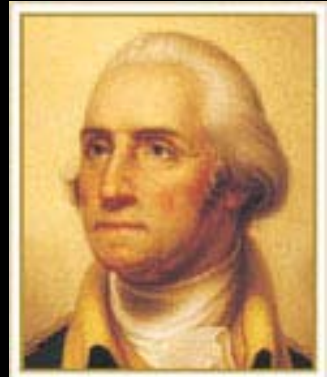


**Social Policy Issues
in the Public
Procurement Sector:
*Insights from US and
International
Experience***

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Recognize the Trade-Offs/Costs

- *Transparency*
- *Integrity (accountability)*
- *Competition*
- *Uniformity*
- *Risk Avoidance*
- *Wealth Distribution(*)*
- *Best value (value for money)*
- *Efficiency (administrative)*
- *Customer Satisfaction*



Social & Economic Policy

- **Wealth distribution (or re-distribution)**
- **Irresistible Target of opportunity**
 - “pork”
 - **Avoids Pay-Go (hides real cost)**
 - **Contrast direct payments; subsidies; grants**
 - **No “good government” constituency**

Key U.S. Arguments – Socioeconomic (“Collateral”) Policies

Proponents:

Government *should* use procurement to address:

Social Disadvantage

Unemployment

Pollution

Energy Consumption

Bolstering U.S. industry

Argue that, e.g., small businesses *enhance competition*

Opponents:

- **Costs are high and hidden**
- **Socioeconomic policies collide**
- **Frequently outmoded**
- **Acquisition slowed and made more complex**
- **Discourages contractors from federal market**

U.S. Procurement

- sub-dividing the pie
- \$530+ billion in contracts
- 23% of procurement (\$130B) to be set aside for:
 - Small businesses
 - Disadvantaged businesses
 - *ANC's!!!!*
 - Women-owned businesses
 - Service-disabled veteran-owned businesses
 - “HUBZones” (geographic)
 - Others

An Anecdote: Defining “Small” Business

- **Based on:**
 - **Gross receipts (\$\$\$\$), or**
 - **Number of Employees**
- **Problems:**
 - **Defining annual \$\$\$**
 - **Defining “affiliates”**
 - **Self-certification**
 - **Discouraging further employment, above “cap”**
 - **Graduation (see also the “cap” above)**
 - **Thresholds/cliffs – no “medium” akin to the SME model**

Costs, Tradeoffs

- Reduced Competition (by definition)
- **Price Premium**
 - **Unfunded mandate**
 - **Opaque, non-transparent**
- Increases cynicism
 - Scams, shams & fronts?
 - Optimal allocation of scare compliance dollars?
- **Tension with Trade agreements/norms**

Costs, Tradeoffs (cont.)

- **Resources**
 - Increased Transaction Costs
 - Personnel, priorities (e.g., market research)
 - Complexity: Rule promulgation, implementation, interpretation
 - Adjudication (e.g., size status)
 - Metrics: Data Collection, Reporting (& Defending)
- **Risk and Exposure**
 - Experience
 - Cost Accounting
 - Insurance, Bonding

Conclusion

- Questions?
- Comments?
- Suggestions?
- Ideas?



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