

## Chapter 10

# Public Procurement in the Czech Republic: Focused on Regional Development and E-Procurement

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### ABSTRACT

*Relations between public procurement, regional development, and e-procurement are discussed in this chapter. First, main themes of the debate are reviewed. Subsequently, some relations between public procurement, regional development, and e-procurement are discussed. The Czech Republic is used as a case study in this regard. The authors' findings confirm the potential of public procurement to stimulate development of Czech regions. Spatially, public procurement may not be regarded as a suitable tool for reduction of regional disparities. However, there seems to be an important impact of public procurement on the development of local small and medium enterprises. In addition, the authors' findings point at some links between public procurement and the concepts of sustainable development and competitiveness. Nevertheless, the dominant position of price as evaluation criterion indicates that the linkages are rather weak. Finally, the increasing interest of the Czech Republic in e-procurement was documented.*

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## INTRODUCTION

Historically, regional development was understood in an economic way. Increasing number of jobs and increasing average income were regarded as traditional indicators of regional development (e.g. Callois & Aubert, 2007). However, this narrow definition of regional development appeared not to be in accord with increasing quality of life. Consequently, a number of other aspects were added as ingredients of regional development. Social justice, environmental sustainability, civic society building, and cultural heritage protection are only some of them (Pike, Rodríguez-Pose, & Tomaney, 2007). Altogether, regional development is a quite intricate concept and there is not one, all encompassing definition of the term.

The abovementioned shifts in the understanding of regional development are closely connected with changes in theoretical approaches, which try to explain the essence of regional development. In this respect, there are an increasing number of aspects, which are regarded as highly relevant for regional development. Besides traditional factors such as population, transport infrastructure, or human capital, a number of other factors are becoming more and more accentuated in scholar literature on regional development. These factors include among others innovations, institutional quality, social capital and creativity, or quality of environment. On this basis, regional development is now an extremely complex phenomenon. In this situation, the public sector faces new challenges how to solve more and more demanding tasks. Svensson, Trommel, and Lantink (2008), for example, speak about a shift of public sector activities from a bureaucratic form of organization towards an organization with obvious market features (e.g. privatization, outsourcing, networking, and others). These features belong to the cornerstones of the politically influential New Public Management concept. Essig and Batran (2005) and Bogason and Toonen (1998) give the following typical characteristics of the concept:

- Concentration on key tasks and elimination of inefficient operations (outsourcing, privatization).
- Emphasis on efficiency and cooperation.
- Human capital development and ethical behavior.

The first and second abovementioned aspects are of great importance for our chapter. In this regard, a number of public sector operations were outsourced with the goal to increase their efficiency. More and more limited public budgets may be regarded as an important stimulus of this efficiency discussion. It is noteworthy that public procurement is a typical mechanism how public authorities buy goods, works, and services. Altogether, it is not surprising that research on public procurement has become highly relevant also for regional development. In this respect, public procurement may represent an important source of financing for regional development. The goal of this chapter is oriented just in this direction—to review the current state of research on public procurement and regional development and subsequently to discuss some relations in the case of the Czech Republic. Special attention is given to e-procurement. Just this form is often regarded as a promising way to increase efficiency of public procurement procedures.

## BACKGROUND

Increasing competition of regions may be understood as a typical feature of globalization (see e.g. Nijkamp, Van der Burch, & Vindigni, 2002). In this environment, regions are forced to search various strategies how to reinforce their development potential. There are a number of political tools applied in this regard. Hood (2007), for example, distinguishes administrative, economic, institutional, and information tools of regional development. Economic tools traditionally include various forms of subsidies. Their allocation is

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