The Principles and Practices that Shape Government Procurement in Singapore

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Introduction

An important question in public procurement is to what extent it should be controlled by central procurement authorities within the government bureaucracy, or delegated to operational agencies responsible for public programs, which are the recipients of the supplies and services acquired. Determining where the appropriate balance lies is an important question, given the percentage of the public budget spent on procurements, and the impact of procurements upon the effectiveness and efficiency of public programs (Thai & Grimm, 2000). This question has assumed increased salience with delegation of greater operational autonomy to line agencies under budgetary and other reforms associated with New Public Management, which have been implemented in many countries, including Singapore. Part of that delegation has been the increased responsibilities for procurement exercised by line agencies in recent years, replacing centralized purchasing. This has happened in Singapore as well as in other countries.

The paper will focus on the balance between centralization and delegation in the public procurement process in Singapore. It will first consider the policy and practices of public procurement in Singapore, the different types of procurement which have been adopted and the processes followed in the purchasing of goods and services. The paper will then examine those aspects of the public procurement process subject to centralized direction, and those which are delegated to government agencies as recipients of the goods and services purchased, in each case explaining the rationale for the authority exercised whether centralized or delegated. Also considered is how budgetary reform has affected the balance between centralization and delegation in the public procurement process. In conclusion, the paper will identify the model of public procurement that Singapore has adopted as determined by the extent of centralized control and delegation, and will evaluate how appropriate that model is in light of the underlying values and circumstances which shape the role of the government bureaucracy.

The Public Sector and Government Expenditure in Singapore

The central institution of government administration in Singapore is the Civil Service, which consists of 15 Ministries, sub-divided into Departments. In addition, there are 40 Statutory Boards, each set up under an Act of Parliament, which undertake specialized and commercial activities within the State bureaucracy. Whilst

formally separate from the Civil Service, each Statutory Board is affiliated to a Ministry. Many Statutory Boards are funded totally or partly by the Government, whilst others are fully self-financing. Ministries and many of the Statutory Boards are responsible for purchasing most of the goods and services they need, and are known as the Government Procurement Entities (GPEs). In 2001, the number of employees in the Civil Service and Government-funded Statutory Boards was about 120,000 with over 61,000 employed in the Civil Service itself. (BD, 2001).[1] An additional and significant part of the public sector comprises Government-linked companies, which are fully self-financing and outside the budgetary process. Some of these previously have been Statutory Boards or formed part of Statutory Boards.

Both operating and development expenditure by the Civil Service (including transfers and capital grants from Ministries to their affiliated Statutory Boards) reached nearly S$28 billion in FY 2001/02 (18 per cent of GDP), projected to rise to just over S$28 billion in FY 2002/03 (BD, 2002). Through the years, regular and sometimes large budget surpluses have been achieved, at times exceeding 5 per cent of GDP. Even in the recession year of 1998/99, a small surplus was recorded. However, In FY 2001/02, a small deficit was recorded of S$1.43 billion (after taking into account special transfers) as a result of the current economic downturn, compared to a healthy surplus the year before (BD, 2002). The small proportion of GDP taken by public spending, and the achievement of regular budget surpluses testify to the priority given by the Singapore Government to maintaining fiscal discipline and sound public finance (Jones, 2001). To some extent in recent years, expenditure on government procurements has declined and currently comprises about 27 per cent total public spending.

Public Procurement Principles and Conditions in Singapore

Principles and Goals of Procurement Policy

The procurement policy of the Singapore government is shaped by three key principles. The first is to create practices which are fair and so create a level playing field for all would-be suppliers. The second principle is to ensure that the public is given value for money so that goods and services purchased represent the most effective and efficient use of public revenue. The third principle is to maintain the highest standards of probity in the procurement process, so minimizing the possibility of corruption (WTO, 1997b).

To ensure fairness and value for money, the Singapore government has been keen to encourage open competition for procurement contracts. This has enabled all suppliers who have the capacity to provide the goods and services required to compete on equal terms with each other. In consequence, restricting competition through single or limited sourcing, or engaging the same supplier for repeat procurements is generally avoided. In accordance with competitive principles, in many cases a contract is awarded to a supplier who offers the lowest price amongst all the price offers submitted (WTO, 1997b). However, an offer may be accepted which is not the lowest price but is considered the 'most advantageous', taking into considera-

tion non-price factors. The non-price factors include product quality, design and upgradeability, after sales support, and delivery schedules, the salience of which will depend upon the specification requirements and nature of the procurement (SCS, 2002b).[2] Occasionally, a would-be supplier offers alternative specifications which are deemed to be more beneficial than those required, but at a significantly higher price than the other offers. If the additional benefits outweigh the higher costs to be incurred, that higher offer may be chosen. In these cases it may be acceptable to deviate from the lowest price principle (SCS, 2002b). The consideration of non-price factors in deciding contract awards is referred to in Singapore as the "holistic approach" to procurement (APEC, 2001).

The policy of allowing competition extends to foreign suppliers, thus minimizing protectionism in the public procurement sector. As a result, no discrimination is practiced indirectly against foreign companies, including locally based companies with foreign affiliation or ownership and those supplying goods and services originally produced in another country. By the same token there is no requirement on foreign suppliers to include any domestic component in the products or services to be procured (WTO, 1997b; WTO, 2000b). The openness to foreign competition is evident in the number of foreign firms providing goods and services to GPEs. This has in fact been a focus of critical attention in the Singapore parliament especially in relation to construction projects (Singapore Parliament, 1999).

Certain other features of Singapore's public procurement system reflect the influence of the strictly competitive approach. Contracts are awarded on a fixed price basis which disallows suppliers being paid on a cost-reimbursement arrangement (Fishner, 1989). GPEs are "discouraged from negotiation" with suppliers to determine what price and specifications they could offer. Limited post-contract adjustment and minor variations in specifications may be agreed upon through negotiation, in response to changing circumstances (for period contracts) and "to take into account practical difficulties in implementing complex solutions" (SCS, 2002b; WTO, 2000a). But that apart, negotiation does not occur. In addition, for each procurement a hard-nosed view is taken of the offers submitted, in many instances resulting in changes of suppliers from one contract to another for the same category of goods and services. In consequence, the relationship between GPEs and suppliers remains a distant and strictly neutral one. By the same token, no additional consideration is given to special interests such as small local firms or suppliers owned or linked to minority ethnic groups in awarding contracts. The rejection of affirmative practices accords with the meritocratic and competitive culture that has been fostered in Singapore over the years, but contrasts with public procurement practices, favoring special or minority interest, which have been adopted in other states in recent years (Leenders & Fearon, 1996).

In addition, in the annual audit of GPEs by the Auditor-General, any undue restriction on competition is highlighted and brought to the attention of the GPE concerned, as well as to the Public Accounts Committee of the Singapore Parliament. In a recent report, the Auditor-General identified four cases in the National Parks Board where competition had been "waived indiscriminately." In the same report,

three other agencies were highlighted by the Auditor-General for waiving competition (Auditor-General, 1998). Given the status and moral weight of the Auditor-General's Office, GPEs will normally rectify any shortcomings which are identified.

However, it should be mentioned that in two respects, the competitive rules governing public procurement have been tilted slightly in favor of local and regional companies. In construction tenders, preferential margins are given to local building contractors with "consistent good performance in government construction works," although this has not prevented significant foreign involvement in government construction projects (WTO, 1997b; Singapore Parliament, 1999). In addition, a preferential margin of 2.5 per cent is given to suppliers from other countries of the Association of South East Asian Nations (ASEAN), up to a maximum margin of US$40,000 per contract. This is an obligation upon the Singapore government as a member of the ASEAN under the preferential trading concessions agreed upon by members in 1977 (WTO, 2000b; ASEAN, 1977).

The strong commitment to fairness and competition in the public procurement sector in Singapore has precluded the adoption of the alternative approach to obtaining value for money in purchasing, based on "collaboration" or "partnership", although a degree of competition may still exist. The collaborative approach to procurement entails: a) limited or even single sourcing, often leading to the retention of the same supplier for subsequent procurements on the basis of its proven record; b) negotiating with the supplier over price and specifications (Baily, 1992; Deverill, 1996). In some cases, a supplier is selected, and then price and specifications are negotiated with little or no competition. In other cases negotiation may be the means of selecting a supplier and may thus actually entail a degree of competition, with the contract awarded to the supplier who is prepared to go the furthest in meeting demands of the procurement agency (Sherman, 1999). Whatever the purpose of the negotiation, it is necessary that procuring officers, in order to exercise maximum leverage in the negotiation process, are required to have a full knowledge of the costs of supplying goods or services, the current market rates, and the profits that the supplier can make. Given its emphasis upon negotiation and retention, the collaborative approach is designed to enable a rapport and trust to develop between suppliers and government agencies engaged in procurement (Deverill, 1996; McDonald & Winkelmann, 1996).

This model has been rejected in Singapore for a number of reasons. First and foremost, the prevailing values in government and administration in Singapore give high priority to competition based on merit and capability, as mentioned above. In addition, the limited range of suppliers available locally for certain goods and services impels GPEs to out-source amongst overseas suppliers. This can be more effectively undertaken through competitive tendering than through collaborative arrangements. Furthermore, it may be feared that the collaborative model of procurement could spawn cronyism and other corrupt practices to which the Singapore government is resolutely opposed.

Further contributing to fairness and open competition has been the priority given to transparency in the procurement process. This entails allowing all poten-

tial suppliers equal access to information relating to a procurement. Most procurements above a certain value are advertised in the local and foreign press and published in the *National Gazette* and on the internet through the on-line Government Information Tendering System as mentioned below. More detailed information is conveyed when the quotation and tender submission forms are sent out. In addition, information about the procurement process itself is made available to companies and businesses when they obtain procurement registration, which entitles them to offer a quotation or tender for a government contract. Also in the interest of transparency, the names of suppliers who have been awarded a government contract together with details of the contract are also widely published through the printed media and the Internet (WTO,1997b; WTO, 2000b). As pointed out by Singapore's Minister of Finance during the second reading of the Government Procurement Bill in 1997, "any supplier from any part of the globe can access easily and cheaply collated information on tenders called by the Government Ministries, Departments and Statutory Boards" (Singapore Parliament, 1997).

The third principle governing procurement practices in Singapore is probity. Strict controls exist to prevent corruption on the part of officials and suppliers, including misappropriation, cronyism and nepotism, bribery, cheating, and disclosing false information. Officers in GPEs who are involved in purchasing, are required to declare any possible conflict of interest. This, especially, applies to a personal or family connection with a business or company submitting a quotation or tender (or any affiliated business or company), through ownership, partnership, or shareholding. As further measures to prevent corruption, the different functions and stages of the procurement process must involve separate officers, who are rotated on a regular basis, with more than one officer involved at each function or stage. Any deviation from these requirements is readily highlighted in the annual audit of the Auditor-General (Auditor-General, 1998). Underpinning these controls is Singapore's strict anti-corruption legislation which gives wide powers to the Corrupt Practices Investigation Bureau, to pursue inquiries and unearth any evidence of corrupt practices (Quah, 1995). One of the penalties for a supplier who has engaged in corrupt practices is disbarment from future government contracts for a long period.

The Government Procurement Agreement

In 1997, Singapore became a signatory to the WTO Government Procurement Agreement (GPA) — one of the initial groups of countries to accede. The main provisions of the Agreement which affected Singapore were incorporated into Singapore law through the Government Procurement Act of 1997. The key objective of the Agreement is to liberalize the public procurement market and enable foreign suppliers to compete for government contracts on equal terms with local suppliers. In this regard, it followed the model of competitive procurement adopted in the European Union (EU) based on EU Directives following the creation of European Single Market in 1987 (Arrowsmith, Linarelli & Wallace, 2000; McDonald & Winkelmann, 1996). It was not surprising that the Singapore government, a keen advocate of the liberalization of trading and investment in the global economy, was

enthusiastic in supporting liberalization in the government procurement sector too. Indeed, Singapore regarded its accession, in the words of the Minster for Finance, Richard Hu, as 'a re-affirmation of ... our commitment to the open multi-lateral trading system' (Singapore Parliament, 1997).

It should be noted that the GPA applies only to high value procurements. For GPEs which are Ministries, Singapore has adopted the same value thresholds for GPA-covered procurements as the other signatory countries, viz. 130,000 Special Drawing Rights (SDR) for goods and services and 5,000,000 SDR for construction projects (currently 2.275 Singapore$ = 1 SDR). For most of the GPEs which are Statutory Boards, a higher threshold value applies for goods and services which is 400,000 SDR (for construction projects the value remains at 5,000,000 SDR) (WTO, 2000c). Below those thresholds, the GPA does not apply. Nor does it apply to procurement contracts relating to internal security, criminal investigation and the combating of drug abuse.

The long standing policy of the Singapore government not to restrict directly or indirectly foreign access to the public procurement market in Singapore, combined with it commitment to make the procurement process as transparent as possible, meant that it could readily satisfy WTO procurement requirements. However, a few changes were necessary as a consequence of its accession. The main one concerned the rights of unsuccessful tenderers for GPA-covered procurements. As required by the GPA, unsuccessful tenderers must be informed of the reasons why their submissions were rejected in the interest of transparency. In addition, they may seek redress through an appeals procedure if they consider the award to be unfair. For this purpose under the Government Procurement Act of 1997, in response to the GPA requirement, a special appeals body was created, known as the Government Procurement Adjudication Tribunal (WTO, 1997a; Singapore Parliament, 1997; Republic of Singapore, 1997). The main grounds on which an appeal can be considered are the award of a contract to a tenderer who does not meet the tender specifications, and a failure to provide relevant information about a procurement to any or all bidders. Other important grounds of appeal include a failure by the GPE to abide by stipulated procedures in the process of evaluating and selecting tenders, and also in the case of selective tenders, in determining the eligibility of a business or company to submit a tender. The actual prices and quality of the goods or services (providing they meet the specifications) to be provided by the successful tenderer(s) cannot be the subject of a challenge (WTO, 1997a; Republic of Singapore, 1997).

The GPA also provides for greater flexibility in allowing suppliers who have not obtained registration with the government to submit quotations or tenders, and if necessary, to apply for registration in conjunction with their quotation or tender submission. It was perceived that the requirement to be registered before a tender proposal was submitted was an unnecessary restriction on competition.

The Adoption of E-Procurement

A significant amount of public procurement in Singapore is conducted on-line through the Government Information Tendering System. This is located at a web

site, titled the Singapore Electronic Business Partner (GeBIZ), where a wide range of procurement information and documentation is publicized, including guidelines for registration as a government supplier, tender notices with relevant information about the tender, details of tenders which have been submitted, names of successful tenderers together with the nature and quantity of the goods or services to be provided and where appropriate the value of the contract awarded (MOF, 2000; WTO, 2000b).[3] By the same means, purchase orders may be issued and the satisfactory receipt of goods acknowledged. This is designed to enable procurement officers to use the Internet "to perform the full spectrum of procurement activities" (MOF, 2000). It is intended that in the foreseeable future quotations for government contracts may be received on-line. It can be appreciated that the use of the Internet in this way serves the underlying principles of procurement policy in Singapore and is consistent with the aims of the GPA, by significantly widening the scope for competition, enhancing transparency and ensuring better value for money.

The Types and Processes of Public Procurement

Types of Procurement

There are several different categories of public procurement in Singapore, mainly distinguished by the expenditure involved and the purpose of the procurement. The simplest type of procurement is the small value purchases (not exceeding US$1,150). For such, procurement officers may approach a known or previously used source and undertake a purchase at a price which they consider as reasonable. The second category is quotation based procurements valued between US$1,150 and US$28,500, for which a GPE is required to invite quotations from three or more suppliers and choose the lowest of the quotes received (SCS, 2002b).

The third and by far the most important category is tender based procurements entailing goods and service valued in excess of S$50,000. For most tenders, GPEs are required to invite competitive bids from as wide a range of suppliers as is feasible or appropriate, and to ascertain which offers the lowest price or is the "most advantageous," as mentioned above (SCS, 2002b).

Tender based procurements are divided into four types: open, selective, both open and selective, and limited closed tenders. For open type tendering, bids are invited from all suppliers registered with the Singapore government, and for GPA-covered, IT and highly specialized procurements, from even non-registered suppliers, to ensure maximum competition. Careful scrutiny is then exercised to choose that supplier which is capable of undertaking the contract, which offers the lowest price, or "the most advantageous" terms (WTO, 2000b; SCS 2000b).

Selective tendering is undertaken for large scale and complex tenders, which involve a high level of expenditure and detailed and elaborate specification requirements. This necessitates allowing only certain suppliers to tender. Suppliers are invited to submit themselves for pre-tender qualification to determine their suitability and capacity to undertake the contract. Both qualities are determined by examining their business and financial record, for which registration as a government

supplier and the financial grade, specified in the registration, will be taken into account. Of equal importance is whether they are capable of meeting the particular and complex specification requirements of the tender. Those suppliers whose capabilities meet the qualification criteria are then invited to submit a tender proposal for evaluation. In view of the extent and complexity of such procurements, it is considered necessary to weed out at an early stage those who do not have the capability, know-how or proven track record to meet the requirements of the tender (WTO, 2000b).

Another type of tendering, known as two stage open tendering, combines elements of the open and selective tender. Initially the tender is open but if the specifications are too stringent, it is possible that none of the submissions satisfy them, or if they do, the price offered may be unacceptable. In that event, the procurement requirements may be scaled down, and a selected number of tenderers may be then invited to re-submit proposals in light of the modified requirements.

The fourth type of government tender in Singapore is the limited closed tender. This is the only form of government tender where competition is curtailed, with submissions invited from only a few suppliers or even just one. Limited tenders can only be adopted in special and clearly defined circumstances. These may include the purchase of goods and services which can only be obtained from a few reputable suppliers capable of undertaking the contract, or which must be undertaken urgently, so preventing any opportunity to call for an open or selective tender. Limited tenders are preferred too where they are clearly in the national interest such as in the purchase of defense or security-related goods (WTO, 1997b; SCS, 2000b).

The Procurement Process

The public procurement process in Singapore involves a set of clearly defined procedures and stages. As already noted, at the outset, suppliers of goods and services may be registered with one of three central authorities. The registration indicates that they have met basic criteria as a viable and sustainable business, and certifies what types of goods and services they may supply. It also specifies the financial grading of the supplier, denoting the maximum value of the contract the supplier may quote or tender for (known as the tendering capacity). The main registration authority is the Expenditure and Procurement Policies Unit (EPPU) in the Budget Division of the Ministry of Finance for general goods and services. For medical and healthcare supplies, the authority is the National Pharmaceutical Administration of the Ministry of Health and for construction supplies and services, the Building Construction Authority (EPPU, 2001).[4] Suppliers are advised to obtain registration, but it is not now mandatory in order to be considered for a government contract.

For all procurements, the initial stage is to set the estimated procurement value which is the maximum permissible value of the purchase, and to determine whether the procurement would be by quotation or tender. For quotation-based purchases, this is followed by the invitation to quote sent to selected suppliers, containing information on the type and amount of goods and/or services to be acquired. The

quotations are received by the Quotation Receiving Officer, who then evaluates them and forwards a recommendation to the Quotation Approving Authority (normally one officer designated by the Permanent Secretary or Chief Executive of the GPE). Once an award has been made, funds are authorized by an approving officer, and contracts and purchase orders are then drawn up and signed. The quotation procurement is similar to the selective tender referred to above, except that the supplier whose quotation has been accepted is free to withdraw its quotation at any time up to the signing of the contract without any legal or other sanction being incurred (SCS, 2002b).

For tender procurements, the process will of course depend upon the type of tender chosen and whether or not it is subject to the GPA. For open tendering the GPE advertises the tender either through the tender notice, giving brief details of the procurement, or the notice of proposed procurement, which is more detailed and extensive, applicable for GPA-covered procurements. The notices are publicized as widely as possible, through the appropriate channels as mentioned above. To suppliers who so request it, the GPE then sends them the invitation to tender, together with the relevant tender documentation. The invitation contains detailed information about the procurement including the detailed specification requirements for the goods and services to be purchased, and criteria for evaluating submissions (SCS 2000b). For selective tendering the intended procurement is advertised, and interested suppliers are requested to submit themselves for the pre-tender qualification test. Those who pass the test are then invited to tender for the contract. In the case of limited tendering, there is no notice to tender, and only a few suppliers are invited to tender (SCS, 2002b).

Following receipt of tender proposals, an evaluation is undertaken by the GPE. For simple tenders, this is done by a single officer, but in the case of complex purchases, a committee is responsible for the evaluation, comprising procurement officers, relevant technical specialists and representatives of user units. On the basis of the evaluation, a recommendation is then made on which tender should be selected. The evaluation and recommendation are separate and distinct stages and involve different committees and officers. The recommendation is further checked and then submitted to the Tender Approving Authority (TAA) of the GPE. The TAA is sub-divided into three levels, comprising at each level a Tender Board which has the power to accept or reject a recommendation. The level of the Tender Board determines the value of the procurements with which it may deal. The next stage in the process is the publication of the Award Notice, informing tenderers of the outcome of the tender. (SCS, 2002b). For GPA-covered procurements, as already mentioned, the unsuccessful tenderers are then informed of the reasons why their tender proposal has been rejected. An appeal may be filed by unsuccessful tenderers with the Government Procurement Adjudication Tribunal, on the grounds stated in the Government Procurement Act.

Centralized Controls over Procurement

Registration and Debarment of Suppliers

GPEs are subject to a range of controls, mainly laid down by EPPU. One source of control is the authority of the EPPU, as already mentioned, to determine whether a company or business can be registered as a prospective supplier of goods and services, and if so which of the 45 categories of goods and services the business or company may supply (WTO, 2000b; EPPU, 2001). In deciding on such matters the EPPU follows certain criteria. The company or business in question must have a positive capital net worth together with proven commercial experience with at least one year's annual turnover, and must also have engaged previously in commercial undertakings for the categories of goods or services to which its registration applies (EPPU, 2001).

In addition, in determining the financial grade, the EPPU will place the supplier in one of nine grades. Suppliers with a registration grade of S1 may bid for contracts up to US$28,500; for S2 it is USS$57,000 etc. The grade S9 includes all contracts above $10,000,000. To be placed in a particular grade, the company must meet three conditions. The capital net worth of the company or business must be no less than 5 per cent of the value of the grade and its largest contract in the previous 12 months must be at least 25 per cent of that value Its sales turnover in the previous 12 months must be equal to or above the value of the grade. Although some discretion can be exercised, failure to meet any one of these conditions will usually result in a company or business being placed in a lower grade so reducing the value of the contract which it can be awarded. The objective of both the registration and the financial grading is to ensure the ability of the company or business to sustain a delivery capacity corresponding with the requirements of a contract and an accompanying reliability to provide value for money and quality control (EPPU, 2001). For this reason, registration and the financial grading has been an important determinant of whether a supplier can tender for a government contract and at what value. However, in recent years, as mentioned below, much more flexibility has been introduced in allowing companies and business to tender without an official registration status and an accompanying financial grade.

A similar degree of centralized control is exercised in the debarment of errant or poorly performing suppliers from tendering for government contracts. As with registration, it is the EPPU which provides the overall rules and guidelines, stipulating the grounds for and procedures involved in debarment, and also the criteria for determining the length of time the debarment may apply. The grounds for debarment include withdrawal of a tender by a supplier after it has been submitted, abandonment of a contract, excessive delay in providing goods and services, the use of sub-standard materials, and the lack of an adequate supply of materials. Other important reasons for debarment of a supplier include unauthorized sub-contracting, novation of contract, overall poor performance (established through the regular performance evaluation reports), as well as corruption, cheating on prices and

payments, and giving false information in the tender application or proposal. A construction or engineering firm may be debarred under a default point system whereby it incurs default points as a result of poor management, poor quality of work, and contravention of building, environmental and industrial safety regulations. Ten default points incurred by a company in its most recent government contracts may lead to disqualification from tendering (SCS 200b).

The decision on whether a supplier should incur default points, or be debarred and for how long is made by another centralized body, viz. the Standing Committee on Debarment (SCOD). This Committee includes Permanent Secretaries from the Ministry of Finance (or their deputies) and certain key spending Ministries, a representative of the Attorney-General and the Director of the Corrupt Practices Investigation Bureau. In arriving at a decision, the Committee will take into account the report and recommendation of the GPE concerned, and will then decide if there are genuine grounds to warrant a default point or a debarment. Although there are clear stipulations on the length of the debarment according to the value of the contract and the nature of the default, the Committee has some flexibility in shortening or extending the length in light of particular circumstances (SCS, 2000b).

Procedural and Evaluation Framework

Another source of centralized control over procurement is the procedural and evaluation framework laid down by the EPPU in instruction manuals and circulars, which GPEs are required or advised to follow. This governs the procedures to be observed in the procurement process, the criteria to be adhered to, and what decisions may be made, by whom and at what level of authority.

The framework stipulates how an intended procurement should be valued, the thresholds at which a procurement must be subject to tender, the requirements in publicizing a tender, and what instructions are to be given to tenderers in the invitation to tender concerning the preparation of a tender proposal. The framework also specifies the procedures for receipt of tender submissions, the process and levels of authority involved in evaluating the tender submissions, in making a recommendation and arriving at the final decision on the award, with an expectation that GPEs avoid negotiating with tenderers except on minor details (WTO, 2000a). Instructions are given too on how a tender contract should be drawn up and by whom, and the means for conveying the award of a contract. In addition, conditions are laid down concerning post-contract variation (including when and how far this is permissible). Likewise, GPEs are given instructions and guidelines by the EPPU on the criteria for shortlisting tenderers in a two-stage tender, and for evaluating all tender proposals on the basis of price and non-price factors (EPPU, 2000).

The procedures and conditions specified are often precise and detailed. Most are mandatory but some are recommendations or guidelines, which allow GPEs some discretion on whether or how far they should be applied (SCS, 2002b). For the former, deviations are normally brought to light by the annual audit of the Auditor-General and referred to as cases of "non-compliance with government procurement procedures." Normally, the exposure of such has a corrective impact. In the 1998

audit, a number of deviations from prescribed practices were discovered by the Auditor-General, and in each case, the GPEs involved responded by giving an undertaking to rectify them (Auditor-General, 1997; Auditor-General, 1998). In acting in this way as a watchdog over procurement practices, the Auditor-General serves to buttress the centralized framework of public procurement in Singapore.

Centralized Purchasing

For two types of goods and services, decisions on what to purchase, at what price and from whom are directly taken by centralized procurement authorities. The first type is goods and services relating to construction and engineering projects. The tenders for such projects are centrally managed by the Tenders and Contracts Section of PWDCorp, a wholly owned government company, which before it was corporatized, formed part of the Public Works Department of the Ministry of National Development (PWDCorp, 2001; SCS, 2000a).

The second type is goods and services shared by nearly all Ministries and Statutory Boards, which may be acquired through bulk tenders. These are managed by the EPPU or by an agency designated by it which has a particular expertise for the goods and services being procured (SCS, 2002a). An example is the Information Communication Development Authority of Singapore, a Statutory Board, which has been designated as the central authority to manage tenders for the provision of software systems and other IT services to Ministries and Statutory Boards (IDA, 1999).[5]

The Necessity for Maintaining Centralized Control

Several reasons may be cited why the Singapore government maintains a certain degree of centralized control over procurements. Such oversight ensures that the principles shaping procurement policy — competition, transparency, value for money and probity — are more likely to be heeded. In the absence of a detailed set of procedural requirements and a framework of evaluation, these principles could be more readily disregarded. Moreover, given the expenditure involved in government procurement, it is necessary to provide safeguards to ensure financial discipline and avoid cost overruns and waste (Coe, 1989; McCue & Pitzer, 2000). This is more likely to be achieved when centrally created procedures and clear specifications are in place. In addition, procurement work requires specialist knowledge and experience in such matters as tender management, budget administration, drafting of contracts and determining legal liabilities. These requirements also necessitate a centrally formulated framework of rules, procedures and criteria to provide all-important guidance to procuring officers and committees in GPEs, in view of the discretion they have in making purchasing decisions and managing day-to-day procurement operations, as will be discussed below.

Furthermore, as already mentioned, an important source of centralized control is bulk tendering, which is advantageous where Ministries and Statutory Boards have common needs, not least because discounts can be obtained from such high volume purchases, and unnecessary duplication of transactions can be avoided.

Besides, in the case of bulk tenders for IT services or complex technical equipment, centralized management of the procurement by a specialized body is more likely to be draw upon professional expertise, so necessary in deciding upon the type purchase to be undertaken, from whom and under what specifications (SCS, 2002b).

Delegation in The Procurement Process

The Procurement Powers Delegated to GPEs

The procedural framework and evaluation criteria as laid down by the EPPU and the other centralized procurement authorities nonetheless allow GPEs a certain amount of autonomy in managing their procurements. The delegation of procurement responsibilities to GPEs was significantly enhanced by the abolition in 1995 of the Central Supplies Department of the Ministry of Finance, resulting in a major reduction in the amount of centralized purchasing (except for bulk tenders and construction projects).

For all types of tenders, GPEs now are able to determine the type and quantity of goods and services to be procured, including the technical design, and delivery specifications for goods, and the scope and time-frame for services. GPEs have, furthermore, flexibility within the procedures laid down in devising the detailed format of tender submissions and deciding the time period for submissions (so long as it is not less than the minimum period laid down). Also within their remit is the setting of the estimated value of the procurement (WTO, 1997b).

In addition, GPEs are free to determine the type of tender procurement to adopt, whether open, two-stage open, selective or limited. For selective tendering, they may stipulate the criteria to obtain the pre-tender-qualification, and decide which of the would-be suppliers pass the qualification test and can then be invited to tender. In the case of limited tenders, the GPE is free to choose the suppliers who can be requested to submit tender proposals. This likewise applies to two stage open tendering. A similar degree of flexibility exists in the case of procurements based on period or framework contracts, which enable the GPE to acquire the same goods and services at intermittent intervals as needs dictate, over a given period of time. A panel of suppliers may be awarded such a contract, and the GPE is then given discretion to choose the one it prefers based on competitive quotations or tenders submitted at the time the goods and services are required (SCS, 2002b).

The GPE enjoys some discretion in deciding the criteria for evaluating a tender proposal, and thus in awarding the tender. It is able to determine how much weight should be given to price and how much to non-price factors, and may eschew the lowest price offer in favor of proposals which offer a better overall package in terms of specifications, after sales support and upgradeability (even exceeding those mentioned in the tender notice).

GPEs have further discretion in post-award procurement management for period contracts. Over time, additional optional items may be required, or new designs could come on the market and better services made available, not least in IT procurements. Equally, during or at the end of a contract, it may be realized that more of the

same goods and services should be purchased. In such instances, GPEs are allowed to retain the existing supplier if they so wish, so the original contract is adjusted or extended as necessary, although there are limits to how far the original contract value can be adjusted. Alternatively, GPEs may choose to call for another tender and acquire the services of a new supplier. By the same token it is within the authority of GPEs to curtail or terminate a contract if the need for the goods and services is reduced or no longer exists, or for any other reason that makes the contract no longer advantageous (SCS, 2002b). In the case of novation of contract, the GPE is free to find a replacement supplier by either limited tender (including single sourcing) or by open tender (SCS, 2002b).

As a further extension of delegation in procurement, GPEs have recently been given the authority to consider tenders from suppliers without registration status. Part of this authority allows the GPEs, rather than the central registration authority, to determine the basic fitness of such suppliers to tender through their own assessment of the suppliers' financial position and track record. If both of these are considered to be sound, then the suppliers, on the basis of the GPEs assessment, can be added to the list of registered suppliers (SCS, 2002b). For procurements of IT, other forms of high-level technology and for specialized services, GPEs are now given discretion even to decide whether or how far to take into account the supplier's track record, and financial position in determining suitability to tender. This is designed to help new companies or businesses supplying innovative products, new designs, or employing personnel well-known for their expertise and previously employed by well-established companies and businesses (SCS, 2002b).

GPEs cannot authorize the debarment of suppliers for default or misconduct. However, GPEs which are Ministries, may report to the SCOD in such instances, with a recommendation either to debar, or to issue a warning letter. Those that are Statutory Boards may do likewise, except that their report and recommendation must be routed through the Ministry with which they are affiliated. As one would expect, the recommendations which are submitted to the SCOD are seriously considered in deciding whether a supplier is to be debarred and for how long or to receive a written warning (SCS, 2002b). In addition, it is often left to the GPE in the first instance to determine if there is sufficient evidence of default or misconduct such as novation of contract, the use of sub-standard goods, and unwarranted delay in supplying goods or completing a contract. For construction, engineering and installation projects, under the default point scheme mentioned above, the GPE may apply default points to a contractor whose performance is below standard. As already indicated, when 10 default points have been accumulated, the contractor is then debarred by SCOD (SCS, 2000b).

The Advantages of Delegation

The operational autonomy in purchasing supplies and services enjoyed by GPEs allows procurements to be more need specific, and thus tailored to the particular requirements of the services that they provide to the public at large or to other organizations in the public sector. The GPEs are in better position to judge than any

centralized authority what goods and services are suitable to their programs, and to determine the specifications, type of procurement and the balance between price and non-price factors, which are most appropriate for a particular procurement (McCue & Pitzer, 2000). In addition, the procurement officers and committees in GPEs whose procurements are largely confined to a limited range of supplies and services, are able to learn from experience which suppliers are the most reliable or give the best value for money. This enables them to better evaluate their quotations and tenders, and to determine their suitability for a particular procurement

Procurement Delegation and Budgetary Reform

The discretion exercised by Ministries on procurement matters has been underpinned by budget management reform in Singapore. The main one affecting procurement was the Block Vote Budget Allocation System (BVBAS) introduced in 1989, under which, in the words of Singapore's Minister for Finance, "ministries will be delegated greater authority to manage their budget allocations" (Minister for Finance, 1988). Following the passing of the appropriation bill, "the Ministry is given flexibility and autonomy to spend the allocated funds according to its stated objectives and to manage the allocation between the various programs and activities." This enabled the Ministry to determine how its funds were to be allocated amongst its various programs, and to transfer funds and manpower from one program to another during the course of the financial year (Singapore Parliament, 1992; Minister for Finance, 1988; Minister for Finance, 1990; Jones, 2001). The reduction of centralized purchasing in 1995, combined with the BVBAS, gave Ministries, as GPEs, greater leeway to decide what purchases were necessary within their programs.

Under later budgetary reform certain aspects of budgetary management were further delegated to Departments and other cost centers within Ministries. This was under an arrangement known as Budgeting For Results, whereby Departments and cost centers are required to set output targets and measure their performance, which for some of them are key determinants of their operating budget allocation. In return, they enjoy greater autonomy in how their services are to be delivered and for that reason have been redesignated as Autonomous Agencies (Jones, 2001). However, it is noticeable that Departments and cost centers do not have the status of GPEs, and, therefore, have no authority to make procurement decisions. Thus, the delegation to Departments and cost centers of greater autonomy in providing services has not been accompanied by a similar delegation with respect to procurement.

Certain reasons may be adduced to explain why the delegation of purchasing responsibilities has not gone further, and been extended to the component Departments and cost centers of Ministries. A wide range of goods and services (and not just those subject to bulk tenders for the entire public service) may be commonly used by different Departments and cost centers in the same Ministry. It would not make sense to individualize procurements in such cases. A further reason is that procurement work (e.g. calculating procurement values, determining specification requirements, evaluating tenders and drafting contracts) requires a certain expertise and experience, which may be lacking in Departments and cost centers which

are largely concerned with day to day delivery of services. Thirdly, it could be argued that the excessive dispersal of procurement activities may maker it difficult to maintain the necessary degree of centralized procedure and evaluation control.

Conclusion: Balancing Control and Delegation

The system of public procurement that has developed in Singapore, combines centralization with delegation at the operational level. Centralization has occurred by imposing upon GPEs a detailed procedural framework and evaluation criteria (as well as through bulk purchasing). They provide the ground rules of procurement which the GPEs must follow. This has been offset by the discretion given to them both to interpret the ground rules in light of their operational needs and also to decide the types and amount of goods and services to procure, at what cost, by what means and from whom (WTO, 1997b). They have also been given flexibility in accepting tenders from non-registered companies and businesses and, in some cases, in deciding how necessary it is to take into account their track record. In achieving this balance, the Singapore public procurement system approximates to the hybrid centralized model of public procurement identified by McCue and Pitzer (2000), in which procurement policy and oversight are exercised by a centralized body, but purchasing decisions and operations are undertaken by the line organizations.

The balance which has been achieved is a response to the divergent requirements that influence procurement practices. Transparency, competition, value for money, probity and professional competence in managing procurements necessitate centralized control and the imposition of detailed procedures and evaluation criteria. Whilst such controls may be restrictive, they can also be regarded as facilitating GPEs in their procurements activities by providing the necessary guidance to meet the objectives stated above.

At the same time, the Singapore government has found it important to delegate operational responsibility in procurement matters to GPEs given the importance of tailoring procurements to their specific needs as determined by the public services they provide. If such responsibility is retained by central authorities, procurements may be undertaken without sufficient familiarity and understanding of the needs of GPEs in light of the services they provide. Moreover if centrally imposed procedures and evaluation criteria leave little room for interpretation or discretion, GPEs may be prevented from acquiring goods and services which best suit their programs (Thai & Grimm, 2000).

The delegation of procurement responsibilities to GPEs has been encouraged by the adoption of New Public Management principles in Singapore, reflected, as elsewhere, in the granting of greater autonomy to operational managers in public service programs. However, the need to ensure fairness and value for money through open competition and transparency combined with commitment to safeguard probity has meant that a degree of centralized control is still required within the system of public procurement. Singapore's accession to the GPA has if anything, given added priority to these objectives, making those controls all the more necessary.

Notes

1 "BD" in the in-text citations refers to the Budget Division of the Ministry of Finance in Singapore.
2 "SCS" in the in-text citations refers to the Singapore Civil Service.
3 "MOF" in the in-text citations refers to the Ministry of Finance in Singapore.
4 "EPPU" in the in-text citations refers to the Expenditure and Procurement Policies Unit in the Budget Division of the Ministry of Finance.
5 "IDA" in the in-text citations refers to the Information Communication Development Authority of Singapore.

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