

**ANTICORRUPTION REGULATIONS AND
CORRUPTION PRACTICES IN CHINA'S
PUBLIC PROCUREMENT**

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Executive Summary

1. In the past five years, the Chinese government has built a regulatory framework for the bidding system in public procurement, a series of regulations with an emphasis on anticorruption.
2. The newly issued regulations aim to prevent misconduct, particularly corruption, that has emerged since China passed two national laws on public procurement in the early 2000s.
3. Soon after China initiated market-oriented reforms at the end of the 1970s, it employed a bidding system in government outsourcing to reduce government spending and prevent abuse of procurement discretion.
4. However, as public procurement scales up, corruption in this area becomes more rampant. It takes place at almost every step of a bidding process and involves various procurement participants.
5. Procurement participants have developed informal rules to distort or supersede formal regulations in order to facilitate corruption. They evade, hollow out (*jiakong*), capture (*fuhuo*) and collude against formal rules in most of the procurement projects.
6. As procurement participants have set up informal rules despite the formal ones, the newly issued regulations that focus only on procurement participants' behaviour may not fulfil the anticorruption imperative.
7. Further reforms are needed to check officials' use of discretion over public procurement, such as an information disclosure system that includes complete bid evaluation details.