



STRENGTHENING PEOPLE-CENTERED GROWTH AND RESILIENCE

# REIMAGINING PROCUREMENT

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मनुष्यवर्ती भूमिरर्थः An Autonomous Institution of Ministry of Finance, Government of India



# OUTLINE OF PRESENTATION

**A rapidly  
changing  
landscape**

**Global Landscape and Development Challenges**

**Public Procurement, a Part of the Solution**

**Emerging Trends**

**Is a Global Procurement Partnership needed?**



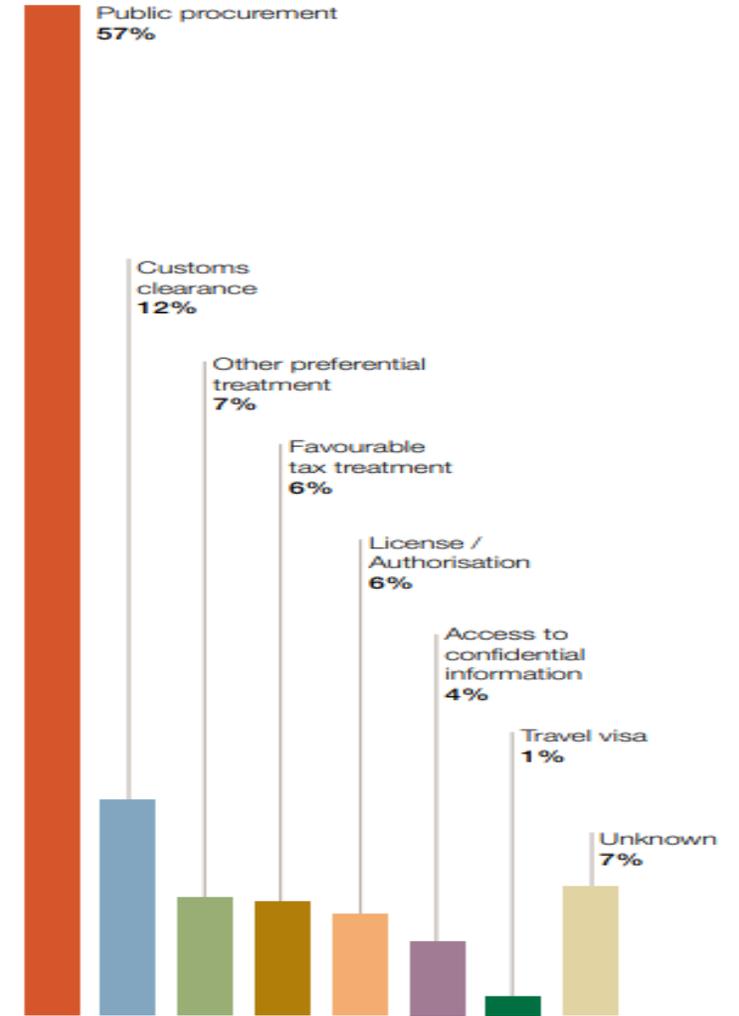
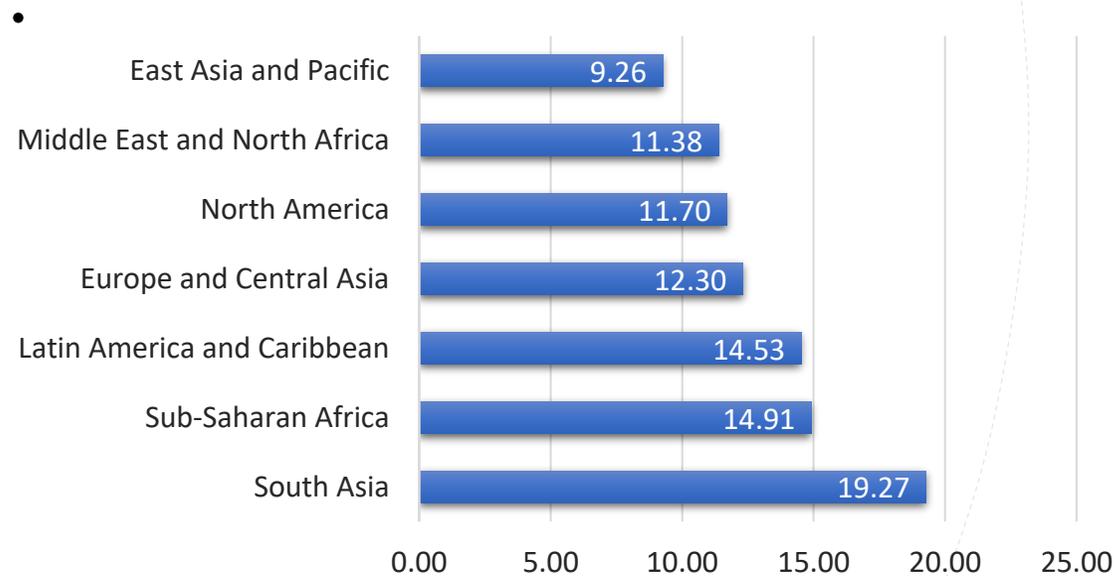
# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL

- Total volume of Public Procurement over \$13 trillion
- Between 10-20% of GDP for most countries

Prone to wastages:

- 10-25% of the volume lost to corruption: "active" losses
- Over half of foreign bribery cases in OECD related to Procurement

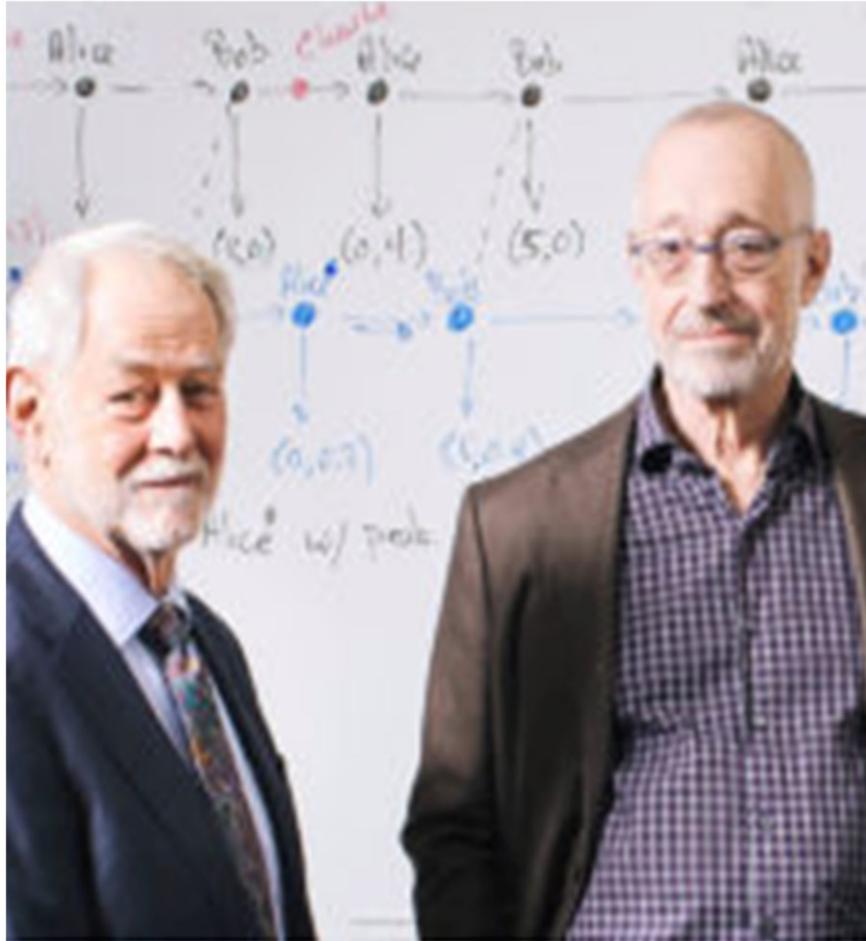
Public Procurement as % of GDP



Source: OECD analysis of foreign bribery cases concluded between 15/02/1999 and 01/06/2014

## A QUICK 'ASIDE':

# PROCUREMENT IS "IN" THE NEWS: NOBEL PRIZE WINNERS 2020

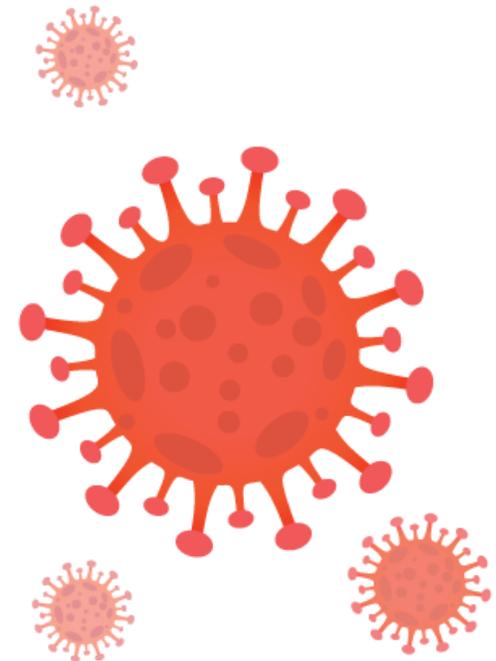


**Stanford's Paul Milgrom and Robert Wilson Win 2020 Nobel Prize in Economics for Improvements to Auction Theory and New Auction Formats:**

“...People have always sold things to the highest bidder or bought them from whoever makes the cheapest offer. Nowadays, objects worth astronomical sums of money change hands every day in auctions, not only household objects, art and antiques, but also securities, minerals and energy. Public procurements can also be conducted as auctions...”



- **COVID-19 spread with alarming speed, millions of people infected, bringing economy activity to a near standstill**
- **Pandemic exposed the vulnerabilities of supply chain across number of industries**
- **The Russia-Ukraine crisis has added to the series of supply shocks**



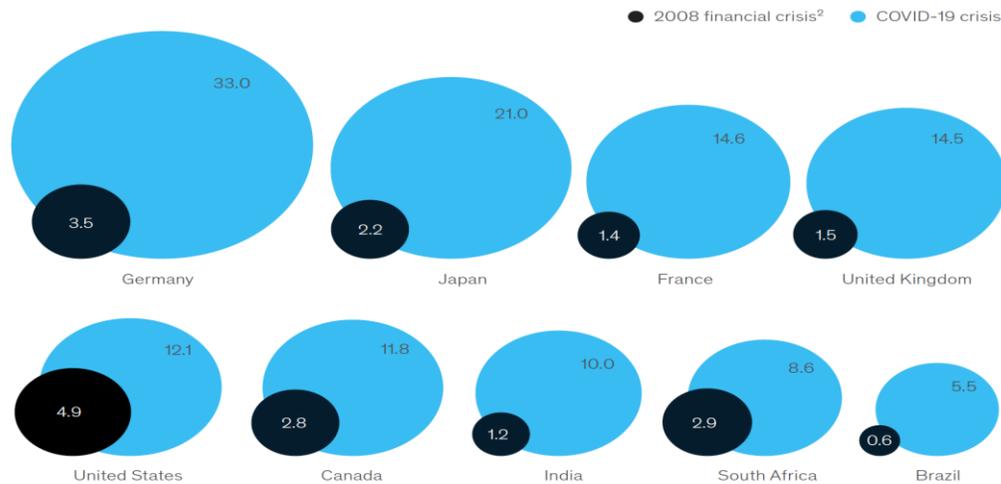


# GLOBAL PANORAMA AND DEVELOPMENT CHALLENGES

## MAGNITUDE OF PUBLIC EXPENDITURE

Across countries, economic-stimulus responses to the COVID-19 crisis outsize those to the 2008 financial crisis.

Economic-stimulus crisis response, % of GDP<sup>1</sup>



<sup>1</sup>2019 GDP taken into account for values related to COVID-19 crisis.

<sup>2</sup>Data published by International Monetary Fund in March 2009; includes discretionary measures announced for 2008–10.

Source: *Global economic policies and prospects*, International Monetary Fund (IMF), March 2009, imf.org; government sources; IHS Markit; IMF; press search; *The state of public finances: Outlook and medium-term policies after the 2008 crisis*, IMF, March 2009, imf.org

### PRE-COVID:

- *Public budgets under strain and government deficits globally close to \$4 trillion (or between 2-3% of global GDP)*
- *A \$3.5 trillion ‘productivity opportunity’ for governments*
  - The potential savings that could accrue from improvements in delivery of public services, including in relation to public procurement

### POST-COVID:

- *Governments’ economic response: unprecedented monetary, fiscal, and household support*
  - \$10 trillion in first 2 months of crisis (Western Europe: \$4 trillion)
  - As % - GDP, completely outsize total amount of economic stimulus provided during 2008 Global Financial Crisis

\*McKinsey Reports (2017, 2020)



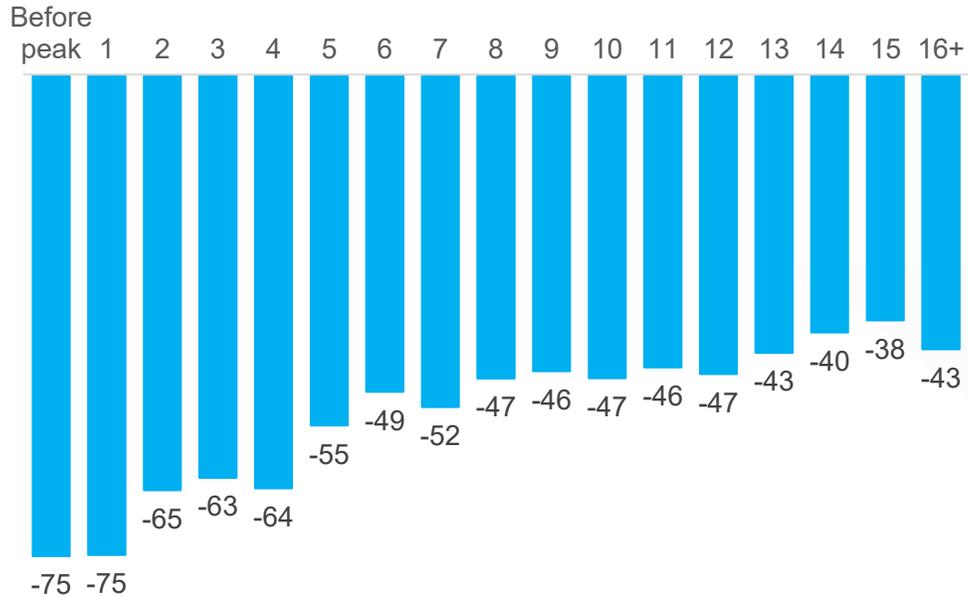
## MAGNITUDE OF PUBLIC EXPENDITURE

- **SHORT-TERM RELIEF:** Governments' economic response: for business specific measures, 90%+ countries have released measures specifically targeting M-SMEs
  - Various measures: debt restructuring, cash-bailouts, loan guarantees, some equity infusions, including use of public purchasing coordination to stabilize supply chain costs.
- **LONGER TERM MEASURES:**
  - Countries must ensure that companies 'supported' through relief measures 'do not stagnate' and maintain competitiveness.
  - Address possible trade-offs between buying supply chain stability and competitiveness
  - Accelerate government investment and focus on:
    - **Green Energy and Sustainability**
    - **Digitization**
    - **Supply Chain Resilience and Security**

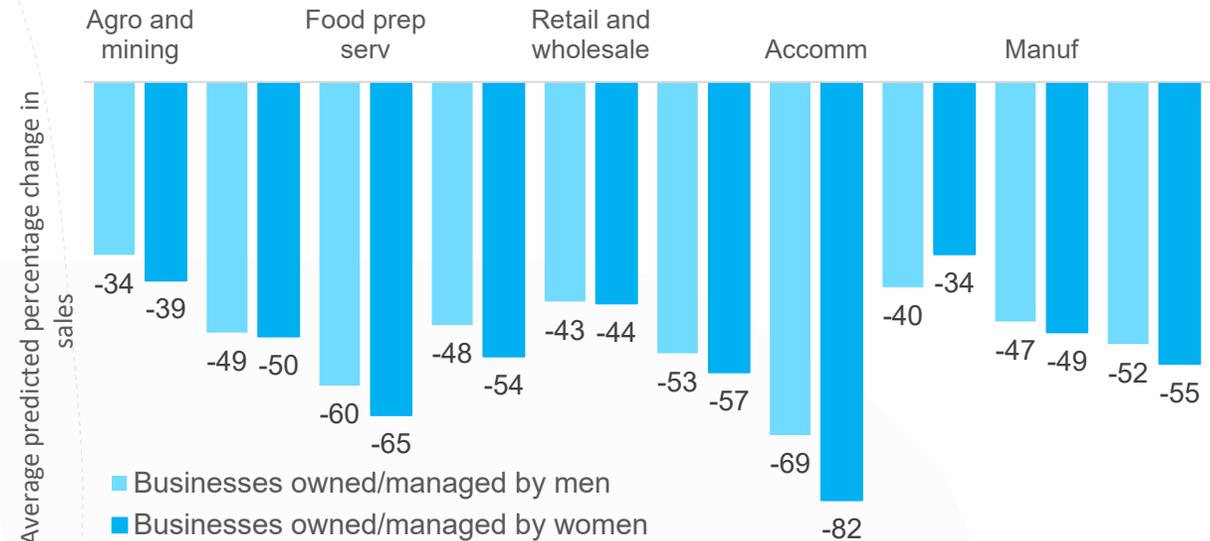


# GLOBAL PANORAMA AND DEVELOPMENT CHALLENGES

Average change in sales vs previous year (%), weeks after peak of the crisis



Average change in sales vs previous year (%), gender of owner/manager



Firm revenues fell sharply and remained low

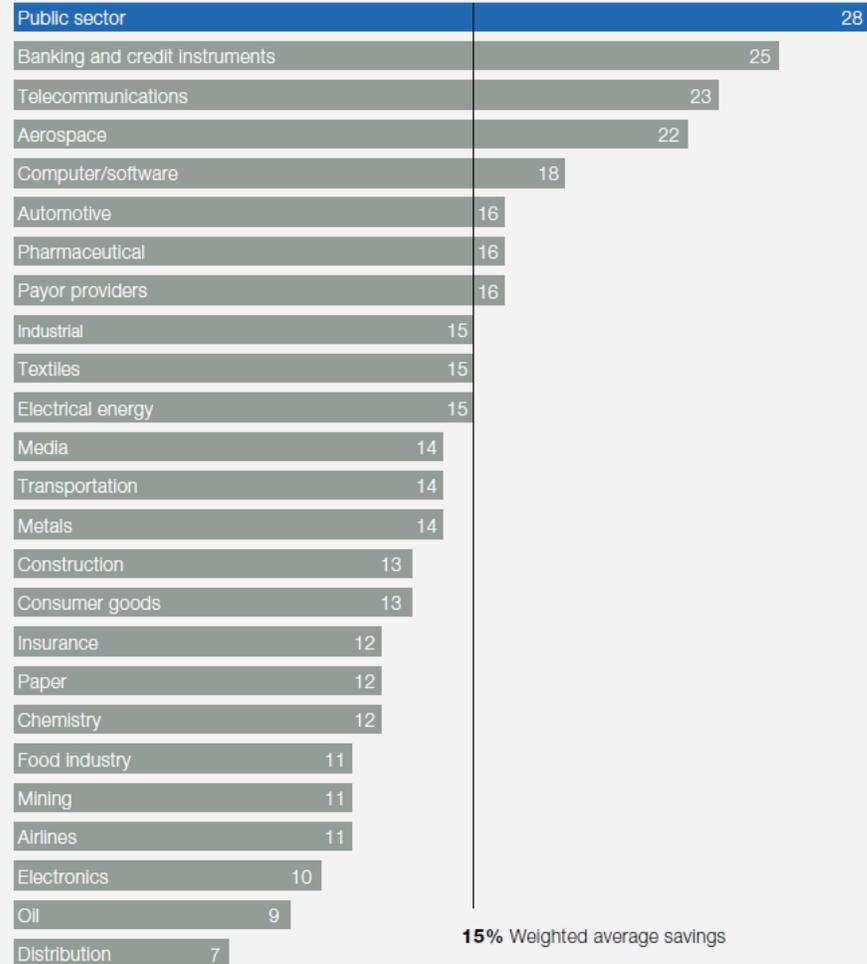
- Micro and small firms are much more affected than large businesses
- Small businesses owned by women experienced greater sales declines



# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL

## Exhibit The public sector has the highest potential for procurement savings.

Savings potential from purchasing optimization, % of total procurement expenditure



15% Weighted average savings

***How smarter purchasing can improve public-sector performance:***

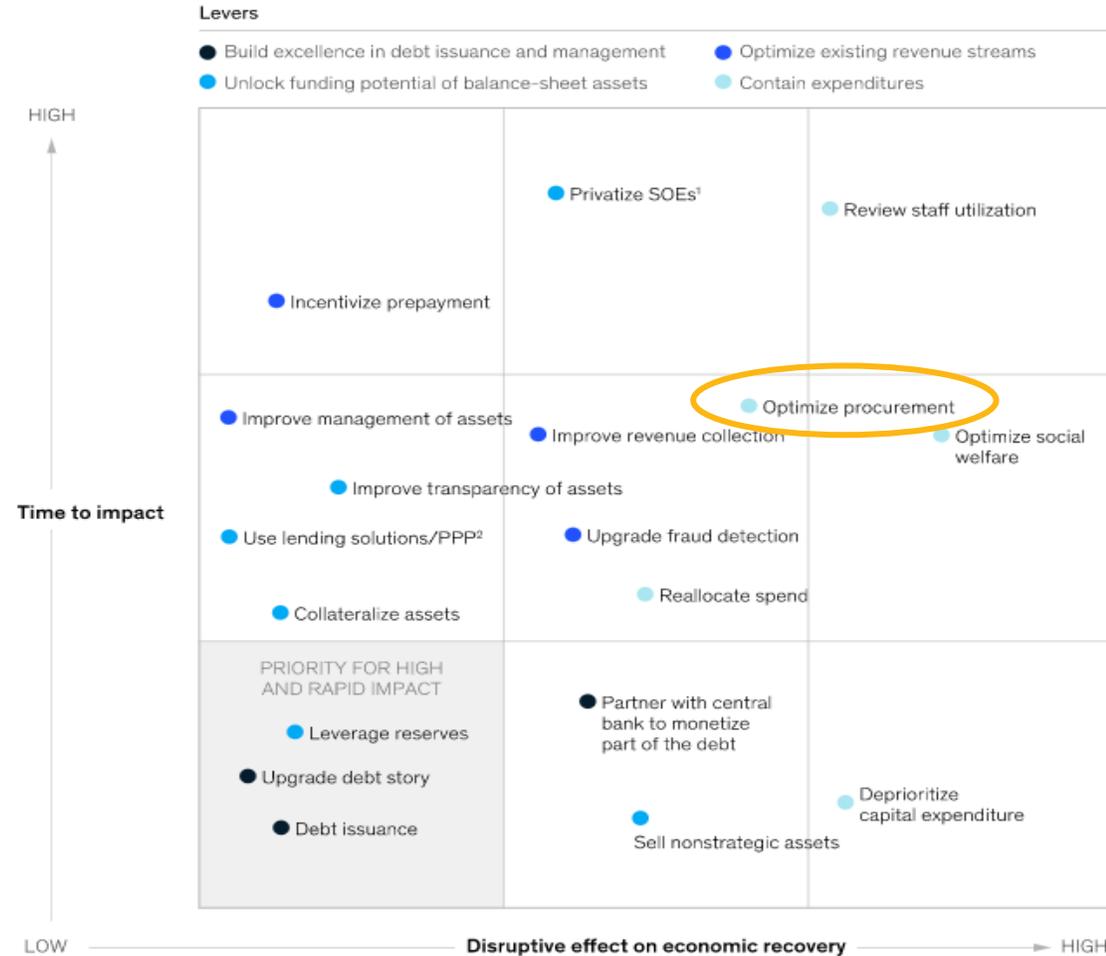
*“ Well-established best practices can generate billions of dollars of savings that can be better used elsewhere – without affecting services ”*

McKinsey & Company, March 2018



# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL

Prioritization matrix



## McKinsey: governments have a \$3.5 trillion ‘productivity opportunity’

- *potential savings from improvements in delivery of public services, including in relation to public procurement, equivalent to the cumulative public fiscal gap projected by the IMF for 2021*

<sup>1</sup>State-owned enterprises.  
<sup>2</sup>Public-private partnership.



A rapidly  
changing  
landscape

## WB COVID-19 SURVEY OF PROCUREMENT IN 103 COUNTRIES

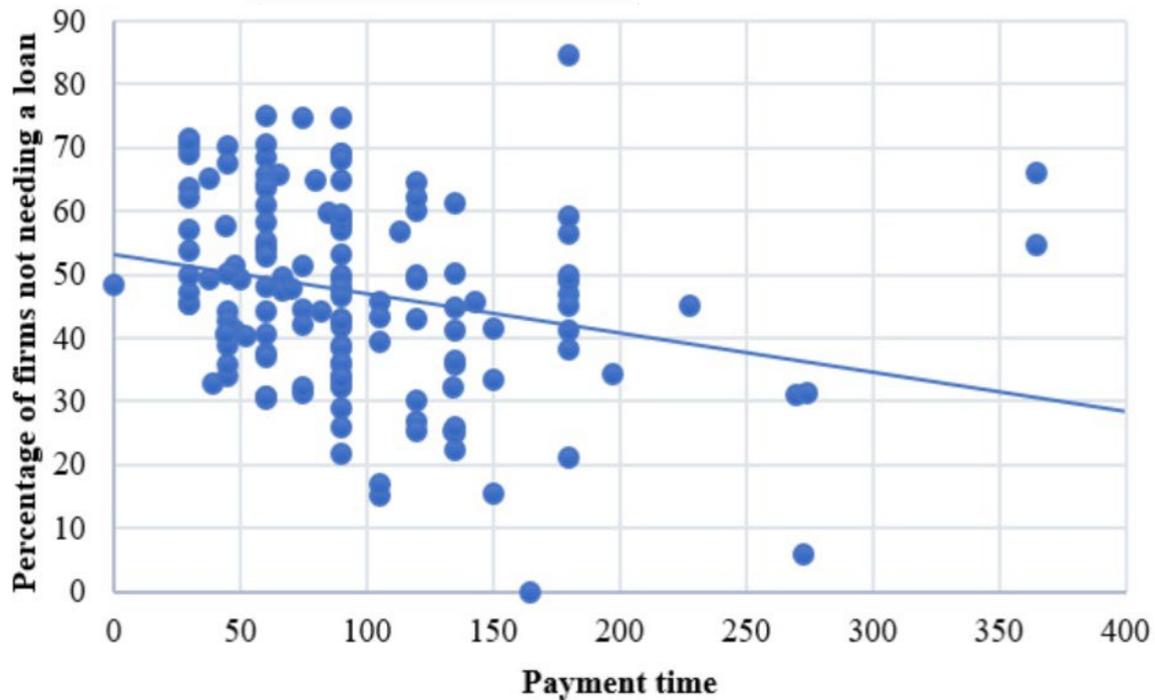
Public procurement has been recognized as one of the most important interventions to address global pandemic and emergencies

- Countries with a **well-developed legislative framework** for emergency procurement: better prepared to face the COVID-19 pandemic:
- Countries with an **existing e-Procurement system**: Less drastic changes necessary in order to adapt to new circumstances;
- Emergency procurement often conducted with expedited modalities: **fewer ex-ante oversight and reduced ex-ante transparency**, such as direct contracting, for quick mobilization:



# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL

## WB STUDY ON PUBLIC PROCUREMENT PAYMENT DELAYS AND ACCUMULATED ARREARS



- Conducted at the peak of the COVID health crisis and concluded:  
*if governments started to pay receipts for completed works to their contractors within 45 days, they could inject the economy with between \$1 trillion and \$4.65 trillion of liquidity*
- Belgium, the UK, and New Zealand are among the countries that asked contracting authorities to speed up payments.



## PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL



With shrinking fiscal space and need for rationalization of resources, it is critical for Public Procurement to step up for greater efficiency and effectiveness in public spend

The potential for economic benefits are enormous: A 7% saving will translate into additional fiscal space of 1% of GDP.

Three visible trends:

1. Focus on 'value for money' and 'fit for purpose';
2. Mainstreaming of collateral procurement policy objectives;
3. Need for technologically-leveraged service delivery.

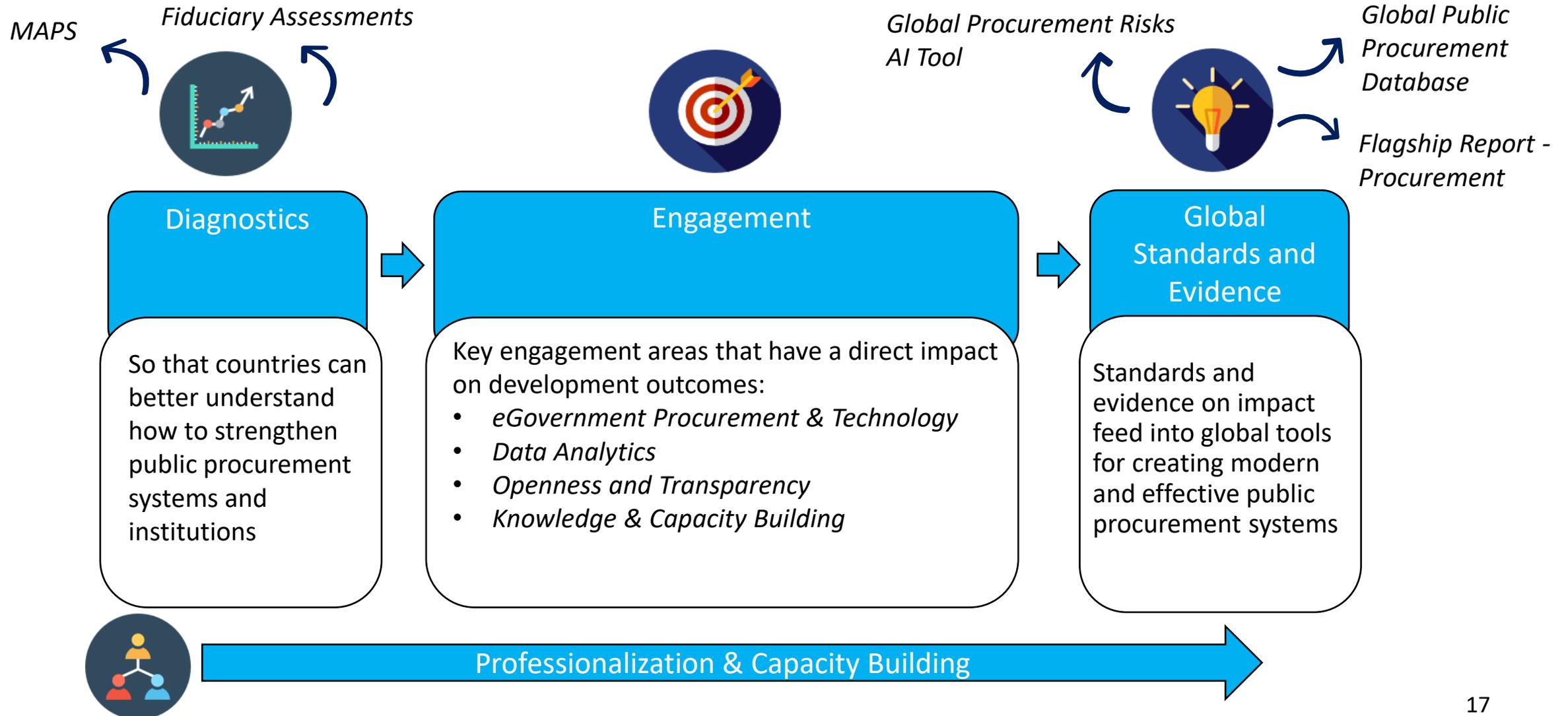


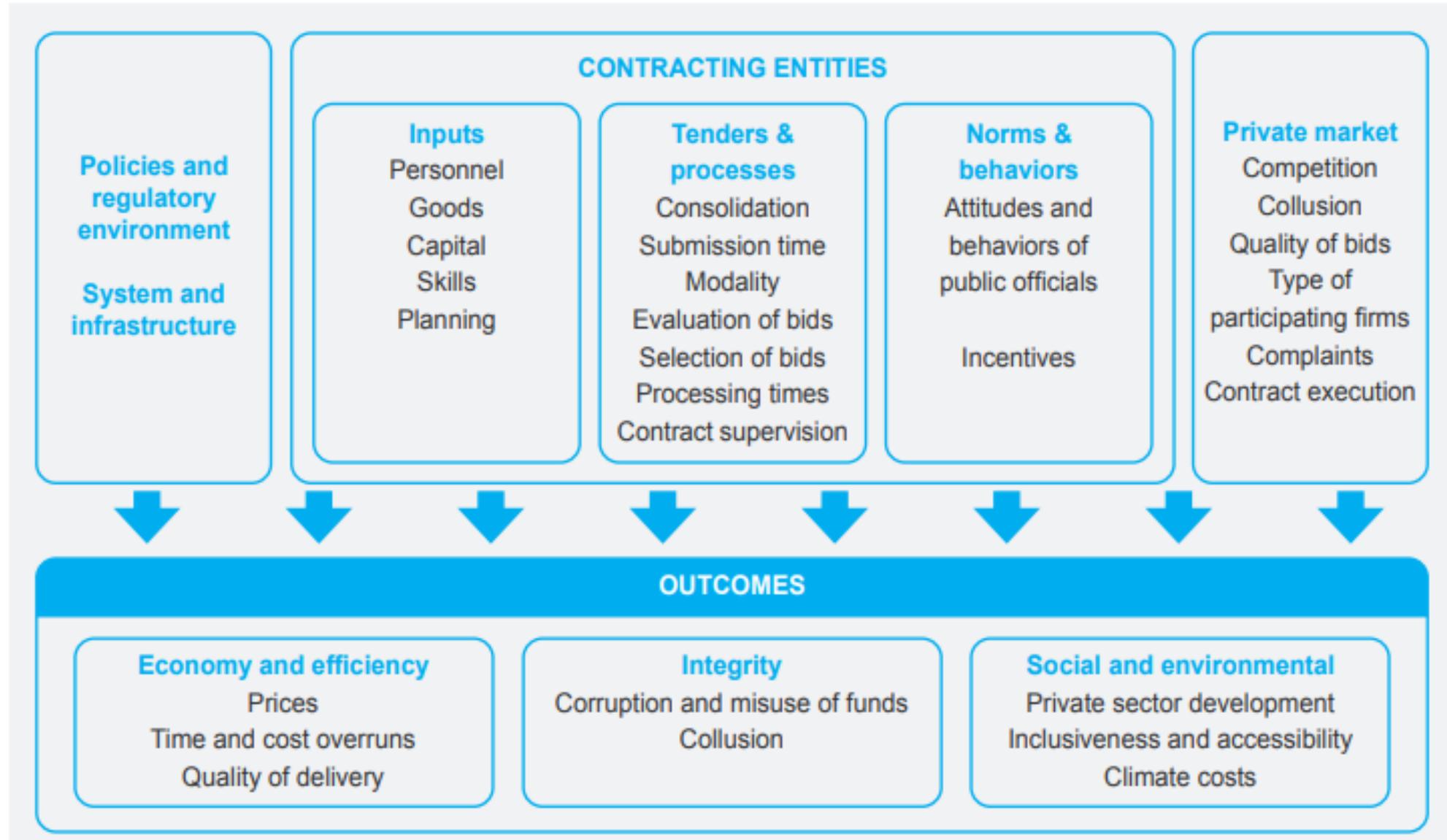
# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL



*A key driver of waste appears to be the mode of governance and level of bureaucratic competence that characterizes the operation of procuring agencies\**

# PUBLIC PROCUREMENT REFORM DELIVERY MODEL

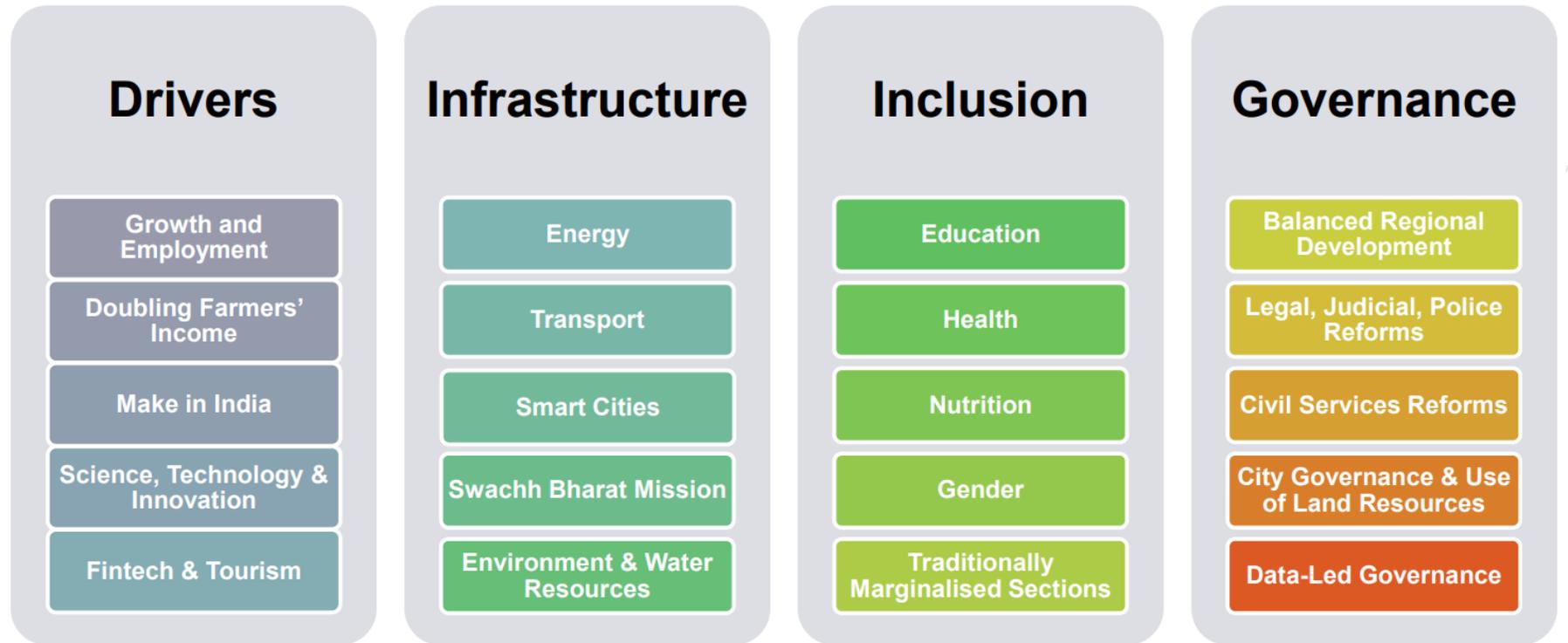
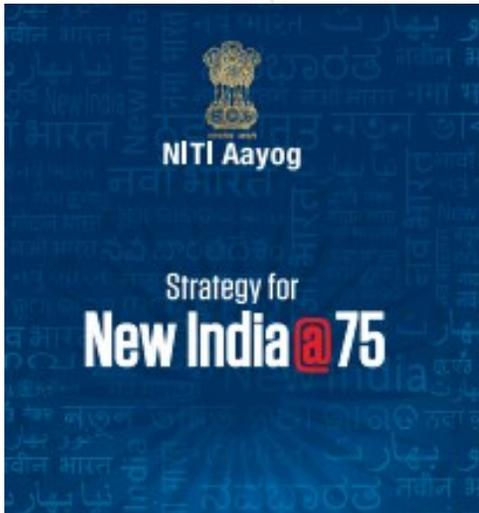






# Strategy for New India: GROWTH, PEOPLE, RESILIENCE

Country-driven solutions to generate **growth**, resilience and should be **people-centered**

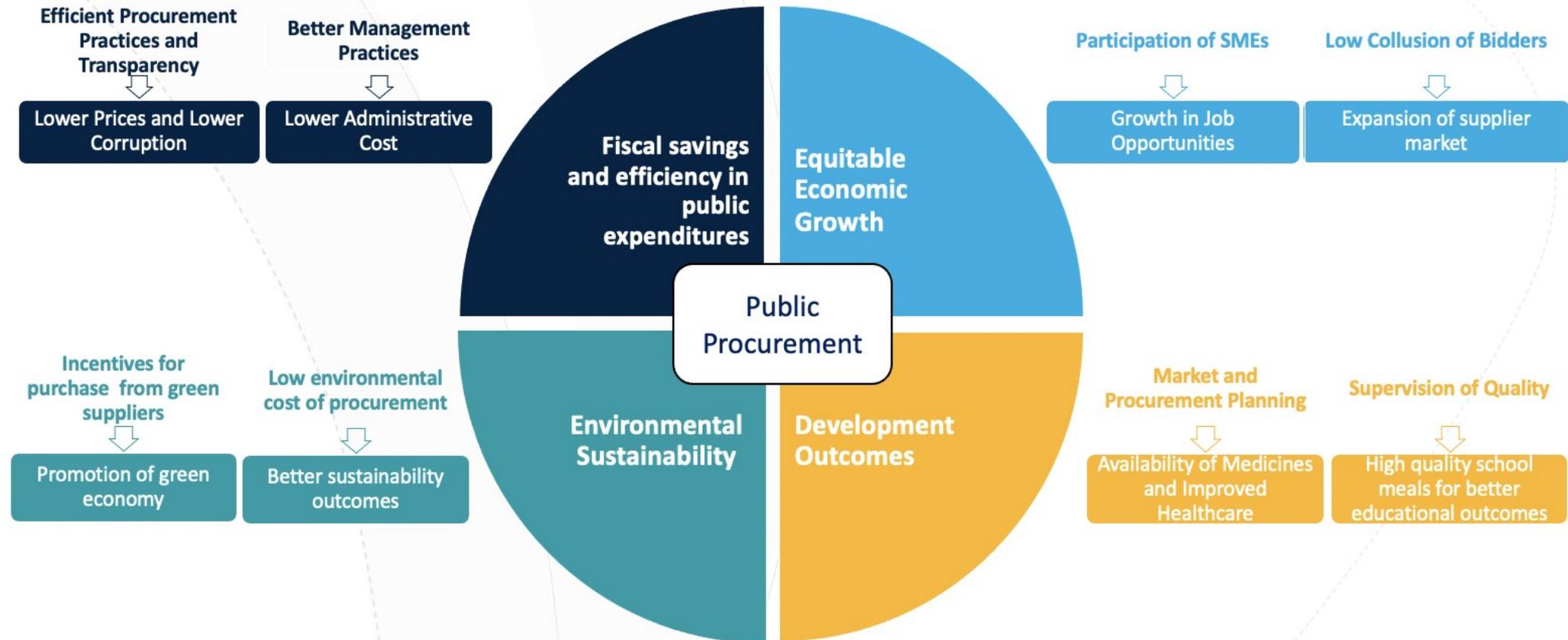




# PUBLIC PROCUREMENT, A PART OF THE SOLUTION

## PROCUREMENT, in conjunction with other policy mechanisms, can promote:

- Inclusive and sustainable economic growth
- Supply –chain resilience





# PROCUREMENT, A CRITICAL DEVELOPMENT POLICY TOOL

## NEW PARADIGM



*Countries keen to bring transaction efficiencies*

## BEYOND FIDUCIARY: EMERGENCE OF TECHNOLOGY

- Increased use of electronic procurement leads to:
  - **Greater productivity** (admin costs  $\approx$  10% for manual processes and  $\approx$  0.4% for efficient electronic processes);
  - **Transparent processes;**
  - **Better engagement of citizens and stakeholders**
  - Greater access by **firms to procurement opportunities;**
  - **Increased competition** for higher savings;
  - Availability of **data for analysis;**
  - *Use of technology* (drones, remote sensing, app-based engagements, IOT, etc.) for better contract monitoring;



# HOW DOES PROCUREMENT ASSIST IN GROWTH & DEVELOPMENT?

## SOME CRITICAL SYNERGIES AND LINKS WITH DEVELOPMENT IMPERATIVES

### Use of Procurement-related Data Analytics and Research

How can we **improve access, efficiency and economy** of the procurement process?

How can we create an environment of **evidence-based decision making** in procurement?

How can we leverage existing data and **build capacity** for procuring entities?

**Producing Analytics**



**Generating Evidence**



**Building Capacity**

*From data to information*

- Cost Savings Analysis
- Menu of Interventions

*From information to evidence*

- Designing Interventions
- Impact Evaluation
- Global Knowledge

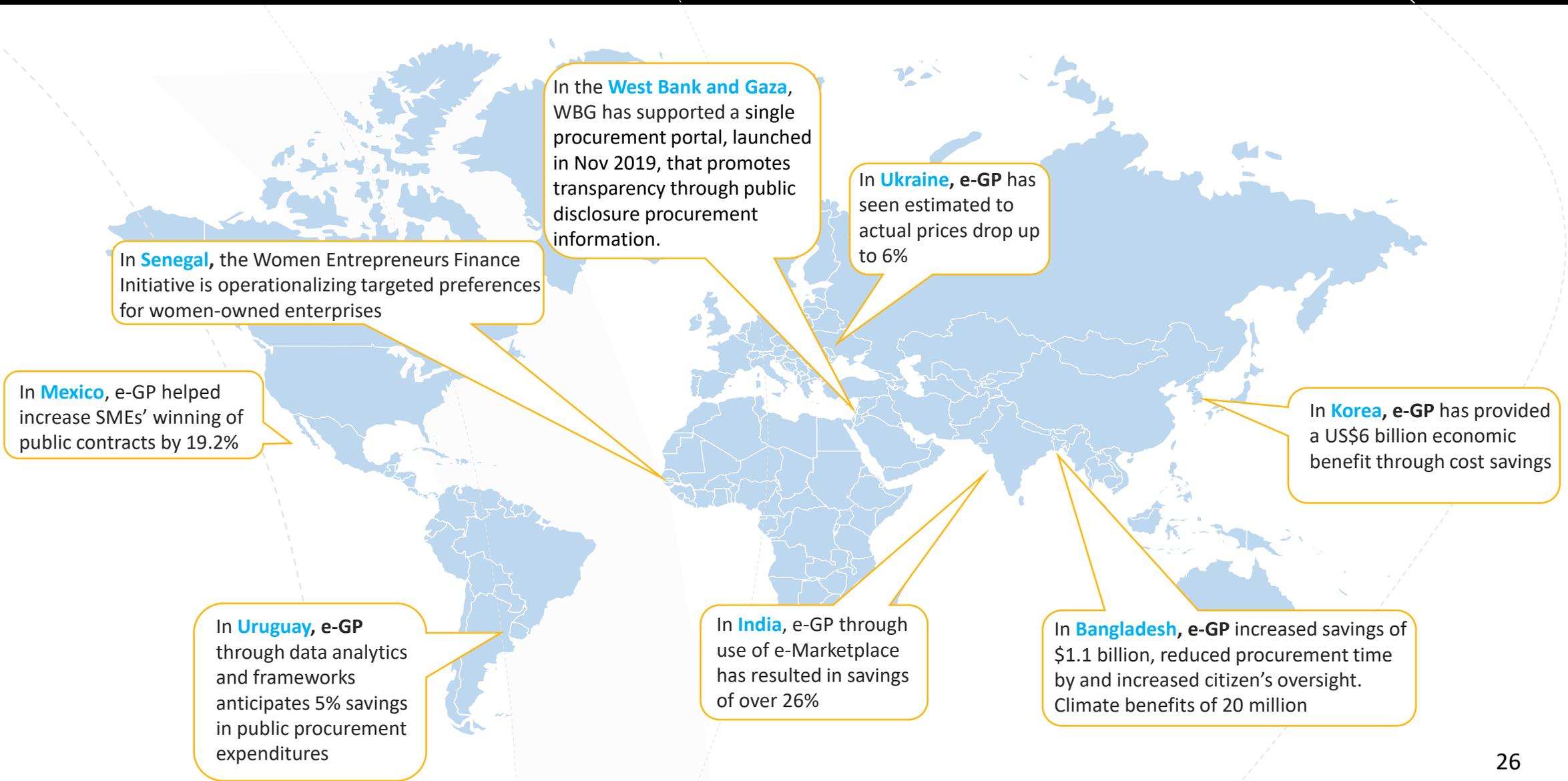
*From evidence to capacity*

- Data Driven Decision-making

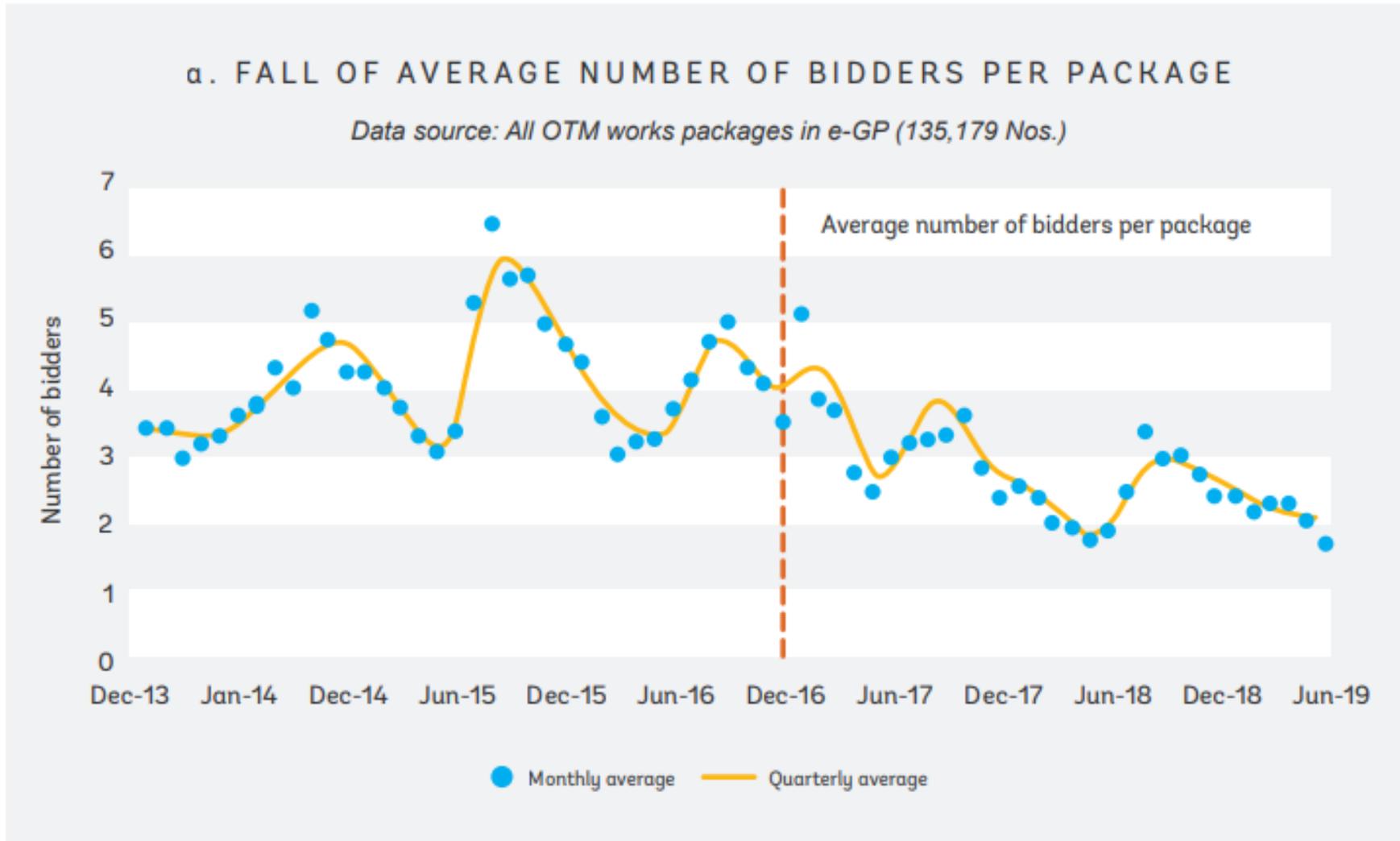
*Research questions on the socio-economic dimensions of public procurement*



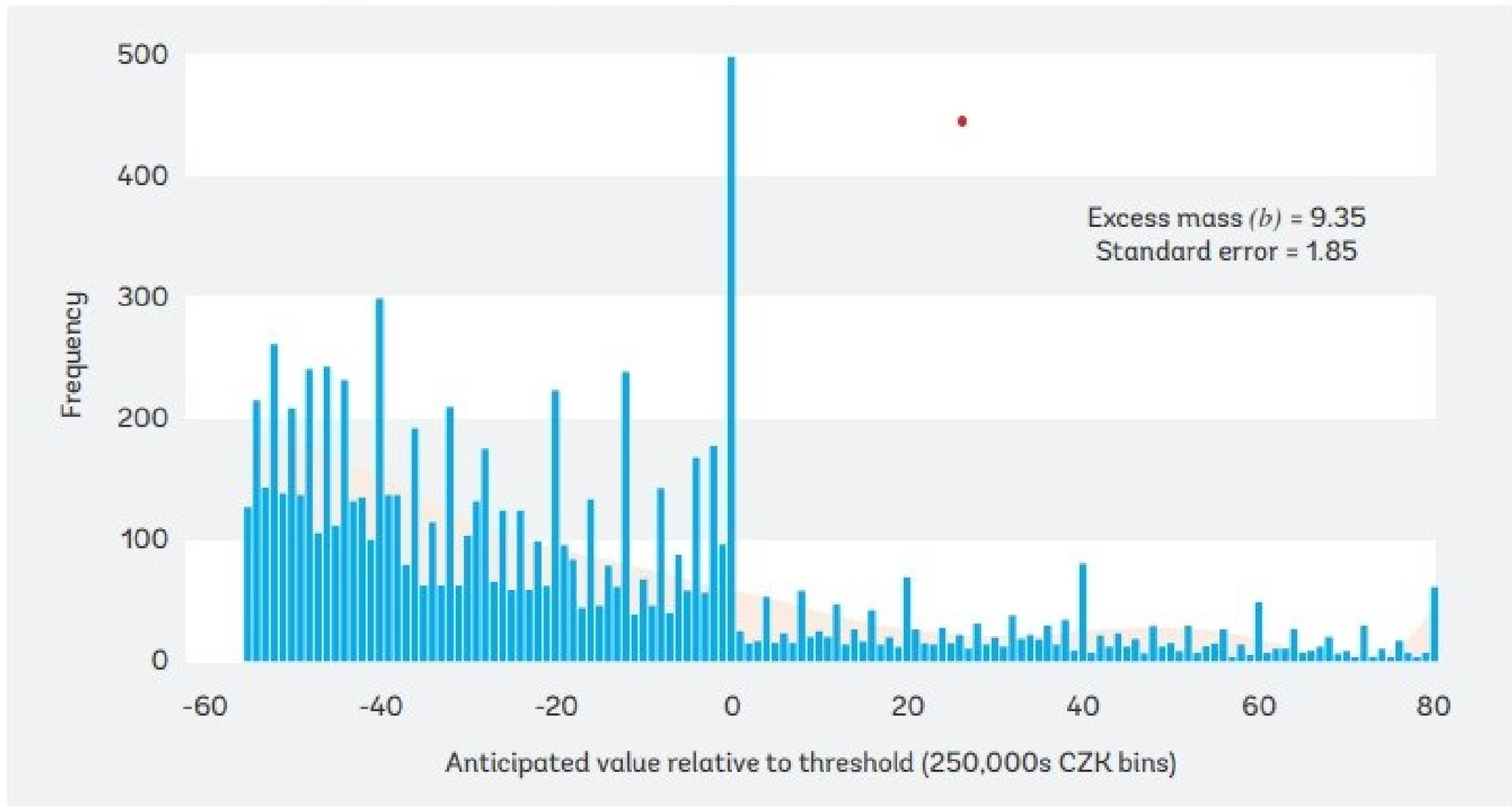
# EXAMPLES OF PROCUREMENT IN GROWTH & DEVELOPMENT



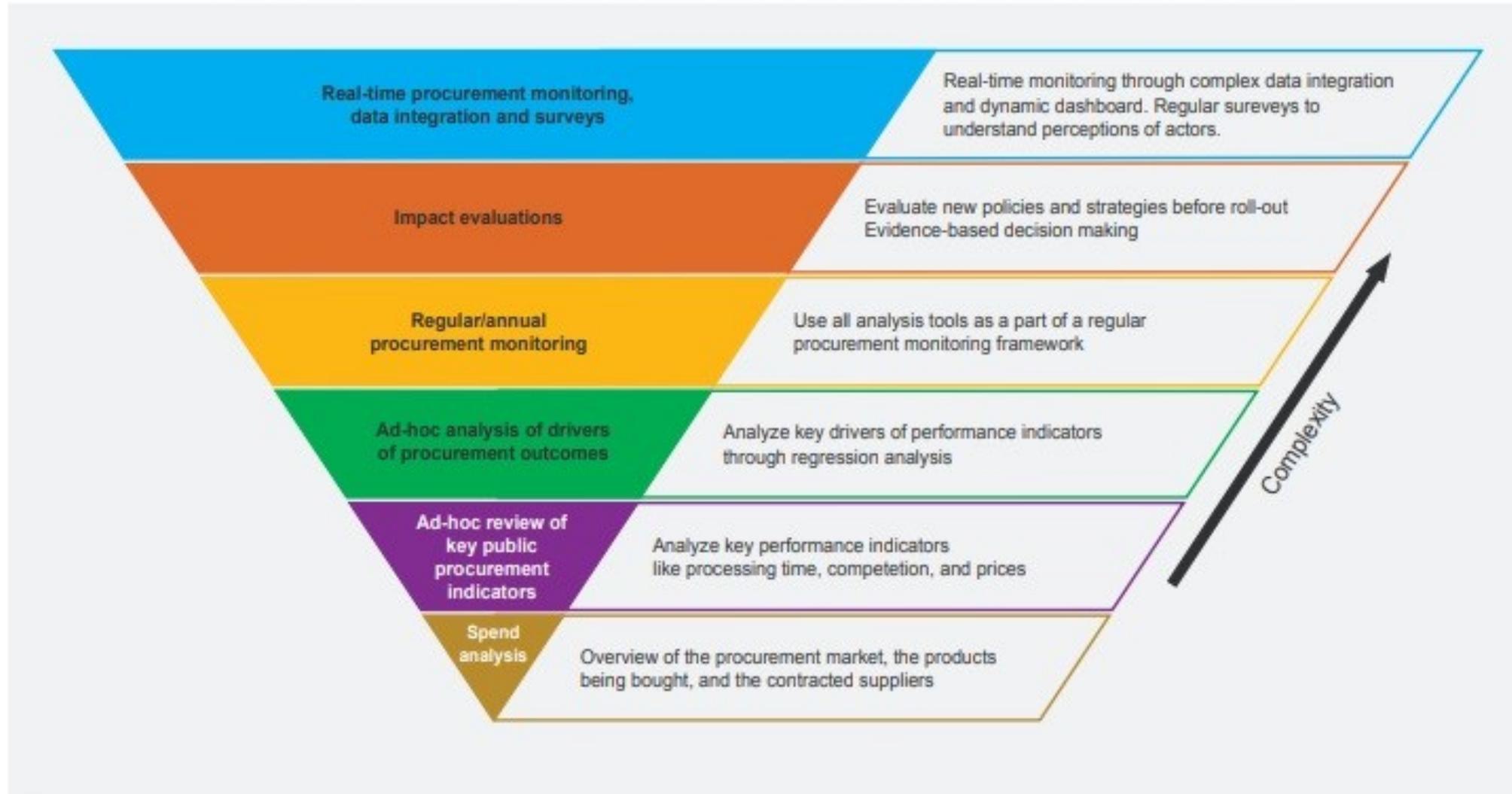
**FIGURE 6 - Assessment of Bangladesh's 10-Percent Rule**



- Bunching of Contracts Right below Legislative Contract Value Thresholds



## Complexity Ladder for Analysis Tools in Procurement Monitoring and Evaluation



Source: Author's elaboration



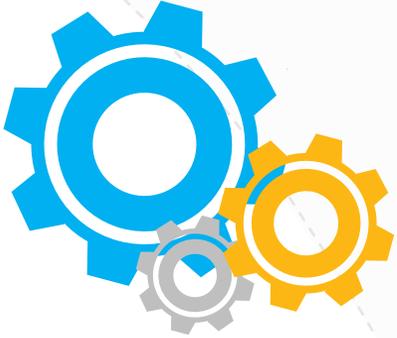
### RESEARCH & ANALYSIS: TARGETED, PRACTICAL, & DATA-DRIVEN

#### **The ProACT platform:**

- To provide easy access to public procurement data.
- To enable users to identify, analyze, and monitor public procurement performance and integrity risks.
- To help prevent corruption and promote transparency and integrity in public expenditures on goods works and services.

Specifically, the tool aims to:

- Facilitate the analysis of public procurement data
- Identify integrity and transparency risks associated with contracts, buyers, suppliers and markets





## Strengthening procurement function

- Modernize
- Professionalize
- Improve strategic governance and sector linkages
  - Deepen policy coherence, consistency and overall impact

## Building consensus around:

- Global procurement standards
  - VfM and FfP: economy, efficiency, effectiveness, equity
- Credible assessment methodology;
- Performance evaluation monitoring;
- Evidence based research agenda;
- Addressing global emergencies.

Support  
for GPP



## GLOBAL PROCUREMENT PARTNERSHIP (GPP)

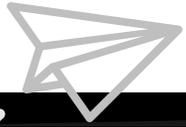
### A GPP Platform can facilitate:



*Short-term*



- **Focused engagement** of policymakers, purchasers, suppliers, and other stakeholders in the public procurement space;
- **Coordination and networking with all stakeholders** to improve public procurement function for maximizing development impact;
- **Creation and exchange of knowledge and experience; building capacity; providing ongoing review/analysis of current trends;**
  - Synergize and leverage country and regional led efforts
  - Coordinate and strengthen international initiatives with global reach (e.g., UNEP's SPP, UNCITRAL, WTO-GPA, OECD etc.)



## GLOBAL PROCUREMENT PARTNERSHIP (GPP)

A GPP Platform can facilitate:



● *Long-term*



- **Strengthening strategic governance and sector linkages** within WBG and other development organizations;
- Improved **governance, standardization, and professionalization** of public procurement systems and processes;
- Continuing **development and dissemination of effective tools/solutions** for public procurement:
  - Advance innovations and cutting-edge new technologies;
  - Increase fiscal space and sustainability.

Thank You.

