

(DE)CENTRALIZATION OF PUBLIC PROCUREMENT AT THE LOCAL LEVEL IN THE EU*

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Abstract

The so-called decentralization of public procurement in EU Member States is accepted as the most suitable design of the public procurement system, often justified by greater economic efficiency and by the possibility of boosting the development of small and medium-sized enterprises, which act on the public procurement market as providers of goods, services and works. Despite the existence of highly decentralized public procurement systems which reflect the decentralization of administrative systems, especially after the recession, there is a stronger tendency for centralization of public procurement in the EU. The so-called aggregation of demand by contracting authorities can be done in order to achieve economies of scale, including lower prices and transaction costs as well as to improve and professionalize the management of procurement procedures (as highlighted in the Directive 2014/24/EU by the European Parliament and the EU Council). However, even in the context of public procurement centralization, local contracting authorities (i.e., public administration authorities and organizations) in Member States should be provided with a sufficiently wide range of possible (centralized) organizational structures and contractual (vertical and horizontal) public-public partnerships which will allow them to select the most suitable and most economically effective organizational structure for the execution of public procurement.

Keywords: centralization, public procurement, local self-government, fiscal decentralization, EU.

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1. Introduction

When talking about centralization and decentralization of public procurement, there are several possible approaches; however, in real life, there are no 'pure' models that can be summarized in theoretical statements, trying to construct individual types or models of centralization and decentralization of public procurement. To practically organize public administration (including the field of public procurement) actually means to find the right combination between the idea of centralization and decentralization. Nowadays, the establishment of a reasonable balance between local and central has become one of the most important issues in the functioning and organization of any country, including the field of public procurement.

In general, it can be concluded that in certain areas of the functioning of a modern state centralism is a necessity (e.g. uninterrupted life and integration of all the parts of a society also conditions the existence of a high degree of uniformity and consistency in the organization of all forms of activities of modern society; each system, hence also the state, requires a specific focus, coherence and coordination of public tasks to ensure its existence). On the other hand, a smooth and normal execution of tasks may, in some areas, be possible only in the context of decentralized administrative systems. In the broadest sense, decentralization means any weakening of the direct impact of the particular center of an organized system on the parts of the system. Thus, in territorial decentralization, a territorial unit to which tasks have been transferred is in a certain sense and scope subject to the influence resulting from the unit, which is therefore different from the central state administration. We can say that decentralization exists whenever a non-central (provincial) authority has the right to adopt individual decisions independently within the framework of the Constitution and laws. Decentralization has, in the sense described above, mainly a political connotation or it reveals itself as a problem of political nature (Grafenauer and Brezovnik, 2006, p. 98).

Starting from the administrative branch of government and the implementation of public administration tasks, it can be said that by centralism (public procurement) we understand the focus on performing tasks in central authorities and fully dependent on the center's direct 'directives' and under the control of the central government (the highest level administration authorities). We could speak of administrative centralization (or the so-called rigorous centralism) in the purest and strictest form only if one single national office would exist for the whole country, where all public administration (thus also the implementation of public procurement) would be concentrated. This is not possible in practice, therefore in every modern country the idea of decentralization appears to a greater or lesser extent. However, decentralization in the framework of public administration is possible in two ways: (a) administrative decentralization (devolution) and (b) decentralization through (or by means of) self-government or local self-governing units. Decentralization has two different aspects: the administrative-technical and interest-related approach. The aim of the former is to achieve the maximum possible rationality and efficiency of management,

while the aim of the second aspect is to increase the opportunities of promoting the interests of their respective (interest) holders. The result of the first approach is the devolved implementation of tasks, and local self-government for the second one. If the administrative decentralization is just a technical and organizational question of delegating tasks, which are otherwise centralized, to regional organizational units or to lower state authorities falling outside the state center, then decentralization by local self-government communities is also (or especially) a political question since it concerns a specific division of administrative functions between the central administration and 'local (self-)governments', which can operate as independent administrative centers. Therefore, only local self-government and the implementation of affairs in the field of public administration in local self-governing communities represents true (real) decentralization.

Decentralization and devolution have a common element: there is a delegation of tasks from the central authorities to other more narrowly defined 'powers', whereby we can say that devolution represents an intermediate stage and, on the one hand, means a deviation from centralization, while, on the other hand, it is a move towards decentralization. However, for devolution, which no doubt applies to decentralization in self-governing units, a certain distancing from the central core and 'bringing public administration closer to the people' is typical. As such, devolution often represents a transitional stage and a good preparatory stage for decentralization because it is much easier to transfer affairs from local government authorities to self-governing authorities than directly from the central government authorities.

Therefore, we can conclude that there are no pure models of centralization and decentralization (including in the field of public procurement), but we can rather talk about different degrees of stricter and looser forms of centralization or decentralization. It is a process and a dynamic phenomenon which depends on various elements and conditions. With decentralization, it is thus possible to talk of different series of stages – from a maximum stage of independence and autonomy to a minimum independence in the distribution of tasks. To put it simply, we can say that the following differences exist between individual types (degrees, models) of centralization and decentralization:

- whether a narrowly defined community (unit) has a status of legal entity or not and what is its specific context;
- what is the extent of local issues and tasks that are exercised by the local communities (units) and how and to what extent they are provided with financial and other assets;
- what are the controlling and supervisory authorizations of central (government) authorities in relation to decentralized (local) authorities; and
- whether the local population alone decides on the selection (by way of election, appointment) or composition of the authorities in local communities (units) and what is the impact of central authorities thereof, etc.

Tasks in the implementation of 'public' (general social) affairs (including public procurement) are in each country executed by authorities, which may be central (core) or provincial (local). For non-central authorities there is a difference between those which are, in their creation and operation, directly dependent on the central government authorities, and those in whose formation and operation the local population has a decisive influence. The former are established by the central government authority in the local unit, so that we speak of local government authority (we can also term them centralized regional authorities). The latter, however, are local self-governing authorities.

Local government authorities mainly perform functions related to the direct execution of state regulations, functions that are 'bureaucratic' in character and have also been 'bureaucratically' designed. In contrast, the local self-governing communities also have authorities that are 'representative' in character (municipal councils, etc.) and are elected by the residents, as well as municipal 'bureaucratic' authorities which are responsible for the direct implementation and operationalization of decision-making (Grafenauer and Brezovnik, 2006, pp. 98-99).

2. Decentralization of public procurement

The so-called decentralization of public procurement in EU Member States is most often accepted as the most suitable design of the public procurement system, which justify with greater economic efficiency and consequently with the possibility of boosting the development of small and medium-sized enterprises that act on the public procurement market (Vojinović *et al.*, 2010, p. 317). The following are most often specified as one of the key arguments in support of decentralization of public procurement: reduced incentives for corruption; reduced chances for mistakes affecting large volumes; less bureaucracy because of shorter time frames and fewer forms for both purchasers and suppliers; greater possibilities for small and medium-sized enterprises to compete for contracts; lower prices for local goods; and more scope for employees to take responsibility. The decentralization of public procurement is closely linked to the territorial, administrative as well as fiscal decentralization of individual EU Member States. The number of contracting authorities, which can range in individual states from a few hundred up to several thousand depends on the degree of territorial and administrative decentralization. However, the extent of public financial funds held by contracting authorities and which are available for the procurement of goods, services and works depends mainly on the degree of fiscal decentralization (OECD, 2000, p. 5).

At this point, it should be noted that, in spite of globalization trends and European integration the local self-government has been developing in a uniform direction in EU Member States, which is actually a result of the ratification of the 'European Charter of Local Self-Government' (1985). This is reflected in the increasing harmonization of local self-government systems (Šmidovnik, 1995, p. 35). Reforms of public administration and especially local self-government systems thus include the fundamental principles of democracy, denationalization, devolution, decentralization, subsidiarity, etc.

In spite of this, significant differences exist between local self-government systems in EU Member States both in the number of decentralized units, levels of local self-government and consequently also between the differently distributed competencies between state authorities and local community authorities (Tournemire, 2014), which is also reflected in the manner and extent of funding thereof (Brezovnik and Oplotnik, 2003) and, of course, consequently in public procurement. As can be seen from Table 1, considerable differences appear in the number of levels of local self-government between EU Member States, which is partly the result of differences in historical, geographical and cultural backgrounds (Oplotnik *et al.*, 2013).

Table 1: Number of lower levels of government (local self-government – LSG) in EU-27 (for 2010)

		No. of residents (in 000)	Area (in km ²)	First level of LSG	Second level of LSG	Third level of LSG
Countries with one level of LSG						
Bulgaria	BOL	1.747	111.002	264	-	-
Cyprus	CYP	804	5.695	378	-	-
Estonia	EST	1.34	45.227	226	-	-
Ireland	IRL	4.476	69.797	114	-	-
Latvia	LAT	2.239	64.589	119	-	-
Lithuania	LIT	3.287	65.3	60	-	-
Luxemburg	LUX	507	2.586	105	-	-
Malta	MAL	414	316	68	-	-
Slovenia	SLO	2.042	20.273	210	-	-
Countries with two level of LSG						
Austria	AUS	8.37	83.871	2.357	9	-
Finland	FIN	5.363	338.145	342	2	-
Portugal	POR	10.636	92.152	308	2	-
Czech R.	CZR	10.538	78.868	6.250	14	-
Denmark	DEN	5.546	43.098	98	5	-
Greece	GRE	11.305	131.957	325	13	-
Hungary	HUN	10	93.029	3.177	19	-
Netherland	NET	16.611	41.528	430	12	-
Romania	ROM	21.431	2.385.391	3180	41	-
Slovakia	SL	5.43	49.034	2.928	8	-
Sweden	SWE	9.378	449.964	290	20	-
Countries with three level of LSG						
Belgium	BEL	10.883	30.528	589	10	6
France	FRA	64.812	632.834	36.682	100	26
Germany	GER	81.744	357.027	12.104	301	16
Italy	ITA	60.468	301.336	8.094	110	20
Poland	POL	38.191	312.685	2.479	379	16
Spain	SPA	46.073	505.997	8.116	52	17
Great Britain	GBR	62.195	243.82	406	28	3
Total EU-27		501.636	4.409.047	89.699	1,125	104

Source: Brezovnik *et al.* (2014); Oplotnik and Finžgar (2013)

Table 1 shows that seven EU Member States have all three lower levels of governance, whereby the latter are usually called ‘regions’ or ‘provinces’. The degree of autonomy is quite different between them. The most autonomous are regions in Great

Britain (Scotland, Wales and Northern Ireland), but the German ‘Länder’ also have considerable autonomy. However, eleven EU Member States have two lower levels of governance, while nine have only one level, which is most commonly known as ‘municipality’. There is a total of nearly 90,000 municipalities in the EU Member States. The size of municipalities differs considerably across countries, with countries such as the Czech Republic, Slovakia and France reporting the lowest number of inhabitants per municipality (less than 2000) and countries such as Denmark, Greece, the Netherlands, Sweden and the United Kingdom reporting the highest number according to the total average (more than 20,000). The extreme value with the observed category was achieved by the United Kingdom that recorded more than 152,000 inhabitants per municipality in 2010 (Brezovnik *et al.*, 2014; Oplotnik and Finžgar, 2013). Table 2 shows the analysis of local revenues or local financial resources mainly through the indicator of the share of local finances in total public finances and GDP, serving as the basis for the analysis of the share of decentralization in EU Member States.

Table 2: Share of Local Finance in the Public Finance and GDP

		Share of Local Finance in Total Public Finance					Share of Local Finance in GDP				
		1995	2007	2010	Change %		1995	2007	2010	Change %	
					95-07	07-10				95-07	07-10
Belgium	BEL	34.9	37.9	38,5	3.0	0.6	16.6	18.2	18.8	1.6	0.6
Bulgaria	BOL	22.4	16.1	19,8	-6.3	3.6	8.4	6.6	6.9	-1.8	0.3
Czech R.	CZR	30.3	27.5	29,0	-2.8	1.5	12.2	11.1	11.4	-1.1	0.3
Denmark	DEN	57.8	57.2	66,3	-0.6	9.1	32.6	31.8	36.8	-0.8	5.0
Germany	GER	36.8	39.1	38,8	2.3	-0.4	16.7	17.1	16.9	0.4	-0.2
Estonia	EST	24.8	24.7	25,2	0.0	0.5	10.5	9.0	10.3	-1.5	1.3
Ireland	IRL	33.2	19.1	19,2	-14.1	0.1	12.9	7.0	6.8	-5.9	-0.2
Greece	GRE	5.2	6.1	6,6	1.0	0.5	1.9	2.5	2.6	0.6	0.1
Spain	SPA	37.6	46.5	49,0	8.8	2.6	14.0	19.1	17.8	5.1	-1.3
France	FRA	18.8	21.0	23,2	2.2	2.2	9.2	10.5	11.5	1.3	1.0
Italy	ITA	28.3	32.2	32,5	3.8	0.4	12.7	14.8	14.9	2.1	0.1
Cyprus	CYP	3.7	4.2	5,4	0.5	1.1	1.2	1.9	2.2	0.7	0.3
Latvia	LAT	19.7	29.2	31,3	9.5	2.1	7.3	10.4	11.3	3.1	0.9
Lithuania	LIT	24.3	23.8	33,7	-0.5	9.9	8.0	8.0	11.4	0.0	3.4
Luxemburg	LUX	13.5	11.8	11,8	-1.8	0.1	5.7	4.7	4.9	-1.0	0.2
Hungary	HUN	28.2	25.7	25,9	-2.6	0.2	13.3	11.7	11.7	-1.6	0.0
Malta	MAL	1.7	1.5	1,8	-0.2	0.3	0.6	0.6	0.7	0.0	0.1
Netherlands	NET	48.3	33.5	35,3	-14.8	1.8	22.8	15.2	16.3	-7.6	1.1
Austria	AUS	34.1	31,5	31,6	-2.6	0.1	17.2	15.0	15.2	-2.2	0.2
Poland	POL	23.1	33.0	36,3	9.9	3.3	10.0	13.3	13.6	3.3	0.3
Portugal	POR	13.4	15.6	15,1	2.1	-0.4	4.9	6.4	6.3	1.5	-0.1
Romania	ROM	13.1	26.9	28,5	13.8	1.6	4.2	9.5	9.7	5.3	0.2
Slovenia	SLO	17.7	19.6	22,1	1.8	2.5	7.8	8.3	9.8	0.5	1.5
Slovakia	SL	6.9	18.5	17,0	11.7	-1.5	3.1	6.0	5.5	2.9	-0.5
Finland	FIN	36.1	35.3	41,7	-0.8	6.4	20.0	18.6	21.9	-1.4	3.3
Sweden	SWE	42.2	43.9	48,0	1.7	4.2	24.3	23.9	25.3	-0.4	1.4
Great Britain	GBR	28.9	30.2	34,2	1.2	4.1	11.0	12.4	13.8	1.4	1.4
Total EU 27		26.4	28.4				11.6	12.4			

Source: Brezovnik *et al.* (2014); Oplotnik and Finžgar (2013)

For the implementation of tasks (determined by the Constitution, laws and regulations) the state as well as the lower level requires adequate financial resources. In the practice of countries, the sheer volume of financial resources allocated for the purposes of carrying out the tasks varies considerably both in terms of scope and structure, which consequently means a considerable diversity of systems of fiscal decentralization. The share of financial resources of the total public revenues and with regard to GDP that were earmarked for financing the implementation of tasks at lower levels and the change in both indicators are shown in Table 2 and Figure 1. Table 2 shows that the share of local finances in public finances between 1995 and 2010 increased in 20 countries. Below you can see a comparison of the number of levels of local self-government and share of the local finances in the total public finances (Figure 1), where the vertical axis shows the shares of local finances in the total public finances, while the horizontal axis shows the number of lower levels by individual countries in the group of EU Member States.

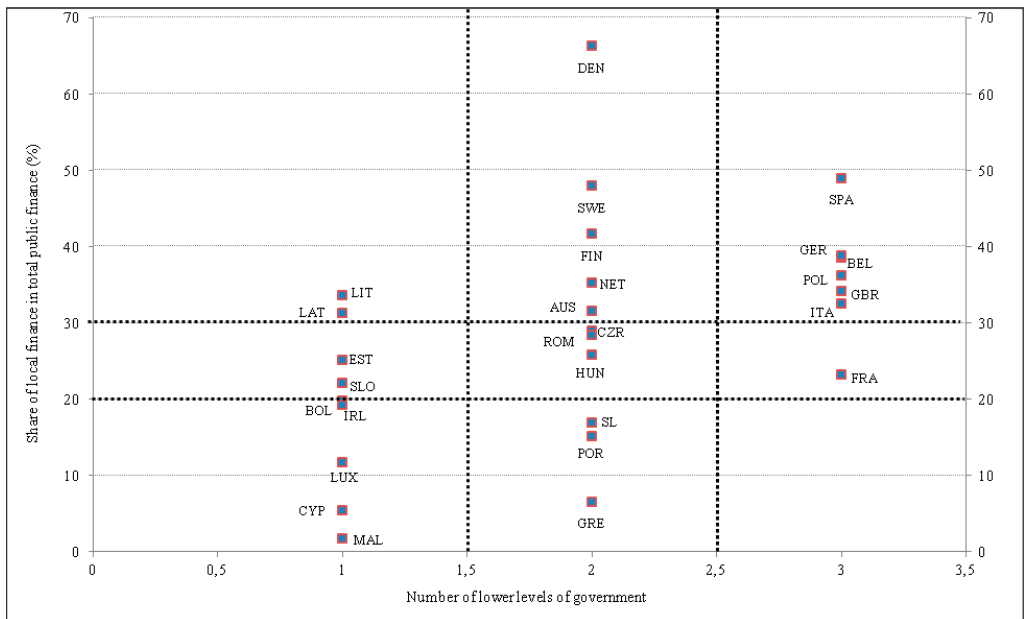


Figure 1: Local finance in public finance (%) and the number of lower levels for EU-27

Source: Brezovnik *et al.* (2014); Oplotnik and Finžgar (2013)

The countries are divided into three groups, namely countries that are (according to the criteria of volume of local finances in public finances) heavily decentralized, which means that the central level allocates more than a third of revenues to the lower levels of governance; these are followed by countries with a medium degree of decentralization, where countries with the vertical axis indicator value ranging between 20% and 30% are placed, while the countries with the indicator value below 20% have been defined as those with low level of decentralization (as compared with the group

and the average of the analyzed countries). Most funds for local self-government are allocated in countries such as Denmark (66% of public finances or 37% of GDP), Spain (49% of public finances or 18% of GDP), and Sweden (48% of public finances or 25% of GDP). These are followed by countries such as Germany, Belgium, Poland, the Netherlands, etc. On the other hand, the least decentralized of all the countries, e.g. Malta, Cyprus and Greece allocated less than 10% of all public revenues to lower levels of governance. The group of countries with a low degree of decentralization also includes countries such as Bulgaria, Ireland, Slovakia and Portugal. The rest of the countries belong in the group with a medium degree of decentralization. In Figure 1, the upper right quadrant mostly contains countries with multiple levels of governance; all these countries belong in the group of highly decentralized countries. However, we cannot be completely sure that only the existence of three levels of government conditions high decentralization in terms of the share of public finances. Countries such as Denmark, Sweden, Finland, the Netherlands and Austria have only two levels of government but nevertheless belong to highly decentralized countries. On the other hand, we can say that most countries (with the exception of Lithuania and Latvia), which have only one lower level of decentralization do not exceed the average share of local finances in public finances (approx. 30%). Thus, the bottom left quadrant contains 5 to 9 countries that have only one lower level of governance and are classified in the group of countries with a low degree of decentralization. A larger number of levels of lower degrees of governance in principle also implies a higher share of local financial resources in the overall public finances, while conversely it cannot be confirmed that a country with only one lower level of governance usually also shows a low degree of decentralization (Brezovnik *et al.*, 2014; Oplotnik and Finžgar, 2013). Since countries such as Lithuania, Latvia, Estonia and Slovenia deviate from this rule, as they have a lower level of government but are on the other hand classified in the group of medium or highly decentralized countries. Interestingly, in countries with a high degree of (fiscal) decentralization such as Lithuania, United Kingdom, Germany, Italy, France, Denmark and Finland we can notice a trend of centralization of public procurement (Šerpytis *et al.*, 2011, p. 104).

3. Legal framework for the centralization of public procurement in the EU

Despite the highly decentralized public procurement systems in EU Member States which reflect the decentralization of administrative systems, especially after the recession, on the public procurement markets in the EU, there is a stronger tendency for aggregation of demand by contracting authorities to achieve economies of scale, including the lower prices and transaction costs as well as improvement and professionalization of the management of procurement procedures which have been particularly highlighted in the Directive 2014/24/EU by the European Parliament and the EU Council. Otherwise, the so-called centralization of public procurement can be achieved by aggregation of public contracts of the involved contracting authorities or by aggregation of contracts in terms of volume and value over the longer period. However, by the opinion of the European Parliament and the EU Council this type of

aggregation and centralization of public contracts should be carefully monitored to prevent excessive concentration of purchasing power and collusion, and to maintain transparency, competition and opportunities of market access for small and medium-sized enterprises.

The increased use of centralized purchasing methods can be traced in the practice of the majority of EU Member States. The main purchasing authorities are responsible for the acquisition, management of dynamic purchasing systems or awarding public contracts/concluding framework agreements for other contracting authorities. Due to the large volume of public procurement these techniques may contribute to greater competition and should help professionalize public procurement. Central purchasing authorities may operate in two different ways; in the first case they should be able to act as wholesalers with purchasing, storing and reselling abilities, and in the second case they should be able to act as intermediaries rewarding public procurement, management of dynamic purchasing systems or concluding framework agreements used by contracting authorities. In some cases such an intermediary role can be performed through independent execution of relevant procedures of submission, without detailed instructions of the said contracting authorities. However, in other cases, it is done with the execution of relevant procedures of public procurement in accordance with the instructions of the said contracting authorities, on their behalf and their own account. By this the European Parliament and EU Council warn that it is necessary to lay down rules on the allocation of responsibilities between central purchasing authority and contracting authorities procuring from the central purchasing authority or through it. If the central purchasing authority is solely responsible for the conduct of public procurement procedures, it should also be exclusively and directly responsible for the legitimacy of conducted public procurement procedures. Contracting authorities should be able to submit public contract services for the provision of centralized purchasing activities to the central purchasing authority without the procedures laid down in Directive 2014/24/EU.

Enhancing provisions concerning central purchasing authorities should in no way prevent the current practice of occasional joint public procurement, i.e. less institutionalized and systematic joint procurement or established practice of usage of service providers that prepare and conduct procurement procedures on behalf and for the account of the contracting authority and in accordance with its instructions. Conversely, some of the characteristics of joint public procurement should be clarified, since the latter might play an important role in relation to innovative projects.

Joint public procurement can take different forms, ranging from coordinated public procurement by preparation of common technical specifications for works, goods or services that will be procured by several contracting authorities, each of which executes a separate procurement process, to situations where the said public procurers jointly carry out a procurement process with the participation or by authorizing a contracting authority for the conduct of the public procurement process on behalf of all contracting authorities (Directive 2014/24 / EU).

4. Centralization of public procurement at the local level

Since there is often lack of expert knowledge, resources and abilities to perform efficient procedures of public procurement, many countries developed various institutions at higher level to pool the purchasing arrangements of groups of government offices, public bodies of various kinds or local authorities at the regional level. In certain cases, several local authorities have also decided to form consortia or joint ventures in order to purchase the most common services such as water, waste disposal and school meals and to make those procurement processes more efficient. They may also decide to purchase directly from other municipality or regional authority, or from the private market since prices can often be negotiated and lowered. Such centralized procurement groups often do not have separate legal personality but join together ad hoc and use framework contracts under which the specifications of goods and services and prices are agreed for a certain period of time (also noted in OECD, 2000, p. 9). Such cooperation between the authorities, not only local communities but also other authorities and organizations of public administration are termed public-public partnerships. Despite the unequal definition the public-public partnerships can be classified according to the following: different types of partners that are involved in the partnership; and the goals of the partnership (Brezovnik, 2008).

According to the definition of the public-public partnership, which is most commonly used in the EU, the public-public partnership refers to cooperation between two or more authorities or public legal entities governed by public law within the country (Lobin and Hale, 2006, p. 7). Thus it can be established horizontally on the same level of governance (e.g. between local communities, for example, inter-municipal cooperation) or vertically between different levels of governance (e.g. between the state and the local community). Public-public partnership is not limited to public authority (territorial) entities (state, regions, provinces, municipalities), but can also be established between public legal authority entities and other public legal entities (specialized public legal entities such as public companies, public funds, public institutions, etc.) or only between other public legal entities (Škof and Bradaschia, 2010, pp. 329-342).

Partnerships between two or more public legal authority entities within the country are very common and normal. Two or more of public legal authority entities can cooperate with each other in public procurement. Such forms of public-public partnerships can be traced in almost all EU Member States. The reasons for such cooperation are either in rationalizing the organization of the implementation of the public procurement or in achieving favorable conditions for the procurement of goods, services and works. At this point it should be noted that the Directive 2014/24/EU lays the foundation for the enhancement of the specified form of horizontal and vertical cooperation in public procurement, in particular between local and regional authorities.

Comparatively, several forms of cooperation between regional and local authorities in the organization and implementation of public procurement can be traced in

the Member States. On the one hand, the main differences are based on the partners involved (horizontal cooperation, where partners operate on the same level, vertical cooperation, where they operate at different levels, and joint cooperation where there is a combination of horizontal and vertical cooperation), on the other hand, there are also procedures for the exercise of cooperation that are considered, but have been implemented differently in countries and have become part of the institutional structure.

In the case of horizontal cooperation in the field of public procurement it handles a form of cooperation (partnership) developed by the regional or local authorities, which operate on the same level and have the same powers (and usually with comparable means) and include partners at the same level. The development of forms of horizontal cooperation is an alternative to the introduction of new levels of government (Levrat, 1994, pp. 86-96). For this reason the different levels, whose forms of cooperation are part of an institutional system, vary depending on the continuity of supply of public goods. However, extreme cases lead to the emergence of a new level of governance. Such (horizontal) partnerships are reflected in the following: harmonization of policies of different authorities without the establishment of a legal entity or the establishment of (independent), specialized legal entity (public law) (e.g. specialized agencies). At this point we have to distinguish between voluntary participation in the establishment of specialized entities (public law) and those required by law. Examples of specific forms of compulsory participation can be observed in the practice of the EU Member States: Spain (interest associations of municipalities); France (some urban communities); Greece (development partnerships that shall be established by ministerial decision); the Netherlands (since 1994, the law requires mandatory participation of local or regional authorities in joint projects, government municipalities may issue a mandatory participation instruction); in the Great Britain (the law requires such cooperation in any field). The decision for voluntary participation is usually taken by authorities which in particular seek to streamline their business operations (Vandamme, 2004).

In the framework of the forms of horizontal cooperation in public procurement we have to particularly note the various forms of inter-municipal cooperation. These forms of horizontal co-operation which at the level of basic local government units perform their common task, have in the local government systems of European countries been known for over a hundred years. For example, inter-municipal cooperation is dealt with in all laws, with which individual countries regulate local government on a fundamental level. Several countries, including in particular France, have for example arranged inter-municipal cooperation by special laws. The municipal associations in Germany and Austria have the constitutional position of a local self-government institution.

In this the law does not normally interfere with the functional competence subjectivity of local self-government on a fundamental level. The promotion of inter-municipal cooperation has in the normative field been performed in two ways. The first as-

pect (used at the federal level in Austria and in Italy) is legal standardization of forming alliances for specific tasks. The second one (Belgium, Germany - Bavaria, Sweden, the Netherlands, and Finland) has gone in the direction of promoting voluntary association of municipalities for specific tasks. A specific example is the French inter-municipal cooperation, which has grown on single-purpose associations (the first law of 1890), which have with multi-purpose associations, districts and associations of municipalities (Fr. *communautés de communes*) outgrown all similar movements by type and number of interest institutional inter-municipal cooperation. Therefore, in 1998 France adopted a special law on inter-municipal cooperation, which establishes three types of institutions of this cooperation – municipality associations, associations of settlements and urban associations, imposes requirements regarding the number of the population, closed areas and tasks that the association must ‘select’ to gain access to the funds earmarked by the state to promote the activities of local government. The French way of promoting inter-municipal cooperation is a unique and effective way to change the territorial organization of administration and, consequently, the public procurement system.

Inter-municipal cooperation in all these countries is institutionalized and represents an independent legal entity, which carries out the municipal affairs. In terms of organization all forms have a representative body (usually on a parity basis and indirectly) and administrative system - the organization. It should be noted that in the case of institutions of inter-municipal cooperation, as defined in the laws of the EU Member States, it does not handle of the creation of government systems of new ‘major’ local communities, but for the same type of local self-government (Gotovac, 2003, pp. 74-76).

However, in the case of *vertical cooperation* it is a form of cooperation operating at different levels (EU, state and local communities). Vertical cooperation also includes partners which work on different levels. The joint co-operation may include a number of partners operating on the same level, and at least one partner that works on a different level. In practice, this kind of cooperation is reflected in the following: establishment of a common entity (legal entities) (e.g. a central purchasing body) cooperation based on the transfer of funds, and contractual cooperation (Vandamme, 2004, pp. 139-140). The so-called contractual vertical cooperation is also referred to in the Directive 2014/24/EU, since Article 37 provides that Member States may determine that the public procurer may procure goods and/or services with a central purchasing body that provides centralized purchasing activities. Member States may also provide that contracting authorities may procure works, goods and services on the basis of public contracts awarded by central purchasing authority on the basis of dynamic purchasing systems, managed by a central purchasing authority, or on the basis of a framework agreement concluded by a central purchasing authority that provides centralized purchasing activities. According to the specified the Member States may provide that certain public procurement are carried out with the help of central purchasing authorities, or one or more specific central purchasing authorities.

6. Central purchasing authorities at the national and local level

Public procurement activities represent one of the vital activities, thus the development of a sound and efficient system is often high on a political priority list. EU Member states generally establish some kind of organizational structures to carry out tasks related to the public procurement. To make the public procurement system work at all levels, a set of functions needs to be performed at the central (or regional) level as legislation preparation, advising authorities/entities and economic operators on the application of legislation, provision of public procurement training, publication of contract notices, etc. These important functions are in place in all Member States to support contracting entities as well as economic operators in their respective tasks so as to enable them to act efficiently and in compliance with national legislation, principles of the EC Treaty, and good practices. The advisory functions are normally the responsibility of the central bodies, but some of these functions are also shared by a number of players within the public procurement community. As stated in one of OECD analysis (OECD, 2007, pp. 14-15), the advisory and operations support functions, commonly associated with, are the following: organization of a help-desk function to provide legal and professional support to purchasers and economic operators on a daily basis; development of guidance systems and operational tools for managing all phases of the procurement process, interpretative communications, etc.

According to the specified practice in EU Member States it is important for centralization of public procurement at the local level that public procurers (i.e., public administration bodies and organizations) in the Member States are provided with a sufficiently wide range of possible organizational structures in the framework of the status and contractual (vertical and horizontal) public-public partnership allowing them a choice of selecting the most suitable and economically most effective organizational structure for execution of public procurement. Certainly the inter-municipal cooperation (both status e.g. by creating joint (inter-municipal) administrative authorities or establishment of specialized agencies, as well as contract (interest) cooperation) and the centralization of procurement at the level of each local community must be promoted at the local level, especially in highly administratively and functionally decentralized EU Member States, which have a larger number of public procurers. At this point we have to note that local authorities in EU Member States are co-founders of a large number of pseudo-state organizations (e.g. public companies, public institutions, public funds, etc.), i.e. indirect budget users, for which they could conclude vertical (mostly contractual) public-public partnerships to implement the procedures of public procurement and thus achieve greater economic efficiency of public spending. Works, supplies and services covered by framework agreements awarded by the central purchasing bodies should generally be of common interest to, and frequently purchased across, the public administration. The range of items normally covered by the central purchasing bodies operations includes the following supplies and services (works contracts are more rarely awarded by central purchas-

ing bodies): ICT products and services (computers, photocopiers, printers, servers, software); telecommunications (TCL) products (networks, mobile phones, landline phones, telephone exchanges); office furniture; travel services; office equipment and supplies; vehicle and transport services; fuel (for heating and transport) and electricity; food (foodstuffs, meal tickets); organizational and human resources development services (SIGMA, 2011, p. 7).

7. Conclusion

In practice of the EU Member States and elsewhere in the world we have mainly due to the crisis of the public sector witnessed a moving away of countries from decentralized public procurement systems towards the new centralized system, which are mainly the result of institutional and contractual cooperation within the public sector in the framework of horizontal and vertical public-public partnerships. With regard to the above mentioned, the introduction of new forms of centralized public procurement involves the following two things: firstly, the institutional integration of organizations within the public sector, and secondly, the creation of appropriate organizational structures within the administrative services of the state and local communities and outside of this framework, or even outside the public sector with the aim of effective implementation of public procurement. With the introduction and development of new (innovative) forms of centralization of public procurement the national, regional and local authorities are provided with sufficiently wide range of organizational structures of implementation of public procurement, whose primary objective is to improve the quality of public procurement and thereby satisfy the requirements for quality and more affordable goods, services and works.

However, with a wide range of organizational structures the national, regional and local authorities are actually allowed to independently, in the framework of their powers, decide on the most appropriate (organizational) structure for the implementation of public procurement.

The last reform of public procurement at EU level will definitely accelerate the trend of centralization of procurement at the local level, as it will be needed in the EU Member States, since with the reduced inflow of public funds it will be necessary to design appropriate (economically) efficient public procurement systems both at the supranational, national and local level. In this context we have to note that EU Member States should provide adequate structural solutions in their national legislation. It is necessary to set out the appropriately revised and updated national legislation and, of course, as far as possible, to achieve harmonization of regulations in the field of public procurement, which is a prerequisite for an effective reorganization of public procurement systems. This reorganization is not only normative, but must also be effective. The basic guideline of this reorganization of public procurement systems should be greater efficiency in public procurement.

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