Reforming Procurement and Political Party Financing in Chile

Overview

In 2014 and 2015, the authority of the Government of Chile was challenged by a string of scandals relating to the relationship between economic and political power. While many of the “incidents” existed in a gray area of questionable legality, the overall public discourse suggested that the bureaucratic reforms undertaken ten years prior had not succeeded in eliminating the influence of elites on the workings of government. One of the scandals, which involved public procurement and the military, hinted at the role of procurement in the opaque flow of money among economic elites, political parties, and the government.

In response, the government initiated an innovative reform process designed to define new norms and expectations for Chilean governance. At its center was an independent and non-political commission entrusted with responsibility for making specific and concrete recommendations on restructuring the role and transparency of the private financing of political parties. A number of proposed reforms focused on improving transparency and consistency in public procurement. In the context of a well-performing state with a relatively high degree of capacity and integrity, addressing corruption in public procurement was approached primarily by modifying the incentives and dynamics in the overarching system of governance.

The Chilean Government subsequently adopted a number of the commission’s recommendations, which served to reshape the manner in which political parties were financed, the internal rules by which political parties operated, and the transparency of the public procurement system. Success in changing the rules of the game demonstrates the possibility of designing reforms that address the symptoms and the underlying causes of corruption. At the same time, the mixed impact of the reforms in reducing the power of economic and political elites is a reminder that the overall process of changing fundamental aspects of governance is long and progress is neither linear nor constant.

Introduction

Between September 2014 and March 2015, Chile—which had a reputation as one of the least corrupt countries in Latin America—was rocked by a series of high-profile corruption scandals. Investigative journalists revealed how President Michele Bachelet’s son had allegedly engaged in insider trading and influenced peddling in a multimillion-dollar real estate play. Bachelet’s former finance minister was investigated for alleged campaign finance violations but not prosecuted. And executives from one of Chile’s largest financial groups were arrested on charges of tax fraud, bribery, and money laundering linked to an illegal scheme to finance the Independent Democratic Union, an opposition party.59

The scandals exposed how prominent Chilean politicians and business executives used connections to exert influence and obtain wealth. While improper links between business and politics sometimes resulted in clearly fraudulent activities, such as tax evasion,
the role of money in politics more generally was a legal gray area. The links between private interests and politics were systemic, with all political parties involved in funneling cash through opaque payment arrangements that had the veneer of legality. To the public, the scandals seemed to prove that the whole political establishment was corrupt. Confidence in political institutions dropped dramatically, and citizens viewed corruption as one of the biggest problems of the country.60

Corruption in public procurement was another area of concern following the “Milicogate scandal” that was exposed in 2014. Between 2010 and 2014, a group of military officers concocted a series of fake military procurement deals for goods and services that were never supplied, embezzling an estimated USD11 million. At the time, the military procurement system allowed off-budget funds to be transferred to secret accounts, and there was no parliamentary scrutiny or accountability for how that money was spent.

The scandals in Chile revealed the continued existence of corruption in Chile and instilled in the public a sense of urgency for reform. On March 11th 2015, Bachelet created the “Commission against Conflicts of Interest, Influence Peddling, and Corruption,” an independent advisory body with a 45-day mandate to prepare specific proposals for policy action. The commission was composed of 15 independent and neutral members and chaired by economist Eduardo Engel. The “Engel Commission,” as it became known, did not include anyone who worked in politics or business, a crucial element for building credibility and being perceived as non-partisan.

The Commission’s work was based on the understanding that the corruption scandals were symptoms of much deeper problems—the relationships between economic and political power and systemic institutional weaknesses in political parties. As a result, the anti-corruption agenda proposed by the Commission was comprehensive and ambitious, attempting to address both the symptoms and the causes of corruption. The agenda included both specific sectoral reforms (e.g., public procurement, market regulation, public employment, corporate governance) as well as broader reforms that sought to alter the dynamics around political party financing, governance, transparency, accountability of political parties, and conflicts of interest.

**The implementation process**

**Dealing with the symptoms – proposals to reform procurement**

Chile’s public procurement law had been revised in 2003.61 The restructuring, which enhanced procurement rules and processes, established ChileCompra, the Central Purchasing Body in charge of managing procurement, and Mercado Publico, the online procurement platform.62 The new systems fostered transparency and increased competition among bidders. While the 2003 reforms were a huge step forward, the procurement system retained some features that enabled the manipulation of rules and processes. The Commission analyzed the public procurement system with an eye towards identifying the institutional weaknesses that created opportunities for political influence and conflicts of interest.

While large parts of the procurement system operated under a common framework, the rules established special regimes for certain types of transactions, creating a degree of fragmentation (including some transactions undertaken by state-owned enterprises and the military). Some branches of government—the military, for example—were not required to use ChileCompra. This fragmentation reduced the value of the standardization that had been introduced in most of the procurement system, and increased corruption vulnerabilities. When the Milicogate scandal broke in 2014, these vulnerabilities were exposed to the public.

The Commission’s final report included various measures to address the weaknesses identified. It proposed the unification of the entire procurement system under the ChileCompra umbrella and further training for staff. It also proposed a series of measures to strengthen ChileCompra and extend its scope to coordinate, supervise, and support the entire integrated public procurement system. In order to increase transparency in purchasing and reduce opportunities for elite capture, the report also proposed strengthening of reporting requirements and further standardization of public purchases that go across government agencies. The Commission also proposed that the “Copper Law” be abolished. The law—which allowed a portion of revenue from the state-owned National Copper Corporation (Codelco) to be transferred to secret military bank accounts—had been exploited by those behind the Milicogate scheme.63 The Commission
wanted to reduce the chances of that happening again through the introduction of a multi-year budget with greater planning and oversight capacity and by eliminating off-budget expenses.

Addressing the causes – proposals to reform political party financing

The Commission’s work was based on the recognition that Milicogate and the other scandals were manifestations of deeper problems related to the relationship between economic and political power. Improvements to ChileCompra and other technical reforms were unlikely to achieve their objectives unless they were combined with actions to change the overall incentives in the system. The set of reforms proposed by the Commission to shift the dynamics of elite capture had three pillars: reforming campaign finance, strengthening the governance of political parties, and regulating conflicts of interest.

In principle, the Commission determined that it was essential to regulate political parties as if they were public institutions in order to achieve greater equity and fairness in political and economic life. Recognizing that parties’ reliance on private funding had facilitated their capture by private interests, the Commission proposed introducing public funding for political parties. The Commission’s report also included proposals to improve the governance, transparency, and accountability of political parties, including stricter regulations on private financing.

At the time, most private donors gave money through “reserved contributions” where, in theory, neither the public nor the candidate knew the donor’s identity. As became clear with the 2014-2015 scandals, in practice candidates knew exactly who was making large donations, and only the public was left in the dark. In order to reduce the interconnections between politics and business and to increase transparency, the Commission’s report proposed allowing only individuals (not private businesses) to finance political parties, and the public disclosure of significant contributions.

The Commission’s proposals on conflicts of interest had a similar focus on enhancing transparency. The Commission proposed that asset declaration requirements be enhanced so that officials should be mandated to declare all their interests before assuming public office, provide additional details on their assets to enable effective oversight, and then periodically review and update their declarations. It proposed standardizing the declarations, ensuring they contained sufficient details to clearly determine an official’s wealth, and that declarations be published on Chile’s Transparency Portal in a reusable open data format.

The report also addressed the lack of provisions to regulate revolving doors between the public and the private sector, recommending a one-year cooling off period for former officials and the creation of a public directory of all politicians and bureaucrats ineligible for certain contracts or functions upon leaving office. Finally, it proposed several administrative rules to facilitate the application and enhance the effectiveness of the “Lobby Law,” for example by introducing a code of conduct for lobbyists and creating a training plan and courses on the content and application of the “Lobby Law”.

Building support for reform

The Commission submitted its final report on April 24, 2015. Acting on the Commission’s recommendations, the government quickly formulated a comprehensive set of reform measures. On April 28, President Bachelet announced the “Integrity and Transparency Agenda”, and in May and June the government introduced 21 legal and 14 administrative initiatives. The “Integrity and Transparency Agenda” consisted of a broad set of medium- and long-term measures intended to improve anti-corruption laws and make transparency a centerpiece of the relationship between politics and business.

Monitoring implementation of the anti-corruption agenda was an arduous task given the number of bills and proposals promoted by the Commission, which had to make their way through Congress. In order to keep citizens engaged during the legislative process and facilitate the production of accurate and timely information, two civil society organizations created the Anti-Corruption Observatory in November 2015. The observatory evaluated the achievement of objectives and tracked the legislative process. During the legislative process for the implementation of the reform agenda, the Observatory published this information in real time on its website, enabling citizens to validate progress and keep on pushing for completion of the reform agenda.
Progress on reforming procurement

Chile achieved mixed success in operationalizing the recommendations of the Engel Commission in regard to reforming procurement. For example, there was no progress with respect to some of the proposals included in the Commission’s final report, such as stronger sanctions against irregularities in the procurement process or the creation of a strategic unit to oversee special purchases. However, Congress approved bills to: (i) expand the scope of the public procurement system to consider the entire procurement process, including support in the development of the bidding rules, the award and the execution of the contract; (ii) promote an anonymous system to report irregularities; (iii) sanction the use of direct contracting for contracts whose characteristics, by law, do not justify its adoption; (iv) extend the use of Framework Agreements and establish objective criteria for their development; and (v) cancel the “Copper Law” and provide Congress with greater capacity to monitor military purchases.

In 2017, 99% of award contracts were published according to the new standards of transparency and integrity promoted in the Commission’s final report and adopted in the “Integrity and Transparency Agenda”. The number of public agencies qualified to publish Bidding Requirements (Bases de Licitación) with advanced electronic signature in the ChileCompra online platform increased from 0 in 2014 to 17 in 2017. In the same year, 8.7% of the bidding processes used advanced electronic signature.

In May 2017, ChileCompra approved the Code of Ethics...
in Public Procurement Processes, establishing the reporting obligation of officials participating in public procurement. In 2018, a connection was developed between Mercado Publico and the National Financial Management System. This enabled the tracking of government spending from the procurement process to the payment of supplier invoices within the finance system and it strengthened ChileCompra’s ability to monitor payments to suppliers that do not relate to procurement activity conducted within Mercado Publico. Finally, in 2019 ChileCompra launched the system for anonymously reporting irregularities in government procurement on its website.

The advancements related to the “Copper Law” and transparency of military purchases were notable achievements given the history of attempted but failed reforms. In 2015, a motion to make the content of the “Copper Law” publicly available was approved and in December 2016, the complete content of Chile’s “Copper Law” and its amendments since 1958 became publicly available. In September 2019, Chile partially replaced the “Copper Law” with new legislation that ended the transfer of funds from the copper tax to the military, and instead directing those funds to the regular state budget.

Progress on overall “Integrity and Transparency Agenda”

When Bachelet left office in March 2018, Congress had already enacted 12 major anti-corruption-related bills, while the executive branch had implemented several administrative changes. A 13th bill was approved in late 2018 under Bachelet’s successor, Sebastián Piñera. Based on the last update (2017), the Anti-Corruption Observatory reported a 63% degree of progress in the legislative process and 4.5/5 evaluation of achievement of objectives. “Financing Politics to Strengthen Democracy” was the area that registered most progress according to the Observatory, with a completion score of 83%.

The reforms introduced public funding for political parties in proportion to their representation in Congress, an important step forward in reducing the influence of money on politics, but one that was very unpopular with the public according to opinion surveys. In addition, the Electoral Service established limits on electoral spending as well as on maximum electoral contributions.

The impact of these reforms can be appreciated by looking at the political donations in the presidential election of 2017. Comparing the presidential elections immediately before and after the reforms (2013 and 2017) the number of donors increased from approximately 1,200 in 2013 (mostly firms) to close to 8,000 in 2017 (only individuals), while both the average and the median donation went down significantly. As intended, the proportion of public financing of campaigns increased, providing almost two-thirds of financial resources once the reform had been enacted. The reforms also had a positive impact on transparency regarding the wealth of public officials. The share of officials that submitted their declarations of interests and assets (among those obliged to do so by Law N° 20.880, 2016) increased from 90% in 2015 to 94% in 2017 (95.4% in the Central Administration and 91% among municipal officials).

Progress continued after 2017, but at a slower pace. For example, in 2017 the OECD released a statement urging Chile to address the remaining weaknesses in its frameworks to combat foreign bribery. In November 2018, Chile published a new law amending the Criminal Code and providing a more complete Anti-Corruption Statute. Finally, in July 2018, President Piñera signed into law a widely-hailed Bill on Public Integrity, which regulates the hiring of relatives, the nature of lobbying and interest management, and conflicts of interest between state officials and their ownership in entities that might be subject to audits by the state.

Lessons learned

The Chilean case represents a relatively unique effort to address the symptoms and causes of corruption by confronting the undue influence of economic elites on public sector decision-making. Reforms centered around changing regulations on the funding of political parties and the rules by which they operated. Reform actions also included a number of changes in regulations relating to public procurement, especially in relation to public finance and procurement in the security sectors.

The approach to reform was as creative as its substance. The creation of a strict timeline for producing a national program injected a high degree of urgency into the process and generated intense pressure to negotiate and find consensus across groups, while the creation of an independent committee to lead the
strategy process established a high degree of public legitimacy and independence into the proposed changes. The Commission’s work was participatory, seeking guidance from technical experts and support from citizens. Realizing the importance of building momentum and creating a common understanding in public opinion on the anti-corruption reform agenda, the Commission relied on civil society organizations and the media to inform and empower civil society and build political capital to be spent during the legislative process and implementation of the reform agenda. Civil society and the media had a crucial role in monitoring the implementation of the anti-corruption agenda and holding the administration and Congress accountable. Because of the intense public scrutiny on the government and Congress, all political parties were under enormous pressure to embrace and support the ambitious and comprehensive anti-corruption agenda pushed by the government.

The Engel Commission’s work and the reform agenda promoted by the government were based on the understanding that corruption in the public sector in Chile was the symptom of much deeper problems—the relationships between economic and political power and systemic institutional weaknesses. Earlier reforms had already created the regulatory foundations for a transparent, meritocratic, and well-performing state. The intervening years had demonstrated the ability of economic elites to find ways to circumvent some of the technical solutions that had been implemented. As a result, the specific technical or sectoral reforms that had been enacted were at risk unless they were buttressed by actions to change the overall incentives in the system, and the dynamics between economic and political power.

This case provides an example of how, by recognizing and acting when a window of opportunity emerges, a broad and non-partisan coalition can make progress on previously intractable problems. Until scandals erupt, citizens and politicians may not perceive the importance of anti-corruption reforms and affected groups may have veto power, resulting in reforms being blocked. The corruption scandals that occurred in Chile in 2014 and 2015 created a window of opportunity, and citizens demanded strong, clear and prompt actions by the government and Congress to introduce significant anti-corruption reforms. Congress was initially reluctant to embrace the anti-corruption agenda, with senior lawmakers and party bosses fearing the impact of stricter campaign finance and transparency norms. But the outrage created by the scandals, public support for the Commission’s work and President Bachelet’s leadership made opposing the anti-corruption agenda political suicide for legislators. Once bills were put to a vote, deputies and senators felt enormous pressure to vote in favor and not be perceived as undermining efforts to clean up the system.

In times of crisis, politicization of corruption scandals can poison the political environment, impeding collaborative efforts and the creation of a shared reform agenda. In this case, because all parties had been involved in the corruption scandals and illicit campaign finance schemes, there was no scope for political shaming. Even further, the government understood that any proposals coming directly from the political establishment would be received by the public with enormous skepticism—and that a more neutral agent would have to initiate the process. The Engel Commission’s neutrality and independence earned it high credibility in public opinion, allowing it to elaborate concrete proposals that gained unanimous consensus.

At the same time, it is important to recognize that the reforms of 2015 represent a step in Chile’s development and not an end point in its national development nor the end of corruption in the country. In 2019-2020, Chile has experienced a round of protests relating to issues of inequality and elite privilege.
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Notes

1. For the purposes of this chapter, the terms “public procurement” and “state contracting” are used interchangeably to indicate that the discussion of corruption applies broadly, and includes traditional public procurement, public-private partnerships, as well as contracting by state-owned enterprises. We differentiate between input-oriented public procurement (where state contracting occurs on the basis of clear technical specifications, designs, and enumerated inputs) and output-oriented public procurement (where state contracting happens on the basis of specified outcomes/functionalities), since anti-corruption activities differ depending on this distinction.

2. Public procurement is defined as the purchase by government of goods, services, and works. There are four main phases: project identification and design, advertising, prequalification, preparation of bid documents, and submission of bids; bid evaluation, post qualification, and award of contract; and contract performance, administration, and supervision.


5. Corruption in public procurement leads to distortion of competition, limited market access and reduced business appetite for foreign investors. Not surprisingly, companies increasingly demand for improved fairness in public procurement procedures. The 2014 Business and Industry Advisory Committee to the OECD (BIAC) Economic Survey indicates that among business leaders, enhancing efficiency and transparency in public procurement is the top priority for public sector reforms.


10. Knack, Biletska and Kacker (2017) show that in countries with more transparent procurement systems, where exceptions to open competition in tendering must be explicitly justified, firms are more likely to participate in public procurement markets.

11. The term “agencies” includes all enterprises where the government or state has significant control through full, majority, or significant minority ownership.

12. For an extensive discussion of corruption vulnerabilities and corruption schemes across the entire procurement process, see G. Ware, et al., 2007.

13. Network analyses show that public procurement markets are dense and well-connected (Fazekas, Skuhrovec and Wachs, 2017), high corruption risk organizations are clustered (Fazekas and Tóth, 2016) and corruption in public procurement is predominantly about the exclusion of suppliers (Fazekas, Skuhrovec and Wachs, 2017).

14. Balrunaitė (2019) demonstrates that banning political contributions to party campaign financing reduces corruption risks in public procurement. Fazekas, Skuhrovec and Wachs (2017) show that captured buyers (buyers with high corruption risk and denser networks) are significantly less stable around changes of government, supporting the theory that political connections shape markets and are key drivers of corruption patterns. These papers show that public procurement can be a vehicle for the connections between economic and political interests, in an implicit quid-pro-quo where firms contribute to party financing, the political elites disburse compensations through public contracts and money obtained thanks to political favoritism are reinvested to reinforce these relationships.


19. For example, the OECD report on “Preventing corruption in public procurement” and the 2015 OECD “Recommendation of the Council on Public Procurement”.


23. For example, an OECD study on the Latin American region revealed that a common challenge faced by both procuring entities (47%) and potential users of e-GP systems (57%) are low knowledge and skills of ICT. Lack of innovative culture (47%) and limited knowledge of the economic opportunities raised by e-GP systems (38%) were identified as additional challenges for procuring entities.

24. There is limited evidence that increased prosecutions for corruption in public procurement leads to lower levels of corruption. Researchers have been unable to detect the influence of legal rules and legal enforcement on corruption levels in general, or in procurement, despite regular repetition.
of the importance of active policing in deterring corruption and extensive efforts to stamp out corruption. See Minxin Pei, China’s Crony Capitalism: The Dynamics of Regime Decay, 2016 for an extensive discussion of the impact of China’s punishment-led anti-corruption efforts. Some countries, like Indonesia, have sought to prevent corruption by criminalizing activities that might reflect misbehavior, such as contract modifications and cost overruns. There is no evidence that these efforts contribute to solving the problem, and many anecdotal stories indicate that criminalization slows decision-making as officials are disinclined to make decisions that expose them to risk.


31. See Bandiera, Best, Khan, and Pratt, 2019 for findings from a complex random control trial experiment in Pakistan relating to the impact of auditing, performance pay, and discretion on corruption in public procurement.


33. For a discussion of the South Korean experience in addressing corruption at the sector level, see Arsema Tamyalew, A Review of the Effectiveness of the Anti-corruption and Civil Rights Commission of the Republic of Korea, World Bank. For Rwanda, see Addressing Administrative Corruption in Rwanda, World Bank, 2020, forthcoming.


36. 2020 Appropriation Act allocated USD146 million for security sector operational costs out of a total operational budget of USD349 million. Rations spending was budgeted at USD15 million in 2020, around 11% of security sector operational spending.

37. Sectors outside of Mogadishu were covered by in-kind support from the international community.

38. FGC Advisory Note. (2020, Jan). “Gains from competitive rations tendering in the security sector”.

39. FGC Advisory Note. (2020, Jan).

40. FGC Advisory Note. (2020, Jan).

41. This “form over function” problem is sometimes also referred to as isomorphic mimicry, see for example “Building State Capability: Evidence, Analysis, Action,” Matt Andrews, Lant Pritchett, and Michael Woolcock.


43. The e-GP system was initially piloted only in four procuring entities of the four “pilot agencies”, then in 50 procuring entities, then in 308 procuring entities, and eventually in all procuring entities within the four “pilot agencies” (about 1300).

44. The Open Contracting Data Standard, developed by the Open Contracting Partnership, defines what procurement information should be made publicly available, and the form the information should take in order to enable civil society oversight and monitoring. See Open Contracting Partnership.org for additional information on the OCDS.

45. The key activities for the communication campaign included: conducting 99 events on procurement reforms covering over 5,700 participants, convening 64 e-GP awareness workshops at district level with over 2,400 participants, establishing 64 Government and Tenderer’s Forums covering 3,300 procuring entities, and organizing four e-GP workshops including one at the national level for 44 registered banks in the e-GP system. Also, it developed a mobile app, produced an e-GP theme song, videos, radio and television commercials and success stories, and created two digital billboards in Dhaka that displays on-line live procurement data with a direct feed from the e-GP platform.

46. The BRAC Institute of Governance and Development, operated by the internationally recognized Bangladesh NGO – BRAC – undertakes work in support of governance improvements in Bangladesh and across South Asia. For more information See www.Brac.net/

47. The GTF provided an informal platform for government officials and bidders to share information and experience including issues and resolutions about procurement and the e-GP system.


50. See Islam, 2018 for additional information on the survey methodology and findings.

51. A detailed analysis of the transaction-level data is presented in Blum et al, 2020, forthcoming.

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58. Blum et al., 2020, forthcoming.
60. A national opinion survey by the Research Center of Public Studies (CEP) shows that between 2012 and 2015 public confidence in the government, the National Congress of Chile (Congress) and political parties fell, respectively, by 19 percentage points, 10.5 percentage points and 5.5 percentage points. In just five months prior to April 2015, the share of the population considering corruption one of the top three problems of the country tripled from 9% to 28%, while support for Bachelet dropped by almost 10 percentage points.
61. Public Procurement Act (Law n° 19.886)
62. www.chilecompra.cl
63. The Millicogate scheme was abetted by the “Restricted Copper Law” (Ley Reservada del Cobre), which required the state-owned National Copper Corporation (CODELCO) to transfer 10% of revenues from its copper exports to pay for arms acquisitions and equipment maintenance for the armed forces. The “Copper Law” was restricted in the sense that its full text was secret and the funds were transferred every year to secret military accounts. This off-budget system led to military spending unrelated to any assessment of actual defense needs, unplanned and uncoordinated spending, and no parliamentary scrutiny or accountability for how money was spent, opening the door for corruption. The inadequacy of the “Copper Law” had been discussed since Chile’s return to democracy in 1990, and in 2011 the Congress introduced a bill to abolish the “Copper Law” and allow Congress to oversee arms acquisitions and the military budget. The bill reached the Senate in 2012, where it stalled.
64. For example, Rodrigo Hinzpeter was the Interior Minister from 2010 to 2012 and Defense Minister from 2012 to March 2014, and only one month later he was hired as General Manager at Quívencan, which holds stakes in companies that engage in a wide array of business activities related to regulated industries, including oil imports, exports and the transport sector. Andrés Chadwick Piñera was the Interior Minister from 2012 to March 2014 and in June 2014, three months after handing over power, announced his decision to create a Consultant Office on Public Affairs, a lobby firm dedicated to helping energy companies prevent and solve conflicts with local communities.
65. Cooling-off periods are minimum time intervals restricting former public officials from accepting employment in the private sector. Cooling-off period regulations are a common measure to prevent conflicts of interest.
66. The main provisions of the Lobby Law (Ley N° 20.730, 2014) included: (i) The establishment of legal definitions for lobbying, activities and actors; (ii) The creation of public registers where authorities must disclose information regarding regular meetings and individuals/lobbyists who attended those meetings; (iii) Sanctions and fines for infractions; (iv) A mandate for the Council for Transparency to consolidate data on lobbying activities and make that information public via a website.
67. The two organizations were Espacio Público (Public Space in Spanish) and Fundación Ciudadano Inteligente (Intelligent Citizen Foundation in Spanish). The results from the Anti-Corruption Observatory can be found at: https://observatorioanticorrupcion.cl/
68. Framework agreements are arrangements between one or more buyers and one or more suppliers that provide the terms governing contracts to be established for a certain period of time, in particular with regard to price and, where necessary, the quantity envisaged. Other repetitive conditions known in advance, such as the place of delivery, may be included. They are intended to provide expeditious ordering of commonly used, off-the-shelf goods, purchased on the basis of lowest price. Examples of such goods are printing supplies, stationery, computers and software, and pharmaceutical supplies (UNECE, Trade Facilitation Implementation Guide).
70. According to the new legislation, the Chilean National Congress must approve allocations for arms acquisitions and military investment, thus officially ending the use of off-budget funds, and the Comptroller General (the government audit office) has now oversight powers on all financial activities involving these funds. The derogation of the “Copper Law” and the enactment of the new funding system involve a transition plan until 2032. Funds from the copper tax will be gradually phased out over 12 years: the 10% tax on copper exports will remain until 2028 and will then decrease by 2.5% each year until it disappears in 2032. During this period, however, copper revenues will no longer be transferred directly to funds for arms acquisitions controlled by the armed forces; instead, they will be made available to all sectors of government through the regular state budget.
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Case Study 2: e-Procurement Reform in Bangladesh


Case Study 3: Reforms in Public Procurement in Chile


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