



# A GLOBAL PROCUREMENT PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

An International Stocktaking of Developments  
in Public Procurement

## Synthesis Report

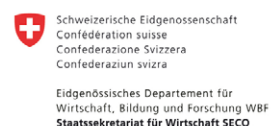
# A GLOBAL PROCUREMENT PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

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in Public Procurement

## Synthesis Report



Ministry of Foreign Affairs of the  
Netherlands



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# TABLE OF CONTENTS

|  |            |
|--|------------|
| <b>Foreword</b>  | <b>v</b>   |
| <b>Acknowledgments</b>   | <b>vi</b>  |
| <b>Acronyms and Abbreviations</b>  | <b>vii</b> |
| <b>Executive Summary</b>   | <b>1</b>   |
| <b>I. Introduction</b>   | <b>7</b>   |
| <b>II. Procurement as a Socioeconomic Policy Tool</b>  | <b>16</b>  |
| <b>III. Procurement as a Transactional Business Process</b>  | <b>33</b>  |
| <b>IV. Use of Digital Tools in Public Procurement</b>  | <b>44</b>  |
| <b>V. Potential GPP Interventions</b>  | <b>57</b>  |
| <b>References</b>  | <b>64</b>  |
| <b>Annex 1:</b> Potential GPP Interventions to Support Procurement as a Socioeconomic Tool             | <b>67</b>  |
| <b>Annex 2:</b> Potential GPP Interventions to Support Procurement as a Transactional Business Process | <b>71</b>  |
| <b>Annex 3:</b> Potential GPP Interventions to Support the Use of Digital Tools in Public Procurement  | <b>75</b>  |

## FIGURES

|   |    |
|---|----|
| Figure 1: Key Objectives of the GPP   | 12 |
| Figure 2: The GPP as a Foundation for Collaboration and Advancement in Public Procurement | 13 |
| Figure 3: Substantive and Measurement Gaps in Procurement Policy Objectives               | 18 |
| Figure 4: Traditional and Strategic Approaches to Procurement                             | 36 |
| Figure A1.1: Schematic Summary of Procurement as a Socioeconomic Policy Tool              | 70 |
| Figure A2.1: Schematic Summary of Procurement as a Transactional Business Process         | 74 |
| Figure A3.1: Schematic Summary on the Role of e-GP Systems                                | 77 |

## TABLES

|  |    |
|--|----|
| Table ES.1: A Snapshot of Possible GPP Interventions to Address Major Challenges | 5  |
| Table 1: Public Procurement Values Framework of the United Kingdom               | 10 |
| Table 2: Policy Options to Promote MSME Participation in Procurement             | 21 |
| Table 3: Results of Strategic Procurement Reform in Bangladesh                   | 48 |

## BOXES

|   |    |
|---|----|
| Box 1: The Legal Framework for Green Procurement  | 19 |
| Box 2: Up-Front MSME Payments in South Korea  | 22 |
| Box 3: “Persistence Effects” for Longer-Term SME Competitiveness and Resilience         | 23 |
| Box 4: Fraud or Misrepresentation Can Overstate MSME Participation                      | 23 |
| Box 5: International Experience with Local Content Preferences                          | 25 |
| Box 6: Outcome Targets for Disadvantaged Groups   | 28 |
| Box 7: Botswana’s Integrated Procurement Management System—A Tool for Better Governance | 30 |
| Box 8: Korea’s KONEPS as an Integrated, End-to-End e-GP System                          | 46 |
| Box 9: Business Models for e-GP   | 47 |
| Box 10: Country Achievements through e-GP   | 50 |
| Box 11: e-GP and Procurement Professionalization in Bangladesh                          | 52 |
| Box 12: Rolling Out e-GP in Rwanda  | 53 |

# FOREWORD

Public procurement represents a substantial share of government spending and can play a key role in helping countries pursue green, resilient, and inclusive development. Government procurement spending reached US\$13 trillion worldwide, or around 15 percent of global gross domestic product, in 2019. This share is likely to increase in the coming years because the ongoing global COVID-19 pandemic has generated overwhelming demand for massive stimulus packages in both developed and developing economies. Going forward, public procurement can help meet rising popular expectations for a more responsive government that “builds back better.”

Meeting these expectations will require modernizing procurement systems, seeing procurement not just as a transactional business process that helps increase the efficiency of spending and free up fiscal space, but as a tool for socioeconomic change that uses government purchasing decisions and technology more strategically—going beyond economic efficiency considerations and accounting to support broader policy goals such as environmental stewardship, resilient and inclusive economic development, and social protection.

This global stocktaking of public procurement explores the potentially catalytic role of public procurement as an important driver of improved governance through the application of a value-for-money imperative. The dynamism of public purchasing has, as its ultimate motivation, gains in “social value” derived from government provision of public goods and services. Social value, in turn, reflects country-driven aspirations for not only better economy and efficiency in public purchasing but also greater effectiveness and equity through increased transparency, accountability, inclusion, and sustainability.

The rapidly changing international environment for public procurement underscores growing demand for a global procurement partnership (GPP) to help countries and development partners better understand cutting-edge developments in public procurement and advance progressive procurement practices. This international platform can help integrate good practices from around the world to promote knowledge sharing and collaboration in the public procurement space. Importantly, the GPP can facilitate the adoption of globally recognized principles or benchmarks—through constructive convergence—that can be reflected in each applicable national context by country-owned frameworks and metrics for procurement planning, implementation, and assessment.

Public procurement at national, subnational, and local levels can become a productive springboard to broader improvements in transparency, accountability, inclusion, resilience, and sustainability. These are the hallmarks of better governance and deepened economic growth and prosperity for any country.

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# ACRONYMS AND ABBREVIATIONS

|                 |   |
|-----------------|---|
| <b>ADB</b>      | Asian Development Bank  |
| <b>BIM</b>      | Building Information Modeling                                   |
| <b>CIPS</b>     | Chartered Institute of Purchasing and Supply (United Kingdom)   |
| <b>CISCM</b>    | Chartered Institute of Supply Chain Management (United Kingdom) |
| <b>COTS</b>     | Custom off-the-shelf  |
| <b>COVID-19</b> | Novel Coronavirus Disease                                       |
| <b>e-GP</b>     | Electronic Government Procurement                               |
| <b>EU</b>       | European Union  |
| <b>GAO</b>      | Government Accountability Office (United States)                |
| <b>GPA</b>      | Government Procurement Agreement                                |
| <b>GPP</b>      | Global Procurement Partnership                                  |
| <b>GRID</b>     | Green, Resilient, and Inclusive Development                     |
| <b>ID</b>       | Identification  |
| <b>IoT</b>      | Internet of Things  |
| <b>IP</b>       | Internet Protocol   |
| <b>IPMS</b>     | Integrated Procurement Management System (Botswana)             |
| <b>KONEPS</b>   | Korea Online E-Procurement System                               |
| <b>KPI</b>      | Key Performance Indicators                                      |
| <b>MDB</b>      | Multilateral Development Bank                                   |
| <b>MSMEs</b>    | Micro, Small, and Medium Enterprises                            |
| <b>NIGP</b>     | Institute for Government Procurement (United States)            |
| <b>OECD</b>     | Organisation for Economic Co-operation and Development          |
| <b>P2P</b>      | Procure to Pay  |
| <b>PKI</b>      | Public Key Infrastructure                                       |
| <b>ProACT</b>   | Procurement, Anticorruption, and Transparency                   |
| <b>R&amp;D</b>  | Research and Development  |
| <b>SaaS</b>     | Software as a Service   |
| <b>UNCITRAL</b> | United Nations Commission on International Trade Law            |
| <b>UNDP</b>     | United Nations Development Programme                            |
| <b>UNIDO</b>    | United Nations Industrial Development Organization              |
| <b>VfM</b>      | Value for Money   |



# EXECUTIVE SUMMARY

**A modern public procurement system is a fundamental component of green, resilient, and inclusive development (GRID).** It promotes the pursuit of objectives that add value beyond fiscal savings, including resilient and broad-based growth, inclusion of vulnerable groups, and environmental sustainability. The potentially catalytic role of procurement has taken on increasing urgency in recent years, as governments grapple with the fiscal effects of the global financial crisis and seek to “build back better” in the face of the worldwide COVID-19 pandemic and the ongoing climate crisis (World Bank 2021a, b).

**Efficient procurement procedures save time and money, opening up much needed fiscal space, yet modern public procurement can also serve as a tool for achieving broader socioeconomic policy change.** Government purchasing decisions, including more strategic use of technology, can be used to maximize value for money (VfM) as defined by a concept of “value” that goes beyond fiscal savings to include broader policy goals such as environmental sustainability, support for small enterprises, or protection of vulnerable groups in society. This report outlines the key challenges and opportunities in moving toward modern procurement systems around the world and makes the case for a global procurement partnership to strengthen development effectiveness through better understanding and implementation of procurement reforms.

## A. ACHIEVING VALUE FOR MONEY THROUGH PUBLIC PROCUREMENT

**In the past, public procurement focused primarily on the transactional and operational aspects of the purchasing process.** Reform focus tended to center on bidding procedures and contract awards, and procurement performance was measured principally by the yardsticks of efficiency and economy. Based on these principles, governments have tended to look favorably on procurement systems and processes that aim to deliver procurement needs in a timely and cost-efficient manner. This emphasis has resulted in the view that procurement is an administrative or compliance-focused function, through which procurement officers need only focus on process requirements to achieve efficiency and economy.

**The concept of VfM broadens the traditional focus on efficiency and economy to reflect other considerations such as effectiveness and, by extension, equity.** Effectiveness generally refers to how well procurement transactions achieve the goals of public procurement, including how well the regulatory system succeeds at safeguarding national policy goals such as environmental stewardship and social protection. This is, in turn, a function of broader equity considerations, defined by contextual factors such as transparency, fairness, and accountability. These factors can help to create an environment of improved public trust, citizen participation, and engagement in national development, promoting better governance and strengthening development effectiveness. In Botswana, for example, the introduction of an Integrated Procurement Management System in 2016 strengthened transparency by implementing a contractor registration system with key information on participating firms and introduced free online payment of tender fees, thus enhancing predictability and reducing opportunities for corruption in the transaction between bidders and the purchasing entity.

**This strategic connection between procurement and other dimensions of public governance underscores the need for policy makers to focus on complementary reforms for longer-term, sustainable improvements in development.** Broadening the focus of public procurement in this way optimizes fiscal savings by driving the pursuit of goals, objectives, and duties in support of the wider GRID agenda. While VfM cannot be achieved where the process involved is inefficient or tainted by excessive costs, the perceived trade-offs between, for

example, efficiency (in speed or price) and the achievement of other goals may be illusory: if value is placed on those other goals, then VfM can be achieved even at higher initial cost or increased lead times.

**A country's definition of VfM at a given point in time—in the context of working toward the strategic and transactional objectives of public procurement—is relative.** What defines “value” in VfM in one country cannot be applied mechanically to another country. Each country will necessarily balance and apply procurement-related policy objectives in ways that maximize value for its own stakeholders. In other words, application of VfM is contextual and, therefore, potentially subject to wide divergence between and among countries depending on the relative mix of national socioeconomic priorities in each country.

## B. PROCUREMENT AS A SOCIOECONOMIC POLICY TOOL

**Given its significant role in a country's economy, public procurement can have a profound influence on the broader socioeconomic environment.** Public procurement represents a substantial share of government spending, accounting for over US\$13 trillion worldwide, or 15 percent of global gross domestic product. Directly or indirectly, procurement touches a wide range of economic sectors, involves a variety of government processes, and exerts both social and environmental impacts.

### Environmental Considerations

**Public procurement that focuses on environmentally friendly, responsible, and sustainable purchasing is termed *green procurement*.** This process focuses primarily on procuring goods, services, and works that are likely to have a reduced environmental impact throughout their life cycle compared to those that would otherwise be acquired. It also refers to work methods and procedures that minimize environmental damage or degradation, to efforts to develop and deepen natural disaster preparedness and management to build resilience in addressing the impacts of climate change, and to the process of demand management, as when the quantity to be tendered is itself part of the procurement policy. Green procurement covers the ways in which environmental considerations can be addressed: (i) by procuring greener products; (ii) through use of innovative approaches, including environmentally sensitive manufacturing processes, that encourage a “circular economy,” characterized by increased sustainability through redesign, reuse, and recycling of materials and products; and (iii) through better procurement practices, such as using technology for procurement and for contract monitoring and administration.

### Economic Considerations

**Creating a resilient and inclusive economy depends on diversifying production, both in terms of what is produced and who is producing it.** Many countries consider government procurement to be a major policy instrument for strengthening key industries or sectors of the national economy. Local content approaches aim to promote technological progress among local firms or in the broader local economy, or simply to halt regional decline in particular areas. Moreover, policies to encourage the participation of micro, small, and medium enterprises (MSMEs) can help promote and sustain a country's longer-term competitiveness. Where procurement needs cannot be met using traditional, off-the-shelf products, contracting authorities may engage innovation procurement to purchase of either the process or the outcome of innovation. Innovation procurement is directed at improving productivity, variety, and inclusivity in markets through new firms or new products. When implementing such measures, transparency and clarity of related provisions, as well as regular communication, monitoring, and periodic reviews, are pivotal to ensure a favorable business environment for both local and non-local firms and to ensure ongoing evidence-based assessment of the effectiveness of such policies.

## Social Considerations

**Social considerations relate broadly to two areas in public procurement: protection of labor and human rights, and support for disadvantaged groups.** Respect for labor and human rights in public procurement tends to take shape in tender and contractual conditions that ban or prevent child and forced labor, excessive working hours, low wages, lack of freedom of association, human trafficking, unsafe working conditions, or unfair labor management practices. Fair trade considerations have become increasingly important as well, including, for example, prohibiting the use of raw materials that have an adverse impact on human rights, on the lives of citizens, and on social stability. Protection of disadvantaged groups often involves the enactment of laws to ensure that public procurement does not leave behind vulnerable entrepreneurs or workers whose disadvantages derive from factors such as disability, race, gender, social status (for example, migrant workers or individuals in conflict zones), work status (such as the long-term unemployed), prior history (as in the case of the rehabilitation of criminals), age, inexperience, and so on.

## Synergies and Trade-Offs

**In implementing procurement policies, governments must look not only at the direct impacts of the introduced measures, but also at potential synergies and trade-offs with other goals that may influence the overall impact of procurement.** Integration of socioeconomic objectives into public procurement policy often appears to contrast with the goal of economic efficiency and may result in the award of tenders with more limited participation and at ostensibly higher prices. This may increase budget needs for procurement entities and may create resistance on the part of some stakeholders given the larger opportunity costs involved in such choices. Taking a long-term perspective can help, as sacrificing cost efficiencies in the short term may have positive effects in the long run, both in terms of procurement outcomes and overall economic, governance, social, and environmental impacts.

## C. PROCUREMENT AS A TRANSACTIONAL BUSINESS PROCESS

**The drive for efficiency and economy has led in the past to excessive focus on the process of procurement, from approach to market and call for competition to the award of the contract.** What has been missing, and is now seen as key to the ability to carry out a more strategic approach to procurement, is adequate attention to planning and contract implementation—the front and back ends of the procurement process, respectively. These aspects of the process cannot be ignored if VfM is to be optimized.

**The effectiveness of a procurement system depends on how well it is implemented.** This relates not only to the measures used, but also to the capacity of procurement officers to manage the process and understand, follow, and apply the rules designed to achieve VfM objectives. The VfM approach requires more strategic considerations than compliance alone. It depends on a comprehensive understanding of a country's overarching socioeconomic and other national policy goals. Procurement competence, among policy makers at least, needs to extend well beyond the application of standardized procurement rules to encompass a wider range of knowledge and practical skills.

**There is increasing recognition that professional training is the key, especially where issues beyond price are considered in the procurement decision-making process.** Short-term training delivered by external actors should be converted into a sustainable program for the development of national professional procurement qualifications that are recognized as prerequisites for procurement positions at different levels within government. A positive development in recent years has been the establishment of formal studies at various academic and other institutions. These programs need to be enhanced, however, through a sustained

focus on improving the practical skills needed to handle the expanding range and complexity of public procurement transactions.

## D. USE OF DIGITAL TOOLS IN PUBLIC PROCUREMENT

**Around the world, public procurement is transitioning toward electronic government procurement (e-GP) solutions.** The primary driver of e-GP growth has been the need for greater efficiency, more transparency, and support for open competition. With the evolution and maturity of electronic systems, the introduction of e-GP is pushing a more efficient and effective public procurement environment. It also provides the business community with valuable data-driven information to help grow and expand private enterprises. Under an open, transparent public procurement policy, e-GP increases participation in public procurement, boosting competition and generating savings. Where governments are investing in or developing programs to promote MSMEs or disadvantaged groups, these programs should interface with the e-GP system to measure results, whether in terms of increased participation or the number of awards issued for different types of commodities.

**Systems for e-GP have gained additional attention in the wake of the worldwide COVID-19 pandemic.** Forced to rethink traditional modes of doing business, governments are re-examining their procurement programs and processes to deal with emergency purchasing, and, more importantly, supply chain security. Use of e-GP eliminates the need for physical interaction, including hardcopy document submission, and is expected to become a requirement in the future. As governments make greater use of e-GP, more options will be available to support information sharing, strategic evaluation of procurement options, and cost management. This will support resilience by enabling governments to respond faster to crises. Procurement has led crisis recovery before and can do so again by strengthening supply chains, reassessing value creation, and adopting innovation, agility, digitization, and analytics as core elements of the procurement process. Country achievements underscore the importance of a committed, holistic effort to revamp procurement systems by leveraging e-GP. Examples include Bangladesh, where the introduction of e-GP brought about an estimated cost savings of US\$1.1 billion in FY19, a tripling in the number of registered bidders, and a 38 percent drop-in tender lead times; Chile, where the pioneering ChileCompra system observed price reductions of 2.65 percent over the course of a single year; and Korea, where the online e-procurement system has generated cost savings of US\$8 billion per year.

**New technologies offer options for enhancing information management, user interaction, and reporting tools to support improved security, information access, and citizen engagement.** Advances in artificial intelligence, document management, e-collaborative tools, payments, blockchain technology, geotagging, drones, internet of things (IoT) cameras, and video streaming services offer unlimited potential to improve system offerings for the creation and submission of bids, workflow and contract management, and data presentation. Importantly, information available from or through e-GP systems can be expanded by interfacing with other governance systems, such as anti-money laundering and beneficial ownership databases.

## E. TAKING PROCUREMENT TO THE NEXT LEVEL: A GLOBAL PROCUREMENT PARTNERSHIP

**A rapidly changing international environment for public procurement underscores the growing demand for a global procurement partnership (GPP) to help countries and development partners better understand cutting-edge developments.** The overarching goal of the GPP is to establish a global interface to promote the strategic use of public procurement as a critical economic planning and development tool. This global mechanism will integrate good practices from around the world to strengthen knowledge sharing and collaboration and promote globally recognized principles or benchmarks that are reflected

in each applicable national context through country-owned, country-driven frameworks and metrics for procurement assessment.

**The GPP will provide a springboard to develop mutual reliance and synergies among partners and key players in the procurement space, in both the public and private sectors, to assist countries in national efforts to “leapfrog” development challenges.** In the short term, the GPP will provide a mechanism for key stakeholders to work collaboratively and build networks with a view to improving public procurement systems and practice globally. Over the longer term, the GPP will contribute to improving governance and oversight through support for privilege-resistant policies and increased standardization and professionalization of public procurement systems and processes. In short, the GPP will become a “go to” space for integrated creation and sharing of effective tools and solutions for tackling public procurement challenges that are not adequately addressed at national or regional levels.

**The GPP will be established through a participatory design process that seeks to build consensus on scope and objectives.** This process will draw on multi-stakeholder, demand-responsive consultations to determine interest in and commitment to the GPP, gauge views, receive feedback, define core objectives, and develop a broad action plan. The GPP will serve as a strong collaborative effort for advancing worldwide and country-level procurement reforms, especially by facilitating knowledge exchange and professional collaboration between and among governments, policy makers, procurement practitioners, civil society organizations, the private sector, and others with a stake in public procurement reform.

**This global partnership is intended to widen and deepen collaborative networks, learning, outreach, and support for better-coordinated, better-resourced, and better-targeted development assistance in public procurement.** This initiative will build on the active engagement and support of development partners, including the World Bank, on a wide range of country-owned and country-driven public procurement activities at national and regional levels. The GPP will support procurement professionalization, improve governance mechanisms for enhanced transparency and accountability, and build capacity. The GPP will also promote innovation and accelerated modernization, including through the digitization of public procurement and collective efforts to improve evidence-based monitoring and evaluation (see Table 1 for a snapshot of possible GPP interventions).

**Table ES.1: A Snapshot of Possible GPP Interventions to Address Major Challenges**

| Thematic Area   | Nature of Intervention  |
|---|---|
| <b>Intervention Type: Research and Comparative Data Needs</b> |   |
| <b>Socioeconomic Objectives</b>                               | Conducting country-driven empirical research and analysis on comparative efficacy of targeted procurement mechanisms to support green (innovative and sustainable products and processes), resilient (diversified supply chains, emergency mobilization), and inclusive (MSMEs, disadvantaged groups) development |
| <b>Transactional Business Objectives</b>                      | Collecting and disseminating cross-country evidence-based data on innovative and/or alternative means to improve transactional VfM (economy, efficiency, and effectiveness), from planning to contract award to bid challenge procedures  |

| Thematic Area                                      | Nature of Intervention   |
|--|--|
| <b>Using Digital Tools</b>                         | Conducting and consolidating research across systems to: (i) assess government data collection and use to support procurement (including e-GP) systems; (ii) inform governments on new tools and e-GP platforms; and (iii) develop platforms for sharing research results              |
| <b>Intervention Type: Measuring and Monitoring</b> |  |
| <b>Socioeconomic Objectives</b>                    | Providing practical methodologies for data exchange, collection, monitoring, and dissemination   |
|  | Promoting data interoperability for national firms across countries to facilitate government information sharing on global supply chains   |
| <b>Transactional Business Objectives</b>           | Strengthening integrated approaches to cross-country measurement and monitoring of transactional performance and results at all stages, including review and civil society oversight   |
|  | Supporting capacity development and professionalization in measuring and monitoring application of VfM principles to achieve targeted transactional results for government socioeconomic and sustainability objectives   |
| <b>Using Digital Tools</b>                         | Guiding governments in accessing and applying procurement and related datasets to manage, inform, and monitor e-GP and improve consistency of intra- and cross-country systems   |
| <b>Intervention Type: Implementation Support</b>   |  |
| <b>Socioeconomic Objectives</b>                    | Providing sustained support for effective knowledge centers, respecting local context and aggregating knowledge and best practices through targeted fora for policy makers, buyers, and suppliers that emphasize results-based approaches to achieving GRID through public procurement |
| <b>Transactional Business Objectives</b>           | Strengthening and expanding procurement capacity and professionalization to apply VfM standards throughout the transactional cycle, consistent with national priorities and requirements and recognized international standards and practices  |
| <b>Using Digital Tools</b>                         | Supporting country implementation of e-GP systems through development of meaningful data standards, capacity assessments, and strategic advisory support for national objectives   |

# INTRODUCTION



# INTRODUCTION

**Public procurement—the process by which governments purchase goods, services, and works from the private sector—is a critical component of public financial management and, by extension, a potential force for promoting green, resilient, and inclusive development (GRID) around the world.** Public procurement represents a substantial share of government spending, accounting for over US\$13 trillion worldwide, or 15 percent of global gross domestic product. Given the dollar volumes involved and its links with the private sector and markets within and beyond a country’s borders, public procurement represents much more than a simple administrative process; if designed well, a country’s procurement system can serve as a strategic planning and development tool for maximizing impact through the efficient use of public resources for better service delivery and poverty reduction.

## A. PUBLIC PROCUREMENT IN POLICY PERSPECTIVE

**The role of public procurement as a mechanism to promote a government’s socioeconomic policies and priorities has gained increasing attention in recent years, as governments seek to “build back better” in the wake of the global financial crisis, the worldwide COVID-19 pandemic, and the ongoing climate crisis (World Bank 2021a, b).** The potential impact of a country’s procurement system on the overall policy environment is significant. How the system is designed has an impact on, among other areas, promoting sustainability through a focus on “green” products and services; supporting micro, small, and medium enterprises (MSMEs); boosting innovation; enhancing trade and competitiveness; strengthening financial inclusion, especially for vulnerable and disadvantaged groups; improving transparency; and reducing corruption. This strategic connection between the workings of procurement and other dimensions of public policy underscores the need for policy makers to focus on complementary public sector reforms to usher in longer-term and sustainable country improvements in development effectiveness.

**Public procurement’s role as an important driver of improved governance is grounded in value-for-money (VfM) considerations to reflect broader country-owned policy imperatives and, more narrowly, at the level of transactional public purchasing.** Increased transparency, oversight, and accountability in public procurement transactions reduces opportunities for corruption and collusion and helps to create an environment of public trust, citizen participation, and engagement in national development. These factors promote better governance and, taken collectively, lead to improved development effectiveness for every country.

**This synthesis report, and the more comprehensive global stocktaking on which it is based, consider the potentially catalytic role of procurement reforms in supporting policies that promote the GRID agenda.** In addition, this report reviews how the transactional business processes of public procurement can be aligned in support of these goals, and how electronic procurement and related digital tools can further improve and upgrade procurement processes and outcomes. There are other aspects of public procurement that this report does not cover owing to data, time, and other constraints, identified below in Section I(F) and in greater detail in the full stocktaking report.



## Environmental Considerations

**Public procurement is encouraging a shift toward greater environmental sustainability by providing incentives for the purchase and production of “green” products and processes.** As countries around the world face the impacts of climate change, the introduction of environmentally sustainable procurement practices is an important way for a government to signal and promote a broader policy shift toward environmental sustainability and innovation in the economy.

## Economic Considerations

**Governments have increasingly recognized, at a practical level, the need to create additional fiscal space to rationalize limited public resources and expand financial inclusion.** These economic pressures have been compounded in most countries by the significant shrinkage in global economic output caused by the COVID-19 pandemic. This worldwide decline in economic growth will inevitably tighten the fiscal space available to governments as they use public funds to reignite economies while grappling with unprecedented levels of debt, reductions in tax collection, and increasing economic inequality. These developments underscore the urgency of ensuring sound and responsive public procurement policies, regulations, practices, and implementation by responsible and capable institutional actors to make the most of reduced fiscal envelopes.

## Social Considerations

**How a procurement system is organized and targeted can help further a government’s social goals.** Procurement frameworks and related procedures can, for example, require better labor standards or target firms owned by disadvantaged social groups such as women, ethnic minorities, or those living with disabilities. In doing so, public procurement can support efforts to alleviate poverty, inequality, and unemployment; protect and promote human rights; and increase the competitiveness of local firms.

## B. ACHIEVING VALUE FOR MONEY THROUGH PUBLIC PROCUREMENT

### Value for Money Is Defined by National Priorities

**Public procurement is a complex activity, as the process of government purchasing is animated by a varied matrix of national, and in many cases subnational, policy objectives.** These objectives have focused traditionally on so-called “primary” transactional dimensions of economy and efficiency, in which time and cost savings are optimized. Over time, however, wider strategic policy objectives—so-called “collateral” objectives—have become increasingly central to the calibration of VfM, depending on country context. Such socioeconomic policy imperatives may include the promotion of environmental sustainability, development of local industries, facilitation of trade, and inclusion of disadvantaged groups, among others. The concept of VfM thus broadens the traditional focus on efficiency and economy to reflect other considerations such as effectiveness and, by extension, equity. Effectiveness generally refers to how well procurement transactions achieve the goals of public procurement, including how well the regulatory system succeeds at safeguarding national policy goals. This is, in turn, a function of broader equity considerations, defined by contextual factors such as transparency, fairness, and accountability. To balance these diverse considerations, it is necessary to start with a country’s strategic objectives (and related priorities) and then build out to encompass the wider trade and international lens. Public procurement frameworks, to be successful, must therefore translate these wider policy imperatives into relevant regulations and practices within the confines of internationally accepted procurement principles.

**A country’s definition of VfM at a given point in time—in the context of working toward transactional and strategic objectives in public procurement—is relative.** What defines “value” in VfM in one country cannot be applied in a mechanistic way to another country; each country will necessarily balance and pursue procurement-related policy objectives—whether transactional or strategic—in ways that maximize value for its own stakeholders. In other words, application of VfM is contextual and, therefore, potentially subject to wide divergence between and among countries depending on the relative mix of national socioeconomic priorities in each country.

**Governments have become more focused on obtaining optimal VfM in public purchasing through approaches and practices that are grounded in increased respect for proportionality (in the sense of balancing transactional and strategic objectives) and professionalism and are therefore fit for specific purposes.** This has led many governments to more stridently mainstream the use of socioeconomic policy objectives into the process of public procurement. The matrix of objectives that drive public procurement as a development policy tool are conditioned by framework of public sector “values” that the country has set for itself. An example of a procurement values framework, used to describe the public procurement system in the United Kingdom, is provided in Table 2.

**Table 1: Public Procurement Values Framework of the United Kingdom**

| Goals  | Values   |
|--|--|
| <b>Regulatory Goals</b>                        |  |
| <b>Propriety</b>                               | Conduct, behaviour, and corporate governance         |
| <b>Transparency</b>                            | Requirements and procedures are open                 |
| <b>Commercial Goals</b>                        |  |
| <b>Economy</b>                                 | Cost reduction                                       |
| <b>Efficiency</b>                              | More of the same price; same for less                |
| <b>Socioeconomic Goals (bundles of values)</b> |  |
| <b>Social welfare</b>                          | Equality, protection of minorities, sustainability   |
| <b>Public value</b>                            | Trust, legitimacy, equity, ethos, and accountability |

Source: Erridge 2005.

## Social Value Delivers Better VfM<sup>1</sup>

**“Social value” essentially refers to the value attributed to environmental, social, and economic outcomes or impacts that tangibly promote GRID for the benefit of society.** By focusing on what gives social value in public procurement, governments can more readily capture positive externalities—outcomes and impacts—that widen transactional benefits and more effectively address broader pressing environmental, social, and economic challenges. Recent reviews suggest that citizen preferences increasingly demonstrate demand for public procurement authorities to choose quality over price and to reflect wider societal value in making purchasing decisions and expenditures from public monies (Grandia and Meehan 2017).

**Express recognition of social value as a critical component in assessing VfM in public procurement has been muted.** This has perhaps resulted from a basic misconception of the opportunities that public procurement can provide as a policy tool, owing to the assumed complexity of measuring social value. This misconception has been compounded, to be sure, though a misalignment of incentives for suppliers due to the continued application of a rigid, almost mechanical, approach to public procurement that forces suppliers to deliver a narrow set of objectives and minimal price.

**In many countries, however, the situation is changing. In the United Kingdom, for example, a concerted effort to bring social value into the public procurement equation started in 2012 with the passage of the Public Services (Social Value) Act 2012.<sup>2</sup>** While this legislation focuses primarily on ensuring that public purchasing authorities account for how proposed procurement transactions can improve environmental, social, and economic well-being in a given area, it has pushed public procuring agencies to focus not only on optimal bid assessment and contract management, but also on socioeconomic and environmental considerations as part of an overall procurement strategy. In 2014, the European Commission issued directives for promoting socially responsible public procurement that encourages public authorities to use the best price–quality ratio, driven by social and environmental considerations, rather than the lowest price alone. European regions and cities have started creating social outcome strategies that make use of this approach and adopt methods of measuring social impact (Varga 2021). To this end, the European Union has issued a “buying social” guide (EU 2021). In Canada, active promotion of “social purchasing,” grounded in considerations of social value, is a growing effort, led by a mixture of non-profit organizations, voluntary organizations, and social enterprises as a basis for possible future legislation (Gibbison 2020).

## Transactional Procurement and VfM

**The drive for efficiency and economy has led in the past to excessive focus on the *process of procurement, from approach to market and call for competition to the award of the contract.*** What has been missing, and now seen as key to the ability to carry out a more strategic approach to procurement, is adequate attention to planning and contract implementation—the front and back ends of the procurement process, respectively. Considering the steps of the procurement process more holistically can help ensure optimal VfM for the end users of procured goods or services within the context of a country’s broader socioeconomic and cultural priorities and consideration of positive or negative externalities, such as those arising from socioeconomic, environmental, or governance considerations, driven by national (or international, as in the case of agreed treaties) policy priorities or commitments.

**The effectiveness of a procurement system depends not only on the measures used, but also on the capacity of procurement officers to manage the process and understand, follow, and apply the rules designed to**

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1. See “Social Value is the Latest Frontier for Public Procurement and Value for Money,” available at: <https://www.paconsulting.com/insights/social-value-is-the-latest-frontier-for-public-procurement-and-value-for-money/>  
2. Act, Sec. 1(3)(a). In the UK, see also: Government Buying Standards (2012), Balance Scorecard for Growth (2016), among other supporting legislation.

**achieve VfM objectives.** The VfM approach requires more strategic considerations than compliance alone. It depends on a comprehensive understanding of a country’s overarching socioeconomic and other national policy goals. Procurement competence, among policy makers at least, needs to extend well beyond the application of standardized procurement rules to encompass a wider range of knowledge and practical skills. There is increasing recognition that professional training is the key, moving beyond short-term process to a sustainable program for the development of national professional procurement qualifications that are recognized as prerequisites for procurement positions at different levels within government.

### C. LOOKING TO THE FUTURE: THE ROLE OF E-GOVERNMENT PROCUREMENT

**With advances in digital platforms, governments have acknowledged the need for technologically leveraged service delivery.** Many governments see the use of electronic government procurement (e-GP) as a means to “leapfrog” into much higher levels of efficiency and effectiveness in their public purchasing practices, while achieving quantum improvements in transparency, supplier outreach, and open competition. With the evolution and maturity of electronic systems, the introduction of e-GP is pushing a more efficient and effective public procurement environment and providing the business community with valuable data-driven information to help grow and expand private enterprises. Under an open, transparent public procurement policy, e-GP also increases participation in public procurement, boosting competition and generating savings. Moreover, increased use of technology, beyond the procurement process, allows for better management of downstream activities, such as contract management and payment. The potential value of e-GP has been cast into even starker relief over the past year, as the COVID-19 pandemic has provided added impetus for the move toward digital service delivery while demonstrating benefits in terms of cost management, processing speed, and increased accountability.

### D. TAKING PROCUREMENT TO THE NEXT LEVEL: A GLOBAL PROCUREMENT PARTNERSHIP

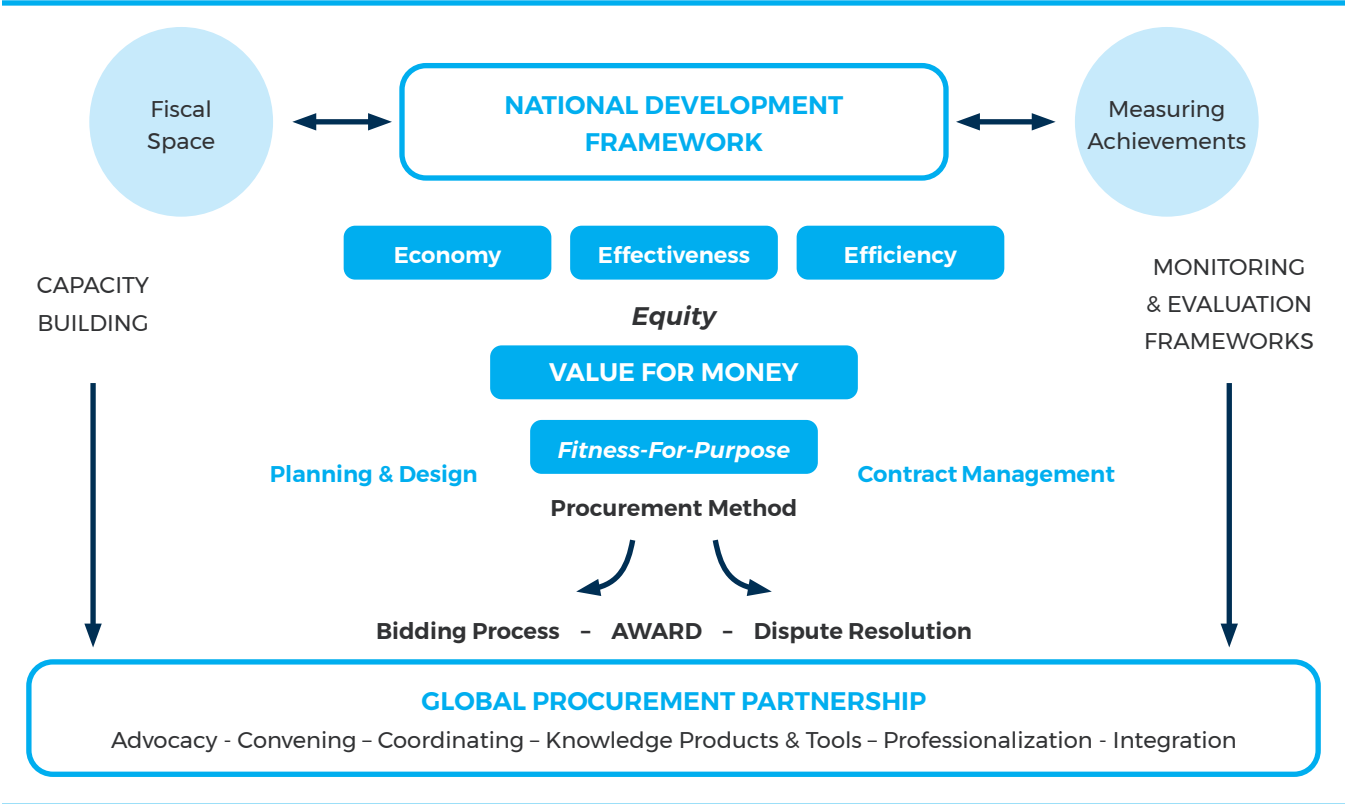
**A rapidly changing international environment for public procurement underscores the growing demand for a global procurement partnership (GPP) to help countries and development partners better understand cutting-edge developments.** The overarching goal of the GPP is to establish a global interface to promote the strategic use of public procurement as a critical economic planning and development tool (Figure 1). This global mechanism will integrate good practices from around the world to strengthen knowledge sharing and collaboration and promote globally recognized principles or benchmarks that are reflected in each applicable national context through country-owned, country-driven frameworks and metrics for procurement assessment.

Figure 1: Key Objectives of the GPP

- 1. Promotion of improved **governance, country-owned and country-driven standardization, and professionalization** of public procurement systems and processes
- 2. Promotion of tools and solutions that **advance innovations and apply cutting-edge technologies and approaches** (including data analytics) while effectively engaging policy makers, purchasers, suppliers, and other stakeholders in the public procurement space
- 3. Creating and **sharing knowledge and building capacity** through ongoing research, review, and analysis of current trends and facilitation of coordination and networking to help improve public procurement function to maximize development impact

The GPP will provide a springboard to develop mutual reliance and synergies among partners and key players in the procurement space, in both the public and private sectors, to assist countries in national efforts to “leapfrog” development challenges. In the short term, the GPP will provide a mechanism for key stakeholders to work collaboratively and build networks with a view to improving public procurement systems and practice globally. The GPP will thus provide a medium for the creation and sharing of knowledge on public procurement and for assisting in building capacity through ongoing review and analysis of current trends and developments (Figure 2). Over the longer term, the GPP will contribute to improving governance and oversight through support for privilege-resistant policies and increased standardization and professionalization of public procurement systems and processes. In short, the GPP will become a “go to” space for integrated creation and sharing of effective tools and solutions for tackling public procurement challenges that are not adequately addressed at national or regional levels.

Figure 2: The GPP as a Foundation for Collaboration and Advancement in Public Procurement



The GPP will be established through a participatory design process that seeks to build consensus on scope and objectives, drawing on a multi-stakeholder, demand-responsive consultation process to determine interest in and commitment to the proposal, gauge views, receive feedback, define core objectives, and develop a broad action plan. The GPP will serve as a strong collaborative effort for advancing worldwide and country-level procurement reforms, especially by facilitating knowledge exchange and professional collaboration between and among governments, policy makers, procurement practitioners, civil society organizations, the private sector, and others with a stake in public procurement reform.

**This global partnership is intended to widen and deepen networks, learning, outreach, and support for better-coordinated, better-resourced, and better-targeted development assistance in public procurement.** This initiative will build on the active engagement and support of development partners, including the World Bank, on a wide range of country-owned and country-driven public procurement activities at national and regional levels. The proposed GPP would support procurement professionalization; improve governance mechanisms for enhanced transparency and accountability; build capacity; and promote innovation and accelerated modernization, including through the digitization of public procurement and collective efforts to improve evidence-based monitoring and evaluation.

## E. APPROACH OF THIS REVIEW

**To lay out the potential role the proposed GPP, the World Bank has undertaken a practical stocktaking of current global trends in public procurement.** The analysis views procurement through three critical lenses, with a view to understanding its potential as:

- i. a policy tool in support of socioeconomic goals, including improved governance and sustainability;
- ii. a transactional business process designed to ensure economy, efficiency, and effectiveness (including equity) in public purchasing; and
- iii. an electronic or digital<sup>3</sup> platform or process, with reference to cutting-edge approaches in the private sector that may be leveraged in public procurement.

**This report is a synopsis of a more extended review that aims to pinpoint critical global challenges and opportunities in moving toward modern procurement systems around the world and makes the case for the GPP to strengthen development effectiveness through better understanding and implementation of procurement reforms.** The aim of this review is to provide governments, suppliers, development partners, and other interested stakeholders with a practical inventory of the essential gaps or obstacles that pose the thorniest challenges in the public procurement space. These gaps or needs are evaluated through the prism of national objectives and efforts and are assessed in terms of country-owned goals and achievements. Some of the identified gaps are important areas of public procurement practice that lack sufficient data and thus require further research using resources that may potentially be made available under the GPP. The full stocktaking exercise incorporates views, inputs, and feedback from a recent series of continuing brainstorming sessions and consultation meetings with key stakeholders. The study is contextual and part of a broader set of initiatives on the part of development partners that relate directly to, or otherwise have a significant impact on, public procurement.

## F. LIMITATIONS OF THIS REVIEW

**The full review functions primarily as a snapshot of current developments and is not intended as an in-depth empirical review of all relevant areas of procurement.** For example, the treatment does not extend to procurement by, or involving, state-owned enterprises or arising out of, or in connection with, the establishment and operation of public-private partnerships. Procurement from service providers (such as health services, management companies, and so on) is also not addressed, primarily because of time and resource constraints, but also to avoid overlap or duplication with other World Bank and related initiatives

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3. These terms, electronic and digital, are used interchangeably to refer broadly to the use of new technologies (including innovative processes and platforms) in carrying out public procurement.

that focus on such areas. While identifying critical gaps that can be addressed, the full study does not look comprehensively at the underlying political economy of public procurement reforms.

**The study is also not intended to be an in-depth review of any individual country, set of countries, or region.**

To the extent allowed by research constraints imposed by the global pandemic and resource limitations, illustrative country examples are provided to bring granularity and immediacy to the thematic challenges faced by public procurement practitioners on the ground. Many other useful country examples undoubtedly could have been added but were excluded due to length limitations. Additional research is needed to explore these topics, and perhaps once established, the contemplated GPP may provide needed resources and outputs to this end.

**In the context of the broader stocktaking exercise, this synthesis report aims to distill key messages from the full report and make a case for the utility and feasibility of the proposed GPP.** Section II reviews the increasingly recognized role of a country's procurement framework as a tool for promoting socioeconomic policy objectives, such as environmental sustainability, resilient economic management, inclusive social development, and, overall, improved governance. Section III discusses how procurement transactions and processes can be designed to achieve optimal VfM, from planning and design through to monitoring and evaluation. Section IV reviews the expanding use of digital tools in public procurement and how governments can define and implement the e-GP solution that fits best within their procurement system and promotes the types of innovations and outcomes they seek. Finally, Section V summarizes critical findings and identifies areas for further research and potential support under the proposed GPP.

# PROCUREMENT AS A SOCIOECONOMIC POLICY TOOL





# PROCUREMENT AS A SOCIOECONOMIC POLICY TOOL

## A. EVALUATING PUBLIC PROCUREMENT OBJECTIVES

**The centrality of country context in defining VfM objectives has important implications for how the proposed GPP could help promote meaningful improvements in the quality of public procurement globally.** First, the stage of development of a country from which useful lessons could be drawn should be the same or substantially similar to that of countries to which such lessons might be considered applicable. Second, countries' successes and challenges should be evaluated relative to their own initial policy agendas and targets, as specified by their laws and regulations, political debate, and relevant socioeconomic narratives, rather than by attempts to benchmark local outcomes and impacts to those of other countries. Third, it may happen that socioeconomic policies underpinning wider strategic objectives for the purposes of public procurement are reflected in other laws and regulations that are not part of a given country's procurement regime and possibly inconsistent with it. Policy makers need to ensure that such circumstances are identified, if applicable, and addressed satisfactorily within the context of any national procurement values framework.

## B. THE INFLUENCE OF PROCUREMENT ON BROADER POLICY OUTCOMES

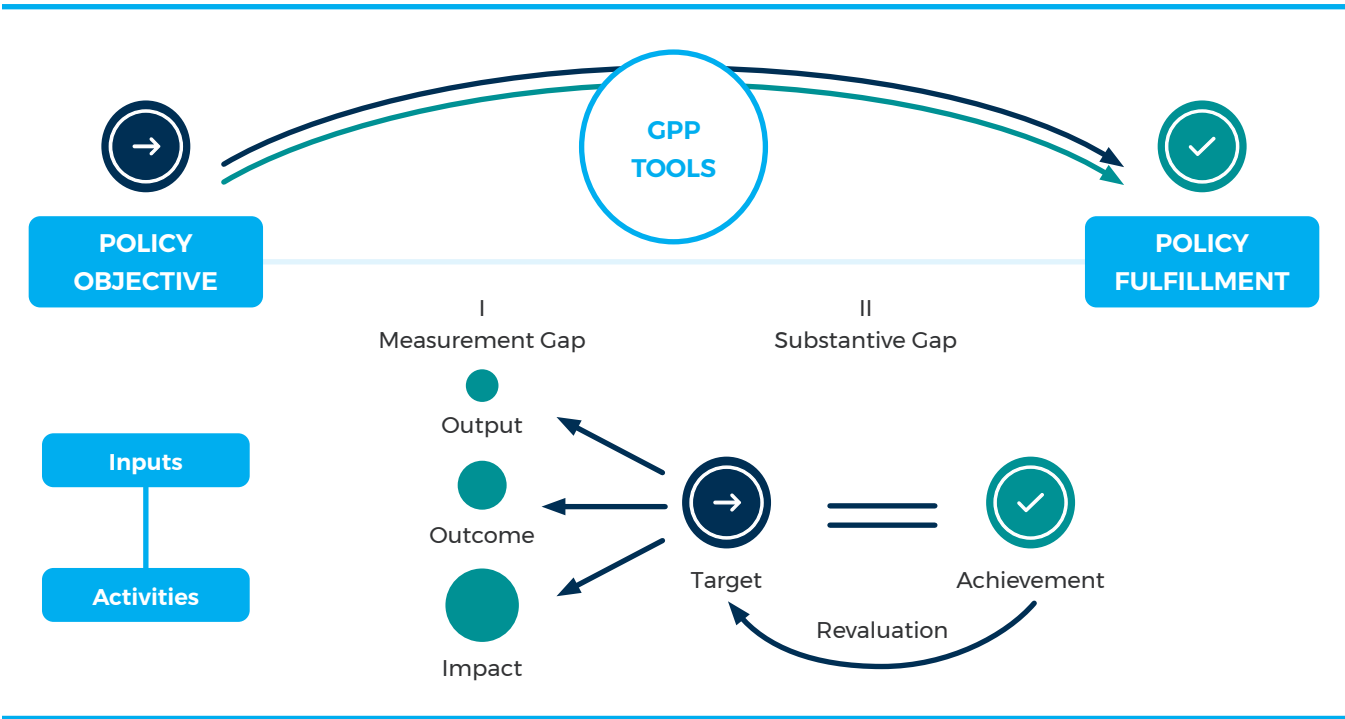
**Given its significant role in a country's economy, public procurement can have a profound influence on the broader socioeconomic environment.** Procurement touches a wide range of economic sectors, involves a variety of government processes, and exerts both social and environmental impacts. As such, governments are increasingly recognizing public procurement policy as one of several tools at their disposal to achieve meaningful progress toward wider national policy goals.

**For ease of analysis, the influence of country-driven public procurement policies on broader socioeconomic policy objectives can be framed in terms of outputs, outcomes, and impacts:**

- An **output** is the immediate product of the procurement activity, a dimension that is fully under the control of the procurement policy maker and through which one intends to reach outcomes and impacts (for example, a set-aside for a targeted constituency).
- An **outcome** is the immediate result of the procurement policy, typically reachable in the short to medium term. There is an *ex ante* dimension, the outcome target, and an *ex post* dimension, the outcome achievement (for example, the share of tender awards targeted to and actually directed at MSMEs, respectively). Outcomes are generally influenced by outputs—that is, by the procurer's actions and decisions.
- An **impact** is the vision, goal, objective, or broader outcome—the long-term result of the procurement policy (such as progress against established indicators of MSME development). As with outcomes, there are both *ex ante* and *ex post* dimensions in terms of the impact that is targeted and that which is achieved. Impacts may be affected by procurement outputs—that is, the procurer's actions and decisions—and by outcomes, but also depend on the country's wider socioeconomic context.

**For a given procurement-related policy objective, there may be a difference between intended and actual outcomes.** The variance between a policy's *ex ante* (targeted or planned) outcome and the actual *ex post* outcome or achievement, over a specified period, is defined as a substantive gap. Related to substantive gaps in many instances are measurement gaps, which occur if targeted and achieved outcomes (and/or impacts) cannot be gauged properly (Figure 3). Even in countries where procurement policy is not well linked to broader socioeconomic policy goals, and thus where the substantive gap between intended and actual outcomes may be negligible given that those outcomes do not address broader national policy objectives, recognizing this disconnect can offer the first step in moving procurement policy closer to reflecting—and thereby influencing—those broader policy goals.

**Figure 3: Substantive and Measurement Gaps in Procurement Policy Objectives**



**A country’s efforts to promote MSME development through procurement policy can serve as an example of how outputs and targeted and achieved outcomes and impacts relate to each other.** In this scenario, for example, a procurement output could be the introduction of a contracting set-aside to encourage MSME bids and awards. The corresponding *ex ante* procurement outcome would be a target of, say, 25 percent of all tenders awarded to MSMEs (however they are defined) by a given procuring agency in a given year. The *ex post* outcome might be, in fact, an actual (over-)achievement of 27 percent of contracts awarded to MSMEs. In this scenario, there would be no substantive gap. If the relevant procuring agency were unable to accurately measure the share of contracts awarded to MSMEs during the given period, or in ways that were not credible, a measurement gap would exist. Impact, in turn, would include whether there has been sustained, longer-term MSME development (such as capitalization and revenues) and increases in MSME-related employment and productivity, among other metrics relevant to the national economy under consideration.

**The substantive achievement gaps or challenges identified for a set of country-owned socioeconomic policies relating to public procurement, and their relative magnitude across countries, will inform the potential role of the GPP.** This global partnership could be used to address these types of challenges through,

for example, focused dialogue, development of knowledge products, targeted training, or capacity building initiatives. Moreover, a GPP could provide support for improving both the measurement and monitoring of targets and the actual achievement of these outputs, outcomes, and impacts.

**What follows is a brief review of the potential uses of procurement policy in promoting broader socioeconomic objectives.** This review addresses possible objectives, outputs, outcomes, and impacts of policy efforts to promote GRID. Major measurement and substantive gaps that may arise in the implementation of such policies, and the ways in which a contemplated GPP might address these challenges, are also discussed.

## C. ENVIRONMENTAL CONSIDERATIONS

**Public procurement that focuses on environmentally friendly, responsible, and sustainable purchasing is termed *green procurement*.** This process focuses primarily on procuring goods, services, and works with a reduced environmental impact throughout their life cycle when compared to goods, services, and works with the same primary function that would otherwise be procured. It also refers to work methods and procedures that minimize environmental damage or degradation, to efforts to develop and deepen natural disaster preparedness and management to build resilience in addressing the impacts of climate change, and to the process of demand management, as when the quantity to be tendered is itself part of the procurement policy. Green procurement covers the ways in which environmental considerations can be addressed: (i) by procuring greener products; (ii) through use of innovative approaches, including environmentally sensitive manufacturing processes, that encourage a “circular economy,” characterized by increased sustainability through redesign, reuse, and recycling of materials and products; and (iii) through better procurement practices, such as using technology for procurement and contract monitoring and administration.

**Green public procurement plays an important role in promoting sustainable public procurement practices in accordance with national policies and priorities (Box 1).** Such procurement can help tackle specific sustainability goals, such as halting climate change, improving air and water quality, and encouraging proper waste and resource use. The environmental impact of green procurement can be felt directly, through improved environmental performance of goods, services, and works bought by the public administration, and indirectly, by using market leverage to encourage companies to invest in cleaner products and services.

### Box 1: The Legal Framework for Green Procurement

Green public procurement in a given country is normally tied to the dictates of broader environmental legislation and related objectives. So-called “green tenders,” with greener product specifications and processes for product compliance verification, are the typical initial output of green public procurement. In Thailand, for example, procuring entities select their green purchases from a list of product categories that comply with Thai Ecolabel, Green Leaf Eco Standards (for hotels), or Green Cart environmental procurement criteria. Each procurement entity tracks its purchases differently, based on its own internal systems. Japan tracks eco-friendly goods and services purchased and the forecasted percentage of green contracts used to consume electricity, purchase automobiles, and build design, in addition to the estimated greenhouse gas reduction achieved through the purchase of green products and services. Other countries identify outcomes to be achieved for a specific subset of sectors. New Zealand, for example, dedicates one of its four “broader outcomes” of procurement to “reducing emissions and waste” by buying low-emission and low-waste goods, services, and works.

**Not all countries reach the outcome target of a certain share of green procurement, and thus fall short of targeted impacts.** In some countries, a (local) private green market that is not mature enough may act as a barrier to achieving sustainability outcomes, let alone impacts. Moreover, the higher immediate price of green products is often quoted as a reason for failing to mobilize green acquisitions, especially if there is a lack of competence in calculating life-cycle costing. Key reasons for gaps include either a lack of technical knowledge on how to integrate environmental standards into the procurement process (including coming to a definition of what qualifies as a green purchase or tender) or greater concern for other, more traditional goals such as achieving economies of scale. Other inhibiting factors are the absence of reporting and monitoring mechanisms and the lack of availability of data to evaluate whether green public procurement achieves its goals, especially at the centralized level. Uniformity across procurers in a given country is hampered by the absence of benchmarks to allow comparisons of similar purchases across administrations and spur consequential action.

## D. ECONOMIC CONSIDERATIONS

**Public procurement is a major economic force in many countries, and as such can exert real influence in helping to achieve a country's economic reform goals.** The scale of the public procurement market can encourage the development of MSMEs, foster innovation, increase employment, expand financial inclusion, and support local content to boost national competitiveness. This can happen by stimulating demand (directly and through multiplier effects) for products through mandating standards that incorporate social value, such as “green” or “fair trade” goods or by targeting purchases from specific economic groups, such as small or minority businesses, or from areas or localities that are distressed or in need of revitalization. Positive externalities include increased competition as a result of expanded access and inclusion and deeper transactional efficiencies and cost savings with more diversified supply chains. The remainder of this subsection offers a brief review of how public procurement policy can assist in the achievement of broader economic policy goals in a given country.

### Promoting Micro, Small, and Medium Enterprises

**The critical challenge in designing public procurement packages to promote MSMEs is to balance efforts to minimize barriers to entry for these entities while maintaining optimal levels of efficiency and effectiveness.** Policies to encourage the participation of MSMEs in public procurement are included in most procurement strategies around the world. Such policies are not necessarily inconsistent with economic efficiency (maximizing savings in time and cost) and effectiveness (obtaining desired quality). They are, however, essentially grounded in the imperative of fairness, with the aim of providing opportunities to all firms, whatever their size and scale, to participate in public procurement contracts.

**Governments can demonstrate commitment to fostering MSME participation in public procurement markets—and the award of contracts to MSMEs—by setting specific outcome targets in key areas (Table 3).** These targets can either be mandatory or act as reference points for local public buyers, and they are typically described in terms of the share of contracts won by MSMEs. The annual target value is normally based on a measurement of the number of contracts awarded to MSMEs and/or the ratio of MSME contracts against the total budget for procurement contracts. Targets may be also set for specific product categories.<sup>4</sup>

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4. India, for example, reserves a minimum of 20 percent of central government procurement (including subcontracting from large firms) for MSMEs. In addition, the Indian government maintains a list of specific items that must be procured from MSMEs. Defense procurement contracts are not included under this order, however.

**Table 2: Policy Options to Promote MSME Participation in Procurement**

| Variables              | Sub Variables  | Variable Description  |
|------------------------|--|---|
| <b>1. Reservation</b>  | Set aside  | Allow only enterprises that have prescribed characteristics to compete for the contracts or portions thereof, which have been reserved for their exclusive execution.   |
|                        | Qualification criteria   | Exclude firms that cannot meet a specified requirement, or norm, relating to the policy objective from participation in contracts other than those provided for in the law.   |
|                        | Contractual condition  | Make policy objectives a contractual condition, e.g. a fixed percentage of work must be subcontracted out to enterprises that have prescribed characteristics or a joint venture must be entered into.                                    |
|                        | Offering back  | Offer tenderers that satisfy criteria relating to policy objectives an opportunity to undertake the whole or part of the contract if that tenderer is prepared to match the price and quality of the best tender received.                |
| <b>2. Preferencing</b> | Preferences at the short listing stage   | Limit the number of suppliers/service providers who are invited to tender on the basis of qualifications and give a weighting to policy objectives along with the usual commercial criteria, such as quality, at the short listing stage. |
|                        | Award criteria (tender evaluation criteria)  | Give a weighting to policy objectives along with the usual commercial criteria, such as price and quality, at the award stage.  |
| <b>3. Indirect</b>     | Product/service specification  | State requirements in product or service specifications, e.g. by specifying labour-based construction methods.  |
|                        | Design of specifications, contract conditions and procurement processes to benefit particular contractor | Design specifications and/or set contract terms to facilitate participation by targeted groups of suppliers.  |

Source: Ngeno, Namusonge, and Nteere 2014.

**A targeted focus on MSMEs can help achieve positive outcomes through a mix of policy-level, tender-level, and capacity building approaches.** At the policy level, these may include providing an MSME-friendly legal, political, and policy/strategic framework to assist buying entities through use of supply-side instruments for MSMEs and ensuring government capacity to monitor the results of MSME-friendly policies as well the impact on targeted MSME resilience and success in private markets over time. Such supply-side initiatives may include facilitating the extension of credit for microenterprises and MSMEs, using mechanisms for more timely payment, and—typically through electronic procurement methods—adopting procurement platforms that minimize administrative and related barriers in making bid submissions. At the tender design level, measures may include the introduction of MSME-friendly specifications and efforts to avoid centralization and/or unnecessary bundling of contracts (Box 2). From the capacity building perspective, governments can support the participation of microenterprises and MSMEs by aggregating knowledge and sharing best practices to create a more level playing field while maximizing overall competition.

### **Box 2: Up-Front MSME Payments in South Korea**

The Korean Public Procurement Service, the country's central purchasing body, provides an up-front payment of 70 percent of the value of a government contract. For some lump-sum contracts, suppliers are entitled to instant payment. Through central government entities are entitled to a payment period of up to five days, instant payment allows MSMEs to receive what is due in as little as four working hours.

*Source: OECD 2016.*

**Some countries define a deadline by which the goal of increased MSME participation must be achieved.** The United Kingdom, for example, has set a target of 33 percent of central government procurement spending to go to MSMEs—directly and through the supply chain—by 2022, replacing the previous target of 25 percent, met in 2015. In Japan, the targeted share of MSMEs receiving contracts was set at 54.7 percent and Cabinet approval was given to the intention to roughly double the ratio of state contracts with new MSMEs over the period from 2015 to 2017 (OECD 2018). A recent review of MSME participation in Europe suggests that dividing contracts into smaller lots, a key feature of procurement regulation reform in the European Union, bolsters participation among smaller enterprises. That review also suggests that governments seeking to enhance MSME participation in public procurement, without explicitly favoring MSMEs, can do so by improving the overall quality of procurement processes (Hoekman and Taş 2020).

**Encouraging MSME participation may result in higher costs in the short run but yield significant positive externalities over the longer term (Box 3) through, for example, the creation of new jobs and more robust supply chains that can potentially justify the greater initial costs.** Greater MSME participation in tenders might be beneficial in terms of increasing fiscal space, even in the absence of an actual award to an MSME, because the mere presence of an MSME forces larger suppliers to bid more aggressively, reducing rents or even dismantling agreed-upon illegal cartels. In addition, reducing barriers to MSME participation and awards may have the benefit of making MSMEs more resilient and competitive, thereby increasing employment and innovation.

### Box 3: “Persistence Effects” for Longer-Term SME Competitiveness and Resilience

Winning a government contract has a significant effect on firm growth, both during the quarter in which the contract is won and over the medium term. These effects are greater for younger firms, conditional on size. Research suggests that winning at least one contract in a given quarter increases firm growth by a sizable 2.2 percentage points over the quarter, enough to move a firm located at the median of the firm growth distribution to the 75th percentile of the distribution.

There are two possible reasons for this. After winning a government contract, firms may realize that their products could also be sold to governments in neighboring municipalities and states. Moreover, credit-constrained firms may be encouraged to invest further in organizational upgrading. If firms reorganize their workforce or invest in more human capital in response to these awards, they are likely to become more competitive and productive over time, thus enhancing their growth potential even after the contracts expire. These effects persist over time, as firms tend to experience growth for at least two years after winning a contract, well beyond the time when most government contracts have expired.

Source: Ferraz, Finan, and Szerman 2015.

**Performance in outcomes does not necessarily guarantee achievement of impact.** In cases where MSME targets are reported to have been achieved, fraud and inefficiencies may overstate reported results (Box 4). The failure of set-aside programs can sometimes be explained as a result of improper actions on the part of large firms that divide themselves into small firms, create new fake small firms, or rely on opaque and fraudulent ownership structures. The feasibility of reaching MSME targets may also be affected if there is resistance among risk-averse public employees to awarding a contract to a little-known MSME, rather than to a well-known large firm. Pro-MSME policies are sometimes perceived as generating inefficient processes and higher costs, creating pressure not to proceed with them even when goals to that end are mandated.

### Box 4: Fraud or Misrepresentation Can Overstate MSME Participation

Recently, the United States General Accounting Office, upon checking set-aside contract eligibility for small businesses, found that several had been awarded to ineligible companies. Of the 32 cases reviewed, 20 were identified as contractors or contractor employees who were “found guilty, pled guilty, or settled with the government for representing themselves as eligible to receive set-aside contracts. These contractors falsified self-reported information and made false certifications to the government to claim eligibility by using eligible individuals as figurehead owners.”

Source: GAO 2019.

**Assuming that contracts are won by MSMEs through preferences, intended impacts such as long-term growth and resilience of targeted firms may not be achieved if the winning firm stagnates.** A lack of incentives for small firms to grow, including schemes offering permanent preference to one individual firm, could cause complacency and dampen dynamism. More generally, public procurement could prove, in some national contexts, to be an insufficient lever for generating long-term growth, especially if the local business environment is not conducive to MSMEs overall. More flexible procurement packaging, use of technology to improve access, and supply-side incentives, such as easier access to credit, may have a more significant impact on MSME market participation.

## Fostering Innovation

**In public procurement, contracting authorities procure goods and services to fulfill the needs of their principal stakeholders—the country’s citizens.** These cannot always be met, however, using traditional products that can be bought off the shelf. Contracting authorities may therefore engage in the procurement of innovative products to meet these needs. This process, normally referred to as *innovation procurement*, involves the purchase of either the process of innovation or the *outcome* of innovation. The process of innovation relates to research and development (R&D) activities for a product that needs to be developed often “from scratch.” It is possible that the outcome of this process will be partial. The outcome of innovation covers situations in which the procuring authority acts as the launch customer of an innovative product that may already have some presence in the market, by supplying it to a new group of users, possibly with a new approach to the design or delivery of existing services or products.

**While many and varied outputs can arise from innovation procurement, such tenders usually rely on prior market consultations.** These market soundings allow technical specifications to focus on functional requirements, a technique that tends to support innovation because it shifts the responsibility for achieving better results to market providers. Innovative tenders typically allow for variants to reduce risk. As a result, a tender may include a main offer that closely matches the technical specifications, accompanied by one or more alternative solutions, usually based on varying technologies or processes (European Commission 2018). Appropriate handling of intellectual property rights management and greater discretion given to competent procurers are often considered to be necessary parts of any innovation procurement procedure.

**Contracting authorities are often not equipped, however, to perform activities to adequately promote innovation procurement.** In many jurisdictions, there are no clear mandates and methodologies for this type of procurement, and personnel lack the right know-how, including capacity to map essential actions for managing risk during various phases of innovation procurement. The traditional risk aversion of procurement officials can clash with procurement schemes that encourage “outside-the-box” thinking. This risk aversion is compounded in many instances by unclear legislation that effectively discourages the use of discretion—an element that innovation procurement requires by definition—as it involves interaction and dialogue with potential inventors/suppliers.

**Outcome targets are rarely expressed for innovation procurement, beyond a general or broad aim to generate impact.** Finland, for example, has set out a 5 percent target for achieving innovation in public procurement tenders. In Korea, central government agencies and public organizations are mandated to make at least 10 percent of their purchases from MSMEs that manufacture goods with a new technology. Public procurement can therefore play a proactive role in fostering R&D intensity and creativity in the private sector, consistent with a demand-driven approach to innovation. This can be the case in sectors where innovation is a necessary endeavor, such as defense, but also in sectors where initial investment carries substantial risk that may be moderated by higher demand for innovation. The accelerated development of COVID-19 vaccines is an example of targeted innovation in public procurement resulting from massive public demand.



**Innovation procurement is typically directed at improving productivity, variety, and inclusivity in markets through new firms or new products.** Strengthened productivity may take several forms, including greater user satisfaction, better service quality, increased efficiency, and improved effectiveness and accessibility. These productivity enhancements may be confined to the public sector but typically trickle down to the private sector to a significant degree. Research suggests that an increase in the size of the government market for high-tech products translates into higher returns to innovation, providing additional incentives for firms to innovate and raising the level of private R&D in the economy.

**Measuring the impact of innovation in public procurement may prove to be extremely challenging.** Without appropriate data and analytical infrastructure, it is unlikely that policy makers can evaluate the impact of procurement on innovation and the potential scope for related policies to achieve targeted objectives. The contemplated GPP can play an important role in developing methodologies for effectively collecting and categorizing data and measuring impact.

### Developing Local Content

**Government procurement is considered by many countries to be a major policy instrument for strengthening the key industries or sectors of a country's national economy, although the policy efficacy of mandating local content in procurement to promote domestic industry has been questioned.** Local content approaches aim to promote technological progress among local firms or in the local economy as a whole, or simply to halt regional decline in particular areas. Synergies with MSME preference policies are typically strong. Critics point out, however, that programs promoting local content can result in economic inefficiencies and resource misallocation through reduced competition, as well as increased cost to taxpayers—particularly programs without “sunset clauses” that, over time, tend to favor selected local suppliers. Moreover, studies of the application of domestic preference and related local content schemes by multilateral development banks (MDBs) have indicated infrequent, if not marginal, impact of such schemes on MDB-funded contract awards.

**A large subset of nations and procurers, nevertheless, adopt targeted policies for specific national sectors and industries (Box 5).** In doing so, the intention is to promote industrialization, diversify beyond traditional commodities, increase local employment, and enable domestic manufacturing potential through increased domestic demand and entry into international markets.

#### Box 5: International Experience with Local Content Preferences

In Jamaica, procuring entities are permitted to apply a margin of preference in bid evaluations in favor of domestically manufactured goods, when these are competing with bids offering imported goods. A domestic margin of preference is applied by first classifying bids according to whether the offered goods are locally manufactured or imported.

In Brazil, the law requires a process to determine and prioritize strategic criteria for local content preferences. Definition of the actual margins must be based on studies that account for a number of criteria, including job and income generation, effect on tax revenues, and technology development and innovation.

In Korea, the government emphasizes opportunities in public procurement markets for local firms in non-metropolitan areas, while competition among all enterprises is maintained. Tendering is open exclusively to local firms from the same province for construction works under certain conditions. For major national projects, it is mandatory for a certain percentage of local firms to participate. At the same time, the products of local enterprises are prioritized in the selection of construction materials. Preferential treatment is also offered to bidders who provide subcontracts to local companies.

*Source: UNIDO 2017.*

**The approach to using public procurement as a mechanism to develop specific local economic sectors originated in the United States.** To assist domestic industry, United States legislation blocks foreign firms from winning in several types of public procurement contracts. A developing country example can be found in India, where if the lowest bidder in preferred sectors is not domestic, national firms are given the right to obtain a certain share of the value of the procurement order as long as they match the foreign firm offer. When implementing such measures, transparency and clarity in related provisions—together with communication, monitoring, and periodic reviews—are pivotal to ensuring a favorable business environment for both local and non-local firms and ongoing evidence-based assessment of the effectiveness of such policies.

### Facilitating Trade

**Progressive trade agreements (including accession to the World Trade Organization’s Government Procurement Agreement (GPA) and/or participation in regional trade compacts) can have a positive impact on the quality of public procurement.** This happens through increasing transparency and bid contestability, widening competition, deepening collaborative efforts between foreign and local firms, and improving accountability through more robust bid protest and dispute resolution mechanisms that are typically mandated, to a lesser or greater degree, in such agreements. Regional trade agreements can provide scope to retain local price preference schemes or set-asides that are mandated by national local content or industrial policy schemes. Some regional trade agreements also include specific provisions that protect or promote MSMEs through targeted market access. The GPA provides flexibility to accommodate local content and MSME promotion schemes that are transparent, well-defined, consistently applied, and normally under negotiated thresholds for GPA application.<sup>5</sup>

5. See also II(G) below.

## E. Social Considerations

**Social considerations relate broadly to two areas in public procurement: protection of labor and human rights, and support for disadvantaged groups.** First, respect for labor and human rights in public procurement tends to refer to banning or preventing child and forced labor, excessive working hours, low wages, lack of freedom of association, human trafficking, unsafe working conditions, or unfair labor management practices. In practice, attention to these issues has resulted primarily in tender and contractual conditions that mandate the application of appropriate labor standards in producing procured products and services.

**With increasing globalization, the initial focus on improving labor standards in public procurement has broadened into efforts to respect human rights throughout the extended supply chain.** Fair trade considerations have become increasingly important, including, for example, prohibiting the use of raw materials that have an adverse impact on human rights, local residents' lives, and social stability. The inclusion of labor and human rights considerations is more naturally applied to first-tier suppliers and then cascaded down to subcontractors, both at home and abroad, to support national policy objectives and the fulfillment of international commitments.

**Requiring suppliers to respect human rights is one way in which a public buyer can manage risk and maintain the integrity of the public procurement system.** Such requirements incentivize suppliers to implement their own labor and human rights due diligence processes. However, gaps in the achievement of labor and human rights-related conditionalities in public procurement are substantial, notwithstanding the reality of relative country targets and contexts. Gaps derive from many factors, including:

- Fear of retribution by whistle-blowers;
- Lack of relevant legislation or procedural culture;
- Insufficient training on the implementation of human rights risk assessments, including the identification of risks in product categories and tenders;
- Insufficient mapping of value chains;
- Lack of capacity to mandate suppliers to identify and assess human rights risks;
- Absence of an effective grievance mechanism for victims; and
- Lack of knowledge of all subcontractors and their practices.

**Second, business-oriented approaches to public purchasing often leave behind specific categories of disadvantaged people.** These may include vulnerable entrepreneurs<sup>6</sup> or workers whose disadvantages derive from factors such as disability, race, gender, social status (for example, migrant workers or individuals in conflict zones), work status (such as the long-term unemployed), past history (as in the case of the rehabilitation of criminals), age, inexperience, and so on. Belonging to a disadvantaged group means to be perceived to be denied by society access to resources and tools that are useful for one's survival or necessary for one's right to a decent or happy existence, or to have been subjected to prejudice or cultural bias because of one's identity as a member of a group, without regard to individual qualities or characteristics.<sup>7</sup>

5. See also II(C) below.

6. In the case of MSMEs, specific disadvantages are most often thought of as economic rather than social (see Section II(C) above on economic considerations). Nevertheless, the instruments to fight social disadvantage are often similar to the ones used to fight economic disadvantage.

7. See the leading work of McCrudden, 2007.

**In trying to address these considerations—essentially types of market failures—governments have traditionally enacted specific laws to reduce social gaps faced by disadvantaged individuals and groups.** As in the case of policies aimed at promoting MSMEs, public procurement-related outputs normally take the form of set-asides or targeted contract and award procedures under which only a member of the targeted category can place a bid, receive price preference, or benefit from specific contractual clauses that promote participation among those in the targeted category. Because of market purchasing power, governments have used these outputs not simply to participate in markets as purchasers, but also to leverage their power to promote and advance social justice. To this end, countries can choose to identify outcome targets for specific groups (Box 6). In applying such legally mandated targets for disadvantaged segments of society, there has been a growing focus on broader considerations about how projects are implemented. In some cases, sanctions are imposed during contract management in ways that more robustly address inappropriate behavior by contractors, subcontractors, and other agents and actors who are involved in the implementation process.<sup>8</sup>

### Box 6: Outcome Targets for Disadvantaged Groups

In Canada, regulations specify that each federal department or agency that purchases more than US\$1 million worth of goods, services, and construction annually should establish achievement objectives for procurement from indigenous-run businesses.

In South Africa, the Broad-Based Black Economic Empowerment Act allows executive issuance of codes of good practice on black economic empowerment that may include, *inter alia*, preferential qualification criteria for procurement and other economic activities. Targeted public procurement spent on minimum Black-owned entities (that is, at least 51 percent Black-owned) has recently risen to 50 percent from 40 percent.

In Brazil, in 2009, legislation was enacted providing that 30 percent of the financial resources of the National School Feeding Program would be directed by local governments toward the procurement of school meals from family-based farms, including among indigenous communities, *quilombolas* (descendants of Afro- Brazilian slaves), and beneficiaries of land redistribution programs.

Source: Government of Canada 1996; Republic of South Africa Department of Trade, Industry, and Competition 2019; Presidency of the Federal Republic of Brazil 2009.

**Use of targeted selection in public procurement to promote the inclusion of disadvantaged groups has had mixed results, depending on country context and circumstances.** Reasons for substantive gaps in the achievement of targeted outcomes and impacts using social preferences include resistance by alternative lobbies in procurement or by particular groups in society, “preference capture” by politically connected networks, lack of response by targeted individuals, lack of sufficient financial and other support by procurement-related institutions and actors, and lack of knowledge and capacity among procuring entities

8. See, for example, recent efforts by the World Bank to address the issue of gender-based violence during the implementation of World Bank-financed contracts through the application of contractor disqualification if there is failure to comply with related obligations, available at: <https://www.worldbank.org/en/news/press-release/2020/11/24/contractor-disqualification-to-strengthen-prevention-of-gender-based-violence>.

and procurement officers. Further research on optimal ways to encourage more inclusive participation by disadvantaged groups could be a critical area in which the GPP could make a valuable contribution.

## F. SYNERGIES AND TRADE-OFFS

**In implementing a procurement policy, it is important for governments to look not only at the direct impacts of the introduced measures but also at potential synergies or trade-offs with other goals, which may increase or decrease the overall benefit of the procurement impact.** Integration of socioeconomic objectives into public procurement policy often appears to contrast with the goal of economic efficiency and may result in the award of tenders with more limited participation and at ostensibly higher prices. This may increase budget needs for procurement entities and may create resistance on the part of some stakeholders given the larger opportunity costs involved in such choices. Taking a longer-term perspective can help, as sacrificing cost efficiencies in the short term, when they exist, might have positive effects in the long run, both in terms of procurement outcomes and overall economic, governance, social, and environmental impacts.

## G. GOVERNANCE CONSIDERATIONS

**The strategic connection between the workings of procurement and other dimensions of public governance underscores the need for policy makers to focus on complementary public sector reforms to make longer-term, durable improvements in development.** Better public procurement can have a catalytic impact on improved governance at national and subnational levels. It is not only the direct impact on financial management that results from the high quantum of expenditures on public purchasing that is important. Better procurement can exert significant positive externalities in terms of deepening county-driven consideration for improved transparency, accountability, inclusiveness, and focus on sustainability. Improved governance, in turn, leads to better procurement outcomes in what becomes a virtuous circle that reinforces more sustained development effectiveness.

**A competitive and transparent procurement process can reduce opportunities for corruption and collusion.** An empirical study of tenders in the European Union found that, in terms of transparency, publishing an invitation to tender “is associated with benefits roughly equivalent to a 1 percent reduction in award value” compared to the base estimated value (Europe Economics 2011). The same study found that open competitive tenders stimulate participation in procurement, attracting more bidders and yielding significant increases in bid contestability (in some cases well over 40 percent). In Japan, a study of public works bidding data in the Mie Prefecture between 2001 and 2004—a period during which the prefecture government replaced the previously relatively opaque and discretionary bid qualification procedure with a transparent, rule-based approach—found that improved transparency reduced the prefecture’s annual procurement costs by 2 to 3 percent (Ohashi 2009). By contrast, corrupt or unaccountable procurement regimes can lose as much as half of their investment to fraud, waste, or abuse. Estimating the extent of corruption in public procurement is difficult, however, with wide variance in estimations of bribery—ranging from 8 percent to 25 percent of the value of procured goods, services, and works.

**With the use of modern digital tools such as big data analytics, e-GP systems can now be leveraged effectively to provide easy access to available national procurement data from many countries.** Such data analytics, based on publicly available information, can identify integrity risks and corruption-related “red flags,” in addition to providing policy makers with useful insights on market-related supplier dynamics, such as what governments are buying and which suppliers are winning bids, both nationally and across borders. Application of such analytic tools, discussed in more detail in Section III, allows identification of

priority contracts, bids, buyers, and suppliers that present high risk (Box 7), including through the use of non-transparent procedures or single bidding, short or long delays in contract award, and potential manipulation of prices.<sup>9</sup>

### Box 7: Botswana’s Integrated Procurement Management System—A Tool for Better Governance

The introduction of an Integrated Procurement Management System (IPMS) in 2016 has contributed to an increase in computer literacy in Botswana’s private sector, together with improved transparency and reduced opportunities for corruption. The system features a contractor registration module with the capacity to search by name, location, discipline, and ownership type. To register, firms must provide a National Identity Card number (for citizens) or copy of a passport (for non-citizens) for all shareholders and directors, copies of share certificates, copies of work and residence permits for non-citizen directors, and a registration or incorporation certificate. Over 30,000 contractors have registered so far.

The IPMS is a good example of a system that can help ensure integrity and efficiency through clear links with private sector systems for automated data verification and processing. The IPMS is linked to the country’s tax system and the national registration system, and integration with the business registration system is underway. Bidders are able to access bidding documents for free, and if they wish to submit an electronic bid, they can use the card services to pay tender fees online. This limits the opportunity for corrupt by enhancing predictability and transparency in the transaction between bidders and the purchasing entity.

**Allowing increased discretion in public procurement decision-making processes to realize VfM can lead to better outcomes, but only if there is sufficient country capacity.** High discretion in public purchasing decisions is typically associated with increased corruption unless there is sufficient public sector capacity to ensure principled application of such discretion. A study using econometric modeling found that public sector capacity shapes the trade-offs between the costs and benefits of increased procurement regulation (Bosio et al. 2021). Procurement laws “predict” practices in the sense that more binding procedures are associated with less discretionary practices, but less discretionary practices, in turn, can constrain public procurement officials from pursuing socially and economically beneficial procurement outcomes by optimizing VfM. Put differently, the impact of increased procurement regulation on reducing the incidence of corruption is higher in countries with lower public sector capacity (as measured by lower levels of human capital). In countries with higher public capacity levels, however, limiting procurement discretion in decision making increases costs and compromises optimal VfM outcomes.

**Research on the application of corruption control provisions in the World Trade Organization’s GPA, and similar language in many regional trade agreements, concludes that public procurement provisions related to governance offer a dynamic synergy that transcends the significance of typical market access considerations in the GPA or regional trade agreements.** In short, the general principles of these commitments—whether at the regional, plurilateral, or international level—reflect a growing acknowledgement

9. The World Bank is piloting this process through the Procurement, Anticorruption, and Transparency (ProACT) Platform. For more information on how the ProACT Platform enables users to identify, analyze, and manage integrity and transparency risks, see Section III(D).

that transparent, competitive, and accountable government procurement systems benefit economic development, good governance, and effective policy implementation. This, in and of itself, may encourage inbound foreign direct investment and further economic and social development. These developments indicate a widespread understanding that ensuring good government procurement processes has a developmental significance going beyond its magnitude as an aspect of economic activity (Dawar 2016).<sup>10</sup> Focus on improving cross-border market access through progressive trade agreements that encourage better procurement governance can also provide a fillip to national reform-minded constituencies given the typical resistance of local market vested interests to increased transparency and competition and related policy capture by such privileged groups.<sup>11</sup>

**More recent research suggests the particular importance—beyond focusing narrowly on trade integration—of building state capacity in key areas.** Econometric modelling and related empirical research have found that what is more important than simply boosting trade integration to accelerate economic growth and pull developing countries out of the so-called “middle-income trap” is a deepened focus on building up state capacity in key areas such as the judiciary, bureaucracy, and competition—all of which are linked in critical ways to the carrying out of public procurement (Bruszt and Campos 2018).

**The GPP can provide a platform for undertaking further econometric analysis and data-driven research on the interlinkages and both positive and negative externalities involved in using public procurement as a socioeconomic tool to promote better governance.** There is a clear recognition that public procurement has been used to further public policy objectives in a wide range of areas. Current procurement literature affirms that public procurement has “strategic aspirations” and “its potential to deliver on wider societal issues is attractive to policy makers” (Grandia and Meehan 2017). What is needed from the GPP is further data-driven work on public procurement, not only in terms of targeted policy objectives but also on the nature and extent of broader governance-related impacts.

## H. MONITORING AND MEASUREMENT

**Implementation of procurement policies must be monitored and measured carefully to verify their effectiveness in terms of outcome and impact according to government targets, when these exist.** Measurement gaps can hold back the identification of suboptimal achievement, in turn preventing optimal re-evaluation of targets and thus feeding back into a vicious circle with respect to future outcomes and impacts.

**Involving all relevant public parties in the definition of targets, and how these targets will be monitored and measured, must be established early in the process.** The optimal moment for such consultations is at the time when the potential adoption of a policy is investigated. It is critical to define the procurement entities that will be subject to the policy, together with monitoring responsibilities (that is, local or central) and characteristics (such as frequency). These parameters must be accompanied by the allocation of adequate budget and personnel dedicated to these activities.

**The monitoring of outcomes and impact varies according to the procurement policy under investigation and the internal capacity of the country’s institutions.** Measurement mistakes are likely to occur in the

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10. See discussion below under Section III(A).

11. Policy capture by privileged interest groups is an acute problem of political economy in developing markets that adversely affects competition, productivity, and job creation (Mahmood and Slimane 2018). This underscores the need for privilege-resistant policies in the public procurement space, among others.

assessment of targeted schemes, including, among others, the potential to overstate the cost of preference subsidies. Nevertheless, monitoring and measurement are critical to evaluating the effectiveness of any enacted policies. In many procurement frameworks, the underlying dimensions of these policies are difficult to assess, with a lack of data being the most likely culprit.

**While data problems do arise with respect to outcomes, measuring impact is an even more difficult task.**

Often, it involves the analysis of databases that, when they exist, demand complex econometric models and capabilities that may not always present in procuring entities. Inconsistencies in measurement make it difficult to rely simply on available indicators given the multiplicity of factors involved. Some countries prefer to measure impact by focusing on “broader outcomes,” as noted in the case of New Zealand, such as a single-category initiative to describe “impact.” In such cases, the focus is on a more limited number of goals that, while possibly less ambitious, are more feasible and easily measurable.



# PROCUREMENT AS A TRANSACTIONAL BUSINESS PROCESS



# PROCUREMENT AS A TRANSACTIONAL BUSINESS PROCESS

**Procurement as a policy tool is operationalized through discrete transactions that involve the purchase of goods, works, and services from the market.** In the past, public procurement focused primarily on the technical aspects of the purchasing process, especially bidding procedures and contract awards, and its performance was measured by the yardsticks of efficiency and economy. These are closely associated with the cost and timeliness of a given procurement and are thus predominantly (although not exclusively) transactional.

**Effectiveness has also been used as a performance measure.** Effectiveness generally refers to how well transactional processes achieve the goals of efficiency and economy, including how well the regulatory system succeeds at safeguarding those principles (for example, through a complaint review mechanism) and at avoiding actions that might compromise economy and efficiency (for example, corruption). Effectiveness is, in turn, a function of broader equity considerations, defined by contextual factors such as transparency, fairness, and accountability. Effectiveness and equity, while transactional, also relate to wider technical and socioeconomic considerations than the mere functionality (in terms of cost and time) of a particular purchase of goods or services by a public procurer. Together, as noted at the outset, the principles of economy, efficiency, and effectiveness—and the equity considerations that underlie them—are key elements of the overarching goal of achieving VfM in public procurement.

## A. TRANSACTIONAL VALUE FOR MONEY

**VfM cannot be achieved where the transactional process involved is inefficient or tainted by excessive costs, namely those not necessary to achieve VfM objectives.** The perceived trade-off (discussed in Section II) between, for example, efficiency (in speed or price) and the achievement of other goals may be illusory because, if value is placed on those other goals, then VfM will nonetheless be achieved even at higher initial cost or increased lead times.

**The key is to recognize the potential trade-offs and make a conscious decision to balance one objective against another to achieve the desired goal that represents “value” to the purchaser.** One common problem is that, although national regulations increasingly identify VfM as an objective (and all that this entails) in terms of strategic—as distinct from transactional—procurement within a given system, the process governing a discrete public purchase remains firmly rooted in concepts of technical efficiency and economy at the micro level, without the tools necessary to achieve VfM at broader, more strategic levels (even basic ones such as the application of life-cycle costing in bid evaluations).

**Efficiency in public procurement has tended to be associated with transactional efficiency.** This concept refers to the timeliness of the process, the speed and quality of delivery, and the level of bureaucratic or administrative overlay. A cancelled bidding process, conversely, can be seen as an indicator of inefficiency. Performance on other requirements, such as transparency (that is, how efficiently and broadly calls for competition are disseminated) and equity (as in how efficiently information was shared with all participants simultaneously) can be assessed in terms of relative efficiencies. There is little doubt, for example, that e-GP streamlines and speeds up procurement processes in ways that strengthen delivery. Yet in most cases, procurement regulation continues to remain focused on the sequential stages of the transactional process.

Focus on transactional stages can be facilitated by electronic tools, which have clear benefits in terms of reducing red tape. This is a potential development on which the GPP must focus.

**Economy is most often based on avoidance of wasted costs.** A focus on economy has been used, though not always successfully, to control overspending resulting from the application of excessively high qualification criteria (favoring overly qualified and more expensive bidders) and technical specifications (encouraging gold-plating and the purchase of unnecessary and overly expensive goods, works, and services). It has also been the basis for the provision of alternative procurement methods, allowing for less competitive procedures (such as requests for quotation or limited bidding) if the costs involved in conducting full competitive methods outweigh the benefits to be achieved by using that method (that is, where the costs were higher than the savings that could possibly be realized).

**Based on the principles of efficiency and economy, governments have tended to look favorably on procurement systems and processes that aim to deliver procurement needs in a timely and cost-efficient manner.** This perspective has prioritized bidders that can offer the lowest (or lowest-evaluated) price. This objective was reflected in many country systems and in the procurement guidelines of MDBs, at least until 2016, when the World Bank, followed by other MDBs, formally recognized wider objectives than price, notably VfM. VfM broadens the concepts of economy and efficiency to reflect other policy imperatives that may be of importance to national policy makers, such as sustainable procurement or MSME promotion.

**The danger with the traditional emphasis on efficiency and economy is that procurement has often been considered to be an administrative function, as it appeared to require only an effective and efficient process to achieve its objectives.** This has made procurement an essentially compliance-based function, through which procurement officers need only focus on process requirements to achieve efficiency and economy. This is, at least partly, why e-GP is so successful—because it responds to the efficiency imperatives created by mechanical processes—although how successfully e-GP integrates broader objectives is less clear (Section IV).

**While technical efficiency might dictate a minimalist approach to identifying procurement objectives or needs, the public purchaser may have parallel goals, objectives, and duties, such as promoting the GRID agenda.** Most of these objectives appear, to a greater or lesser extent, in all procurement systems, but with varying degrees of success. From a transactional perspective, the points of reference are: (i) the extent to which strategic procurement and enhanced needs assessment have been recognized as part of the procurement system; and (ii) the extent to which these have been incorporated into the process effectively so as to achieve outcomes efficiently and with economy.

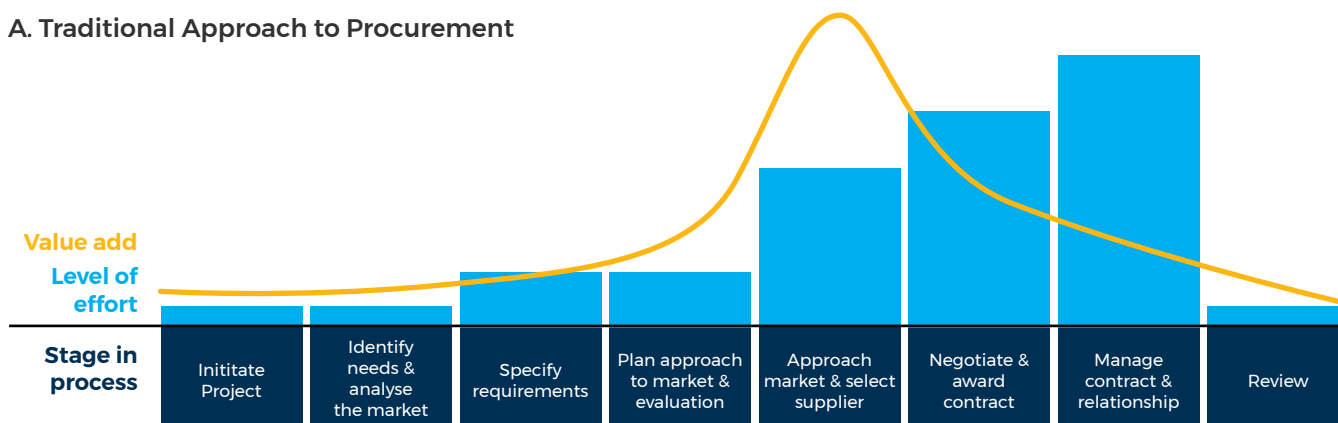
**The drive for efficiency and economy has led in the past to excessive focus on the process of procurement, from approach to market and call for competition to the award of the contract.** What has been missing, and what is seen as key to the ability to carry out strategic procurement, is adequate attention to procurement planning and contract implementation—the front and back ends of the procurement process, respectively (Figure 4). It is increasingly recognized that these aspects of the process cannot be ignored if efficiency and economy are to be maximized,<sup>12</sup> if countries are to take a more strategic approach to procurement, and if sustainable procurement is to become a reality.

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12. This is made explicit in the Asian Development Bank's policy on procurement reform, which uses similar diagrams to demonstrate the perceived difficulties in maximizing efficient delivery (ADB 2017).

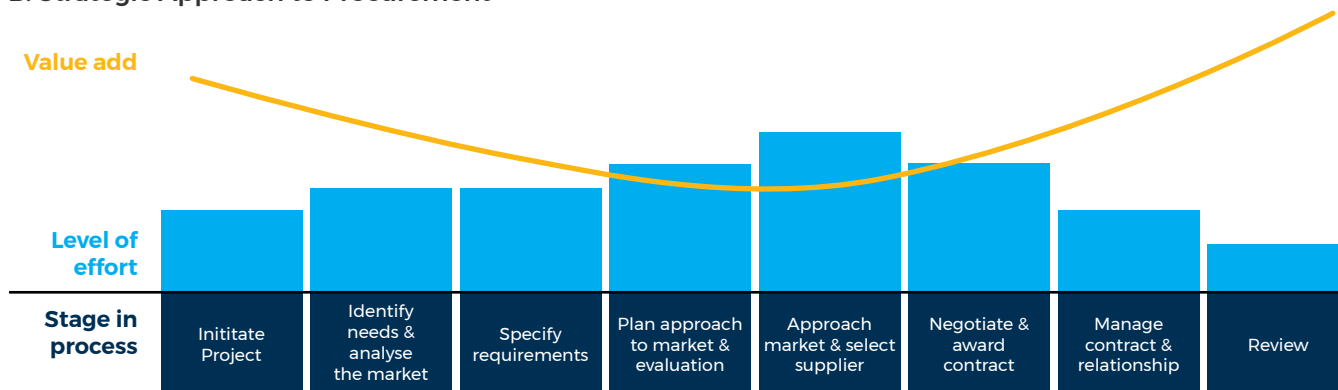
**Figure 4: Traditional and Strategic Approaches to Procurement**

**A. Traditional Approach to Procurement**



This diagram illustrates a traditional approach to procurement where little time is spent on planning. Effort is generally brought to bear when it comes to approaching the market. As a consequence of insufficient analysis in the planning stages increasing levels of effort are required through contract and relationship management. If the procurement is not reviewed there is little opportunity to benefit from lessons learned.

**B. Strategic Approach to Procurement**



This diagram illustrates a strategic approach to procurement which methodically works through each stage in the procurement process. The time taken to plan, research and analyse add significant value to identifying solutions that will meet the needs. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings and benefit gains. A strategic approach delivers greater value.

Source: New Zealand Government 2011.

**Effectiveness is, at least in part, a measure of success in applying the principles of economy and efficiency.**

Yet there are dimensions of the procurement process that are seen as concerned primarily with making the procurement system more effective, especially in enforcing those principles. These include complaint review mechanisms (although successful implementation involves other activities as well), capacity building to enhance the capability of procurement officers to achieve stated objectives, and performance monitoring to identify weaknesses in the procurement system that could be strengthened as a means to more effectively deliver desired outcomes.<sup>13</sup>

13. See discussion below on Review Procedures and Capacity Development and Professionalization.

**Most modern procurement systems now provide for independent review of the procurement process.** Some still depend on costly, time-consuming, and largely inefficient supervision and approval mechanisms. In contrast, under more recent reforms with bidder-initiated independent review, supervision takes place only when there is a well-founded suspicion that something is amiss. This risk-based approach improves both efficiency and economy (and thereby effectiveness) by targeting potentially problematic transactions, rather than spending unnecessary resources on mandating automatic review of every procurement transaction.

**The effect of international trade agreements on national systems can also be seen as part of effectiveness.** Accession to the World Trade Organization's GPA is contingent on the acceding country having a procurement system that is consistent with the GPA and acceptable to the other contracting parties, including adequate review mechanisms. Some countries have made amendments to their national procurement systems to meet these conditions, usually to the overall benefit of the national system. If not made strategically, however, such amendments can be problematic. In Japan, for example, reforms made in response to GPA conditions have introduced a dual system of sorts, with provisions relating to contracting entities that are covered by the GPA applied alongside the existing system, including the creation of a Government Procurement Review Board to hear GPA-related disputes for central government procurement exceeding GPA thresholds.

**Critically, effectiveness may be an issue of systemic performance of any given country's public procurement regime and, more broadly, of the quality of overall national governance.<sup>14</sup>** An increased focus on national systems, such as that undertaken as a prerequisite to GPA accession, underscores the importance of this dimension, which includes, as noted, equity considerations such as transparency, accountability, fairness, and predictability.

## **B. MOVING TOWARD STRATEGIC PROCUREMENT**

**The general trend toward strategic procurement approaches that move beyond a narrow focus on transactional economy and efficiency to encompass broader definitions of VfM offers an opportunity to reassess key elements of the procurement process.** The remainder of this section reviews various stages of procurement to evaluate potential VfM improvements to be made through more strategic approaches to procurement.

### **Planning and Design**

**Planning has tended to be neglected as part of the procurement process.** In most cases, legal frameworks contain only publication requirements for procurement plans, which are tactical in nature. They are little more than plans for expenditure and do not address the real needs of the procuring entity. Moreover, current legal frameworks rarely distinguish among strategic objectives, often resulting in published procurement plans that do not provide sufficiently meaningful detail to either procuring entities or potential bidders. Even in countries where additional procurement manuals and handbooks are provided, planning is typically confined to compiling an annual procurement plan based on a list of steps to be taken. It may be that planning needs to be integrated much further into the output objectives, rather than being dealt with as a separate, generally perfunctory, step. This is an area on which the proposed GPP could focus in order to upgrade the procurement planning process in ways that properly account for purchaser objectives.

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14. See discussion on Governance in Section II(G).

**Planning is a time when differentiated action can most easily be taken for different categories of bidders.** Not only does it provide the opportunity to design contract packages and lots that might be of interest to MSMEs and other groups, but it also allows the procuring entity to select procurement methods and introduce the flexibility necessary to address sustainability concerns, including support for disadvantaged groups.

**Planning is also the stage at which the procurement process can define the procuring entity's needs in terms of environmentally sustainable products and services.** This is equally true for other sustainability or inclusiveness objectives that may be promoted through means such as preferences, set-asides, rated criteria, or contract conditionalities.

## Procurement Method

**The move toward strategic procurement has brought appraisal of the choice of procurement method to the forefront.** Rather than mechanically applying the standard solution and its requirements (the peak of effort in Diagram 1 of Figure 4 above), there is now a stronger emphasis on choosing the most appropriate method to suit the circumstances—such as the entity's requirements (including any targeted requirements such as MSME or sustainability promotion), the state of the supply market, the risks attached to the procurement, and so on. Most procurement systems have not yet amended their legal frameworks to provide for more sophisticated planning, and thus still apply a traditional “spending plan” approach.

**The drive for economy and efficiency has given way to new methods of procurement that use aggregation and bulk purchasing to benefit from scale economies.** These include framework agreements and centralized purchasing. The strategic procurement vision has allowed for the identification of appropriate frameworks through market and spend analyses, notably for recurrent purchases of standard and relatively low-value products and services. The advent of e-GP has both facilitated analysis to identify when frameworks are appropriate and enabled the systems to operate more efficiently.

**The need for better and more innovative technical solutions has also spurred the emergence of new methods of procurement.** Though encouraged by MDBs and included in both the revised MDB regulations and many modern procurement systems, concerns about ensuring probity and public trust have led to caution in introduction of more flexible processes. This perspective is exacerbated by a lack of capacity in many countries.

**Despite their clear concern for increasing efficiency, the ways in which such systems have been introduced may ultimately militate against efficiency (Section IV).** A number of countries have adopted multiple systems for national, state/province, and local levels, and may also apply different systems to different organizations, as in the case of Canada, China, India, the United States, and Uzbekistan. Use of multiple systems may result, however, in increased risks of lack of coordination, fragmented performance data, or outright incompatibility across systems. From the bidders' perspective, duplication of procurement systems multiplies search requirements and increases costs, thus diminishing the potential efficiency, economy, and effectiveness gains to be achieved through e-GP unless sufficiently integrated e-GP systems are adopted.

## Bidding Process

**Bidding is the part of the procurement process that has attracted the most attention under the traditional regulatory or staged approach.** Prompted by the desire to secure efficiency and economy at all costs and to prevent any loss of effectiveness through improper activities, such as corruption, this part of the transaction has become, in many instances, oriented solely toward compliance and characterized by its rigidity. The focus on compliance has also led, in many countries, to a proliferation of approval requirements at all stages of the

process—from the approval of tender documentation, through choice of bidders, evaluations, award, and contract signature—with little added value.

**The rigidity of the compliance imperative translates most often into complex bidding requirements and formalities.** While not disconnected from a bidder’s ability to perform the contract, the cost of providing copies of tax and social security payments, bank accounts and balance sheets, business licenses, and business registrations is often onerous, and the time involved in completing the various forms poses a significant burden even for experienced tenderers. The cost of providing bid securities is also relatively high and, even if passed on to the procuring entity by the winning bidder, amounts to a sunk cost for all unsuccessful bidders. In several countries, these have been supplemented by bid-securing declarations, but this is far from universal and often applied inconsistently. Even where advertisements are published properly, these are not always readily available to all potential bidders without significant effort. Many of these steps can be simplified through the use of e-GP systems and/or through use of streamlined registration systems.

## Qualification

**Lack of efficiency in documentary requirements to demonstrate both eligibility and qualifications is a serious problem under many procurement frameworks.** This has significant time and cost implications, especially for frequent bidders who are required to undergo this procedure for each bid submitted. Initiatives have been taken to reduce these inefficiencies. One response is to adopt a post-qualification system, under which only the putative successful bidder needs to actually demonstrate compliance with the eligibility and qualification requirements. This only reduces the time needed for review, however. Under older systems all bidders need to submit the relevant documentation and must therefore bear the wasted costs. With streamlining efforts, and e-GP, more efficient approaches include the use of standardized e-documentation requirements integrated into corporate registry and tax systems.

**A more common response has been the development of bidder registration systems.** These are incorporated into e-GP systems and generally more efficient. In some cases, online registration systems serve merely as a mechanism to identify bidders (by providing names, addresses, and contact numbers, for example) and to provide access to the system via passwords and so forth. In this respect, they are not contentious. When they replicate more sophisticated manual registration systems, if implemented properly, well-designed registration systems can be a compelling alternative for onerous bidder qualification-related documentary submission requirements, provided that such systems are simple to use, inclusive, and non-discriminatory.

## Evaluation

**The bid evaluation part of the procurement process provides the greatest scope for change in terms of improving effectiveness and applying sustainability criteria.** Indeed, much change has taken place at this stage of the process. Traditionally, the primary criterion for awarding contracts has been the lowest (or lowest-evaluated) price, a concept that allows for certain elements that can be priced (such as operations and maintenance costs or delays) to be included in the calculation. The trend toward strategic procurement has in some ways embraced broader VfM objectives, although some countries have always looked at criteria other than price.

**VfM is necessarily multidimensional.** It can be used to justify paying the lowest price or paying no more than the procuring entity is willing to pay, thus potentially making price (and VfM) more subjective if improperly applied. It is, however, rooted in the concept of economy, implying at the very least that the purchaser should pay no more than necessary for the goods or services it requires (and under certain conditions, of course, the lowest price can meet this objective). Importantly, VfM accommodates criteria embodied in “social value” (as

noted earlier) and accepts that the purchaser may want to pay more, for example, for better quality. How far a social value cost-benefit analysis can go depends on the procurement system in place.

**This concept of VfM led, originally, to evaluation based on evaluated price (by pricing acceptable variations of procurement requirements) and, more recently, to life-cycle costing (which takes into account likely costs over the entire life of the product or service to be bought).** This perspective allows for the introduction of some sustainability criteria, such as energy efficiency, consumable requirements, and environmentally friendly disposal. This approach to VfM is fairly orthodox, since it relates to quantifiable economic savings or costs. But VfM can clearly embrace fewer objective elements. For example, environmentally aware purchasers may want to focus on green procurement even where initial costs are higher (such as in the case of energy efficiency).

**Governments can take advantage of evaluation procedures to pursue other desirable goals, such as national development, improved working conditions, or support for disadvantaged groups (Section II).** These socioeconomic objectives are, as discussed above, part of the definition of VfM and can be incorporated into evaluation criteria. The practical difficulty often arises in explaining *how* these objectives may be incorporated optimally at an operational level through the use of evaluation criteria that incentivize bidders, such as scoring and weighting, but also through the inclusion of targeted contract conditions.

## Contract Award

**Ostensibly a simple question of process, the awarding of procurement contracts raises a number of issues that touch upon efficiency and effectiveness.** Delays are often caused by the need to seek approvals for contract awards. Some delays cause undue benefit to certain bidders. For example, a bidder with thin margins may not extend bid validity, making it possible for more expensive bidders to obtain contracts. This may even be the case when procedures are set out clearly and potential problems can be addressed in a timely way through bid protest mechanisms (assuming all of these are in place). More broadly, though, there are concerns regarding transparency—relating mostly to the notification of results—and its impact on effectiveness.

**A requirement to publish notification of bid results is now commonplace.** In some cases, however, results are only required to be published within two months of the award. Long lead times make this process less useful as a means of providing room for challenge. What is less frequent is a requirement to debrief bidders on the reasons for the choice made in awarding a given procurement contract, either at all or within a time period that allows for challenge, which would improve both transparency and timing.

**Modern procurement systems provide for debriefing of bidders and sufficient time to challenge results.** In addition to a simple notification of contract award, a debriefing can offer more detailed reasons behind a contract award. In addition, the imposition of a standstill period—that is, a period of time (usually around 10 days) following the contract award and before contract signature/conclusion—can give unsuccessful bidders an opportunity to challenge the process.

## Contract Management

**Management of procurement contracts has historically been a neglected area of procurement regulation in most countries, although the trend toward strategic procurement is bringing more attention to this issue.** Without effective contract management, procurement as a whole becomes ineffective. Even where procurement legal frameworks mention the need to ensure delivery, few set out the mechanisms needed to do so. The compliance focus that characterizes most procurement systems tends to highlight issues such as



the need for higher-level approvals for contract variations and price escalations, even though these can be dealt with readily through standard practices and formulae.

**In addition to monitoring progress on contract delivery, contract management entails managing contractor performance.** This is increasingly seen to be an important factor of contract management and may be considered an effective response to the inherent difficulty of assessing bidders' technical capacity before contract implementation. Assessments of technical capacity are often limited to looking at available personnel, tools, and equipment, and the recent completion of similar contracts. It is a mechanical response to a mechanical process and does not always reveal the true level of performance to be expected. Designing (at the planning and bid preparation stage) and measuring (at the contract implementation stage) key performance indicators (KPIs) can help establish expectations for and determine achievement of actual contract performance. Making KPI measurement results available to procuring entities responds to their contract management needs within a more integrated approach to contractor performance, going beyond the "silo" perspective of the traditional sequence of procurement transactions.

**Though outside the scope of this study, there may be room for the GPP to address additional contract management issues.** These could include subcontractor compliance, late payments, and wage protection systems that would ordinarily be covered by standard bidding documents, as well as issues like the cost of contract conditions in documents that may be used infrequently.

## Review Procedures

**Most modern procurement systems now provide for independent review of the procurement process, although some still depend on costly supervision and approval mechanisms even where these are largely inefficient.**<sup>15</sup> Given the number of contracts subject to procurement rules in a given country, direct supervision approaches will only be able to cover a small percentage of the contracts let and are thus unlikely to be wholly effective in the context of limited public sector resources. As a result, supervision now tends to be used only in the case of larger-value contracts (leaving lower-value contracts untouched or reviewed on a sample basis). While this approach may catch a few delinquents on both sides (purchaser and supplier), it tends to be a question of luck rather than design, with many possible breaches escaping detection. At the same time, much time is wasted in supervising award procedures where there has been no breach, alleged breach, or even suspicion of wrongdoing.

**Under bidder-initiated independent review (or "bid protest"), which tends to characterize more recent reforms, supervision takes place only where there is a well-founded suspicion that something is amiss.** This approach focuses efforts and resources on procurement transactions in which those who are most closely interested in the outcome and most familiar with the process (the bidders) have identified a potential breach, rather than the traditional requirement—more difficult in practice—that each transaction be reviewed automatically.

**Many recently reformed systems have taken their cue from the United Nations Commission on International Trade Law (UNCITRAL) Model Law, which provides several options for bid protest and complaint review mechanisms.** Some systems, however—especially those characterized by relative rigidity and reliance on compliance—have adopted all (rather than a selected number) of these alternatives as a package, creating cumbersome multilevel review mechanisms. Such mechanisms tend to require internal supervision and

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15. Post-award disputes are contractual and not discussed here.

political intervention before any independent review is conducted, which may then be appealed to the courts. In countries where all UNCITRAL alternatives have been adopted, there are four administrative stages before independent review may be sought. This approach imposes (cost and time) obstacles on many bidders and hampers efficiency and effectiveness of the procurement process.

**Apart from bidder review mechanisms, there is clearly a role to be played by civil society in monitoring the implementation and performance of government procurement.** This currently appears as a blunt instrument, reliant on poor data and poor or ill-defined monitoring tools and skills. These data shortages, as well as the lack of data on the impact of civil society monitoring, could be an area of focus for the GPP. In particular, the GPP can identify ways in which civil society monitoring can be fully independent and free from political influences or pressures.

### Capacity Development and Professionalization

**The effectiveness of a procurement system depends on how well it is implemented.** Effective procurement implementation depends not only on the measures used but also on the capacity of procurement officers to manage the procurement process and understand, follow, and apply the rules designed to achieve the objectives of economy and efficiency or, more accurately now, of VfM. The VfM approach requires more strategic considerations than compliance alone. It depends on a comprehensive understanding of a country's overarching socioeconomic and other national policy goals. Procurement competence, among policy makers at least, needs to extend well beyond the application of standardized procurement rules to encompass a wider range of knowledge and practical skills.

**Capacity building has invariably been a challenge.** Traditionally, it has taken the form of donor-funded workshops that focus more on compliance than competence. These workshops tend to be sporadic and short-term, rather than relying on sustainable use of national training capacity. What is needed is a sustained, longer-term commitment to institutional improvement that is nationally driven and owned.

**Many countries are attempting to professionalize the procurement profession through some form of certification.** In most cases, however, certificates are provided for completion of a standard form of training and required for employment in a procurement position. This is the approach taken in Croatia, for example, and was the preferred mechanism in Indonesia and Vietnam, although both of these countries are investigating additional possibilities. This differs significantly from the extensive training provided to the legal and accounting professions, for example, where theoretical and practical instruction is provided over a number of years, culminating in recognized qualifications that enable successful students to exercise their profession freely in the public and private sectors and often internationally. The move to professionalization thus requires a fundamental change in approach.

**There are obvious exceptions, notably in countries that consider procurement practice to be a profession rather than an aspect of administrative law or mere regulatory compliance.** Institutions such as the United Kingdom's Chartered Institute of Purchasing and Supply (CIPS) and Chartered Institute of Supply Chain Management (CISCM), as well as the Institute for Public Procurement (NIGP) in the United States, have long provided for (or arranged for, in the case of the NIGP) professional qualifications in the procurement field that are equivalent to a university degree combined with levels of experience. The CIPS, in particular, has been influential all over the world. It has members in over 150 countries, notably in Australia, New Zealand, Hong Kong, Singapore, and parts of Africa, such as Ghana and Kenya, where local branches are active in training at the national level.

**There is increasing recognition that professional training is the key, especially where issues beyond price are considered in the procurement decision-making process.** As part of this trend, short-term training delivered by external actors should be converted into a sustainable program for the development of national professional procurement qualifications that are recognized as prerequisites for procurement positions at different levels within government. A positive development in recent years has been the establishment of formal undergraduate and graduate studies at various academic and other institutions of higher learning across the globe that recognize and promote the professionalization of procurement, although these programs need to be enhanced through a sustained focus on improving the practical skills needed to handle the expanding range and complexity of public procurement transactions.

### Measuring Achievements and Integration

**Poor recordkeeping and even poorer reporting (which is sometimes not even required by the legal framework) has long hampered measurement of the achievement of procurement objectives and prevented strategic thinking.** This is a serious challenge, not only at the transactional level, but in the context of implementing practically any procurement policy that attempts to promote broader socioeconomic objectives (Section II). The advent of better data management systems and e-GP platforms provides the possibility of better data retrieval and analysis, at least with respect to spending analyses and market information. A significant amount of data can be collected, but unless the system is designed from the outset to analyze the data and produce focused reports, this is of little use. This is an important area in which the proposed GPP can provide support.

**In the context of reform and modernization of transactional procurement processes, a key theme in relation to the effectiveness of procurement systems—especially those that envision broader VfM and sustainability objectives—is the lack of integration between original and revised approaches.** It is rare to see a wholly new procurement law. Instead, laws tend to be amended over time and improvements incremental. This is apparent in the parallel laws and policies, and even remedies, applied in the pursuit of socioeconomic objectives. These are often grafted onto existing systems, which are not always amended sufficiently to reflect and enable achievement of the stated objectives.

**The rigidity of compliance-based systems at the transactional level often leads to a high degree of risk aversion, which holds back the pursuit of targeted socioeconomic policies (Section II).** Importantly, any so-called collateral objectives in public procurement need not be treated as separate or additional goals but integrated into the procurement system as a whole. This requires a holistic approach to procurement reform to facilitate a more effective enabling environment for the implementation of socioeconomic policies and for fuller achievement of VfM in public procurement.

# USE OF DIGITAL TOOLS IN PUBLIC PROCUREMENT



# USE OF DIGITAL TOOLS IN PUBLIC PROCUREMENT

**Public procurement continues to transition toward electronic government procurement solutions at an increasing rate throughout the world.** Most countries are currently using or planning to use e-GP to support their procurement programs. The primary driver of e-GP growth has been the need for greater efficiency, more transparency, and support for open competition. With the evolution and maturity of electronic systems, the introduction of e-GP is pushing a more efficient and effective public procurement environment and providing the business community with valuable data-driven information to help grow and expand private enterprises.

**Systems for e-GP have gained additional attention in the wake of the worldwide COVID-19 pandemic.** Forced to rethink traditional modes of doing business, governments and large organizations are re-examining their procurement programs and processes to deal with emergency purchasing, social distancing, and, more importantly, supply chain security. Use of e-GP eliminates the need for physical interaction, including hardcopy document submission, and is expected to become a requirement in the future. At the same time, systems will be required to highlight potential supply chain bottlenecks. Information from an e-GP system or a procure-to-pay (P2P) system will be critical for planning new procurement strategies and options. As more governments use e-GP, more options will be available to support information sharing, strategic evaluation of procurement options, and cost management.

**As governments look to expand the role of public procurement in supporting broader socioeconomic policies in light of the GRID agenda, e-GP will be an important component for policy implementation and improved governance.** Open data policies can help ensure transparency in the procurement process and offer governments and the community at large more effective options for accessing opportunities and monitoring procurement. Moreover, e-GP can assist governments in the effort to achieve key policy goals, such as improved VfM, increased equity, and strengthened anticorruption measures—provided that governments choose to make the significant data collected through e-GP platforms available publicly for increased accountability. Some governments run programs to inform civil society organizations, the media, and the public of e-GP system data as part of their commitment to transparency and open government.

**This section of the stocktaking summary report examines e-GP as an integral component of many government procurement programs, including how systems have evolved over the years and the various approaches that governments have taken to implement them.** It discusses some of the approaches and innovations applied to improve e-GP system efficiency, including e-tendering and e-catalogues, and to support advanced procurement requirements, such as electronic signatures and bid securities. It also surveys how private industry is applying e-GP, not only to reply to government tenders but also to manage internal business operations. While private organizations do not have the same mandate as governments do to provide an open and transparent procurement environment, they do have strong incentives to develop an efficient and effective procurement system that provides substantial VfM.

## A. THE ROLE OF E-GP IN THE BROADER PROCUREMENT SPACE

**In and of itself, e-GP is not a procurement system or a new procurement method, but a tool supporting the government's procurement system as defined by the legislation and regulations governing procurement.**

Applying the bidding process within an e-GP system helps to ensure that all stages of the procurement process are adhered to, from substantive planning inputs, bid announcements and invitations, length of the advertising period, and bid clarification process, to bid submission, opening, evaluation, and award. With e-GP, governments can identify bottlenecks and delays in the process and take advantage of technology options to improve and streamline processes and practices that are deemed inefficient or ineffective. Moreover, e-GP systems can provide important implementation and monitoring support for broader socioeconomic policy initiatives to support MSMEs, disadvantaged groups, or green procurement.

**Simply going online with e-GP approaches does not automatically guarantee success, however.** It takes leadership, commitment, and communication to institute change across an entire organization, and even more so throughout a government (Box 8). A challenge for many governments is to look at the full picture of the procurement system to clearly and holistically define their overall goals for the system. What often happens in practice is that governments simply implement a standalone e-tendering or e-catalogue system without first evaluating how the procurement system will or could interact with other systems, such as planning, budget, taxes, registration, and payment. Understanding the broader picture will help to define the information requirements and expectations from the underlying e-GP system or platform.

### Box 8: Korea's KONEPS as an Integrated, End-to-End e-GP System

The Korea Online E-Procurement System (KONEPS) is a leading example of e-GP system implementation, not simply because e-GP system components are supported but because of the ongoing evolution of government procurement policies that drive the development of their e-GP system. To improve efficiency in the procurement process, Korea undertook the challenge to integrate all government systems and external banking and credit systems (over 200 systems in total) into a fully connected e-GP procurement environment. They established new data standards to support the exchange of information across systems and re-engineered business processes to simplify and streamline registration, submission, evaluation, awards, contract management, and payments. Fully integrated, the system can manage end-to-end procurement, from planning through completion and payment using either a tender process or catalogues.

KONEPS continues to evolve as Korea restructures procurement practices to support broader socioeconomic goals. The country makes a concerted effort learn from other countries' experiences and to continually re-examine its own practices and governing policies. Key initiatives include promotion of local businesses in the e-marketplace and protection of subcontractors and workers on government projects through subcontracting and e-card systems that facilitate direct and timely payment to subcontractors and workers, respectively.

Korea analyzes data collected through KONEPS to help validate existing policies and/or formulate new policies and strategies. The system supports around 45,000 government organizations, 434,000 vendors, over 500,000 marketplace items, and millions of transactions. The government estimates that the e-GP system saves the government and suppliers a significant amount in transaction and time costs every year.

**The organizations that drive and participate in e-GP systems, namely governments and the business community, are fundamental to the success of such systems.** Governments with successful procurement programs that have created a strong commitment to e-GP, with directives mandating its use as the official source for procurement information, are most likely to see sustainable results. The success of the system and the quality of information collected are predicated on the way practitioners use the system, ensuring that data are entered correctly and that all tasks are duly completed. Yet implementation of e-GP should not impose additional work on practitioners. Instead, e-GP should be seen and promoted as a tool to improve their workload by eliminating tedious tasks and supporting management of different elements of the procurement process through more efficient business processes.

**Today's e-GP systems follow three basic business models (Box 9).** These include: (i) state-owned, developed, and operated systems built in-house or with a third-party partner; (ii) state-owned and operated systems using a custom off-the-shelf (COTS) software; or (iii) state-managed services that outsource e-GP service operation, either as a government-paid service or paid by suppliers at no cost to the government. A government's chosen model is dependent on the role it intends to play in operating and supporting the system, as well as available capacity and resources.

#### **Box 9: Business Models for e-GP**

**State-owned, -developed, and -operated systems:** Afghanistan, Brazil, Chile, Georgia, India, Indonesia, Ukraine

**State-owned and -operated systems (COTS):** Kyrgyz Rep, Mongolia, Philippines, Rwanda, Tunisia, Thailand, Vietnam

**State-managed services (COTS, Software-as-a-Service):** Cayman Islands, Jamaica

## **B. CHALLENGES IN e-GP IMPLEMENTATION**

**As in the implementation of any new system, countries have had to address a variety of challenges and requirements to support their e-GP initiatives.** These challenges include using digital signatures to sign and encrypt bids, supporting and managing bid securities, streamlining procurement through e-catalogues, supporting and monitoring decentralized procurement through a centralized system, transitioning to online bid opening, and applying new technologies.

**The design and implementation of e-GP systems must consider all potential users.** In many cases, the e-GP system is intended to support more than local or national procurement options. Some countries' e-GP systems must support multiple languages, either because they are multilingual, like Canada with both French and English as official languages, or because they support the participation of international vendors in tenders. Systems may also need to support multiple currencies, depending on the nature of the procurement and source of funds being used to finance a given project. Multiple languages, currencies, and procurement rules pertaining to different laws or guidelines governing a procurement package may add a layer of complexity to a process or system if not carefully considered at the design stage. The system design should incorporate functions that would allow the government to add into the system new languages, currencies,

and procurement rules by adding or adjusting entries in tables versus having to initiate new development projects to make changes.

**It is important for governments not to underestimate the political economy challenges to implementing an e-GP system and instituting procurement reforms.** Successful implementation requires political commitment to effecting change and the establishment of an organizational structure to support and manage that change. Many governments start small with e-GP implementation to demonstrate the value of the system and gain required financial and political support. The GPP initiative will help bridge any gaps government may have in understanding their approach to e-GP transition as part of a broader procurement reform program. It will also help them to establish goals and targets to measure the success of their program.

**In Bangladesh, for example, the government made a 15-year strategic commitment to reforming the country’s procurement system.** The reform process required not only technical interventions, but also substantial political and behavioral changes. Critical elements included managing the political economy, developing an effective e-GP system, building capacity among buyers and suppliers, involving civil society in the monitoring of public procurement contracts, and measuring procurement performance through data analytics across dozens of indicators. This sustained reform effort has resulted in annual savings of US\$150 million (Table 4), with improvements in efficiency, transparency, and competition (Islam 2018).

**Table 3: Results of Strategic Procurement Reform in Bangladesh**

| Indicator           | Details  | Manual Tender 2007 | e-GP Tender 2017                                   |
|---------------------|--|--------------------|--|
| <b>Cost savings</b> | For government   | 0                  | 13-20% (average annual savings of US\$150 million) |
| <b>Efficiency</b>   | Tenders awarded on schedule                                    | 10%                | 85%  |
| <b>Transparency</b> | Information about contracts and awards available to the public | 15%                | 100%   |
| <b>Competition</b>  | Average number of responsive tenders per invitation            | 4                  | 8  |

Source: Islam 2018.

Note: Cost savings were calculated by comparing government office estimates with the final price of awarded tenders, and between manual and e-GP systems.



**On the other hand, lack of adequate political commitment can undermine attempts to improve public procurement systems.** Attempts to undertake major procurement reforms without a firm legal and regulatory basis, grounded in sustained country commitment to meaningful change, result in marginal, if any, improvement. Typical examples include situations in which a country's procurement regulations can be repealed or neutralized through executive action, particularly for high-value public procurement or if important areas of public purchasing within a country, such as national security and defense, continue to remain outside the ambit of effective procurement regulations (Transparency International 2009).

**A variety of innovative approaches have been developed to address key challenges in e-GP design and implementation.** These include, among others, “know your supplier” risk and compliance programs, use of digital tokens, encryption and signing of bids, use of single or multiple e-GP platforms, and electronic application of bid securities. These approaches are discussed in greater detail in the main report.

## C. FINDING THE RIGHT e-GP SOLUTION

### Fitness for Purpose

**The challenge for many governments is finding the right e-GP solution to meet their current and future needs and goals.** Governments implement and manage e-GP programs that best meet their needs and objectives, from basic options for making announcements and bidding documents available to all interested parties, to management of the full procurement process. Governments need to clearly understand and establish the role or roles they wish to undertake in operating the e-GP service. For example, the institutionalization of e-GP across government is a bigger undertaking than an organization or department simply using an e-GP service to enhance its internal procurement process. While a government organization can now easily subscribe to a software-as-a-service (SaaS) offering, and start to publish tenders and receive electronic bids in a matter of days with minimal training, governments must recognize that the transition to e-GP across multiple organizations represents a business life-cycle change that will be in place for years to come.

**Most implementation issues tend to center around the definition of procurement policies and directives, rather than the system itself, which is only a tool to support government procurement guidelines.** An e-GP system does not define specifications or terms of reference for a procurement, nor does it establish the budget or define the process to be followed and dates to be applied. The procurement practitioner is responsible for the content and specifications of a tender and must define the process to be followed and the dates to be applied.

**Under an open, transparent public procurement policy, e-GP increases participation in public procurement.** The greater the number of firms that register in the system and participate in bids, the lower the number of failed bids due to the absence of qualified bids. Increased bid participation boosts competition and can generate savings on procurement packages, thereby enhancing VfM. A key selling point for e-GP is the significant potential savings on operating costs (through the elimination of paper and advertising costs as well as increased staff productivity) as well as reductions in spending (Box 10). The use of electronic processes for communication and submission can also provide bidders with significant savings, measured in the hundreds of millions of dollars, in time and material costs linked to paper, courier fees, travel, and overall environmental impact.

## Box 10: Country Achievements through e-GP

**Bangladesh:** In FY20, 62 percent of public procurement contract expenditure (US\$17.5 billion) was processed through the e-GP system, up from 2 percent three years before. The number of registered bidders tripled, tender lead times dropped by 38 percent, and the share of rejected bids decreased from 8 percent to 3 percent. Together, these factors led to an estimated cost savings of US\$1.1 billion in FY19.

**Chile:** ChileCompra, a pioneer in e-GP systems, observed price reductions of 2.65 percent and administrative cost savings of 0.28 to 0.38 percent across transactions in 885 state agencies between 2006 and 2007.

**India:** Following the adoption of e-GP in a large-scale rural road construction scheme, the quality—as a proxy for cost savings—of completed roads increased by 12–19 percent.

**Korea:** The Korea Online E-Procurement System (KONEPS) generates cost savings of US\$8 billion per year.

*Sources:* Bangladesh: World Bank project data; Chile: Singer et al. 2009; India: Lewis-Faupel et al. 2016; Korea: OECD 2016.

**Systems for e-GP can also be useful in measuring the outcomes and impact of government procurement programs and the socioeconomic policy initiatives they may be geared to support.** Methodologies and data capture should be incorporated into the system to collect information on specific procurement transactions and then aggregate that information to measure cost savings. The system should not only measure the award price, but also life-cycle savings. It would be useful, too, for system follow-up to determine whether initial estimates were achieved. Collecting proper data would allow a government to adjust policy initiatives and evaluation criteria to ensure that outcomes and impacts can be measured in a meaningful way. This includes the need to collate and analyze information and data that may be available within government platforms (such as company registries) that relate to, for instance, information on beneficial ownership of bidders (and associated concerns), firms led by minorities and other disadvantaged groups, and so on.

## Business Model and Specifications

**At the end of the day, the government will be responsible for the delivery of its e-GP system and for the policies and business practices governing its use, whether it builds the system directly or contracts it out to a service provider.** The policies and business practices will relate not only to the application of the system itself, but also to the operations supporting the system, given that security threats and system disruptions can arise from both external and internal factors. Governments should plan for and be prepared to address these operational issues to ensure a secure and stable environment for both businesses and users.

**The choice between building an in-house system or using a service provider rests on the level of risk that the government can or is willing to undertake.** The rapid pace of technological change heightens risks related to technological obsolescence, vendor lock-in, lack of interoperability between systems, cybersecurity, and ensuring a resilient operational environment. The choice between COTS or SaaS services should not be based

solely on cost, but should also consider the desired functionality, user experience, and support to be offered by the e-GP system. Governments must fully understand all functional requirements for an e-GP system to be deployed, and the costs and risks involved in developing and maintaining their own system as well as those inherent in the use of a service provider.

**Regardless of the approach selected, it is important for governments to recognize at the outset that any e-GP system will have a limited shelf life and will likely need to be upgraded or replaced within five to 10 years.** This implies the need to plan for continuity of service over the medium term. In addition, governments need to ensure that the service is sustainable and that it, or its components, can be upgraded or replaced as needed. Governments also need to take into account the impact of changed business processes on local bidder communities.

**Governments can become locked into a selected platform if they do not fully understand the system or the data and workflows within it.** As such, it is important for governments to develop sufficient capacity to exploit their e-GP system functionalities fully and to make changes as needed. From the outset, governments should have plans in place to ensure that they have full knowledge of all system components and information collected to allow them to extract and use data and integrate the information with other services. As an e-GP system grows and becomes connected to multiple other systems across the organization or government, the complexities associated with upgrading or moving platforms grow. Associated risks can be mitigated by building in steps and separate functions to support different aspects of the system.

**Prior to embarking on an e-GP journey, a government should conduct a self-assessment of its capacities and capabilities to implement the system and the types of services to be offered.** Several resources are available to guide this assessment activity. For example, recent work published by the World Bank for the G20's InfraTech Agenda outlines a framework that could be used to assess emerging technologies, as well as the country's readiness to adopt these technologies. The World Bank also provides access to a series of online services to better understand e-procurement, including e-Procurement Tools, e-GP eLearning, and the Rapid e-Procurement Toolkit ([www.eProcurementToolkit.org](http://www.eProcurementToolkit.org)). Similarly, the Asian Development Bank has published an e-Government Procurement Handbook.

### Potential Role for the GPP

**One goal of this stocktaking initiative, and of the GPP more broadly, is to help expand the knowledge base on existing e-GP environments and the socioeconomic initiatives and procurement programs that drive them.** This effort can help identify gaps in the processes and information collected and support governments in taking full advantage of their established approaches and systems to help meet and measure program outcomes and impacts. Expanding knowledge of and experience with different programs will help governments gain a firm understanding of the capacities needed to implement an e-GP system that forms part of an overall procurement reform program, encompassing the laws, regulations, and policies governing procurement as well as the professionalization of the officers conducting procurement (Box 11).

### Box 11: e-GP and Procurement Professionalization in Bangladesh

Over 10 years ago, Bangladesh launched a custom-developed e-procure system owned and operated by the government. Significant funding is allocated to capacity development, helping procurement officers to obtain professional procurement certification under the CIPS and supporting a public awareness program to engage citizens and promote transparency in the procurement process. Among other improvements, the e-GP system is expanding the contract management system, developing a project monitoring system, and strengthening transparency through new public portals and inclusion of civil society groups.

## D. NEW INNOVATIONS FOR e-GP SYSTEM USE

**New technologies offer options for enhancing information management, user interaction, and reporting tools to support improved security, information access, and citizen engagement.** Modern development approaches with low-code or no-code system platforms may help governments develop and deliver e-GP systems faster and at a lower cost and may reduce the long-term maintenance cost involved in operating an e-GP service.

**The functionality of e-GP systems can be expanded by interfacing with other governance systems, such as anti-money laundering and beneficial ownership databases to support the validation of transactions.** Such new technologies can expand the use of mobile technology to validate a user by scanning a form of government identification (ID), such as a passport, ID Card, or driver's license; validating the ID against official databases; and using biometrics or visual ID matching as a password, or to digitally sign documents to replace physical public key infrastructure (PKI) tokens with a soft token on a mobile device.

**Data visualization and mapping can help promote government programs and investments.** Advances in artificial intelligence, document management, integration with office suites like Microsoft Office or G-Suite, collaboration tools, payments, blockchain, geotagging, drones, internet of things (IoT) cameras, and video streaming services offer unlimited potential to improve system offerings for the creation and submission of bids, workflow and contract management, and data presentation.

**Adding geotagging to transactions can enable new visualization tools to map where projects are being implemented, fostering transparency and citizen engagement.** Geotagging can support the monitoring of procurement activity, including contract management, and improve the quality of audits by analyzing key features of procurement activities, including segments of road being repaired or deliveries of goods. Geotagging can also be applied to vendor registration, allowing the administration to check a vendor's location using Google Maps or Street View or analyze where vendors are participating in projects—locally, regionally, or nationally.

## Box 12: Rolling Out e-GP in Rwanda

The Rwanda government sought to become the first country in Africa to realize the benefits of e-GP by partnering with a South Korean firm to develop its own e-procurement system. The government launched a pilot system in mid-2016 and rolled out e-GP nationwide in mid-2017. The e-GP system was developed over a period of 18 months, based on the Korean model.

The system consisted of an online portal on which suppliers could register and submit bids online. During the registration process, the system would automatically check the authenticity of documents uploaded by the supplier. After a bid was accepted, the system could prepare the contract and send it to the winning bidder for review. After the supplier had accepted and electronically signed the contract, the contract was shared with Rwanda's financial management information system to issue payments.

As of December 2017, nearly 3,500 suppliers had registered on the e-GP website, nearly 2,000 tenders had been advertised on the site, and 685 contracts had been signed. Each tender received an average of four bids. The government reported a one-time cost of US\$7.8 million to develop the system, together with about US\$1.12 million in ongoing costs. In the first year of the program, the government reported spending US\$500,000 on management of the system, including salaries for ten information technology engineers and five procurement staff, as well as US\$620,000 in system maintenance costs.

Other African countries have followed suit, including Zambia, Tanzania, and Uganda.

**Internet cameras and drones offer additional options for monitoring project implementation.** Requiring worksites to have an internet protocol (IP) camera security system would allow project teams to view and monitor project activity remotely. Drones can be used to inspect project progress and record potential issues. The resulting images and video can be used to share progress with the public to help promote specific government initiatives as well as overall transparency. There is no shortage of technology or devices that can be applied for project monitoring, including remote sensing devices, satellite imaging, and automated vehicles. Governments and industry will need to continue to assess how technical tools and services can be used to improve the effectiveness and efficiency of their processes, while also considering the value proposition.

**New IoT-based meters and other sensors are being developed.** Governments can deploy IP-based meters and sensors to obtain real-time energy consumption measures, which can help analyze the outcome of green procurement initiatives related to energy generation or savings. Analysis of information could also trigger procurement activity for maintenance if above-normal energy consumption is detected, allowing for rapid response to maintenance needs rather than waiting and possibly incurring additional damage.

**Use of new technologies in public procurement can also include blockchain technology, big data analytics, and building information modeling (BIM)<sup>16</sup> systems, among others.** Recently, the World Bank's Sindh Agriculture Growth Project supported the successful launch of a prototype for the development of a distributed ledger using blockchain technology for recording and supervising the implementation of framework agreements for farmers' procurement of agriculture equipment.<sup>17</sup> In China, big data analytics have been applied to data collected from 2,000 individual procurement systems. Analyzing such data and patterns enables the Chinese government to investigate different bidders and adjust guidelines to fix potential procurement issues. It allows detection of bidder patterns, for instance, to identify bidders that are participating in similar bids across multiple systems. China is also applying BIM systems to support virtual submission of building designs and future construction and project implementation.

**Importantly, through the use of innovative e-platforms, big data analytics have been increasingly effective in helping to obtain easy access to existing public procurement data and to gain value insights into public procurement markets.** The challenges facing national authorities in effectively monitoring higher-risk areas, and facing both governments and civil society in the effort to meaningfully access and trace public procurement implementation data from one country to another, are well-recognized. The World Bank, in partnership with the Government Transparency Institute, has developed the electronic platform, ProACT,<sup>18</sup> to assist national governments and civil society organizations, among others, to identify and manage integrity and related risks, and to collect meaningful supplier, buyer, and other market-related data on the dynamics of competition and transparency in over 45 national economies. The aggregate public procurement contract values currently shared on the ProACT platform account for an estimated 2 percent of annual global gross domestic product.

**The ProACT platform is piloting a globally relevant methodology based on selected integrity risk and market/supplier/buyer indicators that are grounded in publicly available information on national procurement systems.** Additional indicators and sources are contemplated in the future to enhance the analysis of risk and to include new procurement performance dimensions in areas such as market efficiency and economic performance. The evolving ProACT platform allows public officials, decision makers, analysts, and actors interested in public procurement performance to gain access to meaningful market information on what governments are buying, from whom, and how often, and on the relative share and size of contracts in different markets and sectors. In addition to identifying integrity risk issues, it provides a valuable digital means to visualize supplier and buyer bidding networks for multiple countries to provide an overview of contractual relationships. This digital overview can assist, *inter alia*, in the detection of anti-competitive market behavior and issues with regard to procurement efficiency and effectiveness that may compromise achievement of optimal VfM in public purchases.

## E. THE SOCIOECONOMIC IMPACT OF e-GP

**All e-GP systems tend to provide general reporting information, highlighting procurement activity based on commodities being procured and the location of suppliers participating in tenders and winning contracts.** Some systems can also identify the types of suppliers (small or large) participating in the procurement process. Outside of savings based on contract amount and initial budget estimates, and the level and origin of participation, however, governments have faced challenges in measuring procurement outcomes and

16. BIM systems are digitally based and allow for design-and-build through the creation of 3D models. They enable full virtual assessment and evaluation of a project. BIM systems can generate specifications and required materials, among other functionalities, for works projects.

17. The system was launched in June 2020. Since then, in a one-month period, more than 3,000 farmers' requests have been processed using this platform. See <https://www.facebook.com/Sindh-Agricultural-Growth-Project-SAGP-Agriculture-Component-320102748825270>.

18. See Footnote 9 and Section II(C) above.

impacts. Measurements are dependent on supplier and tender data collected in the system to produce appropriate measures of policy initiatives.

**The lack of data in some systems creates gaps in the government's ability to measure progress toward objectives.** These gaps apply not only to green procurement, but also to the identification of suppliers that may be able to meet qualifications, to the development of estimates for new procurement packages, or to the comparison of prices across similar packages. To better understand the costs applied to a good or service, e-GP systems should ensure that key data elements, such as quantities and units of measure, are included in detail in pricing information and in the total bid price. Where governments are investing in or developing programs to promote MSMEs or disadvantaged groups, these programs should be connected with the e-GP system to measure results, whether in terms of increased participation or in the number of awards issued for different types of commodities.

**Many countries have established green procurement initiatives to support environmentally friendly goods, services, and works projects.** The e-GP approach is, in and of itself, a "green" initiative, as it eliminates or significantly reduces the amount of paper and the delivery services used in preparing and submitting bids. Electronic catalogues and e-marketplaces offer access to available goods and services and streamline the purchasing process for approved items. Marketplaces can also promote green products that are available for direct purchase and list vendors that meet green certifications on goods, services, and general operating practices. Governments can publish standards for commodities and evaluation criteria to support green procurement in the tender process and identify when standards are applied. Green products and options for evaluation continue to evolve as new product considerations, standards, energy efficiencies, and practices come into play.

**For any procurement initiative or program, governments should consider the information needed to measure the outcomes or impacts they wish to achieve and, where possible, integrate the required data elements into the e-GP system.** In addition, the e-GP system can usefully be integrated with other systems so that information can be generated as needed without having to add to the workload of procurement officers. One common requirement is the connection between the government's e-GP and financial management systems to provide a complete picture of spending against budgets and plans. Financial systems need to support a dynamic environment to adjust budgets and plans according to the situation on the ground. Knowing the status of active and upcoming procurement activities against current budgets and plans will allow governments to make better decisions when adjusting to address new needs, react to disasters, or plan budgets in future years.

## F. e-PROCUREMENT TRENDS IN THE PRIVATE SECTOR

**The private sector has also experienced growth in use of e-procurement systems.** These systems are being adopted widely by both medium and large multinational organizations. The main trend in private sector solutions is the move toward complete P2P systems, which manage transactions throughout the cycle, from budgeting and planning to final payment of a contract, and maintain historical information related to all transactions, thus making it easier to plan future activities. Most P2P solutions link directly with an organization's financial and enterprise resources planning system, as well as corporate directories to establish the role and responsibilities of individual users. Many P2P solutions are multilingual, support multiple currencies, and incorporate local tax compliance and business rules across jurisdictions. Some have established interfaces with external catalogue services and marketplaces to provide access to pricing information from multiple sources. This functionality helps procurement practitioners research vendors participating in a bid or expand the reach of procurement announcements to a wide variety of sources.

**Although price is a consideration in private sector procurement, vendor quality, capacity, and dependability are equally important in ensuring the sustainability of business operations.** Private sector firms need to fully understand their supply chain and tend to establish multiple sources of supply to ensure continuous flow of the goods and services needed to support their operation. P2P platforms are built to meet the needs of all members of an organization, from board members to finance officers, with a bird's eye view of all transactions in planning, in progress, and completed against budgets. Private sector e-procurement systems incorporate many features and functions for managing documents, contracts, budgets, transactions, and corporate projects. They also cover multiple sets of taxes, duties, and employment regulations across multiple countries to support multinational, multidisciplinary organizations.

**Many large multinationals have transitioned to third-party P2P solutions to support their operations.** This shift reflects their evolving understanding of the costs involved in developing and managing their own internal systems. By using a third-party P2P provider, they benefit from the shared knowledge and resources of the provider organization, which is continually updating and evolving to meet the needs of all clients. The underlying goal of these solutions is to provide an organization-wide view of all spending activity, either through open procurement, direct sourcing, or recruitment. Most P2P solutions provide a broad range of modules to address an organization's specific business operations and reporting needs.

**The choice of P2P systems depends on the needs of the user.** Some systems focus on supply chain management for the purchase of goods and services, either directly or through a tender process, but may not handle complex works or consulting services as efficiently as goods. Others focus on what is termed "contingent workforce" solutions, which deal with labor—that is, the recruitment of employees, consultants, or firms delivering an output. Contingent workforce offerings support employer-employee/consultant/firm relationships, including tax rules, timesheets, expenses, and deliverables. The main factors that differentiate among such offerings—beyond the modules offered or the focus of the service (P2P or contingent workforce)—is the licensing approach and the ways in which the service is offered.



# POTENTIAL GPP INTERVENTIONS



# POTENTIAL GPP INTERVENTIONS

**Most governments around the world face similar challenges in public procurement, underscoring the growing demand for a GPP to help countries and development partners better understand cutting-edge developments in the procurement space.** This synthesis report has outlined key challenges and opportunities in three thematic areas: defining and applying procurement policy as a tool for broader socioeconomic policy change, designing procurement as a transactional business process, and moving toward greater use of technology to boost efficiency, economy, effectiveness, and, by extension, equity in public procurement.

**In assessing these challenges and opportunities, this section covers the main gaps or needs across four broad practical categories:**

- (i) Areas needing **further research and comparative data**;
- (ii) Approaches to **measurement and monitoring**, including the need for more targeted efforts to provide policy makers and procuring agencies with meaningful, data-driven information;
- (iii) Options for effective **implementation support** that provides proactive and sustained on-the-ground advice, guidance, and direction to public procurement actors at all levels, including:
  - a. Capacity development initiatives that focus on creating and sharing knowledge that provides the impetus for procurement professionalization; and
  - b. Assistance in addressing operational or implementation limitations that block improvements in the use of public procurement as a national strategic and operational tool for achieving broader socioeconomic goals and development effectiveness under a GRID agenda;
- (iv) Better **procurement governance**, including assistance with the development of strategic planning and effective and integrated coordination of implementation of VfM approaches.

**In response to this broad reform agenda, there is growing demand for a global mechanism that can assist countries and development partners in advancing procurement practices that adhere to acknowledged, yet evolving, international standards.** The GPP, as envisioned here, offers a robust mechanism for global collaboration and partnership on the various dimensions of the public procurement challenges outlined above. A summary of the main findings in each of the three thematic areas surveyed in this study, together with an assessment of the critical gaps that a GPP could assist in bridging, is provided below. A more detailed description of possible GPP interventions in these areas is outlined in Annexes 1–3.

## A. PROCUREMENT AS A SOCIOECONOMIC TOOL

### Further Research and Comparative Data Needs

**Moving toward an integrated approach to procurement policy requires the capacity to identify how the various dimensions of a sustainable, GRID-supporting procurement regime—environmental, economic, and social—interact with one another to generate positive impact through improved governance in any given country.** At the same time, a sound analysis requires, at the normative level, a better understanding

of what a country's optimal sustainable procurement strategy should be, based on the fundamentals of its economy (such as per-capita gross domestic product, income or consumption inequality, history and current challenges, environmental needs and awareness, industrial structure, and openness to trade) as well as the level of professionalization of its workforce, among other factors. Limited research has been conducted on these subjects to date.

- The GPP can help promote targeted research and analysis, at both empirical and theoretical levels.
- The GPP can facilitate data collection and management.

### Measurement and Monitoring

**Effective measurement and monitoring are critical to adequately evaluate the results gained through applying procurement policy as a tool for promoting broader socioeconomic policy goals in support of GRID.** Robust mechanisms for measurement and monitoring provide a feedback loop into the development of policies and regulations on the basis of KPIs for procuring agencies and the government as a whole. There are significant gaps in this area, however. For example, measurement of outcomes and impact, in the form of subsequent growth or decline of targeted firms, is rarely activated, making dedicated schemes effectively unaccountable to the public.

- The GPP can assist in defining data standards, in collaboration with relevant global efforts, such as the Open Data Contracting Initiative, to help government and civil society collect data to support future monitoring and reporting needs.
- The GPP can support the creation of initiatives for data exchange to allow governments to view and learn from information about other systems.
- The GPP can suggest methodologies to collect data, measure and monitor performance, and make results available to the public on the multiple dimensions of sustainable public procurement.
- The GPP can promote interoperability across national firms for data exchange to allow governments across the world to share information on global supply chains.

### Implementation Support

**A public procurement environment that encourages innovative firms and MSMEs at the initial stages of their development is often capable of promoting sustained growth among such firms.** Public procurers are often risk-averse or lack the skills needed to promote policies that address the needs of these dynamic, though lesser-known or non-incumbent, economic actors. Governments can support local procurers in taking calculated risks to optimally handle innovative MSME-related procurement. This is more likely to occur if knowledge sharing occurs with targeted interested suppliers.

- The GPP can assist in providing sustained support for promoting the competence and effective operation of knowledge centers to support procurers, sellers, and other critical actors in supply chains and sharing of best practices among buyers and sellers.
- The GPP can help develop curricula and training programs for procurers, suggesting adaptations according to the local context.

- The GPP can help aggregate knowledge and share best practices through the use of targeted fora for buyers and suppliers, taking advantage of e-platforms and tools.
- The GPP can support the implementation of targeted procurement practices across a given country, measuring outcomes and impact across regions and cities, to allow governments to broaden their evaluation of program effectiveness.

**National action plans to implement green public procurement are often fundamental for success and are promoted by the deployment of information-gathering tools across procurers.** Governments must be encouraged to monitor the percentage of entities participating in green public procurement, according to specific indicators and criteria for involvement and activism.

- The GPP can help expand knowledge and understanding of different models and approaches for the deployment of national sustainable public procurement, including green action plans and assist in supporting the web-based features of those models.
- The GPP can help countries acquire innovations, such as green and disruptive technologies, and can support global benchmarking of initiatives.
- The GPP can assist in creating, facilitating, and monitoring local fora on green procurement to allow local governments to accelerate convergence toward environmentally sustainable standards.

## Governance

**Schemes that promote or encourage the application of economic and social considerations have limited impact in the absence of effective institutions.** These institutions need to encourage public procurers to follow specific policies established at the central level and to support the targeted companies, while at the same time preventing inefficiencies, fraud, and misuse of such schemes.

- The GPP can support the creation and development of agencies or knowledge centers that follow, monitor, and sustain the application of economic and social preference schemes by sharing best practices and advising on setup and effectiveness.

**Incorporating policy objectives into public procurement must generally be implemented through careful coordination of public funding across the public finance system.** A mechanism must therefore be found to deal with the additional budget allocations required to be directed to agencies incurring supplementary costs to implement new procurement policy dimensions.

- The GPP, and the research it generates on synergies and trade-offs, can help push (and accelerate) national coordination efforts to incorporate socioeconomic and GRID-related policy objectives into public procurement in meaningful ways.

More information on the potential role of the GPP in supporting procurement as a socioeconomic policy tool can be found in Annex 1.

## B. PROCUREMENT AS A TRANSACTIONAL BUSINESS PROCESS

### Further Research and Comparative Data Needs

**As procurement moves from a compliance-based operation to a more strategic exercise, procuring entities would benefit from examples of successful innovations at all stages of the procurement transaction cycle.**

Existing templates provide theoretical models but do not necessarily demonstrate the benefits to be achieved through implementation adjustments, from planning through to contract award and challenge procedures.

- The GPP can assist in gathering and disseminating evidence-based data on how innovative and/or alternative means of expediting transactions or increasing their efficiency can lead to concrete benefits. This would supplement and support initiatives to encourage further innovative developments.

### Measurement and Monitoring

**A key weakness of the traditional compliance model of procurement is the failure to measure the efficiency of results.** Often, these approaches look only at whether the process has been efficient, while strategic procurement requires an assessment of *performance*. Data from successful systems will provide evidence to encourage further monitoring of the national system.

- The GPP can assist by emphasizing the need to strengthen integrated measurement and monitoring of transactional procurement performance, including KPIs, and development and use of related tools and methodologies.
- The GPP can promote the availability of more effective data and measurement tools at critical stages of the transactional procurement process, including measuring the application of review procedures and civil society monitoring of procurement transactions.

### Implementation Support

- The GPP can increase familiarity with, and provide guidance on, the existence and application of appropriate transactional models that cover all critical stages of the procurement cycle—from planning and design to qualification, bidding, evaluation, award, and contract management—for procurement solutions aimed at meeting the government's socioeconomic and GRID objectives.
- The GPP can support capacity development by providing guidance on strengthening and expanding procurement professionalization with reference to other comparable professions. This effort would encourage the creation of a professional procurement cadre consistent with national priorities and requirements, as well as recognized international standards and practices.

### Governance

**Strategic procurement implies wider changes to the leadership and management of procurement.** These efforts can improve the efficiency and effectiveness of transactional procurement, while also having a positive impact on the broader policy and governance environment.

- The GPP can encourage more integrated approaches to the implementation of VfM and GRID considerations in national procurement legal frameworks, including more strategic (as distinct from stage-by-stage) transactional interventions during procurement planning and execution.

- The GPP can strengthen operational guidance on models and approaches to responsive bidder registration systems and efficient bidding review procedures, among other aspects of transactional procurement. The GPP can also provide guidance on improving processes at transactional levels to promote more coordinated and responsive public purchasing of critical goods and services during global emergencies, such as the COVID-19 pandemic.

More information on the potential role of the GPP in supporting procurement as a transactional business process can be found in Annex 2.

## C. USE OF DIGITAL TOOLS IN PUBLIC PROCUREMENT

### Further Research and Comparative Data Needs

**Evolving (or dynamic) systems for e-GP, along with the data they collect, must be encouraged.** The Open Contracting Data Initiative provides guidance on the type of information that should be collected through an e-GP system.

- The GPP can conduct research across systems to assess the type of data being collected and how governments are using this information to support their procurement programs and GRID more broadly.
- The GPP can, in conjunction with the Open Contracting Data Initiative, consolidate data from across systems to conduct research and provide data resources to participating governments.
- The GPP can facilitate ongoing research on new tools and e-GP platforms and how they may be applied to support efficient implementation of a government's procurement program. This research can cover, among others, advances in the application of artificial intelligence, BIM systems, cybersecurity, digital signatures, and supporting electronic bid securities that can help improve the efficiency of a government's e-GP program.
- The GPP and its partners can provide a platform for sharing ongoing e-GP and related digital research initiatives and results.

### Measurement and Monitoring

**Data collection under e-GP systems will be a key driver for improved analysis of and support for more strategic procurement initiatives.** In many cases, though, the information collected through the system can be out of step with what is needed to systemically and accurately measure goals or targets for goals like VfM and GRID, including green procurement targets and set-asides for targeted groups.

- The GPP can help develop approaches, data standards, and best practices for application through an e-GP system to assist in measuring goals and targets.
- The GPP can help formulate policies and direction on measuring VfM or savings generated through digital or electronic platforms to improve consistency with the information generated from different systems.
- The GPP can guide governments in accessing and applying data sets that can offer meaningful information about the nature and range of e-GP options, and it can assist governments to understand how to develop, measure, manage, and monitor their procurement programs using digital tools and techniques.

## Implementation Support

**While a central e-GP system may be ideal, it may not always be achievable and different strategies may be required to support an e-GP program.** Not all countries are structured in the same manner, with varying types of legislation and levels of responsibility.

- The GPP can provide advisory services to assist governments in implementing e-GP systems to support procurement programs. Advisory assistance would include capacity assessments and strategies for the implementation of a system that supports government goals and directives.
- The GPP can offer ongoing assessments and review of different approaches and system implementation modalities, which will help other countries gain a better understanding of the tasks and challenges ahead in supporting the development or use of an e-GP service, from both a technical and an operations and support perspective.
- The GPP can provide governments with state-of-the-art knowledge on the strategic and technical requirements and resources needed to assess their own digital and e-capacity and to clearly define the role and effort required of any e-GP system, including support and ongoing capacity development.

**Newer e-GP systems and digital tools demonstrate increasing flexibility and scalability.** This provides more responsive and quicker ways to undertake public procurement during emergencies.

- The GPP can undertake a survey of digital platforms that have higher levels of transparency, interoperability, and monitoring and reporting capabilities, with special focus on managing procurement during global emergencies. In addition, it can provide related guidance, knowledge products, and assistance in the use and implementation of such platforms.

## Governance

**An e-GP system is not a procurement program.** It is a tool to support a procurement program, governed by the same rules and regulations—including privacy and security policies, and terms and conditions for use of the system—to protect the service operator.

- The GPP can play an advisory role in establishing proper governance and organization structures to support e-GP implementation that is critical to the success and sustainability of the system.
- The GPP can help expand knowledge and understanding of different regulatory and operational models and approaches to meet government procurement needs and objectives.

**As electronic and digital e-GP systems expand, governing policies will need to broaden as well.** The functions incorporated into e-GP systems are expanding beyond the management of core procurement transactions to include contract and vendor management menus, and policies will need to reflect these changes.

- Through continuous research and system reviews, the GPP will establish a broad knowledge base to help develop best practices for the operation and governance of e-GP systems. These efforts will help governments continue to build trust in and support of their e-marketplaces, which will in turn enhance the results of public procurement.

More information on the potential role of the GPP in supporting the use of digital tools in public procurement can be found in Annex 3.

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# ANNEX 1: POTENTIAL GPP INTERVENTIONS TO SUPPORT PROCUREMENT AS A SOCIOECONOMIC TOOL



## A. ENVIRONMENTAL CONSIDERATIONS

| Gaps                             | Description  |
|----------------------------------|--|
| <p><b>Capacity Building</b></p>  | <p>Capacity building is a fundamental input for a successful GPP. And understanding of markets and available technical solutions and products, as well as the costs and benefits of green public procurement, requires targeting a number of purchasing officials for annual training through continuing education. An important part of capacity building efforts will focus on deepening the market development of green goods and services by exploring effective ways to incentivize and reward green and sustainable suppliers and service providers.</p> <p><b>The GPP will help foster the development of curricula and training programs for procurers and share best practices among buyers in the green procurement domain, suggesting adaptations according to the local context.</b></p> |
| <p><b>Knowledge Building</b></p> | <p>Local green procurement fora should be created, monitored, and facilitated to allow local government units to speed up convergence toward green standards. Aggregating knowledge and sharing best practices through the use of green fora of buyers and suppliers can be implemented, taking advantage of e-platforms and tools.</p> <p><b>The GPP can foster a stocktaking exercise to review local development of green procurement implementation across any given country, measuring outcomes and impact across regions and cities to allow governments to broaden the evaluation of program effectiveness.</b></p>   |
| <p><b>Monitoring</b></p>         | <p>Capacity to monitor the results of green public procurement and provide a feedback loop into policy and regulation, with KPIs set at the state and procurer level, is essential. Measuring methodologies for public procurement impact on global warming, air pollution, waste, and biodiversity are more and more fundamental, together with its capacity to positively affect the economy with green product jobs, green innovation, and green MSME growth.</p>   |

| Gaps                     | Description  |
|--------------------------|--|
|                          | <p>The GPP can define data standards with the Open Data Contracting initiative to help governments collect the data required to support future monitoring and reporting needs. The GPP can also look to create initiatives for data exchange to allow governments to view information from other systems.</p>  |
| <p><b>Governance</b></p> | <p>National action plans to implement green public procurement are often fundamental for success and are helped by the deployment of information-gathering tools across procurers. Governments must be encouraged to monitor the percentage of entities participating in green public procurement, according to specific indicators and criteria of involvement and activism.</p> <p>The GPP can help expand knowledge and understanding of different models and approaches toward the deployment of national green action plans, support their web-based features, and suggest data and methodologies to activate reporting on the evolution of participation in green procurement activities across the country and the public administration.</p> |

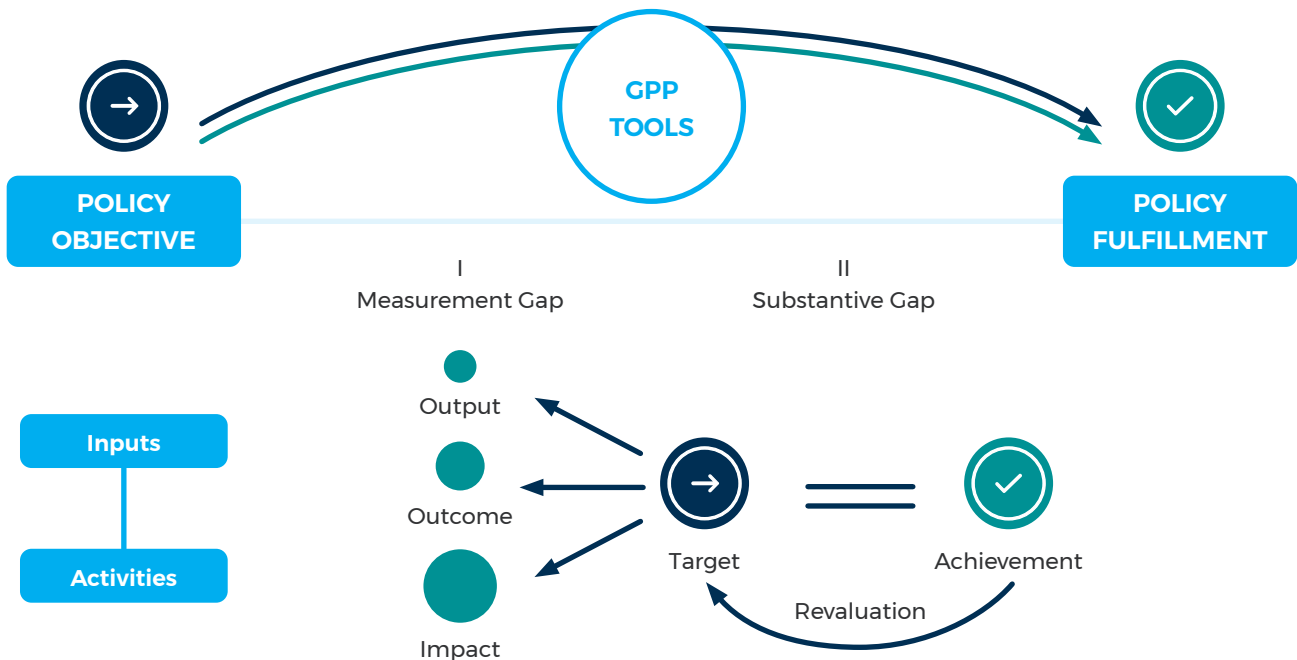
## B. ECONOMIC AND SOCIAL CONSIDERATIONS

| Gaps                            | Description  |
|---------------------------------|--|
| <p><b>Capacity Building</b></p> | <p>A public procurement environment that encourages innovative firms and MSMEs at initial stages is often capable of making it advantageous to grow and invest further. Public procurers, however, are often risk-averse or lack the competence to push forward policies while taking into due consideration the needs of these dynamic, although lesser-known or non-incumbent, economic actors. Governments should support skill upgrades for local procurers to take calculated risks in order to optimally handle innovative and MSME-related procurement. This is more likely to occur if training occurs with targeted interested suppliers.</p> <p>The GPP will foster the development of competence and knowledge centers for capacity building of procurers, sellers, and other critical actors in supply chains, and sharing of best practices among various stakeholders. The GPP will help foster the development of curricula and training programs for procurers, suggesting adaptations according to the local context. The GPP could also contribute to expanding knowledge and understanding of different models and approaches toward the deployment of national green action plans, support their web-based features, and suggest data and methodologies to activate reporting on the evolution of participation in green procurement activities across the country and in the public administration.</p> |

| Gaps                                  | Description  |
|---------------------------------------|--|
| <p><b>Measurement of Outcomes</b></p> | <p>Schemes that reflect economic considerations are usually activated to identify participation of MSMEs in selected areas of public procurement, as defined by the national framework. The impact of those measures is largely dependent on how these schemes are set up and tailored to the local environment. However, measurement of outcomes and impact—for example, in the form of subsequent growth or decline of targeted firms—is rarely activated, making such schemes effectively unaccountable to the public.</p> <p><b>The GPP can help by suggesting methodologies to collect data, measure and monitor performance, and make results available to the public. It can define data standards in collaboration with relevant global initiatives to help governments and civil society collect the data needed to support future monitoring and reporting on human rights in public procurement and sustainable supply chains. The GPP can also look to create interoperability across national firms for data exchange to allow governments across the world to share information on global supply chains and suppliers.</b></p>   |
| <p><b>Governance</b></p>              | <p>Schemes that promote or encourage the application of environmental, economic, and social considerations to procurement policy have limited impact in the absence of effective institutions that encourage public procurers to follow targeted policies established at the central level and to support such targeted companies, while at the same time preventing inefficiencies, fraud, and misuse of such schemes.</p> <p><b>The GPP can support the creation of agencies or knowledge centers that follow, monitor, and sustain the development of economic preference schemes by sharing best practices and providing advice for their setup and effectiveness. The GPP, for example, can help countries acquire innovation such as green and disruptive technologies and support their implementation through benchmarking of initiatives globally.</b></p> <p>Collective management of global supply chains to prevent predatory pricing of critical goods and services is an area that has surfaced during the recent COVID-19 pandemic.</p> <p><b>The GPP can assist in identifying ways in which global coordination and direction in the procurement of critical goods and services can be achieved. The GPP can also help develop guidance frameworks for countries to prioritize procurement from suppliers, taking into account relevant socioeconomic and GRID policy considerations to the extent practically feasible, given the needs for expedited production and mobilization of critical goods and services.<sup>19</sup></b></p> |

19. Potential GPP assistance in the context of global emergencies, as set out here, applies equally to environmental preferences discussed below due to the application of socioeconomic and sustainability considerations in public purchasing even during emergencies to an extent consistent with the exigencies of disaster and emergency management.

Figure A1.1: Schematic Summary of Procurement as a Socioeconomic Policy Tool



# ANNEX 2: POTENTIAL GPP INTERVENTIONS TO SUPPORT PROCUREMENT AS A TRANSACTIONAL BUSINESS PROCESS



| Gaps   | Description   |
|--|---|
| <p><b>Procurement Planning</b></p>             | <p>Currently, recommended annual procurement plans tend to resemble spending plans (following budget approval) and are not fully integrated into the budget process. They are not strategic documents, do not contribute to appropriate procurement design, and do not seem to provide room for sustainability goals.</p> <p><b>The GPP can help guide and develop appropriate planning methods and models for modern procurement systems, including providing clearer messages regarding the objectives of planning and how these actions affect both the planning requirements and the outputs to be delivered.</b></p>   |
| <p><b>Designing Technical Requirements</b></p> | <p>Little is said in most procurement systems about how to define technical specifications in a functional way or with outcomes in mind. This becomes critical where socioeconomic and GRID policies and objectives are concerned.</p> <p><b>The GPP can help define different approaches to meeting governments' sustainability needs through better design of technical specifications. The GPP can also help identify or promote the development of appropriate standards.</b></p>   |
| <p><b>Bidding Process</b></p>                  | <p>Despite having changed their stated objectives to achieve VfM, socioeconomic, and GRID goals through procurement, many procurement systems have been amended incrementally and the surviving provisions are characterized by a certain rigidity in enforcing compliance. This offers little flexibility for procurement officers to seek and achieve VfM. The rigidity of the processes often runs counter to the GRID objectives the government is seeking to achieve. This impediment to better procurement is as much about changing mindsets as it is about changing rules.</p> <p><b>The GPP can help expand knowledge and understanding of different approaches to achieving more flexible procurement processes while, at the same time, maintaining the integrity of the system and of those operating it. It could seek to measure the impact of current approaches with a view to proposing new integrated approaches.</b></p> |

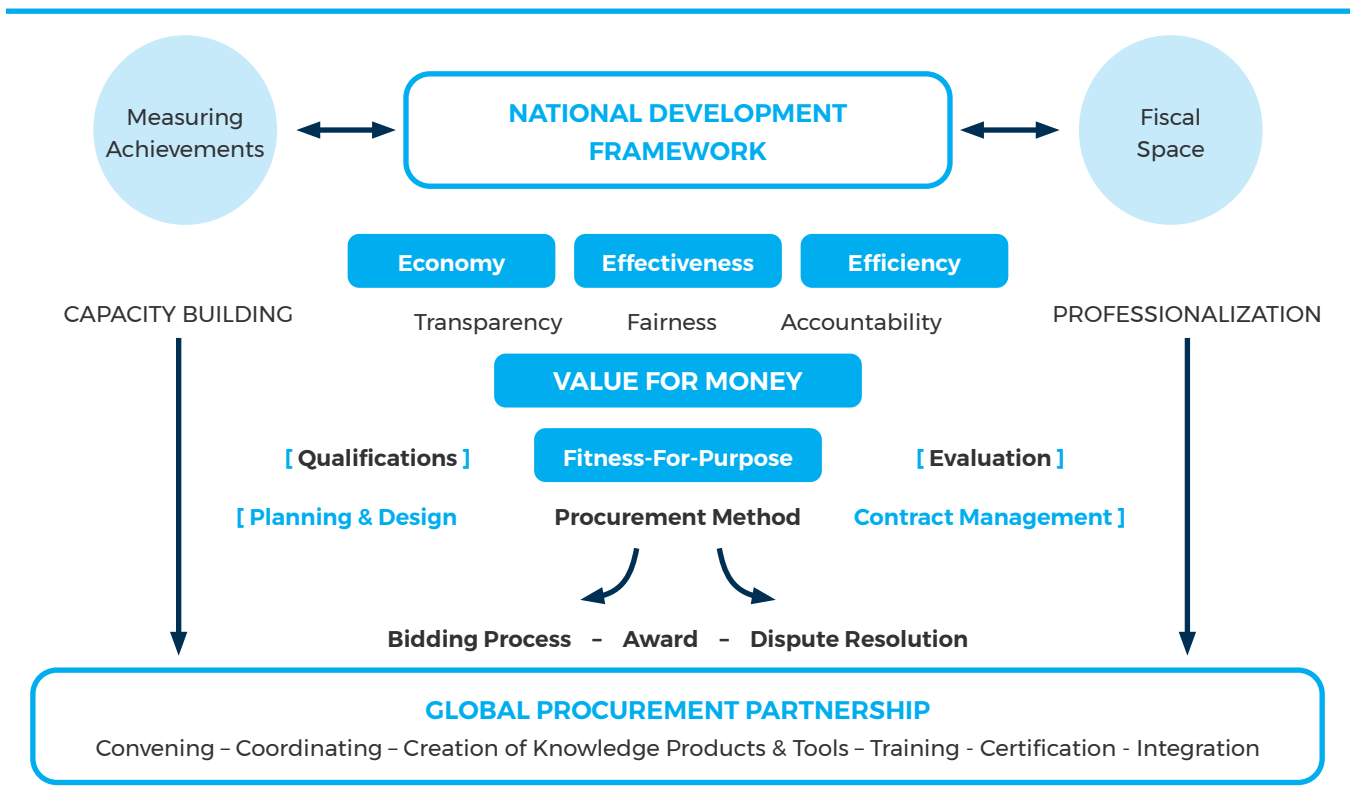
| Gaps                              | Description   |
|-----------------------------------|---|
| <p><b>Procurement Methods</b></p> | <p>The emergence of new procurement methods has widened the choice of procurement methods available to governments, enabling them to focus on choosing the method that is most likely to address their needs as well as the demands of the procurement itself (for example, achieving economies of scale in the face of low-value contracts). Those choices and the new methods are not always clear, and owing to the sophistication of some methods, such as framework agreements, governments sometimes miss out on their full potential.</p> <p><b>The GPP could play an important part in increasing understanding of available procurement methods and in formulating models and templates to facilitate their use. In the move toward more strategic thinking, the GPP might research alternative methods based on designing and achieving better outputs.</b></p> |
| <p><b>Qualification</b></p>       | <p>Setting qualification criteria at too high a level can be problematic (something that may be remedied through increased capacity and experience), but there are also mechanisms in place and emerging that can increase the efficiency of the process. Similarly, existing registration systems that are excessively rigid often reduce efficiency and increase costs. Emerging tools, such as the European Union’s European Single Procurement Document, are less well known but offer the possibility of improving efficiency in this regard.</p> <p><b>The GPP could play an important role in encouraging fairer and more efficient registration systems and promoting new tools to improve qualification procedures, including the development of tools for measuring, grading, and disseminating contractor performance indicators.</b></p>                      |
| <p><b>Evaluation</b></p>          | <p>The introduction of the concept of VfM, and the possibility of including within its definition socioeconomic and GRID objectives, have brought into sharp relief the customary practice of basing awards on the lowest or lowest-evaluated price. There is some reluctance to introduce non-price evaluation factors; even where these are permitted, they are not often properly understood, and regulators fail to provide the necessary regulatory guidance to make them a reality.</p> <p><b>The GPP has a significant role to play in increasing understanding of non-price factors and how to apply them, notably in the case of GRID criteria, and in improving comprehension of the shortcomings of what is in effect price fixing through budget estimates.</b></p>   |
| <p><b>Contract Management</b></p> | <p>The new emphasis on contract management as a key driver of better and more effective procurement outcomes has not always gone hand in hand with detailed guidance on contract management procedures.</p>   |



| Gaps  | Description   |
|---|---|
| <p><b>Contract Award</b></p>                          | <p><b>The GPP can help develop guidelines to define approaches to contract management in terms of responsible parties, functions, and procedures. This might include better performance measurement and a more direct linkage with procurement preparation.</b></p> <p>Issues of notification, debriefing, and particularly standstill are not well understood. This lack of understanding may have a negative impact on effectiveness, notably on the availability and use of bid protest mechanisms.</p> <p><b>The GPP could play an important role in explaining their value and providing guidance and templates to encourage their consistent use.</b></p>   |
| <p><b>Review Procedures</b></p>                       | <p>Most modern procurement systems include some form of bidder-driven complaint review mechanism. This is a major step forward in making systems effective. There is some doubt, however, as to how effective these systems are, since many are encumbered by lengthy, multilevel, and sometimes political review procedures that effectively create obstacles to speedy and efficient review. Bidders are discouraged, and governments may fail to achieve their objectives in the face of a lack of enforcement of their procurement rules.</p> <p><b>The GPP can help develop effective models and approaches to make review procedures more efficient. In addition, it could seek to measure the impact of civil society monitoring and suggest improvements to data availability and monitoring tools.</b></p>   |
| <p><b>Capacity Development</b></p>                    | <p>Sustainable capacity development for the creation of a professional procurement cadre is a critical need, but one that is sometimes constrained by less responsive training models. Even recent attempts at introducing certification and licensing have not fully appreciated the challenges of successfully rolling out sustainable professionalization. A number of countries are taking alternative routes, copying or teaming up with existing professional bodies to deliver professional qualifications or developing their own institutes to deliver a national professional curriculum. This diversity may be positive, but could also reveal a lack of strategic direction.</p> <p><b>The GPP could help by expanding familiarity with, and acting as a conduit for, available professionalization options and providing guidance on appropriate models. In particular, the GPP could assist by defining professionalization with reference to other comparable professions and suggesting avenues for achieving the same in the field of procurement.</b></p> |
| <p><b>Performance and Achievement Measurement</b></p> | <p><b>The GPP can assist, as explained in Sections II and IV, in developing KPIs for contractor performance.</b></p>  |

| Gaps                             | Description  |
|----------------------------------|--|
| <p><b>Integration</b></p>        | <p>Application of VfM considerations and notions of sustainable procurement has led to the amendment of several national procurement legal frameworks. However, these additional concepts tend to have been grafted on to existing frameworks in a somewhat incoherent or ad hoc way so that, despite the laudable objectives, implementation becomes a challenge.</p> <p><b>The GPP can help in encouraging a more integrated approach based on a number of actions proposed above.</b></p> |
| <p><b>Global Emergencies</b></p> | <p>The COVID-19 pandemic has made clear the need for increased focus on global disaster management and resilience.</p> <p><b>The GPP can assist in providing guidance on ways in which public procurement operational processes, at transactional levels, can promote more coordinated and responsive public purchasing of critical goods and services during global emergencies, such as the COVID-19 pandemic.</b></p>   |

Figure A2.1: Schematic Summary of Procurement as a Transactional Business Process



# ANNEX 3: POTENTIAL GPP INTERVENTIONS TO SUPPORT THE USE OF DIGITAL TOOLS IN PUBLIC PROCUREMENT



| Gaps                                | Description   |
|-------------------------------------|---|
| <p><b>e-GP Knowledge</b></p>        | <p>There is a need for a clearer understanding of the relationship between a country’s e-GP system and its procurement system. e-GP is a tool that supports government procurement. Government procurement laws, regulation, and policies govern how procurement is conducted. In working toward improved procurement processes and policies, governments need to support the continued evolution of laws, regulations, and practices to take advantage of technology to re-engineer how information is collected and applied in the procurement process and thus to create a more efficient and effective environment.</p> <p><b>The GPP will continue to monitor and examine e-GP options to help governments understand how to develop and manage their procurement program.</b></p> |
| <p><b>Business Models</b></p>       | <p>Sustainability is a key element of any system. The cost of e-GP includes not only the development of a system, but also the costs of ongoing operation, maintenance, and support. Governments need to determine the role they wish to undertake with the development and operation of a service.</p> <p><b>The GPP can help expand knowledge and understanding of different models and approaches to meet a government’s needs.</b></p>  |
| <p><b>Technology Disruptors</b></p> | <p>Technology will continue to make advances to improve the delivery of services in many areas, including security management, online services, payment, digital currency, geotagging, video, blockchain, identity services, BIM, and mobile communication. The application of BIM in works and other projects can offer significant benefits and efficiencies, not just for the procurement process but also for contract management and project implementation processes.</p> <p><b>The GPP can review various technologies and examine how they may be applied to benefit e-GP systems and procurement. The expansion of mobile technology is inevitable as mobile devices become as functional as laptops.</b></p>  |

| Gaps                             | Description   |
|----------------------------------|---|
| <p><b>Data</b></p>               | <p>The true value of e-GP is not simply in managing the procurement process, but also in the data collected. Taking advantage of data for monitoring transactions and measuring results can help governments better understand procurement and develop new initiatives to improve their economic and GRID goals.</p> <p><b>The GPP can define data standards in conjunction with the Open Data Contracting initiative to help governments collect the required data to support future monitoring and reporting needs. The GPP can also look to create initiatives for data exchange to allow governments to view information from other systems, such as global price or vendor catalogues.</b></p> |
| <p><b>Measurement</b></p>        | <p>Systems measure savings in various ways, creating challenges to comparing savings across platforms.</p> <p><b>The GPP can help guide methods and approaches to define and measure savings and help establish approaches for measuring the impact and outcomes of procurement programs.</b></p>   |
| <p><b>Policy Initiatives</b></p> | <p>Governments continue to evolve policies and practices to support GRID, including support for small businesses, disadvantaged groups, and green procurement. Small business initiatives, like instant payment in Korea and the use of marketplaces and catalogues to promote available goods and services, can be replicated in other jurisdictions.</p> <p><b>The GPP can continue the stocktaking exercise to review different socioeconomic programs and their benefits in promoting GRID, so that other governments can consider options within their own socioeconomic policy and procurement programs.</b></p>  |
| <p><b>Global Emergencies</b></p> | <p>Newer e-GP systems and digital tools demonstrate increasing flexibility and scalability to provide more responsive and quicker ways to undertake public procurement during emergencies.</p> <p><b>The GPP can undertake a survey of digital platforms that have higher levels of transparency, interoperability, monitoring, and reporting capabilities; provide related guidance and knowledge products; and assist in the use and implementation of such platforms.</b></p>  |

**Figure A3.1: Schematic Summary on the Role of e-GP Systems**

