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The review of Principles Governing Public Procurement

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Abstract

public procurement is proces supply of goods and services by government of the private sector. public procurement consumption of public resources and effective management of public resources requires principles and mechanisms.

A public procurement system requires high standards of economy, including value for money; competitiveness; effectiveness; transparency because public procurement serves public interests. Out of the total public resources utilized, procurement constitutes. these principles are not objective but rather a tool to achieve the main objectives of public procurement, including increased public confidence, maintaining the value of money (fair price), conservation and optimal management of financial resourc. In this article, review the principles governs of public procurement andthe role of this principles of in public procurement.

Keywords: public procurement, economy; competitiveness; effectiveness; transparency

Introduction:

Governments and state-owned enterprises purchase a wide variety ofgoods, services and public works from the private sector, from basic computer equipment to the construction of roads. Public procurement is a key economic activity of governments that represents a significant percentage of the Gross Domestic Product (GDP) generating huge financial flows, estimated on average at 10-15% of GDP across the world. (OECD,2005) Public procurement has been identified as the government activity most vulnerable to corruption. As a major interface between the public and the private sectors, public procurement provides multiple opportunities for both public and private actors to divert public funds for private gain (OECD,2007)An important question in this article, survey of the principles govern of in public procurement.

Public Procurement:

'Procurement is the activity of assessing, buying and receiving goods, works and ervices. It is public whenever this process is performed by public organisations or whenever it is performed on their behalf or again funded by public organisations' (Adotevi, 2004) The function of supply in the private or public

sector is to manage the delivery of goods and services through the supply chain in a cost-effective manner (Johnson et al., 2003). It is, however, recognised by Johnson et al. (2003) that there are a number of unique aspects in public sector procurement, characterised by high levels of public disclosure. The public sector represents about 40-50% of many of the world's economies in terms of spending on providing services and procuring from the private sector. Countries such as Singapore spend approximately 18% of its economy, whilst other developing countries spend up to 80%. Public procurement is a significant but a yet an under-researched phenomenon (Walker, 2007) and it still lags far behind private sector procurement in terms of scientific analysis. Although not dissimilar in terms of principle as both have to acquire goods or services, they are in fact very different (Knight et al. 2007). Thai (2009) suggests that the core difference between public and private sector procurement is the relationship between both parties. Walker (2009) suggests that the nature and context of public sector purchasing differs from commercial practice because, as well as both being concerned with reducing costs and achieving value, public sector buyers have the additional task of achieving social, environmental and other benefits in their purchasing to fulfil the responsibilities of government to society.

The United Nations (UN) views public procurement as the overall process of acquiring goods, civil works and services which includes all functions from the identification of a need, selection of potential sources, contract award and its administration to the end of service or life of asset (Thai, 2009) Public Procurement is broadly defined as the purchasing, hiring or obtaining byother contractual means of goods, construction works, and services by the public sector (Kipchilat, 2006).

Public Procurement Legal Framework:

Public procurement system has grown especially in the last decade. Stephanus (2009) argues that, Worldwide this growth has become a very important socio-economic factor and has been described as a procurement revolution. Many countries have adopted a number of regional and international agreements designed to eliminate discrimination against foreign products, construction works, and suppliers in procurement. The most important of these agreements is the World Trade Organisation (WTO). These developments have been supported by the adoption of United Nations Commission on International Trade Law (UNCITRAL) of a Model Law on Procurement of Goods, Construction and Services (UNCITRAL, 1994).The Model Law has become an international benchmark in public procurement law reform (Garcia, 2009). Enacting states are not required to inform UNCITRAL when they adopt the Model Law as it is used for local legislation in several states that include developed to developing countries.

Concept and goals of public procurement:

Public procurement is increasingly recognised as a central instrument to ensure efficient and corruption-free management of public resources. In this context, the role of procurement officials has changed dramatically in recent years to cope with the demand.The previous government of rule and order and public security, the largest civil projects, the largest employer, the largest buyer of goods and services And in many cases also the largest supplier of government.public procurement purchase goods or services by government Officials have said the public procurement system. (UNOPS, 2011) Liyod (2004) Believes government deal includes the acquisition of goods or services from the beginning of the process involves all processes to identify and recognize the need to implement the contract. World Bank (1995) argues that state owned procurement goods or services by government departments using public funds.Adotevi believes public procurement the performance of government in providing public goods and services. (Adotevi, 2004). Thai(2009) Believes the process of educated public trading of goods or services from the recognition of the need, the resources required, until the end of service award.

Arrosmith Believes public procurement of the broad sense includes all processes of administrative decision to terminate the contract involves contractAnd in the narrow sense is the only award of contract. (Arrosmith, 2005)
Arrowsmith (2010) identifies eight objective that are usually shared by public procurement systems, as mentioned the significance of each objective differs according to the system. The objectives of public procurement systems as identified by Arrowsmith (2010) are:

- Value for money (efficiency) in the acquisition of required goods, works or services;
- Integrity - avoiding corruption and conflicts of interest;
- Efficient implementation of industrial, social and environmental objectives ('horizontal policies') in procurement;
- Opening up public markets to international trade;
- Efficiency in the procurement process;
- Equal opportunities and equal treatment for providers;
- Fair treatment of providers;

Principles of public procurement:
It is generally accepted that the primary objective of public procurement is an economic one, namely to obtain value for money. Its secondary objective is to further the government's socio-economic policies.To best achieve these
objectives the procurement system must in its practical application comply with certain principles or objectives. The broad principles applicable to public procurement, which are common to the Model Law and the GPA, can be extracted:
1- economy, including value for money;
2- competitiveness;
3- effectiveness;
4- transparency
They are also often referred to as goals or requirements. These principles are achieved through specific provisions in the public procurement systems

Principle 1- Economy:
Synonymous with efficiency, value for money, and com-mercially reasonable price, the principle of economy em-phasizes the need to manage public funds with care and duediligence so that prices paid for goods, services and worksare acceptable and represent good value for the publicfunds expended on them.As public procurement is an economic activity, the principle of economy is the first principle that will be discussed. (Trepte,2005.) Economy is concerned with minimizing the cost of resources acquired or used, having regard for the quality of inputs. Efficiency is concerned with the relationship between the outputs of services and the resources used, while effectiveness is concerned with the achievement of targets, not only in terms of quantity but also quality (Stainer, 1998). The means by which value is to be achieved is a source of much debate. Economy efficiency through competition can reduce cost and improve quality (Domberger and Jensen, 1997). The economic object of public procurement is to obtain the best product at the best price. (Arrowsmith,2005) This is often referred to as the achievement of value for money that to ensure that the lowest price is obtained the widest possible competition by potential suppliers is necessary, and the principle of competition will therefore have a direct influence on the principle of economy.(Trepte,2005) Thai (2004, p. 6), while quoting Calendar and Mathews (2000), notes that"Th e sheer magnitude of the public procurement dollar expenditure outlay has a dramatic impact on the economy, and, thus, needs to be well managed. Indeed in all countries in the world, estimates of the fi nancial activities of government procurement managers are believed to be in the order of 10%–30% of the

GNP…"Procurement is in essence an economic activity by which a public entity acquires goods and services in the marketplace.(Trepte,2005) Price will always form a core element thereof but can seldom be the only criteria. A distinction can be made between factors or criteria that have a direct or indirect influence on value for money, like price or the whole-life costs of the product, and those that have no influence on value for money, for instance offsets, but are included to address socio-economic aspects. Socio-economic objectives can of course in the broader sense also have an influence on the principle of economy.

Principle 2- competitiveness:
In public procurement systems, competition is seen as a way to obtain the best value as an outcome, which is an objective of public procurement systems. Competition is more accurately seen as a means to achieve other public procurement goals. Individuals and private companies may not talk or think in terms of competition, though they are more likely to talk and think about process for choosing contractor as "shopping round" or conducting market research (Schooner et al.,2008). Allison, (2013) indicates that, the principle of competition is said to be intertwined with cost-effectiveness and involves the achievement of value for money The principle of competition in procurement is in essence an economic one which could safely have been dealt with under the principle of economy. It is a core feature of the procurement process, in particular with regard to the methods of procurement.(Trepte,2005)It is believed that competition, as an economic principle, will ensure that suppliers will offer the best product at the best price.(Trepte Regulating Procurement 66-68)It overlaps with the other principles mentioned,for instance that of effectiveness in that it is generally accepted that effective competition will enhance the process. As public procurement takes place in the open market the principle of competition entails that an opportunity is given to a sufficient number of suppliers in the open market to offer their goods or services to the procuring entity on a competitive basis. The purpose of such competition is to obtain the best product at the best price through the most cost-effective process.

Principle 3- effectiveness:
To ensure that all of the principles applicable to public procurement are achieved, in particular value for money, the procurement system must be effective. Effectiveness can be defined as productiveness with relation to the costs of the procurement process. An effective public procurement system will allow suppliers to provide satisfactory quality, service and price within a timely delivery schedule. The basic tenet of public procurement is straightforward: acquire the right item at the right time, and at the right price, to support government actions.

The dictionary meaning of efficiency is productive use of resources, i.e., the ability to do something well or to achieve a desired result without wasted energy or effort. This is about ensuring value for money. Public procurement has to be practiced based on ensuring value for money. Driven by considerations of value for money, governments have put increasing efforts into rationalizing and increasing efficiency of procurement. There has been recognition that procurement officials need to be equipped with adequate tools for improving planning and management and that their decisions need to be well informed so as to enhance efficiency in procurement (OECD, 2007). Efficient and eff ective public procurement systems signifi cantly infl uence the provision of government services like the provision of roads, hospitals, healthcare, sanitation, telecommunication facilities, education, environmental protection, promotion of human rights, etc. Good practices reduce costs and produce timely results, and poor practices lead to waste and delays. Lack of efficient procurement highly affects development issues such as service delivery, economic growth, private sector development and the principle of effectiveness could imply an evaluation of all the individual provisions of the particular regime in order to ascertain whether the particular provision achieves its purpose effectively. This is however not practical in this research. What will be

identified are the essential provisions that are important to ensure the practical effectiveness of the procurement process.

Principle 4- Transparency:

The Concise Oxford Dictionary defines "transparent" as easily seen through; evident;obvious; easily understood; free from affection or disguise; frank. Transparency means decision taken and their enforcement is done in a manner thatfollows procedures (Osafo, 2003). It also means that information is freely available and directly accessible to those who will be affected by the decisions and their enforcement.In the context of this study, it means that information concerning tender documents atpre-tender stage and at construction stage must be known and accessible to all who participate in the project implementation.Efficiency in public is an important issue in cases where public procurement account for a large portion of economic activity. However in theory,transparency could mean visibility within an agency (Schooner, Gordon, & Clark,2008). The concept of transparency is important in public procurement regimes and is mentioned as one of the principle factor of the Model Laws and Informationon the public procurement process must be made available to all public procurement stakeholders: contractors, suppliers, service providers, and the public at large, unless there are valid and legal reasons for keeping certain informa-tion confidential. This large volume of procurement related transactions provide a fertile ground for breeding corruption. Transparency International (2006) estimates loses from corruption between 10% and 25%, and in some cases as high as 40 to 50%, of the contract value; extrapolating this trend, at least $400 billion a year is lost to bribery and corruption in public procurement globally. As public procurement accounts for more than a third of all of a government's outlays the concept of transparency is nowhere more significant in public administration than in public procurement. Since Corruption thrives under darkness, transparency is the remedy to the darkness (Neuman, 2002). Thus, a transparent procurement process is key for ensuring good economic governance in the country. Ensuring transparency in the construction projects procurement procedures is an essential determinant of efficiency, as it enhances the competitiveness of public projects procurement. Transparency enhances accountability byfacilitating monitoring and accountability enhances transparency by providing anincentive for agents to ensure that the reasons for their actions are properly understood(Arrowsmith et al., 2009).Last but not least, transparency should not be seen as an end; rather it is process that builds integrity in procurement system.

Public procuring entities rely upon publication- providing notice to the public as away to achieve transparency. Today, internet has reduced the cost and effort of promoting transparency. With regard to public building projects procurement, transparency must be ensured through all the stages of the process namely: (i) compilation of the tender requirements; the invitation to tender; the processing and evaluation of the tender (Preliminary, technical and financial); (ii) the contract award, the review proceduresand; (iii) the contract administration, monitoring and evaluation.

Conclusion:

One of the government's obligations to provide public services Supply of goods and services is based on the processes of public procurement. Due to limited financial resources, maintain the correct use of public funds staple of governments. Public procurement systems are at the centre of the strategic management of public funds to promote overall value for money, as well as help prevent corruption. To reflect government needs and provide a strategic outlook in relation to the attainment of government or department objectives, procurement planning is a key management instrument Considering the importance of public procurement and Provision of public goods and services in order to prevent dangers and threats against public procurement require Principles and mechanisms can be better predicted to use state fundsl to preserve the value of money and achieve other objectives, principles and mechanisms needed public procurement,. economy; competitiveness; effectiveness; transparency.The economic object of public procurement is to obtain the best product at the best price. The purpose of such competition is to obtain the best product at

the best price through the most cost-effective process. An effective public procurement system will allow suppliers to provide satisfactory quality, service and price within a timely delivery schedule. Transparency serves as performance indicator of another objective of the procurement system. transparency generally related to Ensuring that information about procurement is easily accessible and reviewing the current policy of publishing it. Also, it is recommended to start considering the plausibility of publishing additional information about all stages of the procurement.

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