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International Research Study of Public Procurement

**GOVERNMENT REFORM AND PUBLIC PROCUREMENT
ACADEMIC REPORT OF THE FIRST WORKSHOP
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Table of Contents

1	Executive Summary	6
2	Introduction	7
3	Methods	9
3.1	Overview	9
3.2	Prior to the Workshop: Case Preparation	9
3.3	During the Workshop	10
3.4	After the Workshop	10
3.4.1	Framework for Analysis	11
3.4.2	This Report	12
3.4.3	Further Publications	12
3.5	Study Resources	13
4	Case Synopses	14
5	Comparing Cases: data summaries and discussion	17
5.1	Macro-environment	17
5.1.1	Summary of Data	17
5.1.2	Key Points on Political, Economic, Social and Technological Factors	22
5.2	Nature of Sector/Service	24
5.2.1	Summary of Data, Focused on Structure	24
5.2.2	Summary of Data, Focused on Spend Metrics	30
5.2.3	Key Points on Nature of Sector	34
5.3	Governance	37
5.3.1	Summary of Data: Stakeholders' Expectations of PP	37
5.3.2	Key Points: Stakeholders' Expectations of PP	41
5.3.3	Summary of Data: Accountability, Regulation and Audit	42
5.3.4	Key Points of Accountability, Regulation and Audit	49
5.4	Sector/Service Context: Supply Market, Recipient and Competition Factors	52
5.4.1	Summary of Data on Supply Market Factors	52
5.4.2	Key Points about Supply Market Factors	54
5.4.3	Recipient and Competition Factors	55
5.5	Strategy for Purchasing and Supply	57
5.5.1	Summary of Data	57
5.5.2	Key Points About Goals and Strategies for Reforming Supply	63
5.6	Structure for Purchasing and Supply	65
5.6.1	Summary of Data	65
5.6.2	Key Points about Structure and Organization of Purchasing	74
5.7	Infrastructure for Purchasing and Supply	75
5.7.1	Infrastructure for P&S: People	75
5.7.2	Key Points about People Issues	83
5.7.3	IT/IS, e-Commerce and Information	85
5.7.4	Key Points About IT/IS, e-Commerce and Information	91
5.8	Supply Activities: Awarding Contracts	92
5.8.1	Summary of Data	92
5.8.2	Key Points About Contract Award	97
5.9	Supply Activities: Managing Supplier Relations and Markets	98
5.9.1	Summary of Data	98
5.9.2	Key Points About Managing Supplier Relations and Markets	102
5.10	Supply Activities: Purchasing Co-operatively	103
5.10.1	Summary of Data	103
5.10.2	Key Points About Co-operative Purchasing	107

5.11	Supply Activities: Supplier Qualification and Registration.....	109
5.11.1	Summary of Data	109
5.11.2	Key Points About Supplier Qualification and Registration	111
5.12	Supply Activities: Managing and Monitoring Supplier Performance.....	112
5.12.1	Summary of Data	112
5.12.2	Key Points About Supplier Performance	113
5.13	Supply Activities: Supply policy, focusing on PP as a lever for government reform 114	
5.13.1	Summary of Data	114
5.13.2	Key Points About Supply Policy.....	123
5.13.3	PP as a Lever for Delivering Government Policy	126
	Summary of data	126
5.13.4	Key points About Public Procurement as a Lever for Delivering Government Policy 133	
5.14	Evaluating Outcomes/Performance/Results.....	134
5.14.1	Summary of Data	134
5.14.2	Key Points About Evaluating Outcomes.....	141
6	Summary.....	143
6.1	Describing, Categorising and Comparing Cases.....	143
6.1.1	Categories of Case Foci.....	143
6.2	Summary of Key Findings	144
6.2.1	Macro-environment.....	144
6.2.2	Focal Public Services	144
6.2.3	Purchasing and Supply	144
6.2.4	Notable Gaps	146
	Management of contracts post-award	146
	Trade agreements and regulations.....	146
	Supplier and supply market management	146
	Recipients and competing providers	146
6.3	Concluding Comments.....	146
7	References.....	149
8	Appendix A: Participants.....	150
8.1	Case Presenters:.....	150
8.2	Inquisitors:.....	151

Table of Figures

Figure A: Initial analytic framework: ‘An initial conceptual model for public sector supply’ (Source: Harland et al., 2000)	12
Figure B: Structure of German public sector	35
Figure C: Some of the many key stakeholders in the United Nations System.....	42

Table of Tables

Table A: Estimated researcher input to IRSPPI	13
Table B: Case synopses.....	16
Table C: Macro-environment - PEST factors	21
Table D: Political, economic, social and technological factors	22
Table E: Nature of sector	30
Table F: Who buys what and what value	31
Table G: Metrics for the cases.....	34
Table H: Stakeholders' expectations of public procurement.....	40
Table I: Accountability, regulation, oversight and audit.....	49

Table J: Supply Market Factors	54
Table K: Reforming Supply – Goals and Strategies	63
Table L: Structure - Organization of Purchasing	74
Table M: Infrastructure for P&S: People	82
Table N: Infrastructure - summary of data on IT/IS, e-commerce and information.....	91
Table O: Contract award	97
Table P: Managing Supplier Relations and Markets.....	101
Table Q: Co-operative purchasing	107
Table R: Supplier Qualification and Registration	111
Table S: Supplier performance.....	113
Table T: Supply policy	123
Table U: PP as a lever for delivering government policy	133
Table V: Evaluating Outcomes/Performance/Results.....	141
Table W: Summary of key findings	145

Note on Authorship

This report was prepared by Knight, Caldwell, Harland and Telgen, drawing on, and extensively quoting from, 15 written cases written by workshop participants and four stream reports written by workshop facilitators.

The data compiled during the workshop are considered to be owned jointly by all workshop participants.

The cases were written in advance of the workshop. Most of the tables in this report are compiled from material from the cases, often verbatim or only slightly edited extracts.

Anyone wishing to cite this report or any of the cases is asked to include a reference to the IRSP website (www.irspp.com) which lists and acknowledges all participants in the study, and provides correct references for all the cases.

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1 Executive Summary

This research study involved senior practitioners and leading academics from 13 countries who discussed and analysed cases of radical reform relating to public procurement.

Considerable diversity was evident across the case studies arising from societal, demographic, technological, legal and economic differences; the challenge appears to be how to develop national procurement policies and strategies that deal appropriately with the national contexts.

However, several common themes emerged across the cases. Internationally a lack of adequate management information prevents a more strategic, effective and efficient approach in most nations. Partly as a consequence of the lack of information, there is little evidence of planned development, and rather more reaction to pressures and initiatives that are in vogue. A common problem internationally was the low status of the procurement profession and the difficulties in attracting and retaining people with appropriate skills, qualifications and competencies. Whilst a move is evident in some nations towards output and outcome based purchasing, moves away from traditional savings and value for money measures are still problematic.

Public procurement internationally is moving, in most cases, towards a policy role, and focusing less on transactional procurement. This is enabling an alignment of procurement policy with government policy, effectively engaging procurement as a lever of social reform. This move appears to be driven most rapidly in cases of aspirational strategic change, for example the removal of apartheid in South Africa. However, some rule based states where public procurement is more legalistic find it difficult to make this shift towards strategy and policy. Some nations find it easier to have politicians and policy makers working alongside and with strategic procurement personnel, whereas in other nations they are disconnected.

Supplier qualification and registration can play a key role in ensuring societal objectives are met; suppliers may be vetoed at this stage for not conforming to ethical standards. Information is key to public procurement. Many jurisdictions internationally are struggling to make desired progress because their information systems are fragmented, so a total picture cannot be seen; also performance of suppliers compared to strategic intent of public procurement is difficult to assess without information feedback in place.

Consortia models are in vogue, with regional or cross government joining up creating a tier between national and local decision making. Aggregating spend in this way impacts on supply markets. E-procurement, through providing information, can enable greater aggregation of spend. However, concern was expressed about disenfranchising less advantaged individuals, organizations, regions and nations. Internationally many examples were discussed where positive discrimination was used to direct spend towards less advantaged.

2 Introduction

There is evidence of increasing interest in improving public sector purchasing and supply, which accounts for significant proportions of countries' total spend. To date, however, there is little understanding of the nature of public sector purchasing and supply and how, and why, it differs across countries and across different parts of public sector.

From limited initial research, the authors had observed some fundamental differences between countries in their public services; these differences impact on purchasing and supply undertaken to support these services. For example, it was noted that there is a substantial impact on purchasing and supply arising from factors such as different organizational structures for public sector services, different regulatory, legislative and funding arrangements, and different cultures.

Some researchers have attempted to visit various countries to understand and compare local public sector purchasing and supply systems; this is a costly and time consuming exercise which, potentially, each nation might replicate. There are also research proposals being made to the EU by various international consortia to investigate particular aspects of public sector purchasing and supply, for example comparing the take-up of e-government procurement. It seems, however, that these proposals do not include examination of the fundamental differences and similarities in the natures of the public sector purchasing and supply systems being studied.

To address this gap, a collaborative research study was organised. This document reports the findings of the first major phase of the study, 'IRSPP1'. This was centred on a 2 ½ day event involving internationally leading academics and senior public sector practitioners to explore public sector purchasing and supply in the context of major government reform. This effort in itself constitutes a significant research study but, as described in the conclusions, the participants aim to maintain and develop the network formed at the workshop and undertake further co-operative research into the subject.

The aim and objectives of IRSPP1 are:

Aim

To conduct exploratory, qualitative research to identify critical factors that appear to impact significantly on purchasing and supply in the public sector in the context of major government reform.

Objectives

- ◆ To bring together a select group of the highest possible level of international academics and public sector practitioners in one forum
- ◆ To share and debate structured case studies of public sector services undergoing major reform
- ◆ To draw out the critical factors for each case that appear to have significant impact on purchasing and supply
- ◆ To analyse across all cases to identify similarities and differences
- ◆ To derive an initial framework for public sector purchasing and supply containing the critical factors that need to be managed in major government reform programmes
- ◆ To co-write joint academic papers to disseminate the findings to the rest of the academic community

- ◆ To publish a report for practitioners and academics in purchasing and supply
- ◆ To publish a book of international cases in public sector purchasing and supply for teaching and to inform those not attending the event.

In all, 15 cases were written, presented and discussed at the workshop. Thirteen cases described purchasing and supply in various parts of 10 nations' public sectors. One case described purchasing and supply in the network of United Nations organizations. Another focused on procurement education in Australian states. Two cases reported findings from international comparative studies of particular aspects of public sector purchasing and supply (on e-commerce, and consortia among higher education providers).

The next section of this report describes the methods employed for IRSP1. Section 4 provides a brief overview of each of the written cases. Section 5 then provides a detailed comparative analysis of the cases. Section 6 presents key conclusions. This report is intended to provide a comprehensive overview of IRSP1, and to serve as a resource for study participants to undertake further analysis on particular themes for separate publication.

3 Methods

3.1 Overview

Through their network of academic and practitioner colleagues, the organizers invited contacts with an established interest in public procurement to (1) present cases or (2) act as ‘inquisitors’. Each case was to be written, and presented, by a pair (or more) of authors representing the academic community and senior practitioners. The cases were presented at a workshop organized into four streams and critically evaluated by other case authors and inquisitors – very senior practitioners from various nations and parts of the public sector. All participants were invited to provide notes of key issues for each case, and insights arising from cross-case comparison. Facilitators prepared a record of the discussions in each stream, and compiled these with participants’ notes into four stream reports. The written cases, presentation materials and stream reports constituted the dataset that has been analysed by the authors of this report.

3.2 Prior to the Workshop: Case Preparation

To guide authors and to provide some degree of commonality for subsequent analysis a series of headings were suggested for authors (see below). These headings covered a brief introduction to include the country and the part of public sector being studied, and then general information about the role this part of public sector fulfils.

Cases were circulated to all participants prior to the workshop with a detailed timetable. Participants were asked to read in advance of the workshop all the cases they would see presented.

Part One: Case Description

- ◆ Broad departmental government structure at a national level and where your case fits in that structure.
- ◆ Presence of any national/regional agencies for purchasing and supply.
- ◆ Organization structure indicating where purchasing and supply fits.
- ◆ Finance - total budget per annum – broad budget areas and costs. Process by which budget is provided to your part of public sector. Examples of finance structures, stakeholders for finance, election process, what drives the stakeholders.
- ◆ Purchasing and supply - total spend, spend in majority categories (a spend pie would be useful), location of policy, strategy, management and operational purchasing and supply decisions, overview of the purchasing and supply process.
- ◆ Regulation/legislation constraining your part of public sector, particularly relating to purchasing and supply.
- ◆ Key stakeholder groups and their influence on purchasing and supply decisions.

Part Two: Major Reform Effort Impacting on Purchasing and Supply

- ◆ Key problems facing this part of public sector.
- ◆ Nature of the major reform.
- ◆ Interesting issues relating to the reform.
- ◆ Barriers and constraints relating to the reform.
- ◆ ‘Wish list’ – what would have to change to enable this reform to happen successfully, particularly relating to purchasing and supply.

Box a: Guidance to authors for structuring the written cases

3.3 During the Workshop

All participants in the workshop – case presenters, inquisitors, organisers and facilitators – took part in the case review discussions. The format was that cases were presented in three streams of four cases and one stream of three cases (see workshop timetable on page x – insert cross-ref). The case presentations lasted one hour and the case review discussion one and a half hours.

With very limited exceptions, case presenters and facilitators stayed with one stream, while inquisitors moved between streams. Inquisitors are senior practitioners who were invited to attend the workshop to support the critical evaluation of cases, and the inter-case comparison. The organizers sought to match inquisitors to cases that related to their specific interests/expertise. By moving between streams, inquisitors provided on-the-spot comparison of cases in different streams.

For each case presentation, a chair was nominated to facilitate the discussion, in particular:

- ◆ Encouraging all to participate in the questioning and discussion
- ◆ Ensuring that any major gaps in the case are filled (facilitators provided a summary of any major gaps in the written document)
- ◆ Ensuring the presentation and discussion progresses at the right pace to cover all the necessary elements within the scheduled time.

Inquisitors were invited to lead the case reviews/discussion by:

- ◆ Questioning case presenters to fill in gaps in the case descriptions
- ◆ Questioning case presenters to explore key issues in more depth
- ◆ Comparing cases to identify key differences and similarities
- ◆ Encouraging others to participate in the questioning and discussion.

To maximise the ‘real time’ comparative analysis of cases, plenary sessions were held within each stream at the end of days 1 and 2. Facilitators used the material from these plenaries and the case discussions to prepare a brief presentation summarising the main issues arising from each Stream. These presentations were delivered in the final half-day and were followed by plenary discussion involving all workshop participants. This discussion was structured around the proposed framework for post-workshop analysis (see **Error! Reference source not found.**, below).

3.4 After the Workshop

The facilitators prepared Stream Reports, to provide a record of the discussion within each stream. These reports captured:

- ◆ Information on the case that was described in the presentation, but not in the written case
- ◆ The discussion of the case
- ◆ Observations from participants on case highlights and insights from inter-case comparison
- ◆ Discussions within stream plenary sessions
- ◆ Key points from the Stream overview presentation on day 3

- ◆ A record of plenary discussion on day 3.

The Stream Reports have been provided to all participants as part of the data resource arising from IRSPP1.

Written cases, authors' presentation materials and stream reports were then analysed.

3.4.1 Framework for Analysis

The framework shown below helped to structure the analysis and an adapted version was used to structure the findings in this report. The adapted framework is regarded as a research outcome in its own right, since it provides a way of making sense of the extreme complexity of descriptive cases of purchasing and supply in public sectors.

The framework illustrated in Figure A was published in a conference paper in 2000 by Harland, Gibbs and Sutton:

The model has as its centre the government action to be taken. Decisions to be taken here include the location of where the action should be taken (in central government, in a government department, within an individual government organization, by a team within a public sector organization or by an individual within public sector), the type of action to be taken (policy, strategy, managerial or operational), and the level of authority required for the action. The appropriate government action is decided through consideration of relevant factors relating to the supply market (e.g., product / service characteristics, risk, value), the customer market (e.g., criticality, specificity), the environment (e.g., political, economic, social and technological environmental factors), available mechanisms (e.g., purchase cards, electronic shopping malls) and prevailing constraints (e.g., capacity, capability) (Harland et al., 2000).

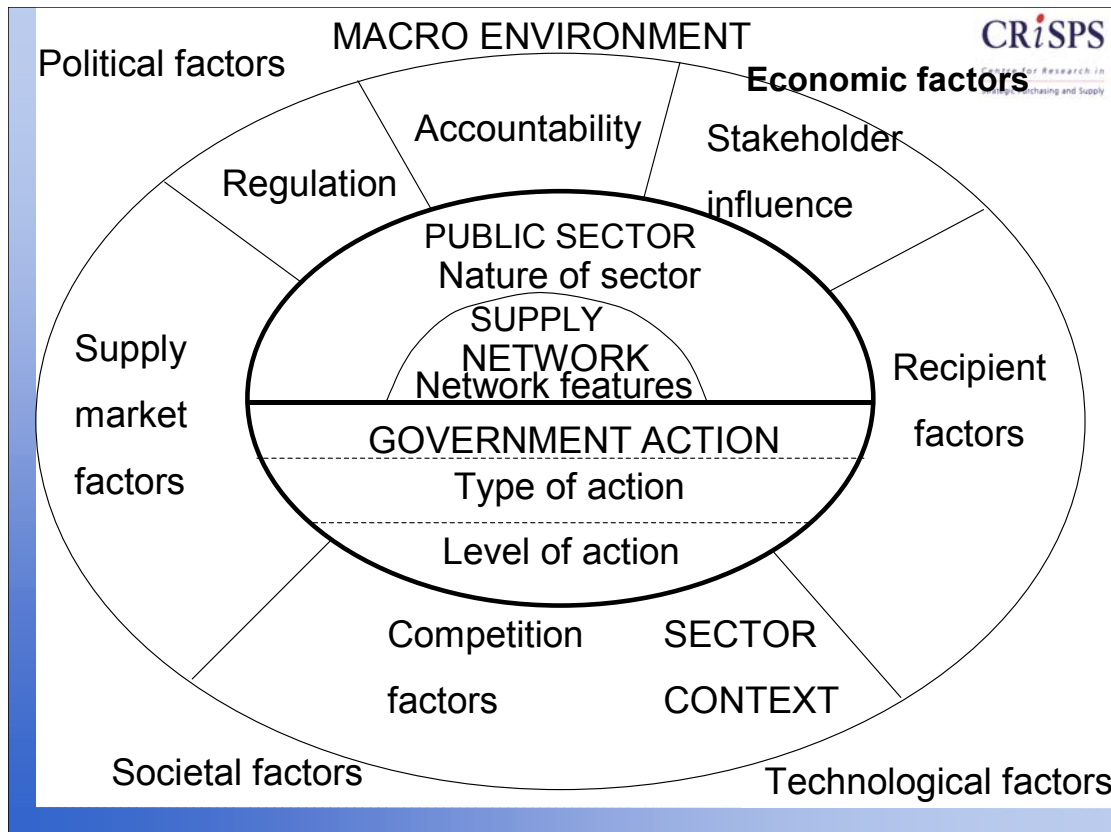


Figure A: Initial analytic framework: ‘An initial conceptual model for public sector supply’ (Source: Harland et al., 2000)

3.4.2 This Report

The report is written to draw out key issues, not to summarise all aspects of all the cases. In Section 5 of this report, for each element of the adapted framework, relevant material from each case (the written case or notes from case discussion) is presented in a ‘summary of data’ table. Important issues and insights related to the element are then discussed, drawing on material from the table/cases and from the Stream Reports. The emphasis has been on cross-case comparison, working strictly from material gathered through IRSPPI activities; there are therefore some gaps in the tables. Furthermore, in writing this report the authors have assumed that the reader has access to cases, either through the proceedings, or (in due course) the edited case book.

Readers should note the authorship of much of the contents of the data summary tables (page 5).

3.4.3 Further Publications

As stated in the initial objectives of the study, it is envisaged that several other publications will arise from IRSPPI. By recording and reporting stream discussions, etc., the study organizers have sought to provide a dataset that will serve as a resource for participants who wish to write journal articles using this data, perhaps in combination with data from other research activities.

A (relatively) short executive report has been prepared to convey key findings to practitioners.

It is also intended to refine the cases and produce an edited case book presenting cases and linking analytic chapters, to provide a teaching resource.

IRSPPI participants have formally agreed that data arising from the study is collectively owned, and any publications using the data will acknowledge the study and the contribution of all participants.

3.5 Study Resources

IRSPPI has produced a huge dataset; there are over 320 pages in the conference proceedings (the written cases), a similar number of PowerPoint slides from case presentations and 135 pages in the Stream Report.

The workshop was a very successful event, which generated considerable enthusiasm for continuing the study in further phases and setting up ‘communities of interest’ within the network. Preparing the Stream Reports, undertaking the analysis and writing the reports has taken much more time initially envisaged.

Table A, below, shows conservative estimates of researcher input to IRSPPI. These estimates are conservative, and time spent on the following activities is excluded:

- ◆ Designing the study
- ◆ Checking material (e.g., case presenters checking draft stream report; facilitators checking draft of this report)
- ◆ All input from administrators (estimated at 35 days)
- ◆ Informal discussion between participants, at the workshop and since.

	Person days
Case preparation	
Lead author @ 4 days	73
Other authors @1 day	
Pre-workshop preparation	
@ 0.5 day per case (preparing presentation)	7.5
@ 0.5 day per participant (reading cases etc)	23
Participation in workshop	115
@ 2.5 days each	
Facilitators preparing stream reports	
@ 3 days per stream	12
Preparing this report, and the executive report: analysis and writing	35
Total	265.5

Table A: Estimated researcher input to IRSPPI

4 Case Synopses

Case	Case synopses
1A Australia State	<p>Professor Guy Callender and Dr. Paul Schapper <i>Public Procurement Reform in Australia: a Federal-State Evaluation.</i> Within the complex federal system of government in Australia, public procurement illustrates the tensions that exist in a system where public procurement is managed independently at national and sub-national level. Procurement reform has been a feature of public sector reform in Australia over the past ten years in each jurisdiction and is the principal focus of this case study.</p>
1B Belgium	<p>Bert Baeyens and Marc Martel <i>Budget and Organization reform: Impact on Public Procurement in Belgium.</i> The paper describes and compares the actual and future interaction between organization, budget and public procurement regulation on federal level and in Flemish municipalities. Rather than present conclusions it informs with the goal of facilitating an exchange of ideas.</p>
1C Singapore	<p>Dr David Seth Jones <i>Features and recent reforms of government procurement in Singapore.</i> Singapore has been noted for its commitment to efficiency, high standards and strict measures to deter corruption in public management. This has been reflected in public procurement. In part one, the paper examines the principles and practices shaping the various stages in the government procurement process in Singapore. Features which are highlighted are the promotion of open competition, the avoidance of preferential selection and limited sourcing, the prohibition on negotiation with prospective suppliers, and controls to ensure high standards of probity in tender management and the award of contracts. The second part of the paper considers recent reforms to public procurement in Singapore. These include creating ever wider access, especially for foreign suppliers, to an already open procurement market.</p>
1D US State and Local	<p>Dr Clifford P. McCue and Kirk W. Buffington and Aaron D. Howell <i>The Fraud/Red Tape Dilemma in Public Procurement: a Study of U.S. State and Local Governments.</i> U.S. state and local governments provide a rich body of potential theory development given that there are sufficient variances in both control and accountability structures – each state has a unique procurement process, and this is even more manifest at the local level where little procurement guidance is provided. Specifically, this case study attempts to answer the following questions: What reform efforts have governments initiated in procurement policy, organization structure, personnel recruitment and training, expenditure authorization levels, review and oversight as they continue to attempt to decentralize purchasing control? And, what are the projected trends that will impact the success or failure of the decentralization issues over the next decade?</p>
2A Finland Regional Consortium	<p>Timo Kivisto and Professor Veli-Matti Virolainen <i>Consortia purchasing and logistics in Kuopio area – lessons learned from a four-year project, Finland.</i> The case assesses a regional/municipality co-operative venture against theoretical concepts of a purchasing consortium. It particularly focuses on transaction cost theory, since a reduction in transaction costs was a major driver for the establishment of the consortium.</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>Mary Aylesworth <i>Consortia Purchasing for Higher Education in Canada, US, UK and Australia.</i> This study of purchasing consortia focused on two areas of interest within higher education. First, what is the real value of consortia purchasing and second, can a framework be identified to optimize cooperative purchasing initiatives? Phase I began with a literature review followed by in-depth interviews with key purchasing managers and consortia representative in Canada, the United States, the United Kingdom and Australia. Information and knowledge gained in Phase I was used to develop an interview framework for the Phase 2 survey of senior purchasing managers in Canadian higher education.</p>

Case	Case synopses
2C Australia procurement education	<p>Dr Ken Dooley and Christine Tonkin <i>The development of procurement education in Australia.</i> The case presents the drivers for, and the impact of, educational support for purchasing policy in Queensland, in the context of the wider national (federal) policies and structures for purchasing. The case has a number of dimensions:</p> <ul style="list-style-type: none"> • The national purchasing and supply context • Regional (state) purchasing supply systems and structures • Educational support for purchasing at national level • Regional (state) approach to procurement education.
2D Germany consortium for electricity	<p>Professor Michael Essig and Berthold Schafer <i>A purchasing Co-operative for Energy Sourcing in Germany.</i> The case gives a picture of the complex structure of public procurement in Germany in general and is illustrates this with the cooperative purchasing of energy at the German Aerospace Center.</p>
3B UK English National Health Service	<p>Professor Christine Harland, Andrew Rudd, Dr Louise Knight and Samantha Forrest <i>Procurement in the English National Health Service.</i> This paper presents the case of purchasing and supply in the English National Health Service (NHS). Part 1 describes the complex structure of the NHS, and its various purchasing and supply organizations; provides information on expenditure and the extent to which it is influenced by purchasing professionals; explains how goods and services are sourced; describes the key characteristics of markets that supply the NHS. Part 2 focuses on key reforms currently under way in the NHS, and discusses how these are influencing efforts to design and implement structures and practices to improve the efficiency and effectiveness of procurement, and so deliver better value money goods and services.</p>
3C Canada National Public Works and Services	<p>John J. D. Read <i>How to Improve Procurement Services to Clients: Presented by Public Works and Government Services Canada.</i> The Canadian Department of Public Works and Government Services (PWGSC) operates as a common service agency for the Government of Canada. PWGSC's procurement arm is the largest such organization in Canada, accounting for some 10 percent of total procurement by all levels of government. It is quite unique in the western world, with responsibility for both civil and military procurement. There are many initiatives under way to improve the management of the Canadian federal government – such as a greater focus on citizens, more emphasis on management for results, broad reforms in human resources management, and a new focus on horizontal management. There is also the exploding use of various “e” tools and approaches that are changing the fundamental nature of government operations, at a time when financial constraints continue to press departments to find more efficient and effective ways to meet their mandates. These considerations, and the realization that it had to increase its attention to retaining and satisfying its clients, led PWGSC in 2002 to conduct a wide-ranging examination of its approach to client service. The results of this comprehensive reorganization and refocusing of the department are reported.</p>
3D Netherlands National purchasing of healthcare provision	<p>Drs. Henk van Vliet and Professor Jan Telgen <i>Purchasing consequences of Dutch health care organisation and financing.</i> The Dutch healthcare system is a mix of public and private schemes. With a total turnover of €44 billion, the health care sector towers far above other large sectors such as education, and housing. This turnover accounts for approximately 9 percent of the gross domestic product. The case details the purchasing consequences of managing within such a hybrid and fragmented system.</p>

Case	Case synopses
4A US Federal	<p>David Drabkin and Professor Khi V. Thai <i>U.S. Federal Government procurement: structure, process and current issues.</i> Public procurement in the United States is very fragmented, therefore the paper focuses on the U.S. federal procurement structure and process, which was harshly criticized during the “Reinventing Government” movement in the early 1990s. Uneasiness by elected officials and customers (service delivery managers, and citizens) about rule-driven processes, and perceived inefficient delivery systems has led to two legislative pillars of procurement reform: The Federal Acquisition Streamlining Act of 1994 and the Clinger-Cohen Act of 1996. The paper focuses on reform issues mandated by the two Acts above, and on identifying the issues that emerge from the reform process.</p>
4B E-commerce in Australian States and European nations	<p>Christine Tonkin <i>e-Procurement: a cross jurisdictional comparison.</i> This case study encapsulates an analysis of the adoption of e-procurement by selected Australian and European Union jurisdictions. While there are a number of studies that consider specific e-procurement projects, this case study takes the jurisdiction as the unit of analysis. In this way the range of e-procurement initiatives within a jurisdiction can be considered in the context of the public policy settings that pervade public procurement and substantially influence its nature within constituent organizations.</p>
4C South Africa Province	<p>Karen van Vuuren and Professor JA Badenhorst-Weiss <i>South African Provincial Government Reform: using a shared services model to transform 'Back-Office' support.</i> This case study focuses on the Gauteng Provincial Government (GPG), with specific reference to its newest Department, the Gauteng Shared Service Center (GSSC). The GSSC was established to pool together internal support functions that are frequently duplicated across the Provincial Government Departments. GSSC strives to promote good governance by building a Purchasing Unit that is team and performance oriented, flexible yet aligned to process - socially conscious, yet driven by value for money and customer satisfaction. GSSC actively pursues BEE (Black Economic Empowerment) collaborative efforts and targets to exceed any regulatory spend targets in this arena.</p>
4D United Nations	<p>Johan van de Gronden, Karsten Bloch, Niels Ramm, Professor Christine Harland and Dr Helen Walker <i>Procurement in the United Nations System.</i> This international case study describes purchasing and supply issues across a highly complex network of organizations that comprise the United Nations. The United Nations was established in 1945 by 51 countries committed to preserving peace through international cooperation and collective security. Today, nearly every nation in the world belongs to the UN, with membership now at 189 countries. Some of the major reform efforts impacting on purchasing and supply in the United Nations are presented in this case. Key issues and challenges include recognition of the procurement profession, cost effectiveness and performance management, the appropriate use of new technology and e-procurement, affirmative action for supplier development, and greater harmonization across the UN system.</p>

Table B: Case synopses

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5 Comparing Cases: data summaries and discussion

5.1 Macro-environment

5.1.1 Summary of Data

Table C, below, provides an overview of the key features of the context in which the case public procurement entities operate. Table E shows details of the structure of the public sectors featured in the cases, which relate closely to some of the issues discussed below under political factors.

Case	Macro-environment: Political, economic, social and technological factors
1A Australia State	<p>State governments were established before federal government. Initially each State Premier dealt directly with the British Government. Federation began in 1901, but it was not till 1942 that federal government gained control over income tax. The historical development of state and federal government still has important implications for power structures and relationships between states, and between federal government and state governments today. A distinct feature of Australia is the relative autonomy of the States. Put simply, in areas such as education and health, the federal government attempts to influence policy even though service delivery is the responsibility of the states, creating what has been termed vertical fiscal imbalance between the parties.</p> <p>Another factor is that the population is concentrated in a very small area of a large country. The capital, Canberra is very remote (in social, political and economic terms, not just geographical). Some States are economically vulnerable: Western Australia State is isolated, and has a mining history. Long distances mean that there is a strong focus on infrastructure. If local firms lose out to national or international firms the local population reduces, use of infrastructure reduces etc with the high risk of downwards spiral.</p> <p>Across the States, there is a predominance of New Public Economy/Economic Rationalisation values/ideology favouring:</p> <ul style="list-style-type: none"> • vfm • devolution • Competition Policy • electronic commerce • Public Private partnerships <p>Federal structure shifting balance of responsibility between federal (Commonwealth) and State levels. Significant decentralisation.</p>
1B Belgium	<p>Based on the territorial decentralization principal, the Constitution entrusts the general interests of territorial units to three levels of government, with directly elected representations at each level. So, the lower levels in the structure have autonomy, legal competences and their own sources of finance.</p> <p>At the top, we find the Federal State, the Communities and the Regions. These institutions are on an equal footing from the legal viewpoint, but have powers and responsibilities for different fields. For the moment, the central State retains responsibilities not explicitly allotted to the communities and the regions. They can, however, be transferred later on, when a new article in the Constitution has enlisted the exclusive competences of the central government.</p>

Case	Macro-environment: Political, economic, social and technological factors
1C Singapore	<p>Singapore was a UK colony until 1959. The Westminster framework of government, with a single chamber Parliament was adopted but is dominated by the People's Action Party since 1959. Although the politics is based on a democratic framework, the style of government has been characterised as authoritarian, which rejects liberal ideas associated with western democracies. The Singapore leadership still challenges the relevance of the pro-democracy movement to Asian nations.</p> <p>The balance of the racial mix is heavily toward the Chinese (75%) leaving the Malay (15%) as a minority, thus two different cultures have to live side by side. In terms of geography Singapore is very small, the size of the Isle of Wight. The Singapore system was seen as an authoritarian one, with much control in the hands of a few (an elite). Participants noted a commitment to <u>meritocracy</u> (based on academic qualifications), mixed with elitism based upon strong streaming in schools, intensive education programmes for gifted children, and government scholarships made available to the brightest students to attend leading international universities (Yale, Harvard, etc.)</p> <p>Low spend on public services (17% of GDP), no welfare state. Continuity and stability arising from the dominance of the People's Action Party since 1959. Triangle of power: Ministers, Administrative Service leaders and business leaders, with people moving between these categories, interlocking directorships, etc. Very small state, with unitary system of government. Unlike political leaders in a western liberal state, leaders don't always recognise the plurality of interests which shape politics. (Comment: Singapore is now as UK once was, when business and state were seen as integrated.) Concern with defence and security. A high proportion of the current budget is for defence. Limited interest group politics, or lobby-based/demand-based politics. There are trade unions, but they are expected not to play a confrontational role.</p> <p>Economic prudence: Budget surpluses built up over 30 years, through economic growth and Ministries under spending. Surplus used to build very large foreign reserves, which helped Singapore in the recent economic downturns. During the last two years, there has been a deficit. Expected to return to surplus, but not to the same extent as in the past.</p> <p>The ratio of operating expenditure to GDP has remained constant. Government. does not increase public spending to kick-start the economy, when in downturn.</p> <p>Tax breaks for educated women who have children (previously needed to be graduates, now for those with O-levels plus).</p> <p>Government has embraced IT, seen as the hub of the economy. E-commerce is used extensively. Government websites however provide limited information.</p> <p>Government wants to be seen as a role model in the region: Best practice is a popular term. Singapore is considered as a best practice model in the region in relation to public management, housing and education.</p>
1D US State and Local	<p>The Constitution only recognises State Governments, not local. Each State determines its own local government structures.</p> <p>A key tenet of structure and accountability in the US system is separation of powers. Effectiveness in achieving this goal is considered to be more important than achieving efficiency.</p> <p>Reinventing Government All about streamlining processes. Initiated by Al Gore, who focused particularly on federal acquisition regulations.</p>
2A Finland Regional Consortium	<p>The Kuopio region consortia consists of 13 volunteer organizations. These are the City of Kuopio, 6 other municipalities, 2 joint municipal health care authorities, a hospital district and a limited company subsidiary of that health district.</p> <p>The municipalities are responsible for a wide range of services. Joint municipalities are organized by the municipalities either on a voluntary basis, or by legislation. Municipalities are financed from several sources: service payments (24%), taxes (51%), enterprise tax (9%) and a further 16% subsidy from state government.</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>In Canada, the public sector operates across four levels; (a) the Federal Government in Ottawa, (b) ten provincial governments, (c) thousands of municipal governments of cities, towns and villages, and (d) thousands more local school, university/college and hospital boards and other agencies.</p> <p>As a percentage of GDP, public sector spending represents roughly 40.5%.</p>

Case	Macro-environment: Political, economic, social and technological factors
2C Australia procurement education	See case 1a above. A major Government economic policy change although not directly aimed at Government procurement had a dramatic effect on it. This was the introduction of the Government's Competitive Tendering and Contracting policies. Competitive Tendering and Contracting changed the approach to Government business (and especially procurement) from one of making it more efficient through better management to one of outsourcing as much as possible.
2D Germany consortium for electricity	Federal government with 16 (more or less) independent states. Very complex, highly decentralised system, with c35000 purchasing entities. On the other hand, especially the federal government sees the necessity in ongoing reforms. There is a need for government structures to adapt to the new requirements and needs of the citizens. In the coalition agreement "Mobilisation of resources and renewal - Germany's way into the 21 st century", the Federal Government has committed itself to this objective. The new guiding model is the state as an enabler and catalyst of modernization. This guiding model is to be implemented on the basis of 15 projects that are aimed to modernize public administration. "Modern state - modern administration" is the framework reform project for all aspects of new administration.
3B UK English National Health Service	There is a drive to modernise public services, with particular attention paid to NHS. Ageing population and new technologies are placing ever rising demands on NHS. Privatisation policies of Conservative governments since the mid-1980s have resulted in many former public services being operated by commercial organizations, and widespread use of commercial suppliers for public organizations' support services; though the underlying case has changed somewhat, continued drive to extend the use commercial suppliers to provide public services.
3C Canada National Public Works and Services	Canada is a constitutional monarchy, a federation and a democracy. The responsibility for governing at the federal level is shared by the legislative, executive and judicial branches. The legislative branch of government consists of the Queen and two houses of Parliament: the House of Commons and the Senate. The executive branch comprises the Prime Minister, Cabinet and the Public Service. The judicial branch is the court system, culminating in the Supreme Court. Together, the legislative and executive branches create the laws of the land. Ministers propose legislation, which goes through a detailed process of review, debate, examination and amendment through both chambers en route to final approval. The executive branch of government comprises those who propose policies and bills (Prime Minister and Cabinet) and those who carry them out (the Public Service). The judiciary in Canada is independent of Cabinet, Parliament or of any other state institution. This impartiality allows the courts, and especially the Supreme Court, to interpret laws against the Constitution and the Charter of Rights and Freedoms. Over time, the judiciary has played a key role in defining the division of powers between levels of government. The people of Canada have been looking for governments to become smaller, more effective, affordable, and accessible while providing quality services. Government Agenda - the Government's management framework 'Results for Canadians' was modernizing the way government is managed, based on four principles - a greater focus on citizens, managing for results, responsible spending, and public service values. - the Task Force on Modernizing Human Resources Management was developing significant reforms on four interrelated themes: value, staffing recourse and labour relations; and, - the Modern Comptrollership Framework was moving to improve management practices by increasing departmental capacity in a variety of areas such as risk management, financial control and the use of integrated performance information.
3D Netherlands National purchasing of healthcare provision	The costs of health care increase every year, because of the increasing demand for services, demographic developments and ever-advancing technology. This is cause for concern for the government, which fears that accessibility and affordability will be put at risk in the near future. Premiums for social health care insurance are collective expenses and therefore affect the purchasing power of citizens in the Netherlands. The purchasing power influences the Netherlands' international competitive position through wage costs. For these reasons, the government does not want collective expenses to rise excessively. Attempts have therefore been made to control the cost developments as far as possible, through the implementation of extensive legislation and rules.

Case	Macro-environment: Political, economic, social and technological factors
4A US Federal	<p>US Federal government employees face an environment where citizens' expect more and better public service, without raising taxes. This translates into a challenge for public procurement (acquisition) to create strategic plans (for capital programmes) that are expected to establish performance levels beyond current capacity, or to maintain current performance with fewer resources. A further challenge for US Federal procurement is the level of public accountability and transparency demanded by the public and enshrined in government ordinances, the public (and the press) have explicit rights to public sector information.</p>
4B E-commerce in Australian States and European nations	<p>Due to the volume of material for detailed background to each country/state see Table 2 in the case (Salient contextual information about political, social, economic and public sector organizational factors in each jurisdiction) in the conference proceedings.</p> <p>The eEurope 2005 agenda aims: to expedite European Union entry into the information age, develop greater coherence between EU members, and encourage Europeans to go on-line, is driving the e-Government initiatives of member states including the use of e-procurement. However, its influence on the actual adoption of e-procurement varies between the respondent European jurisdictions. In some it seems to have considerable influence, while in others there is little or no apparent impact. In Australia the intense competition between states for economic success appears a less important driver for implementing e-procurement than has been the case in some of the European jurisdictions. In Australia it is clear that in one or two jurisdiction the decision to adopt e-procurement under high profile projects was to some extent about positioning as leaders in the use of e-commerce.</p>
4C South Africa Province	<p>The comment was made that the Shared Service Centre is a flagship for whole of SA – this implies it is a very high profile operation.</p> <p>NB often 'equity' is used to refer to a minority, in SA equity is actually used in the context of the majority. The government's emphasis is on integrating the existing first world economy with the existing third world economy, only 13% of people involved in economy. In Gauteng shared services it is believed that you have to understand the supply markets and manage suppliers in order to be experts on black empowerment. It is not enough to window dress on the outside, so this is why they have such an emphasis on internal coherence, team lack tertiary education and team work, so factions arise, lots of team training.</p> <p>Gauteng may have 30-40% unemployment, but it could also be as high as 60%. Large companies are becoming very astute at playing system and the Preferences Act; Government is against SETASIDE; as little as 10% of spend in Gauteng actually goes to black companies, but tracking is problematic at present.</p> <p>The goal all the time is to reach black businesses in a way that builds sustainable black businesses.</p>
4D United Nations	<p>The United Nations was established in 1945 by 51 countries committed to preserving peace through international cooperation and collective security. Today, nearly every nation in the world belongs to the UN, with membership now at 191 countries.</p> <p>The "United Nations System of Organizations" covers a wide variety of organizational units (centres, agencies, organizations, commissions, programmes, etc.) with different institutional and functional structures. The principal organs and subsidiary bodies of the United Nations Secretariat are included under the regular budget of the United Nations, as authorized by the General Assembly. Other agencies of the UN system, however, have their own regular budgets or are financed solely from voluntary contributions. These latter two categories, moreover, possess a certain degree of autonomy.</p> <p>Member organs of the United Nations reporting annually to the General Assembly and, as appropriate, through the Security Council or the Economic and Social Council, include:</p> <ul style="list-style-type: none"> UN - United Nations Secretariat UNICEF - United Nations Children's Fund UNCTAD - United Nations Conference on Trade and Development UNDP - United Nations Development Programme UNEP - United Nations Environment Programme UNFPA - United Nations Population Fund UNRWA - United Nations Relief and Works Agency for Palestine UNU - United Nations University WFP - World Food Programme UNHCR - United Nations High Commissioner for Refugees UNCHS(Habitat) - United Nations Centre for Human Settlements OCHA - Office for the Coordination of Humanitarian Affairs <p>The specialized agencies, a term first used in the United Nations Charter which provides for</p>

Case	Macro-environment: Political, economic, social and technological factors
	<p>international action to promote economic and social progress, report to the Economic and Social Council. These specialized agencies work in the economic, social, scientific and technical fields and possess their own legislative and executive bodies, their own secretariats and their own budgets. These include:</p> <p>ILO - International Labour Organization FAO - Food and Agriculture Organization of the United Nations UNESCO - United Nations Educational, Scientific & Cultural Organization ICAO - International Civil Aviation Organization WHO - World Health Organization WB - World Bank Group IMF - International Monetary Fund UPU - Universal Postal Union ITU - International Telecommunication Union WMO - World Meteorological Organization IMO - International Maritime Organization WIPO - World Intellectual Property Organization IFAD - International Fund for Agricultural Development UNIDO - United Nations Industrial Development Organization WTO - World Tourism Organization</p> <p>IAEA, established "under the aegis of the United Nations" also reports annually to the United Nations General Assembly. The United Nations and GATT (General Agreement on Tariffs and Trade) cooperated at the secretariat and inter-governmental levels since 1947. On 1 January 1995, GATT was replaced by the World Trade Organization, which is not part of the UN system.</p> <p>Under the authority of the Economic and Social Council are the Regional Commissions, whose aims are to assist in the economic and social development of their respective regions and to strengthen economic relations of the countries in each region, both among themselves and with the other countries of the world. These are the Economic Commission for Africa (Addis Ababa), Economic and Social Commission for Asia and the Pacific (Bangkok), Economic Commission for Europe (Geneva), Economic Commission for Latin America and the Caribbean (Santiago) and Economic and Social Commission for Western Asia (Beirut). The regional commissions study the problems of their regions and recommend courses of action to member Governments and specialized Agencies. In recent years the work of the commissions has been expanded, and they are now increasingly involved in carrying out development projects.</p> <p>Not formally part of the UN system, the regional development banks, nevertheless, work closely with UN organizations. These include the African Development Bank (AFDB) in Abidjan, the Asian Development Bank (ASDB) in Manila, the Caribbean Development Bank in Barbados and the Inter-American Development Bank in Washington, D.C.</p>

Table C: Macro-environment - PEST factors

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.1.2 Key Points on Political, Economic, Social and Technological Factors

Political	Economic	Social	Technological
Constitutional forms and constitutional reform dictate procurement organization. In many cases there are 'modernising government' reforms linked often to an ideology of 'new public management'.	There is considerable variation in the public sector expenditure as a proportion of GDP. The proportion of public sector entities' budgets that is spent externally, sourcing goods and services from the commercial sector, can vary widely according to the level of government. Economic drivers can have very different effects on public procurement	Across nearly all the cases there is a concern for local autonomy. Public procurement has to manage representing the 'local' whilst meeting national level policy. Some of the cases describe public procurement being used to meet social objectives.	The differing approaches to 'e-' adoption provides an example of just how public procurement is conducted at a national level. There appears to be no incentive or motivation to learn from other government's experience.

Table D: Political, economic, social and technological factors

A number of jurisdictions in the study have recently undergone, or are currently undergoing, major constitutional reform. The South African constitution sets out provinces' competences. In Belgium, through ongoing reforms, competences are being reallocated between the different authorities. Communities tend to deal with 'personal' areas such as education, sport and culture. Health is contested. For now, any competences not specifically delegated to other authorities remain at federal state level.

All these reforms reflect changing ideas about the appropriate degree of autonomy of states/regions within the national/federal system. In some cases there are vigorous, current efforts to devolve power to the regional level, for example South Africa and Belgium. In other cases (e.g., Australia and United States), it is the states that originally held power and this has only been ceded to a limited extent to federal levels. In Germany, the autonomy of the states was established as part of post-WWII reforms.

The 'New Public Economy'/'Economic Rationalisation' ideology centred on notions, structures and practices such as:

- ◆ value for money (vfm)
- ◆ devolution
- ◆ Competition Policy
- ◆ electronic commerce.

Public Private partnerships are evidently popular in several cases, notably the US, Australia and the UK. Also most of these issues are relevant in Singapore, though they still have government linked companies (e.g., in the shipbuilding industry), and the absence of privatisation is not consonant with other aspects of policy.

Many of the cases relate examples of major programmes to 'modernise' government, for example the UK, Germany, the US, Canada, but not all of these specifically direct attention to procurement. For example, there is no pressure to reform procurement in Germany and Belgium. In Belgium, the focus is instead on financial reform, as it is in the US federal case and the NHS case. (See 3C Canada entry on Government agenda in Table E: Nature of sector.)

Procurement does receive direct political attention in two cases. In the US, initiated by Al Gore, there is specific attention from the highest level on streamlining procurement process as part of efforts to reduce bureaucracy. In South Africa, the contribution of public procurement to delivering government objectives is recognised in the Constitution (but perhaps other nations might make a similar acknowledgement if they had very recent constitutions).

The values of the new public economy are a move away from a distinct public sector based upon a unitary conception of public service to a more pragmatic concern with achieving outcomes. The implication is that the term 'public sector' is becoming less precise – public sector policy goals are increasingly seen as achievable either working with or through private sector organizations. These 'modernisation' programmes impact upon, but are not led by, procurement. South Africa is an exception in having procurement mentioned in the constitution.

Spend on public services varies enormously from 17 percent of GDP in Singapore, where there is no welfare state, to 40 percent in Canada and 44 percent in the UK. In Singapore, the ratio of operating expenditure to GDP has remained constant. In Canada, while spending steadily grew over the four decades from 1950 to 1990, government reform and an economic slowdown reversed the trend from 1990 to 1999 at a rate of 5 percent.

Australian and Canadian public procurement (external spend) is approximately 30 percent. In Singapore, expenditure on government procurements has declined marginally in real terms and currently comprises about 27 percent of public spending (source: WTO). In the US, there is a big difference in the proportion of spend which is external, according to level of government – typically 50 percent of states' budgets are spent externally, but this drops to 30 percent at local level.

In Singapore, the reliance on imports makes it essential that the Singapore public sector is seen as a 'good customer', which has a direct impact on public procurement regulations, and compliance with regulations. In South Africa, black economic empowerment (BEE) is a major factor in shaping the goals and processes of public procurement. In Western Australia, weaknesses in the industrial sector (traditionally, mining) make any public procurement decisions which could have a detrimental effect on economic infrastructure highly sensitive.

Social factors featured as a general aspect of context in only a few cases. Several cases mentioned public procurement regulations concerned with economic advancement of people in disadvantaged sectors of society (typically minority groups such as indigenous or disabled people, though the majority in the South African case), and these are reviewed later in the report.

In some areas geographical and social factors seem to be mutually shaping. The history, sparse population and enormous distances in Australia have contributed to a competitive and independently minded system. Singapore's size, population density and lack of natural resources has led to a centralist and 'open' public sector, willing to allow international businesses to supply the Singapore state sector. Singapore's history and politics also lead to a culture of compliance (with regulations) which is not apparent in many other nations.

Changing demographics was also mentioned in several cases; for example the English NHS is having to contend with an ageing population placing ever greater demands on health services, and in Singapore different birth rates within different racial communities have an impact on

economic and political issues. The implication here is that national procurement policies must ‘fit’ with social and geographical constraints.

There was very little discussion over all the cases of technical matters, other than relating to e-commerce, which is covered in detail elsewhere in this report. Stream 3 was representative in finding across their cases that innovation and public sector procurement could be incompatible; where the public sector is a dominant purchaser setting up long-term contracts would increase entry barriers for innovative products and services. New health technologies place considerable upward pressures on the two health cases – the UK and The Netherlands. The adoption of electronic commerce, websites, etc., is favoured in that it can deliver transaction efficiencies, but also because it is seen as an essential part of being seen to be modern (e.g., Singapore). On the other hand, there is concern (e.g., in US and South Africa) about the impact on some SMEs if more public procurement is undertaken electronically; poor e-literacy and the digital divide threaten to exclude parties. Poor e-literacy among many senior public procurement officials was also discussed in Stream 1 as being an important constraint on implementing e-commerce.

5.2 Nature of Sector/Service

5.2.1 Summary of Data, Focused on Structure

Though it is not always easy to differentiate the focal unit of the case from its context, the entries in Table E below summarise the key aspects of the particular part of the public sector that features in the cases.

Case	Nature of Sector
1A Australia State	<p>There is a Federal government and six State governments – Queensland, Victoria, New South Wales, South Australia, Western Australia and Tasmania. There are also two territories which are independent but do not have the status of states – Australian Capital Territory and Northern Territory. Each of these jurisdictions is independent in respect of their purchasing policies and purchasing practices.</p> <p>An inquiry in 1993 led to implementation of a program to increase competition in areas of government monopoly from 1995; energy, health, education and transport (especially rail) were considered monopolies. Different states have implemented these policies in different ways (e.g. there are several models of restructuring rail). By the end of the 1990s, there were policy tensions.</p> <p>The Commonwealth Government monitors compliance with Competition Policy at State levels. In rail, there have been problems due to the financial failure of operating companies, and also safety issues. In economic terms, privatisation has failed to produce clearly advantageous results. In the discussion one participant likened the Federal vs. State relationship to ‘parents and squabbling children’, vying for money and attention.</p>
1B Belgium	<p>The situation is one of major recent reforms of government structures, underpinned by autonomy. Funds flow (i.e. via tax receipts being reallocated) from the relatively wealthy north, to the poorer south. There is a clear tendency for the higher levels of the administration to gain more and more power.</p> <p>The Belgian State structure is highly complex. Belgium is a Federal State made up of three (geographic) Regions (Wallon, Flemish and Brussels Regions) and three (language/culture related) Communities (Flemish, French and German). Each Community and Region has its own council/parliament and government, though the Flemish Community and Region act through one government and administration. There are thus 7 Regional/Community Parliaments, and 6 Governments.</p> <p>At the next level down there are 10 Provinces, which are supervised (primarily) by the Regions, though they may also be accountable to State and Community authorities on certain matters.</p> <p>At the third level, there are 589 communes/municipalities. These too are supervised (primarily) by the Regions, though they may also be accountable to State and Community authorities on certain matters.</p>

Case	Nature of Sector
	<p>At each level, public interest organizations can be formed to carry out public service obligations. Communities tend to deal with 'personal' areas such as education, sport and culture; responsibility for health is contested.</p> <p>Through ongoing reforms, competences are being reallocated between the different authorities. For now, any competences not specifically delegated to other authorities remain at Federal State level. Provinces and Communes (municipalities) are autonomous under the constitution, but are overseen by the Regions.</p>
1C Singapore	<p>The system of government in Singapore is based upon the parliamentary or Westminster model. Executive power is exercised by a cabinet, which is responsible to and drawn from a unicameral elected parliament. Under the control of the cabinet are the institutions of government administration delivering a wide range of public services. They comprise 14 ministries of the civil service, and over 40 statutory boards.</p> <p>The last mentioned discharge specialist and commercial functions of government administration, ranging from higher education to food safety and veterinary services. Certain statutory boards are funded by the government, whilst others are partly or fully self-financing, although all boards are affiliated to a particular ministry and responsible to a minister. Most statutory boards are primarily implementing bodies, but some of the major ones do play a crucial role in policy-making. In 2002, the number of employees in the civil service and government-funded statutory boards was about 120,000 with over 61,000 employed in the civil service itself. (BD, 2002). An additional and significant part of the public sector are government-linked companies, which are fully self-financing and outside the budgetary process. Some of these previously have been statutory boards or formed part of statutory boards. Policy and procurement is influenced by the 'triangle' of Ministers, Admin (the elite of the civil service) and business leaders.</p> <p>The premier service in the Civil Service is the Administrative Service which is led by an elite of influential high-flyers. The most talented Administrative Service officers are fast-tracked. The salaries of top Administrative Service officers, as well as government leaders, are benchmarked against salaries of senior professional and business managers. Ministers, Administrative Service leaders and business leaders form a triangle of power.</p> <p>Budgetary control is delegated to Ministries, which decide what proportion is allocated to external expenditure.</p> <p>Although the ruling party, PAP, is dominant, policy decisions are shaped by a variety of sources such as the Civil Service and business elite.</p> <p>Government 'talent spots' to identify new Ministers, who may not be established MPs and may not have been Party members. Previously, many Ministers have been business leaders and senior civil servants. Ministers are like CEOs, a former Finance Minister was CEO of Shell. Singapore is effectively a 'non-political state'. Business interests are considered important; policy has significantly been shaped by the interests of the business elite.</p> <p>There are 13 Ministries, and 40+ statutory boards, such as Tourist and Hotel Board, to perform functions outside mainstream administrative. Boards have more independence than Ministries.</p> <p>There are also many government linked companies (GLCs), for example Sembawang Corp (shipbuilding, construction and civil engineering). These are beginning to be reviewed, as they are somewhat of an anomaly given the free market ethos.</p>
1D US State and Local	<p>48 of the 50 States have County governments. The number of 'Special District Governments' is growing, as services such as fire services, and water and electricity providers, are managed as discrete organizations. For example, a Fire and Rescue District has the same boundaries as local government; the separation allows costs to be moved off the general budget. Special District boundaries cannot cut across boundaries without the mutual agreement of relevant local authorities.</p> <p>At State level, typically 50% of budget is spent externally, whereas at local level typically 70% is on personnel, and 30% is external.</p> <p>There are 87000 local government units.</p> <p>Florida, for example, has 67 Counties. In Broward County, there are 31 Municipalities.</p>
2A Finland Regional Consortium	<p>The consortia is run out of the purchasing office of Kuopio city, located in the finance organization. The City forms the majority of the regional purchasing council and makes formal purchasing decisions for all product groups procured by the consortia.</p> <p>Council decisions focus on high value (above 200.000 euro) decisions, but council decisions can be challenged by citizens or others within a two week period. Transparency is further enhanced by documents required to be in the public domain (except where classified as commercial secrets), tender documents are public documents. Improved (centralized) warehousing and</p>

Case	Nature of Sector								
	<p>cross-docking are key parts of the scheme. Software and accounting integration remains an issue across the consortia.</p> <p>The case describes the Kuopio region of Finland's purchasing consortia, which consists of municipalities and joint municipalities.</p> <p>Consortia annual spend is in the order of 213 million euros (117 on services and 96 million on materials).</p>								
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>Advanced education in Canada includes universities, colleges, and technical and arts institutes. There is an increase in the population of 18–29-year-olds and adult learners from older age groups, which is narrowing the gap between those exiting and entering the labour force this decade, therefore the demand for advanced educational services and industry training is expected to place increasing demand for educational and training programs across Canada.</p> <p>Operating expenditures for publicly funded universities, colleges and institutes in Canada is roughly \$21.16 billion, or 5.62% of the public sector spends. Funding for the advanced education sector comes from government transfer payments, primarily at the provincial level, with additional funds from tuition fees, the sale of goods and services, investments and other sources</p> <table data-bbox="555 689 967 813"> <tr> <td>7.2%</td> <td>Federal transfer payments</td> </tr> <tr> <td>46.8%</td> <td>Provincial transfer payments</td> </tr> <tr> <td>0.1%</td> <td>Local transfer payments</td> </tr> <tr> <td>45.9%</td> <td>Fees and other sources</td> </tr> </table>	7.2%	Federal transfer payments	46.8%	Provincial transfer payments	0.1%	Local transfer payments	45.9%	Fees and other sources
7.2%	Federal transfer payments								
46.8%	Provincial transfer payments								
0.1%	Local transfer payments								
45.9%	Fees and other sources								
<p>2C Australia procurement education</p>	<p>State government is linked to state procurement, which gives more influence to Labour/unions, and therefore there is less outsourcing.</p> <p>This case study examines public procurement education in Australia with a primary focus on the Australian Federal and Queensland State Governments. It concentrates in particular on the certification system and associated training program that has been set up to support the implementation of Queensland Government purchasing policy. It contrasts the arrangements in Queensland with those at the Federal level. This attention is justified as the policy support mechanisms and training programs of the various Australian jurisdictions vary considerably.</p>								
<p>2D Germany consortium for electricity</p>	<p>The embedding of DLR and the structure connected with that is quite complicated (see the overall position in Figure 1). This makes the case very challenging, because there are both a lot of different stakeholders with different interests as well as a lot of reform aspects. To give a brief overview, here are the main parties involved:</p> <p>The focal organization (DLR – German Aerospace Centre) is the space research institute, a national level organization, which is funded by Ministry of Education and Research, via Helmholtz, an institution of 15 large research organizations. This research institution is mainly financed by the German national government and therefore a typical public institution. On the other hand, DLR has the legal entity of an “incorporated society” (eingetragener Verein, e.V.) which is quite unusual for public authorities. The budget of DLR for its own research and development work and its other operations amounts to some 360 Million €, of which approximately one third are funds earned from outside parties as a result of contracts awarded to it on a competitive basis. The DLR also administers the space budget of the German government, which totals some 760 Million €. DLR deals also with other tasks, e.g. further developing the fast-growing aviation market in ways of benefit to Germany as a production center or doing research in energy or transportation technology.</p> <p>DLR is a member of the Helmholtz Association. The Hermann von Helmholtz Association of National Research Centres pursues long-term research objectives of the country as an autonomous scientific body. The Association is mainly funded by the Federal Republic of Germany and thus in a position to programmatically bundle considerable resources. Furthermore, it possesses a sophisticated scientific-technical infrastructure. The central tasks of the Association lie in the areas of (a) development, construction, and operation of large facilities for fundamental and application-oriented research, also or mainly for external scientific users from Germany and abroad, (b) long-term programs of national and international significance for complex scientific and technical issues (multidisciplinary systems solutions, interdisciplinarity), (c) high-technology developments with long lead times, as well as (d) provision of a range of scientific services and managerial functions in applying for research funding (project management), in guidance for politicians to enable informed decision-making, as well as in opportunities for training and qualification. The total budget of Helmholtz and its members is approx. 2.2 Bill. € in 2002.</p> <p>As mentioned above, DLR is the German counterpart of the European Space Program and therefore working intensively with the European Space Agency (ESA). ESA's job is to draw up</p>								

Case	Nature of Sector
	<p>the European space plan and carry it through. ESA's mandatory activities (space science programmes and the general budget) are funded by a financial contribution from all the Agency's Member States, calculated in accordance with each country's gross national product. In addition, ESA conducts a number of optional programmes. Each country decides in which optional programme it wishes to participate and the amount of its contribution. Therefore each national space agency (e.g. DLR) has to apply. In 2001 the budget was 2856.8 million €. ESA operates on the basis of geographical return, i.e. it invests in each Member State, through industrial contracts for space programmes, an amount more or less equivalent to each country's contribution. Therefore ESA expects from its contractors that subcontracts arising from ESA contracts shall only be placed to companies of member states, according to a given industrial return scheme. This influences DLR purchasing decisions very much and is one of the points with major reform impact!</p> <p>The German Ministry of Education and Research (Bundesministerium für Bildung und Forschung / BMBF) is the main funding institution for both DLR and Helmholtz. By 2004 only Helmholtz is going to be funded in a direct way by the BMBF. Besides a basic financial support for administration in the form of a program oriented support ("programmorientierte Förderung") the DLR has to apply for programs from Helmholtz in competition with other national research institutions of the Helmholtz-Society. BMBF and Helmholtz have the supervision of the programs run by DLR. In fact, BMBF still owns a controllership office which all parties can call if they do not agree with a bidding procedure of DLR and other Helmholtz member institutions. Large-scale research institutes report through the Helmholtz institute to the Federal Ministry for Education and Research.</p>
<p>3B UK English National Health Service</p>	<p>Since 1997, there have been major changes to the structure of the NHS, and the organization of purchasing and supply, as illustrated in Figure 3 and Figure 4, for 1997/98 and 2002/03. In 1997/98, NHS Community Trusts and NHS Acute Trusts negotiated annual contracts with Health Authorities for the provision of specified types and numbers of interventions. An NHS Trust is one or more hospitals managed by a single Board of Directors. In principle, Trusts competed with one another for Health Authorities' business, though most Trusts had long-standing arrangements with their local Health Authorities (HAs). For specialist services or special patient cases, however, HAs contracted elsewhere. On a voluntary basis, HAs could co-ordinate their activities and have joint or lead commissioning arrangements with Trusts.</p> <p>NHS Community (hospital) Trusts and Health Authorities have been replaced by 303 Primary Care Trusts (PCTs), which are responsible for planning and securing health services and improving the health of the local population. PCTs are responsible for commissioning and the provision of health services. Among NHS Acute Trusts, there have been many mergers, and there are now some 300 NHS hospital Trusts.</p> <p>PCTs are overseen by 28 Strategic Health Authorities (StHA). StHAs are responsible for developing strategies for the local health services, managing their performance and ensuring that national priorities are integrated into local plans. Primarily, it is PCTs which are accountable for contracting with NHS Hospital Trusts, though some specialist services are commissioned regionally by StHAs, or nationally. These structural changes have important implications for the flow of funds through the health service, and the locus of decision-making power. The agreements between commissioners and providers have not traditionally been seen as relating to purchasing and supply, perhaps because they were between public sector bodies. This may, and arguably should, change however as PCTs and StHAs begin to contract with commercial healthcare providers.</p> <p>In December 1997, the Government published a White Paper - 'The New NHS - Modern, Dependable' (HM Government, 1997) which set out a high-level agenda for 'modernising' the NHS. Since then the 'NHS Plan' (Secretary of State for Health, 2000) has been published, accompanied by many more legislative, policy and guidance documents addressing specific areas in more depth. Key contextual factors for these reforms are rising demand, as people live longer, improvement in medical technologies, and greater expectations on behalf of citizens for the public services they receive (Wanless, 2001). Key drivers for these reforms are unsatisfactory performance in terms of quality of care and care outcomes, and differential performance between care providers and the desire to narrow the inequalities gap in terms of access and opportunity for patients. These problems are grounded in (a) structures and practices based on the 1948 model of the NHS, which are seen as outdated and incapable of meeting current and future requirements; (b) low levels of spending on healthcare compared to other European states; (c) insufficient capacity. Key themes in these reforms have been (a) establishing locally-led, integrated health care to provide more reliable and responsive services;</p>

Case	Nature of Sector
	<p>(b) improving health care outcomes, in particular to set standards and address pronounced differences in outcomes between providers; (c) developing management structures and practices to improve accountability and performance. Table 2 summarises the Government's view of a new model for the NHS.</p>
<p>3C Canada National Public Works and Services</p>	<p>The head of decision-making in the federal government is the Prime Minister, who provides overall direction for the government. The Prime Minister appoints the Cabinet from amongst elected members of his or her party. The Public Service works to "translate the declarations and definitions of public policy into action." In Canada, this means supporting the activities of the government of the day. Public servants devise options for action, Ministers decide on a course of action from among these options, and public servants then implement the decision.</p> <p>The Government's management framework 'Results for Canadians' is based on four principles the first of which is a greater focus on citizens.</p> <p>The Treasury Board (TB) manages the government's financial, personnel, and administrative responsibilities. It is considered the employer and general manager of the Government of Canada. It sets policy in these areas, examines and approves the proposed spending plans of all departments, and reviews the development of approved programs. TB is responsible for the preparation of the expenditure budget (the Estimates) and the monitoring of program spending. It also provides policy frameworks in numerous areas, including risk management, real property and contracting.</p> <p>The Canadian International Trade Tribunal is the main quasi-judicial institution in Canada's trade remedy system, with authority to conduct inquiries into complaints by potential suppliers concerning procurement by the federal government that is covered by the North American Free Trade Agreement, the Agreement on Internal Trade and the World Trade Organization Agreement on Government Procurement. Approximately 55% of PWGSC procurement (by value) is subject to these Agreements.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>At the central level, the government has a number of acts at its disposal which, in fact, form the framework for fair distribution of the (premium) income received. The four most important acts are the "Ziekenfondswet" (National Health Insurance Act), the AWBZ (Exceptional Medical Expenses Act), the WZV (New Hospital Planning Act) and the WTG (National Health Tariffs Act).</p> <p>The AWBZ provides cover against the cost of expensive or long-term health care for anyone who is resident in the Netherlands. The WZV and the WTG are acts aimed at control of the capacity and costs of available care. The WZV is a planning act which indicates the institutions which may provide care, where their buildings may be located, their size and number of beds available for patients etc.</p> <p>Guidelines form the basis for negotiations on tariffs between health care suppliers and health insurers. The guidelines take into account all kinds of parameters such as the number of inhabitants in an area, number of beds, number of doctors, average income for professional practitioners, standard costs and adjustment mechanisms.</p> <p>The guidelines lead to the formulation of budgets for institutions. This is done in local negotiations between the institution and the Health insurers. Based on this budget, the various types of tariffs are then determined, which the institute will charge in order to gain funds for the budget.</p> <p>Tariffs are approved or set for approximately 3,000 institutions, and well over 10,000 decisions are made each year. Furthermore, about 500 tariff decisions for approximately 40,000 professional practitioners (sub-divided into more than ten categories) are issued each year.</p> <p>From a government point of view, the financial framework for tariffs and budgets is the Review of the Care Sector, the so called Zorgnota. This financial review, which is published annually by the Minister for VWS (Health, Welfare and Sport), indicates the macro-budgets for the various components of health care. During discussions on the departmental budget each year, members of parliament and the cabinet exchange ideas on the scope and contents of the Review. The macro-budgets given in the Review are an important precondition in the establishment of policy, which in turn helps to determine the micro-budgets of individual institutions.</p>
<p>4A US Federal</p>	<p>In the United States, the Federal government (not including state and local governments) procured \$231.08 billion and made 33.19 million procurement actions in fiscal year 2000.</p>

Case	Nature of Sector
<p>4B E-commerce in Australian States and European nations</p>	<p>This case analyses the adoption of e-procurement by six Australian and seven European Union jurisdictions. The EU jurisdictions include some of the smallest in terms of population, e.g. Ireland, Denmark, Belgium and the Netherlands as well as the three largest, Germany, France and the UK. Being part of the EU these jurisdictions are bound together as an international geo-political unit with a common context for public procurement as well as for e-procurement adoption in the form of the e-Europe agenda. The Australian jurisdictions are also bound together as a geo-political unit – a federation of states which have divided their powers through the Constitution and by subsequent agreement with the Federal Government. The Australian jurisdictions also share a common policy framework for the adoption of e-commerce in procurement in the form of the Government framework for National Cooperation on Electronic Procurement which was formulated through the Australian Procurement and Construction Council, a national body of which the Australian Federal, State and Territory Governments are members.</p>
<p>4C South Africa Province</p>	<p>Gauteng is the smallest province in South Africa with an area of 21 025 km². It constitutes only 1.7% of the total area of the country. The province is made up of five main sub-regions, namely City of Johannesburg, Ekurhuleni, The West Rand, City of Tshwane and Metsweding. Gauteng Provincial Government serves the population of Gauteng (about 7.8 million). Although Gauteng constitutes only 1.7% of the total area of South Africa, 18.5% of the total South African population reside in the province. Gauteng therefore has the highest population density of 369.7 persons/km². The average population density of South Africa is only 35.4 people per km². All other provinces have population densities of less than 100 people per km². The population in Gauteng grew by 10% between 1996 and 1999 from 7.2 million to 7.8 million. About 97.5% of the people in Gauteng stay in urban areas. This is high relative to the national urbanisation rate of 54.5%.</p> <p>Gauteng's Gross Geographic Product (GGP) amounted to R259 billion at current prices in 1999 or R200 billion in 1995 prices. This constituted about 35.8% of total Gross Domestic Product (GDP) in South Africa. No other province in South Africa contributes more than 20% to the GDP of the country. Although Gauteng's contribution to the country's GDP declined from 37% in 1991 to 35.8% in 1999, it is still the economic powerhouse of South Africa. The GGP per capita for Gauteng was R33 328 in 1999. This is twice as much as the average for the country. The province, however, ranks second behind Western Cape in terms of GGP per capita.</p> <p>According to the Constitution, provinces may have legislative and executive powers concurrently with the national sphere. These powers can be exercised to the extent that provinces have the administrative capacity to assume effective responsibilities. Provinces also have exclusive competency over a number of areas, which include diverse areas such as abattoirs and ambulance services.</p> <p>The Gauteng Provincial Government's twelve Departments (refer to PART I Section 4.2) are all customers of GSSC Procurement. By entering into Partnering Agreements with each Department and by negotiating and entering into Service Level Agreements (SLAs) with each institution, the GSSC and GPG Departments will ensure that GSSC delivers the support services to the Departments efficiently and cost-effectively. The SLAs, which give effect to the high level Partnering agreement, define a framework whereby performance targets between the GSSC and the institutions are spelled out. Each SLA sets out the detailed scope and clearly states the agreed performance levels for the specific services the GSSC renders to meet the needs of each institution.</p> <p>Stakeholders for Finance GPG has thirteen stakeholders for finance, 12 Departments and the Provincial Legislature, an independent body.</p> <p>Vote 1: Office of the Premier This Department's mission is to support the Premier and the Executive Council in implementing GPG policies as well as statutory and political responsibilities effectively and efficiently.</p> <p>Vote 2: Provincial Legislature The mission of this independent body is to observe its constitutional obligations, which include law making, the exercise of oversight, ensuring co-operative governance and public participation, while striving to maintain a modern, dynamic legislature in the 21st century, which reflects the values, aspirations and cultures of the South African people.</p> <p>Vote 3: Department of Finance and Economic Affairs (DFEA) DFEA's mission is to provide financial management leadership in the province and to optimize GPG's contribution to create an enabling environment for economic growth.</p> <p>Vote 4: Department of Health</p>

Case	Nature of Sector
	<p>The mission of the Department of Health is to promote and protect the health of Gauteng's people, especially those most vulnerable to illness and injury.</p> <p>Vote 5: Department of Education The Department aims to deliver smart services in terms of quality public education, which promotes a dynamic citizenship for socio-economic growth and development in Gauteng and South Africa.</p> <p>Vote 6: Department of Social Services and Population Development The Department's mission is to deliver a people centred development social welfare service with all partners to enhance the quality of life of the poor and vulnerable citizens of Gauteng.</p> <p>Vote 7: Department of Housing In partnership with all spheres of government, the private sector and civil society, the Department aims to maximize the impact of public and private resources to accelerate the delivery of tenure, good quality services and housing on well-located land.</p> <p>Vote 8: Department of Development Planning and Local Government The Department's mission is to establish, co-ordinate, support and monitor, through a skilled and service oriented staff, an integrated development planning system and local government that is effective and efficient.</p> <p>Vote 9: Department of Transport, Roads and Public Works The Department's mission is to promote accessibility and the safe, affordable movement of people, goods and services to render efficient and cost-effective public works services in Gauteng.</p> <p>Vote 10: Department of Safety and Liaison The Department was established to effect GPG's legal mandate and to demonstrate the commitment of the Province with regards to issues of crime prevention and public safety.</p> <p>Vote 11: Department of Agriculture, Conservation, Environment and Land Affairs (DACEL) The mission of DACEL is to contribute towards economic and social development, through public and private partnerships, by enhancing the quality of life and sustainable utilisation of agricultural and natural resources.</p> <p>Vote 12: Department of Sport, Recreation, Arts and Culture The Department's mission is to provide information, functional literacy, sport, recreation, arts, culture and heritage programmes in order to have a literate, informed, creative and active society, proud of its cultural heritage.</p>
4D United Nations	<p>The one most significant common denominator for the UN system is that it operates with "public funds", requiring that equal opportunity to participate is available to potential suppliers from all member countries. Key stakeholder groups for the UN are so complex and various that portraying them in a map presents an over-simplified picture.</p> <p>The need for comprehensive reform and professional stream development is apparent. But top level recognition has yet to materialize, inter-agency turf battles are rife and the budget to support reform is lagging behind or simply non-existent. In general the UN system is characterized by a chronic situation of under-resourcing. Increasing cost pressure is likely to spread across the UN system, increasing the stakes for purchasing and supply operations and growing the professional demands on the procurement function. Current distortions in world economic trade with the lion's share of trade and revenue flowing to the advanced industrialized nations will continue to exert serious political pressure on the UN procurement system for affirmative action benefiting suppliers and service providers from developing nations and economies in transition.</p>

Table E: Nature of sector

Note all numbered Tables and Figures referred to can be found in the original cases in IRSPP Proceedings

5.2.2 Summary of Data, Focused on Spend Metrics

Most of the cases provide details of the sorts of products and services that are bought, and their value. For ease of reference, Table F lists the relevant page numbers in the conference proceedings.

For data on	See
Western Australia	IRSP Proceedings p59-61
Australian States	IRSP Proceedings p.77
US fed	IRSP Proceedings p.94
NHS	IRSP Proceedings p.139-140, p151-2
Finland Kuopi	IRSP Proceedings p.181
US State and Local governments	IRSP Proceedings p.195
Canada PWGSC	IRSP Proceedings p.215-6
United Nations	IRSP Proceedings p284
South Africa	IRSP Proceedings p.311

Table F: Who buys what and what value

Case	Sources of Funding and Spend figures
1A Australia State	n/a (information summarised in Figures and Tables in Appendix A of case)
1B Belgium	n/a
1C Singapore	Government spend is 17% of GDP. Government relies increasingly on point-of-service charging although taxation continues to be the preponderant source of revenue. Budget surpluses have been built up over 30 years, through economic growth and through Ministries keeping a tight rein on expenditure. The surplus has been used to build very large foreign reserves, which helped Singapore in recent economic downturns. However during the last two years, there has been a deficit. The situation is expected to return to a surplus, but not to the same extent as in the past. The ratio of operating expenditure to GDP has remained constant. In Singapore the Government does not use increased public spending to kick-start the economy during downturns.
1D US State and Local	At State level, typically 50% of budget is spent externally, whereas at local level typically 70% is on personnel, and 30% is external.
2A Finland Regional Consortium	Municipalities are financed from several sources: service payments by citizen (24%), self decided taxes (municipal tax, real estate tax, other, 51%), enterprise tax (9%) and state government subsidies (16%). The budget areas and costs for municipalities according municipality statistics for the year 2000 are divided as below. For Kuopio city the total amount of annual spend and investments was 365 million euro or 4.200 euro per inhabitant. Joint health care and special health care municipal authorities have their income from service payments by citizens and municipalities and membership payments from municipalities. Joint educational municipal authorities receive the majority of their finance from the state, and a quota per student. Sakupe annual turnover is created entirely by selling services to owners and other customers.
2B Higher ed consortia, Canada, US, UK and Australia	These figures relate to the Canadian higher education sector As a percentage of GDP, public sector spending represents roughly 40.5%. While spending steadily grew over the four decades from 1950 to 1990, government reform and an economic slowdown reversed the trend from 1990 to 1999 at a rate of .5%. The GDP of Canada in FY 2000-2001 is \$948.11 billion; therefore, the size of GDP for the Canadian public sector is estimated at \$383.98 billion. Total wages paid to public sector employees is \$116.6 billion or 30.37% of GDP. This leaves \$267.38 billion in non-salary public sector expenditures, or 28.2% of GDP.
2C Australia procurement education	n/a
2D Germany consortium for electricity	DLR is member of the Helmholtz-Society, where all 15 so-called "Großforschungseinrichtungen" (large scaled research institutes) in Germany are working together. This research institution is mainly financed by the German national government and therefore a typical public institution. The budget of DLR for its own research and development work and its other operations amounts to some 360 Million €, of which approximately one third are funds earned from outside parties as a result of contracts awarded to it on a competitive basis. The DLR also administers the space

Case	Sources of Funding and Spend figures
	<p>budget of the German government, which totals some 760 Million €.</p> <p>The German Ministry of Education and Research (Bundesministerium für Bildung und Forschung / BMBF) is the main funding institution for both DLR and Helmholtz. By 2004 only Helmholtz is going to be funded in a direct way by the BMBF. Besides a basic financial support for administration in the form of a program oriented support (“programmorientierte Förderung”) the DLR has to apply for programs from Helmholtz in competition with other national research institutions of the Helmholtz-Society. BMBF and Helmholtz have the supervision of the programs run by DLR. In fact, BMBF still owns a controllership office which all parties can call if they do not agree with a bidding procedure of DLR and other Helmholtz member institutions.</p>
3B UK English National Health Service	<p>The NHS is distinct from, but accountable to, the Department of Health. The annual budget of the NHS is £65.4 billion for 2002/03 (due to rise to £105.6 billion by 2007/8). Healthcare is funded through taxation and free at the point of use.</p>
3C Canada National Public Works and Services	<p>PWGSC is funded through Appropriations, and Revenues. Appropriations are annual authorizations to draw on the <i>Consolidated Revenue Fund</i> (CRF) for department-specific purposes. The authority is for a single fiscal year and unused authority expires at the end of it. However, Parliament has routinely authorized departments to carry-forward up to 5% of their unused operating budget authority from the previous fiscal year.</p> <p>Revenues generated by departmental operations must be debited in the course of its activities to the CRF unless Parliament authorized it to spend these in the same fiscal year they are received. This authority is deducted from the total budgetary requirement. The department will have the authority to draw the net amount (or the "net vote") from the CRF. A revolving fund has the statutory authority to spend revenues collected to fund its operating and capital costs. These funds are considered mostly self-sufficient because the users fund them almost completely. PWGSC has seven of these funds – more than any other government department or agency. In both these cases, the “net vote” and revolving fund, spending reductions must offset all revenue shortfalls.</p>
3D Netherlands National purchasing of healthcare provision	<p>With a total turnover of € 44 billion, the health care sector towers far above other large sectors such as education, and housing. This turnover accounts for approximately 9% of the gross domestic product. The money to finance this system is collected through collective taxes on wages (80% of the € 44 billion through AWBZ and Ziekenfonds wet) or private health insurance premiums (16%) or government contributions (4%). All Dutch people (16 million) are covered by the AWBZ. Some 10 million employees (63%) are covered by the National Health Insurance Act and 6 million people (37%) are covered by private schemes. The total costs for health care are € 2.750 per person. Direct payments by patients and users amount to 6%.</p>
4A US Federal	<p>The Office of Management and Budget recommends programs and funding levels for programs, including procurements; monitors programs and adjusts funding levels, if necessary; develops and issues, through the office of Federal Procurement Policy, procurement policy guidance; and reviews proposed regulations for compliance with policy guidance. Moreover, in terms of funding, capital acquisition proposals have to include management costs of the capital asset once in use, including plans for operational analysis, operations and maintenance, and disposal. Both assets that are on-hand and those being considered for acquisition will have to be disposed of at some point. Capital acquisition plans should be compared against one another to create a prioritized portfolio of all capital acquisition plans.² “While the benefits and costs of capital acquisition portfolios should be quantified in monetary terms when feasible, agencies also measure return on the basis of outputs and outcomes. For the individual investor, some investments are more risky than others. Similarly, an agency’s capital acquisitions have</p>

Case	Sources of Funding and Spend figures			
<p>4B E-commerce in Australian States and European nations</p>	various levels of risk” (OMB, 1997).			
	Australian Government Expenditure by Government (as at June, 2002)			
	JURISDICTION	GOODS AND SERVICES SAUD¹	CAPITAL ASSETS SAUD	TOTAL SAUD
	Commonwealth	na	na	13.3 billion
	Australian Capital Territory	Na	na	8.0 billion
	New South Wales	10.5 billion ¹	6.5 billion ²	17.0 billion
	Northern Territory	0.4 billion	0.35 billion	0.75 billion ³
	South Australia	na	na	1.6 billion
	Queensland	5.75 billion	4.48 billion ⁴	10.23 billion
	Tasmania	na	na	No information provided
	Victoria	9.4 billion ⁵	2.3 billion ⁶	11.7 billion
	Western Australia	na	na	5.1 billion
	<p>Notes:</p> <p>1. Expenditure by budget sector and non-budget sector, including State Owned Corporations. Source is the NSW State Government 2001-2002 Budget Estimates.</p> <p>2. Includes maintenance operating expenditure</p> <p>3. The NT figures are estimates. As part of the current Procurement Review, an NTG Procurement Profile is being undertaken which will yield more accurate figures in the future.</p> <p>4. The Queensland Capital Assets figure includes land and other acquired real property not normally included as procurement related expenditure.</p> <p>5. In Victoria in 1998/99 the estimate for expenditure by Government departments on goods and services was approximately \$1.4billion. With the inclusion of expenditure by outer budget agencies the estimate is \$9.4 billion.</p> <p>6. In terms of gross fixed capital expenditure (which excludes capital grants and other capital outlays) the Government’s financial statements indicate that in 1998/99 \$1.14billion was expended by Government departments. When public non-financial corporation expenditure is included, this figure increases to approximately \$2.3 billion.</p>			
<p>4C South African Province</p>	<p>In accordance with the Constitution, revenue raised nationally has to be shared equitably among the national, provincial and local spheres of government. This process involves consultations with all the three spheres and should take into account any recommendations by the Financial and Fiscal Commission and the allocation criteria stipulated in the Constitution.</p> <p>It is often not feasible for each level of government to have its own revenue mainly due to the fact that the main revenue bases used by government are unevenly distributed in geographic space and assigning them to the different spheres would result in an inequitable distribution of the ability to raise revenue by the provincial and local governments. Furthermore, a number of the main revenue sources are most efficiently collected at national level. This therefore calls for the equitable sharing of the nationally raised revenue through a revenue sharing formula to enable all spheres of government to provide the services and functions assigned to them as per the Constitution. The process is taken further by dividing the provincial equitable share pool between the nine provinces using a formula, which is applied after extensive consultations of all the affected stakeholders.</p> <p>The inter – provincial sharing of funds is based on provincial demographic and economic profiles attempting to capture unique provincial circumstances like economic activity and infrastructure backlogs, so as to provide an indication of the demand for basic services, particularly in the social sectors (health, education and welfare) within the provinces.</p> <p>Conditional grants are funds received from national government and are earmarked for a specific purpose. They are voted for in the budget of the receiving Department as revenue and expenditure. Each grant has specific conditions attached to it to be met by the Department or province during the financial year.</p> <p>The Province had a negotiable spend of R 4,245 billion per annum, which can be</p>			

¹ One Australian dollar (AUD) is worth approximately US 0.61 or EURO 0.56 at 6 March 2003.

Case	Sources of Funding and Spend figures
	<p>addressed by strategic sourcing initiatives and it accounts for 18% of the total Gauteng Provincial Government spend of R 23,5 billion.</p> <p>26% of spend (R 3,455 billion) accounted for 81% of the value of negotiable spend, while the remaining 74% of segment spend (other segments) amounted to R790 million and represented 19% of the total Provincial spend. Four Departments comprised 89% of the total negotiable spend, with the Department of Health and Department of Transport and Public Works accounting for 58% of GPG spend, amounting to R 2,603 billion. 80% of negotiable spend was spent on 629 suppliers, comprising of 5.5% of the total number of suppliers. The Top 20 suppliers comprised 24% of total negotiable spend.</p> <p>Of the R4,245 billion negotiable spend, 6% (R252 billion) was spent on contract suppliers and 94% (R3,992 billion) was off-contract spend.</p>
4D United Nations	<p>The total expenditure by the UN in 2001 was over US\$ 4.6 billion, of which about 40% was on professional services (sub-contracts), the rest on goods². UNDP accounts for about US\$ 863 million of the total, this figure comprising UNDP HQ, National Execution (NEX), Direct Execution (DEX) and UNDP/IAPSO. Adding the inputs by recipient governments in terms of loans from international lending institutions, the estimated value of business emanating from the United Nations system and the Development Banks exceeds US\$30 billion annually.</p> <p>The procurement activities are funded from several sources which include UNDP, and UNFPA funding, trust funds, the regular budgets of the UN agencies, and other sources of funding.</p> <p>The biggest spend UN procuring entities in 2001 were UN/PD (19%), WFP (18%), UNDP (16%) and UNICEF (13%), which account together for 66% of total procurement spend in the UN.</p> <p>Each UN organization has a particular mandate and focus, and the types of goods and services purchased across the UN family varies considerably. The UN Annual Statistical Report gives a breakdown of the top ten goods and services purchased by twenty UN Agencies, but there is such diversity between Agencies that it is not readily reduced to a spend pie chart. Figure 1 gives a broad indication of the percentage of spend across major procurement categories, drawn from a recent survey of UN organizations (CRiSPS IAPWG Survey 2003). Percentages rather than value in US\$ 000s are given as the survey data is being collected currently, although there has been a 44% response rate to date from UN/IAPWG member organizations.</p> <p>The major procurement categories include some of the following goods and services. Transport (24%) includes motor vehicles, transportation equipment, and freight forwarding, and travel costs including airline tickets. General products and services (12.4%) include building and construction, labour contracts, electrical equipment, generators and fuel. Specialist services and equipment (9.1%) includes chemical products, laboratory equipment and supplies, and metal products. Office (15.3%) includes computer and telecommunication equipment, stationary, furniture, and services such as legal and training. Medical (26.9%) includes pharmaceuticals, vaccines, and contraceptives. Food, water, agriculture (5.8%) and shelter (1.7%) include purchases made for humanitarian aid and peacekeeping.</p>

Table G: Metrics for the cases

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.2.3 Key Points on Nature of Sector

Key issues here are:

- ◆ The number of entities involved in public sector procurement in any one nation
- ◆ The complexity of the relationships between public sector entities involved in procurement
- ◆ The influence of historical events on the nature of the public sector
- ◆ Sectors as ‘emergent’.
- ◆ Tensions between centralization and local independence promote stability.

² Data on spend on staff, capital expenditure etc. is not collected within the UN System

The most striking feature of all the cases is the sheer complexity of the public sector. In many jurisdictions, there are three or four ‘geographical’ levels of government (national/federal; state; ‘county’; municipality), and consequently a vast number of government bodies. Some of the cases also feature specialist public organizations, such as the English NHS Purchasing and Supply Agency and the German Aerospace Centre. Box b and Figure B illustrate the scale and variety in different nations.

All of these government bodies have some involvement in purchasing goods and services from commercial organizations.

Belgium: 10 provinces; 589 municipalities
 Germany: 16 states; 35000 purchasing entities
 US: 48 of the 50 States have county governments; Florida has 67 counties; in Broward County (Florida), there are 31 municipalities. Across the US there are over 87000 local government units.

Box b: Illustrations of number of government entities

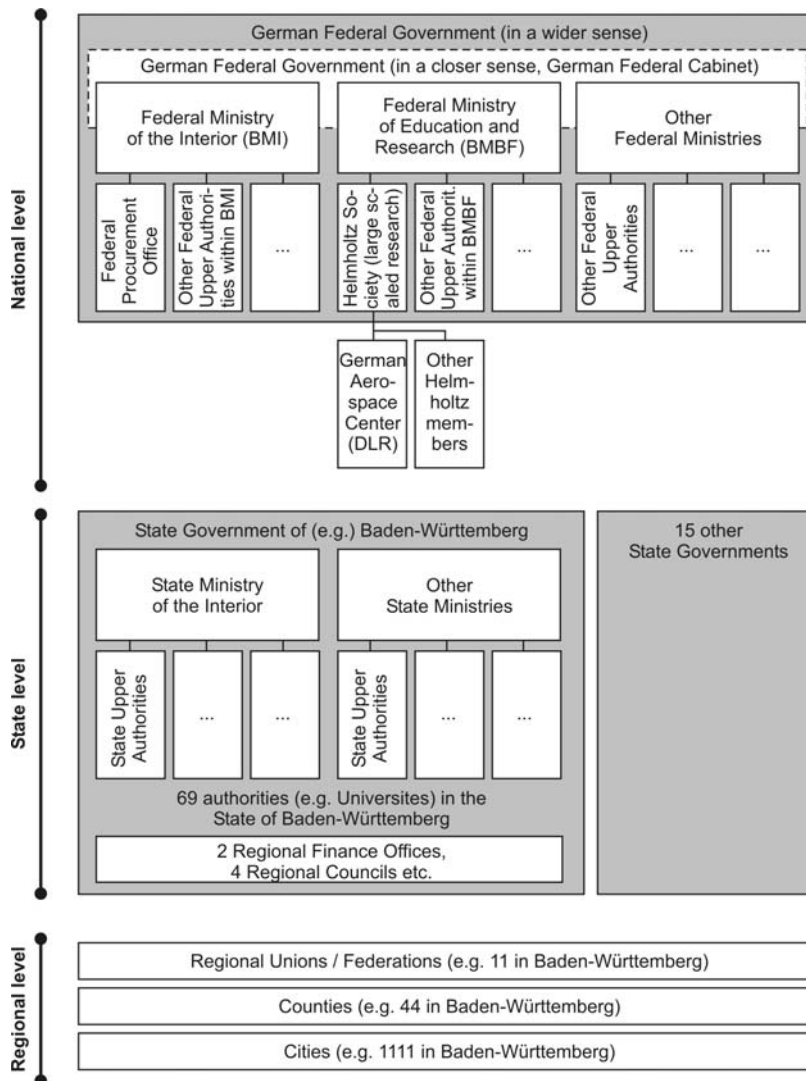


Figure B: Structure of German public sector

The notion of public sector is rather fluid, given differences between countries and changing structures over time within countries. Public sector organizations such as schools and

hospitals act as independent agencies in some states (e.g., Canada), whereas in other jurisdictions such as Finland they form part of local government. .

Other 'special' arrangements create further public purchasing entities, for example:

- ◆ In the US, the number of 'Special District Governments' is growing, as services such as fire services, and water and electricity providers, are managed as discrete organizations. For example, a fire and rescue district has the same boundaries as local government; the separation allows costs to be moved off the general budget. Special district boundaries cannot cut across boundaries without the mutual agreement of relevant local authorities.
- ◆ In Belgium, at each level (national, provincial, etc.), public interest organizations can be formed to carry out public service obligations.
- ◆ In Singapore, in addition to 13 ministries, there are 40+ statutory boards, such as the Tourist and Hotel Board, to perform functions outside mainstream administrative boards. There are also many government-linked companies (GLCs), for example, Sembawang Corp (shipbuilding, construction and civil engineering).

It is perhaps more accurate to talk of the public sector network or the network of organizations that make up the public sector than to describe it as one body. It is easier to define 'public sector' by what it excludes (the private, for profit sector) than what it includes. Even this definition though is becoming less useful, with increasing privatisation - a long established trend in Australia and UK, and one which Singapore's government is contemplating, since GLCs are seen as somewhat of an anomaly given the free market ethos.

The influence of mid 20th century political developments on the nature of the public sector is notable. For example, the UN was established in 1945, federal government in Australia only gained control over income tax in 1942, the UK's National Health service was formed in 1947. Singapore only acquired independence in 1959. The UK model of parliamentary governance is another common influence. The nature of the various public sectors often reflects conditions and circumstances inherited from a different generation. Public sectors 'emerge' from political/economic circumstances rather than as the result of direct and directed planning. Both the UK and Dutch health cases face 21st century citizens with 21st century needs being supplied through a system designed for an earlier (and less demanding) time/generation. In the case of the UK, there are direct efforts to reform the health service and wider initiatives to reform the management and delivery of public services ('modernising government').

There are two implications here, firstly that 'creating' public sectors is a rare event, often driven by unusual circumstances. Secondly, that once created there appears little incentive to fundamentally change them, and yet they deal with stakeholders who are themselves experiencing and creating change. A high-level implication is that public sector organizations are likely to be permanently out of date, in that they appear to be created reluctantly, in response to external events (as opposed to citizens') and therefore will have built-in obsolescence.

How the network of organizations that make up the public sector is co-ordinated is a key and complex issue. One approach is a centralist, unitary state such as Singapore. One of the themes of the new public sector ideology was devolution of power; however, many of the cases show the tendency towards centralization of power is currently in the ascendancy (e.g., Australia, Belgium), whilst the Canadian case suggests a move towards dispersing centralized power to localities. Various cases detail complex hierarchies for co-ordinating information flows, and suggest, in line with the extended time frames discussed above, that stability rather than flexibility is a key goal of public procurement functions. Whilst there are inherent

tensions between local and central control, these tensions should be seen as actually ensuring the stability of the whole system, by preventing one form dominating, rather than being seen as a force for destabilization. The majority of the cases exhibit what might be a ‘creative tension’ between entities within the system, e.g., on-going competition between the centre and the local or regional branches of public administration. Since these complex and integrated systems appear to fail very rarely, the tensions between the centre and the periphery might actually be seen as part of the network managing itself.

The many different levels and units of analysis and data sources employed make it inappropriate to make any direct comparisons between case metrics. The enormous values of the public sector budgets reinforce the case for improving public procurement practices and outcomes.

5.3 Governance

This section combines the three categories of regulation, accountability and stakeholder influence, under the general heading of ‘governance’. Stakeholder influence is defined more specifically in terms of stakeholders’, especially the public’s, expectations of public procurement. The focus here is public procurement in a general sense; stakeholder’s influence over specific contracting decisions is considered below in the section on supply activities (section 5.8). Issues of audit and oversight were extensively discussed in the workshop, and the details presented in the written cases are combined with ‘accountability’ and ‘regulation’ and summarised in the second part of this section on governance.

5.3.1 Summary of Data: Stakeholders’ Expectations of PP

Case	Stakeholders’ expectations of PP
1A Australia State	<p>Goals of public procurement are:</p> <ul style="list-style-type: none"> • transparency and probity • efficiency (vfm) • achieving the goals of government <p>but there is huge variation between states in how they seek to achieve this. Each State has its own definition of vfm; some are much more developed than others. This general laissez-faire attitude is reflected in how the rail industry has been managed. Competition in the rail industry has been implemented differently in different states, and in one has been linked to safety problems etc.</p> <p>While the jurisdictions co-operate through the Australian Procurement and Construction Council (APCC), essentially purchasing policies and training programs have been separately developed.</p> <p>In the national parliament, Senate runs an ‘Estimates Committee’ every year which looks actively for cuts in expenditure, and sits as inquisitor for each department to look at the way that Secretary’s budget is organised. In WA, most of the scrutiny occurs at Cabinet Office level, dominated by Treasury.</p> <p>The creation of a decentralised procurement system may be a consequence of a strong belief in new public management principles.</p>
1B Belgium	<p>Background to the Belgian case included a perception of a tightening of the availability of resources coupled with demands for better accountability. A parallel was drawn between the unsustainability of credit driven consumer booms and public sector spending.</p> <p>Overall there is no single objective for public procurement. Few cities have a procurement strategy; procurement is considered an administrative matter. There is little professional capability at municipal level.</p> <p>There is no serious review of procurement, with a view to its reform, being undertaken. Traditional approaches continue to be used, and the main driver of change is the principle of devolution of decision-making.</p> <p>There are only very limited links to delivering social/economic objectives:</p> <p>The regulations mean that public authorities cannot accommodate ‘local preferences’.</p> <p>This does not preclude social clauses. For example, T&Cs can state that firms must</p>

Case	Stakeholders' expectations of PP
	<p>employ a minimum % of previously unemployed personnel on the contract, but the unemployed can be from anywhere in Europe. (See Table 6 – local preferences) There is considerable pressure from the private sector for ‘transparency’. Belgian public sector procurement is primarily about following rules, the hierarchical structure reduces risk taking, and lawyers dominate the system.</p>
1C Singapore	<p>The procurement policy of the Singapore government is shaped by three key principles. The first is fairness so as to create a level playing field for all would-be suppliers. The second principle is value for money to ensure that the goods and services purchased represent the most effective and efficient use of public revenue (but measurement by price, not outputs). The third principle is probity, so as to keep the procurement process as free as possible from all forms of bribery and corruption (MOF, 2003; WTO, 1997b). The principle of competition is a necessity, not just an ideology, for Singapore. The limited nature of the indigenous supplier base mandates external (international) sourcing. Therefore the relative openness of the Singaporean economy gives a voice to external influences such as the WTO; whose obligations and regulations are taken very seriously. In addition, international benchmarks are increasingly taken into account.</p>
1D US State and Local	<p>There are links to delivering social/economic objectives: in Florida, Broward County has to follow the State rules (FAA) but municipalities do not. For local reasons, in Fort Lauderdale, social (minority) issues are part of the purchasing agenda. Disparity studies must precede any programmes. Judgement is expected shortly on two test cases (Michigan and Denver). It is expected that it will be found that AA policies are illegal. However, the American Disability Act is legislation that may have a counter-impact. In Oregon State, the Dept of Justice reviews all contracts above certain \$\$ thresholds. Transactions can receive a lot of media attention. Mistakes tend to ‘come back’ to staff, not Council members, since it is staff who make award recommendations. Structure and accountability decisions are generalised, in the main such contracting decisions do not differentiate according to risk and return. The challenge is how to devolve decision making, but maintain high-level control and accountability. Currently, there are many hybrid arrangements. The judiciary has become much more active in challenging interpretations of the rules. The ‘prudent man’ criterion used to be applied to evaluate decisions, but now social, environmental, etc factors are also considered.</p>
2A Finland Regional Consortium	<p>The purchasing process in Kuopio region is essentially centralized purchasing. The process starts with defining requirements for the purchasing object. This is done by a user group, i.e. employees of the organizations. A proposal is created and the suggestion is presented in the purchasing council. Usually the proposal will be given the go ahead, elected members prime concern is likely impacts on the local economy. It appears that both the public and relevant organizations expect a high degree of transparency (defined as public ability to scrutinise procurement decisions).</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>The public sector reform movement has spawned increased interest in consolidation and outsourcing as a means to optimizing the public tax burden. The push for purchasing cost efficiencies can create complex dilemma for administrators, whether functional activities are managed centrally or distributed. For those managing the purchasing function, the situation has become a squeeze play. While there is increasing pressure to reduce commodity costs to meet budget cuts; budgets to achieve these expectations have themselves been drastically cut. With the demand for efficiency gains in annual spending intensifying, the more successful an organization is in achieving their targets, the more likely it is that targets will become increasingly stringent (in Carter and Greer in Pollitt 1995). This translates into a drive for greater cooperation across the public sector, a drive notably evident in the formation of purchasing groups among school systems, hospitals, municipal governments and universities. Note also the marked reduction in public sector employees (down 7.8% from 1991-2001), the public sector is expected to do more with less.</p>
2C Australia procurement education	<p>There are links between public procurement and government social and economic goals. However there are some difficulties with reconciling trade agreements and more ‘local’ objectives, so the achievement of goals may be ‘informal’. For example in the defence sector; “Further sectoral reviews and enquiries resulted in minor changes such as the introduction of the Strategic Defence Industry Policy</p>

Case	Stakeholders' expectations of PP
	<p>(SDIP) in 1998 to 'increase defence manufacturers' viability, improve interaction with government requirements, increase industry's exports and avoid capability procurement mistakes of the past'.</p> <p>In Queensland, the link is explicit and formalised in policy: The current Queensland State Government policy was introduced in 2000 after a major review process commenced in 1998. The Policy has three objectives:</p> <ul style="list-style-type: none"> • Advancing Government priorities • Value for money • Probity and Accountability <p>The government priorities referred to embody the social, economic and environmental aspirations of the State Government. While the Government has its objectives clearly articulated, the implementation of those objectives through the purchasing policy is of course a difficult task.</p> <p>See case for table summarising States' policies on local content policy and price preference margins.</p>
<p>2D Germany consortium for electricity</p>	<p>According to German public procurement law, efficiency ("Wirtschaftlichkeit") is the most important target for all public purchasing activities: Following the German "Verdingungsordnung" (VOL) the highest efficiency shall be the decisive factor for awarding the contract, not the lowest price (only).</p> <p>Formality shall be reached by following the German public procurement guidelines. In Germany, the national law is divided into regulations ("Verdingungsordnungen") for different subjects, e.g. constructions and buildings (VOB) services provided by freelancers (VOF) and deliveries and other services (VOL).</p> <p>It appears that most of the top jobs are held by lawyers: legality triumphs over economical (purchasing) rationale; there is little involvement of purchasing stakeholders in development and application of (tendering) guidelines</p> <p>The perceived benefits of extreme decentralisation are higher flexibility and strengthening of competition, especially among SMEs.</p> <p>Despite extremely complex and involved systems there is no great push to change and to reform the system.</p>
<p>3B UK English National Health Service</p>	<p>Not covered directly in the written case</p>
<p>3C Canada National Public Works and Services</p>	<p>The Treasury Board Policy on Contracting sets out the broad parameters of government contracting, the objective of which is <i>to acquire goods and services and to carry out construction in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people</i>. The policy states that contracting shall be conducted in a manner that will be equitable, fair and transparent. Contracting must also ensure the primacy of operational requirements as well as sustain long-term industrial and regional development. Lastly, contracting has to comply with Canada's obligations under the various Trade Agreements including NAFTA, the WTO Agreement on Government Procurement and the Agreement on Internal Trade.</p> <p>Other comments from the session were that regional development not been touched, and whilst 'green procurement' was being discussed, strategy and policy for it were still being developed. Another example discussed was of assistance to female entrepreneurs, which is under consideration by a task force. It is a question of cascade – which groups do you choose to help (which is a political decision). Aboriginal groups have a specific set-aside program – and also do well in the open market. There is no specifically focused drive in the procurement community to help SMEs (the majority of businesses are SMEs in Canada).</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>The health care system in the Netherlands is highly popular with users, the sick and the healthy, old and young, rich and poor. Easy access and affordability, as well as freedom of choice, are the its traditional ideals, which are still nurtured.</p> <p>The costs of health care increase every year, because of the increasing demand for services, demographic developments and ever-advancing technology. This is a cause for concern for the government, which fears that accessibility and affordability will be put at risk in the near future. Premiums for social health care insurance are collective expenses and therefore affect the purchasing power of citizens in the Netherlands. Purchasing power influences the Netherlands' international competitive position</p>

Case	Stakeholders' expectations of PP
	through wage costs. For these reasons, the government does not want collective expenses to rise excessively. Attempts have therefore been made to control the cost developments as far as possible, through the implementation of extensive legislation and rules.
4A US Federal	<p>Attention was drawn to the central role of the 'culture' of the Federal procurement process; and the central importance of its legal framework. As a rule of thumb it can be said that: <i>"If it is not specifically prohibited it is permitted"</i>. Congress of course has played its role by in the first place capping expenditure levels – and it is not permissible to spend more money than congress allowed. Within these frameworks though regulations can be treated as guidance rather than process dictators. However codification continues apace and the FAR is currently 18,000 pages with new statutes every year; there are tendencies within the system to create new rules as a knee jerk response to change.</p> <p>The complexity of the American Federal procurement structure is such that trying to change the intellectual capacity of the procurement work force, and make them work creatively within the existing structure is easier than attempting to change the structure.</p> <p>The US government has many programs for promoting social responsibility through its government contracting program. By far the most visible and sensitive socio-economic program the US government has is its commitment to small businesses. The purpose of this program is to continue to grow a robust industrial base capable of meeting the nation's needs. In the US it is estimated that a substantial portion of technological advances come from small businesses and small businesses generate a disproportionate number of new jobs each year. There are different goals for each category of small business. For example, 5% for woman owned small businesses, 10% for HUB zone small businesses; 5% for veteran owned small businesses, etc.</p>
4B E-commerce in Australian States and European nations	<p>Anecdotal evidence provided by some respondents, and supported in part by some of the literature suggested there was pressure within jurisdictions to position themselves or their economies as leaders in the use of e-commerce. For example, the Danish Government acted to develop a national e-market convinced that Denmark was falling behind other European countries in electronic trading. It was suggested that in other jurisdictions, vested business and industry interests have been successful at persuading politicians that the international standing of a state is likely to be diminished unless action to use e-procurement in one form or another is expedited.</p> <p>In Australia while there is intense competition between the jurisdictions in terms of positioning on the basis of relative economic prosperity, this has not been as evident as a driver for implementing e-procurement (as has been the case in some of the European jurisdictions). However, it was suggested that in one or two jurisdictions the decision to adopt e-procurement under high profile projects was perhaps to some extent linked to positioning that jurisdiction as a leader in the use of e-commerce.</p>
4C South Africa Province	PP seen as an essential lever in achieving BEE which is "consistent with the ANC's larger goal of building a non-racial economy". PP features in the constitution.
4D United Nations	<p>The procurement rules and procedures of the various UN organizations reflect institutional differences as well as differences in size, activities and years of existence. Key stakeholder groups for the UN are so complex and various that portraying them in a map is difficult, and presents an over-simplified picture. The national governments that make up the UN could be viewed as its stakeholders, along with the recipients of its activities across the world. A map of some of the key stakeholders in the UN is presented below Figure C, although in reality each stakeholder 'oval' represents hundreds of organizations, or millions of tax payers and recipients, making it hard to capture and conceptualize the complexity of the UN system and its myriad stakeholders. Inter agency turf wars are rife.</p>

Table H: Stakeholders' expectations of public procurement

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.3.2 Key Points: Stakeholders' Expectations of PP

In all the countries covered by the cases in this study, there is a common concern for probity in the expenditure of public funds. However, this is not linked to the size of public sector spend, as Singapore has some of the most stringent anti-corruption measures coupled with the lowest public sector spend as a percent of GDP.

Whilst there is consistency across the cases on stakeholder interest in probity, another feature of stakeholder expectations is that they are often conflicting. In many cases the public want higher levels of service, delivered locally, but at reduced/reducing cost (e.g., Australia and Canadian higher education). The consortia cases often raise the conflict between having responsive, small scale local entities (e.g., local hospitals) and the benefits of scale and specialisation.

As demands on public services grow, efficiency savings become more critical, and so one would expect the profile of the purchasing function to grow. In several cases, however, it seems that procurement is still firmly regarded as an administrative function, in which compliance with regulations is the most valued performance criterion (e.g., Belgium and Germany). In other cases, there is some recognition of the potential contribution of purchasing to achieving value for money, though still with relatively limited attention from senior government personnel (e.g., the English NHS case).

In the cases, there is quite a lot of coverage of social and economic objectives in contract award decisions. It is often hard to assess whether these are 'outliers', unusual examples that are illustrative but not the norm, or indicative of standard ways of working. The examples given would suggest that public procurement has been recognised as a lever for achieving governments' objectives. The US is notable in this regard for having set clear, explicit and auditable targets. Policy makers in the US have demonstrated unequivocal commitment to issues such as SMEs and opportunities for ethnic businesses as such transparency combines with a highly vocal and articulate press to ensure there is public investigation of procurement performance. Even in countries such as Canada and the US where targets relating to socio-economic matters have been set (if not yet met), there is still a problem with the profile of public procurement. These examples contrast with the South African case which presents a much more integrated case for public procurement as a key 'tool' for government in achieving its reform plans. In South Africa the use of public procurement to deliver BEE (black economic empowerment) is recognised in the constitution.

Another area of stakeholder expectations is that of approaches to using local preferences as a criterion for contract award. Belgium and Singapore have little or no local preference. Whereas in Australia, though often informal since it conflicts with WTO, etc., there are considerable pressures for local sourcing (see table for Australia in e-commerce case).

It is possible to suggest a continuum of stakeholder expectations of government procurement; broadly there appear to be three distinct types:

1. Public Procurement, as administrative function, to deliver compliance with regulations
2. Public Procurement to deliver value for money, with some links to socio-economic goals
3. Public Procurement to deliver value for money, and an integral part of government's capability to deliver.

It is likely from the case material that no one national procurement entity has achieved the third category as a consistent and uniform policy. It appears more likely that procurement organizations achieve aspects of the third type, e.g., the US through explicit targets, the Gauteng case from South African where procurement is linked to the constitution. Similarly there are aspects of type two even within entities that appear firmly ensconced in type one; for example, the Belgian case does talk of social/economic objectives being met (e.g., specifying the number of unemployed who must be taken on in a new contract award).

If multiple and sometimes conflicting stakeholder goals can be identified in the cases, then the added dynamic of variations between stakeholder goals over time must also be included. That is, it appears public procurement has to manage multiple stakeholder objectives that may be contradictory and which vary over time – e.g., demand for ‘cheap’ or ‘local’ services will vary (for example with economic or political cycles). The implication of such stakeholder inconsistency and variation is that policy implementation is likely to be subject to the forms of ‘pendulum’ swing often identified in areas such as fashion. Pressure to act, to move, will tend to be resisted until the point when it is shown to be the new dominant paradigm, then the system will react and change will be pushed through. The time and ‘momentum’ necessary to shift the public sector in one policy direction (such as local not national service) resulting in a slow but heavy swing to whatever the new policy suggests.

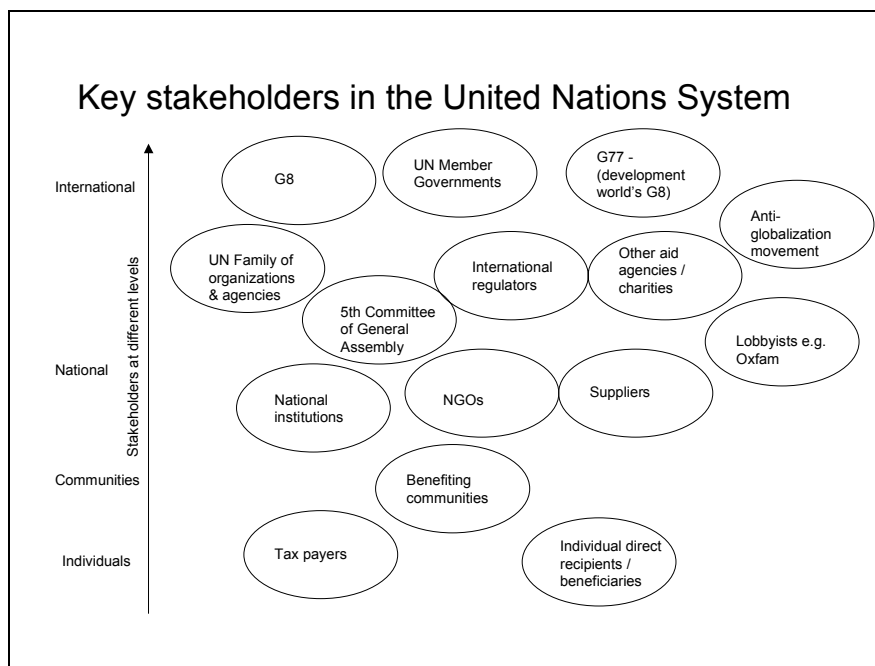


Figure C: Some of the many key stakeholders in the United Nations System

5.3.3 Summary of Data: Accountability, Regulation and Audit

Case	Accountability, Regulation and Audit
1A Australia State	An unintended consequence of the slow growth of colonialism was the gradual development of a competitive structure which resulted in each Australian State, as it was declared, being answerable only to the British Parliament, creating a power base for each state legislature which has created a legacy of complex vertical integration between the Australian Federal Government and each semi-sovereign State. It is a remarkable feature of Australia's European history that self-government was granted to each colony quite early in its history, although legislative independence from the British Parliament was not granted to the individual States until the passing of the Australia Act, 1986.

Case	Accountability, Regulation and Audit
	<p>A fundamental consequence is that while there are similarities in procurement policy and practice, the constitutional, financial, and historical tensions are linked to the potential for political differences between each State and the Commonwealth and remain permanently uncertain. Put simply, in areas such as education and health, the federal government attempts to influence policy even though service delivery is the responsibility of the states, creating what has been termed vertical fiscal imbalance between the parties.</p> <p>Procurement probity is an important focus of the Western Australian Government and is managed through two central mechanisms. Generally all contracts over \$AUD50 000 in value must go to public tender. Depending upon the value and exemption limits the State Supply Commission and State Tenders Committee reviews the tender process, from the business case or formation of the request document, through to the probity of the evaluation process. The Office of Auditor General regularly reviews specific contracting arrangements and activities throughout the public sector.</p>
1B Belgium	<p>Most of the stakeholders are represented in the Commission for Public Procurement founded by Royal Regulation of 10 March 1998. In this commission, federal, regional and community delegates meet with delegates from the representative organizations. All drafts for the general regulation of public procurement have to be submitted for advice to this commission. Other stakeholders include FEB (VBO) [The Federation of Enterprises in Belgium] represents the employers of small, medium-sized and large companies. Agoria (fabrimetal) is the country's largest and most important manufacturing federation. Unizo (previously NCMV) is the organization for the self-employed. Nacebo, the Flemish federation of the SME's of the construction, defends the interests of its members (the employers and the independent workers in the field of construction). Union des classes moyennes; UCM is the French speaking organization for the self-employed. The trade unions; Belgium has 3 trade union confederations recognized as representative organizations. Also there is the Belgian union of cities and municipalities (VSG)</p> <p>For any one purchasing authority, its procurement system is determined by the interplay of three factors:</p> <ul style="list-style-type: none"> • public procurement legislation • the budgeting accounting system • organization competence supervision <p>The first Act relating to public procurement dates back to 1846. There are now c.600 pages of legislation governing public procurement. Legislation also covers privatised utilities which are monopolies. It appears only experts can differentiate between which regulations predominate, EU or Belgian federal as both are intertwined in the Belgian legal texts.</p> <p>Public procurement regulations are governed by a Commission on Public Procurement, which includes a wide range of stakeholders including employers and unions. All changes to public procurement regulation must be submitted for advice (approved by) to the Commission.</p> <p>The Commission sets standard conditions of contract, with which regional governments must comply. . For example, the Flemish Government wanted to include social clauses in T&Cs, but they only advised communes that they should cover the matter in their contracts.</p> <p>Though there have been attempts to contest that the standard contract conditions are part of the general rules of public procurement, the Court of Arbitrage confirmed the competence of the federal level. Rules are structured around principles of supervision and delegation. EU requirements are so embedded in federal regulations, that few people can distinguish EU elements.</p> <p>The public procurement system in Belgium is very much a law-based system. New laws are brought in when, for example, there is case of fraud. System develops incrementally. The inspectors of Finance, are advising their minister, the minister of budget and the government on regularity, legal or opportunity issues. They are in the departments as internal auditors of the executive power, Generally their workload is very high, they have to advise within a short timeframe (a few days) on very complex issues. Price is the principal measure used by bureaucrats.</p> <p>There is a Court of Audit, set up under 1846 Legislation, which published an annual list of 'bloomers', but politicians know that the public is not interested in the details of procurement decisions</p>

Case	Accountability, Regulation and Audit
	<p>Every year several people are judged by the court , but generally it concerns ‘petty’ financial fraud or it concerns financial losses because of administrative neglect. What is surprising is that the Court, in spite of its competence, never judged the decision makers for the award of contracts that were against the interest of the state.</p> <p>Sometimes the user is accountable, but more often the budget holder. There is the usual rush to spend budget at year end, when procurement is seen as bureaucratic (causing delay).</p> <p>Generally, in the private sector, rules of thumb (ABC analysis, or the 80/20 rule) are used to aid focus on the most important issues. Less important issues matter less because of their limited impact. But “<i>le privilège du préalable</i>” gives special rights to the administration, for example unilateral change of contract. A lot of decisions that need otherwise an intervention of a court, can be executed by the administration unilaterally. These special rights suppose of course that the administration is working correctly all the time, and not only working correctly in the things that really matter because of their importance.</p> <p>With regard to stakeholder influence despite the complexity of the regulations, no-one advocates that they be simplified. The desire is to have transparency and rules to cover all eventualities. Most parties want more stringent regulation; construction companies especially are pro-regulation. (There is a comparison here with the drive to simplify, in the US).</p>
1C Singapore	<p>Expenditure and Procurement Policies Unit (EPPU) issues an Instruction Manual (IM), and organises supplier registration for all sectors except construction (which is organised by Building Control Authority).</p> <p>Some clauses of the Instruction Manual are compulsory, others are advisory.</p> <p>Accountability rests with the Auditor General, who casts a ‘long shadow’. AG reports to the Public Accounts Committee, which is high profile.</p> <p>Compulsory clauses in the Instruction Manual are not laws, but they are treated as binding. In 97/98, AG found there was too much deviation from IM. For a time (rule dropped this year), each Permanent Secretary had to sign a form testifying to compliance.</p> <p>The leverage of the AG rests crucially upon his moral authority.</p> <p>The principal sanction is embarrassment within the system. Generally, Ministers don’t resign.</p> <p>Below the level of minister, an appraisal system developed by Shell has been adopted. At recruitment, an appraisal of ‘potential’ is carried out, which may disadvantage late developers. Also there are assessments amongst groups of peers, where all are ranked. Civil servants who exercise procurement responsibilities are rotated to ensure greater probity. The Corrupt Practices Investigation Bureau is a powerful agency.</p>
1D US State and Local	<p>The case suggests that if control mechanisms for preventing fraud become too complex, service delivery managers lose the ability to evaluate the organizational value-chain. This inhibits public procurement professionals in identifying accountability networks throughout the procurement function. In contrast, some organizations fail to properly identify areas that are ripe for fraud, and perpetuate loosely-coupled procurement processes. Therefore, it is incumbent on the organization to articulate both processes and procedures to balance these inherent tensions, establish training and education processes for key stakeholders (not only procurement personnel, but elected officials, administrators, suppliers, and line services personnel), and to establish monitoring and evaluation systems to insure accountability is maintained and the controls on the factors of production are not overly burdensome.</p> <p>70% of purchasing people report to Finance. In Fort Lauderdale, Broward County, Florida, purchasing report to the Director of Administrative Services. This offers various benefits including stronger structure, faster innovation and better checks and balances. Here, the purchasing organization is a ‘hybrid’ of centralised and decentralised. Central purchasing sets the ‘code of ordinances’, and organises large contracts such as IT and construction. Low value/high volume transactions are delegated.</p> <p>Most urban authorities are closing central stores operations.</p> <p>Florida has a ‘home rule charter’, which allows local authorities to determine for themselves how to operate. This means that suppliers have to register with many different public purchasing entities.</p> <p>In Oregon, local authorities are allowed a fixed period of time to write their own rules; if</p>

Case	Accountability, Regulation and Audit
	<p>they don't do so, then the default is that they must operate according to State rules. Ohio is an exception, where local authorities are obliged to follow State rules.</p> <p>Transparency</p> <p>In terms of transparency, US is the antithesis of Singapore. The 'sunshine laws' ensure open access to information. Anyone can access HR information (e.g. pay, resume and references for recently appointed officials) and bidding information (e.g. which suppliers placed a bid at what price). Access to bidding information can enable collusion, especially on commodity products and construction projects, and in electronic reverse auctions). However, purchasing personnel are well aware of patterns which indicate collusion, and how to deal with suspected collusion.</p>
<p>2A Finland Regional Consortium</p>	<p>Legislation for public procurement in Finland has 4 basic regulations:</p> <ul style="list-style-type: none"> • Finnish public procurement law affecting purchases over and under threshold values • Special regulations for purchases over threshold values • Finnish municipality law governing municipal decision making • Law concerning the publicity of official documents <p>The Finnish public procurement law gives basically same principles for public purchases over and under threshold values. Each purchase has to be purchased economically and using the supply market possibilities. Exceptions for this procedure are urgent purchases or those of minor value. The Finnish public procurement legislation has additional requirements for purchases over threshold values, which cover use of European specifications, and compulsory advertising and notification rules. Parties dissatisfied with a decision can challenge the decision on market justice grounds through public procurement law.</p> <p>Finnish municipality law affects purchasing in decision making. The municipality or authority council makes decision allowances for leading municipal officers. A sector director can decide e.g. for purchases under 200.000 euro, but the decision must be handled in the sector council. Normally the sector council accepts the decisions, but they have the possibility to re-handle the decision. If the decision supersedes the 200.000 euro value, the decision must be made in the sector council. The council decisions are open to be challenged by citizens or the those concerned within two weeks time on municipality law concerns. It can also be challenged by the next council.</p> <p>In Finland, whilst there has been no national requirement to form consortia, there is a history/culture of co-operative ventures, not only in procurement but in other areas too. In public procurement alone, there are around 65 consortia; however, collaboration <i>between</i> consortia is limited and informal.</p> <p>The publicity law concerns all public documents and by law all RFP and tender documents are public documents. Especially prices are always public. The documents to be kept secret are restricted to those affecting adversely to the purchasing situation or those, which are commercial secrets of the tenderer.</p>
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>This study details various consortia across international boundaries but with a focus on Canadian experience. Part of the process of forming consortia is a public and tangible commitment to 'savings' and the implicit audit process (external audit is not discussed in the paper) is that members will judge (and be judged upon) the explicit savings achieved. The cases suggests that there may be inherent conflict between the 'early gains; achievable through consortia approaches – which cannot be increased, these tend to be significant, but one off gains, and longer term objectives of consortia such as skills development and work load reduction.</p> <p>Where consortia membership is voluntary, benefits have to be explicit to retain members, the case does not discuss members leaving so to-date the case consortia appears successful.</p>
<p>2C Australia procurement education</p>	<p>National: Currently the responsibility for purchasing policy lies with the Commonwealth Department of Finance and Administration. Government policy has concentrated on introducing as much competition into the business of government as possible. It has set up a special division within the Department of Finance and Administration – the Competitive Tendering and Contracting Branch - to support and monitor the implementation of this policy. However this group is as much about policing government departments in the introduction and adherence to the specific Competitive Tendering and Contracting policy rather than taking responsibility to help with purchasing in any general manner.</p>

Case	Accountability, Regulation and Audit
	<p>The certification of staff is not mandatory, however it is a reality that the Auditor-general in reviewing practices within Government departments and agencies, often where purchasing practices come into question, will then comment on the purchasing practices and question whether staff are qualified and if so how. As many in Queensland Purchasing will comment – 'the Auditor-General is the best recruiting agent for Queensland Purchasing courses'.</p>
<p>2D Germany consortium for electricity</p>	<p>The system is very complex and extremely decentralised. In general, the German public procurement regulations are in favour of decentralizing purchasing power to enforce competition. On the other hand, purchasing cooperatives are a very useful instrument to improve public purchasing practices. These cooperatives exist on all levels of the system. An example on a regional level is the purchasing consortia in the Stuttgart region which helps cities to bundle their demand.</p> <p>Figure 2 gives an overview about the organizational relationships. DLR is influenced by the BMBF through its funding and/or its policies, e.g. the bidding controllership institution or the BundOnline 2005 project mentioned. DLRs major public procurement regulations are VOF, VOB and VOL (so-called "Verdingungsordnungen") for purchasing buildings/construction, purchasing services, and purchasing of other goods. In its statutes and articles DLR is obliged to follow these public procurement regulations. For contracts with volumes above 200.000 € this obligation is even fixed in German law. Another major influence is the "geographical return" policy of ESA.</p> <p>At the moment, German public procurement law has no good instruments for contract goods. Exchange goods, which can be described easily in advance of a bidding procedure, are easy to handle - but contract goods. This ties in with a comment made in another stream discussion that rules are designed for goods, and just do not work for modern, often service oriented contracts - the speaker's challenge was 'who has ever had a successful IT procurement?'</p>
<p>3B UK English National Health Service</p>	<p>Relationships for co-ordinating purchasing and supply shown in Figure 4 of case. Not mentioned in case: standing orders at Trust level, governed presumably by Department of Health finance regulations, with guidance from PASA on supply strategies.</p> <p>Purchasing entities are required to comply with EU regulations directly (compared to other countries where EU/WTO regulations are written in to national regulations). New policies are arising for confederations.</p>
<p>3C Canada National Public Works and Services</p>	<p>Regulatory Boards: The Treasury Board (TB) manages the government's financial, personnel, and administrative responsibilities. It is considered the employer and general manager of the Government of Canada. It sets policy in these areas, examines and approves the proposed spending plans of all departments, and reviews the development of approved programs. TB is responsible for the preparation of the expenditure budget (the Estimates) and the monitoring of program spending. It also provides policy frameworks in numerous areas, including risk management, real estate property and contracting.</p> <p>The Treasury Board Policy on Contracting addresses a very broad range of requirements and sets out key dimensions of administrative practices found in various types of contracts. It also sets out practices for the various phases from the initiation of a contracting process to the final acceptance and goods and services and addresses some of the differences in practices that should be expected in goods versus services and construction contracts.</p> <p>The TB Contracts Directive sets out the basic limits for contracting authorities, provides special limits for specific ministers related to their program mandates and sets out certain special authorities for emergencies and specialized services.</p> <p>The Treasury Board Policy on Contracting sets out the broad parameters of government contracting, the objective of which is <i>to acquire goods and services and to carry out construction in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people</i>. The policy states that contracting shall be conducted in a manner that will be equitable, fair and transparent. Contracting must also ensure the primacy of operational requirements as well as sustain long-term industrial and regional development. Lastly, contracting has to comply with Canada's obligations under the various Trade Agreements including NAFTA, the WTO Agreement on Government Procurement and the Agreement on Internal Trade.</p> <p>The Treasury Board Policy on Contracting addresses a very broad range of requirements</p>

Case	Accountability, Regulation and Audit
	<p>and sets out key dimensions of administrative practices found in various types of contracts.</p> <p>Procurement and contracting activities are carried out pursuant to the following statutes, modern treaties, and trade agreements:</p> <ul style="list-style-type: none"> • <i>Financial Administration Act (FAA)</i> • <i>Department of Public Works and Government Services Act</i> • <i>Defence Production Act</i> • Comprehensive Land Claim Agreements • North American Free Trade Agreement (NAFTA) • World Trade Organization-Agreement on Government Procurement • Agreement on Internal Trade <p>The FAA is the key statute that supports all procurement and contracting activities and associated financial obligations. It provides the legal framework for the collection and expenditure of public funds, including the government’s contracting practices. The <i>Government Contracts Regulations (GCRs)</i>, issued pursuant to the FAA, outline the conditions of contract entry.</p> <p>The Canadian International Trade Tribunal is the main quasi-judicial institution in Canada's trade remedy system, with authority to conduct inquiries into complaints by potential suppliers concerning procurement by the federal government that is covered by the North American Free Trade Agreement, the Agreement on Internal Trade and the World Trade Organization Agreement on Government Procurement. Approximately 55% of PWGSC procurement (by value) is subject to these Agreements.</p> <p>There is a tribunal system for complaints about trade agreements. Well under 1% of procurements result in complaints (2002-2002 – there were 15,000 procurements subject to trade agreements – and only 66 complaints). Suppliers don’t seem to feel cheated. Sometimes there is a concern that complaints aren’t made by suppliers due to a fear of being black listed, which is unfounded.</p> <p>Most clients think our department makes the rules, rather than realising that the rules relate to the Government’s commitments, so the rules are effectively law. The client has to follow them. For many clients, procurement bureaucracy is not as bad as their own departments bureaucracy.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>At the central level, the government has a number of acts at its disposal which, in fact, form the framework for fair distribution of the (premium) income received. The four most important acts are the “<i>Ziekenfondswet</i>” (National Health Insurance Act), the AWBZ (Exceptional Medical Expenses Act), the WZV (New Hospital Planning Act) and the WTG (National Health Tariffs Act).</p> <p>The AWBZ provides cover against the cost of expensive or long-term health care for anyone who is resident in the Netherlands. The WZV and the WTG are acts aimed at control of the capacity and costs of available care. The WZV is a planning act which indicates the institutions which may provide care, where their buildings may be located, their size and number of beds available for patients.</p> <p>The WTG, the National Health Tariffs act, determines which prices care providers may reclaim from the health care insurers and private patients. In relation to the planning act WZV, we could say that the WZV sets the volume and the WTG sets the price. The WTG not only sets prices and budgets for institutions but also the fees charged by professional practitioners.</p> <p>Guidelines form the basis for negotiations on tariffs between health care suppliers and health insurers. These guidelines are established at the initiative of parties, the CTG itself, or come through a directive from the Minister. The guidelines take into account all kinds of parameters such as the number of inhabitants in an area, number of beds, number of doctors, average income for professional practitioners, standard costs and adjustment mechanisms.</p>
<p>4A US Federal</p>	<p>The Federal Acquisitions Regulations (FAR) is 18,000 pages long. New statutes appear every year, there appears a ‘knee-jerk’ tendency to create new rules.</p> <p>Federal procurement is organized in such a way as to meet individual agencies’ specific procurement while maintaining some central control of procurement practices. In implementing procurement policies, the executive branch, headed by the president, has a broad scope of managerial, and technical procurement responsibilities and procurement policy decisions, which may include, among others:</p> <ul style="list-style-type: none"> - Supplementing and augmenting statutory procurement policies and procedures

Case	Accountability, Regulation and Audit
	<p>through executive orders;</p> <ul style="list-style-type: none"> - Developing and maintaining statutory procurement policies and procedures; and - Determining whether to meet program needs by in-house performance or by contracting out. <p>Congress primarily influences the federal procurement system through laws, budget appropriations, and its oversight powers. In addition, the Congress oversees federal procurements through its various standing committees (Senate: Armed Services, Government Affairs, Small Business. House: National Securities, Government Reform and Oversight, Small Business), and the U.S. General Accounting Office (GAO). It also authorizes GAO to recommend decisions to agency heads on contract award and non-award protests. These decisions also become a major source of federal regulations.</p> <p>Federal government has a centralized structure to maintain a uniform standard and control, and a decentralized structure allowing for flexibility to meet unique requirements of over 60 federal agencies. Currently, the federal procurement structure within the executive branch is very fragmented, consisting of many executive agencies' decentralized procurement systems, and many procurement administrations, offices and councils (Figure 2):</p> <ul style="list-style-type: none"> - The Office of Management and Budget recommends programs and funding levels for programs, including procurements; monitors programs and adjusts funding levels, if necessary; develops and issues, through the Office of Federal Procurement Policy, procurement policy guidance; and reviews proposed regulations for compliance with policy guidance. - The Office of Federal Procurement Policy, a part of the Office of Management and Budget, among other responsibilities, provides leadership in the establishment, development, and maintenance of federal acquisition regulations (FAR); coordinates the development of government wide procurement systems standards; and provides direction to the development of procurement systems of executive agencies. The Federal Acquisition Regulatory Council assists in the direction and coordination of federal procurement policy and regulatory activities. - There are three Acquisition Regulatory Councils: the Defence Acquisition Regulatory Council, the Civilian Acquisition Regulatory Council and the Federal Acquisition Regulatory Council. The existence of the three acquisition regulatory councils makes the procurement structure of the federal government further fragmented. <p>Executive Agency Heads (be it Secretary, Attorney General, Administrators, Governor, Chairperson, other chief officials of an executive agency, or their authorized representatives) establish supplementary acquisition regulations and other internal policies and procedures, and are responsible for fulfilling agency procurement needs, and carry out FAR.</p> <p>In 1982, the President directed the executive agencies to complete and put into effect a Federal Acquisition Regulation system to replace the existing fragmented or non-uniform procurement regulations.</p> <p>The placement of the acquisition function within an agency depends on the relative importance of that function to the agency's mission. This is different from smaller government entities, which have a relatively simple procurement structure. For example a central procurement office responsible for procurement policy and regulations and also for acquiring goods and services, with most federal executive departments having a central procurement office and quite a few decentralized procurement offices located in subunits within the executive agency.</p> <p>Boards of Contract Appeals (BCA) resolve contract disputes between contract officers and contractors. Several of the large agencies have their own BCA. Agencies that do not have a BCA use the BCA of another agency when needed.</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>The procurement policy frameworks of the European jurisdictions are all consistent with the European Unions' public procurement directives. However, there are variations in the genre of policies with the continental European jurisdictions having rules based frameworks. In contrast, the United Kingdom and Ireland have hybrid principles and rules based approaches with the rules based aspect largely deriving from the European Union requirements.</p> <p>There appears to be a stronger emphasis in the continental European countries on the relationship between compliance with procurement regulatory requirements and the use of e-procurement. This is not the case in the United Kingdom or in the Australian</p>

Case	Accountability, Regulation and Audit
	<p>jurisdictions with the exception of Western Australian where Government Electronic Market purchasing element facilitates compliance with the requirement to seek written quotes at relatively low value thresholds. The e-tender elements promotes compliance with the requirement to advertise all contracts above a certain threshold value.</p> <p>Implicit or explicit in most public procurement policy frameworks is the expectation that procurement will be managed efficiently, that costs will be reduced and that competition to supply will be enhanced. E-procurement initiatives may help meet these expectations and thereby facilitate enhanced policy outcomes. However, at issue is the extent to which the desire for enhanced procurement policy outcomes drives the use of e-procurement. The perspective on this issue evident in the information elicited from the focal jurisdictions is equivocal. There are many instances where there is an expectation that e-procurement will result in cost reductions and efficiencies. However, there are only a couple of instances where it could be directly argued that procurement policy outcomes may be enhanced through the use of e-procurement. These are in Germany where there is an expectation that the e-Vergabe e-tendering facility will result in greater competition to supply and in Denmark where the on-line catalogue of Indkobs Service provides an environmental rating of products listed in the catalogue.</p>
4C South Africa Province	<p>The National Treasury, under the Minister of Finance has the constitutional mandate and responsibility to develop norms and standards for Public Sector Procurement. This has been driven via the passing of various pieces of legislation, such as the Public Finance Management Act (PFMA), the Preferential Procurement Policy Framework Act (PPPFA) and Regulations and the Procurement Policy Framework. Provinces may then develop policies and procedures within the parameters of the legislative and regulatory framework. Accountability has been further enhanced by the enacting of new Financial Management legislation that makes the Head of Department directly responsible – with the ultimate threat of imprisonment – for monies being spent appropriately.</p>
4D United Nations	<p>Many UN agencies have delegated authority to their respective country offices to undertake procurement up to a certain financial limit, varying by agency, from US\$ 5,000 up to US\$ 100,000. Local procurement by peacekeeping missions is authorized up to US\$ 200,000 for the larger missions. As developing countries become more self reliant in managing their own technical cooperation, national execution (NEX) of projects and programmes increases, including procurement of necessary goods and services.</p> <p>The UN system operates on budgets funded by its members. Each Agency has a separate budget approved by its respective supervisory Board. Each UN organization has adopted common guidelines (General Business Guide, 2000) for procurement, which were developed by the IAPWG (Inter Agency Procurement Working Group). In practice, however, procedures vary widely among agencies, depending on operational requirements. The major emphasis is to achieve best value for money through a transparent procurement process. In Table 1 the procurement procedures followed by the UN system are outlined. Various agencies have differing procurement value thresholds and approval procedures, particularly for contract values under US\$100,000. This is demonstrated by also showing the procedures for UNDP, UNFPA and UNOPS in Table 1, and demonstrates the diversity of the UN procurement system in terms of rules and regulations.</p>

Table I: Accountability, regulation, oversight and audit

Note all numbered Tables and Figures referred to can be found in the original cases in IRSPP Proceedings

5.3.4 Key Points of Accountability, Regulation and Audit

- ◆ There are differences in tenets that underpin governance structures across cases.
- ◆ The cases suggest three orientations of transparency.
- ◆ The degree to which politicians are held responsible for procurement matters varies across cases.
- ◆ International regulations (EU, WTO, etc.) are treated differently both by individual (national) jurisdictions and by state vs. national/federal government.

The cases show differences in the key principles that underpin governance arrangements. For example, in Singapore, the authorities are very concerned to preserve their reputation as good buyers so that foreign firms will sell to them, and to avoid corruption. In the US, the separation of powers appears to be the core principle. On the other hand, in the Belgian case, the core concern is devolution of competences.

All the cases, as would be expected, show a concern with accountability; however, the nature of accountability and oversight appears to vary by certain key criteria. Within the general heading of ‘transparency’ it is possible to differentiate on grounds of transparency to whom or what. Three types of accountability or transparency are apparent:

- ◆ Transparency to the general public (or their representative, the media), e.g., US, Finland
- ◆ Transparency to peers (consortia style purchasing), e.g., Canadian higher education, Finland, Germany
- ◆ Transparency to the centre (state), e.g., Australia, Singapore, UN (in the sense that transparency is internal within the UN rather than to the outside world), the Dutch NHS, and the Belgian and German cases, where lawyers are dominant.

Transparency to the public is indicated by documents being available for inspection by law. In the US and Finland there is some degree of price transparency; prices quoted by suppliers are made public. Transparency to peers occurs where members of consortia have inspection rights (and duties) over what is being conducted on their behalf. Transparency to the centre will be indicated by a complex and prescriptive set of rules and regulations. It is for the state or qualified bodies to assess conformance to such requirements, not the public or press.

Accountability for efficiency in public procurement is not tied to politicians in the US, whereas in the UK it is. A similarity was noted between Belgium and the US; politicians are rarely held accountable by the public for procurement failures (except in defence). Even in cases where the scandal has broken just prior to elections, politicians have been elected. In Singapore, ministers would rarely resign or be removed over procurement issues. In the Australian case, the comment was made that “Lessons learnt do not change habits. Changes are ideology driven”. Australian politicians don’t suffer so much from media amplification of risk as, say, UK politicians.

In attempting to generalise across international public sector procurement, it appears that the extent to which politicians are likely to be held accountable for efficiency (or otherwise) in public procurement, or sanctioned for major failures (e.g., major overspends on IT or defence projects), is tied to the individual national context.

In the Australian case, stakeholders – such as WTO – do not seem to have as much influence as in other countries, such as Belgium and Singapore. There is a possibility that there are effectively three types of nations with regard to rules and regulations – countries that follow, countries that argue, and countries that ignore.

The regulations of international bodies are treated differently. In the UK NHS case, it is noted that EU regulations are complied with directly; i.e., they are not assimilated into purchasing ‘law’, whereas in Belgium, EU and federal regulations are combined. Given the reliance of certain parts of the Australian economy on minerals, mining and other commodities, together with Australia’s geographical location, the WTO is a key player. Therefore, in Australia, there is considerable concern about the WTO’s impact on agriculture, whereas S-E Asian countries don’t pay so much attention to the WTO. In Australia, WTO rules are more central to decision

making at federal level than state level. The view is that the ‘pain’ of compliance is felt much more at state level than it is in the capital, Canberra.

Differences emerge across the cases in the degree to which the rules and procedures are regarded as an end in themselves. Cases such as Germany, Singapore and the Dutch healthcare system appear highly rule based. Although there were complaints that the US federal system had a knee jerk tendency to create new rules, it was also said that the ‘culture’ of the federal procurement process had to be appreciated on legal matters: “If something is not specifically prohibited, then it is permitted”. Because US federal procurement cannot spend more money than Congress has allocated in a budget, there is scope for regulations to be advisory and act as ‘guidance’, dictating what should be achieved, but leaving some scope for procurement in how to go about achieving that end.

Sanctions vary across the cases. The role of the Australian Parliamentary Estimates Committee could be compared to the role of the National Audit Office (NAO) in the UK. However, the case suggests the Australian committee has a more proactive brief to improve the value received from public expenditure, whereas the NAO has been criticised for being reactive and concerned with past not future performance. In the Gauteng case, the head of department can be jailed if money is spent inappropriately – there is a chain of accountability due to new financial management legislation in the public sector. This was discussed as a very real issue that concentrated senior figures’ minds; it also means that responsibility for preventing ‘jail’ passes down the chain of accountability. In contrast, in Singapore the principal sanction is embarrassment and possibly the end of a promising career.

The tendency to risk averse behaviour by civil servants was also raised, with the suggestion that it led to strict adherence to rules and procedures – sometimes when the procurement official knew the process would sub-optimize the outcome. The Belgian case may also be one where public procurement appears to follow rules rather than make them. The public procurement system in Belgium is very much a law-based system – a complex set of rules combine national and EU-originating regulations, and only legal experts have good understanding of the whole and the origins of the different elements. This contrasts with English NHS case where the competitive tendering regulations that relate to the EU are clearly ‘visible’ within the overall set of rules that govern purchasing.

The Belgian case highlights the role in their system for ‘the inspectors of finance’, advisors to their minister, and the government on regularity, legal or opportunity issues. They enter departments as internal auditors of the executive power, but are hampered by a very high workload, time pressures and the complexity of the situations they examine. Interestingly there is a link to the use of embarrassment in the Singapore cases, in that an annual list of ‘bloomers’ is published, but politicians know that the public is not interested in the details of procurement decisions.

Given the grand meta-themes that emerge in the cases, it would be easy to lose sight of the continuing role played by traditional budget policies and accounting practices. In the UK it was suggested that the major audit body with responsibility for the effectiveness of public procurement – the NAO – was so influential it should be portrayed as a stakeholder in its own right. It is important in all the cases to understand the relationship procurement has with systems and procedures which limit or set parameters for what can be achieved – without challenging or changing those systems. This comes through clearly in the German and Belgian cases where very rigid structures create a system where if you want to get anywhere you have to try and abide by the rules or be as creative as possible within the rules.

But it is the Belgian case which most draws attention to the role the relationships between finance and procurement can take (with the Dutch healthcare system perhaps in second place). The Belgian case showed that it is not a good idea to place the procurement department under the Finance Department; what happens in the traditional budget silo approach is: “in January: we don’t have any money, in September: come and get it”. The Belgian case notes that the move from a cash basis to an accrual basis of accounting seems to be the most logical step to undertake. It is central to the working of procurement to understand what influence budgets have and how they are constructed (compare, for example, the emphasis placed on the budgeting process in the sophisticated US federal system). In Belgium an important differentiator between the various levels of government is their ability, or not, to carry forward unspent funds. Another case where budget holding affects procurement is in The Netherlands. The Dutch healthcare system is very tariff focused, based on budgets not purchasing.

One participant suggested each nation erected its own public procurement system as a barrier to other nations understanding it.

5.4 Sector/Service Context: Supply Market, Recipient and Competition Factors

5.4.1 Summary of Data on Supply Market Factors

Case	Supply Market Factors
1A Australia State	Western Australia State is isolated economically with a history of mining. Long distances mean that there is a strong focus on infrastructure. If local firms lose out, local population reduces, the use of infrastructure goes down, etc. This high risk of a downwards spiral means major government contracts are fought over hard. If an outside supplier wins, there is a big fuss. A local presence is a requirement of contract award, so multi-national suppliers must have offices in the State to deliver business.
1B Belgium	c60-70% of contracts are awarded to Belgian companies in the ministry defence. Public works is the sector in which foreign firms are least successful. This position is considered to be relatively good (for foreign firms). The figures make more sense when compared to Portugal, who advertise the most in the entire European Union, however very few contracts are won by non-Portuguese firms.
1C Singapore	In Singapore, a lot of what they do is shaped by their dependence on an international supply base, e.g. their enthusiasm for WTO. Given the size and nature of the Singaporean economy in most sectors non local suppliers are required to meet needs, therefore, officially, there is no favouritism toward local suppliers. This is reflected in the construction tenders where competition from Japanese and Korean companies is intense.
1D US State and Local	The written case does not discuss supply market factors, however the fragmentation of spend between various federal and local bodies, and the ‘American’ concern with transparency are factors.
2A Finland Regional Consortium	Suppliers have been used to dealing with consortia members on an individual basis. Resistance to consolidated purchasing has manifested itself in suppliers being slow to co-operate logistically; some suppliers have been very reluctant to adopt cross docking when delivering to consortia warehouses. Apart from commercial factors such as that for suppliers delivery may have added to gross margins, the consortia only covers 20% of total expenditure, and therefore may lack leverage with suppliers.
2B Higher ed consortia, Canada, US, UK and Australia	Case suggests the role of the supplier is underutilized in consortia. Trust between consortia and supplier can increase bi-lateral information flow. Suppliers can provide market information, track order cycles and consumption rates, provide supply cost data and recommend alternatives. In many industries the supplier is the best source of expertise and can suggest improvements, especially with regard to waste.
2C Australia	N/a here, see case 4B E-commerce in Australian States and European nations.

Case	Supply Market Factors
procurement education	
2D Germany consortium for electricity	As discussed earlier, the system is very complex and extremely decentralised. In general, the German public procurement regulations are in favour of decentralizing purchasing power to enforce competition. The current decentralized system helps SMEs.
3B UK English National Health Service	<p>The characteristics of the NHS' suppliers and supply markets vary widely. Obviously, for health specific products the NHS is the major consumer in UK markets. In principle, this means it is in a powerful position with respect to those suppliers, though often this is not the case since: (a) in global terms, the NHS is a small, low margin market, especially when compared to the US; (b) decision making is fragmented across Trusts. Similarly, for non-health products and services, the NHS is often a major buyer (e.g. stationery, food, electricity), but given fragmented decision making and the absence of central data, this may not be apparent.</p> <p>A few, large suppliers dominate several important supply markets. Conversely, several markets are problematic because there are too many suppliers. Clearly, it is in the NHS' interests in such cases to co-ordinate its purchases to support the development of a market with a suitable number of suppliers that make adequate margins in order to achieve competitive prices, a stable supply base and sustained innovation.</p> <p>Currently, responsibility for 'supply market management' rests with NHS PASA, though in due course it will be shared with Confederations, since they too will have the necessary visibility of decision-making to predict market developments and the capacity to act to remedy prospective imbalances (Walker <i>et al.</i>, 2001). As with sourcing decisions, supply market management is severely hindered by the lack of high quality data. There are also fundamental tensions within the system.</p>
3C Canada National Public Works and Services	The issue of supply markets is not discussed in the written case, however the influence and size of the SME sector in Canada was also noted.
3D Netherlands National purchasing of healthcare provision	Purchasing professionals have little influence compared to medical employees so that decision making criteria do not reflect professional purchasing criteria. Such fragmentation of decision making leads to many suppliers and an absence of formal contracts.
4A US Federal	<p>By far, the most visible and sensitive socio-economic program the US government has is its commitment to small businesses. The purpose of this program is to continue to grow a robust industrial base capable of meeting the nation's needs. In the US it is estimated that a substantial portion of the technological advances come from small businesses and small businesses generate a disproportionate number of new jobs each year.</p> <p>In order to facilitate small business participation in US government contracts Congress established goals for participation. ... Over the last 8 years small business participation in US government prime contracts has remained fairly constant at about 21% (Source Federal Procurement Data Center, 2003).</p> <p>US federal purchasing can have a major impact on innovation and what is supplied in national markets, as illustrated in the following example:</p> <p>...§508 of the Rehabilitation Act of 1973. Congress amended §508 in 1998 requiring that all information technology, hardware and software, purchased or used by the government, with limited exceptions, must be accessible to individuals with disabilities. Some of these technologies already existed others are still in development...by requiring that all purchases of the Federal government be §508 compliant, Congress began making a change in the marketplace that would otherwise not have been made. Companies wishing to do business with the US government would not setup a separate production/development line for §508 compliant items, so they are changing their production/development lines to produce §508 compliant products that provide access to disabled individuals throughout our society. As a result citizens who were otherwise denied access to certain government and non-government sites and equipment, now have access or soon will.</p>
4B E-commerce in Australian States and European nations	n/a
4C South Africa Province	The Preferential Procurement Policy Framework Act (PPPFA), Act no 5 of 2000, serves as the basis of the fifth pillar, seen as vital to public sector procurement in South Africa,

Case	Supply Market Factors
	as it entrenches the South African government's commitment to economic growth by implementing measures to support industry generally and specifically to advance the development of Small, Medium and Micro Enterprises (SMMEs) and Historically Disadvantaged Individuals (HDIs).
4D United Nations	<p>The United Nations, including its many affiliated agencies, represents a vast global market for suppliers of virtually all types of goods and services. In 2001, the ten major countries of supply to the UN system were USA, India, Belgium, France, Italy, Switzerland, UK, Japan, Iraq³ and Germany, with the USA at the top accounting for nearly 10%. By contrast, the ten major countries of supply to the UNDP in 2001 were USA, Panama, Brazil, India, Germany, Colombia, France, Denmark, Italy, and Bosnia & Herzegovina.</p> <p>The overall spend on procurement of goods and services in developing countries has increased, but has dropped in percentage terms in recent years from 41.4% in 1997 to 37.7% in 2001. Agencies vary in the extent to which they procure in developing countries. For example, within the UN secretariat UNON (United Nations Office in Nairobi) procures 98.75% in developing countries, whereas UNOG (United Nations Office in Geneva) procures 1.77% from those sources.</p>

Table J: Supply Market Factors

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.4.2 Key Points about Supply Market Factors

- ◆ Absence of comment on supply markets highly noticeable
- ◆ Buy local or local content theme
- ◆ Scale and location influence supply markets

In the written cases, there is very little material on supply markets and suppliers. The absence of detail on supply markets could be taken to suggest that case subjects are not engaged with supply markets. Alternatively, it could reflect other factors such as the brief given to participants. It is still fair to say though that the study organisers anticipated far more attention to supply market factors. The English NHS case recognises a need to attempt to influence markets for competitive prices, stability of supply and innovation. Whereas elsewhere many parallels can be found between the English and Dutch healthcare cases; in terms of attempting to manage supply markets, the Dutch case presents clinical/medical staff as having far more control over procurement than purchasing professionals. PaSA in the UK has gone some way further than the Dutch system in introducing purchasing expertise and in reducing reliance on small suppliers without formal contracts.

A supply market theme that is important in a number of cases is 'buy local' or local content. For the Australian cases this concern reflects the remoteness of large parts of Australia, as seen in the push there on e-commerce as a way of linking remote businesses to government spending opportunities. Even in a country with few barriers to non-local suppliers, such as Belgium, certain sectors are more restricted, e.g., defence and construction. It is indicative of just how open a market Singapore is that even construction is dominated by overseas suppliers.

One feature of the US supply market that must be recognised is that its sheer size and scale allow US federal procurement certain advantages. In the federal case an example is given of US federal requirements influencing – voluntarily – the entire US personal computer industry

³ The reason for this is not that the UN system procured equipment from Iraq, but rather that in 2001 UNON placed a large number of construction contracts with local Iraqi contractors. These were primarily for the reconstruction of infrastructure, schools, hospitals, housing, etc.

towards greater accessibility for disabled. The national governments of smaller nations such as Belgium and Singapore will not have this influence. Further it could be argued that the US economy, through its size, is better able to create new markets (e.g., privatised prisons, etc.).

However, there is also a startling difference between the two largest supply markets in the cases – Germany and the US. In the US state and local case, there is discussion of the ‘fragmentation’ of government spend. Yet in the German case, the deliberate devolution of purchasing to the lowest level, i.e., local as opposed to central, is government policy to encourage SMEs. The issue brings home how even an innocuous sounding phrase such as ‘fragmentation of (total) government expenditure’ can be highly political, is being seen by opposing sides to have highly charged, and certainly not neutral, connotations. The preferential treatment for SMEs and HDIs (historically disadvantaged individuals) mandated by law in South Africa is one extreme of aiding specific sections of a supply market. However, whether it is more or less effective than the explicit targets set in the US for expenditure with SMEs is not clear from the cases.

5.4.3 Recipient and Competition Factors

This section draws heavily upon post-presentation and post-stream discussion. This reflects the comparatively low emphasis in the written cases on these issues, and what follows is heavily synthesised from various comments across the [post] case discussion.

One comment in the discussions was that it was surprising how politicians have not realised how big a lever for social and economic change public sector purchasing can be. In terms of discussing recipients, the comment is especially acute; that is, if politicians have not made this connection how likely is it that other recipients have? In discussion of the Australian procurement education case, it was said that “raising the bar of [purchasing] education equals greater quality [of] service to recipients and stakeholders”. It could be proposed that there is a fundamental disconnect here, in that recipients (discussed in this context as ‘the public’) do not demand better procurement, they demand better outcomes – which they do not see as linked to better procurement. For example in the English NHS case, the comments were made: What does success look like? Who defines it; stakeholders? recipients? patients? It appears there is a fundamental challenge for public sector procurement to be able to articulate to all recipients the value of better purchasing. In the Gauteng province case, how many recipients of improved services appreciate that for the present the largest expenditure has to be on consultants to bring in needed skills?

Discussion of recipients itself raises issues of how generalisable the concept of recipient is. A recipient may have one view of government expenditure as a taxpayer – and quickly change this view if, for example, they become a patient. Across the cases, expectations vary by nationality. It appears that in Singapore expectations of government may be lower than in most other cases. However, within Singapore there is also a cultural division between Malaysian and Chinese. Across all the cases there are divisions on gender and age, perhaps on income and education. (In the Australian context the differences between Brisbane, Sydney and Melbourne were raised.) Any kind of ‘metric’ of recipient satisfaction appears to individuate and segment individuals into only one of the many roles they perform – taxpayer, parent, worker, carer, old, young, voter, etc. The problem can again be illustrated by the English NHS case where targets are set for diabetes, cancer, coronary heart disease, etc.; but, for example, where in these targets are relatives and carers involved? The nearest to a solution to this issue is the Finnish consortia case where there is a heavy devolvement of responsibility for services to citizens.

It appears in the cases that procurement can achieve most when a segment can be readily identified, e.g., a business with under a 100 personnel, a specific racial grouping, as programmes in Canada, the US and Australia demonstrate. It may be that the issue of recipients hinges on this ability to identify a meaningful (recipient) constituency. Of course the case can be made in the opposite sense; if it is public money being spent then all of that nation are in some sense recipients as was said of the Germany consortium for electricity case, where the speaker said the recipients are all the German nation as well as internal customers at Aerospace. It may yet prove then that the categorisation of recipient is simply too broad to be decision useful for public procurement.

Turning to recipients of public procurement, it was said in the Finnish consortia case that local recipients (local businesses) “you want to support them but on the other hand you want best value for money”. Perhaps unsurprisingly one of the ways recipients did make their voices heard in the sessions was over late payment (e.g., US federal case, Gauteng case). The question as to what other issues businesses might raise as recipients is not answerable from the discussions but given the diversity of structures presented in many of the cases, it is possible to suggest many might describe the public procurement organizations they face off to as unnecessarily complex and hard to understand. At a US federal level, state and local governments, and various interest groups can be highly involved in some other capital projects, e.g., highway construction projects. Citizens and community action organizations also generally have the opportunity to provide their views and have them considered. The US state and local case provided a further example of accessibility; during televised commission meetings, commissioners can receive phone calls from the public as the awards are being discussed. Such accessibility to decision makers raises issues of influence, and here post-case discussion reflected concern with political influence (and contributions) and lobbying.

Again, competition *per se* did not attract much attention in the cases (although some is covered in the supply market factors section [section 5.8], where, for example, maintaining attractive markets for suppliers is raised. In the Australian federal case and in the UN case, competition between internal (stakeholder) entities can be seen. Discussion of the consortia cases raised the delicate relationship between consortia and competition (discussed further under co-operative purchasing below [section 5.10]). Broadly, consortia need very specific management to ensure competition and a competitive supply market is maintained.

At a national level, Singapore faces significant economic challenges from Shanghai and a few other major Chinese cities. Within Australia, there is clearly economic rivalry between states. However, the Finnish consortia case drew attention most noticeably to inter-regional competition. It was said that, “In contrast to some other countries, the *worst* performing authorities receive additional funding from central government”. This last statement draws attention to the perennial problem that funding decisions may not follow procurement excellence.

There was general agreement that trade agreements are designed around the markets and the methods of 50-100 years ago. They work adequately for construction and goods contracting, but not for services. IT, especially, cannot be procured effectively within the current rules. New pathways are needed to achieve change; this is a major international procurement issue which will not go away by itself.

5.5 Strategy for Purchasing and Supply

The purchasing function in many of the cases is the subject of considerable change, either recently or soon to be under way, or both. In some cases, the goals and strategies are specifically targeted at purchasing, but more often they are the ‘localised’ results of more general efforts to improve public services. Case data on the goals and strategies for reforming supply are summarised in Table K, below. There is inevitably some overlap with consideration of stakeholders’ expectations (5.3.1) and purchasing outcomes. (in section 5.14 below).

5.5.1 Summary of Data

Case	Reforming Supply – Goals and Strategies
1A Australia State	<p>Within the complex federal system of government in Australia, public procurement illustrates the tensions that exist in a system where public procurement is managed independently at national and sub-national level. Procurement reform has been a feature of public sector reform in Australia over the past ten years in each jurisdiction. The procurement models that have emerged from the related reform process have become very diversified. Many of these variations arise from the sense of collaborative competition that broadly defines this area of state-federal relations and quite different political and administrative responses to the impact of the New Political Economy (NPE). For example, devolution of procurement has been pursued in some jurisdictions in response to the notion of “letting the managers manage”, while centralisation has been pursued in other environments in an attempt to reduce the cost of government procurement. Because of the constitutional arrangements outlined below, uniformity of public procurement policies remains a challenge in Australia unless a national government provides funding to coerce states into adopting a uniform procurement code.</p> <p>The case highlights that boundaries are not set in stone, the shifting boundaries in the power relationship between the Commonwealth and States have resulted in various (and evolving) models of federalism. A fundamental consequence is that while there are similarities in procurement policy and practice, the constitutional, financial, and historical tensions are linked to the potential for political differences between each State and the Commonwealth and remain permanently uncertain. This is further compounded by management policy variations, particularly the choice of centralised versus decentralised control of procurement, the growth of large areas of government policy, and financial conflict between each state and the Commonwealth. Put simply, in areas such as education and health, the federal government attempts to influence policy even though service delivery is the responsibility of the states, creating what has been termed vertical fiscal imbalance between the parties.</p>
1B Belgium	<p>There is no serious review of procurement with a view to its reform being undertaken. Traditional approaches continue to be used and the main driver of change is the principle of devolution of decision-making. There is no single objective for public procurement. Few cities have a procurement strategy; procurement is considered an administrative matter; there is little professional capability at municipal level.</p>
1C Singapore	<p>Best practice is a popular term. Singapore is considered as a best practice model in the region in relation to public management, housing and education.</p> <p>Drivers for regulatory change: ‘if you stand still, you end up going backwards’ so therefore there is a commitment to continuous review. There is a high level of turnover with administrative class. People move up fast, then move over to business sector in mid/late 30s, this allowing a constant ‘rejuvenation’ of the administrative class. Typically a high flyer would become Deputy Secretary at 32, and a Permanent Sec at 40. Both roles have a maximum tenure of 10 years.</p> <p>The main trends are toward:</p> <ul style="list-style-type: none"> • greater competition • decentralisation • more discriminatory approach to imposing sanctions for default
1D US State and Local	<p>Reinventing Government: Initiated by Al Gore, who focused particularly on federal acquisition regulations, is all about streamlining processes.</p> <p>Given citizens’ expected more and better public service with less, strategic plans (for capital programmes) are expected to establish performance levels beyond current capacity, or to maintain current performance with fewer resources.</p>

Case	Reforming Supply – Goals and Strategies
	<p>For reform efforts to succeed, a firm commitment from all stakeholders – governments, businesses, and society – is required to develop and implement solutions. Such reform solutions within government procurement systems must include concrete measures – preventative as well as punitive – that address issues of accountability, transparency and inequity at various levels of the social, political, and economic systems. In this respect, the international community has a role to play both as catalyst and supporter for reform. The particularly complex nature of procurement reform makes international cooperation and coordination even more critical to the successful implementation of procurement strategies that promote accountability and improve governance.</p>
<p>2A Finland Regional Consortium</p>	<p>Achieving lower transaction costs, rather than lower prices, was the main motivation behind the consortium approach. Within this, the main focus was on the process costs associated with supplier selection. Achieving greater efficiency through introducing common processes and automating wherever possible was therefore a key objective.</p> <p>The suggestion for future operations were based on logistics strategy and organizing procurement in a decentralized organization. The main objectives were:</p> <ul style="list-style-type: none"> • One procurement organization for Kuopio area • Improving warehousing and cross-docking operations • Development of one materials management software for all • Development of one transportation system for all • Improving the procurement coverage with services <p>The estimated benefits were 2.5 million euros, based on three different actions: purchasing prices for the increased coverage of procurement operations, streamlining order and invoice processing costs with the new software and cost savings through centralized transportation system and cross-docking operations.</p>
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>Purchasing in the public sector is shaped by legislation, public policy, political agendas and internally by institutional philosophies and citizen clients. These factors distinguish public from private-sector purchasing by the source of pressures, but doesn't suggest that one is easier than the other, or requires a different skill set. Public purchasers do not frame their decisions by easily recognized business indicators, such as profit, but they are driven by a complicated financial system of budgets influenced by authorities outside of the institution. It is within this environment that public purchasers have employed consolidation and co-operation to achieve improvements in purchasing results.</p> <p>As funding shortages continue to strain university and college budgets, competition for the control of major supply will intensify as more and more bodies join the ranks of collaboration facilitators. Affiliated associations and large suppliers are stepping onto the stage to negotiate nation-wide agreements, often with overlapping results. Purchasing managers will need to be strategic in deciding what to contract cooperatively at the local, regional and national levels.</p> <p>The public sector reform movement has spawned increased interest in consolidation and outsourcing as a means to optimizing the public tax burden. The push for purchasing cost efficiencies can create complex dilemma for administrators, whether functional activities are managed centrally or distributed. For those managing the purchasing function, the situation has become a squeeze play. While there is increasing pressure to reduce commodity costs to meet budget cuts; budgets to achieve these expectations have themselves been drastically cut. With the demand for efficiency gains in annual spending intensifying, the more successful an organization is in achieving their targets, the more likely it is that targets will become increasingly stringent (in Carter and Greer in Pollitt 1995). This translates into a drive for greater cooperation across the public sector, a drive notably evident in the formation of purchasing groups among school systems, hospitals, municipal governments and universities.</p>
<p>2C Australia procurement education</p>	<p>Further sectoral reviews and enquiries resulted in minor changes such as the introduction of the Strategic Defence Industry Policy (SDIP) in 1998 to 'increase defence manufacturers' viability, improve interaction with government requirements, increase industry's exports and avoid capability procurement mistakes of the past'. This (according to the minister at the time) would help avoid problems which occurred due to the lack of a "strategic and holistic approach" to capital equipment purchases.</p> <p>When announced in 2000, Queensland's new State Purchasing Policy was claimed to be 'leading the way in Australia by directly linking the State Government's purchasing power to the Government's priorities'.</p> <p>And it was also claimed that it would 'harness spending power and give Government agencies much greater flexibility to buy locally'. The new Policy was to 'shift the focus away from processes, paperwork and red tape and puts</p>

Case	Reforming Supply – Goals and Strategies
	<p>it squarely on fulfilling the Government's priorities, especially in relation to jobs and regional development'. (Schwarten, 2000)</p> <p>The current Queensland State Government policy was introduced in 2000 after a major review process commenced in 1998. The Policy has three objectives:</p> <ul style="list-style-type: none"> • Advancing Government priorities • Value for money • Probity and Accountability <p>The government priorities referred to embody the social, economic and environmental aspirations of the State Government</p>
<p>2D Germany consortium for electricity</p>	<p>DLR concentrates on two major strategic supply goals defined by DLRs supply management and approved by DLRs board of directors: (a) Efficiency and (b) formality.</p> <p>According to German public procurement law, efficiency (“<i>Wirtschaftlichkeit</i>”) is the most important target for all public purchasing activities: Following the German “<i>Verdingungsordnung</i>” (VOL) the highest efficiency shall be the decisive factor for awarding the contract, not the lowest price (only).</p> <p>Formality is achieved by following the German public procurement guidelines. In Germany, the national law is divided into regulations (“<i>Verdingungsordnungen</i>”) for different subjects, e.g. constructions and buildings (VOB) services provided by freelancers (VOF) and deliveries and other services (VOL). According to national and European regulations, the bidding procedure is the standard procedure for all public purchasing activities.</p> <p>In order to fulfil these requirements DLR has implemented a strict purchasing process which is ISO 9001 quality proved.</p> <p>Some initial ideas for the impact of reform are formulated in two theses:</p> <p>Efficiency and formality have a strained relationship. In general, public procurement law, especially the “<i>Verdingungsordnungen</i>” offer a very good instrument to combine these goals and make purchasing decision processes clear to all interested parties. On the other hand, the influence of professional buyers on setting up these regulations is still too small.</p> <p>At the moment, public procurement law has no good instruments for contract goods. Exchange goods, which can be described easily in advance of a bidding procedure, are easy to handle – but contract goods are not.</p>
<p>3B UK English National Health Service</p>	<p>In terms of procurement, the most notable reforms are: the relationships and boundaries between the commercial and public sectors, evidence-based medicine, and Government’s efforts to implement electronic communication for its internal and external transactions.</p> <p><i>‘Modernising the NHS’</i></p> <p>Key drivers for these reforms are unsatisfactory performance in terms of quality of care and care outcomes, and differential performance between care providers and the desire to narrow the inequalities gap in terms of access and opportunity for patients.</p> <p>The Boundary between the Public and Commercial Sector</p> <p>The introduction of PFI, CCT and VCT has shifted the boundaries between the public and private sectors, and these changes will be further accentuated and accelerated through as recent Government policy and guidance is implemented. In order to meet the need for investment in health services and address a lack of capacity within the system, Government is encouraging the development of new arrangements with the commercial sector, such as outsourcing elective surgery. In doing so, it is generating important changes in the interface between the commercial and public sectors and the locus of sourcing decisions for goods and services needed to deliver healthcare, for example: relationships with suppliers moving from NHS hospital trusts to health service commissioners (PCTs and STHAs); commercial companies becoming accountable for expenditure on equipment and consumables.</p> <p><i>Improving Clinical Outcomes</i></p> <p>The National Institute of Clinical Excellence (NICE) is part of a wider drive towards ‘evidence-based medicine’ (EBM), which has an impact on the ways in which (a) suppliers should develop, test, introduce and market new technologies; (b) buyers should source such technologies. These developments have various implications for purchasing and supply, for example: practitioners can contribute to the evaluation process through gathering performance data from suppliers, helping to evaluate cost-effectiveness, and advising on the commercial implications of proposed guidance on the use of new technologies.</p> <p>Through evidence-based medicine, P&S practitioners should become more engaged in the development and implementation of new technologies. More immediately, (a) NICE’s decisions may have a detrimental impact on some suppliers and so may affect the stability/viability of certain supply markets (for example, by nominating just one product,</p>

Case	Reforming Supply – Goals and Strategies
	<p>thus creating a monopoly situation), and (b) EBM increases potential suppliers' entry barriers to new markets. This brings additional focus on the need for supply market management and it is for this reason that NHS PASA is consulted by NICE during the decision-making process.</p> <p><i>E-Commerce and the NHS</i></p> <p>In procurement terms, the multiple and disparate manual and IT purchasing and financial systems currently operating at local level militate against the NHS acting as one body in securing the economies of scale that should result from being one of the largest organizations in the world.</p> <p>NHS PASA has been tasked with developing and leading the implementation of an e-Commerce strategy for the NHS. The policy behind the development of e-Commerce in the NHS includes a clear expectation that a) e-Commerce embraces and integrates all business processes from demand through to payment; b) the NHS acts on a once-only basis in programme design and application; and c) that e-Commerce changes the nature of purchasing from transactional to strategic.</p> <p>By making available data on the patterns of demand at each of these three purchasing levels, Trusts, Confederations and PASA will be able more effectively to a) develop new contracts in areas where none previously existed; b) select the optimal mix of products, services and suppliers offering lowest total cost; c) work more effectively with suppliers to achieve price reductions; and d) streamline supply chain management to achieve faster lead times and less stockholding. These measures will, in turn, enable a significant reduction in the cost of goods and services purchased by the NHS, releasing more funds for direct patient care.</p> <p>Whilst a robust e-Commerce solution is vital, therefore, to the realisation of the NHS' modernisation agenda, the implementation challenges are significant. These lie primarily not in systems development and installation but in managing the large-scale change throughout the NHS that the strategy demands; this is likely to result in substantial business transformation and significant changes to working practices in line with the requirements for modernisation and better use of resources.</p> <p><i>Reforming Financial Flows</i></p> <p>The shift of health managers' attention from departmental budgets to costs of clinical interventions should change the way they perceive and measure value, and the potential contribution of P&S professionals to achieving value for money. Where innovations fit within a type of clinical intervention, it will be easier to evaluate cost-benefit, and the introduction of beneficial new technologies should therefore be quicker. The arrangements will make it easier for PCTs to commission services from new sources, and is likely therefore to accelerate changes in the boundaries between the public and commercial sectors, discussed above. Currently most PCTs 'contracts' with service providers are service frameworks with other public sector organizations (which are seen as 'commissioning'). If more of these 'contracts' are let to commercial organizations, then the boundaries between 'commissioning' and 'purchasing/procurement' will become blurred.</p>
<p>3C Canada National Public Works and Services</p>	<p>PWGSC's clients are demanding quicker services from PWGSC in a form that responds to their immediate needs. To take advantage of the opportunity this presents, and to demonstrate the value that the Department can add, PWGSC will face the challenge of streamlining some of its business processes before using technology to improve service delivery. With increased customization to meet clients' requirements, there must be a flexibility to explore other processes and delivery tools that may prove beneficial to the delivery of a client's core program. Failure to demonstrate to clients that PWGSC can meet their specific needs in a fashion that adds value to their programs could result in clients opting to provide services for themselves or outsource directly to the private sector.</p> <p>The issues being raised included: - the introduction of Government On-Line, which is a major integrating force for the delivery of services and programs to Canadians; and, - the increasing need for assurance that whole-of-government issues, such as environmental, trade and social issues, are managed in a consistent and collective approach.</p> <p>Financial constraints continue to have a strong effect on all departments and agencies of the Canadian government. Client departments had had to focus on their core programs and reduce the resources dedicated to support functions such as procurement, informatics technology and real estate. In addition, some clients' core programs had expanded, due to government redirection, but clients have had to deal with these changes without increased funding. PWGSC was also facing growing competition in its core business areas. The Government's emphasis on program delivery has encouraged clients to become more</p>

Case	Reforming Supply – Goals and Strategies
	<p>autonomous, while growth in the economy has increased the capacity of the private sector to offer clients commercial, off-the-shelf products. As pressure mounts on PWGSC's clients to deliver more with less, they will look increasingly at all options to meet their expanding infrastructure support needs. Given this situation, PWGSC's continued success and relevance had to depend more and more on its ability to satisfy and retain clients, and not on the authority of a central mandate.</p> <p>Key drivers for PWGSC emerged, to be: Founded on Service, Client Focused; Leading Expert; A Commitment To Innovation. In its new role, PWGSC will become less of a controller and more of a partner, while respecting government-wide policies and accountabilities. This is a change in orientation and attitude rather than in systems. Clients are being pressured for rapid changes. As a result, they are demanding quicker, customized service solutions and have less patience with PWGSC concerns with control and due process. The corollary here is that PWGSC and central agencies must improve client understanding of government-wide policies and have more influence in modifying such policies to improve client service delivery.</p> <p>In the Q&A session two themes emerged:</p> <p>1 – that there was a need for cross learning, both at a national level but also from other agencies around the world</p> <p>2 – that PWGSD had been a very reactive organization and there was a need to actively influence clients, to work more closely with them, and earlier, so that clients are sensitised to what procurement is all about.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>Incentives to Improve</p> <p>Incentives for good purchasing and supply management lack at the level of the medical specialists or the departments where most of the decisions are being made. Neither their budget nor their income is affected. The same holds true at the level of the entire organization. Institutions get a normative compensation for the costs of medical equipment and supplies. The actual costs of materials and resources do not influence the budget. These costs do influence the actual spend and can create an under spending that may be retained as a positive reserve. This reserve may be used for anything in the hospital that has to do with health care.</p> <p>If the institution overspends it will have higher nursing day tariffs next year to counterbalance the negative reserve. But even if the hospital underspends, there is an issue of who will benefit from it: is it the doctor or department that had an efficient purchasing and supply operation or is it used to offset the poor results of that other one next door?</p> <p>Even at the national level this may be the case: if every institution can do with less money as a consequence of better purchasing and supply, one expects the budgets to be lowered.</p> <p>This situation opens the door for creative arrangements with suppliers: suppliers do not reduce the price of their products and services but provide the doctors and the institutions with research facilities and other bonuses in kind (of which patients often benefit) that frustrate efficient purchasing and supply.</p>
<p>4A US Federal</p>	<p>'FASA' is probably the most significant piece of legislation impacting the US government's acquisition process since the passage of the Armed Services Procurement Act and the Federal Property and Administrative Services Act. It made significant changes to how the US government does business. FASA was crafted based principally on recommendations of the Acquisition Law Advisory Panel created by Congress. Then Secretary of Defence Dick Cheney formed the panel and submitted its report to Congress in January 1993. The panel, commonly referred to as the Section 800 Panel, did a complete study of the multitude of statutes impacting US government procurement.</p> <p>In essence it was a major drive to simplify / streamline processes</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>It does not appear that there is a strong causal relationship between procurement management reform and the use of e-procurement in the United Kingdom, the Netherlands or France. In Belgium, Denmark and Ireland, the linkage is tangential. In the case of Belgium the development of an e-tendering site was consequential to a reform process but not evidently part of it. In Denmark, procurement management reform has followed the introduction of the national e-market but one did not necessarily drive the other. In Ireland adopting e-procurement, while not the driver of procurement management reform, is certainly a catalyst for its consideration. In Germany there is some linkage in so much as the introduction of procurement related workflows in certain of the Eink@uf Online (Public Purch@sing Online) projects will result in reform of procurement management within some entities.</p> <p>In Australia there is generally no clear linkage between the adoption of e-procurement and</p>

Case	Reforming Supply – Goals and Strategies
	<p>procurement management reform except to some extent in New South Wales where the use of e-procurement tools is part of the procurement management reform initiative known as Smart Buying for Government but it is not the driver of this Strategy.</p> <p>One of the major issues in the public sector in general is that very few entities have good management information about their procurement profiles as a basis for business case development for e-procurement. There is little evidence of access to adequate management information in the European jurisdictions except in the Netherlands and in the United Kingdom where procurement profiling is encouraged. There is only patchy gathering of this information in Australia. However, in Queensland considerable effort has been made to profile the procurement of entities in this jurisdiction. This information has been used very effectively in business case development for e-procurement.</p>
<p>4C South Africa Province</p>	<p>National Treasury has embarked on a comprehensive procurement reform exercise. The process of devolving this function has begun as well as the establishment of a Common Service Provider at National level as an operational replacement for the State Tender Board. In Gauteng the Gauteng Tender Board was dissolved on in 2002. When GSSC is fully operational all procurement processes will be performed by GSSC, as the only service provider for GPG.</p> <p>The potential changes recommended at national level dovetail well with the improvements contained within the GSSC Procurement operating model. Six key changes were identified, whereby effectiveness and efficiency will be achieved, namely:</p> <ul style="list-style-type: none"> the implementation of an overall Procurement strategy, including a BEE framework; eliminating duplication of procurement support functions throughout GPG; benefits of bulk buying, pooling of efforts and economies of scale; improving process efficiency, based on standardisation and simplification; implementing SAP as an enabling new technology, with its added potential to streamline processes; <p>reduced stock holding and reduced wastage throughout the Shared Supply Chain.</p> <p>GSSC actively pursues BEE collaborative efforts and targets to exceed any regulatory spend targets in this arena.</p> <p>Goal of PP function:</p> <ul style="list-style-type: none"> • to achieve both value for money and the promotion of BEE • to improve purchasing and delivery, to reduce inventory, so release funds <p>In order to advance along the path of developing a ‘best practice Procurement function’ the following improvements will be effected by GSSC over the next three years:</p> <p>Implement a single point of contact with the Departments / entities, thus reducing the procurement lead times and ensuring that they get the right product/service at the right place at the right time;</p> <p>Implement a ‘service oriented’ and ‘customer focused’ culture - that ensures accountability by signing service level agreements between the GSSC and the Departments / entities, supported by regular monitoring and reporting;</p> <p>Replace manual (and often laborious) processes with automated - streamlined - processes using the SAP system as platform;</p> <p>Discourage ‘paper creation driven by meaningless rules’ and instead develop the capacity amongst procurement staff to make quality decisions, driven by an understanding of what needs to be achieved and what controls are essential to ensure such achievement, without allowing the space for embezzlement and fraud; and</p> <p>Improve process efficiency, by standardising and simplifying the processes - thus improving the controls and clarifying roles and responsibilities.</p> <p>GSSC’s goal is to implement standardised processes that ensure satisfactory delivery of goods and services to the province to satisfy the needs of the Departments and their entities / institutions. This will involve the development and maintenance of ‘World Class Cycle Times’ and the completion of all procurement activities effectively, efficiently and timeously.</p> <p>GSSC strives to promote good governance by building a Purchasing Unit that is team and performance oriented, flexible yet aligned to process - socially conscious, yet driven by value for money and customer satisfaction. GSSC actively pursues BEE collaborative efforts and targets to exceed any regulatory spend targets in this arena. GSSC will discourage ineffective manual processes and embrace appropriate technologies that enable better demand management and purchasing practices.</p> <p>GSSC plans to use up-to-date, reliable systems to enable processes - and to provide Management with the information required to drive continuous improvement (via initiatives</p>

Case	Reforming Supply – Goals and Strategies
	<p>like Strategic Sourcing and Shared Supply Chain optimisation). This will enable the Province to significantly decrease its total cost of ownership and vastly improve the management of inventories.</p>
<p>4D United Nations</p>	<p>Some of the key issues and challenges for the UN System involve:</p> <ul style="list-style-type: none"> • Recognition of the procurement profession as a separate discipline requiring the systematic development of specific skills and competencies; • The appropriate use of new technology and e-procurement; • Affirmative action on supplier development and • Greater harmonization across the UN system. <p>The difficulties of harmonization across independent UN organizations often working under separate mandates and dealing with complex international issues makes the UN system one of the most complex confederal procurement networks in existence.</p> <p>If the UN has strict criteria regarding the purchase of equipment, this may represent a trade barrier to countries with economies in transition and developing countries. Whilst some supply policies may be desirable (e.g. ethical supply policies), they can run contrary to other initiatives such as increasing sourcing from developing countries.</p> <p>Although IAPSO works under a distinct General Assembly mandate to foster professional development, improve procurement co-ordination and build UN buying leverage, its political power base is low and its means limited. Currently IAPSO funds its inter-agency harmonization agenda from excess revenue of its procurement agency services and has to restrict itself to quite a modest programme of work</p> <p>Public procurement reforms are often driven by a call for greater transparency and accountability (as is the case with recent General Assembly resolutions on the topic). Although both transparency and accountability are pillars of a well functioning public procurement system, neither will have a big impact on procurement effectiveness, unless they are combined with a thorough results oriented approach.</p> <p>In the current decentralized set-up and given the relative autonomy of the various procuring entities answering to different mandates and constituencies, neither the UN Secretariat or any of the Funds and Programmes can exert effective central control over procurement policies and operations across the UN system. Thus making system wide and systematic procurement reform even more difficult.</p> <p>Increasing cost pressure is likely to spread across the UN system, increasing the stakes for purchasing and supply operations and growing the professional demands on the procurement function</p> <p><i>Wish List</i></p> <ul style="list-style-type: none"> Greater recognition of the procurement profession as a separate discipline Development of a distinct career track for procurement professionals across the UN The setting and certification of professional standards and the development of a professional stream Improved research and analysis of the cost effectiveness of procurement operations and the subsequent systematic improvement of the profession's standing Improved research and analysis of procurement performance targets, sharing of those outcomes and managerial action to continually improve performance System wide adoption of appropriate new technology and e-procurement tools System wide approach to supplier development and vendor management Greater acceptance of environmental, social and ethical criteria in procurement decision-making, reflected in supply strategy and policy

Table K: Reforming Supply – Goals and Strategies

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.5.2 Key Points About Goals and Strategies for Reforming Supply

Is reform discussed at the right level? Examples link reform either to organizational design or the procurement process:

- ◆ Reducing transaction costs is a common theme.
- ◆ The quality of information available to procurement, the status of the procurement function, and its ability to be involved in reform appear linked.

Some cases highlight the fight to reduce bureaucracy. ‘Process streamlining’ is a major issue in the US. In Canada, PWGSC is also being pushed to streamline, but it is not clear whether streamlining is driven at the senior level as in US where it is a political goal in itself.

The US case highlights major drives in the US towards simplification of the procurement process, politically led to turn back the ‘tide of big government’. It appears from the cases that this concern with process has paid off in terms of improved and faster procurement processes. However, in the UK NHS case, where politicians become involved and are seen as having responsibility for outcomes in a way that is not true of the US and Australia, reform appears linked to organizational design rather than procurement process.

In other countries comprehensive, formal rules are seen as necessary and desirable (e.g., Belgium and Germany). In these jurisdictions, compliance with process is highly valued (rather than, or as well as, effectiveness of outcome). Singapore also values compliance, but the written case and associated discussion suggest that there are fewer, simpler rules and that these are regularly reviewed since, as a nation dependent upon international trade, the Singapore government wants to be seen as modern and effective.

The Belgian case stands out as the only one in which reform is not being considered and indeed appears not even to be on the agenda. In contrast the Singapore case suggests being seen as being modern and to have adopted ‘best practice’ is integral to the Singapore system. Reform in Singapore currently focuses on ensuring there is open competition in procurement, rather than fundamental changes to its structure or purpose.

Obtaining better value for money is a common objective of reform plans, but not one which seems to be well elaborated or easy to achieve. In case discussions in Stream 1, participants agreed that selecting ‘most economically advantageous’ rather than lowest priced bids and outcome-/performance-based contracting were two techniques for delivering better value for money, but recognised these were not easy to implement.

Reducing transaction costs is also a common theme across the cases. Combined with the common goal of devolving power/decision-making to lower system levels, this means that efficiencies in several cases (e.g., Canadian higher education, English NHS, Finland) are being sought through regional co-ordination and consortia, rather than large, centralised purchasing structures.

E-commerce is much discussed in the cases. Some governments are pushing for the adoption of electronic technologies as a way of being seen to be modern/modernising. In some cases there are also purchasing-centred initiatives to implement e-commerce to improve performance.

There is no one definition of what reform is, although it is apparent that reform is not purchasing led – it is usually from the state. Hence in the e-commerce Australian case, reform is presented as giving government the flexibility to purchase locally, and to meet wider state aspirations through procurement. In the Canadian higher education case, reform was seen as the emergence of collaborative/consortia purchasing in response to cost pressures. In the

public works Canadian case, it almost appears that it is a case of reform or die, the PWGSC may not have survived without its efforts to reinvent itself.

Regrettably, but perhaps unsurprisingly, none of the cases show purchasing leading or contributing to major reform initiatives. In the German case, procurement personnel are not involved in making the extensive rules that govern procurement behaviour. Notably, in the Dutch healthcare case, the system, which is dominated by health professionals, is structured such that there are no in-built incentives to improve purchasing practice. The ‘creative arrangements’ with suppliers which frustrate efficiency are also reported in the NHS case, but in the latter case there are more specialist purchasing resources and structures in place to attempt to deal with this issue.

The UN case majors on the need for reform of the status of the purchasing/procurement function in order to achieve its goals. In the UK NHS case it appears that reform is driving the creation of a possibly more sophisticated form of purchasing, as procurement moves from requiring purchasing skills towards requiring commissioning skills. The NHS case describes the lack of hard data as a fundamental block to improved performance. Only with improved knowledge of what is being spent, when and with whom, the case suggests significant step improvement take place. This argument finds resonance with the case of e-commerce in Australia, where the author had expected to find a greater correlation between adopting e- and major reform. Perhaps the cases could be interpreted to suggest that only when procurement has the information it needs on spend and spend patterns, will it be able to both perform the strategic roles it seeks and, as importantly, be perceived by other functions to merit that strategic role.

5.6 Structure for Purchasing and Supply

5.6.1 Summary of Data

Case	Structure - Organization of Purchasing
1A Australia State	<p>In Western Australia, reorganization of procurement has recently led to responsibility for industrial development going to the Dept of Mining, so increasing the distance between major contract decisions and regional development.</p> <p>Australian public procurement is a scene of constant change, characterised by an unwillingness to settle down. Public procurement is worth approximately 30% of GDP. At the federal level 8000 people were involved in public procurement in 1942; with devolution this is now estimated to be 40,000.</p> <p>At federal level, public procurement was undertaken by the Department of Administrative Services (disbanded 1997). It made the first attempts with electronic purchasing between 1994 and 1996, using EDI. It undertook lots of training, even though it was seen as progressive. Also, public servants working in Canberra are seen as very remote from local/state realities (it’s a garden city, almost no pollution, etc)</p> <p>There is now a very strong push to devolve purchasing activities at the federal level and in some states, while strong centralisation exists in other states.</p> <p>Abolition of Australian Commonwealth purchasing department. Move to decentralise – similarity between US and Australia.</p> <p>At State level, major procurement decisions are taken by a Board, but there is not a parallel structure at Commonwealth level.</p> <p>The central Department of Administrative Services was abolished because of a scandal, but the primary driver was ideology (outsourcing and privatisation/new public management/decentralisation). At national and state level, politicians make commitments about public administrative structures prior to elections (e.g. to reduce the number of Ministries) which are ‘generic’, and purchasing structures are ‘caught up’ in these changes. Not driven by rationale for procurement effectiveness and efficiency. With privatisation (e.g. of banks, railways) there is no evidence of financial benefits, only that</p>

Case	Structure - Organization of Purchasing
	<p>privatisation has enabled change management.</p> <p>Each State makes its own decisions about whether to buy centrally. New South Wales and Queensland have common use contracts. Western Australia is considering this model. This would mean three States adopting a centralist approach to procurement, and four with various approaches to devolvement. Decisions about procurement organization at State level are unrelated to federal level organization.</p>
1B Belgium	<p>For any one purchasing authority, its procurement system is determined by the interplay of three factors:</p> <ul style="list-style-type: none"> • public procurement legislation • the budgeting accounting system • organization competence supervision <p>Structural complexity and differences of regulations by type of service/product purchased mean that there is a huge range of purchase situations. This makes training/education and compliance monitoring very difficult.</p> <p>Public procurement regulations are governed by a Commission on Public Procurement, which includes a wide range of stakeholders including employers and unions. All changes to public procurement regulation must be submitted for advice (approved by) to the Commission.</p> <p>At a federal level, decisions are made by Ministers. Ministers can delegate powers at their discretion, and in some departments such as defence, the delegation is very important.</p> <p>At the municipal level, the Council (6 year term) decides T&Cs, and makes sourcing decisions. Council members have collective responsibility for decisions; much is delegated to a Board.</p>
1C Singapore	<p>EPPU also organises bulk tendering but bulk IT purchasing is undertaken by the Info-Communications Development Authority</p> <p>Debarment of suppliers is controlled by the Standing Committee on Debarment, which works with Ministries' recommendations; other penalties can be imposed directly by Ministries.</p> <p>There was a Central Procurement Office, with a staff of 30, but this was closed in 1996, as part of a wider programme of decentralisation, resulting in a major reduction in the amount of centralised purchasing (except for bulk tenders and construction projects). Its functions were transferred to line ministries and statutory boards who thus became the main GPE's. As a result, the discretion and autonomy in managing procurements enjoyed by the Central Procurement Office, were now vested in the ministries and statutory boards. In the following two years, further changes were instituted to allow them even greater control over the management of procurements (MOF, 2003; Jones, 2002).</p> <p>IT and construction purchasing are treated as specialist. So are drugs and medical supplies, which are purchased by the Ministry of Health. Only drugs approved by the FDA can be imported. Apart from these examples, Ministries acquire their own goods and services.</p>
1D US State and Local	<p>Centralisation-decentralisation goes in cycles, and currently the trend is towards decentralisation. The structure is a legislative decision that is made on the basis of lobbying by State Agencies.</p> <p>There are limits on the terms elected representatives can serve. New legislators are lobbied, and changes to structures are made at their discretion. Generally, legislators determine the structure and rules, but don't get involved in particular deals. 70% of purchasing people report to Finance. In Fort Lauderdale, Broward County, Florida, purchasing report to the Director of Administrative Services. This offers various benefits including stronger structure, faster innovation and better checks and balances. Here, the purchasing organization is a 'hybrid' of centralised and decentralised. Central purchasing sets the 'code of ordinances', and organises large contracts such as IT and construction. Low value/high volume transactions are delegated. Most urban authorities are closing central stores operations.</p>
2A Finland Regional Consortium	<p>Kuopio region purchasing is formed by 13 organizations voluntarily:</p> <p>City of Kuopio 87.000 inhabitants, 6.000 employees</p> <p>other municipalities 2.000-20.000 inhabitants</p> <p>2 joint health care municipal authorities, delivering health care service to 7 municipalities of which 5 are members in purchasing consortia</p>

Case	Structure - Organization of Purchasing
	<p>2 joint educational municipal authorities, the majority is owned by municipalities in the purchasing consortia</p> <p>Northern Savo hospital district (joint municipal authority), delivering special hospital service to member municipalities of which 7 are members of the purchasing consortia</p> <p>Sakupe Ltd, a subsidiary of Northern Savo hospital district, delivering laundry service mainly for hospitals but also for other clients in smaller numbers</p> <p>Kuopio region purchasing is performed by Kuopio city purchasing office. In Kuopio city organization purchasing is located in the finance department. The regional status is formed by a regional purchasing council with elected members. The majority of the members (7 total) are nominated by Kuopio city and the rest by other organizations in the purchasing consortia. This council was formed to be able to make decisions based on Finnish municipality law. The council makes formal purchasing decisions for all product groups procured by the consortia. The majority of the members of the council are in practice leading purchasing officers by the consortia organizations; two of the seven members are not practising buyers.</p> <p>Two of the other organizations have a purchasing office. Northern Savon Educational authority has a purchasing office located in the finance department and the Northern Savo hospital district in technical department.</p> <p>The purchasing volume in Kuopio area is 213 million euros, comprising services 117 million euros and materials 96 million euros. The logistics costs for the purchasing volume is estimated at 11.6 million euros, containing centralized and decentralized procurement, centralized warehouse operations, and decentralized transportation, order, invoice processing costs. The centralized procurement and warehousing operations count for 14% of the logistics cost. The majority of the logistics cost is created from decentralized operations.</p> <p>Kuopio purchasing consortia will make progress in the near future in several areas. One major shift will be joining the purchasing offices of the city of Kuopio and Kuopio University Hospital. The increased resources will enable better support for the user groups and the increased coverage in purchasing.</p>
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>As a cross case study, this case does not discuss individual organization structures, but some relevant points are made.</p> <p>The study also found five structural models of group purchasing, (1) local network, (2) voluntary cooperative (3) regional purchasing agency (4) member-owned service bureau and (5) for-profit enterprise. These range from loosely structured relationships under the control of institutional purchasing managers to highly structured business models with complete autonomy.</p> <p>In the <i>Local Network</i>, one or more institutions join together to obtain better pricing, share information and in some cases, share resources. These relatively informal relationships are most common within a system-wide effort, but are often formed from a mix of public entities having a geographic proximity. Members will usually agree to a few working rules for the task at hand. Supply contracts may be based on aggregate demand or follow the piggy-back approach.</p> <p>The <i>Voluntary Cooperative</i>, a confederation, is the most common model of collaboration noted in the study whereby purchasing managers carry out competitive sourcing based on needs defined by the participating institutions. Cooperatives range from relatively informal committees to highly structured groups. Organizations share data and the work is distributed amongst volunteer members who strive to secure best-for-all agreements for standardized products or services. In most of the examples investigated one member acts as lead agent, often based on previous experience or expertise. The designated lead agent is responsible for research, tendering and contract management.</p> <p>The <i>Regional Purchasing Agency</i> provides services to government bodies by a centralized authority. In these pseudo-cooperative consortia, the government retains a degree of control; institutions may or may not be compelled to use centrally negotiated agreements. While the fundamental objectives are the same, control and the opportunity for input is somewhat limited for member organizations.</p> <p>The fourth model of collaboration occurs when two or more institutions create a separate entity to provide services to the participating organizations. Policy is established by a board of representatives from the member organizations; operations are carried out by paid staff. The <i>Member-owned Service Bureau</i> pursues the benefits of outsourcing without giving up control of policy and direction. Success depends on a higher level of</p>

Case	Structure - Organization of Purchasing
	<p>support from member organizations that play a active role in setting directions.</p> <p>The <i>For-Profit Enterprise</i> is in the business of selling its purchasing clout and expertise. The firm usually takes on of two approaches, (1) the enterprise purchases goods based on the aggregate demand of its clients and then resells the goods at cost plus a profit margin; or (2) the firm acts as an agent for the client by negotiating price and services based on the same aggregate demand and charges a commission for its services. In the second example, title passes directly from the supply source to the buying organization. Neither approach calls for speculative buying since most purchases are based on volume commitments pre-negotiated with clients. Unlike the <i>Volunteer Cooperative</i>, clients do not form a relationship with each other, nor do they necessarily discuss their common requirements. The relationship between buyer and agent may be the result of operations in common, such as health care groups, or based on market specialization, such as natural gas or electrical power.</p> <p>The cases are used to suggest structure should to some extent follow product categories. The author suggests consortia work best where there is the best product ‘fit’; several organizations will participate in a collective contract only so long as the product or service is suitable without massive change. This suggests that the more generic a product or service, the greater the potential for success in a cooperative initiative. [An alternative to ‘dollar value’ in terms of fit was described as criticality to the organization’s long term aims].</p>
<p>2C Australia procurement education</p>	<p>As part of a major restructuring of Federal Government departments, the former DAS was absorbed into the Department of Finance and Administration and with this amalgamation, what was referred to as Purchasing Australia, was demolished and almost all of the staff made redundant. As a result, most of the momentum for purchasing improvements especially for purchasing staff career development was lost. One of Purchasing Australia’s main objectives was the development of purchasing competencies in the public sector.</p> <p>Typical of the approach to public sector purchasing of the coalition Government was the further scrapping of various bodies set up by the previous administrations. For example, in 1997 it was announced,</p> <p>“The Federal Minister for Finance and Administration, John Fahey, has scrapped the National Procurement Board (NPB). He has also ditched the tendering system used for prospective contracts of \$10 million or more, known as the two-envelope system. And agencies calling for tenders will no longer need to provide a statement on how the work would impact on a particular industry.” (Hilvert, 1997).</p> <p>See tables in written case which summarise information on procurement board, legislation covering procurement, departments with responsibility for procurement policy, policy statement, level of devolution, departments covered.</p> <p>Procurement has been devolved to State agencies who must purchase according to the State Purchasing Policy.</p> <p>Queensland Purchasing manages a range of common use arrangements (CUAs) and provides a range of other purchasing services to agencies.</p> <p>Queensland Purchasing responsibility is devolved to all government departments and agencies subject to the promulgated State Purchasing Policy. The Department of Public Works through Queensland Purchasing has the responsibility for facilitating effective implementation of the Policy and for associated procurement management and skills improvement (Queensland Purchasing). Queensland Purchasing has as its mandate to assist all departments and agencies covered by the State Purchasing policy. It is committed to ‘developing better purchasing practices and hence outcomes and to developing and providing services which leads to better purchasing policy practices’.</p>
<p>2D Germany consortium for electricity</p>	<p>Figure 2 gives an overview about the organizational relationships.</p> <p>The decentralization of the procurement system is a direct result of decentralization of the German public system. Main reason therefore is the (political) goal to decentralize power (historical reasons); The heavy governance structure of German civil service leads to 50% of GNP spend (incl wages) on public procurement.</p> <p>In general, the German public procurement regulations are in favour of decentralizing purchasing power to enforce competition. On the other hand, purchasing cooperatives are a very useful instrument to improve public purchasing practices. These cooperatives exist on all levels of the system. An example on regional level is the purchasing consortia in the Stuttgart region which helps cities to bundle their demand.</p>

Case	Structure - Organization of Purchasing
	<p>The German Ministry of Education and Research (Bundesministerium für Bildung und Forschung / BMBF) and Helmholtz have the supervision of the programs run by DLR. In fact, BMBF still owns a controllership office which all parties can call if they do not agree with a bidding procedure of DLR and other Helmholtz member institutions.</p> <p>Within DLR, the procurement department is part of the “Finance and Controlling” area. Figure 3 shows the embedding of the department in DLRs overall structure.</p> <p>The DLR is located in seven cities. DLRs supply management prefers a combined central/ decentral organizational structure. This allows flexibility and optimal support for internal customers as well as combined action wherever useful. All together, DLR purchasing consists of 45 people, 25 out of these working in the central department cologne, and 32 out of these 45 working directly as buyers (rest: support and administrative personnel).</p> <p>All together, DLR spends round about 250 Mio. € per year. 30 Mio. out of this are expenditures for building infrastructure which is (at the moment) not managed by purchasing. The volume and the materials differ from year to year because most supplies are project-based and bought only once. Therefore, besides office consumables and other standard materials a material strategy for DLR is nearly impossible. Instead, DLR concentrates on two major strategic supply goals defined by DLRs supply management and approved by DLRs board : (a) Efficiency and (b) formality.</p>
<p>3B UK English National Health Service</p>	<p>Since 1997, there have been major changes to the structure of the NHS, and the organization of purchasing and supply, as illustrated in Figure 3 and Figure 4, for 1997/98 and 2002/03.</p> <p>In the NHS, there has always been an element of co-ordination of purchasing and supply between organizations, either on a geographical basis or according to specialism, (for example, between Trusts which are national centres of expertise on coronary care), but this has been on a limited scale and voluntary basis. Widespread adoption of technological developments, particularly the internet, has more recently opened up opportunities for sharing a wider range of services across more NHS organizations. The National Shared Services Initiative was launched in October 1999 to explore such opportunities, initially in human resources and finance, with the aim of improving the quality and value for money of non-clinical services, and reducing administrative costs to release more resources for direct patient care.</p> <p>To complement this, and building on a long-standing recognition of the need for an ability to contract for goods and services at a level between local and national (i.e. by region or specialism), NHS PASA is leading a fundamental re-structuring of purchasing and supply in the NHS to re-introduce a ‘middle tier’ into the system. As a first step it is undertaking a programme to help establish six ‘Confederations’, to learn about organising purchasing consortia in the NHS. NHS Supply Management Confederations are purchasing and supply organizations covering all the NHS Trusts and PCTs within the boundaries of a Strategic Health Authority. This is their first year of operation, and they are currently negotiating with their local organizations, and NHS PASA, to agree their role and programme of work. In addition to the six Confederations working with NHS PASA, a number of other confederations are being established following the same principles. Although these consortia are at different stages of development, it is expected that all trusts will become part of a confederation over the next couple of years.</p> <p>Currently, in almost all cases, budget holders at Trust level make purchasing decisions. In a very few cases, the Department of Health lets contracts, or specifies what contracts Trusts may let. For example, contracting for some vaccines is centralised, and the Department, with advice from NHS PASA buyers, oversaw the purchase of £90million+ worth of scanning equipment as part of a special investment programme reflecting national priorities for the NHS.</p> <p>NHS PASA’s remit is to be the NHS’ centre of excellence on matters of purchasing and supply, and to modernise and improve purchasing and supply performance in the NHS in England. Unlike NHS Supplies, the Agency is part of the Department of Health; it is centrally funded and does not compete with other organizations for business. It continues to provide a contracting service to Trusts (national framework agreements and advising Trusts), but its remit is much wider, covering national policy and strategy and the development of purchasing and supply at all levels in the public health service. NHS Logistics, like NHS Supplies, is a Special Health Authority funded through on-costs on its throughput. All Trust-based purchasing and supply practitioners are now Trust</p>

Case	Structure - Organization of Purchasing
3C Canada National Public Works and Services	<p>employees.</p> <p>The restructuring of PWGSC will result in organizational changes. Here is a brief overview of the new organization, as it relates to Procurement.</p> <p>Operations Branch A new Operations Branch will be responsible for client service delivery in real property, acquisition resource management and telecommunications and informatics. It will become the government's "centre for solutions."</p> <p>Regions The regions will continue to deliver services under the direction of Regional Directors General reporting to the ADM, Operations Branch.</p> <p>Program Branches Program Branches will include: Real Property, <i>Acquisition</i>, and Telecommunications and Informatics. These branches will be responsible for program and service development on a national scale. They will also provide strategic advice and functional direction, and develop policies, standards and service levels. The branches will interface with central agencies and industry.</p> <p>In the past, the organization had the structure of silos. The new organization has a big operations section (service delivery) and program branches (policy, program design). The corporate group has a department wide policy perspective. We are building groups across departments, with our client service functions closely linked to the client agency. Corporate approach to training is to build groups that talk to each other. These support operations through the consolidated approach. E.g. inform policy through websites – at moment client service staff might have to go to three different websites, likely better to have one website with uniform presentation. It is about taking strategy and converting it into operational terms and a different concept of enabling staff.</p> <p>Clients are not charged currently. There are dual tensions between good contracting versus making money. For example the impact of charging clients can be seen in what was done on a requisition basis ten years ago in 1992. The number of files handled was an informal indicator, and acted as a means of performance measurement. Contracting people had transaction volume that generated the fee. If a client needed a contracting person, if not willing to pay answer was no. Procure people used to all be at HQ. Some fee for service occurs now. Fee for service for project management. If people are willing to pay we locate with or provide special service to the client.</p> <p>Not charging has resource implications, a free service may mean becoming overwhelmed.</p> <p>This is an ongoing debate. The challenge of the new organization is to change from the old way of doing things. Three years ago our organization said it was under resourced by 40%. To deal with being under-resourced, it could set limits, e.g. could say don't procure under \$20,000. Could say don't procure certain goods. But what the client wants in terms of client service, and what we can deliver, may be different (e.g. if they want us to do the repetitive low value stuff, and we cannot afford to do it...)</p>
3D Netherlands National purchasing of healthcare provision	<p>The health care sector is built around (medical) professionals. It is not easy to get credits for work other than medical in this system. Purchasing and Supply is still undervalued in Dutch health care institutions.</p> <p>Purchasing departments are usually small and tucked away in Facility Management or technical / maintenance departments from where it is hard to influence medical decision makers. Most of the initial supplier contacts, but frequently also most of the initial purchasing decisions on medical items are done without any purchasing involvement. But even in the non-medical areas it is hard to get good purchasing involvement.</p>
4A US Federal	<p>Is organized in such a way to meet individual agencies' specific procurement while maintaining some central control of procurement practices.</p> <p>In implementing procurement policies, the executive branch, headed by the president, has a broad scope of managerial, and technical procurement responsibilities and procurement policy decisions, which may include, among others:</p> <ul style="list-style-type: none"> - Supplementing and augmenting statutory procurement policies and procedures through executive orders; - Developing and maintaining statutory procurement policies and procedures; and - Determining whether to meet program needs by in-house performance or by contracting out. <p>Congress primarily influences the federal procurement system through laws, budget</p>

Case	Structure - Organization of Purchasing
	<p>appropriations, and its oversight powers. In addition, the Congress oversees federal procurements through its various standing committees (Senate: Armed Services, Government Affairs, Small Business. House: National Securities, Government Reform and Oversight, Small Business), and the U.S. General Accounting Office (GAO). It also authorizes GAO to recommend decisions to agency heads on contract award and non-award protests. These decisions also become a major source of federal regulations.</p> <p>Federal government has a centralized structure to maintain a uniform standard and control, and a decentralized structure allowing for flexibility to meet unique requirements of over 60 federal agencies. Currently, the federal procurement structure within the executive branch is very fragmented, consisting of many executive agencies' decentralized procurement systems, and many procurement administrations, offices and councils as described below (Figure 2):</p> <ul style="list-style-type: none"> - The Office of Management and Budget recommends programs and funding levels for programs, including procurements; monitors programs and adjusts funding levels, if necessary; develops and issues, through the Office of Federal Procurement Policy, procurement policy guidance; and reviews proposed regulations for compliance with policy guidance. - The Office of Federal Procurement Policy, a part of the Office of Management and Budget, among other responsibilities, provides leadership in the establishment, development, and maintenance of federal acquisition regulations (FAR). It coordinates the development of government wide procurement systems standards; and provides direction to the development of procurement systems of executive agencies. The Federal Acquisition Regulatory Council assists in the direction and coordination of federal procurement policy and regulatory activities. - There are three Acquisition Regulatory Councils: the Defence Acquisition Regulatory Council, the Civilian Acquisition Regulatory Council and the Federal Acquisition Regulatory Council. The existence of the three acquisition regulatory councils makes the procurement structure of the federal government further fragmented. <p>Executive Agency Heads (be it Secretary, Attorney General, Administrators, Governor, Chairperson, other chief officials of an executive agency, or their authorized representatives) establish supplementary acquisition regulations and other internal policies and procedures, and are responsible for fulfilling agency procurement needs, and carry out FAR.</p> <p>Before 1982, there were nearly 500 statutes that apply to one or more aspects of federal government (Federal Acquisition Institute, 1999, p. 3-15). In 1982, the President issued Executive Order 12353 directed the executive agencies to complete and put into effect a Federal Acquisition Regulation system to replace the existing fragmented or non-uniform procurement regulations.</p> <p>In addition to the above central procurement structure, executive agencies such as the Department of Defense, the Department of Transportation, the Department of Education, and the General Services Administration, are organized in such as way to effectively fulfil their missions. There are differences in organization among the executive agencies. The placement of the acquisition function within an agency depends on the relative importance of that function to the agency's mission. As the Department of Labor's mission, for example, is to ensure that various labour laws are implemented and enforced; acquisition is an important but not predominant function. Thus, the Department of Labor's procurement function is placed under the director of both "administrative" and "procurement" programs, and reported to an Assistant Secretary for Administration and Management. On the other hand, the General Services Administration's primary mission is to make certain items of supplies and services available to all executive agencies.</p> <p>It will be a very challenging task for a procurement researcher to draw a comprehensive organization chart for procurement structure of the Department of Defense. A less complicated procurement structure of the Department of Transportation is presented here to illustrate the complicated procurement structure of the federal government. As shown in Chart 1 below, the Department of Transportation's mission is delegated to ten major sub-organizations (e.g., one corporation, one bureau and eight administrations). The procurement fragmentation is seen in this executive agency as four acquisition or acquisition-related are retained by the Secretary of Transportation: Board of Contract Appeals,</p>

Case	Structure - Organization of Purchasing
	<p>Office of Small and Disadvantaged Business Utilization, Office of Inspector General, and General Council.</p> <p>Moreover, the role of procurement executive is assigned to the Senior Procurement Executive, who reports to the Assistant Secretary for Administration. The Office of the Senior Procurement Executive is comprised of the DOT Senior Procurement Executive Step 1. Strategic and Program Performance Linkage</p> <p>In order to achieve this expectation, OMB recommends that procurement agencies form a multi-disciplinary “integrated project team” (IPT) for each major capital acquisition to evaluate the capacity of existing capital assets for bridging the performance gap between current and planned results. Consisting of the agency head or his/her representative, and finance, procurement, and other appropriate professionals, IPT will assess the existing performance baseline of current and anticipated assets including those acquired by purchase, capital lease, operating lease, service contract, or exchange.</p> <p>The placement of the acquisition function within an agency depends on the relative importance of that function to the agency’s mission. Different from smaller government entities, which have a relatively simple procurement structure including a central procurement office responsible for procurement policy and regulations and also for acquiring goods and services, most federal executive departments have a central procurement office and quite a few decentralized procurement offices located in subunits within the executive agency.</p> <p>GSA was created by the Federal Property and Administrative Services Act of 1949. GSA’s mission is to provide acquisition services to agencies within the US Government. These acquisition services include: real property; information technology solutions; telecommunications services; the schedules program; and, vehicle fleet services among others.</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>The ways in which procurement management is organised varies across the jurisdictions. In Ireland responsibility is devolved to entities with an intention to build a central resource to facilitate delivery of improved procurement outcomes. In Belgium there is comparable devolution but with a very limited central resource to provide any co-ordination or support for the effective delivery of the function in entities. The Netherlands also has a similar extent to devolution but has developed a central resource consisting of staff and other resources drawn from entities of the Netherlands Government. It is essentially a co-operative venture between entities. Denmark has a strong central resource that is leading procurement reform. This mechanism while impressive is not as well developed as that of the Government of the United Kingdom that has an extensive central capability in the form of the Office of Government Commerce to lead procurement management reform in an environment where procurement related responsibility and accountability has been devolved to Government entities. Procurement management responsibility is largely devolved to entities in the German public sector. However, there are three centres of expertise in procurement management, in the Departments of Finance and the Interior and in the Bundeswehr. These agencies undertake higher value procurement on behalf of the entities associated with their respective portfolios. However there is no clear centre of responsibility for procurement management improvement within the German public sector. France on the other hand has highly devolved purchasing responsibility to the entity level but highly centralised responsibility for payments. There is no central resource with overall responsibility for the development of the procurement function.</p> <p>There are some jurisdictions where the procurement function is well developed. The United Kingdom and Germany are two examples. The United Kingdom, in particular, has a strong commitment to further develop the procurement function whereas the intentions of Germany in this regard are less clear apart from pursuing the use of e-procurement. There are other jurisdictions in which the function is in need of major overhaul and jurisdictions in this category are Ireland and France. Ireland is at the beginning of this journey with a clear strategy to follow while France is yet to establish a direction for reform. Others are in the process of delivering on commitments to significantly improve procurement management including Denmark and the Netherlands. Belgium stands out as an interesting case. Having recently undergone a process of reform, it appears to have been left with a sub-optimal outcome with no indication of any intention to address the evident deficiencies.</p>

Case	Structure - Organization of Purchasing
	<p>While not as diverse as in the European countries there are variations in the way in which the procurement function is organised across the Australian jurisdictions. In Queensland responsibility for the function is devolved to Government entities with a central resource responsible to for development of procurement policy and practice within the jurisdiction. The situation is very similar in New South Wales. In Victoria and South Australia procurement responsibility is devolved to accredited purchasing units within each entity while central agencies are responsible for the development of procurement policy and practice within each of these jurisdictions. A similar system of accreditation operates in Western Australia. However, some entities in that jurisdiction are not accredited to undertake procurement above certain value thresholds. The Procurement Branch of the Department of Treasury and Finance undertakes above threshold procurement activities on behalf of these entities. A central agency is responsible for procurement policy and practice development in this jurisdiction. In the Australian Federal jurisdiction, responsibility is devolved and there is a relatively small central resource focussed on policy development and practice improvement.</p>
<p>4C South Africa Province</p>	<p>Whilst National Treasury has embarked on a comprehensive procurement reform exercise, the State Tender Board remains the chief procurement agent of the National Government. The process of devolving this function to Accounting Officers (Heads of Department of National and Provincial Departments) has begun as well as the establishment of a Common Service Provider at National level as an operational replacement for the State Tender Board.</p> <p>After extensive research the Provincial Executive Council of the Gauteng Provincial Government (GPG) established the Gauteng Shared Service Centre (GSSC) in November 2001 as the 12th Department of the GPG. The GSSC model was chosen because of its inherent benefits of retaining executive control over functions with the appropriate Accounting Authorities within the line Departments, whilst ensuring that services are rendered in terms of a written service level agreement (SLA).</p> <p>The GSSC was established to pool together internal support functions that are frequently duplicated across the Provincial Government Departments. By managing these functions along best practice principles, as the core business of a separate Department, the GSSC is freeing up the valuable time that the line Departments spend on these functions, to focus on their core services, thus enabling GPG to deliver on its mandate to citizens.</p> <p>The mandate of GSSC is therefore to provide GPG-wide support in areas such as Human Resource Management, Finance and Procurement - to all the GPG Departments, excluding the Legislature – refer to PART I Section 4.2. The core focus is on providing customer satisfaction using the benefits of centralisation, such as economies of scale, standardisation and the provision of a single technological base, to effect improved service delivery. Other functions (some of them new) have been attached to the GSSC due to their nature as shared resources, required by all the GPG Departments. Internal Audit is an example of a new service. Corporate Informatics is another example of a shared resource provider.</p> <p>According to the Webb Report, the present South African public sector procurement system shows many of the elements one would expect to find in government procurement systems elsewhere. However, it is very centralised and process-driven. Procurement at the provincial level tends to mirror the national system, although there are claims of autonomy to act differently.</p> <p>A Provincial body, known as the Gauteng Shared Service Center Acquisition Council (GSSC-AC), was appointed to act as the supreme procurement decision-making body of the Province to adjudicate tenders for transversal term agreements. Departmental Acquisition Councils (DACs) were established in each Department to adjudicate Departmental tenders. Provincial Treasury accredited at least one APU (Accredited Procurement Unit) in every Department. GSSC Procurement was accredited to act as the Common Service Provider for both Departmental procurement activities as well as to establish and manage transversal term agreements for the Province.</p> <p>People Processes: The Gauteng Shared Service Centre is in transition from project status to operational mode. The Chief Executive Officer and the senior managers were appointed during 2001 to take charge of the process of setting up GSSC as a new Department within GPG. Under their guidance the migration process began in September 2002.</p> <p>The ± 3900 affected employees underwent an assessment process to determine their</p>

Case	Structure - Organization of Purchasing
	<p>strengths and weaknesses. Those interested in the Shared Service Centre had the opportunity to express an interest in the ±1550 positions and all the appointments were processed within 5 months. The GSSC project team (comprising the consultants and many GPG employees transferred from various Departments) assisted with the basic design of the remaining line organization within Departments and their various sites. The project team spends two months at each site preparing the site for migration and one month thereafter to assist with the post-migration stabilisation.</p>
4D United Nations	<p>Each of the larger agencies (e.g. UNICEF, UNFPA) has their own procurement entities, to procure goods and services specific to their mandate and operations. UN/PD is the Procurement Division for the UN Secretariat, and for Peace-Keeping Missions. The Inter-Agency Procurement Services Office (IAPSO) of the United Nations Development Programme (UNDP) located in Copenhagen, serves as a focal point for the United Nations system on procurement issues. It promotes inter-agency cooperation and coordination through research and development activities related to procurement; supports the international business community with information on UN business opportunities and provides procurement services for development assistance and relief operations, upon request. IAPSO serves a clientele ranging from UNDP and other UN agencies to International Finance Institutions and their Borrowers, NGO's and other governmental Organizations qualifying as partners in development aid.</p> <p>Within the United Nations, the UN Inter Agency Procurement Working Group (IAPWG) is a group of chiefs of procurement of UN organizations that meet annually with the broad aim of enhancing the harmonization of procurement across the UN. Each UN organization has adopted common guidelines (General Business Guide, 2000) for procurement, which were developed by the IAPWG (Inter Agency Procurement Working Group). Some of the initiatives that the IAPWG and its members have set in motion include the development of long term agreements, and the establishment of common ethical supply policies.</p>

Table L: Structure - Organization of Purchasing

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.6.2 Key Points about Structure and Organization of Purchasing

The constitutional model, e.g., whether a federal or state system has a major or overriding effect on the procurement model and powers/delegations (for example Singapore [and the UK]) contrast with the federal organization of USA and Australia.

- ◆ The centralization vs. decentralisation debate on procurement is not just cyclical but endemic.

Overall, the cases reveal diversity rather than convergence.

The constitutional model, whether unitary or federal, is of critical importance to the organization of purchasing. This is one major influence on relative delegated powers. However within this division there are sub divisions, e.g., the difference between centralising purchasing activities (e.g., PWGSC and PaSA) and centralising policy/strategy for purchasing (Queensland and PaSA).

Also, it is apparent from the continual reorganizations discussed in the cases that the central/devolved debate may be contingent, with no best solution. The US state/local case suggested:

The cycles of pushes for centralization vs. decentralization may well be tracked to the level of scrutiny or interest being shown by the public being served by the agency. In times of prosperity when the public is, for the most part, happy with

government, levels of scrutiny will be lower and the agencies will look closer at the benefits of decentralization. In times when public scrutiny is high, either because of poor economic conditions or a specific flash-issue or misappropriation, agencies will probably push for greater control and centralization.

The physical location of a public procurement function can be another factor that influences the link between structure and strategy. In the UN case, a major strategic decision was taken not to be located at the hub of the UN (leading to greater independence – but perhaps less influence?). That such a decision could be taken in part reflects the relative financial independence of IAPSO as an organization that charges for its services. The Australian capital Canberra was described as being very remote from the rest of the country (in a sparsely populated country, this remoteness is as much socio-political as spatial). In other cases the political location of procurement, e.g., under finance or under administrative services, also affected the perception of procurement.

See particularly the extract above from the Australian study of e-commerce for a summary of structures across Europe and Australia. Across the national entities, the Australian study finds a wide variation, with less variation internally within Australia. There are notable differences in the level of political involvement – in Belgium, ministers like to send good news letters, in the US, commission meetings are televised. The Gauteng case sees a major change programme in operation, with substantial headcount reductions, and the need to use outside consultants.

5.7 Infrastructure for Purchasing and Supply

5.7.1 Infrastructure for P&S: People

Case	People
1A Australia State	<p>Tenure of Office: The changing employment status of senior civil servants was extensively discussed. Increasingly, they are employed under contract, so reducing job security. This is seen as making them more inclined to be conservative, to avoid embarrassment, especially given that the public do not generally hold Ministers accountable for poor decisions. It also affects planning and development, since civil servants under contract are less likely to take a long-term view.</p> <p>Major PPP deals are signed off by Ministers. PPP is not seen as part of purchasing. Unlike UK, there is no PPP ‘mafia’ of experts who work on the big deals</p>
1B Belgium	<p>Structural complexity and differences of regulations by type of service/product purchased mean that there is a huge range of purchase situations. This makes training/education and compliance monitoring very difficult.</p> <p>Re use of MEA criterion in contract award: people are also more comfortable with a mathematical formula that has one ‘right’ answer. There is a lack of competence that would be needed if criteria relating to environmental, social etc issues were to be applied.</p>
1C Singapore	<p>Ministries hire their own people. Senior personnel, on leaving the Administrative Service, often work for GLCs.</p> <p>Another shortcoming may be the training of procurement officers. The decentralisation of procurement functions to line ministries and statutory boards in 1996 was not accompanied by the necessary degree of training of procurement officers in those organizations. Currently, though, increased attention is being given to addressing the training needs of such officers.</p> <p>There is a high level of turnover within the administrative class. Some people are promoted quickly but then move over to the business sector in their mid/late 30s. However this achieves a ‘rejuvenation’ of the administrative class. A typical scenario might be Deputy Secretary at 32, and Permanent Sec at 40. Both posts have a maximum tenure of 10 years. Those who don’t achieve are encouraged to move on.</p> <p>Professional services such as procurement are not subject to the same regime. However,</p>

Case	People
	<p>senior administrators are closely involved in decision-making. Senior personnel receive only limited procurement training, though there is now an increased emphasis upon procurement training.</p> <p>There is a stable executive, but a high turnover amongst senior administrators. Secondments to GLCs and the private and community sector are being used to make young administrators more 'worldly-wise'. Early on in their careers, Administrative Service officers have to work in community-based projects for a year. Some of them are taking MBAs. Many are engineers (compared for example to Japan where many administrators are law graduates). Training and assignments are generalist; assignments last about two years in the early part of a career.</p>
<p>1D US State and Local</p>	<p>With decentralisation, purchasing staff are moving from State purchasing departments to Agencies, leading to high personnel turnover which is very problematic for the State. Purchasing is not a popular choice! An important issue that needs to be addressed is demographics – many purchasing personnel will soon be retiring. Negotiation is still somewhat 'counter-cultural' and there is a lack of negotiation skills. Much 'negotiation' is in fact clarification of the details of the bid. There is plenty of provision for training and educating purchasing personnel, but a lack of funding. In many cases, purchasing professionals are prepared to pay for their own training, if the employer won't.</p> <p>Education and training</p> <p>NIGP has the most structured and evolved programme. It's not right for all, but is a good model. It has a strong theoretical base, involving a written test. CPPO is an oral exam, which can be done anywhere and is not hugely expensive. ISM also runs a qualification programme. In Oregon, certification is preferred when recruiting, but is not considered essential.</p> <p>The value placed on qualifications varies across authorities. In some, it is considered important for giving the purchasing organization credibility and authority. In Fort Lauderdale, it is mandatory for the Manager to be qualified, but not so for next level down. NIGP instructors used to be practitioners, but are now moving to having course delivery by professional lecturers/academics. The curriculum is being redeveloped by NIGP and Florida Atlantic University.</p> <p>Standards are similar at different levels in the system, and differences can be dealt with through on-the-job training. There is a capstone course which allows specialisation. The NIGP co-ordinates a successful discussion list, through which IT issues especially, are addressed.</p> <p>In Florida, during three years of attempting to reform purchasing, there have been 4 directors of purchasing.</p>
<p>2A Finland Regional Consortium</p>	<p>There is no direct comment on people issues in the case, but several conclusions are relevant. The authors' found the 80/20 rule, 80% of purchasing volume is through 5 of the 13 organizations. They suggest limiting consortia to higher volume actors, and that ideally each consortia member should be of a similar size to derive the maximum benefits.</p> <p>The case identifies that lack of purchasing personnel is a constraint on taking forward the consortia. They suggest this shortage will be more acute when purchasing services is tackled.</p> <p>Also highlighted is how non purchasing personnel have to be involved and motivated in implementing logistics processes and software, this is part of the purchasing role.</p>

Case	People
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>The case highlights a contradiction - that most astute purchasers' will already be looking for year on year savings, and yet 90% of the sample interviewed here pointed to lower prices as the principal objective of inter-agency co-operation. Process efficiency was a secondary objective, and work load reduction a third, suggesting that resources are tight and that consortia have value in reducing the time and effort expended (presumably freeing up time for other priorities). At an extreme consortia could be viewed as a response to tight resources. Such a view finds support in the lack of formal mechanisms the case reports to measure cost savings (although this is always difficult).</p> <p>The case highlights a role for clear leadership in consortia, and by stressing that consortia with similar 'cultures' are more likely to succeed raises the issue of peers working better with their peers. Peer interaction and support should not be underestimated as a benefit to procurement personnel of consortia.</p> <p>The case concludes public purchasers' do not frame their decisions by easily recognized business indicators such as profit, but are driven by a complicated financial system of budgets influenced by authorities outside of the institution.</p>
<p>2C Australia procurement education</p>	<p>Australian procurement training shows a constant concern for change and improvement, e.g. 1974 Scott inquiry, 1978 inquiry into Commonwealth Government Purchasing, also the Public Service Board conducted a joint management review of the purchasing function throughout the public service. In consultation the 1994 Bevis Report (with the Department of Industrial Relations and the Department of Administrative Services) reviewed purchasing career structures with a view to establishing an appropriate career structure for purchasing staff.' The Committee also recommended that "training based on the Commonwealth Procurement Competency Standards be mandatory for all Australian Public Services staff performing procurement functions" (Bevis, 1994).</p> <p>Later the post Labour Coalition Government proceeded to dismantle much of what the previous Labor Governments had set up. The DAS was absorbed into the Department of Finance and Administration, Purchasing Australia was demolished and almost all of the staff made redundant. Most of the momentum for purchasing improvements especially for purchasing staff career development was lost.</p> <p>There is a long history of reports making recommendations related to central purchasing and systematic training and education (1974, 1981, 1994)</p> <p>1999 Joint Committee of Public Accounts and Audit (JCPAA) <i>Report No. 369</i>: "The JCPAA's overall assessment was that Commonwealth Government procurement has improved since 1994. Anecdotal evidence (sic) suggests that the culture and attitude of purchasing officers has improved, but there are still areas of government procurement that need further improvement."</p> <p>Procurement management and associated educational frameworks have developed differently in each Australian jurisdiction. This is because of variations between the jurisdictions in terms of history, politics, public policy, population size and characteristics, economic base and social and geographic issues. There are considerable underlying similarities, see the full case in main proceedings, Table 5 , as set out in Appendix A, provides information about the nature of procurement educational arrangements in each of the focal jurisdictions. While some jurisdictions have well developed frameworks others have adopted a more laissez faire approach.</p> <p>Public Service Education and Training Australia (PSETA) was established as the nationally recognised body for the public administration areas of Commonwealth and State/Territory governments in 1997. Membership of PSETA is made up of representatives of each jurisdiction and the Australian Council of Trade Unions (ACTU) and the Community and Public Sector Union (CPSU)/State Public Services Federation (SPSF).</p> <p>The objectives of PSETA are:</p> <ul style="list-style-type: none"> to act as an effective national voice of the public service industry on issues related to vocational education, training and development; to provide information and advice to government and the industry on matters relating to the vocational education, training and development needs of the public sector, including training policy, research requirements and priorities for funding allocation within public service industry training; to facilitate the development and maintenance of national competency standards by industry and to advance the development and provision of education and training conducted in accordance with those standards consistent with the requirements of the

Case	People
	<p>Australian National Qualifications Framework; and to promote effective communication and liaison with relevant State/Territory departments, ITABS and other bodies.</p> <p>Despite the intentions of PSETA the impact on purchasing has not been great in that it focuses too broadly on public sector training with purchasing being a small part of the total, and hence PSETA promotes generic courses which have not met the needs of the individual governments. Also because it has been completely based on a competency based framework it has not developed materials past a low level of training. As a result the take up of courses offered has not been great either by individual governments, government departments nor have they been promoted to any great extent by educational and training institutions.</p> <p>As noted above the ACTU is represented on the board of the PSETA. Unions at the Federal level have taken a strong interest in the training agenda as they have seen it a basis for exerting influence on government policy in relation to their members. However the effect has been to the detriment of the development of a career path for purchasing staff. For example when the Department of Defence wished to introduce a Graduate Diploma in Advanced Purchasing, the unions strongly objected stating that the role of their (mostly clerical) members should not require a tertiary qualification. The end result was that the Department of Defence simply changed the title of the program to an Advanced Management Program in purchasing, maintained the same level of content, but lost the impetus to professionalise the activities of their staff. Currently in Queensland however there has been complete cooperation of the unions who see the introduction of the certification system as non-threatening and in fact see it also as providing positive opportunities for development of their members.</p> <p>Role of AIPMM</p> <p>The Australian Institute of Purchasing and Materials Management has been very interested in promoting the training and educational opportunities for their members. However it has perhaps been too diplomatic in trying to support all efforts and have not provided sufficient guidance to distinguish between programs</p> <p>The AIPMM could have a much greater impact and perhaps should take a greater interest also in Government purchasing policies and in Government training agendas. For example the AIPMM did not make public comment on the demise of Purchasing Australia.</p> <p>Prior to the implementation of the State Purchasing Policy 2000, an accreditation system for officers involved in procurement existed. However it was a voluntary system with accreditation linked to particular thresholds in terms of the value of goods and services that could be purchased by officers at the different levels of accreditation. There was no independent evaluation of individual capability as part of this system. Supervisors were able to determine the desired level of accreditation of their staff based on very loose eligibility criteria and vaguely defined training requirements. Further there were no opportunities for staff to progress their education beyond the basic training level. For example there were no tertiary level courses designed specifically for public sector purchasing staff. To support the State Purchasing Policy 2000, Queensland Purchasing developed a new certification system which was introduced at the same time as the new policy.</p> <p>At present, there is a significant contingent of older males – lifelong public servants who are not professionally qualified in purchasing. However, in 10-15 years’ time, when the majority have retired, purchasing will become increasingly female dominated, with a high percentage of well qualified people. Increasingly, public service is not seen as a long-term career prospect by young professionals and, consequently, there is a lot of movement between the public and private sectors. Typically, someone might spend three to four years in QP before moving (or returning) to the private sector. This turnover is seen as healthy because a) QP sees a high level of contribution and productivity from these people whilst they are there, and b) there is a ready supply of fresh talent to be recruited. To facilitate this exchange, Queensland has insisted that its university courses be open to the private sector.</p> <p>The certification of staff is not mandatory, however it is a reality that the Auditor-general in reviewing practices within Government departments and agencies, often where purchasing practices come into question, will then comment on the purchasing practices and question whether staff are qualified and if so how. As many in Queensland</p>

Case	People
	<p>Purchasing will comment – 'the Auditor-General is the best recruiting agent for Queensland Purchasing courses'".</p> <p>The Queensland certification system Queensland Purchasing set down as its requirements that all staff responsible for purchasing would be provided with the support needed for them to develop the capabilities needed to meet the expectations of the State Government purchasing policy and at the same time meet the needs of their department and/or agency. In developing what they perceived to be their requirements, Queensland Purchasing enlisted the assistance of two of its constituent universities in this process . One of the universities has also become the assessing body providing independent accreditation of the certification system. See main proceedings for detail of the requirements and innovative nature of the programme.</p> <p>Barriers and constraints to reform The main barriers to reform in Queensland are Little cohesion with other States and between State and Federal agencies in the setting up of a suitable training programs for purchasing staff in all jurisdictions Some lack of acceptance by a few departments or agencies within Queensland of the requirement for a change to the way purchasing is conducted to comply with the spirit and intention of the Queensland State Purchasing Policy Lack of realisation on the part of supervisors , and in some cases, the participants themselves of the level of commitment needed to complete the desired training programs Entrenched beliefs in some sectors of the official training community that all training should be competency based and should comply strictly with competency based training principles to the exclusion of new methods of delivering and assessing education. Low levels of support for the training and education of purchasing staff from institutions such as professional bodies, universities and Technical and Further Education colleges. Pressure of work on intending participants restricting and slowing their progress thorough the training program The main constraints are Ability of the existing system to cope with the developments and to maintain credibility and confidence in the system while keeping the costs within budget. Scarcity of well qualified and capable staff required to carry out development and delivery of training. Potential for Government to change ie key personnel, policy or programs and/or to weaken in its support for the reform program See tables in written case which summarise information on procurement education.</p>
2D Germany consortium for electricity	The written case does not discuss people issues.
3B UK English National Health Service	Whilst PASA has a high proportion of well trained staff CIPS and MBA's there is a gap at the local purchasing level. With regard to the age of the profession – increasingly there are rising young stars in health service procurement, and succession was not an issue at the centre however getting enough professional staff to fill posts in new Confederations is an issue.
3C Canada National Public Works and Services	<p>A centralised training programme is run with budget of \$1 million per year, however recently it has slightly changed, the training budget has been apportioned to managers, but training is still developed and delivered centrally. In addition to on the job training, there is a two year development programme when new procurement officers start. However there is not nearly enough money for training, and it can be sporadic in its application.</p> <p>With regard to the new structure (client focused) training needs have not been talked about very much to this point, but it is coming. New client support requires a different set of skills – account manager and marketing skills needed. Need people to deal with suppliers. Relations very arms length in past – need to build better partnership linkages, increase communication and cooperation.</p> <p>Need people who can manage supply relations. We don't train people in client services, don't think enough about supplier relations yet.</p>

Case	People
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>Purchasing and Supply is still undervalued in Dutch health care institutions. Purchasing departments are usually small and tucked away in Facility Management or technical / maintenance departments from where it is hard to influence medical decision makers. Most of the initial supplier contacts, but frequently also most of the initial purchasing decisions on medical items are done without any purchasing involvement. But even in the non-medical areas it is hard to get good purchasing involvement. The poor standing of purchasing in the Dutch medical system will impact on people issues.</p>
<p>4A US Federal</p>	<p>Employs a workforce of 124,606 with a wide variety of expertise in supply program management, inventory management, contract and procurement, purchasing, quality inspection, traffic management, distribution facilities and storage management, property disposal, and logistics management</p> <p>Acquisition Workforce Shortage <i>Background</i></p> <p>Acquisition workforce includes a variety of disciplines in addition to the “contracting” discipline. Who makes up the acquisition workforce depends on the department or agency in question. There is a minimum membership defined by the Office of Federal Procurement Policy.</p> <p>There are two separate statutory provisions that govern the Acquisition Workforce in the US government. The first, the Defense Acquisition Workforce Improvement Act (DAWIA), a part of the National Defense Authorization Act of 1990 identifies those disciplines within the Department of Defense (DoD) that are included in DoD’s workforce. DAWIA established for the first time in the US government an affirmative education and training requirement for members of DoD’s Acquisition Workforce.</p> <p>The civilian agencies of the US government did not have an affirmative education requirement until 1996 with the passage of the Clinger-Cohen Act (1996). Clinger-Cohen required the Administrative of the Office of Federal Procurement⁶ (OFPP) to establish affirmative education and training requirements for civilian agency acquisition workforce members as those established for DoD.</p> <p>The Clinger-Cohen Act also required OFPP to establish, through the Federal Acquisition Institute (FAI),¹⁴ that a consistent set of data elements for tracking education and training as well as career information within each civilian agency acquisition workforce. FAI, in conjunction with the civilian agencies, is on the brink of instituting the Acquisition Career Management Information System (ACMIS) that will provide a centralized repository of information concerning the civilian agency acquisition workforce. There are no centralized database-tracking members of the acquisition workforce. Government wide statistics on contracting specialists can be obtained from the Office of Personnel Management since they are confined to a single career series. FAI was created to serve all government agencies in a number of areas pertaining to the acquisition workforce. FAI:</p> <ul style="list-style-type: none"> - Plans, manages, and coordinates the development and implementation of Government wide acquisition career and acquisition workforce policies, programs, and practices. - Provides information and management tools in support of a professional acquisition workforce. - Leads strategic planning efforts, identifies priorities, provides policy guidance, and implements Government wide programs to establish acquisition career development standards and to manage the federal acquisition workforce. Coordinates and assists agencies in identifying and recruiting highly qualified candidates for acquisition fields. - Designs, initiates, and coordinates research, studies, and surveys to analyze workforce issues and to improve the acquisition process. Periodically analyzes acquisition career fields to identify critical competencies, duties, tasks, and related academic prerequisites, skills, and knowledge. - Establishes and promotes an acquisition curriculum in coordination with colleges and universities and identifies academic education programs for the acquisition workforce. - Establishes and promotes an acquisition curriculum Government wide. In coordination with training organizations, identifies sources of training, and ensures the quality of training. Develops or supports a variety of training delivery methods. Establishes training standards and evaluates the effectiveness of training programs for

Case	People
	<p>acquisition personnel.</p> <p>Advises agencies in the development and implementation of acquisition career development programs. Develops and guides intern, rotational assignment, and other interagency programs. Evaluates the effectiveness of career development programs for acquisition personnel (www.gsa.gov).</p> <p>In fiscal year (FY) 1990 there were 33,000 contract specialists. These individuals awarded approximately 400,000 contract actions¹⁵ over \$25,000.¹⁶ In FY 2001 there were 26,700 contracting specialists who awarded some 11 million transactions over \$25,000. There is also discussion in Congress of requiring another reduction in the acquisition workforce this year of approximately 5%.</p> <p>Compounding the problem of reductions in the acquisition workforce is the demographics of the current workforce. Between one-third and one-half of the acquisition workforce, depending on the agency one looks at, is eligible to retire in the next 3 years.</p> <p>In spite of the economy not being perceived as that healthy at the current time, people in this career field are actively sought by companies doing business with the government, they are fully trained and competent at what they do. They also generally bring with them the ability to utilize their knowledge of the government's network of acquisition workforce. Also contributing to expected high attrition rates in the next several years is the government's new retirement system that provides portability of retirement benefits from the public to the private sector. No matter how one looks at the US government's workforce the future for managers of the acquisition workforce is going to present significant challenges over the next several years.</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>Within the context of the Government's commitment to the European Union's e-Government 2005 targets, in 2001, the Irish Government's Information Society fund was used to finance a process for developing an e-procurement strategy. The process by which the Government of Ireland's e-procurement strategy was developed was designed to be inclusive to maximise buy-in by the key stakeholders. Local authorities wanted funding for e-procurement but the Government decided that it was preferable that strategy be developed also encompassing e-procurement in local government. Consultants were engaged to develop the strategy. However a highly consultative process resulted in broad-based ownership of the resulting strategy.</p> <p>E-procurement has been identified as likely to improve the professionalism of public procurement in France. The use of purchasing cards has the potential to reduce purchasing related transaction costs and stream-line accountability for payments associated with low cost purchases by providing rich management information.</p> <p>Project Gael that anticipates delivering an on-line procurement management resource for French public sector entities is likely to improve compliance with the Code Marches Public.</p> <p>Under the new procurement management arrangements there appears to be no clear locus of interest in procurement management improvement or skills development in Belgian Federal Government entities or for pursuing other aspects of e-commerce in procurement.</p>
<p>4C South Africa Province</p>	<p>10 out of 15 senior procurement personnel in the province are black (of whom about 7 came up internally). Of these about 40% are female. All employees receive an annual bonus element in their remuneration</p> <p>The Gauteng Shared Service Centre is in transition from project status to operational mode. The Chief Executive Officer and the senior managers were appointed during 2001 to take charge of the process of setting up GSSC as a new Department within GPG. Under their guidance the migration process began in September 2002. The ± 3900 affected employees underwent an assessment process to determine their strengths and weaknesses. Those interested in the Shared Service Centre had the opportunity to express an interest in the ±1550 positions and all the appointments were processed within 5 months. The manual procurement environment – driven by a marked lack of a 'commercial orientation' – has resulted in a drastic shortage of the kinds of skills required to affect the kinds of changes needed. These challenges will be met by conducting substantial training initiatives amongst procurement staff and the management staff involved in managing the funds utilised to procure goods and services within the Province. Consultants are also used. GSSC strives to promote good governance by building a Purchasing Unit that is team and performance oriented, flexible</p>

Case	People
	<p>yet aligned to process - socially conscious, yet driven by value for money and customer satisfaction.</p> <p>The manual procurement environment – driven by a marked lack of a ‘commercial orientation’ – has resulted in a drastic shortage of the kinds of skills required to affect the kinds of changes needed.</p> <p>The changes within the procurement environment in the province when the Gauteng Tender Board was abolished resulted in the GSSC participating in a drive to train groups of procurement officials within the province. It quickly became clear that the level of skills within this environment were sadly lacking in a range of areas, including; basic numeric skills, an understanding of price indices and its importance in arranging term contracts, a commercial understanding of the basics of ‘striking a deal’, the ability to analyse a deal beyond the offer of initial low prices - to understand the total cost of ownership involved etc.</p> <p>These challenges will have to be met by conducting substantial training initiatives amongst the grouping of staff within the procurement environment and amongst the management staff involved in managing the funds utilised to procure goods and services within the province. As part of the BPR (Business Process Re-engineering) work training materials in every service delivery area were developed, now being used to train all staff coming into the GSSC on the new processes. The documentation was finalised and ready in time for the first training sessions in late July to early August 2002. The team of GPG staff working on the design and implementation of the new ERP system within Procurement was trained as system trainers and are successfully sharing the knowledge they built up during the 9-month ERP project in their dual role as SAP trainers and super users.</p>
4D United Nations	<p>The IAPWG for years has gathered around the topic of training; of setting minimum standards of education in procurement and supply, the creation of a professional stream of procurement professionals throughout the UN system, and the possibility of certification. But to little avail. Some centers of training excellence are recognized, among others the ILO Training Centre in Turin and IAPSO. The latter has traditionally rendered public procurement training courses in English, French and Spanish across the globe, predominantly aimed at the procurement practitioner who works at an operational level. Training content is traditional, as are the means of instruction and the IAPSO certificates are not officially recognized nor is there a cascading curriculum qualifying for various levels. Recently IAPSO has started to cater for tactical and strategic level participants, but demand has remained weak.</p> <p>The ILO Training Centre is an acknowledged leader in residential (typically 3 – 4 week) training courses in World Bank funded procurement and procurement management. It has also tried to lead a major UN effort at professional stream development and harmonization of procurement training, but its initiatives, although applauded by the IAPWG, have received little or no funding. Many larger agencies like the World Food Programme (WFP) and the Children’s Fund (UNICEF) arrange their own training for field offices or send participants off to standards courses of ILO, IAPSO and others. The UN Secretariat does the same.</p> <p>In general the procurement profession in the UN system still receives little recognition. It is hardly seen as a key competence, it is often dealt with in a clerical fashion and the current situation resembles the private sector context a decade and a half ago. People often land up in the procurement or supply profession by chance and the likelihood that someone will engage in a shining career by entering the UN system in a supply function is remote.</p> <p>The need for comprehensive reform and professional stream development is apparent. But top level recognition has yet to materialize, inter-agency turf battles are rife and the budget to support reform is lagging behind or simply non-existent. In general the UN system is characterized by a chronic situation of under-resourcing.</p>

Table M: Infrastructure for P&S: People

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.7.2 Key Points about People Issues

- ◆ Succession and retirement issues, and signs of lack of co-ordinated planning.
- ◆ New roles (closer to customers and suppliers, SAP) require new training.
- ◆ Lack of independent leadership roles combines with low procurement status to thwart long range planning.
- ◆ Career moves between public and private sector treated differently.

Discussion around the theme of people raised several key issues – that major (politically led) change is a permanent ‘threat’ (e.g., Australia, US); that procurement is under resourced and under trained (UN, Netherlands, Singapore). Links between employment practices and an unwillingness to take risks appear strongest in Australia and Belgium. In Australia, short tenure promotes conservatism, in Belgium the fragmented nature of the system and the ability to follow (often mathematical) rules limit innovative thinking. Procurement remains a low status activity unlikely to attract high-flyers (US state and local, UN, Singapore). In the Australian cases, entrenched ‘old style’ attitudes and trade union opposition was responsible at one stage for holding back development of the profession. However, the South African case is a study of how quickly such practices can be swept away, migrating from a manual to a SAP-based system. The US federal system appears to have real succession planning problems with an ageing work force near to retirement and increased ‘poaching’ from the private sector. (Discussion of the Canadian case raised the same ageing work force issue. The part of the current Australian public procurement workforce that is ageing is mainly male, and will become mainly a female workforce in time.) A more positive message comes from the English NHS case where young procurement professionals are coming through and, ironically, in the US federal system where centralised career-long monitoring of training and competencies are being developed.

On people issues the cases draw attention to a number of opposing forces that flow through the cases; tax payers want lower cost services as well as better services. The US federal case has seen major cutbacks in purchasing employees (also in Canada) but at the same time increasing numbers are able to retire. The English NHS case is more positive, qualified people are around and coming into the NHS although there may be issues about ensuring they are in the right location.

Overall on people issues there appears a lack of consistency and planning. As in other areas Australia appears to have led the way in the number of initiatives/committees set up over time to address and improve procurement. However, the total impression is of rather reactive change to the latest initiative rather than planned development. This impression is also reflected in the US federal case where centralised monitoring of careers and training comes at a time of low morale and people exiting public sector procurement.

In terms of future requirements, the Canadian case on consortia highlights the opportunities and new skills purchasers acquire – or need to acquire – working directly with peers in consortia. (The Finland case does not describe these issues but they are likely to be present.) Similarly, the other Canadian case sees the move from arms-length purchasing to more active and client-focused roles involving new skills, including greater communication roles and a need to work with others. As yet this change has not filtered through into training. The South African case is another example of those in procurement roles being trained into new roles and a paper-based system is replaced by SAP. The Australian e-commerce case notes that in WA, implementing GEM (apart from leading to training for both buyers and suppliers) has led to a reduction in basic ‘transactional work’ and more work in policy roles and in setting up and managing the system.

The Australian case highlighted a growth in short-term appointments. The situation in Canada is different – civil servants are permanent employees. Singapore is ‘half-way’ between (see the Singapore case). In the UK, contract employment, and employment of personnel from the private sector, is increasingly prevalent. Though senior people are now (relatively) easily fired, middle-level people are around for the long term. This has important implications for personnel development (needs differ significantly between senior and middle levels.). It was noted that, in Canada and the US, an ageing civil servant population will soon have a dramatic effect on skills profiles and on e-literacy.

The Queensland case highlighted acceptance of employees switching between the public and private sector. This contrasts with Germany, a highly-regulated environment in which it is almost impossible to switch between the private and the public sector. This is partly due to differences in the salary structures, pension schemes, etc. A degree is normally required for entry to the top management levels. In the UK, it was observed that people often come into public service with a general degree, attain the CIPS diploma at public expense, and then move into the private sector. In contrast to Queensland, this was perceived as a problem. In Finland, there is no real distinction between the capabilities required for the public and private sector and no real barriers to switching between the two. However, for those with a masters degree, salaries are more attractive in the private sector. Only one area (Lapland) currently has a masters course for procurement, but the next 10 years are expected to see a growth in the number of qualified purchasing professionals in the public sector. In Queensland, movement in and out of the purchasing field is also common. This is partly about moving into general management and/or taking a broader view of supply and moving from ‘managing purchasing’ to ‘managing the value chain’. However, undertaking a masters in procurement is considered a ‘must’, partly to raise the profile of purchasing and underline its importance as a specialist management discipline along with others such as marketing. Beyond that, there is a keenness to involve other universities in additional courses focusing on other aspects such as value chain management.

In terms of leadership, whilst in Singapore there are high flyers in the civil service; these are not procurement specialists. Overall the much cited low status for purchasing combined with a lack of clear – and permanent – leadership roles that are not subject to political control appears to hold back the development of consistent forward planning.

The core issues revolve around the low status of the profession, the difficulty in attracting and retaining the right kind of people, the need for new skills (and therefore new training) and problems with planning (e.g., succession, early retirement, competition from private sector employers). It appears that broadly ‘people’ issues attracted more discussion in the groups than any other single topic. Many of the issues appear intractable; for example, how can you attract better people into procurement when it has such low status? Many speakers noted the surprise peers/high flyers would express at anyone choosing procurement as a career path in the public sector. In the same vein, rule dominated public procurement structures such as Belgium and Germany acted to increase risk averse behaviour. In these environments, purchasing is seen as a clerical/administrative activity, and complex/advanced matters are dealt with by people with legal training. In Australia, the rise of short-term contracts was noted as also encouraging risk-averse behaviour. The question of how could risk takers be encouraged into public procurement was debated.

The need for new skills was identified – due to e-procurement, SAP, and the need to move away from arms-length management of suppliers to closer relationships and relationship

skills. This implied that training courses were needed and needed to be updated for the new environment. These issues were linked to the limited ability of procurement to make its own destiny, reorganizations based upon political not operational needs were criticised.

5.7.3 IT/IS, e-Commerce and Information

Case	IT/IS, e-commerce and information
1A Australia State	<p>E-commerce has been partially implemented. 'GEM' (Government Electronic Marketplace) developed in WA. GEM is used for 1) tendering and contracting; 2) purchasing high volume, low value items.</p> <p>Training and development is being undertaken to try to overcome e-literacy problems among suppliers and buyers.</p> <p>There is a drive to improve the quality and range of statistics available on public procurements. GEM is used as data source for public procurement information.</p> <p>Implementation of GEM has the potential to reduce transactional work; there are now more jobs in policy and setting up and managing the system.</p>
1B Belgium	<p>The written case does not explicitly discuss IT/IS or e-, however the need to conform to EU regulations is discussed and will influence public procurement IT/IS in the future.</p>
1C Singapore	<p>On-line quotation has led to many new overseas suppliers bidding, and has delivered greater competitiveness.</p>
1D US State and Local	<p>ISM (Institute of Supply Management) co-ordinates regular price benchmarking. This service is well-respected in manufacturing, but response rates for public sector are very low (as few as 20 respondents).</p> <p>Public purchasing is in a transition stage. Lack of e-literacy/knowledge of use of internet is a major problem. There are still some municipalities where purchase orders are typed. In Broward County, the requisition stage of the process is fully automated, and e-catalogues have been established with 4 vendors. These vendors covered the implementation costs.</p> <p>There is considerable wariness about e-purchasing, especially since the collapse of the dot.coms. One public authority spent \$1.5 million evaluating whether it should adopt e-commerce, but then ran out of funds, and so unable to purchase the system.</p>
2A Finland Regional Consortium	<p>For the Kuopio purchasing consortia at the time when the software was selected there were few e-procurement software suites available at reasonable cost. The software system has been very slow to develop and it still covers only half of the prospective functionality. It has been implemented partly in two organizations. The situation is complicated in that no standard software solutions can work with the 13 different organizations and with 5 different financial systems. Also delays have been caused by the lack of a single procedure to handle purchasing; a joint procedure should have been developed first. The software is tackling an area which formerly was decentralized to over 1000 people.</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>All of the survey participants remarked on the importance of technology and e-procurement, but none claim to be very advanced beyond implementing university-wide resource planning systems. All organizations and consortia use e-mail to communicate and exchange documents. Some purchasing groups and individual organizations are using the internet to post tender announcements, but few accept electronic bids directly. A small number use on-line ordering with key suppliers and a few have linked inventory codes with vendors' on-line catalogues. Several respondents are using electronic transfer of funds to pay invoices, including those who link P-card programs with banking and ERP systems.</p> <p>According to survey participants, technology also offers the best opportunity to automate data capture and analysis for group projects, leading to more credible reporting. Some <i>early-adopter</i> groups have successfully operated on-line reverse auctions. Rather than issuing tenders and receiving sealed bids, the consortium runs a timed auction by posting the goods required while suppliers compete openly for the right to fill the order with the best price or delivery terms. Some consortia are now conducting on-line auctions for the disposal of surplus materials and equipment, realizing much better return than conventional methods. There is also the potential for on-line meetings and training which will allow remote organizations to participate more fully with consortium partners in populous regions.</p> <p>Marketing and community relations are other benefits available to purchasing groups</p>

Case	IT/IS, e-commerce and information
	<p>through well managed web-sites, but respondents are most keenly interested in pursuing portal or e-marketplace development specifically for universities and colleges. At this time, efforts appear to be fragmented with several groups all trying to achieve the same result. There are a number of initiatives underway through provincial agencies, national associations, individual universities, public-private partnerships, vendors and third parties. The work and cost required to develop a quality portal for educational buyers and suppliers appears to be beyond the resources of all but the biggest universities and even then, there is doubt whether a single university is big enough to carry the ball for the long term scope. At this stage in the learning curve, these are big projects which require big investment and expertise.</p> <p>Survey respondents expect that success will only be achieved through a cooperative effort between several parties, but they are resolute in their demand to be involved in the design.</p>
<p>2C Australia procurement education</p>	<p>Federal government and six State governments – Queensland, Victoria, New South Wales, South Australia, Western Australia and Tasmania (plus New Zealand)</p> <p>See tables in written case which summarise info on e-procurement.</p>
<p>2D Germany consortium for electricity</p>	<p>All tasks related with modern information and communication technologies are bundled in the “BundOnline 2005” initiative. “BundOnline 2005”, the eGovernment initiative of the Federal Government, has a clear objective. All services of the federal administration will be available online by 2005. In addition to traditional channels, in the future the full range of administrative services will be provided via the Internet. This affects the citizens (A2C: “Administrative to Citizen”), business (A2B: “Administrative to Business”) and the authorities on the federal, state and local level alike (A2A: “Administration to Administration”). “BundOnline 2005” will bring numerous improvements, because administrative services can be rendered in a faster, more transparent and more cost-efficient manner.</p> <p>The project will have a major impact on public procurement. At the moment, the Federal Procurement Office of the Federal Ministry of the Interior (BMI) runs a new virtual contract-awarding platform called “Public purch@sing online” (Öffentlicher Eink@uf Online). This platform regulates and simplifies the entire awarding process of authorities within the remit of the Federal Ministry of the Interior, starting from communications on requirements, and tendering, up to product delivery, through electronic channels. This guarantees rapid and transparent contract-awarding processes. Processing and procurement costs can be reduced substantially. This is an improvement which is beneficial to both the Procurement Office and contractors from business, alike.</p> <p>The Federal Procurement Office is a federal upper authority, supervised by the Ministry of the Interior. Up until now, it has purchased for 26 authorities within the Ministry of Interior (350 Million €). “Public purch@sing online” consists of a virtual marketplace and a platform for the contract-awarding processes. It is a major aim that the Federal Procurement Office will <i>not</i> take over all purchasing activities within this project. The platform is a kind of service provider which can be used by their customers which are (a) private companies as suppliers and (b) public institutions as buyers. Therefore, the platform is in competition with other (private run) platform providers which offer a similar service. In the future, the platform will be run by Federal Office for Statistics, another upper federal authority.</p> <p>To support internal customers and decentralized purchasing, DLR implemented a kind of “virtual warehouse” which allows internet-based ordering. The system is based on software and services from C@Content, one of Germanys leading e-procurement solution providers.</p>

<p>3B UK English National Health Service</p>	<p>Infrastructure. – The NHS is improving its current network (NHSnet) up to broadband capability. A national IT strategy is reaching into all parts of the NHS and Social Services. There are instances of common data collection across the NHS. However there are still issues with timeliness and difficulty of integrating information. The NHS Information Authority has laid out a vision but delivery will take time. IT is now a very high priority to improve information flows. There was discussion of the need data and common systems across autonomous organizations, and how commonality of codes leads to aggregation.</p> <p>For identifying items and locations, PASA has responsibility, patient and treatment issues are the responsibility of the Information Authority. NHS HR are responsible for staff. This is the system of responsibilities that brings people together. Global data definitions, within a framework of overall vision thinking of patient vs. system.</p> <p>The most critical factor is the lack of high quality data on external spend; in many cases, not even basic data are readily available. Because of the relative autonomy of hospital Trusts, there are several dozen different finance and purchasing IT systems in use; some Trusts do not have a purchasing IT system; in other Trusts data cannot be easily exchanged between purchasing and finance systems. NHS PASA has no direct visibility of call-offs from framework agreements it arranges, and thus must rely on suppliers or individual Trusts (where data is available) to report usage. The most robust national data available are on spend through NHS Logistics, but their value is limited since: (a) compared to the overall requirements of a Trust, the range of products stocked is small; (b) not all Trusts' requirements for that range are sourced through NHS Logistics.</p> <p>E-Commerce and the NHS</p> <p>Strategic drivers for the development of effective e-Commerce across the NHS occur at three levels: Government level, in the context of the Modernising Government agenda; NHS level, as part of the national information policy and strategy for health; and in terms of the modernisation of purchasing and supply, being led by NHS PASA.</p> <p>The Government is committed to implementing e-Commerce, which it has identified as a key strategy for closing the productivity gap between the UK economy and other leading economies. At the same time, at the health service level, significant investment is being made in IT infrastructure required to deliver the NHS Plan and support patient centred care and services, as set out in <i>Building the Information Core – Implementing the NHS Plan</i> (Department of Health, 2001a). This document, and its predecessor, <i>Information for Health</i> (Department of Health, 1998), aimed to ensure that the whole range of NHS activities was able to benefit from the application of IM&T solutions. In this context, the modernisation of support services complements and supports the modernisation of infrastructure and clinical care.</p> <p>To achieve the targets of the NHS Plan and the national service frameworks, earmarked central funding has been allocated to Trusts for specific priority areas such as cancer and cardiology. However, with little visibility of this expenditure, there can be no guarantee that these monies are spent on the intended services; without visibility, there cannot be adequate control either of spending or of costs. And in procurement terms, the multiple and disparate manual and IT purchasing and financial systems currently operating at local level militate against the NHS acting as one body in securing the economies of scale that should result from being one of the largest organizations in the world.</p> <p>NHS PASA has been tasked with developing and leading the implementation of an e-Commerce strategy for the NHS. The policy behind the development of e-Commerce in the NHS includes a clear expectation that a) e-Commerce embraces and integrates all business processes from demand through to payment; b) the NHS acts on a once-only basis in programme design and application; and c) that e-Commerce changes the nature of purchasing from transactional to strategic.</p> <p>Currently at Outline Business Case stage, the introduction of a national finance and e-Commerce solution will provide the tools and the data to enable strategic sourcing at Trust, Supply Management Confederation and national level. By making available data on the patterns of demand at each of these three purchasing levels, Trusts, Confederations and PASA will be able more effectively to a) develop new contracts in areas where none previously existed; b) select the optimal mix of products, services and suppliers offering lowest total cost; c) work more effectively with suppliers to achieve price reductions; and d) streamline supply chain management to achieve faster lead times and less stockholding. These measures will, in turn, enable a significant reduction in the</p>
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	<p>cost of goods and services purchased by the NHS, releasing more funds for direct patient care.</p> <p>Whilst a robust e-Commerce solution is vital, therefore, to the realisation of the NHS' modernisation agenda, the implementation challenges are significant. These lie primarily not in systems development and installation but in managing the large-scale change throughout the NHS that the strategy demands; this is likely to result in substantial business transformation and significant changes to working practices in line with the requirements for modernisation and better use of resources.</p> <p>Discussion identified the theory of master data as central. High variety service environment needs more commonality of treatment pathways. If NHS is to be leading edge needs to innovate. What is required are structured ways of collecting data, systematically.</p>
<p>3C Canada National Public Works and Services</p>	<p>It will be critical for PWGSC to have timely, pertinent and client-focused information available to managers as a basis for ongoing management decisions and continual service improvements. This type of information is also important in costing existing services and in developing new service offerings. It is also required for invoicing clients in a timely, consistent and fair manner – one of the clients' major complaints. A strategic investment in the systems that will be used to capture and communicate client information is needed to improve the Department's service delivery infrastructure.</p> <p>information management</p> <p>In the discussion it was felt that information is not managed well, the basic data is not accurate. There was a description of 'the silence' between PWGSC and its clients, this may change with the new organization and new era.</p> <p>E-commerce</p> <p>The majority of clients don't seem to contract manage very broadly.- work on a transaction basis, not on an overview. There are multiple clients for goods – and an opportunity to consolidate between departments, away from the old transaction based approach. Several departments want to do the same thing. There are 2,500 standing offers for catalogues available on the Internet. There have been several attempts at catalogue approaches for office furniture, IT-based procurement on the internet for clients is a success. If there is an issue, it is that we need more – hence our ongoing emphasis on what we call the Electronic Supply chain – commodity management and development of appropriate commodity-based procurement approaches, processes and automated tools.</p> <p>PWGSC needs to be in a position where it can tell clients what it has done for them in the past, what savings it realized for them, and what added value it provided as their business partner. PWGSC must also be able to learn of client strategies, priority shifts, upcoming initiatives and over-the-horizon plans, advise them on investment decisions and associated risks, make short and long term recommendations and deliver solutions.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>Not discussed in the written case</p>
<p>4A US Federal</p>	<p>The effort to utilize E-Procurement in the US government began in earnest in 1993. The recommendations of the PAT were to create a system utilizing value added networks (VANS) that would interface between the government's system and the vendor's system utilizing a standard interface. Work began immediately on implementing the Pats' recommendation.</p> <p>In June of 1994, the internet, came into its own. The internet changed substantially the state of the art for government to business (G2B) transactions as well as business-to-business and citizen-to-citizen transactions. The PAT's recommendations were not re-evaluated in light of this new development and efforts proceeded to implement a system in which access to the G2B marketplace facilitated by VANS continued. Reinforcing this initiative was the passage (Oct, 1994) of the Federal Acquisition Streamlining Act (FASA). FASA included a requirement to create the Federal Acquisition Computer Network (FACNET). Both DoD and the US General Services Administration (GSA) continued to work on creating FACNET through the late 1990s.</p> <p>Other Agencies within the US government recognized that the internet provided an opportunity to conduct business electronically quickly and cheaply.</p> <p>The Bush Administration has undertaken a number of E-Government initiatives. These initiatives are designed to provide greater access to citizens in terms of the provision of</p>

	<p>government services and to eliminate redundancy and achieve economies of scale where appropriate. There are 24 such initiatives underway at the moment, one of which involves government procurement. The government procurement initiative is called the Integrated Acquisition Environment (IAE).</p> <p>IAE began with four corner stones, the Federal Procurement Data System (FPDS),²⁵ the Federal Business Opportunities webpage (FBO),²⁶ the Centralized Contractor Registration database (now renamed to the Business Partner Network [BPN]),²⁷ and the Past Performance Database (now renamed the Past Performance Information Retrieval System [PPIRS]).²⁸ The vision for IAE is to create a single web-based portal for government acquisition, a portal to be used by government personnel as well as private sector companies to transact business for or with the government. The four foundational pieces, already in existence to one extent or another, allow the government to take advantage electronically of data already in its possession to make informed acquisition decisions and to ensure that companies doing business with the government get paid. For the private sector IAE provides the opportunity to provide information once to a central location pertaining to their company and to get real time information, delivered to their desktop about government acquisitions.</p> <p>The future of IAE will see the addition of functionality, module by module until all government acquisition needs can be satisfied by a web-based solution. In this environment, a government employee will be able to log on to the portal, the portal will recognize the employee's level of authority and allow the employee to begin the acquisition process by entering a requirement. Depending on the nature of the requirement, a list of available items, already under contract will appear and the employee may choose the product she needs or submit the requirement to a contracting office for acquisition. Many other advantages for the government will exist in this environment, for example at the macro level the government will be able to analyze its procurements and make decisions about negotiating better contract values based upon its known requirements and ability to aggregate quantity. Similarly, vendors will receive notifications that the government has requirements they may be interested in providing and will allow the vendor to view the requirement, receive a solicitation, respond to the solicitation, negotiate the terms and conditions where applicable receive award, submit vouchers for payment and final contract closeout. For vendors this will provide an opportunity to reduce bid and proposal costs and do better marketing analysis and strategy.</p> <p>The US government did not track contract actions below \$25,000.</p> <p>FBO is the single place in the government where all open market acquisitions over \$25,000 must be posted. Open market acquisitions are those where we seek proposals from the public as opposed to the schedules program or multiple award indefinite delivery indefinite quantity type contracts. FBO may be found at www.fbo.gov. FBO is also referred to as "FedBizOpps."</p> <p>FPDS is the repository for all award information of US government contracting actions over \$25,000. It may be found at www.fpdc.gov</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>In all European jurisdictions there seems to be considerable autonomy exercised by entities in terms of their decisions to use e-procurement tools. In Denmark, entities may choose e-procurement tools but if they want to use a horizontal e-market they must use Gatetrade.net. There also appears to be an element of compulsion where there are e-tendering tools available especially if these facilitate automation of advertising tender notifications in the Official Journal of the European Commission.</p> <p>In the Australian jurisdictions there is also considerable autonomy of decision-making by entities about the use of e-procurement. There may be some compulsion in relation to the use of e-tendering sites in some jurisdictions and Australian Government entities are required to post notifications of tender awards at the GaPS site. In New South Wales the use of the Government's e-market is mandatory.</p> <p>In the private sector there appears to be greater differentiation of e-procurement tools to address specific markets for goods and/or services or supply market dynamics. There is less of such differentiation evident in the public sector where jurisdictions have tended to emphasise "horizontal" solutions. However, there are many instances where public sector entities use goods or service specific catalogues of suppliers such as those for stationery, travel management and recruitment. There are few examples of where public sector entities have taken the initiative to develop e-procurement tools for use in particular markets. Only three jurisdictions identified any such tools. In Ireland an e-</p>

	<p>tender facility for use by local authorities for the acquisition of construction services is being developed. In New South Wales construction project procurement tools have also been developed. In Queensland there are specific systems for fuel management, fleet disposal, building construction procurement management, training provider pre-qualification and selection and a proposed system for travel management.</p> <p>The types of procurement activities covered by e-procurement tools generally include tendering but often purchasing also in the European jurisdictions. In Australian there are generally information sharing, tendering and purchasing tools in use with some jurisdictions using contract management and building construction project management tools.</p> <p>In Queensland automating procurement related workflows in SAP has delivered substantial transaction cost reductions. The gains in terms of gain sharing with major suppliers has been a driver of a web ERP e-procurement pilot project in Queensland Health. Goods and services specific initiatives such as the fuel management system deliver substantial savings and benefits</p> <p>Catalogue Management</p> <p>Suppliers less interested when catalogue funding/subsidy withdrawn, for it to work for them has to be high volume. Need on going audit of catalogue Terms & Conditions. Acknowledge that there is an Over Head to catalogue content management. Danish example of waning supplier enthusiasm – then simplified data requirement, then less useful to buyer, and volume dropped. Have to catalogue 10 times for 10 different markets, suppliers complain. Need catalogue tied to market and not too big. In the post case discussion an important distinction was drawn related to this point. In the Gauteng province experience, suppliers do not want to provide very generic product descriptions for large catalogues. That is SMEs felt they were reduced to a commodity by large catalogues (i.e. the buyer would only go on price). Even larger South African suppliers said the same. However the US Federal experience was the opposite their experience was that American suppliers very happy with large catalogues, welcoming the exposure.</p>
<p>4C South Africa Province</p>	<p>GSSC will discourage ineffective manual processes and embrace appropriate technologies that enable better demand management and purchasing practices. GSSC plans to use up-to-date, reliable systems to enable processes and to provide Management with the information required to drive continuous improvement. This will enable the Province to significantly decrease its total cost of ownership and vastly improve the management of inventories.</p>
<p>4D United Nations</p>	<p>New technology and e-procurement can have a dramatic impact on information for supply, streamlining of the procurement process and reduction of transaction costs. However, early indications from a survey are that few UN organizations have implemented e-procurement to date, despite over three quarters of respondents feeling that the time is right for the UN to start an initiative to encourage e-procurement (CRiSPS IAPWG Survey, 2003). Most respondents agreed that the main barriers to e-procurement implementation in the UN system are ‘lack of IT capability at local offices’, ‘insufficient funding’, ‘organizational culture’, and ‘other priorities taking precedence over e-procurement’.</p> <p>IAPSO claims to have made considerable savings and efficiency improvements through its implementation of an e-procurement system, though hard figures and analysis are difficult to come by. Surely the double digit growth of the procurement volume in 2001, whilst reducing the workforce with equal percentages and reaching a self-financing status in the same year (after more than 20 years of subsidized life) is impressive and an undeniable sign of success. But it is not clear whether the introduction of appropriate e-procurement tools as such has impacted on this success alone, or that the introduction of a more private style management across the board provides a more convincing explanation. The exact benefits of e-procurement implementations are very often difficult to track, as in the case of IAPSO. There is however one additional cost recovery barrier (or non-measured efficiency improvement) which is worth mentioning.</p> <p>Around 50% of IAPSO’s revenue comes from the sales of standardized vehicles – most of them four-wheel-drives – to its development clientele. The conditions of purchase are based on Long Term Agreements IAPSO negotiates for and on behalf of the UN system and based on the UN buying leverage. IAPSO estimated the annual UN market for these vehicles at around USD 300 million. But IAPSO typically only books 15% of that volume on UN Web Buy (its own portal). The explanation for this disparity is that by mandate IAPSO is obliged to disclose and actively disseminate the contract details to its</p>

	<p>peers in the UN system (it does so on CD-ROM annually and on its portal). The use of its portal, UN Web Buy, is free as well. An administrative charge is only applied when the buyer decides to confirm its order through IAPSO. The majority of the UN procuring entities decides however to place its orders directly with the manufacturer, as such circumventing any IAPSO handling charges.</p> <p>Ironically the UN system's buying leverage and one of its most beneficial long term contractual arrangements for a shared group of standard products is upheld by non-UN buyers! If IAPSO had not been so successful in marketing the concept and the products to other eligible clients, the arrangement would have fallen apart due to lack of funding, as participating procuring entities resist alternative ways of cost recovery. Not surprisingly IAPSO's procurement portal UN Web Buy is one of the most popular among the larger UN procuring entities, as it provides easy accessible and excellent price transparency on a group of common user items.</p> <p>In terms of common coding systems for e-procurement, the UN has developed UNSPSC codes for product/ service part numbering as well as classification to allow aggregation of data at family levels. Some UN member governments are advocating the use of the EAN/UCC numbering system involving Global Location Numbers (formerly EAN) to identify value chain participants, and Global Trade Item Numbers to identify products / services.</p>
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Table N: Infrastructure - summary of data on IT/IS, e-commerce and information

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.7.4 Key Points About IT/IS, e-Commerce and Information

- ◆ Critical need for better data.
- ◆ Importance of master data and common coding.
- ◆ Importance of national level backing.
- ◆ E- as an example of political objectives being met in different ways.

One area of agreement in this topic is the need for better basic data, i.e., comprehensive knowledge on what the organization buys, when and from whom. However, the approaches taken vary; only a couple of examples are seen of cases where e-commerce is being seen as a route to obtaining this better data (English NHS, US federal). The theme of IT/IS was dominated by the need for better information of spend, on suppliers, on national/local levels of spend, provided within decision useful time frames. Discussion centred on the need to use universally recognised common information standards (master data common coding across organizations and ideally across entire public sectors). E-commerce was seen as a potentially huge contributor to information quality, but was rarely being adopted with that as an explicit policy aim.

Identifying and operating a master data approach, with common coding and classification appears central to the more advanced or aspirational systems (English NHS, UN). In most of the cases, rather than being part of a national implementation plan, e-developments are happening at a local level, though they may reflect a national policy to modernise government through the adoption of e-technologies (e.g., Singapore and Germany). In terms of electronic delivery of purchasing, one issue then is how fragmented the (pre e-/IT enabled) procurement system is. It appears that national level approaches are most likely to have the co-ordination required to maximise the benefits from IT/IS. However, such national level initiatives require leadership, so that we see in the UN IAPSO case that whilst successful at a 'local' level it has had a limited impact across the UN due to a lack of a mandate from the centre. In cases such as Germany and Singapore, transactional efficiency (as well as transparency) appears the dominant motive – quicker, cheaper, more transparent service rather than fundamentally re-organizing public procurement.

The Australian case on e-commerce in a variety of countries reiterates the variety of approaches and motives there are. The Finland cases raises the practicalities of implementing e-across existing organizational boundaries (13 organizations, 5 finance systems) and argues for adopting a common procurement process before adopting e-. In terms of e-catalogues, an interesting difference emerged where US firms appeared to welcome large catalogues and yet South African SMEs felt they were disadvantaged by being part of a large catalogue that made price the dominant purchase criteria.

The point was made that systems needed to be improved before they were automated and this was not always the case. In US state and local government case, the “automation process should not be the main goal, but should be a result of redefining the process”. In the past there had been pressure from suppliers to implement new systems; this case and the Australian study of e-commerce make the same point about government needing to design good systems before automating them into new electronic platforms. These two examples suggest the public sector is getting up to speed with commercial adoption of IT/IS.

Particularly with e-, purchasing can be seen being used as a tool to achieve political objectives manifested in different ways: e.g., negatively as was alluded to in the German case where e-procurement is overlaid on the existing structure (i.e., it is not reforming or changing it) and is almost a tick box exercise. On the other hand, the Australian case was more positive; e-procurement was being used as an opportunity to contribute to employment policies, e.g., through mechanisms such as contracts stipulating that disadvantaged groups such as aborigines had to be employed.

5.8 Supply Activities: Awarding Contracts

5.8.1 Summary of Data

Case	Contract award
1A Australia State	At State level, major procurement decisions are taken by a Board, but there is not a parallel structure at Commonwealth level. Purchasing cards were deployed by the federal Department of Finance in a number of departments, notably defence. A 1996 report by Auditor General found that there were poor controls. It was not known who had cards, or their spend limits. Some users were not familiar with credit cards. For example a landing craft was purchased using a card, and three cases of fraud were discovered, while many cards were not used.
1B Belgium	At the federal level, Ministers tend to send the ‘good news’ letters, and junior personnel the ‘bad news’ letters. Undoubtedly procurement decisions are politicised and seen as a political instrument. The higher levels of the administration are gaining more and more power, which raised the similarity with the Australian case in this respect. There was some discussion about learning to use performance-based contract specifications.
1C Singapore	In 1996, it was decided to abolish the Central Procurement Office, resulting in a major reduction in the amount of centralised purchasing (except for bulk tenders and construction projects). Its functions were transferred to line ministries and statutory boards who thus became the main GPE’s. As a result, the discretion and autonomy in managing procurements enjoyed by the Central Procurement Office, were now vested in the ministries and statutory boards. In the following two years, further changes were instituted to allow them even greater control over the management of procurements (MOF, 2003; Jones, 2002). The consequence of these changes for all types of tenders (except bulk tenders), was that ministries and statutory boards now have autonomy to determine the type and quantity of goods and services to be procured, including the technical design, and delivery specifications for goods, and the scope and time-frame for services. Furthermore, they have flexibility within the prescribed procedures to devise the detailed format of tender

Case	Contract award
	<p>submissions and set the time period for submissions (so long as it is not less than the minimum period laid down). Also within their remit is the setting of the estimated value of the procurement (WTO, 1997b).</p> <p>In addition, the decentralisation has allowed ministries and statutory boards to determine the type of tender procurement to adopt, whether open, two-stage open, selective or limited. For selective tendering, they can stipulate the criteria to obtain the pre-tender-qualification, and decide which of the would-be suppliers pass the qualification test and can then be invited to tender. Similar discretion in selection applies to two-stage open tendering. In the case of limited tenders, a ministry or statutory board is free to choose the suppliers who can be requested to submit tender proposals.</p> <p>The GPE in deciding the criteria for evaluating a tender proposal, and thus in awarding the contract, is able to determine how much weight should be given to price and how much to non-price factors. It may eschew the lowest price offer in favor of proposals which contain a better overall package in terms of specifications, after sales support and upgradeability (even exceeding those mentioned in the tender notice), although this tends to be more the exception than the rule.</p> <p>The decentralisation also allows ministries and statutory boards discretion in managing period or framework contracts, which provide for procurement of goods and services continuously or at various intervals over a period of time. This included the freedom to procure additional optional items as required, especially if new designs come on to the market and better services made available. Equally, during or at the end of a contract, it may be realised that more of the same goods and services should be purchased. In such instances, ministries and statutory boards are free to retain the existing supplier if they so wish, or call for another tender and acquire the services of a new supplier. By the same token, it is within their authority to curtail or terminate a contract if the need for the goods and services is reduced or no longer exists, or for any other reason that makes the contract no longer advantageous (SCS, 2003b). In the case of novation of contract, a ministry or statutory board is free to find a replacement supplier by either limited tender (including single sourcing) or by open tender (SCS, 2003b).</p> <p>As an extension of the delegation that occurred in 1995, ministries and statutory boards have been given the authority to consider in certain circumstances tenders from suppliers without registration status or tenders whose price is above the financial grade specified in the suppliers' registration. Part of this authority allows the ministries and statutory boards, rather than the central registration authority, to determine the basic fitness of such suppliers to tender through their own assessment of the suppliers' financial position and track record. This discretion can be exercised for GPA-covered procurements (as mentioned above) and also for procurements involving new products and innovative designs. In the latter case, occasionally the prospective suppliers are small-scale, specialised businesses, some of which may only have been recently established (SCS, 2003b).</p> <p>Different committees are involved at different stages of the decision making process. The hierarchical system does mean that more junior personnel are prone to being pressured on contract award recommendations. (For example when compared to the US example – a supervisor and subordinate are not allowed to sit on same contract award Board). Boards may reject the recommendation, and ask for a new one, or re-open the tender process.</p> <p>Post-award adjustments are not encouraged, except in IT; they are reviewed by Auditor General.</p>
<p>1D US State and Local</p>	<p>Commission Meetings are televised. Commissioners can receive phone calls from the public as awards are being discussed.</p> <p>The rules about whether elected representatives can discuss bids and contracts with authority employees vary according to system level and individual authorities' rules. Experience suggests that, in some cases, representatives don't get involved when they could do so, and do get involved when they should not do so.</p> <p>Price Solicitation</p> <p>There are two methods for soliciting prices:</p> <p>Invitation to bid – used for lower value, straightforward purchases. Price is the award criterion.</p> <p>RFP – Request for Proposal – used on more complex projects, and a range of criteria are applied in the award decision. In Broward County: RFPs are also used for service</p>

Case	Contract award
	<p>contracts, a special case has to be made before RFP can be used, this usually relates to technical or performance issues. Every RFP has at least one County Commissioner on the Committee which decides contract award (but this is unusual) a staff of 5 let c600 contracts per annum</p> <p>Case presenters commented on the increasing use of Request For Proposals; they are gaining experience in use of RFPs, which is a nationwide trend (relates to performance-based contracting). Getting advice from peers is important aspect of process of learning to use RFPs.</p> <p>In most local governments, the user administers the contract post-award.</p> <p>There has been a big growth in debriefing suppliers, who are told how to find information about the contract award on the web.</p>
2A Finland Regional Consortium	<p>The purchasing process in Kuopio region starts with defining requirements for the purchasing object. This is done by a user group, who are employees of the organizations. In the next phase the request for a proposal is created by the purchasing office. The decision criteria for purchasing are defined either by the user group or the purchasing office. Usually the criteria leave some room for judgement. The prepared decision suggestion is presented in the purchasing council. Usually the decision is made according to the suggestion. Usually the elected members are most concerned with likely effects on the local economy.</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>Most coalitions come together seeking to aggregate requirements for a common buy. The case does not explicitly address contracts but one common contract with a supplier on behalf of the consortia is implied (and a core benefit to the supplier). However the clear message that consortia members are still keen to be individually involved in the design with regard to e-procurement suggests there are still pragmatic limits to such co-operation.</p> <p>The case notes that some early adopters have successfully operated on-line reverse auctions. Rather than issuing tenders and receiving sealed bids, the consortium runs a timed auction by posting the goods (on the internet) and requiring suppliers to compete openly for the right to fill the order with the best price.</p>
2C Australia procurement education	<p>See tables in written case which summarise information on tendering and quotation thresholds for goods and services.</p>
2D Germany consortium for electricity	<p>Government purchasing follows very formal processes. Thresholds for using standard procedures are very low (8000 euro! As ruled by the Ministry of Research and Education. Different thresholds exist);</p> <p>DLRs major public procurement regulations are VOF, VOB and VOL (so-called “<i>Verdingungsordnungen</i>”) for purchasing buildings/construction, purchasing services, and purchasing of other goods. In its statutes and articles DLR is obliged to follow these public procurement regulations. For contracts with volumes above 200.000 € this obligation is even fixed in German law. Another major influence is - as mentioned above - the “geographical return” policy of ESA (see 6.3 stakeholder expectations).</p> <p>Contracts for electrical energy are only for two years, limiting the customer’s ability to forecast.</p>
3B UK English National Health Service	<p>Within and between Trusts, the locus of sourcing decisions varies according to the type of product/service and the influence of professionals. Clinicians are very powerful, and can exercise considerable discretion in selecting pharmaceuticals and medical equipment and consumables to use in their work. Initiatives by ‘user groups’ (see Audit Commission, 1996), pharmacists and P&S personnel have in some cases helped to reduce product variety and so improve value for money. These developments to standardise and aggregate demand are to some extent countered by the implementation of policies to return decision-making power and budgets to the ‘frontline’. Overall, progress is patchy, however, and the current fragmentation of Trust-based procurement decision-making encourages suppliers to ‘divide and rule’ and to target individual clinicians with incentives to buy. It is hoped that the new confederations, by presenting a united front to industry, will be able to tackle this systemic issue.</p> <p>The situation differs for capital equipment and products and services that are ordered centrally, such as food. Typically, a specially convened group representing various stakeholders in a Trust takes decisions for capital equipment purchases (e.g. for a new MRI scanner), whilst facilities managers lead contracting decisions for relevant products and services. In both cases, the role and influence of purchasing professionals in sourcing</p>

Case	Contract award
	<p>decisions varies widely from Trust to Trust. Outsourcing of support services such as catering, which is commonplace in the NHS, also have an impact on the locus of decision making, since responsibility for product sourcing shifts to contractors, driven by their own 'bottom line'.</p> <p>Currently, in almost all cases, budget holders at Trust level make purchasing decisions. In a very few cases, the Department of Health lets contracts, or specifies what contracts Trusts may let. For example, contracting for some vaccines is centralised, and the Department, with advice from NHS PASA buyers, oversaw the purchase of £90million+ worth of scanning equipment as part of a special investment programme reflecting national priorities for the NHS.</p>
<p>3C Canada National Public Works and Services</p>	<p>With goods, there was a long standing disagreement with national defence – defence wants full responsibility for its own procurement -, yet they continue to go to public works. If they want to buy services, they can do it themselves up to CAN \$ 2 million. Two choices – come to us, or you can go to the treasury board, and ask for the authority to contract for higher values. Treasury Board process takes time – Board will look and see if the department seeking the higher authority has capacity to deal with – the higher the proposed contract value, the higher the risk that Board will say no – result in process delay - where as PWGSC can help.</p> <p>There are standing offers (akin to framework agreements) for various services e.g. fire cylinders. The fire cylinder supplier expected to get all the public sector business as had received standing offer, yet received no business – competitors provided fire cylinders. This is not an example of maverick buying. Standing offers offer convenience, rather than lowest price. Clients pay for convenience (possibly higher purchase cost, offset by speed and reduced government resource time/cost to buy).</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>Not discussed in the written case</p>
<p>4A US Federal</p>	<p>Capital procurement requirements and budgeting process</p> <p>In recent years, procurement practices have been improved in order to allow sufficient time to complete the competitive procurement process and to avoid the problem of having an inordinate percentage of contract awards being made in the closing date of the fiscal year. The Federal procurement process has been placed in a broader and comprehensive framework. In the early 1990s, the Department of Defence (1991) initiated an integrated management framework for its major system procurement and intended to forge a close and effective interaction of the three principal decision systems: planning, programming and budgeting; requirement generation system and acquisition management system. Similarly, the Office of Management and Budget issued in 1997 <i>Capital Programming Guide</i> which also emphasizes the interaction between planning, budgeting and procurement.</p> <p>Step 1. Strategic and Program Performance Linkage <i>Step 2. Choosing the Best Capital acquisition Plan</i></p> <p>FAR groups procurements into five major categories including supplies, constructions, services, research and development, and rental of real property.</p> <p>See Table 4 in the case</p> <p>Each category has numerous specified types of procurement. For example, FAR 2.101 defines "supplies" as all property except land or interest in land. It includes (but is not limited to) public works, buildings, and facilities; ships, floating equipment, and vessels of every character, type, and description, together with parts and accessories; aircraft and aircraft parts, accessories, and equipment; machine tools; and the alteration or installation of any of the foregoing." This definition is somewhat confusing. For example, under FAR Part 36, construction, repair of buildings and other permanent improvements to land are classified as under the "construction" procurement category; but construction of ships is classified as "supplies."</p> <p>In addition to the above classification, procurements are classified on the basis of procurement dollars or thresholds: Small or "micro-purchase" (means an acquisition of supplies or services, except construction, the aggregate amount of which does not exceed \$2,500, except that in the case of construction, the limit is \$2,000 (FAR 2.101). "Simplified acquisition threshold" means \$100,000, except that in the case of any contract to be awarded and performed, or purchase to be made, outside the United States</p>

Case	Contract award
	<p>in support of a contingency operation or a humanitarian or peacekeeping operation, the term means \$200,000 (FAR 2.101); and Large threshold for purchase amount exceeding the simplified threshold. FAR provides a matrix of solicitation provisions and contract clauses for specific types of procurement FAR 52.300), and provide detailed regulations on acquisition of commercial items (FAR 12), major system acquisition (FAR 34), research and development contracting (FAR 35), construction and architecture and engineer contracts (FAR 36), services contracting (FAR 37), federal supply schedule contracting (FAR 38), acquisition of information technology (FAR 39) and acquisition of utility services (FAR 41).</p>
<p>4B E-commerce in Australian States and European nations</p>	<p>In Western Australia the Government Electronic Market purchasing element facilitates compliance with the requirement to seek written quotes at relatively low value thresholds. The e-tender elements promotes compliance with the requirement to advertise all contracts above a certain threshold value.</p> <p>In Ireland it is expected that e-tendering will result in better compliance with tendering requirements. However, much of the gain anticipated from e-procurement will actually arise from other necessary procurement reform strategies.</p>
<p>4C South Africa Province</p>	<p>Pre-qualification of vendors and the creation of vendor and product databases should be implemented at the GSSC – this will contribute towards: execution against the BEE framework, its implementation being part of one of the change drivers.</p> <p>The National State Tender Board (NSTB) documents on procedures and conditions of contract and its user manual are not considered user-friendly, but complex, sometimes ambiguous and causing unacceptable risks to contractors. There is a need for standard bidding and contract documents, simplified documents for small and medium enterprises and user-friendly manuals for procurement procedures.</p> <p>Preferential Procurement Mechanism</p> <p>Preferential procurement policies are not well formulated in Organs of State due to lack of national targets. Qualification standards are insufficient or not adequately verified. Also, the cost and outcome of the preferential system are not adequately assessed to evaluate the merits of the system. The NSTB and provincial Tender Boards do not adequately evaluate who qualifies as a “disadvantaged enterprise”. Bidders are seldom required to provide detailed information to verify their claims. The system does not cater for capacity building of “disadvantaged enterprises”. There are no significant quantitative data on the cost and outcome of the preferential system.</p>
<p>4D United Nations</p>	<p>One of the predominant activities within the UNDP/IAPSO work programme is to establish collective long term price agreements (LTA) with major manufacturers of common user items on behalf of and for use through the UN Web Buy portal or direct use by the entire UN system. The bidding process is based on the aggregate procurement volume of the UN system for certain commodities, in close co-operation with the respective major UN system buyers. The LTA established within the UN system could be referred to as either “Framework Agreements “ or “System Contracting” but without any defined quantity to be ordered during a specific period of time. Field Motor Vehicles for official and project use is the largest single commodity under this concept.</p> <p>There is currently no central database of LTAs in the UN System. There is also no database for ‘shared contracts’ between UN organizations and for ‘lead contracts’ where, UN Agencies contract on behalf of other UN organizations, despite indications that 76% of IAPWG member organizations use shared contracts, and 47% lead contracts on behalf of other UN organizations (CRiSPS IAPWG Survey, 2003).</p> <p>The UN system has ethical supply policies, such as not sourcing from suppliers involved, directly or by affiliation, with the production of components used in land mine production. With regard to child labour, the UN General conditions for the Procurement of Goods created by IAPWG stipulate that:</p> <p>“The Supplier represents and warrants that neither it nor any of its affiliates is engaged in any practice inconsistent with the rights set forth in the convention of the Rights of the Child, including Article 32 thereof, which <i>inter alia</i>, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child’s education, or to be harmful to the child’s health or physical, mental, spiritual, moral or social development.</p> <p>Any breach of this representation and warranty shall entitle the UN Organization to terminate this purchase order immediately upon notice to the Supplier, without any</p>

Case	Contract award
	liability for termination charges or any other liability of any kind of the UN Organization? However, the difficulties of approving suppliers and implementing such ethical policies can not be underestimated in a complex confederal network like the UN.

Table O: Contract award

Note all numbered Tables and Figures referred to can be found in the original cases in IRSPP Proceedings

5.8.2 Key Points About Contract Award

- ◆ US has made substantial use of purchasing cards but Australia had implementation problems.
- ◆ Highly transparent and public process in US.
- ◆ Gauteng province case highlighted the negative features contract awards could have for SMEs.
- ◆ UN has ethical supply policy – but it is hard to verify.

Various cases discuss the award processes for higher value contracts. Such decisions are commonly made by boards. The constitution of these boards, and the extent to which they can be influenced by external parties, varies between jurisdictions, and between levels in different jurisdictions.

Though awarding bodies can choose the ‘most economically advantageous’ (MEA) offer, in some jurisdictions lowest price is still the preferred decision criterion. This is because lowest price is seen as much easier to police, and therefore less open to abuse (avoiding ‘irregular decisions’, for example in Singapore and Belgian cases). For similar reasons, in some jurisdictions, negotiations and single sourcing are discouraged.

In other jurisdictions, negotiation is commonplace and, especially for capital procurements, assessment criteria other than lowest price are used, for example, from US federal case:

Assessment criteria include functionality; full life-cycle costs, including all direct and indirect costs for planning, procurement, operations and maintenance (operational analysis are used to evaluate condition and any negative trends on cost projections for assets in use), and disposal; the affordability of full life-cycle costs relative to expected funding levels; associated risks; and agency capacity to manage the asset.

Performance-based contract specs are recognised as an important area for improvement/development. Belgian and US state case presenters spoke about learning to use them, but it is a slow process.

The US federal case discussed how successful (overall) purchasing cards had been and had helped procurement to focus on the more important, strategic tasks. In contrast in Australia there had been at least initial misuse of purchasing cards.

In the US, commission meetings are televised and commissioners can receive phone calls from the public as awards are being discussed. This is highly transparent but can lead to huge amounts of time being spent in various ‘discussions’. To limit the loss of time through disputes, there has been a big growth in debriefing suppliers, who are told also how to find information about the contract award on the web.

The Gauteng case discussion raised how contracts could be set up in a manner detrimental to SMEs/HDI. If contracts were too large, they could represent too much risk or too much capital intensity for smaller businesses, so the province was trying to unbundle contracts so they could be awarded at a level SMEs could manage. Equally contracts could be too long and too detailed and put less-established suppliers off, also by requesting suppliers to provide too much information and in asking for the same information repeatedly. Several nations were adopting e-systems where suppliers need only enter data (such as head office, etc.) once for all contracts.

5.9 Supply Activities: Managing Supplier Relations and Markets

5.9.1 Summary of Data

Case	Managing Supplier Relations and Markets
1A Australia State	Industry development is a strong focus of supply policies and enforced through the Supporting Local Industry Policy (SSC, 2001) and Buy Local Policy (SSC, 2002a). The Buy Local Policy covers all State Government purchasing of goods, services and works, and applies to all State Government public authorities unless specifically exempted by State Cabinet. Within these policy areas there exist tensions created by the absence of rewards for those agencies that adopt and implement the policies.
1B Belgium	The Directive on public procurement of works (93/37/EEC) provides that a contractor who is registered in the official list of recognized contractors in one Member State should be presumed to be capable of carrying out that same work in another Member State. However, Belgian legislation (Act of 20 march 1991, Royal Regulation of 26.9.91 and Ministerial Regulation of 27.9.98) provides that a public works contract above certain thresholds may only be awarded to a “recognized contractor”
1C Singapore	The policy of allowing competition extends to foreign suppliers, thus minimizing protectionism in the public procurement sector. As a result, no discrimination is practiced even indirectly against foreign companies, including locally based companies with foreign affiliation or ownership and those supplying goods and services originally produced in another country. By the same token, there is no requirement on foreign suppliers to include any domestic component in the products or services to be procured (WTO, 1997b; WTO, 2000b). The openness to foreign competition is evident in the number of foreign firms providing goods and services to government procurement entities (GPE’s), which are the government agencies involved in purchasing. This has in fact been a focus of critical attention in the Singapore parliament especially in relation to construction projects (Singapore Parliament, 1999). GPE’s are ‘discouraged from negotiation’ with suppliers to determine what price and specifications they could offer. Limited post-contract adjustment and minor variations in specifications may be agreed upon through negotiation, in response to changing circumstances (for period contracts) and ‘to take into account practical difficulties in implementing complex solutions’ (SCS, 2003b; WTO, 2000a). But that apart, negotiation does not occur. In addition, for each procurement a hard-nosed view is taken of the offers submitted, in many instances resulting in changes of suppliers from one contract to another for the same category of goods and services. In consequence, the relationship between GPE’s and suppliers remains a distant and strictly neutral one. By the same token, no additional consideration is given to special interests such as small local firms or suppliers owned or linked to minority ethnic groups in awarding contracts.
1D US State and Local	At its most fundamental level, the job of purchasing is that of managing the business relationship between the end user and the supplier of goods and services. In other words, the buyer is inserted between the definition of a requirement or need and the satisfaction of that need. In carrying out their responsibilities, buyers are simultaneously pushed and pulled in a number of directions because of the pressures of balancing costs and risks (not only the risks of not meeting basic buying objectives, but also the risks of not optimizing socioeconomic, regulatory and political requirements).

Case	Managing Supplier Relations and Markets
	<p>Time. Purchasing must play an active role in reducing the time required to bring new products to market... the time required to bring a new product to market can be reduced by 20% to 40% through the establishment and implementation of a world-class strategic supply system.</p> <p>Technology. [Purchasing] must ensure that the firm's supply base provides appropriate technology in a timely manner.</p> <p>Continuity of Supply. The purchasing and supply management function must monitor supply trends, develop appropriate supplier alliances, and take such other actions as are required to reduce the risk of supply disruptions.</p> <p>After all, the procurement professional is concerned with acquiring the goods and services needed to make the government function in a timely and efficient manner, and to make sure that supplies are available when needed and at the right place. In all honesty, most probably don't have any idea how much is spent, let alone know how it's spent or among how many suppliers.</p> <p>The case discusses supplier price analysis, including analysis of top 10 suppliers.</p>
2A Finland Regional Consortium	<p>The case details a consortium initiative designed to reduce costs (through increased leverage on pricing, transaction and logistical costs). At this early stage cost rather than supplier relations management may be the focus, see case 2B below</p>
2B Higher ed consortia, Canada, US, UK and Australia	<p>This case explores a number of individual cases where the progress and development of consortia over time can be seen. After initial price led co-operation, consortia can migrate to other value related benefits. In mature consortia the collective focus shifts to achieving value through best practices, i.e. advancing efficient purchasing technologies, reducing wasteful consumption and improving the application of goods and services; in other words, to buy smarter and use smarter. The benefits listed suggest much closer relations and information sharing with suppliers. Such ties would form barriers to new entrants unless made public. The suggestion in the cases is that consortia will develop into closer links with fewer suppliers, any subsequent need for market testing is not discussed. Much as consortia of consortia – e.g. international public sector procurement consortia is not discussed, consortia may be in an evolving state and new challenges lie ahead of even the currently most advanced.</p> <p>Consortia can impact on the supply market ('all eggs in one basket'); The question arises whether existing suppliers can manage (survive) PC.</p>
2C Australia procurement education	<p>At Federal level there is a major vacuum in relation to an organization that can be identified as being directly interested in supporting purchasing within the Commonwealth departments and agencies. To describe and explain this situation could be the subject of a paper in itself. Suffice it to say, there once existed a framework designed to assist and support and 'manage' purchasing within the Federal area, however this (in particular Purchasing Australia) has been dismantled. This may have left the door ajar for more supplier influence and power than is appropriate (e.g. sweetheart deals and corruption).</p> <p>This case is focusing on the procurement education aspects influenced by the overall procurement reform in Queensland. However, as it emerged, it seems that there is another factor ie the overall 'capacity building' aspect which would be a 'third leg' in this case</p>
2D Germany consortium for electricity	<p>The German system of public authorities is quite complex and results in a very sophisticated public procurement system. It consists of national (federal), state, and regional level. All together, there are approx. 35000 public purchasing institutions. The major advantages of this extreme decentralisation are higher flexibility and a strengthening of competition, especially amongst small and medium sized suppliers.</p>
3B UK English National Health Service	<p>"We have learnt a lot from some cases such as orthotics, where pursuit of lowest price over many years has severely affected the quality of service provided. PASA is developing appropriate responses to different markets with policy makers dependent on the outcomes required to meet NHS Plan and other targets. Standard approach may work with some markets/suppliers but "one size definitely does not fit all".</p> <p>Currently, responsibility for 'supply market management' rests with NHS PASA, though in due course it will be shared with Confederations, since they too will have the necessary visibility of decision-making to predict market developments and the capacity to act to remedy prospective imbalances (Walker <i>et al.</i>, 2001). As with sourcing decisions, supply market management is severely hindered by the lack of high quality data. There are also fundamental tensions within the system. Trusts are</p>

Case	Managing Supplier Relations and Markets
	legally accountable for finance and purchasing decisions, and are expected to meet national targets for annual purchasing savings, and, therefore, may not be willing or able to select a more expensive product for the long-term benefit of the whole NHS. All external expenditures over a certain threshold are subject to EU public procurement regulations (see Appendix C below); these are drafted in terms of individual contracting decisions, which makes their interpretation in the context of supply market management problematic.
3C Canada National Public Works and Services	Not discussed in the written case
3D Netherlands National purchasing of healthcare provision	<p>Purchasing departments are usually small and tucked away in Facility Management or technical / maintenance departments from where it is hard to influence medical decision makers. Most of the initial supplier contacts, but frequently also most of the initial purchasing decisions on medical items are done without any purchasing involvement. But even in the non-medical areas it is hard to get good purchasing involvement.</p> <p>As a consequence the number of suppliers usually is very high and contracts with them are non-existing or rather poor.</p>
4A US Federal	<p>There was a discussion of how good a customer the Federal government is. It meets industry regularly, Government wants a return on investment; but employees don't see it that way. Want to ensure that suppliers do make a profit, for some this is a behavioural change, even [our] leaders don't appreciate the issue. It is also quite difficult due to complexity for the Fed to always pay on time. Firms can be awarded term extensions for excellent performance</p> <p>In response to a question on what the Federal government did with regard to ensuring sustainable markets, 9/11 was given as an example. By noon on 9/11 goods were being moved to the area (World Trade Centre).</p>
4B E-commerce in Australian States and European nations	In Denmark there is an expectation that the introduction of e-procurement will result in reduced transaction costs especially if integration between the national e-market and other portals and the financial management information system. But it was noted that transaction cost reductions are difficult to realise. Framework agreements of Indkobs Service deliver potential savings through aggregation
4C South Africa Province	<p>Despite the fact that GPG buys vast amounts of goods and services – in many cases GPG is the biggest purchaser within specific markets – the Province has not been utilising the bargaining power within the marketplace. Sometimes this is 'explained away' by pretending that this is due to social policies and government's commitment to Black Economic Empowerment (BEE). This is just an excuse used to explain away the fact that although it may be difficult to achieve both value for money and the promotion of BEE – it is far from impossible. GSSC intends to put far more effort into analysing markets and exploring the various strategies that can be used to create sustainable alternative suppliers within the black community. The Preferential Procurement Policy Framework Act (PPPFA) is a useful starting point, but it is just a starting point. GSSC is engaging the parastatals and many of the big corporate organizations in an effort aimed at finding new, more effective ways of achieving social goals, whilst utilising GPG's purchasing power to get far better value for money for Government.</p> <p>In the discussion after the presentation the role of SAP in making a supply base manageable by providing information was highlighted. Commodity Teams at GSSC will develop and implement Sourcing Strategies, incorporating BEE spend targets; these teams will also oversee the procurement of products and services for the Departments – this will ensure delivery against the following two change drivers, namely: the implementation of an overall Procurement strategy; and the benefits of bulk buying, pooling of efforts and economies of scale. A Shared Supply Chain pilot is being undertaken to prove the concept of collaborative planning and forecasting in terms of shared items being stocked – this will ensure delivery against the change driver of: reduced stock holding and reduced wastage.</p> <p>Every week Gauteng run awareness sessions explaining 'how to do business with the government'', forms made easier, repetition cut, information left out, changing these forms was initially opposed by National Treasury who have now mandated their own forms to be used nationally. (A recent development).</p>

Case	Managing Supplier Relations and Markets
	<p>Suppliers will sue the Government in South Africa, as they don't trust the Government procurement system, if they don't believe you followed the correct procedures. State usually wins these cases.</p> <p>Suppliers had to wait up to a year to be paid, now 60 days wait; also gave much too large contracts to BEE SME companies - so they overextended themselves coupled with late payment, "killing small businesses with kindness".</p>
4D United Nations	<p>The news is not all bad, there are concerted efforts by a number of UN agencies to implement a number of initiatives aimed at improving the accessibility of development spending to the communities that require it most. The initiatives range from training programs, to the development of specific modular tools within vendor management systems, to actively supporting supplier development programs such as that of the International Trade Centre (ITC). All in all, these initiatives serve one ultimate purpose to enhance the utilisation of suppliers that traditionally have been under-utilised by the development procurement structure. However, it is not only about the training of suppliers to meet the requirements in quality and procurement procedures of the UN. It also involves the provision of tools to identify less privileged suppliers and the fostering of a much needed change in procurement culture, thus the raising of awareness amongst procurement officers in charge of the process itself.</p> <p>IAPSO, under its mandate and as a UNDP office committed to help deliver on the Millennium Development Goals, engages in a number of activities aimed at redressing supplier inequity. These initiatives can be categorized into three main themes; awareness raising, supplier capacity building and the provision of tools.</p> <p>Awareness Raising</p> <p>Increasing the awareness of the UN procurement officer to the importance of supplier development is an integral component of IAPSO's procurement training courses. IAPSO currently conducts in excess of 31 internationally held procurement courses annually with participants numbering more than 500, the number of courses offered for 2003 and participating procurement officers are expanding rapidly. The courses are structured in such a manner that places an emphasis upon enabling suppliers from developing countries to compete for UN procurement contracts. The majority of the courses are held in developing countries, the majority of participants themselves are from and based in developing countries, thus the importance of using local suppliers is often already apparent. The procurement training courses contain a training module designed to assist procurement officers to train and assist suppliers to come to terms with and meet the procurement requirements as set in the UN rules and regulations governing procurement.</p> <p>Supplier Capacity Building</p> <p>The development of suppliers from developing countries requires not only increased awareness on behalf of the procurement officers but also an enhanced supplier knowledge of how to do business with the UN. Suppliers need to be aware of the procedures of the UN procurement system designed to be ensure transparency, equity and integrity. Dealing effectively with the UN system is a task entailing a great deal of complexity and perseverance even for seasoned suppliers that have done so for years. To this end IAPSO in co-operation with other UN agencies and the relevant trade promotion bodies of developing countries conducts supplier seminars on 'How to do Business with the UN system. As part of IAPSO's Inter-Agency Support Centre, an helpdesk is available to suppliers to obtain advise on how best to marketed their goods/services to the UN system.</p> <p>Development and Provision of Supplier Development Tools</p> <p>Awareness raising and supplier capacity building require the provision of 'tools'. From a supplier's perspective they have to become registered with the UN system and the procurement officer must be able to identify relevant suppliers.</p>

Table P: Managing Supplier Relations and Markets

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.9.2 Key Points About Managing Supplier Relations and Markets

- ◆ Arms-length approaches to supplier management seen to create open markets.
- ◆ Market management is a wider role for procurement and may require a degree of independence.
- ◆ Consortia as an example of market management requirements varying over time.

It is notable that very little discussion of managing supplier relations or markets appears in the cases.

Managing supplier relations and markets requires higher level skills than the enforcement of purchasing procedures. One aspect of these more developed skills is the ability to manage close, as opposed to arms length, relationships. Another aspect is to be able to both manage within, and continue to meet, objectives that may be contradictory. For example, in the Australian state case, there are strong buy local policies but there is a trade off between the additional benefits of buying locally and cost. In the English NHS case, trusts are legally accountable for finance and purchasing decisions and are expected to meet national targets for annual purchasing savings, and, therefore, may not be willing or able to select a more expensive product for the long-term benefit of the whole NHS. Part of the skills mandated by attempting to manage supplier relations and markets is to be able to implement contradictory and ambiguous policies. ‘Old style’, arms-length private sector purchasing appears to require much less concern with managing conflicting requirements.

The detail and complexity of the Belgian procurement regulations appear to be at the expense of broader and more strategic issues such as managing supplier relations. The Belgian system appears primarily aimed at reducing risk and mitigates against close relationships with suppliers. The Belgian case shares this arms-length attitude to managing supplier relationships with the Singapore case.

In the Singapore case the relationship between government procurement entities and suppliers remains a distant and strictly neutral one. By the same token, no additional consideration is given to special interests such as small local firms or suppliers owned or linked to minority ethnic groups, in awarding contracts. The result and the corollary to ‘arms length’ supplier management are that both Belgium and Singapore are relatively open markets to non-local suppliers.

The German system appears to replicate this element of creating competition; the highly decentralised budgets and decision-making tend to favour local SMEs. The Netherlands health service has a similar high number of smaller suppliers. However this appears to be a by-product of a system that gives procurement professionals very little influence rather than strategic intent.

What does not appear in these cases are attempts at managing markets, at shaping supply – perhaps in the name of continuity – in particular directions. The US state and local government case highlights procurement’s responsibility to ensure that the supply base provides appropriate technology in a timely manner. This responsibility extends to monitoring supply trends, developing appropriate supplier alliances, as well as other actions to reduce the risk of supply disruptions. The English NHS case is at the other end of the spectrum to the Belgium and Singapore cases. Here market management (or less ambitiously, market influence) is high on the agenda (see Table P). The challenge here is about how to interface suppliers individually and collectively, balancing organization specific and sector level needs. These needs themselves have to be managed in the light of immediate, short-terms needs, and

long-term requirements. The NHS case may suggest that, to practice market management, a procurement entity needs to have a degree of independence and be above the ‘fray’ of day to day trading, and yet it needs to be close enough to tendering and contracting to understand and have good data on transactions.

In the NHS case accurate data was again seen as essential to strategic procurement and supplier management. In contrast, it was said of the Belgian case that the Belgian system would not even generate awareness of the supply market problems the UK NHS was now attempting to tackle. In the Gauteng province case there is a similar need for accurate data in order to create new and imaginative strategies for meeting social and economic objectives such as BEE. GSSC intends to put far more effort into analysing markets and exploring the various strategies that can be used to create sustainable alternative suppliers within the black community. In parallel the UN is already tackling issues of how to increase UN procurement from developing nations. Their approach is three pronged: awareness raising, supplier capacity building and the provision of tools. The UN experience suggests that for large and complex organizations procurement needs to devote resource to ensuring that internal procedures and processes laid down for suppliers to follow are made as easy to deal with as possible. Without an understanding of how for example suppliers view the tender process, the risk is a static and uncompetitive supply based (that as in the UN and Gauteng, examples may not meet social objectives).

In terms of managing markets the consortia cases (Finland, Australia) suggest much closer relations and information sharing with suppliers. Such ties could form barriers to new entrants unless made public. The suggestion in the cases is that consortia develop over time into closer links with fewer suppliers. What is not discussed in the consortia cases is how to manage these close relationships to ensure they are still competitive. The suppliers cannot be expected to help in this activity. It is apparent that there are life cycle stages to consortia that will affect market management, for example the Finland case is still at the early stage where cost reduction is the central focus. Later the Finnish consortia may focus on supplier relations management.

5.10 Supply Activities: Purchasing Co-operatively

5.10.1 Summary of Data

Case	Co-operative purchasing
1A Australia State	The case is not concerned with co-operative purchasing <i>per se</i> , but records a sense of “collaborative competition” as broadly defining state-federal relations.
1B Belgium	The overarching principle of all the fundamental regulations (basically the Constitution) is autonomy. There were various examples reported of failed attempts to co-ordinate purchasing. If public bodies sourcing decisions were causing problems in supply markets (such as IT/IS sourcing by UK central government departments did, when contracts were awarded separately which led to one supplier dominating the market), this would not be visible (‘UK knows and can’t do anything; Belgium wouldn’t even know’).
1C Singapore	The written case does not discuss collaborative purchasing
1D US State and Local	Local agencies can purchase off contracts let at State level. Co-operative purchasing is very common. For example, there are c60-70 contracts at Broward County level, worth c \$200million. Cooperative Purchasing Extensive, and mostly regional within jurisdictions, though there are exceptions. Examples: Western State Co-operative; Minnesota Cooperative; Oregon and Washington States co-operate

Case	Co-operative purchasing																																							
2A Finland Regional Consortium	<p>In Finland, whilst there has been no national requirement to form consortia, there is a history/culture of co-operative ventures, not only in procurement but in other areas too. In public procurement alone, there are around 65 consortia; however, collaboration <i>between</i> consortia is limited and informal.</p> <p>The main impetus for the creation of the consortium came from the purchasing manager of Kuopio city. This was despite the fact that, as a relatively large player already, the city stood to gain less from economies of scale than some of the smaller authorities. Nevertheless, some economic benefits were realised for the city; however, just as important were the political benefits, with Kuopio city gaining greater influence within the community and being seen to be progressive and pro-active in implementing modern supply management. The ‘entrepreneurial’ spirit of a key individual seemed to be an important factor.</p>																																							
2B Higher ed consortia, Canada, US, UK and Australia	<p>Most astute purchasers already reduce prices through various strategies, but when these efforts are combined with other organizations, the collective contracts usually generate additional savings in the first and possibly the second year. Many experienced purchasers suggest, however, that there is a limit to how much groups can continue to squeeze the market for lower prices alone.</p> <p>Survey of objectives for taking part in consortia (n not stated) What are the primary objectives of cooperative purchasing?</p> <table border="0" data-bbox="539 786 979 1182"> <tr><td>Best practices</td><td>10%</td><td></td></tr> <tr><td>Best value</td><td>10%</td><td></td></tr> <tr><td>Improved supplier relationship</td><td></td><td>10%</td></tr> <tr><td>Networking</td><td>10%</td><td></td></tr> <tr><td>Public image</td><td>10%</td><td></td></tr> <tr><td>Reverse marketing</td><td></td><td>10%</td></tr> <tr><td>Sharing information</td><td></td><td>10%</td></tr> <tr><td>Technology opportunities</td><td>10%</td><td></td></tr> <tr><td>Improved quality</td><td>20%</td><td></td></tr> <tr><td>Improved service</td><td>20%</td><td></td></tr> <tr><td>Sharing expertise</td><td>30%</td><td></td></tr> <tr><td>Process/administrative efficiencies</td><td>60%</td><td></td></tr> <tr><td>Lower prices</td><td>90%</td><td></td></tr> </table> <p>Survey responses revealed thirteen objectives of purchasing cooperation, but emphasized purchase price savings and process efficiencies as the catalyst in consortium formation.</p> <p>‘Simpler’ and ‘boring’ products are likely to be more successful; Too much attention has been paid to price! Capabilities of the supplier should have more attention when selecting suppliers. Quality and accuracy of deliveries are important issues; The consortium itself may become a supplier. Perhaps getting into a PC is half-hearted outsourcing; PC demonstrate the many possibilities and the complexities of markets and the need organizations have to respond to; The focus should not only be on consortia on a horizontal level. Public sector organizations should also try to integrate with suppliers vertically; The role of the stakeholders as members of the supply network should be recognised</p>	Best practices	10%		Best value	10%		Improved supplier relationship		10%	Networking	10%		Public image	10%		Reverse marketing		10%	Sharing information		10%	Technology opportunities	10%		Improved quality	20%		Improved service	20%		Sharing expertise	30%		Process/administrative efficiencies	60%		Lower prices	90%	
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2C Australia procurement education	<p>Purchasing co-operatively is not directly addressed in the written paper, but the little cohesion between Queensland and other States, and between State and Federal agencies, in the setting up of a suitable training programs for purchasing staff in all jurisdictions is noted as a major barrier to reform.</p>																																							
2D Germany consortium for electricity	<p>The purchasing management of DLR and the other Helmholtz member institutions took the chance of an existing collaboration through Helmholtz to form a purchasing cooperative. Nearly every institution needs a huge amount of electrical energy. Electricity can be easily bundled because of its extremely high degree of standardization. (see case for more detail about requirements, for ‘normal’ use, and extraordinary use, e.g. for wind tunnels)</p> <p>DLR bundled an energy volume of about 7 Mio. € per year with 7 other members of Helmholtz. At the end, DLR realised savings of about 37% which were one off savings. The actual purchasing volume of the consortium is about 15 Mio. € (now with 11 members).</p>																																							

Case	Co-operative purchasing
	In the discussion it was said that German cartel law does not favour consortia.
3B UK English National Health Service	<p>In the NHS, there has always been an element of co-ordination of purchasing and supply between organizations, either on a geographical basis or according to specialism, (for example, between Trusts which are national centres of expertise on coronary care), but this has been on a limited scale and voluntary basis. Widespread adoption of technological developments, particularly the internet, has more recently opened up opportunities for sharing a wider range of services across more NHS organizations. The National Shared Services Initiative was launched in October 1999 to explore such opportunities, initially in human resources and finance, with the aim of improving the quality and value for money of non-clinical services, and reducing administrative costs to release more resources for direct patient care.</p> <p>To complement this, and building on a long-standing recognition of the need for an ability to contract for goods and services at a level between local and national (i.e. by region or specialism), NHS PASA is leading a fundamental re-structuring of purchasing and supply in the NHS to re-introduce a 'middle tier' into the system. As a first step it is undertaking a programme to help establish six 'Confederations', to learn about organising purchasing consortia in the NHS. NHS Supply Management Confederations are purchasing and supply organizations covering all the NHS Trusts and PCTs within the boundaries of a Strategic Health Authority. This is their first year of operation, and they are currently negotiating with their local organizations, and NHS PASA, to agree their role and programme of work. In addition to the six Confederations working with NHS PASA, a number of other confederations are being established following the same principles. Although these consortia are at different stages of development, it is expected that all trusts will become part of a confederation over the next couple of years.</p>
3C Canada National Public Works and Services	<p>The Canadian Department of Public Works and Government Services (PWGSC) operates as a common service agency for the Government of Canada. Its activities as a common service agency are directed mainly towards providing the departments, boards and agencies of the Government of Canada with services in support of their programs.</p> <p>During the Task Force consultations with stakeholders, interviewees indicated that the current business silos impede the Department's ability to partner with clients or collaborate internally on strategic issues. The lack of integrated service delivery was seen as a key impediment to PWGSC's becoming a strategic partner. PWGSC services need to be integrated so that from the client's perspective, they would be dealing with one service delivery agent and not seven different business lines, each operating as a mini department with different funding mechanisms, service delivery standards and client service philosophies, and in which individual business needs were sometimes seen as more important than the corporate need. The Department needed to re-evaluate its service delivery approach and organizational structure so that there will be a seamless promotion and delivery of services and service solutions to the internal and external client base.</p>
3D Netherlands National purchasing of healthcare provision	Not discussed in the written case
4A US Federal	Not discussed in the written case
4B E-commerce in Australian States and European nations	<p>In the case of member states of the European Union some factors influencing the use of e-procurement appear to be a function of drivers associated with the public procurement directives that apply to all member states, the eEurope 2005 agenda adopted in June 2000 and desire of jurisdictions to position themselves in the information society relative to other member states.</p> <p>Repeatedly issues were mentioned by respondents from the jurisdictions selected for inclusion in this study about perceived or real barriers to certain e-procurement models posed by the European public procurement directives. Issues raised included the use of e-reverse auctions, the use of framework agreements to underpin electronic catalogues and issues concerning the use of e-markets involving dynamic pricing by suppliers. While measures were taken in 2002 to enable use of electronic procedures, it seems that some real or perceived barriers remain.</p> <p>The eEurope 2005 agenda, that aims: to expedite European Union entry into the</p>

Case	Co-operative purchasing
	<p>information age, develop greater coherence between EU members, and encourage Europeans to go on-line, is driving the e-Government initiatives of member states including the use of e-procurement. However, its influence on the actual adoption of e-procurement varies between the respondent European jurisdictions. In some it seems to have considerable influence, while in others there is little or no apparent impact.</p> <p>In Australian the drivers at the supra jurisdictional level are arguably less influential in shaping e-procurement initiatives in the jurisdictions than in the European Union. The responsibilities of each jurisdiction are clearly circumscribed and matters of internal administration such as e-Government or procurement management are the responsibility of the respective jurisdictions. There is no national e-Government strategy or national procurement policy. The jurisdictions may choose to co-operate on matters of mutual interest, most often through councils of Australian governments. For instance, the Australian Procurement and Construction Council consisting of senior officials from each of the member jurisdictions reports to the Australian Procurement and Construction Ministerial Council.</p> <p>By agreement between the jurisdictions, in support of the development of e-commerce, all the Australian jurisdictions have enacted almost identical legislation covering electronic transactions. Through the Australian Procurement and Construction Council the supra jurisdictional drivers are less about agreeing prescription and more about co-operation for mutual benefit through learning from each other, sharing approaches such as agreeing standards and sharing solutions or building on the work of others where feasible. While there is intense competition between the jurisdictions in terms of positioning on the basis of relative economic prosperity, this has not been as evident as a driver for implementing e-procurement as has been the case in some of the European jurisdictions. However, it is clear that in one or two jurisdiction the decision to adopt e-procurement under high profile projects was to some extent about positioning as leaders in the use of e-commerce.</p>
4C South Africa Province	<p>This case study focuses on the Gauteng Provincial Government (GPG), with specific reference to the Gauteng Shared Service Center (GSSC). The GSSC was established to pool together internal support functions that are frequently duplicated across the Provincial Government Departments. By managing these functions along best practice principles, as the core business of a separate Department, the GSSC is freeing up the valuable time that the line Departments spend on these functions, to focus on their core services, thus enabling GPG to deliver on its mandate to citizens.</p> <p>The mandate of GSSC is to provide GPG-wide support in areas such as Human Resource Management, Finance and Procurement - to all the GPG Departments, excluding the Legislature. The Shared Service Centre model was chosen after extensive research, because of its inherent benefits of retaining executive control over internal support functions, whilst ensuring that these services are rendered in terms of a written service level agreement (SLA).</p>
4D United Nations	<p>In the IAPWG (Inter Agency Procurement Working Group) chiefs of procurement from across a range of UN organizations get together for a week once a year on a common agenda. They have done so for the last thirty years. The group typically discusses harmonization of processes and procedures, the building of buying leverage across the UN system, legal issues, the development and maintenance of a common supplier database, transparency improvements etc. Since the mid eighties these annual IAPWG meetings are combined with business contact days organized by the host country.</p> <p>The Inter-Agency Procurement Services Office (IAPSO) of the United Nations Development Programme (UNDP) located in Copenhagen, serves as a focal point for the United Nations system on procurement issues. It promotes inter-agency cooperation and coordination through research and development activities related to procurement; supports the international business community with information on UN business opportunities and provides procurement services for development assistance and relief operations, upon request.</p> <p>Ironically the UN system's buying leverage and one of its most beneficial long term contractual arrangements for a shared group of standard products is upheld by non-UN buyers! If IAPSO had not been so successful in marketing the concept and the very products to other eligible clients, the very arrangement would have fallen apart due to lack of funding, as participating procuring entities resist alternative ways of cost</p>

Case	Co-operative purchasing
	<p>recovery. Not surprisingly IAPSO's procurement portal UN Web Buy is one of the most popular among the larger UN procuring entities, as it provides easy accessible and excellent price transparency on a group of common user items.</p> <p>One of the predominant activities within the UNDP/IAPSO work programme is to establish collective long term price agreements (LTA) with major manufacturers of common user items on behalf of and for use through the UN Web Buy portal or direct use by the entire UN system. The bidding process is based on the aggregate procurement volume of the UN system for certain commodities, in close co-operation with the respective major UN system buyers. The LTA established within the UN system could be referred to as either "Framework Agreements " or "System Contracting" but without any defined quantity to be ordered during a specific period of time. Field Motor Vehicles for official and project use is the largest single commodity under this concept.</p> <p>There is currently no central database of LTAs in the UN System. There is also no database for 'shared contracts' between UN organizations and for 'lead contracts' where, UN Agencies contract on behalf of other UN organizations, despite indications that 76% of IAPWG member organizations use shared contracts, and 47% lead contracts on behalf of other UN organizations (CRiSPS IAPWG Survey, 2003).</p>

Table Q: Co-operative purchasing

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.10.2 Key Points About Co-operative Purchasing

- ◆ Initial cost saving (which may be a one off) is till the biggest motive.
- ◆ National history and culture influence consortia adoption.
- ◆ Consortia develop, and may lead to more intelligent customers but there are also risks.

First of all it is necessary to distinguish between co-operation on purchasing (i.e., joint contracting) and co-operation on managing supply (as, for example, through the Australian Procurement and Construction Council – see box below).

There is wide variation in current levels of co-operation between purchasing entities. In some jurisdictions, it's commonplace (e.g., Finland and US states); in others, it's something that's developing (e.g., UK); in others, it is rare, and likely to remain so (e.g., Belgium). Gauteng Province offers a further hybrid form of co-operative purchasing through a shared services design. There is also a difference between co-operation around specific products (e.g., US states and German cases), and purchasing organizations set up to co-ordinate across a whole range of products (e.g., NHS consortia).

The Canadian study of consortia make the point that initial cost down is still usually the major motivation for forming consortia. This is borne out in the case of the German electrical supply case, where a one off saving is achieved, however the Canadian study goes on to discuss the other benefits of consortia, including shared learning. In the NHS case there is more to the agenda in creating Confederations than pursuit of one off cost savings. Part of the NHS drive for Confederations is to be a more intelligent customer, and this is seen as well in the Canadian public works case where there is pressure to present a more integrated system to clients.

In both the Australian and UN cases there are indications of inter rivalries and turfs creating barriers to consortium approaches, in contrast Finland has a culture and history that favours consortia – even when as in the case the benefits are least for the party initiating the consortia. However the Finland case also raises the age old question of how to draw a boundary around

a consortia, what is the optimum size? As can be seen in the Finland and Canadian consortia, there may be a danger in concentrating so much on the demand (consortia) side that too little attention is paid to possible exclusion effects. For example if consortia requirements aggregate expenditure too much as in the South Africa case, SMEs and MMEs can be excluded. Consortia can encourage elitism, oligopoly, and the artificial creation of barriers to new entrants. The Canadian study of higher education consortia suggests that however useful the consortia, individual entities still pursue some individual say in decision making.

The most prominent forum through which the jurisdictions seek to co-operate on public procurement matters is the Australian Procurement and Construction Council (APCC). As the APCC web site states
“The Australian Procurement and Construction Council Inc. (APCC) is the peak council of departments responsible for procurement and construction policy for the Australian Commonwealth, State and Territory governments. New Zealand is an associate member. It reports to the Australian Procurement and Construction Ministerial Council (APCMC), comprising Ministers with responsibility for procurement and construction policy.
... the Council adds value and promotes excellence in the way government delivers services to the community. It provides leadership to industry on procurement and asset management and is the national reference on policy advice, principles and best practice initiatives.”
The APCC provides a forum for inter-jurisdictional discussion and co-operation. Its agenda currently includes finalisation of the Australian and New Zealand Government Procurement Agreement that creates a single Australian and New Zealand market for supply to signatory governments, other international trade agreements impacting on public procurement including the proposed US Australian free trade agreement, matters concerning electronic commerce in procurement and procurement related knowledge management.

Box c: Co-operation on managing supply vs. joint contracting, an Australian case study

There appears to be varying national levels of affinity with co-operative purchasing. The cases also record consortia going through development stages, with initial cost savings (even if these are in the form of one-offs) still the main driver. The high levels of compliance with national agreements was noted in the Canadian case, and contrasted with the English NHS case where 50 percent compliance with nationally negotiated contracts is normal.

It appears that purchasing in co-operatives involves a high degree of motivation and may be a policy that it is hard to mandate if the culture does not support collaborative working. The Canadian case also found that despite individual universities or colleges not having the resources to go it alone in e-development, actors wanted to retain autonomy in this area even where resources were being duplicated. It appears that consortia need careful and continuous management. Whilst it was suggested that a good fit of common interests was desirable between consortia members, another success factor was in identifying the right commodity to unite the group.

Generally it was observed that achieving lower transaction costs, rather than lower prices, was the main motivation behind the consortium approach. Within this, the main focus was on the process costs associated with supplier selection. Achieving greater efficiency through introducing common processes and automating wherever possible was therefore a key objective. Since transaction costs were estimated from existing data, reductions have been difficult to quantify precisely, although a one per cent saving on the total budget has been achieved. Despite some success, the Finnish consortium has achieved less than 20 percent coverage (by volume). There are thought to be further gains to be made in the service sector, but no further resource is available at present to devote to consortium activities. (The consortium project has, in fact, detracted from the day-to-day work of the Kuopio city purchasing office.) This raises issues about the incentive and benefit structures. A comparison was made to UK co-operative ventures, where it tends to be the larger bodies that provide most of the resource for purchasing activities, while the smaller ones derive most of the

benefit. And, because of an aversion to cross-funding, the larger bodies are not incentivised to make any further investment.

5.11 Supply Activities: Supplier Qualification and Registration

5.11.1 Summary of Data

Case	Supplier Qualification and Registration
1A Australia State	'SPIRIT' has been established – Strategic Partnering for Resourcing IT. This is a framework agreement, on which suppliers are pre-registered.
1B Belgium	<p>There is a national supplier qualification system for public works contracts, based on companies' capability and financial standing. Contractors are classed according the maximum value of the contract they can be awarded, and the total maximum value of concurrent (simultaneous) work. These rules are very strictly applied.</p> <p>There is a second type of contractor registration, which relates to firms' compliance with social security and tax payments. This is targeted at contracts with high employment costs and low skilled workers. This is not a form of pre-qualification because it is not about financial and technical capability.</p> <p>There was a long discussion about contractor registration, around two issues: whether registration/pre-qualification is anti-competitive and the timing of registration – can suppliers register while bidding, or must it be done in advance?</p> <p>Social security and tax payment requirements are not seen as anti-competitive. The logic behind them is that it is anti-competitive if a firm which is not up-to-date with payments bids for a contract. The rule therefore promotes fair competition. If a public authority lets a contract to a non-registered firm, then the authority becomes liable for the firm's social security debts.</p> <p>For financial and technical capability, the 'deadline' for registration is contract award. Contractor registration is only required for well defined listed activities, (independently if they are considered as works, supplies or services according to public procurement regulation) especially in sectors where low skilled labour is used and the risk of social abuse exists. A firm must also be registered at contract award at last. Verification of the fulfilment of social security obligations is based on documents that relate to the situation of a period that precedes the bidding, this prevents firms from only paying their contributions when there is a prospect of winning a contract.</p>
1C Singapore	Supplier registration requirements (e.g. financial qualification) can be waived at Ministry level.
1D US State and Local	<p>In the US, vendor registration is very important. This is how suppliers get to hear of business opportunities. In terms of transparency, US is the antithesis of Singapore. The 'sunshine laws' ensure open access to information. Anyone can access Human Resources information (e.g. pay, resume and references for recently appointed officials) and bidding information (e.g. which suppliers placed a bid at what price). Access to bidding information can enable collusion, especially on commodity products and construction projects, and in electronic reverse auctions). However, purchasing personnel are well aware of patterns which indicate collusion, and how to deal with suspected collusion.</p> <p>Price Solicitation</p> <p>There are two methods for soliciting prices:</p> <p>Invitation to bid – used for lower value, straightforward purchases. Price is the award criterion.</p> <p>RFP – Request for Proposal – used on more complex projects, and a range of criteria are applied in the award decision.</p> <p>In Broward County:</p> <p>RFPs are also used for service contracts</p> <p>a special case has to be made before RFP can be used, this usually relates to technical or performance issues</p> <p>every RFP has at least one County Commissioner on the Committee which decides contract award (but this is unusual)</p> <p>a staff of 5 let c600 contracts per annum</p> <p>There has been a big growth in debriefing suppliers, who are told how to find information about the contract award on the web. Commission Meetings are televised. Commissioners can receive phone calls from the public as awards are being discussed.</p>

Case	Supplier Qualification and Registration
	The rules about whether elected representatives can discuss bids and contracts with authority employees vary according to system level and individual authorities' rules. Experience suggests that, in some cases, representatives don't get involved when they could do so, and do get involved when they should not do so.
2A Finland Regional Consortium	Not discussed in this case study.
2B Higher ed consortia, Canada, US, UK and Australia	Not discussed in this case study.
2C Australia procurement education	N/a
2D Germany consortium for electricity	Not discussed in the written case.
3B UK English National Health Service	Not discussed in the written case
3C Canada National Public Works and Services	Not discussed in the written case <i>per se</i> . In the discussion, it was raised that there is a tribunal system for complaints about trade agreements. Well under 1% of procurements result in complaints (2002-2003 – 15,000 procurements subject to trade agreements – only 66 complaints). Suppliers don't seem to feel cheated. Sometimes there is a concern that complaints aren't made by suppliers due to a fear of being black listed, which is unfounded.
3D Netherlands National purchasing of healthcare provision	Not discussed in the written case
4A US Federal	BPN will be the single place where contractors doing business with the US government will have to register their business information. This information will be used by the government to make payments to contractors and to make reports to the tax authorities. BPN may be found at www.bpn.gov .
4B E-commerce in Australian States and European nations	In Australia there was an example of what works with supplier pre-qualification. There is a web site for relocation (relocating personnel within Australia) run by a broker. All suppliers are pre-qualified, micro businesses. Suppliers love this site, and the purchaser monitors performance/Costs/ 105 carriers? Reverse auction, lowest bid wins. Training suppliers same, as they are pre-qualified they don't have to resubmit data, same with construction they love it, can down load CAD drawings and documentation, started with consultancy for building, now using with building itself. These service specific sites with pre-qualification work, as the site is meaningful to them. However site uptake and supplier satisfaction bad when a site is engineered to lowest comment denominator, that is not focused and specific to one market/market segment.
4C South Africa Province	It is envisaged that the Gauteng Shared Services will become responsible for the sourcing of vendors, the pre-qualification of vendors, the placing of orders, the expediting of delivery and the management of vendor performance. Pre-qualification of vendors and the creation of vendor and product databases should be implemented at the GSSC – this will contribute towards execution against the BEE framework, its implementation being part of one of the change drivers. However the Preferences Act is very mechanical, because there is no pre-qualification and quality management – suppliers can operate from a garage, basically the system encourages too many bidders. (A contrast was drawn with the US Federal system, which doesn't encourage those who can't win to bid).
4D United Nations	To address this need for a vendor management tool, IAPSO has established a common database of potential suppliers covering goods and services normally required. After screening, the supplier information is made available to the UN agencies for their procurement needs. This database, entitled United Nations Common Supply Database (UNCSD), is also available on-line via Internet (www.uncsd.org), and is expected to act as a window to the business community for registration within the UN system. The UNCSD is a registry of suppliers available to all UN and World Bank procurement

Case	Supplier Qualification and Registration
	<p>personnel, and is the main supplier database of 13 UN organizations. Procurement personnel reference the database when searching for new suppliers. Some of the larger Agencies (e.g. WFP, UNICEF and UN/PD) maintain their own supplier rosters, and have their own supplier registration procedures.</p> <p>Originally, the vision of the UNCSD comprised of providing;</p> <ul style="list-style-type: none"> A singular global supplier portal to the UN procurement system A primary supplier sourcing facility for UN procurement officers <p>In order to come closer to the objectives set out in the original vision a number of improvements to the UNCSD are envisaged to be incorporated within the context of the redevelopment. These range from a general improvement in the overall functionality of the database to enable greater flexibility in the supplier search capability enabling easier and greatly improved accuracy in the identification of regional or local suppliers. The registration process for suppliers will be simplified with a greater emphasis on encouraging developing country suppliers to register with the UN system.</p>

Table R: Supplier Qualification and Registration

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.11.2 Key Points About Supplier Qualification and Registration

- ◆ Supplier qualification can be used to address social concerns.
- ◆ Supplier qualification is central to understanding the supply chain.
- ◆ There are upfront costs to supplier qualification.

In the Belgian case, stringent supplier qualification procedures ensure that firms have met social security obligations before they are awarded public sector work. In the discussion of the case, the disadvantages of supplier qualification – in essence that it can be a barrier to new entrants and a distortion of a free market – was raised. But it was felt that in Belgium any anti-competitive issues were more than outweighed by the benefits of the state only dealing with responsible private sector organizations. The US is one country that is moving to making suppliers only have to register their details once instead of on every tender. The Australian e-commerce case discussion raised this issue of suppliers only having to submit their details once as a major attraction of a couple of successful sites. However more important, the author suggested, was the highly focussed nature of the website.

In the UN case, IAPSO has established a common database of potential suppliers covering goods and services normally required as a vendor management tool. After screening, the supplier information is made available to the UN agencies for their procurement needs. Procurement personnel reference the database when searching for new suppliers. Some of the larger agencies (e.g., WFP, UNICEF and UN/PD) maintain their own supplier rosters, and have their own supplier registration procedures. In the South African case supplier qualification is part of the ‘wish list’ of sought after improvements. One supplier qualification issue of particular relevance to the South African case is that of being able to verify both the status – as in micro business or historically disadvantaged – and exact role of supply chain members. There has been experience in South Africa of companies only ‘fronting’ an organization that claimed to be either ethnically run or in some way disadvantaged. In the IT sector, such organizations are called ‘box droppers’, as in all they do is drop off the box rather than actually be involved in the product.

Now items such as PCs are bought with full transparency from overseas original equipment manufacturers (OEMs) such as Dell and HP, while maintenance and local logistics is all run by black businesses, working jointly with the OEMs. (Re box dropping, US federal government has a ruling on manufacturing content, e.g., resellers can’t just package). Gauteng

Shared Services is particularly concerned to be able to trace and verify who is doing what within supply chains, not just to meet objectives over supply but also because no information exists on current supply chains. The issue of ‘box droppers’ in South Africa has a parallel in the UN case where supplier registration is a part of the strategy to encourage suppliers from developing countries.

The Gauteng province case raises the issue of how a lack of supplier pre-qualification can lead to too many bidders (from the buyer’s point of view) and too many failed bids (from the suppliers’ point of view).

If public procurement develops beyond a concern with individual transactions, then understanding suppliers and their supply chains moves the procurement role from the passive to the active. Supplier qualification and registration can play a key role in ensuring societal objectives are met (e.g., that supply chains do not use child labour, as in the UN case). However, verifying supply chains was seen as problematic and still perhaps part of the wish list rather than day to day operational work (South Africa). Upfront and continuing costs to supplier qualification and registration were identified, but in the Belgian case these were felt worthwhile in that other policy objectives – such as how the work force were treated – could be tackled and monitored through the system.

5.12 Supply Activities: Managing and Monitoring Supplier Performance

5.12.1 Summary of Data

Case	Supplier Performance
1A Australia State	Not discussed in the written case.
1B Belgium	Not discussed in the written case.
1C Singapore	The written case provides a relatively detailed account of supplier performance management. Sanctions: Default points are given to failing suppliers. Most common reason for debarment is suppliers withdrawing tenders. In cases of serious default, Ministries can terminate contracts. Debarment of suppliers is controlled by the Standing Committee on Debarment, which works with Ministries’ recommendations; other penalties can be imposed directly by Ministries.
1D US State and Local	The case raised benchmarking, but notes that resources to manage benchmarking effectively are being squeezed.
2A Finland Regional Consortium	Supplier performance is only discussed in terms of resistance to new logistical requirements. Individual municipalities’ views on supplier performance are not discussed.
2B Higher ed consortia, Canada, US, UK and Australia	Supplier performance is discussed as a neglected aspect of consortia purchasing. The benefits of supplier performance are described first and foremost in terms of price. In mature consortia, other benefits, based around increased information sharing are discussed, but tangible measures of consortia suppliers are not proposed. Individual consortia members views on supplier performance are not discussed.
2C Australia procurement education	N/A
2D Germany consortium for electricity	Not discussed in the written case
3B UK English National Health Service	Not discussed in the written case

Case	Supplier Performance
3C Canada National Public Works and Services	Not discussed in the written case, although the post case discussion was very concerned with the monopoly like position of PWGSC.
3D Netherlands National purchasing of healthcare provision	Not discussed in the written case
4A US Federal	<p>The US government collects information about a contractor's performance on every contract over \$100,000 performed for the government. The US government also requires that a contracting officer consider a contractor's past performance when making awards over \$100,000 unless the contracting officer makes a determination that it is inappropriate. PPIRS ties the past performance information together and makes it available to the source selection official and contracting officer. PPIRS may be found at www.ppirs.gov.</p> <p>During actual performance of contract the Federal government have to provide written evaluation to the supplier, the contractor can then submit a rebuttal.</p> <p>In the source selection process where past performance is a criteria, the Fed can request past performance data with other public or private companies, may telephone around to obtain it, if the received information is negative, will then share it (the negative feedback) with the supplier. (N.B. This is different to EU). Has led to dramatic reduction in protests and claims, now especially in construction sector, suppliers don't want a bad past performance. NB this only applies to contracts over \$100,000.</p>
4B E-commerce in Australian States and European nations	The case is not concerned with supplier performance.
4C South Africa Province	It is envisaged that the Gauteng Shared Services will become responsible for the sourcing of vendors, the pre-qualification of vendors, the placing of orders, the expediting of delivery and the management of vendor performance. Vendor performance was discussed in the session, and the need for more information, better records, performance 'history', past data and supply chain details were cited.
4D United Nations	Not discussed in the written case but see supply markets and their management for some relevant comment.

Table S: Supplier performance

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.12.2 Key Points About Supplier Performance

- ◆ Little written in the cases on supplier performance.
- ◆ Supplier performance may reflect the issue how good is the customer?
- ◆ Importance of historical/benchmarking data/sanctions – incentives and deterrents.

The first point to acknowledge here is that comparatively, little is written in the cases on supplier performance. No detailed measures are given for supplier evaluation, although these were sometimes brought out in the discussions (e.g., South African case, US federal case). Indeed the closing plenary session drew attention to how little had been discussed on contract (post-award) management.

The US state and local case brings out that the buyer can be dependent upon the supplier for information (especially with regard to benchmarking) and that there are opportunities here for suppliers to manipulate the system. Suppliers' ability to play the system also comes out in the English NHS case, where in some markets suppliers are in powerful positions (due either to virtual monopolies or the fragmented nature of NHS spend). In either case supplier performance evaluation is affected. The issue of inter-organizational fragmentation affecting

supplier performance also emerges in the UN case, and it is suggested here that supplier performance in large and diverse organization often reflects ‘customer performance’.

The Singapore case gives details of how suppliers can be threatened and if necessary managed with impressive and growing levels of sanctions if they are failing. The US federal case is one where use of past performance data on suppliers is mandatory. Buyers have access to past performance and are mandated to use it. There can be no doubt that the existence of an accessible past performance history on an individual supplier must have an influence on future behaviour and actions. Similarly the Singaporean system of sanctions on failing suppliers will send out a clear message and warning to suppliers. It may be that the two systems together are one way of ensuring that suppliers to the public sector take it seriously and develop public sector competencies (on the other hand both systems may increase the fear of government bureaucracy many firms that do not trade with the public sector have).

There is a risk of course that the more involved, the more demanding, the process of supplier performance monitoring, the more cost will be added to the supply base and the higher deterrent to new suppliers seeking public sector work. There is not enough material in the cases to pursue this point.

Singapore appears to lead the way in enforcing sanctions on under performing suppliers but the US federal has the ability and right to search out previous performance by a supplier. Where demand is not effectively aggregated (e.g., both the English and Dutch healthcare systems), supplier performance cannot be maximised. Without aggregation even large customers like the English NHS are unlikely to receive the best offerings from their suppliers; and yet to some suppliers the English NHS is an small scale or low margin customer. There is a major argument that supplier performance is linked to how good a customer an organization is. Whilst not a great deal was written on supplier performance very little was written on public entities performance as customers.

5.13 Supply Activities: Supply policy, focusing on PP as a lever for government reform

5.13.1 Summary of Data

Case	Supply Policy
1A Australia State	<p>The introduction of the Government’s Competitive Tendering and Contracting policies changed the approach to Government business (and especially procurement) from one of making it more efficient through better management to one of outsourcing as much as possible. This applied also to the training of staff which was then left to other Government agencies (such as the Public Sector Education and Training Authority) or to private providers, with no guidance or direction.</p> <p>The case is critical of subsequent supervision of public procurement, which has become is as much about policing government departments in the introduction and adherence to the specific Competitive Tendering and Contracting policy rather than taking responsibility to help with purchasing in any general manner.</p> <p>This is not surprising to the authors who have seen the demise of any serious attempt to develop the capabilities of staff within the Federal Government sphere. Although some individual departments (ironically Defence is one of the most active in spite of recent ‘bad press) have developed training programs to be delivered by external providers, the results at best have been piecemeal and ineffective. At the Federal level there is a major vacuum in relation to an organization that can be identified as being directly interested in supporting purchasing within the Commonwealth departments and agencies.</p> <p>Attention should be drawn however to work in the other Australian cases which</p>

Case	Supply Policy
	<p>highlight the role of public procurement in encouraging local and Australian contractors over national and international competitors.</p> <p>There are 9 supply policies: Buy Local; Value for Money; Open and Effective Competition; Risk Management; Supporting Local Industry; Supporting other Government Policies and Initiatives; Managing Purchasing Conducted by Private Sector Providers; Common Use Contracts and Agency Specific Panel Contracts; Integrity and Ethics; These are currently poorly integrated but aim to support: Development of local industry, Accountability and Transparency, Effective Procurement planning practice.</p>
1B Belgium	<p>The regulations mean that public authorities cannot accommodate ‘local preferences’. This does not preclude social clauses. For example, T&Cs can state that firms must employ a minimum % of previously unemployed personnel on the contract, but the unemployed can be from anywhere in Europe.</p> <p>In the discussion innovation was raised. There are a few efforts to jointly innovate but, since most public procurement is about buying established products, it’s limited, one of the authors knew of some examples in defence, where they tend to purchase more products which are at the beginning of their lifecycle. There is little use of functional specifications, though this is starting. It is more difficult to do for new products, and more difficult to explain the rationale of contract award decisions. There is no general national policy for promotion of innovation, because of a lack of a global view of procurement. (The Belgian case was contrasted with efforts to promote innovation through procurement in Holland.)</p> <p>Funds flow (i.e. tax reallocated) from the relatively wealthy north, to poorer south. There is a clear tendency for the higher levels of the administration to gain more and more power.</p>
1C Singapore	<p>The procurement policy of the Singapore government is shaped by three key principles. The first is fairness so as to create a level playing field for all would-be suppliers. The second principle is value for money to ensure that the goods and services purchased represent the most effective and efficient use of public revenue. The third principle is probity, so as to keep the procurement process as free as possible from all forms of bribery and corruption.</p> <p>The principles and practices shaping Singapore public procurement that are highlighted here are the promotion of open competition, the avoidance of preferential selection and limited sourcing, the prohibition on negotiation with prospective suppliers, and controls to ensure high standards of probity in tender management and the award of contracts.</p> <p>The second part of the paper considers recent reforms to public procurement in Singapore. These include creating ever wider access, especially for foreign suppliers, to an already open procurement market, the introduction of an appeals procedure in relation to contract awards, and a more flexible approach to registration of suppliers and pre-tender qualification testing, all as a result of Singapore’s accession to the WTO Government Procurement Agreement in 1996.</p> <p>The emphasis in the case is on practical measures to make the Singapore market as free and open as possible. It appears that public procurement plays a very limited role in social objectives within the Singapore system, in part as a result of the limited role of the public sector in Singapore life. However its role in contributing to other national objectives was highlighted above under outcomes.</p>
1D US State and Local	<p>At State level, typically 50% of budget is spent externally, whereas at local level typically 70% is on personnel, and 30% is external.</p> <p>Overall the authors suggest that effective reform that is being seen is a tendency toward more value-seeking procurements while the budgetary constraints and cuts often invalidate those processes by not allowing for effective cost-analysis and benchmarking. However the sheer scale and fragmentation of the US system, and the influence of legal interpretations means that the various local jurisdictions will always have opportunity for experimentation. A current case in point is Affirmative Action (AA) policies.</p> <p>In Florida, Broward County has to follow the State rules on AA, but municipalities do not. For local reasons, in Fort Lauderdale, social (minority) issues are part of the purchasing agenda. By law Disparity studies must precede any programmes.</p>

Case	Supply Policy
	Judgement is expected shortly on two test cases (Michigan and Denver). It is expected that it will be found that AA policies are illegal. However, the American Disability Act is legislation that may have a counter-impact.
2A Finland Regional Consortium	The case describes how forming a consortia led to purchasing and logistics improvements. The main reason for participating in the consortium in the Kuopio area was to reduce transaction costs and lower purchasing prices. The case brings out some of the complexity and conflicting agenda of consortia in establishing public goals. Consortia can favour larger players and disadvantage smaller, and these conflicting goals need to be managed in the light of decentralised public systems (see next case – higher education in Canada etc, below).
2B Higher ed consortia, Canada, US, UK and Australia	<p>Several policy level issues emerged from both the cases and inter session discussion. One particular concern is that although the case was on educational consortia, there are clearly areas where educational purchasing is similar to say health or central government purchasing. It may well be that such consortia, say education and health, could compete, or co-operate. Boundary issues are raised by this topic; why only higher education consortia members? is higher education more linked to health or defence purchasing than say primary level education?</p> <p>The issue of boundaries is intimately linked to the frank discussion in the case of inter-organizational competition on e-procurement. It appears there is considerable duplication of effort – in a sector without the resources to sustain the level of work and cooperation will be inevitable for progress to be made, but how is that to come about? The issue exposes the limits of co-operation.</p> <p>Also note the growing resource pressure, consortia are a response to constraints rather than a voluntary initiative.</p> <p>Also it was noted that ultimately smaller organizations not able to join consortia will suffer.</p> <p>The role of the supplier in purchasing consortia is, by most responses, underutilized, suppliers can contribute to purchasing collaboration well beyond the role of supplying goods or services. For example through the bi-directional flow of information suppliers can provide market information, track order cycles and consumption rates, provide supply cost data and recommend affordable alternatives. In many industries, the supplier represents the best source of expertise and can often make suggestions on how to improve the purchase and use process, and help users reduce waste.</p> <p>A one-size-fits-all approach appears to be counterproductive; a variety of collaboration options are available and the astute manager will choose the best fit for the product or service in alignment with organizational strategies and consortia capability.</p> <p>This case and the Finland regional consortia above raise serious issues about how consortia fit into delivering government policy. The Canadian case suggests it is cost pressures that are driving consortia style collaboration, rather than other policy agendas. More than 90% of purchasing managers surveyed in this study pointed to lower prices as the principal objective of inter-agency co-operation. Process efficiency and reduced workload are also highly important.</p> <p>All groups appear to derive some value for their collective efforts, but some factors seem to suggest why some do better; i.e. the cognate and proximate characteristics of the group. Findings suggest success is more likely when the members are more alike in terms of product/service application, governance and geographic location. This finding may suggest limitations to how useful consortia can be when trading across various public sector bodies with little ‘cognate and proximate’ similarities.</p>
2C Australia procurement education	<p>Federal government and six State governments – Queensland, Victoria, New South Wales, South Australia, Western Australia and Tasmania (plus New Zealand)</p> <p>See tables in written case which summarise information on industry development requirements (local content policy, price preference margins).</p> <p>The issue of facilitating the achievement of broader policy outcomes through the use of e-procurement is a matter in which there are distinct differences between Europe and Australia. It appears that in Europe only two jurisdictions identify that the achievement of boarder policy objectives is to some extent a driver in the adoption of e-procurement. These are Denmark where the development of the national e-market was thought to be a catalyst for greater use of electronic trading by Danish suppliers and Ireland where one of many objectives for e-procurement is to promote the use of e-commerce in the wider economy. By way of contrast in many Australian</p>

Case	Supply Policy
	<p>jurisdictions, the use of e-procurement to foster e-enablement of SMEs and access by rural and regional suppliers to the government market is often identified as a policy objective.</p> <p>The extent to which the e-Government agenda drives e-procurement adoption was also considered. In four of the seven European jurisdictions the e-Government agenda appears to be a driver. These include Belgium, Germany, Ireland and the United Kingdom. In the case of Germany Eink@uf Online (Public Purch@sing Online) sits within the German Government's BundOnline 2005 framework and is largely driven by this agenda. It is expected that 35% of the anticipated savings arising from e-Government initiatives will arise from procurement. By way of contrast the e-Government agenda appears to hold little sway in the introduction of e-procurement in Australia.</p> <p>The Government's introduction of Competitive Tendering and Contracting policies changed the approach to Government business (and especially procurement) from one of making it more efficient through better management to one of outsourcing as much as possible.</p> <p>Further sectoral reviews and enquiries at various levels resulted in minor changes such as the introduction of the Strategic Defence Industry Policy (SDIP) in 1998 to 'increase defence manufacturers' viability, improve interaction with government requirements, increase industry's exports and avoid capability procurement mistakes of the past'.</p> <p>When announced in 2000, Queensland's new State Purchasing Policy was claimed to be: <i>'leading the way in Australia by directly linking the State Government's purchasing power to the Government's priorities'</i>.</p> <p>And it was also claimed that it would <i>'harness spending power and give Government agencies much greater flexibility to buy locally'</i>.</p> <p>The new Policy was to 'shift the focus away from processes, paperwork and red tape and puts it squarely on fulfilling the Government's priorities, especially in relation to jobs and regional development'.(Schwarten, 2000)</p> <p>All jurisdictions except Queensland have principles based procurement policies. Queensland has developed a strategic management framework for procurement abandoning its principles based regime in 2000.</p>
<p>2D Germany consortium for electricity</p>	<p>There is a policy that in future purchases by the public administration will be organized via Internet.</p> <p>Because most expenditure is project based and bought only once, aside from office consumables and other standard materials a material strategy for DLR is nearly impossible. Instead, DLR concentrates on two major strategic supply goals defined by DLRs supply management and approved by DLRs board of directors (both located in Cologne): (a) Efficiency and (b) formality.</p> <p>According to German public procurement law, efficiency (<i>"Wirtschaftlichkeit"</i>) is the most important target for all public purchasing activities: Following the German <i>"Verdingungsordnung"</i> (VOL) the highest efficiency shall be the decisive factor for awarding the contract, not the lowest price (only).</p> <p>Formality shall be reached by following the German public procurement guidelines. In Germany, the national law is divided into regulations (<i>"Verdingungsordnungen"</i>) for different subjects, e.g. constructions and buildings (VOB) services provided by freelancers (VOF) and deliveries and other services (VOL). According to national and European regulations, the bidding procedure is the standard procedure for all public purchasing activities</p> <p>In order to fulfil these requirements DLR has implemented a strict purchasing process which is ISO 9001 quality proved (see Figure 4).</p> <p>The German system of public authorities is quite complex and results in a very sophisticated public procurement system. It consists of national (federal), state, and regional level. All together, there are approx. 35000 public purchasing institutions. The major advantages of this extreme decentralisation are higher flexibility and a strengthening of competition, especially amongst small and medium sized suppliers. In general, the German public procurement regulations are in favour of decentralizing purchasing power to enforce competition.</p> <p>DLR is part of the European Space Agency. ESA contracts are let to member states in proportion to the amount of funding provided by each state. It should be noted that</p>

Case	Supply Policy
	<p>procurement is assisting a national (and European) goal in contributing to the running of the European Space Agency.</p> <p>On the other hand the fragmentation of the German system has to be noted, there are many points at which influence could be wielded (Federal, state governments and parliaments, and independent cities) or thwarted.</p>
<p>3B UK English National Health Service</p>	<p>Beginning in the early 1980s, a policy of compulsory competitive tendering (CCT) was implemented which, in the health sector, led to the widespread outsourcing of support services, such as cleaning and catering. By the mid-1990s, some hospitals had begun to market test a much wider range of services (VCT – voluntary competitive tendering), including certain clinical services such as pathology (Cheesley, 1997).</p> <p>The Labour Government quickly announced the abolition of CCT. For local government this has been replaced with a ‘Best Value’ policy (see http://www.local-regions.odpm.gov.uk/bestvalue/bvindex.htm). A similar policy was expected for the Health Service but, as yet, none has been published. Trusts are free to bring back in-house services which had been outsourced (though for many the cost of doing so would be prohibitive), and there is no central policy which precludes them from outsourcing services including, in principle at least, clinical services.</p> <p>In the 1990s the Conservative Government had instigated the Private Finance Initiative through which consortia of suppliers and bankers are contracted to build/develop, and sometimes to manage, an asset such as a new hospital or IT system. As with CCT, the subsequent Labour Government reviewed this policy when first elected. Whilst some changes were made to the detail, the overall policy of private companies funding capital investment that is then repaid through revenue expenditure over the lifetime of the contract remains unchanged. The number of PPP/PFI (Public-Private Partnerships / Private Finance Initiative) deals is rising, and PPP/PFI is an essential aspect of Government’s investment programme in the NHS. For example, the NHS Plan includes a commitment to 100 new hospital schemes between 2000 and 2010; 68 projects worth £7.6 billion have been given the go-ahead, and 64 of these are involve private finance (Source: Speech by the Rt. Hon Alan Milburn MP, Secretary of State, to the PPP Forum on 17 September 2002).</p> <p>The introduction of PFI, CCT and VCT has shifted the boundaries between the public and private sectors, and these changes will be further accentuated and accelerated through as recent Government policy and guidance is implemented (see, for example: <i>For the Benefit of Patients: A Concordat with the Private and Voluntary Health Care Provider Sector</i> (Department of Health, 2000); <i>Growing Capacity</i> (Department of Health, 2002a)). In order to meet the need for investment in health services and address a lack of capacity within the system, Government is encouraging the development of new arrangements with the commercial sector, such as outsourcing elective surgery. In doing so, it is generating important changes in the interface between the commercial and public sectors and the locus of sourcing decisions for goods and services needed to deliver healthcare, for example: relationships with suppliers moving from NHS hospital trusts to health service commissioners (PCTs and StHAs); commercial companies becoming accountable for expenditure on equipment and consumables.</p> <p>Through evidence-based medicine, Purchasing & Supply practitioners should become more engaged in the development and implementation of new technologies. More immediately, (a) NICE’s decisions may have a detrimental impact on some suppliers and so may affect the stability/viability of certain supply markets (for example, by nominating just one product, thus creating a monopoly situation), and (b) EBM increases potential suppliers’ entry barriers to new markets. This brings additional focus on the need for supply market management and it is for this reason that NHS PASA is consulted by NICE during the decision-making process.</p>
<p>3C Canada National Public Works and Services</p>	<p>The policy states that contracting shall be conducted in a manner that will be equitable, fair and transparent. Contracting must also ensure the primacy of operational requirements as well as sustain long-term industrial and regional development. Lastly, contracting has to comply with Canada’s obligations under the various Trade Agreements including NAFTA, the WTO Agreement on Government Procurement and the Agreement on Internal Trade.</p> <p>The Canadian aboriginals illustrate the difference between a rule and an outcome based system. In the past when Canadian aboriginals had to compete for government</p>

Case	Supply Policy
	<p>funds they received CAN \$120 million. Now that contracts are not subject to competition they receive CAN \$30 million of contracts. They were actually better off when they had to compete than when a non outcome based system is in place.</p> <p>Societal factors</p> <p>Green procurement – is under consideration and strategy. Policy etc are being developed. Whether woman entrepreneurs should be offered assistance is under consideration by a task force. To some extent it is a question of cascade – which groups do you choose to help (is it a political decision) ? Aboriginal groups have a specific set-aside program – they also do well in open market.</p> <p>There is no specifically focused drive in the procurement community to help SMEs, (nearly all businesses are SMEs in Canada). For SMEs responding to calls to tenders is a problem; the need to be computer and internet literate could disadvantages some SMEs.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>Not discussed in the written case.</p> <p>During the end of day two review, it was decided that the Dutch Healthcare system had little in common with the other two cases, so discussions centred around how to develop centralised purchasing in this case. It was also mentioned that the end customers, the patients, seem very happy with the service provided, so the group discussed whether the system needs to be changed. There was consensus that there was little or no evidence of public procurement being used for social policy in this case.</p>
<p>4A US Federal</p>	<p>The US government has many programs for promoting social responsibility through its government contracting program. They run the gamut from environmental considerations to providing for industrial robustness in support of national defense objectives.</p> <p>In the US government there is a constant tension between a desire to divorce from the business process of purchasing socio-economic provisions designed to achieve laudable national objectives, and a desire by the Congress to achieve certain social objectives through the purchasing process.</p> <p>In many cases, the government’s acquisition workforce lacks the technical expertise to understand the implications of the socio-economic objective and its impact on the product or service being acquired and the terms and conditions for the good or service. The most recent example of this tension occurred with the passage of §508 of the Rehabilitation Act of 1973. Congress amended §508 in 1998 requiring that all information technology, hardware and software, purchased or used by the government, with limited exceptions, must be accessible to individuals with disabilities. Some of these technologies already existed others are still in development. The definition of what meets the requirements of §508 is not precise and it is up to the government acquisition workforce team to evaluate whether an offered product or service meets the §508 requirements. On the other hand, by requiring that all purchases of the Federal government be §508 compliant, Congress began making a change in the marketplace that would otherwise not have been made. Companies wishing to do business with the US government would not setup a separate production/development line for §508 compliant items, so they are changing their production/development lines to produce §508 compliant products that provide access to disabled individuals throughout our society. As a result citizens who were otherwise denied access to certain government and non-government sites and equipment, now have access or soon will.</p> <p>SMEs.</p> <p>Social Responsibility</p> <p>The best compilation of laws effecting social responsibility was completed over a decade ago by the Section 800 Panel. Chapter 4, “Socio-Economic, Small Business and Simplified Acquisition Thresholds” lays out for the reader all of the statutes in effect at the time that applied to government contracting. Many of these statutes remain in effect today and have been supplemented by new requirements regarding the environment and new categories of small businesses. These statutes are implemented through regulations that appear in a number of different agencies.</p> <p>In order to provide US government contracting officers a single point of reference these socio-economic rules are also implemented in the FAR.²⁹ In most cases the FAR does not determine what the implementation of the various laws should be, it implements the responsible agency’s regulatory decisions.</p> <p>Small Business Program</p>

Case	Supply Policy
	<p>By far, the most visible and sensitive socio-economic program the US government has is its commitment to small businesses. The purpose of this program is to continue to grow a robust industrial base capable of meeting the nation's needs. In the US it is estimated that a substantial portion of the technological advances come from small businesses and small businesses generate a disproportionate number of new jobs each year. (There is an office of small and disadvantaged business utilization, this is a big lobby force – N.B. every congress person wants to know why his or her constituent didn't get a contract? Have to shift prime dollars to second and thirds tiers levels so trying to change this).</p> <p>There are currently a number of categories of small businesses in the US. Those categories are: small business; very small businesses; woman owned small business, small disadvantaged small business (FAR Subpart 19.12); veteran's owned small business; service disabled veteran's owned small business; Native American owned small businesses (FAR Subpart 26.1); Historically Underutilized Business zone small business (FAR Subpart 19.13); 8a program; and, Historically Black Colleges and Universities and Minority Institutions (FAR Subpart 26.3).</p> <p>In order to facilitate small business participation in US government contracts Congress established goals for small participation. These goals appear in the legislation. Small business goals are 23% for government prime contracts. A major initiative being undertaken by the Bush Administration is to increase the number of "New Definitive Contract Action" dollars going to small businesses (Office of Federal Procurement Policy, 2003). The report points out that small business contractors are receiving a smaller portion of newly awarded, open market, contracts and attributes this fact to contract bundling in the area or task and delivery order contracting. The report recommends regulatory changes to increase the number of "New Definitive Contract Actions" by requiring reviews at a number of levels before issuing task and delivery orders.</p> <p>There are different goals for each category of small business. For example, 5% for woman owned small businesses, 10% for HUBzone small businesses; 5% for veteran owned small businesses, etc.</p> <p>As the American policy makers have used acquisition as a public policy tool to achieve certain socioeconomic goals, various federal non-procurement agencies and state and local governments are involved in a various procurement projects. For example, for highway construction projects, in addition to DOT's Federal Highway Administration, other federal agencies with environmental and historic preservation responsibilities that often are affected by federally funded highway projects include: The Environmental Protection Agency (air and water quality; wetlands preservation); The Fish and Wildlife Service (endangered species) and the Bureau of Land Management (may own lands on which a highway is to be constructed) within the Department of the Interior; National Marine Fisheries Service (for example, effects on fish and spawning grounds) within the Department of Commerce; The Army Corps of Engineers (effects on wetlands); The Coast Guard (bridge and navigation responsibilities); and The Advisory Council on Historic Preservation (protecting historic sites).</p>
4B E-commerce in Australian States and European nations	<p>Supra-national influences are less strong in Australia than elsewhere. N.B. there is the influence of EU commitment to the use of electronic technology (but again, N.B. they mean within Europe). Agendas change over time – i.e. can move from a concern with e- as a new technology to be implemented, to a concern with saving money, similarly the department responsible for '-e' can change over time. The example of where a government actually wants to boost its own ICT industry was discussed. Such policy agendas tends to mean that there is no external evaluation of the proposed e-solution. For example it appears that the Danish government spent millions on a package that was already available in Germany, and which for which both the Danish and German versions had to comply with the same EU regulations. However it met the government's wider objective of boosting national e-expertise. The ICT industry press for 'big bang projects' which are not always the most appropriate. There has been a very heavy lobby from the ICT industry in some countries.</p>

Case	Supply Policy
<p>4C South Africa <i>Province</i></p>	<p>After the first democratic elections in South Africa in 1994, South Africans embarked on large-scale political reforms. The new African National Congress (ANC) government, established after the 1994 elections, realised the importance of efficient public procurement for the national economy and embarked on a major review via a Task Force established in 1995. The Task Force was headed up by the State Tender Board under the Ministry of Finance and the Department of Public Works with the technical and financial support of the World Bank.</p> <p>The Task Force's 1996 strategy included principles and policies for equitable and transparent public procurement and simplification of processes, as South Africa faced the unique task of merging a dual economy. As a legacy of the apartheid years the country had a "main stream economy" led by a minority of 13% of a 40 million population and an "emerging economy" of small, medium and micro enterprises (SMMEs) owned by historically disadvantaged groups, comprising of the balance of 87% of the population.</p> <p>The South African government planned to mould the two economies into a sustainable unit for optimal economic development and growth. The Task Force decided that public procurement should be part of this fundamental strategy, by encouraging participation of historically disadvantaged individuals (HDIs) in public contracts.</p> <p>The principles on which the "new" (post apartheid) South Africa is being built is enshrined in the Constitution, signed into law on 10 December 1996. The process of drafting the Constitution involved many South Africans in the largest public participation programme ever carried out in the country. After nearly two years of intensive consultations, political parties represented in the Constitutional Assembly negotiated the formulations, which are an integration of ideas from ordinary citizens, civil society and political parties represented in and outside of the Constitutional Assembly. This Constitution therefore represents the collective wisdom of the South African people and has been arrived at by general agreement. The Constitution also embraced the principles of the new Procurement strategy.</p> <p>In January 2003 the President of South Africa said that the drive for Black Economic Empowerment (BEE) was consistent with the ANC's larger goal of building a non-racial society, representative of the belief that South Africa belonged to all who lived in it, black and white. As BEE is carried out, the South African government must ensure that it achieves growth and economic development, being fundamental to the realization of the ANC's goals of eradicating poverty and underdevelopment.</p> <p>After the first democratic elections in South Africa in 1994, South Africans embarked on large-scale political reforms. The new African National Congress (ANC) government, established after the 1994 elections, realised the importance of efficient public procurement for the national economy and embarked on a major review via a Task Force established in 1995. The Task Force was headed up by the State Tender Board under the Ministry of Finance and the Department of Public Works with the technical and financial support of the World Bank.</p> <p>The Task Force's 1996 strategy included principles and policies for equitable and transparent public procurement and simplification of processes, as South Africa faced the unique task of merging a dual economy. 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Case	Supply Policy
4D United Nations	<p>The UN system operates on budgets funded by its members. Each Agency has a separate budget approved by its respective supervisory Board.</p> <p>Agencies vary in the extent to which they procure in developing countries. For example, within the UN secretariat UNON (United Nations Office in Nairobi) procures 98.75% in developing countries, whereas UNOG (United Nations Office in Geneva) procures 1.77% from those sources. However buying locally in developing countries is a procurement goal. In recent years General Assembly resolutions, 5th Committee decisions and directives, member states of the UNDP Executive Board, and other UN Agency Executive Boards, have all advocated the importance from easing the sourcing of developing countries.</p> <p>The reasoning for this is to ensure maximum development impact from funds earmarked for this purpose. In other words, by sourcing locally or regionally the procurement function itself is able to become a mechanism of development assistance, in that it provides institutional investment in local or regional businesses by contracting with them.</p> <p>UN Member Governments have pledged to achieve Millennium Development Goals, including the overarching goal of cutting poverty in half by 2015. The target is to halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day (\$1 a day is expressed in Purchasing Power Parity).</p> <p>The UN system has ethical supply policies, such as not sourcing from suppliers involved, directly or by affiliation, with the production of components used in land mine production, child labour users etc. However, the difficulties of approving suppliers and implementing such ethical policies cannot be underestimated in a complex confederal network like the UN.</p> <p>Current distortions in world economic trade with the lion's share of trade and revenue flowing to the advanced industrialized nations will continue to exert serious political pressure on the UN procurement system for affirmative action benefiting suppliers and service providers from developing nations and economies in transition.</p> <p>Affirmative action on supplier development</p> <p>In 2001, 37.7% of total UN procurement was from developing countries, the other 59% being from developed countries. The UNDP Human Development Report distinguishes between three categories of country definitions, these are developed, developing and least developed, and are described in Table 4.</p> <p>The Annual Statistical Report 2001, reporting on UN system wide procurement distinguishes between developed (industrialized) and developing countries, and a sub distinction 'Under Utilized Major Donor Countries (UMDC's)'. 27 countries are listed as industrialized as shown in Table 5, the other 161 countries listed being developing / least developed / economies in transition, while four countries have traditionally qualified as UMDC's, Denmark, Netherlands, Norway and Sweden. UMDC's are countries where the level of UNDP procurement from these countries is far less than the annual level of contributions that these countries donate to the various UNDP funds.</p> <p>UN Member Governments have pledged to achieve Millennium Development Goals, including the overarching goal of cutting poverty in half by 2015. The target is to halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day (\$1 a day is expressed in Purchasing Power Parity).</p> <p>In recent years General Assembly resolutions, 5th Committee decisions and directives, member states of the UNDP Executive Board, and other UN Agency Executive Boards, have all advocated the importance of increasing the sourcing of developing countries.</p> <p>The reasoning for this is to ensure maximum development impact from funds earmarked for this purpose. In other words, by sourcing locally or regionally the procurement function itself is able to become a mechanism of development assistance, in that it provides institutional investment in local or regional businesses by contracting with them. This brings a number of distinct advantages, some of these are;</p> <p>For developing countries:</p> <ul style="list-style-type: none"> Revenue and the ability to learn to compete on the international market Strengthening of the private sector Increases the skills and expertise of the workforce Encourages regional trade

Case	Supply Policy
	<p>For the Aid Agencies local sourcing translates into: Reduced transaction costs Shorter delivery times Fewer contingency needs Lower life cycle costs By facilitating and improving the means by which suppliers from developing countries can become suppliers to the UN system, local suppliers are able to exercise a greater autonomy over their countries and regions development. As well as being able to develop the necessary experience, skills and expertise to later successfully compete and partake in the global economy.</p>

Table T: Supply policy

Note all numbered Tables and Figures referred to can be found in the original cases in IRSPP Proceedings

5.13.2 Key Points About Supply Policy

- ◆ There are common values on the principles behind public procurement in the cases.
- ◆ Extreme pressures appear to be necessary before ‘root and branch’ reform is considered.
- ◆ Better management information is critical to supply policy.
- ◆ Cannot assume that public policy itself is coherent, may have contradictions.
- ◆ The role of IT/IS in shifting procurement from process to policy.

Common themes emerge around the principles on which procurement must be based, e.g., in the Gauteng case there are four pillars: Value for money; open and effective competition; ethics and fair dealing; accountability and reporting, with a fifth political one of ‘equity’. These are not dissimilar to the three key principles which shape the procurement policy of the Singapore government: fairness; value for money and probity. The simpler division in the German system between efficiency and formality in fact captures the conflicting demands inherent in all the stated principles. In general though the cases reveal more similarity in the principles underpinning public procurement than differences.

The Australia case gives more detail on these principles – nine in all – but then comments on the poor integration of these objectives. Indeed in the Australian system, there is an ‘Estimates Committee’ in the national parliament dedicated to cutting expenditure, suggesting the system is not trusted to manage itself. One theme that has emerged in the Australian case is the willingness of the Australian system to change and experiment. In contrast in the main the Belgian case reveals the inherent addiction to the status quo of the procurement system in Belgium. However, such risk avoidance is under threat from the recent Copernicus reform. The reform aims to give greater autonomy to the heads of public administration, giving them more freedom in how to achieve the goals established by the political system. Such an emphasis on outcomes rather than constant monitoring of inputs also categorises the Australian and US state and local cases, where increasingly procurement personnel are facing new challenges to create outcomes rather than manage tender processes. The South African case is another example of a move to a outcome driven model of public procurement. The restricted goals in the Singapore case (fiscal conservatism and risk avoidance) reinforce the suggestion that as the objectives set for procurement broaden so the work content of procurement broadens. However, the US case highlights how ‘loosening’ control of public procurement may allow new forms of illegal influence to enter the system, something which Singapore has staunchly avoided. The same case argues that it is the enormity of change to current systems that acts as a break on development.

Part of the problems could be attributable to the fact that public sector procurement is constrained by numerous laws, policies, and procedures that many simply avoid changing the system because of the time and energy needed to change these constraints.

The Gauteng case is one where a comparatively revolutionary approach can be undertaken, underwritten by mention in a new constitution. However such radical reform reflects in part both the newness of the post apartheid government and the desperate conditions of many ordinary south Africans. Without such tumultuous stimuli, it appears reform of supply policy will continue to be incremental and piecemeal. Therefore, although in the German case, for example the new role of the state is to be a catalyst and enabler of change, it is not clear how radical that change can be without external stimuli of a dramatic order. In the Canadian public works case there is a clear threat that unless the PWGSC changed to its new emphasis on specialized client service teams it might have been bypassed or closed entirely.

Dramatic change has taken place in the English NHS case, as the introduction of PFI, CCT and VCT by central government has shifted the boundaries between the public and private sectors. However once again this supply policy is a reaction to problems of lack of investment and capacity rather than procurement driven. The impact on the role of procurement is significant though, as purchasing on price changes to managing markets, managing relationships with various bodies including private sector partnerships and commissioning.

In the Canadian case on consortia it appears that public entities with few resources (educational institutes) are duplicating effort across in the sector in developing e-business, wasting resources they cannot afford to spare. Yet it is apparent in the case that a certain degree of independence is considered vital by each institution. In the Australian Federal case competition has been observed between states. Part of supply policy appears to be this decision on what independence means, and why it is necessary. It is also notable that in forming or joining consortia as a supply policy the Canadian study suggests consortia are a response to constraints rather than a proactive strategy.

In terms of proactive supply policies the Australian e-commerce case highlights the lack of adequate information for policy initiatives. In Australia the e-enablement of SMEs is a significant driver of e-procurement strategy along with promoting SME access to the Government market. However the case states that there is a lack of information for policy making: again very few entities have good management information about their procurement profiles as a basis for business case development for e-procurement. The South African case also highlights the need for better information to drive forward very socially responsible procurement. To achieve the strategy of encouraging the participation of historically disadvantaged individuals (HDI) in public contracts spend analysis and knowledge of supply chains is a prerequisite. In the US Federal case there is the public commitment to small businesses, a commitment with the impressive achievement of 23 percent for prime contracting. This case shows the power or influence of the public (or their representative – the media). This is one of the few cases that cite procurement officials having to deal with protests, disputes and appeals. One of the cultural influences on US procurement appears to be a concern that there should be opportunity for public debate on procurement issues. Whilst the UN case also features transparency as a goal, it appears that the arena for debate on key issues such as local sourcing is more internal to the UN than external media.

The UN case is an example of where viewing procurement as a tool for implementing public policy can actually reveal inconsistencies and flaws in what is deemed public policy. Within

the various complex networks that make up the UN there are contradictions between the stated desire to source locally, and individual national interests (and those who lobby on their behalf).

Many of the cases feature support for indigenous industry, but the most extreme example of purchasing supporting economic development is in the UN case. In the UN, maximum development impact from funds can be achieved by sourcing locally or regionally. The procurement function itself is then able to become a mechanism of development assistance, in that it provides institutional investment in local or regional businesses by contracting with them.

Many cases, specifically in relation to e-, make the argument that for procurement the movement from process to policy will be facilitated by adopting electronic systems. Certainly the experience in Queensland suggested that e- can facilitate both a reduction in overall workload and a move to 'higher value added work' by purchasers. One should note as well though the reduction by several thousand of the work force in Gauteng province when the new regime and the replacement of manual systems came in.

The Canadian public works case illustrates how contemporary (and therefore liable to sudden change) many social engineering programmes can be. It is significant that the Canadian aboriginals were helped more in financial terms when they were in a competitive tender situation than when contracts are awarded. The discussion of green procurement and female entrepreneurship only emphasise some of the transience at the margins of public policy.

In general though the cases reveal more similarity in the principles underpinning public procurement than differences. There are core objectives that are shared ranging from the four pillars of the Gauteng case, to the three key principles of the Singapore case (fairness, value for money, probity). The simpler division in the German system between efficiency and formality in fact captures the conflicting demands inherent in all the stated principles. The Australian case gives nine principles – but as the number of principles grows so does the issue of coordinating across them. One means of moving beyond ad hoc, piecemeal change appears to be major environmental change (the ending of apartheid in South Africa), the threat of increasingly autonomous clients to PWGSC in Canada).

Competition between various parts of the same national procurement service were observed in federal system of Australia and also in the US. Budgets still appear to be the major tool for co-ordinating across public entities. As ever lack of high quality information is a constraint on supply policy.

The implications of the cases for how public procurement can be a lever for government policy are that implementing wider public policy will involve managing conflicting tensions and a more complex process than buying on lowest price. Many of the cases appear to suggest that they do not currently have the procurement personnel to manage such a transition in procurement approach. 'Redistributive' policies are perhaps the most common and widely understand procurement lever for government policy, e.g., in Belgium tax returns are redistributed via procurement from north to south, and redistribution is seen in the UN policies on local (less developed nation) sourcing.

The other common example is of using procurement spend to encourage a specific group such as SMEs or HDIs. It is easy to speculate that in the future public procurement may be used to target other niches. It may be that the benefits of IT/IS in performing basic level transactions

leaving procurement personnel with more time for strategic matters will play a role in giving procurement a greater role in implementing public policy. This may be what is happening in the US federal case.

5.13.3 PP as a Lever for Delivering Government Policy

This section contains extracts relating to social change through procurement and innovation.

Summary of data

Case	Outcomes/what is being valued/what is being measured?
1A Australia State	<p>The goal of probity is fairly well achieved in most States. Transparency is OK in some States, but visibility of spend at Commonwealth level is poor. Western Australia, for example, produces an annual report ‘Who Buys What?’ (available at www.ssc.wa.gov.au).</p> <p>Because of the constitutional arrangements uniformity of public procurement policies remains a challenge in Australia unless a national government provides funding to coerce states into adopting a uniform procurement code. This approach has been successfully adopted by the national government in infrastructure areas such as railways, transport, and electricity generation and distribution under the National Competition Policy (1993). However, in spite of this constitutional environment, significant reform of procurement policies and practices has been implemented at national, sub-national and local government.</p> <p>In the national parliament, Senate runs an ‘Estimates Committee’ every year which looks actively for cuts in expenditure, and sits as inquisitor for each department to look at the way that Secretary’s budget is organised. In WA, most of the scrutiny occurs at Cabinet Office level, dominated by Treasury.</p> <p>Electronic initiatives, such as the Gem suite of e-Procurement products, are integral to the provision of higher quality and more timely data on government purchasing activities. Gem Tendering provides historical data on all awarded contracts, including details on the winning supplier and the total contract price.</p>
1B Belgium	<p>Structural complexity and differences of regulations by type of service/product purchased mean that there is a huge range of purchase situations; the rules are clear but complex, there is room for error, due to lack of understanding of the rules. This makes training/education and compliance monitoring very difficult.</p> <p>The Belgian public is relatively open to foreign suppliers by EU standards (see example cited earlier of public works - Portugal advertises the most in the European Union, but very few contracts are won by non-Portuguese firms).</p>
1C Singapore	<p>Public procurement in Singapore is characterised by open accessibility, competition, transparency and probity.</p> <p>There is much procedural transparency, but not decision-making transparency.</p> <p>WTO/GPA objective already achieved. GPA accession required only a few, minor changes. It has not yet been possible to assess whether the Adjudication Tribunal (to which unsuccessful bidders can appeal) has any impact, or is just nominal.</p> <p>There is some evidence of certain GLCs winning a high proportion of contracts. There are significant interlocking directorships, eg Ministers on Statutory Boards, members of Statutory Boards as Directors of GLCs.</p> <p>Although public procurement in Singapore has been well-managed in terms of efficiency, probity and value for money, certain shortcomings can be noted. The tendency to emphasise price as the key yardstick in tender selection may sometimes lead to false economies rather than value for money, if the goods and services of the tenderer who has been chosen are of a lower calibre than those offered by other tenderers. Another shortcoming may be the training of procurement officers.</p>
1D US State and Local	<p>The determination of value-for-money is often neglected in the procurement process and the accounting and control systems currently in place often inhibit effective cost analysis. Bench-marking procurement practices is also waning. In both cases a number of public sector professional associations and organizations are attempting to establish standards to judge the utility of public procurement. We have not at this juncture reached agreement as to what the standards should constitute, but a number of advanced analytical techniques have been developed to evaluate procurement spend. A question that typically</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>still can't be answered by state and local government officials is, how much money the government spends for all of its purchased materials and services in a given fiscal year? The end-users we are serving constantly throw back at us the adage "I don't want to be forced into taking the 'low bid'." Fortunately we have become more and more accustomed to issuing procurement documents that take into account factors other than just the dollar price. Our ability to continue to offer this creative procurement expertise is a function of training and experience.</p> <p>Value-seeking has become available not only in the formal procurement processes, but also in a general sense in any procurement which we choose to incorporate it. States are becoming more flexible in their language and regulations regarding allowing for factors other than just price. The extent to which flexibility in accepting other than the low bid is largely determined by the local politics which govern passage of such required empowering legislation.</p> <p>ISM (Institute of Supply Management) co-ordinates regular price benchmarking. This service is well-respected in manufacturing, but response rates for public sector are very low (as few as 20 respondents). Supplier collusion is rare, despite ease of access to information under sunshine laws.</p>
<p>2A Finland Regional Consortium</p>	<p>Achieving lower transaction costs, rather than lower prices, was the main motivation behind the consortium approach. Within this, the main focus was on the process costs associated with supplier selection. Achieving greater efficiency through introducing common processes and automating wherever possible was therefore a key objective. Reductions have been difficult to quantify precisely, although a one per cent saving on the total budget has been achieved. Despite some success, the consortium has achieved less than 20 per cent coverage (by volume). There are thought to be further gains to be made in the service sector, but no further resource is available at present to devote to consortium activities. (The consortium project has, in fact, detracted from the day-to-day work of the Kuopio city purchasing office.) This raises issues about the incentive and benefit structures. A comparison was made to UK co-operative ventures, where it tends to be the larger bodies that provide most of the resource for purchasing activities, while the smaller ones derive most of the benefit. And, because of an aversion to cross-funding, the larger bodies are not incentivised to make any further investment.</p> <p>There are lessons to be learned from this pilot project.</p> <p>There should be a critical evaluation of the number of organizations involved. In this case 80% of the purchasing volume was achieved by 5 organizations. The rest will increase the complexity but add little to purchasing value. Consortia partners with equal size of purchasing value will get the most benefits from consortia purchasing.</p> <p>Development should be made in several subprojects. These type of projects are made aside with the normal work. By forming subprojects the total work may need extra time to be finished, but partial results will be achieved in a shorter time. Showing results is important for the stakeholders.</p> <p>Quick results can be achieved in combining warehouse operations. These changes are quite easily made and visible to everybody. The main benefits will be increased efficiency and more stable operation during vacations, because warehouses typically employ only 1-3 people each warehouse. Developing cross-docking operation needs supplier recognition. Many suppliers like to have pricing for delivery and it will not change if all orders are delivered to a cross-docking operation. Also changing warehousing operation to cross-docking has been uneconomical for the same reason.</p> <p>In developing software quick implementation is desirable, or be satisfied with lower support. Materials management software is not strategic software worth a big project, more likely it is going to replace older software with about the same functionality.</p> <p>The implementation of the processes and software means involving hundreds of people, who have only a partial exposure to procurement. The greatest challenge of all is to persuade people to act in a different manner. This can be enabled with software, but the great change is going to be in processes. In most software projects this part has failed so far.</p> <p>The main achievements were transportation system and a software architecture for materials management for 13 organizations. The number of product groups handled by the central procurement organization has increased by 20%. The software is designed to work for 13 organizations and their 5 different financial systems. The transportation system works together with cross-docking operations. It is used for warehouse and</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>supplier deliveries and for local shopping. The main setbacks were in changing warehousing into cross-docking operation. The suppliers were reluctant to discuss the price structure of the changed operation. The trial itself did succeed operationally. The possible causes for supplier reluctance may be that the delivery transport is creating gross margin, secondly cross-docking can increase the competition and thirdly other customers can adapt the same type of organizations. It is also possible that the reduced costs are not achieved by one customer moving to cross-docking and possible the commercial people are not aware of the changed logistics costs.</p> <p>The second setback is that the central procurement volume is still under 20% of the total purchasing volume. In spite of the 20% increase of centrally purchased product groups the total coverage is low. One reason for it is that the project has provided a heavy workload for the purchasing office. The second reason is that the purchasing user groups did not have support enough for their work by the purchasing office.</p> <p>The third setback is that the software system has been very slow to develop and it still covers half of the prospected functionality. It has been implemented partly in two organizations. At the time when the software was selected there were few e-procurement software available at reasonable cost. Another reason is that there are no standard software solutions which can work with 13 different organizations and with 5 different financial systems. The third reason was that there was no single procedure to handle purchasing. The joint procedure should have to be developed first. Fourth reason is that addressing the software is tackling an area which formerly was decentralized to over 1000 people.</p> <p>The benefits of the project are at this phase are reduced procurement costs for all organizations. The two biggest organizations have transformed their full cost into partial cost and the smaller organization have benefited by reduced work and lower prices.</p>
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>The most oft cited objective of purchasing groups is to achieve economies of scale by leveraging collective volumes. But the measurement of those savings has been a challenge for most groups. Purchasers may recognize the benefits of peer support, information sharing and fostering professional development, but most governing authorities look to cooperative purchasing as a means to reduce costs in an environment of ever shrinking resources.</p> <p>In this study, claims of savings range from 10% to 25% but only a few have tracking systems. Measures used are: (a) group price compared to price paid by individual institutions, (b) group price compared to list price, (c) group price compared to prices paid by other organizations, (d) group price compared to last price paid and (e) year-to-year group price variances compared to published indices.</p> <p>A number of success indicators were found among groups that achieved higher rates of participation and long term satisfaction: (a) careful selection goods, services and suppliers, (b) supplier capacity, (c) member and executive commitment, (d) compatible purchasing philosophies, (e) defined goals and performance measures, (f) process and contract management and (g) supplier involvement.</p> <p>Several factors may lead to tension within purchasing consortia: collective ineptitude, rigid attitudes, inequitable workload, data that is difficult to access or interpret, insufficient training or experience. Consortia leaders need to be watchful for such elements and take measures to counter them. Well established policies and guidelines; membership agreements, training workshops, working sub-committees and data systems are some of the means to overcome these situations.</p> <p>The study found no simple solutions or perfect model of purchasing collaboration, but there was considerable evidence that most groups are on the right path. Long established consortia do present compelling examples of the advantages of organizational investment and paid professional management. The efficiencies, breadth and depth of benefits achieved by Interuniversity Services Inc. (Canada), and Massachusetts Higher Education Consortium (US) rank them among the most advanced on the scale. It is important to remember the origins of ISI and MHEC, both started out as small groups of like-minded institutions and people. Volunteer-run cooperatives may find themselves on the same path of growth and may eventually evolve into affiliated or member-owned business operations.</p> <p>The experienced purchasing collaborators interviewed for this study take pride in their efforts and achievements. If cooperative purchasing in Canada were to meet the minimum goal of 10% savings on 20% of the public sector spend, rates claimed by some</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>respondents, the savings benefit to the public purse would be substantial at \$970 million. The study did not find all the answers; data was simply not available to measure the soft costs of consortium participation. None of the survey respondents quantify the value of time and effort demanded of individual representatives, or to place a value on the internal adaptations required. Another study may be able to employ the appropriate resources to develop a technique to capture this information. Continued research is essential to measure the cost and effectiveness of the e-procurement initiatives as they develop.</p>
<p>2C Australia procurement education</p>	<p>Currently the responsibility for purchasing policy lies with the Commonwealth Department of Finance and Administration. Government policy has concentrated on introducing as much competition into the business of government as possible. It has set up a special division within the Department of Finance and Administration – the Competitive Tendering and Contracting Branch - to support and monitor the implementation of this policy. However this group is as much about policing government departments in the introduction and adherence to the specific Competitive Tendering and Contracting policy rather than taking responsibility to help with purchasing in any general manner.</p> <p>In 1999, a report - <i>Report No. 369: Australian Government Procurement</i> – was produced. This report probably provides the most up to date official view on Federal Government procurement. A media release on this report states</p> <p>“The JCPAA examined whether Commonwealth entities, during the last five years, have achieved effective outcomes in the way purchasing policies are implemented, and whether Australian business has achieved more equitable outcomes arising from these policies.</p> <p>The JCPAA's overall assessment was that Commonwealth Government procurement has improved since 1994. Anecdotal evidence (sic) suggests that the culture and attitude of purchasing officers has improved, but there are still areas of government procurement that need further improvement.</p> <p>The rate of devolution in recent years has resulted in inconsistent service delivery, and a loss of oversight and coordination at the whole of government level.</p> <p>To address this situation, the JCPAA has recommended that the Department of Finance and Administration (DoFA) administer an accreditation system to assess the performance of individual agencies. In raising the prominence of purchasing, the JCPAA has called for Chief Executive Officers (CEOs) of departments and agencies to take a greater role in managing their purchasing responsibilities. In addition, the JCPAA will seek a higher level of accountability from CEOs.”</p> <p>While the last major report into Federal Government procurement was reasonably positive, currently Australian Federal Government purchasing still comes under fire. ...a local Australian newspaper reported that “Bungling, corruption and mismanagement in the Defence Department have cost the taxpayer tens of billions of dollars and put the lives of service personnel at risk... investigation reveals a litany of failures, cover-ups, delays and rotting in the defence bureaucracy. The nation's servicemen and women...are under-equipped and poorly served by their administrative chiefs. Documents obtained show that independent watchdogs within the department are compromised and their investigations vetted by senior bureaucrats. Despite dozens of internal reviews, audit reports and Senate inquiries, incompetent and negligent senior Defence bureaucrats have permitted open-ended sweetheart deals with private contractors. (Courier Mail, January 12, 2003)</p> <p>A further press report states “Defence equipment purchases are running \$5 billion over budget and tend to be at least a year late on delivery, Defence Department figures show. Cost blow-outs and delays occurred in 16 of the Government's 20 biggest defence contracts and were largely the result of adverse movements in the Australian dollar.” (Allard, 2002)</p> <p>There are a range of general mechanisms in place to monitor outcomes against the policy framework. For example, purchasing agencies must have developed annual plans, undertaken market analyses and produced other documents. Queensland Purchasing comments on these documents and gives guidance, but does not approve them. As well as looking at the quality of the plans, the outcomes of the agencies are assessed against the key objectives (including by the auditors), culminating in an annual review of performance. The second annual performance report had recently been produced; this showed significant improvement in both compliance and quality of output. It was</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>stressed that the educational framework was integral to the success of the policy framework; a policy change of this magnitude could not have been introduced without being underpinned by a robust educational framework.</p> <p>Queensland also benchmark against other jurisdictions. This has shown the quality of outcomes to be significantly better in Queensland. A further indicator of success is that the number of complaints from suppliers has decreased markedly.</p>
<p>2D Germany consortium for electricity</p>	<p>That the measurement systems of purchasing efficiency are completely decentralized, too makes it difficult to access the “whole picture”.</p> <p>DLR bundled an energy volume of about 7 Million € per year with 7 other members of Helmholtz. At the end, DLR realised savings of about 37% (which could only be realised in the first year, caused by the liberalisation of the energy market). The actual purchasing volume of the consortium is about 15 Mio. € (now with 11 members).</p> <p>Efficiency and formality have a strained relationship. In general, public procurement law, especially the “Verdingungsordnungen” offer a very good instrument to combine these goals and make purchasing decision processes clear to all interested parties. On the other hand, the influence of buyers on setting up these regulations is still too slight.</p>
<p>3B UK English National Health Service</p>	<p>Currently about 36 per cent of non-pay expenditure in the NHS is covered by national supply arrangements - between 25 per cent and 33 per cent is subject to local contracting arrangements and control. Much of the remainder - which could be up to 50 per cent of the total non-pay spend in some hospital trusts - is not currently subject to rigorous, professional purchasing and value for money processes. Increasing the influence of professional purchasing and supply on a greater percentage of spend is a key target at both national and hospital level.</p> <p>This issue of compliance to nationally negotiated supply agreements came out strongly in the post case discussion, when contrasted with the high compliance level in Canada. Canada has nearly 100% compliance, whereas in the NHS Hospitals etc will do their own thing.</p> <p>Success is our contribution to patient care, and our Corporate / business plans are geared towards that. Unfortunately [we are] not measured on our contribution to patient care, but on savings and financial benchmarks. The tendency is to focus on what is measured, rather than patient care. Needs to be less reactive.</p> <p>Publicity and media can have adverse effect. For example, New Opportunities Fund for Major Capital Equipment has been reported in the Health Service Journal as not going well, whereas in fact resources tripled.</p> <p>PASA has learnt a lot from some cases such as orthotics, where pursuit of lowest price over many years has severely affected the quality of service provided. PASA is developing appropriate responses to different markets with policy makers dependent on the outcomes required to meet NHS Plan and other targets. Standard approach may work with some markets/suppliers but “one size definitely does not fit all”.</p>
<p>3C Canada National Public Works and Services</p>	<p>The Government's management framework 'Results for Canadians' was modernizing the way government is managed, based on four principles - a greater focus on citizens, managing for results, responsible spending, and public service values.</p> <p>For PWGSC the shift to a greater client focus involves:</p> <ul style="list-style-type: none"> - senior management commitment; - fostering a client-focused orientation and staffing client-focused competencies; - building strategic client-specific business plans; - increasing communication to overcome barriers inherent in traditional structures where information resides in silos; - implementing technology that supports client service; and financing arrangements that promote client partnerships. <p>The Canadian aboriginals illustrate the difference between a rule and an outcome based system. In the past when Canadian aboriginals had to compete for government funds they received CAN \$120 million. Now that contracts are not subject to competition they receive CAN \$30 million of contracts. They were actually better off when they had to compete than when a non outcome based system is in place. See also discussion in societal factors in supply policy section.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>A typical feature of the health care system in the Netherlands is the great degree of solidarity between the sick and the healthy, old and young, rich and poor. Easy access and affordability, as well as freedom of choice, are inherited ideals which the popularity of the system still nurtures.</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>However the national Government has a growing concern over the rising cost of such an extensive service. The case suggests the number of powerful stakeholders within the health system has negated any impact professional procurement might have had. These stakeholders include not just the medical specialists who have most control, but also suppliers themselves, who have great influence on non procurement personnel. Even small suppliers can manipulate the system, as the use of a large number of suppliers makes contract management poor or non existent.</p>
4A US Federal	<p>The US Federal case raises in some detail how Federal procurement has to be planned and budgeted for. Agencies' plans for procurement are then judged on the validity of these plans, the case raises the need for long range thinking and planning in public sector procurement, linking this planning process to acquisition requirements.</p> <p>Capital acquisition planning is an integral part of an agency 's strategic planning process. The initial strategic plans include:</p> <ul style="list-style-type: none"> A comprehensive mission statement; Long-term goals, covering a five year period, for the agency and an explanation of how they will be achieved; Schedule and resource implications of goal achievement; Description of the relationship between annual performance goals in the annual performance plan and the long-term goals in the strategic plan; and Identification of external factors that could affect the achievement of long-term goals (OMB, 1997). <p>An effective strategic plan should anticipate changes in the agency's requirement for technological capabilities, identify major capital projects that are critical to implement the plan, and define the outcomes these projects will help realize. In addition to the strategic plan, three following practices appear to be critical for strategic planning to have this impact:</p> <ul style="list-style-type: none"> Agencies should involve their stakeholders, including the legislators and chief executive, and other levels of government (federal, state and local governments), third-party service providers, interest groups, agency employees, fee paying customers, and the public; Agencies should assess their internal and external environments continuously and systematically to anticipate future challenges and make adjustments so that potential problems do not become crises; Agencies should align their activities, core processes, and resources to support mission-related outcomes (GAO, 1996); and Capital assets should be planned for, acquired, and managed in the light of their ability to contribute to accomplishing program outputs and outcomes. <p>How this process is managed by IPT "integrated project teams" is reported in depth in the case.</p> <p>Compliance with the social responsibility goals is measured annually based on fiscal year (FY). Over the last 8 years small business participation in US government prime contracts has remained fairly constant at about 21% (Source Federal Procurement Data Center, 2003). During the same time frame the number of dollars going to small businesses has increased, with the exception of 1996 and 1997. In FY 01 small businesses were awarded over \$50 billion in US government prime contracts (Source Federal Procurement Data Center, 2003). The \$50 billion does not include the number of dollars flowing to small businesses as first, second, and third tier subcontractors.</p>
4B E-commerce in Australian States and European nations	<p>There appears to be a stronger emphasis in the continental European countries on the relationship between compliance with procurement regulatory requirements and the use of e-procurement. This is not the case in the United Kingdom or so much in the Australian jurisdictions; an exception being Western Australian where Government Electronic Market purchasing element facilitates compliance with the requirement to seek written quotes at relatively low value thresholds. The e-tender elements promotes compliance with the requirement to advertise all contracts above a certain threshold value. This may be a function of the more complex rules based nature of the continental European procurement policy frameworks.</p> <p>See Table 3. Policy drivers of e-procurement – cross jurisdictional analysis in main cases.</p>

Case	Outcomes/what is being valued/what is being measured?
<p>4C South Africa Province</p>	<p>A joint team of the Government of South Africa and the World Bank carried out an assessment of where public sector procurement reform stood in 2001. It found that a number of achievements were reached:</p> <p>Institutional and regulatory framework: the Government took the decision in principle to repeal the Tender Boards and the new Finance Acts encompass the essential principles of sound procurement;</p> <p>Procurement practices and procedures: Tender Board conditions, procedures and directives to departments are well documented, and fraudulent practices are not tolerated and dealt with appropriately. Some revisions were made in procurement documents and guidelines in accordance with Green Paper recommendations;</p> <p>Preferential procurement: A system was established to permit emerging small and medium enterprises to compete favourably with established companies. Although exact data on the preference system's net-results are not yet available, there is evidence that in construction contracts, the "premium" for the State was less than one percent of contract value, which would suggest an acceptable cost in the pursuit of merging the dual economies.</p> <p>Procurement process efficiency in GSSC is being driven by Information Technology. By November 2002 SAP was implemented at GSSC as a technology solution for the procurement process. This will ensure delivery against two change drivers, namely: improving process efficiency, based on standardisation and simplification; implementing an enabling new technology, such as an ERP system, with its added potential to streamline processes. GSSC Procurement is automating procurement within the Province by using the new SAP system, implemented in the GSSC. As institutions migrate to GSSC, they will be connected to the central SAP instance, via at least one terminal at each institution.</p> <p>The potential changes recommended by both the Webb Report and the CAPR dovetail well with the improvements contained within the GSSC Procurement operating model. Six key changes were identified, whereby effectiveness and efficiency will be achieved, namely:</p> <ul style="list-style-type: none"> the implementation of an overall Procurement strategy, including a BEE framework; eliminating duplication of procurement support functions throughout GPG; benefits of bulk buying, pooling of efforts and economies of scale; improving process efficiency, based on standardisation and simplification; implementing SAP as an enabling new technology, with its added potential to streamline processes; reduced stock holding and reduced wastage throughout the Shared Supply Chain. <p>The discussions raised how the "balanced scorecard" approach would underpin the work of the GSSC</p>
<p>4D United Nations</p>	<p>Each UN organization has a particular mandate and focus, and the types of goods and services purchased across the UN family varies considerably. The UN Annual Statistical Report gives a breakdown of the top ten goods and services purchased by twenty UN Agencies, but there is such diversity between Agencies that it is not readily reduced to a spend pie chart.</p> <p>Early indications from a survey are that few UN organizations have implemented e-procurement to date, despite over three quarters of respondents feeling that the time is right for the UN to start an initiative to encourage e-procurement (CRiSPS IAPWG Survey, 2003). However IAPSO itself claims to have made considerable savings and efficiency improvements through its implementation of an e-procurement system, though hard figures and analysis are difficult to come by. Double digit growth of the procurement volume in 2001, whilst reducing the workforce with equal percentages and reaching a self-financing status in the same year (after more than 20 years of subsidized life) appear impressive and an undeniable sign of success. But it is not clear whether the introduction of appropriate e-procurement tools as such has impacted on this success alone, or that the introduction of a more private style management across the board provides an alternative explanation. The exact benefits of e-procurement implementations are very often difficult to track, as in the case of IAPSO.</p> <p>UN Member Governments have pledged to achieve Millennium Development Goals, including the overarching goal of cutting poverty in half by 2015. The target is to halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day (\$1 a day is expressed in Purchasing Power Parity).</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>There is general consensus on the correctness of the notion of increased sourcing from the very countries the aid agencies are to assist in their development. Why then is the procurement from developing countries not soaring, but rather showing a almost stagnating trend over the past five years?</p> <p>The demands of the bodies mentioned above are simply not being met, and yet most UN procurement entities are working to diversify their sourcing function to accommodate these requirements. In practice it is much harder to shift the supply function from industrialised to developing countries, there are issues of quality, supply reliability, procurement staff awareness, even language, to be addressed. There are also other issues that complicate the increasing of sourcing in developing countries, for instance the UMDC's play an important role for UNDP. UNDP's procurement manual states that a shortlist of companies must include companies from; Developing Countries, UMDC's and other Donor Countries. Hence UNDP has a vested interest in ensuring that sourcing occurs in donor countries particularly those that are termed to be 'Under-Utilized'.</p>

Table U: PP as a lever for delivering government policy

Note all numbered Tables and Figures referred to can be found in the original cases in IRSP Proceedings

5.13.4 Key points About Public Procurement as a Lever for Delivering Government Policy

- ◆ Cannot assume that public policy itself is coherent, may have contradictions.
- ◆ The Procurement function as policy itself.
- ◆ The role of IT/IS in shifting procurement from process to policy.

The UN case is an example of where viewing procurement as a tool for implementing public policy can actually reveal inconsistencies and flaws in what is deemed public policy. Within the various complex networks that make up the UN there are contradictions between the stated desire to source locally, and individual national interests (and those who lobby on their behalf).

Many of the cases feature support for indigenous industry, but the most extreme example of purchasing supporting economic development is in the UN case. In the UN, maximum development impact from funds can be achieved by sourcing locally or regionally. The procurement function itself is then able to become a mechanism of development assistance, in that it provides institutional investment in local or regional businesses by contracting with them.

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The Canadian public works case illustrates how contemporary (and therefore liable to sudden change) many social engineering programmes can be. It is significant that the Canadian aboriginals were helped more in financial terms when they were in a competitive tender situation than when contracts are awarded. The discussion of green procurement and female entrepreneurship only emphasis some of the transience at the margins of public policy.

PP as a lever for delivering government policy

The implications of the cases for how public procurement can be a lever for government policy are that implementing wider public policy will involve managing conflicting tensions and a more complex process than buying on lowest price. Many of the cases appear to suggest that they do not currently have the procurement personnel to manage such a transition in procurement approach. ‘Redistributive’ policies are perhaps the most common and widely understand procurement lever for government policy, e.g., in Belgium tax returns are redistributed via procurement from north to south, and redistribution is seen in the UN policies on local (less developed nation) sourcing.

The other common example is of using procurement spend to encourage a specific group such as SMEs or HDIs. It is easy to speculate that in the future public procurement may be used to target other niches. It may be that the benefits of IT/IS in performing basic level transactions leaving procurement personnel with more time for strategic matters will play a role in giving procurement a greater role in implementing public policy. This may be what is happening in the US federal case.

5.14 Evaluating Outcomes/Performance/Results

5.14.1 Summary of Data

Case	Outcomes/what is being valued/what is being measured?
1A Australia State	<p>The goal of probity is fairly well achieved in most States. Transparency is OK in some States, but visibility of spend at Commonwealth level is poor. Western Australia, for example, produces an annual report ‘Who Buys What?’ (available at www.ssc.wa.gov.au).</p> <p>Because of the constitutional arrangements uniformity of public procurement policies remains a challenge in Australia unless a national government provides funding to coerce states into adopting a uniform procurement code. This approach has been successfully adopted by the national government in infrastructure areas such as railways, transport, and electricity generation and distribution under the National Competition Policy (1993). However, in spite of this constitutional environment, significant reform of procurement policies and practices has been implemented at national, sub-national and local government.</p> <p>In the national parliament, Senate runs an ‘Estimates Committee’ every year which looks actively for cuts in expenditure, and sits as inquisitor for each department to look at the way that Secretary’s budget is organised. In WA, most of the scrutiny occurs at Cabinet Office level, dominated by Treasury.</p> <p>Electronic initiatives, such as the Gem suite of e-Procurement products, are integral to the provision of higher quality and more timely data on government purchasing activities. Gem Tendering provides historical data on all awarded contracts, including details on the winning supplier and the total contract price.</p>
1B Belgium	<p>Structural complexity and differences of regulations by type of service/product purchased mean that there is a huge range of purchase situations; the rules are clear but complex, there is room for error, due to lack of understanding of the rules. This makes training/education and compliance monitoring very difficult.</p> <p>The Belgian public is relatively open to foreign suppliers by EU standards (see example cited earlier of public works - Portugal advertises the most in the European Union, but very few contracts are won by non-Portuguese firms).</p>
1C Singapore	<p>Public procurement in Singapore is characterised by open accessibility, competition, transparency and probity.</p> <p>There is much procedural transparency, but not decision-making transparency.</p> <p>WTO/GPA objective already achieved. GPA accession required only a few, minor changes. It has not yet been possible to assess whether the Adjudication Tribunal (to which unsuccessful bidders can appeal) has any impact, or is just nominal.</p> <p>There is some evidence of certain GLCs winning a high proportion of contracts. There are significant interlocking directorships, eg Ministers on Statutory Boards, members of</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>Statutory Boards as Directors of GLCs.</p> <p>Although public procurement in Singapore has been well-managed in terms of efficiency, probity and value for money, certain shortcomings can be noted. The tendency to emphasise price as the key yardstick in tender selection may sometimes lead to false economies rather than value for money, if the goods and services of the tenderer who has been chosen are of a lower calibre than those offered by other tenderers. Another shortcoming may be the training of procurement officers.</p>
1D US State and Local	<p>The determination of value-for-money is often neglected in the procurement process and the accounting and control systems currently in place often inhibit effective cost analysis. Bench-marking procurement practices is also waning. In both cases a number of public sector professional associations and organizations are attempting to establish standards to judge the utility of public procurement. We have not at this juncture reached agreement as to what the standards should constitute, but a number of advanced analytical techniques have been developed to evaluate procurement spend. A question that typically still can't be answered by state and local government officials is, how much money the government spends for all of its purchased materials and services in a given fiscal year?</p> <p>The end-users we are serving constantly throw back at us the adage "I don't want to be forced into taking the 'low bid'." Fortunately we have become more and more accustomed to issuing procurement documents that take into account factors other than just the dollar price. Our ability to continue to offer this creative procurement expertise is a function of training and experience.</p> <p>Value-seeking has become available not only in the formal procurement processes, but also in a general sense in any procurement which we choose to incorporate it. States are becoming more flexible in their language and regulations regarding allowing for factors other than just price. The extent to which flexibility in accepting other than the low bid is largely determined by the local politics which govern passage of such required empowering legislation.</p> <p>ISM (Institute of Supply Management) co-ordinates regular price benchmarking. This service is well-respected in manufacturing, but response rates for public sector are very low (as few as 20 respondents). Supplier collusion is rare, despite ease of access to information under sunshine laws.</p>
2A Finland Regional Consortium	<p>Achieving lower transaction costs, rather than lower prices, was the main motivation behind the consortium approach. Within this, the main focus was on the process costs associated with supplier selection. Achieving greater efficiency through introducing common processes and automating wherever possible was therefore a key objective. Reductions have been difficult to quantify precisely, although a one per cent saving on the total budget has been achieved. Despite some success, the consortium has achieved less than 20 per cent coverage (by volume). There are thought to be further gains to be made in the service sector, but no further resource is available at present to devote to consortium activities. (The consortium project has, in fact, detracted from the day-to-day work of the Kuopio city purchasing office.) This raises issues about the incentive and benefit structures. A comparison was made to UK co-operative ventures, where it tends to be the larger bodies that provide most of the resource for purchasing activities, while the smaller ones derive most of the benefit. And, because of an aversion to cross-funding, the larger bodies are not incentivised to make any further investment.</p> <p>There are lessons to be learned from this pilot project.</p> <p>There should be a critical evaluation of the number of organizations involved. In this case 80% of the purchasing volume was achieved by 5 organizations. The rest will increase the complexity but add little to purchasing value. Consortia partners with equal size of purchasing value will get the most benefits from consortia purchasing.</p> <p>Development should be made in several subprojects. These type of projects are made aside with the normal work. By forming subprojects the total work may need extra time to be finished, but partial results will be achieved in a shorter time. Showing results is important for the stakeholders.</p> <p>Quick results can be achieved in combining warehouse operations. These changes are quite easily made and visible to everybody. The main benefits will be increased efficiency and more stable operation during vacations, because warehouses typically employ only 1-3 people each warehouse. Developing cross-docking operation needs supplier recognition. Many suppliers like to have pricing for delivery and it will not change if all orders are delivered to a cross-docking operation. Also changing</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>warehousing operation to cross-docking has been uneconomical for the same reason. In developing software quick implementation is desirable, or be satisfied with lower support. Materials management software is not strategic software worth a big project, more likely it is going to replace older software with about the same functionality. The implementation of the processes and software means involving hundreds of people, who have only a partial exposure to procurement. The greatest challenge of all is to persuade people to act in a different manner. This can be enabled with software, but the great change is going to be in processes. In most software projects this part has failed so far.</p> <p>The main achievements were transportation system and a software architecture for materials management for 13 organizations. The number of product groups handled by the central procurement organization has increased by 20%. The software is designed to work for 13 organizations and their 5 different financial systems. The transportation system works together with cross-docking operations. It is used for warehouse and supplier deliveries and for local shopping. The main setbacks were in changing warehousing into cross-docking operation. The suppliers were reluctant to discuss the price structure of the changed operation. The trial itself did succeed operationally. The possible causes for supplier reluctance may be that the delivery transport is creating gross margin, secondly cross-docking can increase the competition and thirdly other customers can adapt the same type of organizations. It is also possible that the reduced costs are not achieved by one customer moving to cross-docking and possible the commercial people are not aware of the changed logistics costs.</p> <p>The second setback is that the central procurement volume is still under 20% of the total purchasing volume. In spite of the 20% increase of centrally purchased product groups the total coverage is low. One reason for it is that the project has provided a heavy workload for the purchasing office. The second reason is that the purchasing user groups did not have support enough for their work by the purchasing office.</p> <p>The third setback is that the software system has been very slow to develop and it still covers half of the prospected functionality. It has been implemented partly in two organizations. At the time when the software was selected there were few e-procurement software available at reasonable cost. Another reason is that there are no standard software solutions which can work with 13 different organizations and with 5 different financial systems. The third reason was that there was no single procedure to handle purchasing. The joint procedure should have to be developed first. Fourth reason is that addressing the software is tackling an area which formerly was decentralized to over 1000 people.</p> <p>The benefits of the project are at this phase are reduced procurement costs for all organizations. The two biggest organizations have transformed their full cost into partial cost and the smaller organization have benefited by reduced work and lower prices.</p>
<p>2B Higher ed consortia, Canada, US, UK and Australia</p>	<p>The most oft cited objective of purchasing groups is to achieve economies of scale by leveraging collective volumes. But the measurement of those savings has been a challenge for most groups. Purchasers may recognize the benefits of peer support, information sharing and fostering professional development, but most governing authorities look to cooperative purchasing as a means to reduce costs in an environment of ever shrinking resources.</p> <p>In this study, claims of savings range from 10% to 25% but only a few have tracking systems. Measures used are: (a) group price compared to price paid by individual institutions, (b) group price compared to list price, (c) group price compared to prices paid by other organizations, (d) group price compared to last price paid and (e) year-to-year group price variances compared to published indices.</p> <p>A number of success indicators were found among groups that achieved higher rates of participation and long term satisfaction: (a) careful selection goods, services and suppliers, (b) supplier capacity, (c) member and executive commitment, (d) compatible purchasing philosophies, (e) defined goals and performance measures, (f) process and contract management and (g) supplier involvement.</p> <p>Several factors may lead to tension within purchasing consortia: collective ineptitude, rigid attitudes, inequitable workload, data that is difficult to access or interpret, insufficient training or experience. Consortia leaders need to be watchful for such elements and take measures to counter them. Well established policies and guidelines; membership agreements, training workshops, working sub-committees and data systems</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>are some of the means to overcome these situations.</p> <p>The study found no simple solutions or perfect model of purchasing collaboration, but there was considerable evidence that most groups are on the right path. Long established consortia do present compelling examples of the advantages of organizational investment and paid professional management. The efficiencies, breadth and depth of benefits achieved by Interuniversity Services Inc. (Canada), and Massachusetts Higher Education Consortium (US) rank them among the most advanced on the scale. It is important to remember the origins of ISI and MHEC, both started out as small groups of like-minded institutions and people. Volunteer-run cooperatives may find themselves on the same path of growth and may eventually evolve into affiliated or member-owned business operations.</p> <p>The experienced purchasing collaborators interviewed for this study take pride in their efforts and achievements. If cooperative purchasing in Canada were to meet the minimum goal of 10% savings on 20% of the public sector spend, rates claimed by some respondents, the savings benefit to the public purse would be substantial at \$970 million. The study did not find all the answers; data was simply not available to measure the soft costs of consortium participation. None of the survey respondents quantify the value of time and effort demanded of individual representatives, or to place a value on the internal adaptations required. Another study may be able to employ the appropriate resources to develop a technique to capture this information. Continued research is essential to measure the cost and effectiveness of the e-procurement initiatives as they develop.</p>
<p>2C Australia procurement education</p>	<p>Currently the responsibility for purchasing policy lies with the Commonwealth Department of Finance and Administration. Government policy has concentrated on introducing as much competition into the business of government as possible. It has set up a special division within the Department of Finance and Administration – the Competitive Tendering and Contracting Branch - to support and monitor the implementation of this policy. However this group is as much about policing government departments in the introduction and adherence to the specific Competitive Tendering and Contracting policy rather than taking responsibility to help with purchasing in any general manner.</p> <p>In 1999, a report - <i>Report No. 369: Australian Government Procurement</i> – was produced. This report probably provides the most up to date official view on Federal Government procurement. A media release on this report states</p> <p>“The JCPAA examined whether Commonwealth entities, during the last five years, have achieved effective outcomes in the way purchasing policies are implemented, and whether Australian business has achieved more equitable outcomes arising from these policies.</p> <p>The JCPAA's overall assessment was that Commonwealth Government procurement has improved since 1994. Anecdotal evidence (sic) suggests that the culture and attitude of purchasing officers has improved, but there are still areas of government procurement that need further improvement.</p> <p>The rate of devolution in recent years has resulted in inconsistent service delivery, and a loss of oversight and coordination at the whole of government level.</p> <p>To address this situation, the JCPAA has recommended that the Department of Finance and Administration (DoFA) administer an accreditation system to assess the performance of individual agencies. In raising the prominence of purchasing, the JCPAA has called for Chief Executive Officers (CEOs) of departments and agencies to take a greater role in managing their purchasing responsibilities. In addition, the JCPAA will seek a higher level of accountability from CEOs.”</p> <p>While the last major report into Federal Government procurement was reasonably positive, currently Australian Federal Government purchasing still comes under fire. ...a local Australian newspaper reported that “Bungling, corruption and mismanagement in the Defence Department have cost the taxpayer tens of billions of dollars and put the lives of service personnel at risk... investigation reveals a litany of failures, cover-ups, delays and rotting in the defence bureaucracy. The nation's servicemen and women...are under-equipped and poorly served by their administrative chiefs. Documents obtained show that independent watchdogs within the department are compromised and their investigations vetted by senior bureaucrats. Despite dozens of internal reviews, audit reports and Senate inquiries, incompetent and negligent senior Defence bureaucrats have permitted open-ended sweetheart deals with private contractors. (Courier Mail, January</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>12, 2003)</p> <p>A further press report states “Defence equipment purchases are running \$5 billion over budget and tend to be at least a year late on delivery, Defence Department figures show. Cost blow-outs and delays occurred in 16 of the Government's 20 biggest defence contracts and were largely the result of adverse movements in the Australian dollar.” (Allard, 2002)</p> <p>There are a range of general mechanisms in place to monitor outcomes against the policy framework. For example, purchasing agencies must have developed annual plans, undertaken market analyses and produced other documents. Queensland Purchasing comments on these documents and gives guidance, but does not approve them. As well as looking at the quality of the plans, the outcomes of the agencies are assessed against the key objectives (including by the auditors), culminating in an annual review of performance. The second annual performance report had recently been produced; this showed significant improvement in both compliance and quality of output. It was stressed that the educational framework was integral to the success of the policy framework; a policy change of this magnitude could not have been introduced without being underpinned by a robust educational framework.</p> <p>Queensland also benchmark against other jurisdictions. This has shown the quality of outcomes to be significantly better in Queensland. A further indicator of success is that the number of complaints from suppliers has decreased markedly.</p>
<p>2D Germany consortium for electricity</p>	<p>That the measurement systems of purchasing efficiency are completely decentralized, too makes it difficult to access the “whole picture”.</p> <p>DLR bundled an energy volume of about 7 Million € per year with 7 other members of Helmholtz. At the end, DLR realised savings of about 37% (which could only be realised in the first year, caused by the liberalisation of the energy market). The actual purchasing volume of the consortium is about 15 Mio. € (now with 11 members).</p> <p>Efficiency and formality have a strained relationship. In general, public procurement law, especially the “Verdingungsordnungen” offer a very good instrument to combine these goals and make purchasing decision processes clear to all interested parties. On the other hand, the influence of buyers on setting up these regulations is still too slight.</p>
<p>3B UK English National Health Service</p>	<p>Currently about 36 per cent of non-pay expenditure in the NHS is covered by national supply arrangements - between 25 per cent and 33 per cent is subject to local contracting arrangements and control. Much of the remainder - which could be up to 50 per cent of the total non-pay spend in some hospital trusts - is not currently subject to rigorous, professional purchasing and value for money processes. Increasing the influence of professional purchasing and supply on a greater percentage of spend is a key target at both national and hospital level.</p> <p>This issue of compliance to nationally negotiated supply agreements came out strongly in the post case discussion, when contrasted with the high compliance level in Canada. Canada has nearly 100% compliance, whereas in the NHS Hospitals etc will do their own thing.</p> <p>Success is our contribution to patient care, and our Corporate / business plans are geared towards that. Unfortunately [we are] not measured on our contribution to patient care, but on savings and financial benchmarks. The tendency is to focus on what is measured, rather than patient care. Needs to be less reactive.</p> <p>Publicity and media can have adverse effect. For example, New Opportunities Fund for Major Capital Equipment has been reported in the Health Service Journal as not going well, whereas in fact resources tripled.</p> <p>PASA has learnt a lot from some cases such as orthotics, where pursuit of lowest price over many years has severely affected the quality of service provided. PASA is developing appropriate responses to different markets with policy makers dependent on the outcomes required to meet NHS Plan and other targets. Standard approach may work with some markets/suppliers but “one size definitely does not fit all”.</p>
<p>3C Canada National Public Works and Services</p>	<p>The Government's management framework 'Results for Canadians' was modernizing the way government is managed, based on four principles - a greater focus on citizens, managing for results, responsible spending, and public service values.</p> <p>For PWGSC the shift to a greater client focus involves:</p> <ul style="list-style-type: none"> - senior management commitment; - fostering a client-focused orientation and staffing client-focused competencies; building strategic client-specific business plans;

Case	Outcomes/what is being valued/what is being measured?
	<p>- increasing communication to overcome barriers inherent in traditional structures where information resides in silos; - implementing technology that supports client service; and financing arrangements that promote client partnerships.</p> <p>The Canadian aboriginals illustrate the difference between a rule and an outcome based system. In the past when Canadian aboriginals had to compete for government funds they received CAN \$120 million. Now that contracts are not subject to competition they receive CAN \$30 million of contracts. They were actually better off when they had to compete than when a non outcome based system is in place. See also discussion in societal factors in supply policy section.</p>
<p>3D Netherlands National purchasing of healthcare provision</p>	<p>A typical feature of the health care system in the Netherlands is the great degree of solidarity between the sick and the healthy, old and young, rich and poor. Easy access and affordability, as well as freedom of choice, are inherited ideals which the popularity of the system still nurtures.</p> <p>However the national Government has a growing concern over the rising cost of such an extensive service. The case suggests the number of powerful stakeholders within the health system has negated any impact professional procurement might have had. These stakeholders include not just the medical specialists who have most control, but also suppliers themselves, who have great influence on non procurement personnel. Even small suppliers can manipulate the system, as the use of a large number of suppliers makes contract management poor or non existent.</p>
<p>4A US Federal</p>	<p>The US Federal case raises in some detail how Federal procurement has to be planned and budgeted for. Agencies' plans for procurement are then judged on the validity of these plans, the case raises the need for long range thinking and planning in public sector procurement, linking this planning process to acquisition requirements.</p> <p>Capital acquisition planning is an integral part of an agency 's strategic planning process. The initial strategic plans include:</p> <ul style="list-style-type: none"> A comprehensive mission statement; Long-term goals, covering a five year period, for the agency and an explanation of how they will be achieved; Schedule and resource implications of goal achievement; Description of the relationship between annual performance goals in the annual performance plan and the long-term goals in the strategic plan; and Identification of external factors that could affect the achievement of long-term goals (OMB, 1997). <p>An effective strategic plan should anticipate changes in the agency's requirement for technological capabilities, identify major capital projects that are critical to implement the plan, and define the outcomes these projects will help realize. In addition to the strategic plan, three following practices appear to be critical for strategic planning to have this impact:</p> <ul style="list-style-type: none"> Agencies should involve their stakeholders, including the legislators and chief executive, and other levels of government (federal, state and local governments), third-party service providers, interest groups, agency employees, fee paying customers, and the public; Agencies should assess their internal and external environments continuously and systematically to anticipate future challenges and make adjustments so that potential problems do not become crises; Agencies should align their activities, core processes, and resources to support mission-related outcomes (GAO, 1996); and <p>Capital assets should be planned for, acquired, and managed in the light of their ability to contribute to accomplishing program outputs and outcomes.</p> <p>How this process is managed by IPT "integrated project teams" is reported in depth in the case.</p> <p>Compliance with the social responsibility goals is measured annually based on fiscal year (FY). Over the last 8 years small business participation in US government prime contracts has remained fairly constant at about 21% (Source Federal Procurement Data Center, 2003). During the same time frame the number of dollars going to small businesses has increased, with the exception of 1996 and 1997. In FY 01 small businesses were awarded over \$50 billion in US government prime contracts (Source Federal Procurement Data Center, 2003). The \$50 billion does not include the number of dollars flowing to small businesses as first, second, and third tier subcontractors.</p>

Case	Outcomes/what is being valued/what is being measured?
4B E-commerce in Australian States and European nations	<p>There appears to be a stronger emphasis in the continental European countries on the relationship between compliance with procurement regulatory requirements and the use of e-procurement. This is not the case in the United Kingdom or so much in the Australian jurisdictions; an exception being Western Australian where Government Electronic Market purchasing element facilitates compliance with the requirement to seek written quotes at relatively low value thresholds. The e-tender elements promotes compliance with the requirement to advertise all contracts above a certain threshold value. This may be a function of the more complex rules based nature of the continental European procurement policy frameworks.</p> <p>See Table 3. Policy drivers of e-procurement – cross jurisdictional analysis in main cases.</p>
4C South Africa Province	<p>A joint team of the Government of South Africa and the World Bank carried out an assessment of where public sector procurement reform stood in 2001. It found that a number of achievements were reached:</p> <p>Institutional and regulatory framework: the Government took the decision in principle to repeal the Tender Boards and the new Finance Acts encompass the essential principles of sound procurement;</p> <p>Procurement practices and procedures: Tender Board conditions, procedures and directives to departments are well documented, and fraudulent practices are not tolerated and dealt with appropriately. Some revisions were made in procurement documents and guidelines in accordance with Green Paper recommendations;</p> <p>Preferential procurement: A system was established to permit emerging small and medium enterprises to compete favourably with established companies. Although exact data on the preference system's net-results are not yet available, there is evidence that in construction contracts, the "premium" for the State was less than one percent of contract value, which would suggest an acceptable cost in the pursuit of merging the dual economies.</p> <p>Procurement process efficiency in GSSC is being driven by Information Technology. By November 2002 SAP was implemented at GSSC as a technology solution for the procurement process. This will ensure delivery against two change drivers, namely: improving process efficiency, based on standardisation and simplification; implementing an enabling new technology, such as an ERP system, with its added potential to streamline processes. GSSC Procurement is automating procurement within the Province by using the new SAP system, implemented in the GSSC. As institutions migrate to GSSC, they will be connected to the central SAP instance, via at least one terminal at each institution.</p> <p>The potential changes recommended by both the Webb Report and the CAPR dovetail well with the improvements contained within the GSSC Procurement operating model. Six key changes were identified, whereby effectiveness and efficiency will be achieved, namely:</p> <ul style="list-style-type: none"> the implementation of an overall Procurement strategy, including a BEE framework; eliminating duplication of procurement support functions throughout GPG; benefits of bulk buying, pooling of efforts and economies of scale; improving process efficiency, based on standardisation and simplification; implementing SAP as an enabling new technology, with its added potential to streamline processes; reduced stock holding and reduced wastage throughout the Shared Supply Chain. <p>The discussions raised how the 'balanced scorecard' approach would underpin the work of the GSSC</p>
4D United Nations	<p>Each UN organization has a particular mandate and focus, and the types of goods and services purchased across the UN family varies considerably. The UN Annual Statistical Report gives a breakdown of the top ten goods and services purchased by twenty UN Agencies, but there is such diversity between Agencies that it is not readily reduced to a spend pie chart.</p> <p>Early indications from a survey are that few UN organizations have implemented e-procurement to date, despite over three quarters of respondents feeling that the time is right for the UN to start an initiative to encourage e-procurement (CRiSPS IAPWG Survey, 2003). However IAPSO itself claims to have made considerable savings and efficiency improvements through its implementation of an e-procurement system, though hard figures and analysis are difficult to come by. Double digit growth of the</p>

Case	Outcomes/what is being valued/what is being measured?
	<p>procurement volume in 2001, whilst reducing the workforce with equal percentages and reaching a self-financing status in the same year (after more than 20 years of subsidized life) appear impressive and an undeniable sign of success. But it is not clear whether the introduction of appropriate e-procurement tools as such has impacted on this success alone, or that the introduction of a more private style management across the board provides an alternative explanation. The exact benefits of e-procurement implementations are very often difficult to track, as in the case of IAPSO.</p> <p>UN Member Governments have pledged to achieve Millennium Development Goals, including the overarching goal of cutting poverty in half by 2015. The target is to halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day (\$1 a day is expressed in Purchasing Power Parity).</p> <p>There is general consensus on the correctness of the notion of increased sourcing from the very countries the aid agencies are to assist in their development. Why then is the procurement from developing countries not soaring, but rather showing a almost stagnating trend over the past five years?</p> <p>The demands of the bodies mentioned above are simply not being met, and yet most UN procurement entities are working to diversify their sourcing function to accommodate these requirements. In practice it is much harder to shift the supply function from industrialised to developing countries, there are issues of quality, supply reliability, procurement staff awareness, even language, to be addressed. There are also other issues that complicate the increasing of sourcing in developing countries, for instance the UMDC's play an important role for UNDP. UNDP's procurement manual states that a shortlist of companies must include companies from; Developing Countries, UMDC's and other Donor Countries. Hence UNDP has a vested interest in ensuring that sourcing occurs in donor countries particularly those that are termed to be 'Under-Utilized'.</p>

Table V: Evaluating Outcomes/Performance/Results

Note all numbered Tables and Figures referred to can be found in the original cases in IRSPP Proceedings

5.14.2 Key Points About Evaluating Outcomes

- ◆ Lack of agreement in the cases on what is to be measure and by whom.
- ◆ Several of the cases describe attempts to improve the quality of procurement data.
- ◆ The issue of translating large scale goals via a system touched by many stakeholders.
- ◆ New procurement metrics capable of dealing with trade offs between cost and other, perhaps conflicting, objectives may be needed.

A topic area as central to any form of procurement as outcomes and results seems an appropriate place to re-state the finding that lack of agreement on what is measured, and by whom appears more common across the cases than consensus.

Several of the cases highlight important new work on establishing better data for procurement decision making. The Gauteng case featured an extensive spend review whilst the Australian state case reports on the new GEM system improving standards of data collection. The US state/local case highlights a key issue with regard to continuing gaps in procurement information – that it is often no one's specific responsibility to collect it. This US case also raises the cost in time of gathering data for cost analysis and benchmarking. In the Canadian study of higher education consortia it was raised that consortia members did not attempt to record/cost the amount of time they dedicated to the consortia, not the impact/cost of any internal adaptations they had to make as a result of consortia activity.

The US cases suggested the US federal government has gone a long way in translating centralised overseeing of local contracting into procedures that can take account of criteria beyond price, highlighting the connection between planning and budgeting more strongly than

the other cases, creating a mechanism that allows for a (potentially) sophisticated review of acquisition needs. There appeared to be considerable scope in such a system for interventions by politicians. In the English NHS case procurement appeared to be in a divide between patient and financial outcomes; the two outcomes appeared to trade off against one another in many instances. The issue also raised how, when, and at what level interventions should be made in such a complex system. Procurement professionals however have more influence than in the Netherlands health system. It is perhaps in the UN IAPSO case that the problem of translating large scale – and therefore to some extent amorphous – goals into precise strategies is at its starkest. In the UN case there is a suggestion that the grander goals become, the more individual department/agency responsibility can recede. The Gauteng province case provides an example of how procurement can attempt to quantify and co-ordinate ‘visionary’ government policies.

The Singapore case provides an example of the contribution procurement can make to government goals indirectly. It has long been the aim of Singapore to be seen as an international business and trade centre. Achieving this target includes making Singapore an attractive place for international business activities. The probity and transparency of public procurement in Singapore makes an important possibly critical contribution to securing Singapore’s international reputation. Similarly in the Belgian case, an important responsibility of the national government is to maintain acknowledgment of the diversity of nationalities and cultural groups that make up the Belgian state. Through its openness and devolved nature public procurement in Belgium helps to ensure this need for diversity is recognised and practised. (The success of the regional consortia in the Finnish case may play a similar role in boosting local/regional feelings.) The role of Gauteng province procurement in establishing black businesses (and other historically disadvantaged minorities) is clearer as it is a special initiative, and is dealt with in the next section on public procurement as a lever for social policy. What this section has suggested though is that some outcomes are in themselves part of wider public policy rather than specific initiatives.

Incentives were generally regarded as a poorly managed part of public procurement. Giving suppliers sufficient incentive was often impeded by rules and procedures designed to prevent fraud or corruption. Transparency of process – tenders, bid documents etc was often recommended. The US federal government, with one of the most transparent systems, had succeeded in introducing performance awards for high performing suppliers. The complex Dutch healthcare case was viewed as one where the incentives provided within the system were sending out the wrong signals. Many players in the value chain but all with different and possibly opposing objectives leads to inefficient operations. The cure is to not change the operation but change the incentives inherent to the system.

Although commonality could be observed in the core principles by which the various national procurement offices work, e.g., shared values like probity and transparency and value for money, there was not the same consensus on outcomes. The English NHS case and the Gauteng province case suggest that where broader objectives are set than simply price or cost, new procurement metrics will be needed, capable of dealing with trade offs between cost and other, perhaps conflicting, objectives.

6 Summary

This final section of the report presents findings relating to the research process (6.1), a brief summary of key findings (6.2), and concluding comments (6.3), reflecting on IRSPP1 and potential future joint research.

6.1 Describing, Categorising and Comparing Cases

The experience of the workshop and subsequent analysis of the huge body of data it created has helped us understand better how to frame descriptions and analyses of public sector purchasing. This has two practical benefits. First, it will be easier to specify the structure for any cases prepared for future IRSPP activities. Second, the revised analytic framework could be used to enable benchmarking activities, not just for more academically-oriented analysis.

6.1.1 Categories of Case Foci

The cases discuss many different parts of the public sector in many countries. ‘Part of the public sector’ refers to many different units of analysis and system levels, which can be regarded in four categories:

1. Some cases discuss purchasing across a particular **level of government**
Cases 1B and 1C (Belgium and Singapore) – purchasing in a nation.
Case 4A – federal purchasing in the US.
Case 4D – purchasing in an international organization, which is itself a complex network (United Nations).
Case 1A and 4C (Western Australia and Gauteng Province, South Africa) – purchasing at state/province /regional level.
Case 1D combines state and local/municipal purchasing in the US.
2. Other cases take a **public service** as their focus.
Cases 3B and 3D address the health service in England and the Netherlands, covering all relevant levels from national to local.
3. A third set of cases take as their starting point a particular **public organization**.
Cases 2A and 3C are centred on particular purchasing organizations within the public sector (respectively, a Finnish purchasing consortium and a Canadian national purchasing agency).
Case 2D is focused on a German national agency, which provides a highly specialist public service.
4. The final set of cases presented at the workshop related the findings of comparative studies of particular **themes**:
Case 2B on higher education consortia; Case 2C on procurement education in Australia;
Case 4B on e-commerce.

This categorisation refers to the main focus of the case. Cases may be compared between, not just within, these categories. For example, the English NHS case features a national purchasing agency that can be compared to the agency in Case 3C. Similarly, it was valuable to compare regulation, and attitudes to regulation, across all cases.

6.2 Summary of Key Findings

6.2.1 Macro-environment

The categorisation of political, social, technological and economic factors is a useful one as a starting point in case description and analysis, but cannot be rigidly applied as many of the key issues overlap.

Two political factors were highly evident among the cases: first, the prevalence of the ‘new public economy ideologies’, including ‘modernisation’ of the public sector, and second the relative power of the national/federal vs. state/region.

In economic terms, there is wide variation between the cases in net spending by the public sector.

The attention paid by government to the needs of disadvantaged groups, and the extent to which this featured in public procurement, was a key factor which spans the political, social and economic categories.

With the exception of electronic commerce, technological factors featured very little in the written cases and discussion.

Geographical factors were discussed and should be explicitly considered in any future IRSP work.

6.2.2 Focal Public Services

Two cases were about health services in a nation and one case was an international comparative analysis of higher education co-operative purchasing. Most cases, however, covered a mix of services, with the case boundaries primarily determined by the level of analysis (e.g., a national perspective of a regional ‘cut’).

The level of detail provided about the relevant services necessarily varied a great deal between cases. For the purpose of this study, and future IRSP activities, the importance of this category is that it helps describe the context in which purchasing and supply operates, and therefore the opportunities and potential limitations of cross-case comparisons.

IRSP1 participants have extensive public sector experience and an appreciation of its complexity. Despite this, many found that, together, the cases provided striking evidence of the sheer scale and complexity of public services and public procurement.

6.2.3 Purchasing and Supply

	Key insights
Governance: <ul style="list-style-type: none"> • Stakeholders’ expectations of the service • Accountability, regulation and audit • Evaluating outcomes 	Conflicting expectations: e.g., higher quality services at lower cost. All cases share emphasis on probity, etc. In most cases, compliance with rules is the principal means by which performance is evaluated, not the outcomes of the purchasing decision. There were major differences in attitudes to rules and regulations. Germany, Belgium and the US (federal) have highly complex PP regulations; whilst in the first two this seemed appropriate and desirable, ‘process streamlining’ is an important concern in the US. Sanctions for failure to perform or comply with regulations affect civil servants more than politicians.

<p>Boundaries and network context</p> <ul style="list-style-type: none"> • Suppliers • Recipients • Competition 	<p>The supply markets and suppliers with which purchasing and supply people interact were not extensively covered in this study, except in the case of disadvantaged groups and what can be done to encourage them as suppliers. Discussion on this issue highlighted just how important public procurement can be as a lever for socio-economic reform. Recipients and competition were not often directly mentioned. Rather, the role of recipients was addressed through discussion about stakeholders and awarding contracts.</p>
<p>Strategy</p>	<p>In most cases, changes to public procurement are a secondary effect of more general plans for public sector reform. There are however a few ‘direct connections’ such as: Singapore’s emphasis on procurement process to consolidate its reputation as a good place for international business; e-commerce as an opportunity for being seen to be modernising; public procurement as a lever for socio-economic reform (particularly emphasised in South Africa).</p>
<p>Structure and organization Activities</p>	<p>In terms of structure and organizations, the role of politicians varied from determining structure of purchasing and supply services directly (for example through reorganizations immediately before or after elections), to determining the ‘system’ (the structure of public services generally and principles for public procurement). Supplier qualification was regarded as an important process because it can improve or constrain suppliers’ and buyers’ access to one another, and because it is used to verify the status of suppliers (thus affecting credibility and perceptions of fairness, and efforts to enable disadvantaged groups). Efforts to improve contract award processes (e.g., most economically advantageous rather than lowest price criterion, and outcome-based specifications) were being made, but were often problematic. The (formal and informal) role of politicians in making contract award decisions varied widely. Consortium purchasing was extensive in some countries and very rare in others. Initially, motives for taking part are short-term and more operational (savings-focus); only longer established consortia move on to more strategic objectives.</p>
<p>Infrastructure</p> <ul style="list-style-type: none"> • People • Finance • IT/IS 	<p>Inadequate e-literacy is constraining the uptake of e-commerce. There are skills shortages, and the challenges of addressing these are substantial. In some cases, personnel can readily move between the public and private sectors; in others this is rare (notably where regulations are very complex and legal skills/qualifications are favoured). In some countries, top purchasing and supply people are on short-term employment contracts, and this is considered to have very important effects on their ability to lead. Lack of information was considered a major constraint on improving purchasing and supply practices in several cases. e-enabled commerce could help with this, but also presents important risks of disenfranchising some suppliers. How purchasing and supply services are financed and purchasing and supply people are rewarded featured to some extent in discussions. Funding mechanisms, remuneration etc have an impact on quality of service, but also how purchasing and supply services are perceived by budget holders and other stakeholders.</p>

Table W: Summary of key findings

6.2.4 Notable Gaps

As well as key themes summarised above (6.2 Summary of Key Findings) that did feature prominently in the cases and workshop discussion, there are a number of important, inter-related issues that have been noted for their absence.

Management of contracts post-award

There was very little discussion of how contracts are managed post-award. This could reflect the terminology used and guidance provided in organizing the study, or may reflect a major discontinuity in practice, or both. Budget holders, not purchasing professionals, may be accountable for the management of contracts once they are awarded; nevertheless, this issue should be seen as an integral theme within IRSP.

Trade agreements and regulations

There was a great deal of discussion about regulation and attitudes towards regulation. Most of the discussion seemed to assume that regulation, especially international regulation, is a 'given'. There was general agreement that trade agreements are designed around the markets and the methods of 50-100 years ago. They work adequately for construction and goods contracting, but not for services. IT, especially, cannot be procured effectively within the current rules. New pathways are needed to achieve change, this is a major international procurement issue which will not resolve itself. IRSP could provide a strong evidence base on which to argue for a change in approach.

Supplier and supply market management

Though these issues were mentioned, they were not extensively covered.

Recipients and competing providers

These two elements were poorly covered in descriptions of both the focal public service(s), and purchasing and supply. For the latter, this seems an important omission. Relations with budget holders are a central aspect of managing supply, and competing providers (e.g., providers of outsourced P&S services) could have a fundamental impact on infrastructure (people, IT/IS and finance).

6.3 Concluding Comments

This study was initiated because several IRSP1 participants shared a concern that there is insufficient research on purchasing and supply in the public sector, and what little there is risks duplication of effort and yet fragmented outputs. IRSP1 is a wide-ranging, exploratory study; whilst there were clear objectives for the workshop, there were no pre-determined research questions.

A core theme through the streams was the absence of cross national definitions. One example given was language differences, for example 'privatisation' means different things in different countries: it can be used in the sense of capping government and encouraging the private sector, or as outsourcing. Stream one identified an absence of a definition of what a public service is. What constitutes a small business was any area without consensus. A small business in the US is a medium-to large one by size in Australia and a large one in South Africa. In the US 'small' is not only small size, but has to do with domestic business content. In terms of transferring knowledge and 'good practice' national procurement entities therefore face barriers relating to understanding the specific context of practices in other nations.

The wide variety of cases provided an extremely rich picture of public procurement in many different settings, across national boundaries and in different forms and levels of the public services. Through the case presentations and enthusiastic debates that followed, a considerable amount of learning took place at the workshop. It is notable that the differences between cases were as informative as the similarities (e.g., in mapping the extent of regulation and attitudes to regulation), and cases which were outliers according to some criteria helped gain a greater understanding of important themes (e.g., the Gauteng Province case: South Africa is atypical in explicitly recognising public procurement as a lever for change within its constitution).

This rich variety also presented the authors of this report with the technical challenge of comparing cases that were not structurally similar. To do this, a previously published model was used as an analytic framework. Through several iterations of reading, coding and interpreting the data, the framework has been adapted. The revised framework is regarded here as one of the findings – beyond IRSPP1 it could be used in the future to structure case descriptions, compare specific elements of cases, and to frame other analyses, including practitioner benchmarking exercises.

The study highlighted the extreme complexity in the multi-level systems that connect government policy, procurement policy, and practice in the supply market. Whilst some very large, multi-national, diverse private sector groups exhibit complexity, the scale and nature of the complexity appears ‘simpler’ in the private sector than was observed in this study.

Despite the lack of international learning in the field, there were many similarities of aspirations, policies, strategies and processes across the international jurisdictions represented. The core drivers of procurement policy being aligned to, and supporting delivery of, government policy on issues such as social reform positions public procurement as distinctly different to procurement in the private sector. Some imperatives arising from technology availability in the form of e-procurement causes common issues to surface in the public and private sectors; however, the public sector will still treat the issue differently, for example in ameliorating the impact on the SME community, or the impact on less developed nations. The most striking observation from the study was the substantial impact of social reform upon the field. Academically, this prompts a stretching of the field to look to disciplines beyond purchasing, supply and operations management, towards sociology, psychology, socio-economics, organisational theory and other knowledge bases where theories and concepts exist that enable treatment of complex, multi- and interdisciplinary issues with social features.

The closing plenary and subsequent analysis reveal several important insights related to leadership and practice. In the Finnish case the purchasing manager of the bigger cities in the consortium as the driver creating enthusiasm and making sure it worked. This was in spite of the fact that the smaller members had more to gain. In Canada the local purchasing units got together to take an initiative because they felt that if they didn’t something less desirable would be mandated ‘from above’. In Australian procurement education we see training programmes being created because of a vacuum at the centre. Professional bodies, companies, higher-level government were very inactive so it required someone with a passion for the profession to start the ball rolling. Similar personal enthusiasm or ‘charisma’ was also evident in other cases.

The argument was made in the closing plenary session that entrepreneurial activity was necessary, whilst also working within existing restraints. Simplistically, on one hand there is a risk averse, rule following person, and on the other a more entrepreneurial type of person, wanting to get things done regardless of the consequences. A distinction was made amongst four types:

- Risk Averse vs. Value Pursuing
- Rule Appliers vs. Value Adders.

Almost all the cases show the creation of procurement organisations being driven by government reviews originally, then reorganised by choice. In fact, political decisions are often seen as creating the structures through which procurement acts. This led some participants to say that procurement is not recognised as strategic activity; essentially it is seen as being simple – something that politicians think of last, if at all. It is easy to conclude that the potential contribution of public procurement is constrained by being seen as a non-strategic activity and by the frequency of major change, which can mean there is no opportunity to reap the benefits of reorganizations and ‘special’ initiatives.

We expect the International Research Study of Public Procurement to extend well beyond this first workshop. Specific objectives for any future events will be determined in consultation with IRSPPI participants; we are now much better placed to define in advance the particular research questions that would be addressed. Future events could be centred around further cases such as in IRSPPI or, more likely, on particular themes. Taking account of what was extensively discussed in Budapest, and the notable gaps, these themes could include:

- ◆ Public procurement as a lever of social reform
- ◆ Sustainability
- ◆ Information to support public procurement
- ◆ Appropriate levels of procurement decision making in large, complex, confederal public sector networks
- ◆ Addressing the skills and competences shortfall
- ◆ An integrated perspective of the process (linking pre and post-award contract management)
- ◆ Incentives and performance
- ◆ Changing regulation
- ◆ Suppliers and supply markets
- ◆ Relations with budget holders.

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8 Appendix A: Participants

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 Coordinators: Katy McKen and Louise Knight
 Stream Chairs: Jan Telgen, Christine Harland, Richard Lamming, Roxanne Sutton
 Facilitators: Helen Walker, Wendy Phillips, Nigel Caldwell, Hanke Telgen, Luitzen de Boer, Samantha Forrest, Louise Knight
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8.1 Case Presenters:

COUNTRY	NAME	ROLE	ORGANIZATION
Australia	Christine Tonkin	Director	Queensland Purchasing
Australia	Guy Callender	Chair of Leadership in Strategic Procurement	Curtin University of Technology, Perth
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Australia	Paul Schapper	Chief Executive, Dept of Industry & Technology	Government of Western Australia
Belgium	Bert Baeyens	Lecturer	Public Procurement Management
Belgium	Marc Martel	Lt Col & Lecturer	Ministry of Defence
Canada	Mary Aylesworth	Director, Supply & Services Group	University College of the Fraser Valley
Canada	John Read	Director, Acquisition Progress Policy & Programs	Public Works & Government Services Canada
Denmark	Johan van de Gronden	Director	UNDP/IAPSO
Denmark	Karsten Bloch	Manager, ICT & E-Commerce	IAPSO
Finland	Veli-Matti Virolainen	Professor of Purchasing & Supply Management	Lapeenranta University of Technology
Finland	Timo Kivisto	Consultant	Timo Kivisto Consulting
Germany	Michael Essig	Chair for Materials Management & Distribution	Bundeswehr University Munich
Germany	Berthold Schafer	Purchasing Director	German Aerospace Centre
Netherlands	Jan Telgen	Professor	University of Twente
Netherlands	Henk van Vliet	Deputy General Secretary	National Health Tariffs Authority (CTG)
Singapore	David Jones	Adjunct Professor	Singapore Management University
South Africa	Hannie Badenhorst	Professor	University of South Africa
South Africa	Karen van Vuuren	General Manager, Procurement	Gauteng Shared Services
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UK	Andrew Rudd	Associate Director of Purchasing	NHS Purchasing & Supply Agency
USA	Khi Thai	Director, Public Procurement Research Centre	Florida Atlantic University
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US	Cliff McCue	Associate Professor	Florida Atlantic University
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8.2 Inquirers:

COUNTRY	NAME	ROLE	ORGANIZATION
Australia	Jim McGuire	Director, Contract Services	Government of South Australia
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Hungary	Laszlo Ketszeri	Head of Department	Directorate of Public Procurement and Economic Management, Prime Minister's Office
Italy	Nicola Costantino	Associate Professor	Politecnico di Bari
Netherlands	Peter Leyenaar	Managing Director	Government Office for Professional Procurement
Netherlands	Albert Blom	Council Member Retired Purchasing Director	NEVI Research Council Thales/Signaal
UK	Stuart Humby	Visiting Senior Fellow Past President	CRiSPS, University of Bath International Federation of Purchasing and Materials Management
UK	Ken James	Chief Executive	Chartered Institute of Purchasing and Supply
UK	Richard Lamming	CIPS Professor	CRiSPS, University of Bath
UK	Tom McGuffog	Visiting Professor of Business Chairman	University of Glasgow UK Partners for Electronic Business
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