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FIGHT AGAINST CORRUPTION IN PUBLIC PROCUREMENT PROCESSES
Santa Cruz, Bolivia

U.S. Grantee:	Center for International Private Enterprise	
Foreign Subrecipient:	Santa Cruz Chamber of Industry, Commerce, Services, and Tourism (CAINCO)	
Dates of Project:	May 01, 2004 – April 30, 2005	
Budget Summary:	Direct Costs (NED Funds)	\$105,594
	Match	\$ 22,083
	Total Grant Costs	\$127,677
	CIPE Indirect Costs (NED Funds)	\$ 23,231
	Total Project Costs	\$150,908
Total NED Amount Requested:	Direct & Indirect	\$128,825

I. BACKGROUND

In Bolivia, as well as in many other countries throughout Latin America, combating corruption has emerged as a top priority. Since 1982, Bolivia has been ruled by a constitutionally elected executive and legislature, and since that time has undergone a series of economic and political reforms. Until recently, however, nothing has been done to eradicate corruption.

Rampant corruption has both economic and political consequences, and one of the main impediments to increased foreign investment is the perception by multinational companies that there is a high risk of losing their investments because of corruption. At the same time heightened public mistrust of most governmental institutions and the major political parties has lessened the sense of responsibility citizens feel for reducing corruption.

In response to this scenario, the Bolivian government has launched a high profile anti-corruption strategy by sanctioning Decree # 27040 "Contracts of Goods, Labor, General Services, and Consulting" on May 16, 2003. Even though this decree does provide set rules for purchases, contracts, and bids, some problems persist. First, the document includes some articles that may increase the discretionary power of government officials and provide the perfect environment for bribery.

Second, some important checks have not been included. The Decree puts more responsibility on the private sector than on the public sector to reduce corruption at the same time that it does not guarantee bidders' rights.

Finally, there is no provision in the legislation for supervision of the commissions in charge of determining qualifications and receiving documents, which remains one of the main sources of participants' distrust.

This project will improve democracy in Bolivia by seeking a consensus among national and regional business organizations on a revision of Decree # 27040 intended to solve the gaps mentioned above, establish equal rights and privileges to all participants in public bids, and provide the necessary controls to guarantee all types of companies (small, medium, and large) have the same opportunity for obtaining a government contract.

Taking advantage of the fact that business leaders increasingly understand that transparent behavior and strong ethical standards provide a better path toward opportunities to do business and that these are based directly on their competence, business skills and management capability, CAINCO will also develop a series of seminars on ethical conduct in the procurement process.

Finally, CAINCO will engage in a public education and advocacy program to promote knowledge of ethical conduct in the procurement processes in order to strengthen the commitment of the private and public sectors to the principles of transparency.

II. PROJECT OBJECTIVES

- To improve democratic governance in the country by opening the government bids, contracts procedures, and decision-making processes
- To promote a sound political and business environment by educating business leaders on ethical standards when involved in public procurement processes
- To foster participation of small and medium enterprises in the public procurement processes
- To improve current laws regulating the government procurement process

III. PROJECT ACTIVITIES

The central approach of this project will make use of the expertise of external consultants in order to create a transfer of technological expertise to CAINCO so that they may develop a stronger in house capability in combating corruption. Part of this process will be to incorporate Transparency International's business principles that CIPE helped to develop in another project into CAINCO's business association structure.

Promoting Ethical Standards

CAINCO will hire a consultant to develop a series of 5-module seminars—to be held in Santa Cruz and La Paz—to discuss with businesspeople the importance of corporate governance and high ethical standards, particularly when participating in public procurement processes.

These seminars/workshops will help the participants recognize the ethical issues that might arise when participating in public procurement. They will also provide them

with ethical standards by which to abide by when dealing with the government and its officials. Discussion during these seminars will also focus on the benefits and difficulties of applying ethical standards in the current environment.

Approximately 25 top and mid-level executives are expected to attend each session.

Revision of Decree # 27040

CAINCO will hire a team of consultants to examine the Procurement Decree #27040 with the aim of transferring their expertise to improve CAINCO's in house capabilities. Their report—with suggested modifications to this law—will then be mailed to municipal, regional, and national chambers of commerce and industry, legislators, and the media. Attached to the report there will be a letter requesting comments and suggestions to the document. The consultants also plan meet with the boards of most influential chambers, and some legislators to discuss the Decree. Once all the comments and suggestions of the business leaders are collected, the consultants will identify the issues where there is consensus. 500 copies of a consensus document on modifications to Decree # 27040 will then be printed.

Dissemination of information on public procurement process

An expert consultant will be hired to teach four seminars to the business community on how the public procurement process is conducted. The seminars will explain what the necessary legal documents to be eligible to participate are, how the bids are evaluated, how and where the government advertises new bids and contracts, and other opportunities and resources publicly available. The seminars will take place in Santa Cruz and La Paz, and their target audience will be companies interested and/or already involved in procurement processes.

Technical Assistance and Monitoring Office (TAMO)

CAINCO will establish an office to offer participants of public bids assistance in the project and oversee their ethical and good governance practices. This office will—at the request of private companies—oversee their procedures for presenting and opening bids so that they comply with the regulation. The TAMO will also work on investigating and solving any complaints made by companies participating in procurement processes. In the case of government malpractice or suspicion of unlawful behavior, the office staff will initiate the legal actions needed for the defense of businessmen's rights.

In addition, the TAMO will monitor contracts and government purchases to verify that the company involved is delivering the goods and/or services according to the terms of their bid.

Reform and Advocacy of the Bolivian Public Procurement Process

Based on the input received from the business community, CAINCO will identify the strengths and weaknesses of the current procurement system and provide recommendations on how the process can be improved. The results of this effort and the

work of the expert consultants will be published in report that includes the Procurement Decree # 27040 with suggested modifications. CAINCO will publish 500 copies of this document and distribute it within the business community, to legislators, and the media. Feedback on the recommended changes will be sought from the Chambers of Commerce, Industry, Construction, etc. around the country which will be incorporated into the advocacy plan.

As part of its advocacy plan, CAINCO will coordinate with the Anti-corruption Presidential Delegate, who has been appointed by the President Mesa to fight corruption in the government. The coordination with this office will serve two purposes: to foster democracy in Bolivia by finding overlapping areas of agreement and cooperation with the national government; and to use this cooperation as a means of leverage within the legislature to approve changes to prospective laws where there is agreement between the private sector and the government.

CAINCO will also employ direct outreach to legislators as part of its advocacy program. Project staff will personally visit local legislators and present the reforms to them directly. They will try to convince them of the necessity and seek their consensus so they vote in our favor in Congress. **CAINCO will develop a strategy for working with the media on advocacy campaign directed toward the general public to gain popular support for their policy recommendations** in this project.



Additionally, CAINCO will develop a website containing information on government purchases and bids, with legal information, and historical data—including prices of past purchases or contracts.

IV. EVALUATION PLAN

The project will be evaluated according to the following criteria:

To improve democratic governance in the country by opening the government bids, contracts procedures, and decision-making processes.

- CAINCO will hold focus group sessions with companies that were invited and attended the seminars on the procurement process regulations to evaluate the degree to which changes in the law will have the intended improvement in governance.
- CAINCO will evaluate compliance of awarded contracts and bids supervised by the TAMO with these new standards.

To promote a sound political and business environment by educating business leaders on ethical standards when involved in public procurement processes.

- CAINCO and TAMO will report on the number of companies that have attended the seminars and subsequently integrated the Transparency International business principles into their firm's operating procedures.

- CAINCO will track and report on press coverage of project events as an indicator for building the level of public support for the business principles advocated by this project.

To foster participation of small and medium enterprises in public procurement processes.

- CAINCO will share with CIPE the TAMO's records on companies that it has assisted in procurement processes, noting which ones are small and medium sized and report on which of these have adopted the Transparency International business principles subsequent to attending project seminars.

To improve current laws regulating the government procurement process

Accomplishment of this objective will be based largely on whether the modifications to the decree are passed by Congress and the degree to which the final version of the law reflects suggestions made by the private sector via the activities described in this project. CAINCO will report to CIPE on a quarterly basis on progress made on this objective.

V. ORGANIZATIONAL BACKGROUND

The Chamber of Industry, Commerce, and Services of Santa Cruz (CAINCO) is the representative body of more than 1,300 businesses in the Santa Cruz department. It was created in 1915 to support, promote, and foster business development, assisting the progress of Santa Cruz, and Bolivia.

VI. PRIOR NED HISTORY FUNDING: None.

BUDGET

Bolivia/CAINCO

Fight Against Corruption in Public Bids

	RATE/COST	#	UNIT	FACTOR	TOTAL
SALARIES					
Senior Program Officer		1	Year	15%	\$12,000
Program Assistant		1	Year	15%	\$4,650
Sr. Management		1	Year	2%	\$2,200
Monitoring & Grants		1	Year	3%	\$1,650
<i>Total Salaries</i>					\$20,500
BENEFITS, ALLOWANCES & TAXES					
Benefits for CIPE/HQ at 39.2%					\$8,036
COMMUNICATIONS & POSTAGE					
Postage					\$250
Delivery & Express					\$500
Telephone & fax					\$450
<i>Total Communications & Postage</i>					\$1,200
TRAVEL & PER DIEM					
CIPE Staff Travel					
Lodging/Meals/Incidentals (Santa Cruz, 1 person)	\$106	6	Days	1	\$636
Lodging/Meals/Incidentals (La Paz, 1 person)	\$108	6	Days	1	\$648
Local travel (Santa Cruz>La Paz)					\$400
International travel (US > Bolivia)	\$1,200	2	Trips	100%	\$2,400
Incidentals - Visas, etc.					\$250
<i>Total Travel & Per Diem</i>					\$4,334
SUPPLIES & EQUIPMENT					
Supplies					\$750
<i>Total Supplies & Equipment</i>					\$750
OTHER DIRECT COSTS					
Subscriptions					\$350
Dues					\$500
<i>Total Other</i>					\$850
SUB TOTAL					
					\$35,670
SUPPORT GRANT					
SALARIES					
Project Manager	\$18,000	1	Year	100%	\$18,000
Project Assistant	\$12,000	1	Year	100%	\$12,000
Secretary	\$4,200	1	Year	100%	\$4,200
<i>Total Salaries</i>					\$34,200
BENEFITS, ALLOWANCES & TAXES					
Benefits and taxes				31.38%	\$10,731
SPACE & UTILITIES					
Rental/office 512.05/month x 12 months	\$512	12	Months		\$6,145
Utilities 98.68/month x 12 months	\$99	12	Months		\$1,184
<i>Total Space & Utilities</i>					\$7,329
COMMUNICATIONS & POSTAGE					
Delivery & Express					\$480
Telephone & fax					\$779
Internet Access					\$720
<i>Total Communications & Postage</i>					\$1,979

TRAVEL & PER DIEM**Grantee Staff Travel**

Lodging/Meals/Incidentals (La Paz, 1 person)	\$100	10	Days	1	\$1,000
Local travel & Domestic travel within Bolivia	\$200	5	Trips	100%	\$1,000

Consultants Travel

International Travel (US>Santa Cruz)	\$1,500	1	Trips	100%	\$1,500
International Travel (COLOMBIA>Santa Cruz)	\$700	1	Trips	100%	\$700
Lodging/Meals/Incidentals (Santa Cruz, 2 people)	\$106	9	Days	2	\$1,908
Lodging/Meals/Incidentals (La Paz, 1 person)	\$100	5	Days	1	\$500
Local travel & Domestic travel within Bolivia	\$200	5	Trips	100%	\$1,000

Total Travel & Per Diem**\$7,608****SUPPLIES & EQUIPMENT**

Office Supplies					\$840
Expendable Equipment (3 computers @ \$1,367/computer; 1 printer @ \$700; 3 chairs @ \$90/chair; 3 desks @ \$200/desk)					\$5,670
Total Supplies & Equipment					\$6,510

CONTRACTUAL FEES & PROFESSIONAL SERVICES

Design and Editing of revised Law 27040					\$150
IPA Review					\$4,000
Total Contractual Fees & Professional Services					\$4,150

CONSULTANTS FEES & EXPENSES

Consultant fees (1 Expert on corruption for seminars)	\$300	10	Days	1	\$3,000
Consultant fees (Experts to write revision of Law 27040)	\$250	20	Days	2	\$10,000
Total Consultant Fees & Expenses					\$13,000

OTHER DIRECT COSTS

Printing (Revision of Law 27040)	\$1	500	Copies	1	\$500
Meetings/conferences/(Seminars)	\$600	10	Meetings		\$6,000
Total Other					\$6,500

SUB TOTAL/SUPPORT GRANT**\$92,007****TOTAL COSTS****\$127,677****SUMMARY**

CIPE COSTS	\$35,670
CIPE/SUPPORT GRANT	<u>\$69,924</u>
Direct Costs (NED Funds)	\$105,594
Match (Grantee Funds)	\$22,083
Total Grant Costs	\$127,677
CIPE Indirect Cost (NED Funds)	<u>\$23,231</u>
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