

*Chapter 1*  
**CHALLENGES IN PUBLIC PROCUREMENT**

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**INTRODUCTION**

In a developed or developing country, public procurement practitioners have and will face always many challenges. Each country has its own economic, social, cultural and political environment, and each country's public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts in other countries. This chapter will present six common challenges, identify external factors that public procurement practitioners have to deal with, and finally provide a summary of chapters grouped under common themes.

**TYPES OF CHALLENGES**

Public procurement is an important function of government for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% - 30 % of GNP (Callender & Mathews, 2000). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

Second, public procurement has been utilized as an important tool for achieving economic, social and other objectives (Arrowsmith, 1998; Thai, 2001). In its report to the Congress, the Commission on Government Procurement states: "[T]he magnitude of the Government's outlays for procurement and grants creates opportunities for implementing selected national policies" (Federal Acquisition Institute, 1999, p. 1.8). The World Bank's *Procurement Under IBRD Loans and IBRD Credits* specifies following four major concerns or objectives of public procurement for projects funded by its loans:

- Ensuring that the loan is used to buy only those goods and services needed for the project;
- Ensuring fair competition for all qualified bidders from the World Bank's eligible countries;
- Promoting transparency or integrity; and
- Encouraging development of indigenous contractors and manufacturers by allowing local buyers to build in a margin of preference for local contractors and manufacturers (Tucker, 1998).

Third, due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and corruption. The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by selling used emergency vehicles for “bargain basement prices” in auctions run by untrained staffers (Nakamura, 2004). In a 2 1/2-year period studied by the city's Inspector General's Office, the city sold 11 fire trucks for a total of \$3,125 while similar vehicles in make and model had been sold on the Internet for a total of \$360,875. Corruptions and bribes are widespread in government contracts (International Transparency, undated; and see [www.transparency.org](http://www.transparency.org)). In the United States, corruptions in government contracts have been regularly reported in newspapers; and the first week of September 2004 witnessed the reporting of a flurry of criminal prosecutions against state officials for violations of state procurement laws. Separate newspapers reported on bidding scandals from Illinois, Connecticut, Wisconsin, and Maryland (see [www.aba.org](http://www.aba.org)). Similar newspaper reports can be found in many countries. Overcoming the negative perception -- and the objective reality, to a certain extent -- is one of the biggest challenges in public procurement.

Fourth, as many countries have moved to a regional and or global economy, public procurement practitioners face another challenge, that is, how to comply with their government's procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantages of special provisions. The WTO Agreement on Government Procurement (GPA) Article XVI provides: “Entities shall not, in the qualification and selection of suppliers, products or services, or in the evaluation of tenders and award

of contracts, impose, seek or consider offsets.” Without careful examination of GPA provisions, procurement practitioners in developing countries may not use an exception: However, GPA Article XVI.2 “expressly allows for the use of offsets by developing countries” (Arrowsmith, 2003, p.165). Properly using ‘offsets’ is a major challenge<sup>1</sup> for public procurement practitioners. Similarly, the World Trade Organization's general rule requiring that contracts be advertised for a period of no less than 40 days from the date of publication of the notice to the tender submission deadline. The 40-day requirement would hinder a speedy procurement. The 40-day standard period, however, may be reduced in certain cases to 24 days or 10 days, as set out in GPA Article XI.3.

Fifth, in developed as well as developing countries, disregarding their economic, social, and political environment, a sound procurement system has accomplish two sets of requirements: management requirements and policy requirements. The procurement management requirements normally include quality, timeliness, cost (more than just the price), minimizing business, financial and technical risks, maximizing competition, and maintaining integrity. The procurement policy requirements normally include economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and international trade agreements. It is very difficult for policy makers and public procurement practitioners to make an optimal decision, as there are always tradeoffs among these goals (Federal Acquisition Institute, 1999; Thai, 2001).

Finally, facing the challenges above and others, including rapid developments in technology (which have led to new procurement methods), public procurement cannot be perceived as mere a ‘clerical routine,’ as procurement practitioners are and should be involved in strategic procurement planning (Office of Management and Budget, 1997; Hinson & McCue, 2004). In recent years, public procurement practitioners have forcefully challenged the perceived clerical task of public procurement. According to a recent unscientific survey of 704 members at the National Institute of Governmental Purchasing, Inc., 83% of respondents contended that the major role of current purchasing is tactical ([www.nigp.org](http://www.nigp.org)). Thus, making public procurement a recognized profession is another challenge. Building a body of public procurement knowledge, one of attributes of a profession, is very critical. The National Institute of Governmental Purchasing, Inc. (NIGP), a national professional association of the United States and Canada signed a partnership agreement with Florida Atlantic

University (“Memorandum of Understanding,”1999) “in order to ensure continuity within NIGP’s research and educational endeavors.” As a result, the Public Procurement Research Center (PPRC) was created effective August 1, 1999. Different from other centers which focus mainly on public procurement laws and regulations,<sup>2</sup> and annually funded by NIGP and FAU, PPRC was expected to, among other things:

- Develop research tools which evaluate contemporary trends, strategies, tactics, and techniques evolving within the public procurement profession;
- Develop and sponsor publications which communicate research results and technical information to the public procurement and public administration profession;
- Develop a comprehensive curriculum for the NIGP members and the public procurement practitioners that is consistent with information generated through the Center’s research program;
- Develop training programs which align with the curriculum and embrace academic standards established for adult education programs;
- Evaluate and develop progressive systems for delivering training programs to the NIGP members and the public procurement practitioners to include, but not be limited to, a variety of approaches for distance learning; and
- Evaluate and develop continuing education programs leading to academic degrees and credentials (“Memorandum of Understanding,”1999).

This partnership has resulted in the publication of the *Journal of Public Procurement*, the first and only academic journal that covers the whole field of public procurement (not to only procurement laws).<sup>3</sup> Moreover, under the NIGP’s LEAP (a ‘Learning and Education to Advance Procurement’ project), a series of 14 books covering basic procurement knowledge have been and will be published. Not until public procurement establishes a body of common knowledge, can public procurement be recognized as a true profession.

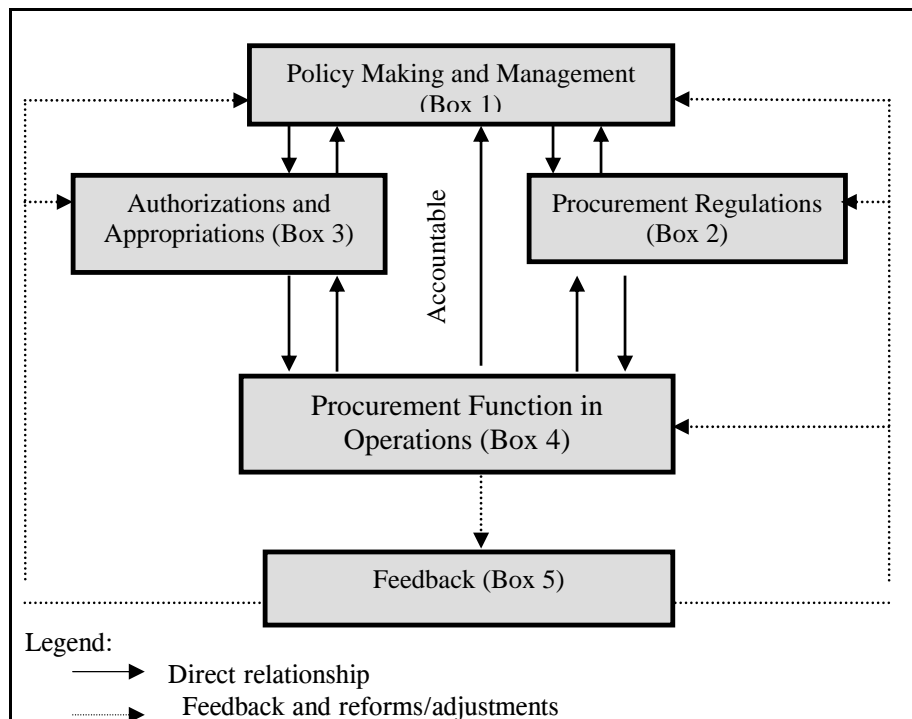
#### **PUBLIC PROCUREMENT CHALLENGES: INTERNAL FACTORS**

In 2001, this author (Thai, 2001) developed a model depicting the scope of public procurement that consists of five elements: policy- making and management; authorizations and appropriations; procurement regulations;

procurement function in operations (processes, methods, organizational structure, and procurement workforce; and feedback) (Figure 1). Public procurement practitioners have always walked on a tight rope. Their ability to accomplish procurement objectives and policies is influenced very much by internal forces including:<sup>4</sup>

- Interactions between various elements (as depicted by the five boxes in Figure 1) of the public procurement systems, various officials and organizations in the three branches of government, and various actors and sub-agencies within a department or executive agency and actors and organizations external to sub-agencies;
- Types of goods, services and capital assets required for an agency's missions;
- Professionalism or quality of procurement workforce;
- Staffing levels (e.g., ratio of procurement practitioners to contract actions) and budget resources;

**FIGURE 1**  
**Public Procurement System**



Source: Thai (2001).

- Procurement organizational structure such as the issue of centralization vs. decentralization;
- Procurement regulations, rules and guidance; and
- Internal controls and legislative oversight.

#### **PUBLIC PROCUREMENT CHALLENGES: EXTERNAL FACTORS**

Public procurement practitioners have always faced challenges imposed upon by a variety of environment factors including market, legal environment, political environment, organizational environment, and socio-economic and other environmental factors.

#### **Market Environment**

Market conditions have a great influence on public procurement practitioners' effort to maximize competition. Moreover, the market determines whether or not socio-economic objectives of procurement are accomplished, whether or not a governmental entity can fulfill its needs; the timeliness of fulfillment; and the quality and costs of purchased goods, services and capital assets. As there are different levels of economic growth among countries in the world, market conditions are very favorable in industrialized countries, while they may be unfavorable in developing countries.

Even under a perfectly competitive condition like that in the United States, some supplies and services are required only by the government (particularly for weapons systems) and are available in the market. This is a captive market, which is limited in scope and competition.

Also as markets become more and more globalized through regional and international trade agreements and treaties, public procurement practitioners face a greater challenge. In addition to compliance with their governments' procurement laws and policies and international trade requirements as mentioned above, they face additional challenges including communication, currency exchange rates and payment, customs regulations, lead-time, transportation, foreign government regulations, trade agreements, and transportation. Thus, "before embarking on a foreign purchasing program, public procurement practitioners must carefully assess the total cost implications and compare them to domestic costs" (National Institute of Governmental Purchasing, Inc., 1999, p. 34). Public procurement practitioners are torn between free trade agreements and their countries' economic development/stabilization policies when they face a hard choice between selecting domestic or foreign firms.

### **Legal Environment**

Apart from public procurement regulations and rules, the legal environment refers to a broad legal framework that governs all business activities including research and development (regulations dealing with safety and health of new products), manufacturing (safety and health regulations at workplace and pollution control), finance (regulations dealing with disclosure of information), marketing (regulations dealing with deceptive advertising, disclosure of product characteristics), personnel (regulations dealing with equal opportunity for women and minorities), and contracts. Indeed, most aspects of contracts--public or private-- such as contract requirements, disputes, and breach of contract

are governed under the same contract law. In developing and particularly transitional countries, where legal systems are not comprehensive, government contracts may need detailed provisions.

### **Political Environment**

In a democracy many individuals, groups, and organizations in the private sector including trade associations, professional associations, and business firms or companies (commonly known as interest groups) are actively involved in all aspects of the public procurement system. Having various interests, objectives and beliefs, interest groups are involved in the public procurement system in several ways such as lobbying legislative bodies to pass or alter procurement statutes, influencing implementation of these statutes, and influencing budget authorization and appropriations processes. Normally, a government program that is eventually adopted is a compromise among different views of interest groups, policy makers and management. In this democratic environment, there are cases of a strong coalition of policy makers, bureaucrats and interest groups in their effort to get their programs adopted. This coalition has led to the concept of the 'iron triangle,' which is very popular in the area of defense procurement (see Thai [2001] for further explanation).

However, the iron triangle shifts immediately after the procurement program authorization and appropriations stages to move to the procurement stage. As failure or success in winning large defense contracts has a great impact on a company, defense specialized companies compete against each other for these contracts. Public procurement practitioners have choices as they face various political pressures as well as sound economic decisions. For example, should they be concerned with maintaining future business competition by keeping some relatively weak companies in business or should they let these small weak firms go out of business and leave a few defense-specialized firms to compete for contracts? This issue is more common in developing countries where perfect competition hardly exists. Large firms are more willing to make a small profit margin or even to take business losses by offering best bids. After small and weak firms are out of business, they will enjoy an imperfect competitive market.

### **Social, Economic, and Other Environment Forces**

While some countries impose social policies on their public procurement practices (such as a policy placing a fair proportion of



government acquisitions with woman/minority-owned small business, or economically disadvantaged areas), most governmental entities --be it a developed or developing country or federal, state, and local governments-- use their large procurement outlays for economic stabilization or development purposes by preferring national or local firms over firms from other countries or other geographic locations. Public procurement practitioners may be in a favorable economic environment or market (with many competing tenderers in their country or local areas) or an unfavorable economic environment (where competition hardly exists). This environment would have a great impact on their practices as they may face an imperfect competitive market.

In addition to social and economic environment, public procurement practitioners are under other external pressures such as an environment protection movement, and foreign policy commitments.

***Environmental Protection Concern or Green Procurement.*** Environment protection has been present in every country-- developed and developing-- and environmentalists have placed a great deal of pressure on public procurement practitioners. This type of pressure can be seen frequently and across countries. In late 2001, the Vietnamese central government's State Appraisal Committee approved a controversial plan to build a new north-south highway through the country's oldest national park, a habitat for many rare and endangered plant and animal species. According to environmental groups, the plan to run the highway through the Cuc Phuong park, which starts about 56 miles south of Hanoi, posed a serious threat to endangered species. The Cuc Phuong park is a global center for plant diversity and home to Delacour's Langur, a critically endangered primate, as well as the grey-headed fish eagle, tigers and elephants. The committee had examined two options: to upgrade an existing road running through the west of the park into a 17 miles stretch of highway, or to build a new road, skirting the park. The latter road would be 12 miles longer, cost nearly \$20 million more and require the relocation of more than 900 families instead of 80. The Vietnamese government, concerned with cost savings, decided to build the new road.

***Foreign Policy.*** Many countries have used public procurement as a tool to achieve specific foreign policies. For example, in the 1980s, the Pakistani government bought 28 F-16 fighter jets, but the United States government withheld the contract because Pakistan was pursuing, against American wishes, the development of nuclear weapons. Public procurement practitioners in poor and weak countries are frequently facing the problem

of having to deal with the foreign policy of other nations in their procurement decisions.

*Other Environmental Forces.* The public procurement system is also influenced by culture and technology. In a culture where giving gifts is a common public relation practice, it is difficult to distinguish between gifts and bribes. Moreover, rapidly advanced technology has forced public procurement to (a) adopt new procurement methods, such as the use of e-signature and purchase cards; and (b) be knowledgeable in many aspects and considerations of how to procure information technology.<sup>5</sup>

### **Interactions of Environment Forces**

Various pressures on the public procurement system, as described above, are not constant variables, but they interact with each other and become conflicting forces that public procurement practitioners have to deal with. There are tradeoffs between the environment forces, and these practitioners have to seek an optimum solution. These tradeoffs in many cases are the most challenging decisions that public procurement practitioners are facing.

As mentioned earlier, each country has its own economic, social, cultural and political environment, and each country's public procurement practitioners face different types of challenges, or the same types of challenges but at different levels compared to their counterparts in other countries. This book does not intend to cover all areas of challenges that public procurement practitioners in the world are facing. Papers published in this book were selected, through a rigorous peer-review process, from a total of 46 papers presented at the 2004 International Public Procurement Conference. They can be grouped under some two major themes: procurement reforms and lessons learned.

## **PUBLIC PROCUREMENT CHALLENGES: AN INTERNATIONAL PERSPECTIVE**

### **Public Procurement Reform**

According to Arrowsmith and Trybus (2003, p. ix), "the last decade of the twentieth century had witnessed the start of a 'global revolution' in the regulation of public procurement." Actually, challenges in procurement reforms are beyond procurement regulations to include procurement process, methods, procurement organizational structure, and workforce. Procurement reforms occur constantly in all countries, developed as well as

developing countries. The scope of reforms varies, from reforming the whole procurement system if the system is completely dysfunctional such as the on-going procurement in Sierra Leone after a long civil war (Elliott, 2004) and the successful reform in Gambia (see Chapter 2), or fixing some narrow areas in a well-developed procurement system in developed countries.

In “Challenges in Public Procurement: Comparative Views of Public Procurement Reform in Gambia,” Wayne A. Wittig and Habib Jeng describe how procurement reform was implemented in The Gambia. Through a joint effort of the World Bank, Government of The Gambia and the International Trade Centre WTO/UNCTAD (ITC), a team of procurement experts developed a comprehensive approach to modernize the public procurement system of The Gambia in a model combining elements of a Central Tender Board with a Procurement Policy Office. Local capacity is being developed in the Gambia Public Procurement Authority and in the Procuring Organizations to support transparent public procurement systems. Positive and objective changes lie in the new legal, regulatory and organizational framework as demonstrated by a survey of Procurement Organizations. Nevertheless, challenges remain in extending and sustaining the reforms.

Maria Kristina Villanueva Pimentel, in “Procurement Watch, Inc.: The Role of Civil Society in Public Procurement Reforms in the Philippines,” highlights the role of Procurement Watch Inc. (PWI), a civil society organization, which was at the forefront of the advocacy for the Government Procurement Reform Act (GPRA). Prior to the passage of the GPRA, there were over a hundred guidelines governing public procurement. The GPRA sought to standardize and institutionalize procurement reforms and address the lack of transparency and accountability that have long plagued the Philippine government in its procurement. To steer the process of change, support from the highest levels of leadership in the government and the private sector were found to be essential. PWI became the cog that linked different branches of government, and garnered support from the private sector.

In “Reforming Public Procurement Sector in Turkey,” Kadir Akın Gözel provides basic information about the public procurement reform in Turkey and to evaluate the results of it for the last two years. Turkey underwent a major public procurement reform two years ago. In Turkey, the government spends around U.S. \$25 billion on purchased goods, services and construction works each year. It can be easily understood how vital it is to have a transparent and competitive public procurement system for the country. This essay presents both a comparison of the public procurement

legislation before and after the reform and a comparison of some aspects of a newly introduced system with some developed countries' public procurement systems.

In December 2003 the Canadian Prime Minister initiated a comprehensive review of Canada's federal procurement, to ensure a "best of breed" approach with demonstrated high value for Canadian taxpayers, and created the Canada Parliamentary Secretary's Task Force on Government-Wide Review of Procurement for this purpose. In "Government-Wide Review of Procurement: Redesigning Canadian Procurement," the Task Force on Government-Wide Review of Procurement reported on the work of the Task Force to date (mid-way to its planned December 2004 report and recommendations), and set out its initial conclusions. This government-wide review had examined all aspects of procurement, from fundamental concepts such as fairness and open competition, through procurement processes and organization, to management oversight and public accountability.

U. S. Federal procurement agencies have many socioeconomic, and in particular, small business goals, but these goals are currently measured on a single metric: the percentage of total agency dollars that are awarded to small business. Finding the balance between the benefits of public procurement reform and benefits derived from small business participation is a public policy challenge. In "Balancing Socioeconomic and Public Procurement Reform Goals: Effective Metrics for Measuring Small Business Participation in Public Procurement," Timothy S. Reed, Patricia G. Luna, William C. Pike support the argument that in order to accurately measure small business participation in a "trans-procurement transformation" environment, more effective metrics are required. In the chapter, the authors examined the effectiveness of the existing metrics and evaluated the effectiveness of two new proposed metrics. They found that the existing metrics are ineffective and that the new metrics measure small business participation with greater efficacy.

### **Lessons Learned: Understanding Current Public Procurement**

The evolution of procurement, from a bureaucratic, manual process to an IT systems-based approach has not obviated the apparent need to continue the search for a perfect public procurement system. In "A Tale of Two Cities in the Search for the Perfect Procurement System," Guy Callender and Jim McGuire examine the way in which two state-based jurisdictions in Australia have sought to develop their unique versions of a perfect procurement system. Apart from the classic management choices

between centralized or decentralized procurement platforms, the procurement policy choices, represented by lowest purchase price or value-for-money, also have to be resolved. Conflicting demands include the need to enhance government management of procurement within the constraints of a tender-driven contracting policy framework, while assuring high levels of probity, accountability and transparency, whilst also satisfying the diverse governance expectations of stakeholders.

Public/private partnerships have become more and more popular in public procurement, according to Alexander Batran, Michael Essig, and Berthold Schefer, in “Public-Private Partnerships As an Element of Public Procurement Reform in Germany.” Just like in other countries, public/private partnerships (PPPs) are becoming increasingly more popular in Germany. At the moment, there are several cases which give deep insights into the success factors of PPPs. As a result, PPPs are also seen as one key element for reforming the public sector in Germany, and leading towards many challenges for public procurement. In this chapter, the authors provide a conceptual and theoretical overview of PPPs, and examine comprehensively a PPP case, the German Aerospace Center (Deutsches Zentrum Fur Luft- Und Raumfahrt E.V./DLR).

According to Wendell C. Lawther and Lawrence L. Martin, in “Public Procurement Partnerships,” recent experience with public procurement efforts in the U.S. suggests dissatisfaction with both governmental delivery of services and resulting efforts to privatize or outsource these services. There is increasing recognition that both approaches should be combined to acquire increasingly complex goods and services, relying upon public procurement partnerships. Various trends have impacted public acquisition in recent years, further supporting the need for partnerships. These include a declining public procurement workforce, an expanded role for procurement practitioners, the complexity of acquiring information technology systems, the need for flexibility in negotiating contracts and partnership arrangements, as well as the increasing visibility of risks and the need to manage them effectively. In light of these trends, four examples illustrating a range of partnerships are discussed in more detail, illustrating innovative responses from a variety of local, state and federal partnerships.

In “An Exploratory Analysis of Public Procurement Practices in Europe,” Gustavo Piga and Matteo Zanza present some preliminary results of an exploratory analysis of public procurement practices in Europe. The analysis is realized by collecting and processing data and information provided by detailed questionnaires sent to a selected group of organizations representing twenty-four European countries. The organizations selected are

members of the European Public Procurement Learning Lab, a laboratory launched by the Italian Department of Public Administration, jointly linked with the Italian Ministry of Economy and Finance. The chapter provides a summary of the European institutions' of practices, tendencies and policies, which the authors consider as a first indicative benchmark for public procurement agencies.

In “Developing the Concept of Supply Strategy in the English National Health Service: Longitudinal Empirical Research,” Helen Walker, Christine Harland and Louise Knight critically examine the ongoing development of supply strategies in the English National Health Service (NHS), in the context of what it means to manage supply in the public sector. This nine year collaborative research partnership with the NHS Purchasing and Supply Agency (NHS PASA), an executive agency of the UK Government's Department of Health, provides a policy lead to the English NHS on matters relating to purchasing and supply. The content, process and context for developing supply strategies have evolved, as have roles and interventions. Supply strategies have been developed for different parts of the product/service portfolio such as prosthetics, cardiology, wound closure, enteral feeds, and pathology. The tools and techniques developed for supply strategy work have changed over this period, as has the context; and there has been a move towards considering strategic interventions in supply markets in recent years.

According to Giancarlo Spagnolo and Federico Dini “Reputation Mechanisms and Electronic Markets: Economic Issues and Proposals for Public Procurement,” online ‘feedback mechanisms,’ also known as ‘reputation systems,’ have been successfully implemented in the most important private e-markets, such as Yahoo, Amazon and eBay. These appear very effective in fostering trust and cooperation among anonymous trading partners. In this chapter, the authors survey major issues such as the optimal design of such mechanisms in private e-markets found in the economic literature, and raise some previously unnoticed issues. Then they discuss how public procurement practices differ for public electronic markets and supply contracts systems, providing some simple “rules of thumb” for public (and private) procurement agencies that plan to set up a feedback mechanism.

In the United States, a new procurement approach, which was recently initiated, is explored by Ken Buck in “Overcoming Resistance to a Paradigm Shifting Change in the Federal Sector: Share-in-Savings Contracting: From to Concept to Application.” Kenneth J. Buck reviews the evolution of the share-in-savings (SiS) concept, characterized as the

ultimate performance-based contract. While the concept has been codified in federal statute and used successfully by many state governments, its adoption at the federal sector, until recently, has been limited. Even with policy emphasis at the highest levels in government on increasing the number of performance-based contracts, there has still been resistance from both the public and private sectors. Using data driven, participatory action research, the author addresses some of the reasons for the slow rate of acceptance; and then analyzes the impact of strategic initiatives aimed at increasing acceptance and ultimately greater utilization of the concept.

In “The Challenge of Bringing Industry Best Practices to Public Procurement: Strategic Sourcing and Commodity Councils,” Timothy S. Reed, Dan E. Bowman, and Michael E. Knipper discover a ubiquitous trend of looking to industry for practices by which public agencies might transform procurement processes in the United States. Notwithstanding the great potential that industry best practices hold for government acquisition, a careful analysis of the differences between public and industry procurement, and the different experiences in implementing strategic purchasing initiatives is essential before attempting to transform public procurement processes. An analysis of ten recent attempts to establish purchasing commodity councils in both public and private sectors resulted in three areas of findings. These results include significant differences in employee skills, personnel system constraints and the complexity of multiple stakeholder interests.

In “The Impact of Product Liability Legislation on the Procurement of Pharmaceuticals Within HPSS Trusts in Northern Ireland,” Ruth Fee and Jill Mairs review current U.K. and European product liability legislation and case law and assess the implications for the purchasing and supply of pharmaceutical products within National Health Service Trusts in NI. They map the actors and agents in the present pharmaceutical procurement process, and highlight the complex nature of the process and the significant number of actors and agents which pharmacists need to be aware of, and comply with, when procuring pharmaceuticals. The authors then assess the need for subsequent changes in these pharmaceutical procurement processes to address issues of product liability. The need for an effective risk assessment strategy is stressed, and findings can be transferred to other jurisdictions in the UK and beyond.

According to Nigel Caldwell, Helen Walker, Christine Harland, Louise Knight, and Jurong Zheng in “Promoting Competitive Markets: The Role of Public Procurement,” it is in the public interest that public purchasing entities (PPEs) should have access to competitive markets of suppliers to

provide the goods and services required for the effective delivery of public services. There are, however, many cases of PPEs making purchasing decisions that, taken together and over time, lead to undesirable market structures. The area of procurement influence on markets is under researched, and the paper therefore draws upon a variety of primary and secondary data from several research studies. The authors frame the issues, recognizing parties' divergent interests, priorities and timescales, and discuss how public procurement agencies might develop their role and capabilities to address them.

In the United Kingdom, public procurement policy may be categorized in terms of their regulatory, commercial and socio-economic focus, according to Andrew Erridge. In "U.K. Public Procurement Policy and the Delivery of Public Value," the author analyzes U.K public procurement policy in terms of a framework of values culminating in the concept of 'public value' reflecting not only government goals but also broader societal values. The author found that there has been partial delivery of commercial improvements. The improvements, however, have been uneven across departments as there has been an overemphasis on regulatory requirements at the expense of socio-economic development. While procurement's contribution to wider government policy is increasing, its full potential will only be realized when it is delivering on socio-economic policies and thereby contributing across the full range of values. This argument will be illustrated with particular reference to a pilot project on increasing employment through public service and construction projects in Northern Ireland.

In "Benchmarking Municipal Public Procurement Activities in Finland," Timo Kivistö and Veli-Matti Virolainen compare and analyse different kinds of procurement and logistics activities in municipalities and hospital districts. Their research is based on a larger research project, called 'Lighthouse Project.' The authors examine whether there were differences in procurement between the municipal public organisations in Finland; (2) and how the Finnish municipal public entities differ from benchmarking information in other countries. Finally, they try to identify best practices in different parts of municipal public procurement.

Although the provision of basic public services has historically been considered a core state function, during the last decade governments have been increasingly moving toward the various options of private participation in a constant quest to improve the quality of services in a cost-effective manner. There appear to be considerable advantages in "contracting out" services using performance-based schemes that delegate service to providers



under legally binding agreements tying payments to measurable outputs delivered at a predefined quality level. In “Performance-Based Procurement: The Key to Effective Basic Services Provision in Developing Countries,” Patricia I. Baquero presents how the World Bank has been and is assisting its borrowers in developing countries so they may obtain the benefits of applying, when deemed appropriate, these schemes to the provision of infrastructure and social services under Bank-financed projects.

In “Organizational and Individual Drivers of Compensation of Public Sector Buyers,” Mohamad G. Alkadry and N. Bhargava examine the determinants of salaries of buyers in the public sector. Analyzing data gathered from 304 buyers working for public procurement agencies, the article finds an effect on gender, supervisory responsibilities, experience, education, certification, and cost of living on the compensation of buyers. The authors found no statistically significant effect of budget size, age, organization size, and labor market competition on compensation of buyers. Analysis is conducted using multiple linear regressions with gender and certification as dummy variables.

### CONCLUSION

As mentioned, public procurement is a multi-faceted challenging field; and public procurement practitioners have faced numerous challenges caused by diverse factors. This book addresses some of these challenges. There are many others that have not been touched. Moreover, due to its nature as elaborated above, public procurement practitioners will never get bored as they continue to face contradictory and contrasting procurement requirements and objectives imposed by policies and trade agreements. There are many ways to help public procurement practitioners cope with the myriad challenges they must face. They include increased efforts in research, knowledge advancement, and experience exchanges.

### ACKNOWLEDGMENTS

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### NOTES

1. Several years ago, the South Korean government faced a difficult choice concerning one of the biggest arms deals in its history--the \$4

billion FX jet-fighter program. The South Korean government had to choose between one of the four bidders--Boeing of the U.S., Russia's Rosvoorouzhnie, the European consortium Eurofighter and France's Dassault Aviation (Larkin, 2001a). In battling to win this multi-billion-dollar contract, each bidder played up its strengths and used whatever leverage it could. In 2000, French President Jacques Chirac visited Seoul with Serge Dassault, Chairman of Dassault Aviation. In early 2001, Boeing executives flew to Seoul to lobby. President George W. Bush pushed Boeing's bid to visiting President Kim in Washington in March, 2001; and Secretary of State Colin Powell did the same with then-Foreign Minister Lee Jung Binn. The F-15 assembly line in St. Louis, Missouri, could face closure if the Seoul deal is lost, after failing to win contracts in Greece and Israel. The Korean government's contract award decision came at the worse time when relations with the United States had deteriorated over the Bush administration's frosty attitude toward President Kim Dae Jung's engagement of North Korea. Rejecting Boeing's bid could widen the rift between the two allies over North Korea, but awarding the contract to Boeing could create the perception that Seoul caved in to the Washington lobby. Such a view would fuel anti-U.S. sentiment in Korea and damage the ruling party's liberal support base before a presidential election next year. In addition, reacting to the Korean aerospace industry's pressure to use this large purchase to foster its young industry, the Korean government, in April 2001, raised the "offset" requirement from 30% to 70% (Larkin, 2001b). Through this offset requirement, the Korean government demanded that parts manufacture and maintenance by local companies be equivalent to 70% of the project's \$4 billion estimated price tag. Bidders had to also demonstrate a willingness to transfer technology to local firms. According to Larkin (2001a), Korean President Kim Dae Jung had choose a politically safer decision by postponing the contract award decision until after the presidential election in December 2002.

2. One of those centers includes the Public Procurement Research Group of the University of Nottingham School of Law.
3. Academic journals covering public procurement laws public procurement laws and regulations (such as the *Public Contract Law Journal* and the *Public Procurement Law Review*) have existed for quite a number of years. The *Journal of Public Procurement* is the first and only academic journal covering all aspects of public procurement,

including public procurement laws, processes, policies, methods, etc. The journal was originally sponsored by FAU and NIGP; and then, the U.S. General Services Administration and the UNDP Inter-Agency of Procurement Services Office have joined this sponsorship.

4. For a more detail explanation of this model, see Thai (2001).
5. Many sports teams such as soccer or basketball teams that have many good players are not good teams due to a lack of chemistry.

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