

**CORRUPTION IN REGULATORY REFORMS: CIRCUMVENTED  
REGULATION IN CHINA'S GOVERNMENT PROCUREMENT**

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**ABSTRACT.** Scholars generally holds that corruption is closely related to officials' abuse of discretion over public administration. China has initiated regulatory reforms to reduce such discretion by way of introducing expert-based governance in recent years. However, these reforms cannot contain corruption effectively. This study examines why corruption has survived regulatory reforms and what explains the failures of these reforms. Using China's government procurement as an example, it argues that the incomplete reforms only cannot prevent corruption but also creates a cover for corrupt activities. In this area, officials from purchasing institutions have critical and decisive discretion on procurement payment and further on choosing suppliers. This discretion largely undermines the effects of China's regulatory strategy, the using of experts in bid evaluation. Consequently, the bidding system in government procurement displays a regulated outlook but still provides opportunities for corruption.

**INTRODUCTION**

Corruption is defined in different ways. Some scholars view corruption as a threat to public interest, while others focus on the opinion of the public: the general public judges whether an activity is corrupt. A third way of definition is based on legality consideration – corruption is a violation of formal rules that are set up to govern the behavior of public officials (Peters & Welch 1978). This study

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considers corruption the use of public office for private gains. In practice, corruption shows various forms, including bribe-taking, misappropriation, embezzlement, nepotism, frauds, etc. In public procurement, where the government frequently interacts with private actors, taking bribes from private companies is a common form of corruption.

Scholars have endeavored to explain corruption. Some of them find that officials' discretion over public administration is an important cause of corrupt activities. Klitgaard (1988), the giants of academic studies in corruption, constructs a famous "corruption formula":  $\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}$ . In his book, *Controlling Corruption*, he also indicates that "sealed competitive bids are designed to elicit competition among the suppliers and, along with other rules, to delimit the discretion of the purchaser's agent, thereby reducing the opportunities for kickbacks".

Rose-Ackerman (1997) argues that whenever a public official has discretionary power over the distribution of a benefit or a cost to the private sector, there is an opportunity for corruption. In discussion the government's role in regulating the market, some scholars indicate that property owners have incentives to influence officials with discretionary power in order to increase the value of their property rights (Grossman & Helpman 1994). In other words, the discretion held by officials is a source of corruption. In Johnson, Kaufman, and Zoido-Lobaton (1998)'s study, more discretion and regulations of private business activities lead to more corruption. Heywood (1997) suggests that the discretionary power associated with the privatization of public assets can create opportunities for corruption.

However, the evidence from China may provide a different case: reducing officials' discretion may not cause a reduction in corruption. At the end of the 1970s, China initiated market-oriented reforms. In these reforms, it began to lose controls over the economy and society, and to employ some regulatory strategies such as using professionals, setting up independent regulatory agencies, and pursuing rules-based governance. A very typical example of these reforms is the building of government procurement. Since the 1980s, China has tried to contract out the provision of public goods and services. The government has solicited suppliers from the market instead of directly providing them. It has introduced a bidding system to induce competition among suppliers, in order to reduce

procurement costs, and seek the value for money. In this system, as an important regulatory strategy, experts are used to examine and evaluate bid proposals. The government has also put forward some rules and set up government procurement management agencies to regulate the whole bidding processes.

Moreover, the government has installed the bidding system with an expectation of preventing corruption. It has put efforts on reducing the discretionary power held by officials from purchasing institutions over selecting procurement suppliers. In order to maintain the integrity of bidding competition, officials from a purchasing institution cannot make procurement decisions on its own, but a bid evaluation panel involving experts recommends a supplier to the government. In a bid evaluation step, experts should give their advice based on their professional knowledge. In addition, government procurement management agencies should keep close eyes on every step of a bidding process. It also works on information disclosure and makes procurement projects transparent.

After three decades, China's government procurement with a bidding system diverts from its original purpose. Corruption activities in this realm have not ceased but even become more and more rampant. In some procurement projects, the prices of purchased items were much higher than market ones, while others even bought luxury items for official uses. Moreover, government procurement has become a hotbed of corruption because of so many cases reported in this area. Gong (2011) collected the corruption cases reported by the Procuratorial Daily from 2000 to 2009 and found that the number of corruption cases related to government procurement and public project contracting was much larger than other types of corruption. Also, corruption was found in all steps of a procurement process, including – approving proposals, leasing lands, tendering and bidding, subcontracting, acquiring materials, and settling project funds.

According to China's practice, the causes of corruption are more nuanced than scholars suggest. The regulatory strategy employed in government procurement may not reduce officials' discretion and prevent corruption. This study examines the dynamics behind corrupt activities in the circumstances of China's government procurement, which introduces a bidding system and employs experts. It addresses why China's regulatory strategy, the use of experts, cannot effectively

deter procurement corruption, and how corruption undermines this strategy. In this study, a source of empirical data is my fieldwork, which was conducted in four cities, including Shanghai, Chongqing, Yantai, and Xianyang. In the fieldwork, I interviewed procurement officials, local suppliers, experts, and scholars. I also observed a few bidding processes of government procurement in Xianyang. The interviews were open-ended or semi-structured. Another source of this study is reported cases I collected from Chinese national media and official documents.

The remainder of this article is organized as follows. I begin with an introduction of the development of government procurement in China and its bidding system with the regulatory strategy. Then, the next section shows a sketch of corruption methods in government procurement. In the following, I present empirical evidence and illustrate how procurement participants undermine the regulatory strategy in practice. Finally, I conclude with theoretical discussion and implications for policy advice.

### **REGULATORY REFORMS IN CHINA'S GOVERNMENT PROCUREMENT**

For the past three decades, some regulatory states such as the United Kingdoms, the United States, and Japan, have been experiencing market-oriented regulatory reforms that are impelled by globalization. Some scholars argue that these reforms are a combination of liberalization and reregulation driven by the states, which respond to market pressures by adjusting their role in governing the market (Kane 1987, Swann 1988, Majone 1996, Vogel 1996). For the purpose of developing their national economies, states adopt new regulatory strategies that are much different from those used before. They place much emphasis on the use of authorities, rules, standard-settings, markets, and competition, while decrease the use of public ownership, planning, centralized administration, subsidies, and directly provided services (Majone 1994, Moran 2002, Hood et al. 1999). Importantly, they also seek private suppliers for the provision of public goods, rely on rule-based governance, and increase the role of non-government actors, such as authorities and experts, in setting and reaching the compliance of rules (King 2007).

Like these regulatory states, China also has taken regulatory reforms since the 1980s. These reforms are market-oriented, driven by globalization, and show attributes of using authorities to pursue rule-based governance. A typical example is its government procurement, which contracts out the provision of public goods and service to the market. In China, government procurement is referred to as the procurement of specified goods, construction and service under the supervision of financial departments. Those goods and projects are listed in a centralized purchasing catalogue.

China's government procurement develops with the introduction of market mechanisms. In the 1980s, China started to use competitive bidding methods to select procurement suppliers from the market. It first used them for the purpose of reducing fiscal expenditure. The Ministry of Finance initiated some pilot projects to practice bidding methods in the purchasing of official cars. These projects were carried out in big cities, including Shanghai, Shenzhen, and Chongqing, and later at the provincial level such as those in Hebei and Shandong. In 1999, at the central level, some departments of the State Council conducted bidding for procuring cars, office devices and furniture, building renovations, and conference services. These pilot practices resulted in a huge saving in fiscal expenditures, between 15% and 25% of the budgeted funds (Wang, 2002). Because of the significant savings, the Minister of Finance further nationally institutionalized the bidding system in government procurement. It laid down a series of rules<sup>i</sup> at the turn of the millennium, covering procurement budgets, contract performance, centralized purchasing catalogues, transparency of competition information, and payment methods. These rules formed the basis of a national law, the Government Procurement Law (GPL), which was formulated in 2003.

Another important reason for developing government procurement was China's bid to enter the WTO. To support its application, China promised to join an optional agreement, the Government Procurement Agreement (GPA). The Chinese government in 1999 put forward the Provisional Notice on Adminstrating Government Procurement, which was designed in accordance with the main principles of the GPA. When China became a member of the WTO in 2001, it promised to launch negotiations in the next two years to join the GPA.

The GPA requires member countries to select government procurement suppliers on the basis of market competition, transparency, and non-discrimination between foreign and domestic firms. This means that China's government procurement market would be opened to all the suppliers of the GPA members and, consequently, domestic suppliers would face more intense competition than now.<sup>iii</sup> In order to prepare for opening up the market, China has been under pressure to build an institutional framework for its government procurement activities in accordance with GPA principles, as it must also prepare domestic industries for market competition. In its general principles section, therefore, the GPL requires that government procurement purchase domestic goods, works and services, unless they are not available in China.

Since the GPL came into effect, China's government procurement has developed quickly. The scale of government procurement has ballooned, with a stable pace of growth. Since 2003, when the GPL took effect, the government procurement scale has grown at an average rate of 34% per year, reaching 1730.5 billion yuan by 2014, which took up 11.4% of financial expenditure at that year.<sup>iv</sup>

The GPL constructs a key framework for China's government procurement. It lays out general principles, including transparency, integrity and fairness, and honesty and credibility. This law also stipulates five bidding methods that a procurement project should use – public invitation, invited bidding competitive negotiation, single-source procurement, inquiry about quotations, and other methods approved by the State Council. Public invitation is considered the default in public procurement. If a procurement project involves more than a certain amount of money, it must be processed through the public invitation method. The specific amount varies by jurisdiction. For example, it is 500,000 yuan in Gansu province and 1 million yuan in Tianjin. When the public invitation method is used, information about bid invitation should be publicized through the mass media (such as official websites or newspapers) to attract as many suppliers as possible.

Although procurement methods vary, a bidding process normally comprises seven steps: 1) a purchasing institution budgets an item and sends procurement request to administrative department, 2) the administrative department issues a notice in a certain area to call for bids; 3) suppliers provide individual sealed bids, including supply

information such as price, quality, technology, delivery date, and financial statements according to the notice; 4) after the deadline, administrative department opens the sealed bids and show details to all bidders; 5) once bids are open, a panel consisting of experts and representatives from the purchasing institution assesses and scores every bid; 6) the contract of a procurement project is awarded to the bid with the highest score, if no protest are made; and 7) the bid winner delivers an item to the purchasing institution and gets payment.

One important reform in China's government procurement is the involvement of external experts in making decisions. By inviting experts to evaluate bidding proposals, the Chinese government tries to rely on professionals to sustain market competition, as regulatory states have done. Experts comprise at least two-thirds of the bid evaluation panel members and often come from outside the government. A procurement agency randomly selects experts from a local expert pool soon after bid proposals open, and the agency invites the selected experts to evaluate the bids immediately. In bid evaluation procedures, experts should do evaluation independently without outside interruption.

Expert pools have been established in many provinces to enhance the integrity of public procurement. The experts in these pools are professionals in certain fields with special knowledge. They are selected randomly right before a bid opens to assess bidding proposals. The Ministry of Finance and the Ministry of Supervision have issued specific rules on administering expert pools: when assessing bidding proposals, the selected experts are isolated in a room and not allowed to contact anyone outside. In some provinces, assessment activities are video-recorded. The members of an evaluation panel should grade every bid proposal, according to the criteria specified in the call for bids document. Then, the panel normally recommends the supplier with the highest score to the purchasing institution.

### **A SKETCH OF PROCUREMENT CORRUPTION METHODS**

Although the Chinese government has employed regulatory reforms with a bidding system in order to reduce officials' discretion, corruption problems in this realm have not ceased to develop but

become more rampant. Procurement corruption has involved a huge amount of public funds and hundreds of officials, particularly high-ranking ones, and had grave consequences for society. A report from the Chinese Academy of Social Sciences shows that about 80% of the office supplies procured in 2012 were 1.5 times more expensive than market prices in some local governments.

According to reported cases, government officials have committed corruption at almost every step of a procurement project. For example, when a purchasing institution calls for bids, officials from this institution may set up certain requirements in the bid invitation in order to help certain firms get high scores in bid evaluation. In one case, a district-level education official handed over the work of making bid invitations to a potential bidder. The bidder introduced some technique requirements in the invitations in order to guarantee that it would win the bid. This official repeated the same strategy of introducing special technique requirements in several government procurement projects to help firms get government contracts and received 400,000 yuan in total from the same bidder (Li et al., 2011).

These cases show that procurement corruption not only involves officials from purchasing institutions and private firms but also staff from bidding agencies that directly serve or administrate bidding processes. For instance, a private bidding service firm in Guangzhou City sent bribes to three officials who worked in the municipal government procurement center and to another official in a district government procurement center. In return, these officials contracted out 74 service projects to this firm from 2000 to 2003 (Yang, 2009).

The above mentioned actors – officials from the purchasing institutions, private firms, and staff in bidding agencies – directly conduct collusion with bidders; additionally, firms who do not intend to compete for government contracts also participate in corruption. Firms that have already received contract promises from officials through bribery may “invite” some other firms to perform the bidding processes. This performance has become an informal rule in the construction industry: firms help each other and do not truly compete for others’ “promised” contracts (Gong & Zhou, 2015). Table 1 demonstrates various corruption strategies used by participants in government procurement.

**TABLE 1**  
**Common corruption strategies in China's public procurement**

Corruption Methods	Description	Examples
Budgeting improper procurement	Falsifying, underestimating, or overestimating procurement requirements to justify unnecessary purchases in order to create corruption opportunities	1) officials submit or approve procurement budgets far above regular market prices 2) officials submit or approve procurement budgets which include reduplicated construction projects or luxurious goods
Giving preference in bid invitations	Adding specific requirements or evaluation criteria in favor of certain bidder(s) in bid invitation documents	1) officials write specific technical requirements to provide advantages for certain bidder(s), 2) officials or procurement agencies choose some evaluation criteria, on which certain bidder(s) could get high marks
Releasing inside information	Releasing bidding information to certain bidders	1) officials give favored bidders access to bidding documents before they are formally disseminated 2) officials release a bid base to a bidder
Limiting the public advertisement of bid invitations	Limiting advertisement coverage or advertising a short time before a bid deadline	1) officials or procurement agencies select a small number of media outlets to advertise bid invitations 2) officials or procurement agencies advertise a short time before a bid deadline to preclude some bidders
Choosing preferred procurement agencies	Choosing a procurement agency to manage the bidding process in exchange for a bribe	1) officials choose a procurement agency unit in exchange for a bribe from the agency 2) officials choose the bid company of a friend to be the procurement agency
Faking qualification	Qualifying bidders who are not eligible for a bidding	1) officials help fake qualification documents 2) officials accept disqualified bidders 3) officials lower qualification requirements 4) officials change the procurement catalogue so that certain bidders become qualified

Influencing bid evaluation	Giving certain bidders high evaluation scores so that they will obtain the contract	1) officials get involved in the evaluation panel and give high marks to certain bidders 2) officials influence experts' rating 3) officials appoint the members of an evaluation panel
Adding extra contract terms	When implementing a contract, adding more procurement items without conducting a new bidding process	1) officials add procurement requests for goods, services or projects, using the excuse of "emergency" or "temporary need" when contracts are implemented 2) officials give extra payment beyond the contracted amount
Failing to supervise deliverables	Failing to supervise deliverables especially in delivery	1) officials fail to inspect the contents of delivery, which are different from the original contracts in terms of content, quality, and time
Delaying payments	Officials hold up contract payments on purpose in order to receive a bribe	1) officials delay payment of procurement contracts in order to seek bribes from contractors 2) contractors bribe officials to pay contracts as soon as possible
Evading bidding processes	Directly choosing supplier without going through a bidding process	1) officials decide not to conduct bidding in some procurement projects 2) officials appoint subcontractors directly
Faking procurement projects	Making up procurement projects, which did not occur at all, to get procurement funds	1) officials make up procurement contracts with private firms to get procurement funds 2) officials use faked procurement invoices

Source: reported cases collected by author.

### UNDERMINED REGULATORY STRATEGY

By inviting experts to evaluate bidding proposals, China tries to rely on authorities, as regulatory states have done, to support the integrity of the bidding system and reduce discretion. However, under the current institutional arrangements, experts cannot produce sound, professional, and independent evaluation. According to reported cases and my fieldwork in Chinese cities, the employment of

experts has limitations and some procurement participants may manipulate bidding process and circumvent the role of experts.

### **Limited expert pools**

In China's bidding system, the small number of members in expert pool reduces the effects of the regulatory strategy set up for government procurement. An expert pool usually includes a limit number of experts, most of whom local professionals and are divided into different categories. The government randomly selected a few experts in a category before bid open and requires them to show up in a short time. Due to the small number, potential bidders are familiar with experts and may keep good *guanxi* with them. They can calculate the experts who may probably evaluate their bids and, in advance, send benefit to them in exchange of help in bid evaluation. For example, seven experts received bribes from an elevator company for helping it win government contracts in Hefei City – they had given the company's bid proposals artificially high scores (Wu, 2009).

My fieldwork in Xianyang city reveals some details about the limitation of an expert pool in government procurement. In this city, the municipal expert pool has around 120 registered members. When organizing an evaluation panel, the Government Procurement Management Section randomly selects and invites three to seven experts from the pool a day before the bid evaluation. Because seldom experts from other provinces can come in such a short time, this section usually selects local experts.

In addition, in principle, each of these experts should not evaluate bids for more than three procurement projects within a year. But, because of the small expert pool, an expert may be selected frequently and even do nine projects in a year. Also, although there are around 120 experts in total, the government places them into several categories for administrative efficiency, and, in each category the number of experts is even smaller. In the above-mentioned case in Hefei, only 16 people were registered as elevator experts in that provincial expert pool. It is difficult to limit experts' evaluations to only three per year.

Moreover, the compensation for evaluating a bid is very low: each expert once earns only 100 yuan. The low compensation is itself a factor in reducing the real size of the expert pool. According to a

government procurement officer, “because of the low compensation, experts are not willing to come to do evaluation when invited. In practice, the number of available experts is fewer than the registered”. Normally, it takes an expert at least three hours in a procurement project including travel and evaluation, which means that his/her hourly compensation is about 33 yuan. In the same time, the teaching payment for a university lecture in the same province is about 50 yuan.

Due to the small size pool, limited available local experts, and low compensation, suppliers are easy to find out experts to sent bribes while experts may become corrupted. For one thing, as a procurement officer mentioned, “suppliers know who are the commonly showing-up experts in the city, and they work on maintaining a long-term good relationship with these experts, sometimes providing benefits to them”. Additionally, suppliers in this city have more access with local experts than with external ones and find it easier to keep good *guanxi* with them. For another thing, “experts who conduct evaluation in government procurement are likely to have frequently contact with some suppliers”. When selected as a member of evaluation panel, an expert may inform a bidder that he will assess its bid proposal in the next day and accept its bribe, which is much larger than the evaluation compensation from the government. Hence, experts may not follow the principle of fair competition and sustain the integrity of government procurement.

### **Circumvented experts**

Although suppliers and experts may collude in government procurement, officials from a purchasing institution can still manipulate bidding results and seek private gain. Influencing evaluation process is one of their commonly used ways. For instance, the former Deputy Director of the Beijing Tax Bureau received about two million yuan from government procurement suppliers in corrupt deals. In court, he gave details on how purchasing institutions influenced experts' evaluations. Leading officials of his institution, he said, sent “notices” about their preferred suppliers to the representatives of the purchasing institution on an evaluation panel. At the bid evaluation step, these representatives recommended the suppliers mentioned in the “notices” to other panel members, implying that these suppliers should get higher scores. “Because we are the purchaser, the recommendation from our representatives is

important and often influences experts' evaluations", the director explained (Xinhua News, 2011).

Directly influencing evaluation process at the spot is a way of manipulation used in the past. Nowadays, purchasing officials may install some mechanism in the bid evaluation step to help a bidder without directly showing its influence. First, experts cannot set up rules for bid evaluation according to the features of a procurement project. It is the purchasing institution that specifies detailed evaluation method in its bid invitation. Such method varies according to the items it needs. This creates an opportunity for a purchasing institution to circumvent experts, because the institution may intentionally set special evaluation criteria to aid a certain bidder. A case took place in Hangzhou city in 2007. In an urban greening project, the manager of the Urban Investment Construction Company, Chen Jing, add some bonus evaluation criteria, which benefited a landscaping company.

In my interview, an official from a district-level finance bureau in Shanghai city also mentioned this misconduct in government procurement. He talked about a common way of manipulating a bidding process. "In a bid evaluation method, a purchasing institution may set high weights on several features to the item it needs. As a consequent, only one supplier can provide an item with almost all of those high-weight features. After evaluation, this supplier will win definitely." Hence, experts, or even private suppliers, cannot play a decisive role in determining bid winners at all.

Second, a purchasing institution now has developed another sophisticated way to circumvent experts. It may intentionally delay procurement payment, which is critical to a supplier, in order to control bidding results. In China's government procurement, each budget unit opens a treasury payment account at a designed bank. When a procurement project is completed, the unit provides payment documents to its parallel fiscal department, including confirmation documents, procurement contracts, invoices, and delivery reports. The fiscal department examines these documents and then requests the bank to transfer corresponding purchasing funds directly from the treasury account of the budget unit to a receiver. It seems that the direct transfer can prevent a purchasing institution from misappropriating or retaining a procurement payment. However, in practice, this institution has discretionary power on checking and

confirming a delivery. Such discretionary power largely affects the behavior of procurement participants.

A supplier who wins a procurement contract has to raise funds for producing goods. After delivering these goods and getting confirmation from a purchaser, a supplier can receive the payment. In other words, if the purchaser does not satisfy with the delivery, the supplier will not get any payment and its previous work will be vain. Competing for a procurement contract involves a high financial risk for a supplier. As a result, officials' discretion on delivery is critical to a supplier. In China, a supplier often keeps good *guanxi* with officials from a purchasing institution, particularly with the leading officials of the institution who hold such discretion. It usually provides some benefits to procurement officials so as to get payment as soon as possible. An informal rule for sending these benefits has formed as government procurement develops: a potential supplier provides 8% - 10% of the contract price for officials who can help it win a contract.

Due to the financial risk and interest exchange between suppliers and officials, bid rigging has been a common phenomenon in government procurement and experts can hardly identify and stop it. "A potential supplier won't compete for a government contract unless it has settled a good *guanxi* with the leading officials from the purchasing institution", said a procurement management officer. Instead, they may help other suppliers to win a bid, which already get "informal confirmation" from the leading officials of a purchasing institution. These suppliers may pretend to bid and submit well-designed bid proposals to the government. "No matter how experts review and grade, based on the current evaluation method, the evaluation panel will award a procurement contract only to the "best one" in bid riggings. " Hence, it appears that experts determine the bid winner but in fact a sophisticated bid rigging does.

As discussed above, the experts can hardly reduce officials' discretion. Because experts are limited in number and availability, their integrity may also be compromised: they may accept benefits from suppliers and favor them in bid evaluation. Additionally, officials from purchasing institutions may influence experts directly by "recommending" particular suppliers in evaluation, or circumvent them indirectly by holding discretion on payment. The regulatory strategy, the employment of experts, in China's government procurement is fatally undermined, and hence cannot effectively

reduce officials' discretionary power over government procurement. It is not surprising that corruption flourishes in this area.

### CONCLUSION

This study illustrates the failure of regulatory reforms in China: experts are ineffective in supporting bid competition and limiting officials' discretion. For one thing, expert pools for government procurement include a small number of experts for bid evaluation. In addition, the low compensation reduces experts' motivation to participate in bid evaluation. Hence, potential suppliers may easily find out the experts in their industry and keep good *guanxi* with them, or even send bribes in exchange of favors in bid evaluation. For another, experts alone cannot help suppliers win government contracts, but officials from purchasing institutions who hold the financial discretion of procurement payments can determine the bid results. Without informal confirmation from these officials, suppliers bearing produce costs may not get payment after delivery. In other words, unless reaching such confirmation in advance, suppliers will not compete for a procurement contract. Suppliers getting such confirmation usually organize bid riggings to circumvent the role of experts as well as cover the manipulation from those officials. Consequently, it seems that bid winners are the most competent suppliers, who are recommended by experts. But, in fact, they win because they have interest trades with officials.

The above shown ineffectiveness of experts is by no means represent the whole spectrum of regulatory failures in China's government procurement. It also indicates that the current institutional arrangement contains loopholes for officials to commit corruption. Due to these loopholes, corruption has grown rampantly as government procurement develops. Officials involved in this area have traded their discretion for private benefit by various methods as shown in Table 1. Most of these methods have faded out, as pointed out by an informant. The commonly used one nowadays is collusion between officials and potential suppliers with bid riggings organized by the latters. Officials can seek private benefit without directly manipulating procurement processes. Corruption has become more and more sophisticated in this area: it takes place underneath a clean outlook of bidding processes.

The regulatory strategy employed in this area for reducing officials' discretion can be improved in two aspects. First, the government should enlarge the size of expert pools by introducing new technology such as online evaluation. In this way, experts are not limited to local ones. It can also increase their compensation to attract more experts to participate in government procurement. Second, the process of delivery and payment has created a key opportunity for corruption. The government may involve experts in this process in order to prevent officials from making decisions alone.

The practice from China also suggests that the authority-based regulatory strategy may reduce officials' discretionary power at one point but may be undermined by another discretion. It cannot not contain corruption and even provide a cover for it. States should conduct regulatory reforms systematically and employ authorities in key regulatory procedures.

#### NOTES

- ii The other rules, he suggests, include that 1) sealed bids are opened by the purchasing agent in public; 2) the winner is chosen on objective grounds, such as the lowest price; 3) the purchasing agent is not allowed to negotiate with suppliers once the bids are opened; and 4) once the contract is awarded, the purchaser cannot accept anything less than the contract requirements.
- iii See for example, "Provisional Notice on Administrating Government Procurement" (*zhengfu caigou guanli zanxing banfa*), the "Provisional Notice on Supervising Government Procurement Contracts" (*zhengfu caigou hetong jiandu zanxing banfa*), and the "Provisional Notice on Administrating Tendering and Bidding in Government Procurement" (*zhengfu caigou zhaobiao toubiao guanli zanxing banfa*).
- iv China promised to open its government procurement market no later than 2020. The GPA allows developing countries to carry out obligations a certain number of years after joining the agreement.
- v Data source: Chinese Central Government (2015) *2014 Nian Wuoguo Zhengfu Caigou Guimo Da 1.7 Wanyiyuan*. [Online]. Available at [www.gov.cn](http://www.gov.cn). [Retrieved Febuary 12, 2015]

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