Summary of Report Release

A Global Procurement Partnership for Sustainable Development: An International Stocktaking of Developments in Public Procurement
Summary of Event Launch:

A Global Procurement Partnership for Sustainable Development: An International Stocktaking of Developments in Public Procurement

The World Bank report “Global Procurement Partnership for Sustainable Development – An International Stocktaking of Developments in Public Procurement” (‘Report’) was released on January 19, 2022, at a virtual event that gathered almost 400 participants from international organizations, private sector, academics, and procurement professionals from over 100 countries. The Report shows how the role of public procurement can support broader policy goals such as environmental stewardship, resilient and inclusive economic development, and social protection.

The event launch discussion focused on how public procurement can play a central role in setting the global economy on a more sustainable path, and how a broad international coalition—involving governments as well as private businesses and NGOs and CSOs — could contribute to efficiency and deliver better services to people all over the world.

The Report has been prepared by a team of global experts and World Bank consultants, including Joseph Fagan (E-Procurement Specialist, International Consultant), Gustavo Piga (Professor of Economics, University of Rome Tor Vergata), Omar Tiwana (Former Lead Procurement Specialist, Asian Development Bank), and Peter Trepte (Senior Fellow of Public Procurement Law, University of Nottingham).

As of end-February 2022, the Report had been downloaded over 1500 times. There has been a flood of social media and news outlet references, such as on Bloomberg Linea in Latin America, as well as from a range of sources and authors, including the President of the World Bank, David Malpass and other members of the Bank’s Senior Management Team. The Report has also been cited by a number of external organizations and individuals in published blogs, podcasts, and social media posts. It seems clear that the role of public procurement as a potential springboard to support broader policy goals, such as environmental stewardship, resilient and inclusive economic development, and social protection, among others, is gaining considerable momentum.

The core team plans to hold consultation meetings on the formation of an international coalition in the coming months and to establish the Global Procurement Partnership (GPP), as recommended in the Report, later this year (2022). As this process moves forward, all updates will be provided at this webpage.

The following is a summary of the proceedings of the Report release event:
SUMMARY

1. Introduction:

Indermit Gill, World Bank’s Vice President for Equitable Growth, Finance and Institutions, opened the Launch Event releasing the Report. Indermit emphasized:

- Public procurement today is an undeniably strategic space for generating huge economic savings, given that government spending is more than US13 trillion annually, or about 15% of global GDP.
- Public procurement is a potentially meaningful catalyst for improved national governance through a value-for-money (VfM) imperative - focusing on nationally owned and driven policy goals that bring increased social value to the public.
- To maximize VfM, public purchasing must be grounded in considerations of making goods and services more green, more inclusive, more resilient - for realizing more effective outcomes and impacts.
- This means ‘walking the talk’ by helping major stakeholders in public procurement leapfrog development challenges through creating an effective global coordination, and collaboration, partnership.
- This collaborative global medium can share best practices, address challenges and close gaps in public procurement -- and make public purchasing a more dynamic and responsive development policy tool.

Erica Gerretsen, Head of Macro Fiscal Unit, Deputy to Director, DG International Partnerships, European Commission (EC)

- The EC and donor community welcomed the Report’s emphasis on moving away from looking at government purchasing simply as a transactional process, but to view public procurement as a broader strategic socio-economic development tool to bring about more transparent, accountable, and responsive governance.
- Given increasing fiscal demands and public expectations, heightened by the Pandemic, the findings of the Report are timely to promote a more holistic approach to public financing, using public procurement to enhance achieving critical policy objectives, including job creation and private sector development.
- The EC is fully supportive of the findings of the Report, and the proposed GPP initiative.

Sumir Lal, Regional Communications, External & Corporate Department, World Bank

- Welcomed use of the GPP to make public procurement more strategic and purposeful in achieving broader development goals, both shorter and longer term, and particularly to showcase examples with higher impact ‘demonstration effects’.
- Noted the critical need to improve transactional level implementation of public purchasing, with deeper focus on the front-end (or design) and back-end (or contract administration) stages.
- Provided a promising example of Bangladesh, where country procurement reform, including introduction of e-GP, by committed government and other stakeholders, has been effective and led to significant savings, increased transparency, responsiveness and accountability.
2. Stocktaking Report Presentation:

Vinay Sharma (moderator) introduced the three authors of the Report - Joe Fagen, Gustavo Piga, and Peter Trepte - and acknowledged the efforts of the World Bank’s Task Team Leader, Masud Mozammel, and Operations Expert, Sandra Valdivia Teixeira.

Omar Tiwana, the Report Coordinating Author, highlighted the key areas covered in the Report:

- National governments are faced with ‘doing more with’ less given fiscal constraints and rising public demands – this has led to focus on VfM in public procurement
- To maximize VfM, public purchasing must be used as a socio-economic policy tool to assist governments in achieving nationally owned and driven policy objectives and goals
- VfM encompasses balancing four critical elements: economy, efficiency, effectiveness, and equity.
- Effectiveness is at the core of achieving social value in public purchasing and is measured by outcomes and impacts of using public purchasing to:
  - obtain goods and services that are ‘greener’ and more sustainable
  - make supply chains more inclusive and resilient
  - bring systemic governance improvements in transparency, responsiveness, and fairness
- What is missing is a broad-based consensus on commonly shared and endorsed best practices, in both regulatory frameworks and operational practices, to assist national efforts in realizing increased effectiveness and VfM in public purchasing
- The proposed GPP is a welcomed collaborative and collective medium to help countries leapfrog development challenges through using public procurement more effectively as a socio-economic and environmental developmental policy tool

3. Panelist Presentations:

Caroline Nicholas, Head of Technical Assistance and Senior Legal Officer at the International Trade Law Division, United Nations Office of Legal Affairs (the UNCITRAL Secretariat)

*How have public procurement goals changed over time, and what are the tools to address such changes?*

- Public procurement related goals or targets have become more complex over time, with macro-considerations becoming more critical
- The basic tools are in place, such as the UNCITRAL Model Law (and detailed User Guide), and these need to be expanded with work on increased learning and new knowledge products through a mechanism such as the GPP
- The central challenge remains implementation, but with increasing complexity, there is a pressing need to look at developing tools to measure synergies and tradeoffs more robustly

Christiaan Poortman, Senior Advisor for Transparency International and Chair Board of CoST
What are the ways in which the proposed GPP can improve the global public procurement landscape, and how can critical stakeholders support this effort?

- Improving governance of government purchasing is critical, and CoST welcomes the proposed GPP as a medium to achieve broader socio-economic and environmental goals and impacts through more strategic use of public procurement
- There must be concerted international effort through the GPP to develop this participatory global forum and CoST is committed to this effort
- Next steps in moving the GPP forward should focus on three critical areas
  - VFM: assisting countries in addressing challenges of applying VfM in public procurement, through training and capacity building
  - Stakeholder support and involvement: developing a truly collaborative and focused compact between critical stakeholders, such as governments, Civil Society, and the Private Sector
  - Donor Support & Harmonization: improving coordination and focus of donors (who have taken different approaches in the past) to maximize positive impacts from the proposed GPP

Aliyu Aliyu, Director-General, Bureau of Public Procurement, Nigeria

How can the proposed GPP benefit countries such as Nigeria?

- Countries such as Nigeria face serious challenges in accessing current best or better practices of other similar developing countries, and how such other countries have addressed similar challenges in public procurement
  - the proposed GPP can provide an immediate, practical "one stop" access mechanism for knowledge and tools on ways in which countries such as Nigeria can address challenges
- More broadly, the GPP can assist Nigeria in its efforts to formulate and harmonize government policies and procedures on public procurement
- A critical area where Nigeria needs support is on implementation challenges, on monitoring and measuring the impacts of socio-economic policies, and the GPP can provide meaningful assistance on implementation and governance support

Arianna Legovini, Head of Development Impact Evaluation (DIME), World Bank

What is the potential for using public procurement to get better economic outcomes and impacts?

- This is a challenging area, and there are limited studies, but the potential for meaningful economic gains with public purchasing at US $13 trillion globally, with estimated losses from waste and corruption at about US $3 trillion globally, is immense
- There are some studies (e.g., Brazil) that have shown potential increases in economic growth with effectively targeted procurement, but much more needs to be done on looking at ways in which public procurement can induce structural changes in an economy
- Most recent studies have focused on how to improve public procurement efficiencies at transactional levels, and procurement is ‘malleable’:
  - For example, research in Pakistan indicates that, with more autonomy and discretion given to trained procurement officers, lower prices result
• Other research indicates that characteristics of procurement officers impact procurement results in various ways: for example, some research suggests women procurement officers are less likely to be involved in cases of corruption.

• Much more research needs to be done on the potential economic impact of procurement at macro- and micro- levels, and the GPP is a most welcomed medium to lead the way in this area, with more empirical work at the level of procurement agencies, increased support for data collection and analytics, etc.

Snezana Mitrovic, Practice Manager, Procurement East Asia and the Pacific, World Bank

• Typically, the social contract encompasses a government’s obligation to deliver on protection of, provision of services to, and participation of, its citizens in political decision making. It is in the context of the provision of service (from access to resources, infrastructure, social services, and economic opportunities) that we look at public procurement as one of the essential building blocks of a well-functioning public service and a critical component of public services delivery, good governance, and sustainable economies with inclusive growth.

• Considering the extent (and magnitude), it is clear that a strategic approach to public procurement can provide an avenue that would lead to improved citizens’ trust, participation, and effective inclusion.

• Public procurement, grounded in procedural fairness, becomes effective in any national (or broader) context through addressing issues of social equity and environmental balance that form the core of any responsive social contract in 21st century.

• Innovative technologies can assist in better implementing public procurement by increasing government efficiency through reducing operational costs and releasing resources for investing in core public services. Integration of modern technologies will lead to increased transparency and trust in government by addressing efficiency, effectiveness and accountability. In turn, this will directly contribute to improved public policies and service delivery.

• Considering the magnitude of the challenge identified in the Report, and the interest of stakeholders in addressing the challenge and reimagining public procurement, the GPP is a welcomed platform to help facilitate the development of approaches and tools that would lead to achieving development effectiveness.

4. Closing Remarks:

Edward Olowo-Okere, Global Director, Governance Global Practice, World Bank

• World Bank remains committed to meaningful public procurement reform in its client countries. Over $3 trillion is lost annually to waste, inefficiency, and corruption in public procurement globally, as noted, and there is huge potential improvement possible.

• World Bank’s Governance Department hosts public procurement, as well as financial management and public sector disciplines, and thus provides an excellent eco-system to improve the links between public procurement and broader public sector reforms.

• Globally, there is an uneven reform landscape and pressing need for procurement modernization to realize increased socio-economic and environmental benefits, including through more strategic use of technology.
• Despite high global spending and demonstrated benefits on development outcomes, public procurement remains an overlooked and underdeveloped policy reform area. Most importantly, there are systemic, political, and strategic impediments to better procurement outcomes.

• While several initiatives are in progress, these are not sufficiently coordinated and mainstreamed in ways that have made strong global impact. Only a broad international coalition can seize the full potential of public procurement, and this must be done through improved and increased coordination and mainstreaming of shared knowledge, improved capacity, and professionalization of the procurement function.

CRITICAL TAKEAWAYS

• Smart public procurement offers an opportunity for huge savings and better lives for all citizens across the world:
• Only a broad international coalition can seize the full potential of public procurement
• There is widespread support for setting up the GPP through a collaborative and participatory design process

NEXT STEPS

• The leading team will organize several consultation meetings to discuss the structure and formation of the GPP
• Simultaneously, the team will start forging critical collaborations that will help move the GPP forward
• The team expects to launch the GPP by end of this Summer.

RESOURCES

• Full recording of the discussions
• Presentation
• Synthesis Report: “Global Procurement Partnership for Sustainable Development – An International Stocktaking of Developments in Public Procurement”
• Blog: “The hidden $1 trillion: Halting waste in public procurement”
Numerous questions and comments were received during the launch event. The team has tried to aggregate and paraphrase them in the interest of conciseness. The consensus was clearly in support of the GPP initiative and to make the consultation exercise broad-based and inclusive.

Timely Report

Participants were appreciative of the Report and highlighted that its publication has come at a most appropriate time. This is because policy makers are now actively looking at how procurement can create more VfM so that resultant savings can help to address the current challenges the world faces. Responses acknowledged that value creation through efficient and effective procurement can free up public resources for doing more with increasingly limited public finances.

Moving the GPP Agenda Forward

Several questions asked how this well laid-out GPP agenda would move forward and what role multilateral development banks (MDBs), donors, countries and the private sector could play in making the proposed GPP a reality.

The World Bank plans to hold a series of targeted follow-on workshops and seminars with potential donors and major other stakeholders, including governments, civil society, NGOs, and the private sector, through a participatory and collaborative process. This series of follow-on events will assist in developing the GPP’s final objectives, scope, design, constitution, and funding set up. The current target is to establish GPP start-up operational activities by later this year.

Potential Scope of GPP

Some participants wanted to know if the alliance could also work with subnational governments.

The GPP, as currently contemplated, will work with all interested national governments and, if such governments wish for the GPP to deal directly also with subnational entities within their respective countries for
Possible Success of GPP

Q Participants found the discussions engaging and inspiring, particularly as these went beyond the transactional nature of procurement. Attempts have been made in the past to create rallying points (standards, institutions etc.) on public procurement, but there has been limited success. Participants wanted to know how this proposed coalition would succeed.

A The World Bank is encouraged by the interest from prospective donors, governments, and other major stakeholders in establishing and making the GPP operational. As clearly indicated at the GPP launch event, the World Bank is firmly committed to push the GPP agenda forward and had commissioned the undertaking of the Report as essential groundwork for making this happen. This is, however, just the initial, convening step. Donors, as well as other prospective stakeholders from the NGO community, academic institutions, country counterparts and international organizations have indicated support for making the GPP operational.

Tackling Corruption

Q Some questions asked how the Report has addressed problems of politics, political economy, and corruption in public procurement, particularly during the COVID-19 response, and in particular the role the World Bank has played in tackling corruption.

A As the Report notes, the World Bank has been promoting ways to leverage advances in digital tools such as big data analytics to use publicly available information to identify integrity risks and corruption-related ‘red flags,’ in addition to providing national policy makers with insights on market-related supplier dynamics that promote increased efficiency and economy. One World Bank pilot moving this forward is the ProACT [Procurement, Anticorruption, and Transparency] Platform1. More at Report, Section III (D). The World Bank has been assisting in mainstreaming the importance of using public procurement as a strategic socio-economic development tool, and the Report and the proposed GPP are affirmative steps to ‘move the envelope forward’ in this direction for more effective procurement reform -- although, as the Report notes, meaningful and durable procurement reforms must ultimately be nationally owned and driven.

Modernizing Procurement

Q Some participants wanted to know how the proposed GPP would address ownership of political classes for modernizing public procurement to utilize its full potential for contributing to

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1 Please see Section III(D) of the report.
economy and serving the citizens. Related to this, questions were asked about what is working and making a difference to drive procurement reforms, including how approaches like better open data are leading to improved analysis and performance, as well as better inclusion. Some participants noted that, since the 1990s, the World Bank has done a tremendous job in modernizing and standardizing Government procurement laws and systems. However, recent developments show significant divergence from basic public procurement principles through issuance of ad-hoc procurement directives to respond to short term political and socio-economic objectives. This has a negative impact on VfM and fairness considerations and sustainability of the public procurement system. Some questions were asked about the findings of the Report on these issues.

**Q** The Report looks at how public procurement can be made more strategic and effective as both a development policy tool and transactional process, and ways in which new digital and electronic tools can help drive the process of procurement modernization. At the core of procurement modernization, the Report notes, is the need for commitment to achieve increased VfM, and ultimately social value, in public purchasing. The Report makes clear that VfM and resulting social value is measured and driven by the national context of any country aspiring for modernizing their procurement system. The Report highlights the positive externalities of effective public procurement upgrading -- increased transparency, accountability, and responsiveness. At the same time, the Report underscores the problem of ‘market capture’ and vested interest constraints in any national reform context -- and notes the need for ‘privilege resistant’ policies in public procurement. The proposed GPP can provide knowledge products and interventions that can assist in moving the procurement modernization agenda forward for those countries that wish to participate in the GPP -- it can provide needed global backstopping to assist progressive national procurement reform constituencies. This is a difficult undertaking and clearly requires sustained long-term commitment from donors, governments, and progressive procurement reform constituencies.

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**Addressing Political Economy Constraints**

Some comments noted a pattern in recent years where political interference in public procurement/contracting decisions override economic decisions. It would be interesting to discuss how to address this complex issue of political interface in achieving VfM. This would require going beyond reforms focused on creating legal framework, rules/regulations processes and procedures, through building a framework that will permit the relevant stakeholders to challenge the political leaders to implement these reforms.

**Q** As noted in the previous response, the Report highlights the constraints of political economy within countries -- or, put differently, how political influence can be used either positively or negatively to impact the integrity of any public procurement process. The Report stresses that VfM is nationally owned and driven. The GPP can help to educate national policy makers about global best practices in achieving VfM (and fitness -for-purpose) in public procurement. Assuming meaningful commitment at a given GPP participating country level, the GPP can be a powerful springboard to assist any participating country in promoting more effective public procurement modernization to increase transparency, accountability, and responsiveness -- given its contemplated global nature and reach.
Interoperability in e-Platforms

There was a question on the issue of interoperability with other government e-platforms.

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The Report notes that, for a country, intra-government systems interoperability is useful because it allows a government to leverage on its existing databases, in addition to information related to procurement (such as company registration, financial turnover and tax payments, beneficial ownership and anti-money laundering tracking-related databases, among others), to maximize more efficient, economic, and effective provision of its own public services, as well as for regulatory compliance. More broadly, if there is inter-government systems interoperability, there can be more accurate and meaningful data collection and comparison between and among participating countries, which is important given the increasingly global nature of procurement supply chains.

Handling Trade-Offs

There has been discussion of trade-offs if public procurement is used as a vehicle to achieve parallel polices for economic growth and questions were raised about whether there is any evidence to support sustainable public procurement in the right ways.

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To begin with, perceived trade-offs such as, for instance, between efficiency (in speed or price) and achievement of other goals may be illusory from a VfM perspective because, if value is place on other socio-economic goals, then VfM is still achieved even if at higher initial costs or increased lead times. As the Report notes (p. 34), the key is to recognize potential trade-offs and make a conscious decision to balance one objective against another to achieve the desired goal that represents “value” to the purchaser. Although national regulations increasingly identify VfM as an objective (and all that this entails) in terms of strategic—as distinct from transactional—procurement within a given system, the process governing a discrete public purchase remains firmly rooted in concepts of technical efficiency and economy at the micro level, without the tools necessary to effectively measure achievement of VfM at broader, more strategic levels. The Report notes that there must be more focus on meaningful measurement of trade-offs and synergies, when procurement is applied more strategically as a socio-economic development tool, as there is limited current empirical work on this. The GPP can assist in developing more robust and insightful ways to accurately monitor and measure trade-offs and synergies as part of focus on better data collection and analytics.

Other Comments

Other comments received are quoted below and noted with thanks. They have been summarized (where necessary) for clarity.

- In Africa West and Central (AFW), the procurement team of the World Bank has completed a study on benchmarking exercise for reinforcing Public Procurement Dialogue (PPD). The PPD Framework will be available by end of Q3. We are inspired by AFW RVP strategy on how procurement can contribute to strengthening of the social contract and enhancing citizen’s
trust in participating country governments and to achieving better service delivery, increasing access, climate adaptation, and contributing to GRID [Green, Resilient, Inclusive Development] to ‘Build Back Better.’

• Public procurement is a good tool to address climate change and contribute to reduction of greenhouse emissions. We look forward to the GPP leading on this issue.

• This is a wonderful and educative initiative. Given the depth of the report and the clarity of the action plan, there is every likelihood that this will be successful.

• Very important to have underlined that public procurement is a way of improving lives of citizens and not merely a process. Effective audit of public procurement also important to underpin public trust.

• The appetite for reforming procurement is very apparent. I hope this event boosts interest in and commitment to the GPP and that we can work together to realize the reforms that are so desperately needed.

• Great initiative and work! Hope to hear more from the GPP!

• Good initiative and thanks for including bilateral funding agencies like ourselves (MCC). We invest substantial money in partner countries and would be able to benefit from and contribute to this initiative.

• Procurement professionalization should be treated as work in progress and there should be more focus on practical experience