



Value of Procurement

THE ISSUE: A strong central procurement office is necessary for a state's procurement system to be efficient and effective.

BACKGROUND: When functioning properly, a central procurement program reduces the cost of government by:

- Eliminating inconsistent practices and procedures that confuse vendors and discourage them from competing.
- Reducing the need for duplicative resources by developing capability and expertise that most other agencies cannot afford to develop.
- Inspiring public confidence in government by placing someone in charge of a system that spends vast amounts of public funds.
- Serving as the government's meaningful link to the business community.

Central purchasing programs can generate substantial savings for all of a state's public entities by reducing administrative costs and lowering prices. Costs are lowered by leveraging the consolidated needs of all state public entities and allowing industry to benefit from the accompanying economies of scale. Administrative costs are lowered by reducing the number of competitive processes conducted. The savings that result should substantially exceed what any individual entity could achieve, but success depends both on an agency's commitment to use these contracts and on active participation in their development.

In addition, a strong central procurement office facilitate participation in a competitive process (public or private) often involves a significant financial investment on behalf of the private sector. The business community's willingness to risk that investment depends on its confidence in the fairness of a competitive process that stems largely from a well-developed set of rules administered by a strong central procurement entity.

NASPO Position Statement: NASPO believes that the proper foundation of any public procurement system is a comprehensive procurement law based on the American Bar Association's Model Procurement Code that provides parameters, authorizes the exercise of professional discretion, covers all agencies and institutions, covers all types of procurements, and places centralized management in the hands of an executive at a high level within state government. With this foundation, a chief

procurement officer can delegate substantial procurement functions to institutions based on each institution's expertise, resources, internal procurement operations, and history of compliance with applicable procurement rules. From this common foundation, all stakeholders can work together to identify and implement opportunities for improvement.