

Could Procurement Benchmarks Help Policy-Makers Achieve Better Results?

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The fact that public procurement involves interactions between the government and the private sector- two groups with very different, often conflicting yet equally valid interests- is a challenge. In order to address the growing demand for more data in the field of public procurement and to meet the overall objectives of procurement policy i.e. value for money. With the objective to promote small and medium enterprises along with green growth, the anticorruption Working Group of the G20 called on international institutions to develop benchmarks that would support cross-country comparison of procurement systems at the global scale. In 2013, in response, the World Bank Group developed 'Benchmarking Public Procurement', an indicator-based initiative that provides comparable data on regulatory environments. This brief, highlighting the crucial importance of this initiative, lists through varied examples that how procurement systems, regardless of the countries' level of income, lack transparency and clarity. It also suggests the weak implementation of rules in few countries, which are sluggish on their trajectory of efficiency in public procurement systems.

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Benchmarking is a process by which organisational structures, procedures and performances can be compared, or “benchmarked” with those of other relevant organisations. At the global scale, benchmarking instruments help countries learn from each other’s approaches and real experiences. More importantly, international benchmarking has proved to be a powerful force for triggering reforms and encouraging countries to adopt best practices. However, given the global nature of benchmarking instruments, the amount and type of indicators could be constrained by the data that can realistically be collected across countries. From the [United Nations’ Human Development Index](#) to the [World Bank’s Doing Business report](#), international benchmarking instruments cover a broad range of topics that are relevant to a country’s social and economic development agenda.

Until recently, public procurement had not been subject to this type of exercise. The fact that public procurement involves interactions between the government and the private sector, two groups with very different, often conflicting yet equally valid interests, is a challenge. A second challenge is the fact that each procurement regime should be designed based on the main characteristics and risks of the existing system, and such characteristics would inspire the design of two very different procurement regimes. Finally, while the overall objective of procurement policy is the achievement of value for money, public procurement is increasingly used as a tool to achieve secondary objectives such as promotion of small and medium enterprises (SMEs) or green growth (OECD)¹.

‘Benchmarking Public Procurement’- an indicator-based initiative:

Despite the challenges and in order to address the growing demand for more data in the field of public procurement, the Anticorruption Working Group of the G20 called on international institutions to develop benchmarks that would support cross-country comparison of procurement systems at the global scale. In 2013, the World Bank Group developed [Benchmarking Public Procurement](#) in response to that call, an indicator-based initiative that provides comparable data on regulatory environments that affect the ability of private companies to do business with governments in 77 economies. The project follows the approach of the World Bank Group’s *Doing Business* Report, which measures regulations that enhance business activity and those that constrain it, across 189 economies.

The *Benchmarking Public Procurement* project is designed to capture regulations that govern public procurement systems, as perceived and experienced by private sector firms. Having selected this approach, the project developed comparative indicators targeting the most critical legal and regulatory issues that can deter the participation of private firms, especially small and medium enterprises (SMEs).

The project was piloted in 11 countries in 2014 and expanded to 77 this year. The data shows that many procurement systems, regardless of the countries’ level of income, lack transparency and clarity. In some countries, for example, regulations are silent on details essential to suppliers, such as the time needed to obtain a decision after lodging a complaint. In other instances, not all suppliers are granted equal access to information– for example, leaving the notification of the results of a tender to the discretion of the procuring entity. Another interesting example is related to the needs assessment phase where fewer than 10 economies surveyed require the procuring entity to publicly advertise the consultation with the private sector when it takes place. Although there is still room for improvement in all economies

¹Available at: www.oecd.org/gov/govatagance.htm

measured, OECD high-income economies do hold higher standards of transparency.

A singular strength of the data lies in enabling comparisons amongst economies on specific elements of their procurement systems. An example is bid security, a sum of money that bidders (i.e. private sector firms) post along with their bid and which they forfeit under certain circumstances, such as withdrawal of their offer after the deadline for bid submission has passed. Although bank guarantees are often accepted as bid security, it can be a significant deterring factor if the amount is too high. Benchmarking Public Procurement measures the maximum amount as well as acceptable forms of bid security that procuring entities can ask for in each economy, enabling policy-makers and other interested parties to compare with similar practices elsewhere in the world.

Bringing out the Laggards:

Benchmarking Public Procurement also identifies areas where procurement rules, though existing, are not **properly implemented**. The timeframe for the first-tier review body to deliver a decision is one example. Once a complaint is submitted during the procurement process, a time limit should be set in the law so that a complaining party can know when to expect a response. When comparing the time for the first tier review body to render a decision, as set in the law, with the time that this decision takes in practice, we observe implementation gaps in a number of countries.

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Chile is a good example, where although decisions should be made in less than 2 months (60 days), in practice, it can take up to a year (365 days). By contrast, the legally-mandated timeframe of 100 days is respected in the United States. A less common situation is the one of Azerbaijan, where the law provides that decisions should be delivered in less than 28 days, but in practice they are rendered in 14 days. In Lebanon, where the timeframe is not regulated, it can take almost two years for a supplier to obtain a decision.

Another example of weak implementation of rules is related to **payments to suppliers**. In almost half of the surveyed economies, delays of more than 30 days are common despite what the law mandates. In the same vein, in economies where penalties are legally granted to suppliers, half do not follow their law in practice, and this is a pattern observed across all the regions measured by the study.

Benchmarking Public Procurement builds on the approach developed by the *Doing Business* report, which, since its inception in 2003, has inspired more than 2,600 reforms in the areas measured by the report.

Benchmarking Public Procurement data is available in its entirety on the project's website (bpp.worldbank.org). In 2016, the geographical coverage of the project will be scaled up to 189 economies. In addition, the dataset will focus more extensively on practice and the thematic coverage will be extended to include the contract management phase.