcing governments to pay a surcharge of an estimated 15 to 20 percent, then the Latin American region could be saving anywhere from \$40 billion to \$50 billion per year by doing things right. "Another way to look at the magnitude of these squandered resources is to consider that most countries could double their spending on health and education if they could recover the 15 to 20 percent of the public budget that is lost to flawed procurements" (ibid.).

If inefficiency of the state alone is costing the region that many billions of dollars per year, how much money is lost as a result of fraud and corruption in public procurement processes? The wasted resources could have otherwise been well spent in for example social and

³ During the United Nations Millennium Summit in September 2000 the Millennium Development Goals came to life, which concentrate on a joint attempt by western and southern leaders to influence poverty and inequality in today's most needing countries, across a set of 8 different themes.

⁴See <http://www.un.org/millenniumgoals/>

⁵Source: <http://www.iadb.org/IDBAMERICA/Archive/stories/2000/eng/JUN00E/e600e1.htm>

infrastructure programs directed at relieving poverty. I must recognise it is not certain whether the funds that are freed from inefficiencies and corruption are going to end up being spent in poverty relief, and whether adopting good public procurement would not merely mean a shift of corruption to other sectors in the public sphere, which could well be sectors that touch directly upon the poorer citizens. In spite of this, public procurement should not merely be seen as a legal technicality irrelevant for the general public, but as part of a greater public policy that strives for using the resources of nations in its most righteous and constituent-beneficial way.

The purpose of this chapter is to provide with a background to the research problem, to reveal the research design and research questions and to speak of the relevance and scope of the research.

1.1 Problem analysis

1.1.1 Problem background

The world's poverty problem is at the heart of many of our political leaders concern. During the United Nations Millennium Summit in September 2000 the Millennium Development Goals came to life, which concentrate on a joint attempt by western and southern leaders to influence poverty and inequality in today's most needing countries. A big part of the focus of this attempt is on giving out aid grants, loans and technical assistance to third world countries. It would be inaccurate to believe that economic development of third world countries is merely attainable from the top-down level and through development aid. With a strong commitment from the bottom up in peripheral countries the institutions can be strengthened and the fight against poverty will be more effective.

Koldo Echevarria (2005) says that new development theories highlight the importance of strong governmental institutions as a means for third world countries to escape their economic precariousness. Public management and public administration have become crucial in the path towards development of third world countries and have ceased to barely being seen as a highly politicised, purely technical dimension the function of which is to facilitate production factors. It is clear now that effective institutions are the vital artery that permits countries to shape their degrees of development over time.

The European Commission, which together with its member states is the world's biggest Official Development Assistance (ODA) grants donor providing 47% of the world's ODA grants in 2004 (European Commission, 2006), has started to actively advocate the support to the development of stronger institutions in third world countries. It recently stated that "poverty reduction, sustainable development and peace can be achieved only if significant progress is made towards democratic governance. The most important features of the proposed measures to encourage developing countries to step up their reform efforts are enhanced political dialogue, a common approach and a higher level of more effective assistance" (EC Press Release IP/06/1137). This new approach to development adopted by the Commission stands more in line with the current governance discussion, and the endeavour of Western institutions like the World Bank to promote best practices reforms in developing nations. Good governance is one of the fundamental objectives that the World Bank and other Western institutions are pushing for in developing countries, as they believe it to be a crucial instrument in the fight against poverty.

For the sake of the clarity of this paper I will highlight the meaning of the terms governance and good governance in the following lines. Kooiman's definition says that "Governing can be considered as the totality of interactions, in which public as well as private actors

participate, aimed at solving societal problems [...]; attending to the institutions as contexts for these governing interactions; and establishing a normative foundation for all those activities” (2003:p. 4). Hence governance is the process in which government makes and implements decisions. In the process of decision making as well as in the execution of the policy, governments can have to deal and negotiate with actors in their environment in order to get things done.

Good governance on the other hand, can be considered to be the lubricating oil that makes government structures and institutions function correctly in the process of decision-making and the process by which policies are implemented. There is no true consensus in the international academic community regarding what principles are to be included within good governance principles. After consulting Knack et al. (2002), the OECD (1995) and the European Commission (2002), I have made up the following list of eight major features, or principles, which are covered by good governance:

- Participation;
- Responsiveness;
- Orientation toward consensus;
- Equality and inclusiveness⁶;
- Respect for the rule of law;
- Accountability;
- Transparency;
- Effectiveness;
- Efficiency.

Good governance assures that corruption is minimised, and is also responsive to the present and future needs of society. It makes sure the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. We see that within the features of good governance there already exist contradictions. Consensus, equality and inclusiveness can sometimes be opposed to efficiency or effectiveness. It can be very time-consuming for a democratically legitimised institution to negotiate with actors in its network in order to reach consensus, as the latter objective can be a very difficult to attain. In terms of policy output that would mean a loss of effectiveness. Moreover, although nowadays they are considered crucial and I admit their contribution to the fairness of a political system, implementing policies that increase equality and inclusiveness of certain civilian groups can be very costly and would mean an extra burden on the budget of that institution. From the efficiency point of view this would mean a backward step.

Each institution should therefore critically make a balanced mix of these good governance features or principles based on the importance they give to each of the different principles. In today’s (post-) New Public Management Western world one would be tempted to think that effectiveness and efficiency are the two good governance principles that are most important, as these two are the ones we mostly hear and read from in the media and contemporary literature. Yet the other principles are also very valuable for governance systems, and as crucial for their survival as are effectiveness and efficiency.

The question now is if public procurement should be included in the endeavour of spreading good governance practices around the globe, and if so, what would be the optimal mix of the principles that should be employed? And what is in it for developing nations? Who benefits

⁶ Within the framework of equality, many Western promoters of trade liberalisation have tried to include openness of the markets by demanding non-discrimination of foreign suppliers.

most out of those reforms? Is it the poorer citizens of third world countries or are big Western multinational corporations the ones getting the bigger cut of the pie?

Throughout the past few decades, we have seen a great effort to create a global administrative law. An example of that is the fact that within international organisations like the WTO there has been a major push for a global standard on Public Procurement. Examples of good public procurement principles that are advocated by Western institutions are openness and competitiveness. The OECD (2003) says that good procurement systems contribute significantly to key development goals such as trade liberalisation and the growth of local enterprises and markets; substantially lower cost of delivering public services; reduced corruption; and the ultimate goal of reducing poverty. We know by now that public procurement is big business and inefficiencies are very costly.

It is easy to agree on corruption being a major obstacle on the development road of the third world. Likewise, it seems plausible to assume that effectiveness could be a very important criterion in the assessment of a Public Procurement system. However, I wonder if for instance promoting openness in a global standard for Public Procurement can actively support the developing goals of a nation, or if this would merely disrupt them? And what about advocating efficiency? Governments in developing countries could have a range of other objectives than efficiency with their procurement policies. Ringeling (2004) supports the latter by arguing that government policy does not merely concentrate on efficiency, but that, rather different values such as legitimacy, justice or symbolic could be the objective of public policy. As highlighted above, sometimes those other values are opposite to efficiency and openness, for example when a government is set to benefiting certain weaker parts of the population, and uses public procurement as a development tool to assist those groups by buying their goods and services. Would imposition of the Western approach of 'efficiency, openness, equality and non discrimination of bidders' in Public Procurement be beneficial in such a case? And would it help tackling poverty overall, in the nation in respect?

This research paper therefore does not only touch on Public Procurement, but has implications for the broader exploration of the efforts to develop a global good governance standard, in particular the relationship between such efforts and the interests of developing countries.

Why is public procurement in Latin America a problem and to whom?

In light of the questions raised above, I explain more about the relevance of good public procurement systems. According to Constance (2000), until a few years ago, problems with government purchases were not very high on the public agenda. Constance says that it has always been difficult to detect abuses in public procurement and to determine their cost to taxpayers. He notes that the sheer volume of the transactions, the mountains of paperwork, the multiple and overlapping layers of bureaucracy, all conspire to discourage rigorous oversight and control. And he adds that in countries where more than 80 percent of the public budget goes to salaries, pensions and social security benefits, worrying about how the remaining 20 percent is spent could seem pointless. Accordingly, the above has led to a fatalistic assumption that public procurement is one of the perquisites of political power, an internal affair that each succeeding government is allowed to handle as it sees fit.

Yet Constance (2000) also reports that in recent years, indifference has increasingly been replaced by indignation and that possibly because of the greater openness bred by maturing democracies, this once-neglected issue has been dragged into the middle of the public square. "There has never been a time in the world when there was so much scrutiny of public sector officials and public sector life in general, says Claro de la Maza. Public service used to be secretive and low quality. Now people are demanding that it be transparent and of a higher quality. The public at large is performing a watchdog role on public affairs and public outrage is fuelled by a growing awareness of the real costs of the problem. The result of this new

scrutiny is a seemingly endless succession of scandals in Latin America. The administrator of a public hospital is caught paying three times the retail price for disposable diapers from a supplier who, it turns out, is a member of his family. A legislator is found to have given lucrative “consulting” contracts to associates who never showed up for work. A new paved road ends up costing a municipal government 150 percent more than the original estimate, but two years later it is full of potholes because of shoddy construction. The examples are legion, and no country in the region is immune” (Constance, 2000: p.3). Constance concludes by saying that although considered very relevant, financial savings are not the only benefits to be reaped from ending fraud and inefficiency in public procurement. “Unlike traditional efforts to reduce government expenditures—such as cutting public-sector salaries—savings derived from reforming public procurement do not usually have a steep social or political cost. On the contrary, a government that can show it has saved taxpayer money by procuring high-quality goods and services at the lowest possible prices will probably fare very well in the next elections” says Claro de la Maza in Constance (2000: p.3-4). The latter statement by De la Maza, about public procurement reform not having a large social and political cost is debatable. Is it not so that in many Latin American countries, due to clientelism and nepotism, much of the financial support which is available for political campaigning comes from the private sector, and that the sponsoring companies are later awarded great contracts for public works? Getting rid of clientelism would mean losing out on funds needed for political survival. That would be a huge internal political cost for a government. And what about the social costs of reforming public procurement? Is it not a fact that by opening up procurement bidding to Western companies, many of the local companies would lose their biggest client, which is in many cases the government, due to unequal competition from multinationals? Would that not lead to even more unemployment and poverty in those nations, especially if it is combined with low tariffs on foreign services, like is the case nowadays in the globalisation era where trade barriers are becoming more and more a thing from the past?

As a conclusion to this section, I present the answer to the question of ‘Why public procurement in Latin America is a problem and to whom?’ as follows. Public procurement good governance reform in Latin America is relevant for Western countries and western institutions which provide Official Development Assistance to the region, with the main objective of economic stabilisation and poverty reduction in the receiving countries. Western institutions have unanimously been advocating a spread of good governance across all spheres of government, including public procurement. It would make no sense to structurally give money to corrupt countries, from a development point of view. Good governance is part of the eighth Millennium Development Goal and is believed to be one of the cures for poverty. The World Bank, the IMF and the European Commission all consider good governance to be essential in order to consolidate a country’s institutions. We can agree that strong institutions are vital in the fight against poverty. Yet certain types of good public procurement reform in Latin America are also relevant for Western multinational corporations as these reforms could result in an increased procurement market penetration for the multinational corporations. For example in the case of the Government Agreement on Public Procurement, which is a ‘good procurement reform package’ advocated within the WTO that stipulates that governments ban discriminating and other hampering elements for foreign suppliers from their legislation. Provided other trade barriers are not too high there would be an increased chance for multinationals to obtain contracts in the country that adopts the GPA. Nevertheless we are more interested in what ways the poor people in Latin America could overall benefit from certain types of good public procurement reform that are advocated by the West.

1.2 Research objectives

This research paper is an effort to increase the knowledge base on public procurement reform in developing countries and on how good governance standards are being promoted there by western institutions, as well as on what the possible outcome of that promotion might be for implementation of public procurement reform and on the use of public procurement as an instrument of poverty reduction. It is impossible to fully predict what the exact contribution in terms of social and scientific relevance of any research endeavour will be beforehand. Nevertheless, in the subsequent sections I speak of the concrete research objectives in order for the reader to get an idea of what type of outcome can be expected.

1.2.1 Social relevance of research

This research could be relevant for the Directorate General for Development of the European Commission as they develop policies that envisage governance reform in developing countries for the sake of poverty reduction. It could be interesting for that institution to see how other Western institutions like the World Bank or the WTO have fared off in promoting good governance principles in public procurement in the Latin American and Caribbean region. These lessons can be useful to the European Commission as a whole, as it strives to eradicate poverty and acquire influence in that region. The second social implication of this research is dependent on the outcome of the research and has quite an ambitious objective. By investigating the promotion by the West of good governance in Latin American public procurement, I think we will find out to what extent certain explanations of good governance in public procurement could be desirable in the context of poverty reduction in the region. The research results for the countries which are being studied could serve as an example for other countries in Latin America –and perhaps in other continents with similar degrees of development– on what impact adoption of certain good procurement standards might have on their public administration as well as what the benefits of such practice would be for their most needy citizens.

1.2.2 Scientific relevance of research

According to Hakvoort (1996), the primary task of the science of public administration is to conduct research based on a combination of political theory and empirical approaches, the results of which are directed at proposing better forms of policy. This research fits into the body of knowledge of International Public Management. Its aim is to contribute to the knowledge base about Western advocacy of good governance standards in institutions of Southern countries. This master project will contribute to international public management knowledge by providing insight into the conditions that determine the success of Southern adoption of good public procurement standards promoted by the West, in a way that does not hamper the fight against poverty in those countries. The latter reflects the links of this research to public administration and development studies.

1.3 Central research question

The key research question that is exposed to analysis in this project is: *“Under what conditions can Western promotion of Good Governance in Public Procurement be successful and contribute to poverty reduction in Latin America?”*

The term “successful” within the central question refers to the adoption and implementation of good procurement standards. I will research which factors determine the (non-)adoption and (non-)implementation of the good procurement standards promoted by Western

institutions in Latin America, and what the desirability is of those good procurement standards in the fight for poverty reduction. In order to answer the central question, we will do a comparative analysis of the best public procurement practices which are promoted by the West, we will analyse their adoption and implementation in Brazil and Chile, and we will study the possible effect of adopting certain types of good procurement reform on the poverty issue.

1.3.1 Sub questions

In order to properly address the central research question discussed in the previous section, answering a sum of sub questions is necessary. Answering these is indispensable in order to acquire a better understanding of the problem, which will provide with a sound basis for the analysis. I have identified the following sub questions:

1. What is good governance in public procurement?
2. What actors promote and what factors facilitate the adoption of good procurement practices in Latin America?
3. What factors hamper good public procurement in Latin America?
4. What is the relation between good public procurement and poverty reduction?
5. Did Brazil and Chile adopt internationally advocated good procurement standards?
6. To what extent can (non-) adoption and implementation of good public procurement in Chile and Brazil be explained by the factors described under 2 and 3?
7. What was the impact of implementing good procurement standards for poverty reduction in these cases?

We consider it necessary to firstly identify what the concept of good public procurement entails exactly; therefore it is precisely that what the first sub question employs. There are several actors that promote and factors that enable Southern adoption of good procurement reform. There also exist several factors and actors that constrain the adoption as well as the implementation of internationally advocated good procurement reform in the South. We need to know what actors and factors these are, in order to contribute to answering the part of the central question that asks under what conditions promotion of good public procurement in the South can be successful, and hence sub questions two and three focus on that. The fourth sub question strikes right at the core of the research problem. The possible impact of good public procurement on poverty reduction is central to this study and therefore it is crucial to discuss the possible relation between the two. Sub questions five to seven are about Brazil and Chile, which are the countries that will be analysed in the case studies. We want to know if they adopted internationally advocated good procurement standards and whether or not the factors we assumed to be constraining or enabling adoption and implementation of good procurement reform were correct. Finally, we want to study if implementation of good procurement standards has influenced the poverty reduction over there in any way.

1.4 Theories for the theoretical framework

The first four sub questions mentioned above will be featured in the theoretical framework. The following theories will be analysed in order to find out what their function might be in

explaining the possible success or failure of adoption of internationally advocated good procurement standards in Latin America:

- Governance theory;
- Neo-institutionalist theory and isomorphism;
- New Public Management;
- Conditionality;
- Incrementalism;
- Clientelism;
- Public choice theory;
- Rent seeking.

Neo-institutionalist theory will be useful for illustrating the phenomenon of good governance standards and their promotion by Western institutions throughout the world in the context of political globalisation. Institutional isomorphism will be a major component of this part of the analysis. The governance theory will heat up this discussion by emphasising the question of how global governance has taken ground in the field of Public Procurement.

The fact that a change of laws does not necessarily mean a change of culture makes it difficult for the West to ensure that change really occurs in Latin America. Public choice theory will discuss how politicians and bureaucrats can be motivated by self interest through rent-seeking behaviour, which could lead to government failure to satisfy the needs and wants of its constituents by complying with regulation. All of these theories will be explained briefly, and then they will be utilised to set up a hypothesis, which will be functional in the case studies that are to follow. Moreover, the mentioned theories will serve to make a map of what the promotion of Public Procurement entails in the Latin American region, and will try to show how different components might hamper or enable adoption and implementation of good governance in public procurement. This map we speak of is a conceptual framework, which will be put forward at the end of the theoretical framework.

In short, a few of the theories shall try to explain the West's promotion of good governance standards in the South and the others will explain what enables or disables the successful adoption of these standards. The theoretic framework will also contain theories that link good governance to poverty reduction.

1.4.1 Main underlying assumptions

To start with, the underlying assumption of the author is that the original intentions of Western institutions that promote good public procurement in the South are good ones, and not merely based on Western eagerness to gain more unilateral access into the region's procurement markets. In addition, I believe that if promotion of good public procurement takes place, this should be based on a balanced combination of good governance principles. My phrasing "balanced combination of good governance principles" refers to the different clauses that are incorporated into the promoted regulative procurement frameworks based on good governance principles. Many kinds of good governance principles exist, and each specific array of principles is set to benefit different actors. For that reason it is important to ask the question "good for who?" when introducing a good governance principle, as each actor imparts a different value to each principle, based on its stake and political views. A balanced combination for us would mean the results of adopting such reform will not be detrimental in the fight against poverty. The main assumption in this study is therefore:

“The promotion of a sound combination of good governance standards in public procurement by Western institutions in Latin America will eventually have a positive impact on poverty reduction in the region.”

1.5 Research methods and design

In order to attain the research objective of this master project we shall use the “empirical analytical approach” (Hakvoort, 1996: p.24), by doing comparative case studies and interviews. Qualitative research methods will be used to answer the sub questions of this research paper. Box 1 displays the data sources for the qualitative research.

<p>I. Qualitative data sources</p> <p>A. Secondary sources: existing documents</p> <ol style="list-style-type: none">1. Books, periodicals, published reports, journals2. Reports by International Organisations3. Academic research reports <p>B. Primary source:</p> <ol style="list-style-type: none">1. Interviews: e-mail and telephone interviews
--

Box 1: Classification of qualitative data sources (Source: McNabb 2002, p.57)

Desk research in existing books, periodicals, published reports, journals, international organisations and academic research reports will be the main instrument for describing all the necessary points within the different sections in this research paper and will provide a basis for the interview.

Moreover, it will provide a basis for studying if the outcome of policy by Western institutions is the logical consequence of the intentions of that policy. The policy studied here is the presumed active promotion of Good Public Procurement standards and the intention that is targeted is poverty reduction. We will show how the game of political power and governance networks affects the actual implementation of good procurement standards in the selected cases. We will look at the appropriateness of these Western institutions promoting good public procurement in the South, measured against the rules of the game, legitimacy and “out of tune-ness” of the policy and implementation process in the selected cases.

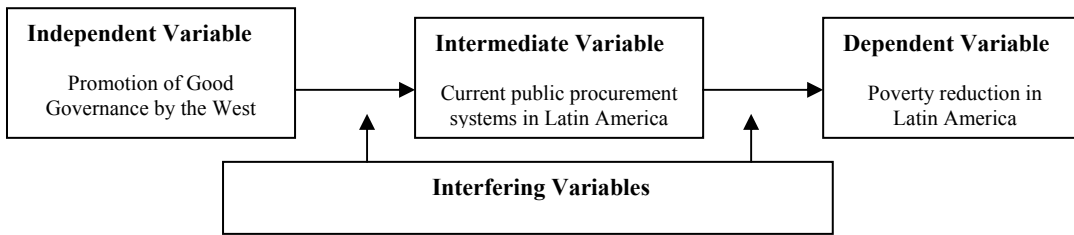


Figure 1: Research Variables

As is pictured in figure 1, the independent variable in this research is Western promotion of good governance standards in public procurement of Latin America. The author chose that region out of personal interest. The intermediate variable is the suitability of current public procurement systems in Latin America, measured against their capacity to influence the dependent variable, which is an actual positive result in the field of poverty reduction in Latin America. In fact, interfering variables are all factors or actors that might promote or, in the opposite case, hamper adoption and implementation of good procurement standards. Interfering variables are of course also those factors which enable or conceal the possible positive impact of good public procurement on poverty reduction. An example of a possible interfering variable might be corruption or institutional misfit of the standards that are promoted by the West. The independent variable and the interfering variables will be discussed extensively in the theoretical framework. From the knowledge acquired in the theoretical framework we will draw up a hypothesis. At the end of the theoretical framework we present a conceptual model which incorporates the research variables once more, based on the desk research which is done in that chapter. The dependent, the intermediate and the interfering variables will come back in the case studies where the hypothesis shall be discussed once more.

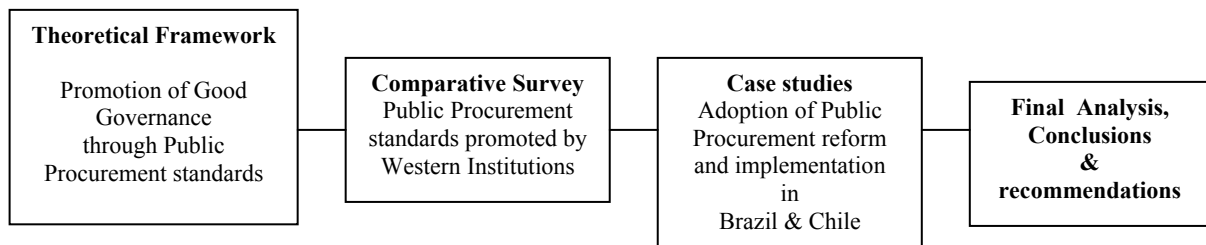


Figure 2: Overview of chapters

Figure 2 gives an overview of the different chapters that will make up this master thesis. As explained in the former section, in the theoretical framework the promotion of good procurement standards and public procurement itself will be discussed as well as all relevant topics which are underlying or interconnected to the subject.

By doing desk research we hope to find out the answer to the first sub question which is of a combined character: “what are good governance principles and which principles are advocated internationally through good public procurement standards?” The former will be discussed in the first sections of the theoretical framework and the latter will be studied in the comparative survey of international public procurement standards. Within the theoretical framework we will also discuss the relation between public procurement and poverty reduction, which is the second sub question. That discussion shall as well be based on desk research. The latter will also provide the answer to the sub questions three and four –what factors hamper good public procurement in Latin America and what factors promote and facilitate the adoption of good procurement practices –.

In the comparative survey of procurement models mentioned above some of the most relevant procurement regulative frameworks advocated by Western institutions shall be presented. That will result in an analysis in which the benefits and disadvantages of the different procurement regulative frameworks and the way in which they are promoted are compared. Multilateral development banks and donor countries “promote” procurement reform in Latin America. This comparative survey shall include the good public procurement standards advocated by the World Bank and the one proposed within the WTO. We shall focus on the content of the policy reforms proposed by those institutions to the South as well as on the way in which those institutions advance in the promotion of their objectives in the respective countries. The strengths, weaknesses, opportunities, and threats of the different public procurement systems for developing nations will be analysed and compared.

In the following section we explain how a multiple case study and interviews are planned to support this research. The conclusion will present the main findings of this project, based on the comparative analyses of both cases. Hopefully, this will lead to valuable recommendations, which will also be presented in the final chapter.

Case studies

Case studies are a conventional inquiry method within qualitative research. Its technique involves an in-depth, longitudinal examination of a single event rather than using large samples to examine a limited number of variables. It provides a systematic approach for looking at a research problem. This research report follows a number of steps in planning, analysis and presentation presented in figure 3 on the following page. I will do case studies in which I will look at both the promotion of good procurement standards and its implementation in Latin America. Given the limited time frame and resources in the scope of this project I cannot analyse all the countries in Latin America within the case studies, and I can neither evaluate the influence of all of the Western institutions. I shall therefore have to narrow down my research, limiting it to a set of two countries that will be examined in the multiple case studies.

The two countries that have been chosen for this analysis, in which I seek to determine the answer of sub questions five to seven, are Brazil and Chile. These countries were a good choice within the region as they have performed quite well over the past decade in terms of development, showing growing economies fuelled by stable political arenas and moving towards more democratic and reliable governance systems. They could function as examples across many fields for the region in its entirety, including in their efforts to modernise public administration. There is quite some information available online about the dynamics of the procurement systems in these two countries, hence it is also practical reason to select them for the case study. As Brazil and Chile are countries situated on a continent where social inequality is prevalent, significant parts of their population live in poverty, in Brazil more than Chile, admittedly. Consequently, it would be interesting to focus on these two countries since despite of being in such a region they have apparently managed to perform better than the region’s average in the areas of industrialisation, infrastructure and the boosting of social development. Poverty remains a problem though, and corruption is still present. As the general perception is that Brazil is more corrupt than Chile and that the former has a higher amount of impoverished people than the latter, it would be interesting to see how these two countries differ in their efforts to regulate public procurement, and to what extent they have adopted relevant international standards in their procurement systems.

I will strive to identify the stake and weight of the World Bank in the recent public procurement reforms of the two countries within the case study. I shall evaluate its contribution towards a more appropriate public procurement system in these countries, in light of the ultimate goal of poverty reduction. The reason behind choosing the World Bank as object of study for this research is because the World Bank is known for putting a lot of effort into contributing to good governance reform in Third World countries. Besides, since the Bank has the power of aid conditionality –by means of which it is known for imposing certain reforms as a condition to receiving aid– it would be especially interesting to research what has characterised their endeavour for change in the field of public procurement in Latin America, and what the results of it have been. The Bank is very representative as a “Western” institution promoting good governance principles across the developing world.

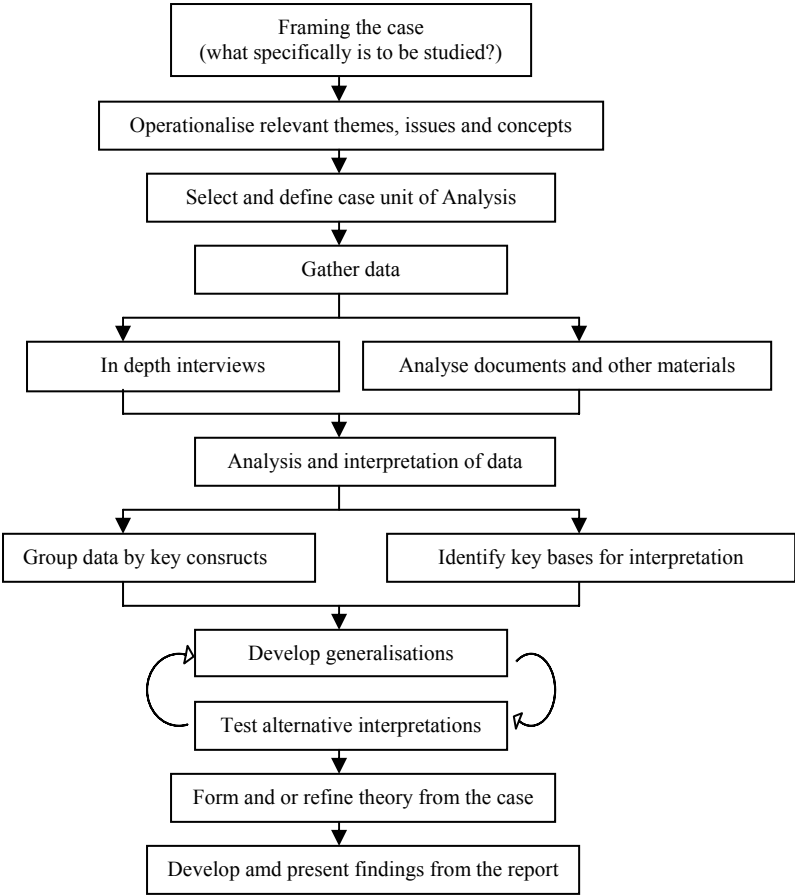


Figure 3: Developing a case study (Source: McNabb 2002, p.292)

Within the World Trade Organisation there prevails an important scuffle to negotiate a global standard for Public Procurement between the “West” and the “South” as many southern countries believe that introducing such a standard might be harmful for their local industry. For this reason, we will focus on the WTO’s Agreement on Government Procurement, examining if Brazil and Chile have accepted that agreement or not. I believe that qualitative data from the World Bank and the WTO to support my research on this subject is vastly available online.

Hopefully the results of these case studies will give us an answer to the question if we can or cannot expect Western promotion of good public procurement to be capable of contributing to poverty reduction in the South.

Interviews

We want to know the answer to the sub question of “to what extent can (non-) adoption and implementation of good public procurement in Chile and Brazil be explained by the factors we describe in the conceptual framework?” Hopefully the interview respondents will support us to find the answer to that question and provide us with information that is of a valuable contribution to my research on the effect of good public procurement on poverty.

Robson (1993: p. 271) says that where a study focuses on the meaning of a particular phenomenon and individual historical accounts are needed to understand the development of that phenomenon an interview is most appropriate. A focal point in the primary data sources will therefore be qualitative research interviews, which will be done in order to find out what the point of view of experts is on the research problem. I will do semi-structured interviews with the people listed in the appendix by telephone. A semi-structured interview has predetermined questions but the order and questions wording can be modified based upon the interviewer’s perception of what seems more appropriate to ask a particular interviewee. Having them answer questions openly is appealing because of the flexibility of this type of interview. According to Robson (1993) open interviews encourage the cooperation of respondents, allow to make a truer assessment of what they believe and can produce unexpected answers. The chosen set of respondents seems to be appropriate because of their experience in promoting good public procurement in Latin America in the different institutions at which they work.

Pitfalls

As goes for each qualitative interview, the interviewer needs to be wary of the possibility of getting socially desired answers from respondents. I will try to build in control questions in order to see through this in my interview. The other pitfall I need to be cautious of in this research paper is called selection bias (Collier et al., 1996). In this context it applies by means of the selection of the cases. When making generalisations it is important that the cases which are chosen are not extremely positive nor negative, but representative for the whole research population. As I will use the findings to make generalisations about Latin American poverty reduction, Brazil and Chile might not be considered representative for the whole set of Latin American countries as their progressive economic and social development might be considered as extreme for the region.

1.6 Scope and limitations of research

One of the limitations of this research is the difficulty of quantification and of isolation of the variables. This is a very common problem for social research. I cannot quantify my intermediate and my independent variables. So I cannot carry out a correlation analysis between good public procurement and poverty reduction as such. However, I will perform an analysis of existing literature that succeeds in linking developments in good governance to poverty reduction, something which is very closely connected to the topic of my research. The second important limitation of this research is the empirical part, which is quite limited. Qualitative interviews in person can provide a basis for doing observations that might possibly be relevant for a research. The author carries out telephone interviews for primary data, which will hopefully be sufficiently efficient tools in the endeavour to achieve the research objective of this project.

2 Theoretical Framework

2.1 Introduction

This chapter provides a basis of understanding which is crucial for this project, by giving theoretic answers to the following sub questions:

1. What is good governance in public procurement?
2. What actors promote and what factors facilitate the adoption of good procurement practices in Latin America?
3. What factors hamper good public procurement in Latin America?

As mentioned above, here we will approach these questions from a theoretical perspective and accordingly, in order to get the answers that we need, we will explore articles and books by several authors. Moreover, the main purpose of this chapter is to form a hypothesis that is to be further examined in the case studies and interviews. Besides leading us to drawing up a hypothesis, this chapter describes the process of the trajectory that a western-advocated good procurement reform goes through in a developing country, and it provides with an explanatory model which seeks to predict in what cases the internationally promoted reforms will and will not be adopted by a recipient country.

For the sake of clarity of this paper, the following paragraph 2.2 shows the relation between governance, good governance and public procurement. It also contains a discussion that links good governance in public procurement to poverty reduction, as we consider this to be fundamental considering the central research question that we are investigating. Paragraph 2.3 speaks of the factors which could influence adoption and implementation of good public procurement in Latin America in a positive as well as in a negative way. It focuses on aid conditionality and new institutionalist theory's isomorphism, which explain the international trade of management ideas between donor institutions, donor countries and peripheral states. It thus portrays the factors and actors which enable good public procurement to be adopted and implemented, as well as theories that elucidate the difficulty of successful adoption and implementation of those standards in the South. A sub section on corruption is also included, as we consider it to be one of the factors that might hinder successful implementation of good procurement reform.

2.2 Governance, the emergence of global good public procurement standards and the effect on poverty reduction

Over the past two decades we have seen how within the context of OECD countries there has been an influx of new ideas and initiatives that have changed the way in which governments manage the public sector. These dynamics in public management in the West have led to the emergence of best practices, which are being promoted globally, both by donor countries and international organisations like the IFIs.

Yet like most things in this world, promoting best practices or good governance standards can have a positive side as well as a down side. One of its positive features might be that the promotion of these standards forces governments to think about change or modernisation in their government institutions, which could lead to enhancing the performance of their public

sector. However, promoting best practice standards through imposition of international regimes could be detrimental for the image of legitimacy in government action, as domestic actors and citizens might feel their elected government is merely being submissive to the wishes of the international community, instead of being autonomous. In many developing countries, which mostly have a recent colonial past, the public opinion very much adheres to the self-determination of the elected government. Besides, we also know that panaceas undoubtedly do not exist in public management and that is precisely where the second “down side” of best practice standards surfaces. The OECD (2005) recognises that modernisation of government is dependent on context and says learning will therefore work better at the level of system dynamics than at the level of instruments and specific practices. It also argues that while all governments are being affected by global trends, there are no public-management cure-alls. A country’s history, culture and the stage of development give government reforms different characteristics and priorities. Even though adaptation in governments can be assisted by learning from other governments or international agencies, unless countries are very similar indeed, reforms can not be carried out by using exactly the same instruments and specific practices that were effective in other states or cases, otherwise they might be doomed to failure. Instead of baptising the latter as the “down side” of best practices, one could also say that this is the part of which one needs to be wary when discussing public management reform.

2.2.1 Governance

We recognise that “governance” in the context that it is used within the field of Public Administration and “good governance” are not the same thing. The reason we mention governance in this part of the thesis is because we are looking at international institutions, which presumably promote good governance reform in developing countries through international procurement regimes like the GPA or the UNCITRAL Model Law on Public Procurement, and which for this reason might intermingle with the internal affairs of these countries. Keohane and Nye in Krasner (1982) define international regimes as a set of governing arrangements, that include networks of rules, norms, and procedures that regularise behaviour and control its effects. Krasner (1982: p. 2) himself defines international regimes “as sets of implicit or explicit principles, norms, rules and decision-making procedures around which actor’s expectations converge in a given area of international relations”. In the case of international regimes on public procurement, the international actors that we refer to are institutions like the IMF, the World Bank, the WTO, ODA donor countries, and other international institutions that might try to promote institutional change in peripheral states’ public procurement systems. We cannot fail to recognise that this is precisely the upward shift in governance power which Pierre (2000) speaks of in his discussion about the changes in world wide public governance, and that we refer to further below. In the past it was believed governments could “govern” alone within the boundaries of their territory. Yet the reality of today shows that not only governments have to more and more deal with domestic actors in order to govern their societies, but that they increasingly need to face pressures coming from international institutions that ask for certain changes in their administrative and political status quo. In the case of developing countries that pressure is of course the more effective, as peripheral states are sometimes dependent of the development funds that those international institutions can make available for them.

The term governance has become one of the most widely used in debates of international relations, political sciences, public management and public policy. The OECD defines it as such: “governance refers to the formal and informal arrangements that determine how public actions are carried out, from the perspective of maintaining a country’s constitutional values in the face of changing problems, actors and environments” (2005: p.16).

As the definition of governance is a hotly contested subject at the time, there also exist several different perspectives for looking at the term (Peters et al., 2000). The purpose of this section is not to give a detailed description of all of the different governance paradigms, but to explain which of the paradigms is most relevant for our analysis. According to Peters et al. (2000) one can look at governance as a structure and focus on the impact of the dominant actor within each of their four governance models, which are hierarchies, markets, networks or communities respectively. The second governance paradigm that Peters et al. present (2000) offers a more dynamic view on the term and talks of “governance as a process”. This perspective emphasises the steering and coordinating capacity of the state and seeks to understand how actors cooperate, control and produce policy outcomes. I will concentrate on the perspective of governance as a process and focus on the steering capacity of developing states in deciding upon adoption of an appropriate framework of good governance standards. The latter is necessary because it will explain how far the influence of international public procurement regimes has stretched.

Supranational and international actors have been threatening the capacity of governments to manage their own economy and society, and governments in developing countries are no exception. The growth of international regimes across a number of policy areas is due to increased international cooperation of governments with other governments and international organisations. That cooperation is needed in order to overcome certain problems, as issues in nowadays’ society also have become more and more complex and global. On the other hand, governments rely on cooperation with sub national actors and institutions in order to solve societal problems in a more legitimate way, as public scrutiny –mostly through the media– has increased in an era where trust in government has decreased relentlessly. Hence, upward and downward shifts in power have become typical in the governance process of modernising government. Within the scope of this paper the upward shift of power in the design of good public procurement systems is being analysed. We are also looking at the difficulties that lower government institutions –read bureaucrats and decentralised government– might experience during the implementation phase of imported public procurement systems.

As stated above, governance has become a fashionable term in political sciences for analysing the patterns of rule. Although the term has been criticised as imprecise by some scholars (Rhodes, 1996:652, Bulmer, 1998:p. 366), it has particular value in examining the international institutions and international regimes that exert pressure on domestic policy makers. According to Pierre and Peters (2000) the increase in influence of such international regimes, in which the most powerful actors are often Western-led international organisations, is linked to developments such as political globalisation and other new developments in public management, as for example the domestic moves in many countries towards new public management as a way of better-administering policy, polity and politics. The focus on governance is important because it highlights the loss of sovereignty of traditional governments when managing the policy problems with which it is confronted in modern day society. This paper thus investigates the importance of international regimes as central actors in multilevel governance networks as seemingly this sometimes is at the expense of nation states.

2.2.2 Good Governance

In the former section we spoke of the upward shift in power that new governance theories focus on. We spoke of international institutions, and one of the actions of those institutions is that they promote good governance principles in the public management of developing countries. This paragraph speaks of good governance principles in general and the aim is to fully clarify the concept.

Good governance ideas emerge from assumptions about the status of the governance process of the government. Different indicators of good governance are appropriate for different purposes. According to Knack et al. (2002) indicators differ across several important dimensions. First of all, some indicators measure relatively specific aspects of the quality of governance and government action while others are more focused on the respect of human rights of the citizens. Secondly, some indicators focus more on the process of governance, while others put their emphasis on the outcome of governance. As mentioned in the introduction chapter and displayed below in box 2, good governance comprises a diverse and at times contradictory set of features. Although the source that supplied us with this box is not a conventional academic one, the box does provide a clear overview of the different characteristics of good governance that we pointed to, and therefore we chose to make use of it.



Box 2: Characteristics of Good Governance. Source: www.wikipedia.org

Good governance is supposed to be consensus oriented, participatory, transparent, accountable, effective, efficient, responsive, equitable, inclusive, and it should follow the rule of law. Good governance also pledges for minimising corruption and taking into account the voices of society’s most vulnerable in the process of decision-making. Achieving all these objectives at the same time could be a head-breaking experience for governments, especially since combining all of those ideas into a malleable policy implies making decisions about how to balance the importance of each of the criteria. These are nothing else than political decisions, the output of which –like all of government’s decisions– are based on the power and influence of the different actors that participate in the government decision-making process.

For many reform-minded government officials from peripheral states, as well as for academics and practitioners in the international development community, good governance has become as imperative to poverty reduction as it has become to development more generally, as Grindle (2004) puts it. However, she also says some components of “good governance” are profoundly problematic as a guide to development. “Getting good governance calls for improvements that touch virtually all aspects of the public sector—from institutions that set the rules of the game for economic and political interaction, to decision-making structures that determine priorities among public problems and allocate resources to respond to them, to organisations that manage administrative systems and deliver goods and services to citizens, to human resources that staff government bureaucracies, to the interface of officials and citizens in political and bureaucratic arenas. Getting good governance at times implies changes in political organisation, the representation of interests, and processes for public debate and policy decision making” (Grindle, 2004: p. 525).

Some authors consider the good governance agenda to be overwhelming (Grindle, 2004; Kapur, 2000). It owes its expansion in part to the result of research, after scholars have found interconnections between particular kinds of policies and institutional arrangements associated with growth or poverty reduction, or when analysis has indicated that for instance corruption or instability constrain development. The good governance agenda stretched out as well through the advocacy of devoted supporters of sustainable development, empowerment of the poor, free trade, and other desirable conditions. Indeed, much of the agenda has emerged from research, but also from New Public Management experience in OECD countries. That agenda has been encouraged by international financial institutions, international nongovernmental organisations (NGOs), and multilateral and bilateral donors. In several occasions this “encouragement” is done through aid conditionality, of which I speak in section 2.3.3.

Unfortunately, even though the numerous governance reforms are supposedly required to support development and reduce poverty, there is little guidance about what type of reforms are most relevant, which ones should have priority and what can be achieved in the short term and what can only be achieved over the longer term, as well as about the reforms’ feasibility. Grindle (2004) argues that if more attention is given to sorting out these questions, good governance may become a more realistic goal for many countries faced with the goal of reducing poverty. She actually prefers speaking of “good enough governance”, which in her article is defined as “a condition of minimally acceptable government performance and civil society engagement that does not significantly hinder economic and political development and that permits poverty reduction initiatives to go forward” (Grindle, 2004: p. 526). According to her, developing countries should only work towards good enough governance, as good governance as an ideal condition might be a too ambitious goal for many developing countries to aim for, given the hostile context in which it might have to be implemented. We say hostile because the conditions in which governments in developing states have to work are sometimes predominantly driven by problems like corruption, budget deficits and an unskilled public workforce, just to name a few. Working towards good enough governance would mean accepting a more nuanced understanding of the evolution of institutions and government capabilities and being explicit about trade-offs and priorities in a world in which all good things cannot be pursued at once. Section 2.2.4 speaks of good governance in public procurement.

There is no way we could escape including New Public Management and its implications for peripheral countries to this theoretic discussion. Although we cannot bluntly say that NPM and good governance are the same thing, NPM is mostly about improving the performance of the public sector, and many of these improvement indicators are similar to the good governance principles that we have found. NPM has endeavoured to introduce business-like practices to public organisations. The impact of NPM in the world of public management has been very substantive and should therefore not be neglected in the scope of this research. Understanding how the promotion of NPM ideas in developing countries fared off could provide insight into the conditions under which promotion of best procurement practices could be successful in Latin America.

The focus of NPM is on bringing management concepts from private business into the public sphere like performance measurement, customer and bottom line orientation and restructuring of incentives. Another important component of NPM has been to create or strengthen the conditions that would facilitate performance management and customer orientation of the public sector. These are for example deregulation, privatisation, outsourcing, and tendering out. “In their classic formulation, Osborne and Gaebler (1992) attempt to reinvent government and distinguish ‘steering’ (policy decisions), of which a state needs more, from rowing

(service delivery), of which it needs less. They formulated principles for entrepreneurial government. Analytically and empirically, NPM focuses on similarities between public sector reforms in countries that are politically and economically very different. In all these reforms, the market is a model for public policy implementation” (Van Kersbergen et al., 2004: p.147-148).

From the first spotting of the NPM trend it was often considered as a useful model for developing countries to follow, says Manning (2001). However, measured against its self-proclaimed universal relevance, NPM has not been successful in becoming the only public management paradigm in the developing world, as hierarchical bureaucracies have not been replaced by chains of interlinked contracts, which is one of the essences of NPM. NPM has left its marks, even though quite modest, as there have been a few significant reforms that have been drawn from its “menu” in peripheral states. Manning (2001) argues that there seem to be two main likely explanations for why NPM has delivered fewer results in developing countries than initially claimed. He points at lower public scrutiny in developing countries as a cause for NPM not having been adopted as successfully as expected in first instance. Because the expectations of the citizens are very low to begin with, it will not be likely that citizens complain to their governments about poor public service. Although it would make sense that because of a history of deceptions from government, citizens would be less willing to scrutinise government action, we are not sure if this is actually the case. Manning says that the times at which citizens in developing countries do complain to their governments, their voice gets drowned out by the far louder voice of donor conditionalities. Yet Manning alleges it is precisely this carelessness and lack of scrutiny from the part of citizens that takes away a very much needed incentive for governments to improve the performance of the public service. Second, he points at how important the existence of Old Public Disciplines⁷ is for New Public Management to function. “In many NPM-like reforms in developing countries, the Old Public Disciplines were absent [...]. It is an empirical observation that products of Old Public Disciplines like predictable resourcing, credible regulation of staff and credible policy, are prerequisites for effective contract-like arrangements [...]. These disciplines are fundamental to any conception of performance and without them there are few reforms that can gain traction” (Manning, 2001: p.302-3).

In sum, public scrutiny based on high public expectations will provide a government a motive to successfully adopt NPM reforms directed at improving performance. On the other hand, capability of governments to introduce NPM will be constrained by the non-existence of the old public disciplines, as those disciplines are elementary to any notion of performance. Consequently, there seems to be a discrepancy between the willingness of a country to introduce NPM reform that international institutions promote, and the capability of them to do so. Figure 11 shows the factors that are entailed by the gap between willingness and capability based on Manning’s analysis of NPM reform success. Our own figure 15 shows the influence of the different factors on desire to change vs. capability to change.

2.2.3 Good Governance: can it tackle poverty?

How much does good governance matter for development outcomes? This part of the theoretic framework tries to link good governance to poverty reduction. There is growing empirical literature documenting the relationship between indicators of various aspects of governance and economic outcomes⁸. Schacter (2000) in Kaufman et al. (1999) shows that for

⁷ Old Public Disciplines are for example central agencies, budgeting, line-departments on specific business areas, and institutions that constrain the behaviour of public servants (Manning, 2001: p.302)

⁸ “This literature includes Mauro (1995) on the effects of corruption on economic growth and investment; Loayza (1996) on the determinants of the unofficial economy; Ades and DiTella (1996) on the causes and

example government effectiveness is positively correlated to poverty indicators as per capita income, infant mortality and adult literacy:

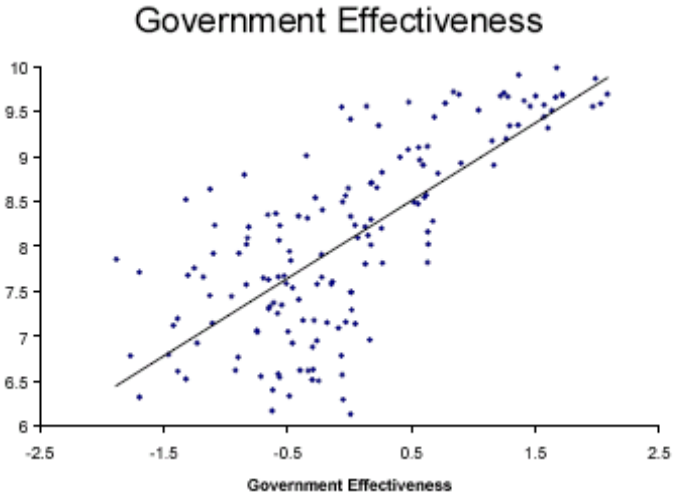


Figure 4: Government Effectiveness and Per Capita Income. Notes: the graph plots the indicated governance aggregate (on the horizontal axis) against the logarithm of per capita GDP at PPP (on the vertical axis) for the sample of countries covered by the governance aggregate. Source: Schacter (2000)

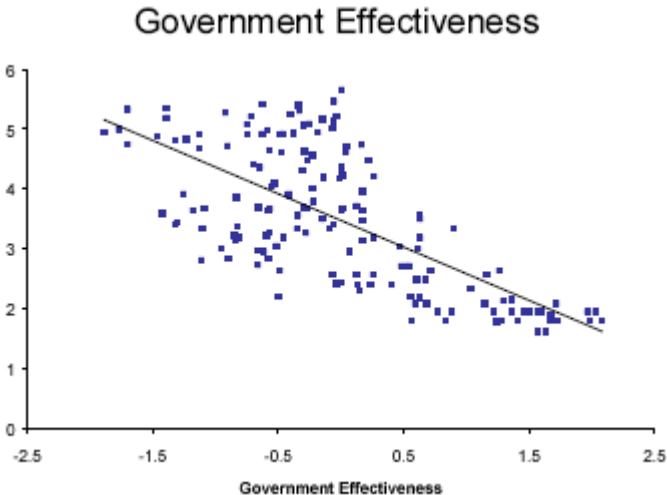


Figure 5: Government Effectiveness and Infant Mortality. Notes: the graph plots the indicated governance aggregate (on the horizontal axis) against the logarithm of infant mortality per thousand live births (on the vertical axis) for the sample of countries covered by the governance aggregate. Source: Schacter (2000)

consequences of corruption; Knack and Keefer (1997) on corruption and public investment; Wei (1997) on the effects of corruption on FDI; Rodrik (1997) on the role of institutions in the success of East Asia; Johnson, Kaufman and Zoido-Lobaton (1998) on the effects of per capita income and a measure of what they call “social infrastructure”, and Chon and Calderón (1999) on the Granger-causality between institutions and economic growth” (Schacter 1999: p. 3)

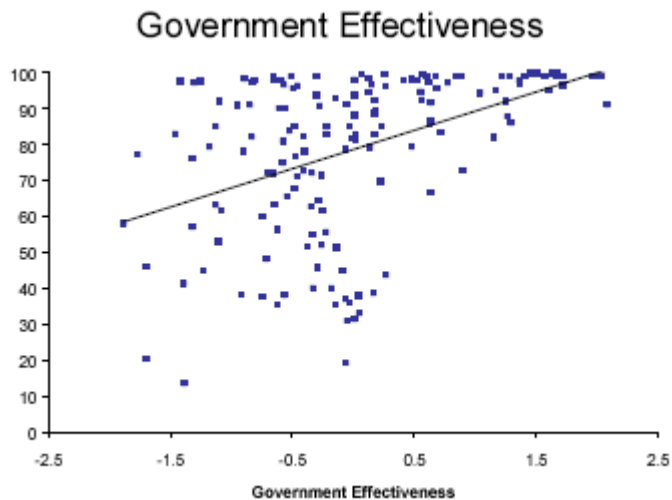


Figure 6: Government Effectiveness and Adult Literacy. Notes: the graph plots the indicated governance aggregate (on the horizontal axis) against the adult literacy rate in percent (on the vertical axis) for the sample of countries covered by the governance aggregate. Source: Schacter (2000)

Schacter concluded that good governance, as measured by the following indicators, matters a great deal for economic outcomes:

- Rule of law,
- Effectiveness,
- Political instability and violence,
- Participation, accountability and transparency,
- Regulatory burden.

He showed a positive correlation with the above indicators and a cluster of three poverty indicators, which are:

1. Per Capita Income,
2. Infant mortality,
3. Adult literacy.

Even though for example in the Far East there have been some success stories of countries that in great part have achieved to overcome their poverty problems, we can generally say that poverty is very difficult to counter, as becomes apparent from the fruitless war that many other peripheral countries have seemed to wage against it over the past decades. We can define poverty as the lack of access to employment, income, health, housing, education, and other basic necessities of life. Basu notes it is a multidimensional problem having its own economics, politics, sociology and even culture. War against poverty has therefore to be fought from several angles, through programmes covering various sectors of economic, social and human development (in UN, 2004: p.105-106). It thus would be naïve to believe that good public procurement is the ultimate cure for breaking through the poverty circles of a nation state. Yet possibly, it could stand for a modest contribution towards achieving that objective. The UN describes poverty as a vicious circle (2004: p.47) as is visible in the figure below. People who live in absolute poverty are victims of those vicious circles and face difficulties breaking them if there is no intervention measure that provides a way out.

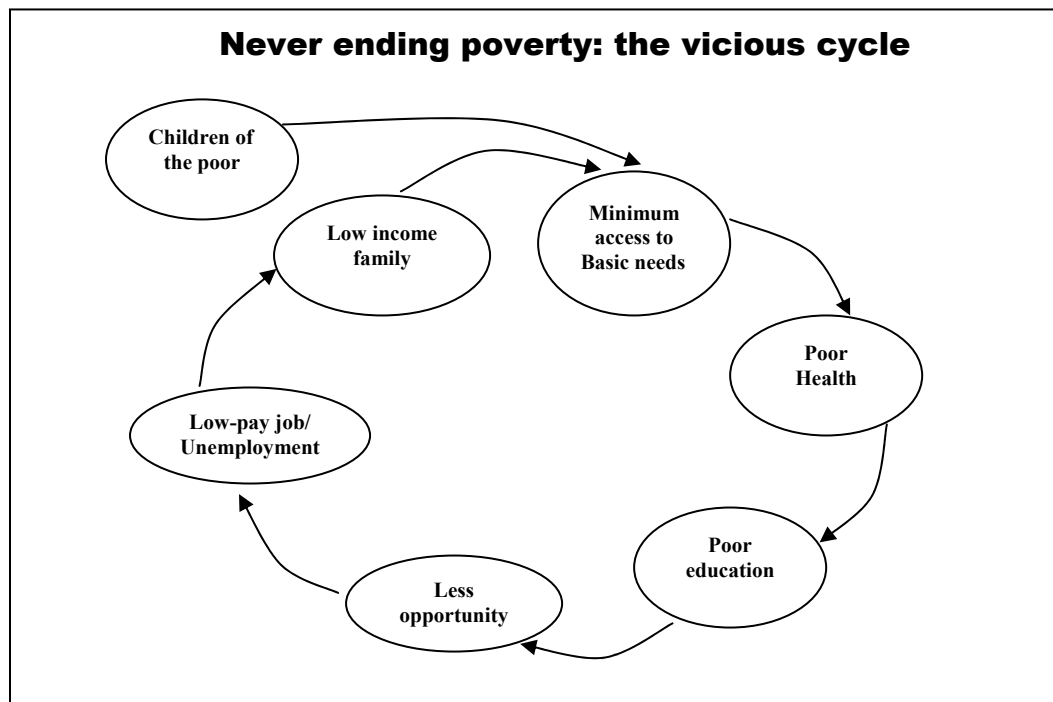


Figure 7: Vicious circle of poverty. Source: UN, 2004: p. 47.

Sopchokchai (UN, 2004: p.54) identifies some key areas in which governments can engage for the purpose of poverty reduction. These can be seen as ways to empower and enable people to break through the vicious poverty circle and are:

- Government subsidies and welfare programs;
- Affordable health care programs;
- Cheap or free education;
- Skill development for the unemployed through training and alphabetisation programs;
- Micro-credits/loans for the poorest;
- Government support for development of local SME's;
- Law measures that increase the minimum wage;
- Create job placements for the young together with local businesses.

There are several perspectives in the war against poverty. First of all, it is the responsibility of the government of a nation state to boost social development and combat vicious poverty circles in the local society. This is the bottom-up approach for poverty reduction. The top-down approach recognises the importance of international involvement and commitment to aid from the Western donor community in order for the economies of the peripheral states to prosper. The network approach to poverty reduction calls to mind the different ways in which peripheral governments and their locals can work together with Western countries and institutions in order to achieve poverty reduction in those societies; the idea behind this approach is that both sides can benefit financially from it. In figure 8 three approaches for dealing with poverty reduction are displayed. We could say that promoting good public procurement in the South is part of the top-down approach in which western institutions assist peripheral states to strengthen their institutions. But most importantly, good governance should be driven from a bottom-up commitment, and should involve the commitment of all, from the street-level bureaucrat to the top politicians and high-level bureaucrats.

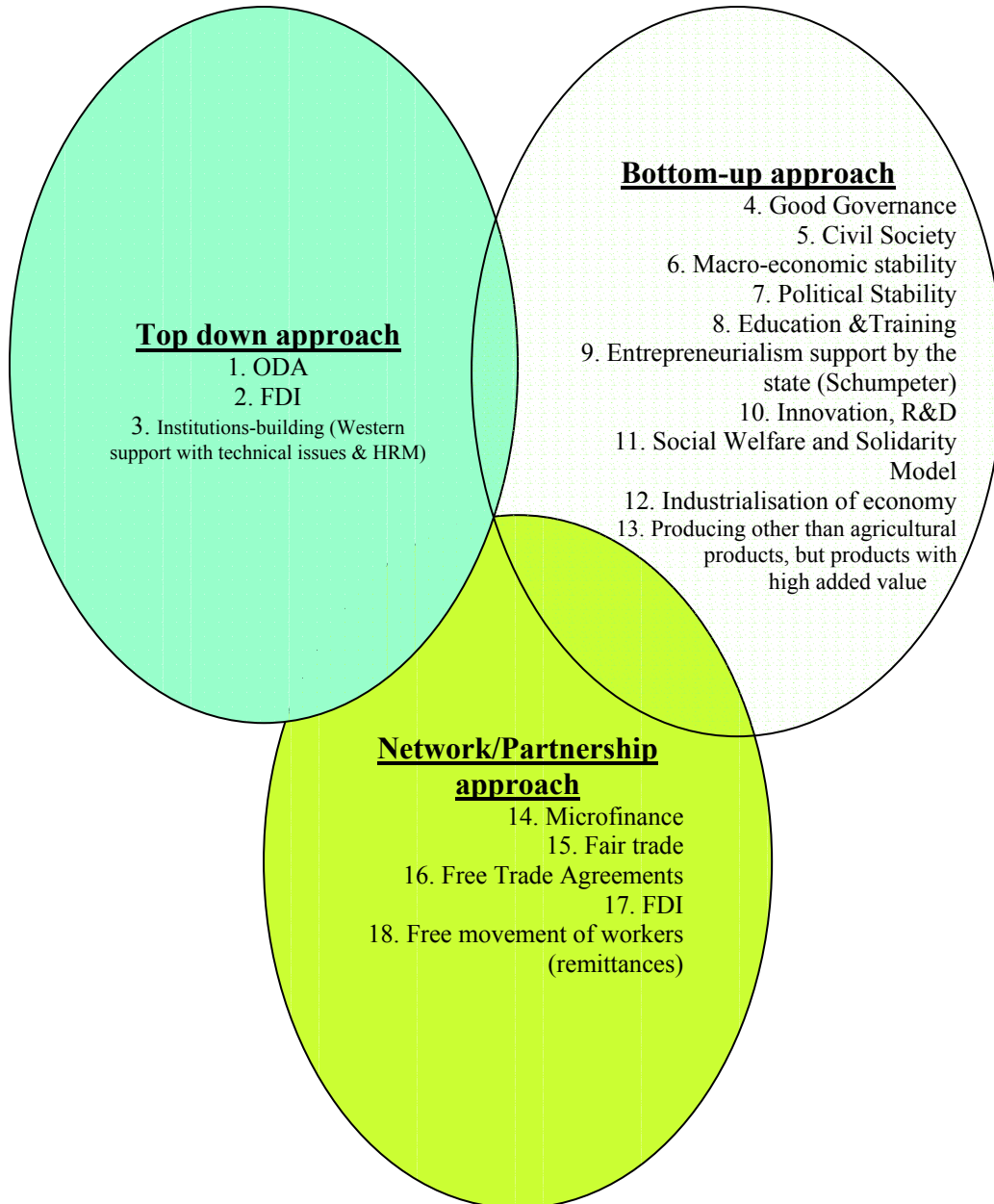


Figure 8: Three approaches for poverty reduction. Source: personal elaboration

2.2.4 Promoting good governance in public procurement

It is easy to mistakenly see public procurement as a simple activity, something politicians think of as last. Administering contracts with the private sector has always been the Achilles heel of government, a source of corruption and mismanagement, according to the OECD (2005: p.17). It should be all too clear that the costs of poor government performance are wasted resources and undelivered services, among others. In order to fully reap benefits from procurement reforms, public procurement should firstly be accepted as a strategic government activity.

The OECD recognises that promotion of reform towards good public procurement has connections with the wider development agenda, like new modes of resource transfer such as budget aid, public expenditure management, good governance, and the Monterrey and Doha agendas. One of the key items on the Monterrey agenda is aid effectiveness, as donors realised that giving aid money alone would not solve poverty problems in the recipient

countries, and it was assumed that through promoting governance reform donors could significantly contribute to the development of the South. Another assumption that after the Uruguay and Doha rounds became fundamental in the international donor community was that development of recipient countries could be achieved through increased international trade (François et al., 1996). Within the Doha Round, the WTO Agreement on Government Procurement (GPA) was introduced and ratified by 32 industrialised countries after it was acknowledged to be in line with efforts to liberalise international trade. At the time, the number of countries that has signed on to the agreement has risen to 37.

McGrudden et al. say domestic procurement in peripheral countries is often seen, rightly or wrongly, as characterised by corruption, inefficiency, political capture, rent seeking, protectionism, inflated costs, and the development of cartels (2006). Advocating good governance in public procurement raises a large amount of questions about what exactly needs to be done, how it needs to be done, and who will benefit from it. The latter is derived from the balance of the different components of good governance that is the output of the interest battle between the designers of the procurement system and its stakeholders. According to the OECD (2003) more research and analytical work is needed to develop a more robust estimate of the benefits of good procurement system (monetary value and beyond) for developing countries, and an advocacy/communication strategy to use these results to help mainstream procurement reform into national development strategies.

So it is not only the content of the proposed best procurement practices and its value from a development perspective that needs to be studied; the actual promotion of best procurement practices is something that needs to be analysed as well. Is best procurement advocacy done through donor conditionality or through other means? Reforming public procurement could be a long, slow, reversible, and frustrating path towards better performance in government purchases, and there seem to be no technical or easy fixes to it. The sustainability of a public procurement system is constrained by the institutional context in which it exists, in other words the available procurement infrastructure:

- The people (e.g. the bureaucrats in charge);
- The information that is at hand;
- The IT applied to process it.

According to Wittig (1999), the one resource which will make the most difference in the task of enhancing values through improved procurement operations is a dedicated, trained and professional procurement workforce. People are essential to translate management goals and policies into reality.

Considerable common ground exists already on the hallmarks of a good procurement system, through the harmonisation of international efforts to promote good public procurement principles from the part of the donor community. Harmonisation efforts occur at roundtables organised by the different international organisations, like the recurring OECD, WTO and World Bank Development Assistance Committee Roundtables on Public Procurement. The WTO's GPA as well as the UNCITRAL Model Law on Public Procurement –the procurement regulatory framework proposed by the UN and promoted by the IFIs– both share their concern for accountability, transparency, value for money, effectiveness. Nevertheless, there still are many different perspectives on what an ideal procurement reform should look like as there are many different players with different views, needs and contributions to make. Knight et al. (2003) distinguish three types of stakeholder expectations of government procurement. We added the fourth stakeholder expectation ourselves:

1. Public procurement as administrative function, to deliver transparency, accountability, legality, probity and other anti-corruption measures;
2. Public procurement as a means to deliver value for money, with some links to socio-economic goals, set to benefit the local industry;
3. Public procurement as an integral part of governments' capability to deliver services.
4. Public procurement as an arena where rent seeking, patronage and clientelism can be done in a "subtle and acceptable" way.

2.2.4.1 Stakeholders

At least four groups of stakeholders exist that have strong interests in the development of procurement reform. Government purchases require financial resources. At the domestic level, taxes will most likely fund government purchases. However, in many developing countries, raging budget deficits require engaging resources from outside the domestic level, and international financial institutions often provide the necessary budget funds. Therefore, the first relevant stakeholders are taxpayers and other (international) funding bodies. The general expectations of the taxpayers presumably are centred on the first and the third expectation point showed in the above section. Depending on their political inclination, the international funding bodies might be interested in the first two expectations. Second, there will be those who stand to benefit from the goods or services that are being purchased by the government. Where for instance roads, school buildings, or water infrastructure are being built, the local communities will be concerned with whether the public works are built on time and to their satisfaction. They are presumably interested in the third expectation showed above. Third, there are the companies who seek to win the government procurement contracts; these could be multinational companies from western countries or local businesses. McGrudden et al. (2006) note that whether or not firms are successful in bidding for such contracts, and on what conditions, may well significantly affect the economic success of the firms, potentially even their survival. International supplier firms might be interested in the first and the third expectation mentioned above. Local suppliers most probably interested in the first three expectations mentioned above. Finally there are the interests of 'the government'. Governments do not consist of a homogeneous set of interests, but of institutions that comprise individuals with a diverse set of sometimes competing interests. Many authors recognise that the distribution of government contracts involves the potential for significant patronage (OECD, 2003; 2005; McGrudden et al., 2006; Søreide, 2006). There are significant clashes between those who stand to gain financially or politically from using procurement as an instrument of "personal or political aggrandisement" (McGrudden, 2006: p.156) and those who will benefit from procurement being seen as free from such possibilities. There is a group of stakeholders that might have twisted expectations of government procurement, like the fourth expectation mentioned above, and these people could range from government officials to employees of supplier firms –either local or international ones–.

In the 2003 first DAC Roundtable it was suggested that the best way to reconcile differences between stakeholders and strengthen partnerships among donors and recipient countries is to focus on the core objective of building good public procurement systems that also visibly demonstrate that money is being well spent (OECD, 2003). Public procurement systems are the public expression –both domestically and internationally– of how countries do business.

2.2.4.2 Good public procurement as an instrument for poverty reduction

There is a strong “prima facie” case to show that good procurement brings significant benefits. The good public procurement reform analysis could go beyond the monetary benefits deriving from better procurement to include links with e.g. strengthening government credibility, expand trust in government and this way intensifying the legitimacy base of government.

The possibility exists to use public procurement as a social policy in order to benefit local industry up till a certain point of maturity, as well as to benefit certain weaker parts of the population through buying their goods or those of the companies they work for. Several countries pursue that type of policies, like for instance Malaysia, as McGrudden and Gross (2006) have noted. Secondly, efficiency savings could result from good public procurement. These economic benefits reaped from good procurement could be vast and there exists a possibility for using those funds in the fight against poverty, although it remains uncertain if this will actually be the case. It might well be that the yield of good procurement is used for other government priorities and not to fight poverty, and it could even be the case it flows into other streams of the administration which in their turn could be corrupt as well. There is one important caveat we should note in this efficiency story. As efficiency brings along savings and in many countries departments have to return the saved money to the central treasury, the risk of seeing the department’s budget cut in the following year exists. The latter might take away the incentive of the different departments to actually go for the most efficient buy, even when it is guaranteed that the saved money will go to poverty reduction programs.

But also effectiveness of public procurement is something which could benefit the poor, for example in the above mentioned infrastructure procurement. The lack of access to infrastructure is in the range of poverty indicators. In many peripheral states public works are abandoned before completion by the contractors due in large part to corruption, and it might take several years before the government places its attention on the abandoned works again. So an evident benefit of good public procurement for the poor communities is when they see that the render⁹ terms for public works are not postponed year in and year out, and their roads, bridges, aqueducts, public hospitals and schools are actually finished as promised for their use and well being. Evenett et al. (2004) recognise that reducing poverty and attaining health, education and other development objectives requires getting the most out of the limited state funds available for state purchases of goods, services and infrastructure. In addition they note that efficient procurement policies also contribute towards the sound management of public expenditures more generally (Hunja, 2003 in Evenett et al., 2004). “It is difficult to imagine how a state can deliver improvements in the well being of its citizens without a public expenditure system that includes effective public procurement policies. This recognition accounts for the greater interest in public procurement laws and practices and their feasibility and consequences” (Evenett et al., 2004: p.3).

2.2.5 Sub conclusion

In this paragraph we discuss the terms of governance, the emergence of international public procurement regimes, and the effect that introducing good governance standards might have on poverty reduction. We pay attention to the “loss of steering capacity” that peripheral states might experience when confronted with the demands of international institutions that ask for change in their domestic structures and or policies, for the sake of good governance.

⁹ Render term is the date of completion of a construction project

Some authors consider the good governance agenda to be overwhelming, and Grindle (2004) even says that developing countries should only work towards “good enough governance”, recognising that not all good things can be pursued at once and that there are certain trade offs that governments need to be aware of when introducing the good governance agenda. Good public procurement for example, is a concept on which there exists some common ground, yet important perspective-related differences still persist. Different actors have different expectations of how government procurement should be designed, and their expectations are mostly fuelled by the interests that they might have at stake in the matter. Changing the procurement system of a country can therefore be constrained by the different needs and wants of the local stakeholders.

New Public Management reform experiences in developing countries showed us that importing international standards is also constrained by another important factor. Both the willingness/motivation of a country to introduce a specific international standard into their domestic reality, as the capability of its institutions to do so will hamper the adoption and implementation of the reform. In the case of public procurement, we saw that the implementation of a reform is hindered by the procurement infrastructure at place, i.e. the people, the information they have at hand and the technology that is used in the process.

Public procurement could be seen as the public display of how a government does business; it is therefore imperative for a government that cares for its reputation, to make sure their government purchases are fair, just, effective, and free of corruption and fraud. Besides, especially in a developing country, good public procurement could contribute to poverty reduction if its efficiency and effectiveness are improved. In the study of Schacter (2000) we saw how good governance showed a positive relation with poverty indicators. In the case of good public procurement, the possibility exists to spend procurement efficiency savings on poverty reduction programs. Moreover, effectiveness of good public procurement will benefit the communities for example in the case of infrastructure procurement, because the roads, public schools and health centres will actually be built, as opposed to the case of ineffective and corrupt government procurement systems where public works are often abandoned before completion. Another factor which relates good public procurement to poverty reduction is that it is possible for a government to use public procurement as a social policy, set to benefit the national industry through “buy national” policies, which enables government to positively influence local employment rates and industrial development.

2.3 Factors which enable or hamper the successful adoption and implementation of good procurement standards

The first sub section of this section discuss the growing importance of the international trade of public management ideas, and the willingness of a peripheral government to pass a reform versus its capability to achieve implementation of real change. Subsequently, we discuss a couple of theories that elucidate the factors which enable the successful adoption and implementation of good procurement standards, like New Institutionalism, institutional isomorphism, and aid conditionality. The latter sub section discusses important factors that might hamper the successful adoption and implementation of good procurement standards.

2.3.1 International trade of public management ideas

“Globalisation has become a catchword for almost all types of international impositions on national sovereignty, be they political or economic, bilateral or multilateral, or driven by the state itself or by the market” (Pierre et al., 2000: p. 57). Political globalisation becomes tangible through political structures that enable cross-national learning and that are sometimes supranational actors. Anyhow, it is believed to have fundamentally transformed world society. “It has changed the context in which governments operate; even traditionally domestic issues are increasingly influenced by international actors and international events that are beyond national governments' ability to control, either individually or collectively” (PUMA, 1995: p. 2). Over time, sovereign nation-states have become increasingly similar in their socioeconomic as well as their political structures as a consequence of institutions that facilitate cross-national learning. In the West, globalisation partly explains why there has been an increase in the voluntary international trade of management ideas, as society’s problems have become more and more complex and states have had to cooperate with each other or imitate best practices from neighbouring countries in order to overcome certain otherwise barely solvable issues, like the ageing of the population (pension schemes), terrorism, human trafficking, concerns over energy markets, etc. In peripheral countries the impact of globalisation on policy making is also consolidated through enforced trading of management ideas in exchange for development aid, as becomes apparent in this chapter’s section on conditionality. Developing countries are in direct competition with their neighbouring states over FDI and ODA, hence they are concerned about maintaining their attractiveness and competitiveness, a reason why in many cases, emerging economies have endeavoured to keep their government practices up to date with the latest global trends in public management techniques.

Pollitt (2004) constructed a model that depicts all forces that both drive and restrain public management reform. It is interesting for us to illustrate this model as it provides a basis of understanding of how a reform comes about and through which channels it needs to pass before its outcome becomes apparent. In the case of public procurement reform, global economic forces like the World Bank and the World Trade Organisation seemingly call for good governance reform, introducing new management ideas into the political system of the peripheral state. Still, the decision-making elites in the developing country have the final say on whether or not to adopt a new management idea and it is the administrative system that carries out the proposed reform, so there is a set of actor-specific constraints that the advocates of reforms need to take into consideration, of which we speak in section 2.3.3.

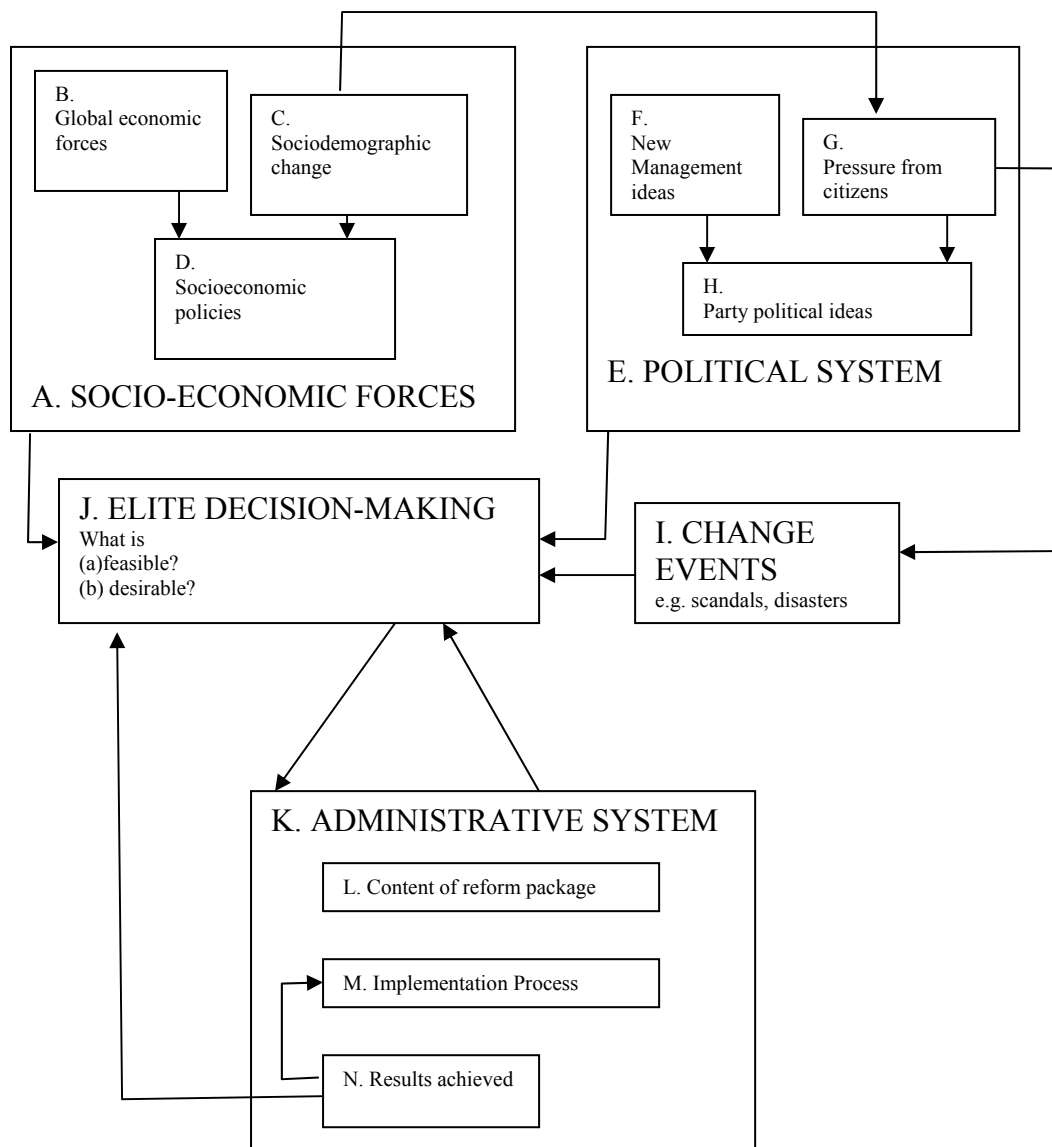


Figure 9: A model of public management reform. Source: Pollitt, 2004, p. 25.

However, when speaking of international trade of public management reform, the most crucial thing is willingness of a government to adopt a specific reform. But when you are not talking of just a few superficial retouches of public administration's procedures, willingness of a state to reform is constrained by the capability to implement real change in its administration. Figure 11 displays in what governmental setting New Public Management can be a useful tool for improving public service performance. It shows that in a motivated and capable government, utilisation of NPM will have a bigger and more beneficial impact. Manning's figure is particularly interesting to us, since it shows that when speaking of government reform, there can be a discrepancy between willingness of a government to change versus its capability to do so. The figure also provides an insight into the conditions under which governments will take over the reform that is promoted by the international regime. The latter could also be instrumental for understanding under what conditions the promotion of best procurement practices could be successful in Latin America. Taking over internationally traded management ideas is something which can be undesirable for a certain country, but also something which could be very difficult to implement within a certain context. According to Manning (2001), New Public Expectations are good governance related expectations that citizens have of their respective governments, like responsiveness, efficiency, effectiveness, etc. Manning says that where public expectations regarding

government performance are high, public scrutiny will motivate governments to initiate new public management reforms. Yet only governmental systems where “old public disciplines” exist will be capable of actually implementing the reform in a useful way.

		<i>the executive constrained so that 'New Public Expectations' matter</i> →	
		unmotivated government	motivated government
<i>the executive made capable through the 'Old Public Discipline'</i> ↓	incapable government	incapable and unmotivated characteristics: <ul style="list-style-type: none"> • high state capture • high administrative corruption • little administrative competence • non-participatory governance way forward: 'technocratic' public management reforms are doomed	incapable but motivated characteristics: <ul style="list-style-type: none"> • medium state capture • high administrative corruption • little administrative competence • participatory governance way forward: there is a public watching — so basic administrative reforms, including budget transparency and financial accountability, are relevant
	capable government	capable but unmotivated characteristics: <ul style="list-style-type: none"> • high state capture • medium administrative corruption • basic administrative competence • non-participatory governance way forward: capacity can be used to deconcentrate economic interests and raise public expectations of service delivery	capable and motivated characteristics: <ul style="list-style-type: none"> • medium state capture • medium administrative corruption • participatory governance • administrative competence way forward: NPM useful — but then so are traditional administrative reforms

Figure 10: Motive and capability for public management reform. Source: Manning, 2001: p. 305.

It is difficult for international advocates of good public procurement to ensure that change really occurs in peripheral countries. As we will see in the sections below, international experience has shown that a change of laws does not automatically bring substantive change in the implementation process of a certain policy. Sometimes a change of culture is required as particular behaviour by public officials might be of detrimental influence to the policy implementation process, and that type of conduct might be deeply embedded in the culture. For example when introducing transparent measures into the public sphere that implies that government officials lose a bit of their discretion (here: right of self-determination). In hierarchic cultures where government officials enjoy and adhere on their discretion, it will be extra difficult to implement transparency measures and politicians need to be careful when designing such measures.

2.3.2 Why does institutional convergence take place?

This paragraph seeks to explain the emergence of good governance standards and their global promotion initially by looking at them as a consequence of new-institutionalism and one of its derivatives, institutional isomorphism. The following set of two questions is central to this sub section:

- Under what conditions will institutions start changing or converging?

- Why would institutions start copying each other?

There are two distinct approaches for promoting reforms in foreign countries, based on the degree of sovereignty with which governments decide to whether or not adopt the promoted reforms. In the West institutional reforms mostly spread without being imposed, through voluntary adoption by nation states of reforms that appear to have a beneficial impact on for instance the performance of a specific institution. In peripheral states reforms are often required by Western institutions or countries, as a condition for entering Free Trade Agreements (FTAs) or for receiving ODA. This is the so called conditionality of which we speak in the latter part of this section, which obviously constrains the sovereignty of a nation state when deciding on taking up a reform, as non-adoption could for example result in cuts for development funds that the state could be heavily dependent on.

2.3.2.1 New institutionalism

New institutionalist approaches share core assumptions but develop in many different directions. Rhodes (1995: p. 55 in Lowndes, 1996: p. 181) describes institutionalism as 'a subject in search of a rationale'. In the 1990s the pace of change in governance and delivery of public services provides part of the rationale for a continuing focus on institutions.

Bulmer (1998) says that we can understand politics as comprising three separate components: politics, polity and policy. The presumption is that the polity structures the inputs of social, economic and political forces and has a consequential impact on the policy outcome.

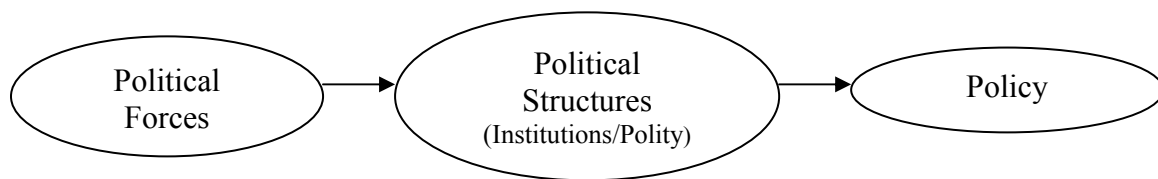


Figure 11: Model of Politics. Source: Bulmer (1998: p. 370)

In order to be precise I shall give a description of what are considered to be 'institutions' for the purposes of this study. 'Institution' is defined by the dictionary as 'established law, custom or practice'. From a historical perspective, the term has had a particular association with the practices and customs of government. "It is a slippery term because it is used to refer to social phenomena at many different levels –informal codes of behaviour, written contracts, and even complex organisations. It is still more slippery because it hints at some evaluation of these phenomena. Institutions are somehow 'more' than they appear– they are 'special' procedures and practices" (Lowndes, 1996: p. 182).

Lowndes (1996: p.183) provides a baseline definition by using the following elements:

1. Institution is a middle-level (or 'meso') concept. Institutions are devised by individuals, but in turn constrain their action. They are part of the broad social fabric, but also the medium through which day-to-day decisions and actions are taken. Institutions shape human action, imposing constraints whilst also providing opportunities;
2. Institutions have formal and informal aspects. Institutions involve formal rules or laws, but also informal norms and customs. Unlike formal institutions, informal institutions are not consciously designed nor neatly specified, but are part of habitual action. Institutions may be expressed in organisational form, but also relate to processes, i.e. the way things are done;

3. Institutions have legitimacy and show stability over time. Institutions have legitimacy beyond the preferences of individual actors. They are valued in themselves and not simply for their immediate purposes and outputs. Institutions may gain their legitimacy because of their relative stability over time, or because of their link with a 'sense of place'.

The core assumption of the institutional approach is that institutions matter and that institutional change can be an important source of growth, as is stated in Hira (2000). Particularly linked to the analysis of international regimes, this view of international relations argues that institutions represent a “persistent and connected set of rules (both formal and informal), that prescribe behavioural roles, constrain states and shape expectations” (Keohane, 1989: p.3 in Bulmer, 1998: p. 369). Bulmer comments upon the issue of institutional autonomy: how much self-determination institutions possess in the political process? He states that most analysts see institutions as playing a mediating role. “That is why the simple model of politics outlined above sees political (and socio-economic) forces as the starting point of governance” (Bulmer, 1998: p. 370). He does not propose that institutions provide the fundamental dynamics of politics. However, he does not see institutions as neutral arenas within which political forces are played out. According to him, institutions structure the access of political forces to the political process, creating a kind of bias. Thus institutional rules, norms, resources or symbols have the power to shape actors’ behaviour. Second, institutions can themselves develop endogenous institutional impetus for policy change that exceeds mere institutional mediation. This second aspect will enable us to take into account the active contributions of local institutions in the process of adopting good procurement standards. The subsequent section explains under what conditions institutions in peripheral countries will start copying global standards, i.e. adopting them.

2.3.2.2 Institutional isomorphism

One of the theories of New Institutionalism that in my opinion best captures the process of global spreading of good procurement standards is isomorphism. In their ‘Iron Cage Revisited’ article, DiMaggio and Powell define it as the following: “isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. [...] Isomorphism can result if decision makers learn about appropriate responses to a particular problem and adjust their behaviour accordingly” (1983: p.149).

Even though the original meaning of the concept is directed at explaining organisational change, the form and process by which change takes place is very similar to what happens in the context of international trade of ideas for public management reform, including the rise of a global standard on good public procurement practices.

The process of institutional imitation begins with the development of a mutual or multilateral awareness among participants in a set of organisations that they are involved in a common enterprise. This development precedes the emergence of powerful forces that lead institutions to become more similar to one another. Early adopters of organisational change are commonly driven by a desire to improve performance, as is noted by DiMaggio et al. (1983). In the case of developing or peripheral countries this desire is sometimes awakened by aid conditionality¹⁰, an instrument that gives certain Western donor states and institutions the power to normatively sanction specific innovations in the receiving country. The aggregate effect of individual change is that the diversity within the field is lessened (DiMaggio et al., 1983). As an innovation spreads, a threshold might be reached beyond which adoption might

¹⁰ See section 2.3.2.3 conditionality below

not appear to have legitimate basis to the peripheral governments, their citizenry or other national actors.

Not all institutional isomorphism is derived from upper impositions, or coercive authority. The analytical typology of DiMaggio et al. (1983) identifies a set of three mechanisms through which isomorphic change can occur. These are:

1. Coercive isomorphism: stems from political influence. It could disembark in problems of legitimacy of change;
2. Mimetic isomorphism: results from standardised responses to uncertainty;
3. Normative isomorphism: associated with professionalisation of a field.

The three types can amalgamate in an empirical setting. This might also be the case for the global spread of good public procurement practices. Uncertainty is a powerful force that encourages imitation, especially for developing countries. Not knowing how to transform weak institutions into strong and well performing ones, or inexperience in institution-building in new or peripheral states sometimes drives governments in developing nations to adopt the standards offered by the west. A study on government expansion carried out by Young S. Kim et al. (2002) shows that the cost of isomorphism is greater for young and developing countries, because their daily realities mostly do not fit the international governance standards which are promoted by the west. Young argues that blindly adopting certain standards mostly results in losses for the governments in respect, and refers to the examples of the IMF reforms which are believed to have led to the crisis in Argentina and in part also to the South-East Asian crisis of 1997-1998. "Given their tenuous positions in the world system on the one hand and the pressure to invoke legitimate models on the other, leaders of peripheral states face difficult choices. Lacking experience and resources to construct indigenous models of development or forms of government, state authorities of these countries often rely on dominant or hegemonic models at significant costs. Further, with the growing importance of the global system¹¹, peripheral countries are likely to continue to copy existing models and incur the 'cost of isomorphism'. [...] Internal social changes brought on by development and changing external models of development and governmental forms create demands on peripheral governments. State authorities in developing countries, however, need to be conscious of what elements of international standards they are importing. Although compliance with authoritative external models would enhance state legitimacy in the eyes of international actors, blind imitation would most likely not have the desired results for the local problem which needs to be solved. Further, this is a likely scenario when state authorities import abstract external models that have no relevance to daily realities of developing countries just for the sake of expressing 'symbolic concern' on particular domains. Without a doubt, developing countries do not constitute a homogeneous group, and internal economic and political conditions would differ from country to country. Therefore, while it is important to stay in tune with global trends, state authorities in developing regions of the world need to creatively adopt foreign models to fit their daily realities" (Young et al., 2002: p.496-497).

Based on the above theoretical discussion I go over the main points for predicting under what conditions isomorphic change will occur in developing countries:

1. The greater the dependency of a peripheral state on an international organisation for its vital resources, the easier it will model itself on a political level after the structure and behaviour that the international organisation is demanding;

¹¹ Global political system refers to the increasing influence of international organisations on domestic issues, and international regimes that have to be followed.

2. The more uncertainty there is within a field about what means to use in order to achieve certain ends, the greater the extent to which a developing state will imitate practices which in their perception have proven to be successful in other countries;
3. The higher the level of education and professionalism is within the public administration of a developing country, the more likely it will support the adoption of internationally accepted good governance standards and the more capable the country will be of implementing those standards in a correct way.

2.3.2.3 Conditionality

International organisations continue seeking to prescribe universal answers to the questions of governance, making public sector modernisation no longer an option, but a necessity for the South. As stated above, conditionality refers to the practice of donors tying up their aid to the implementation of certain policies by recipient countries. Western promotion of good governance principles in the South often occurs through policy conditionality in exchange for aid. As a matter of fact, over the past three decades the number of reforms called for by donors in exchange for aid to the recipient countries has expanded quite substantively. Conditionality involves three steps, says Dijkstra (2002):

1. The making of the agreement;
2. The implementation or monitoring phase;
3. The rewards/punishment phase.

The content of the policies that are conditioned upon either have a stabilizing purpose amidst a certain crisis, or are part of a meta-policy to provide structural change, or might simply be policies to reduce poverty in the recipient country. The latter are the most recent integration of policies into the conditionality nucleus of the international financial institutions (IFIs), and are therefore called “third generation” conditionality policies by Dijkstra.

The structural adjustments that are advocated through conditionality policies are mostly based on best practices and techniques that have proven to be effective in other cases, from which good governance standards were derived. However good the intentions of the IFIs are, Dijkstra notes that punishing non-compliance by withholding funds needed for development actually has a detrimental impact on the credibility of the IFI as their mission is to support development, not to thwart it. This is especially the case for receiving countries that show satisfactory or high economic growth in the status quo. Furthermore, she points to the following set of paradoxes of policy conditionality:

- If the policies are designed to improve the welfare of the recipient country, why do they need to be induced with aid? Why not charge them instead for the advice?
- Receiving the aid ex ante, a practice that still occurs, reduces the incentives of the recipient countries to actually carry out the reform which was agreed upon beforehand.
- Setting conditions to recipient countries actually contradicts one of the good governance characteristics, which is to follow the rule of law in a democratic government. Introducing policies that directly come from undemocratic institutions like the donor countries, donor agencies and IFIs undeniably hollows the legitimacy of those policies.

2.3.3 Constraints to the adoption of international standards

Pollitt (2000) says the trajectory that a reform needs to go through before its outcome is evident can be a long and harsh one (Pollitt, 2004: p.66-67). Changes in government often occur gradually, and chances exist for them to be reversible throughout the different political cycles. Besides, it is possible that an internationally traded reform idea does not fit the institutional context and culture which is in place in a certain recipient country, which means the reform idea will end up being adapted in order to fit the national desires. About the transferability of public management reform, Pollitt says that knowledge of what works and what does not work does not tend to include context specifics (2003). “That is to say, a technique or organisational structure which succeeds in one place may fail in another. So there is no set of general tools that can be transferred from one jurisdiction to another, all around the globe, with confidence that they will work well every time. This means we have to look carefully at context, at the ‘terms of trade’ each time we are thinking of borrowing a good management idea from somewhere else” (Pollitt, 2003: p.98).

“None of the widely traded management techniques is a simple, standardised item. It is not just a question of the complexity of the import, but also one of the complexity of the context into which the new management technology is being introduced” (Pollitt, 2003: p.102). The context is dominated by a wider network of relationships, and a particular administrative culture. These networks are sticky, which means that the actions of one of the actors within it affect the other actors, so it is important to understand the dynamics between them. An example which Pollitt (2001) mentions are the attempts to set up United-Kingdom style performance oriented agencies in Tanzania. That effort ran into difficulties partly because of hugely influential relationships outside the agencies themselves, such as the centralised strength of the presidential system of government, and the acute budgetary instability of a poor, developing country. There can be a formal decision pro adoption of a specific practice, but implementation may be hard and the desired results might not appear as quickly as expected. Capacity to implement real structural change in the organisation of public administration is one of the constraints that peripheral countries have to deal with when considering to import international public management ideas either at the behest of international organisations or at their own initiative.

Perhaps the most easily overlooked issue in public sector reform is that it takes a long time to achieve fundamental change within the public sector. Several things can delay a public sector reform; one of the most important ones is the public finance, which is at the core of Charles Lindblom’s incrementalism (1959). Public sector reform is costly most of the times, and budgetary constraints take time to overcome. The other thing that delays internationally imported reforms is adapting those public reforms to fit the local reality. Schacter (2000) argues that the experience of the developed world illustrates this well. “It took centuries for today’s industrialised countries to develop reasonably effective public institutions. In Great Britain, for example, it was only in 1854 that a series of reforms was launched aimed at constructing a merit-based public service shaped by the rule of law. It took a further 30 years to eliminate patronage as the *modus operandi* of public sector staffing.

Many developing countries are therefore attempting to do in the space of a few decades what took hundreds of years in what is now the developed world. It is not surprising that the record to date has been full of failures and disappointments. Reformers in developing countries and their donor partners require a long-term perspective because fundamental change demands sustained effort, commitment and leadership over many generations. Mistakes and setbacks are a normal and inevitable part of the process. The big challenge is to seize upon mistakes as

learning opportunities, rather than use them as excuses for squashing reform” (Schacter, 2000: p.11).

New institutionalists explain change as a result of rational choice of individual decision-makers. The new institutionalist rational choice model stresses the importance of the following features for change:

- Path dependency
- Context
- Group norms

“Each event is affected by its antecedents, rather than being a unique outcome of concluded bargains, thus leading to path dependency” (Hira et al., 2000: p. 5). The views of Hira are similar to those of Pollitt (2001, 2003, 2004), whom we mentioned above. Hira argues that the features of context and group norms make it difficult to maintain an individual, actor-based rational choice-type of model and represent a barrier to institutional change, obstructing capability of a government to change. Referring to the significance of these features for change, new-institutionalists speak of the “rules of the game”. In emphasising the rules of the game, new institutionalism points to the importance of power position and prestige in manipulating or ignoring those rules.

Hira states that it is a combination of power and entrepreneurship that leads to changes in the rules of the game. New institutionalism therefore also yields insights into class and group conflict. “From a neo-Marxist point of view, the institution of the state is a tool for the dominant class (-es). The institutional framework can be used by the dominant class in order to preserve the status quo as institutions are extremely powerful instruments of system maintenance and legitimation” (Hira et al., 2000: p. 7). This will contribute to a lack of motivation for a government to change the status quo. Calls for sudden changes therefore will occur outside of institutions, by their external environment, like international institutions for example.

Changing the way in which the public procurement system works could entail losses for the domestic partners of the government. Therefore it is to be expected that the different actors that benefit from the status quo will make an effort to maintain it, and this will definitely be one of the constraints for institutional change in this respect, hampering motivation of government to change. The success of an international institution promoting public procurement reform will therefore partly depend on path dependency, context and group norms prevalent in the countries in respect and on the power of influence the international institution might possess during the promotion.

In general, practice has shown that reforms are implemented with more ease if they cater to a specific stabilisation need within a crisis situation. Domestic factors, like the opposition during the legislative phase of the adoption or institutions during the implementation phase of the policy, are pivotal in explaining the success of a reform derived from policy conditionality. Dijkstra (2002) says the probability of real implementation of conditioned policies depends on:

1. Power of the government officials who negotiate the policies with the donors to make sure the policies are actually carried out. The negotiators sometimes lack insight into the feasibility of the proposed reforms.
2. The strength of domestic opposition to the objectives of the donors. If powerful groups in the recipient government or in its direct network coincide with the objectives set by the donor than implementation is easier.

3. The extent to which powerful government actors and the opposition win or lose from the intended reforms. The final draft of the bill that is derived from the policy conditionality is a result of the potential political struggle between the different actors within government and the social partners of government.
4. Whether the advice given by the donor's is believed to lead to (more) economic growth.
5. The availability of aid, the influence of which might affect implementation either positively, facilitating compliance or negatively, through moral hazard, i.e. weakening of incentives for implementation.

Point two and three above are very typical to the policy process. Policies are not just born; they are shaped and moulded during the policy process by all powerful stakeholders and actors in government and in the opposition. That is the reason why internationally traded reforms end up having diverse forms and outcomes in the different countries that import them. In order to assess the achievability of a policy conditionality it is necessary to analyse who are going to be the eventual “winners and losers of the reform”, and to measure what their strength is, as is mentioned in Dijkstra (2002: p. 330). Yet it is also true that often conditionality is successful in “voicing out local discontent” (Manning, 2001:p.6) with the intended policies, as there exist a pressure on the receiving government to continue borrowing funds, as certain countries have a high dependency on foreign aid. Dijkstra concludes that the reality of conditionality often is that it means donors attempt to force certain policies upon unwilling governments, while these policies might not be the only option or even the most appropriate one for the case of the receiving country in respect. “Instead of prescribing the one and only recipe, donors should give advice and promote debate on policies” (Dijkstra, 2002: p. 332). Obviously, Dijkstra refers to economic structural adjustments that hold specifically to stabilisation policies. Yet we assume that her findings are also valid in the case of advocating good governance reforms through conditionality policies. It is also possible that good public procurement reform be imposed through certain international financial institutions, by means of policy conditionality.

However, like we have said before, succeeding to change of law does not automatically mean a change of culture will take place, and making adjustments in the former is far easier than making them in the latter. Tying up aid to implementation of certain policies therefore does not mean the policies will be implemented successfully, even if the recipient country makes the legislative arrangements to validate the policy, because of certain group norms, and cultural constraints like people's position towards corruption, which is the subject of our following section.

2.3.3.1 Corruption

“Those who believe – and in particular those who want to believe – that grand corruption in the South is not really a major problem, place much reliance on the discipline of International Competitive Bidding¹². They are deluding themselves. ICB makes life a little more complicated for the suppliers and the receivers of corrupt payments but it seldom defeats them” (George Moody-Stuart, 1997:16 in Søreide, 2002: p.22)

The stickiest form of corruption in public procurement is the one caused by top officials overruling and disregarding procurement regulation. In countries where this is common, finding honest officials at lower hierarchical ranks might be hard. For this reason, it is found in most countries that the fight against corruption needs to start with an unambiguous devotion by the prime leadership of the country. Extinguishing smaller forms of bureaucratic corruption is

¹² See Chapter 3.2 ICB

thorny if the grand political corruption perseveres. “An honest intention has to be followed up by good behaviour, expressing opposition against all forms of corruption, whether it involves family members and friends, political associates, or other members of government” (Søreide, 2002: p.25). Hence, for a public procurement process without corruption to prevail, political commitment in all ranks is a necessary condition, with an explicit involvement of the highest ranks as a starting point to reforming the process. New rules alone are not sufficient for a successful good procurement reform. There is a paradoxical relation in the role of regulation and the increase of corruption. It appears to be the case that in many countries the regulatory framework is too wide as it is already. Søreide (2002) explains that the many regulations provide the public officials with a monopoly authority that may prove useful to demand bribes. In addition, she argues that in order to reduce the level of bureaucratic corruption it is important to reduce the regulatory framework, while improving, as well as executing, the anti-corruption laws.

Uslaner (2005b) argues that corruption exists predominantly in societies where economic and social inequality prevails. He has found a relation between the rate of economic misdemeanours like robberies, shoplifting, pick-pocketing and other crimes of an economic character, and the level of corruption in a country. He notes that the larger the rate of the mentioned economic misdemeanours is, the more corruption there seems to be within a state’s government. He says that massive corruption is the result of a society that culturally not only tolerates but encourages corruption, i.e. the personal gain over the general cause, mostly because of widespread poverty. Morality might be sold at a price that the poor cannot afford, especially if there is an all-round abuse of regulation and an incompetent legal system. Within the procurement setting, corruption occurs through briberies and gifts to officials during the call for tender procedure. Companies offer those incentives to officials in order to secure obtaining a contract. Part of the blame lies also within the private sector, as if it were not for them giving out those incentives through secret lobbying practices, there would be less corruption indeed. But once a company is embedded within a national setting where this type of activity is more the rule than the exception, it does not want to be left out. Honesty might have disastrous effects for companies in some situations, as it is very likely that if a firm doesn’t take part in the corruption game, other competing companies will, and that may well result in less contracts acquired for the “good guys”. Furthermore, Uslaner says (2005b) efforts to increase government effectiveness alone are not capable to substantially increase trust in government in peripheral states.

Increasing equality through reducing poverty is the only way to actually grow trust in government, and only when society’s economic equality levels rise, will corruption start to fall, as Uslaner (2005b:50-53) comments. Figure 13 displays that in countries where trust levels in society are high, the level of inequality is lower, while figure 12 shows the interconnectedness of inequality, trust, corruption and effective government. Even though this figure is not the result of a regression analysis, we thought it is interesting because it shows that corruption, inequality and trust levels in society are connected to government effectiveness.

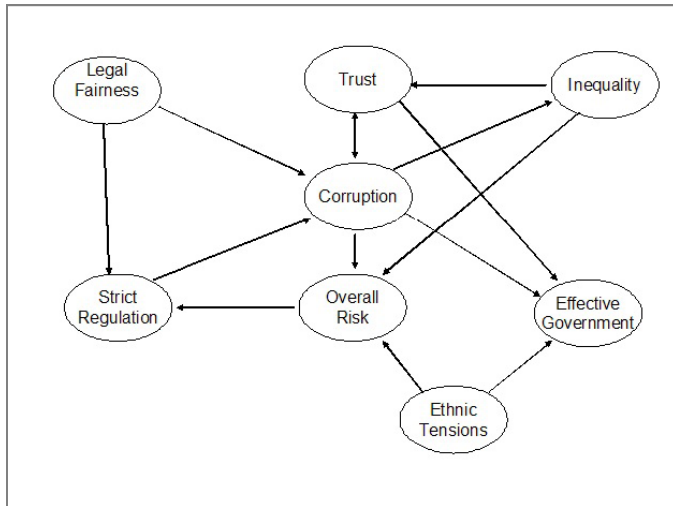


Figure 12: Model of Inequality, Trust, Corruption, and Effective Government. Source: Uslander et al., 2005a p.65

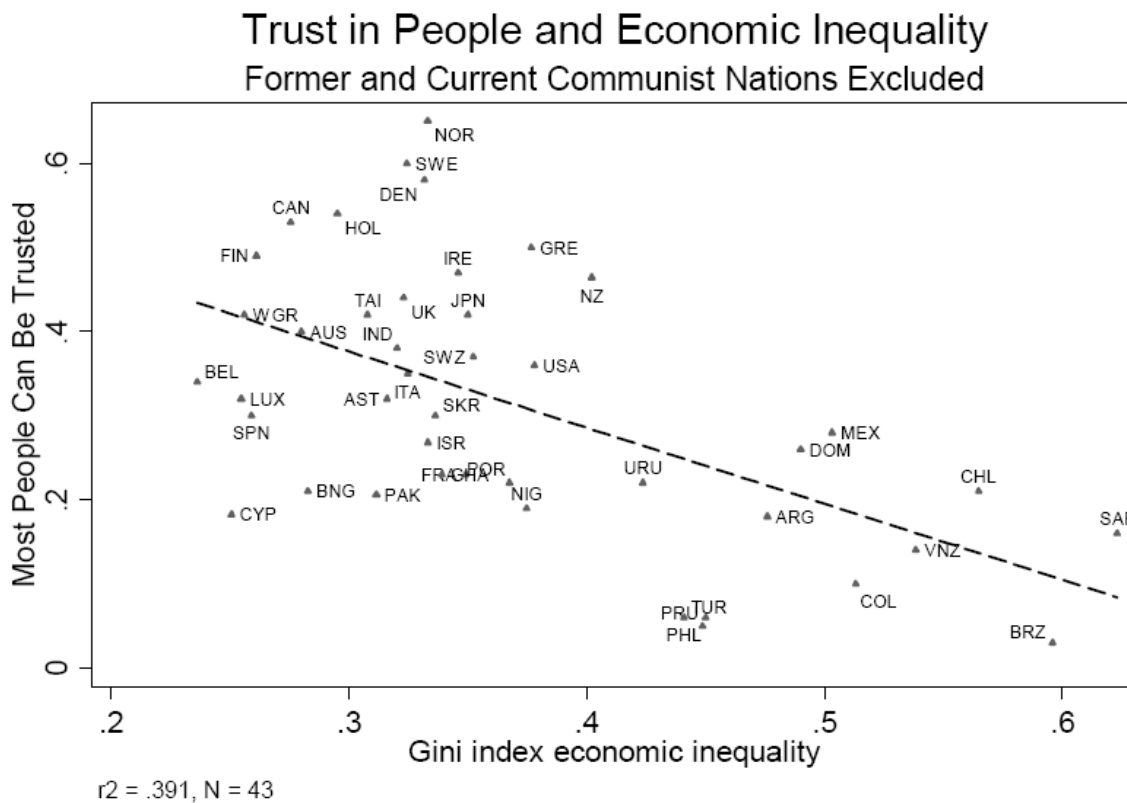


Figure 13: Trust in people and economic inequality. Source: Uslander & Rothstein, 2005a p.17

Public procurement systems can be on opposite poles, i.e. they can either add value to the economy or siphon it away into corrupt, wasteful or unethical purposes. Few countries – developed or undeveloped– are at either one of these poles, yet, like people, many are at some point between perfection and perdition, as says Wittig (1999). Public choice theory is often referenced when examining how individual political decision-making results in policies that are incompatible with the overall desires of the general public. It includes rent-seeking behaviour by government officials for their working departments or as in other cases, for the actors within the social network of the official. In most cases irregularities are driven by benefits which are given to the officials in exchange for the favour. Patronage, clientelism, nepotism are the result of a specific choice of the official in charge. That particular choice is at the origin of problems in the public procurement process and often leads to government failure in satisfying the needs and wants of the regular citizens.

Competition laws and policies are required in order to ensure that public entities which have a dominant position do not abuse their market power. This implies that implementation of good procurement regimes needs to be rigorous. Good public procurement should above all be upright, yet public choice theory teaches us that sometimes public officials choose to cater to their own interests and those of their “clienteles”, rather than targeting the whole of the communities their work is initially set to benefit. Although in good procurement systems the officials deciding upon the tender procedure should not be connected in any way to the companies that are participating in the call for tenders, it is hardly possible to control the scope of the social network that a particular official might have, and it is not an exception for some companies to approach officials that might have influence in the tender procedure and offer incentives in order for their offer to gain advantage over the competitors in the call for tender. This could result in governments choosing offers that might not add the value of the money that is being spent, and might lead to massive inefficiencies in the procurement system. There is one also another reason why sometimes the best offer in terms of value for money is not chosen among the different contracts that are offered in the bidding process. It is possible that government officials engage in rent seeking behaviour for their administrative departments, in order to maintain or to increase budget levels for the coming year. If the departmental end-year budget balance is too favourable, that means that budget cuts for the department will follow for the next year, *ceteris paribus*. As a result, when choosing a contractor sometimes the most expensive one is considered in order to preserve spending levels of the department at a desired point. This is obviously counter productive in the fight for efficient procurement systems in which value for money matters.

There are many ways in which regulatory frameworks for public procurement can be manipulated, which remains a problem for peripheral countries where good procurement reform is to be introduced. This implies that the cost-efficient result aimed at by introducing new procurement regulation like the GPA or the UNCITRAL Model Law on Public Procurement¹³, is dependent on certain institutional qualities held by the state administration. “Rose-Ackerman (1999:63-68) argues that many developing countries may not fill these necessary conditions, as the level of corruption may be extensive and the scarcity of economic and human resources severe. Hence, when implementing the concept of an international standard is unlikely to be effective, alternatives to the procedure should be considered” (Søreide, 2002: p.16).

2.3.4 Sub conclusion

New-institutionalism and institutional isomorphism show under what conditions institutions will start changing or converging, and explain why they would start copying each other. That part of this theoretical framework provided us with three different settings:

1. The greater the dependency of a peripheral state on an international organisation for its vital resources, the easier more motivated it will be to model itself on a administrative level after the structure and behaviour that the international organisation is demanding;
2. The more uncertainty there is within a field about what means to use in order to achieve certain ends, the greater the extent to which a developing state will imitate practices which in their perception have proven to be successful in other countries;
3. The higher the level of education and professionalism is within the public administration of a developing country, the more likely they will support the adoption of internationally accepted good governance standards.

¹³ See Chapter 3 Regulatory frameworks for procurement advocated as international standards

Taking over internationally traded management ideas is something which can be undesirable for a certain country, but also something which could be very difficult to implement within a certain context. Forces in the political system and socio-economic forces all influence feasibility and desirability of importing a certain public management reform. Pollitt (2004) says it is not just a question of the complexity of the import, but also one of the complexness of the context into which the new management reform is being introduced. Apart from the context, Hira (2000) adds that successful change of an institution depends on the prevalent group norms and chosen path so far.

It would be difficult for international advocates of good public procurement to ensure that change really occurs in peripheral countries as international experience has shown that a change of laws is not enough to assure that implementation process of a certain policy will be as desired. Sometimes a change of culture is an additional requirement, as certain types of conduct (group norms) that are detrimental to the implementation of the policy might be deeply embedded in the culture. Public choice theory shows how individual political decision-making results in policies that are incompatible with the overall desire of the general cause. We discussed patronage, clientelism, nepotism, and rent-seeking behaviour by government officials. The existence of these types of corruption in the procurement system might lead to massive inefficiencies and loss of money from development funds and or tax-payers.

We have seen that perhaps the most easily overlooked issue in public sector reform is that it takes a long time to achieve fundamental change within the public sector, due to incrementalism and due to the process of making the reform fit into the local reality of the context into which it will be introduced. The design of a procurement system reform is the result of a stakeholder battle in which the predominant interest is often the one with most influence, power and capital. Not surprisingly, Western promotion of good governance principles in the South often occurs through policy conditionality in exchange for aid. Yet even though this provides international institutions promoting good public procurement reform with a powerful influence over peripheral governments, adoption and implementation will be constrained by the voice of local stakeholders' needs and possible interfering wants of the dominant elites, just as much as by the procurement infrastructures at place, which are the people, the technical capacity and culture in the country where new procurement regulation is to be introduced. Rose-Ackerman says that considering the fact that successful introduction of any international governance standard is dependent on certain institutional qualities held by the importing state administration, if a developing country does not fill the necessary conditions, implementing the concept of an international standard is unlikely to be effective, and alternatives to the procedure should be considered.

We can conclude that even though adoption and implementation of good public procurement shall be constrained by a mix of capability and willingness from the part of the developing nation, that does not thwart the procurement system from being a good place to start a more comprehensive good governance and anticorruption reform, and if this is done successfully it could even instigate a spread of good governance across other state institutions.

2.4 Hypothesis

From the above theoretical discussion, we state the following hypotheses:

(1) The promotion of good governance in public procurement can be successful if the following conditions are met:

Willingness

- If the recipient governments are motivated to change their system. This motivation can be sparked by public scrutiny and the demands of domestic actors, or by the desire to attract more foreign direct investment or to receive development funds in exchange;
- The greater the dependency of a peripheral state on an international organisation for its vital resources, the easier it will model itself on a political level after the structure and behaviour that the international organisation is demanding, so if the international donor community and the International Financial Institutions use aid conditionality unanimously as a means of pressure for good procurement reform in the South, at least the most aid dependent countries will follow the model;
- If high uncertainty levels exist within the public procurement field in a peripheral country, and it is unclear to the government of that state what means to use in order to achieve gains in effectiveness and efficiency of their public procurement system, it is probable that the respective government will more straightforwardly imitate procurement models which in their perception have proven to be successful in other countries;
- If the domestic opposition to the objectives of the international procurement regime is low. Adoption and implementation are facilitated if powerful groups in the recipient government or in its direct network coincide with the objectives set by the international advocates of good procurement reform.

Capability

- Isomorphism theory teaches us that the higher the level of education and professionalism is within the public administration of a developing country, the more likely the government will support the adoption of internationally accepted good governance standards;
- If implementation succeeds to overcome the barriers that might exist in the procurement infrastructure at place. Sometimes capability constraints –an unskilled workforce, or cultural practices like sticky detrimental social networks– can thwart implementation of a certain reform, so it is indispensable for the public administration to fully participate in introducing good governance to the public procurement system;
- If the proposed reform fits the reality of the local context, the chosen path so far and the prevalent group norms in the recipient country. Culture and e.g. level of corruption, moral hazard and rent-seeking behaviour of public officials, and the existence of old public disciplines (i.e institutions that constrain the behaviour of public servants) will constrain capability of a government to actually implement good procurement reform;
- If the changes that the reform will bring about are not too remote from the actual situation. Small and incremental changes are more easily accepted than drastic ones. Incrementalism theory teaches us also that constraints in the political system as well as budgetary constraints will hamper radical system change.

(2) The promotion of Good Governance in Public Procurement can contribute to poverty reduction if the following conditions are met:

- If the right balance of standards is promoted, leaving room for using public procurement as a social policy of support to the local industry. This would mean making the non-discrimination clause (for foreign suppliers) of the promoted procurement models more flexible;
- If the focus of good procurement reform is on extinguishing the evils of corruption, clientelism and nepotism and the governments in the peripheral states show a determination to end all fraud and irregularities in that field;
- If the efficiency savings that result from good procurement are used in social programs that combat poverty;
- If improvement of effectiveness in the procurement system is achieved, this would mean the public works that are agreed on and paid for will be finished in due time with an acceptable level of quality, to the benefit of the communities that live in the areas where the public works are being built.

The following sub section shows a conceptual model that depicts the results of the theoretical discussion in the sections above. It shows the trajectory of internationally advocated good procurement reform, displays the factors and actors that influence government decision making and it also features the constraints that exist to adoption of the reform. Once the reform is adopted and is to be implemented there are also barriers to overcome for the reform to be successful. These are also shown in the conceptual model. In the end we see that adoption and implementation of good public procurement have an impact on poverty reduction. The success or failure of contributing to solving the poverty problem partly depends on what type of good procurement reform is pursued.

2.4.1 Conceptual model

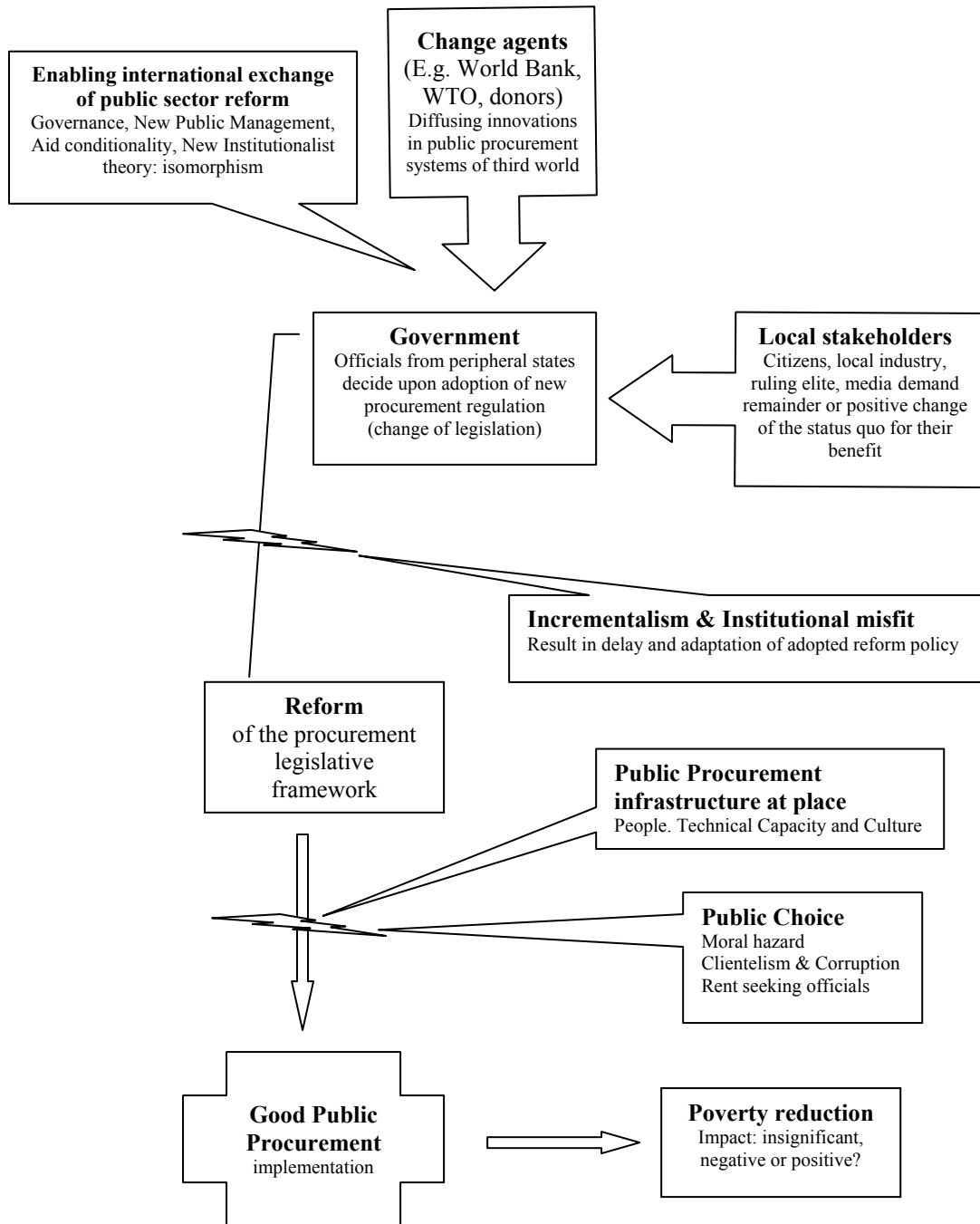


Figure 14: Trajectory of reform towards good public procurement. Source: personal elaboration

Figure 14 shows who are promoting good public procurement, by whom it is adopted and what constraints exist to good implementation. Whether the impact of an adopted good procurement reform on poverty reduction is to be negative, positive, or insignificant is dependent on overcoming several barriers that might exist in the importing country, and obviously also on the appropriateness of the regulative framework which is being proposed. We see that incrementalism and institutional misfit delay procurement reform and make it possible to adapt the reform to the local context of the importing country. Once a reform is ready to be implemented, it is very important that the bureaucrats and politicians involved show a genuine commitment to do things right, reducing the risks of moral hazard, clientelism, corruption and rent seeking. International experience has shown that a change of

law sometimes is insufficient to change a deeply imbedded culture of doing business “under the table”. In an ideal situation, the benefits reaped from implementing good public procurement would go directly to development programs which target at relieving the situation of impoverished communities. That is an efficiency reason why good public procurement could have a positive impact on poverty reduction. In the former sections we have seen there is also an effectiveness reason for why good public procurement could have a positive impact on poverty reduction, as increasing effectiveness of public procurement would mean that the public works that the government agrees on building and pays for are actually being built and properly delivered by the contractors! There is a third way public procurement could contribute in poverty reduction, and that is by using it as an instrument of social policy, through “buy national” procurement policies which help support the development of the local industry and employment rates.

2.4.1.1 Explanatory model

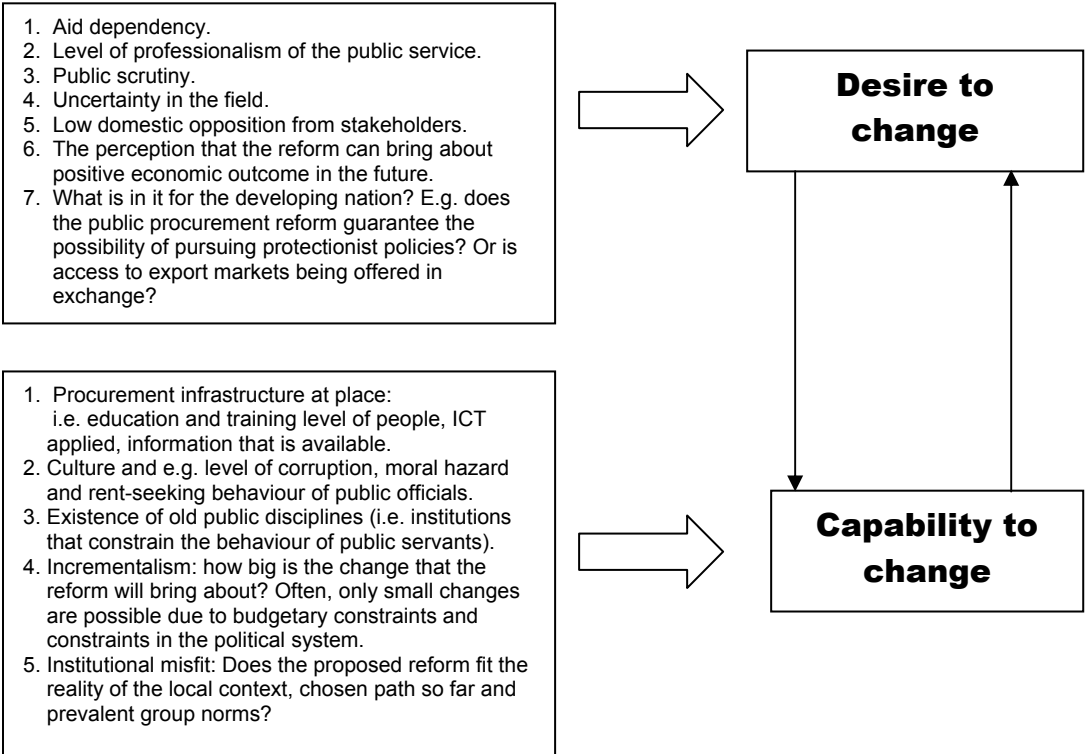


Figure 15: Explanatory model. Source: personal elaboration.

The above model is connected to the previous conceptual model in many ways. It explains which factors influence whether or not a country adopts a public procurement reform which is advocated by an international actor. We see that it is a combination of willingness and capability to implement real change which is essential in the decision to adopt or not to adopt an international public procurement model.

3 Regulative frameworks for procurement advocated as international standards

Hoekman (1998) says that government procurement is a key interface between the public and private sectors. He adds that public purchasing is not only of fundamental importance in ensuring that government gets the best value for its money, but that procurement practices figure prominently in the way potential investors in the domestic and the international sphere as well as the local civil society at large view a country. We will investigate if international institutions which endorse good public procurement reform have powerful influence over the peripheral governments we are studying. Adoption and implementation will presumably be constrained by the voice of local stakeholders' needs and possible interfering wants of the dominant elites, just as much as by the procurement infrastructures at place, which are the people, the technical capacity and culture in the country where new procurement regulation is to be introduced.

3.1 Introduction

In this chapter we aim to provide with some background information on the procurement frameworks that are advocated as international standards of good procurement by the different organisations that promote them. We will therefore present a comparative survey in which some of the most important procurement regulative frameworks that are advocated by Western institutions will be featured. We will analyse the strengths, the weaknesses, opportunities and threats of the different public procurement systems for developing nations and in the end we will do an analysis in which the benefits and disadvantages of the different systems and the way they are promoted are compared. This comparative survey shall include the good public procurement standards advocated by the World Bank and the one proposed within the WTO, as these are the most relevant procurement regulative frameworks advocated by Western institutions in the South and as they are very different in nature, promotional method, and content.

The focus of this survey is put on the content of the policy reforms proposed by those institutions to developing countries as well as on the way in which those institutions advance in the promotion of their objectives in those countries. The sections ahead briefly explain the content of two of the most important models for good public procurement, the UNCITRAL Model Law on Public Procurement and the GPA, which both comprise International Competitive Bidding in their own distinctive way.

3.2 ICB

In the case of products not yet developed¹⁴, many western countries and institutions apply International Competitive Bidding (ICB), making it the most accepted procurement procedure worldwide, according to Søreide (2002). She says this is mainly due to a high probability for a cost-efficient result when applying this system. The major steps in this procedure are:

1. The choice of what to request;
2. The tender design, including the technical tender specifications and criteria of evaluation;

¹⁴ These are tailor-made products for which the government and the supplier need to set up a contract, like infrastructure projects, etc.

3. Qualification and identification of the tenderers, including pre-qualification and short-listing;
4. The tender;
5. Evaluation, contract award;
6. Negotiations, final agreement;
7. Execution/delivery;
8. Evaluation and controls.

The aim of ICB is to provide an international standard of public procurement regulation and to provide the governments with a wide range of choices in selecting the best bid from competing suppliers and contractors, and to give all prospective bidders from eligible source countries an adequate, fair and equal opportunity to bid for the goods and services which are being procured.

At present there are several development initiatives from donor countries and international organisations which focus on improving public procurement systems in peripheral countries. The Inter-American Development Bank is one of the advocates of ICB in Latin America and made it a compulsory condition for government procurement it (co-)finances. The World Bank and the WTO to a certain extent incorporated the ICB measures into the procurement systems that they propose.

3.3 GPA

3.3.1 What is the GPA?

The GPA is a WTO agreement that member countries can sign up for voluntarily. Its purpose is to harmonise worldwide procurement systems for government purchases of specified government agencies, in order to increase international trade. Government agencies are required to make their purchases by inviting tenders, and the procedure needs to be open to participation of suppliers from other signatory countries. Countries that join the GPA are required to sign a non-discrimination clause, the purpose of which is to extinguish preferential treatment of local suppliers. The GPA therefore fully adheres to the openness principle of International Competitive Bidding. Prior to joining the GPA a separate action of accession is needed, that involves negotiations with all signatory states to determine limits of coverage of the agreement. Within the agreement, there exist provisions for developing countries that provide for special and differential treatment to local suppliers in a limited set of product ranges. Yet as the underlying purpose of the agreement is to decrease trade barriers, the GPA does not shun from the endeavour to achieve the greatest possible extension of its coverage, leaving room for very few opportunities for developing countries for special and differential treatment of the home-grown industry. It should be noted that the exceptions from the obligations of the Agreement that are allowed for developing countries in certain situations (Article V) cannot be motivated by economic reasons, and only are valid to for example protect national security interests, public morals, order or safety, human, animal or plant life or health or intellectual property, etc.

3.3.1.1 Who are the promoters?

In preparation of the ministerial conferences of member states within the general council of the WTO, there is a working group on trade which focuses on government procurement and transparency in government procurement. This has been based on a mandate adopted by Ministers at the WTO Singapore Ministerial Conference held in December 1996 to: “establish a working group to conduct a study on transparency in government procurement practices,

taking into account national policies, and, based on this study, to develop elements for inclusion in an appropriate agreement”¹⁵. One of the aims of this working group is to pull together as much support as possible for the GPA Code from WTO member states, by reporting the findings of its studies to the ministers. The second group of advocates for the GPA Code are the countries which already are signatory to the agreement. It is in the benefit of Western signatory countries, which have big industries and large companies with strong multinational presence, to promote the GPA among non-signatory states, especially if developing and emerging economies are involved. So within the WTO ministerial forums which are called rounds, several issues get to be on the agenda, and when public procurement is one of them, signatory countries try to influence non-signatory WTO member states in order for them to adopt the GPA Code.

3.3.1.2 How do they promote it?

With the exception of new WTO member states, participation to the GPA is voluntary. According to Robert Anderson (procurement specialist and thesis-interview respondent), the WTO gives seminars to high government officials in developing countries about the GPA Code. GPA signatory countries can use political issue linking as a means of exerting pressure on countries in the negotiation process of adopting the GPA Code, either within WTO forums or outside of that context. In addition, the WTO has a reform fund which developing countries can appeal to for loans or grants in order to finance their public procurement reforms. Reciprocal incentives can also be offered to a developing country in exchange for opening up its domestic procurement market to suppliers from other signatory states. These reciprocal initiatives include economic incentives used by promoters of the GPA Code to convince a developing country to sign on to the Code. An example is the possibility for a developing country to negotiate increased access to export markets in other signatory countries, like for example is the Mexican case within NAFTA¹⁶.

3.3.2 Which good governance principles are covered by the GPA?

The cornerstone of the rules in the GPA Code is non-discrimination of foreign suppliers. Therefore, the GPA Code tries to improve **openness** in the procurement system by being explicit about giving equal treatment to foreign suppliers as to domestic ones and trying to limit “buy national” policies. In article II of the Code it says that parties are required to immediately and unconditionally provide to the products and suppliers of other parties treatment no favourable than:

- That accorded to domestic products and suppliers; and
- That accorded to products and suppliers from any other party.

The GPA Code seeks to improve **transparency** by opening the tendering procedure:

- In order to allow genuine competition between suppliers, it is essential that all information regarding the proposed procurement is provided equally to all suppliers in a timely fashion;
- The Code requires all prescribed time limits to be adequate to allow foreign as well as domestic suppliers to prepare and submit tenders before the closing of the procedures;

¹⁵Source: http://www.wto.org/english/thewto_e/minist_e/min99_e/english/about_e/17proc_e.htm

¹⁶ “NAFTA is broadly in line with the WTO GPA” says De Lombaerde (2004: p.109)

- Tender documentation should contain all information necessary to permit the suppliers to submit responsive tenders;
- There is a general requirement to publish laws, regulations, judicial decisions, administrative rulings of general application and any procedures regarding government procurement covered by the Agreement. As a further element of transparency under the Agreement, each government must collect and provide to the other Parties, through the Committee, statistics on its procurement covered by the Agreement.

But the design of the GPA is also based on good governance principles like **accountability**, **rule of law** and that shows through the requirement of post contract-award information and publication, because those transparency measures enhance the possibilities of discontent tenderers to litigate against the government in respect. The information that must be provided after awarding a contract is necessary to ensure that the procurement was made fairly and impartially. It includes information on the award decision in the form of a notice, and reports on such matters as the nature and quantity of the products and services in the contract award, the name and address of the winning tenderer, and the value of the winning award or the highest and the lowest offer taken into account in the award of the contract. Moreover, in response to a request from a supplier from a Party to the Agreement, or the government of that Party, the procuring entity must provide prompt and pertinent information on its procurement practices; an explanation of the reasons why a supplier's application to qualify was rejected; why its existing qualification to tender was brought to an end; and on the characteristics and relevant advantages of the tender selected (Article XVIII: 2).

3.3.3 Scope and coverage of the GPA Code

The GPA Code is not applicable in all cases, as there is a threshold value in order for application of the code to be triggered. It was generally recognised that too low a threshold would cause an administrative burden on governments, who would have to submit a great number of small purchases to the procedures of public tenders open to international competition. In most cases foreign suppliers would also not be interested in low value contracts. On the other hand, too high a threshold would limit the objectives of the code. The threshold which was agreed upon in the 1979 Tokyo Round negotiations of the GATT was of SDR 150.000 (approximately US \$192.000, EUR 140.000).

The GPA applies to all the goods the costs of which amount to the prescribed threshold value, be it infrastructure or any other type of products. It excludes services contracts from the agreement except for all services and construction services that are specified in positive lists, found respectively in the annexes of the Code. The GPA only applies to the entities which each signatory country contributes to the code. Several countries chose not to include the respective departments of defence, energy and transport companies, and state owned corporations of a commercial character. Only agencies that were under direct and substantial control of the central/government, hence provincial and municipal levels of government are not covered by the code.

3.3.4 What are the steps a country needs to take in order to adopt the reform?

The steps that need to be taken by the country that adopts the GPA Code actually seem quite trivial, but could take a long period of time in order to be accomplished. First of all, the government needs to make a clear plan of how the opening up of the procurement market to foreign suppliers is actually going to be accomplished. Which industries will be submitted to the international open competition, and which will be excluded from this? Secondly, the

adopting government needs to make sure that its technology and knowledge is ready to handle information flows that transparency and openness demands. Finally, training of the procurement officials on how to comply with the new regulation is necessary. The government needs to clarify to its officials how it is going to promote the calls for tender for public works among foreign suppliers. Complying with the transparency demands might entail creating a procurement board that is responsible for collecting all necessary information and for making sure the procurement regulation is being abided by. The Abidjan Consensus Document in Appendix V shows in more detail which steps a country needs to take in order to accomplish reforms that improve the public procurement system. It was created by procurement specialists during a conference on public procurement in Africa in December 1998 and goes for all good procurement reform, not only for GPA.

3.3.5 SWOT analysis

In this section we employ a SWOT-analysis on the World Trade Organisation's GPA, looking at it from the perspective of developing countries where the GPA is advocated.

Strength: The World Trade Organisation's voluntary rules on government procurement are a useful mechanism for ensuring that public procurement procedures are efficient. The focus on transparency of all procurement information increases accountability and provides an opportunity to reduce the uncertainty of participants to the procurement market.

Weakness: There is a perception that the potential payoffs of joining the GPA are small for developing countries. This is mainly due to the GPA's strong adherence to the concept of suppliers' non-discrimination. That non-discrimination clause is believed to bring unfair advantages to the multinational corporations over the local industry.

Opportunity: Adopting regulation that is in accordance with international standards may increase the reputation of the national institutions of a developing country. This could mean the adopting country increases its attractiveness as a place for international corporations to (re-)locate their businesses to. Accordingly, the appeal of the adopting country in the eyes of foreign direct investors might increase, as international investors might believe their capital to be more secure in a place that has internationally accepted governance standards than in a developing country which has a regulation which is completely remote from the internationally accepted rules and principles of administrative law. A second opportunity of opening up the procurement market for foreign suppliers is that it is possible for a developing country to negotiate better access to export markets in the GPA signatory countries in exchange for openness in its procurement market. Finally, several "aid for trade" (Evenett et al., 2006: p. 229) initiatives are on the negotiation table in donor countries and donor institutions at the moment, and according to Evenett & Hoekman, it is most probable that countries which open up their procurement markets to foreign suppliers will see an increase in the foreign development aid that is channelled towards them.

Threats: Apart from the threat to the local industry of a developing country, we have not found the GPA Code to pose any other incumbent menace to the adopting country. Something that might be perceived as a threat is that by not adopting the GPA, a developing country might miss the opportunity to acquire increased access to Western export markets –which might be offered by the countries that are signatory to the treaty–. This might weaken the competitive position of the developing country in comparison to other emerging economies in its region, in case these do adopt the GPA. Emerging economies which have a preferred status or trade-barrier-free access to Western markets are very attractive as a place for FDI, according to Evenett & Hoekman (2006).

3.4 UNCITRAL Model Law on Public Procurement

3.4.1 What is the UNCITRAL Model Law on Public Procurement?

The UNCITRAL Model Law on Public Procurement provides a set of ‘model’ rules for states to copy and covers all the essential procedures and principles for conducting procurement proceedings in the various types of circumstances likely to be encountered by procuring entities. As a guide to best practice, the Model Law can encourage sound policies, reduce the resources needed for implementation and minimise errors or other defects, as Arrowsmith (2004) notes. It is designed to assist nations in reforming and modernising local laws on public procurement and contains procedures aimed at achieving the objectives of competition, transparency, fairness and objectivity in the procurement process, thereby increasing economy and efficiency in procurement.

Since its adoption by the United Nations Commission on International Trade Law (UNCITRAL) in 1985 it has been enacted into law by a large number of jurisdictions, mainly in Ex-Soviet Union States in times of transition (early nineties) and in developing countries. The United Nations Commission on International Trade Law was established to further harmonisation and unification of trade law –by proposing model laws– because of the trade barriers caused by disparities in national laws. Thus the mandate for producing the Model Law on Public Procurement is based on the Model’s potential to promote international trade. The Model Law provides clauses within its legal framework that show how to best carry out bidding procedures if a country decides to allow foreign suppliers.

Nevertheless, it is still believed that the UNCITRAL Model Law is somehow more appropriate for developing countries to sign on to than the GPA. The reason for this can be found in the legal form of the Model Law. Since the UNCITRAL Model Law, in contrast to the GPA, is not a treaty but just a best practices legal framework, it offers the opportunity of only adopting parts of it to the countries that wish to copy it into their government procurement system. Even though the Model Law does encourage allowing international suppliers into domestic government procurement, countries are free to use or not to use whatever clause they would like from the Model Law, including the clause in which it is prescribed to allow foreign suppliers (Art. 57: 24). That is the main difference with the GPA, which once a country agrees onto signing it, that country has to allow suppliers from all other signatory countries into its domestic government procurement system.

So even if a country decides to adopt the Model Law, it will still have the opportunity of giving preferential treatment to its autochthonous industry, and that makes it more attractive for developing countries to follow.

3.4.1.1 Who are the promoters?

“There is increasing pressure from the IMF, the World Bank and the EC on developing countries to reform their domestic procurement, often by adopting a variation of the UNCITRAL Model procurement legislation, in order to secure access to loans and other technical assistance” McGrudden et al. (2006: p. 9). So in developing countries it is mostly international financial institutions that strive to promote good procurement reform. The World

Bank for example has incorporated the UNCITRAL Model Law on Public Procurement into its own procurement guidelines for the projects that it finances.¹⁷

3.4.1.2 How do they promote it?

Promotion of governance related reform generally happens through dialogue with high government officials. As development banks have the possibility of using aid conditionality in order to influence governance reform in developing countries, it would seem plausible to assume they would use that instrument in order to call for good public procurement reform in developing countries. According to the World Bank, 2001, the official incentives it uses in order to promote the UNCITRAL Model Law on Public Procurement are:

“Official incentives are a powerful means to encourage countries to implement international standards. The Bank takes a three-track approach to:

- (i) Assist countries to improve their observance of standards by undertaking external assessments to help members identify where reform is needed; use Bank and IMF policy dialogue with countries to promote standards; provide training to help countries make improvements;
- (ii) Help promote procurement market discipline by raising procurement market awareness and publishing country procurement assessment reports;
- (iii) Help to finance procurement system reform by providing necessary loans to developing countries in order to implement international standards” (World Bank, 2001: p. 35).

3.4.2 Which good governance principles are covered by the UNCITRAL Model Law on Public Procurement?

Arrowsmith (2004) says the main components of the UNCITRAL Model Law are the objectives of:

- value for money (i.e. price efficiency)
- integrity
- accountability
- fair treatment
- transparency
- social/industrial development.

According to Arrowsmith (2004), the UNCITRAL Model Law stipulates that transparency is best achieved by government agencies through the use of effective advertising, public bid opening, objective bid evaluation criteria, independent evaluation consistent with the stipulations of the bidding documents, award to a qualified bidder having submitted the lowest evaluated bid without negotiations, publication of award results, fair and speedy protest handling process, and disclosure of signed contracts and prices. Procedural rules play an important role, particularly when it comes to open competitive bidding. In turn, these procedural rules impose the use of well-formulated bidding documents that will result in bid submissions free from qualifications. The same rules should exclude any provision or mechanism that could affect the transparency of the process. Procurement procedures other

¹⁷ “Using a model law (UNCITRAL) adapted to individual country legal systems, the Bank has helped many countries, especially those in transition, establish legal frameworks for public procurement. This work has been funded from loans and Institutional Development Facility grants”, Source: <http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor06.htm#note42>

than open competitive bidding must be restricted within appropriate limits. She adds that all of the above must be implemented through a cost-efficient process. Preventing discrimination against foreign suppliers is also featured in this system as an aspect of value for money, although this is limited by allowing wide use of public procurement to develop the national industry. Most procurement systems share several of the mentioned objectives.

3.4.3 Scope and coverage of the UNCITRAL Model Law on Public Procurement

Countries can choose to introduce the UNCITRAL Model Law on Public Procurement it into all government entities. The UNCITRAL procurement regulatory framework addresses all government contracts, so unlike the GPA, it does not have a threshold value method. The Model Law involves pretty much all government expenditure one could think of, ranging from services and goods to infrastructure projects and construction works. The following are examples of the different components of the UNCITRAL Model Law on Public Procurement:

- Model Legislative Provisions on Privately Financed Infrastructure Projects
- UNCITRAL Model Law on Procurement of Goods, Construction and Services
- UNCITRAL Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works

3.4.4 What are the steps a country needs to take in order to adopt the framework?

A country needs to decide which clauses of the Model law it will copy into its procurement system. According to Caroline Nicholas (procurement specialist from United Nations Commission on International Trade Law and thesis-interview respondent), UNCITRAL has a technical assistance unit which provides help to countries that decide to adopt the Model Law, and that works together with them to make the provisions of the law fit their national objectives and legislation.

3.4.5 SWOT analysis

In this section we employ a SWOT-analysis to the UNCITRAL Model Law on Public Procurement, from the perspective of the developing countries.

Strength: The Model Law emphasises the improvement of good governance in public procurement. Scratching the non-discrimination of foreign suppliers clause from the Model (Art. 57: 24), makes it possible to adopt the Model Law for countries which have the desire to “discriminate” in favour of domestic firms. This is why this Model is more likely to be adopted with less resistance from local industry and their stakeholders in developing countries than the GPA. Furthermore, the UNCITRAL is a useful mechanism for ensuring that public procurement procedures are efficient. The focus on good governance provides an opportunity to reduce the uncertainty of participants to the procurement market.

Weakness: When smaller amounts of money are involved procurement is mostly done with wide discretionary power by the government officials to appoint contracts directly in order to decrease administrative burden. Some developing countries already have established E-procurement tools for this purpose. And, considering the fact that the Model Law is very detailed in its nature and is applicable for smaller government purchases as well, it is possible for the UNCITRAL Model to be perceived as an attempt to the discretion of the executive

power, and as a measure that would unnecessarily increase administrative burden for governments.

Opportunity: Adopting and implementing the Model Law could result in the international recognition that a developing country is bound to strengthen its institutions; hence it is good for its international reputation. Foreign suppliers might be more willing to participate in a procurement market that applies the international model they are familiar with. Arrowsmith (2004) assumes that if foreign companies participate in the procurement market of a country that could positively influence their willingness to invest in that country. And finally, if the donor community is convinced that much progress is made towards strengthening institutions, through adoption and good implementation of the Model Law for all government purchases, there is the possibility of being able to attract increased foreign aid, as for example budget support.

Threats: Attempts of harmonisation of the UNCITRAL Model and the GPA could spur review of the UNCITRAL Model Law in which issues addressed when the Model was first adopted could be re-opened. These issues could possibly be the flexibility of UNCITRAL when it comes to scratching clauses. This is a future threat to any developing country that wishes to adhere to the UNCITRAL Model Law in the future, because it is possible that the rules of the game will change, and there is no certainty that these rules will be beneficial for developing countries.

3.5 Comparative analysis GPA-UNCITRAL

Procurement legislation that aims to ensure that public entities purchase goods and services through a process which is open and competitive for local suppliers, has been adopted by a wide range of developing countries, according to Hoekman (1998). He argues that it is often difficult to determine to what extent actual practice is consistent with the formal rules and principles, in part because the incentives to contest violations of the formal rules of the game are often small. According to him and other liberal advocates, the World Trade Organisation's Government Agreement on Public Procurement (GPA) provides a unique international mechanism through which governments can credibly commit themselves to a transparent and competitive procurement regime and provide participants with more effective enforcement mechanisms than may be available under the status quo.

Critics of the GPA, like McGrudden (2006) or Wittig (1999), refer to the liberal nature of the non-discrimination clause, which makes it very difficult for developing countries to support local suppliers through preferential government purchases. That might be the reason why most of the 37 signatory countries of the GPA (as of January 2006) are developed countries in Europe, North America, the Far East and Oceania. Its advocates within the WTO refer to its design, which is based on good governance principles, like transparency, equity, accountability, rule of law. Obviously that all sounds very appealing, however, good governance also has to do with inclusiveness, participation, justice and fairness, and by signing up to the GPA, developing countries are limitedly covering those principles of good governance for their own people and that is all mainly due to the non-discrimination clause. The latter implicitly gives multinational corporations an undeniable advantage, making them the actor to benefit most, as local businesses in developing countries often are incapable to compete favourably against the Western giants in an open and non-discriminatory call for tenders. By signing on to the GPA, it becomes almost impossible for developing countries to use public procurement as a social policy. Signing up to the GPA could make a developing country seem like it is not taking its role in poverty reduction seriously. So the most fervent critics consider the GPA to be skewed towards the interest of the multinational corporations. Yet to the supporters of free trade, economic rationales for non-participation to the GPA are

not compelling enough. Despite of this, most developing countries have chosen not to subject their procurement policies to the international disciplines and multilateral surveillance that the GPA Code implies. Thus far, national groups that benefit from the current regimes seem to have led a successful opposition to the adoption of the GPA in most developing countries.

The UNCITRAL Model Law on Public Procurement, on the other hand, is considered to have a bigger focus on the real issues of improving good governance in public procurement. Even though the Model Law does refer to non-discriminating foreign suppliers, since it is not a treaty, peripheral governments can decide to ignore that clause and focus on the many system improving clauses that the Model provides instead. Arrowsmith (2004) argues that the scope and content of the UNCITRAL Model Law on Public Procurement differs strikingly from that of most international procurement rules promoting cross-border trade, including the GPA. In the GPA, the objectives value for money, integrity and accountability are implemented mainly through two principles, competition and transparency. She also alleges that the Government Procurement Agreement of the WTO merely prohibits discrimination and establishes a procedural framework for making foreign suppliers aware of opportunities and ensuring that entities cannot hide discrimination. She states that the GPA does not offer a blueprint for achieving domestic objectives such as value for money. This means that its rules are not as detailed as those of the Model Law, and according to her they provide only with framework procedures. For example the two GPA procedures of open tendering and selective tendering, are sufficiently broad to accommodate most UNCITRAL procedures, in her opinion. In addition, she argues that while the UNCITRAL Model Law offers a regulatory framework for all procurement, the GPA Code is directed mainly at contracts considered of interest to cross-border trade, because of the threshold value of 140.000 Euros for the GPA Code to apply. Arrowsmith assumes that government procurement contracts with a value below that threshold would not be that much interesting to cross-border trade.

3.5.1 Are public procurement standards advocated by the West any good for developing countries?

The force behind every single human action can be labelled as egoism, for people who believe that people are incapable of doing actions out of altruism. Evidently, it is possible to depict the advocates of the adoption of for example the GPA in peripheral countries as merely driven by the self seeking ambition of their multinational corporations, who are in search of potential procurement contracts in the South. If insufficient room is left for peripheral states to offer a preferential status to the local industry and support them through “buy national” policies, tagging the advocators as selfish would seem just. But if in turn the real underlying force behind the advocacy of good procurement by the West is for peripheral states to create a system of public procurement which is incorporated by values like transparency, justice, accountability, effectiveness and reduced corruption, then it seems just to tag their intentions as good for the development of the South. The latter is the case of the IFIs, who seemingly promote the UNCITRAL Model Law on Public Procurement, which mainly focuses on the rightness of the system. As we have said before, the UNCITRAL also comprises a non-discrimination clause for foreign suppliers, but thanks to the legal form of the Model Law, this and other clauses can be ignored from the framework depending on the wants of the country that is using the Model.

Assisting with building good public procurement systems (which are transparent, competitive, efficient, effective etc.) contributes to achieving the eighth Millennium Development Goal of giving technical assistance for administrative and public management reform for the benefit of good governance and is in line with the aid effectiveness strategy that was recently adopted by the donor community (e.g. see Aid Effectiveness Package by the

European Commission, 2005). Perhaps it is an illusion that good procurement alone can tackle poverty, but in the former chapter we have seen it might well have an impact on development if it increases efficiency and effectiveness, as well as through the use of public procurement as an instrument of social policy.

An important question that remains unanswered is whether or not public procurement is at all to be used as an instrument of social policy. A large stream of thinkers believes most things are done best when left to the free market, like the NPM reformers and neo-liberals. One can expect them to argue that supporting the local industry through “buy national policies” would make government intrusion in the economy uncomfortably large and that by letting the markets operate in free international competition, the local economy would benefit most as the market would flourish. In addition, possibly they would say that it is social security, education and health policies, civil society’s participation in governance, the extinction of corruption and the development of strong institutions that will end poverty and not the deployment of public procurement as a way to benefit the local industry alone. This type of thinking most probably led to the development of the WTO’s GPA, and it might be for this reason that as yet, very few developing countries have signed¹⁸ on to that procurement agreement. Yet there is another stream that believes that public procurement should be used as a social policy to the benefit of the local industry, either temporarily and just until the industries of the developing country have reached a sufficiently mature state in which they would be able to face international competition, or simply out of conviction that it is the way to carry out public procurement on a permanent basis.

3.5.2 Good procurement package: the normative discussion

The negotiation of any governmental policy involves making trade-offs with the many actors involved. Hence also the design of a procurement system reform is the result of a stakeholder battle in which the predominant interest is often the one with most influence, power and capital. A forthcoming new political cycle could open windows of opportunity for a swing in the predominant interest, depending on other national and international developments. One of those developments could be a change of paradigm in the political elite or in the public opinion concerning public procurement. Opposite normative aspects offer challenging perspectives on the matter of what good public procurement is at the core. In this section we analyse the normative political assumptions which are implicit to the two procurement systems which are presented in this chapter.

From a neo-liberalist perspective one would expect public procurement to be seen as an eminent spot for markets to operate in free and open competition. If one were to think in a crude neo-liberalist way, one would ask government to only play a marginal part in the public procurement process, mainly as a client, and procurement regulation would evolve around legislation the purpose of which mostly would be to cater to the rights of the companies that participate in the tendering process. This would also be the position being taken by the New Public Management thinkers, as they share neo-liberalist perspective of a small government. It is likely that international free trade and free market capitalism would be core values of a neo-liberalist public procurement system and therefore there would be no place for using public procurement as an instrument of social policy.

Yet if a renewed perspective on public procurement gains ground in which it is indeed seen as an instrument of social policy, that could provide a government other motives for institutional

¹⁸ Developing countries that have signed to the GPA so far are China, Israel, Korea and Saudi Arabia.

change. I am speaking of a perspective that is older than the neo-liberalism, to be precise: the Keynesian perspective. In this post-World War II perspective massive government interventions are believed to be crucial for economic development, so support of the autochthonous industry through preferential procurement would be nothing out of the ordinary in this paradigm.

From this discussion the reader might think we are reducing the answer of what good public procurement is to a normative yes or no to free trade and open market competition. But it certainly is one of the most important aspects that a country needs to think of when introducing public procurement reform which is modelled toward international regulative frameworks. There is much common ground on some of the good public procurement principles, like transparency of the procurement process –making the selection of bidders, tendering procedures, and the award of contracts open to public review–, accountability, responsiveness, rule of law, and consensus-orientedness. But the weight attributed to efficiency and effectiveness is up for discussion, just as much as is the question of supplier equity treatment. Should equity apply to both national and foreign suppliers? Is open competition –unrestricted, universal access to the procurement market– really a principle developing countries should strive for? Neo-liberalists would shout a big yes to the former question, as they view the wide use of “buy national” policies aimed at supporting local suppliers as one of the main obstacles to truly open competition, whereas Keynesians would be very sceptical about it.

Sigmaweb.org explains that an open and competitive public procurement contracting procedure begins with the government’s description of its requirements and an invitation to suppliers to indicate their interest in the contract and their professional capacity to fulfil it. The government then identifies potential suppliers and invites them to submit bids. The process must also assure that suppliers can, in fact, meet the specifications of product quality and delivery dates, and, in the case of very long-term contracts, can secure continuity of supplies. Big multinationals mostly have substantive experience in calls for tenders and are often well equipped to deliver a good service. Their levels of reputation and brand image are often unmatched, especially in comparison to the local businesses. This is where public procurement might be of a disadvantage to the national industry, especially if all suppliers would be considered equal, and there would be no support for “buy national” public procurement policies.

So it remains unclear what the full package of good procurement principles should ideally look like. Should it impose the clause in which openness to foreign suppliers is stipulated? Or should it merely concentrate on the development of the local industry? Or should effectiveness, transparency, or rule of law be the ultimate objectives instead? It mostly depends on the lens through which one looks at the matter and the interests one has.

Besides, governments desiring to minimise procurement costs have options that go beyond the adoption of efficient purchasing practices and related procurement regimes. Liberals would say that these include the privatisation of government operations and private sector participation in markets presently serviced by public entities. Hoekman argues that the potential benefits of such initiatives are increasingly recognised. “Procurement disciplines may be a second-best option—if not redundant—if market forces can be applied to the activities of public entities” (Hoekman, 1998: p. 266). He also notes that the greater the extent to which public entities operate in a competitive environment and are subject to hard budget constraints, the less likely that inefficient purchasing decisions will be made.

4 Case studies

4.1 Introduction

The purpose of this chapter is to answer the last three sub questions of this research, which were mentioned in chapter 1.3.1. The first question which we will answer is whether or not Brazil and Chile adopted internationally advocated good procurement standards. Secondly, we will look at the extent to which (non-) adoption and implementation of good public procurement in Chile and Brazil can be explained by the factors described in the theoretic framework. And finally, we will analyse what the impact could be of implementing good procurement standards on poverty reduction in these cases based on interview responses from procurement specialists from the country’s governments, UNCITRAL, the World Bank and the WTO.

The structure of the case studies will be mainly based on figure 9 in this paper, Pollitt’s Model of Public Management Reform (2004: p. 25). His model mentions the political system, the socio-economic forces and the administrative system, as main focus points in order to understand the context of a specific country in which an international reform is to be introduced. In these case studies it is relevant to distinguish what form of government exists, what the economy is like and what the dynamics have been in the procurement regulation of the past few years. Moreover, it is interesting to identify how the overall public sector performance is like over there. Considering the fact that we also wish to assess the extent to which (non-) adoption and implementation of good public procurement in Chile and Brazil can be explained by the factors described in the theoretic framework we shall also apply parts of our figure 15 to these countries in order to provide insight into what is feasible and what is desirable when it comes to adopting public procurement reforms like the UNCITRAL Model Law or the GPA.

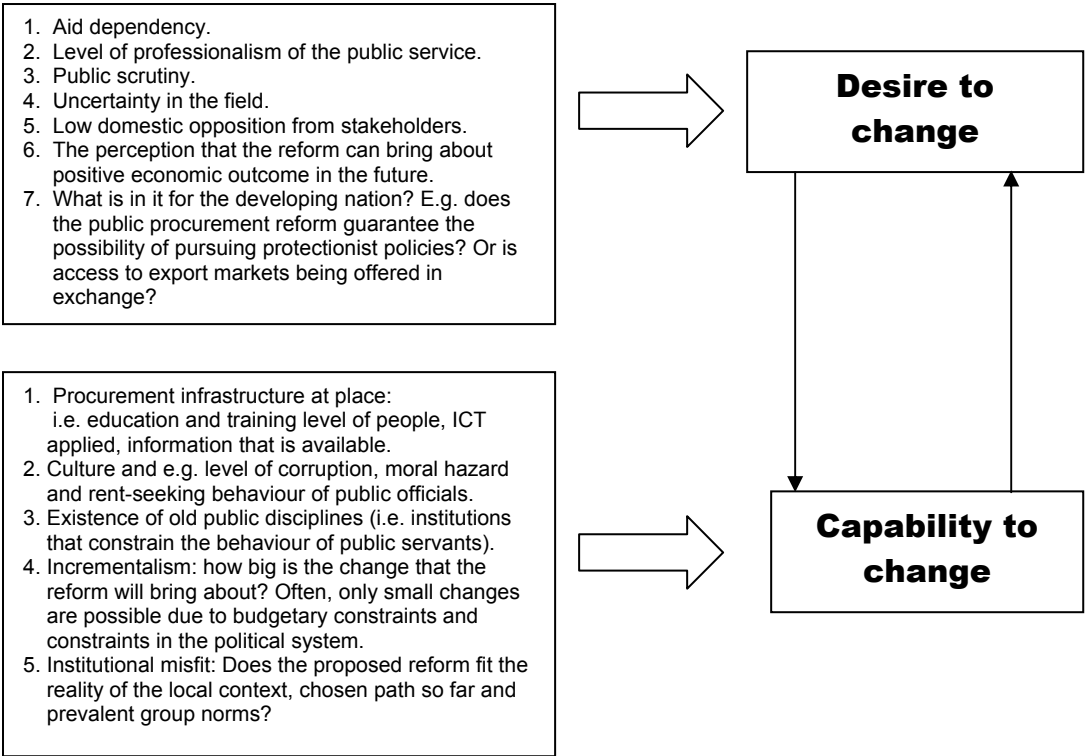


Figure 15: Explanatory model. Source: personal elaboration.

Desire to change

In secondary research and online data we have found information that could lead to a good assessment of the aid dependency and level of professionalism of the public service. Based on chapter 3 we have an idea of the possible benefits that both the UNCITRAL Model Law on Public Procurement as the GPA might bring for a nation, so we can also assess the point of “What is in it for the developing nation?...”. Unfortunately our explanatory model is not complete as we cannot assess the following and we did not ask this in the interviews:

- The perception that the reform can bring about positive economic outcome in the future;
- Public scrutiny;
- Uncertainty in the field;
- Low domestic opposition from stakeholders.

Possibility to change

In addition, secondary research and online data has provided with information that could lead to a fair assessment of the procurement infrastructure at place, the level of corruption, and the existence of old public disciplines. Assessing how big the change is that the either the UNCITRAL or the GPA reform would bring about and if the proposed reforms fit the reality of the local context, chosen path so far and prevalent group norms, requires understanding how much the actual systems in Brazil and Chile differ from the promoted standards. Yet, however relevant this might seem, researching it in detail surpasses the scope of this particular research. Moreover the author, who has a Public Administration background, does not have the tools, legal wit, and experience to fully assess that. Nevertheless, at the end of the first subsection of each country case study there is a modest part about the divergence we have found between the local procurement system and the two international standards we mentioned above.

4.2 Brazil

4.2.1 Political System and public procurement regulation

Form of government

Brazil is a presidential and federative republic with considerable decentralised federalism. It is composed of twenty-six states and the Federal District, Brasília. According to a 1992 country study of the US foreign affairs agency, the Brazilian political system is built on a directly elected president with a national constituency and a Congress elected by very parochial regional interests. In that report it is noted that although the 1988 constitution re-established many of the prerogatives of the bicameral Congress, the president retains considerable "imperial" powers¹⁹.

The Federative Republic of Brazil has three different levels of Government:

1. Federal;
2. State;
3. Municipal.

Each of the three levels is relatively autonomous, with specific source of budget and specific competence set out by the Federal Constitution. Each of the three levels has a legislative branch, as besides to the federal law and federal constitution, each federative state has its own constitution and each municipality has its own organic law.

¹⁹ Source: <http://countrystudies.us/brazil/82.htm>

Public procurement

As far as procurement regulations are concerned, the Federal Law of 1993 sets general procurement principles and definitions that should be followed. But states are also allowed to have their own procurement laws, as long as they do not dwell from the general principles set forth in the Federal Law.

According to the World Bank (2004a: p. 49), the Brazilian Federal Constitution includes the following provisions that have impact on government procurement contracting:

- “Article 22 (XXVII) – sets out the competence of the federal legislative to pass a law establishing Guidelines of procurement (bidding and contracting) for all government levels; and establishes that all public contracts must be preceded by public bidding;
- Article 37 (XXI) – demands all access to public contracts should be via competitive process; It also sets out the main principles orienting the procurement process the code of ethics that should be followed in the procurement process.”

The World Bank reports that the federal government of Brazil is a large purchaser of goods and services and that this purchasing power can be leveraged to create savings and more economic procurement. Brazil invests about US\$5 billion in goods and services and several more billions annually in civil works. They add that in terms of workload, the Federal Government carried out more than 42,000 procurement transactions in 2001. “Not surprisingly, public investment represents a significant share of economic activity. As a result, both the public and private sector agree that the procurement process, besides being transparent, also needs to be economic and efficient and that new tools are needed to achieve greater effectiveness and increased savings. Dynamics in public procurement normally fall to central coordinating agencies, such as Brazil’s Ministry of Planning, Budgeting, and Management (MP), who lead efforts to assess and improve procurement practices. In response, led by the team of Secretariat of Logistics and Information Technology (SLTI) within the MP, the Government has made considerable progress in the direction of developing new procurement tools that adequately reflect the principles of transparency, economy and efficiency” (World Bank, 2004a: p. 9-10)

Recent dynamics in Public Procurement and divergence with international standards

Roberto Lopes, head of coordination of public procurement in Brazil, said in our interview (see Appendix I) that one major development of the past years has been the establishment of electronic procurement. Yet this only applies to procurement of goods, like office supply or furniture. Procurement of big infrastructure projects still goes through the usual procedure, which is the federal regulation of public procurement of 1993. Hence the type of procurement that could be most beneficial to the poor has not been included into E-procurement.

The main difference between the actual procurement system of Brazil and the WTO’s GPA is the fact that although the Brazilian procurement system insists on the values of transparency and competition, and even though it allows foreign suppliers into its bidding procedures, it does not have a non-discrimination clause of foreign suppliers, and it even has preference terms for companies of Brazilian capital. Apart from the latter, we have actually not found much difference between the values that the actual procurement regulation of Brazil promotes and the general principles that the UNCITRAL Model Law on Public Procurement recommends on.

4.2.2 Socio-economic forces

Economy

According to the World Bank, Brazil can be regarded as a mature country in terms of its economy and technology, with very active industrial segments. Yet in Appendix VII we see that in 2005, Brazilian GNI per capita was only of US \$3.550, which is slightly below the Latin-American and Caribbean (LAC) average which in that year was about US \$4.000²⁰. According to the 2006 United Nations Human Development Report 21.2 % of Brazilians were living with less than US \$2 a day²¹, and that amounts to about 40 million Brazilians.

Relationship to the WTO and the World Bank

Brazil is not a signatory to the Agreement on Government Procurement of the World Trade Organisation, but is a WTO Member. According to Robert Anderson (WTO procurement specialist and thesis-interview respondent, see Appendix I), the WTO has given presentations about the GPA but Brazil has not adopted the model nor shown substantial interest in doing so in the near future.

The World Bank has been present in Brazil since it was first established in the late 1940's. As Brazil's economy has changed so much over the past few decades, the World Bank Group's efforts in the Brazil of nowadays are built on the country's three-dimensions development vision, that consists of making Brazil more equitable, sustainable and competitive, based on macroeconomic foundations. According to Vinod Thomas in the World Bank Brazil Strategy Paper of 2003,²² the Brazilian government sees the contribution of the World Bank in its development process as not only financial, but perhaps more importantly as a support for vital policy and institutional reforms relating to these three dimensions of the country vision. The Bank made a Country Procurement Assessment Report (CPAR) in 2004 in which it intends to contribute to a dialogue with the government, on its procurement policy agenda, by surveying the existing situation, assessing the situation in light of appropriate standards, indicating a meaningful array of issues that could be incorporated into the government's agenda, and examining the desirability, and workability of practices that would address those issues. That report represents an effort by the Bank, to seek further ways to support reform and modernization of government procurement in Brazil. The CPAR concluded that the current legal framework lays no foundation for a dispute resolution system for government contracts, as exhaustively detailed legal provisions discourage flexible interpretations, and allow the disqualification of proposals for reasons that are not substantial. In addition, it stated that there is lack of a normative entity, i.e., a policy-making agency responsible for developing procurement norms, and ensuring standardization of documents and procedures, thus leaving a gap in the procurement function, filled at times by the legal departments of the agencies, by the Federal Secretariat of Internal Control, and the Courts of Accounts, or by other law enforcement units, that are not specialized in government procurement. Its recommendations include the establishment of a normative entity, the development of standard bidding documents, and the introduction of Web-based planning. Furthermore it suggests the development of bulk buying, and to create an effective dispute resolution system for contract implementation within the new procurement law.

²⁰ Source: http://devdata.worldbank.org/AAG/bra_aag.pdf

²¹Source: hdr.undp.org

²² Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/BRAZILEXTN/0,,menuPK:322354~pagePK:141132~piPK:141105~theSitePK:322341,00.html>.

Aid dependence

Brazil received about US \$200 million in foreign development aid money in 2005²³. Although that amount seems huge, after comparing it with the GDP of Brazil that number seems less impressive. The estimated projection of the IMF is for Brazilian GDP to reach US \$1,178 billions in 2007²⁴. So although the country receives large amounts of development aid, we can conclude it might not be among the most aid dependent countries in the developing world.

4.2.3 Administrative system

Public service

The World Bank (2003) notes that the Brazilian Public Administration is highly developed in many areas, including financial management and control of public assets. It argues Brazilian reengineering experienced by the public sector over the last decade is a model for other developing countries. Public service in Brazil is highly professionalised, especially in comparison to the Latin American average. The ENAP, which is the national Public Administration University, is modelled after the French ENA. According to Koldo Echevarría (2004), 87 per cent of the public servants got their position based on their merits, which among other include education background (see figure in Appendix III). The 2004 World Economic survey (see appendix IV) places Brazil amidst the “upper group” of underperforming countries in terms of government effectiveness, as Brazilian government effectiveness is very close to the point zero in the international comparison, which is the point as from which government effectiveness is considered to be positive.

The World Bank (2003) says Brazil’s bureaucracy is competent in several key areas, but capacities are uneven across sectors and levels of government, and overall public administrations are not geared toward efficiency and results. The bank also says cumbersome bureaucracies are obstacles to efficient social service delivery and a business-friendly investment climate and that as a result, the quality of governance in Brazil is still perceived to lag behind that of OECD countries and the region’s best performers. “Brazil has worked to improve the quality of policy implementation. Measures such as the National Debureaucratisation Program and a variety of e-government initiatives are intended to streamline cumbersome bureaucratic processes and make public administration more agile and predictable. These and other administrative modernisation measures should be balanced with the robust internal control regimes that Brazil has developed to control corruption and other forms of misuse of public resources and abuse of public authority. Through a consultative process, the federal government is developing a plan for systemic reforms of the state to upgrade the quality of public sector institutions and management. One of the most notable changes introduced by the new government is a more transparent and inclusive approach to government decision-making key to completing Brazil’s transition from a clientelistic to a modern, democratic government. This approach builds on successful local experiences, from participatory budgeting to involvement of community associations and local councils in budget and policy decisions. Through better access to information, the approach can also help build transparency and fight corruption. It is now being scaled up at the federal and state levels in a variety of forms” (World Bank, 2003: p. 42).

²³Source: WDI

²⁴ Source:

<http://www.imf.org/external/pubs/ft/weo/2007/01/data/weoreptc.aspx?sy=2004&ey=2008&scsm=1&ssd=1&sort=country&ds=.&br=1&c=223%2C228&s=NGDPD%2CNGDPDPC%2CPPPPC&grp=0&a=&pr.x=37&pr.y=11>

Corruption

With a score of 3.3 on a scale from 1 to 10 –with 1 being the worst–, the 2006 Transparency International Corruption Perceptions Index²⁵ places Brazil on the 70th position of a ranking that includes 163 countries. Other countries with similar perceived corruption levels are China or Senegal.

Brazilian public servants are subject to a strict code of behaviour which is embedded in a number of legal stipulations. All employees of the federal government and its decentralised agencies have to comply with the 1990 Statute for Civil Servants. The ADB (2005) says the 1992 Law on Improper Administrative Behaviour defines three main categories of improper behaviour of public servants, which are illicit enrichment, acts that result in unfair advantages and acts that are in conflict with good principles of public administration.

4.2.4 Interviews²⁶

For the Brazilian case we interviewed a Brazilian procurement government official and procurement experts of the World Bank and the WTO. All interviewees were positive about the possible impact that good public procurement might have on poverty reduction, acknowledging that if the enhanced government procurement system results in savings, the freed funds could be used for poverty reduction programs. However, most of them also added that whether or not a government uses those funds in poverty reduction depends on the priorities of the moment. Effectiveness in government procurement was also recognised as a beneficial tool in the fight against poverty, as explicitly assured by Mr. Luis Prada, World Bank Senior Procurement Specialist for Brazil. A surprising finding of the interviews was that the Brazilian government was very much convinced its procurement system functioned well and that the establishment of it and its recent reforms were never substantially influenced by international organisations like the World Bank or the WTO. The World Bank and the WTO admitted to have had relative little to no influence in the public procurement system of Brazil. In the public procurement topic, the World Bank has only recommended the Brazilian certain adaptations through the dialogue that was the result of the CPAR in 2004.

4.2.5 Sub conclusion

Brazil has the capability but not a very strong desire to adopt UNCITRAL Model Law or sign on to the GPA. We conclude this based on looking at the level of professionalism in Brazilian public administration, and on the rest of the procurement infrastructure at place which according to the World Bank is quite good. The country is convinced its procurement system functions well and wants to support development of its local industry through it. It has a procurement system which is not explicitly modelled after international standards, but which does incorporate the values that are advocated within those international procurement standards, except for the openness clause. We concluded that the actual influence the international change agents can have in a developing country is a result of the aid dependency of that country, i.e. how bad the government is in need of the foreign aid. Brazil is not very much aid dependent. Another the reason for not explicitly adopting the UNCITRAL Model Law is that this Model shows several similarities with the actual Brazilian procurement system, and therefore it might be considered unnecessary to actually pronounce the copying of its stipulations. A reason for not adhering to the GPA could be the desire of supporting local suppliers.

²⁵ Source: www.transparency.org

²⁶ A full version of the interviews is to be found in the Appendix I.

4.3 Chile

4.3.1 Political System and public procurement regulation

Form of government

The Chilean State is split into three distinct and independent branches:

- The Executive, headed by the highest authority in the land, the President of the Republic;
- The Judiciary, with its highest tribunal, the Supreme Court;
- And the Legislature, which has a Chamber of Deputies (or House of Representatives) and a Senate.

Chile has a presidential system of government in which the executive authority is vested in the President, who acts as Head of State and Government. The Chilean government website reports that legislature is represented by the National Congress, composed of the Chamber of Deputies and the Senate, whom have co-legislative and oversight powers²⁷.

Public Procurement

The World Bank (2004b: p.2) reports that Chilean Procurement Law 19.886, which took effect on the 29th of August 2003, is a statute of principles that requires development through rules and regulation. They add that a comprehensive draft regulatory decree or “Reglamento” has been drafted in 2004. With some exceptions, the Law and draft “Reglamento” provide a solid basis for achieving the objective of making Chilean procurement consistent with international procurement practices. The “Reglamento” focuses on general principles and procedures that provide flexibility. However, achieving the stated policies of uniformity would require strong leadership and guidance by the Directorate of Public Procurement and Contracting in the form of operational manuals and harmonised documentation. The World Bank says that it provided detailed comments on the draft to the Chilean Government in January 2004.

About the aggregate value of public procurement by some 200 national government line agencies in 2001, the Bank says it was about \$ 4 billion or 3.4 % of the GDP. “Of that amount 58% was public works” (see World Bank, 2004b: p. 10).

The Bank reports there is no unified comprehensive and systematised legal statute that governs public procurement in Chile. “Several laws and decrees outline principles, many of which have not been developed through regulation and, are to a large extent applied by state agencies on the basis of administrative norms and legal opinions issued by the CGR (General Controller’s Office). A corner stone of legislation is the Organic Law of State Administration (Ley 18.575 Orgánica Constitucional de Bases de Administración del Estado) that sets the principle that administrative contracts should be awarded on the basis of public or private procurement or direct contracting. Otherwise the organic laws of the various ministries, state agencies and municipalities authorise them to set up their own procurement regulations” (World Bank, 2004b: p. 11).

Recent dynamics in Public Procurement and divergence with international standards

“On July 2003 the President enacted the Procurement Law 19.886 which provides the framework for procurement of goods and service contracts and designates Chilecompra²⁸ as the standard electronic platform for public procurement. The procurement of public works and concessions continues to be governed by existing regulations. However, the Government is

²⁷ Source: http://www.chileangovernment.gov.cl/index.php?option=com_content&task=view&id=58&Itemid=34

²⁸ www.compraschile.cl

currently processing a new law that, as the Procurement Law for goods and services, would set up a common framework for procurement of consulting services and construction of public works contracts” (World Bank, 2004b: p. 11). The overall conclusion of the Country Procurement Assessment Report carried out by World Bank staff is that Chile has adopted a well thought-out and comprehensive strategy and action plan for procurement of goods and services that is a best practice example to be followed. “Chilean procurement rules are already well established and generally sound”, says the World Bank (2004b: p. 45).

However, the Bank also reports that one of the major operational deficiencies of public procurement in Chile has been the lack of consistent practices procedures and documentation among purchasing agencies, which contributed to inefficiencies, and the fragmentation of supply as bidders tend to specialise in bidding for agencies they are familiar with. The Bank says that the Procurement Law and “Reglamento” provide the tools to overcome that weakness, in particular through the mandatory use of Chilecompra and the authority of the Directorate of Public Procurement and Contracting (DCCP). “However, as it reads now, the “Reglamento” would apparently give purchasing agencies considerable leeway for interpretation and change of the requirements therein, which in the end could result in the continued proliferation of procedures and documentation. Thus, it is recommended that for common procedures and requirements the “Reglamento”, while providing flexibilities sets up mandatory boundaries within which purchasing agencies should operate. Moreover, it would be advisable that the standard bidding documents, forms of contract and other documents containing commercial practices and procedures and other documents are of mandatory use” (World Bank, 2004b: p. 24).

The main difference between the actual procurement system of Chile and the WTO’s GPA is that although the Chilean procurement system insists on the values of competition and transparency, it does not have a non-discrimination clause of foreign suppliers. There is actually not much discrepancy between the values that the actual procurement system of Chile promotes and the principles that the UNCITRAL Model Law on Public Procurement prescribes, except for the mentioned non-discrimination clause of foreign suppliers and for the lack of providing with mandatory standard bidding documents for all public procurement.

4.3.2 Socio-economic forces

Economy

Chilean economy is very much market-oriented and characterised by a high level of international trade. According to the World Bank during the early 1990s Chile's reputation as a role model for economic reform was strengthened when the democratic government of Patricio AYLWIN –which took over from the military in 1990– deepened the economic reform initiated by the military government²⁹.

As we can see in Appendix VI and VII Chilean GNI per capita in 2005 reached US \$5.870, well above the Latin American average of US \$4.000³⁰. The poverty level in Chile is low in comparison to the region. According to the UN’s Human Development Report (2006) 9.6 % of Chileans were living with less than US \$2 a day in 2004, and that amounts to over 1.5 million people. The number of people living in poverty in Chile is about twice as big if one uses the Chilean National poverty line as an indicator, as says the UN HDR (see 2006: p.292).

²⁹ Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/CHILEEXTN/0,,menuPK:325283~pagePK:141132~piPK:141107~theSitePK:325273,00.html> and WDI

³⁰ Source: http://devdata.worldbank.org/AAG/chl_aag.pdf

It is very impressive to see how Chile has improved its social indicators over the past two decades. The World Bank reports that since 1990, poverty levels have been cut in half to near 18%³¹ in 2003 and have probably fallen further in 2005-06³². After Uruguay, Chile now has the second lowest headcount poverty rate in Latin America and the Caribbean. Social indicators have also improved, including infant mortality, youth literacy, and life expectancy and have reached levels close to advanced economies. Chile is the only country in Latin America to have achieved such a drastic drop in poverty, as by the year 2000 extreme poverty and indigence headcounts had fallen to less than half their 1990 levels.

Relationship to the WTO and the World Bank

Chile is a member of the WTO, but it has not signed the WTO's Agreement on Government Procurement. Involvement of the World Bank in Chile is selective. While in the past the emphasis was on infrastructure, particularly on highways and ports, nowadays the focus is on supporting poverty reduction, structural reforms and modernisation of the state. Procurement is reported to be generally satisfactory. "Future Bank assistance to Chile is expected to focus on three broad objectives: (i) sustaining economic growth and social progress; (ii) promoting inclusion, especially of rural populations and vulnerable groups; and (iii) modernizing the state, necessary for achieving the previous two objectives" (World Bank, 2004b: p. 11).

One of the World Bank projects in Chile is the Public Expenditure Management Project, which reflects and supports Chile's emphasis on institutional development as a prerequisite for participating in the emerging knowledge economy. The Bank says that while Chile has improved public finances through tight controls on spending and extensive reforms in revenue policy, citizens are demanding a deeper modernisation and decentralisation of the public sector, and this includes effective and efficient public procurement. PEMP loan supports improvements in efficiency, transparency, and accountability at the national level by expanding access to information, strengthening the civil service, and promoting a culture of public participation³³.

Aid dependence

There have been quite some fluctuations in the Western economic and social aid to Chile in the new millennium. While in 2003 it received US\$ 79 millions in foreign aid, in 2004 this amount dropped to US\$ 56 millions and in 2005 it went up to 151 millions. Chile's GNI reached US\$ 105 billions in 2005, so it is not a very much aid dependent country if one relates the two figures. Chile is an exceptional case within the LAC region because it is a middle-income country with a strong external financial position, and therefore it has no need to borrow from the World Bank for purposes of resource transfer. The World Bank argues that on the other hand, Chile is an open society that is very receptive to ideas from abroad and clearly wishes to forge strong ties with the international community at large. In that respect, the Bank has had a role to play in facilitating the transfer of knowledge and experience for institutional reforms and has provided loans to the Chilean government to finance certain modernisation reforms³⁴.

³¹ With the Chilean National poverty line as an indicator

³² Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/CHILEEXTN/0,,menuPK:325283~pagePK:141132~piPK:141107~theSitePK:325273,00.html>

³³ Source: Ibid

³⁴ Source: Ibid

4.3.3 Administrative system

Public service

According to Koldo Echevarría (2004), 62 % of the public service is merit based in Chile, and after Brazil that is the highest rate in the LAC region (see Appendix III). Overall government effectiveness is high in Chile. The 2004 World Economic Survey (Appendix IV) shows Chile had a higher rate of government effectiveness than developed countries like Japan, Belgium, Spain or Portugal, just to name a few.

Corruption

Corruption is perceived to be very low in Chile in comparison with the LAC region. With a score of 7.3, the 2006 Transparency International Corruption Perceptions Index places Chile on the 21st position in a survey of 163 countries (www.transparency.org). Countries with similar levels of corruption are USA and Belgium.

4.3.4 Interviews³⁵

For the Chilean case we also interviewed a Chilean procurement high government official and procurement specialists from the World Bank and the WTO. In Chile, the launch of the online procurement portal Chilecompra in 2006 together with the “Reglamento” –which is a revision of the public procurement regulation that aims at reshaping Chilean procurement regulation in order for it to be more in line with international standards– are the most important developments in the field of public procurement. The influence of the WTO and the World Bank has been very limited in this respect, according to our interview respondents and the CPAR documents that we have consulted.

4.3.5 Sub conclusion

Chile has a strong desire for its procurement regulation to be regarded as mature and good, which shows from their commitment with Chilecompra and the “Reglamento”. According to the World Bank the country has a good procurement infrastructure. Since Chile has a low level of corruption and a high level of professionalism of government officials, we think that it can be considered to have favourable conditions as regards capability to implement procurement reform. So we are dealing with a setting of a country that is both capable as well as willing to introduce procurement reform. Yet the international change agents appear to not have been very decisive in the procurement reform efforts of the Chilean government. Chile has not adopted UNCITRAL nor signed on to the GPA but has been working individually on improving the national regulation for its procurement process to function well and deliver value for money, be transparent and competitive. Maybe the reason for the limited interest in the UNCITRAL Model Law is that it is not that much different from the actual procurement system in Chile, and therefore considered unnecessary to explicitly copy its provisions. A reason for not adhering to the GPA could be the desire of supporting local suppliers.

4.4 Comparative analysis

Brazil and Chile are both medium income countries and not very much aid dependent. The level of professionalism in public service is reasonable in both cases. The procurement infrastructure at place – i.e. the people, the technology and the information – overall seems to be all right. In Brazil and Chile there exist institutions that constrain the behaviour of public servants, i.e. Old Public Disciplines. In Brazil, that is Brazil’s Ministry of Planning,

³⁵ A full version of the interviews is to be found in the Appendix I.

Budgeting, and Management (MP), who leads efforts to assess and improve procurement practice based on the 1992 Law on Improper Administrative Behaviour. In Chile there is the Directorate of Public Procurement and Contracting that regulates government procurement and there is the congress which has to approve all expenses of the government. Both countries seek for their public procurement system to be transparent, as recent reform efforts like the launch of internet procurement portals have demonstrated. Corruption levels and clientelism in Chile are very low, however in Brazil there is still room for improvement in that respect. Both countries are institutionally capable of introducing international public procurement models like the UNCITRAL Model Law or the WTO's GPA. Yet the willingness of explicitly adhering to such models does not seem to be present. From what we have read about it, public procurement in Chile and Brazil is not a high-risk domain in which much uncertainty prevails about what are the best paths to follow, so that does not add to the desire of these countries to adopt an international standard like the GPA or UNCITRAL. Maybe the reason for not adhering to the GPA is the same as in most developing countries, where according to McGrudden et al. (2006) the perception that public procurement reform toward GPA will bring about positive economic outcome in the future is not that much widespread. And the reason for this could be that the GPA Code does not guarantee the possibility of continuing the path of protectionist policies. It seems plausible to assume that expected domestic opposition from stakeholders would obstruct possible initial motivation of these countries to supporting GPA, although we have not overtly researched this.

It became clear from the interviews and the case studies that the sense of urgency for signing on to the GPA or for explicitly taking over the UNCITRAL Model Law is not that widespread and that the international change agents, which in these cases are the World Bank and the WTO did not feel their assistance was that much needed nor called for. It also seems like what we up till now have called "promotion" of good procurement standards did not take place that actively in these two countries –like for instance through conditionality policy–, apart from the fact that the World Bank did assess the procurement systems in 2004 and presented the results to the governments in respect. The WTO on its turn gave presentations to high government officials in Brazil about the GPA, yet these did not lead to any concrete moves of Brazil towards adopting that model.

All of the respondents we interviewed were positive about the appropriateness of the current procurement systems and the latest reform efforts in these two countries. Brazil and Chile are very enthusiastic about their online public procurement portals, yet in both cases these are only relevant for small government procurement. Although Chile is negotiating bilateral free trade agreements with several Western countries, we can still say both countries are very much in favour of continuing a protectionist path in government procurement in support of the development of the local industry, as according to our WTO respondent neither of them has shown an actual interest in signing the GPA.

In general, the initial perception of the interview respondents was that good public procurement could indirectly add value in the fight against poverty. Even so, we must admit that throughout this research endeavour little evidence was found to support that this has occurred in any case. Government procurement effectiveness and efficiency were considered helpful in the fight against poverty, but the latter can only be of a true added value if the government is willing to invest the efficiency savings in poverty reduction programs, as was pointed out by several of our interview respondents (see Appendix I, Mr. Prada, Mr. Macgaul, Mr. Lopes Mr. Goya and Mr. Anderson). One relevant caveat to bear in mind in this is that in Brazil, there seems to be no incentive to choose the cheapest bid as the savings have to be returned to the central treasury, which might lead to lower departmental budget for the following year, *ceteris paribus*. If in the future the idea spreads that the proceeds of good

public procurement will be used for the noble cause of poverty reduction programs, than maybe that will weigh more in the conscience of the officials than the rent seeking behaviour for attaining a higher budget for the department in the following year.

5 Conclusions and recommendations

In this research paper we have studied a variety of issues concerning public procurement in developing countries. We recognise that given the broadness of our research question, we mostly gave theoretical answers as the empirical part of our research is very limited. We have looked at the supposed promotion of international public procurement standards, at the actors involved and at the conditions for those standards to be adopted by developing countries. We have labeled international advocates of good public procurement reform as international change agents. In light of the above discussion the answer to our main question of “Under what conditions can Western promotion of Good Governance in Public Procurement be successful and contribute to poverty reduction in Latin America?” is the following:

First of all, the pretext for promoting good governance reform in developing countries is poverty reduction. We can conclude that good governance standards in public procurement include transparency, value for money, effectiveness and openness. However, the usefulness of openness in the public procurement system is debatable and people across the different ends of the political spectrum have diverse opinions regarding the matter. A typically liberal person would say it is a good thing to open up domestic procurement market to foreign suppliers, while the more socialist one would encourage protectionist procurement policies in favour of the national industrial development. Although several authors refer to promotion of UNCITRAL Model Law on Public Procurement by multilateral development banks we have not actually seen this is the case for neither Brazil nor Chile. Anyway, there are several means at hand for international institutions which would like to promote this type of good public procurement reform, like for instance aid conditionality. One of the most important factors affecting willingness to accept reform initiatives coming from an international change agent is in fact the economic dependency of the recipient country. On the other hand, for promoting the GPA Code Western signatory countries could offer incentives to developing countries like increased access to their home markets. However, adoption of the proposed reform will be constrained by desire to change as well as by the capability to do so in the developing nations in respect. The most important factors that affect capability are corruption levels, human resources, technical capacity, culture and other institutional constrains. We have seen that it is plausible to believe that good public procurement can add value in the fight against poverty in the following three ways:

1. If it increases efficiency of government procurement and the proceeds go to poverty reduction programs;
2. If effectiveness of the procurement system increases the chance of seeing delivery public works take effect. An effective government procurement system will most probably result in infrastructure projects being terminated with an acceptable degree of quality. Access to different types of infrastructure is a generally accepted poverty indicator and in many developing countries there are vast examples of public works like aqueducts, bridges, roads, hospitals, and even schools that are begun without ever being terminated, or that are rendered with a quality that poor that the works need to be rebuild in no time, and that is such a waist of tax-payers' money;
3. If public procurement is used as an instrument of social policy, set to benefit the development of the local industry and the employment rates of certain communities. By buying the goods the local companies produce, the government can structurally support

employment rates and the autochthonous industrial development. Only when local industries reach a certain degree of development can they compete with international corporations in the government procurement bidding process. The decision as to when that point of maturity of the local industry has been reached is a political one.

Now one could ask if it is really necessary to promote procurement reform in Latin America? The answer to that question should be affirmative for countries with high levels of corruption and weak institutions, for the sake of the living conditions of the poor in such nations. We have seen that governance indicators are positively correlated to poverty indicators. If promotion by international change agents like for example the World Bank did not occur or was not successful, maybe we should ask ourselves if the recipient country did not already have an adequate procurement system, given the context in which it exists. We noticed that in Brazil and Chile the national efforts to modernise and reform public procurement were very avid. As these countries are not very much aid dependent, we have seen that the influence in public procurement reform of the World Bank and the WTO has been quite limited.

To conclude, I would recommend to the scientific world to do more research in order to clearly demonstrate the benefits of a good procurement system for improving poverty indicators. To the developing countries in Latin America I would recommend that if they are confronted with Western promotion of good public procurement standards, the importing government needs to find a balance of procurement principles which is acceptable to both its local stakeholders and to the international agents who are providing aid and promoting procurement reform. It is crucial for a developing country to decide whether it is going to use procurement as a social policy, supporting the autochthonous industry through preferential “buy national” policies or if it is going to liberalise its procurement market through the introduction of the non-discrimination clause of foreign suppliers.

Literature list

Articles

Arrowsmith S. (2004). "Public Procurement, an Appraisal of the UNCITRAL model as a global standard". *International and Comparative Law Quarterly* 53:14-47.

Bulmer, S.J. (1998). "New institutionalism and the governance of the Single European Market". *Journal of European Public Policy* 5(3): 365-86.

Collier, D. & J. Mahoney, (1996). "Insights and Pitfalls: Selection Bias in Qualitative Research". *World Politics* 49(1): 56-91.

Dijkstra, A. Geske (2002). "The effectiveness of policy conditionality: Eight country Experiences". *Development and Change* 33(2): 307-334.

DiMaggio, P.J. & Powell W. W. (1983). "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields". *American Sociological Review* 48(2): 147-160.

Gibbon, P., (1993). "The World Bank and the new politics of aid". *European Journal of Development Research*, Special Issue: Political Conditionality 5(1): 45-62.

Grindle, M. S. (2004). "Good Enough Governance, Poverty Reduction and reform in Developing Countries". *Governance: an international journal of policy and administration* 17(4): 525-548.

Hira, A. & Hira R. (2002). "The New Institutionalism: Contradictory Notions of Change". *American Journal of Economics and Sociology* 59(2): 267-282.

Hoekman, B. (1998). "Using International Institutions to Improve Public Procurement". *The World Bank Research Observer* 13(2): 249-69.

Lindblom, C. (1959). "The Science of Muddling Through." *Public Administration Review* 19: 239-248.

Lowndes, V. (1996). "Varieties of New Institutionalism: a Critical Appraisal." *Public Administration* 74: 181-197.

March, J. and Olsen J. (1984). "The new institutionalism: organizational factors in political life". *American Political Science Review* 78: 734-748.

Manning, N. (2001). "The legacy of the New Public Management in developing countries". *International Review of Administrative Sciences* 67: 297-312.

McGrudden, C. and S.G. Gross, (2006). "WTO Government Procurement Rules and the Local Dynamics of Procurement Policies: A Malaysian Case Study". *European Journal for International Law* 17(1): 151-185.

- Nelson, J. H. (1996). "Promoting policy reforms: The twilight of conditionality?" *World Development* 24(9): 1551-1559.
- Ostrom, E. (1986). "An Agenda for the study of Institutions". *Public Choice* 48: 3-25.
- Pollitt, C. (2003). "Public Management Reform: Reliable Knowledge and International Experience". *OECD Journal on Budgeting* 3(3): 121-136
- Rhodes, R.A.W. (1996). "The New Governance: Governing Without Government". *Political Studies* 44(4): 652-67.
- Shepsle, K. (1989). "Studying institutions: some lessons from the rational choice approach". *Journal of Theoretical Politics* 1(2): 131-7.
- Tjonneland, E. (1998). "Aid, development and politics in Southern Africa: A critical look at new conditionalities in official development assistance". *Development Southern Africa* 15(2): 185-200.
- Van Kersbergen, K. & F. Van Waarden (2004). "Governance as a bridge between disciplines: Cross-disciplinary inspiration regarding shifts in governance and problems of governability, accountability and legitimacy". *European Journal of Political Research* 43: 143-171.
- Weyland, K. (1998). "The Politics of Corruption in Latin America". *Journal of Democracy* 9(2): 108-121.
- Wittig, W. (1999), "Public Procurement Reform and Value for Money", *International Purchasing and Supply Link* 6 (1): 3-4.
- Young S. Kim, Yong Suk Jang and Hokyung Hwang (2002), "Structural Expansion and the Cost of Global Isomorphism: A Cross-national Study of Ministerial Structure 1950-1990" *International Sociology* 17: 481-503.

Special publications

- Claro de la Maza, J. (1999), *Government Procurement and Free Trade in the Americas*, INTAL – ITD: Buenos Aires. Working Paper 3, available in PDF format at: <http://www.iadb.org/intal/pub> and/or <http://www.iadb.org/int/pub>.
- De Lombaerde, P. (2004), *The EU-Mexico Free Trade Agreement: Strategic and Regulatory Issues*, United Nations University – Comparative Regional Integration Studies (UNU-CRIS): Bruges. Paper available in PDF format at: <http://www.car.chula.ac.th/iic/html/EU%20Journal/2003/6.%20de%20Lombaerde%20-%20EU-Mexico-2004.pdf>.
- Dijkstra, A.G. (1999), *Programme aid, Policies and Politics: Programme aid and Conditionality*, report for SIDA: Stockholm.
- Dollar, D. & J. Svensson (1998), *What Explains the Success or Failure of Structural Adjustment Program?*, paper by the Macroeconomics and Growth Group of the World Bank: Washington DC.

European Commission (2006), *Europe in the World — Some Practical Proposals for Greater Coherence, Effectiveness and Visibility* COM 278 final, Office for Official Publications for the European Communities: Luxemburg.

Evenett, S.J. & Hoekman, B.M. (2004), *International Cooperation and the Reform of Public Procurement Policies*, World Bank and CEPR: Washington D.C. & London. Working paper, available online at:
<http://www.evenett.com/working/EvenettHoekmanProcurementCEPRAugust05.pdf>.

Kapur Devesh and Richard Webb (2000), *Governance-related conditionalities of the international financial institutions — G24 discussion paper*, Center for International Development Harvard University and UNCTAD: Geneva.

Knack, S. and M. Kugler (2002), *Constructing an Index of Objective Indicators of Good Governance*, PREM Public Sector Group, World Bank: Washington D.C.
Working paper, available online at:
www1.worldbank.org/publicsector/anticorrupt/FlagshipCourse2003/SecondGenerationIndicators.pdf.

Ozorio de Almeida, M. (2004), *Electronic Government Procurement in Brazil*, Case Study presented at the 2nd IWOGDA brainstorming meeting CUTS, Jaipur June 28-29.

Uslaner, E.M. & B. Rothstein (2005a), *All for All: Equality and Social Trust*, paper for LSE: London.

Uslaner, E.M. (2005b), *The Bulging Pocket and the Rule of Law: Corruption, Inequality, and Trust*, Working paper for presentation at the Conference “The Quality of Government: What It Is, How to Get It, Why It Matters,” November 17-19, 2005, Göteborg University: Göteborg.

Valente de Macedo, L. & R. Biederman Furriela (2005), *Development of Sustainable Procurement in Brazil – Current Initiatives and Challenges* –, Presentation at UNDESA’s third Expert Meeting on Sustainable Public Procurement: New York.

Witte, W. A. (1999), *Building Value through Public Procurement: a focus on Africa*, Paper presented at the 9th International Anti-Corruption Conference, Durban, South Africa.

Zhang, S., & Woicke, P. (2003), *Brazil Country Assistance Strategy 2004-2007*, Washington: World Bank.

Books:

Arrowsmith S. (2003), *Government Procurement in the WTO*, Kluwer Law International: London.

Arrowsmith S., Arwel, D. (1998), *Public procurement: global revolution*, Kluwer: The Hague.

Birkland, Th. A. (2001), *An introduction to the policy process: theories, concepts and models on public policy making*, Sharpe, Armon: New York, London.

Constance, P. (2000), *Public Procurement in Latin America: A Lousy Deal*, IADB: Washington D.C.

DAC/OECD (1995), *Participatory Development and Good Governance - Development Cooperation Guidelines Series*, OECD: Paris, available online at: www.oecd.org/dataoecd/27/13/31857685.pdf.

DiMaggio, P and W. Powell (1991), *'Introduction' -The new institutionalism in organizational analysis*, University of Chicago Press: Chicago.

Dunleavy, P. (1991), *Democracy, bureaucracy and public choice*, Harvester Wheatsheaf: London.

Dunleavy, P. and B. O'Leary (1987), *Theories of the state: the politics of Liberal democracy*, Macmillan: London.

European Commission (2005), *Aid Effectiveness Package*, Office for Official Publications for the European Communities: Luxemburg.

Evenett, S.J. & Hoekman, B.M. (2006), *Economic development & multilateral trade cooperation*, World Bank: Washington, D.C.

François, J.F., D. Nelson and N.D. Palmetter (1996), *Public procurement: a post-Uruguay Round perspective*, Discussion Round Series CEPR: London.

Folz, D.H. (1996), *Survey Research for Public Administration*, Sage Publications: London.

Hakvoort, J.L.M. (19996), *Methoden en technieken van bestuurskundig onderzoek*, Eburon: Delft.

Knight, L., N. Caldwell, C. Harland, and J. Telgen, (2003), *Government reform and Public Procurement – Academic Report of the first workshop of the International Research Study on Public Procurement*, University of Bath and University of Twente.

Kooiman, J. (2003), *Governing as Governance*, Sage Publications: London.

Koldo Echevarría (2005), *El impulso a la evaluación a través de la efectividad del desarrollo en los organismos multilaterales de crédito: El caso de los programas de reforma institucional*, Banco Interamericano de Desarrollo: Santiago de Chile.

Koldo Echevarría (2004), *Analizando la burocracia: una mirada desde el BID*, Banco Interamericano de Desarrollo: Santiago de Chile.

McNabb, D.E. (2002), *Research Methods in Public Administration and Nonprofit Management - Quantitative and Qualitative Approaches*, E. Sharpe: London.

OECD (1998), *Aid Activities in Latin America and the Caribbean*, OECD: Paris.

OECD (1997), *Best Practice Guidelines for Contracting Out Government Services*, Public Management Service, OECD: Paris.

OECD (2005), *Fighting corruption and promoting integrity in public procurement*, OECD: Paris.

- OECD (2005), *Should OECD Donors Deliver Aid Through Poor Country Government Budgets?*, OECD: Paris.
- OECD (2003), Summary report of the *World Bank Roundtable on Strengthening Procurement Capacities in Developing Countries*, JOINT OECD/DAC: Paris.
- Osborne, D. & R. Gaebler (1992), *Reinventing Government*. Reading, MA: Addison-Wesley.
- Polidano, C. (1999), *The New Public Management in Developing Countries*, Manchester. Institute for Development Policy and Management: University of Manchester.
- Pollitt, C. & G. Bouckaert (2004), *Public Management Reform: a Comparative Analysis*, Oxford University Press: Oxford.
- PUMA (1995), *The impacts of globalisation on policy-making*, OECD: Paris.
- Reich A. (1999), *International Public Procurement Law: The Evolution of International Regimes on Public Purchasing*, Kluwer: London.
- Ringeling, A. (2004), *Het imago van de overhead*, Elsevier Overheid: 's-Gravenhage.
- Robson, C. (1993), *Real World Research*, Blackwell Publishing: Oxford.
- Schacter, M. (2000), *Public Sector Reform in Developing Countries, Issues, Lessons and Future Directions*, Canadian International Development Agency: Ottawa.
- Søreide, T. (2002), *Corruption in public procurement: Causes, consequences and cures*, Chr. Michelsen Institute for Development Studies and Human Rights: Bergen (Norway).
- Stiglitz, J. (2002), *Globalization and its Discontents*, Norton: London/New York.
- Trepte P. (2004), *Regulating Procurement: Understanding the Ends and Means of Public Procurement Regulation*, Wolf Legal Publishers: Nijmegen.
- United Nations (2004), *Searching for innovations in governance and public administration for poverty reduction : concepts, experiences and lessons for the future*, Division for Public Administration and Development Management, Department of Economic and Social Affairs, UN: New York.
- Van Heerden, J. (1996), *De Jacht op de Zwarte Zwaan – uit Schrikbewind der Verzinsels*, Prometheus: Amsterdam.
- Welch, S. (2001), *Quantitative methods for Public Administration, Techniques and applications*, Harcourt College Publishers: Orlando.
- White, H. & G. Dijkstra (2003), *Programme Aid and Development: Beyond Conditionality*, Routledge: London
- World Bank (1998), *Assessing Aid: What Works, What Doesn't, and Why*, Oxford/New York/Toronto, Oxford University Press for the World Bank.

World Bank (2001), *Assessing the Implementation of Standards: A Review of Experience and Next Steps*, Prepared by Staffs of the International Monetary Fund and the World Bank: <http://www.imf.org/external/np/pdr/sac/2001/eng/review.pdf>.

World Bank (2004a), *Brazil Country Procurement Assessment Report*, Report No. 28446-BR, document for internal use by the Latin American Procurement team of the World Bank.

World Bank (2004b), *Republic of Chile Country Procurement Assessment Report*, Report No. 28914-CL, document for internal use by the Latin American Procurement team of the World Bank.

World Bank (2005), *Standard Bidding Documents*, World Bank: Washington.

Links:

Anoop Singh speech on Latin American economy:
<http://www.imf.org/external/np/speeches/2004/032704.htm>, seen on 20 October 2006.

Brazilian government:
www.brasil.gov.br/, seen on 4 May 2007.

Chilean government:
http://www.chileangovernment.gov.cl/index.php?option=com_content&task=view&id=58&Itemid=34, seen on 8 May 2007.

CIA world Fact Book Brazil:
<https://www.cia.gov/cia/publications/factbook/geos/br.html>, seen on 04 May 2007.

CIA world Fact Book Chile:
<https://www.cia.gov/cia/publications/factbook/geos/ci.html>, seen on 8 May 2007.

Country study Brazil by the US Government:
<http://countrystudies.us/brazil/82.htm>, seen on 4 May 2007.

Country study Chile by the US Government:
<http://countrystudies.us/chile/90.htm>, seen on 8 May 2007.

European Commission Donor Atlas 2006:
http://ec.europa.eu/comm/development/body/publications/docs/eu_donor_atlas_2006.pdf#zoom=100, seen on 9 January 2007.

EC Press Release IP/06/1137:
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1137&format=HTML&aged=0&language=EN&guiLanguage=en#fn1>, seen on 8 September 2006.

Human Development Report (2006):
hdr.undp.org, seen on 10 May 2007.

IDB article on Public Procurement in Latin America:
<http://www.iadb.org/IDBAMERICA/Archive/stories/2000/eng/JUN00E/e600e1.htm>

Introduction to public procurement:
<http://www.sigmaxweb.org/dataoecd/47/20/35070324.htm>, seen on 20 February 2007

Literature that links good governance and poverty reduction:

<http://books.google.nl/books?q=can+good+governance+end+poverty%3F&ots=qSMWai7BGg&sa=X&oi=print&ct=title>, seen on 4 July 2006.

Millennium development goals

<http://www.un.org/millenniumgoals/#>, seen on 8 September 2006.

Online encyclopaedia:

<http://www.infoplease.com/>
www.wikipedia.org

Public Procurement Government website Brazil:

www.comprasnet.gov.br, seen on 11 May 2007.

Public Procurement law Brazil (text in ENGLISH)

http://www.wto.org/english/tratop_e/gproc_e/brazil.pdf, seen on July 10th 2007.

<http://www.aneel.gov.br/aplicacoes/english/law.htm>, seen on July 10th 2007.

Public Procurement law Chile (text in ENGLISH)

https://www.chilecompra.cl/portal/files/centro_informacion/Leycompras/Ley_19886_ingles.pdf, seen on July 10th 2007.

http://www.wto.org/english/tratop_e/gproc_e/chile.pdf, seen on July 10th 2007.

Public Procurement Government website Chile:

www.compraschile.cl, seen on 12 May 2007.

Transparency International, 2006:

www.transparency.org, seen on 10 May 2007.

UNCITRAL Model Law on Public Procurement:

www.uncitral.org, seen on 2 May 2007

UNCITRAL Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works (1987):

<http://www.uncitral.org/pdf/english/texts/procurem/construction/lgconstr-e.pdf>, seen on 2 March 2007.

UNCITRAL Model Law on Procurement of Goods, Construction and Services, with Guide to Enactment (1994):

<http://www.uncitral.org/pdf/english/texts/procurem/ml-procurement/ml-procure.pdf>, seen on 2 March 2007.

Model Legislative Provisions on Privately Financed Infrastructure Projects (2003):

<http://www.uncitral.org/pdf/english/texts/procurem/pfip/model/annex1-e.pdf>, seen on 21 February 2007.

World Trade Organisation Overview of the Agreement on Government Procurement:

http://www.wto.org/English/tratop_e/gproc_e/over_e.htm, seen on 2 May 2007.

Appendix I: Interviews

Brazil: Head of Coordination of Public Procurement

Interview with Roberto Lopes on 13 June 2007
Ministry foreign affairs
Head of Coordination of Public Procurement
Tel. No.: 00556134116049
Email: rllopes@mre.gov.br

1. *What have been the latest developments in the Public Procurement system of Brazil?
Where can I find information about these dynamics over the past decade?*

“One major development of the past years has been the establishment of electronic procurement. This only applies to procurement of goods, like office supply or furniture. Procurement of big infrastructure projects still goes through the usual procedures, which is the regulation of public procurement of 1993 and has therefore not been included into E-procurement.”

2. *Do you know the UNCITRAL Model Law on Public Procurement?*

“I am not familiar with this.”

3. *Has Brazil taken over (parts of) that regulatory frameworks for procurement?*

“I think it is not likely.”

4. *What has been the role of the World Bank in Brazilian Public Procurement reform?*

“I am not sure but I believe it might not be the case.”

5. *If the UNCITRAL model was adopted, do you think it contributed to:*

- Reducing corruption?*
- Enhancing efficiency?*
- Effectiveness of completion/renders?*

N/A.

6. *Do you have any examples of this?*

N/A.

7. *Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

N/A.

8. *Do you think it is likely that possible savings that result from a better designed public procurement system would go to poverty reduction programs?*

“If a department does not finish its budget, then this money goes back to the National Treasury. There is a strong financial control of budgets and Congress needs to approve the spending of the departments, so there is much checks and balances in this system. It would theoretically be possible that if costs are reduced due to enhanced value for money in the procurement system, then the National Treasury could apply those funds in poverty

reduction. But it depends on the government priorities of that moment. Anyway it is not something that is likely to recur, as budgets are flexible over the years and are adapted to the needs that are established beforehand. If the department can do with less money than they received from Treasury, than the following year their budget will be cut.”

9. Would you know any example of a case where this has happened?

N/A.

10. Is there anybody that keeps track of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?

He agreed to answer this per email if possible, but never replied.

Chile: Deputy Director of Public Procurement and Public Contracting

Interview with Mr. Felipe Goya on 19 June 2007
Deputy Director of Public Procurement and Public Contracting
Dirección de Compras y Contratación Pública
Monjitas 392, piso 8
Santiago, Chile
Tel.: (56 2) 290 44 13
Email: felipe.goya@chilecompra.cl.

1. *What have been the latest developments in the Public Procurement system of Chile?*

“I think one of the most notable developments has been the introduction of Chile Compra, which is the online procurement portal of the Chilean Government.”

2. *Do you know the UNCITRAL Model Law on Public Procurement?*

“No.”

3. *Has Chile taken over (parts of) that regulatory frameworks for procurement?*

“Not that I know of. However, in general, Chilean government procurement system is very much focused on competitiveness, transparency and efficiency. Corruption levels are low in Chile.”

4. *What has been the role of the World Bank in Chilean Public Procurement reform?*

“This has been very limited in my opinion.”

5. *If the UNCITRAL model was adopted, do you think it contributed to:*

- Reducing corruption?*
- Enhancing efficiency?*
- Effectiveness of completion/renders?*

N/A.

6. *Do you have any examples of this?*

N/A.

7. *Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

“Not that I know of.”

8. *Do you think it is likely that possible savings that result from a better designed public procurement system would go to poverty reduction programs?*

“From a theoretic point of view it is possible to assume that a well designed and well functioning procurement system will have an indirect effect on poverty. It is possible to use the savings that result from it on poverty reduction programs, but it depends highly on the other government demands of the moment.”

9. *Would you know any example of a case where this has happened?*

“No.”

10. *Do you think that increased effectiveness of public procurement can contribute to poverty reduction?*

“It depends. Effectiveness is always a good thing. But will benefits go to poverty reduction? It depends... Openness is not always a good thing... but supporting the development of the local industry is.”

11. *Is there anybody that keeps track of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

“Don’t know.”

World Bank Brazil: Senior Procurement Specialist

Interview with Mr Luis Prada on 20 June 2007

Senior Procurement Specialist for Brazil

Tel.: 00 55 6133291054

Email: lprada@worldbank.org

1. *How long have you been working on this subject?*

“I have been working as a procurement specialist since 1996.”

2. *Do you know the UNCITRAL Model Law on Public Procurement?*

“Yes. The World Bank’s procurement standard is fully derived from the United Nations Model Law.”

3. *Have you been involved in the promotion of this Model in Brazil?*

“I have been in Brazil for three years. What we mainly do is monitoring if procurement in World Bank projects is occurring according to the Bank’s standards. We also collaborated with the team that set up the country procurement assessment reports, which is one of the Bank’s tools in the dialogue for procurement system improvement.”

4. *With which actors did you have to deal in Brazil?*

“We have a lot to do with the project management, obviously. When we do speak with the Brazilian government, it mostly goes through the Finance department.”

5. *How were the proposals from the World Bank initially received by the government of Brazil?*

“Brazilian government is very much interested in dialogue about institutional improvement. The governance division of the Bank has had meetings with Brazilian government officials in which the vision of the Bank on Brazilian institutional framework has been communicated. Occasionally the Bank has certain suggestions regarding particular reforms which are accordingly reported to the Brazilian government, which have been well received by the government.”

6. *To what extent has the UNCITRAL Model been implemented?*

“I would not be able to say to what extent exactly certain provisions of the Model might or might not have been introduced in Brazil. Brazilian Procurement regulation dates back to the 1993 Constitutional reform. What is typical both for the Model Law as for Brazilian public procurement is the insisting emphasis on value for money, accountability, transparency and local industrial development.”

7. *Is it possible to only adopt parts of the Model?*

“Yes, we are talking of sovereign countries. Once the World Bank assesses the procurement system and advices on a particular course, countries are free to adjust it according to what is feasible and applicable in their context. With certain policies it is not in the interest of a country to not follow the whole range of advices the Bank gives as the Bank proposes a coherent piece of strategic reform. However, with public procurement reform this could be different as there is vast room for negotiating on certain provisions, for example openness to foreign suppliers. For World Bank projects it is a different case. The procurement procedure there needs to be 100% in line with the World Bank standards.”

8. *Are there provisions within the Model that were not adopted in Brazil? Why? What was the cause of this? Which barriers were encountered?*

“Officially, Brazilian public procurement in general is very mature. The only thing that comes to my mind would be the openness clause. Brazil still has not incorporated international public bidding, and continues limiting the number of foreign suppliers that can bid for its procurement projects. The idea behind this is that Brazil is seeking to benefit its home production, and in essence there is nothing wrong with that.”

9. If the Model was adopted, do you think it contributed to:

- Reducing corruption?
- Enhancing efficiency?
- Effectiveness of completion/renders?

N/A.

10. Do you have any examples of this?

N/A.

11. Have there been any evaluations of this? Or do research reports exist which deal with the matter?

N/A.

12. *Do you think it is likely that possible savings that result from a better designed public procurement system would go to poverty reduction programs?*

“Yes, but it depends on what the government’s plans are.”

13. *Would you know any example of a case where this has happened?*

“No.”

14. Do you think that increased effectiveness of public procurement can contribute to poverty reduction?

“It definitely can in certain cases, for example in infrastructure projects or in projects of a more social nature, as that would mean these projects will be carried out and the money involved will not fall into corrupt hands. Besides, if it is done at the best price and quality balance possible, that would represent savings that in theory could also go to poverty reductions programs.”

15. Is there anybody that keeps track of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?

“Not that I know of. But it is certainly an issue that we might want to look at in the future.”

World Bank: Chile Country procurement specialist

Interview with Andres Macgaul on 19 June 2007

Country procurement specialist

Tel: 00 541143169700

Email: amacgaul@worldbank.org

1. Do you know the World Bank (UNCITRAL) Model Law on Public Procurement?

“Yes.”

2. Have you been involved in the promotion of this model in Chile?

“This Model only goes for the World Bank projects. As far as I know, it is not advocated for the Chilean central system of government procurement.”

3. How long have you been working on this subject?

“For almost two years now.”

4. With which actors did you have to deal in those countries?

“In the project monitoring phase we deal with project management, which could be NGOs, community leaders, and government officials.”

5. How were the proposals from the World Bank initially received by the government of Chile?

N/A.

6. To what extent has the model been implemented?

N/A.

7. Is it possible to only adopt parts of the model?

“If we speak of World Bank projects, all of the proceedings need to meet the World Bank procurement standards.”

8. Has the model (or parts of it) been introduced in Chile? When?

N/A.

9. *Are there provisions within the model that were not adopted in Chile? Why? What was the cause of this? Which barriers were encountered?*

N/A.

10. *If the model was adopted, do you think it contributed to:*

- Reducing corruption?*
- Enhancing efficiency?*
- Effectiveness of completion/renders?*

N/A.

11. *Do you have any examples of this?*

N/A.

12. *Have there been any evaluations of how the UNCITRAL Public Procurement system helps to achieve reduction in corruption, efficiency and effectiveness improvements? Or do research reports exist which deal with the matter?*

“I don’t know.”

13. *Do you think it is likely that possible savings that result from a better designed public procurement system would go to poverty reduction programs?*

“Yes, it is possible, through several channels. I do not know of any case where this occurs automatically. From the poverty combat perspective that would be ideal. But it all depends what the government wants to do with the freed funds.”

14. *Would you know any example of a case where this has happened?*

“No.”

15. *Do you think that increased effectiveness of public procurement can contribute to poverty reduction?*

“Yes because a more effective procurement system would mean that the public works that are paid for will also be finished with due quality and in due time. This could result to be very beneficial to a country’s most needy citizens. You should understand that in many developing countries the rule thus far has been that although a certain project is paid for, and agreed on doing by all parties, for some mysterious reason the project is never completed or is delivered at a lower than agreed quality. And these projects could well be roads, hospital installations, schools, aqueducts, etc. So yes, procurement effectiveness can help.”

16. *Is there anybody that keeps track of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

“I am not aware of this.”

World Trade Organisation: Procurement Specialist

Interview with Mr. Robert Anderson on 8 June 2007
Procurement Specialist World Trade Organisation
Rue de Lausanne 154
CH - 1211 GENEVA, SWITZERLAND
Tel: ++41 22 73 95 198
Email: Robert.Anderson@wto.org

1. *How long have you been working on this subject?*

“2.5 years.”

2. *Do you know the GPA Code?*

“Yes!”

3. *Have you been involved in the promotion of this model in Brazil and Chile?*

“I would not say promotion of this model... We have given a seminar in Brazil about the GPA code. These countries are not party to the treaty. Its for themselves to decide.”

4. *If Yes, with which actors did you have to deal in those countries?*

“Senior government officials.”

5. *How were the proposals from the WTO initially received by the government of Brazil and Chile?*

“The seminar was well received but it did not lead for them to become party to the agreement. All countries, even the USA, have the tendency to want to use public procurement to favour their domestic suppliers. But when countries become more sophisticated, they realize that they can make important gains by relying on a more open and transparent and competitive procurement system. These gains come from enhanced value for money that a competitive process will bring. The international tenders might be able to provide a more efficient service to those countries than their national suppliers because of their global presence, tradition of experience, economies of scale, etc.”

6. *Is it possible to only adopt parts of the model?*

“Once you sign you have to accept the entire agreement.”

7. *If the model was adopted, do you think it contributed to:*

- Reducing corruption?*
- Enhancing efficiency?*
- Effectiveness of completion/tenders?*

“Yes!”

8. *Do you have any examples of this?*

“Simon Evenett and Bernard Hoekman published a book in 2006 that speaks of this.”

9. *Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

“Not that I know of; but there is an interesting article by Inbang Choi on that relates the story on the Korean accession that might have some information of this type.”

10. Do you think it is likely that possible savings that result from a better designed public procurement system would go to poverty reduction programs?

“That depends on the priorities of the government and the decisions that they make.”

11. Would you know any example of a case where this has happened?

“No.”

12. Have any developing countries signed on to the agreement?

“Yes: Israel, China, Saudi Arabia and Korea have.”

“Public procurement is gaining importance over time, with the increasing focus on good governance internationally and the growing recognition of the contribution of efficient and competitive procurement regimes to development and growth. The eventual accession to the Agreement by China, Saudi Arabia and other developing countries, as called for in their respective WTO accession protocols, will broaden the membership and thereby enhance the importance of the Agreement as an instrument of international economic policy” (Anderson, 2007: p.27).

13. Do you think that increased effectiveness of public procurement can contribute to poverty reduction?

“Yes... Value for money, efficiency and effectiveness!”

14. Is there anybody that keeps track of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?

“Not that I know of.”

UNCITRAL: Public Procurement Specialist

Interview with Caroline Nicholas on 11 June 2007

Public Procurement Specialist

United Nations Commission on International Trade Law Secretariat

Vienna International Centre

P.O. Box 500

A-1400 Vienna, Austria

Telephone: 43-(1) 26060-4060 or 4061

Fax: 43-(1) 26060-5813

Email: caroline.nicholas@unvienna.org

1. Who is responsible for promoting the UNCITRAL Model on Public Procurement?

“UNCITRAL only makes legislative Model texts and then publishes them as United Nations documents. There is not an actual marketing division that goes around and market the Models. We do have a technical division that assists countries to transform the provisions of the Model into their national legislation. Yet, rather than a showing a proactive position, that unit reacts to an existing assistance request from countries that want to adopt the Model.”

2. Have Brazil and Chile adopted it? How was it received? Which barriers were encountered?

“It is not easy to say whether or not a country has adopted the Model, as we are not always informed. We do not go around and check who has covered the different provisions of the Model within their national legislation either. It is not like a treaty or an agreement to which there are signatory member states.”

3. *What is the role of the World Bank in the promulgation of the Model?*

“Multilateral development banks use the texts of the UNCITRAL Model Law on Public Procurement for their country-specific strategic governance development purposes. This means they propose to developing countries to adopt the Model or parts of the Model in order to strengthen their institutions.”

4. *Is it possible to only adopt parts of the Model?*

“Yes it is possible to only adopt parts of the Model. The Model is not a treaty. Countries are free to adopt parts of it as suits their national context, objectives and their national legislation.”

5. *Can the UNCITRAL Model contribute to:*

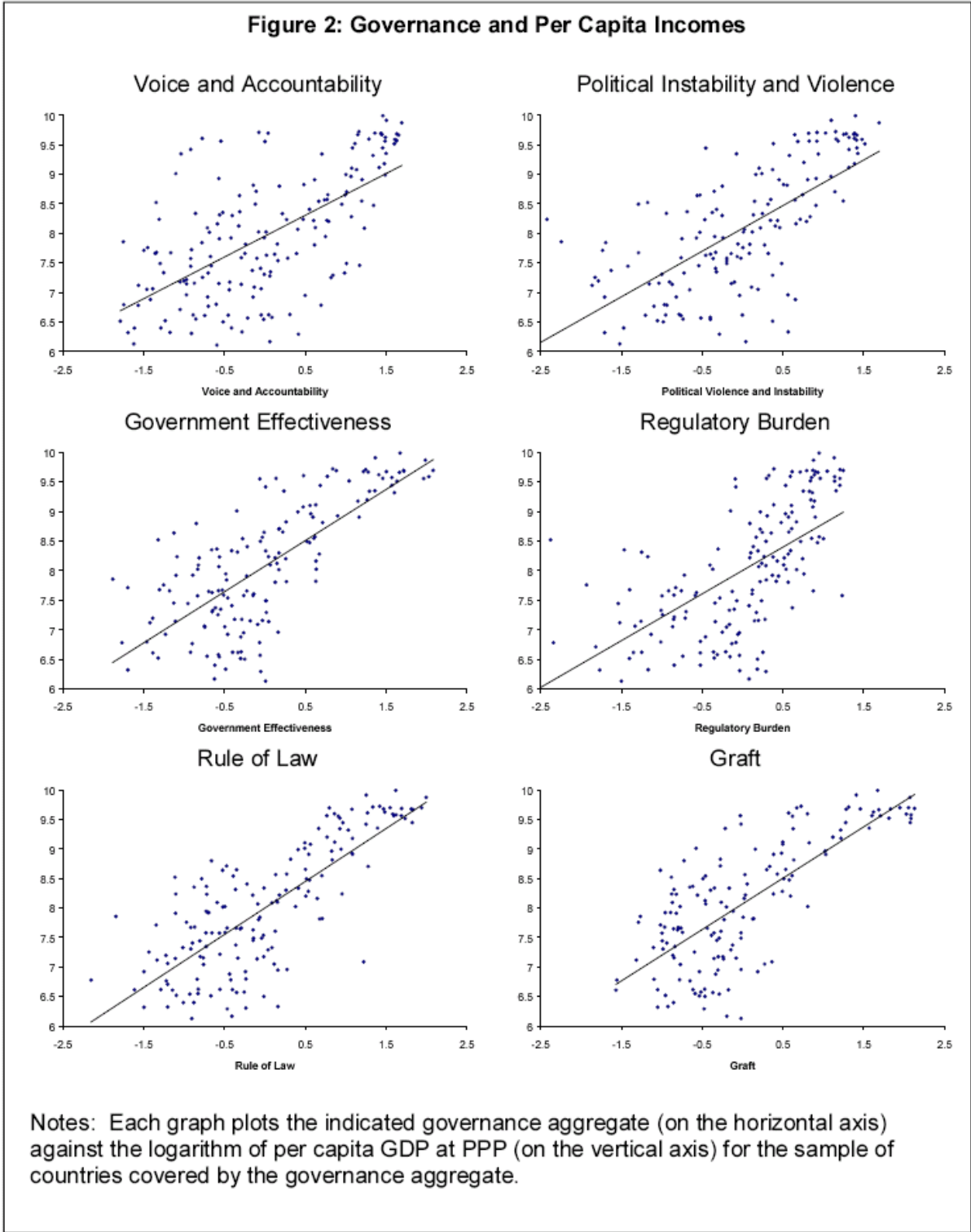
- Reducing corruption?*
- Enhancing efficiency?*
- Effectiveness of completion/renders?*

“Yes, the Model can contribute to this.”

6. *Do you have any examples of this? Have there been any evaluations of this? Or do research reports exist which deal with the matter?*

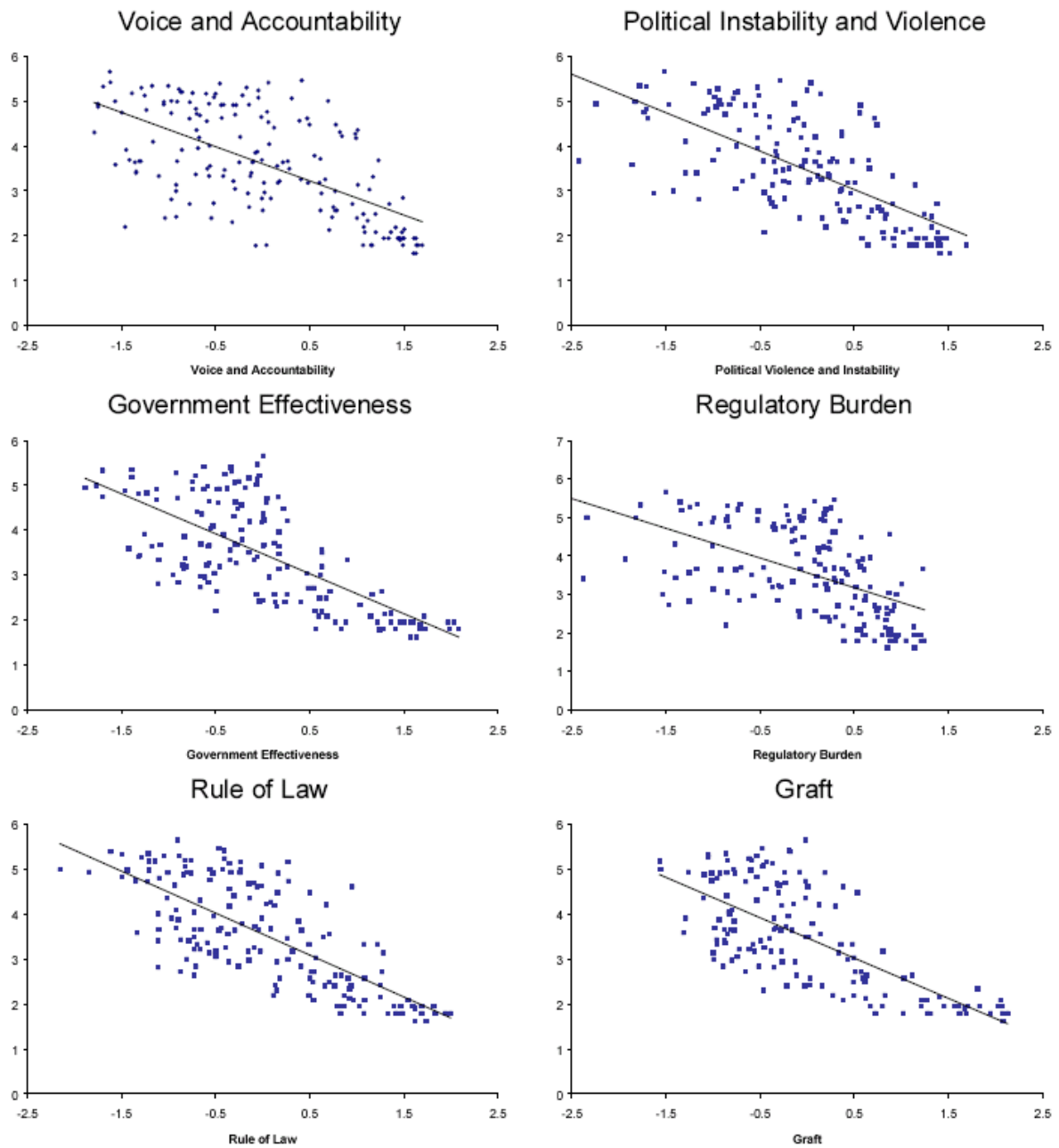
“Evaluations of this are the responsibility of the countries that introduce the Model and not of UNCITRAL.”

Appendix II: Schacter's correlations of good governance and poverty indicators



Source: Schacter, M. (2000), *Public Sector Reform in Developing Countries, Issues, Lessons and Future Directions*, Canadian International Development Agency: Ottawa

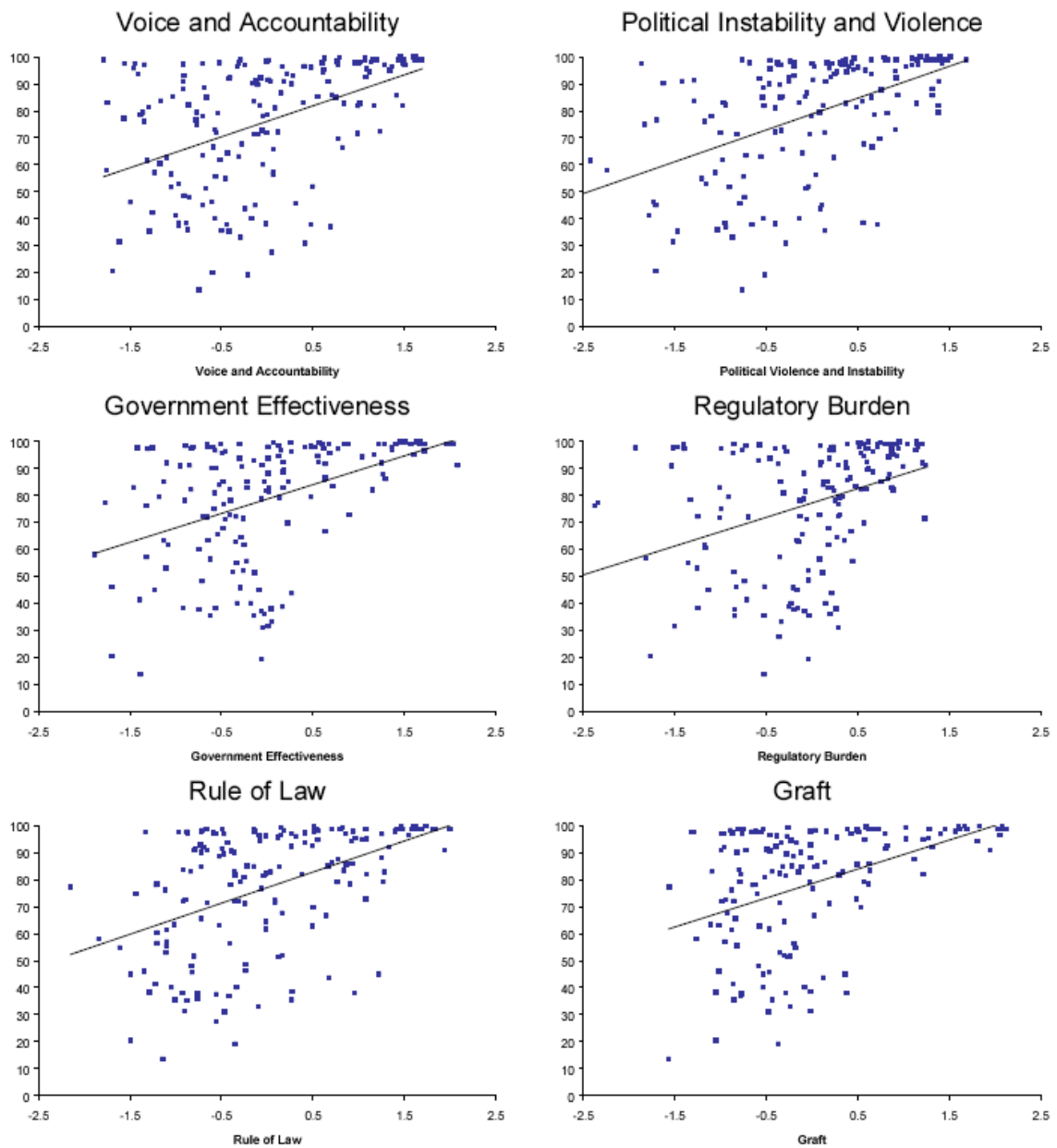
Figure 3: Governance and Infant Mortality



Notes: Each graph plots the indicated governance aggregate (on the horizontal axis) against the logarithm of infant mortality per thousand live births (on the vertical axis) for the sample of countries covered by the governance aggregate.

Source: Schacter, M. (2000), *Public Sector Reform in Developing Countries, Issues, Lessons and Future Directions*, Canadian International Development Agency: Ottawa

Figure 4: Governance and Adult Literacy

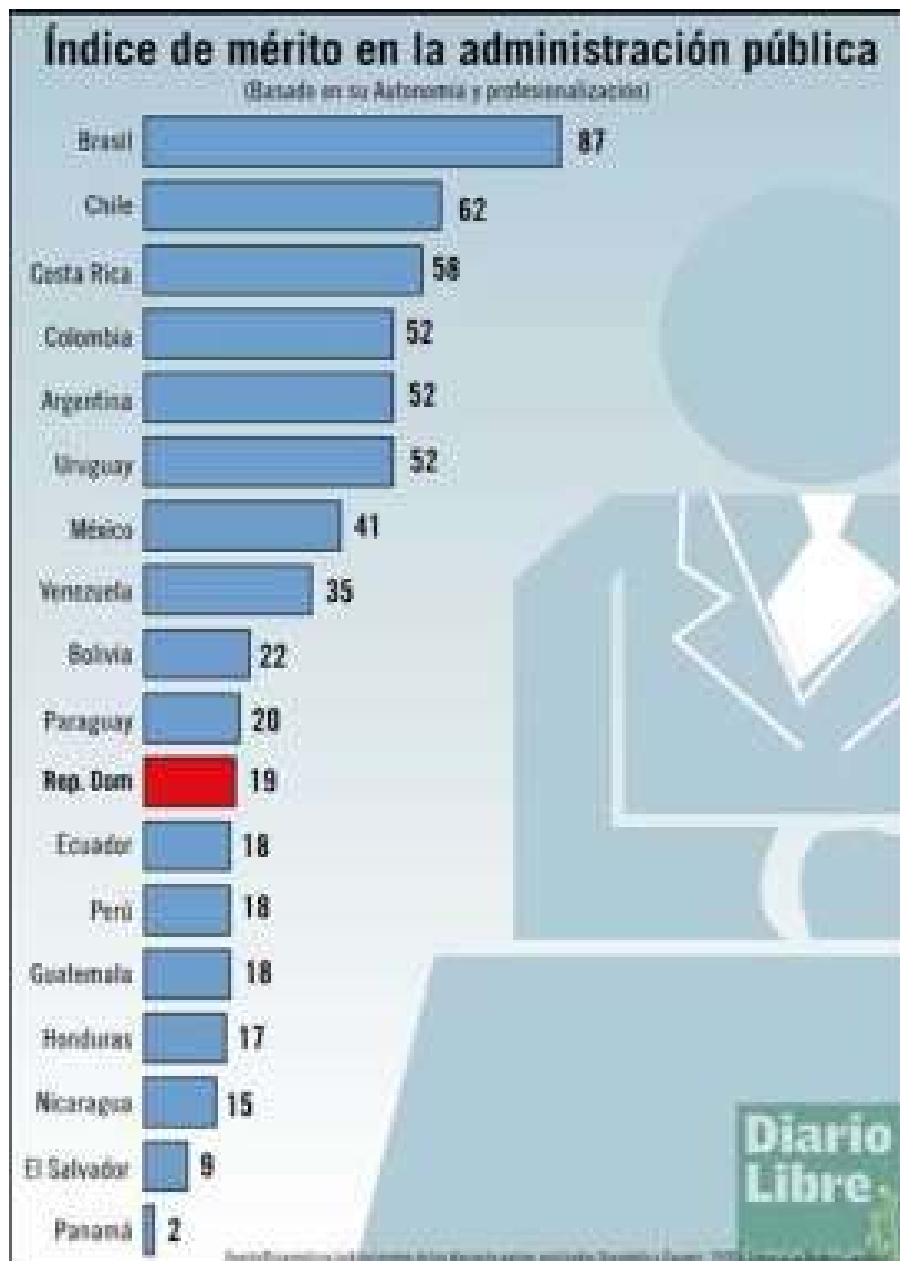


Notes: Each graph plots the indicated governance aggregate (on the horizontal axis) against the adult literacy rate in percent (on the vertical axis) for the sample of countries covered by the governance aggregate.

Source³⁶: Schacter, M. (2000), *Public Sector Reform in Developing Countries, Issues, Lessons and Future Directions*, Canadian International Development Agency: Ottawa.

³⁶ Graphs like these are also on page 3-4 of:
Gray, C. (2002), *Reforming Governance: World Bank Experience to Date*, Report for the World Bank: Washington. Available online:
<http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN002747.pdf>

Appendix III: Merit index in Latin American Public Administration



Source: <http://www.diariolibre.com/app/article.aspx?id=79518>, from the study of Koldo Echevarría, 2004.

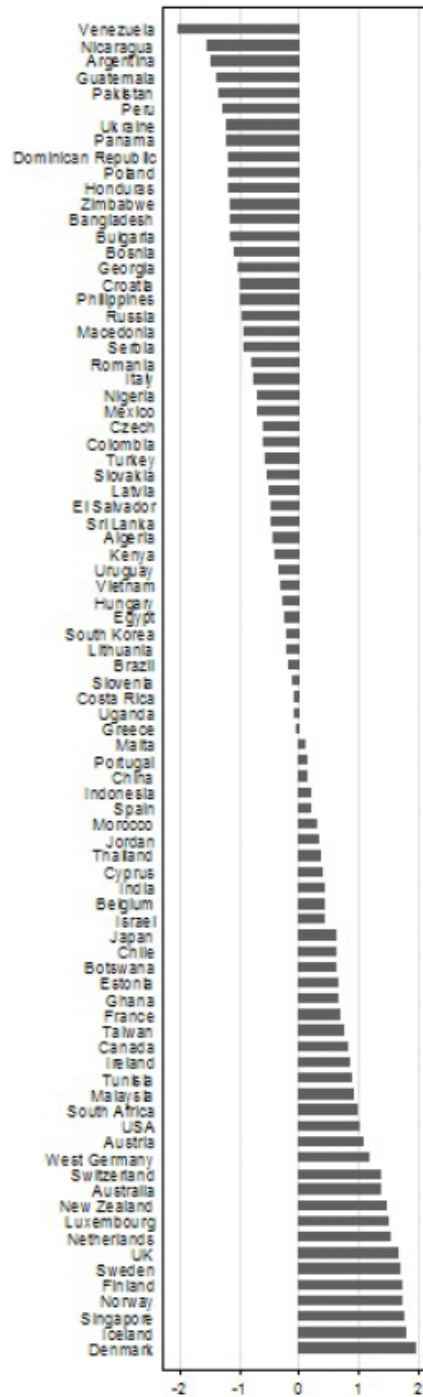
Appendix IV: Government effectiveness in Latin America

Government Effectiveness

Factor Scores (World Economic

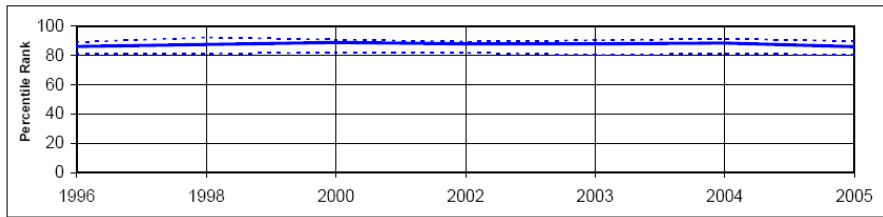
Forum Executive Opinion

Survey 2004)

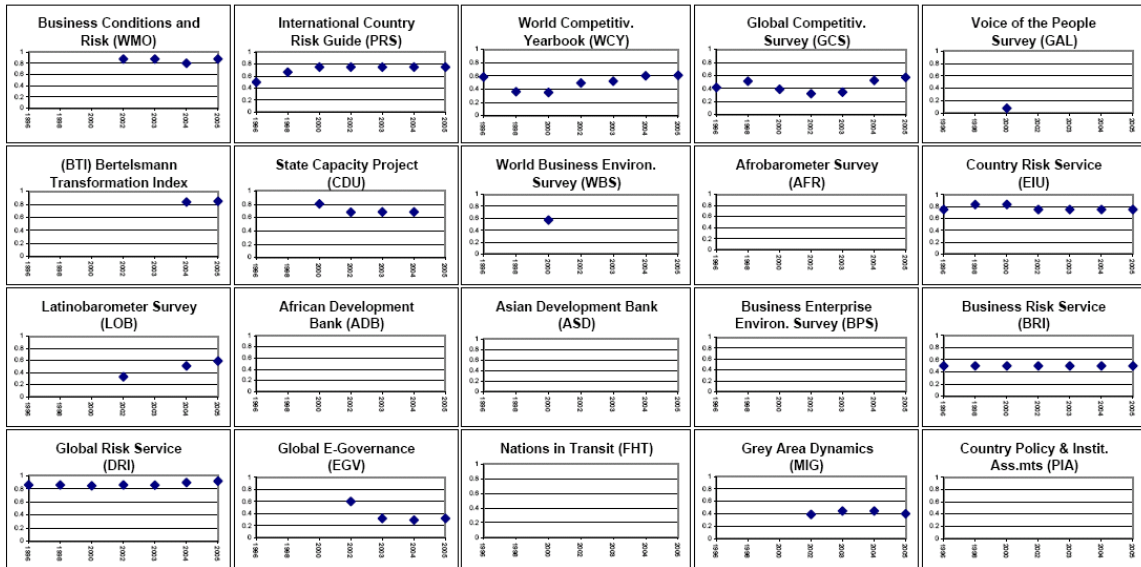


Source: Uslaner (2005b: p.64)

CHILE, 1996-2005
 Aggregate Indicator: Government Effectiveness

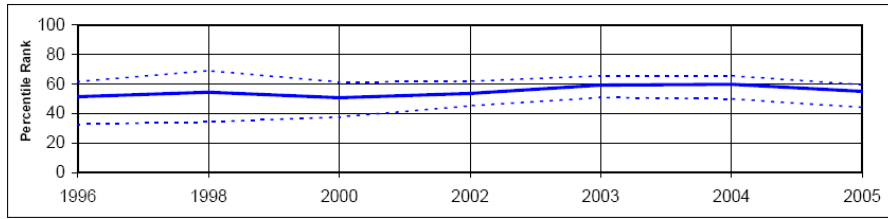


Individual Indicators used to construct Government Effectiveness

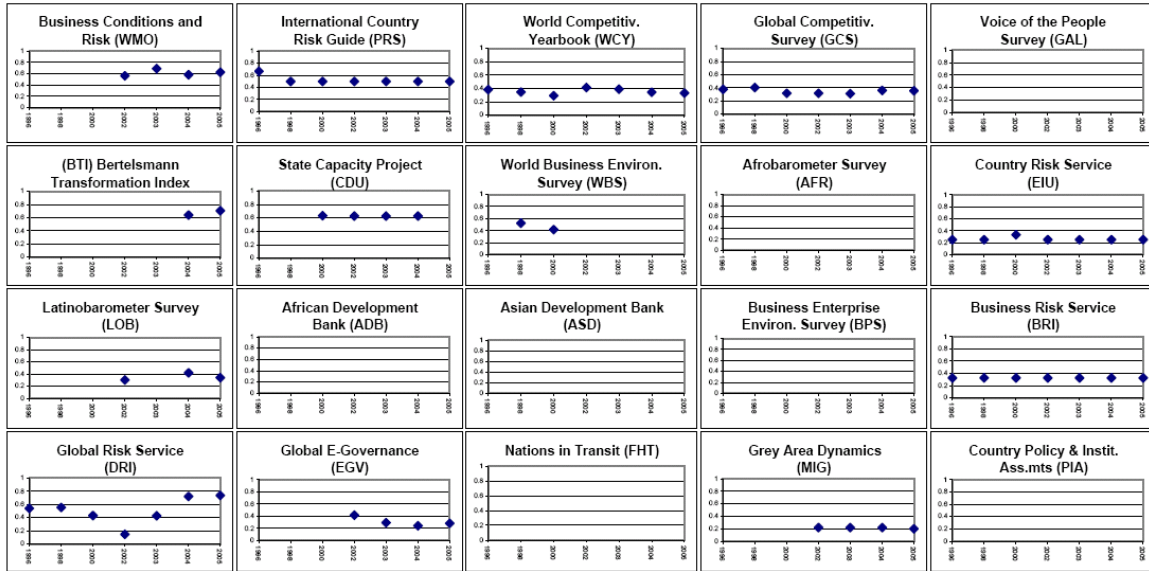


Source: World Bank Worldwide Governance Indicators - Country Data Report for CHILE, 1996-2005

BRAZIL, 1996-2005
Aggregate Indicator: Government Effectiveness



Individual Indicators used to construct Government Effectiveness



Source: World Bank Worldwide Governance Indicators - Country Data Report for Brazil, 1996-2005

Appendix V: The Abidjan Consensus

A. Building support for reform - requires:

- Political endorsement and commitment;
- A Strategy for developing enabling legislation, organisations and regulations;
- Well-trained and competent procurement officials;
- Informed, willing and supportive business and professional sectors at both the local and international levels.

B. Demonstrating political commitment is needed to effect changes and:

- Obtain public support (media, public opinion.);
- Obtain government staff endorsement;
- Prioritise key elements of procurement, such as transparency, anti-corruption, etc.;
- Promote socio-economic objectives;
- Keep Reform on the political agenda (Parliament, political parties, citizens, associations, etc.);
- Reassure potential donors.

C. Obtaining resources for Reform – requires an action plan to describe and implement key objectives of the reform.

- Potential sources of funding to conduct Reform are:
 - a. The country's own resources (Government and/or private sector) needed to attract complementary technical assistance;
 - b. Grants and loans under regional and bilateral co-operation agreements with multilateral agencies, such as the African Development Bank, the World Bank or the United Nations Development Programme.
- Potential partners to provide technical support for implementation of Reforms are:
 - a. National resources (such as public authorities, business and professional organisations);
 - b. Bilateral and multilateral donor agencies;
 - c. International Trade Centre UNCTAD/WTO and other United Nations organisations to build capacity;
 - d. Other countries able to share information

D. Detailing a Strategy for reform which needs to address how to self-initiate reforms (with donor assistance as needed) to:

- Build local capacity and transfer skills;
- Designate a leader/champion of reform;
- Integrate Reform within the macro economic framework;
- Monitor and evaluate Reform efforts;
- Maximise national expertise (with external support);
- Obtain media support to promote acceptance of Reform;
- Communicate national commitment and progress;
- Ensure clear goals (as Reform is not an end in itself);
- Anticipate obstacles & barriers, to overcome these.

E. Communicating the Strategy -

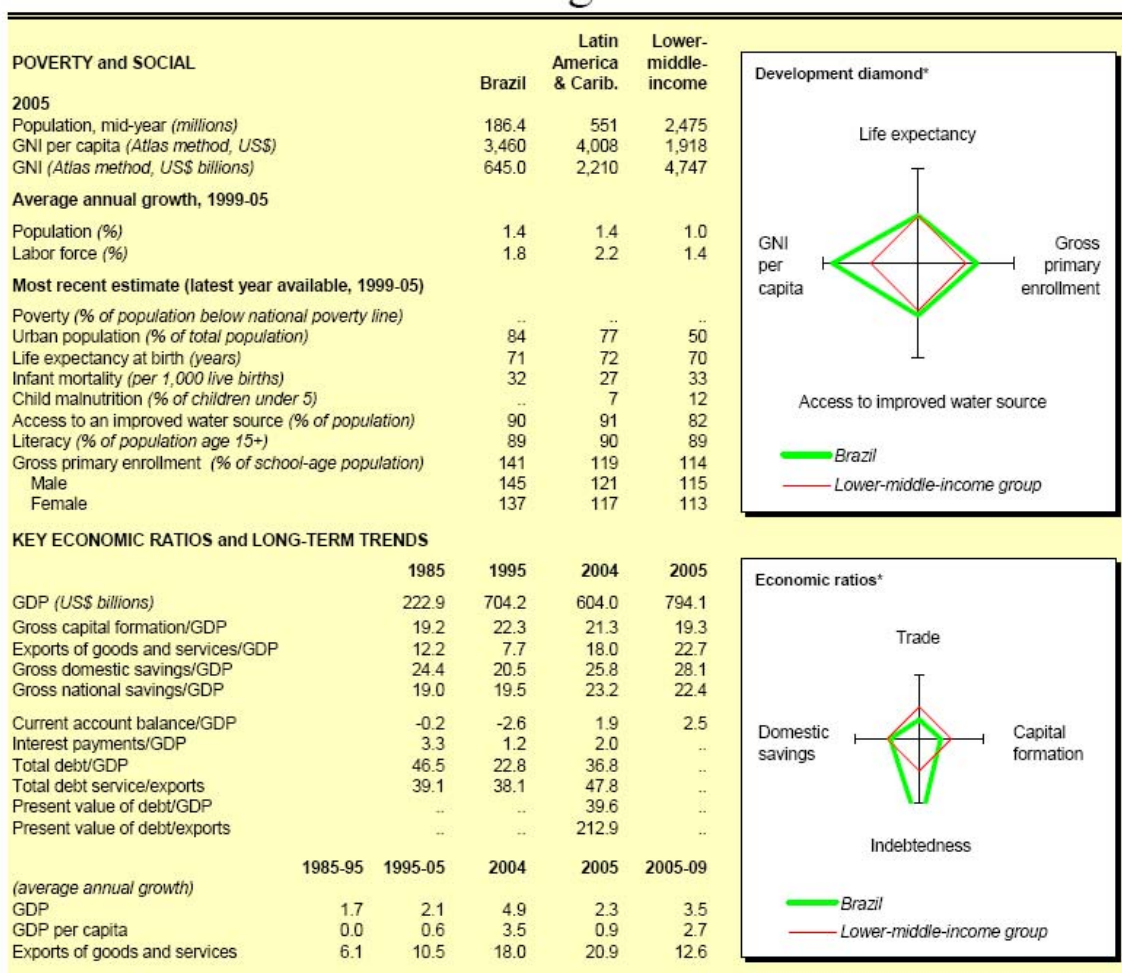
- Determine a vision (e.g. "Obtain greater value for money through an efficient and internationally accepted procurement system");
- Establish goals to fulfil the vision, involving areas such as:
 - a. Anti-corruption measures;
 - b. Transparency enhancement;
 - c. Economy in purchasing;
 - d. Improved accountability of funds;
 - e. Sustainable human development;
 - f. Business opportunity;
 - g. Harmonisation of procurement policies and procedures;
 - h. Changing organisation structures;
 - i. Accelerated economic growth (as a % of GNP);
 - j. Clearer Government communication to private sector participants of the system;
 - k. More effective trade policies (promote more intra-regional trade);
 - l. Promotion of socio-economic objectives.
- Identify the leader or champion of the Reform effort with the required political weight to carry out an effective program, such as the President of the country, Prime Minister or Minister of Finance;
- Identify stakeholders in the process and obtain their advice. Stakeholders normally include individuals in the following areas:
 - a. Line Ministries and buying agencies;
 - b. Finance and Justice Ministries;
 - c. Private sector organisations;
 - d. Donors/international organisations;
 - e. Parliamentarians;
 - f. Citizens' groups/political action groups.
- Make specific changes in the following areas to support reform:
 - a. Legal framework (conform where possible to the UNCITRAL Model Law on Public Procurement);
 - b. Procurement operations (create decentralised procurement entities with the authority and capability to do the actual buying operations while following centralised policy);
 - c. Regulatory bodies (assure effective audit and review capability of contracting and expenditures);
 - d. Organisational structure (specific Ministry and office structure, depending on the particularities of each country);
 - e. Procurement policy at the central government level (having a management office to formulate policy and regulations and measure the effectiveness of the public procurement system and its operation);
 - f. Professional infrastructure (help establish and train a cadre of professional procurement officials) including a reference knowledge base of best practices.
- Develop a means to measure performance (collect essential data to show savings) of the reformed system - needed to:
 - a. Assure political leaders and the public that Reforms are effective;
 - b. Adjust policies to make the Reforms effective.

Source: Abidjan Consensus Document; steps for good procurement reform. (Wittig, 1999: p.4)

Appendix VI: World Bank Poverty indicators Brazil & Chile

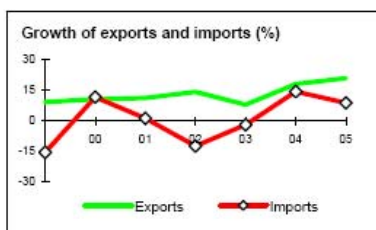
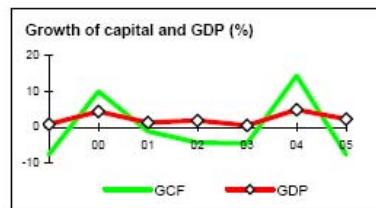
Brazil at a glance

8/12/06



STRUCTURE of the ECONOMY

	1985	1995	2004	2005
(% of GDP)				
Agriculture	11.5	9.0	10.4	9.8
Industry	45.3	36.7	40.0	37.9
Manufacturing	33.7	23.6	..	0.0
Services	43.1	54.3	49.6	52.3
Household final consumption expenditure	65.8	59.9	55.4	58.4
General gov't final consumption expenditure	9.9	19.6	18.8	14.6
Imports of goods and services	7.1	9.5	13.4	15.0
(average annual growth)	1985-95	1995-05	2004	2005
Agriculture	2.1	4.2	5.3	2.7
Industry	0.3	1.6	6.2	2.7
Manufacturing	-1.1	1.3	..	..
Services	2.3	0.8	-5.5	-6.0
Household final consumption expenditure	2.8	0.3	4.3	0.8
General gov't final consumption expenditure	1.3	3.7	0.7	5.6
Gross capital formation	2.3	0.2	14.3	-7.6
Imports of goods and services	9.0	0.7	14.3	8.8



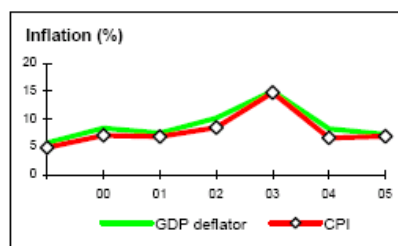
Note: 2005 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

→→→Continued on next page

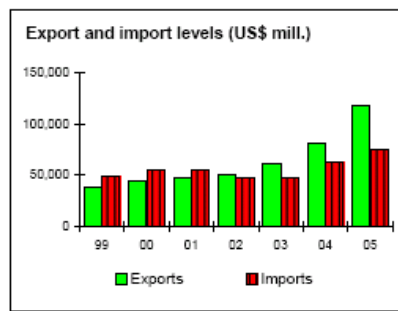
PRICES and GOVERNMENT FINANCE

	1985	1995	2004	2005
Domestic prices				
(% change)				
Consumer prices	200.0	66.0	6.6	6.9
Implicit GDP deflator	231.7	77.6	8.2	7.2
Government finance				
(% of GDP, includes current grants)				
Current revenue	9.8	19.6	..	..
Current budget balance	-0.7	-1.5	..	..
Overall surplus/deficit	-1.3	..	..	..



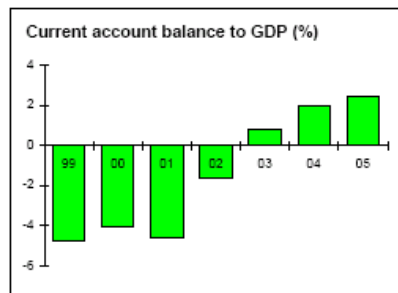
TRADE

	1985	1995	2004	2005
(US\$ millions)				
Total exports (fob)	25,638	46,506	81,466	118,308
Iron ore, manganese	1,804	2,746	4,759	..
Soybeans	2,545	3,820	5,395	..
Manufactures	13,356	29,720	52,948	71,112
Total imports (cif)	13,153	49,972	62,809	75,965
Food	..	3,514	1,058	..
Fuel and energy	6,176	2,587	10,317	..
Capital goods	2,480	19,891	12,132	25,114
Export price index (2000=100)	78	103	108	117
Import price index (2000=100)	47	85	90	97
Terms of trade (2000=100)	167	121	120	120



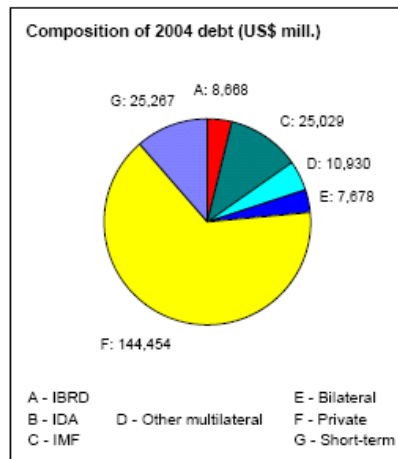
BALANCE of PAYMENTS

	1985	1995	2004	2005
(US\$ millions)				
Exports of goods and services	27,713	49,544	109,059	142,955
Imports of goods and services	16,928	58,750	80,069	94,403
Resource balance	10,785	-9,206	28,990	48,552
Net income	-11,213	-12,741	-20,520	-28,980
Net current transfers	16	3,973	3,268	50
Current account balance	-412	-17,973	11,738	19,622
Financing items (net)	-99	30,942	-15,377	-3,476
Changes in net reserves	511	-12,969	3,639	-16,146
Memo:				
Reserves including gold (US\$ millions)	11,608	51,840	52,935	61,716
Conversion rate (DEC, local/US\$)	2.26E-9	0.9	2.9	2.4



EXTERNAL DEBT and RESOURCE FLOWS

	1985	1995	2004	2005
(US\$ millions)				
Total debt outstanding and disbursed	103,612	160,515	222,026	..
IBRD	5,274	6,038	8,668	8,083
IDA	0	0	0	0
Total debt service	11,471	21,576	53,710	..
IBRD	796	1,868	1,843	1,335
IDA	0	0	0	0
Composition of net resource flows				
Official grants	34	65	91	..
Official creditors	936	-1,714	-2,938	..
Private creditors	150	10,925	-4,614	..
Foreign direct investment (net inflows)	1,441	4,859	18,166	..
Portfolio equity (net inflows)	0	2,775	2,081	..
World Bank program				
Commitments	1,525	404	1,215	..
Disbursements	765	838	1,447	773
Principal repayments	406	1,377	1,564	1,029
Net flows	359	-539	-116	-255
Interest payments	391	491	280	307
Net transfers	-32	-1,031	-396	-562



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

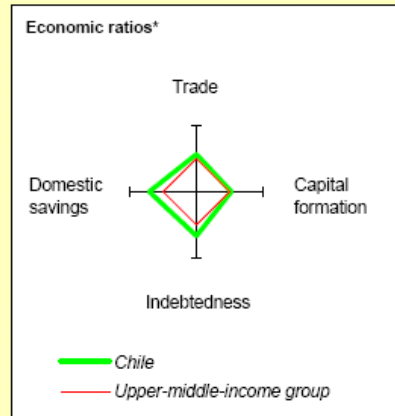
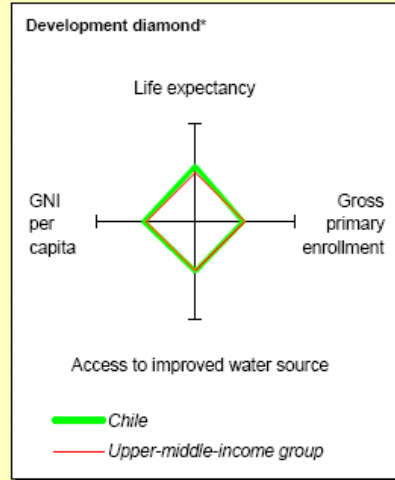
8/12/06

Source: http://devdata.worldbank.org/AAG/bra_aag.pdf

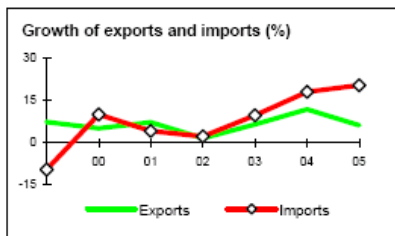
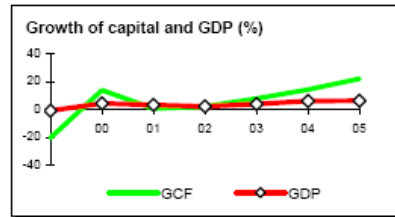
Chile at a glance

8/12/06

POVERTY and SOCIAL	Chile	Latin America & Carib.	Upper-middle-income	
2005				
Population, mid-year (millions)	16.3	551	599	
GNI per capita (Atlas method, US\$)	5,870	4,008	5,625	
GNI (Atlas method, US\$ billions)	95.7	2,210	3,368	
Average annual growth, 1999-05				
Population (%)	1.1	1.4	0.6	
Labor force (%)	1.0	2.2	1.2	
Most recent estimate (latest year available, 1999-05)				
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	88	77	72	
Life expectancy at birth (years)	78	72	69	
Infant mortality (per 1,000 live births)	8	27	23	
Child malnutrition (% of children under 5)	1	7	7	
Access to an improved water source (% of population)	95	91	94	
Literacy (% of population age 15+)	96	90	94	
Gross primary enrollment (% of school-age population)	104	119	107	
Male	106	121	108	
Female	101	117	106	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1985	1995	2004	2005
GDP (US\$ billions)	16.5	71.3	95.0	115.2
Gross capital formation/GDP	17.2	26.2	21.4	23.0
Exports of goods and services/GDP	28.1	29.3	40.8	41.8
Gross domestic savings/GDP	19.6	28.4	30.2	31.3
Gross national savings/GDP	7.8	25.0	15.8	16.8
Current account balance/GDP	..	-1.9	-1.8	0.4
Interest payments/GDP	9.9	1.6	1.3	..
Total debt/GDP	123.6	30.9	46.4	..
Total debt service/exports	..	24.3	33.8	..
Present value of debt/GDP	45.0	..
Present value of debt/exports	151.1	..
	1985-95	1995-05	2004	2005
(average annual growth)				
GDP	7.8	3.7	6.2	6.3
GDP per capita	5.9	2.4	5.0	5.2
Exports of goods and services	10.7	6.7	11.8	6.1



STRUCTURE of the ECONOMY	1985	1995	2004	2005
(% of GDP)				
Agriculture	7.6	9.2	5.8	5.5
Industry	37.6	35.3	44.6	46.8
Manufacturing	16.2	18.1	18.6	17.6
Services	54.8	55.5	49.6	47.7
Household final consumption expenditure	67.0	61.2	57.8	57.1
General gov't final consumption expenditure	13.4	10.4	12.0	11.6
Imports of goods and services	25.7	27.1	31.9	33.6
	1985-95	1995-05	2004	2005
(average annual growth)				
Agriculture	5.4	4.7	9.6	3.8
Industry	6.6	4.9	15.6	18.2
Manufacturing	6.9	5.7	20.6	22.8
Services	7.7	1.9	-3.9	-8.1
Household final consumption expenditure	8.0	3.8	6.1	8.2
General gov't final consumption expenditure	2.8	3.4	6.1	4.5
Gross capital formation	14.2	3.5	14.3	22.2
Imports of goods and services	14.3	6.5	18.0	20.4



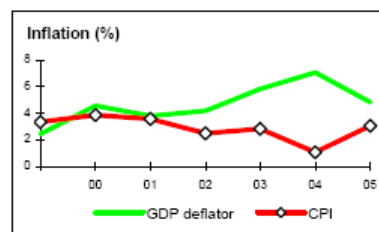
Note: 2005 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

→→→ Continued on next page

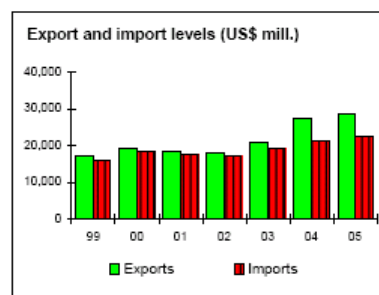
PRICES and GOVERNMENT FINANCE

	1985	1995	2004	2005
Domestic prices				
(% change)				
Consumer prices	29.5	8.2	1.1	3.1
Implicit GDP deflator	30.7	10.4	7.0	4.8
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	20.2	22.1	21.1
Current budget balance	..	4.9	5.2	4.8
Overall surplus/deficit	..	2.3	2.1	1.5



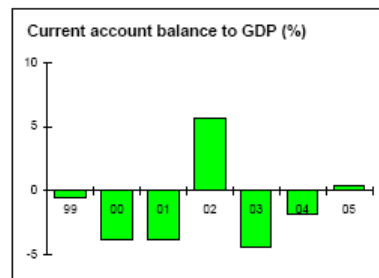
TRADE

	1985	1995	2004	2005
(US\$ millions)				
Total exports (fob)	3,804	16,024	27,600	28,705
Copper	1,789	6,487	14,358	14,933
Fruits	515	1,172	2,440	2,538
Manufactures	1,168	6,608	11,557	12,020
Total imports (cif)	3,229	15,900	21,400	22,470
Food	284	576	776	815
Fuel and energy	545	1,420	3,418	3,588
Capital goods	642	4,187	5,831	6,123
Export price index (2000=100)	72	137	115	114
Import price index (2000=100)	61	82	123	122
Terms of trade (2000=100)	118	167	94	93



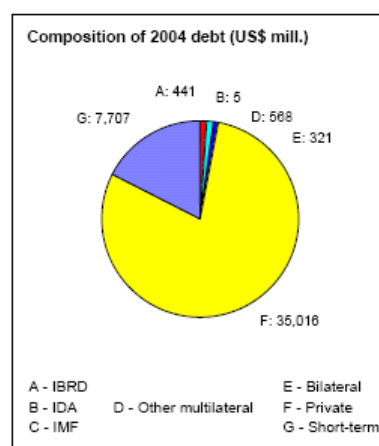
BALANCE of PAYMENTS

	1985	1995	2004	2005
(US\$ millions)				
Exports of goods and services	..	19,359	27,480	38,208
Imports of goods and services	..	18,299	29,542	28,785
Resource balance	..	1,060	6,272	9,422
Net income	..	-2,712	-2,296	-3,426
Net current transfers	..	306	-5,715	-5,502
Current account balance	..	-1,346	-1,739	494
Financing items (net)	..	2,407	1,462	-512
Changes in net reserves	..	-1,061	277	18
Memo:				
Reserves including gold (US\$ millions)	..	14,805	15,066	15,047
Conversion rate (DEC, local/US\$)	160.9	396.8	609.4	560.1



EXTERNAL DEBT and RESOURCE FLOWS

	1985	1995	2004	2005
(US\$ millions)				
Total debt outstanding and disbursed	20,384	22,038	44,058	..
IBRD	487	1,372	441	289
IDA	18	11	5	4
Total debt service	2,271	4,964	9,566	..
IBRD	37	841	258	222
IDA	1	1	1	1
Composition of net resource flows				
Official grants	32	54	31	..
Official creditors	436	-1,810	-107	..
Private creditors	684	2,262	359	..
Foreign direct investment (net inflows)	144	2,957	7,603	..
Portfolio equity (net inflows)	0	-249	8	..
World Bank program				
Commitments	541	155	211	..
Disbursements	231	83	259	55
Principal repayments	20	705	241	207
Net flows	211	-622	18	-152
Interest payments	18	137	18	16
Net transfers	193	-759	0	-168



The World Bank Group: This table was prepared by country unit staff, figures may differ from other World Bank published data.

8/12/06

Source: http://devdata.worldbank.org/AAG/chl_aag.pdf

Appendix VII: WDI figures Brazil and Chile

BRAZIL	Aid (% of central government expenditures)	Aid (% of GNI)	Aid per capita (current US\$)	Official development assistance and official aid (current US\$)	GNI (current US\$)	GNI per capita, Atlas method (current US\$)	GINI index
1995	..	0	2	271.310.000	693.103.230.976	3.650	..
1996	..	0	2	270.080.000	762.768.850.944	4.260	60
1997	0	0	2	270.610.000	791.570.612.224	4.670	..
1998	0	0	2	282.770.000	769.438.646.272	4.530	..
1999	..	0	1	124.530.000	517.838.798.848	3.830	59
2000	..	0	1	232.270.000	583.804.452.864	3.590	..
2001	..	0	1	228.780.000	489.285.517.312	3.040	59
2002	..	0	1	202.390.000	443.004.649.472	2.790	..
2003	..	0	1	194.190.000	487.823.212.544	2.680	58
2004	..	0	1	157.080.000	583.976.091.648	2.990	57
2005	..	0	1	191.850.000	770.747.727.872	3.550	..

→→→ Continued on next page

CHILE	Aid (% of central government expenditures)	Aid (% of GNI)	Aid per capita (current US\$)	Official development assistance and official aid (current US\$)	GNI (current US\$)	GNI per capita, Atlas method (current US\$)	GINI index
1995	..	0	11	156.550.000	68.637.204.480	4.340	..
1996	..	0	13	195.360.000	73.263.300.608	4.950	57
1997	..	0	9	128.920.000	80.176.816.128	5.390	..
1998	..	0	7	106.330.000	77.484.310.528	5.270	..
1999	..	0	5	69.900.000	70.769.188.864	4.920	..
2000	..	0	3	48.880.000	72.335.450.112	4.840	58
2001	0	0	4	57.320.000	66.067.271.680	4.600	..
2002	-0	-0	-1	-8.390.000	64.413.081.600	4.320	..
2003	1	0	5	78.830.000	69.114.462.208	4.320	55
2004	0	0	4	56.590.000	87.022.665.728	4.930	..
2005	1	0	9	151.650.000	1.046.69.642.752	5.870	..

Source: World Development Indicators database