

Economic Benefits of The Sustainable Public Procurement Law

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Abstract

Public procurement law impacts the economy in numerous ways, both positively and negatively. This paper examines these effects by analysing scholarly article, journals, and books from various authors. However, it has not been conducted on the ground. Also, the research is both qualitative and quantitative. The main aim of the authors is to determine the significance of public procurement law to the economy. Furthermore, secondary data is used for the paper. The methodology comprises many comparisons and contracts of the views of various authors regarding the topic of study. As per the study, procurement laws many benefits including ensuring Value for Money (VfM), improving moral behavior among procurement officers, protecting the environment, and boosting living standards of individuals, special groups, and people living with disability (PLWD). Nonetheless, public procurement sector still faces a significant number of unlawful acts from officers, especially bribery. Taking everything into account, public procurement law is vital for economic growth and development. As such, this paper is essential for communicating the significance of public procurement law on the economy.

Keywords: Public Procurement, Law, Economics, Economic Benefits, Economic Growth.

JEL Codes: H57, K23

1. Introduction

Public procurement refers to the acquisition of services, supplies and works by public and government-owned entities. Alternatively, public procurement can be defined as “the purchase by governments and state-owned enterprises of goods,

services and works” (OECD, 2018). It accounts for a significant portion of the money taxed from citizens; therefore, the government must carry it out diligently, efficiently and with high behavioural standards. Cautious handling of public procurement not only safeguards the interest of the public but also ensures the delivery of high-quality services. Furthermore, public procurement ranges from small works, such as the purchase of routine services and goods to more intense provisions, for example, formal tendering and contract placements for massive construction projects.

On the contrary, public procurement law is a set of legislation that controls purchases by public sector entities. Precisely, this law regulates the purchase of works, goods, and services by the public-sector entities and some utility sector bodies (Out-Law, 2013). In law and economics, the public procurement regulation plays a vital role in ensuring that tendering processes are following the law. It provides equal treatment and eliminates biases in the tendering processes; thus, enhances transparency and accountability (Batoev and Schlosser, 2013). In essence, a tendering process that complies with the law is beneficial to the economy. Total compliance with the requirements of the law means that, first of all, contracts are awarded to the most qualified contractors. Also, it is an indication that the conditions of the agreement will be adhered to; thus, the works, services, and goods provided by the contractors will be optimum. All the elements mentioned above concerning the characteristics of a tender process that is in total compliance with the law are indicators of a sustainable economy. An in-depth analysis of the significance of public procurement to the economy is demonstrated in this research paper.

1.1. Thesis Statement

Public procurement law is essential for optimal and continuous growth of the economy of a country.

1.2. Problem Statement

Over the years, officers for their selfish reasons have manipulated procurement processes severally. In fact, competitive tendering procedures have been dominated by corruptions and lack of transparency (Ochrana and Pavel, 2013). Procurement officers liaise with some contractors, whom they award the tenders in exchange for favours, usually monetary. In other cases, procurement officers grant the bids to their friends and families as a result of nepotism and in the attempt to offer them with favours (Worcestershire Health and Care NHS Trust, 2013). All these peculiar acts by procurement officers call for the need for the adherence to the regulations of the public procurement law. Awarding a contract to a family member, friend, or any

other person for favours is risky for the economy. In most cases, these individuals who are preferred by the procurement officers do not have the qualification or the capacity to execute the tenders that they have been awarded. As a result, they provided low-quality works, services, or goods, which deteriorates the overall economy. As such, to save the economy, it is essential that all the requirements of the public procurement law are followed to the letter.

1.3. Research Questions

1. What are the economic benefits of the sustainable public procurement law?
2. What are the characteristics of efficient/effective public procurement?
3. Why do procurement officers engage in unlawful procurement acts?
4. How can adherence to public procurement laws be ensured?

1.4. Aims and Objectives

General Aim/Objective

1. To determine the significance of the public procurement law to the economy.

Specific Aims/Objectives

1. To determine the main challenges in public procurement process.
2. To determine the characteristics of efficient procurement processes.
3. To determine the benefits of complying with the legal requirements of the procurement processes by officers.

1.5. Scope of the Study

The study analyses the relationship between law and economics. More specifically, the research focuses on public procurement law and its effects on the economy. Moreover, there is no limit to the number of companies to be analysed. In other words, the research is based on the experiences of as many firms as possible all around the globe. Additionally, the study has been conducted solely through the examination of scholarly article, journals, and books and has not been performed on the ground. Besides, it is both quantitative and qualitative. Precisely, many sources have been analysed to demonstrate the various views of researchers and authors. Also, many real-life experiences of companies as displayed in the sources have been used as the case studies for the study. These companies' data have been adopted and used to confirm the hypotheses of this study.

1.6. Rationale of the Study

Economic growth is essential for the development of any nation or state. To achieve economic growth, governments need to control their public procurement processes to ensure that tendering processes are fair and contracts are awarded to qualified contractors, who can flawlessly execute works, offer services, and supply goods. Thus, the study of the relationship between law and economics is essential. Precisely, by studying the significance of public procurement law on economic growth, organisations and nations can determine the most efficient ways to ensure their developments. They can learn the benefits of eliminating bigotry that result from nepotism or the need for quick financial aim. Moreover, companies and governments can determine the most effective ways of avoiding unlawful tendering acts and ensuring adherence to public procurement laws. As such, this study is essential for ensuring that economic growth is achieved in any nation or state.

1.7. Limitation of the Study

First of all, the study is mainly quantitative and to a slight extent qualitative. Quantitative researchers, as opposed to qualitative ones, do not usually provide the most accurate information. They are primarily based on numbers rather than the details of the information that they provide. In this research, despite the many sources used, they are all based on the opinion of other researchers' opinions. More so, the data gathered is secondary as opposed to primary. Contradictory to primary data, which is obtained first-hand through face-to-face interviews, questionnaires, and observations, the secondary information is collected from articles, journals, and books of other researchers. Consequently, the quality of the data is greatly reduced. Moreover, in this study, the secondary data is solely used to answer the research questions and confirm the hypotheses. Thus, the data used as evidence in supporting this research's findings and conclusions are not satisfactory and need a qualitative approach as well.

1.8. Literature Review

The public sector is very important for the economic growth and economic development (Ozekicioglu and Bayar, 2017). Public procurement is a key instrument for the functioning of the public sector. Public procurement is the acquisition of resources, that is, goods and services, from outside suppliers. Due to this fact, it is vital for organisations units including the government, companies, and households, among others. Also, public procurement size is significant; therefore, it accounts for a substantial amount of goods and services demanded. In this sense, public procurement is an essential tool for developing societies and nations. Precisely,

public procurement has the potential to impact national economy substantially (Choi, n.d.). In Korea, for example, public procurement is one of the most of government sales, which approximately accounts for ten percent of the country's Gross Domestic Product (GDP). Thus, in essence, public procurement plays a critical role in ensuring that the society is a better place.

Furthermore, Public procurement has many goals for the society. Law and economic analysis of the Estonian public procurement act demonstrate that its primary objective is to regulate and supervise how purchasing entities use taxpayers' money. Moreover, public procurement law focuses on enhancing transparency during provision of works, services, and goods. Additionally, this legislation aims at ensuring that upcoming businesses enter the market and compete against the already existing organizations operating in the long-run. In essence, without the opportunities provided enhanced by the public procurement system, large firms would overshadow most small businesses. Big companies have the capacity, skills, and experience that small businesses do not have. Thus, they possess a competitive advantage (Suttle, 2018). Additionally, public procurement law ensures that organisational units have access to and acquire sufficient information regarding purchases of goods and services (Raudla, n.d.). As a result, these corporate units can judge the suitability and correctness of public purchases. Additionally, public procurement ensures that Value for Money, efficient service delivery, and quality are achieved in all procurement processes, that is, for the services and works provided and the goods delivered (Public Procurement Best Practice Guide, 2007). All these factors are made possible through ensuring that corruption and favouritism are avoided during procurement and tendering.

Also, public procurement is essential for many reasons. Some of the main reasons are as follows. To start with, public procurement ensures that organisational units including companies, the government, and household avoid money wastage. Lack of efficient procurement processes can lead to significant wastage of money for various sectors of the economy including health, education, and construction (Krause, 2014). Therefore, to save money, organizational units opt to use public procurement systems. Besides ensuring that organisational units save money, public procurement ensures that various organisational groups receive works, goods, and services in time. For a fact, public procurement process enhances delivery of works, services, and products because they are regulated and governed by a set of laws. More so, public procurement plays a vital role in eliminating corruptions and boosting transparency during the purchase of services, works, and products. Usually, worldwide losses due to frauds in procurement processes add up to billions of

dollars (Krause, 2014). As such, the introduction of strict laws governing against these acts, governments, companies, households, and citizens enhances significant savings. In addition to the above, public procurement also ensures environmental sustainability of projects. Notably, public procurement laws, policies, and practices outline the do and don'ts during service provision or delivery of goods. In the process, it guides against environmental exploitation (The National Agency for Public Procurement, 2015). Precisely, public procurement is mainly essential in protecting the environment against water wastage, greenhouse gas emissions, deforestation, and pollution.

Moreover, public procurement has many significant positive impacts on business and social development. Precisely, public procurement has substantial consequences on various business aspects and sectors of the economy including outsourcing, social and environmental considerations, competition, knowledge management, and risk-taking. First of all, regarding outsourcing, public procurement lowers staff costs. Specifically, it reduces the number of employees by creating a clear line of responsibilities and enhancing administration and evaluation processes. About, social considerations, public procurement through its regulations prevents child-workforce and ensures that the working conditions are favourable for the staff. Also, public procurement exerts pressure on the private sector by setting a good example of adherence to essential environmental regulations. To match up with public procurement, private organisational units observe how it prevents ecological destruction and copy. Concerning, competition, public procurement processes offer better prices and solutions; this is attributed to their nature of efficiency and lawful acts that prevent extra costs incurred due to lack of transparency and corruption. Moreover, due to the well-outlined and defined public procurement laws, their processes are better managed, and rates are appropriate. Further, public procurement platform allows for at-the-job learning from one another since public agencies do not compete. As a result, training costs are reduced as opposed to the private sector. In addition, public procurement processes eliminate unnecessary risks by ensuring that solutions are well chosen. Consequently, there is little if no gambling with the taxpayers' money and stability is achieved in the provision of services and goods (Lindskog et al. n.d.). Other than the impacts mentioned above, public procurement processes also benefit Small and Medium Enterprises (SMEs) and clients and end users. It gives particular focus on SMEs and considers client's needs and requirements in the form of amendments even after the Request for Proposals (RFP) has been published.

For the realisation of the many benefits of public procurement, a proper team of professionals is required. Precisely, these professionals are essential for boosting the socio-economic development benefits of public procurement. The following are some of the main ways in which procurement professionals can enhance socio-economic development. First of all, they need to ensure value for money. In other words, the procurement officers should ensure that cash budgeted set aside for development is used optimally. They need to ensure that wastage that might arise from corruptions or activities that are not essential for the projects are avoided. Also, they need to local capacity and employment (Snell, 2014). Procurement processes should aim at developing the local community by purchasing services, works, and products for them at all times. The local community should be given special treatments and first opportunities, especially regarding employment. Furthermore, procurement officers require possession of an innovative drive. The innovations can be new ideas or solutions formulated to attempt in resolving problems faced during provision of services or goods. Additionally, procurement officers need to demonstrate high levels of ethics and transparency (Snell, 2014). An efficient procurement system outlines and addresses moral. More so, the professionals should develop a system to prevent the occurrences of unethical behaviour. Finally, procurement professionals need to ensure sustainability. Notably, they should engage in activities that encourage and promote economic, environmental, and social sustainability (Snell 2014). However, in their endeavours, they need to create a balance between business needs and the sustainability requirements.

2. Methodology and Data

The research emphasised on the findings obtained from scholarly sources including books, journals, and articles. The scholarly sources were picked on the basis of the relevance of the information that they contain. More so, no first-hand information was gathered for this study. The sources of data used are entirely secondary. Precisely, the research was conducted solely by examining the works of other authors as opposed to conducting experimental studies on the ground. Moreover, the research entails both qualitative and quantitative process. Qualitatively, the approach examines in-depth the various references to gather the different findings of the significance of public procurement law on the economy of a state and organisational units. Moreover, the multiple opinions of the researchers on the study topic are compared and contrasted. On the contrary, quantitatively, the research examines several sources with an aim to obtain a significant number of findings. Specifically, the study analyses a total of thirty sources from authors all around the globe. In a way, the sources examined can be considered as samples of relevant sources of the

regions from which they have been obtained. In the attempt to come to the most relevant and accurate conclusion, the findings from the qualitative and quantitative approaches are subjected to further research. In other words, the reliability of the works of the authors are analysed in-depth by the use of other sources before a conclusion is made. Also, personal opinions are taken into account for inconclusive results.

3. Research and Findings

The findings of this study are based on the research objectives and the research questions. In fact, they are the answers considered to address the study questions appropriately and satisfactorily. First of all, there are numerous economic benefits of implementing public procurement laws some of which are as follows. To start with, sustainable public procurement (SPP) helps organisations, households, and governments to achieve Value for Money (VFM) for the services, works, and goods purchased. Also, it assists in public financial management (Sarfo and Baah-Mintah, 2014). It saves money by reducing wastage that occurs from poor governance and corruption. Also, SPP sustains economic development. Precisely, it ensures the growth of organisational units. As a consequence, the respective economy also grows. Further, SPP improves moral behaviour among procurement officers, contractors, suppliers, as well as the general public. Some of the main unethical behaviour in public procurement include bribery, coercion, favouritism, illegal sourcing, extortion, and travel of influence (O'Byrne, 2015). Through SPP, these groups of individuals learn to engage in lawful and ethical acts. More so, SPP plays a vital role in environmental protection by reducing waste generation and harmful gas emissions. As a result, it improves the quality of water and air. Moreover, through SPP many companies have become internationally competitive. Besides, it improves the living standards of people by increasing the wealth and health of the society. Working conditions have also improved due to SPP. Workers are healthy safe and have access to high labour standards. Labour agitation has also declined. Furthermore, SPP has improved the conditions of the disadvantaged groups (Wleh, 2015). In this context, the disadvantaged groups refer to the youth, women, and persons living with a disability (PLWD). Additionally, SPP accelerates the achievement of Millennium Development Goals and focuses on creating a better society (Adjei, n.d.). Overall, SPP promotes good governance within organisational units. It assists governments and other corporate groups in optimising resources to improve delivery of services, works, and goods/products. Notably, all these benefits come as part and parcel of public procurement roles, that is, national economic contribution, enhancement of leadership among government officials, provision of

eco-friendly activities, boosting of industry innovation, and improvement of social responsibility as demonstrated in *Figure 1* of the 'Appendix' section of this paper.

Furthermore, an efficient public procurement (PP) process/system has several distinctive characteristics. First of all, it seeks to achieve Value for Money (VfM) by taking into account the entire life cost of a service, project, or product. Also, it promotes competitiveness through its practices, policies, and regulations/laws. Moreover, an efficient PP system encourages practices and methods essential for delivery of quality services, works, and goods, and promptly. In other words, it is time conscious and emphasises the quality of the end product, service, or work. In addition to the characteristics mentioned above, an efficient PP process comprises high equity standards. Explicitly, it adopts a system that ensures transparency and fairness, which prohibits unlawful and unethical/immoral acts, for example, corruption. Not to mention, an efficient PP system provides accountability. It is assertive of proper record keeping and transparent review of the procedure. In the same case, it emphasises on the essentiality of frequent audits of organisational units involved in procurement. Also, an efficient PP system focuses on ensuring uniformity in tendering process. Precisely, it emphasises on the use of standardised documentation and implementation of similar public procurement regulations to all organisational units. The consistency can be implemented in particular state, region, or organisation. An efficient PP process also ensures that the tendering process is done per the public procurement law and constitution of the respective state/country or region. In other words, it ensures that procurement officers adhere all the requirements of the tendering process and demonstrate acceptable behaviour/morality. Finally, an efficient PP process boosts not only the quality but also the number of services, works, and products delivered.

Additionally, in many instances, procurement officers engage in unlawful acts for financial gains or due to nepotism. According to the OECD bribery report, public procurement is a primary purpose of bribes as shown in *Figure 2* in the 'Appendix' section of this paper (OECD, 2014). Besides, the urge for quick financial gains, procurement officers also engage in corruptions due to nepotism. Precisely, while procuring works, these officers give special treatment to their family members and friends (Loughlin, 2017). In most cases, these special procedures usually comprise disregard of the public procurement laws and lead to unfairness, conspiracy, and fraud. To avoid, conflicts that may arise from such unlawful acts of nepotism and bribery it is vital for the officials involved in tendering processes to adhere to the requirements of the public procurement regulations. Precisely, the officers should follow the put into practice the principles of the procurement code of conduct. These principles comprise accountability, responsiveness, transparency, fairness,

competition, efficiency and effectiveness, legitimacy, professionalism, integrity and impartiality, and review and appeal of rights (Zambia Public Procurement Authority, n.d.). Furthermore, besides corruption and nepotism among officials, compliance with public procurement is also affected by numerous other factors. Some of the main elements include bureaucracy, training, and tendering procedures (Biramata, 2014). In this context, bureaucracy refers to an extremely complicated system of administration. On the other hand, practice is about whether the officials have then required knowledge and skills for quality execution of public procurement processes. In addition to training, enforcement of mechanisms, and bureaucracy, ethics also plays a vital role in impacting compliance with public procurement requirements (Aberé and Muturi, 2015). Thus, all these factors must be given substantial consideration during public procurement processes.

4. Discussion and Data Analysis

Public procurement has long-term social, economic, and environmental positive impacts to the economy of a state/nation. From the findings of this paper, these benefits included achievement of VfM, sustainable economic development, a boost of morals, environmental protection, and enhancement of competition of SMEs/local entities. Also, PP improves working conditions, accelerates achievement of development goals, and creates a better society. All these positive impacts are made possible by the public procurement law. Moreover, they are essential for economic development. Precisely, the public procurement outlines the required procedures to be followed to the letter by the tendering officials. As such, biases and errors that might have occurred in the absence of regulations are eliminated. For the achievement of VfM, the public procurement law ensures optimal delivery of services. It reduces wastage and enhances savings. Moreover, it provides quality and durable works, services and products (Nsiah-Asare and Prempeh, 2016). Regarding economic development, public procurement regulations ensure that only the most qualified suppliers, contractors, and others service providers with the required capacities are awarded the contract. In turn, only quality works are done; thus, leading to economic growth. Also, public procurement laws emphasise on how the officers, suppliers, and the general public should act (Public Procurement Oversight Authority, n.d.). As a result, it boots ethical behaviour. Similarly, public procurement comprises laws that govern against activities that negatively impact the environment. Some of the activities recommended by the law include effective management of chemicals and reduction of air and water pollution (UN Procurement Practitioner's Handbook, 2012). About competition, public procurement creates a platform where contracts for small and new companies are separated from those of

large one (OECD, 2011). Consequently, the vast experience companies do not deny the new small firms an opportunity to provide services and products. Also, it gives the corporations a chance for international growth.

Furthermore, public procurement improves the working conditions of organisational units and individuals in many ways. Firstly, it eliminates labour agitation/instability. Since the process is based on fairness and transparency, the organisational groups involved in the delivery of services, works, and products have a piece of mind. Public procurement laws guarantee them of payments for the works done (Public Procurement Best Practice Guide, 2007). Also, public procurement allows for flexibility of delivery of services. Precisely, requests of suppliers as well as other organisational units are given substantial considerations and necessary alterations can be made to suit the contractors and suppliers requirements, for instance, the extension of time. (EoT). Regarding acceleration of development goals, public procurement if appropriately executed ensures delivery of services, works, and products on time. Public procurement can overcome delays due to the preparation of technical specifications, extensions of bids/proposals, slow evaluation process, and contract negotiations (Lynch, 2018). Total compliance with public procurement regulations assists organisational units in saving time. Notably, it ensures that tender procures are outlined; thus, reducing time wastage that might have occurred as a result of confusion. Also, it minimises the occurrences of conflicts, which might result in time wastage, for example, court cases regarding corruption or retendering due to contractors' or suppliers' lack of capacity to successfully execute projects and provide services from beginning to end. Further, public procurement enhances quality works, for instance, roads (Djankov et al., 2017). In turn, it improves economic development. As a consequence, it enables organisational units, especially governments and organisations to achieve accelerated development goals. Lastly, public procurement creates a better society in many ways. It encourages integrity, honesty, transparency, and above all, efficiency and effectiveness. Through the laws of public procurement, the community adopts moral/ethical behaviour. Also, small and new businesses are given an opportunity to grow regardless of the experience of size. Moreover, the environment is protected, and quality works are assured. All these factors contribute to making the society a better place.

Nonetheless, despite the many benefits of public procurement and its regulations, it also faces numerous challenges. The first primary difficulty experienced on tendering procedure is corruption. Procurement corruption is the leading cause of bribery globally (OECD, 2014). Public procurement laws attempt to reduce cases of corruption and unlawful acts by emphasising on the ethical and moral behaviour of

the officers (O'Byrne, 2015). Moreover, public procurement laws guide officers against nepotism. The regulations encourage honesty, integrity, and transparency; thus, reducing cases of nepotism and bias/ favouritism and money wastage and a possible outcome. As a result, it reduces fraud, conspiracy, and unfairness; therefore, lowering conflicts during tendering procedures. In turn, lack of battles reduces time wastage. The reduction of money and time wastage escalates public procurement's essentiality as a key to economic growth and development. Moreover, besides adherence to public procurement laws with an aim to reduce nepotism and corruption/bribery, many other methods have been formulated to ensure optimal results from tendering processes. These methodologies include the elimination of bureaucracy, provision of proper and adequate training to procurement officers and enhancement of bidding procedures, and emphasis on ethical/moral requirements. Elimination of bureaucracy simplifies the administration process (Bigelow, 2018). In turn, a clear outline of what is expected of the officers is created. Consequently, the officers can conduct procurements without confusion and address all related issues diligently. On the other hand, training is essential for boosting the skills and know-how of the procurement officers (Chopra, 2015). As a result, the procurement personnel can flawlessly execute the tendering procedures. Also, the economy will develop and grow as a consequence. Finally, emphasis on adherence to ethical and moral standards ensures that procurement officers follow all the required regulations of the tendering procedures. In this case, the result will be increased quality of services from organisational units and, above all, economic growth and development.

5. Conclusions and Recommendations

To summarise, a sustainable public procurement system is essential for economic growth and development. Precisely, it ensures that organisational units and governments achieve of VfM. Also, it provides sustainable economic development and boosts morality and ethics within organisations. Further, public procurement through its laws protects the environment by reducing misuse of resources and water and air pollution. Moreover, it enhances competition, which in turn, promoted the growth of SMEs/local entities. More so, it creates an opportunity for large companies to compete internationally. Also, public procurement also improves the working conditions and, as a consequence, the health and safety of individuals. Besides, public procurement accelerates the rate of achievement of development goals for organisational units and governments. Specifically, it reduces the time and money waste and advances the quality of works, services, and products. Last but not least, public procurement also and creates a better society by encouraging integrity,

honesty, transparency, efficiency and effectiveness, and enhancing the quality of life. Nonetheless, despite the numerous benefits of public procurement law on the economy, ensuring that officers adhere to it is still a main challenge. In many instances, public procurement officers engage in unlawful acts for financial gains or due to nepotism. They defy the principles of procurement code of conduct including accountability, efficiency and effectiveness, legitimacy, professionalism, integrity and impartiality, transparency, responsiveness, fairness, competition, and review and appeal of rights. The authors recommend that all organisational units and governments adopt public procurement system and emphasise on adherence to its rules and regulations. It is only through adherence to public procurement regulations that the governments and organizational units can achieve maximum economic growth and development.

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Appendix

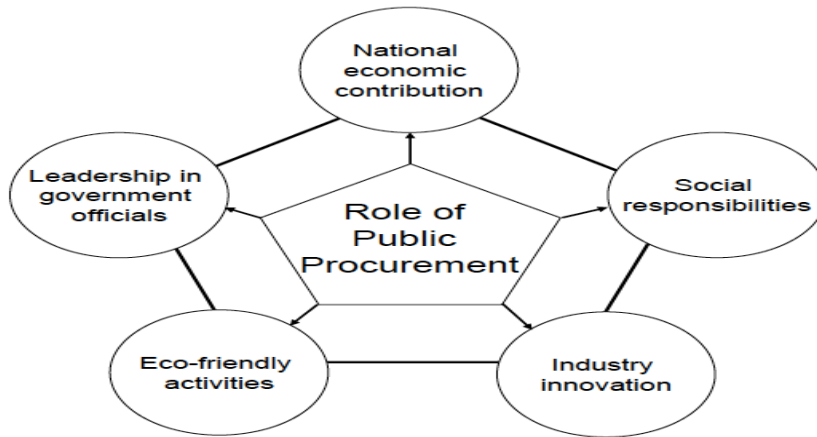


Figure 1: Role of Public Procurement

Source: Choi, n.d., p. 2.

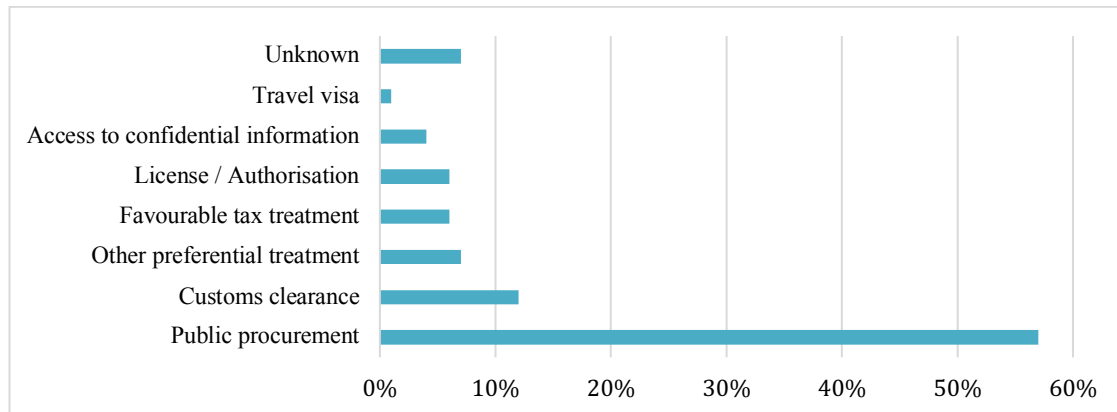


Figure 2: Purpose of Bribes

Source: OECD, 2014, p.