

SYMPOSIUM INTRODUCTION

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Public procurement professionals work under a constantly challenging environment. Many factors contribute to this environment, including:

- Strict procurement regulations, due to “the fear of discretion” (Kelman, 1990);
- Legislative and administrative oversight because government contracting is one of the most sensitive areas of government;
- Political interferences, legal and illegal; and
- Unsatisfied clients as bidders who are not awarded a contract, and user agencies which dislike a central procurement system as required by procurement policies and regulations.

Moreover, public procurement officials face a host of challenges that includes growing resource constraints, increasing calls for procurement reform, “new and improved” business process technologies; unprecedented volume of purchasing activity; and shortage of professional/managerial staff. Further, dealing with the above challenges, public procurement professionals have to maintain an open, fair, timely, and transparent procurement process while dealing with social and economic procurement goals such as small business preferences and local or national preferences. These are conflicting goals and the objectives are never satisfactorily met, as procurement professionals have to deal with a situation of “tradeoffs,” in which

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efficiency may have to be reduced in order to achieve social and/or economic goals (Thai, 2001). Adding to the operational complexity of public sector procurement, there is a growing integration of the purchasing function into other areas of the traditional management domain. For instance, the dynamics that exist between purchasing and the traditional management arena will revolutionize the way we perceive and operationalize purchasing in the future.

The many challenges, as mentioned above, cannot be covered all in a journal issue. Due to its limited space, this symposium's editors selected six from a pool of 46 papers that were presented at the International Public Procurement Conference, in Fort Lauderdale, Florida, USA, from October 21-23, 2004. Instead of selecting papers that address a specific and current public procurement theme such as e-procurement or procurement reform, the editors reviewed all conference papers on the basis of the *Journal of Public Procurement's* academic criteria and through a peer review process.

Challenges in Utilizing Technology

Rapid developments in technology have posed a great challenge for public procurement officials who have been searching for ways to enhance procurement performance. Indeed, the move towards e-procurement is inevitable but this shift towards e-procurement has presented many challenges. This type of challenge will be partially addressed in following two articles.

The World Bank's e-Procurement Initiative

In "The World Bank e-Procurement for the Selection of Consultants: Challenges and Lessons Learned," Knut Leipold, Jason Klemow, Francine Holloway, and Kishor Vaidya introduce and examine the implementation of the World Bank's electronic procurement initiative for the selection of consultants. According to the authors, this initiative is expected to foster consistency of practice worldwide, increase transparency and competition, and minimize processing time and effort. Following the description of functionalities and benefits of the system, the authors discuss challenges encountered and lessons learned during the implementation process in terms of critical success factors.

The European Union's Auctions, Reverse Auction and Tendering

In private and public procurement, reverse auctions have been mentioned as a new phenomenon in the United States. According to Beall et al. (2003, p. 7), the reverse auction emerged in the mid-1990s as a new electronic sourcing tool and had a profound impact on purchasing practices in the private sector. Reverse auctions have been conducted in the U.S. federal, state, and local government in the last several years. For example, the Commonwealth of Massachusetts held its first reverse auction in November 2001 (Frisch, 2004), and the Miami-Dade County government, Florida, has conducted several reverse auctions in the last two years.

Despite the recent popularity of government auctions, its use is not a new phenomenon. The use of government auctions is not a new phenomenon: Over two thousand years ago, in 193 A.D., the Praetorian Guard auctioned off the entire Roman Empire (Soudry, 2004) and seventy years ago the government of Turkey began using reverse auctions with the issuance of Law No. 2940, "Law of Auctions, Reverse Auctions and Tendering of 1934" in Turkey (Gözel, forthcoming). Although these competitive sourcing methods have been around for quite some time, they had not been widely used until recently, due to the advancement and common use of Internet. In "Promoting Economy: Electronic Reverse Auctions under the European Community Directives on Public Procurement," Ohad Soudry explores the use of reverse electronic auctions that the European Community has recently adopted. After providing an overview of auction theory, the author compares the reverse auction with the traditional sealed-bid method. According to Soudry, the electronic reverse auction has the potential to reduce the tension between the European Commission and national policies of procurement, as it can decrease contracting costs, increase transparency, and achieve better economic outcomes as a result of increased competition.

Outsourcing Decisions

One of basic public procurement principles is to maximize market competition (Babich & Pettijohn, 2004; Kelman, 1990; Page, 1987; Thai, 2004; Thomas, 1919). Competition can be achieved through various alternatives. Since the 1980s, many countries have pursued "contracting out" without analyzing the efficacy of alternative delivery mechanisms. The U.S. Office of Budget and Management issued "Circular 76.

Competitive Sourcing” of August 4, 1983 and called on agencies to strive to create a market-based government unafraid of competition, innovation, and choice. It requires all federal agencies to identify all activities performed by government personnel as either commercial or inherently governmental and to use a streamlined or standard competition to determine if government personnel should perform a commercial activity. In other words, agencies have to consider using alternative institutional arrangements for governmental activities that can be performed competitively in the market.

Through the ‘competitive sourcing’ initiative, federal agencies are required to outsource or to deliver directly their commercial activities on a competitive basis. Trevor L. Brown and Matthew Potoski, in “Assessing the Management Costs of Delivering Services under Alternative Institutional Arrangements,” assess the management costs of delivering services under alternative institutional arrangements. Based on transaction cost and public sector network theories, the authors develop an analytic framework to identify management costs public managers face in delivering services directly and via contract. Results from a survey of refuse collection managers in Ohio indicate that direct service provision carries higher management costs. However, when direct service provision is combined with vendors’ activities, contracting carries more monitoring costs. These results suggest two important contributions to knowledge and contract management practice. First, the authors developed an innovative approach to assessing management costs. Second, they use our framework to determine if there are differences in management costs under alternative institutional arrangements that managers should take into account as they approach the “make or buy” decision.

Partnership Arrangements

While the ‘competitive sourcing’ initiative has tried to maximize competition in government commercial activities, a new public procurement approach has emerged: ‘partnering’ or partnership arrangements. Will this new public procurement approach reduce competition? Kai Krüger addresses this issue in “Ban-on-Negotiations in Tender Procedures: Undermining Best Value for Money?” According to the author, markets for public procurement are in transition. Various public/private partnership arrangements replace conventional purchasing, especially within the local and regional government area. He raises a

question: Is the traditional ban-on-negotiations in mandatory tender procedures (sealed bidding), such as in the European Union (EU) public procurement law, counter-effective to genuine best value for public money? The author explores significant differences between European Union law, U.S. law, and other public procurement regulations such as issued by international organizations such as the United Nations, the World Trade Organisation's Government Procurement Agreement (WTO/GPA), the International Bank for Reconstruction and Development (IBRD), and the North American Free Trade Agreement. In 2004, the EU to respond to the market challenges by issuing the Utility Directive 93/38/EC, allowing for optional negotiated procedures as an accepted alternative to the formal tendering for contracts. While agreeing that the new directive on public contracting facilitates is a smoother approach than the current EU law regarding high-tech complicated contract awards, the author questions whether the 'competitive dialogue' will really afford tailor-made solutions to cope with long term public/private partnership arrangements of the kind now spreading all over Europe.

Procurement De-Politicization

Another public procurement principle is to maximize procurement transparency. Public procurement officials have always walked on a tight rope to keep their practices transparent. In developed and developing countries, public procurement professionals are under a constant challenge in accomplishing this principle. One of the challenges is political interference in procurement processes and contract award decisions. Rolando M. Tomasini and Luk N. Van Wassenhove provide an experience in dealing with the political interference in "Pan-American Health Organization's Humanitarian Supply Management System: De-Politicization of the Humanitarian Supply Chain by Creating Accountability." The Pan American Health Organization has developed a humanitarian supply management system that records, tracks, and reports the flow of donations and purchased goods into a disaster area. While a lot of the received goods are in-kind donations, there is a procurement process triggered by the cash funds to meet specific needs. This procurement process also needs to comply with the humanitarian principles, and is therefore susceptible to manipulations from different stakeholders. SUMA has contributed to all the different deployments with the ability to build transparency and accountability in complex

operations. These two contributions help to isolate the political factors from the supply chain and protect the humanitarian principles and space.

Procurement Preferences

As public procurement has been used as a policy instrument (Thai, 2001), procurement preferences have been widely used to achieve desired social and economic goals. In the United States, there are various types of procurement preferences, one of which is small business preferences. There have been tradeoffs between procurement goals, such as tradeoffs between procurement efficiency and equity/transparency. In “The Future of Small Businesses in the U.S. Federal Government Marketplace,” Major Clark, III and Chad Moutray raise the issue of tradeoffs between a procurement initiative, contract bundling, and small business opportunities. The federal government purchased goods and services valued at approximately \$100 billion from small businesses in FY 2003, which was up from previous years. Moreover, in FY 2003, the federal government exceeded its small business contracting goal of 23 percent. Despite such achievements, implementation of the acquisition reforms enacted in the 1990s has limited small businesses’ access to the federal procurement market. Federal agencies have, for instance, not met their goals for women, minorities, or veterans, and contract bundling and purchase cards may restrict small business opportunities. Meanwhile, both judicial actions and a reduction in the number of acquisition workers complicate matters. This paper discusses each of these issues and offers five recommendations that, if fully implemented, should ensure a brighter future for small businesses in the federal government marketplace.

In addition to the above issues that were presented at the International Public Procurement Conference, there are other challenging procurement issues that were presented and selected papers were published in *Challenges in Public Procurement: An International Perspective* (Thai et al, 2004).

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