



SWOT ANALYSIS OF THE PUBLIC PROCUREMENT SYSTEM IN ROMANIA

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Abstract *In this article, the SWOT analysis, which is a business tool, has been adjusted to audit the Romanian economic environment with the purpose to examine the strengths and weaknesses, opportunities and threats of the Romanian public procurement framework. The result of the research will be materialised in a SWOT analysis, which will be used afterwards to identify a series of measures necessary to improve the Romanian public procurement system. The article analyses in detail and objectively the weak points, the strengths, the threats and the opportunities that characterize the public procurement system in Romania and identifies a series of measures that can lead to increasing the quality of the procurement procedures, of the savings, efficiency and effectiveness.*

Key words:
public procurement, procurement procedure, SWOT analysis, improvement measures

JEL Codes:
H57
H83

1. INTRODUCTION

The public procurement system in Romania is one of the most important systems that influence the national economy. In this system, the requests for procurement of services, products or works of different contracting authorities meet the offers proposed by the economic operators.

Since the amounts to be spent each year under this system are very high, identifying and implementing measures to increase efficiency or improve the way in which procurement procedures are carried out can lead to substantial savings or to a reduction in the run-up time of procedures. In this context, given the magnitude of the potential effects, conducting a SWOT analysis of the Romanian public procurement system is fully justified.

Public procurement is one of the most sensitive activities that takes place at the level of public administration, as well as of public institutions and enterprises. The effective application of legal provisions involves staff with experience in the field of material resources provision in general, and public procurement in particular, public procurement being a symbiosis between economic and legal (Cârstea, 2002).

The public procurement system includes all the rules to be met in relation to the use of funds coming from the local budgets / state budget. These rules are set by the National Regulatory Authority - the National Agency for Public Procurement (ANAP), which takes the form of the applicable rules

for the implementation of the procedures for awarding contracts / framework agreements.

The procurement system in our country is similar to the public procurement systems in the other EU Member States, with European public procurement legislation being transposed into national law.

Within the public procurement system in Romania, we find the following entities:

- contracting authorities, which fulfil the role of buyers;
- economic operators offering for sale works, products or services;
- the national regulator in the field of public procurement, namely the National Agency for Public Procurement (ANAP) performing Ex-ante controls of the procurement procedures;
- the National Council for Solving Complaints (CNSC), an institution that solves the complaints filed by some economic operators;

- the Court of Accounts of Romania, which carries out ex-post controls on procurement procedures;

- the courts, which have alternative competence to resolve any disputes or litigation resulting from the implementation of procurement procedures.

NASPO (1999) considers that the environment in which public procurement takes place is determined by the action of strong forces, including: the increasingly dynamic and diversified market, the globalization of economies and markets, the continued pressure to reduce staff and / or the number of purchases, the rising demand for services and the explosion of information technology.

The number of procurement procedures carried out in Romania in 2018 was of 35,354 and their estimated value was of 139,718,293 thousand lei, excluding VAT, the breakdown by type being presented in Table no. 1.

Table no. 1. Number of procedures and estimated values for award procedures conducted in Romania in 2018

No.	Type of procedure	No. of procedures	Weight of the number of procedures	Estimated value (thousand lei, VAT excluded)	Weight of estimated value
1	Open Bid / Accelerated Open Bid	9,124	25.81%	90,182,822	64.55%
2	Restricted bid	60	0.17%	4,546,056	3.25%
3	Negotiation	22	0.06%	2,462,815	1.76%
4	Call for tenders / Simplified procedure	26,089	73.79%	33,643,339	24.08%
5	Competitive procedure with negotiation	58	0.16%	8,838,110	6.33%
6	Competitive dialogue	1	0.003%	45,151	0.03%
TOTAL PROCEDURI DE ATRIBUIRE		35,354	100 %	139,718,293	100 %

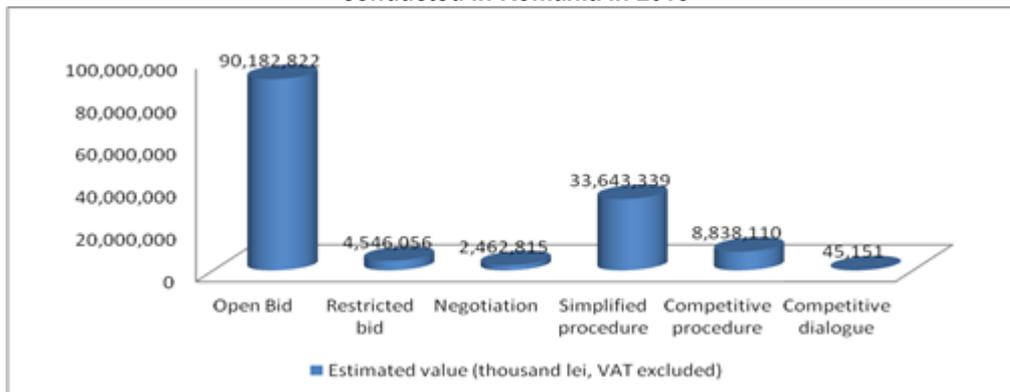
(Source: ANAP, 2018)

It can easily be noticed that the largest weight in the total procedures carried out in 2018 was held by the simplified procedures / calls for tenders (73.79%) and open bids (25.81%).

From Figure no. 1 it can be noticed that the highest estimated values belonged to the open bid

procedures (90,182,822 thousand lei, VAT excluded, weight 64.55%) and simplified procedure (33,643,339 thousand lei, VAT excluded, weight 24.08%).

Figure no. 1. Graphical representation of estimated values by type of award procedures conducted in Romania in 2018



The estimated value of procurement procedures carried out in Romania in 2018 was 139,718,293 thousand lei, VAT excluded, which means approx. 30 billion euro.

Thus, given the size of the amounts spent through the public procurement system, it is justified to carry out a SWOT analysis that will lead to the identification of measures able to improve procurement. For example, implementing measures to increase savings by only 3% means reducing the budget effort by 1 billion euro.

So far, no SWOT analyses to address the public procurement system in Romania have been identified.

2. RESEARCH METHODOLOGY

The research will approach the detailed information at the moment, analysing the following

issues: the study of specialized literature and a SWOT analysis of public procurement system in Romania.

The objectives of the research are the following:

- to identify the major threats and opportunities public procurement system;
- to identify the major weaknesses and strengths;
- to analyze the main problems of the public procurement system.

Following completion of this analysis is necessary to identify a series of measures necessary to improve the Romanian public procurement system, which means a number of activities in order to:

- reduce the consequences of weaknesses;
- maximise strengths;

- reduce the impact of threats;
- valorisation of opportunities.

3. LITERATURE REVIEW

The SWOT analysis owes its name to the fact that it examines threats and opportunities of the market, as well as the the weaknesses and strengths within the company. The name of SWOT analysis is the acronym from **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats.

The SWOT is fast and relatively easy to make and, because of its simplicity, is very effective.

Proper use of SWOT analysis, sourced by updated and appropriate databases and eased by careful benchmarking, stands out as a helpful problem-solving device (Visconti, 2016).

SWOT analysis was elaborated 50 years ago to help firms establish their strategies in the context of competitive and fluctuating environments. The SWOT analysis may be used as a tool for management assessing the relevance of a strategy throughout the implementation stage (Leraned, et al. 1965). In order to capitalize on opportunities, strategy is often a resource allocation problem.

Nicolescu and Verboncu, (2008) defined SWOT as the analyses carried out in this regard that are both internal analysis which involve financial and economic viability and as well as the management of the organization, and external with referring to consumers, certain environmental factors, competitors, both international and national.

Usually, the SWOT framework is composed of external and internal assessments. The external assessment is applied to find out threats and

opportunities; the internal assessment is conducted to determine weakness and strengths of a strategic plan or an organization (Matthews, 2004).

Strengths stand for any available resources that can be utilised to improve the performance. Opportunities are external changes that could contribute to an additional development and threats are outside factors that may cause difficulties. Weaknesses are flaws, which may decrease efficiency, competitive advantages or financial resources. (Paliwal, 2006).

The framework of SWOT was originally developed for marketing and business analysis and has been mostly adopted in other research domains (Terrados et al., 2007). For example, Fantozzi et al. (2014) used the SWOT analysis to choose the most suitable technology for the implementation of energy-related public-private partnership projects, Visconti, (2016) assessed the risks of public-private partnerships in the field of medical care, Bugheanu, (2015) used the SWOT analysis to analyse the public transport system in Bucharest and Chen, Kim and Yamaguci, (2014) compared in an analysis the field of renewable energy in Japan, South Korea and Taiwan.

SWOT analysis ensures a comprehensive and systematic image of the external and internal environment but has rarely been applied to public procurement (Visconti, 2016).

This SWOT analysis determine the strengths, difficulties, constraints, relevant concerns, potential challenges and opportunities which characterised the public procurement system in Romania. Furthermore, a detailed SWOT analysis can provide

for officials of the public procurement authorities, a general framework of objectives and measures for the improvement of the system.

4. SWOT ANALYSIS OF THE PUBLIC PROCUREMENT SYSTEM IN ROMANIA

SWOT analysis is an analysis technique that can be used to evaluate systems / organizations, products or services, a technique that allows for an objective X-ray of elements that require improvement.

The SWOT analysis of the Romanian procurement system is presented below.

4.1. Strengths

- the existence of an IT application dedicated to public procurement called the Electronic Public Procurement System (SEAP), which ensures transparency and efficiency in the spending of public funds;

- at national level it is possible to collect the data of purchases made through SEAP which could serve as the basis for monitoring the performance of purchases;

- the public procurement system has been and is being subject to reforms to improve efficiency,

- Romania is EU member and implements EU directives. (transposes Community legislation);

- the existence of a national strategy in the field of public procurement;

- wide variety of types of procurement procedures;

- standardizing the awarding documentation;

- high weight of experienced personnel in the field;

- performing the Ex-Ante control of procedures by ANAP and of the Ex-Post control by the Court of Auditors;

- the existence of a fairly developed market economy with economic agents that can ensure real competition, also due to the opening of markets at European level, with the integration of our country in the EU;

- encouraging long-term relationships with suppliers / providers through the use of framework agreements;

- the legal provision that at least 2/3 of the procurement department staff should have higher education.

4.2. Weaknesses

- a large number of contracting authorities (over 15,000), which creates inertia / resistance to the implementation of change. There are many contracting authorities, especially at the local level, who have fairly low budgets and which according to the law have to set up a public procurement department;

- the complexity of the legislation in force;

- frequent changes in legislation (legislative instability);

- procurement procedures are complex, contain many activities, operations, deadlines to be respected;

- the weight of total value of public procurement in GDP in Romania is of approx. 7%

versus approx. 12% at EU level and 13% at the OECD level.;

- insufficient implementation of social award (eg unemployment control) and environment criteria;

- reduced effectiveness in terms of applied measures that have the effect of winning procedures by small and medium-sized companies;

- the non-operation of the centralized procurement unit at national level - the National Office for Centralized Procurement (ONAC), established only in 2018 but not yet in operation;

- inappropriate mode of operation of SEAP software (deficiencies such as syncope, interruptions, etc.);

- the sharp decrease over the last 5 years of the number and value of contracts (allocated budget funds) for works (investments in infrastructure);

- the insufficient practical training of the purchasers regarding the use of the software dedicated to the SEAP;

- the lack of a central body for the training of purchasers. At present, the training of purchasers is done by various private companies through courses where graduates are awarded the title of "Public Procurement Expert" without having a knowledge pool, a high level of competence in the field, or an appropriate experience. Unfortunately, the staff working in the field of public procurement does not have unitary training. These are teachers, economists, lawyers, engineers who acquire knowledge in the field of procurement over the years and not as a result of special procurement studies, according to a clear methodology;

- the lack of master degree programs specializing in public procurement;

- the long time for the training of the staff in the public procurement field (5 to 6 years);

- the low attractiveness of higher education graduates towards public procurement due to the negative perception of young people about starting a career in the field of public procurement;

- the large number of appeals filed (in 2017 4,532 appeals were filed in a number of 19,923 procedures, namely a weight of 22.75%);

- a fairly long average running time of an awarding procedure (in 2017 the average run time was 91 days for procedures that were not checked by Ex-ante by ANAP and 114 days for the procedures verified Ex-ante by ANAP);

- the lack of professional qualifications of the purchasers. At present, there is no system of professional degrees for purchasers in Romania, specifying the Bachelor's fields accepted at national level for practicing this "job". There is also no career planning process in this area and no distinction between a simple public procurement officer and a public procurement specialist.

It should be noted that in other countries such as the USA, the purchasers have a 20-25 professional grades system based on their undergraduate background, skills, experience gained, their award being made only after passing rigorous examinations at the Federal Acquisition Institute - FAI.

- the lack of effective means of rewarding purchasers according to the results of the procedures they have carried out. Performance in

public procurement is not rewarded properly because there is no link between the level of rewards and the performance of the purchasers;

- high corruption risk in the area of public procurement;

- small number of employees of ANAP (on 31.08.2018 there were 434 positions within ANAP, of which 397 were occupied);

- fluctuations in the volume of public procurement to be made over certain time periods (eg the large number of procedures / direct purchases to be made in the last month of the year, on the background of additional allocations from the state budget through the approval of budgetary rectifications);

- the large number of risks a contracting authority assumes in conducting a procurement procedure: requests for clarification, contestation, delivery delays.

4.3. Opportunities

- involvement of higher education institutions (under the coordination of ANAP) in the training of future purchasers, including by attracting non-reimbursable European funds, in order to achieve the professional training that is most appropriate to the requirements of the labour market;

- implementing measures that will open the market from our country for companies in the EU more;

- the expansion of domestic companies on the European market;

- the use of public procurement to accelerate economic recovery in times of crisis;

- improving cooperation between purchasers and stakeholders

- stimulating the growth of the number of companies enrolling in SEAP;

- encouraging by dedicated measures the participation in procedures and the award of contracts to small and medium-sized enterprises;

- simplification of public procurement procedures;

- promoting and expanding the use of electronic procurement;

- performing centralized procurement at national level to provide additional savings as a result of aggregation of demand;

- transforming electronic purchases into intuitive and user-friendly software;

- stimulating sustainable procurement (combating unemployment, tackling environmental issues, etc.);

- using the other criteria beyond the lowest price to encourage the purchase of quality products.

4.4. Threats

- the growing exposure of the Romanian economy to competition in globalized markets;

- legislative changes accompanied by a difficult adaptation of contracting authorities to the requirements of the new provisions;

- the influence and pressures of the policy makers on the purchasers in all stages of the award procedures;

- diminishing of the funds allocated to the training of the purchasers which may lead to the reduction of their expertise;

- economic and political instability (late-approved budgets, budget rectifications that allocate funds too late in the course of a year to allow time for procurement procedures to take place);

- the emergence of economic crises leading to a reduction in budget funds destined for public procurement;

- limited market availability of sustainable products / services.

5. MEASURES TO IMPROVE THE PUBLIC PROCUREMENT SYSTEM IN ROMANIA

The main measures to improve the public procurement system in Romania following the SWOT analysis are as follows:

- setting up a central institution to train purchasers and provide them degrees, on the basis of which purchasers can practice. This institution should be subordinated to ANAP. Thus, it is necessary to introduce the qualification / qualifications in the field of public procurement in the higher education qualification register in our country, the universities having the possibility to introduce such long-term courses in their curriculum, which can be completed by obtaining a recognized professional certificate in the field;

- introducing a professional grades system for purchasers;

- establishing a prize-award system for the purchasers / specialists in the field to make their remuneration conditional on their performance obtained. The performance of the purchasers could be characterized by elements such as: the number

of successful conducted and completed procedures, the efficiency given by the run time or the level of the prices obtained, and the quality of the procurement procedures may be given by the number of observations made by verifications/controls made by ANAP or the Court of Auditors etc.;

- the setting up of a database containing some of the documents necessary for participation in the procurement procedures. In order to meet the needs of economic operators and contracting authorities and to eliminate the risk of presentation of false certificates / authorizations, a database can be created at national level by which all public institutions in Romania issuing such authorizations can make it available to contracting authorities free of charge. This database can be linked to other similar bases at European level. Basically, the database may be a personalized virtual file containing documents or data relevant to each economic operator;

- increasing the level of competition in procurement procedures. The increase in the number of tenders received in procurement procedures can be achieved by dividing the object of the procedure into batches, choosing assessment factors to represent as accurately as possible the needs of the contracting authority, assessing as accurately as possible the estimated value, increasing the transparency of the procurement procedures, etc.;

- reducing the number of contracting authorities at national level by analysing the justification of the existence and efficiency of local

procurement compartments. In the European Union and beyond, there are many states where localities that have a budget under a certain value or where a number of inhabitants live below a set threshold cannot carry out purchases because budget expenditures related to the operation of the public procurement department are too large.

6. CONCLUSIONS

The SWOT analysis revealed that the public procurement system in Romania is characterized by a number of weaknesses such as a large number of contracting authorities, complex legislation, a centralized procurement unit (ONAC) not yet in operation, lack of a central institution for the training of purchasers, lack of professional grades for purchasers and high risk of corruption.

Among the strong points we can mention the existence of the software dedicated to the development of public procurement (SEAP), the transposition of the Community legislation into the national legislation and the performance of the Ex-ante and Ex-post controls.

The main opportunities are the expansion of the domestic companies on the European market, the involvement of higher education institutions in the training of future purchasers and the performance of centralized procurement, and the most important threats identified are the influence of political factors on purchasers, the economic and political instability and the emergence of economic crises.

Following the SWOT analysis, some improvement measures have been identified, such as: the setting

up of a central institution for training purchasers, the establishment of a remuneration system for purchasers based on the results obtained, the introduction of systems of professional grades for purchasers and the reduction of the number of contracting authorities.

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