

## **TOPIC ONE: Introduction to Public and non- Profit Procurement**

### **Introduction**

This chapter provides an introduction to the concept of public procurement. It looks at the definition of public organizations, non for profit organizations, public procurement explains its goals and interests and then further discusses the differences between public and private sector procurement with specific reference to Uganda.

At the end of this chapter, students should be able to:

- Define public organizations and non-profit organization
- Explain the characteristics of public sector organizations and non- profit organizations
- Classify public sector and non-profit organizations
- Distinguish public sector procurement from private sector procurement
- Discuss the implications of the features of either sector to procurement practice.

Today governments all over the world have received a great deal of attention as providers of essential services, such as health, education, defense and infrastructure. To be able to meet the demand for these services, governments purchase goods and services from the marketplace. In other words, governments are purchasers of works, supplies and services from the open market, placing their demands alongside those of the private sector. The business operations of governments in the marketplace or public procurement have thus both economic and political implications. Yet, until not too long ago, the subject of public procurement would have received little attention by academic researchers and policy makers, because it was considered an administrative function too mundane to worry about (Wittig, 1998).

### **Meaning of Procurement**

To procure simply means to buy or to get something. Procurement refers to the overall process of acquiring a product or service. Depending on the circumstances, it may include some or all of the following: identifying a need, specifying the requirements to fulfill the need, identifying potential suppliers, soliciting bids and proposals, evaluating bids and proposals, awarding contracts or purchase orders, tracking progress and ensuring compliance, taking delivery, inspecting and inventorying the deliverable, and paying the supplier.

### **Definition of Public Procurement**

Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector. It is the process through which the government buys or gets goods, works and services from the private sector. The government buys or gets these goods, works and services on behalf of the general public. The process includes purchasing, hiring, leasing or any other means of involving suppliers to provide goods and services to the public

Public procurement is alternatively defined as the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state. Public

procurement thus means procurement by a procuring entity using public funds (World Bank, 1995a). The items involved in public procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports.

### **Meaning of Disposal**

Disposal simply means getting rid of something. The government may decide to get rid of various assets such as buildings, vehicles, computers, typewriters etc, by selling or auctioning them, renting them out, lending them out, exchanging one asset with another, destroying them or simply giving them out. This is what is referred to as disposing of the assets.

### **Constituents of the Public Sector**

In general terms, the public sector consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services. A Public Organization is a state-run organization. It is Government controlled and is paid for by public taxation. Usually a general tax will pay for state provisions, but in some cases an alternative tax will.

The public sector generally consists of at least three types of organizations.

**Core government** consists of a governing body with a defined territorial authority. Core governments include all departments, ministries, or branches of the government that are integral parts of the structure, and are accountable to and report directly to the central authority — the legislature, council, cabinet, or executive head. Examples in Uganda:

- Central government
- Local government
- Office of the prime minister
- The president's office
- Parliament of Uganda

**Agencies** consist of public organizations that are clearly a part of the government and deliver public programs, goods, or services, but that exist as separate organizations in their own right — possibly as legal entities — and operate with a partial degree of operational independence. They often, but not necessarily, are headed by a board of directors, commission, or other appointed body.

### **Examples:**

- Uganda Revenue Authority (URA) – Collects taxes on behalf of government.
- National Environment Management Authority (NEMA) – Regulates environmental protection.
- Uganda National Roads Authority (UNRA) – Develops and maintains national

roads. (note that UNRA has been taken over by Ministry of works

**Public enterprises** are agencies that deliver public programs, goods, or services, but operate independently of government and often have their own sources of revenue in addition to direct public funding. They also may compete in private markets and may make profits. However, in

most cases the government is the major shareholder, and these enterprises partly follow the acts and regulations that govern the core government.

**Examples:**

- National Water and Sewerage Corporation (NWSC) – Provides water and sewerage services.
- Uganda Electricity Generation Company Limited (UEGCL) – Generates electricity.

Posta Uganda – Provides postal services

**Statutory bodies** are organizations created by an Act of Parliament to regulate, supervise, or administer specific sectors in the public interest. They derive their authority from legislation.

**Examples:**

- Public Procurement and Disposal of Public Assets Authority (PPDA) – Regulates public procurement.
- Electoral Commission – Conducts national elections.
- Uganda Communications Commission (UCC) – Regulates telecommunications and broadcasting.

**DIFFERENCES BETWEEN PUBLIC & PRIVATE SECTOR PROCUREMENT**

In both public and private sector procurement goods and services have to be acquired, and in both there are good reasons to strive for the best deal in obtaining the required goods and services. However, despite these similarities, it is well accepted that public procurement is quite different from procurement in the private sector (Erridge, 1996; Thai, 2001; Thai et al., 2004).

There are essential differences between the procurement process in the government and that in a private firm. *A private firm places less emphasis on formal competitive bidding, documented procedures, and constraining conflicts of interest than governments do.* Private Managers have built-in incentives to purchase goods that provide high value for their price, and to hire contractors who will accomplish high-quality jobs at competitive prices. The dimensions of accountability are related to results, not process, because in the private sector the results are more easily quantifiable, by reference to their impact on overall company profit.

*In contrast, the public manager must follow prescribed competitive procedures, and the rules give a major weight to fairness and equity.* Also, public procurement is subject to oversight by the legislature and audit (in addition to internal accountability mechanisms). Mistakes or malfeasance in public procurement can have vast political repercussions, owing to the focus that the media and the public place on the subject.

*Also, private firms and nonprofit agencies prefer stable relationships with suppliers and long-term contracts, for certainty and easier business planning,* but several factors (including the fear of collusion with contractors and financial rules) prevent public agencies from developing such long-term relationships. Finally, public procurement is often used as a tool for public policy goals (e.g., fostering the growth of local industry, or benefiting groups of poor women or disadvantaged groups).

Public procurement is different from private procurement, because in public procurement the economic results must be measured against more complex and long-term criteria. *Furthermore, public procurement must be transacted with other considerations in mind, besides the economy. These considerations include accountability, non-discrimination among potential suppliers and respect for international obligations.* For these reasons, public procurement is subjected in all countries to enacted regulations, in order to protect the public interests. It is worth noting that unlike private procurement, public procurement is a business process within a political system and has therefore significant consideration of integrity, accountability, national interest and effectiveness (Wittig, 1998).

Key differences in these sectors lay in;

- i. Objectives
- ii. Responsibility
- iii. Legal Restrictions
- iv. Competition
- v. Publicity
- vi. Budgetary Limits
- vii. Defined Procedure
- viii. Source of Funding
- ix. Ownership
- x. Time to do procurement
- xi. Information Exchange

#### *Public procurement*

- Has other considerations other than economy/profit e.g accountability, non-discrimination
- Uses public funds and therefore public interests must be protected
- Has regulations (The PPDA Act, 2003)
- Budgeting is more detailed
- Follow up on audit reports by IGG, DPP, CID is very important in public procurement
- Stipulated methods of procurement that have to be used

#### **Objectives of Public Procurement**

- Economy
- Fostering Competition
- Protecting the Interest of Citizens
- Environmental Protection
- To purchase the right quality of goods and services, at the right time, and in the right quantity, from the right source at the right price.
- To provide the government with a constant flow of goods and services to meets its needs
- To reduce costs through more effective purchasing by buying wisely, efficiently and ethically to obtain the best value for money
- To ensure continuity of supply through having good relationships with existing suppliers and contractors and developing other sources of supply
- To manage stocks in the best way so as to provide the best possible service to the public at the lowest cost

- Ensure an open, transparent and compliant process
- Achieve continuous improvement on all categories of expenditure through a transparent and fair procurement process
- Achieve Value for Money in all procurement activities;
- Promote equality of opportunity for all businesses and in particular SMEs and SEs;
- Work in partnership with the private sector and other organisations to achieve value for money, quality and effective service delivery;
- Promote innovation;
- Encourage environmental and social sustainability through effective procurement policies and practices.

## **Basic principles of public procurement**

### **Effective competition**

Effective competition shall be evidenced by use of the open bidding, restricted bidding or quotations and proposals procurement methods described in these Regulations. A procuring and disposing entity shall use open bidding as the preferred method of procurement.

### **Economy and efficiency**

This means that the purchases are not wasteful, they are based on market prices and can generate savings. It also means that bad practices such as carelessness leading to wastage, wear and tear of stocks, over invoicing, unplanned expenditure, shortage of goods when needed, poor quality products and similar factors are to be avoided. The expectation is that suppliers will be developed, will grow and consequently, the citizens will see the benefits of public procurement through increased provision of quality goods and services.

### **Value for money**

All procurement shall be conducted to deliver best value for money, irrespective of the method of procurement used, the procuring and disposing entity or the nature of the works, services or supplies to be procured. Value for money shall be the optimum combination of whole life costs and the appropriate total quality appropriate to meet the requirements of the procuring and disposing entity.

### **Impartiality, independence and integrity (conflict of interest).**

The guiding principles of ethical behavior shall be impartiality, independence and integrity. The conduct of staff and any official engaged in procurement and disposal shall not foster the suspicion or create the impression that there is any conflict between their official duties and their private interests. A procuring and disposing entity shall at all times be fair, honest and even-handed.

### **Code of ethics**

A public officer who is involved in procurement or disposal, a bidder or a provider shall observe the relevant codes of ethics

- **Transparency**
- **Confidentiality**
- **Accountability**

- **Fairness and equity**
- **Nondiscrimination ETC.**

## **NON PROFIT ORGANIZATIONS**

A **non-profit organization** is an entity that is established to pursue social, public, educational, cultural, or charitable goals rather than to generate profits. They often rely on donations, grants, and volunteer support to achieve their objectives and typically serve a public or collective benefit(Renee,2026). Examples; AIDS Information Centre Uganda

Community Empowerment for Rural Development

### **Scope Of Non Profit Organizations**

#### **Provide Social Services**

- Poverty alleviation
- Orphan and vulnerable children support
- Disability inclusion

#### **Provide Health Sector**

- HIV/AIDS awareness and treatment programs
- Maternal and child health
- Immunization campaigns

Example : AIDS Information Centre Uganda

#### **Education and Skills Development**

- Scholarships and bursaries
- Vocational training
- Literacy programs

Example: Teach For Uganda

#### **Human Rights and Governance**

- Gender equality advocacy
- Election monitoring
- Civic education

Example: Uganda Women's Network

#### **Environmental Protection**

- Climate change awareness
- Tree planting

#### **Economic Empowerment**

- Microfinance initiatives
- Village Savings and Loan Associations (VSLAs)
- Youth entrepreneurship programs

#### **Humanitarian and Emergency Relief**

- Disaster response
- Refugee support

## **Religious and Moral Development**

- Spiritual guidance
- Community outreach programs

Example: Uganda supreme council, caritas Uganda.

## **Geographical Scope**

- Non-profit organizations may operate at:
- Community level (CBOs)
- District level
- National level
- Regional level
- International level

## **Characteristics of Non Profit organizations**

### **Mission-Driven Purpose**

Non-profit organizations are established to serve a **social, charitable, educational, religious, or humanitarian mission** rather than to generate profit.

### **No Profit Distribution**

They do not distribute profits to owners or shareholders.  
Any surplus income is **reinvested** back into the organization to support its mission.

### **Public or Community Benefit**

They operate for the **public good** or to benefit a specific target group (e.g., women, youth, refugees, people with disabilities).

### **Voluntary Formation**

They are usually formed voluntarily by individuals or groups who share a common social objective.

### **Independent Governance**

They are governed by a **board of directors or trustees** and operate independently from government (although they may collaborate with it).

In Uganda, NGOs are regulated under the Non-Governmental Organizations Act.

### **Non-Ownership Structure**

Unlike companies, non-profit organizations **do not have owners or shareholders** who claim residual profits.

## **Funding from Donations and Grants**

Their income often comes from:

- Donations
- Grants
- Membership contributions
- Fundraising activities
- Development partners

## **Accountability and Transparency**

They must maintain proper financial records and reporting systems.

They are accountable to:

- Donors
- Beneficiaries
- Regulatory bodies
- The public

## **Tax Treatment**

Many non-profit organizations may enjoy **tax exemptions** depending on national laws and their registration status.

## **Interests of Non-Profit Organizations**

The *interests* of NPOs refer to what they primarily seek to promote or protect in society.

## **Public Welfare**

Promoting the well-being of individuals and communities.

## **Social Justice and Human Rights**

Advocating for equality, fairness, and protection of vulnerable groups.

## **Community Development**

Improving livelihoods, infrastructure, and social services at local levels.

## **Poverty Reduction**

Supporting income-generating activities and economic empowerment programs.

### **Education and Capacity Building**

Enhancing skills, knowledge, and literacy.

### **Health Improvement**

Promoting disease prevention, treatment, and public health awareness.

Example in Uganda: AIDS Information Centre Uganda focuses on HIV prevention and care.

### **Environmental Protection**

Promoting conservation and sustainable resource use.

### **Goals of Non-Profit Organizations**

The *goals* are the specific outcomes NPOs aim to achieve.

### **To Address Social Problems**

Such as unemployment, illiteracy, domestic violence, or health crises.

### **To Improve Quality of Life**

Enhancing living standards for targeted beneficiaries.

### **To Empower Marginalized Groups**

Supporting women, youth, refugees, and persons with disabilities.

Example: Uganda Women's Network advocates for women's empowerment and gender equality.

### **To Provide Essential Services**

Such as education, healthcare, clean water, and relief services.

Example: Caritas Uganda provides humanitarian and development services.

### **To Influence Policy and Governance**

Engaging in advocacy and policy reform to promote public interest.

## Comparison of Procurement in Profit and Non-Profit Organizations

Aspect	Profit Organization	Non-Profit Organization
<b>Primary Objective</b>	To maximize profit and reduce costs	To achieve mission and ensure value for money
<b>Decision Focus</b>	Cost efficiency and competitive advantage	Accountability, transparency, and donor compliance
<b>Source of Funds</b>	Sales revenue, investments, shareholders	Donors, grants, member contributions, fundraising
<b>Procurement Flexibility</b>	More flexible and faster decision-making	Often guided by strict donor or regulatory guidelines
<b>Regulatory Framework</b>	Governed by company policy and commercial law	May be regulated by NGO laws and donor rules
<b>Supplier Selection</b>	Focus on price, quality, and profitability	Focus on price, quality, ethical sourcing, and compliance
<b>Accountability</b>	Mainly accountable to owners/shareholders	Accountable to donors, beneficiaries, regulators, and the public
<b>Documentation Level</b>	May be confidential and internal	Often requires detailed documentation and reporting
<b>Risk Consideration</b>	Business and financial risks	Reputational, compliance, and donor funding risks
<b>Time Sensitivity</b>	Faster to respond to market opportunities	May take longer due to approval processes

### Key Differences Explained

#### Objective Difference

- A **profit organization** procures to increase profitability and competitiveness.
- A **non-profit organization (NPO)** procures to effectively deliver services aligned with its mission.

#### Accountability Difference

- Profit organizations answer to shareholders.
- NPOs answer to donors, beneficiaries, and regulatory authorities.

In Uganda, NGOs are regulated under the Non-Governmental Organisations Act, which influences their operational accountability.

#### Funding Influence

In NPOs, procurement must strictly follow donor conditions.  
In profit firms, procurement decisions are more commercially driven.