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# Government Procurement: A Comparative Analysis of China and the United States

Keguang Guo

Fangfang Ning

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**Government Procurement:  
A Comparative Analysis of China and the United States**

**Keguang Guo and Fangfang Ning**

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# **Government Procurement: A Comparative Analysis of China and the United States**

## Executive Summary

Government procurement has been getting more attention by many countries and China is not an exception. In fact, government procurement has been gaining much development since it was adopted in 1996 in China. But there are still many problems existing in government procurement in China. As the most developed country in the world, the United States has adopted government procurement for several centuries. There is a perfect government system in the United States. Compared to the United States, government procurement in China is still rather backward, there is a great gap between government procurement in the United States and China. In fact, China can learn many successful procedures from the United States. The purpose of this paper is to find out some advanced procedures and methods of government procurement in the United States that can be used as a source of reference in Chinese government procurement through a comparative analysis of both countries.

The paper begins with an introduction of the current situation and reform of government procurement in China and the United States before the comparative analysis. In comparative analysis, the similarities and differences of five aspects between government procurement in the United States and China are discussed.

The five aspects are the basic principles, the management system, the mode and model, the management system of inviting tender and the system of supervision. Based

on the result of our comparative analysis, we identified five problems existing in government procurement in China. The five problems are the management system that still needs to be improved, the legal process of government procurement is not perfect, the supervision system is not complete, the operational procedure of government procurement is not standardized and there is a lack of professionals in government procurement. Finally, based on our understanding of the Chinese political culture, we recommend that some successful procedures and methods of government procurement in the United States can be used to solve these five problems.

**Government Procurement:  
A Comparative Analysis of China and the United States**

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# **Government Procurement: A Comparative Analysis of China and the United States**

## **Introduction**

Government procurement refers to purchasing activities conducted with fiscal funds by government departments, institutions and public organizations at all levels, where the goods, construction and services concerned are in the centralized procurement catalogue compiled in accordance with law or the values of goods, constructions or services exceeds the respective prescribed procurement thresholds (Government Procurement Law of the People's Republic of China, 2002, 2). Moreover, "procurement" refers to activities conducted by means of contract for the acquirement of goods, construction or services for consideration, including but are not limited to purchase, lease, entrustment and employment.

The total value of procurement by Chinese government increased from RMB100.9 billion in 2002 to RMB292.76 billion in 2005, it has almost increased 300 percent in three years (CCGP, 2009). According to this speed, the growth of government procurement in China can be faster. In light of this, the potential of government procurement is fairly attractive. Therefore, corruption is a common phenomenon in this field. Intended to improve transparency, to reduce corruption, and to lower costs, Chinese government has been reforming government procurement issuing laws and documents to

create the norms of the government procurement.

In 1999 and 2000, the Minister of Finance issued a series of administrative decrees to regulate departmental budgetary requirements as the centralized systems for publishing procurement notices, and budgetary appropriation, such as the Interim Regulations on Government Procurement issued by the Ministry of Finance promulgated in April 1998, the Government Procurement Law of the People's Republic of China approved by the Standing Committee of the National People's Congress in 2002, which became effective on January 1, 2003 (Government Procurement Law of the People's Republic of China, 2002, 1).

Today, government procurement, known as under a sunshine system, has become more and more deeply incorporated within the market economy, bringing about an open, just and fair framework in line with international norms. Nevertheless, Chinese government procurement is still noncompetitive in many aspects. Many local governments pay more in government procurement than in the market. The power of rent-seeking exists in Chinese government procurement generally. But the government procurement in the United States is much better than that of China.

According to our experience, there is little corruption in the United States government procurement. There is a developed legal and managerial system to control and supervise the United States government procurement, which includes the Federal



Property and Administrative Services Act, Contract Dispute Act, Small Business Act, and Federal Procurement Rules. All the acts are well-known for their precise, perfectness and thorough implementation. All laws embody the principle of competition, equality and fairness and openness, and a mandatory tender is required in the government procurement.

Therefore, we try to find some advanced procedures and methods from the government procurement in the United States that can be used as a source of reference in Chinese government procurement in our analysis. Based on this purpose, we write our analysis exploring the several issues

Firstly, we provide an introduction of the current situation and reform of government procurement in China by looking at laws, procedures of implementation and supervision. In this section, we divided the evolution of government procurement in China into three stages, the first stage is initial pilot stage from 1996 to 1998, the second stage is the pilot expanded stage from 1998 to 2003, and the third stage is formal implementation stage from 2003 up to date.

Secondly, we provide a discussion of the current situation and the evolution of the government procurement in the United States. In this section, we introduce the following contents: the mode of procurement, the principle of procurement, the management system, the setup of the department of government procurement and the procedure, etc.

Then, we provide a comparative analysis of China and the United States by looking at the differences, similarities, and gaps between the two countries. Based on our comparative analysis, we identify the problems of government procurement in China. These problems are instrumental in our recommendations on how to use the United States' procedures and methods of government procurement as a source of reference to improve the Chinese government procurement methods.

Finally, we make a conclusion based on the study findings. We also made some recommendations.

## **Literature Review**

Government procurement has existed for more than 200 years. In 1792, the government of the United Kingdom established Stationary Office as a department for public procurement. Since that time, many countries adopted this model of procurement and more scholars studied it in order to promote the efficiency of government procurement. Currently, the United States government procurement and the United Kingdom system are very progressive. But in China, government procurement was only adopted in 1996, with many problems. Since China joined World Trade Organization, many Chinese scholars began to study government procurement of developed countries; most of them focused on the most advanced country, the United States. There is a very

interesting phenomenon in this field, which makes many Chinese scholars to learn some procedures from the United States by comparing government procurement in the United States and China. In their opinions, government procurement in the United States is very perfect and very progressive.

As Chinese scholars, we try to find out some advanced procedures of government procurement in the United States by comparing them with Chinese Procedures. It is very important to grasp how the government of United States and China operate their government procurement to achieve our goal.

#### *Common Theme in Government Procurement*

What is government procurement?

Although government procurement existed more than 200 years, there is not a consistent definition for government procurement, different scholars have different definitions. “Government procurement has been defined as acquisition through purchase, lease, rental, and hire purchase of goods, services, and construction for public consumption” (Chou, 2006, 533). “Government procurement, also called public tendering, or public procurement, is the procurement of goods and services on behalf of a public authority, such as a government agency. With 10 to 15% of GDP in developed countries, and up to 20% in developing countries, government procurement accounts for a

substantial part of the global economy” (Wikipedia.com).

Chen(2003) defines “government procurement also called public procurement as the activity that is under the supervision of the government and using money from the fiscal budget or loans from the government, by following the statutory way and procedure to purchase products, project and services in the market to meet the needs of expenses on daily administrative activities and providing public services” (Chen 2003, 14). Most scholars recognize that government procurement is purchasing activities of goods, construction and services, conducted with fiscal funds, it is relative with government departments, institutions and public organizations at all levels, and the goods, construction and services are compiled in the centralized procurement catalogue, it must be in accordance with laws or values of goods, where construction and services exceeds the respective prescribed procurement thresholds (Yan, Han and Song, 2006, 23).

Is the United States government procurement perfect?

Almost all Chinese scholars recognize that the government procurement in the United States is perfect; they list many reasons to explain why it is perfect. There are four common reasons that were recognized by most Chinese scholars. The first reason is that the U.S. government has developed a sound management system for government procurement (Wu, 2006, 23). The second reason is that the United States has an efficient supervision system for government procurement (Huang, 2001, 27). The third reason is

that the U.S. government operates government procurement transparently (Chen, 2003, 31). The fourth reason is that U.S. has an equitable and equal arbitration for solving the dispute in government procurement (Zou and Fan, 2003, 14).

How do we divide the stages of government procurement of China?

In some Chinese scholars' opinion, the evolution of government procurement in China cannot be divided into several stages, because it only existed for 12 years, as a result it is too short to be divided (He and Sun, 2004, 32). Some Chinese scholars believe that the evolution of government procurement in China can be divided into two stages, one is initial pilot stage from 1996 to 2003, the other is formal implementation stage from 2003 up to date (Yan, Han and Song, 2006, 23). They all emphasize that, although the evolution of government procurement in China is short, there is "a very clear symbol that separate the two stages of evolution of government procurement of China. The symbol is the Government Procurement Law was issued in 2003" (Lei, 2004, 16).

#### Government Procurement in the U. S. and China: A Comparative Perspective

Many Chinese scholars had compared government procurement in the United States and China. Most of them compared government procurement in the United States and China on the following areas:

1. the basic principle of government procurement in the United States and China,
2. the management system of government procurement,
3. the mode and model of government procurement, the system of inviting tender of government procurement, the system of supervision government procurement (Wan, 2005, Zhou 2003, Gan, 2006 and Zhen , 2007, Luo, 2006, Chen, 2003, Li, 2002, Yao 2003, Zhang, 2006).

Wan Qiushang—a vice director of the Research Office of Police Development of Hunan Province of China—had compared the basic principle of government procurement in the United States and China in his article titled “Current Development of Public Green Purchasing Policy in the World and Countermeasures of China.” He said that “Just like the United States, the Chinese government procurement follows principles of fair, competition, transparency and honest. However, the difference is that Chinese governmental purchasing organization has not really carried out these principles in procedure of governmental procurement” (Wan, 2005, 31).

Zhou (2003), a government official of the Bureau of Finance of Shanghai, in his comparison of the mode and model of government procurement in the United States and China said that:

The operation mode of inviting tenders must include the opening of

tenders, bid evaluation, getting bid and so on. It has two main principles: one principle is open competition; the other principle is that the benefits of tender and of bidder must be protected. These two principles are to be observed in all procedure of the opening of tenders, bid evaluation, getting bid. But in practice, the government of China and the United States carry out the principles differently in individual tender opening, bid evaluation, getting bid, the government of the United States always abide by the principle, the government of China at all levels can't implement the principles (Zhou, 2003, 29).

He also believed that the mode of government procurement in the United States is to stick to the principles as well as the flexibility, and the mode of government procurement in China is at random, it is based on the director of the organization of government procurement. To this opinion, there are many proponents in China, such as Gan (2006) and Zhen (2007).

Also many Chinese scholars compared the management system of government procurement in the United States and China. According to Luo (2006),

The organization of government procurement of the United States must abide by not only the regulation of relative laws, but also the rules of government management, there are detailed procedures in

government procurement, the employee of the organization of government procurement must work strictly under the detailed procedures, but in China, there are a few rules that manage the government procurement, despite, the government official can't abide by these rules (Luo, 2006, 11).

Chen (2003) expressed the same opinion, on the management system of government procurement in China, and maintained that the government of China has a long distance to walk. Both scholars agree that there is no special regulation for government procurement in China besides the special law known as the Government Procurement Law.

Does China have an advanced supervision system for government procurement?

Chinese scholars had two distinct different answers for this question after they finished comparing the supervision system in the United States and China. Some scholars believe that China had an advanced supervision system for government procurement (Chen, 2003). Bo Chen is one of the scholars that believes that China had an advanced supervision system for government procurement, his contention is that:

In the United States, there are more than 500 laws, regulations, or rules that are relative with government procurement directly or indirectly, and cover all aspects of government procurement. These laws,



regulations and rules provide help to supervise government procurement. Although there are not so many laws, regulations or rules in China, but in the existing laws that are relative with government procurement, there are many provisions to supervise government procurement, moreover, there are two individual departments of supervision in every level government of China, one is the Anti-Corruption and Bribery Bureau, the other is the Commission for Discipline Inspection of Chinese Communist Party, both of them have authority to supervise the government procurement. Especially, the Commission for Discipline Inspection of Chinese Communist Party has developed a lot of rules to conduct the acts of party members (Chen, 2003, 36).

Chen (2003) believes further that the reason for the corruption of government procurement in China is not the lack of supervision system, but the supervisors do not implement supervision system. Therefore, he believes that the greatest difference between the supervision management of government procurement in the United States and China is not in the difference of the supervision system between the United States and China, but in the implementation of supervision system of government procurement between the United States and China. The rest of the scholars believe that China still does not have an

advanced supervision system of government procurement. A common reason is that the government of China does not have a special supervision system, regulations or rules for government procurement. Another reason is even based on the limited provisions, the responsibility of supervision is orderless, and all supervision organizations do not have a clear responsibility of supervision for government procurement. “All supervision organizations can supervise government procurement, and all supervision organization can ignore the supervision of government procurement” (Li, 2002, 13).

Finally, not only the Anti-Corruption and Bribery Bureau, but also the Commission for Discipline Inspection of Chinese Communist Party are under the lead of the same level government and Party Committee, they cannot supervise efficiently. Yao contends that “The director of the Anti-Corruption and Bribery Bureau is responsible for the director of the same level of government, the secretary of the Commission for Discipline Inspection of Chinese Communist Party is responsible for the secretary of the same level Party Committee, and how can they supervise efficiently?” (Yao, 2003, 25). Nonetheless, all of them recognize that “there is seldom supervision for government procurement of China, especially for the lead of government” (Zhang, 2006, 12).

What problems exist in government procurement in China?

Compared to government procurement in the United States, many Chinese scholars have studied problems existing in government procurement in China. Kuang (2004, 9)

believes that there are many problems in government procurement in China. First, the aims of the government procurement are limited, most are restricted in common equipment and service, such as car, computer, and the projects of government procurement are centralized to a fixed point unit. Second, the management of the fund of government procurement is imperfect. Third, the procedure of government procurement is irregular, it mainly manifested in the following aspects:

1) Documents of government procurement are used as same as laws.

2) The mode of government procurement is often a formality.

3) The government procurement is often fall into disorder; the plans of government procurement are often changed arbitrarily by the lead.

4) There is no permanent unified and special organization or department for government procurement, some of them are established in the Bureau of Finance, some are established in rear service center of government, and some are established in administrative office of government.

5) The supplier cannot be managed efficiently and their legitimate rights and interests cannot be protected efficiently, the government is dominant in government procurement.

6) The lack of effective protection of national market. For example, “the market of government procurement in China has been flooded by all kinds of imported products,

but it is difficult for products of China to break into the government procurement market of other countries. Obviously, it is an unequal relationship” (Kuang, 2004, 9).

7) The problem of not having a relief procedure.

Relief procedure is requisite in the procurement policy. Effective and perfect relief procedure can ensure the healthy implementation of policy when certain parts of the procurement policy are damaged or broken down. Every other country has this kind of relief procedure in its law of procurement to permit both sides of procurement to question the improper procurement in judicial or administrative way. Now, there are similar regulations in some places in the country but in other places there isn't any (Kuang, 2004, 10).

8) Problem is that the units of tender produce tender and bidding irregularities, it mainly manifested in two aspects: on the one hand, malicious acts are frequently happening in tender and bidding. “Some suppliers adopt maliciously dumping prices or offer an after-sales service commitment that other suppliers can achieve impossibly in order to discourage and repel the other competitor, and refuse to meet their obligations after they get the tender ” (Kuang, 2004, 11). On the other hand, some suppliers complain of price fraud. Some remote mountain counties have a disadvantage that their information is not fluent. “Some suppliers fully use this disadvantage; they promote deliberately

prices together by a total retreat” (Kuang, 2004, 12).

9) Problem is that there is lack of professionals in the team of government procurement. Kuang (2004, 14) identified two more reasons, the first reason is that government procurement is different from general merchandise procurement and the common administration, it is very professional, the managers of government procurement should not only be familiar with the relevant laws, regulations and operating procedures, but also have some knowledge of procurement. The second reason is that government procurement has been adopted in China for a very short period; there is still lack of professionals in this area. The last problem is that the supervision system is unperfected. Kuang notes that, “At present, the supervision system of government procurement in China is lack of specific supervisory object, content, measures and mutual constraints mechanism” (Kuang, 2004, 15). He also observes that there is a lack of supervision for the fund of government procurement, and there is a lack of management and supervision for after-sales service.

Other scholars also found some problems with government procurement in China. He and Sun (2004, 33) believe that government procurement is implemented inefficiently:

Government procurement is bound to harm the benefits of some local governments, departments or industries, especially some monopoly

industries, which make the implementation encounter various obstacles and difficulties. Driving by the local interests, some local governments and departments force the local units to purchase the local goods to protect local economic thus influence the implementation of the government procurement in municipalities (He and Sun, 2004, 33).

Liu (2008) believes that the acceptance of government procurement is weak, “the inspectors of government are not familiar with the acceptance standard, they muddle through on the acceptance regardless of whether the results acceptance is accurate. Even there is no acceptance in some government procurement” (Liu, 2008, 26).

How can government solve the existing problem of procurement in China?

In other words, what procedures of government procurement in the United States can be adopted in China for solving the existing problems? Obviously, some procedures of government procurement in the United States are helpful to solve the existing problems of government procurement in China. All Chinese scholars who compared government procedures in the United States and China recognize that China can learn some procedure from government procurement in the United States. But “what can be learned,” there are some different opinions. Some scholars believe that China can copy everything from government procurement in the United States (Xu 2000 and Zou, 2004).

Xu (2000) argues that the Chinese government could borrow the United States system of government procurement as a sample, because it is a perfect system. Alternatively, he maintains that government procurement is just an economic act on market; it is not relative to the political system. Since China is now a market economy just like the United States, it is pertinent for the Chinese government to adopt the United States' procedures.

Most of the scholars believe that it is impossible to succeed by copying everything from the United States, but China can choose some procedures of government procurement in the United States to promote government procurement in China. Huang (2006) strongly opposes copying every aspect of government procurement in the United States. She argues that "There is never a precedent for success of copying everything" (Huang, 2006, 22). She believes that United States and China have different fundamental realities, and different political system and economic development level are different. Moreover, their cultures and credit ratings are different, so they must have their own system of government procurement. It is a common reason of their group. But she also recognizes that there are many procedures of government procurement in the United States that can be adopted in Chinese government procurement. In her opinion, it is a premise to constructing a complete system of laws and regulations for standardizing the behavior of government procurement.

In the United States, which department is responsible for government

procurement, what will be procured, where the money come from, how to pay, who will implement supervision, and as a supplier, where can get procurement information, how to sign contracts, how to solve disputation, all above question have specific clear answers. All these concrete measures can be adopted in government procurement of China (Huang, 2006, 23).

She also believes that it is a powerful means for accelerating the construction of electronic information of government procurement to promote the clearness and efficiency of government procurement. The United States government has a high degree of developed information system of government procurement, and established a comprehensive database with a large-scale use of e-procurement, purchasing cards, and online auction. E-procurement approach not only improves the efficiency of operation, but also reduces man-made factors.

Governments at all levels in China have established their own information network and should actively study and explore new forms of government procurement supported by information technology as done in the United States (Huang, 2001). Finally, he believes that it is a key measure in establishing an open information disclosure mechanisms to make government procurement transparent.

The United States government has a series of public laws and



regulations relating to open information, all of them have general conformity with the following guiding principles: In addition to involving state secrets and personal privacy information, anyone can access government information; he may request judicial relief if the government refuses to offer information; the government is responsible for burdening proof of the confidentiality of documents and information. This principle ensures the information on government procurement to be ‘comprehensive, fully and completely’ to the public. In China, in practical work, much information on government procurement is not opened, and some just were revealed at the local. Corruption may be easily occurred under this condition (Huang, 2001, 36).

Huang (2007) contends that “Studying and absorbing the successful procedure of foreign government procurement is very important to promote and improve the government procurement in China” (Huang, 2007, 13). In his opinion, there are four aspects of government procurement in the United States that can be adopted in China. The first aspect is establishing a complete norms and operational methods of government procurement similar to the United States in China. The second aspect is emphasized on the supervision of budget for government procurement. The third aspect is establishing an

electronic trading system for government procurement. The last aspect is implementing strictly the procedures of government procurement.

In this part of the paper, our literature review examines various aspects of government procurement, including the definition of government procurement, the comparison between government procurement in United States and China, the problems existing in government procurement in China and how to solve these problems, among others. In fact, we learned a lot and deepened our understanding of government procurement. Firstly, we can clarify the definition of government procurement, although different scholars have offered different definitions. For example, legal experts would like to define government procurement as follows:

Government procurement refers to the purchasing activities conducted with fiscal funds by government departments, institutions and public organizations at all levels, where goods, construction and services concerned are in the centralized procurement catalogue compiled in accordance with law or the values of goods, construction or services exceeds the respective prescribed procurement thresholds (Government Procurement Law of the People's Republic of China, 2002, 2).

Secondly, we now know the current situation of government procurement in both the

United States and China, and why the mechanism in the United States is very advanced. Nonetheless, there are several opinions on the system of government procurement in the United States as it pertains to its superiority. We also explored the evolution of government procurement in China, although there are several different opinions about how to divide its evolutionary stages.

Thirdly, the comparisons of government procurement in the United States and China that many scholars had done are very helpful for us to study the similarities and differences of government procurement in the United States and China.

Fourthly, some scholars had found that many problems existed in government procurement in China. Also, there are two opinions about what procedures China can learn from the United States. Although these problems are mixed, they are useful for us in clarifying the existing problems in Chinese government procurement.

Finally, some scholars had put forward many suggestions of procedure of government procurement in the United States that can be used to solve the existing problems in government procurement in China. But we believe that all their suggestions are not enough. Clearly, additional study is needed, and we examine the topic based on their research.

## **Methodology**

Government procurement was developed and practiced in Western market-based economy. Theoretically, the study of government procurement in the United States is very sophisticated, and United States has many procedures that can be emulated. This paper uses a comparative analysis method to explore Chinese and United States government procurements. Our main goal is to find out the differences and similarities between the two countries by comparing their procurement practices.

## **The Current Situation and Reform of Government Procurement in China**

Government procurement has existed in China for just 12 years. In some Chinese scholars' opinion, the evolution of government procurement in China cannot be divided by stages, because it is too short to be divided (He and Sun, 2004, 32). Yet some Chinese scholars believe that the evolution of government procurement in China can be divided into two stages, the initial pilot stage from 1996 to 2003, and the formal implementation stage from 2003 up to date (Yan, Han and Song, 2006, 23). In our opinion, the evolution of government procurement in China can be divided into three stages, and each stage is clearly distinctive from another.

### *1. Initial Pilot Stage from 1996 to 1998*

Government procurement was first put into the agenda by Chinese central government in 1996 when the Ministry of Finance was designated to be responsible for

government procurement. In March 1996, the Shanghai Finance Department purchased the twin probe for the Shanghai Chest Disease Hospital through government procurement, which was the first government procurement in China. “Compared to the original budget, the application of government procurement saved \$50,000 in foreign exchange at a saving rate of 10.4 %” (Statistical Yearbook 1996 of Shanghai, 1997, 127). It was a milestone in the history of government procurement in China, a symbol of the beginning of an era of government procurement. In the following 2 years, because of the effectiveness of the government procurement in saving expenditures, Hebei province, Guangdong province, and the Ministry of Health carried out pilot activities in government procurement.

## *2. Pilot Expanded Stage from 1998 to 2003*

We also can call this stage an establishment stage. In this stage, the Chinese government attained some achievements in government procurement after six years of exploration and practice, which mainly embodied the following two aspects:

- 1) The central government formally determined which departments were in charge of government procurement. The Ministry of Finance is in charge of the central government procurement, and the bureau of finance of local government is in charge of the local government procurement. In June 2000, the Ministry of Finance set up Treasury Division for implementing central government procurement, and then, local governments

at all levels correspondingly set up relevant departments for implementing their own government procurement.

2) The Ministry of Finance issued some rules and regulations. The Ministry of Finance issued Interim Regulations on Government Procurement in April of 1998, which was the symbol to distinguish initial pilot stage from pilot expanded stage. After several years, the Ministry of Finance successively issued Provisional Rules for Regulating Bidding and Tenders of Government Procurement (August, 1999), Provisional Regulations on Management and Supervision of Government Procurement Contract (August, 1999), Classification Government Procurement Items (September, 2000) and Provisional Rules for Information Disclosure of Government Procurement (September, 2000). All the rules and regulations above were guidelines for government procurement, and they have very important significance in the development of government procurement in China. Interim Regulations on Government Procurement, the first issued of all the regulations, is the symbol of this stage, which also marked the beginning of the institutionalization of management era in Chinese government procurement.

### *3. Formal Implementation Stage from 2003 up to date*

Government Procurement Law issued and implemented in 2003 was another milestone in the history of government procurement in China. It also marked the beginning of the law-based management era of government procurement in China. In this

stage, there is a breakthrough progress in government procurement in China, which mainly embodied the following aspects:

1) The scope and scale of government procurement were constantly expanding and the economic and social benefits substantially improved. In this stage, the scope of government procurement included not only products but also construction, engineering projects, and services. “From 1998 to 2006, the Chinese governments at all levels saved RMB150 billion due to the application government procurement. The average rate of saving is about 11%” (Xi, 2007, 40).

2) A great new progress had been made in the establishment of government procurement system. Firstly, the basic principles of government procurement have been defined. Principles of openness, transparency, fairness, honesty, and credibility are regarded as the basic trade principles of government procurement.

Secondly, the framework of the juridical system is basically formed. Just as we mentioned previously, in 2003, the Chinese legislature issued Government Procurement Law. In the next few years, the Chinese legislature continuously enacted some relevant laws, such as Bidding and Tenders Law, Contract Law, Budget Law and Product Quality Law. The Chinese central government and the Minister of Finance also issued more than 30 formal relevant rules and bylaws, such as Information Disclosure Management of Government Procurement Regulation, Assessment of Government Procurement Rule and

Construction Engineering Quality Management Regulation.

Thirdly, the operation was separated from the management of government procurement. “At the end of 2006, the Chinese central government and all province governments completed the separation of the management from operation of government procurement” (Ji, 2008, 24). The operation agencies were set up as government departments and they were not subordinate to the management department any more.

Fourthly, the model of centralized purchasing and open tendering was further strengthened and was applied by most of government procurements. Fifthly, supervision for government procurement was further strengthened. The department of finance, the Anti-Corruption and Bribery Bureau, the Commission for Discipline Inspection of Chinese Communist Party, and the audit department are empowered to supervise government procurement.

### **The evolution of the government procurement in the United States**

The United States is one of the countries that have long applied government procurement. In 1761, Congress issued Federal Acquisition Regulation for regulating government procurement. In 1949, Congress passed Federal Administrative Services and Property Act to empower General Services Administration, the centralized purchasing authority for the vast majority of the civilian organizations, and to unify the policy and methods of government procurement. In 1984, Federal Acquisition Regulation was



passed as a special law for government procurement. From then on, there are more than 500 laws and regulations that are directly related to government procurement in the United States. The United States gradually institutionalized the government procurement systems by laws. Now, the government procurement in the United States is relatively developed and perfect with the following distinctive features (Huang, 2006):

1. All acts of government procurement are based on law. As we mentioned previously, there are many laws and regulations for managing and supervising government procurement. Therefore, the openness and transparency of government procurement have a legal guarantee, which is very useful to maintain the reputation of government.

2. All government procurements follow the principle of openness, justice and fairness. The principle not only ensures that government purchases the best quality goods and services at the cheapest price, but also it ensures that all potential suppliers learn the government procurement information through the same way. If a certain government does not want to apply this principle, a written application is necessary to explain the reason, and the application must be approved.

3. The principle of appeal is a very important principle of government procurement. Everyone can appeal if he/she has encountered an unfair treatment. This principle can correct the arbitrary decision, and make the government procurement more effective.

4. There is a relatively developed and perfect management system in government procurement in the United States. The management system includes the complete tendering system, the standardized operating system, the sophisticated validation system on suppliers, the strict audit and supervision system, and the strict delivery verification system. In the United States, government procurement must apply tender procedure and standardized operational management in standardized format, such as the standardized tender announcement format, the contract sample with standardized bidding application.

The department of government procurement has to act based on the requirements of the relevant laws, regulations, and rules. Purchasing clerks have to act based on the requirements of the procedures of government procurement and follow each step. Suppliers must apply for registration, prepare and collect materials as required. Then the government will analyze and assess these suppliers. If suppliers meet the requirements, they will be classified and put into the portfolio, and their names will be made public.

In United States, audit and supervision system includes procurement audit and management audit. Procurement audit covers all aspects of procurement, such as examine the qualification of the departments of government procurement, examine the procedure of procurement and examine the amount and price of procurement. Management audit mainly examines the structure of the organizations of suppliers as well as the development and implementation of procurement plan of the departments of government

procurement. Delivery verification system includes examining the operational details, the implementation of departmental responsibilities, the legitimacy of procedure and the implementation of the contract (Wang and Song, 2005, 34).

5. The procedure in government procurement is very rigorous. The procedure includes three stages. The first stage is to determine the requirements of government procurement. There is a procedure of developing plan in this stage. The department of government procurement must put forward a claim of the requirements for goods or services, making a precise description including all information closely related to the prices, such as the characteristics of goods or service, total amount of procurement, the time of delivery and the duration of services. Then, the government procurement makes a market investigation and develops the government procurement plan. The second stage is to sign the procurement contract. At this stage, it is very important that the contractor has the ability to fulfill the contract, and there is very rigorous procedure of tendering in this stage. The last stage is to implement the contract. At this stage, the revision, supervision, termination, and the settlement of contract disputes must be strictly based on the managing procedure of government procurement (Ge and Wang, 2005, 63-64).

## **Government Procurement in the U. S. and China: A Comparative Perspective**

### *1. The basic principle of government procurement in the United States and China*

*Similarity:* There are many similarities in the basic principle of government procurement in the United States and China. Both of them insist on openness, equity, fairness, transparency, honesty and credibility.

*Difference:* The interests of the contractors are well valued and protected in the United States government procurement. But there is a lack of awareness of the importance of the contractors and the protection of their interests and rights in Chinese government procurement. The governments in China do not consider the suppliers to be extremely important in the area of government procurement. They only care about how to restrict them and how they fulfill their obligations.

### *2. The Management System of Government Procurement*

*Similarity:* In this aspect, there are four similarities between government procurement in United States and China. Firstly, both United States and China have issued many laws, regulations and rules to manage government procurement. Secondly, both have separated the management department from the operation department for government procurement. The operation department and its agencies may not have any affiliation relationship or other interest relationship with the management department and other administrative departments. Thirdly, delivery verification exists both in government

procurement in United States and China. Fourthly, the procedure of government procurement is composed of plan making, contract signing, and contract management.

*Difference:* In this aspect, there are many differences in government procurement between the United States and China. Firstly, although there are altogether more than 50 laws, regulations and rules directly related to government procurement in China, but they are still insufficient compared to the United States, and there are only several laws directly related to government procurement in China. Secondly, in China, the management department of government procurement is the bureau of finance and each government at different levels has a bureau of finance. All these management departments are independent and do not have affiliation relationship with each other. Moreover, there is not a specific organization to make policies for the government procurement. Whereas, in the United States, General Services Administration is the specific organization that is responsible for government procurement (except procurement for the National Defense), and it sets up many branches in many big cities. These branches are subordinated organizations of the General Services Administration. The Office of Federal Procurement Policy is a specific organization for making government procurement policies. Thirdly, there is a standardized operating system in the United States government procurement as mentioned previously, whereas in China, each government has its own operating system of government procurement and there is no

unified standard, different city has different operating procedure of procurement. Fourthly, there is a sophisticated validation system for suppliers in the United States government procurement, whereas in China, the validation system for suppliers is no sophisticated, and the same as the operating system, there is no unified standard.

### *3. The Mode and Model of Government Procurement*

*Similarity:* Centralized and decentralized procurement models are applied in the government procurement both in the United States and China. In China, there are two modes of inviting tenders. One is openness mode, the other is invitation mode. The modes of inviting tender in the United States also include these two modes.

*Difference:* In recent years, the United States is applying the model of negotiation procurement, but China does not apply it. The United States apply not only openness mode and invitation mode of inviting tender, but it also limits tendering. Compared to China, the United States government procurement has greater flexibility and efficiency.

### *4. The Management System of Inviting Tender of Government Procurement*

*Similarity:* The legal basis of management of inviting tender is the government procurement law (called Federal Government Procurement Act in the United States, while Government Procurement Law in China), and the management of inviting tender has the same contents: tender and bidding, validation for suppliers, audit, supervision and the delivery verification. If the government finds the supplier cannot perform the contract, or

perform in a wrong way, the government can terminate the contract. This principle applies both in the United States and China.

*Difference:* There are differences in all aspects of the contents in the management of inviting tender. Firstly, there are some differences in the mode and model of tendering, validation for suppliers and delivery verification just like we have compared previously. Moreover, the information of procurement cannot be equally disclosed to every potential supplier before the procedure of inviting tender in China. But in the United States, all potential suppliers have the equal chance to know the information of government procurement. Secondly, all aspects of the management of inviting tender in United States have a mature system, but in China, all aspects are not developed. Thirdly, there is a perfect credit system to ensure the invitation of tenders is efficiently done, but in China, the credit system is still not set up.

##### *5. The System of Supervision Government Procurement*

*Similarity:* The departments to supervise the government procurement are set up independently from departments of government procurement both in the United States and China. Both apply audit to supervise government procurement, and the audit includes two modes: periodical auditing and aperiodic auditing.

*Difference:* The United States government has also set up the relevant internal control system, including effective separation of duties, appropriate authorization procedures and

assets records, and selecting qualified staff and making effective performance appraisal, supervising and training them. There is no internal control system in Chinese government procurement. In the United States, everyone can appeal if he or she encounters an unfair treatment in government procurement, but in China, there is no supplier appeal. The greatest difference between the supervision management of government procurement in United States and China is in the implementation of supervision system of government procurement. In United States, even if the president violates the law or regulation, prosecuting attorney can sue him. But in China, the Anti-Corruption and Bribery Bureau and the Commission for Discipline Inspection of Chinese Communist Party are departments of supervision. The director of the Anti-Corruption and Bribery Bureau is appointed by the local government, and the secretary of the Commission for Discipline Inspection of Chinese Communist Party responds to the secretary of the Party Committee in the local government. How can they supervise their superiors or peers efficiently? In fact, the functions are not clear between the Anti-Corruption and Bribery Bureau and the Commission for Discipline Inspection of Chinese Communist Party. According to Li (2002, 12), “All supervising organizations can supervise government procurement, and all supervising organization can ignore the supervision of government procurement.”

### **What Problems Existed in Government Procurement in China?**

Compared to government procurement in the United States, we can easily discover



that there is a great gap between United States and China, and there are many problems and a lot of work to do in government procurement in China.

*1. The management system still needs to be perfect*

The problems in the management system of government procurement in China are mainly embodied in the following two areas:

First, it is very common that operating agencies of government procurement do not have clear functions. Some managing agencies organize procurement activities themselves, or participate in the commercial decision-making of government procurement; some implementing agencies undertake a number of management functions; some government procurement agencies are not only managers, but also operators.

Second, at present, government procurement agencies are only at the end of the entire procurement chain, that is, the implementation of procurement plans is a passive acceptance (He and Sun, 2004,35).

*2. The legal system of government procurement is not perfect*

The legal system of the government procurement in China achieves a breakthrough development by enacting the Government Procurement Law as a turning point. However, compared to the United States, the development of the legal system of government procurement in China is still slow, and has serious flaws. These deficiencies are shown in the following aspects (Mu, 2008, 23):

Firstly, the existing legal system of tender is uncoordinated. For example, Government Procurement Law, in its provisions 72 and 77, respectively define how to punish procurement agencies, their staff and suppliers if they are involved in malicious collusion. However, what is regarded as malicious is not clearly defined. Therefore, it is very difficult to identify whether procurement agencies and their staff or suppliers are involved in malicious collusion.

Secondly, the coordination and unification among laws is not perfect, and there are even some conflicts. For example, provision 34 of Tendering and Bidding Law provides that if suppliers are involved in malicious collusion with serious consequences, they will be disqualified for one or two years to take part in the tendering of government procurement. But provision 46 of Government Procurement Law stipulates that suppliers engaged in malicious collusion will be listed in record of bad behavior, and will be prohibited from taking part in government procurement activities for one to three years. It is obvious that these two laws are not consistent with the above-mentioned requirements.

Thirdly, some provisions of the existing laws are too broad, it is very difficult to implement in practice. For example, some laws state that the serious scenarios will be punished but there is no specific regulation to explain what kind of situation can be considered as the serious scenarios. This problem makes it difficult to implement the law and enlarge the space for people to control.

### *3. The supervision system is not developed*

On one hand, just as mentioned previously, the functions of supervision are not clearly distributed among departments of supervision. On the other hand, there are great resistances and a lack of understanding and cooperation to investigate and deal with violations of government procurement laws. Moreover, in many places even if there is a problem, it is also not easy to go deep into the problem because of the individual feeling or the authority of the department.

### *4. The operational procedure of government procurement is not standardized*

Firstly, the procurement modes are arbitrarily selected. In practice, there has been randomness in project preparation, approval and implementation of the government procurement. It is a common phenomenon to change plan due to man-made factors. Moreover, in some places, the organizations buy what they want to buy. If there are capital resources and the government procurement procedure can be implemented, they will purchase freely. The regulations of the government procurements only make these organizations change the purchasing methods due to lack of necessary restrictions on procurement. Sightless procurement and repeat procurement still exist.

Secondly, the procurement procedures are not rigorous. There are several problems commonly existing in the procedure of government procurement: simplifying the procurement process or shortening the procurement cycle without authorization, issuing

procurement information not based on the regulations, and engaging in local protectionism and trade blockade. For example, some local governments require that government procurement must purchase local product preferentially, and the supervision department of local government will ignore these violation of the law intentionally.

Thirdly, the central government and its ministries do not play a good demonstration role. Central government procurement is still at a state of disorder without unified leadership. For example, the Ministry of Civil Affairs and the Ministry of Health implement their own rules in their respective scope, and some ministries and institutions follow the past experience. Because the central government has not made clear provisions for the management system of government procurement, the government procurements of provinces and other local governments are also disordered.

##### *5. There is a lack of professionals in government procurement*

After more than a decade of reform, China has set up a government procurement team preliminarily, but neither the scale nor the team members' have professional competence. The team is unable to adapt to the needs of the government procurement reforms. Although the quantity of government procurement staff is not small, they lack the knowledge and skills that are needed in government procurement bidding, contracts, commercial negotiations, market research and commodities, works and services. The main reason of the lack of professionals is in the problems existing in staff training

(Kuang, 2004, 14).

First, the objects of training are not rational. Almost all the administrations and institutions send their financial officers to attend the training. The director of the department of finance seldom takes part in the training. Even if there is a requirement for the director to take part in the training, the director will send another junior official instead.

Second, the content of training is old and incomplete. Every time the content of training will be the Government Procurement Law. It seems that there is no other content of government procurement training except the Government Procurement Law. It is one-sided. The contents of government procurement training should include knowledge of professional ethics, procurement business knowledge, as well as economic knowledge linked closely with government procurement, such as knowledge of market competition, technology, specifications, models of commodity and knowledge of after-sales service, etc.

Third, the model of training is not efficient. The training is like a meeting of government procurement in a single form and a single procedure. The course of training is just reading a document or reading materials, and the theories are not linked to the practice. During the training there is no interaction or communication between the trainer and the trainees.

Fourth, the training just focuses on the tasks but not on the quality of the training. The training tasks for the whole year may be completed within a half day or two half-days, no matter whether the content of training is completed or not. The rate of participation is not high. There are about 60 percents of the trainees attending each course, (and sometimes less), and there is no punishment or extra lesson for the absentees. There is a loose discipline in training, and coming late and leaving early are not controlled. Trainees can chat freely in the class. And there is no test for the training, so training achieves little good outcomes (Kuang, 2004, 24).

### **How does Government Solve the Existing Problem of Procurement in China?**

How does the government solve the existing problem of procurement in China? In other words, what procedures or methods of government procurement in the United States can be adopted in China to solve the existing problems? Obviously, some procedures of government procurement in United States are helpful to solve the existing problems of government procurement in China.

#### *1. Accurately define the scope of application of government procurement*

All projects supported by the government and meeting the required amount of procurement fund should be included in the scope of government procurement, except the projects related to national security. The fund should include, for example, the budgets of

funding in governments at all levels, own-source funds and other incomes, domestic and foreign loans, donations. Some specific things can be done as follows (Huang, 2006, 27):

Firstly, the scopes and scales of all government procurements should be further expanded. The larger the scale is, the more efficient government procurement is, and more money it will save. Only with an expanded scope can the government procurement regulate the economy more efficiently. In United States, government procurement was limited to purchase of goods, constructions and services with government budget for government departments in the past. With the transformation of government functions and the needs of implementing public policy, the scope of government procurement is gradually expanded to cover all procurements of public institutions and departments such as the railways, municipal engineering, electric power, telecommunications, airports, ports, and other public infrastructure projects.

Secondly, we should use the advantages of government procurement to regulate economy. In the free capitalist period, the United States mainly emphasized that government procurement can save money and prevents corruption. After the economic crisis of 1930s, the United States government increased its efforts in economic intervention. The government procurement was used as a method to regulate economy because of its large influence on economy. For instance, in 1933 Congress issued Buy American Act. The Act provided that the federal government must purchase goods and

services by the United States. This provision can protect the American enterprises, and enhance the developing potential of the economy. It was the first time in the world to use government procurement to regulate the economy (Guo, 2003, 15).

*2. Select appropriate models and methods of government procurement and procurement.*

Firstly, improve the management system of the government procurement. In building a specific management system, China should learn from the successful experience of the United States. A restriction mechanism can be formed by separating the administrative department from procurement department, procurement department from mediators, procurement department and mediators from procurement organization with clarified rights and duties.

Secondly, rationally choose models of the government procurement. In this aspect, China can also learn from the United States. That is, large materials, important projects and office supplies should be centralized purchasing, while small materials, consumables and a small number of services in short supply should be decentralized purchasing. In addition, procurement of technical, professional and other specific or urgent needs of some departments should be respectively decentralized.

Thirdly, establish multi-level, multi-center and centralized purchasing system as done in the United States. The system should be divided into military system and civilian system. Military system should be set up by armed forces themselves while in the civilian



system, specific procurement departments should be set up at the county government level or above to undertake the responsibility of the centralized purchasing of different levels of governments.

Fourthly, really apply the open and fair tender mode as a major mode. Because the open tender has the advantages of transparency and effectiveness, it is applied by many countries including the United States as a major mode. China should also adopt this mode as a major mode. The tender of construction projects, the majority of goods, and services should adopt this mode. In addition, just as in United States, China should put more emphasis on the full openness of the information on government procurement. It is the only way to effectively guarantee that government procurement is open and transparent.

### *3. Set up a full range of management and supervision systems*

First, strengthen supervision in finance. Financial departments at all levels of government should prepare budgets on government procurement. All organizations of government should report the number of goods, services and projects needed to be purchased to the Department of Finance. Appropriations will no longer be allocated to the part that has already been included in the general governmental procurement. Instead, the money will be directly paid to the suppliers in the process of procurement. Special accounts will be opened for the part that is included in the separate procurement. All the expenditures during the procurement must be settled through special accounts. All the

procurements by various agencies will be checked and supervised by the financial departments.

Second, gradually establish monitoring mechanism in which the department of finance plays the leading role and the Commission for Discipline Inspection of Chinese Communist Party, the audit department and other relevant departments coordinate together with clear responsibility. For example, audit department should review the use of funds, policy implementation and activities of procurement based on the relevant laws. The Commission for Discipline Inspection of Chinese Communist Party should monitor the officials in the government procurement department, if the officials are found to commit violation; they must be punished based on the laws, regulations and rules.

Third, establish an assistance system. An appeal system can be established for suppliers, with the conditions and requirements of complaint well defined. An appeal procedure can also be created to receive and deal with their complaints with a time decision to be made on their complaints. By protecting the legitimate rights of the suppliers and maintaining fair play competition, supervision by the suppliers on government procurement will be better achieved. Suppliers in the U.S. can complain to the Commission on Contract Disputes if disputes arise between them and the government on a procurement contract. They may also complain to the General Accounting Office or even to the United States Court of Federal Claims. A legal assistance like this has

protected the legitimate rights of suppliers while at the same time intensified the supervision of suppliers on the government, thus creating a trinity of supervision among laws, daily management and legislature (Jiang and Chen, 2005, 62).

Fourth, public watchdog is also encouraged by making public complaints, setting up a complaint telephone and media involvement. Public watchdog can make up a network of supervision, and it also can make the illegal acts no refuge or rest.

#### *4. Intensify the construction of legal system*

The United States has always attached great importance to government procurement legislation, and has formed a complete legal system. The scope, methods, procedures, policies and the supervision and management of government procurement are formulated by legal form. The United States has promulgated more than 500 laws and regulations that are relevant to the government procurement. Although China has promulgated Government Procurement Law, and developed a number of other laws and regulations on this basis, it is still far from being able to meet the requirements of comprehensive reform and standardized management in government procurement; in particular the specific operational methods are also short. Therefore, China needs a cross-reference with the United States, as soon as possible to set up and improve government procurement laws and regulations system with Government Procurement Law at its core, to guide the practical activities and standardize the procurement procedure.

First, the central government of China should promulgate regulations and ordinances to strengthen the regulation of government procurement. For example, the provisions of the requirements of qualification for suppliers, the evaluation criteria and procedures, the provisions of activities pertaining to the conduct of procurement practitioners, the provisions of government procurement information disclosure management, the provisions of management for supplier complaints and the provisions of assessment of centralized purchasing agency.

Second, local governments at all levels in China should develop regulations and rules corresponding with central government. For instance, provinces, municipalities and autonomous regions can develop government procurement regulations or rules, government procurement directory, the rules of auditing, supervision, contract supervision, management of bid and tender and information disclosure.

Third, promulgate laws and regulations for appealing, and establishing an assistance system. At present, the quantity of government procurement disputes is increasing in China and the court cannot deal with them fairly and efficiently because there are seldom relevant laws and regulations that can be viewed as a basis. There are also some successful procedures in the United States that can be used for reference. Just as the United States, China can set up the Board of Contract Appeals to specifically deal with complaints and appeals of government procurement, suppliers can apply for complaints

twice and be reconsidered once, if they are not satisfied with the decision of the reconsideration, they can bring an administrative lawsuit.

*5. Set up a high-quality team of government procurement.*

The United States has a strong government procurement team which not only has a high specialization qualification, but also a high-quality personnel who is a very important part of civil servants. Therefore, on the establishment of government procurement team, China should not only focus on professional construction, but also pay attention to improving overall quality. It is necessary to gradually explore the way to establish managing system of government procurement personnel.

First, implement the access system of vocational qualification. Just as the United States, most countries that implement government procurement successfully have built the access system of vocational qualification. Only officials who pass the qualifying examination and register with the director of the department of government procurement can take inductions. China also can learn from this method, the Ministry of Personnel or the Ministry of Finance can organize relevant examination every year. Once the examination is passed, officials can be permitted to work as the government procurement management, supervision and operational staff.

Second, set up a specialized major of government procurement in college and university and train professional talents. Government procurement involves a wide range

of knowledge of many disciplines, and there is a highly comprehensive quality requirement to be a government procurement officer. The government procurement officer should understand not only the principles of budgeting, but also must have the knowledge of related laws. They also need to master the skills of market analysis and negotiation. Training procurement officials in college or university is a good way.

Third, improve the training of the staff in the government procurement departments. It is also an important and effective way to improve the training of government procurement officials to improve their skills. In this aspect, China needs to solve the following four problems:

1) The problem that the training objects are not reasonable must be thoroughly solved. There must be an annual plan for training. Training the staff of supervising and administrative departments of government procurement must be focused in the plan. At the same time, asking others at the lower management to attend training instead of the people in top management must be prohibited.

2) The problem of obsolete training contents must thoroughly be solved. Unified teaching materials must be developed by the training organization of the central government in order to fundamentally solve the problem of training contents. The contents of government procurement training must be updated and enriched every year especially with some new contents to guide the overall government procurement process.

3) The problem is that the training method uses only one model and this must be solved. The models of government procurement training must be diversified and vivid. Except the model of meetings, other forms of training may also be tried, such as training on the site, which means to conduct training on the site of procurement. The training will bring some government procurement officials, suppliers or agents of government procurement to a site of a standard competitive procurement negotiation and then conduct training on the knowledge of such a negotiation by following the procedures of procurement. Observation-based training is also a good model. That is, to train on the knowledge of government procurement by visiting the procurement offices. For example, if the training organization wants to train how to develop internal government procurement management system, how to prepare government procurement documents, the training organization can organize a study tour to some government procurement agencies that have established successful government procurement management system and government procurement documents.

4) The problem that training management is non-standardized must be decisively solved. The annual detailed tasks of training plan must be carried out strictly according to the requirement. The training management must be strengthened; any violation should be prohibited such as coming later and leaving earlier. Tests and examinations are necessary at the end of training. The result of the tests or examinations must be related to the total

performance of government procurement officials.

Fourth, implement periodic performance appraisal system of government procurement officials. Based on the principle of survival of the fittest, periodic performance appraisal must be implemented for government procurement officials. It is also an effective way to improve the quality of the personnel in government procurement. The contents of appraisal should include professionalism, job performance and professional ethics. She or he can continue to hold office only after passing the appraisal.

## **Conclusion**

Since 1996, government procurement has appeared on the historical stage in China. Although there are only 13 years for the history of government procurement in China, the development of government procurement in China has evolved through three main stages. In each stage, there is a very clear symbol. Shanghai finance department applied government procurement in purchasing twin probe for Shanghai Chest Disease Hospital in March of 1996 and this serves the symbol of initial pilot stage. It is also the milestone in the history of government procurement in China, and it marked the beginning of a government procurement era in China.

The Minister of Finance promulgated the Interim Regulations on Government Procurement in April of 1998, which is the symbol of pilot expanded stage. It also



marked the beginning of the institutionalization of management era of government procurement in China. Government Procurement Law was issued and implemented in 2003 as the symbol of formal implementation stage. It is another milestone in the history of government procurement in China. It also marked the beginning of the law-based management era of government procurement in China. During the development of 13 years, the scope and the scale of government procurement has constantly expanded. The economic and social benefits substantially improved. A new great progress has been made in the establishment of government procurement system, such as the principles of openness, transparency, fairness, honesty and credibility are taken as basic trade principles of government procurement. The framework of the legal system has been basically formed, the operation department has been separated from the management department of government procurement and centralized procurement and open tendering models have been further strengthened.

Government procurement in the United States has been developed for several centuries. Nowadays, the government procurement in the United States is relatively developed and perfect with distinctive characteristics. For example, all actions of government procurement are based on law, all government procurements follow the principles of openness, justice and equal competition, the idea of an appeal is a very important one for government procurement, the management system is well developed

and perfect and the procedure of government procurement is very rigorous.

Of course, we can hardly compare all aspects of government procurement in the United States and China, but we can compare the main aspects, such as the basic principles, the management system, the mode and model, the management system of inviting tender and the system of supervision. After we finished our comparison, we found out that there are many similarities and differences in these aspects.

Based on the comparison between government procurement in the United States and China, we discovered that there is a great gap between government procurement in United States and China. Also there are many problems in government procurement of China, such as the management system that still needs to be improved, the legal system of government procurement is not perfect, the supervision system is not developed, the operational procedure of government procurement is not standardized and there is a lack of professionals in government procurement.

Obviously, some procedures of government procurement in the United States are helpful to solve the existing problems of government procurement in China. For example, China can further expand the scope and scale of all government procurements by using the advantages of government procurement to regulate the economy, and accurately define the scope of application of government procurement. In order to select appropriate models and methods of government procurement, China can learn from the United States

methods. For example, the management system, the models, the multi-level, multi-center and centralized purchases system and the open and fair tender mode. In order to set up a full range of management and supervision systems, China can strengthen its financial supervision, and gradually establish a monitoring mechanism with the department of finance as the main section, as well as establish an assistance system and encourage public watchdog. In order to intensify the construction of legal system similar to the United States, the central government and local government of China should promulgate regulations, ordinances and rules to strengthen the regulation of government procurement. The United States methods of setting up a high-quality team of government procurement also can be applied in China, such as implementing the access system of vocational qualification, training government procurement officials in college or university and implementing a periodic performance appraisal system of government procurement officials.

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