

PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEETOWARDS PUBLIC PROCUREMENT PERFORMANCE INDICATORS:
FIRST SET OF INDICATORS

Meeting of the Leading Practitioners in Procurement

17-18 June 2014, at OECD Headquarters in Paris, France.

This paper presents a first set of proposed indicators to measure the performance of public procurement systems and their evolution over time. These indicators are based on the stocktaking report reviewed at the November 2013 Leading Practitioners meeting. These indicators focus on the following four areas that were agreed upon in the concept note presented to the Task Force on Public Procurement Performance Indicators: 1. Efficiency of the public procurement cycle; 2. Openness and transparency of the public procurement cycle; 3. Professionalism of the public procurement workforce; and 4. Contract performance management

At the meeting, Leading Practitioners are encouraged to:

- *provide comments and suggestions on the relevance of the proposed indicators and validate the proposed list of goods and services;*
- *propose alternative options for indicators; and*
- *express interest in participating in the piloting exercise of the indicators.*

Leading Practitioners may also provide their feedback by July 15 2014; and provide existing data to the OECD to calculate the indicators by September 1 2014.

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TOWARDS PUBLIC PROCUREMENT PERFORMANCE INDICATORS: FIRST SET OF INDICATORS

Introduction

1. In February 2013, the Leading Practitioners on Public Procurement asked the OECD to help develop a set of relevant and credible indicators to measure the performance of public procurement systems and their evolution over time. Following the Leading Practitioners' meeting, a Task Force on Public procurement Performance Indicators was formed, joining:

2. Canada (Treasury Board Secretariat of Canada), Chile (ChileCompra), the Czech Republic, India (Indian Railways), Italy (CONSIG –the Italian central purchasing body, AVCP- the Italian Authority for the Supervision of Public Contracts for works, services and supplies and the Ministry of Finance), Korea (Public procurement Service, PPS) and Mexico (Ministry of Public Administration, SFP, and the Mexican Institute of Social Security, IMSS); representatives from four international organisations: UNCITRAL, the World Bank, WTO and EBRD; as well as the George Washington University Law School.

3. The members of the Task Force on Public Procurement Performance Indicators agreed upon the concept note which identified the following four areas for the development of indicators in:

1. Efficiency of the public procurement cycle;
2. Openness and transparency of the public procurement cycle;
3. Professionalism of the public procurement workforce; and
4. Contract performance management

4. In the November 2013 meeting, the stocktaking report provided an overview of what public procurement data is collected by countries¹ in each of the aforementioned four areas. Based on this report, the OECD presents a first set of proposed indicators for discussion.

5. A glossary in the annex of this document provides the necessary definitions.

Leading Practitioners are invited by July 15 2014:

- to provide comments and suggestions on the relevance of the proposed indicators and validate the proposed list of goods and services;
- to propose alternative options for indicators; and
- to express interest to participate in the pilot of the indicators.

¹ Belgium, Canada, Colombia, Czech Republic, Denmark, Estonia, Hungary, India, Ireland, Israel, Italy, Mexico and Norway responded to the survey and provided information.

Leading Practitioners are invited by 1 September 1 2014:

- to provide existing data to the OECD to calculate the indicators.

Size of public procurement

(this information is needed to verify aggregated results)

- Total number of contracts (disaggregated, if possible, by works, goods and services).
- Total value of contracts (disaggregated, if possible, by works, goods and services).
- Public procurement as share of government expenditure (if possible by sectors²).
- Public procurement as share of GDP.

1. Efficiency of the public procurement cycle

6. Efficiency of the public procurement cycle refers to the proportionality between, on the one hand, costs and length of each public procurement contract and, on the other, the value of contract. It is possible to achieve efficiency gains through the use of e-procurement, and through consolidation mechanisms, such as framework agreements or consolidated contracts grouping more than one public buyer.

7. To measure the level of efficiency the indicators proposed will need to be benchmarked against to what is stated in the legislation, over time or against a specific target set by the respective country or authority.

1.1. Use of contracting mechanisms

8. This indicator will identify the use of efficient contracting mechanisms. Carrying out framework agreements or consolidated contracts may result in efficiency gains since it may achieve economies of scale and lower transaction costs, with fewer contracts and suppliers to manage.

$$\begin{aligned} & \text{Use of particular contracting mechanism in terms of value} \\ & = \frac{\text{Total value per particular contracting mechanism}}{\text{Total value of contracts}} \times 100 \end{aligned}$$

$$\begin{aligned} & \text{Use of particular contract mechanism in terms of number} \\ & = \frac{\text{Total number per particular contracting mechanism}}{\text{Total number of contracts}} \times 100 \end{aligned}$$

Contracting mechanisms: (please note that these categories are not exclusive)

- ✓ One-off contracts
- ✓ Electronic reverse auction
- ✓ Framework agreements
- ✓ Consolidated contracts
- ✓ Procurements carried out through E- procurement
- ✓ Dynamic Purchasing Systems
- ✓ Other

Conclusion: A higher percentage of one-off contracts may indicate that less efficient public procurement mechanisms were used for some purchases, particularly in low value procurements. A higher percentage of framework agreements

² Please refer to the glossary.

or consolidated contracts may indicate that economies of scale are targeted through aggregated public procurement mechanisms.

1.2. Uptake of e- procurement

If possible, please provide this information by sector²

$$\text{Uptake of e – procurement in terms of value} = \frac{\text{Total value of contracts using e – procurement}}{\text{Total value of contracts}} \times 100$$

$$\text{Uptake of e – procurement in terms of number} = \frac{\text{Total number of contracts using e – procurement}}{\text{Total number of contracts}} \times 100$$

Conclusion: The higher the percentage, the higher the use of the e- procurement. To be compared to a target set by the respective country or authority.

1.3. Use of e-procurement per contracting mechanism or per low/high value procurements

$$\text{Use of e – procurement per contracting mechanism or per low /high value procurements in terms of value} = \frac{\text{Total value of contracts using e – procurement per contracting mechanism or per low/high value procurements}}{\text{Total value of contracts per contracting mechanism or per low/high value procurements}} \times 100$$

$$\text{Use of e – procurement per contracting mechanism or per low/ high value procurements in terms of number} = \frac{\text{Total number of contracts using e – procurement per contracting mechanism or per low/high value procurements}}{\text{Total number of contracts per contracting mechanism or per low/high value procurements}} \times 100$$

Conclusion: An understanding of the use of E-procurement will provide insights into how spending is being carried out, which can then influence policy decisions to improve efficiency.

Note: Thresholds for low and high value will be decided by each country.

1.4. Savings

$$\text{Total savings} = \sum \text{Savings per contracting mechanism (St)}$$

Savings per contracting mechanism (St)

$$= (\text{Price paid before the use of the contracting mechanism (Historical price)} - \text{price paid using the contracting mechanism}) \times Q$$

Historical prices: can be calculated as an average of past procurement prices or as a reference price. If the good/service is not procured in the same year, the inflation impact should be calculated and removed it.

Quantity (Q) has to be a consistent number. It can be an average between years or a quantity considered standard.

Please refer to Annex 1 for a proposed list of goods and services.

Contracting mechanism: (please note that these categories are not exclusive)

- ✓ One-off contracts
- ✓ Electronic reverse auction
- ✓ Framework agreements
- ✓ Consolidated contracts
- ✓ Procurements carried out through E- procurement
- ✓ Dynamic Purchasing Systems
- ✓ Other

1.5 Savings using framework agreements with second-stage competition

Savings using framework agreements with second stage competition

$$= (\text{Price established in the framework agreement} - \text{price negotiated at the second stage competition}) \times Q$$

1.6. Efficiency of the public procurement unit

Efficiency of the public procurement unit

$$= \frac{\text{Total cost associated with the public procurement unit}}{\text{Total value of contracts carried out by the public procurement unit}} \times 100$$

Yearly public procurement unit cost:

- ✓ Labour cost for all procurement officials (if some members of staff work partially on public procurement tasks, only the percentage of their time spent for procurement should be calculated)
- ✓ Fixed costs, including facilities
- ✓ Variable costs

Conclusion: Depending on the target set by the respective country or authority, the indicator may imply that the public procurement unit is wasting resources in terms of money and time.

1.7. Level of unsuccessful public procurement processes

Level of unsuccessful processes

$$= \frac{\text{Number of unsuccessful processes}}{\text{Total number of contracts} + \text{total number of unsuccessful processes}} \times 100$$

1.8. Reasons for unsuccessful public procurement processes

$$\text{Reasons of unsuccessful processes} = \frac{\text{Number of unsuccessful processes per reason}}{\text{Total number of unsuccessful processes}} \times 100$$

Reason for unsuccessful processes:

- ✓ Challenges
- ✓ No bids received
- ✓ Non-compliant bids
- ✓ Other

Conclusion: Having an indication of the level of unsuccessful processes and the reason may help to drive improvements to the system.

1.9. Public procurement award time

Number of contracts and unsuccessful processes completed according to time guidelines

$$= \frac{\text{Total number of contracts awarded by the public procurement unit according to time guidelines}}{\text{Total number of contracts awarded} + \text{Total number of unsuccessful processes carried out by the public procurement unit}} \times 100$$

Time guidelines may include:

- ✓ Time for carrying out low value public procurements
- ✓ Time for carrying out complex public procurements
- ✓ Time for developing specifications
- ✓ Time for evaluation and award period (note: this period can be broken down between evaluation and award, if different timelines are set).

2. Openness and transparency of the public procurement cycle

9. Openness is understood as fair and equitable treatment of participants in the public procurement cycle. According to UNCITRAL, transparency in public procurement involves five main elements: public disclosure of rules applied in the public procurement process; publication of public procurement opportunities; prior determination and publication of what is to be procured and how submissions are to be considered; visible conduct of public procurement according to the prescribed rules and procedures; and existence of a system to monitor that these rules are being followed and to enforce them if necessary.

10. To measure the level of efficiency the indicators proposed will need to be benchmarked against to what is stated in the legislation, over time or against a specific target set by the respective country or authority.

2.1. Promoting competition: procurement procedure

$$\begin{aligned} & \text{Level of competition per public procurement procedure in terms of value} \\ & = \frac{\text{Total value of contracts awarded per public procurement procedure}}{\text{Total value of contracts}} \times 100 \end{aligned}$$

$$\begin{aligned} & \text{Level of competition per procedure in terms of number} \\ & = \frac{\text{Total number of contracts awarded per public procurement procedure}}{\text{Total number of contracts}} \times 100 \end{aligned}$$

Public procurement procedures:

- ✓ Open tender
- ✓ Restricted procedure
- ✓ Single-source contracting (direct award)

Conclusion: A higher use of direct awards may imply a lower level of competition.

2.2. Promoting competition: number of bids and number of international bidders

$$\text{Ratio of bids per contract awarded by type of product} = \frac{\text{Number of bids by type of product}}{\text{Number of contracts awarded by type of product}}$$

$$\begin{aligned} & \text{Ratio of international bidders by type of product or by low / high value procurement} \\ & = \frac{\text{Number of international bidders by type of product or by low / high value procurement}}{\text{Number of bidders by type of product or by low / high value procurement}} \end{aligned}$$

Please refer to Annex 1 for a proposed list of goods and services

Conclusion: To be compared with a specific target set by the public procurement unit. Closest to the target may imply that a higher level of competition is being reached.

2.3. Transparency of public procurement information

11. In cases where on-line publication is not mandatory for all instances of a category, countries or public procurement authorities can establish percentage targets against which to benchmark.

12. On-line publication of:

- Call for tenders including all information allowing suppliers to assess whether they would like to tender.
- Amendments to call for tenders.
- Number of bids/offers received by procedure.
- Number of bid/offers received by size of firms.
- Prices agreed in the contract.
- Contract modifications, including changes to contract prices.
- Total price paid for goods or services, including all modifications.
- List of debarred suppliers.
- Justifications for the use of public procurement procedures other than open tendering.

3. Professionalism in the public procurement function

13. Having a public procurement workforce that meets high professional standards and is capable of achieving strategic government objectives is essential. Key factors for the professionalism of the public procurement function include: sufficient staff in terms of numbers and skills, recognition of public procurement as a specific profession, certification and regular trainings, integrity standards for public procurement officials and the existence of a unit for analysing public procurement information and monitoring the performance of the public procurement system.

14. To measure the level of efficiency the indicators proposed will need to be benchmarked against to what is stated in the legislation, over time or against a specific target set by the respective country or authority.

3.1. Number of public procurement officials according to the value and number of contracts and unsuccessful processes

$$\begin{aligned} & \text{Public procurement officials against number of contracts and unsuccessful processes} \\ &= \frac{\text{Number of public procurement officials}}{\text{Total number of contracts awarded} + \text{Total number of unsuccessful processes}} \times 100 \end{aligned}$$

$$\begin{aligned} & \text{Public procurement officials against value of contracts and unsuccessful processes} \\ &= \frac{\text{Number of public procurement officials}}{\text{Total value of contracts awarded}} \times 100 \end{aligned}$$

Note: A different target needs to be set according to the level of complexity of the public procurement procedures.

Conclusion: To be compared with a specific target set by the respective country or public procurement authority.

3.2. Level of trained public procurement officials

$$\text{Level of trained procurement officials: } \frac{\text{Number of procurement staff receiving procurement training that year}}{\text{Total number of procurement officials}} \times 100$$

Conclusion: To be compared with a specific target; for example, the closest to 100% the better.

4. Contract performance management

15. This dimension looks at the contract performance phase. Contract performance management activities can be grouped into three areas: delivery management (ensures that whatever is ordered is then delivered to the required level of quality and performance as stated in the contract), relationship management (seeks to keep the relationship between the supplier and the contracting authority open and constructive), and contract administration (covers the formal governance of the contract and any permitted changes to documentation during the life of the contract). By monitoring and documenting supplier performance, public officials are in a position to require corrective actions from suppliers when they are not in compliance with contract requirements. Performance monitoring could also provide a feedback loop in the selection of potential suppliers, when supplier past performance is assessed in the evaluation of bids and award of contracts. An element for measuring the performance of government in the contract management is whether suppliers are paid on time.

16. To measure the level of efficiency the indicators proposed will need to be benchmarked against to what is stated in the legislation, over time or against a specific target set by the respective country or authority.

4.1. Are suppliers delivering the right thing?

$$\text{Suppliers delivering the right thing} = \frac{\text{Number of contracts in which contract deliveries met all criteria specified in the contract}}{\text{Total number of contracts}} \times 100$$

4.2. Are suppliers delivering at the right moment?

$$\text{Suppliers delivering at the right moment} = \frac{\text{Number of contracts in which contract deliveries were on time}}{\text{Total number of contracts}} \times 100$$

Note: For both indicators if information per supplier is available, the same calculation can be applied to monitor performance per supplier. This indicator will provide information on (individual/ collective) supplier performance.

Conclusion: To be compared with a specific target set by the respective country or public procurement authority; for example, the closest to 100%, the better the performance of the supplier is.

4.3. Are there delays in payment?

$$\text{Delays in payment} = \frac{\text{Number of invoices paid on time}}{\text{Total number of invoices paid}} \times 100$$

Conclusion: To be compared with a specific target set by the respective country or public procurement authority; for example, the closest to 100% the better.

17. By paying suppliers on time, public buyers can better plan spending. Also they may be able to negotiate more favourable price agreements or payment terms under the assumption that the supplier will not transfer payment uncertainty into the price offered.

SUMMARY TABLE

Area	Indicator
1. Efficiency of the public procurement cycle	1.1. Use of contracting mechanisms
	1.2. Uptake of e- procurement
	1.3. Use of e-procurement per contracting mechanism or per low/high value procurements
	1.4. Savings
	1.5. Savings using framework agreements with second-stage competition
	1.6. Efficiency of the public procurement unit
	1.7. Level of unsuccessful public procurement processes
	1.8. Reasons for unsuccessful public procurement processes
	1.9. Public procurement award time
2. Openness and transparency of the public procurement cycle	2.1. Promoting competition: procurement procedure
	2.2. Promoting competition: number of bids and number of international bidders
	2.3. Transparency of public procurement information
3. Professionalism in the public procurement function	3.1. Number of public procurement officials according to the value and number of contracts and unsuccessful processes
	3.2. Level of trained public procurement officials
4. Contract performance management	4.1. Are suppliers delivering the right thing?
	4.2. Are suppliers delivering at the right moment?
	4.3. Are there delays in payment?

ANNEX 1. PROPOSED LIST OF GOODS AND SERVICES

Goods:

- Energy (incl. Electricity)
- Fuel and LGP
- Hardware and IT equipment
- Healthcare (e.g. ambulances, diagnostic equipment, services for managing healthcare equipment)
- Food (foodstuffs, meal tickets)
- Mobile Communications
- Office Furniture
- Paper and Stationery
- Printing and Copying
- Software Licensing
- Vehicles and Motorcycles

Services:

- Facility management (for offices, hospitals)
- Insurance and financial services (credit cards)
- Cleaning Services and Products
- IT consultancies
- General consultancies
- Landline Communications (voice and data)
- Security and Surveillance Services
- Travel and Accommodation

ANNEX 2. GLOSSARY³

Bid: Also referred to as submission, tender proposal, offer.

Call for tender: Also referred to as contract notice, solicitation, invitation to tender, request-for-proposals;

Challenges: covers complaints, review mechanism, remedies, bid protest.

Dynamic Purchasing Systems (DPS): A DPS is an electronic purchasing system which can be used for repeat, standardized purchases. A dynamic purchasing system operates rather like a live, online internet-based framework agreement, which economic operators can join at any time.

E-procurement: a catch-all term for the replacement of paper-based procedures with information technology-based communications and processing throughout the procurement process.

Electronic reverse auction: is an online real-time purchasing technique, which involves the presentation of successively lowered bids during a scheduled period of time and the automatic evaluation of bids.

Goods: Also referred as supplies.

Framework agreements: Framework agreement means an agreement between the procuring entity and the selected supplier (or suppliers) concluded upon completion of the first stage of the framework agreement procedure. Framework agreements can be divided into:

- Closed framework agreement, to which no supplier that is not initially a party may subsequently become one;
- Open framework agreement, to which suppliers may subsequently become parties in addition to the initial parties;
- Framework agreement procedure with second-stage competition means a procedure under an open framework agreement or a closed framework agreement with more than one supplier in which certain terms and conditions that cannot be established with sufficient precision when the framework agreement is concluded are to be established or refined through a second-stage competition.

Open tendering: also referred in some countries as open procedure, competitive tendering.

Public procurement: means the acquisition of goods, construction or services by a public sector procuring entity.

³ The definitions were extracted from: Sigma Policy brief 17. e-Procurement: http://www.sigmaxweb.org/publications/EProcurement_2011.pdf, UNCITRAL Model Law on Procurement: <http://www.uncitral.org/pdf/english/texts/procurem/ml-procurement-2011/2011-Model-Law-on-Public-Procurement-e.pdf>

Public procurement cycle: The entire process from needs assessment to payment.

Restricted procedure: also referred in some countries as open tendering with pre-qualification, limited tendering

Sectors: The OECD splits expenditure data into ten “functional” groups or sub-sectors of expenditures as follows:

General public services	Economic affairs	Health
Defence	Environmental protection	Recreation, culture and religion
Public order and safety	Housing and community amenities	Education
Social protection		

More information at <http://www.oecd.org/gov/48250728.pdf>.

Single-source procurement: Also refer in some countries as direct contracting or direct award.

Supplier: any potential party or any party to the procurement proceedings with the procuring entity. Also referred to as bidder, candidate, tenderer.

Unsuccessful procurement process: an attempt to satisfy a government need that was not successful.

Works: Also referred to as construction.