Chapter 2


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ABSTRACT

Government procurement practices influence large volumes of spending in communities and further procurement can be influenced through legislative efforts. Through these mechanisms government bodies carry significant influence on the way in which procurement spend occurs and they have the ability to influence the direction that the procurement may take. Carefully constructed parameters in public-private partnerships (PPP) can shift the focus of procurement activities towards engaging with the local businesses and communities. This represents an approach for government bodies to increase supplier diversity so that, in alignment with UN Millennium goals of poverty reduction, local suppliers can be provided with business opportunities and methods to reduce poverty. A two-focus approach is adopted; first, government drivers and policies are examined in the context of social engagement. Second, the roles and challenges faced by small firms in the local communities are highlighted. This demonstrates the way in which e-government procurement systems play a pivotal role in supporting local sourcing initiatives.

INTRODUCTION

Poverty remains a wide-spread challenge in many developing countries. Since the 1960’s there have been significant resources devoted to alleviating the challenge, yet both governments and non-government organizations (NGOs) experience variable successes in reducing poverty. This chapter outlines how government policy, coupled with effective use of public-private partnerships (PPPs) may be used to reduce poverty in local communities.

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Poverty Reduction Strategies via Public-Private Partnerships

Sourcing of raw materials and other inputs for government-directed projects can be supplied and sourced from most developing or under-developed countries to produce final products or services for consumption. Such a programme is able to reduce trade deficits, improve monetary circulation in the local economies, and improve the socio-economic conditions of families locally. Thus, strategic procurement using e-government systems are able to assist in poverty reduction through generating self-sustaining and renewing systems.

The United Nations Resolution of Millennium Declaration 55/2/III focuses on economic development and poverty reduction and outlines several approaches which our concept supplements. The UN Resolution promotes the role of local government and MNC in targeted assistance of economic growth in lower socio-economic areas in developing countries, frequently through developing, or instituting changes to, procurement policies and strategies.

Commitments were made to eradicate poverty (amongst other objectives) as part of the United Nations Millennium Development Goals (MDG). The intention was for sustained, broad-based, economic growth in impoverished regions to lift the welfare of residents and thus eliminate poverty. The MDGs also identified priority areas that needed to be addressed as part of this process, including alleviating hunger, policy development and implementation for food security, improving access to clean water, strengthening local capabilities, improving capability building, increasing vocational training, improving health, improving gender equality, youth unemployment, increasing trade, and improving development of domestic resources. These objectives are hardly new or novel, as aid organisations, governments, and NGOs have, for the last fifty years, been attempting to improve economic outcomes in all societies, frequently with limited success. Most of the world’s population still survives below the ‘poverty line’. In 1980 it was estimated that there were 1.9 billion people living below this poverty line. Over a 25-year period that has been little change: in 2005 it was estimated that there were still 1.4 billion people, or one quarter of the developing world, that lived below the international poverty line of $1.25 US per day (Chen & Ravallion, 2008).

Eight important goals were established during the 2000 UN Millennium Summit: ending hunger, achieving gender equality, improving the health of children, improving maternal health, combatting HIV/AIDs, creating global partnership, improving environmental sustainability, and providing universal education.

This chapter discusses poverty and procurement using e-government systems, focusing on the role of supplier diversity (SD) and procurement policies in meeting MDG objectives of reducing poverty. Poverty is examined in more detail, as well as the links between local governments, MNCs, aid organisations, and supplier diversity programmes implemented through procurement policies. Competitive advantages from SD programmes are outlined, along with the risks and challenges of implementation. As a solution, e-government systems and their role in promoting PPP relationships are discussed, demonstrating how SD programmes can be incorporated using e-government systems. Potential future challenges are discussed to provide future research directions.

SUPPLIER DIVERSITY AND POVERTY

First we define poverty and procurement to aid in following discussions.

Poverty Definition

Poverty is frequently a slippery term, as the acceptable standard of living in different regions of the world can be perceived as being vastly different. Frequently definitions are based on income distributions within the society or the level of