Chapter 1
Digital Governance and E-Government Principles: E-Procurement as Transformative

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ABSTRACT
This chapter focuses on the capacity of digital governance to address key aspects of reform of traditional procurement, the growing complexity of government, and the governance challenges of many developing countries. The chapter reviews the problems of traditional procurement, the distinction between simple versus complex procurement, and new modalities, and notes that the prevailing procurement model has been built on a framework designed for simple and manual procurement. Modernization efforts to address these issues have often been scoped around the robust governance institutions of advanced economies and are not good matches to the very different realities in many middle income and emerging economies. The chapter discusses how e-Government principles applied in e-procurement can play a critical role in resolving some of the challenges in public procurement.

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INTRODUCTION

Public procurement comprises a substantial share of the national economy in almost all countries. In many markets, the public sector is by far the largest player.

Public procurement is a key link between the public financial system and social and economic outcomes, and as such is a major determinant of the quality of community services and the effectiveness of infrastructure investments. This function cuts across almost all areas of planning, program management, and budgeting. National planning and budget development, including responses to national crises and natural disasters as well as the provision of regular services, involve the prioritization and sometimes fast-tracking of new service programs, development projects and asset creation, which are all enacted by procurement.

Procurement policy often regulates the public sector’s interactions with domestic and international markets in ways that directly impact national efficiency and competitiveness. Public procurement is also a common vehicle for business and industry policies, and most regional and bilateral trade agreements have significant procurement provisions aimed at granting reciprocal access to domestic government procurement markets.

The OECD (2002) estimated for OECD member countries as a whole, the ratio of total procurement to GDP is 19.96% and for non-member countries the ratio is 14.48%. The governance of public procurement also plays a key role in public trust in government and is a barometer for the quality of public administration, often making it a priority target for reform in many governments.

For these reasons, the strengthening governance in procurement has been described as the single most significant option for development in many countries. However, in many countries with poor governance, much of the strengthening of procurement implies fundamental changes in a variety of governance institutions involving a scope that would go well beyond procurement per se.

TRADITIONAL MANAGEMENT OF PROCUREMENT

The traditional management of public procurement had its origins in an era when government procurement focused primarily on basic goods and military equipment: For most of history, public procurement has been only a little more complicated than personal expenditure, and procurement personnel have been warehouse officials and accounts-payable staff, often unqualified in complex procurement. In those earlier times, public procurement was a relatively minor part of national economies.
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