

BOOK REVIEW

Advancing Public Procurement: Practices, Innovation and Knowledge-Sharing. By Gustavo Piga and Khi V. Thai, Editors, Boca Raton, FL: PrAcademics Press, 2007, softbound, ISBN: 0-9668864-3-7, \$45.00.

This 22 chapter volume, based on papers presented at the Second International Public Procurement Conference at Rome, Italy in September 2006, offers a wide range of insightful analyses that help to advance the research agenda for public procurement on an international basis. All chapters offer avenues for additional research, reflecting a growing quality of public procurement research efforts. Several chapters report on experiences in a variety of nations and regions, including the United Kingdom, Australia, Estonia, Sweden, Northern Ireland, Canada, Brazil, Uganda, the European Union countries, as well as the United States. Overall, the commonality of procurement goals and practices is more evident than any differences among nations.

Several underlying themes are identified here, echoing those found in the beginning overview chapter authored by Khi V. Thai. Cooperative and partnership arrangements are the general subject of five chapters, all of which discuss the potential pitfalls and benefits of agencies procuring goods and services in conjunction with other organizations. A second theme deals with the theory and practice of public procurement, focusing on reform, regulation and ethics, as the practice of procurement in the public sector continues to evolve. Third, procurement can also be viewed as a tool that has specific public policy implications such as furthering sensitivity to environmental concerns. Finally, several chapters provide insights into how the practice of public procurement should be evaluated.

Cooperative Public Procurement

Advantages for public agencies to cooperate either with other public agencies or with the private or non-profit sectors are evident: to lower costs and to increase product or service delivery quality. What may not be clear is under what conditions should an agency enter into what kind of cooperative arrangement, especially given significant risks such as the loss of control and the lessening of expected advantages. Bakker, Walker and Harland offer a well thought out theoretical analysis concerning the most effective choice of a cooperative purchasing alliance. Combining several theoretical organizational design and technology constructs, they conclude that under conditions of high environmental uncertainty, and high importance to organizational operations, for example, procurement of new highly complex technology requires a high degree of customization and therefore limited, informal interaction among experts in a cooperative setting. McCue and Prier provide a more descriptive approach, identifying three models of cooperative purchasing—buyer, piggyback and broker—and indicating that conflicting roles and incentives often pose difficult choices for procurement professionals.

The other three chapters in this section focus on relationships among public agencies and private suppliers. Here the underlying themes include promulgating laws and engaging in practices that prevent private suppliers from acting in ways that are not in the public interest. Felso, Baarsma and Mulder research the impact of the Dutch Competition Law that prohibits companies from entering into agreements or “combinations” with other private suppliers when submitting a tender. Analyzing responses from surveying a sample of firms, they conclude that the formation of combinations that hinder competition occurs only in a small percentage of cases.

Chong and Callender review the much more complex world of public private partnerships (PPP's). Relying on two case studies, the authors argue that the public interest may not be best served by PPP's, especially if the financial records of private consortia that build and manage bridges and tunnels are not open to public scrutiny, and if taxpayers must make up the difference for any shortfalls in projected usage of toll based infrastructure. In contrast, Lucyshyn strongly advocates the benefits of US federal government agencies outsourcing, privatizing, and/or competitive sourcing many of its

operations. Discussing five case studies, the author provides key lessons such as the need for strong leadership and maintaining a competitive environment.

The overall lessons for further research include expanding the scope of both theoretical and case study material. The issue of cooperative purchasing raises issues of when it is best not to enter into cooperative alliances because of conflicting stakeholder pressures, even given obvious cost savings. Partnership with the private sector means making sure that public officials have sufficient expertise, as well as appropriate legal support, to make sure that private consortia deliver on expected contractual promises without demanding higher than expected public payment. A wider range of services, including social service provision, could be examined.

Theory and Practice of Public Procurement: Reform, Regulation and Ethical Issues

Reform means the adoption of different practices in different nations and under different conditions, although there are more similarities than differences in achieving greater effectiveness in the practice of public procurement. Allowing procurement officials greater freedom and discretion is one theme. In doing so, however, the importance given to choosing either “lowest cost” or “best value” criteria must be clarified. In the United States, Schwartz advocates the need for a balanced, incremental approach to deregulation of public procurement, especially in an era in which the deregulation of many government processes has occurred. Brunk supports greater use of negotiation to achieve a best value approach, thereby limiting the potential for bid rigging that may exist when using lowest cost criteria for selecting suppliers. Phillips, Caldwell, Johnsen and Lewis espouse even broader criteria, suggesting that a best value approach should be expanded to include “societal based ethical practices”. Using the example of telecare approaches that serve elderly patients in remote settings in the United Kingdom, they advocate that public procurement officials should support adoption of innovative technology so that more service can be given to those in greatest need.

In other nations, there are also concerns of favoritism and corruption. Even though there are similar goals of more transparent procurement procedures and the need for greater competition, the

means of achieving these goals may be different. Raudla reviews the impact of the 1995 Estonian procurement law, suggesting that reforms such as lowering value thresholds and increasing competitive bidding procedures did not produce positive outcomes, leading to further reform in 2003 that restricted the discretion of public procurement officials. Shipman and Agaba, in discussing procurement reform in developing countries such as Uganda, recognize that reform must occur in stages to be effective, as gaining public understanding and support of the changes is necessary. Although a legislative framework for a reformed procurement system is in place, better enforcement of regulations to prevent single sourcing and accompanying corruption is needed. Trybus, in discussing reform in the Western Balkan states, views the preparation of these nations for entry into the European Union as having a positive impact. Changing laws to encourage greater transparency and competition is one example of how these nations are evolving from the former “state ordered system” approach to procurement.

Soudry employs a principal agent theoretical approach that supports the need for control and regulation since procurement officials have much greater expertise than their legislative and bureaucratic principals. Governments must rely on ex ante controls—such as limiting discretion while implementing procurement practices—and ex post oversight, including oversight bodies and national/international controls such as transparent procedures and open competition. Similar to conclusions made in other chapters, he agrees that controls may be ineffective in stopping corruption.

The greater the complexity and the impact of the purchase, the greater the need for partnership and cooperation—as long as sufficient expertise and professionalism exist among purchasing officials. If corruption and favoritism are still a major concern, however, greater regulation of practices may be required until there is sufficient societal awareness to ensure greater sensitivity to public interest goals.

Public Procurement as a Policy Tool

One sign that public procurement has evolved from a largely clerical based function to a much more professional occupation is its designed use to help achieve specific public policy goals. Waara and

Carlsson researched the use of environmental criteria in making procurement decisions among local government procurement officials in Sweden. Although some expressed concern about increased costs and more bid protests, many officials were including supplier environmental management systems as a key selection and contract award criteria. The research of Parikka-Alhoa, Nissinen and Ekroos, focusing the Nordic countries' use of green public purchasing criteria in a sample of 180 tender calls in 2005, found that in 27.8% of these calls that environmental issues were employed.

Erridge and Hennigan studied the impact of the Unemployment Pilot Project, involving 15 separate service and construction projects begun during 2003-2005, that was designed to achieve the goal of lowering unemployment in Northern Ireland. Although requiring contractors to hire from the unemployed was received favorably, results were limited because of several factors, including a period of full employment and the lack of skilled workers. On a broader scale, Allen analyzed the impact of the Canadian International Trade Tribunal, an independent bid authority required by international trade agreements. Its decisions, along with changes in trade policies, have challenged the Canadian governments' traditional usage of procurement to as a tool for socio-economic policy and defense industry protection. Canadian procurement policy has been changed, moving more towards greater competition and rules based decision making.

Arantes, Foresti, and Rossetto reviewed the use of public procurement practices to promote small business development in Brazil. In 2005, for example, awarding of contracts to small businesses totaled only 19% of the total value of all government contracts. As a result, the government has established a program to increase participation by means of training, capacity building, and the use of e-procurement tools.

It is unclear whether the use of procurement to achieve policy goals has been successful. What is not discussed is the issue of what assessment standards or criteria should be employed. Increased use of green public procurement criteria and lowering unemployment is laudable, for example, but 100% goal achievement seems unlikely. Comparing experiences across nations may offer applicable standards.

Judging Public Procurement Effectiveness

The final group of chapters offers additional insights into the issue what constitutes public procurement success. Kidd advocates the value of collecting data concerning what purchases are made, how purchases are made, and how purchases are distributed. Using a case study highlighting South Australian procurement reform efforts, practices such as procurement profiling, including data collection and comparison with benchmark practices, have lead to reforms such as a greater adoption of “value for money” criteria, greater commitment to increasing procurement professionalism, and a more effective assessment of the external resources necessary to achieve highest public value. Phillips, Caldwell and Johnsen suggest that public procurement officials must take a more proactive role when considering the acquisition of highly innovative products, e.g., tissue engineered products for the health care industry. The role of procurement should be to become involved in research and commercial marketing early in the development process, using evaluative tools to assess impact of the product; and thereby establishing reimbursement policies that help to further expand the market for more effective innovations.

Linthorst and Telgen conclude that use of multiple suppliers for product purchases can achieve public procurement goals of sustaining greater competition and innovation, as well as increasing involvement of small and medium sized enterprises. Carpineti, Piga and Zanza studied the success of transborder purchases within the European Union, focusing on purchases of fixed line telephone service and printer paper. Results suggested that there were a wide range of procurement practices, including the use of procurement criteria such as the lowest cost or the “most economically advantageous tender”.

These chapters raise the issue of evaluative scope, suggesting there are multiple criteria. Expanding understanding of public procurement impacts beyond processes and practices to include impacts on public value for project, organizational and even international levels should be continued in future research projects.

Conclusion

The high quality of the research reflected in this collection reflects a growing recognition of the value and importance of public procurement as a profession and as an important contributor to helping government officials achieve goals that reflect the public interest. The range of international contributions to this effort indicates that assessing public procurement practices and recommending future changes depends upon the history and evolution of such practices in given nations and regions. Although all chapters contribute to increasing understanding of public procurement effectiveness and success, there remains a continuing need to further understand the impact of public procurement policies and practices.

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