



## Encyclopedic Dictionary of Public Administration

The reference for understanding government action

## PUBLIC PROCUREMENT

*Paul-Émile Arsenault, Visiting administrator  
École nationale d'administration publique  
[paul-emile.arsenault@enap.ca](mailto:paul-emile.arsenault@enap.ca)*

The expression “public procurement” designates the process by which a government, in order to have work carried out or to acquire the goods and services required to discharge its duties, engages a private enterprise through a contract that establishes financial and other terms.

The procurement cycle consists of three main stages. The first stage, which prepares the way for the tendering process, includes needs assessment, the preparation of project specifications and the selection of a contract award procedure. The second stage covers operations related to the invitation to tender, bid evaluation and the awarding of a contract. The third stage comprises contract management, monitoring and payment (OECD, 2008).

Throughout history, governments have been obliged to procure goods and services in order to operate, if only to ensure their defence or carry out public works required for the well-being of their societies. However, the nature of procurement has changed over time, with the expansion of the state's role, the liberalization of trade and advent of information and communications technologies (ICTs).

The evolution observed in the realm of purchasing and public works may be illustrated with the example of Canada. In 1846, the Department of Public Works was established by the government to manage public buildings and construct major infrastructures such as waterways, telegraph lines and railways (Public Works and Government Services Canada, 1986). For a long time, the only purchases regulated by law were those made for the Department of National Defence. Purchasing in other departments and in civilian agencies remained dispersed and fragmented. It was not until 1954 that regulations were adopted, setting out a tendering procedure that was to be followed by all departments and agencies. In the early 1960s, a royal commission of inquiry, mandated to report on the organization of the federal government, revealed numerous shortcomings in procurement and recommended that a central agency be set up to simplify procedures and make use of bulk purchasing (Canada, 1962).

The notion of public procurement has spread above all through international trade treaties. The General Agreement on Tariffs and Trade (GATT), first negotiated in 1947, stipulates that “the procurement by governmental agencies of products purchased for governmental purposes” is expressly excluded from the application of multilateral agreements on trade (WTO). It was not until the early 1970s that the European Union adopted its first directives concerning public procurement procedures between countries (Commission of the European Communities, 1996). In 1979, following trade negotiations conducted within the framework of the Tokyo Round, the first international agreement on public procurement was signed. This scope of this agreement, which covered only trade in goods and entities in central governments, was extended to the service and construction sectors and to sub-central governments with the signing of the Agreement on

## PUBLIC PROCUREMENT

Government Procurement (GPA) in 1994, at the same time that the World Trade Organization (WTO) was founded.

Negotiations conducted among nations to reduce trade barriers, whether in the context of the WTO, the European Union or treaties like the North American Free Trade Agreement, caused many countries to revise their procurement regulations. This was notably the case in France, where the *Code des marchés publics* (procurement code) was amended several times. Similarly, the Canadian government undertook a revision of its procurement policy to ensure that it conformed to international agreements (GPA-WTO, NAFTA and other bilateral agreements), as well as the Agreement on International Trade (AIT), which is adhered to by all Canadian provinces and territories (Public Works and Government Services, 2012).

ICTs have become essential tools for stimulating competitiveness in the contracting process (Commission of the European Communities, 1998). More and more governments provide a Web portal that facilitates access to the rules and procedures that apply to public procurement. Electronic procedures make it possible for bidders and civil servants to enter into discussions in real time, providing further impetus to the trend toward dematerialization in the public procurement sector.

According to the available data, government purchasing accounts for 15% of the gross domestic product of all the world's nations. Government procurement contracting thus touches on major issues related to the governance of countries. The foremost of these issues is budgetary in nature, since the sound management of public funds requires that the optimal price-quality ratio be obtained for all purchases made.

The second issue is economic, since governments can leverage public procurement to obtain investments or create jobs in its jurisdiction. However, the use of such a lever must respect international trading rules and take into account the brisk competition arising from public procurement, whether internationally, nationally or locally. Except in very particular circumstances when the number of suppliers is too small, the workings of free enterprise are considered best suited for the purposes of fostering economic prosperity.

A third issue is related to the integrity of public procurement. The close interaction between public and private actors, combined with a large volume of transactions, means that public procurement is one of the activities most exposed to the risk of corruption (OECD, 2007). Corruption stifles competition and forces administrations to pay artificially inflated prices for the goods and services supplied to them. In this regard, the WTO not only monitors the application of the GPA but also heads projects to promote transparency in public procurement both in its member nations and in emerging and developing countries (WTO, 2010).

Other international organizations like the World Bank and the OECD also promote good practices aimed at strengthening the integrity of public procurement (OECD/CAD, 2006). Essentially, these good practices stipulate that purchasing processes based on competition and transparency are the only way to reduce the risk of corruption, avoid waste and guarantee that suppliers have a level playing field at every stage of the procurement cycle (OECD, 2007).

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## PUBLIC PROCUREMENT

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