

FACT SHEET

August 26, 2015

**Government Procurement**

“Procurement” is the process by which governments choose to obtain and buy goods and services from the private sector. When it comes to information technology (IT), public and private sector buyers alike seek to acquire quality products at a reasonable price. Government buyers often face additional challenges as they source IT solutions. For example governments need products that serve uniquely public sector purposes, such as tax administration or military functions. Additionally, public sector actors may be urged when evaluating products to consider policy factors outside of the universal criteria of price, functionality, and quality. Some groups may urge the government to adopt a certain type of product – to avoid dependence on foreign suppliers or to “tip” the broader market in favor of one type of technology over another.

Some countries have passed regulations encouraging or requiring public sector buyers to choose “open source” software unless traditional proprietary software is the only available option. Reasons most often given in support of these policies include the desire to avoid dependence on firms that sell proprietary software; the low acquisition cost of “free” open source software; and the desire to support and develop the domestic software sector. Proponents of source-neutral government procurement policies state that open source or free software may have security and privacy issues; incur recurring costs not evaluated in an initial bid that considers only upfront costs; and, there is no evidence that these technologies support the development of the domestic software sector more than proprietary software would.

Overview**These issues arise in discussions of government procurement:**

- Comparisons of the quality of open source software to traditional “proprietary” software, such as the likelihood that bugs or security problems will emerge.
- Comparisons of the total cost of using open source software to the total cost of using traditional “proprietary” software, including the cost of implementing and migrating, training employees to use it, upgrading in the future, and so on.
- The fairness of rules that favor the acquisition of one type of technology over another type of technology or that favor domestic over foreign suppliers, as well as the compliance of such rules with trade agreements.
- The role of government as a large buyer in “tipping” markets toward one technical standard as opposed to another.
- Competition between technologies built and offered by government agencies (such as the Internal Revenue Service) versus private sector firms.
- Problems related to interoperability that might arise if a software product developed especially by or for government does not conform to the same technical standards as products developed for the mass market.
- Interoperability issues when products from one supplier may not work with products from another supplier, even though both conformed to the same standard at one time.

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- The problem of “lock-in” which happens when a user finds it prohibitively costly to switch to a different software product and feels compelled to stay with the same supplier.
- The differences between how proprietary firms and open source software firms support economic development and growth, particularly in developing nations.

Government Procurement Sources

These sources are a good place to start in understanding government procurement issues. The book [Government Policy Toward Open Source Software](#), including papers by [James Bessen](#), [Lawrence Lessig](#), offers different views on the advisability of government preferences for open source software. Bibek Debroy compares the total cost of ownership (TCO) of open source software to the costs of proprietary software in “[Technology Neutrality and Government Policy: A Pointless Debate on Open Source Software \(OSS\)](#).” [James Bessen](#) describes how proprietary software and open source software can co-exist in “[Open Source Software: Free Provision Of Complex Public Goods](#).” Karim Lakhani and Joachim Henkel examine governments’ decision-making processes in choosing open vs. proprietary software in “[The Trend Toward ‘Open’ IT in the Public Sector: Motives, Choices, and Outcomes](#).” [Marco Iansiti](#) argues that preferences for free software should not circumvent government procurement guidelines that support optimal decision-making in “[Study of Government IT Procurement Processes and Free Software](#).” David S. Evans and Bernard Reddy examine rules requiring public sector preferences for open source software in “[Government Preferences for Promoting Open-Source Software: A Solution in Search of a Problem](#)” and conclude that public sector preferences would be unlikely to serve consumers well.

Please note that all links on this fact sheet are accessible from the online version at www.techpolicy.com/govtprocurement.aspx.

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