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**REPORT ON THE IMPLEMENTATION OF THE RECOMMENDATION OF
THE COUNCIL ON PUBLIC PROCUREMENT**

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1. BACKGROUND

1. The OECD Recommendation of the Council on Public Procurement [[OECD/LEGAL/0411](#)] (hereafter “the Recommendation”) was adopted by the OECD Council in February 2015 [C(2015)2]. The Recommendation, developed in the Working Party of the Leading Practitioners on Public Procurement (LPP) under the aegis of the Public Governance Committee (PGC), brings a new vision and sets a new standard for public procurement internationally. The Recommendation also reflects collaboration across relevant policy communities at the OECD, demonstrating the multi-disciplinary nature of procurement. It supports a comprehensive and integrated approach to the procurement cycle and reflects the growing interest in transforming public procurement into a strategic policy lever for governments. By helping governments better meet their policy objectives, well governed public procurement contributes directly to greater public trust, enhanced well-being and more prosperous and inclusive societies.

2. In the Recommendation, the Council instructed the Public Governance Committee to monitor, in co-operation with the Competition Committee and the Working Group on Bribery in International Business Transactions, and in consultation with other competent OECD committees, the implementation of the Recommendation and to report thereon to the Council no later than three years following its adoption and regularly thereafter.

3. In line with this instruction, the report presents progress made across Members (hereafter “the Adherents”). While there are currently no non-Member Adherents to the Recommendation, discussions in the LPP have demonstrated a strong interest from non-Members to implement the Recommendation without a formal adherence to it. Accordingly, the report also includes information from Costa Rica as well as Morocco and Peru, which have participated in projects and work related to the Recommendation.

2. PURPOSE OF THE RECOMMENDATION

4. Public procurement spending represents on average 12% of GDP, accounts for almost one-third of government expenditure, and amounts to over 6 trillion EUR a year in OECD Member countries. Because of the volume of spending, governments have a fundamental responsibility to carry out public procurement efficiently and with high standards of conduct in order to ensure high quality of public service delivery and safeguard the public interest. Used strategically, public procurement can help make economies more productive, public sectors more efficient, societies and economies more inclusive, and institutions more trusted. The Recommendation provides a reference for modernising procurement systems and can be applied across all levels of government and state owned enterprises. Its overarching goal is to ensure a strategic and holistic use of public procurement.

5. The Recommendation builds upon the foundational principles of the 2008 Recommendation of the Council on Enhancing Integrity in Public Procurement, [[OECD/LEGAL/0369](#)] which it replaced, expanding them to reflect the critical role public procurement must play in achieving efficiency and advancing public policy objectives in all stages of the procurement cycle, from the definition of public needs to effective contract execution.

6. The Recommendation recognises that the efficient and effective public procurement of goods, services and works is vital to the core purposes of government, including infrastructure investment and the delivery of essential services to citizens.

7. The Recommendation contains **twelve integrated principles**; transparency, integrity, access, balance, stakeholder participation, efficiency, e-procurement, capacity, evaluation, risk management, accountability and integration.

Figure 2.1. The integrated Principles of the 2015 OECD Recommendation of the Council on Public Procurement



Source: (OECD, 2015^[1])

8. The objective of the Recommendation is to support Adherents by providing strategic guidance that addresses challenges encountered and identifies good practices related to public procurement. It aims to support all levels of government whatever the institutional framework.

3. METHODOLOGY

9. Since the Recommendation's adoption, the LPP, under the aegis of the PGC and supported by the Secretariat's Public Procurement Unit, as part of the Public Sector Integrity Division in the Public Governance Directorate, has served as a platform to exchange policy practices, lessons learned and raise awareness on emerging trends in this policy area, advancing the global dialogue and knowledge on public procurement topics.

10. In this context, tools to support Adherents' implementation have been developed by the Secretariat to provide both policy makers and practitioners with evidence and policy options to improve the functioning and infuse a more strategic approach into public procurement systems. A web-based platform, the Public Procurement Toolbox (hereafter "the Toolbox"), was developed in 2015/2016 to support the implementation of the Recommendation.

11. The Toolbox includes a comprehensive checklist to guide and support public procurement practitioners in reviewing, developing and updating their procurement framework, for each of the 12 principles of the Recommendation. It also contains more than 180 OECD case studies taken from peer reviews of procurement systems, good practice compendiums as well as experiences shared by the LPP. Adherents have been actively engaged in the development of this knowledge-sharing tool, submitting policies and good practices, which provides a detailed and accurate source of information on what has been done by Adherents to implement specific provisions of the Recommendation.

12. The Toolbox and the supporting checklist were both endorsed by the LPP during the first OECD Public Procurement Week in October 2016 as a living resource to be regularly updated to reflect Adherents' experiences, OECD work and practical tools to address the challenges of public procurement reforms. The Toolbox reinforces the interconnection between the principles governing the implementation of strategic public procurement. The Toolbox contains three axes: first, tools related to each principle in the Recommendation, gathered into a checklist. Second, examples from Adherents including specific sectors and third, tools to assess performance.

13. In line with the Recommendation, the "Survey on Public Procurement" was conducted in 2016 on three main areas: policies to pursue secondary policy objectives, e-procurement and central purchasing bodies. The data collection allowed cross country comparisons on the baseline for the preparation of the public procurement chapter of the 2017 edition of Government at a Glance as well as the implementation of the Recommendation (2015).

14. In August 2018, a questionnaire was conducted amongst Adherents and certain non-Adherents to assess progress on the implementation of the Recommendation. The data collection phase took place from August to December 2018. The questionnaire received responses from 31 Adherents (Australia, Austria, Belgium, Canada, Chile, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Mexico, Netherlands, New Zealand Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Turkey), and three non-Members non-Adherents (Costa Rica, Morocco and Peru).

15. The data from the 2018 Survey responses and the range of sources detailed above (including the regular chapter on procurement in the OECD's Government at a Glance series and OECD reviews) were used to inform the report on implementation of the Recommendation,

4. PROCESS

The survey results were discussed at the LPP on 29-30 October 2018, then the draft report was shared with the LPP then presented at the PGC for discussion[GOV/PGC(2019)13], and also submitted by email for comments and feedback to the Working Group on Bribery in International Business Transactions and Competition Committee, the Environment

Policy Committee (EPOC), the Economic Policy Committee (EPC), the Committee for Scientific and Technological Policy, Working Party of National Experts on Science and Technology Indicators the Committee on Digital Economy Policy (CDEP), the Working Party of Senior Public Integrity Officials (SPIO), Working Party of Senior Budget Officials (SBO), the Working Party on Public Employment and Management (PEM), the Working Party on SMEs and Entrepreneurship (SMEE)[GOV/PGC/ETH(2019)1]. Following the incorporation of relevant comments, the PGC approved the draft progress report by written procedure on 7 June 2019 [GOV/PGC(2019)13/REV1].

5. DISSEMINATION

16. In the Recommendation, the Council also invited the Secretariat “to disseminate this Recommendation” and “Adherents to disseminate this Recommendation at all levels of government, and to consider the implementation of this Recommendation in other relevant contexts, such as procurement by state-owned enterprises or procurement conducted under aid arrangements”.

17. Adherents have played an essential part in the dissemination of the Recommendation actively contributing to the OECD Public Procurement Reviews, responding to regular surveys on public procurement, holding workshops and seminars to raise awareness of the Recommendation among procurement teams, civil servants and businesses. The Secretariat has provided consultations and conducted ongoing outreach to promote the Recommendation among Adherents and other stakeholders.

18. Since its adoption, the Recommendation has served as the framework for conducting 22 reviews of public procurement systems at the national, sub-national, and sectorial levels, and applied to private sector organisations. It was presented at more than 50 international conferences, and more than 100 OECD workshops.

19. In addition, besides being the key point of reference for LPP work, the Recommendation has been the catalyst for a number of collaborative initiatives such as the MENA – OECD Network on Public Procurement, with the objective of sharing good public procurement practices and identifying needs for support in this area based on the assessment of country procurement systems.

20. Lastly, the Recommendation has served as a source of inspiration for a number of other international standards, being referenced in the Methodology for Assessing Procurement System (MAPS) (MAPS Stakeholder group, 2018^[2]), the European Recommendation 2017/1805 of 3 October 2017 on the professionalisation of public procurement (European Commission, 2017^[3]), the Compendium of Good Practices on the Use of Open Data for Anti-corruption Across G20 Countries (OECD, 2017^[4]) and G20 Principles for Promoting Integrity in Public Procurement (G20, 2017^[5]). It is also considered as the relevant benchmark to assess the quality of public procurement systems in certain regions (Inter-American Development Bank, 2018).

6. IMPLEMENTATION

6.1. Strategic uses of public procurement to achieve broader policy outcomes

21. The OECD Recommendation calls on Adherents to “*recognise that any use of the public procurement system to pursue secondary policy objectives should be balanced against the primary procurement objective*” (Principle on balance) (paragraph V). The Recommendation contains guiding principles to assist Adherents in achieving the right balance between the primary procurement objective and secondary policy objectives so that public procurement systems support the achievement of broader outcomes.

22. In order to achieve the desired outcomes from application of broad strategic policy objectives, public procurement regulatory frameworks are being implemented in more strategic ways. There are new public procurement methods being tested and an increasing use of digital technologies throughout the public procurement lifecycle.

23. Supporting public procurement organisations to succeed in pursuing strategies for strategic procurement objectives is a key aim of the Recommendation. The challenges of implementing strategic public procurement are many, reducing risk aversion, setting up new forms of coordination and collaboration, improving skills and capacity, encouraging procurement officials to dialogue with suppliers and enhancing data collection and monitoring of results.

24. Furthermore, other initiatives and policies are being implemented in regions with similar or complementary goals to those of the OECD Recommendation, and which contributes to the effective implementation of the Recommendation. For example, the European Commission (EC) is developing policies to support the implementation of the European Union (EU) legal framework on public procurement as well as providing tools to make the procurement process more efficient (e.g. e-procurement tools, guidelines, templates). The EC also provides assistance and support to non EU member states in the context of pre-accession or neighbourhood cooperation.

Box 6.1. European Commission Communication on Public Procurement Strategy

In 2017 the European Commission (EC) adopted a Communication on Public Procurement Strategy which called for a wide partnership with the member states aiming to make procurement work on the ground in six priority areas:

1. greater uptake of innovative, green and social criteria in awarding public contracts by publishing specific guidance (such as Buying Green Handbook, Guidance on Innovation Procurement (European Commission, 2018^[6]) and the upcoming guide on social aspects);
2. professionalisation of public buyers with the 2017 Recommendation on the EU member states highlighting the steps to be taken by member states to ensure that public buyers have the business skills, technical knowledge and procedural understanding needed to comply with the rules and develop a more strategic approach to procurement;
3. improving access by SMEs to procurement markets in the EU and by EU companies in third countries, including facilitation of access to procurement by social enterprises;

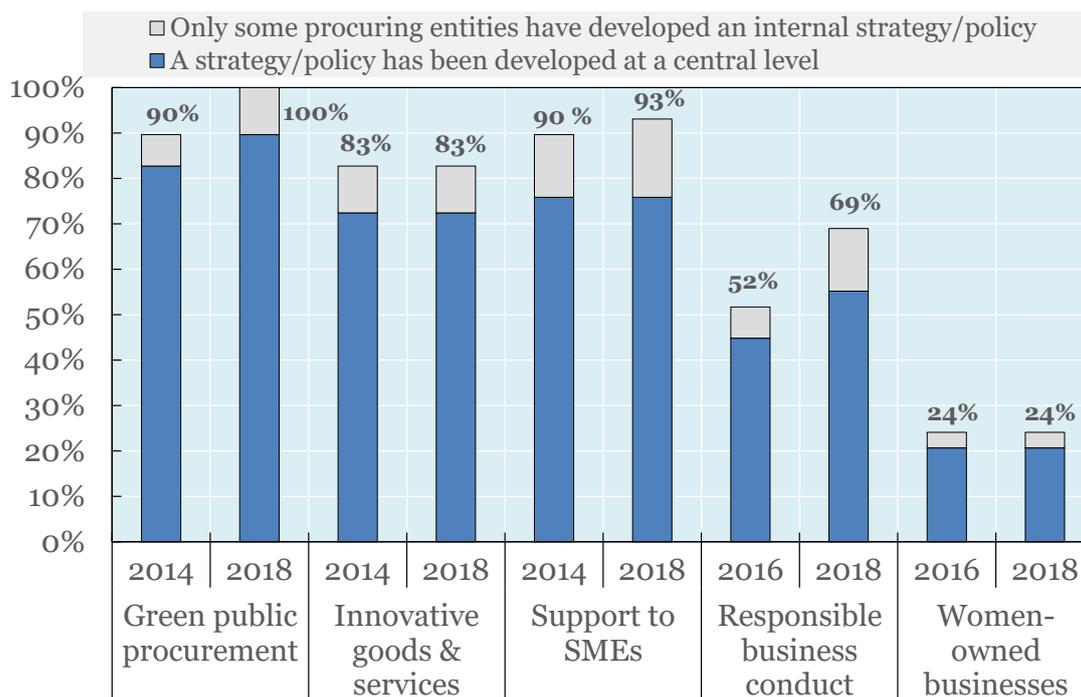
4. increasing transparency, integrity and quality of procurement data notably by promoting national contract registers;
5. digitisation of procurement processes with the development of e-procurement tools; and
6. more cooperation among public buyers across the EU notably with high level training for Central Purchasing Bodies.

As part of the public procurement strategy, the Commission also set up a voluntary mechanism to assess and support large infrastructure projects.

Source: (European Commission, n.d.[7])

25. The findings in the 2018 Survey (OECD, 2018^[8]) demonstrate the Recommendation’s relevance in providing a vision for the holistic and inclusive use of public procurement and confirms the value of investing in strategic public procurement as a key means of addressing societal challenges (OECD, 2018^[8]).

Figure 6.1. Existence of a strategy/policy to pursue secondary policy objectives in public procurement



Note: The chart is based on data from 29 countries (28 OECD countries as well as Costa Rica) that answered both the 2018 and one of the 2016/2014 Surveys on public procurement. Percentages give the sum of both categories (the two categories are: only some procuring entities have developed an internal strategy/policy and a strategy/policy has been developed at a central level). Countries that have indicated that a strategy/policy has been developed at a central level and also that some procuring entities developed an internal strategy/policy are included in the second category (i.e. a strategy/policy has been developed at a central level).

Countries where both the central level and some procuring authorities developed a strategy/policy have been classified in the first category (strategy/policy developed at the central level).

Sources: (OECD, 2016^[9]) (OECD, 2018^[8]).

26. The 2018 Survey shows that the majority of respondent countries have developed policies at some level regarding green and innovative public procurement and SMEs (Table 6.1). The comparison between the 2014/2016 and 2018 Surveys shows (Figure 6.1) that there is an upwards trend in the development of strategies and policies addressing green public procurement and particularly responsible business conduct. The increase in policies to pursue responsible business conduct has been mainly at the central level which could reflect the increasing need to coordinate this strategy from a centralised governance position (OECD, 2016^[9]) (OECD, 2018^[8]).

27. One of the areas that many Adherents rely upon is their body of law to underpin the implementation of strategic public procurement. Some Adherents, such as Sweden, have also moved to define the strategic direction further by setting out a policy framework which includes specific objectives. In response to the challenges faced by Sweden's public sector a National Public Procurement Strategy was developed (Box 6.2). The challenges that Sweden identified are common to most public sector organisations around the world. They included the changes in the world such as climate, the environment, demographic trends and migration flows, as well as citizen's expectations of service. The strategy is designed to be a catalyst for new ideas in the public sector.

Box 6.2. Sweden – sound public affairs for a sustainable future

Sweden's National Public Procurement Strategy includes seven policy objectives:

1. Public procurement as a strategic tool for doing good business.
2. Effective public purchasing.
3. A multiplicity of suppliers and well-functioning competition.
4. Legally certain public procurement.
5. Public procurement that drives innovation and promotes alternative solutions.
6. Public procurement that is environmentally responsible.

Source: (Ministry of Finance Sweden, n.d.^[10]) (Brannstrom, 2018^[11]).

6.1.1. Supporting the implementation of public procurement to encourage innovation

28. In line with the provisions of the Recommendation (Principle on balance) (paragraph V), public procurement should be used as a strategic instrument to promote innovation and many countries are taking measures to support it by developing action plans, informing broader innovative or procurement strategies or as stand-alone initiatives (OECD, 2018^[8]). In line with the 2030 Agenda for Sustainable Development Goals (OECD, 2016^[12]) public procurement is increasingly recognised as a potential strategic instrument and a lever for achieving government policy goals such as innovation (OECD, 2017^[13]).

29. As noted earlier strategies and policies are in place across a large percentage of respondents (81% including 69% at a central level) to support the objective of procuring innovative goods and services (OECD, 2018^[8]). A report containing an overview of the

findings from the underlying OECD Survey on Strategic Procurement for Innovation 2015 (OECD, 2017^[13]) noted that public procurement continues to direct efforts in the traditional area of the supply side by ensuring that the private sector operates in an environment conducive to innovation. Increasingly, however, public procurement for innovation is at the forefront of developing policies for the demand side. Innovations materialise when there is a demand for innovation and so effective policies to support innovation are coming from the demand side as well as the supply side.

30. Using public procurement to meet societal needs can be seen in targeted, demand side innovation policies such as anticipating future investments to address existing or future societal challenges, allowing potential vendors to enter the market with new innovative goods or services. Public procurement has potential to be a catalyst for innovative solutions to pressing challenges. In a digital transformation context, public sector investment decisions are becoming increasingly complex. Digital services must respond to fast-changing citizens' expectations requiring crosscutting actions and integrated decisions. “On the supply side, improved Internet access and speed mean that governments have access to ever cheaper and more modular, usually cloud-based, services. But emerging technologies introduce also new uncertainties (dominant standards) and new issues that need to be managed by governments (e.g. data ownership and sovereignty, tendering and management of contractual relations, exit strategies, transitioning from legacy systems)” (OECD, 2018^[14])

31. In New Zealand, innovation to solve public sector challenges has been realised through a contract for government banking services. Banking is a highly disrupted sector and as a result is now heavily innovating. In New Zealand a unique public and private sector collaboration is delivering innovative solutions which arose out of a public procurement procedure underpinned by a set of strategic objectives including the digital transformation of the New Zealand government (Box 6.3).

Box 6.3. Improving existing public services in New Zealand through innovation

The Innovation Fund in New Zealand was born out of the All of Government banking tender and set up a joint initiative between one of the winning bidders, Westpac New Zealand, and the New Zealand government. The Innovation Fund invests in proposals that are expected to drive value for both the public sector and Westpac. The aim of the fund is to help create services and experiences that help grow a better and more innovative New Zealand. The fund is able to be accessed by contracting authorities across the New Zealand government sector and has encouraged collaborative approaches to be taken in the form of innovation labs, hackathons and accelerators.

The fund has been used to fund several projects including:

- An artificial intelligence bot to assist Ministry for Primary Industries staff with simple biometric questions. The Virtual Assistant Interface (Vai) is stationed initially at the Auckland International Airport’s biosecurity arrivals area for visiting passengers to ask questions that don not require human interaction.
- Helping the New Zealand government deliver on its Cyber Security Strategy. A Cyber Security Safety Audit service was designed using an innovation methodology with public procurement woven in to address the problem of security breaches in New Zealand small businesses.

- Helping small business in New Zealand by making anti money laundering compliance easier through co-funding the expansion of smart customer onboarding software.
- Enabling a team from the University of Auckland to investigate historical and anonymised bank transaction data to see if they could identify spending patterns in a community following a disease outbreak.

Source: (Innovation Fund, 2018^[15]) (ZDNet, n.d.^[16]).

32. The 2015 OECD Survey on Strategic Procurement for Innovation found that comprehensive programmes at the national level are the second most used instrument to support strategic procurement for innovation behind policy instruments (OECD, 2017^[13]). One such collaborative project is the PP2Innovate project which aims to build regional capacities in public procurement of innovative solutions (PPI) by targeting directly public procurers on all administrative levels in central Europe (Box 6.4).

Box 6.4. The PP2Innovate project

The PPI2Innovate project is designed to use capacity building to boost usage of public procurement innovation in Central Europe. The project began on 1 June 2016 and continues until 31 May 2019 within the European Union funded programme “Interreg CENTRAL EUROPE”.

It consists of a consortium of 10 partners from six central European countries (Hungary, Czech Republic, Poland, Italy, Slovenia and Croatia) with eight associated partners. The project is aimed at building regional capacities in public procurement innovation, change attitudes towards public procurement innovation, strengthen linkages amongst relevant stakeholders in regional innovation systems and consequently boost usage of public procurement innovation in Central Europe.

The outputs of the project are three thematic PPI2Innovate tools (Smart Health, Smart Energy and Smart ICT) which will be fully customised to the six national institutional frameworks and translated into each national language.

In addition there will be six action plans for the operation of Competence Centres to be established by networking partners covering the regional level in Poland (RARR), Italy (University of Torino – UNITO) and Hungary (CTRIA) and the National level in Slovenia (ICT TN), Croatia (Bicro) and Czech Republic (DEX IC). Other activities include:

- A Central Europe network of PPI2Innovate competence centres.
- Training of new members of the PPI network.
- PPI pilots in the energy, health and ICT sector in Hungary (Somogy County), Italy (Piedmont Region), Poland (Lubin) and Slovenia (Ministry of Public Administration).
- Project partners organised various workshops for contracting authorities.

Source: (OECD, 2018^[8]).

33. Innovation procurement can be defined in many different ways and public procurement procedures and the professionals delivering them are being challenged to keep up. The whole public procurement cycle is developing and adapting to the future needs of stakeholders that are seeking out innovative approaches to solve problems. Often procurement of innovation is related to a concrete need or demand. In the 2015 OECD Survey on Strategic Procurement for Innovation the reasons that countries chose to implement procurement for innovation fell into two categories:

- (Most commonly) the need for goods or services that were not yet available to those with the demand, and therefore required a specialised, new good or service, as opposed to an improved good or service.
- Improving the performance of existing products or services such as producing total cost savings and/or energy efficiency and risk reduction (OECD, 2017^[13]).

34. In Mexico the Ministry of Economy created a programme to drive innovation through public procurement. The programme was designed to promote innovation especially within micro, small and medium sized firms (Box 6.5). It was also intended to improve public services through innovative products and services (OECD, 2017^[13]).

Box 6.5. Innovative digital solutions in Mexico

In 2015, the General Directorate of Information Technology of the President's Office in Mexico, in collaboration with other agencies of the Federal Public Administration, launched the project "Public Challenges". Through the *retos.datos.gob.mx* platform, Mexican companies were invited to compete by offering innovative digital solutions to problems related to environment, health education, transportation, food, connectivity and prevention by creating digital applications. In total, 15 Public Challenges were launched and 341 proposals were received. In each challenge, five finalists were selected by a non-governmental committee and received a grant to develop a functional prototype and the best one was awarded a contract to fully develop the selected project.

After the results of the Public Challenges, and in order to strengthen the implementation of innovation procurement policy, the Working Group on Innovation Procurement was created. The main objective of this working group is to generate policies to mitigate the risk of adopting innovation and to propose modifications to the current legal framework for procurement to facilitate innovation procurement.

Source: (OECD, 2017^[13]).

Using procurement procedures to encourage competition in the area of innovation

35. One of the largest obstacles that countries have to overcome when aiming to increase innovation is the tendency to use the award criterion of lowest price (OECD, 2017^[13]). The EU Directive (the Directive) stipulates that contracting authorities should apply award criteria corresponding to the most economically advantageous tender (MEAT) (European Union, 2014^[17]). Using this approach weighted criteria within the best price quality ratio (BPQR) can be included for tenders. The method allows contracting authorities to consider criteria that can include qualitative, environmental and/or social aspects. Examples of such aspects could include: quality, technical merit, social and

environmental characteristics, qualification and experience of supplier staff, after-sales service, technical assistance and delivery conditions.

36. Encouraging the inclusion of secondary policy objectives as part of the award criteria as opposed to drafting descriptive technical specifications is a way to stimulate the market to offer innovative solutions. By describing the detailed technical solution economic operators are unlikely to submit tenders that substantially exceed the minimum requirements as they will be aware that a cheaper solution – one that is less innovative but still within the minimum requirements may be more likely to succeed. In such cases the competition is restricted to the price to quality ratio and will usually be a small component of the overall weighting.

37. Using the MEAT criteria along with the life cycle cost (LCC) method can support innovation outcomes. Life-cycle costing tends to broaden the scope and can include the cost of externalities (the shadow price) related to upstream and downstream activities (Richard Baron, 2016^[18]).

38. In the 2018 Survey, 48% of respondents include award criteria related to innovative goods and services about 25% of the time (Table 6.1). The percentage of respondents in this category has increased between 2016 and 2018. More respondents seem to be integrating such award criteria into procurement procedures but only for some specific procurement processes. Most of the respondents are from the countries' CPBs and so the data relates mainly to them rather than contracting authorities (OECD, 2018^[8]).

Table 6.1. How often do CPBs use award criteria related to green public procurement and to innovative goods and services?

	Green public procurement		Innovative goods and services	
	2016	2018	2016	2018
Australia	".."	".."	".."	".."
Austria	○	○	●	●
Belgium	".."	◆	".."	●
Canada	◆	◆	●	●
Chile	■	○	●	●
Czech Republic	".."	".."	".."	".."
Denmark	■	■	◆	◆
Estonia	◆	◆	◆	◆
Finland	□	□	○	○
France	".."	◆	".."	◆
Germany	○	○	◆	◆
Greece	◆	◆	●	●
Hungary	◆	◆	◆	◆
Iceland	◆	◆	◆	◆
Ireland	".."	".."	".."	".."
Israel	■	■	◆	◆
Italy	■	■	■	◆

Japan	Non applicable: No CPB			
Korea	◆	◆	■	■
Latvia	◆	◆	●	●
Lithuania	".."	◆	".."	◆
Luxembourg	".."	".."	".."	".."
Mexico	●	●	●	●
Netherlands	Non applicable: No CPB			
New Zealand	○	○	○	○
Norway	■	■	●	◆
Poland	".."	".."	".."	".."
Portugal	■	■	●	●
Slovak Republic	◆	◆	●	◆
Slovenia	○	□	●	◆
Spain	■	■	○	○
Sweden	".."	".."	".."	".."
Switzerland	".."	".."	".."	".."
Turkey	◆	◆	◆	◆
United Kingdom	○	".."	○	".."
United States	".."	".."	".."	".."
OECD Total				
● Never	1	1	10	9
◆ Seldom (About 25% of the time)	9	12	7	13
○ Sometimes (About 50% of the time)	5	4	4	2
■ Often (About 75% of the time)	7	6	2	1
□ Always	1	2	0	0
".." No information available	11	9	11	9
Non applicable: No CPB	1	1	2	9
Costa Rica	○	■	◆	◆
Morocco	".."	◆	".."	◆
Peru	".."	◆	".."	●

Sources: (OECD, 2016^[9]) (OECD, 2018^[8]).

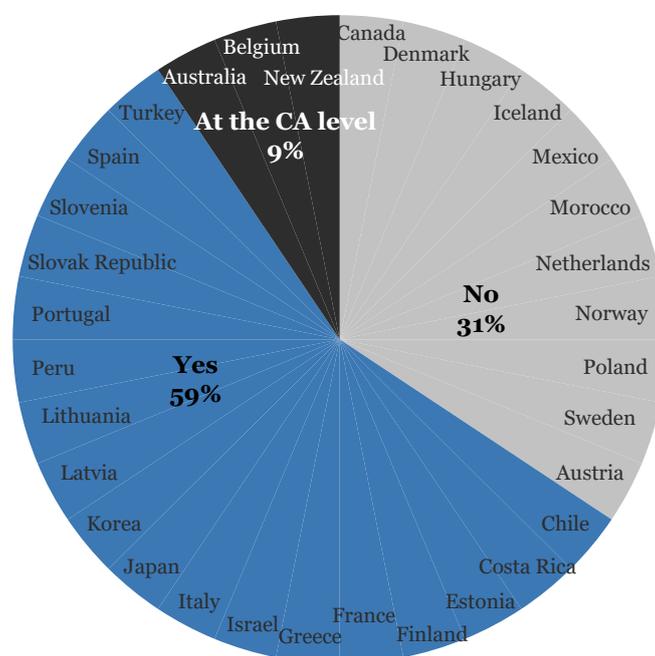
Digital transformation in public procurement – the path to greater effectiveness, efficiency and transformation

39. The Recommendation calls upon Adherents to use information and communication technologies to “drive cost savings and integrating public procurement and public finance information” and to “employ recent digital technology developments that allow integrated e-procurement solutions covering the public procurement cycle” (Principle on e-procurement) (paragraph VIII, i). E-procurement systems collecting consistent, up-to-date and reliable data on procurement processes can feed in other government information technology (IT) systems through automated data exchanges, reducing risks of mistakes, errors and duplication. Conversely, integration with other digital government systems such

as digital invoicing are essential to make e-procurement systems fully functional during all phases of the procurement cycle.

40. OECD survey data suggests that Adherents are increasingly integrating their e-procurement systems with other government IT systems, such as budgeting interfaces, business and tax registries, social security databases, public financial systems and ERPs. While only 40% of respondents reported some kind of integration with other government IT systems in the 2016 Survey, this percentage has increased to 69% in the 2018 Survey. The vast majority (59% of respondents) had their e-procurement system integrated with other *central* government IT systems, while three respondents (Belgium, Australia and New Zealand, corresponding to around 9% of respondents) have e-procurement systems integrated to the ERP of contracting authorities (Figure 6.2).

Figure 6.2. Is your e-procurement system integrated with digital government systems?



Note: Based on 32 respondents (29 OECD countries and Morocco, Peru and Costa Rica). “Yes” account for 59.4% of countries, “No” for 31.3% and 9.4% at the contracting authority level. E-government systems are budgeting systems, business and tax registries, social security databases, financial systems for payment, ERP, etc.

Source: (OECD, 2018^[8]).

41. Overall, 59% of respondents have integrated their e-procurement systems and a variety of central government IT systems. The most common are budgeting systems, business and tax registries, social security databases, financial systems for payment, and the ERPs of contracting Authorities. However, Estonia and Latvia have integrated their e-procurement system with the local tax register (Tallinn’s tax register in the case of Estonia). Many countries have integrated e-procurement systems with e-signature and e-invoicing systems. Turkey built automated data exchanges between its e-procurement system and its National Statistical Agency.

42. Overall, the Korean KONEPS is the e-procurement system providing for the highest connectivity to external databases, as it is interconnected to over 200 external

database systems, out of which only 65 are from public entities, including the public finance system D-brain. For instance, KONEPS has interfaces with databases from 12 private sector business associations, nine credit ratings companies and the payment systems of 15 commercial banks. In addition to collecting information from external sources information from KONEPS is also shared with 28 public entities and 34 private sector information systems (OECD, 2016^[19]).

6.1.2. Using green public procurement to address environmental challenges

43. One secondary policy objective Adherents have sought to address in implementing paragraph V of the Recommendation, is addressing environmental challenges. Green public procurement (GPP) is the public purchasing of products and services which are less environmentally damaging when taking into account their whole life cycle. It is increasingly used by countries to achieve secondary policy objectives in the area of environmental protection (OECD, 2015^[20]) (OECD, 2002^[21]). The OECD has been a forerunner in encouraging the development of green public purchasing policies. Indeed, as early as 2002, the OECD Council adopted the Recommendation of the Council on Improving the Environmental Performance of Public Procurement [[OECD/LEGAL/0311](#)]. It urges countries to incorporate “environmental criteria into public procurement of products and services including, when appropriate, environmental impact criteria throughout the life cycle”.

44. The take-up of the LCC methodology is just beginning. It has been used most often by EU member states in GPP. Public institutions can use LCC to calculate all the costs of a product or service through the whole lifespan. It can be applied in different ways and typically includes three types of assessment: conventional, societal and environmental. Conventional LCC refers to traditional financial assessment, including organisation costs. Societal LCC also considers externalities through the internalisation of social and environmental costs. Environmental LCC is a life cycle assessment approach that considers costs ascribed to different stakeholders, including future generations and the evaluation of “environmental externalities” (De Giacomo et al., 2018^[22]).

45. LCC enables cost efficiencies by allowing contracting authorities to compare alternatives based on overall cost, and accurately quantify any “hidden costs” that can occur later, when the product or service is used. Public authorities can then achieve cost savings and efficiency gains, leading to a situation where a greener product can also turn out to be cheaper if the cost across the whole lifecycle is considered (De Giacomo et al., 2018^[22]).

46. The 2018 Survey shows that respondents are employing some areas of good practice to encourage GPP include:

- Laws, regulations and policies in support of GPP.
- Plans for GPP with regards to the market (solutions on offer, capacity, etc.) and cost/benefit assessments.
- Use of environmental standards in technical specifications, such as materials, recycled content; production methods; allowing for submission of alternative solutions; exclusion criteria for non-compliance; etc.
- Use of environmental standards in award criteria and contract performance clauses (weighted environmental criteria; eco-labels as a criterion; environmental management systems as a criterion).
- Systems to monitor GPP.

- Professionalisation activities.
- Awareness raising (OECD, 2016_[23]).

47. The development of GPP strategies and policies has been happening for some time which can be seen from data collected by the OECD in 2016. The 2018 Survey shows that 64% of surveyed countries are now integrating award criteria relating to GPP into public procurement procedures seldom (about 25% of the time) or sometimes (about 50% of the time).

48. There is potential for the environmental benefits of GPP to be improved if GPP award criteria are included in procurement procedures (De Giacomo et al., 2018_[22]). Training and guidance for public procurers on the inclusion of technical specifications that take into account secondary policy objectives can result in improved outcomes. So can raising the awareness of stakeholders regarding the consideration of these performance requirements and standards (OECD, 2018_[24]).

6.1.3. Improving economic results through public procurement

49. Public procurement is being increasingly recognised as a lever to drive economic growth. Employing appropriate impact assessment methodology to measure the effectiveness of procurement in achieving secondary policy objectives is increasingly important (Principle on balance) (paragraph V, iii). As the complexity of public procurement activity increases so does the difficulty of measuring its impact. The Secretariat has found that while public procurement impacts are widespread, measurement frameworks are unable to systematically demonstrate the benefits or drawbacks of procurement policies. High level indicators can be used for measuring progress against objectives. Data availability and complexity mean that centralised activity can support development of a broader measurement framework that takes into account the broader procurement system (OECD, 2019_[25]).

50. The link between secondary policy objectives and economic growth is clearly acknowledged by respondents. Several respondents collect data on the degree to which secondary policy objectives are met and some provide reports to various levels of government (OECD, 2018_[8]). This is particularly the case regarding GPP and support to SMEs: around 70% of surveyed countries collect data or measure the result of procurement processes in light of these two dimensions.

51. Some respondents use the data in a way that is intended to drive better outcomes, for instance, publicising that a good or service has achieved a certain status and encouraging further consumption. For example, in Finland a complex methodology is used for measuring the results of GPP. There is a long list of criteria and any framework agreement of the central purchasing body is evaluated against a set of criteria. If at least two of the criteria are fulfilled the framework agreement is given a “green label” and all purchases under it are labelled Green (OECD, 2018_[8]).

52. Respondents also described procurement data being used to boost consumption of desirable products, for example, green products. The benchmarking of the volume of purchases enabled such strategies to be developed in a thoughtful manner. In Japan the Ministry of Environment collects procurement data from the central government’s agencies and ministries. Based on these data the Ministry of Environment calculates the share of GPP for each designated item every year. Based on the results the Ministry considers the policies and plans to enlarge the share of GPP for the following year. The number of government purchases from SMEs for each fiscal year is also collated (OECD, 2018_[8]).

53. Use of e-procurement systems is a pre-requisite of effective measurement. Data availability is improved by the widespread and coherent use of system. Using robust and open data standards can also assist to collect data in a usable format. Centralised procurement organisations and framework agreements can also assist in enabling the collection of data which can be used to demonstrate efficiency and effectiveness (OECD, 2019^[25]; OECD, 2018^[26]; OECD, 2016^[27]). In the area of transparency and data collection, the European Commission provides e-procurement tools such as the TED database which plays a key role at European level, in centralising the mandatory publication of Contract Notices and Contract Award Notices above the EU thresholds.

54. Overall respondents confirm that the use of procurement data is common for reporting and visibility (with a few exceptions). Once a baseline can be established through the collection of public procurement data then improvements can be measured. Measuring further improvements involves being able to demonstrate an increase in economic results through the use of public procurement data (OECD, 2018^[8]).

6.1.4. Public procurement as a tool for inclusive growth

55. Inequality in many Adherents is at its highest in 30 years. The average disposable income of the richest 10% of the population is around ten times that of the poorest across the OECD which is an increase from the mid-1980s where it was seven times. In terms of wealth the richest 10% in wealth owns about 50% of all household asset, while the bottom 40% owns barely 3% (OECD, 2018^[28]).

56. Although poor people and places bore the worst of the financial crisis, the increase in labour productivity has not always led to higher incomes for middle class people. Disadvantages can have a compounding effect as low household income leads to low quality education and jobs being at risk, which, in turn hinders socio economic and inter-generational mobility. These inequalities negatively influence economic performance and trust in public institutions and threaten social cohesion. This means that the established political and economic order and globalisation are being rejected by more and more people (OECD, 2018^[28]).

57. In order to meet this challenge policy makers and private sector leaders need to promote inclusive growth models that prioritise wellbeing – in particular, for the poorest – and for the preservation of the planet (OECD, 2018^[28]). Policy makers increasingly recognise that public procurement has the potential to contribute to socio-economic development. The changes to how public procurement is perceived has led to the reforms of public procurement systems in many countries. It is recognised that procurement is a lever for change in delivering more effective public services for better lives. (OECD, n.d.^[29])

58. The Recommendation calls upon Adherents to “*facilitate access to procurement opportunities for potential competitors of all sizes*” and to “*have in place coherent and stable institutional, legal and regulatory frameworks, which are essential to increase participation in doing business with the public sector and are key starting points to assure sustainable and efficient public procurement systems*” (Principle on access) (paragraph IV).

59. In the European public procurement system, the most important regulations refer to non-discrimination and equal treatment of all enterprises. These rules, along with the fundamental freedoms of the common market, are the pillars of the EU legal system. For example, in regard to SMEs rather than providing for clear preferences for SMEs in public procurement procedures, consideration is given to the reduction of the financial burden on

participants, and the implementation of training measures, which would ensure equal chances for all participants. (Thai, 2015_[30])

60. Some Adherents specifically consider social inclusiveness in the tendering process itself. For example, Australia has an Indigenous Procurement Policy which requires Australian Commonwealth entities to award three percent of Australian Commonwealth contracts to indigenous businesses. The Indigenous Procurement Policy also requires certain contracts be set aside for indigenous businesses and that some other contracts include mandatory minimum indigenous employment or supplier use requirements. Consideration is given at various stages of public procurement procedures which are designed to support social outcomes and inclusion (OECD, 2018_[8]).

61. Respondents provided the following examples of methods being used to increase social inclusion through public procurement:

- Certification of economic operators' social objectives.
- Certification of adherence to laws relating to social objectives.
- Consideration of work/life balance in the criteria for procurement procedures.
- Creation of jobs included in criteria.
- Criteria include support for SMEs, gender equality and vulnerable groups.
- Requirements to procure from social enterprises.
- Human rights included in award criteria and technical specifications.
- Minimum employment of marginalised groups required of suppliers.

62. Chile's public procurement system uses an e-marketplace which encourages use by SMEs and women. There are specialised training programmes for women, moreover, in 2015 Chile revised relevant regulations and guidelines to help officials include gender considerations in their decisions by the incorporation of gender specific evaluation criteria. Women represent 36% of the contracts awarded by the Government and the figure is increasing even though they account for a smaller share of aggregated procurement value. Many of the women who have participated are from rural areas and 64% are the main breadwinner for their family. The main issue with increasing women's participation is identifying which companies are truly women-led or women-owned, and certification and identification can be a barrier to entry as its can be expensive.

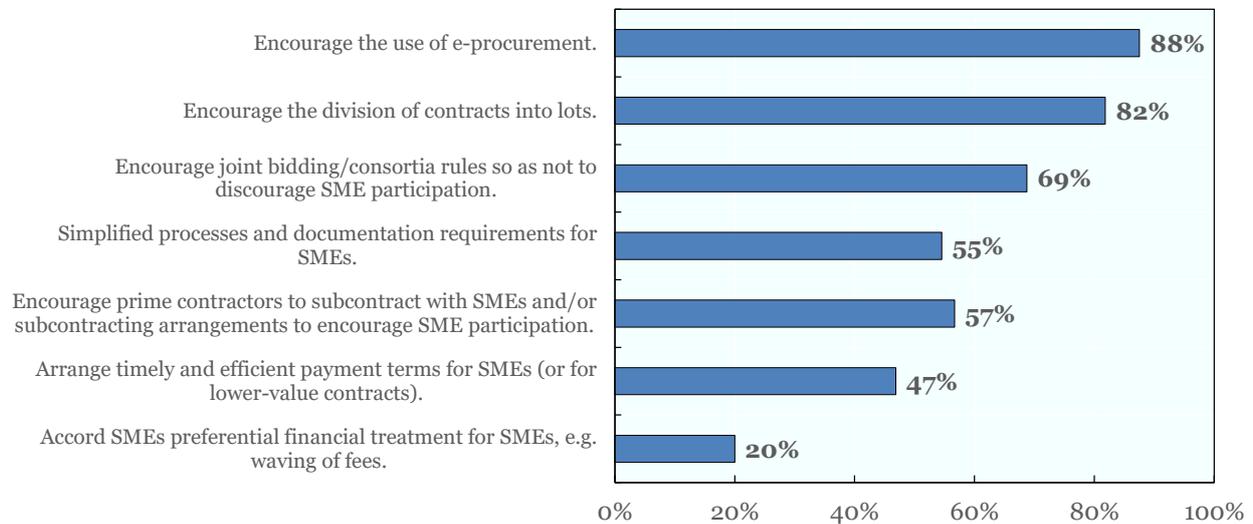
63. Chile has remedied this problem by introducing an electronic registry, which certifies "women enterprises" and is linked with the civil registry (for sole proprietorships). As far as corporations that are more complex are concerned, women must own the majority of the company shares and the CEO must be a woman for the company to be labelled "woman enterprise" in the registry. Chile measures the average amount traded by suppliers who are women and noted that it has increased from 2013 to 2017 by USD 1 500. The participation in the total amounts traded of suppliers who are women has increased by 6 percentage points from 2013 to 2017 (from 21% to 27%) (Trinidad Inostroza, n.d._[31])

64. Engaging SMEs in public procurement helps governments to better meet the procurement needs of the public sector. Increasing their participation in the public procurement market ensures a more competitive bidding process and affords access to a wider choice of available and innovative solutions (Flynn and Davis, 2017_[32]). An OECD survey on the strategic use of public procurement to support SMEs found that in 44% of

the countries surveyed public procurement strategies for GPP, and public procurement for innovation commonly reflect the objective of supporting SMEs in those procurements (OECD, 2017^[33]).

65. Complex public procurement systems and processes are a major hurdle to SME participation in public procurement markets. SMEs are disproportionately affected due to their internal constraints in terms of financial, technical and administrative capacities to access procurement opportunities, prepare tender documents, apply procedures and execute the contracts. Countries are addressing this issue through a variety of measures (Figure 6.3), including encouraging the division of contracts into lots, simplifying processes for instance by standardising procurement documents or encouraging the use of e-procurement, and promoting joint bidding of SMEs with larger companies (OECD, 2018^[34]).

Figure 6.3. Measures to support SMEs in public procurement



Note: Based on data from 30 countries (28 OECD countries as well as Costa Rica and Colombia).

Source: (OECD, 2017^[33]).

66. The most widely adopted approach to supporting SMEs in public procurement therefore aims at ensuring that they are aware of tender opportunities and that competent SMEs have a fair chance of competing for government contracts. By contrast, only a few OECD countries have legislative provisions for bid preference (e.g. Korea and Mexico) and set-asides (e.g. Canada, Korea and the United States), often targeting specific categories of small businesses (Aboriginal small businesses in Canada, small businesses from disadvantaged districts in the United States, etc.) (OECD, 2018^[34]).

67. Regarding the simplification of procurement processes, the European Single Procurement Document (ESPD), provided for in Article 59 of the 2014 European Directive on public procurement, is a supplier self-declaration tool. Based on a standard form it offers preliminary evidence regarding exclusion criteria (e.g. criminal convictions, grave professional misconduct) and selection criteria (financial, economic and technical capacity). The full set of supporting documentation, including attestations and certificates, needs only to be presented by the winning economic operators (OECD, 2018^[34]). Such simplification measures will ultimately enable more SMEs to participate in public procurement.

6.1.5. Assuring global supply chains by using public procurement to support responsible business conduct

68. Enterprises operating in global supply chains can potentially generate growth, employment and skills through their operations and sourcing. However, when they fail to operate responsibly then they risk being a contributor to adverse human rights, labour and environment impacts in their operations or supply chains. The OECD Guidelines for Multinational Enterprises (the OECD MNE Guidelines) – a part of the 1976 OECD Declaration on International Investment and Multinational Enterprises [[OECD/LEGAL/0144](#)]], a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contributions that Multinational Enterprises can make to economic and social progress – set out a range of recommendations, from governments to multinational enterprises, on responsible business conduct. (OECD, 2011^[35])

69. The European Commission has enabled, through the online database eCertis, access to information on the means of proof, associated with the exclusion grounds and selection criteria. Furthermore, at European level, there is an increasing trend towards public procurement data disclosure in line with the recommendation of the European EXEP working group (European Commission, 2014^[36]) on the development of Contract Registers (CR). This tool aims at the centralisation of information on a single point of access as well as its publication according to the rules defined by each country.

70. The OECD's Investment Committee building on the Declaration on International Investment and Multinational Enterprises and the OECD MNE Guidelines has developed due diligence guidance for responsible business conduct which provides practical support to enterprises on the implementation of the OECD Guidelines by providing plain language explanations of its due diligence recommendations and associated provisions, both in general as well as in relation to specific sectors to help enterprises to avoid and address adverse impacts on workers, human rights, the environment, bribery, consumers and corporate governance that are associated with their supply chains and other business relationships (OECD, 2018^[37]).

Box 6.6. Poland using public procurement to pursue secondary policy objectives

In Poland provisions relating to responsible business conduct are contained within the Public Procurement law and are the result of the transposition of very similar provisions contained in the European Union Directives. There is provision for reserved contracts where the contracting authority may limit the competition for contracts to sheltered workshops and other economic operators whose activities include social and professional integration of people who belong to socially marginalised groups (particularly disabled and unemployed people, people with mental disorders or belonging to disadvantaged minorities, homeless, refugees and others). There is a requirement of a minimum of 30% of those employed in the organisations are from the socially marginalised groups. The law also contains exclusion criteria which provide that in certain circumstances economic operators cannot be awarded contracts. There are various stages during public procurement procedures when consideration of secondary objectives is encouraged.

Poland has overarching policy instruments which touch upon the secondary policies in public procurement. There is ongoing work to develop the National Purchasing Policy to take into account the strategic use of public procurement. The National Action Plan on

sustainable public procurement 2017-2020 is in the process of implementation. A project has been underway “Effective public procurement – strengthening administrative capacity” which is co-financed from the European Social Fund. The project is directed to contracting authorities at all levels of national administration and contains components addressing specific secondary policies. A number of measures are being taken to support contracting authorities including training, conferences and model documents.

Source: (OECD, 2018^[8]).

71. At the 2018 OECD Global Forum on Responsible Business Conduct in a session on Supply Chain Transparency it was concluded that supply chain disclosure is a key component of due diligence, enabling workers to play a critical role in providing information to companies about their human rights risks and impacts. There is growing momentum towards greater disclosure of supplier information, but each sector is at a different stage in this journey in terms of the scope and type of information they disclose publicly. (OECD, 2018^[38])

72. The 2018 Survey shows that some respondents are using public procurement levers to increase responsible business conduct on the part of suppliers. Around a third of respondents are measuring the results of procurement processes in regards to some dimension of responsible business conduct and around half of respondents include responsible business conduct in award and selection criteria at least for some purchases. This is for instance the case in Norway, whose Agency for Public Management and eGovernment (Difi) issued several guidance documents on the topic (Box 6.7).

Box 6.7. Norway’s approach to responsible business conduct

The Norwegian legal framework allows human rights considerations to be taken into account in public procurement processes as award criteria and in technical specifications. There are several guidance documents and information on responsible business conduct available on the website of the Agency for Public Management and eGovernment (Difi).

In Norway measures including new procurement rules have been put in place to prevent work-related crime. Work-related crime has a negative effect on competition in markets. Norway has identified that one way to prevent work-related crime and social dumping is to impose more stringent requirements on public officials who order, as well as suppliers. Difi have prepared a guide to best practice for compliance with the Regulations concerning pay and working conditions in public contracts.

New provisions have been put in place for contracting authorities requiring that there be a maximum of three subcontractor levels in the supply chain i.e. a main contractor with a maximum of two subcontractor levels in contracts for construction works and cleaning services. Secondly contracting authorities must require the use of apprentices in contracts over a certain size and duration. Guidelines are available for these provisions.

Source: (Solberg Prime Minister Anniken Hauglie et al., 2017^[39]), (OECD, 2018^[8]).

73. Responsible business conduct by suppliers is promoted in Canada by certification as part of the bidding process by apparel suppliers. The Canadian Federal CPB, Public Services and Procurement Canada (PSPC), is supporting research on ethical sourcing of apparel in other jurisdictions as well as the practices of apparel suppliers in Canada with

offshore production. On 7 September 2018 the PSPC launched the Ethical Procurement of Apparel Initiative. The initiative requires suppliers and their first-tier subcontractors to certify that they comply with a list of eight fundamental human and labour right principles each time they bid. Suppliers that are found to be in violation of their certification risk having their contract terminated for default. The certification is coupled with a requirement to provide information regarding the location of the factories that produce the products being purchased. When the contract is awarded then the certification and information about the factory is made publicly available.

74. In Canada, the Federal Government also launched an initiative to develop a new government-wide vendor relationships and performance management regime. It will ensure that supplier past performance information is used to inform future contract awards. Ethical sourcing will be assured during the regime in supplier contracts. It will also be included in transparent evaluation criteria and rating scales for assessing vendor performance.

75. The private sector is using responsible business conduct to assure supply chains sometimes due to the reputational damage and associated loss of shareholder value associated with supplier failures in this area. Public organisations also have incentives to influence the behaviour of suppliers and encourage responsible business conduct to ensure citizen outcomes are optimised as well as comply with legal requirements. There is currently interest in using technologies such as blockchain to solve the problems of scale and trust inherent in responsible business conduct (OECD, 2018^[40]).

6.1.6. Understanding the trade-offs for informed decisions

76. An area of concern in many OECD countries is the potential to be overwhelmed by a large number of policy objectives through public procurement and the risk is that the system of mandates and preferences become unmanageable or impossible to satisfy. There are many different technology solutions and project management techniques that can support the collection of and reporting on various objectives that have strategic importance for various stakeholders (Sumiani, Haslinda and Lehman, 2007^[41]) (Amran and Ooi, 2014^[42]).

77. Many jurisdictions are using methods to prioritise the various strategic initiatives being adopted through procurement functions (Table 6.2). There is a recognition in some countries that it is not possible to do everything, especially where resources are limited. The various approaches range from leaving the decision up to the contracting authorities to prioritising the initiatives in an annual workplan.

Table 6.2. Prioritisation of strategic procurement initiatives

.Prioritisation method	Countries
Contracting authority decision	Germany, New Zealand, Poland
Legislation sets out priorities in terms of secondary policy objectives	Hungary, Mexico
Policy sets out primary objectives	Iceland, Portugal (in the future)
Annual workplan prioritisation/Action Plan	Korea
Each project is considered separately by individual procurement entities on a case-by-case basis on the basis of the suitability of a particular procurement process to further a secondary policy goal.	France, Israel, Netherlands, Costa Rica
All initiatives are promoted equally	Greece, Sweden
Prioritised against societal goals	Slovak Republic

Source: (OECD, 2018^[8]).

78. It seems that there is no “one size fits all” and governance over strategic procurement goals is configured according to the prevailing need in each country. Sometimes a top down approach is taken as in New Zealand where a recent procurement reform programme was directly linked to government policy direction (Box 6.8).

Box 6.8. Achieving wider benefits from government procurement in New Zealand

In New Zealand it is recognised that public procurement can and should be used to support wider social, economic and environmental outcomes that go beyond the immediate purchase of goods and services.

The New Zealand government agreed on 23 October 2018 to a set of priority outcomes for contracting authorities to leverage from their procurement activities and identified specific, contracts or sectors for initial focus.

Contracting authorities are expected to collectively focus on four priority outcomes where the greatest benefit can be achieved for New Zealand.

1. Access for New Zealand businesses. Increasing access to government contracts for New Zealand businesses, with particular focus on those less able to access opportunities and those working in priority sectors (such as ICT, Maori and Pasifika businesses and businesses in the regions).
2. Construction sector skills and training. Increase the size and skill level of the domestic construction sector workforce and provide employment opportunities to targeted groups.
3. Employment standards. Improve conditions for workers and future-proof the ability of New Zealand business to trade.
4. Reducing emissions and waste. Support the transition to a zero net emissions economy and reduce waste from industry by supporting innovation.

To implement this work, the central purchasing body, New Zealand government Procurement and Property will undertake the following steps:

- Work with agencies and stakeholders to identify the best approach to operationalise each outcome.
- Update the Government Rules of Sourcing and develop guidance and support for agencies.
- Develop a monitoring and reporting framework to track agency adoption and outcomes achieved. This will be reported to Cabinet annually and findings will inform practice improvements.

Source: (New Zealand Government Procurement and Property, n.d.^[43]).

79. In the 2018 Survey respondents described the reform programmes they have embarked upon for public procurement. Some have defined the priorities for procurement in terms of the policy objectives identified as part of the reforms. In Sweden the reform programme has outlined policy objectives and ultimately results in partnerships for co-creation between suppliers and procurers (Box 6.9) (OECD, 2018^[8]). In Norway a White Paper on Public Procurement (presented to the Norwegian Parliament in 2019) contained measures related to GPP, innovation, pay and working conditions, and human rights considerations in public procurements (OECD, 2018^[8]).

Box 6.9. National Public Procurement Strategy in Sweden

In September 2015, the National Agency for Public Procurement (NAPP) was established. The government chose to place support for public procurement within an independent authority to raise its profile and to provide organisational conditions that would enable the National Agency for Public Procurement to provide as effective support as possible. NAPP has the overall responsibility for developing managing and supporting the public procurement carried out by contracting authorities and entities. A National Public Procurement Strategy was developed to demonstrate the benefits that can be achieved through a strategic approach to purchasing. The objective set for public procurement is that it is efficient, legally certain and takes advantage of the competition in the market. It also promotes innovative solutions and takes environmental and social concerns into account. Strategic implementation of public procurement is an effective means of achieving the objective and at the same time bringing about positive effects for society. These include driving increased growth and employment together with sustainable development of environmental, social and ethical aspects. The government formulated seven policy objectives for its overall procurement strategy:

1. Public Procurement as a strategic tool for doing good business.
2. Effective public purchasing.
3. A multiplicity of supplier and well-functioning competition.
4. Legally certain public procurement.
5. Public procurement that drives innovation and promotes alternative solutions.
6. Public procurement that is environmentally responsible.
7. Public procurement that contributes to a socially sustainable society.

The stated intent in the policy document is that it will be applied to all public purchases.

Source: (Ministry of Finance Sweden, n.d.^[10]).

80. It is an ongoing concern that in many OECD countries there is a potential for “objective overload”. Addressing a large number of secondary policy objectives through public procurement could result in the system of mandates and preferences becoming unmanageable or impossible to satisfy. In Korea a survey report was developed to support understanding of the various requirements and prioritise their satisfaction within an organisation. The report identified all of the various secondary policy requirements that applied to public procurement. Up to 46 “recommended” procurement priorities and 8-10 mandatory requirements were identified. (OECD, 2016^[19])

81. The 2018 Survey results show that some jurisdictions are actively balancing primary and secondary procurement objectives. The methods are different, however, there is a recognition by some respondents that trying to address all objectives in a balanced way is necessary. Some use policy objectives and goals as in Denmark where areas related to primary policy objectives are identified in thorough studies that compare the buyer’s needs with what the market can offer. The goal of public procurement in Denmark is to lower costs but keep the quality and efficiency high enough in services that are delivered to contracting authorities. Similarly Sweden’s National Public Procurement Strategy states that all public procurement shall be efficient, legally certain and take advantage of the competition in the market. It also states that public procurement shall also promote innovative solutions and take environmental and social concerns into account. In some countries such as Israel the balance between primary and secondary policy objectives is maintained by the use of tools such as a sensitivity analysis to forecast the cost of integrating the policy objective and to decide how to weight it in the procurement procedure.

82. Other jurisdictions like Hungary rely on the law to support prioritisation. In Hungary the legal provisions relating to public procurement state that the law was put in place partly to enhance the access of local small and medium sized enterprises, promote environmental protection and promote the social considerations of the state. Costa Rica’s Ministerio de Hacienda (DGBCA) is constantly working on identifying priority areas to balance the primary objective of public procurement which is to procure goods and services and other objectives that are part of the national agenda. Including these secondary objectives as part of evaluation criteria has helped to achieve that balance. Balancing primary and secondary objectives is done on a case by case basis taking into the objective itself as well as national priorities. For example, guideline DGABCA-002-2018 provides that no entity shall buy single use plastics and so contracting authorities must consider this in advance of their procurement procedures beginning.

6.2. Investing in the future: building skills and capabilities in public procurement

83. The Recommendation calls on Adherents to “*develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively*” (Principle on capacity) (paragraph IX). The Recommendation contains guiding principles to assist Adherents in meeting high professional standards for knowledge, practical implementation and integrity by providing a dedicated and regularly updated set of tools. Additionally there is guidance to provide attractive, competitive and merit-based career

options for procurement officials and promote collaborative approaches with knowledge centres to improve skills and competences of the procurement workforce.

84. The most prominent weakness in public procurement systems is the workforce's lack of capability (defined as skills-based ability for an individual, group of organisation to meet obligations and objectives) and lack of capacity (defined as the ability to meet obligations and objectives based on existing administrative, financial, human, and infrastructure resources). Challenges for public procurement practitioners include the transition from an ordering function to a more strategic one; increasingly complex rules; the multidisciplinary nature of the profession; and the lack of professionalisation (OECD, 2017^[44]).

85. A public procurement workforce with adequate capacity and capability is crucial to the achievement of the strategic objectives of government organisations. Professionals that possess a wide range of skills and competencies including negotiation, project management and risk management skills are necessary for successful delivery of strategic procurement initiatives (OECD, 2017^[45]).

86. Procurement professionals need a set of flexible skills as there are constantly changing contexts and priorities involved in their everyday work. Many procurement professionals work in strategic roles that demand high-level strategic, tactical as well as operational skills. In OECD countries (Belgium, Canada, Korea and the United States), competencies are integrated into various activities to ensure alignment with the organisation's needs. The activities can include recruitment and selection of staff, training and development, as well as succession and career planning. (OECD, 2012^[46])

87. The Secretariat has developed a checklist for supporting the implementation of the Recommendation. The checklist outlines steps that can be taken to build capacity starting with strategy development, a competency framework, job profiles and certification. Having a unit or team that covers capacity development is also helpful along with regular training (OECD, 2016^[23]).

6.2.1. Assessing capability to support future planning to improve public procurement systems

88. Undertaking an assessment of the procurement system using a methodology such as the Methodology for Assessing Procurement Systems (MAPS) can help to set the baseline and identify where there are gaps or misalignments between the strategic requirements of the system and skills (OECD, 2018^[24]). The main indicator framework of the MAPS focusses on the entire public procurement system, and thus provides a comprehensive picture of the status of a public procurement system and where to focus improvements. Indicator 8 specifically focuses on capacity, professionalisation and the system's ability to develop and improve. In addition, a supplementary module is available to focus on aspects of professionalisation.

89. In recent years, Adherents have undertaken MAPS assessments in support of their reform activities. Examples are Norway, whose MAPS assessment in 2017 is currently informing the country's ten-year reform agenda, as well as Chile. Chile had undertaken MAPS assessments in previous years, prior to the most recent assessment in 2017. Repeated MAPS assessments can be useful in determining progress in increasing the performance of the public procurement system. In both cases, Norway and Chile, the MAPS assessments resulted in recommendations to strengthen aspects of public procurement capacity.

90. The New Zealand Procurement Capability Index enables the collection of data from individuals carrying out the public procurement function so that a body of knowledge can be built up over time. The body of knowledge can be used to shape up overall procurement competency models and strategies in an effort to keep ahead of the changing needs of the public procurement profession in New Zealand (Box 6.10).

Box 6.10. Procurement Capability Index

The New Zealand Procurement Capability Index (PCI) is a self-assessment tool that measures government agencies' procurement capability. It covers the complete cycle of good procurement and measures government agencies procurement capability across eleven categories:

- Strategic planning for commercial outcomes
- Procurement strategy alignment with agency key result areas
- Commercial leadership to drive outcomes
- Procurement function engagement with agency stakeholders
- Governance and organisation of the procurement function
- Alignment with policy and processes
- Sourcing and collaboration
- Supplier relationship management
- Management of people and skills development
- Knowledge and performance management
- Use of technology processes and tools

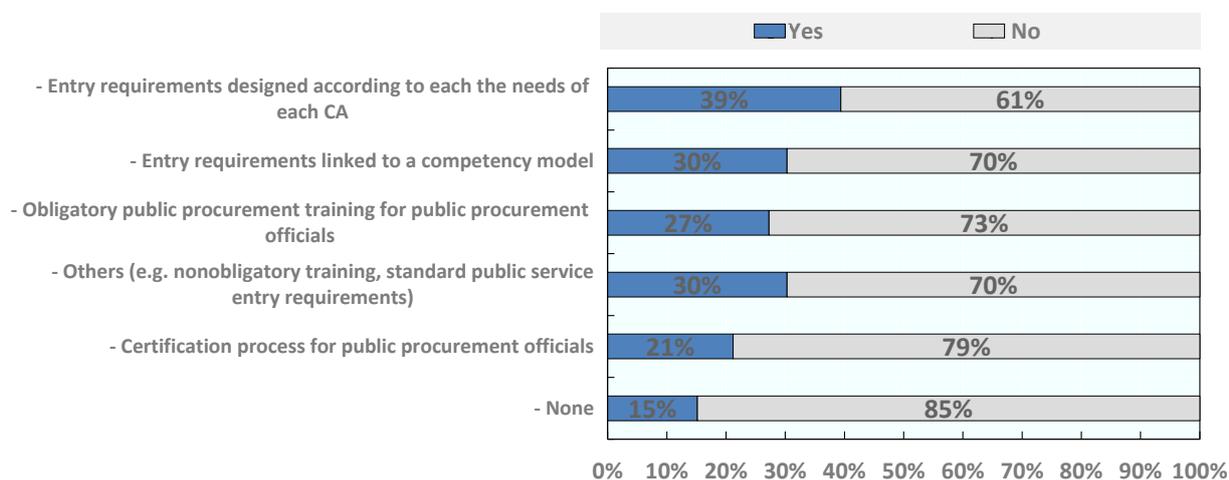
The self-assessment is supported by a review and moderation process that includes peer review, external checks and supplier feedback to provide confidence that the results are relevant and accurate. The annual review provides a full picture of capability across all participating government agencies.

Source: (Ministry of Business Innovation and Employment, n.d.[47]).

91. Responses to the 2018 Survey show that the most common type of entry requirements adopted by Adherents were those that are designed according to each contracting authority's needs. Entry requirements linked to a competency model and compulsory public procurement training were equal in being the next most chosen responses and a smaller number chose through a certification process for public procurement officials. As shown by Figure 6.4, some respondents (30%) have other measures in place to ensure adequate capacity of the procurement workforce such as non-obligatory training and standard public service entry requirements. However, amongst the 2018 Survey respondents the percentage that have entry requirements linked to a competency model or certification of the workforce is low at 30% and 21% respectively. The baseline assessment of capability and identification of gaps is difficult to assess without tools such as competency models and only 30% of the 2018 Survey respondents have them as entry criteria. Assessing the whole public procurement system using a

capability or maturity measurement methodology can highlight where there are gaps in the way it is working to achieve desired outcomes such as effective market engagement and drafting requirements.

Figure 6.4. Measures in place to ensure adequate capacity of procurement workforce



Note: “None” means no specific measure to ensure capacity of the procurement workforce. Data for 33 respondent countries (30 OECD Countries, Morocco, Costa Rica and Peru)

Source: (OECD, 2018^[8]).

6.2.2. The impact of capacity and capability on public procurement governance and funding models

92. Public procurement governance can play a key role in enabling the appropriate skill level to be supported where it is most needed. Centralised models will often have a Central Purchasing Body (CPB), which drives aggregated purchasing, sometimes through the use of framework agreements. CPBs have a number of advantages and are used widely amongst respondents. There can be tension, however, between the needs of decentralised public procurement entities and centralised entities. One area where this comes to the fore is in the funding arrangements which are applied to CPBs. The arrangements for funding generally fall into one of three different types:

- Contracting authorities pay a fee when call offs are made.
- Fees are paid by economic operators when they invoice through framework agreements.
- Funding is provided directly by governments.

93. When setting up CPBs being clear about their role and the scope of their operations is important. In general, the more complex public procurement projects will likely benefit from the involvement of experienced public procurement professionals who possess a range of skills suited to the task at hand. It naturally follows that the funding model needs to support the ability of the system to attract these individuals to where they are needed most. As with any organisational development challenge, having a centralised function that can plan to direct the funding where it is needed the most will assist in achieving this objective.

94. In Finland, for example, the centralised purchasing body, Hansel is funded through service fees paid by suppliers based on the value of purchases made through framework agreements. The service fee is limited to 1.5% of the contract value. Although Hansel is a not-for-profit organisation, their revenue, along with revenue generated through the provision of other services, goes towards covering the cost of Hansel operations. Any additional revenue can be returned to government shareholders as a dividend or re-invested into Hansel as cash equity (OECD, 2019^[25]).

6.2.3. Using the right strategies, tools and guidelines to support public procurement capability and capacity development

95. To support a professional public procurement workforce, specific measures need to be taken depending on factors such as the threshold level of capability and capacity of the existing workforce. An efficient system usually includes:

1. procurement rules and procedures that are simple, clear, along with ensuring access to procurement opportunities;
2. effective institutions to conduct procurement plans and procedures; and produce, manage and monitor public contracts;
3. appropriate electronic tools;
4. suitable human resources; in numbers and skills; to plan and carry out procurement processes; and
5. competent contract management (OECD, 2016^[48]).

96. The development of strategies to address any gaps in capability will lay the foundations for the successful development of an efficient system. The OECD Secretariat has created a checklist to support the implementation of the Recommendation which can be used for developing strategies (OECD, 2016^[23]).

97. The OECD, for example, worked with Bulgaria on a project to define training gaps, conceptualise a training plan, and present a proposal which includes training materials and a curricula for a training plan to enhance capacity in certain areas of the public procurement process (OECD, 2016^[48]).

98. In the 2018 Survey, Canada outlined the governance strategy and initiatives it has in place to develop capacity among procurement professionals. The Comptroller General of Canada is responsible for ensuring that the government's procurement community has the skills and knowledge to support individual government programmes. Periodic departmental assessments are carried out and departments are required to demonstrate how they are supporting procurement capacity within their department (OECD, 2018^[8]).

99. The OECD worked jointly with the Slovak Republic to assist in the development of a training action plan to support a strategy of improving procurement performance. It built upon the OECD framework for designing a training strategy and defining the corresponding action plan. A questionnaire was developed allowing for a structured assessment of the existing training offering, its content and structure and perception from both trainers and trainee's perspective. A detailed action plan was developed to define delivery modes which included: induction pack, distance learning or e-learning, mentoring/coaching and support programmes for degree level study (OECD, 2017^[49]).

6.2.4. Using competency models to assess baselines capability levels and address needs

100. The competencies required by public procurement professionals and organisations are defined according to the context of the jurisdiction where the function resides. Additionally the context can be dynamic and the competencies may change in a fluid fashion. In many jurisdictions, the focus is on building wider commercial skills and competencies as opposed to solely operational procurement skills. This reflects the broader influence of procurement and the growing strategic role it plays in broader outcomes for governments in areas such as innovation, environment and social initiatives.

101. In the area of capacity building the EC supports many initiatives in member states through various channels such as the Structural Reforms Support Programme, promoting the transfer of good practices notably through the TAIEX (Technical Assistance and Information Exchange Instrument) Peer to Peer exchange programme. The EC is also developing a European competency framework for public procurement, which aims to support professionalisation policies at national level so that buyers have the needed skills, knowledge and integrity as well as to address the training needs and career management of public procurement practitioners.

102. The United Kingdom supports an approach of developing and growing commercial skills across the whole public sector. The flexible framework can be used by departments for assurance that minimum levels of commercial competency are maintained. The Commercial Skills and Competency Framework for Developing and Practitioner Levels sets out the current skills, behaviours and competencies (e.g. judgement and confidence) which Civil Service commercial functions, and in particular, those undertaking procurement activities should, demonstrate in delivering professional procurement and commercial roles.

103. The framework covers three key components of the commercial cycle that are generally applicable to all government departments – Pre-market, Sourcing and Contract and Supplier Management. It also incorporates two levels of integrated commercial skills – developing and practitioner. The framework is designed to be used flexibly by departments to assist in the design of job descriptions, as part of recruitment processes and to assess the performance of staff within the appraisal process (Mackie and Langley, 2015^[50]).

104. In 2018 Scotland (UK) completed the development of a new procurement competency framework based on a self-assessment of skills to identify relevant training and development needs for procurement personnel (Box 6.11).

Box 6.11. National Procurement Development Framework in Scotland (UK)

The National Procurement Development Framework in Scotland is aligned to the Chartered Institute of Procurement and Supply (CIPS) global standards and allows procurement personnel to self-assess their skills, identify relevant training and development needs and plan their career and personal development. The self-assessment can be carried out in two ways, either simple or tailored. The tailored self-assessment allows the user to create a custom fitted profile to score against and which identifies areas for development. In the simple version the self-assessment is scored against a pre-made job role profile which identifies areas for development.

Source: (Scottish Government, n.d.^[51]).

6.2.5. Training to support the increasingly strategic nature of public procurement

105. Procurement professionals need to meet high professional standards for knowledge, practical implementation and integrity with access to a dedicated and regularly updated set of tools (Principle on capacity) (paragraph IX, i). As procurement grows in complexity, it is increasingly obvious that procurement is not a purely administrative function but is a strategic function in the public service. It is a multi-disciplinary profession that requires knowledge of law, economics, public administration, accounting, management and marketing (amongst other things). The shift to strategic procurement has seen a growing requirement for these diverse skillsets and experience (OECD, 2017^[52]).

106. In the 2018 Survey, respondents have outlined that they carry out training on the job, education courses, conferences and thematic training. Highlighting the multidisciplinary nature of the procurement workforce, not only are there core procurement subjects like sourcing and contract management, there are also a variety of different topics covered in Adherent's procurement training. Adherent's training now also covers areas such as the procurement of innovation, green procurement, participation of SMEs (OECD, 2018^[8]).

107. Identifying the training methods that work in the local context can help support its success. In Bulgaria, the OECD developed training of trainers programmes, not only to provide future trainers with an in-depth understanding of procurement techniques, but also to develop a platform for dialogue that supports the design of training materials (OECD, 2016^[48]). The training consists of workshops to train local experts in the field of public procurement in training skills and use of appropriate training techniques (visual presentations, interactive training methods, case studies etc.). In Mexico, the OECD has also conducted capacity building for trainers and developed training manuals on fighting bid rigging in public procurement (including training methods, role-playing and hypothetical exercises, exam questions, etc.) (OECD, 2018^[53]; OECD, 2018^[54]).

108. In Canada, the federal public service recognises procurement as a knowledge-based profession with an emphasis on a strategic advisory role. All employees identified as procurement professionals are required to follow a curriculum of required training as outlined in a government directive (Box 6.12). Canada's curriculum is determined by the Comptroller General who is accountable for the federal government's procurement capacity (OECD, 2018^[8]).

Box 6.12. Canada public procurement curriculum

The curriculum in Canada consists of 5 courses:

- Who We Work For (C218): Foundational understanding of how Canada’s non-partisan federal public serves the democratically elected government of the day
- Legal and Policy Environment for Procurement Material Management and Real Property (M714): Provides an overview of the Acts, Regulations and Policies, Directives, National and International Trade Agreements and other instruments related to the procurement, material management and real property communities
- Introduction to Procurement (M718): This introductory course addresses the basic responsibilities through all phases of the procurement process
- Overview of Material Management (C233): This course provides an overview of material management within the federal government context
- Overview of Real Property Management (C234): This course provides an overview of real property management within the federal government context

The curriculum is periodically updated to reflect new or changing requirements. For example, the curriculum is being updated to reflect newly defined technical Government of Canada Procurement Competencies.

Source: (OECD, 2018^[8])

109. Adherents are utilising the many different kinds of capacity and capability building mechanisms available to them in order to attract and retain motivated and skilled individuals (OECD, 2018^[8]).

6.2.6. Recognising the professionalisation of public procurement with certification

110. As public procurement procedures become more complex and strategic then the greater the need for public procurement to be recognised as a separate function or profession. Acknowledgement of professional status can take many forms such as specific diplomas, certifications or outcomes based incentives. (OECD, 2017^[49])

111. Some certification programmes, such as the one in place in Canada (Box 6.13), provide procurement officials with formal recognition of their profession and are linked to the development of a competency model.

Box 6.13. The Canadian Certification Programme for the Federal Government Procurement and Materiel Management Communities

Canada's Certification Programme was launched in 2006, it received national and international recognition as the Federal Government's first ever Certification Programme for Procurement and Materiel Management specialists.

What binds together the procurement and material management communities is their responsibility for the lifecycle management of assets, from assessment and planning of requirements throughout acquisition until disposal. As a consequence of this shared responsibility, the communities have many common competencies, learning goals and knowledge requirements. Certification provides the increased professional recognition for the communities and offers a professional designation to formally acknowledge a practitioner's level of achievement.

The Certification Programme is designed to evaluate a candidate's experience and knowledge in the federal government context, thereby distinguishing it from designations from external certifying bodies. In addition to developing technically proficient communities, the Programme also focusses on ensuring capacity in leadership competencies.

Source: (OECD, 2016_[27]).

112. Adherents such as the United States and Mexico have certification programmes to recognise procurement as a professional discipline within the public sector.

113. The American Purchasing Society (APS) is a professional association of buyers and purchasing managers. It was the first organisation to establish a nationally-recognised certification for buyers and purchasing professionals. APS offers three different certification programmes:

- The Certified Purchasing Professionals Programme directed at professionals who have demonstrated the skills to successfully implement improved purchasing and supply chain practices as part of a business solution in an organisation;
- the Certified Professional Purchasing Manager Programme aimed at those in managerial positions and who have managerial experience; and
- the Certified Professional Purchasing Consultant programme aimed at Certified Purchasing Professionals who either consult or teach purchasing to people outside their own employer (OECD, 2018_[8]).

114. In Mexico the Federal Electricity Commission (Comisión Federal de Electricidad – CFE in Spanish) certifies its “buyer agents” (agente comprador). Agent buyers receive training in areas such as buying and free trade agreements that Mexico has signed. Two exams must be approved with at least 80% of credits to obtain a clave (or key) to qualify as a certified buyer agent (OECD, 2018_[8]).

6.2.7. Professionalisation of the procurement workforce to address both capability and capacity constraints

115. The quality of the outcomes from public procurement are highly dependent on the competencies of the individuals responsible for delivering the elements of procurement

processes. The people who carry out all of the many tasks required and make the crucial day-to-day decisions make the difference between effective and efficient procurements and wasteful ones. Public procurement is being increasingly recognised as a profession in and of itself. There are several international sources of guidance to define and promote what constitutes a professional public procurer (OECD, 2018^[24]).

116. The professionalisation of the procurement workforce will help to attract new people and also retain existing thus addressing capacity gaps. Building a specific cadre and career path requires more than initial training or even continuous education. It can also require legal measures to be adopted to reinforce the continuity of the career path with specific rights such as progressive development, specific protection against hierarchical pressure, special financial incentives, comfortable salaries, as well as specific obligations in respect of ethics, prevention of conflicts of interest, years of service and mandatory cooling off period in the case of departure to the private sector or retirement. Enactment of such legal provisions could help ensure the continuity of procurement jobs (OECD, 2016^[55]).

117. OECD MAPS (MAPS Stakeholder group, 2018^[2]) includes an indicator regarding a public procurement system's ability to "develop and improve" (Indicator 8.). This indicator includes references to a system's ability to provide training, advice and assistance with regards to public procurement. It also includes a sub-indicator that calls for procurement to be considered a profession. The sub-indicator includes assessment criteria that require a country to have:

- A recognition of procurement as a specialised function as described by a diversified competency framework.
- Competitive appointments and promotions.
- Evaluation of staff performance and adequate promotion.

118. One of the six supplementary MAPS modules (currently under development) provides indicators on professionalisation of public procurement. These indicators provide a benchmark of what a comprehensive approach to professionalising public procurement should entail. Concrete measures must be put in place to support these overarching concepts (OECD, 2018^[24]).

119. New Zealand's body responsible for public sector, the State Services Commission, has recognised the central purchasing body as a public service profession. Additionally a series of key initiatives are being progressed to professionalise and empower the public procurement workforce in New Zealand (Box 6.14).

Box 6.14. Key initiatives for the professionalisation and empowerment of the public procurement workforce in New Zealand

1. Develop a model to assess the capability of procurement in agencies
2. Assess agency procurement capability onsite and provide action plans for development
3. Agencies not targeted for on-site assessment complete a self-assessment against the procurement capability model

4. Develop standard procurement role competency requirements and implement these in agencies
5. Benchmark key agency procurement and price performance against the private sector
6. Increase migration of skilled and qualified procurement professionals to fill skill gaps
7. Ensure that government procurement salaries reflect market norms
8. Agencies are to allocate resources to reform procurement practice
9. Identify opportunities for procurement shared service centres
10. Include procurement professionals in works project teams
11. Establish a small team of strategic procurement experts (commercial pool) to support high-risk/-value projects across government
12. Establish resources to support public-private partnership projects
13. Determine procurement training needs and source providers
14. Agencies are to use tools provided to assess procurement capability and capacity
15. Agencies are to ensure that procurement staff members are trained to fill skill gaps identified
16. Provide e-learning to help procurers gain a professional procurement qualification
17. Target key procurement personnel within agencies to fast track their professional procurement education
18. Develop and launch career development plans for procurement personnel
19. Develop New Zealand procurement academy
20. Encourage and subsidise public sector procurement professionals in gaining recognised procurement qualifications
21. Launch procurement graduate programme to increase New Zealand capacity
22. Facilitate secondments and career progression planning among agencies for procurement professionals
23. Establish and facilitate a Procurement Leaders Group (ages under 35 years) of future procurement leaders
24. Development of “Demystifying Procurement” as a two-day introductory course to procurement in a public sector context or alternatively for learning on line

Source: (OECD, 2016^[27]).

120. In France there is a strategy of supporting and growing a specific procurement professional capability by ensuring competency levels through targeted training is being utilised by Ministries. A professionalisation framework has been developed by the Direction des Achats de l'État (DAE) in France. It includes:

- Interdepartmental Reference Framework (ID) for Procurement Training.

- ID mapping of purchasing skills (DAE prefiguration).
- Definition of new reference jobs for the establishment of a new recognised profession of purchasing.
- Development of a training strategy that meets ID objectives and needs of purchasing stakeholders.

A training strategy is set out for state buyers which includes the following seven steps:

1. Priority target people working in procurement for over 50% of their time.
2. Secondary objective – improve on less mastered skills.
3. Specialisation or A-Z training.
4. Only training labelled by DAE.
5. Provide e-learning options.
6. Provide certification training programme.
7. Develop dedicated manuals to complete and support training.

121. Each Ministry’s training plan must be consistent with the framework defined and labelled by the DAE. All procurement training is interdepartmental and can be attended by all buyers from all departments. (OECD, 2018^[8])

122. As the examples show, professionalisation can be advanced by creating a specific function with procurement positions defined at different professional and hierarchical levels with job descriptions and the required qualifications and competencies specified. Career paths can be defined for public procurement professionals, which take into account possibilities for vertical and horizontal mobility.

Learning together - collaborative approaches to addressing gaps in capability

123. Collaborative approaches to learning which bring together private sector and public sector procurement professionals can improve the skills and competencies of the procurement workforce. It can offer opportunities to share knowledge and expertise across both sectors.

124. In both Peru and Australia there are collaborative initiatives in place with the private sector which are designed to ensure that sharing knowledge is enabled and promote the professionalisation of the procurement workforce. In Peru strategic alliances have been developed between the OSCE (Government Procurement Supervising Agency - Organismo Supervisor de las Contracciones del Estado), universities and other institutions. The prerequisites to becoming a strategic ally are having administrative, teaching and technical staff and adequate infrastructure. The number and quality of the training offers from each of the strategic allies is monitored. “Virtual medals” are distributed to strategic allies that have implemented the planned activities and there is a prize for strategic allies that have implemented innovative training methods (OECD, 2017^[52]).

125. In Australia the Department of Finance collaborates by:

- Hosting the Senior Procurement Officials Reference Group, which represents Australian Commonwealth procuring entities approximately twice a year.

- Leading a steering committee made up of industry and procuring entity stakeholders regarding the development and enhancement of standardised contract documents that streamline and simplify processes for suppliers and entities.
- Progressing the Centre of Procurement Excellence to increase the capability, professionalisation and mobility of the procurement workforce.
- Leading the Secretary’s Consultative Roundtable which meets approximately twice a year to engage collaboratively with key industry and government stakeholders on significant procurement issues (OECD, 2018^[8]).

Box 6.15. Belgium and development of technical specifications with businesses

The Belgian government places great importance on sustainable development issues. In 2014 a knowledge centre, the Federal Institute for Sustainable Development (FIDO), was established. It was recognised that in order to roll out a sustainable public procurement policy a web-based user’s guide was needed outlining the technical sustainability criteria to be included in specifications for the purchase of supplies and services. The FIDO continuously updates the Sustainable Procurement Guide and advises on the correct interpretation of technical specifications and other clauses contained within it. The FIDO also conducts studies on methodologies such as life-cycle costing. The FIDO had 11 staff in 2014.

To ensure good results the Sustainable Procurement Guide must:

1. Be kept constantly up to date
2. Strictly match the characteristics of the sector concerned, without losing sight of competition and price considerations

A methodology was developed to reach out to businesses when compiling or updating technical specifications for products and services belonging to an industrial sector. A standing working party established by the FIDO consisting of members of the community, regions, provinces, and municipal councils, contacts the professional organisation that represents the sector (not individual industrial sector companies). The professional organisation mobilises the companies which it believes are best placed to help establish technical specifications that match the capabilities of suppliers in the industrial sector in question. This working method has helped to establish realistic specifications that support improved levels of competition.

Source: (OECD, 2015^[20]).

126. The benefits of collaboration between the various stakeholders involved in public procurement is well recognised. In the area of capability development, particularly, there are opportunities to learn from each other. Both public sector and private sector are looking for ways to meet the future needs of citizens and this means that both public and private sector procurement workforces also need to learn new ways of working.

6.3. Fostering trust through a risk based approach to public procurement

127. The Recommendation calls on Adherents to “*integrate risk management strategies for mapping, detection and mitigation throughout the public procurement cycle*” (Principle on risk) (paragraph XI). The Recommendation contains guiding principles to assist

Adherents in developing risk assessment tools to identify and address threats to the proper function of the public procurement system and publicise risk management strategies such as red flags, or whistleblower programmes.

128. In addition to the risks of integrity breaches, public procurement is subject to other risks which could significantly affect the outcome and the impact of public procurement processes, including:

- Risks of waste or inefficiency in all aspects of the procurement process, due to a lack of awareness on the part of the stakeholders involved or due to an objective difficulty in the case of complex projects.
- Financial risks, particularly during periods of severe economic and financial uncertainty.
- Risks of fraud, misuse of public funds or corruption, in case of misappropriation.
- Reputational risks/potential damage to the image of the contracting authority too. (OECD, n.d.^[56]).

129. These risks can be actively managed, particularly in the cases of large events and infrastructure projects. In these cases, the associated risks are often more complex and their subsequent consequences have higher costs. An example of the risks that can be present in procurement procedures is set out in the table below Table 6.3 which contains examples of corruption risks.

Table 6.3. Corruption risks associated with different stages of the procurement cycle

	Procurement stage	Risks to sound governance
Pre-tendering phase	Needs assessment and market analysis	<ul style="list-style-type: none"> • Lack of adequate needs assessment • Influence of external actors on officials' decisions • Informal agreement on contract
	Planning and budgeting	<ul style="list-style-type: none"> • Poor procurement planning • Procurement not aligned with overall investment decision-making process • Failure to budget realistically or deficiency in the budget
	Development of specifications/ requirements	<ul style="list-style-type: none"> • Technical specifications are tailored for a specific company • Selection criteria is not objectively defined and not established in advance • Requesting unnecessary samples of goods and services • Buying information on the project specifications
	Choice of procurement procedure	<ul style="list-style-type: none"> • Lack of proper justification for the use of non-competitive procedures • Abuse of non-competitive procedures on the basis of legal exceptions: contract splitting, abuse of extreme urgency, non-supported modifications
Tendering phase	Request for proposal/bid	<ul style="list-style-type: none"> • Absence of public notice for the invitation to bid • Evaluation and award criteria are not announced • Procurement information isn't disclosed and isn't made public
	Bid submission	<ul style="list-style-type: none"> • Lack of competition or cases of collusive bidding: <ul style="list-style-type: none"> – cover bidding – bid suppression – bid rotation – market allocation
	Bid evaluation	<ul style="list-style-type: none"> • Conflict of interest and corruption in the evaluation process through: <ul style="list-style-type: none"> – Familiarity with bidders over time – Personal interests such as gifts or future/additional employment – No effective implementation of the “four eyes –principle”

	Contract award	<ul style="list-style-type: none"> • Vendors fail to disclose accurate cost or pricing data in their price proposals, resulting in an increased contract price (i.e. invoice mark-ups, channel stuffing) • Conflict of interest and corruption in the approval process (i.e. no effective separation of financial, contractual and project authorities) • Lack of access to records on the procedure
	Contract management/ performance	<ul style="list-style-type: none"> • Abuses of the supplier in performing the contract, in particular in relation to its quality, price and timing: <ul style="list-style-type: none"> – Substantial change in contract conditions to allow more time and/ or higher prices for the bidder – Product substitution or sub-standard work or service not meeting contract specifications – Theft of new assets before delivery to end-user or before being recorded – Deficient supervision from public officials and/or collusion between contractors and supervising officials – Subcontractors and partners chosen in a non-transparent way or not kept accountable
Post-award phase	Order and payment	<ul style="list-style-type: none"> • Deficient separation of financial duties and/or lack of supervision of public officials leading to: <ul style="list-style-type: none"> – False accounting and cost misallocation or cost migration between contracts – Late payments of invoices • False or duplicate invoicing for good and services not supplied and for interim payment in advance entitlement

Source: (OECD, 2016^[57]).

130. The OECD Foreign Bribery report found that a high number of cases in which bribes were paid were in the context of public procurement. Additionally it was noted that the fact that only 2 out of 427 cases resulted in debarment demonstrates that countries need to do more to ensure that those who are sanctioned for having bribed foreign public officials are suspended from participation in national public procurement contracting (OECD, 2014^[58]).

131. Principle 10 of the OECD Recommendation on Public Integrity [[OECD/LEGAL/0435](#)] outlines the central tenets of an internal control system for safeguarding public integrity, which includes the risk management function. Following this approach, countries should take a risk based approach to ensuring integrity, including a strategic approach to risk management that involves assessments, addressing control weaknesses and quality assurance mechanisms. In Colombia, the Department for Public Employment (Departamento Administrativo de la Función Pública) has developed such a risk based approach to tackle corruption risks (Box 6.16).

Box 6.16. Corruption risk management: the example of Colombia

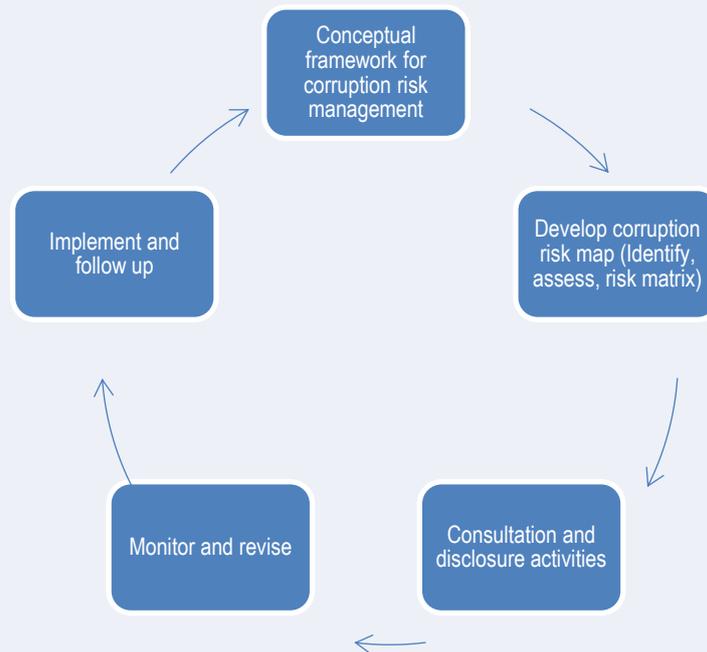
The Secretariat of Transparency, together with the Department for Public Employment (*Departamento Administrativo de la Funcion Publica*, DAFP), have developed a corruption risk map, described in comprehensive manual updated in October 2018.

The methodological approach is rooted in the Colombian internal control framework (*Modelo Estándar de Control Interno*, MECI), that is itself part of the Colombian Integrated Planning and Management Model (MIPG). This provides a general methodological guide for risk identification. Indeed, corruption risk maps are one of the three risk-management instruments within the MIPIG, along with digital security risk maps and institutional performance risk maps. Corruption risk maps can identify problems that may lead to corruption and support the identification of concrete actions to prevent it.

Since 2018 the DAFP have issued a new guideline under the framework of MIPG to suggest the integration of the following risks in a single map: management, security and privacy of information and corruption. Corruption risks are monitored quarterly.

There are positives and negatives to having separate risk management exercises based on the same methodological model. On one hand, it may be seen as burdensome because it duplicates efforts. On the other hand, it can be argued that it raises awareness among senior management and staff of the importance of having a sound anti-corruption policy with distinct activities from the mainstream managerial and financial control and risk activities.

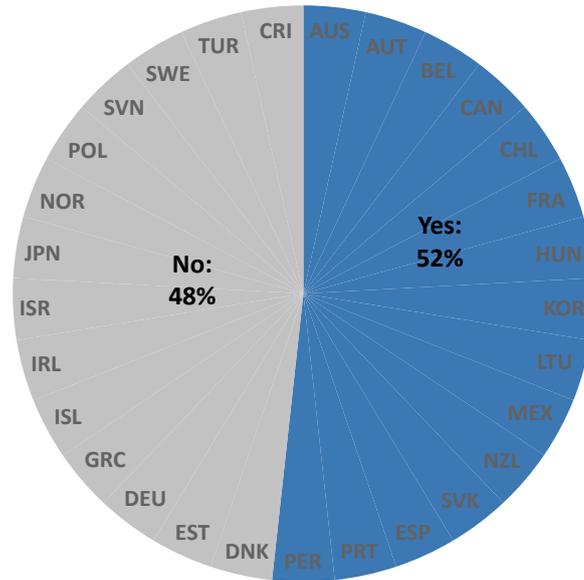
The following graphic depicts the Colombian methodology for corruption risk management.



Sources: (Manuel et al., 2015^[59]). (Departamento Administrativo de la Función Pública, 2019^[60])

132. Risk management encompasses several steps in assessing risks (including an assessment of the nature, causes and potential consequences of risks) and mitigating them. While only 52% of the respondents to the 2018 Survey indicated that they have developed a strategy for the assessment, prevention and mitigations of public procurement risks there may also be government wide risk and control policies that apply (Figure 6.5 and Box 6.16).

Figure 6.5. Development of a strategy for assessment, prevention and mitigation of public procurement risks



Note: Based on data from 31 respondents (29 OECD Countries, Peru and Costa Rica).
Source: (OECD, 2018^[8]).

133. In large infrastructure projects, having a dedicated entity to lead, oversee and coordinate risk management activities with multiple stakeholders is a critical early step. An OECD study of procurement processes for the construction of infrastructure in 10 sporting events found that risks affecting the procurement of sporting events and related infrastructure are multi-faceted and evolve along construction developments. Proactively managing those risks requires a coordinated governance structure and sometimes necessitates implementing innovative management strategies. The UK National Audit office identified procurement risk as one of the six risk areas for the London Olympics. The Olympic Delivery Authority addressed this risk by tapping into the procurement expertise of other government agencies (OECD, 2019^[61]).

134. In Canada the identification of risks is enabling earlier analysis and formal documentation to be prepared (Box 6.17) Mitigations can be put in place as there is time available to do so.

Box 6.17. Canada's complexity and risk process

Canada updated the complexity and risk assessment process in 2014. It involved an extensive stakeholder engagement process as part of the project. The project scope covered three areas:

- Revising the structure for classifying procurement complexity.
- Aligning delegations of authority for complex procurement.
- Implementing the requirement for procurements within the Acquisitions Program (AP) to undergo a risk assessment regardless of the complexity level.

Following the completion of the project, approval authorities for procurements are based on the risks associated with a requirement, not just the value. Furthermore, risks are

identified earlier in the procurement lifecycle, analysed, and formally documented for all complexity levels, including those requiring Treasury Board approval.

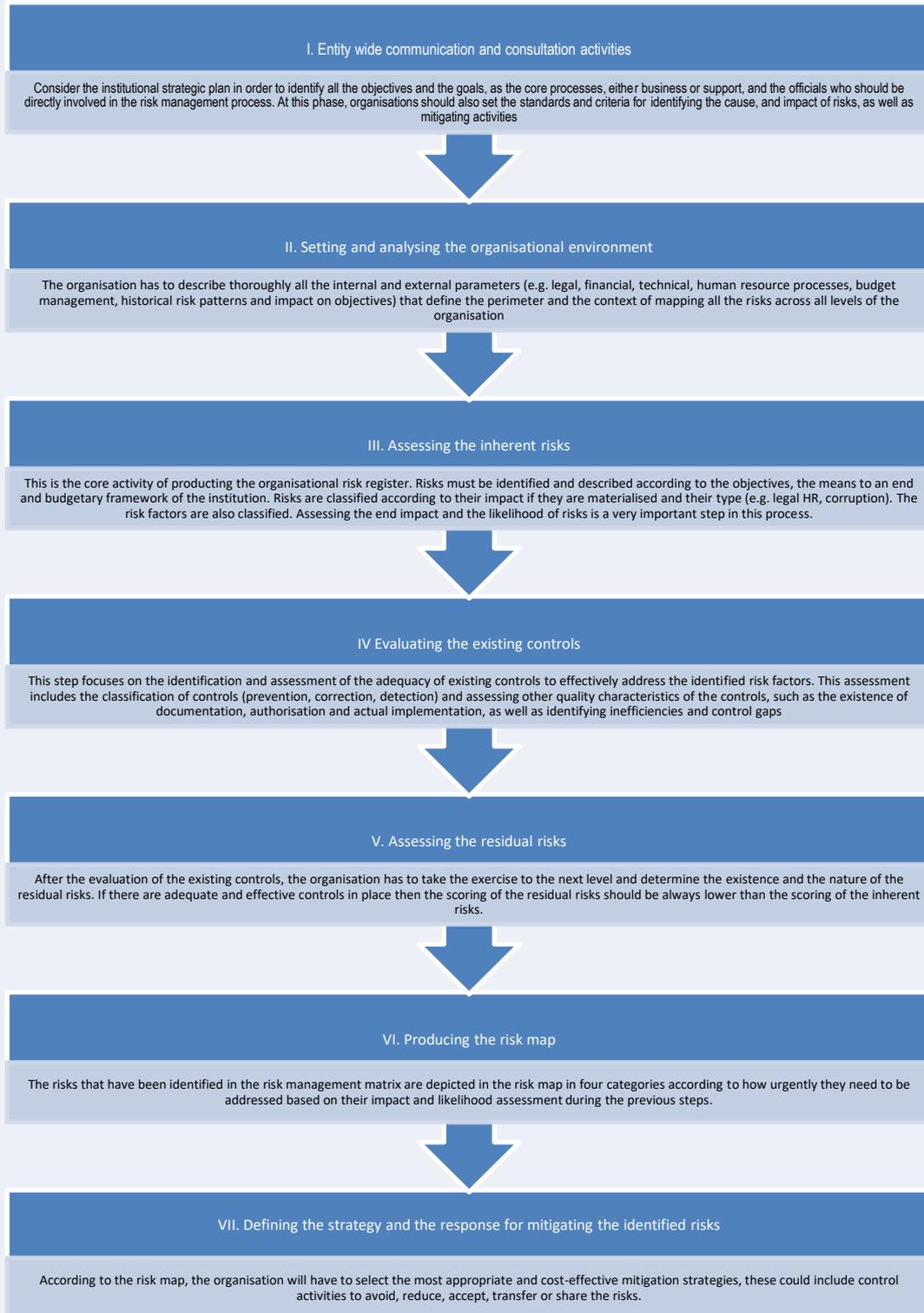
The revised process has resulted in greater support being provided by advising earlier in the process. Procurement Officers are better equipped to work with the client to mitigate medium to high risks before they become an issue. Increased delegated authority for contract entry and associated amendments provides the opportunity to improve throughput times and service level standards.

Source: (OECD, 2018^[8]).

135. A number of respondents have instituted systematic and detailed processes in order to assess and quantify risk levels. In Mexico the risk management methodology and related activities were published in 2016. Federal public entities have to apply concrete methodological steps in order to produce

1. The annual risk management matrix (*Matriz de Administration de Riesgos*), which gives a detailed picture of each of the risks (see Box 6.18 for details).
2. The risk map, which is the graphic illustration of the risk matrix.
3. The Working Programme of Risk Management (*Programa de Trabajo de Administracion de Riesgos*, or PTAR), which is the implementation action plan.

Box 6.18. Phasing in the risk management model (ARI) of the SFP



Source: (OECD, 2017^[62]), (OECD, 2018^[8]).

6.3.1. Supporting accountability through oversight and control mechanisms

136. The Recommendation calls upon “*Adherents to apply oversight and control mechanisms to support accountability throughout the public procurement cycle*”. (Principle on accountability) (paragraph XII). Adherents should also “*establish clear oversight of the public procurement cycle to ensure the chains of responsibility are clear, that oversight mechanisms are in place*” (Principle on accountability) (paragraph XII).

137. Oversight and control of the procurement cycle are essential in supporting accountability and promoting integrity in the public procurement process, and it constitutes one key principle highlighted in the Recommendation. In particular, the Recommendation stresses the need to establish clear lines for oversight of the public procurement cycle.

138. The oversight of the public procurement cycle is organised internally as well as externally, before and after the procurement process, in order to not only verify conformity to the regulatory frameworks but also to ensure that the public resources are spent in an efficient and effective way.

139. As outlined in the 2018 Survey, Canada has an extensive public procurement control framework which clearly sets out which bodies are responsible for review and audit of procurement procedures (Box 6.19).

Box 6.19. Canada’s public procurement control framework

In Canada all procurements in excess of CAD 2 million must be reviewed for potential regional and industrial benefits. Departmental short-range acquisition plans cover all goods and service contracts over CAD 2 million. The review process involves a Procurement Strategy Committee (PSC) and related review committees. The Peer Review Committee (PRC) will review departmental plans, identify individual or aggregated procurements requiring review, and provide general guidelines to the review committees. The Review Committees will review and recommend procurement strategies for individual procurements or groups of procurements, normally only for those exceeding CAD 20 million, in accordance with the PSC’s general direction.

In the Acquisitions Programme the Post Contract Award Review Programme takes a sample of closed (completed) procurements and examines the files for professional and legal compliance. The review is frequent and operational as opposed to the large scale Programme Evaluation performed by the PSPC’s Office of Audit and Evaluation.

The Office of the Auditor General (OAG) in Canada performs performance audits and reviews of the government (i.e. legislative auditing). The performance audits are in addition to assurance engagements (conventional financial audit) such as those related to public accounts which include the audited consolidated financial statements for the Government of Canada. The work of the OAG entails independence to review and investigate actions of the government (including procurement activities) and report back to the legislature and the public. Beyond investigation and reporting, the OAG has no other powers and cannot compel any actions on the part of government or anyone else. The OAG is acknowledged to be very influential in producing government action to address problems.

Source: (OECD, 2018^[8]).

140. While audit and inspection bodies play an essential oversight role they are not part of the first or second line of defence as set out in the Auditor’s Three Lines of Defence Model (The Institute of Internal Auditors, 2018^[63]). The model distinguishes between three groups (or lines) involved in effective risk management.

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.

141. Operational management (the first line) is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management identifies, assesses, controls and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring activities are consistent with goals and objectives.

142. Operational management is supported and overseen by risk managers and compliance specialists, among others, that provide the second line of defence. The third line of defence – internal auditors – provide independent assurance to management regarding the effectiveness of the first two lines and how effectively risks are managed. Table 6.4 shows the roles and responsibilities of internal auditors in risk management.

Table 6.4. The role of internal audit in risk management

Core internal audit roles with regards to risk management	Giving assurance on the risk management process
	Giving assurance that risks are correctly evaluated
	Evaluating risk management processes
	Evaluating the reporting of key risks
	Reviewing the management of key risks
Legitimate internal audit roles with safeguards	Facilitating identification and evaluation of risks
	Coaching management in responding to risks
	Coordinating ERM activities
	Consolidating reporting on risks
	Maintaining and developing the ERM framework
Roles internal audit should not undertake	Setting the risk appetite
	Imposing risk management processes
	Management assurance on risks
	Taking decisions on risk responses
	Implementing risk responses on management's behalf
	Accountability for risk management

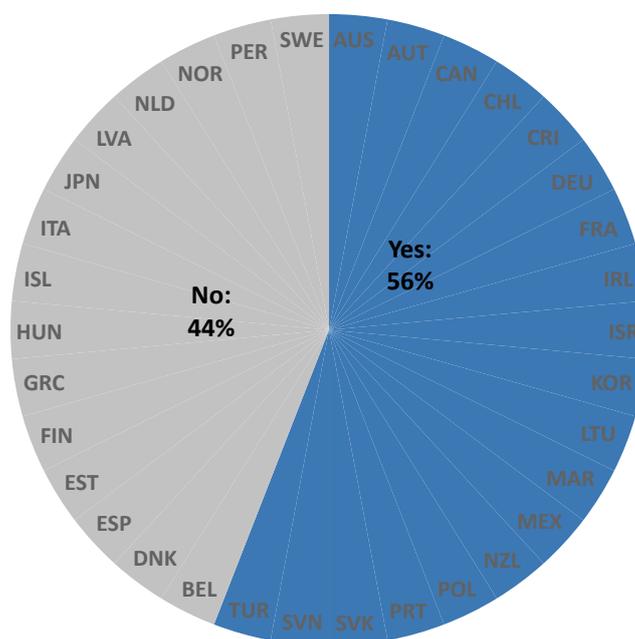
Source: Adapted from (The Institute of Internal Auditors, 2009^[64]) (OECD, 2019^[61]).

143. The 2018 Survey confirms that 56% of respondents have follow up mechanisms to track and monitor the implementation of audit recommendations and observations

(Figure 6.6). Organisations can be exposed to risk if internal audit findings are not implemented. A truly risk focussed follow up plan is targeted at the higher priority risks irrespective of the organisational context or internal audit review within which the recommendation was based (The Chartered Institute of Internal Auditors, 2018^[65]), (OECD, 2019^[61]).

Figure 6.6. Follow up mechanisms to track and monitor the implementation of audit recommendations

Are there follow-up mechanisms to track and monitor the implementation of the audit recommendations?



Note: Based on data from 34 respondents (31 OECD Countries, Morocco, Peru and Costa Rica).

Source: (OECD, 2018^[8]).

6.3.2. Transparency, a mechanism to ensure sound governance in a public procurement system

144. The Recommendation calls on “Adherents to ensure an adequate degree of transparency of the public procurement system in all stages of the procurement cycle” (Principle on transparency) (paragraph II). The Recommendation contains guiding principles for countries to promote fair and equitable treatment for potential suppliers by providing an adequate and timely degree of transparency in each phase of the public procurement cycle taking into account the legitimate needs for protection of trade secrets and proprietary information and other privacy concerns, as well as the need to avoid information that can be used by interested suppliers to distort competition in the procurement process.

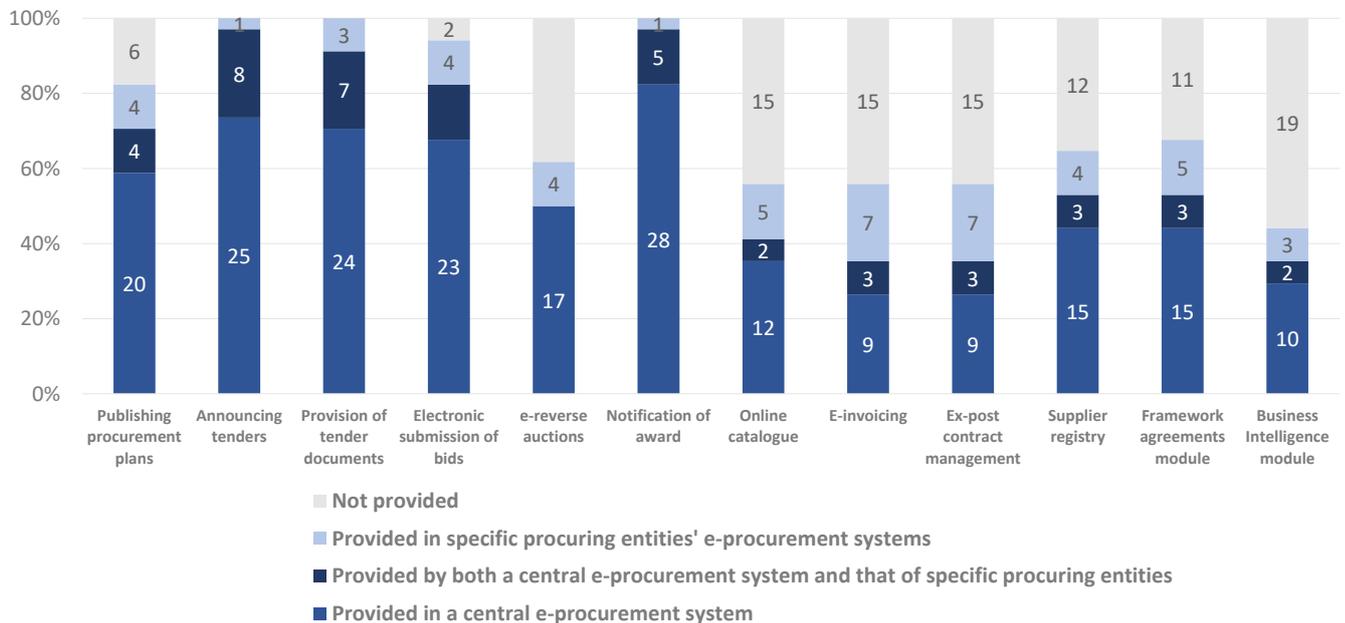
145. Transparency is central to promoting good governance in the public sector. It fosters accountability, ensures access to information and enables participation of diverse

stakeholders (Johnston, 2002_[66]). Transparency in public procurement particularly serves an important role in levelling the playing field for businesses, especially for smaller firms. Online publication of laws, policies and guidelines is a common practice. They are often found on the website of the Ministry or body in charge of designing them and coordinating their implementation.

146. The Open Contracting Partnership (OCP) developed the Open Contracting Data Standard (OCDS) which has been successfully applied in several countries including the United Kingdom and Mexico. The standard is designed to open up public contracting through disclosure, data and engagement so that the huge sums of money involved are spent honestly, fairly and effectively. Once the transition to the OCDS is made, tender submissions and contract details become much more traceable and auditable within systems. In Chile, the electronic procurement system facilitated the implementation of the OCDS.

147. The Recommendation calls on Adherents to “allow free access through an online portal for all stakeholders including potential domestic and foreign suppliers, civil society and the general public, to public procurement information notably related to the public procurement system” (Principle on transparency) (paragraph II). Respondents have long been publishing public procurement information especially tender notices. The 2018 Survey data shows that announcing tenders is the most widely adopted functionality of e-procurement systems with nearly 100 percent of respondents using them to announce tenders and contract awards (Figure 6.7).

Figure 6.7. Functionalities of e-procurement systems, 2018



Note: Based on data from 34 respondents (31 OECD Countries, Morocco, Peru and Costa Rica).
 Source: (OECD, 2018_[8]).

148. Respondents have obligations to publish procurement information, prescribed by laws. The laws usually define the timelines as a minimum number of days or deadlines for certain stages of public procurement, depending on the type of procedures chosen.

149. At the same time, some respondents have embedded additional mechanisms to ensure timely and accurate information, for example, in Italy, each contracting authority has to comply with the provisions of its 3-year anti corruption and transparency plan that prescribes mechanisms, timing and actors involved in the publication of procurement information. In Korea, the linkage of external database systems with KONEPS (Korean e-Procurement Systems) ensures the accuracy of public procurement information (Box 6.20).

Box 6.20. Greater efficiency through data connection in KONEPS

KONEPS (Korea ON-line E-procurement SYSTEM) is interconnected with over 160 diverse electronic systems, both within and outside the government's reach, which has resulted in increased efficiency, reduced duplication and cost savings.

Connection with 19 surety companies allows automated verification of 4 types of sureties, including bid bonds and performance bonds. Interfaces with 12 private sector associations and 9 credit ratings companies allows for the automatic collection of credit and past performance data, which is used to verify qualifications and evaluate bids. Fifteen commercial banks are connected for e-payment through electronic funds transfer and also for processing loans that are payment certificates are transmitted through appropriate data exchange interfaces. In addition to collecting information from external sources, information from KONEPS is shared with 28 public entities and 34 private sector information systems.

Because of this integration, 477 document forms used in public procurement – including bid forms, contract forms, inspection requests and payment requests – have all been converted to digital equivalents. In addition to the increased efficiency of processing all these transactions and procurement steps electronically, bidders are no longer required to visit public authorities to collect or submit – to each public buying entity separately – the documentation necessary for participation in public procurement. This results in increased transparency, as the information is available on line through KONEPS, as well as greater access for new entrants and small and medium enterprises, as the burden to participate in public procurement is much smaller.

Source: (OECD, 2016^[19])

150. Some of the areas mentioned by respondents, such as online catalogues, are actively being pursued in different countries as ways of opening up opportunities for both public sector and suppliers to build in efficiencies borne out of greater transparency and competition. There is an increasing shift towards new commissioning approaches "...where the public sector is required to embrace more agile techniques, involving providers and stakeholders earlier in the commissioning process and iteratively throughout delivery, in order to better understand user needs and context, and potential benefits and barriers, and to adjust constantly to in order to develop more agile solutions to realise benefits" (OECD, 2018^[14])

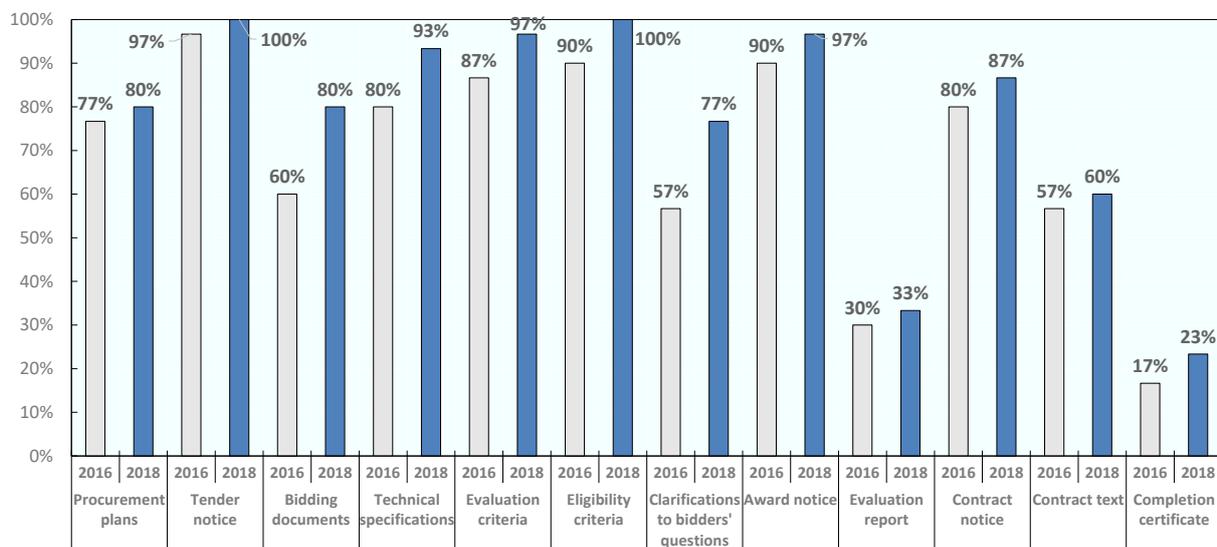
151. The benefits of publishing information affect both the public and the private sector. For the public sector, it enables diverse stakeholders to scrutinise public procurement spending. It also helps to hold government officials accountable for their decisions and while taking into consideration the concerns for sensitive information related to trade secrets and privacy, respondents have reinforced this aspect by making more public procurement information available to the public. In Australia, for example, the Dynamic

Sourcing for Panels (DS4P) system was launched in late 2016. It is a new functionality in *AusTender* (the country's e-procurement system) that provides government buyers with a standard and streamlined approach to sourcing their goods and services from panels. DS4P allows buyers to identify panels that match their requirements, search for and shortlist relevant suppliers, access panel documents and templates and run requests for quote.

152. E-procurement tools have the potential to dramatically increase efficiency by eliminating wasteful and duplicative paper-based processes. There are some processes that e-procurement systems enable which are simply impossible to replicate without advanced digital technologies.

153. As demonstrated by Figure 6.8, post-contract information is less often published with the exception of the contract notice. Governments need to strike a balance between ensuring accountability and competition on one hand and, on the other hand, protecting trade secrets and respecting the confidentiality of information that can be used by interested suppliers to distort competition, in current or future procurement processes. Information on bidders and bids during the procurement procedure is more sensitive than information published some time after the contract has been concluded. Namely, information on bids released at the early stages of the tender procedure may facilitate bid rigging by enabling transparency among competitors, the monitoring of collusive agreements and ultimately the adoption of retaliation measures to punish bidders that deviate from the terms of the bid rigging agreement (OECD, 2012^[67]; OECD, 2018^[54]).

Figure 6.8 Availability of public procurement documents to the general public



Note: Based on data from 30 respondents (29 OECD Countries and Costa Rica) that answered both the 2018 and the 2016 Surveys on Public procurement.

Source: (OECD, 2018^[8]) (OECD, 2016^[9]).

154. For respondents there may be no legal obligation to provide evaluation reports either as part of a debriefing or in the interests of transparency. In a study of corruption cases released by the OECD in 2016 it was suggested that debriefs on how award decisions were made be held. The study covered 131 concluded and ongoing corruption cases across a number of OECD countries. The report mapped out the corruption schemes themselves

as well as the vehicles of corruption utilised in the execution of the schemes (OECD, 2014_[58]).

155. The ability to provide information to the general public opens up wider possibilities for participation in public procurement processes and can also support greater competition. Publication of public procurement information supports a level playing field by ensuring that potential suppliers have access to the same information about government procurement opportunities at the same time. Respondents have increasingly focused on this latter function of information publication – for instance, more respondents have embedded obligations to publish procurement plans in their systems since the adoption of the Recommendation. The data shows that there is a trend towards greater availability of public procurement documents between 2016 and 2018.

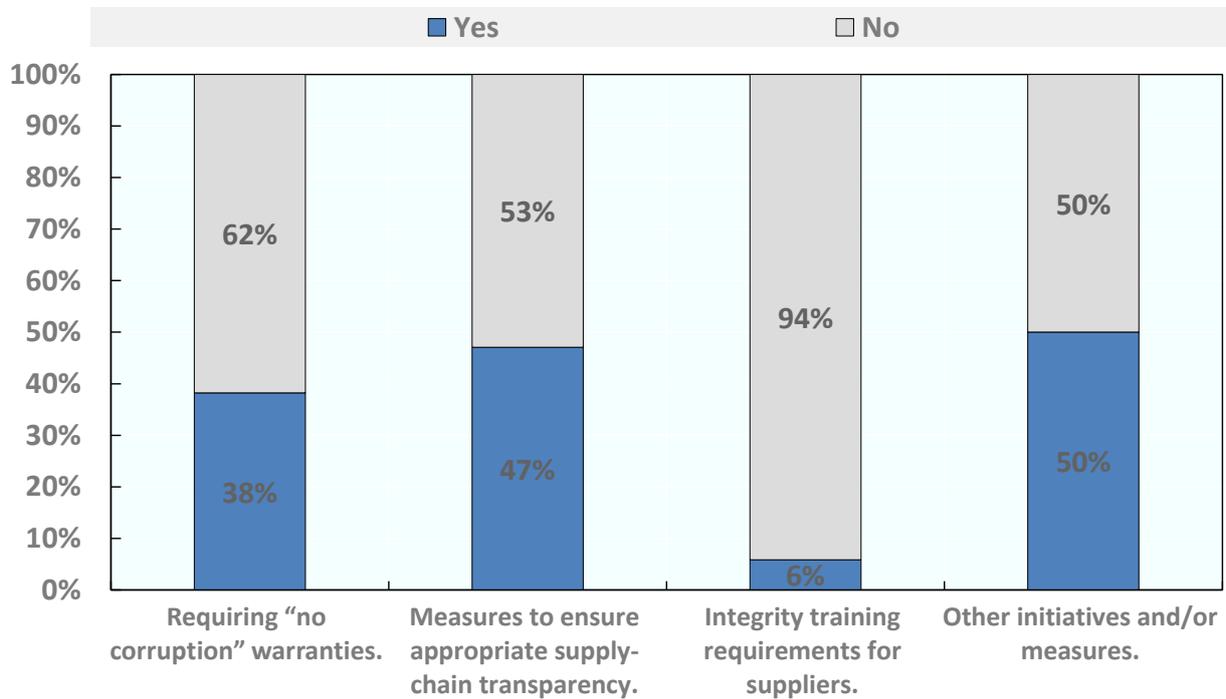
6.3.3. Integrity, a cornerstone of good governance in public procurement

156. The Recommendation calls upon “*Adherents to preserve the integrity of the public procurement system through general standards and procurement – specific safeguards*” (Principle on integrity) (paragraph III). The Recommendation contains guiding principles for countries to require high standards of integrity for all stakeholders in the procurement cycle and implement general public sector integrity tools.

157. Integrity plays a critical role in strengthening governance and building resilience in public procurement systems. Governments are emphasising public integrity as a strategic and sustainable response to corruption (OECD, 2017_[68]).

158. The key principles that govern public procurement systems – such as equal treatment, non-discrimination, transparency, proportionality, and effective competition – act as barriers to the risks of corruption or integrity breaches. These are reflected in the legal frameworks used by respondents to foster integrity in public procurement. For instance, it was noted in the 2018 Survey that the Public Procurement Act of Norway which came into force in November 2017, defines that the purpose of public procurement rules includes ensuring the integrity of public entities as well as public confidence and trust. Another example from the 2018 Survey is found in the Peruvian Public Procurement Law (Law N° 30225) which came into force on 9 January 2016. Its article 2 states “the conduct of the participants at any stage of the procurement process is guided by honesty and truthfulness, avoiding any improper practice. Improprieties shall be communicated to the competent authorities in a direct and timely manner” (OECD, 2018_[8]).

Figure 6.9. Measures to promote integrity among suppliers



Note: Based on data from 31 OECD Countries, Morocco, Peru and Costa Rica. Others include issuing a public procurement ethical code for suppliers, or possible debarment and suspension measures for suppliers responsible for integrity breaches.

Source: (OECD, 2018^[8]).

159. The 2018 Survey responses show that, consistent with the overarching guidance provided in the key principles, there are initiatives being pursued to promote integrity among suppliers (Figure 6.9). In Australia, the Commonwealth Procurement Rules allow entities to exclude tenderers on the grounds of bankruptcy, insolvency, false declaration or significant deficiencies in performance of any substantive requirement or obligation under prior contract. (Australian Government, 2018^[69]). In Latvia the contracting authority can exclude a candidate or tenderer (or their subcontractor where a value threshold of 10% of the total value of the contract is met) from participation in a procurement procedure in certain circumstances including tax debts as outlined in the legislation (OECD, 2018^[8]).

Promoting common values for a culture of integrity

160. Promoting common values by drawing up concrete standards of conduct to be applied by public employees in their work providing guidance for identifying and managing conflict of interest situations and resolving ethical dilemmas are at the core of developing a culture of integrity in the public sector resilient to corruption risks. Administrative functions where the risks of corruption are higher than in other functions might need specific guidance taking into consideration the specific risks for these positions. The OECD has suggested a number of methods for fostering high standards of integrity and professionalism from public procurement officials (OECD, 2016^[23]). Respondents have developed codes of conduct and codes of ethics which clearly articulate the core values underlying the public service and establishing guidelines for their use in daily work. For instance, Chile's CPB developed its own code of ethics in 2017 (Box 6.21). Codes of

conduct and ethics make clear what kind of behaviour is expected of public officials and where the boundaries of behaving with integrity are.

Box 6.21. ChileCompra's Code of Ethics in Public Processes

ChileCompra, the central purchasing body of Chile approved the Code of Ethics in Public Procurement Processes on May 2017. The purpose of the document is to ensure integrity in public procurement and the proper use of public resources by public officials. It includes recommendations to be followed by officials in the various stages of the procurement processes. The code establishes the reporting obligation of officials participating in public procurement – it states that "any public official who participates in a procurement process, in any of its stages, has the duty to report to its superior or to the Office of the Comptroller General of the Republic or before the Public Prosecutor's Office, as appropriate, with due promptness, the irregular facts that may contravene the integrity principle and those that may be constitutive of crimes".

Source: (OECD, 2018^[8]).

161. In Canada, there is a Code of Conduct for Procurement, which consolidates the Federal Government's existing legal, regulatory and policy requirements (including measures on conflict of interest, post-employment and anti-corruption) into a concise and transparent statement of the expectations the Government has of its employees and its suppliers. The Code is incorporated by reference in solicitation and contractual documents under a dedicated clause, where both the Contractor and the Government of Canada agree to comply with the Code and are bound by its terms for the period of the Contract.

162. Managing conflicts of interest is also a core part of the wider ethics framework and in all OECD member countries conflict of interest policies and rules are stated in their legal framework (OECD, 2017^[44]). Underlying the conflict of interest policies is understanding and recognition that everybody has private interests which might be in conflict with official responsibilities and obligations. However, these interests cannot be prohibited and they must be properly managed and potential conflicts of interest resolved.

163. Safeguarding the public interest is the fundamental mission of governments and public institutions. It is their obligation to ensure that public officials do not allow their private interests and affiliations to compromise their official duties. Different countries have different approaches to evaluating the management of conflicts of interest that often reflect their legal and public service traditions (Table 6.5). This table focuses on the evaluation of conflicts of interest policies in the public sector in general, i.e. it is not specific to public procurement.

Table 6.5. Evaluations of public sector integrity systems

Elements covered by evaluations	Compliance with conflict of interest policies	Quality of codes of conduct	Compliance with asset declaration policies	Extent of awareness of integrity policies by public officials
Australia	●	●	○	●
Austria	-	-	-	-

Belgium	◆	●	▲	▲
Canada	▲	-	▲	◆
Chile	●	◆	●	●
Czech Republic	●	●	N/A	●
Estonia	No central evaluation of public integrity system			
Finland	-	-	-	-
France	●	●	●	◆
Germany	○	○	N/A	○
Greece	▲	◆	●	●
Hungary	○	○	○	○
Iceland	○	○	○	●
Ireland	○	○	○	○
Italy	●	●	●	-
Japan	▲	●	●	●
Korea	●	●	○	●
Latvia	No central evaluation of public integrity system			
Lithuania	No central evaluation of public integrity system			
Mexico	●	●	●	▲
Netherlands	●	●	●	●
New Zealand	▲	▲	▲	▲
Norway	-	-	-	-
Poland	-	●*	-	●*
Portugal	No central evaluation of public integrity system			
Slovak Republic	-	-	-	-
Slovenia	●	●	●	●
Spain	●	●	●	◆
Sweden	-	-	-	-
Switzerland	No central evaluation of public integrity system			
United Kingdom	●	▲	●	▲
United States	-	-	-	-
Total among 32 OECD Member Respondents				
● Always	11	12	10	10
◆ Often	1	2	0	3
▲ Sometimes	4	2	3	4
○ Never	4	4	5	3
- Unknown/ varies widely	7	7	7	7
No central evaluation of public integrity system	5	5	5	5
Costa Rica	No central evaluation of public integrity system			
Peru	○	▲	◆	○

Note: This table is based on data from the 2016 OECD Survey on Public Integrity and focuses on public sector integrity systems in general.

Source: (OECD, 2017^[70]).

164. In Sweden, because of the decentralised nature of procurement, for example, there are differing approaches to declaring when there is no conflict of interest and they are recorded in a number of different guidelines at contracting authority level. In Peru and Costa Rica, there is a legal prohibition on certain public officials and political appointees participating in public procurement procedures, bidding, or contracting into government regardless of the public procurement regime applicable to them. In Costa Rica the

prohibition extends to spouses, partners or relatives within the third degree of consanguinity (OECD, 2018^[8]).

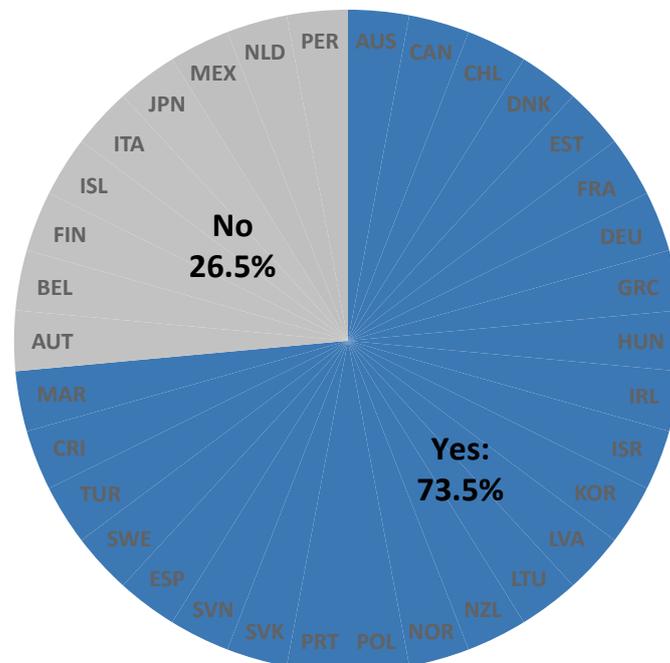
165. The OECD Recommendation on Guidelines for Managing Conflict of Interest in the Public Service [OECD/LEGAL.0316] provides policy makers with a set of concrete policy options to manage conflict of interest based on promoting individual responsibility, supporting scrutiny and creating an appropriate organisational culture (OECD, 2003^[71]).

166. An OECD survey on managing conflict of interest in the executive branch and whistleblower protection shows that among OECD countries a number of different activities are applied to raise awareness amongst stakeholders. 23 out of 32 countries provide training, and 22 out of 33 publish the conflict of interest policy online or in the intranet of the government organisation. A lower number (19 out of 32) provide proactive updates regarding changes in the conflict of interest policies and 17 out of 32 provide an advice line or help desk where officials receive guidance on filing requirements or identifying and managing conflicts of interest (OECD, 2014^[72]).

167. Legal frameworks that support the declaration of conflict of interest and private interests are common among OECD countries. OECD data shows that 85% of respondents have a specific definition of conflicts of interest for public procurement officials in their regulatory framework (OECD, 2018^[8]). However, the 2018 Survey results show that in 73.5% of the respondent countries public procurement officials have to declare either “no conflict of interest” or notify the competent authority in case of potential conflict of interest during a public procurement procedure (Figure 6.10).

Figure 6.10. Policies and mechanisms to manage conflicts of interest in public procurement

Do 'Public procurement officials have to declare 'no conflict of interest' or notify the competent authority in case of potential conflict of interest?

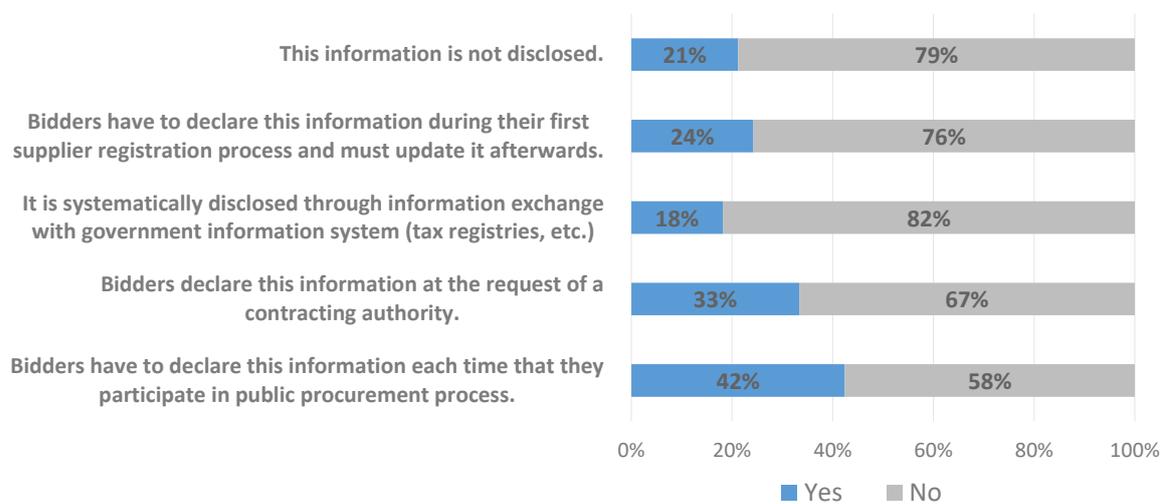


Note: Based on data from 34 countries (31 OECD Countries, Morocco, Peru and Costa Rica)

Source: (OECD, 2018^[8]).

168. Asset declarations for public officials are commonly used in OECD countries to monitor potential conflicts of interest. Variations continue to exist across countries in the scope and breadth of asset declaration requirements and reviewing mechanisms. Within countries, there are also important differences across government branches, with public officials operating in “at-risk areas” such as public procurement (along with tax and customs officials) having more stringent asset declaration requirements (OECD, 2015^[73]) (OECD, 2017^[70]). In order to prevent conflicts of interest, some respondent countries also require suppliers to disclose their beneficial ownership to contracting authorities, either every time they participate in a public procurement process, when they participate for the first time or through automated exchange of information (Figure 6.11).

Figure 6.11. Disclosure of information on beneficial ownership of companies



Note: Data gathered among 33 respondents (30 OECD countries, Morocco, Costa Rica and Peru).

Source: (OECD, 2018^[8]).

169. Some countries have a list of suppliers that is centrally managed in coordination with other authorities, for example, in the Slovak Republic, since 1 February 2017, new legislation for the registry of partners of the public sector (before known as “Registry of beneficial owners”) came into force. The registry covers all contracts financed from public sources. It is no longer managed by the Public Procurement Office, but by the Ministry of Justice. Under the new legislation the identification and verification of the beneficial owner is carried out by an authorised person, such as a lawyer, a notary, a bank, an auditor or a tax advisor, and no longer through self-declaration (OECD, 2018^[8]).

170. Integrity is fostered when the rules are clearly outlined, underpinned by awareness of ethics, values and public sector ethics to enable public officials to apply integrity in their day-to-day tasks. Providing clear laws, guidelines and processes will provide officials with the tools to appropriately manage integrity risks.

171. To conclude, as noted above, having clear lines of oversight will mean the ability to verify conformity to regulatory frameworks and to ensure that public resources are spent in an efficient and effective way. These can include defining the level of authority for approvals, levels of responsibility for certain activities, delegations and decision-making authority delegated to the lowest competent level consistent with the risks associated and

monetary sums involved. Incorporating a functioning control system as part of the oversight of the public procurement cycle will help to avoid many of the risks inherent in procurement procedures. Having legal frameworks, internal control/audit mechanisms and independent external audits as part of the oversight of the procurement function can provide assurance across the various levels of activity undertaken.

6.4. Built for purpose: towards a more efficient and effective public procurement system

172. The Recommendation calls upon Adherents to “*implement sound technical processes to satisfy customer needs efficiently*” (Principle on efficiency) (paragraph VII). The definition of value for money itself has continued to evolve with an increasing emphasis on LCC considerations.

173. An emphasis on increasing value for money is often found with the centralisation of purchasing activities, enabling Governments to reduce administrative red tape and costs while obtaining better terms and conditions through aggregation of purchases. Central Purchasing Bodies (CPBs) increasingly focus on collaborative procurement tools such as framework agreements, with the goal of boosting efficiency through the strategic aggregation of needs. Similarly, CPBs frequently resort to efficiency tools (e-catalogues, e-auctions) and make them available to a large number of contracting authorities. Digital transformation is relevant for all governance levels of the public procurement system as the collection and analysis of even basic spend data at the contracting authority level can enable large efficiency gains to be made.

174. In parallel, the usage of e-procurement solutions is expanding in OECD countries, facilitating data collection by governments. The digital transformation of procurement goes much beyond having good e-procurement systems/platforms in place. At a strategic level some OECD countries have a “digital by design” perspective, where digital technologies are embedded from start in the design, development, delivery and monitoring of procurement frameworks and processes. Having good e-procurement platforms is a part of this strategic direction.

175. The digital transformation of procurement can be understood also as the government ability to treat data as a core asset which can be used to improve procurement procedures, through monitoring, forecasting and simplifying procurement procedures. Better availability of procurement data and information underpins a growing emphasis on measuring and managing the performance of public procurement. Finally, proper integration of the public procurement function into overall public finance management can help with achieving value for money (for instance, by providing contracting authorities with budget flexibility through multi-year budgeting) and providing data to assess the performance of purchasing activities. Moreover, e-procurement systems are increasingly connected to public financial management IT Systems (OECD, 2016^[9]; OECD, 2018^[8])

6.4.1. Achieving greater efficiency through public procurement

Market efficiency and procurement processes

Market engagement to develop realistic and effective tender specifications

176. As per the Recommendation, “*Adherents should engage in transparent and regular dialogues with suppliers and business associations to present public procurement*

objectives and to assure a correct understanding of markets” (Principle on participation) (paragraph VI). A good understanding of markets is essential for contracting authorities to develop more realistic and effective tender specifications and to provide vendors with a better understanding of the country’s needs. Engaging suppliers at different stages of the procurement process also helps reduce the information asymmetry between the market and the procuring entity. Indeed, suppliers often have more information than the procuring entity regarding their own costs, prices, market trends, products or services, and their substitutes. Early exchanges with suppliers may also maximise participation in the tender procedure, allowing potential bidders the time to prepare their offers.

177. Early engagement mechanisms, such as publishing Requests for Information (RFI), Prior Information Notice (PINs), One-to-One consultations with suppliers or holding industry/supplier days can help contracting authorities improve the quality of technical specifications (OECD, 2016^[23]). According to the 2018 Survey, 73.5% of respondents hold regular dialogues with suppliers and business associations in a variety of institutional settings. In some countries, for example, Belgium, Norway or Hungary, business associations or Chambers of Commerce participate in institutional committees to discuss the procurement system as a whole. In Ireland, the Office for Government Procurement engages with suppliers through around six *Go to Tender* and *Meet the Buyer* workshops per year.

178. Some CPBs conduct formal and informal consultations directly with a panel of suppliers. This is the case in Canada, France, Italy or Korea, for instance. Canada and France hold “Industry days” (*Conventions entreprises-acheteurs*” in France) to allow buyers to exchange directly with suppliers. Canada issues Requests for Information prior to tenders while in Greece the CPB establishes dialogue with relevant suppliers selected from the Central E-Registry of Public Procurement depending on the goods and services to be procured. In Latvia, contracting authorities advertise pre-tender market consultation meetings on their website. In New Zealand, there are “Meet the buyers events” earmarked for certain categories of suppliers, such as SMEs (Box 6.22). Many countries publish minutes or summaries of early engagement or roundtable meetings with suppliers, even though this practice is not systematic among Adherents.

Box 6.22. Procurement “speed dating” in New Zealand

“Meet the Buyer” is an event that brings small and medium-sized enterprises (SMEs) together with large purchasing organisations, giving both parties an informal platform for engagement. The highlight of the Meet the Buyer event is a series of 15 minute pre-arranged meetings where small businesses (sellers) get to meet with the large purchasing organisations (buyers) and find out about their upcoming procurement activity and/or present their product/service offerings.

A typical Meet the Buyer setup will also have areas for a mini-expo and presentations where businesses can network with others, speak with exhibitors and access topical information and tools.

- Meet the Buyer is advertised through various channels: Potential suppliers will get to know the details of participating buyers and their interests, overviews or key projects or essential service needs.

- Sellers send in their expressions of interest to meet with particular buyers via a simple web form.
- Buyers shortlist businesses they want to meet: With a limited number of meetings available, buyers shortlist businesses based on their expressions of interest. The shortlisting is done after the period for expressions of interest closes so that the meetings arranged are beneficial to both parties.

The approach has also been used in New Zealand after a Request for Proposals was released to the market in a major All of Government Banking tender where all the suppliers were invited to sit down with government agencies and ask three questions in 15 minutes. A stopwatch was used to ensure exact timings and equal opportunity for each supplier. The event was conducted strictly to ensure a high level of probity was maintained. The suppliers found the face to face time with agencies invaluable and it improved the responses from suppliers.

Source: (OECD, 2018^[74]) (Clinton, 2017^[75]).

Redefining efficiency: MEAT criteria and value for money

179. The Recommendation states “*Adherents should implement sound technical processes to satisfy customer needs efficiently*” including through “*identifying appropriate award criteria*” (Principle on efficiency) (paragraph VII). Award criteria must be objective, relevant to the subject matter of the contract and precisely defined in the tender/solicitation documents.

180. Following the EU Directive coming into place, the 2018 Survey results show that a majority of respondents are employing MEAT (Most Economically Advantageous Tender) award criteria other than price only. The MEAT criteria are based on costs and encompass other aspects using a ‘*best price-quality ratio*’ (e.g. quality of product, organisation, qualification and experience of the supplier, delivery time and conditions, etc.). Tender/solicitation documents available to bidders typically define award criteria, including how they are combined and the relative weight allocated. Percentage or points systems for criteria for evaluation can include environmental and social factors, i.e. secondary policy objectives (OECD, 2016^[23]).

181. The 2018 Survey suggests that CPBs from respondents often use MEAT award criteria for certain types of purchases. Around a third of CPBs apply MEAT criteria to all purchases. Approximately 63% of CPBs use MEAT award criteria for most purchases (75% of purchases and more). Accordingly, the share of purchases made using price-only criteria for evaluation varies across countries (OECD, 2018^[8]).

Adapting the procurement method depending on value

182. In the Recommendation it is stated that “*Adherents should streamline the public procurement system and its institutional frameworks [...]. Where possible, a more service-oriented public procurement system should then be built around efficient and effective procurement processes and workflows [...]*” (Principle on efficiency) (paragraph VII). In order to achieve efficient public procurement processes, all respondents have some sort of simplified procurement rules and processes for low-value contracts.

183. EU respondents apply the EU public procurement rules from EU Directives 2014/23; 2014/24 and 2014/25. EU public procurement rules prescribing openly advertised tendering and contract award procedures are mandatory above certain financial

thresholds, revised once every two years (Table 6.6). Below these financial thresholds, different national rules apply to public contracts from EU respondents.

Table 6.6. Thresholds triggering EU-wide procurement rules

Type of public contract	Type of contracting authorities	Value
Supply and services contracts and design contests.	Central government bodies.	EUR 144 000
Supply and services contracts and design contests.	Local or regional government bodies, or for authorities operating in the defence sector.	EUR 221 000
Supply and services contracts as well as design contests.	Utilities sector (e.g., operators of gas/electricity distribution networks and operators of public transportation services).	EUR 443 000
Any contracting authority.	Works contracts.	EUR 5 548 000

Note: Thresholds are valid until 1 January 2020 and exclusive of VAT. The European Commission establishes the corresponding values in national currencies other than euros [in a separate communication](#).

Source: Synthesis by Morrison & Foerster LLP, New Procurement Threshold Values Apply across Europe from January 1, 2018, Available at: <https://www.lexology.com/library/detail.aspx?g=be3496bd-af6d-48d6-a0fd-fd3b7fe0779d>.

184. Respondents display a wide variety of institutional arrangements and processes regarding low-value contracts. All respondents apply some kind of simplified procurement rules and regulations under a certain threshold, though with some elements of competitive tendering. For instance, Greece applies a simplified procedure (*brief informal tendering*) for contracts with a value between EUR 60 000 and EUR 20 000, while direct award to a single economic operator is possible for low-value contracts up to EUR 20 000. Turkey has a similar approach for contracts below its national threshold. In Israel, under a threshold value of around EUR 12 100 (NIS 50 000), public tender formalities are not mandatory. Instead, an administrative code instructs to conduct a competitive process that is faster and simpler than a public tender.

185. There are strong variations in value thresholds under which contracting authorities can conduct simplified procurement processes. The threshold varies from EUR 12 100 (NIS 50 000) in Israel to EUR 143 650 (DKK 1 072 094) in Iceland.

186. Korea has a simplified price-based evaluation method through its e-procurement system KONEPS for “smaller-value contracts” for goods and services between EUR 15 665 (KRW 20 million) and EUR 38 935 (KRW 50 million). In the same fashion, Italy operates the MePA (Electronic Marketplace for the Public Administration) e-marketplace for goods, services and maintenance works under the EU thresholds. The e-marketplace provides operational flexibility, allowing for direct awarding from standardised e-catalogues and for requests for quotation.

187. Most countries allow direct awards of procurement contracts (without advertisement) up to a certain threshold, which is typically much lower than the EU threshold. For instance, in the Netherlands direct award is authorised for contracts below EUR 33 000 and in France for contracts below EUR 25 000, provided that certain conditions are respected. In Korea contracts below EUR 15 665 (KRW 20 million) can be awarded directly without competition. In Canada, the unified set of rules for Federal public procurement allows a common exception to competition for contracts with a value of less than EUR 16 623 (CAD 25 000).

188. Some countries such as Canada and Estonia, to a degree, allow contracting authorities to set their own practices for procurement where the value is below a certain threshold. For instance, in Canada most Federal Departments can enter into non-

competitive goods and service contracts with a value up to EUR 16 623 (CAD 25 000). Federal Departments have latitude to create practices and processes within that framework, even though they are often required to use centralised procurement tools such as standing offers and supply arrangements. In Estonia contracting authorities can set up simplified regulations for purchases of goods and services between EUR 30 000 and EUR 60 000 and works from EUR 60 000 to EUR 150 000.

189. Simplified procurement processes for low-value contracts are very often associated with collaborative procurement tools aimed at boosting efficiency and streamline processes for low-value purchases.

Using collaboration for improved outcomes

190. The Recommendation states “*Adherents should develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money, including centralised purchasing, framework agreements, e-catalogues, dynamic purchasing, e-auctions, joint procurements and contracts with options*” (Principle on efficiency) (paragraph VII). Centralisation of purchasing activities has been a major driver of the performance of public procurement systems.

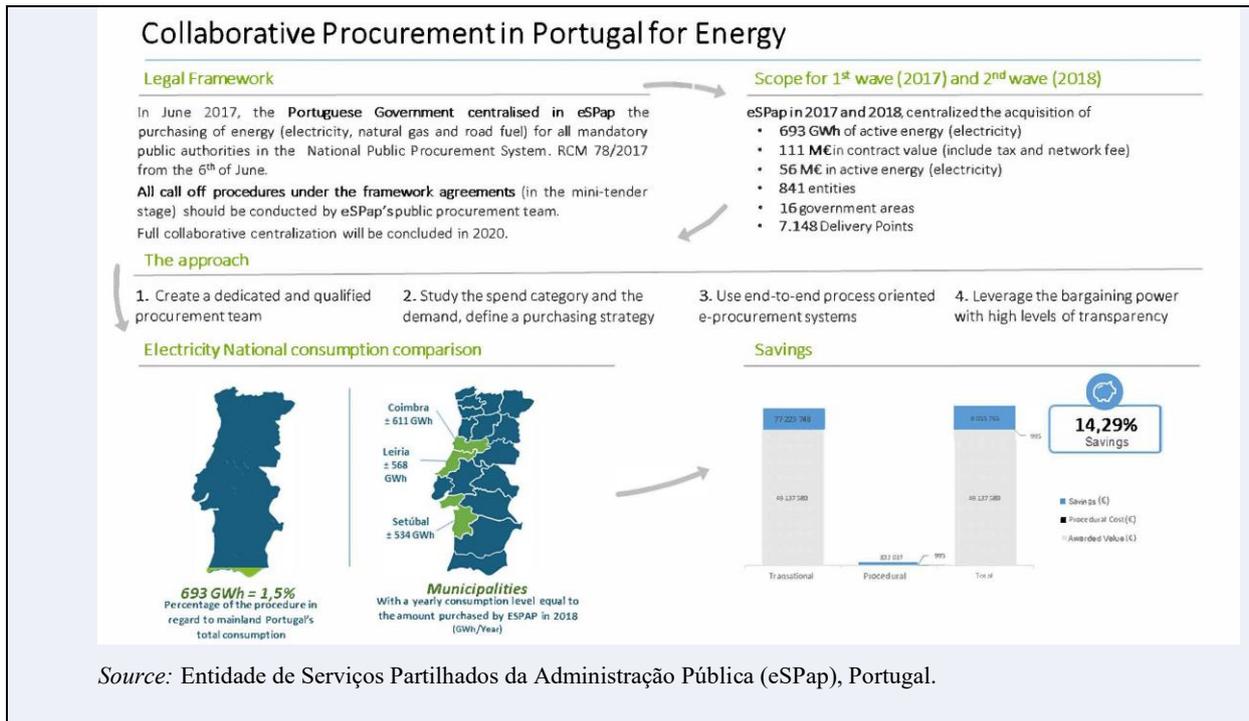
191. The centralisation of procurement activities and aggregation of needs are observed across all OECD countries. CPBs are increasingly established to reap the benefits of aggregation of demands and outputs of procurement activities. The benefits of centralised purchasing activities – such as better prices through economies of scale, lower transition costs and improved capacity and expertise are widely acknowledged.

192. Recently there have been developments in the roles of CPBs in OECD countries that reaffirm their strategic role as an efficiency enabler. Central or coordinated purchasing is carried out in several ways, from the facilitation of purchasing through framework agreements to a more direct service involving the aggregated purchasing and warehousing of products. Box 6.23 provides a good example of the potential benefits of procurement centralisation through aggregated purchasing in the case of energy purchases for central Ministries and agencies in Portugal.

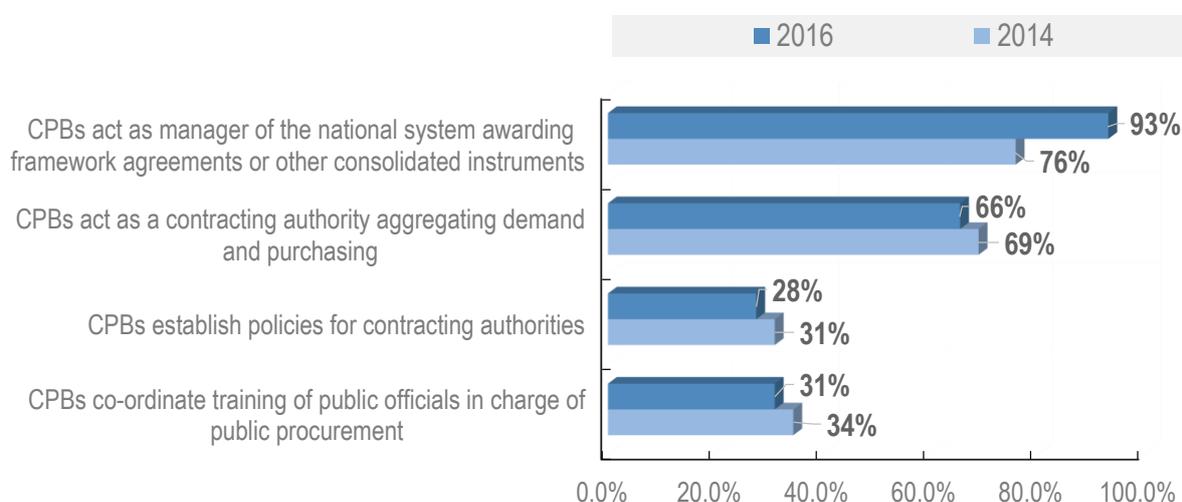
Box 6.23. Procurement centralisation for energy purchases in Portugal

Starting from 2007, Portugal deployed an e-procurement system that supported the introduction of framework agreements as part of its *Sistema Nacional de Compras Públicas* (SNCP, national public procurement system). In 2017, Portugal went further and centralised the purchasing of energy (electricity, natural gas and fuel) in the hands of its central purchasing body, eSPap. The aim was to obtain more purchasing leverage and optimise purchasing strategies across central government agencies and ministries.

This additional responsibility allowed eSPap to aggregate the demand for more than 800 contracting authorities. eSPap defined a 3-year business plan to gradually strengthen its public procurement team and achieve full collaborative centralisation of energy purchases in 2020. According to data for 2017 and 2018, eSPap achieved savings of 14.3%, mainly through lower energy prices (“transactional savings”).



193. Since 2014, CPBs in an increasing number of OECD countries have established framework agreements. OECD Survey results suggest that framework agreements are increasingly widespread among respondents: at least five have introduced them into their public procurement system from 2014 to 2016. Therefore, the share of CPBs managing framework agreements reached 93% during that year. (Figure 6.12). CPBs in OECD countries increasingly focus on strategic aggregation of demand through development and use of procurement tools, including framework agreements and dynamic purchasing systems, to achieve greater value for money.

Figure 6.12. The roles of central purchasing bodies

Note: Based on data from 29 respondents (27 OECD Countries, Peru, Costa Rica) that answered both the 2016 and the 2014 surveys on public procurement.

Sources: (OECD, 2016^[9]) (OECD, 2014^[76]).

194. CPBs also have other common roles such as co-ordinating training for public officials in charge of public procurement (nine countries out of 29, i.e. 31%) and establishing policies for contracting authorities (eight countries out of 29, i.e. 28%) (OECD, 2017^[70]).

195. In 28% of respondents, CPBs act as the policy-making body, and so are responsible for implementing the policies that govern the system. However, data collected by the OECD in 2016 shows only 56.5% of respondents regularly measure the implementation of the CPB's objectives and 22% do not measure at all (OECD, 2017^[70]). It is indicated in the responses that measurement focuses on the delivery of savings and occasionally involves user satisfaction surveys to measure the success of framework agreements and other services. In Finland, for example, the employees of the CPB, Hansel, have their performance bonuses attached to scores from customer satisfaction surveys (OECD, 2019^[25]).

196. Data from the 2016 Public Procurement Survey show that an overwhelming majority of respondents have at least one CPB to conduct central purchasing. Almost all CPBs manage collaborative procurement instruments such as framework agreements and Dynamic Purchasing Systems (DPS) to drive efficiency and cost effectiveness throughout the public procurement system (see definitions in Box 6.24). Notable exceptions are Japan, the Netherlands (where there are no CPBs) and Turkey, where the CPB purchases on behalf of contracting authorities but does not manage framework agreements or collaborative procurement instruments.

197. Framework agreements are a key element of the more general shift towards strategic procurement experienced by many respondents. However, framework agreements or DPS are not suited to the procurement of all goods and services. Relatively homogeneous goods or services that are the object of recurrent purchases across contracting authorities are ideal candidates for these collaborative procurement instruments.

Box 6.24. Defining framework agreements and DPS

Framework agreements generally involve the advertisement of an opportunity by a contracting authority, most frequently the CPB. This authority then enters into a contract or other arrangements with one or more economic operators for the provision of works, supplies or services to different contracting authorities over a fixed period. The purpose of the framework agreement is to establish standardised terms and requirements under which contracts are awarded by contracting authorities. The rationale behind the framework method of purchasing is to achieve saving through reduction of transaction costs and by obtaining better terms and conditions from suppliers. Framework agreements sometimes include mini-competitions between suppliers inside the framework agreement.

A **Dynamic Purchasing System (DPS)** is an electronic system, which can be used for repeat, standardised purchases and operates like a live, online internet-based framework agreement, which economic operators can join at any time. The EU Public procurement directive EU Directives 2014/24 refers to Dynamic Purchasing while other Adherent countries (United States for federal procurement, Korea) operate broadly similar schemes called Multiple Award Schedules (MAS).

The contracting authority advertises the system using an open procedure. Interested economic operators then submit indicative tenders that set out the terms on which they will supply the requirements. All qualified economic operators who submit compliant indicative tenders are admitted to the system. New economic operators can apply to participate and submit indicative tenders throughout the life of the dynamic purchasing system. Contracting authorities wishing to purchase from the system must invite tenders from all economic operators registered in the system. The purchasing contracting authority then places an order with the successful economic operator.

Source: (OECD SIGMA, 2011^[77]), (OECD, Forthcoming^[78]).

198. The CPB typically implements centralised framework agreements on behalf of contracting authorities. The tripartite relationship (CPB – contracting authorities – suppliers), and the benefits provided by framework agreements, depend on the nature of the links between these different entities.

199. Korea's Multiple Award Schedules (MAS) contracts offer examples of good practices regarding framework agreements focusing on homogeneous goods or services (Box 6.25). Korea's CPB manages a uniform process that gives contracting authorities appropriate flexibility and illustrates the potential of using e-catalogues to implement framework agreements to enhance efficiency and competition throughout the public procurement system.

Box 6.25. Multiple Award Schedules (MAS) contracts in Korea

Korea began implementing MAS contracts in January 2005 for end-user public buyers. The Public Procurement Service (PPS) manages MAS contracts and PPS issues unit-price contracts annually with qualified suppliers. These products and prices are then listed in the Online Shopping Mall, and each end user can make purchases directly, without the need for direct involvement of PPS contracting staff or the issuance of a new contract. As of December 2014, 326 409 items were contracted with MAS, which accounts for 88.5% of

total goods registered in the Korean Online E-Procurement System (KONEPS), totalling USD 53.9 million.

Goods or services targeted for MAS must meet four general criteria. They must have a commercialised specification, allow for contracting via unit price, be supported by a competitive market, and have sufficient demand among end users. For goods or services that satisfy these criteria, PPS prepares an announcement for purchasing, and the tender notice is posted to KONEPS.

Compared to traditional procurement, MAS Contracts increased the number of suppliers and competition. In order to participate, most suppliers have to satisfy only minimum requirements for satisfactory past performance in at least three instances and a credit rating above a certain threshold (contract fulfilment capability test). Once MAS contracts are established, the products are available within the KONEPS Online Shopping Mall. It is then the responsibility of each end user to compare, search and purchase within their needs.

For simple transactions, this process is a straightforward ordering through automated processes within KONEPS. However, in certain cases there is a requirement to conduct a second stage competition for price and quality within the MAS contracting framework. For orders subject to second stage competition, the buying entity is required to determine evaluation criteria and request proposals from five or more suppliers.

MAS contracts contain provisions to ensure that the most favourable price is offered to buyers. Suppliers are only allowed to increase their prices in the case of inflation of more than 3%. Suppliers are allowed to lower the price of their products at any time.

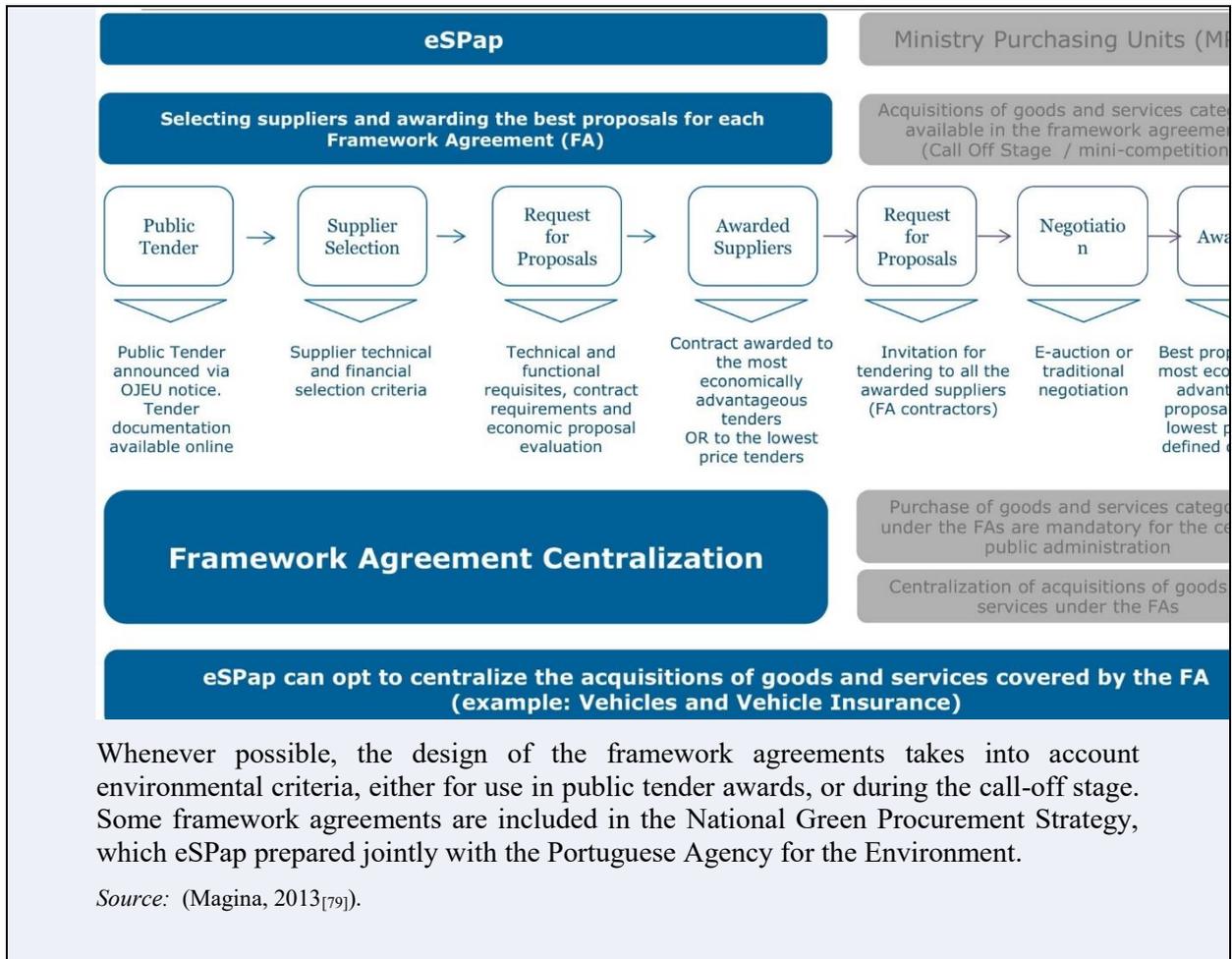
Source: (OECD, 2016^[19]).

200. The example of Portugal, where the use of framework agreements is mandatory for contracting authorities at the central level, illustrates the way many CPBs in the EU resort to this instrument to rationalise public procurement, impose some minimal standardisation and enhance overall efficiency (Box 6.26).

Box 6.26. Framework agreements in Portugal

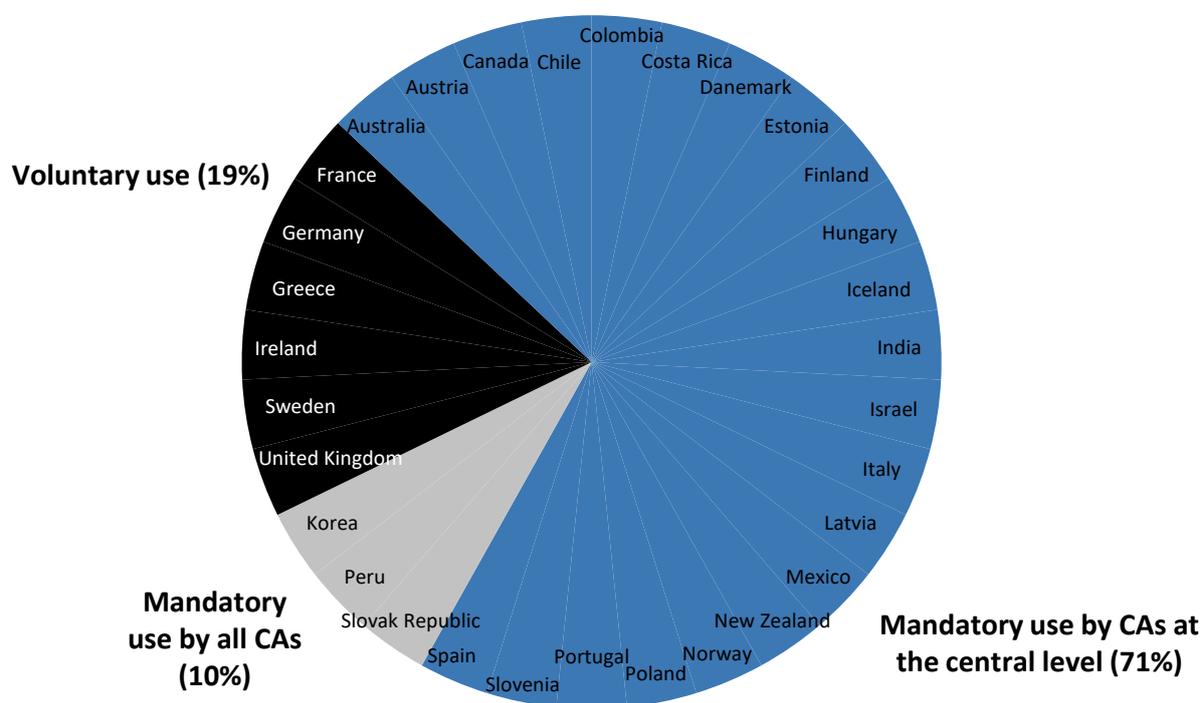
Introduced in 2007, Framework agreements through e-procurement were paramount to connect all users of the Portuguese national public procurement system. Framework agreements in Portugal cover a list of goods and services commonly purchased by contracting authorities and call-offs are mandatory for suppliers.

Contracting authorities in the central administration must use the existing framework agreements to buy items using aggregation processes conducted at central purchasing units at ministerial level (UMC). Contracting authorities have to use the e-platform contracted by the Entidade de Serviços Partilhados da Administração Pública (eSPap, Portugal's CPB and shared service centre under the Ministry of Finance) to run call-offs, free of charge, therefore allowing the eSPap to better control and monitor the performance of the system. eSPap or the Minister of Finance must approve any exception to the use of framework agreements through a specific web process, upon request from the contracting authority.



201. The majority of respondents make it mandatory for contracting authorities at the central level to use framework agreements. Only Korea, the Slovak Republic and Peru make it mandatory for all contracting authorities on all levels of government to use framework agreements. Therefore, the vast majority of respondents that use framework agreements distinguish between contracting authorities at central and sub-central level: sub-national governments and other public entities are free to join on a voluntary basis (Figure 6.13). In Colombia the procurement agency Colombia Compra Eficiente, which is part of the planning sector of the government, manages three procurement platforms that are used by national, regional and local government. These systems are SECOP I, Secop II and Tienda Virtual del Estado Colombiano (TVEC). TVEC is a platform that holds 35 framework agreements. These framework agreements cover the most common goods and services bought by the public sector, including but not limited to cloud services, call centres, fuel, cars and school meals. Frameworks tend to run for 2-3 years with up to 10-15 suppliers.

Figure 6.13. Mandatory vs. voluntary use of framework agreements established by CPBs



Source: (OECD, 2016^[9]).

202. In 2015, an OECD survey provided useful insights on how CPBs use these kinds of agreements:

- The 2015 surveyed countries devote significant time and efforts to demand analysis before implementing or renewing a framework agreement. Indeed, the benefits of developing a framework agreement depend on the nature of demand and supply, on the existence of product alternatives, and on the level of competitiveness of a specific supply market.
- Demand analysis is carried out through systematic consultations with contracting authorities and, frequently, with suppliers through interviews and meetings. CPBs also analyse data on historical spending by contracting authorities and by product category collected through e-procurement systems and often develop forecasts of estimated demand by product for the coming years. More than half of respondents to the 2015 Survey undertake cost-benefit analysis or feasibility studies to identify whether or not a framework agreement is the most efficient procurement route.
- When setting up framework agreements, it is crucial to provide stakeholders (i.e. contracting authorities and suppliers) with guidance and with a clear understanding of the instruments' main characteristics. All CPBs responding to the 2015 Survey organise informative events for contracting authorities and suppliers to provide targeted information. Indeed, the commitment of contracting authorities is key to increasing coverage and to the success of framework agreements. The Chilean CPB *ChileCompra* has a dedicated unit for users. It provides help-desk and training services to both contracting authorities and suppliers (OECD, 2017^[80]).

- As regards the implementation of framework agreements, 50% of respondents to the 2015 Survey have framework agreement systems that do not impose obligations on suppliers to respond to call-offs. 75% of the 2015 Survey respondents indicated that discounts obtained during mini-competitions are based on the initial prices proposed by suppliers through their first submission. CPBs managing framework agreements accept other modifications to initial submissions, whether it is a price increase or a change in the offering. However, most respondents provide a structured framework regulating these modifications, sometimes where suppliers are allocated a maximum number of changes or requests for changes during the framework agreement (OECD, 2017_[80]).

Leveraging e-procurement tools for efficiency

203. Procurement has evolved thanks to progress made possible by technological advances. What was once a paper-based function has been shifting to e-procurement systems for more than 20 years. At the beginning of this transition, the focus in the majority of respondents was on developing e-procurement systems that cover the middle of the procurement cycle, namely from the call for tender until the award of a contract, allowing contracting authorities to manage the rest of the process. However, investment in e-procurement systems has gradually evolved from this original purpose towards developing systems that help increase efficiency and streamline procurement procedures (OECD, 2018_[26]).

204. This gradual drive towards a more transactional e-procurement system means that increasingly electronic modules are made available to procurement officers to improve workflows, automate processes and eliminate inefficient silos. For instance, a growing share of e-procurement systems encompass business intelligence modules and supplier registries: 62% of respondents now have supplier registries available in some or all of their e-procurement systems, be it central government e-procurement platforms or those of specific contracting authorities. 2018 Survey data also suggests that e-auction modules are increasingly popular: such tools are available in some or all e-procurement systems of 65% of respondents (OECD, 2018_[26]).

205. E-catalogues are another widespread efficiency tool regarding low-value purchases that usually qualify for simplified procurement processes or direct award (Box 6.27). They allow procurement officers to order online, usually under pre-established prices and conditions determined through a framework agreement. Over half of respondents report that their e-procurement systems provide for e-catalogues, through either a specific module or an in-built functionality.

Box 6.27. E-auctions and e-catalogues

E-catalogues list available products and/or services that can be viewed and bought in an electronic format and can include information such as illustrations, prices, and product and/service description. E-catalogues can reduce the transaction and administration costs, simplify the ordering processes and reduce unauthorized purchasing outside permitted systems. E-catalogues need to be interoperable with other platforms.

Reverse auction/e-auctions are online functionalities which allow economic operators to submit new, downwards revised prices (and/or sometimes revisions to elements of their tenders, e.g. delivery dates) in real time, and in direct, anonymous competition with other

economic operators. Unlike a traditional auction, suppliers compete to sell a good or service by bidding to lower the price they originally proposed in their bid submissions. Reverse auctions are therefore different from public tenders that entail only one price submission. E-auctions can be used only when specifications can be established with sufficient precision and should be excluded for certain service and work contracts.

Sources: (OECD, 2016^[23]) (OECD, 2013^[81]).

206. Around a third of respondents make available e-catalogues to procurement officers through their central government e-procurement system. The MePA (Electronic Marketplace for the Public Administration) in Italy provides an example of an advanced e-catalogue managed by the Italian CPB, Consip (Box 6.28). It processed 600 000 transactions in 2017.

Box 6.28. The e-marketplace for small value procurement in Italy: The MePA

In 2004, the MePA (Electronic Marketplace for the Public Administration) was launched and it is currently operating with an e-catalogue of over 10 million items. It is one of the leading e-marketplaces currently operating in Europe. Managed by Consip, MePA provides a paperless environment of awarding low-value public contracts for goods, services and maintenance works. It is a digital marketplace in which contracting authorities can purchase goods and services offered by qualified enterprises for a value below the EU threshold.

MePA in fact encourages economic operators to engage with contracting authorities throughout Italy. The e-marketplace provides operational flexibility, allowing for direct awarding from standardised e-catalogues and for requests for quotation.

Contracting authorities can choose among a wide range of goods and services offered by an increasing number of economic operators. MePA is open to any kind of enterprise that meets the qualification criteria.

How does it work?

Contracting authorities can access the MePA e-catalogue, a user friendly shop window showcasing the goods and services available; easily compare the prices, features and delivery conditions offered by different economic operators; and then proceed with the purchase according to the chosen procedure – direct order or request for quotations.

The process is split into three steps:

Step 1 – Consip publishes the MePA tenders

Step 2 – Economic operators qualify and publish their e-catalogues and offers that are compliant with the tender indications

Step 3 – Contracting authorities issue direct orders or negotiate the prices and supply conditions during request for quotations

MePA's major benefits for contracting authorities

- Time saving

- Transparency and traceability of the entire procurement process
- Greater range of products to buy with the possibility of comparing prices and characteristics offered by economic operators from all over the country
- Opportunity to satisfy customised needs by means of request for quotations that identify specific requirements

MePA's major benefits for economic operators:

- Decreasing commercial costs and optimising sales times
- Wider access to the public procurement market and opportunity to propose offers throughout the entire national territory
- Potential enhancement of the company, despite the small size of the enterprise
- Competitiveness and direct comparison with the reference market
- Incentive for the renewal of sales processes

The MePA: A growing instrument in an expanding market

At the end of 2017, for the first time, the transactions carried out on the MePA – about 600 000 – reached a value of EUR 3.1 billion. That figure can increase significantly given the potential market for public spending and the exponential growth of the MePA. Only five years ago, at the end of 2012, the value of annual purchases was one-tenth what it is today, EUR 360 million a year.

The average growth recorded during the past few years was more than 50% per year.

Today the MePA is progressively becoming larger, indeed “universal”. In August 2017 Consip began reorganisation of the offer on the MePA, simplifying its structure and at the same time extending the product categories available to users. The existing product/services tenders moved from 41 to only 9: 1 for goods, 1 for services and 7 for the various categories of maintenance works. This reorganisation makes it much easier to foresee new categories of purchase and to enlarge the number of products and services available, encompassing the entire potential universe of purchases below the threshold.

A great deal can be purchased through MePA

If the amounts for individual purchases on the MePA are less relevant than the big tenders, that should not lead to the conclusion that this is a market of little importance. In fact, throughout the public administration, low value supply purchases represent, in terms of number, the majority of total amount of purchases – over 99% of the approximately 4.5 million contracts performed annually – and in terms of value they represent around 20% of the total value of tenders published every year (amounting to over EUR 100 billion).

Moreover, in the maintenance work market, which is worth about EUR 5 billion each year, half of the expenditure is for procedures under the value of EUR 1 million (thus potentially via MePA).

Source: (OECD, 2018^[34]).

6.4.2. Understanding the value of procurement

Realising the value of public procurement data

207. The Recommendation calls upon Adherents to “*Assess periodically and consistently the results of the procurement process*”. In order to do so, “*Public procurement systems should collect consistent, up-to-date and reliable information...*” (Principle on evaluation) (paragraph X). There are significant variations between respondents regarding the collection of procurement data, depending on the degree to which the procurement system is centralised. In all countries, though, data collection and procurement databases are intrinsically linked to e-procurement systems. Therefore, the rapid development of e-procurement systems means that the availability of procurement data and its quality are gradually improving.

208. The EC promotes data availability, in particular of structured data, which is critical for the application of emerging technologies; such as Artificial Intelligence and Machine learning, Chatbots, big data tools which all require large data sets.

209. Open and inclusive government builds trust between citizens and governments and promotes a transparent and accountable government. Open government also supports a level playing field for businesses and this contributes to economic development. Transparency is widely regarded as an effective tool for fighting corruption. Implementation of internal controls and regulatory oversight, supported by transparency and active participation in civil society in the public decision making process (OECD, 2016^[82]), enables effective accountability. To be effective, transparency and accountability systems must be linked and disclosing information should take account of the quality of what is disclosed as well as the quantity (OECD, 2018^[26]). The Italian *National Database on Public Contracts* (NDPC) provides a good example of how the collection of high quality structured data can improve the supervision and regulation functions in the field of public procurement and is indispensable to pilot the evolution of a national public procurement system (Box 6.29).

Box 6.29. Transparency and traceability in public procurement in Italy

In Italy the Authority for the Supervision of Public Contracts has implemented a National Database on Public Contracts (NDPC). It aims at collecting and processing data on public procurement in order to provide indications to the supervising departments and to inform regulators on measures that need to be taken to promote transparency, simplification and competition. It collects data on IT and conducts market analyses. In particular, it collects and assesses data on:

- The structural characteristics of the public procurement market and its evolution. Statistics about the number and value of procurement awards are grouped by localisation, procurement entities, awarding procedures; the different typologies of procurement are periodically published.
- The criteria of efficiency and value for money during the procurement process. Modifications to contractual conditions are recorded in the authority’s database which, in turn, detects dysfunctions and anomalies of the market.
- Dysfunctions and anomalies of the market through fixed measures. These dysfunctions and anomalies are detected through:

- The assessment indexes of excessive tendering rebates, with respect to the average rebates.
- The number of bids to be presented in each awarding process.
- The localisation of awarded companies with respect to the localisation of the contracting authority.

The Construction Company Database (*Casellario Informatico*) and the data on the declarations filed by the economic operators on the reliance on the capacities of the other entities are parts of the NDPC.

Through the quality of the data made available by the NDPC, the authority improved its activities notably supervision and regulation activity, in order to provide guidelines on measures that need to be taken into account to promote transparency, simplification and competition in the entire procurement process and particularly, in the pre-bidding and post-bidding phases.

Source: (OECD, 2016^[27]).

210. According to an OECD estimate based on the 2018 Survey responses, more than two thirds of respondents have developed centralised collection of procurement data, at least regarding central government bodies and agencies. Most countries have comprehensive procurement databases through their central e-procurement system (OECD, 2018^[26]).

211. In several countries, reforms are ongoing to improve monitoring and data collection. For instance, Germany is setting up the legal basis for more reliable federal electronic public procurement statistics while Sweden is working to improve access to its procurement data as well as data quality. Better procurement data is a first step towards improving performance management of public procurement systems. In Finland, the CPB hired a team of data analysts and provided them with business intelligence tools that can be used to analyse large quantities of data (OECD, 2019^[25]).

212. In reviews on fighting bid rigging in public procurement, the following principles are recommended for procurement databases: 1) they should include tender (bidding) as well as contract data; 2) they should be of good quality; 3) they should be in a usable, flexible and searchable format; 4) they should be accessible by those who would benefit from using it, both within and outside the procuring entity (OECD, 2018^[54]).

Measuring efficiency to understand value

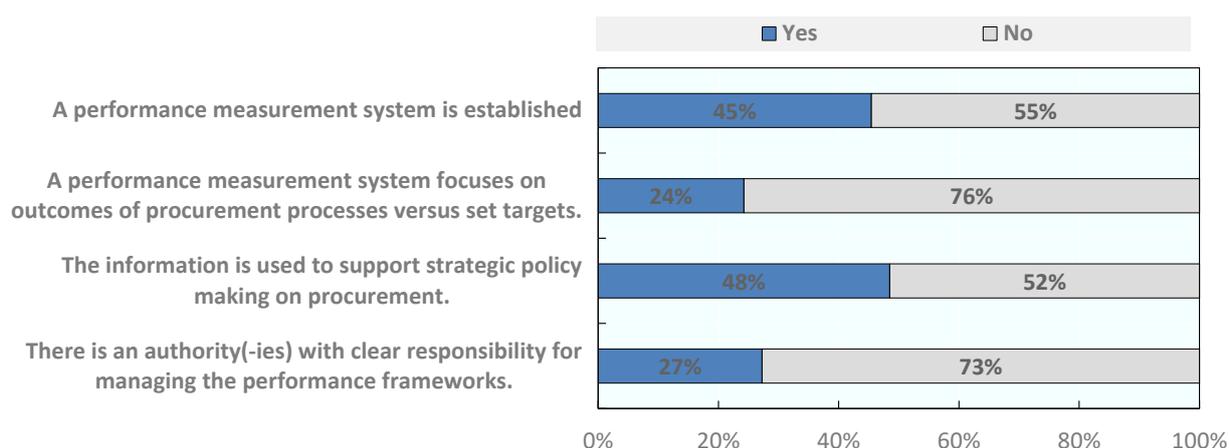
213. The development of e-procurement systems is a driving force to boost the efficiency of procurement processes. Some respondents assess the efficiency or savings related to e-procurement. For instance, Estonia measures the time spent by procurement officers on processes before and after changes to e-procurement procedures, and conducts cost-benefit analyses to inform decisions on further developments in the field of Information Technology (IT). Italy's CPB commissioned an analysis from external advisors on the benefits from digitalisation of its procurement processes. Instead of measuring efficiencies from e-procurement as a whole, Poland, Latvia and Morocco focus on measuring savings obtained through their e-bidding and e-reverse auction platforms.

Measuring the performance of public procurement

214. The Recommendation calls upon Adherents to “develop indicators to measure performance, effectiveness and savings of the public procurement system for benchmarking and to support strategic policy making on public procurement” (Principle on evaluation) (paragraph X). More than half of surveyed Adherents report that they analyse procurement information and data to provide insights informing further reforms of public procurement systems.

215. Only a minority of respondents have a formal performance management system established, with Key Performance Indicators (KPIs) reflecting outcomes and specific targets for each contracting authority. Only 24% of respondents that answered the 2018 Survey have a performance measurement system focused on pre-determined targets and 27% of respondents have an authority with a mandate to manage the performance measurement framework. This suggests that many countries analyse data and indicators available about the public procurement system in a non-structured, non-systematic fashion. In 52% of countries, information and data available is not analysed to inform strategic policy making on public procurement (Figure 6.14).

Figure 6.14. Performance management system lacking in most countries



Note: Data gathered from 33 respondents (30 OECD Countries, Morocco, Costa Rica and Peru).

Source: (OECD, 2018^[8]).

216. CPBs are often leaders in developing and monitoring indicators to track procurement performance. Based on data collected from Adherents in 2016, only 56.5% of OECD countries regularly measure the implementation of the CPB’s objectives. Responses indicate that measurement focuses on the delivery of savings and occasionally involves user satisfaction surveys to measure the success of framework agreements and centralised purchasing (OECD, 2016^[9]). Such data can be used to plot the performance of CPBs. For instance, to incentivise good service delivery employees of Hansel, Finland’s CPB, have their performance bonuses attached to scores from customer satisfaction surveys (OECD, 2019^[25]).

217. Sometimes CPBs measure their performance against set targets as part of a general results-oriented budgeting framework. This is the case in Canada, where Public Services and Procurement Canada (PSPC) has 18 performance indicators measuring procurement outcomes as part of its Departmental Results framework. Similarly, Sweden’s National

Agency for public procurement (NAPP) has recurring result indicators under monitoring as part of its Budget Process, while the government will be in charge of evaluating the implementation of the National Public Procurement Strategy.

218. Other common roles of CPBs include co-ordinating training and providing advice for public officials in charge of public procurement (in 35% of OECD countries) (OECD, 2016^[9]). For instance, Hansel, Finland's CPB, provides advisory services and training to purchasing authorities from the Central Government in Finland. It developed specific performance indicators in this area, including:

- Satisfaction from advisory services and training: (survey responses from relevant contracting authorities).
- Information on procurement processes that have received support from the CPB: (spend level, type of procurement).
- Resources used in providing advisory services/trainings: (staffing levels, additional costs for providing such services).

219. Perhaps thanks to the increasing availability of data, several countries are introducing or expanding their set of performance indicators regarding public procurement or establishing a performance measurement framework. This is the case of the Slovak Republic. Mexico already monitors procurement indicators for its federal procurement system, and it is currently developing a set of indicators for evaluating the performance of federal contracting authorities.

Understanding private sector inputs that improve public services

220. The Government of Canada is leading the development of a government-wide Vendor Performance Management (VPM) framework that will apply to federal procurements. The aim of the framework is to optimize value for money by providing strong incentives for suppliers to perform better and to hold vendors accountable for poor performance. The VPM would include performance metrics and monitoring mechanisms. Similarly, the federal procurement system of the United States (which accounts for the largest procurement spends in the world) is systematically monitoring and tracking supplier performance, through centralised databases on past performance and practices of suppliers shared across all federal departments and agencies (Box 6.30).

221. Approaches to supplier past performance in public procurement differs between countries. Indeed, some OECD countries such as the United States and Korea use suppliers' past performance as award criteria. In Korea, the e-procurement system collects past performance data from private sector business organisations through automated data exchange (OECD, 2016^[19]). On the other hand, in the European Union, contracting authorities can exclude candidates or tenderers from participation. Among other grounds, this is possible if their performance in earlier public contracts has shown major deficiencies. Such exclusion is normally temporary, e.g. up to a maximal duration defined in national public procurement regulations (European Union, 2014^[17]).

Box 6.30. Supplier performance information in the United States

In working to build the right supplier relationships, the United States focuses on doing business with contractors who place a premium on integrity, performance and quality. To

this end, government agencies have been directed to improve the quantity, quality, and utilization of supplier performance information using two systems.

Supplier past performance information including an identification and description of the relevant contract, ratings across six dimensions (quality, schedule, cost, utilization of small business, etc.), and a narrative for each rating is contained within the Past Performance Information Retrieval System (PPIRS, www.ppirs.gov). Government agencies are required to report past performance information on this system, which will then be available to other contracting officers within PPIRS, on all contracts and orders above USD 150 000.

That web-based, government-wide application provides timely and pertinent information on a contractor's past performance to the federal acquisition community for making source selection decisions. PPIRS provides a query capability for authorised users to retrieve report card information detailing a contractor's past performance. Federal regulations require that customers complete report cards annually during the life of the contract. The PPIRS consists of several sub-systems and databases (e.g. Contractor Performance System, Past Performance Data Base, and Construction Contractor Appraisal Support System).

The Federal Awardee Performance and Integrity Information System (FAPIIS) captures additional information regarding supplier performance and business integrity issues, including contracts terminated for default and information about criminal, civil, or administrative procedures related to a federal contract.

Source: (Office of Federal Procurement Policy, 2013^[83]).

Key performance indicators (KPIs)

222. It has been suggested that the global fiscal gap of USD 3.3 trillion could be addressed by 2021 if public spending was better managed and followed the practices of best performing countries. In the area of health care, it was suggested that by spending existing funds more efficiently, health life expectancy could be increased by 1.4 years (McKinsey & Company, 2017^[84]). Public procurement's impacts are widespread, yet measurement frameworks are unable to demonstrate the benefits or drawbacks of procurement policies. Where multiple government policies target the same or similar objectives, cross-government measurement frameworks can help to maintain a view of impact at the central level. (OECD, 2019^[25]).

223. Adherents often develop KPIs to measure performance, effectiveness and savings. KPIs are also a powerful tool to benchmark contracting authorities and to monitor their performance over time. The Checklist for Supporting the Implementation of the Recommendation (OECD, 2016^[23]) suggests contracting authorities:

- Benchmark, for instance by comparing their own operation with a similar contracting authority.
- Comparing monitoring indicators against pre-defined performance targets that are relevant, attributable, well defined, timely, reliable, comparable and verifiable.

224. There is a considerable diversity across countries in the definition and use of KPIs in public procurement. CPBs often use specific KPIs to measure how efficiently they manage framework agreements and whether they deliver for their customers (purchasing organisations).

225. The 2018 Survey results indicate that the most widespread indicators among Adherents are economic measuring savings and inputs, such as costs and time spent on procurement processes (Table 6.7). Savings is a commonly used indicator of performance among respondents. Savings can be tailored to measure benefits from framework agreements, from an e-procurement system or from a procurement process simplification, for instance.

Table 6.7. Savings and inputs indicators

Savings and inputs indicators	
Price savings	Difference between prices obtained through procurement and a reference price (average price of bids, maximal allocated budget, prices established through market research/budget intelligence tools)
Cost and time of procurement processes	Time taken (and any associated overt costs, not including employee salaries) by government personnel, including non-procurement roles, to undertake procurement activity
E-procurement inputs	Direct costs for purchasing, upgrading or maintaining e-procurement system; personnel costs associated with system management and maintenance
E-procurement time savings	Assessment of time taken for contracting authorities and businesses to conduct tender procedures with and without use of different digital procurement functionalities
Cost and time reduction resulting from process simplification	Measurement of time taken by government and business personnel to complete tender procedures both before and after efforts to improve or simplify processes (e.g. use of model contracts)

Sources: (OECD, 2019^[25]); (OECD, 2016^[9]); (OECD, 2018^[8]).

226. Adherents also frequently measure economic indicators regarding supplier participation and competition in tenders, including transparency (share of open tenders, share of tenders advertised online) and the coverage of competitive processes (Table 6.8).

Table 6.8. Supplier participation and transparency indicators

Transparency in government contracting	Proportion of government tender documents that are shared openly in a format allowing review and analysis
Business perceptions on cost and time of participating in government tenders	Survey responses, including quantitative results, on time taken (and resources engaged) in responding to government tenders
Share of open tenders/competitive procurement processes	Proportion of government tenders that use open procedures as opposed to restricted or closed tenders
Average (median) number of bids (responsive bids) per open tender	Measures the degree of competition in open tenders or competitive procurement processes
Supplier concentration	Measure to what extent a small group of suppliers account for a large share of the overall purchase value from a contracting authority
Coverage of e-procurement or e-tendering systems	Percentage of procurement processes (or of overall procurement value) conducted through e-procurement processes

Sources: (OECD, 2019^[25]); (OECD, 2016^[9]) (OECD, 2018^[8]).

227. A third category of economic indicators focus on the post-award phase of the procurement cycle: contracting authorities typically measure payment delays or the time from invoicing to payment, and various dimensions of supplier performance (compliance with contractual delivery time, reliability, quality of maintenance or associated services). In the United States, the federal government developed a dedicated information system to track supplier performance information.

228. Finally, respondents develop and monitor specific indicators related to secondary policy objectives, i.e. Green Public Procurement (GPP), social issues, SME participation, and innovation (Table 6.9). Respondents develop these indicators based on policy priorities. For instance, many respondents record the outcomes of GPP practices and gather data on the achievement of GPP targets (OECD, 2015^[20]). In this regard, the use of award criteria based on life cycle costing is a hybrid, as life cycle costing can bring both economic (lower energy bill /maintenance costs) and environmental benefits (lower energy consumption).

Table 6.9. Sustainability and social indicators, including SME access to public procurement

Environmental impacts	Use of whole of life costing	Ratio, value and number of contracts awarded following a procedure containing life-cycle costing award criteria
	Reduction in energy consumption	Comparison between energy consumption of historical goods and services bought by government and new goods and services selected using MEAT or other criteria
	Reduction of CO ² emissions	Comparison between CO ² emissions from historical goods and services bought by government and new goods and services selected using emissions as criteria
	Improvement in air/water quality	Comparison between impacts on air/water quality of historical goods and services bought by government and new goods and services selected using environmental considerations as criteria
Social impacts	Stakeholder perception and involvement	Survey responses from different segments of society (e.g. businesses, civil society, NGOs) related to public procurement
	Use of social criteria in government contracts	Ratio of public contracts pursuing social objectives (and where possible, aggregation of social outcomes secured through public contracts)
	Skills/jobs creation	Number of jobs/training courses/qualifications generated through public procurement (note: specifically generated through contract clauses)
Innovation and SMEs	SME success	Ratio of SMEs that are successful in government tenders, and number and value of contracts awarded to SMEs
	Innovative procurement	Ratio of goods and services purchased that meet innovation criteria (e.g. purchased through PCP, first introduction into domestic market etc.)

Sources: (OECD, 2019^[25]); (OECD, 2016^[9]) (OECD, 2018^[8]).

229. The use of environmental performance indicators such as energy consumption, CO² emissions and air/water quality in public procurement appear to be a developing area. In Finland application of a framework for measuring “procurement productivity” has highlighted the positive impacts of public procurement such as the presence of the procurement of innovation. Further refinement of the measurement indicators will enable the tangible benefits to the economy in terms of value to be quantified in countries such as Finland where 5% of the tenders are innovative. (OECD, 2019^[25])

Assessing the efficiencies of collaborative instruments and centralisation

230. Framework agreements yield a number of benefits, such as generating savings through the strategic aggregation of needs, reducing red tape and streamlining processes. Therefore, most respondents assess the coverage of framework agreements in specific product categories. The higher the coverage, the greater potential for generating savings from a consolidation of demand.

231. Respondents also measure savings from framework agreements and more broadly from centralising procurement through a CPB. The method of calculating savings differs across countries. Evaluating the financial performance of framework agreements can be achieved from at least two different perspectives: exogenous or endogenous.

232. Exogenous performance is measured against either prices paid outside the framework agreement or historical prices. For instance, in Chile the CPB *ChileCompra* compares prices obtained within its framework agreements to the average price provided by three suppliers with the context of decentralised procurement (Box 6.31). In France, savings from framework agreements are often calculated against historical prices (OECD, 2017^[80]). Mexico's federal government generally estimates savings in framework agreements by comparing reference prices (established through market research) to the prices obtained through the framework contract.

Box 6.31. Savings from framework agreements in Chile

The case of Chile illustrates how framework agreements can generate savings from the consolidation of demand. Chile introduced them in 2003 and the CPB, *ChileCompra*, carried out the implementation, award and management of these agreements. The procurement law mandates the use of framework agreements, which has been further supported by investment in the national e-procurement system (*ChileCompra Express*) as the vehicle for their use. From 2014 onwards, there has been a consistent trend upwards in usage for some product categories, such as data centres and associated services. As a result, Chile achieved substantial savings from both centralisation and the introduction of framework agreements.

Table 6.10. ChileCompra total and average savings amounts

	2015	2016	2017
Savings average	11.7%	19.5%	21.2%
Total amounts transacted (USD Million)	2 197	2 661	2 999
Total amounts saved (USD Million)	257	518	635

Note: "Savings average" is the sum of savings divided by the sum of transaction amounts.

Source: Based on information provided by ChileCompra

ChileCompra calculates price savings based on the difference between the prices proposed by bidders awarded under framework agreements, and the average price proposed by at least three suppliers outside the procurement instrument. In addition, increasing framework agreement coverage (in terms of categories of goods and services) also generated process savings. Process savings are estimated from the difference between costs borne by contracting authorities related to the issuance of a purchase order from one of *ChileCompra*'s framework agreements and the costs generated by the issuance of a public tender or direct award procedure. According to *ChileCompra*, process savings amounted to USD 18.6 million in 2017, or 0.62% of the overall transaction amount.

Source: (OECD, 2019^[25]).

233. Endogenous performance involves evaluating the financial benefits achieved within framework agreements. Where a mini competition exists, many countries calculate

savings using the difference between the initial budgeted price and those offered by suppliers after the mini competition. For example, Greece and Luxembourg use this methodology to estimate savings from centralised purchasing.

234. A third method to compute savings, particularly for construction works, is to measure the costs following tendering compared to costs estimated at the design phase (reference). The French *Direction des achats de l'Etat* (DAE) and the Korean Public Procurement Service (PPS) use this methodology to measure savings concerning construction works. The methodology includes a correcting mechanism where there is an erroneous estimate: if actual prices are more than 20% lower than the reference, the DAE computes savings based on the average price of all bids submitted.

235. Beyond savings, CPBs that manage framework agreements often measure and monitor customer satisfaction by contracting authorities. This is essential to receive feedback from users of framework agreements. Indeed, it is mandatory for contracting authorities at the central level to use framework agreements in a majority of respondents. For instance, in both Finland and Chile, CPBs survey individual users of framework agreements from contracting authorities (OECD, 2019^[25]).

Insufficient evaluation of procurement policies and systems

236. In order to assess and benchmark the performance of their public procurement system, respondents are encouraged to “undertake specific evaluation at the national level, [...] through national institutions such as Supreme Audit Institutions (SAI) or international assessment tools like the MAPS (Methodology for assessing procurement systems)” (OECD, 2016^[23]). The MAPS is a universal tool that aims to catalyse and accelerate the implementation of modern, efficient, sustainable and more inclusive public procurement systems in all countries. In addition, the OECD made available a detailed checklist as a self-assessment tool to guide and support public procurement practitioners in reviewing and revising their public procurement framework according to each of the 12 principles of the Recommendation (OECD, 2016^[23]).

237. According to data from the 2018 Public Procurement Survey, 45% of surveyed countries carried out an evaluation (as opposed to monitoring) of public procurement reforms or specific public procurement policies in recent years. In some respondents, such as Germany or Morocco, no evaluation has been carried out yet because of recent changes to the public procurement laws and regulations. Turkey carried out a specific evaluation to measure the impact of its complaints system on public procurement processes. The 2018 Survey suggests that more countries intend to conduct an evaluation of their public procurement system in the future.

238. Evaluation of procurement systems appears to be carried out in different ways and to differing degrees by respondents, particularly at the national level. One reason is that such evaluations rely on procurement metrics and indicators being in place to provide insights into trends over time. The lack of data on public procurement systems has been an obstacle to the ability of Adherents to perform evaluations. However, the increasing availability of procurement data in recent years means that respondents are better equipped to conduct insightful evaluations of their procurement systems than previously. The OECD has been contributing consistent and evidence-based data on procurement systems in Public Procurement Reviews, developing MAPS and conducting MAPS Assessments. MAPS contains a checklist of quantitative indicators, which, along with its legal and policy dimensions, can help evaluating and benchmarking procurement systems and identifying areas for improvement (Box 6.32).

Box 6.32. MAPS quantitative indicators to assess public procurement systems

Suppliers

- Number of registered suppliers as a share of total number of suppliers in the country (in %).
- Share of registered suppliers that are awarded public contracts (in % of total number of registered suppliers).
- Total number and value of contracts awarded to domestic/foreign firms (and in % of total).

Audit and risk management

- Number of training courses conducted to train internal and external auditors in public procurement audits.
- Share of auditors trained in public procurement (in % of total number of auditors).
- Share of internal and external audit recommendations implemented within the time frames established in the law (in %).

Competition and Submission of bids

- Value of contracts awarded through competitive methods (most recent fiscal year).
- Average time to procure goods, works and services: number of days between advertisement/solicitation and contract signature (for each procurement method).

Contract management and payment

- Time overruns (in %; and average delay in days).
- Contract amendments (in % of total number of contracts; average increase of contract value in %).
- Quality-control measures and final acceptance is carried out as stipulated in the contract (in %).
- Invoices paid on time (in %).

Source: (MAPS, 2018_[85]).

239. Measuring the productivity of an entire procurement system requires analysis of a number of factors beyond performance metrics and indicators. Indeed, a number of qualitative factors must also be taken into account. These are labelled ‘Enablers/conditions’, as they represent the many considerations that affect the performance of the procurement system. Surveyed CPBs often target these considerations in order to improve the performance procurement systems (Box 6.33).

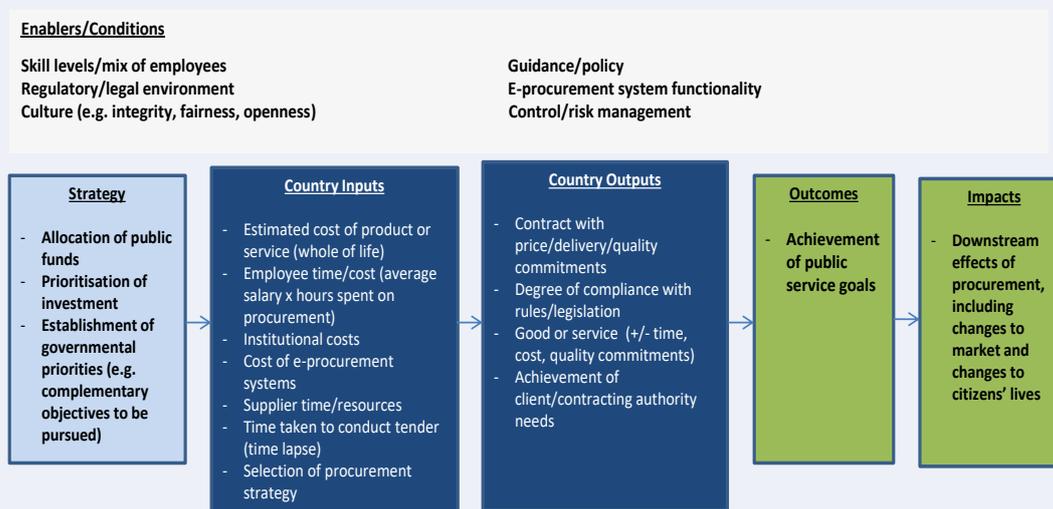
Box 6.33. Assessing national procurement systems

Scholars have developed increasingly sophisticated models to measure the outputs of procurement exercises, such as efficiency/cost, total cost of ownership, on-time deliveries, accuracy, quality, innovation, sustainability, internal customer satisfaction, and professionalism.

However, measuring the performance of an entire procurement system is undoubtedly more complex than measuring the benefit from single tender or from acquisitions from a single purchasing authority. A number of additional factors must be taken into account, on top of standard performance indicators.

These additional factors determine how the system functions are labelled ‘enablers/conditions’, as they represent the constant factors that make up the public procurement environment, and therefore more intangible and harder to measure. Depending on the scope of their work, procurement policy makers often target many of these considerations in order to improve the performance of the procurement system.

Figure 6.15. Structured performance assessment of a national procurement system



Source: (OECD, 2019^[25]) (Phillips, 2018^[86]).

240. Evaluations of national procurement systems increasingly encompass secondary policy objectives, such as GPP, procurement policies aimed at supporting SMEs, innovation, or other social goals. In 2016, while most countries did have some measure of the impact of their green procurement strategy, just under half of them conducted evaluations of measures aimed at supporting SME’s access to public procurement. Only a quarter of respondents had ever assessed their policies to support the acquisitions of innovative goods and services (OECD, 2016^[9]).

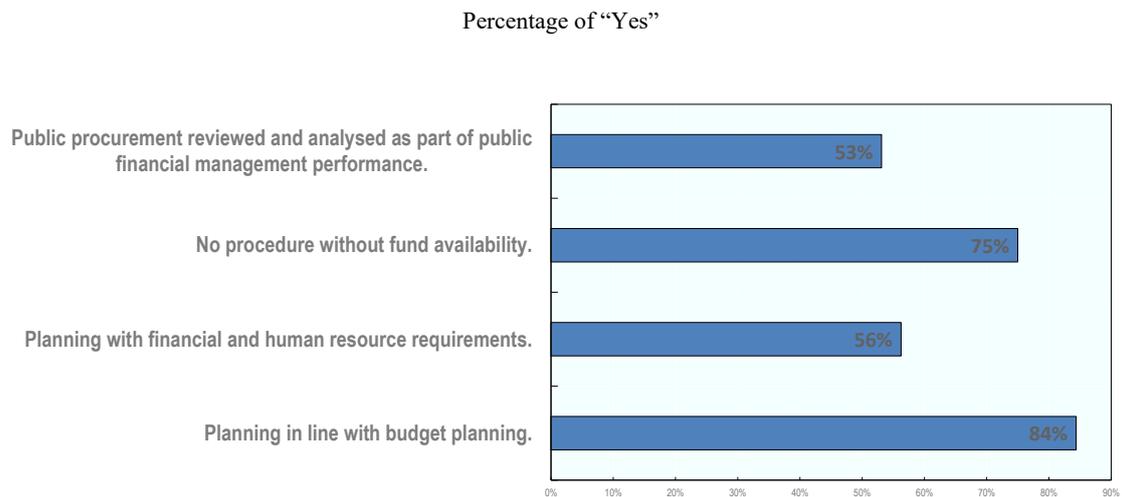
Managing procurement dividends

241. The Recommendation calls upon Adherents to “*rationalise public procurement spending by combining procurement processes with public finance management [...] Budget commitments should be issued in a manner that discourages fragmentation and is conducive to the use of efficient procurement techniques*” (Principle on integration)

(paragraph XIII). This also means that Adherent countries should use the information from public finance management systems to improve procurement management, reduce duplication, and deliver goods and services more efficiently. Integration with public finance management can help ensuring a proper monitoring of public procurement spending by internal auditors as well as by independent oversight auditors (OECD, 2016^[23]).

242. As supported by the Recommendation (Principle on Integration), most respondents conduct public procurement planning in line with budget planning (Figure 6.16). The Recommendation encourages multi-year budgeting to optimise the design and planning of the public procurement cycle, as long as it is justified, to enhance efficiency. In Turkey for instance, a specific budget programme must be approved for any purchase for a period exceeding one year, with strict rules regulating the allocation of expenditures (e.g. the appropriation contemplated for the first year shall not be less than 10 % of the project cost). In Lithuania, long-term cycle procurement must be planned in line with strategic multi-year planning documents.

Figure 6.16. Integration of public procurement with public finance management



Note: Data gathered from 29 OECD Countries, Morocco, Peru and Costa Rica (32 respondents overall).

Source: (OECD, 2018^[8]).

243. In more than half of respondents (53%), public procurement is also reviewed and analysed as part of public financial management performance (Figure 6.16). In many countries, public procurement is part of broader government financial audits and control procedures typically conducted by internal audit services or/and Supreme Audit Institutions. In Slovenia, for example, the Budget Supervision Office conducts budgetary inspection and performs pre-accreditation reviews for any expenditure funded by EU Funds, whereas the Court of Audit of the Republic of Slovenia acts as the independent supreme audit institutions. Both are competent regarding public procurement spending. In Canada, the Treasury Board of Canada Secretariat is responsible for the Management Accountability Framework, an annual assessment of management practices and performance in most federal departments.

244. In addition, in some countries the Parliament reviews and analyses the public procurement function as part of results-oriented budgeting. This is the case in Canada

where Parliament examines the CPB's performance through Departmental Results Reports featuring specific performance indicators (Box 6.34).

Box 6.34. Public procurement as part of public financial management performance: the example of Canada

Public procurement performance is reviewed and analysed in various ways. Two main ways are:

Departmental expenditure plans

Departmental Expenditure Plans consist of two documents: Departmental Plans (DP) and Departmental Results Reports (DRR). DPs are expenditure plans for each appropriated departments and agency (excluding crown corporations). They describe departmental priorities, strategic outcomes, programs, expected results and associated resource requirements. DRRs are individual department and agency accounts of actual performance against the plans, priorities and expected results set out in their respective past DPs. DPs and DRRs are tabled in Parliament and inform parliamentarians of the results achieved by government organisations. Performance indicators reported for Public Services and Procurement Canada (PSPC) in this regard include:

- Overall level of federal departments' and agencies' (i.e. contracting authorities) satisfaction.
- Percentage of PSPC contracted value awarded through competitive processes.
- Cost of procurement services per CAD 100 of contracts awarded by PSPC annually.

Management Accountability Framework (MAF)

The MAF is a framework for management excellence, accompanied by an annual assessment of management practices and performance in most departments and agencies of the Government of Canada. The MAF is a key tool of oversight that is used by the Treasury Board of Canada Secretariat (TBS) to help ensure that federal departments and agencies are well managed, accountable and that resources are allocated to achieve results. The MAF establishes expectations for sound public sector management practices and performance. One area of assessment is the "Management of Acquired Services and Assets" which includes procurement.

Source: (OECD, 2018^[81]).

7. SUMMARY AND CONCLUSIONS

245. In line with the provisions of the Recommendation, Adherents are moving to transform their public procurement systems to increasingly support national and sub-national strategic orientations. This is illustrated by the wealth of evidence and insights gathered from Adherents and certain non-Adherents through their voluntary engagement in peer reviews and technical assistance, as well as the 2018 Survey. This accumulated

experience forms a baseline of concrete evidence which clearly shows the progress Adherents have made in using public procurement as a key lever in the furthering of strategic policy objectives.

246. Adherents are increasingly promoting strategic initiatives in public procurement systems. The responses to the 2018 Survey show that the Recommendation has supported a range of strategic changes in public procurement systems including advancing the use of digital technologies and increasing delivery of innovative outcomes. The majority of Adherents have developed strategies or policies at some level regarding the adoption of strategic policy objectives such as promoting the environment, innovation and SMEs. The increase in policies to pursue innovative goods and services is mainly at the central level which could reflect the increasing need to centrally coordinate this strategy (OECD, 2016^[9]).

247. The usage of e-procurement systems is widespread among Adherents and the use of digital technologies is being harnessed to gather meaningful data for measuring effectiveness and efficiency. Most respondents to the 2018 Survey have developed some centralised collection of procurement data, at least regarding central government bodies and agencies. However, only a minority of respondent countries have a formal performance management system established, with key performance indicators (KPIs) reflecting outcomes and specific targets for each contracting authority. A number of respondent countries have also developed and are monitoring specific indicators related to complementary policy objectives, for example, green public procurement (GPP), social issues, SME participation, and innovation.

248. Evaluation of national procurement systems is fast developing in the ability to measure the impact of complementary policy objectives. With a trend towards greater availability and collection of data, the ability to measure system-wide impact is improved and Adherents are better equipped to conduct insightful evaluations of their public procurement systems. The Secretariat has worked with a number of Adherents and non-Adherents on Public Procurement Reviews. It also coordinated the revision of the Methodology for Assessing Procurement Systems (MAPS), a universal assessment tool linked to the United Nations' Sustainable Development Goals and conducted MAPS assessments in OECD and non-OECD countries.

249. With a trend towards more respondent countries having integrated their e-procurement systems with central government IT systems (while only 40% of respondents had integrated e-procurement systems in 2016, 59% of respondents indicated it was the case in 2018), the effectiveness and efficiency of public procurement is further supported. The most common integration was with budgeting systems, business and tax registries, social security databases, financial systems for payment, and the Enterprise Resource Planning software (ERPs) of contracting authorities.

250. The continued development of efficiency and effectiveness through centralisation of public procurement is apparent from responses, however, the quantitative measurement and demonstrated improvements are not widely implemented. Since 2014, Central Purchasing Bodies (CPBs) in an increasing number of Adherents have established collaborative procurement tools such as framework agreements which enable aggregation of buying power and reduction in administrative costs. Five out of the 30 respondents have introduced framework agreements since 2014 (Germany, Norway, Peru, Poland and the Slovak Republic). However, only 56.5% of Adherents regularly measure the implementation of CPB's objectives and 22% do not measure it at all. The measurement

focuses on the delivery of savings with occasional user satisfaction surveys to measure the success of framework agreements and other services.

251. Procurement procedures are increasingly supportive of strategic procurement outcomes. An example is the increasing use of the most economically advantageous tender (MEAT) criteria in evaluation of bids. The 2018 Survey responses show that 63% of CPBs use MEAT award criteria for most purchases (75% of purchases and more). The MEAT criteria take into account such areas as quality of product, organisation, qualification and experience of the supplier, delivery time and conditions, etc. There is also increasing consideration of all the costs that will be incurred during the lifetime of the item being purchased which can include the cost of externalities (like greenhouse gas emissions).

252. In the public procurement workforce there continues to be a challenge with a lack of capability (defined as skills-based ability for an individual, group of organisation to meet obligations and objectives) and lack of capacity (defined as the ability to meet obligations and objectives based on existing administrative, financial, human, and infrastructure resources). Ten countries (Canada, Chile, France, Iceland, Japan, the Netherlands, New Zealand, Peru, Portugal, and Slovak Republic) responded in the 2018 Survey that they have competency models. The lack of competency models make it difficult to identify exactly where the gaps are and design a strategy (including training) to fill them.

253. There is an upwards trend in the percentage of respondents that have developed a strategy for the assessment, prevention and mitigation of public procurement risk. The 2018 Survey also confirmed that more than half of respondents have follow up mechanisms to track and monitor the implementation of audit recommendations and observations. However, the need for improvement and for more comprehensive risk management tools remains.

254. The legal frameworks used by respondents reflect key principles such as equal treatment, non-discrimination, transparency, proportionality and effective competition that act as barriers to the risks of corruption or integrity breaches. The challenge remains for respondents to ensure that the principles are honoured through applying the measures that are in place in their countries. In the case of conflict of interest policies, for example not all countries that have them are applying them and under half of the respondents surveyed have policies for asset declaration in place.

255. The Recommendation has been internationally recognised and used to embed holistic transformations of public procurement systems. It supports a change of paradigm and a shift towards a strategic public governance tool. The increasing rate at which the levers and conditions offered by a strategic approach to public procurement become widely enshrined into wider public sector practices will provide an increasing body of evidence to demonstrate the accrued benefits.

256. To conclude, the Recommendation remains highly relevant in the current policy context, has been widely disseminated, and Adherents have made significant progress in implementing its provisions. There remain certain areas, as identified above, where further work could be done to improve implementation on which Adherents could focus their efforts moving forward. In addition, Adherents could (i) engage further in peer learning and sharing of experiences through the Toolbox, (ii) develop performance management systems with key performance indicators to provide data to measure the implementation of strategic policy objectives, and (iii) further promote and raise awareness of the Recommendation nationally and internationally.

257. In addition, while the text of the Recommendation remains relevant and does not need revision at this time, in order to ensure it remains relevant and follow Adherents' implementation of its provisions the Public Governance Committee could continue monitoring its implementation in co-operation with the Competition Committee and the Working Group on Bribery in International Business Transactions and in consultation with other competent OECD committees, and report to the Council as appropriate and within five years.

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