



# Successful implementation of strategic approach to Public Procurement and Innovation

**STRATEGIC PUBLIC PROCUREMENT AND INNOVATION:  
CURRENT TRENDS AND CHALLENGES**  
Prague, the Czech Republic  
3 October 2022

**Erika Bozzay**

senior policy adviser

Infrastructure and Public Procurement Division

OECD

[Erika.Bozzay@oecd.org](mailto:Erika.Bozzay@oecd.org)



# The OECD: Better policies for better lives

OECD countries believe  
a **stronger, cleaner, fairer**  
world is possible



*through co-operation*

sharing information  
and ideas that work

*mutual advice*



# Who we are: Our global reach

OECD 38 Member countries and 5 key partners represent about 80% of world trade and investment

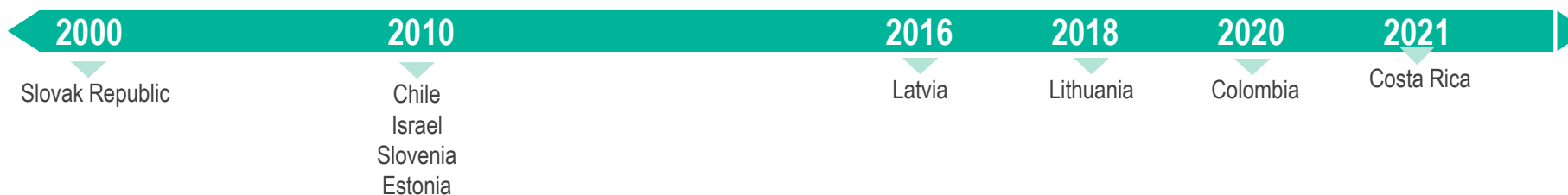


## MEMBERS

Australia	Israel	Sweden
Austria	Italy	Switzerland
Belgium	Japan	Turkey
Canada	South Korea	United Kingdom
Chile	Latvia	United States
Colombia	Lithuania	
Costa Rica	Luxembourg	
Czech Republic	Mexico	
Denmark	Netherlands	<b>KEY PARTNERS</b>
Estonia	New Zealand	
Finland	Norway	Brazil
France	Poland	China
Germany	Portugal	India
Greece	Slovak Republic	Indonesia
Hungary	Slovenia	South Africa
Iceland	Spain	
Ireland		

The European Union has a permanent delegation to the OECD

Most recent accessions:



Six prospective members have requested OECD membership: **Argentina, Brazil, Bulgaria, Croatia, Peru, Romania**



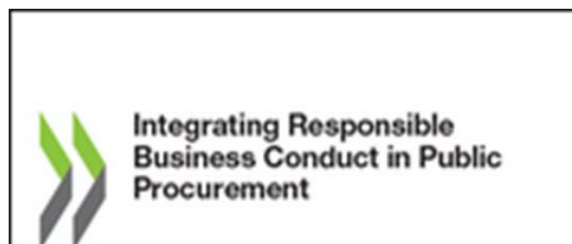
# OECD supports countries in reforming procurement systems in multiple dimensions







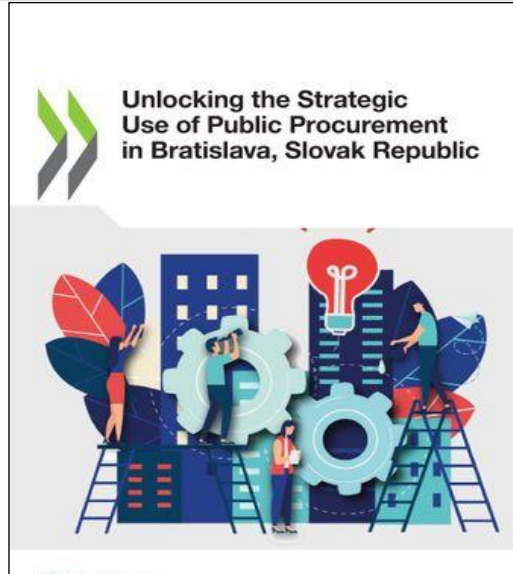
# Thematic work



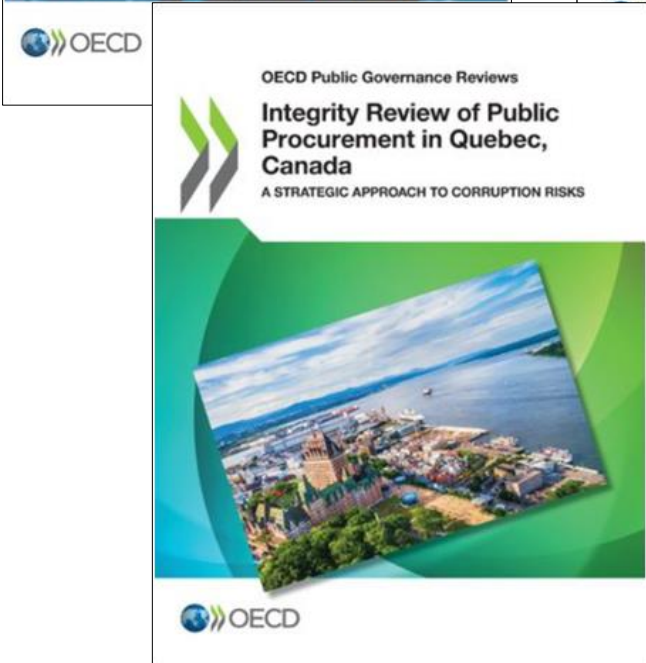
<https://dx.doi.org/10.1787/5d88f76-en>

<https://www.oecd.org/gov/public-procurement/publications/>

# Country work: supporting implementation in various contexts, tailored to the needs and priorities of the partner countries



- **Comprehensive reviews** of public procurement systems **with multiple dimensions** in OECD and non-OECD countries, like Germany, Lithuania, Slovakia, Ireland, Korea or Mexico
- **Hands-on support and development of practical tools** in different contexts: market engagement, planning, risk and contract management, etc.



<https://www.oecd.org/gov/public-procurement/country-projects/>



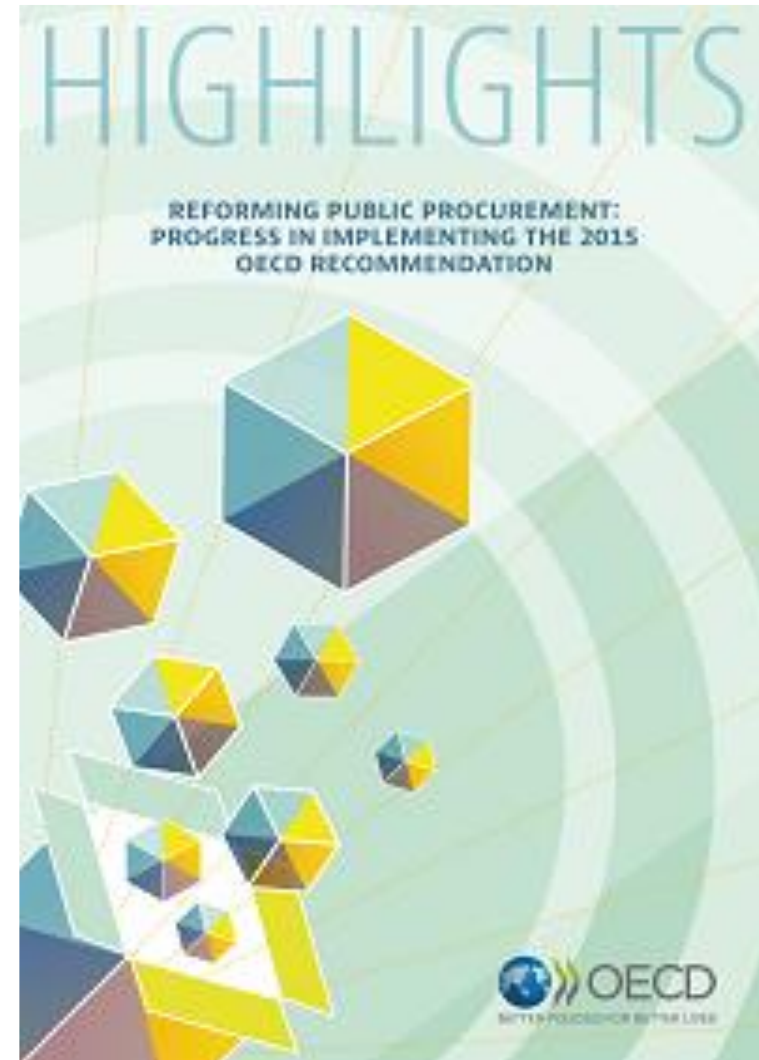
# The OECD Recommendation on Public Procurement (2015): comprehensive and strategic approach; an international reference tool







# Taking stock of the Progress in Implementing the 2015 OECD Recommendation (2019 Report)







# PUBLIC PROCUREMENT MATTERS!

# Public procurement has significant global impact

Public procurement – a large share of the global economy:

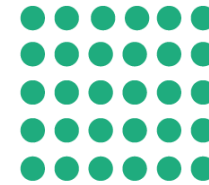
- **12% of GDP in OECD countries**
- **30% of general government expenditures**
- **63% spent at the sub-national level**

Public procurement is supporting:

- delivery of public services to citizens
- achievement of broader policy goals

Public procurement impacts many areas of public service delivery:

Share of procurement spending<sup>3</sup>



30%

Health



17%

Economic affairs



12%

Education



10%

Defence



10%

Social protection



9%

General public services

**COVID-19 crisis further demonstrated the strategic role of Public Procurement**



# State-of-play in OECD countries: Public procurement is increasingly used to pursue broader outcomes and strategic policy objectives

OECD Public Governance Reviews

## Reforming Public Procurement

PROGRESS IN IMPLEMENTING THE 2015 OECD RECOMMENDATION

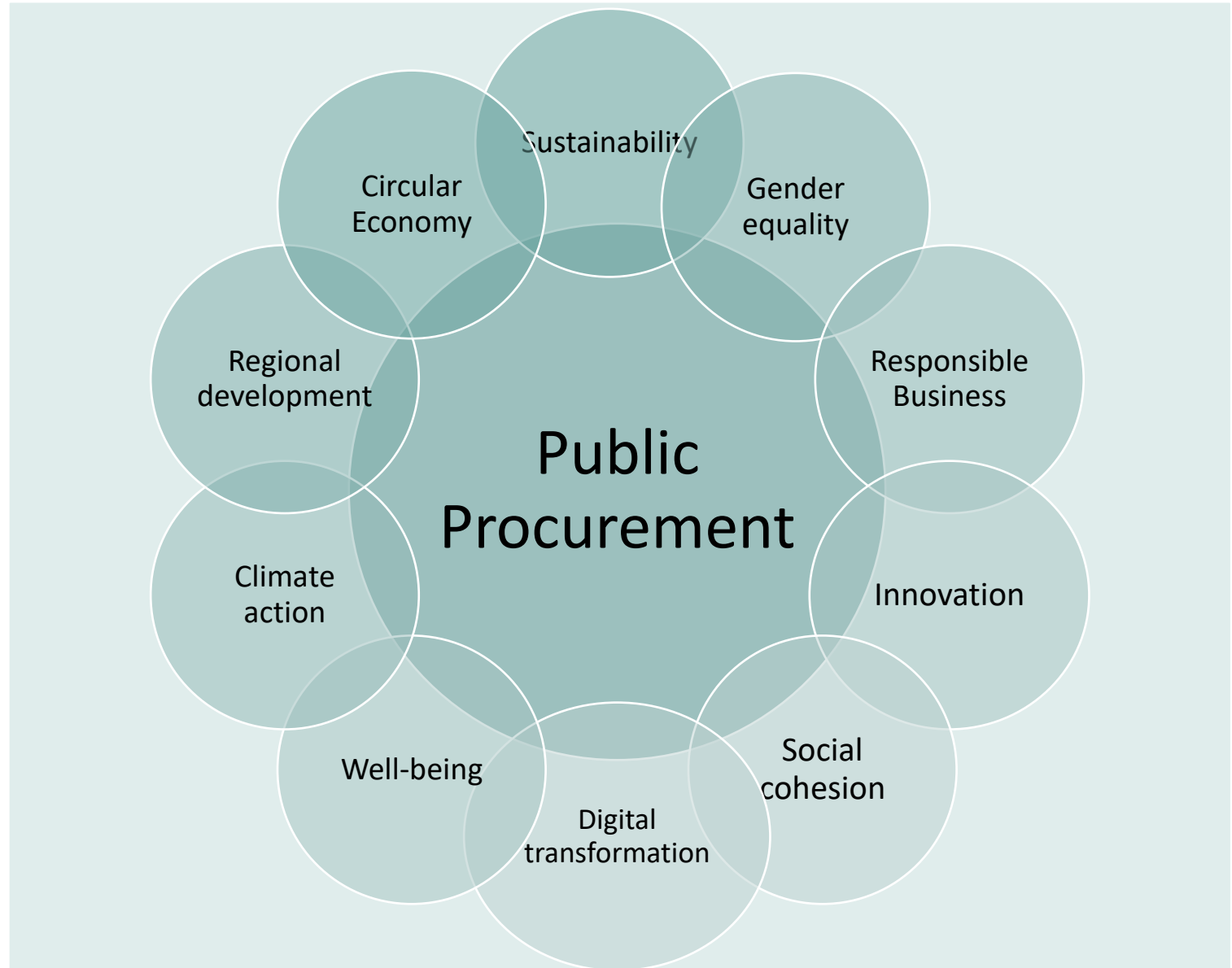
## Government at a Glance 2021

## Integrating Responsible Business Conduct in Public Procurement

- OECD countries are using public procurement in a strategic way, especially for supporting the green and digital transitions, but also to pursue social objectives
- Policy and regulatory frameworks for the strategic use of public procurement and for integrating sustainability into public procurement are common in OECD countries



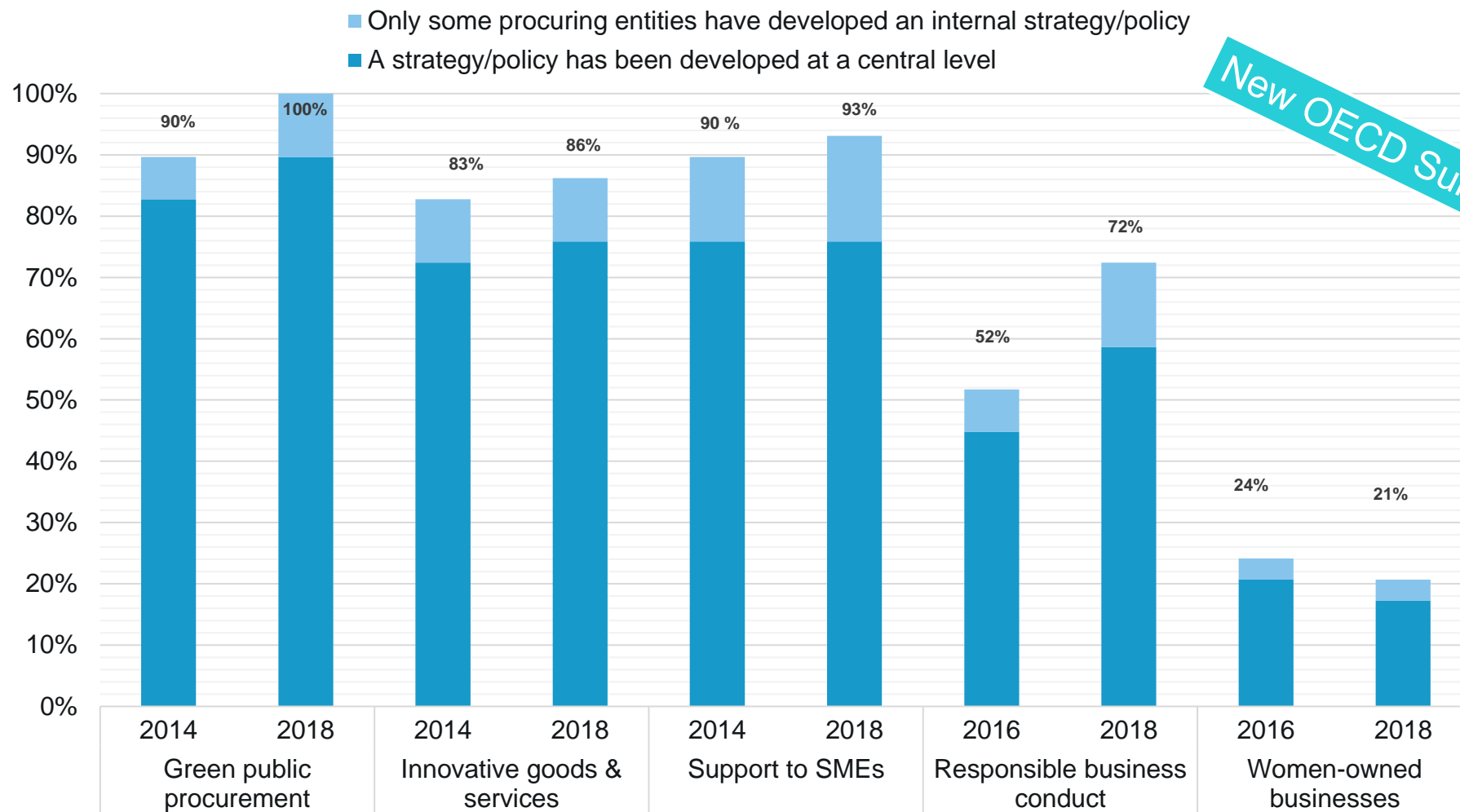
# Public Procurement: a key enabler for a governments' strategic policy agenda







# Evidence: All OECD countries are using public procurement in a strategic way



New OECD Survey on GPP

Sources: OECD 2018, 2016 and 2014 Public procurement Surveys



# Public Procurement and the Sustainable Development Goals (SDGs)

## In theory:

**Target 12.7**: promote public procurement practices that are **sustainable** in accordance with national policies and priorities

Indicator 12.7.1: Degree of sustainable public procurement *policies* and *action plan implementation*

**Target 16.6**: Develop **effective, accountable and transparent** institutions at all levels

- Indicator 16.6.1: Primary *government expenditures* as a proportion of original approved budget, by sector (or by budget codes or similar)
- Indicator 16.6.2: Proportion of population satisfied with their last *experience of public services*

## In practice:

A Nordic Council report establishes links between SPP and all SDGs, finding out that PP can be linked to **82% of SDGs indicators**:

**[Sustainable Public Procurement and the Sustainable Development Goals \(diva-portal.org\)](https://diva-portal.org)**



# Advancing strategic public procurement: A closer look at social responsibility considerations

## OECD Programme on Integrating Responsible Business Conduct (RBC) in Public Procurement (2020 – 2021)





# OECD Stocktaking Report on Integrating RBC in Public Procurement

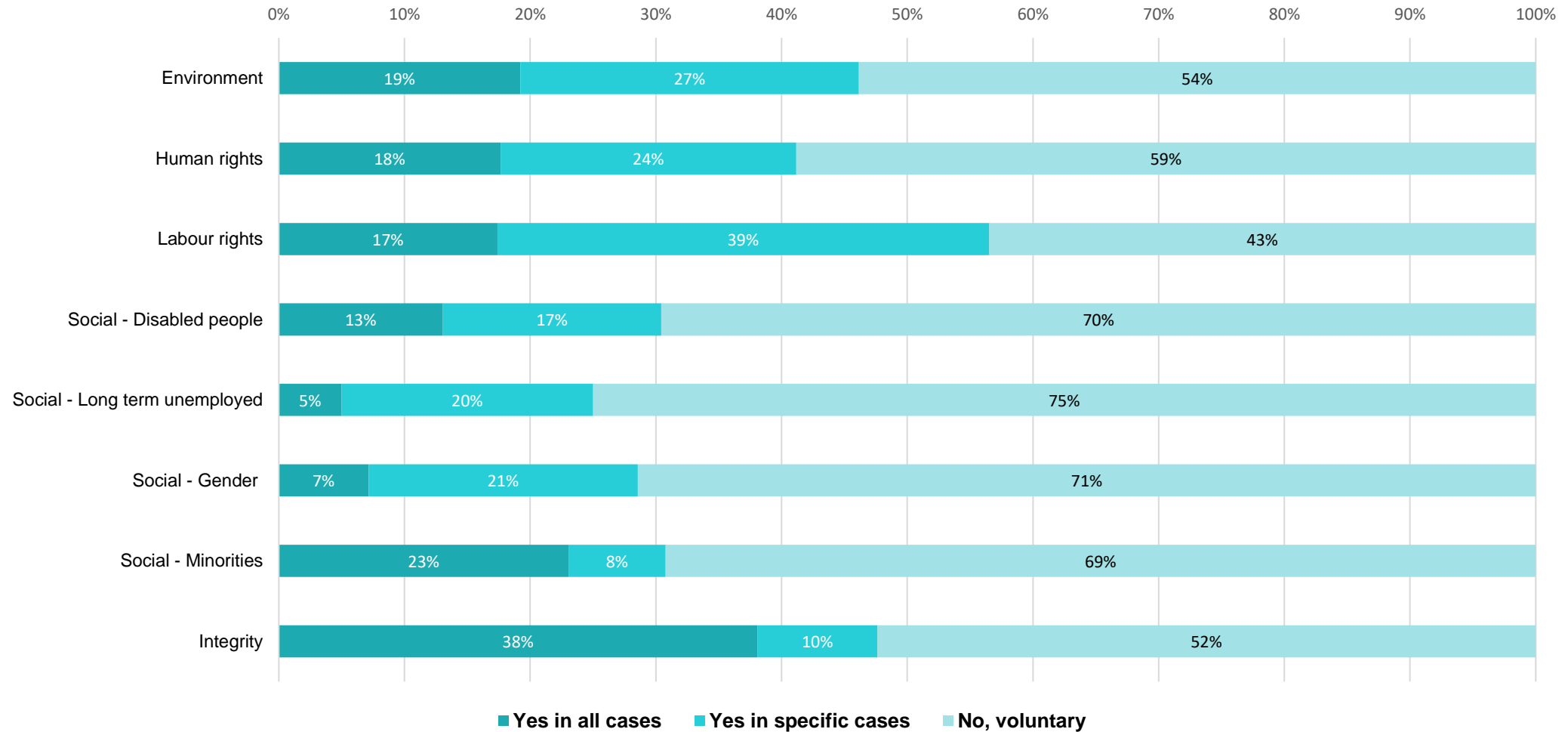
- RBC objectives that are integrated the most often into public procurement: environmental issues and integrity
- Social aspects are rarely incorporated (gender, labour rights, minorities, unemployment)
- Comprehensive frameworks (that cover all aspects) exist, but are rare
- Monitoring and follow up: limited (mainly for environmental issues)
- Understanding on implementation is lacking
- Good practices on due diligence: weak use overall





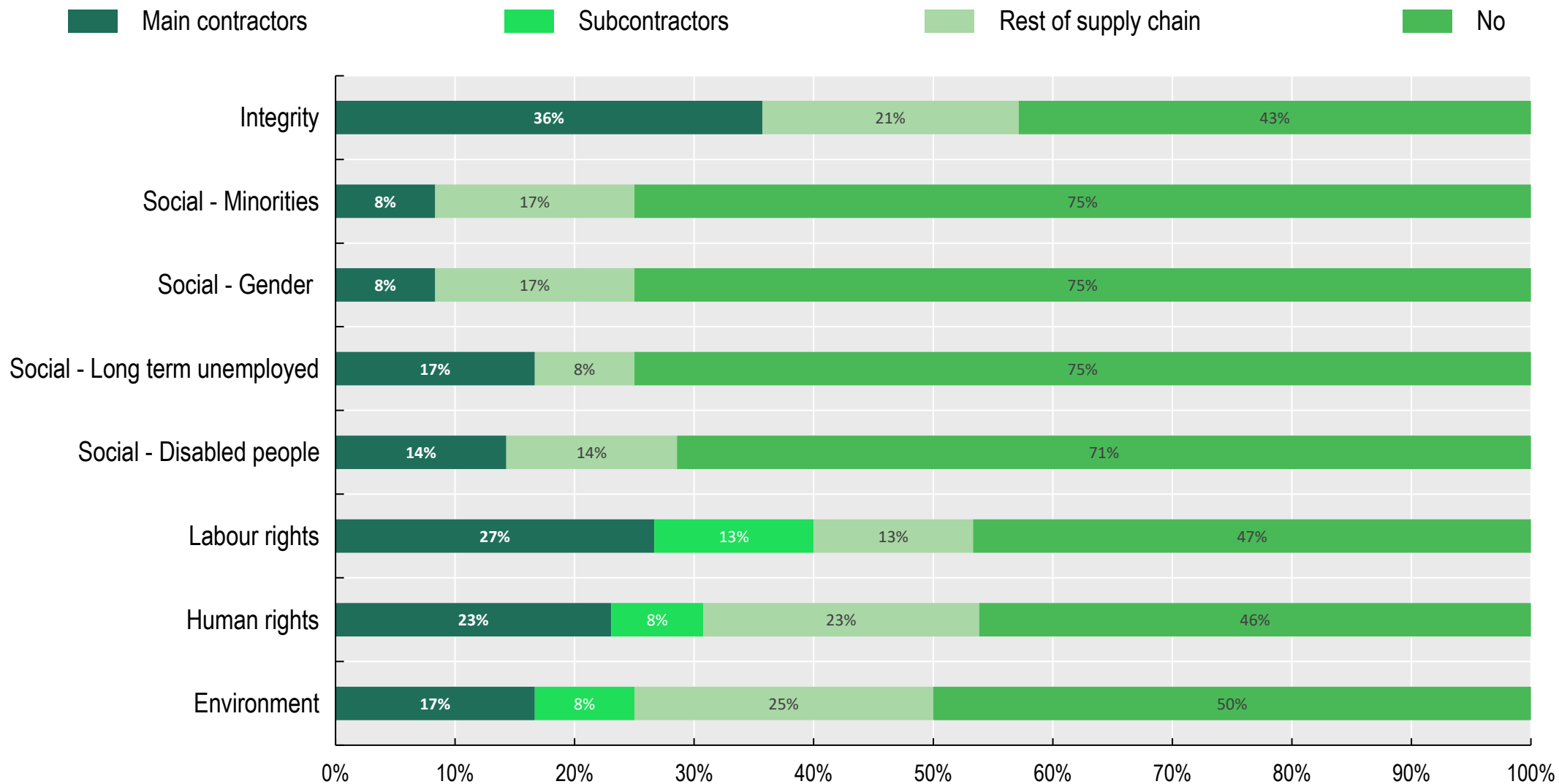
# Regulatory or strategic frameworks rarely apply to the supply chain

Share of frameworks for different RBC objectives applying to the entire supply chain in different cases



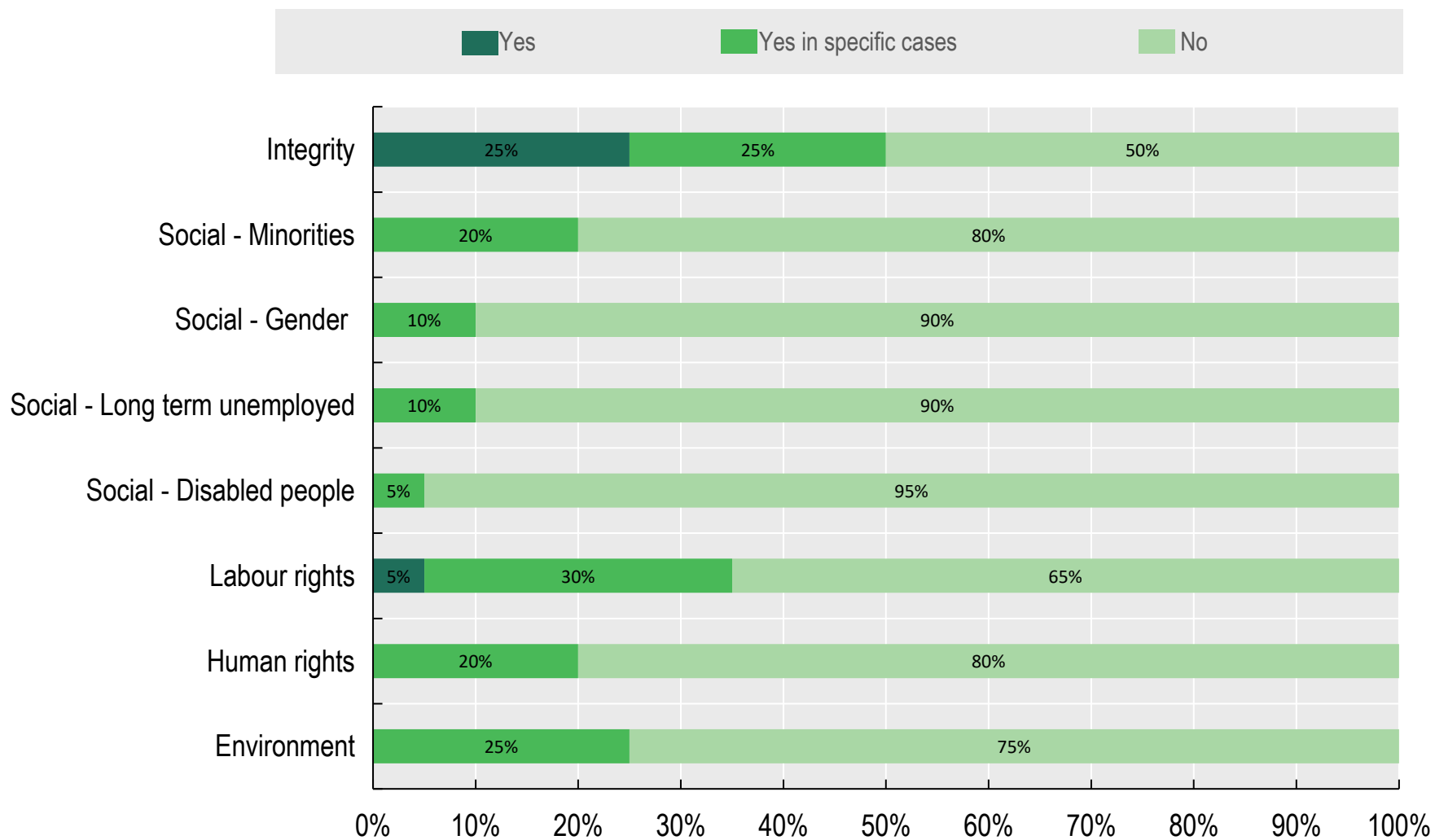


# CPB's public procurement policies or strategies and coverage of the supply chain



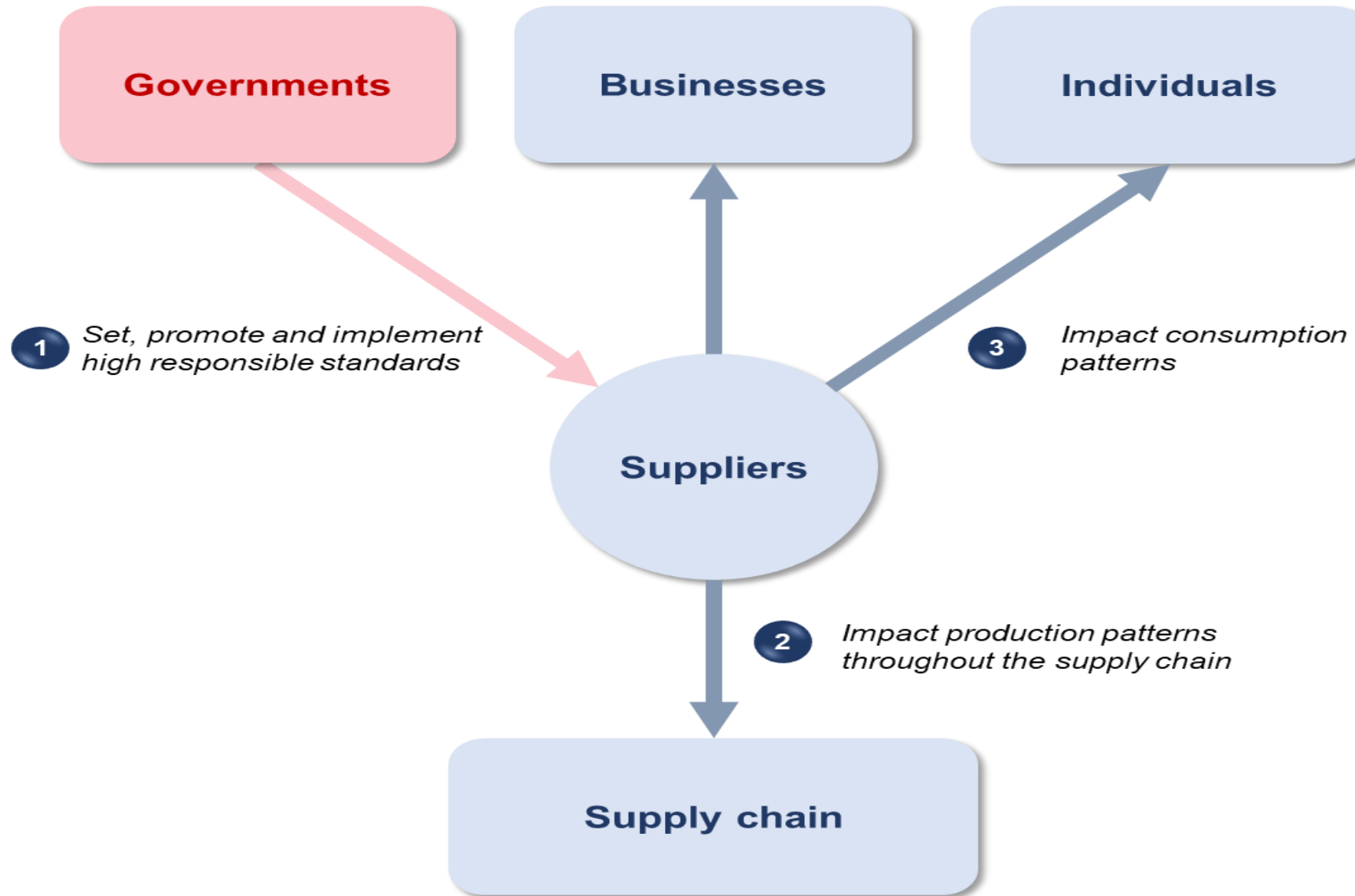


# Monitoring and **follow up is limited**: Extent to which CPBs verify compliance to contractual RBC objectives in the supply chain





# Public procurement influences production and consumption patterns







**ADVANCING STRATEGIC PUBLIC PROCUREMENT:  
MAKING TRANSITION HAPPEN  
&  
SETTING ENABLING CONDITIONS**



## OECD view on strategic public procurement – Principle of balance

Many governments have already recognised the strategic dimensions of public procurement for broader outcomes.

**“Broader policy objectives should be balanced against the primary procurement objective.”**

OECD Rec. on Public Procurement,  
Principle of Balance

**What does it mean?**

**Public procurement should provide better public services in a timely, effective and efficient way while achieving different policy objectives** such as addressing environmental and social considerations, supporting innovation and SMEs.



## Proposed practices:

1. Evaluate whether public procurement is the best option to pursue this particular goal (e.g. sustainability)
2. Develop a strategy
3. Assess the impact of the resulting actions

# » Strategic public procurement requires...

- ✓ Setting the adequate **legal and policy framework**
- ✓ Undertaking a **stocktake of national priorities** and goals related to economic, environmental and social policies
- ✓ **Developing a strategy** for the integration of these policy objectives in the public procurement system
- ✓ Ensuring **strong political commitment** throughout the strategy development
- ✓ **Organising consultation** process with all the relevant stakeholders





# Strategic public procurement requires...

- **Planning, developing target outcomes as well as milestones**
- **Monitoring** public procurement practices – this requires developing detailed performance indicators (KPIs) and comprehensive reporting:
  - ✓ Harnessing the benefits of **digital transformation of public procurement / digital technologies**
  - ✓ A potential tool: **Sustainable Public Procurement Module** of the Methodology for Assessing Procurement Systems (**MAPS**)





# Strategic PP requires capable institutions and skilled individuals

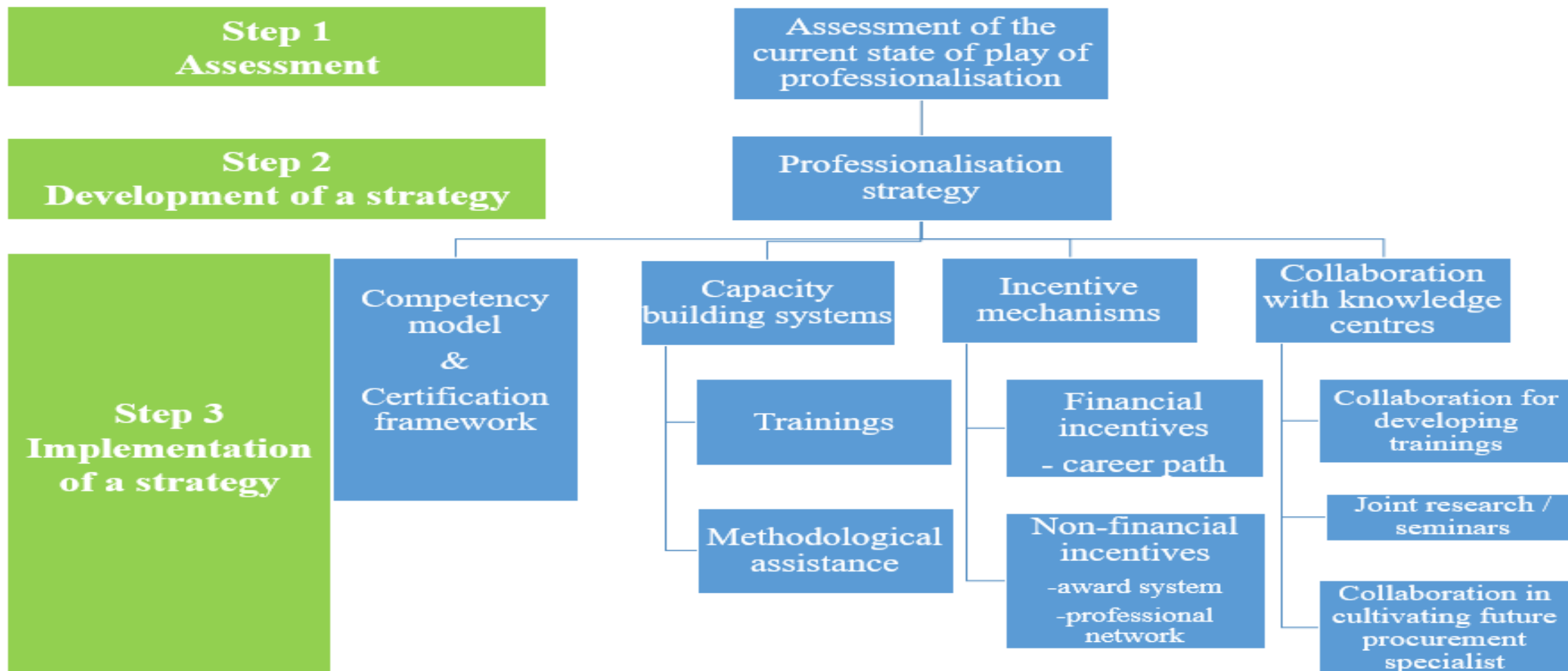
- ✓ Strategic public procurement needs to be understood as a process of **institutional and individual learning**
- ✓ Extracting lessons from previous experiences is central to **incremental improvements** of procurement practices
- ✓ **Communities of practice** are a way to mainstream strategic and sustainable public procurement







# Key elements to advance the professionalisation of the public procurement workforce



Forthcoming OECD Policy paper: “Professionalising the public procurement workforce – A review of current initiatives and challenges”



# Strategic public procurement requires greater agility

**Informed decision-making** is a foundational pillar of strategic public procurement:

- ✓ Moving towards a **more sustainable evaluation of costs** in public procurement: **life-cycle costing** and **monetising environmental externalities**
- ✓ Integrating **circular economy considerations** in procurement processes





# Strategic procurement needs collaboration with the business sector

- > **Understanding market solutions and market capacity** – strategic engagement with the market
- > Ensuring **sustainability in supply chains** (looking beyond the main contractor)





# Challenges and opportunities

- ✓ Public procurement is multi-disciplinary by nature
- ✓ Growing recognition of public procurement as a major driver of public policies and a key tool for economic recovery.
- ✓ Growing importance of the sustainability, climate and digital agendas



**The new normal?**

Enhanced digitalisation of the whole procurement process

Increased attention to risk management approaches

Better use of strategic sourcing

Accelerated Professionalization strategies



# Links to OECD work on Public Procurement and Infrastructure Governance

<http://www.oecd.org/gov/public-procurement/>

<https://www.oecd.org/gov/infrastructure-governance/>

## THEMATIC REVIEWS



## COUNTRY PROJECTS



## TOOLS

