



Procurement Classroom Lesson 2

ESSENTIAL PRINCIPLES OF PUBLIC PROCUREMENT

J O R G E A . L Y N C H T .

**ESSENTIAL PRINCIPLES
OF
PUBLIC PROCUREMENT**

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Also by Jorge A. Lynch T.

Frequently Asked Questions on Public Procurement:
*A Reference Guide to Procurement
and Contract Administration Basics*

Public Procurement and Contract Administration:
A Brief Introduction

Public Procurement:
Principles, Categories and Methods

What is Public Procurement?

Essential Principles of Public Procurement

Procurement Planning Basics

Public Procurement Methods:
Identification and Selection

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About The Procurement Classroom Lessons

The Procurement Classroom was founded in 2013 to provide aspiring and novice procurement practitioners with a platform where they can interact and learn about the theory and practice of public and project procurement in a manner is straightforward and easy to understand. Most importantly, with these fundamentals, they will be able to develop a solid foundation leading to a successful career.

This Procurement Classroom Lesson 2 was developed primarily from the author's experience working on donor-funded projects in various countries since the year 2000. It relies heavily on donor and country-specific procurement guidelines that were developed based on the [UNCITRAL Model Law on Public Procurement](#), but does not follow any of them to the letter; relying mostly on the author's practical experience and understanding.

Other Lessons are in the making and will also be concise; containing sufficient information to give you a better understanding of a specific topic of the management and practice of public and project procurement, and contract administration.

We appreciate receiving feedback from readers. Please send your suggestions for new topics and improvements to: suggestions@ProcurementClassRoom.com.

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INTRODUCTION

There are many definitions of the word “principles”, but the most accurate definition that relates to public procurement is the definition given by the [BusinessDictionary.com](https://www.businessdictionary.com/definition/principles.html), which defines “principles” as *“Fundamental norms, rules, or values that represent what is desirable and positive for a person, group, organization, or community, and help it in determining the rightfulness or wrongfulness of its actions. Principles are more basic than policy and objectives, and are meant to govern both”*.

Principles are the foundation of public procurement. Principles govern the management of public procurement and set the framework for the rules and a code of conduct for public procurement practitioners, and other officials directly or indirectly involved in the process, to follow.

As a procurement practitioner, officer or specialist, you must have a clear understanding of the public procurement principles and know how to apply them to guide your procurement related decisions. By integrating these principles into your work ethic, the results of your decisions will always be in line with the goal of public procurement, which is to facilitate the effective and efficient delivery of public goods and services.

As a public procurement practitioner, you are a public servant. You manage public funds, are bound by an ethical code of conduct, and are accountable for what you do or fail to do when managing those funds.

WHAT ARE SOME OF THE BASIC PRINCIPLES OF PUBLIC PROCUREMENT?

Some of the basic principles of public procurement are transparency, integrity, economy, openness, fairness, competition, and accountability. Each of these is briefly explained below.

TRANSPARENCY

Transparency in public procurement is important because information on the public procurement process must be made available to all stakeholders: contractors, suppliers, service providers, and the public at large, unless there are valid and legal reasons for not revealing certain information. Examples of confidential information are proprietary information of companies or individuals participating in the procurement process, and certain military and defense-related procurements.

When a public procurement requirement is announced electronically, through a press release, the internet, or other venues, the announcement must include enough details for interested contractors, suppliers and service providers to easily understand and determine if they are qualified to compete. The bidding documents, particularly, must be available at a reasonable price, if not free of charge.

After reading the bidding documents, interested contractors, suppliers and service providers should also be able to determine:

- the nature of the requirement and its scope
- the closing date for bid submission and for requesting information
- the evaluation and selection criteria
- how and where bids must be submitted
- the number of copies to be submitted, and point of contact for additional information and response to queries (clarifications)
- the deadline for requesting clarification
- the schedule of pre-bid meetings and site visits (if applicable), and any other pertinent details

If the bidding documents are amended, all stakeholders should be notified using the same means which were used for the initial notification for interested contractors, suppliers or service providers to be informed and able to take necessary and timely actions to comply with the change.

Clarity of, and access to information are essential aspects of transparency in public procurement.

INTEGRITY

According to the [OECD Procurement Toolbox](#), *“Integrity can be defined as the use of funds, resources, assets and authority according to the intended official purposes, to be used in line with public interest. In the context of public procurement, it implies that (i) procurement procedures are transparent and promote fair and equal treatment of suppliers/bidders; (ii) procurement practitioners’ behaviour is in line with the public purpose of their organisation; and (iii) systems are in place to challenge procurement decisions,*

ensure accountability and promote public scrutiny.”

From the above definition, two main aspects of integrity can be considered most important: 1) the integrity of the procurement process, which encompasses the use of funds, procurement procedures and systems, and 2) the integrity of the procurement practitioners entrusted with overseeing and executing the procurement process.

INTEGRITY OF THE PROCUREMENT PROCESS

The integrity of the procurement process assures confidence in the public procurement system. Integrity is essentially reliability. Bidders should be able to rely on any information given by the procuring entity, formally or informally. When bidding documents are made publicly available, the information they contain must be dependable and free of ambiguities or bias.

When reviewing bidding documents, prospective bidders should be able to determine the qualification requirements and know how they will be evaluated. Evaluation and selection criteria must be clearly stated in the bidding documents and should remain unchanged unless there is a need to amend them. If a modification is required, the bidding documents should be amended, published, and made available to all prospective bidders. Any changes in the bid submission date should allow bidders enough time to adjust their bid accordingly to meet the new submission deadline.

INTEGRITY OF PUBLIC PROCUREMENT PRACTITIONERS

Practitioners working within procuring entities, and other government officials involved in the public procurement process, must display personal and professional integrity. Ideally, there should not be any inconsistencies between personal and professional integrity.

All public servants directly and indirectly involved in the

public procurement process should, at all times, be perceived as honest, trustworthy, responsible and reliable. They must always keep the purpose of the procurement requirement in mind and strive to ensure that they responsibly manage public procurement in accordance with the public procurement rules.

ECONOMY

Synonymous with efficiency, value for money, and commercially reasonable price, the principle of economy emphasizes the need to manage public funds with care and due diligence so that prices paid for goods, services and works are acceptable and represent good value for the public funds expended on them.

Everyone associated with the public procurement process or directly responsible for facilitating the acquisition of goods and services with public funds, should strive to avoid fraud, waste, and abuse of public resources – whether it is the result of over specifications of required goods, paying unreasonably high prices for substandard goods, collusion with bidders, or other forms of unacceptable practice.

OPENNESS

Public procurement requirements should be open to all qualified organizations and individuals. The public should also have access to information pertaining to public procurement, but access to such information is not absolute. Confidential and proprietary information belonging to organizations and individuals participating in the process should not be available publicly, and the extent of their disclosure should be detailed in the procurement rules or other relevant regulations.

There are also procurement methods, such as restricted or selective bidding, that limit the availability of bidding documents to only those firms meeting certain qualifications. The request for quotations (or shopping), and direct contracting (sole source) also present certain limitations on competition,

because the invitation for bids is limited to a certain number and type of organizations or individuals.

The evaluation of bids received must be kept confidential until the evaluation panel reaches a conclusion and the evaluation report is cleared by a designated approving authority, such as a tender board. Most defense procurements are confidential, restricting relevant information to a “need-to-know” basis only.

Except for confidential defense procurements, the results of the public procurement process should be published and made available on relevant websites. In addition, public procurement information (except for confidential/proprietary information) should be open to all on a restricted access basis as determined by the procurement rules.

FAIRNESS

Fairness has different meanings depending on how it is used. In public procurement, we could simply say that fairness is to treat all bidders equally, but it’s not that simple. Below are some examples of the application of fairness in public procurement.

To achieve fairness in the public procurement process:

- The decision-making and actions must be unbiased, and no preferential treatment should be extended to individuals or organizations, given that public procurement activities are undertaken with public funds.
- All bids must be considered based on their compliance with the stipulations of the bidding documents, and bids should not be rejected for reasons other than those specifically stated in the bidding documents and the procurement rules.
- A contract should only be signed with the supplier, contractor or service provider whose bid is compliant and best responds to the objectives of the requirement in terms

of technical capability and price.

- Suppliers, contractors, or service providers should have the right to challenge the procurement process whenever they feel they were unfairly treated or that the procuring entity failed to carry out the procurement process in accordance with the procurement rules. Such challenges must be based on the bidding documents and/or the procurement rules.

COMPETITION

The public procurement process should not be manipulated for the benefit of any organization or individual. Since public procurement is funded primarily with taxpayers' money, all eligible organizations and individuals should be allowed to participate by submitting a bid in response to a specific requirement for which they are qualified.

Public procurement requirements should be widely disseminated to increase the chances of a good market response, leading to the award of reasonably-priced contracts.

Michael Asner considers “fair and open competition the backbone of procurement.” However, not all contracts are awarded using a competitive process because this sometimes depends on the urgency of need and the resulting procurement method used to fulfill a specific requirement.

The use of non-competitive procurement methods, although justified under certain conditions, should be kept to a minimum. Examples of non-competitive procurement methods include shopping (also called request for quotations or invitation to quote) and direct contracting (single/sole sourcing). Each of these non-competitive procurement methods have their purpose and should not be misused.

ACCOUNTABILITY

Accountability in public procurement should be understood to mean that anyone involved in the procurement process is responsible for their actions and decisions.

As public servants, procurement practitioners, and others involved directly and indirectly in the public procurement process, are accountable and exposed to sanctions for any behavior that violates the public procurement rules. They also have an obligation to report and/or answer to a designated oversight entity, and the public, on the consequences of their actions and decisions.

About the Author



This Lesson was written by Jorge A. Lynch T., an International Procurement and Supply Management Consultant with almost three decades of experience. He manages, advises, trains and mentors on Public and Project Procurement and has completed assignments in Africa, Asia, the Pacific and Latin America. He received a Master of Science degree in Logistics and Supply Chain Management from Cranfield University in the UK and is a Fellow (FCIPS) of the Chartered Institute of Procurement and Supply (CIPS).

His main interest is to teach public and project procurement management to novice practitioners in order to assist them to develop a solid foundation on which to build a successful career as knowledgeable procurement professionals.

To learn more, you should become a member of the [Procurement Classroom](https://procurementclassroom.com/join-free-library/) at: <https://procurementclassroom.com/join-free-library/>



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