Public Procurement Today – Global View

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Khi V. Thai, Ph.D., Professor
School of Public Administration
Florida Atlantic University
Prologue

A global view of public procurement is not a global public procurement. We don’t have global public procurement standards which I will discuss at the end of this presentation.

In this presentation, I will provide what has happened around the world and where public procurement is today. My global view of public procurement will be very selective as it is impossible to provide detailed information about public procurement in all corners of the world.
Importance of Public Procurement

In the public finance literature, government is involved in four major economic activities:

(a) Providing the legal framework for all economic activities,
(b) Redistributing income through taxation and spending;
(c) Providing public goods and services freely available to the public such as national defense, public safety, education, and infrastructure (bridges and roads); and
(d) Purchasing goods, services and capital assets.

Public procurement is to achieve the last two functions of government: helping the government to provide public goods and services, and purchase goods, services and capital assets.

Procurement spending may represent 10-20 % of GDP and up to 50% or even more of total government spending (UNICITRAL, 2011).
Despite its Importance, How Much Attention has been Given to Public Procurement?

In 2001, after reviewing developments of public procurement in the last two decades of the twentieth century, I wrote in Public Procurement Re-Examined” published in Issue 1, Volume 1 of the Journal of Public Procurement:

“Although public procurement is perceived as a major function of government [....] public procurement has been a neglected area of academic education and research.”
Globally, Public Procurement Today Reflects Various Developments in the Last Two Decades

1. Public procurement today moved from purchasing (clerical job) to a strategic lever to deliver broader government objectives
2. Public procurement today moved from procurement law to a broader focus
3. There has been an effort in public procurement professionalization
4. There has been an effort in searching for global performance indicators and principles
5. Public procurement innovation
6. There has been a movement toward e-GP, the theme of this conference
1. Public procurement moved from purchasing (clerical job) to a strategic lever to deliver broader government objectives

About 20 years ago, most governments did not understand the potential strategic role that public procurement could play and were focusing more on cost savings, efficiency and corruption. In North America, the terms “public procurement” were not used. State and local governments used “purchasing” and the US federal government used “acquisition.” There were two professional organizations, National Association of State Purchasing Officials (NASPO), and the National Institute of Governmental Purchasing, Inc. (NIGP). No professional organizations in USA used “procurement.”
Now, as stated by Christine Harland, “Whilst these are still key issues today, increasingly smart governments recognise that public procurement can be used to stimulate economic development, improve innovation uptake from Small to Medium-Sized enterprises, and enhance environmental and societal sustainability.”

Reflecting this trend, the National Association of State Purchasing Officials was renamed in 2001 the National Association of State Procurement Officials to “better reflect the terminology used by the profession” as stated by DeLaine Bender, its Executive Director. In 2014, NIGP was renamed “NIGP: The Institute for Public Procurement”. As explained Mr. Rick Grimm, its CEO, the new name is to minimize the perception that NIGP is “National” and to reflect its global focus.

In other words, the terms “public procurement” have been commonly used in North America now to prove that the public procurement function of government does not only focus on “purchasing” but also procurement strategies.

Meanwhile, the terms of public procurement have been commonly used in Europe long ago.
2. Public procurement moved from procurement law to a broader focus

One of the most significant developments in public procurement is the United Nations Commission of International Trade Law (UNCITRAL) Model Law on Procurement of Goods, Construction and Services, which was issued in 1994. This model was recognized as “an important international benchmark in procurement law reform” as stated by the UNCITRAL: It provides procedures and principles aimed at achieving value for money and avoiding abuses in the procurement process. A revised version of this model was adopted on July 1, 2011. This model focuses on procurement law.

Then, the first Public Procurement: Global Revolution conference was launched in 2002. The conference focuses on UNCITRAL Model Law and EU procurement directives as well as procurement systems.

However, public procurement is a much broader field, including management, leadership, economics, etc.
In a 2001, I launched the Journal of Public Procurement in cooperation with NIGP. In an article in the first issue of this new academic journal (the only academic journal in public procurement at that time), I argued that procurement laws are only one element of public procurement. I then proposed a procurement model which consists of four basic elements:

- Procurement laws and regulations,
- Procurement organization,
- Procurement operations (which include procurement process and techniques), and
In 2005, the US Government Accountability Office published a procurement assessment framework which consists of four cornerstones as follows:

- Policies and processes,
- Organizational alignment and leadership,
- Human capital, and
Also in 2005, Development Assistance Committee of Organisation for Economic Cooperation and Development (OECD/DAC) issued *Strengthening Procurement Capacity in Developing Countries* (Volume 3 of *Harmonising Donor Practices for Effective Aid Delivery*). This publication provides a framework for assessing a public procurement system. The framework consists of four pillars as follows:

- Legislative and regulatory framework,
- Institutional framework and management capacity,
- Procurement operations and market practices, and
- Integrity and transparency of the public procurement system.
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<th>Four Elements (Thai 2001)</th>
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3. There have been great efforts in public procurement professionalization

Is public procurement a profession?

In 1957, Ernest Greenwood identified 5 attributes of a profession:

- Systematic theory or a recognized body of knowledge,
- Authority (Clients must rely on what the professional determines and must either seek other counsel or accede to professional judgment)
- Community Sanction (via professional licensing: requiring education, experiences and/or apprenticeship)
- Ethical codes, and
- A culture including social values (to prevent unqualified persons from performing them), norms (proper ways to behave such as progress in the profession, appointments), and symbols such as insignia, emblems, distinctive dress, history, folklore, buzzwords (Ernest Greenwood, “Attributes of a Profession” Social Work, No. 3, Vol. 2 [1957], pp. 45-55).

Let’s examine the first attribute: Does public procurement have a common body of knowledge? Not yet. But there have been many efforts in building a common body of procurement knowledge:

- Many international and regional conferences, including Public Procurement: Global Revolution (2002), International Research and Study of Public Procurement (2003), International Public Procurement Conference (2004), World Bank group’s regional conferences, etc., for knowledge and best practices sharing.

- Education: Many universities have offered a public procurement specialization in their graduate programs. Recently, several universities have offered a master degree in public procurement (See [http://www.dau.mil/aboutDAU/Lists/StrategicPartnership/itemdv.aspx](http://www.dau.mil/aboutDAU/Lists/StrategicPartnership/itemdv.aspx) for a list of universities offering certificates/degrees in procurement in US.
- Academic journals: Journal of Public Procurement (since 2001, sponsored by NIGP), and International Journal of Procurement Management (since 2008). These journals help build a body of knowledge.

- GAO, OECD/DAC-World Bank and Thai’s suggested procurement frameworks, as mentioned earlier, can be a good foundation for building public procurement knowledge.

Despite the above efforts, we still don’t have a common body of procurement knowledge. There are no good textbooks in public procurement. There is no procurement curriculum standard.
4. There have been efforts in searching for global performance indicators and principles

- GAO and OECD/DAC-World Bank’s recommended indicators (2005)
- Starting 2011, NIGP and the Chartered Institute of Purchasing & Supply (CIPS), the world’s largest association of supply chain professionals in private and public sectors have collaborated on the development of Global Best Practices in Public Procurement.
- In 2013, the World Bank started a Benchmarking Public Procurement research project with its first report published in 2015.
- Procurement and Supply Chain Benchmarking Association was recently created by the Benchmarking Network, Inc.
- Many governments and organizations in the world have tried to search for procurement benchmarks.
5. Procurement Innovation: Public Private Partnership (PPP)

- There has been a movement toward Public Private Partnership, which is very popular in Europe.

- International partnership in funding: Nine countries, including the US, UK and Canada, are funding F-35 fighter development.

- International partnership in production: Lockheed Martin and other major partners (Northrop Grumman, Pratt & Whitney and BAE Systems, a British company) in the F-15 fighter project.
Cost Overrun in Innovation and How to Cope with the Problem

The case of F-35 fighter

“The agreement represents $728 million in savings and a nearly 8 percent reduction in price over our last contract for the air vehicle [F-35] delivered by Lockheed Martin and our industry partners.” (Marillyn Hewson, Lockheed Martin’s CEO, January 13, 2017).
5. Movement toward e-GP

E-Government Procurement (e-GP) is a catch-all term incorporating many aspects of electronically-assisted procurement. There is no doubt that the Internet is drastically changing the way procurement is done globally. It has grown and evolved into a complex marketplace with many players offering a variety of e-procurement and business-to-business services.

Benefits of e-GP: A good e-GP system will enhance basic principles of procurement, including:

- Competition,
- Transparency and accountability,
- Efficiency/performance,
- Procurement decisions
Certain basic requirements need to be fulfilled before an e-procurement system can achieve maximum potential in government:

- Expanding ICT services (particularly, to make sure that SMEs are not excluded in the procurement process),
- guaranteeing a secure online environment,
- development of standards and processes, and
- most importantly, for procurement officials to be trained.

Extent to which e-GP is developed:

- Some governments in mature economies have adopted e-GP more extensively.
- However, e-GP in some emerging markets is still not widely applied.
Challenges: An Academic and Practical Perspective

- 1. How to reach a recognized public procurement profession.
- 2. Should we have global procurement standards? While developed countries set their own procurement standards and principles, developing countries have to comply with each donor’s required procurement standards and principles.
- 3. Uncertainty future of international competition bidding: Current political perception about international trade in USA, UK, etc. A nationalist movement will have a great impact on public procurement policy and practices.