

Public Procurement and Very Private Benefits

By Sam Vaknin, Ph.D.

Public Procurement and Very Private Benefits
by: **Sam Vaknin, Ph.D.**

In every national budget, there is a part called "Public Procurement". This is the portion of the budget allocated to purchasing services and goods for the various ministries, authorities and other arms of the executive branch. It was the famous management consultant, Parkinson, who once wrote that government officials are likely to approve a multi-billion dollar nuclear power plant much more speedily than they are likely to authorize a hundred dollar expenditure on a bicycle parking device. This is because everyone came across 100 dollar situations in real life - but precious few had the fortune to expend with billions of USD.

This, precisely, is the problem with public procurement: people are too acquainted with the purchased items. They tend to confuse their daily, household-type, decisions with the processes and considerations which should permeate governmental decision making. They label perfectly legitimate decisions as "corrupt" - and totally corrupt procedures as "legal" or merely "legitimate", because this is what was decreed by the statal mechanisms, or because "this is the law".

Procurement is divided to defence and non-defence spending. In both these categories - but, especially in the former - there are grave, well founded, concerns that things might not be all what they seem to be.

Government - from India's to Sweden's to Belgium's - fell because of procurement scandals which involved bribes paid by manufacturers or service providers either to individual in the service of the state or to political parties. Other, lesser cases, litter the press daily. In the last few years only, the burgeoning defence sector in Israel saw two such big scandals: the developer of Israel's missiles was involved in one (and currently is serving a jail sentence) and Israel's military attache to Washington was implicated - though, never convicted - in yet another.

But the picture is not that grim. Most governments in the West succeeded in reigning in and fully controlling this particular budget item. In the USA, this part of the budget remained constant in the last 35(!) years at 20% of the GDP.

There are many problems with public procurement. It is an obscure area of state activity, agreed upon in "customized" tenders and in dark rooms through a series of undisclosed agreements. At least, this is the public image of these expenditures.

The truth is completely different.

True, some ministers use public money to build their private "empires". It could be a private business empire, catering to the financial future of the minister, his cronies and his relatives. These two plagues - cronyism and nepotism - haunt public procurement. The spectre of government official using public money to benefit their political allies or their family members - haunts public imagination and provokes public indignation.

Then, there are problems of plain corruption: bribes or commissions paid to decision makers in return for winning tenders or awarding of economic benefits financed by the public money. Again, sometimes these moneys end in secret bank accounts in Switzerland or in Luxembourg. At other times, they finance political activities of political parties. This was rampantly abundant in Italy and has its place in France. The USA, which was considered to be immune from such behaviours - has proven to be less so, lately, with the Bill Clinton alleged election financing transgressions.

But, these, with all due respect to "clean hands" operations and principles, are not the main problems of public procurement.

The first order problem is the allocation of scarce resources. In other words, prioritizing. The needs are enormous and ever growing. The US government purchases hundreds of thousands of separate items from outside suppliers. Just the list of these goods - not to mention their technical specifications and the documentation which accompanies the transactions - occupies tens of thick volumes. Supercomputers are used to manage all these - and, even so, it is getting way out of hand. How to allocate ever scarcer resources amongst these items is a daunting - close to impossible - task. It also, of course, has a political dimension. A procurement decision reflects a political preference and priority. But the decision itself is not always motivated by rational - let alone noble - arguments. More often, it is the by product and end result of lobbying, political hand bending and extortionist muscle. This raises a lot of hackles among those who feel that were kept out of the pork barrel. They feel underprivileged and discriminated against. They fight back and the whole system finds itself in a quagmire, a nightmare of conflicting interests. Last year, the whole budget in the USA was stuck - not approved by Congress - because of these reactions and counter-reactions.

The second problem is the supervision, auditing and control of actual spending. This has two dimensions:

How to make sure that the expenditures match and do not exceed the budgetary items. In some countries, this is a mere ritual formality and government departments are positively expected to overstep their procurement budgets. In others, this constitutes a criminal offence.

How to prevent the criminally corrupt activities that we have described above - or even the non criminal incompetent acts which government officials are prone to do.

The most widespread method is the public, competitive, tender for the purchases of goods and services.

But, this is not as simple as it sounds.

Some countries publish international tenders, striving to secure the best quality in the cheapest price - no matter what is its geographical or political source. Other countries are much more protectionist (notably: Japan and France) and they publish only domestic tenders, in most cases. A domestic tender is open only to domestic bidders. Yet other countries limit participation in the tenders on various backgrounds: the size of the competing company, its track record, its ownership structure, its human rights or environmental record and so on. Some countries publish the minutes of the tender committee (which has to explain WHY it selected this or that supplier). Others keep it a closely guarded secret ("to protect commercial interests and secrets").

But all countries state in advance that they have no obligation to accept any kind of offer - even if it is the cheapest. This is a needed provision: the cheapest is not necessarily the best. The cheapest offer could be coming from a very unreliable supplier with a bad past performance or a criminal record or from a supplier who offers goods of shoddy quality.

The tendering policies of most of the countries in the world also incorporates a second principle: that of "minimum size". The cost of running a tender is prohibitive in the cases of purchases in small amounts.

Even if there is corruption in such purchases it is bound to cause less damage to the public purse than the costs of the tender which is supposed to prevent it!

So, in most countries, small purchases can be authorized by government officials - larger amounts go through a tedious, multi-phase tendering process. Public competitive bidding is not corruption-proof: many times officials and bidders collude and conspire to award the contract against bribes and other, noncash, benefits. But we still know of no better way to minimize the effects of human greed.

Procurement policies, procedures and tenders are supervised by state auditing authorities. The most famous is, probably, the General Accounting Office, known by its acronym: the GAO.

It is an unrelenting, very thorough and dangerous watchdog of the administration. It is considered to be highly effective in reducing procurement - related irregularities and crimes. Another such institutions the Israeli State Reviser. What is common to both these organs of the state is that they have very broad authority. They possess (by law) judicial and criminal prosecution powers and they exercise it without any hesitation. They have the legal obligation to review the operations and financial transactions of all the other organs of the executive branch. Their teams select, each year, the organs to be reviewed and audited. They collect all pertinent documents and correspondence. They cross the information that they receive from elsewhere. They ask very embarrassing questions and they do it under the threat of perjury prosecutions. They summon witnesses and they publish damning reports which, in many cases, lead to criminal prosecutions.

Another form of review of public procurement is through powers granted to the

legislative arm of the state (Congress, Parliament, Bundestag, or Knesset). In almost every country in the world, the elected body has its own procurement oversight committee. It supervises the expenditures of the executive branch and makes sure that they conform to the budget. The difference between such supervisory, parliamentary, bodies and their executive branch counterparts - is that they feel free to criticize public procurement not only in the context of its adherence to budget constraints or its cleanliness - but also in a political context. In other words, these committees do not limit themselves to asking HOW - but also engage in asking WHY. Why this specific expense in this given time and location - and not that expense, somewhere else or some other time. These elected bodies feel at liberty - and often do - intervene in the very decision making process and in the order of priorities. They have the propensity to alter both quite often.

The most famous such committee is, arguably, the Congressional Budget Office (CBO). It is famous because it is non-partisan and technocratic in nature. It is really made of experts which staff its offices.

Its apparent - and real - neutrality makes its judgements and recommendations a commandment not to be avoided and, almost universally, to be obeyed. The CBO operates for and on behalf of the American Congress and is, really, the research arm of that venerable parliament. Parallely, the executive part of the American system - the Administration - has its own guard against waste and worse: the Office of Management and Budget (OMB).

Both bodies produce learned, thickset, analyses, reports, criticism, opinions and recommendations. Despite quite a prodigious annual output of verbiage - they are so highly regarded, that virtually anything that they say (or write) is minutely analysed and implemented to the last letter with an air of awe.

Only a few other parliaments have committees that carry such weight. The Israeli Knesset have the extremely powerful Finance Committee which is in charge of all matters financial, from appropriations to procurement. Another parliament renowned for its tight scrutiny is the French Parliament - though it retains very few real powers.

But not all countries chose the option of legislative supervision. Some of them relegated parts or all of these functions to the executive arm.

In Japan, the Ministry of Finance still scrutinizes (and has to authorize) the smallest expense, using an army of clerks. These clerks became so powerful that they have the theoretical potential to secure and extort benefits stemming from the very position that they hold. Many of them suspiciously join companies and organizations which they supervised or to which they awarded contracts - immediately after they leave their previous, government, positions. The Ministry of Finance is subject to a major reform in the reform-bent government of Prime Minister Hashimoto. The Japanese establishment finally realized that too much supervision, control, auditing and prosecution powers might be a Pyrrhic victory: it might encourage corruption - rather than discourage it.

Britain opted to keep the discretion to use public funds and the clout that comes with it in the hands of the political level. This is a lot like the relationship between the butter and

the cat left to guard it. Still, this idiosyncratic British arrangement works surprisingly well. All public procurement and expenditure items are approved by the EDX Committee of the British Cabinet (=inner, influential, circle of government) which is headed by the Ministry of Finance. Even this did not prove enough to restrain the appetites of Ministers, especially as quid pro quo deals quickly developed. So, now the word is that the new Labour Prime Minister will chair it- enabling him to exert his personal authority on matters of public money.

Britain, under the previous, Tory, government also pioneered an interesting and controversial incentive system for its public servants as top government officials are euphemistically called there. They receive, added to their salaries, a portion of the savings that they effect in their departmental budgets. This means that they get a small fraction of the end of the fiscal year difference between their budget allowances and what they actually spent. This is very useful in certain segments of government activity - but could prove very problematic in others. Imagine health officials saving on medicines, or others saving on road maintenance or educational consumables. This, naturally, will not do.

Needless to say that no country officially approves of the payment of bribes or commission to officials in charge of public spending, however remote the connection is between the payment and the actions.

Yet, law aside many countries accept the intertwining of elites - business and political - as a fact of life, albeit a sad one. Many judicial systems in the world even make a difference between a payment which is not connected to an identifiable or discernible benefit and those that are. The latter - and only the latter - are labelled "bribery".

Where there is money - there is wrongdoing. Humans are humans - and sometimes not even that.

But these unfortunate derivatives of social activity can be minimized by the adoption of clear procurement policies, transparent and public decision making processes and the right mix of supervision, auditing and prosecution. Even then the result is bound to be dubious, at best.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and search europe.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.

His web site: <http://samvak.tripod.com>

Public-school Teachers Know Best --- They Send Their Kids To Private Schools

By Joel Turtel

A study done by the Thomas B. Fordham Institute found that nationwide, public-school teachers are almost twice as likely as other parents to send their children to a private school. The study also found that more than one in five public-school teachers send their kids to private schools.

In the biggest cities across America, the statistics get even more startling. In Washington, D.C., Baltimore, and 16 other big cities, more than 1 out of 4 public-school teacher's kids attend private schools. In some cities, almost half the public-school teachers do this. For example, in Philadelphia, 44 percent, and in Cincinnati, 41 percent of public-school teachers sent their kids to private schools.

Yet, across America, only about 12.2 percent of all parents who are not teachers send their children to private schools.

Now, why is this? Public school authorities keep telling us that they give our kids a good education. Yet they send their kids to private schools?

Well, teachers know best in this case. They actually work in the public schools every day. They see the kind of 3rd-rate, often mind-numbing education children get in these schools. Public-school teachers love their children like all other parents do. They want the best for their kids. So, is it any wonder that so many teachers send their children to private schools?

These statistics should be a warning signal for parents, a red flag waving briskly in the wind. If your children's teachers are sending their children to private schools, should you be keeping your kids in public school? If the soldier-teachers in the public-school trenches tell you that there is something very wrong with these schools, you should, for once, be listening to them.

Actions speak louder than words. The fact that so many public-school teachers send their kids to private schools should be all the proof you need that it might be wise for you to look for education alternatives for your kids elsewhere.

If you think you can't afford an expensive private school, you're happily mistaken. Joel Turtel's book, "Public School's, Public Menace" tells parents all about quality, low-cost Internet private schools. These private schools are a great new resource for giving your children an excellent education at an affordable price.

Article Copyrighted © 2005 by Joel Turtel.

Joel Turtel is the author of "Public Schools, Public Menace: How Public Schools Lie To Parents and Betray Our Children." Website: <http://www.mykidsdeservebetter.com>, Email: lbooksusa@aol.com, Phone: 718-447-7348.

Related eBooks:

[Public-school Teachers Know Best --- They Send Their Kids To Private Schools](#)
[Most Parents Are Not Idiots Or Negligent — So Why Do We Need Compulsory-Attendance Laws?](#)
[Why Private Company Owners Sell to Multinational Corporations](#)
[Reverse Merger Suicide](#)
[Going Public Comparison Chart](#)

Get more Free PDF eBooks at FreePDFeBooks.com

Related Products:

[Affiliate Marketing PLR Kit](#)
[Self Improvement PLR Kit](#)
[Hobbies, Arts and Crafts PLR Kit](#)
[Free Government Grants](#)
[Home Vegetable Garden](#)

Malamaal.com: A genuine resource center for Quality Ebooks and Softwares

Co-Sponsored Advertisement:

This PDF eBook is for free Distribution only, it cannot be SOLD
An online Community Services Directory for the Mid-Columbia River Gorge

[Click here to know more](#)

Powered By FreePDFeBooks.com

[ReBrand this PDF eBook with your Name / URL / ClickBank Affiliate ID for Free](#)