

Public Procurement in the Digital Age: Challenges and Opportunities

Governments and state-owned enterprises purchase a wide variety of goods, services and public works from the private sector, from basic necessities (like computers) to broader infrastructure projects and services (like roads). Public procurement is a key economic activity of governments that represents a significant percentage of the GDP generating huge financial flows, estimated on an average of 10-15% of the GDP across the world (based on reports from the OECD and Transparency International). It has therefore been acknowledged that an effective procurement system plays a strategic role in governments for avoiding mismanagement and waste of public funds.

Over the years, most government contracting has focused on adopting the 4-pillar approach of transparency, good management, prevention of misconduct, accountability and control. In recent years, with the explosion of digital data and machine-intelligent capabilities, it has also been reasoned that there are now significant possibilities to further enhance the implementation of the 4-pillar approach and drive forward more targeted public spending and procurement goals of governments and public authorities.

Take the case of assessing the needs of public spending for medical services, for instance. The establishment of medical facilities and the purchase of medical supplies and pharmaceuticals could be better integrated with not just dated population and region-specific databases, but also alternative datasets such as social media tweets and feeds which offer real-time views of medical (and contagious) conditions that need swift response mechanisms.

Similarly, to assess the effectiveness of a government spending initiative (for instance, a subsidy program) social media data may be a useful gauge to assess public sentiment towards specific government interventions. These also serve as useful and real-time feedback mechanism to allow for specific government interventions to be iterated and improved upon, minimizing the need for more formal feedback processes.

While these approaches may sound valid in theory, there are practical difficulties for governments to fully harness the available data for public procurement and spending. In large part, it comes down to the reality that the most of the data is generated by – and remains with – the private sector. Several obstacles may therefore prevent the unrestricted access to this data for public sector analytics. While some part of the reasons may stem from the private sector, in particular the absence of organizational capabilities to steward data for the public (or cross-sector) partnerships, there are also hurdles that may be faced by the government and public bodies in harvesting and using the datapoints effectively.

Recent discussion has also focused on the usefulness of government procurement systems to ‘signal’ the development of certain sectors. As mentioned earlier, by commanding a significant

(upto 15% of GDP) share of purchases, public bodies are amongst the single largest group of buyers. Therefore, they can have an outsized role in catalyzing the development of certain sectors or, more recently, themes such as 'sustainability'.

Green Public Procurement (or GPP) is the term associated with the practice of purchasing goods and services with the aim of cutting carbon emissions and mitigating environmental harm. Some EU member states have recognized GPP as an important tool to meet client goals, with criteria (such as emissions standards, for instance) being introduced as part of the tendering process for some goods and services. In the GCC, Saudi has also announced the implementation of a GPP covering the decarbonizing of steel and cement for construction material.

[\(https://climatechangenews.com/2022/09/29/greening-public-procurement-has-a-bigger-role-to-play-in-decarbonising-construction/\)](https://climatechangenews.com/2022/09/29/greening-public-procurement-has-a-bigger-role-to-play-in-decarbonising-construction/)

While the introduction of such practices may provide long term benefits, it is also expected that transitioning traditional procurement practices towards a GPP system may create short term friction: either within the public department, amongst the suppliers or across the broader market and consumers of public services. The World Bank argues that this may also require a shift in managerial culture within the government procurement departments. Quoting from their report:

Successful GPP reform requires a change in procurement from a risk-averse, compliance function to a strategic, risk-management function. Asking procuring officials to consider the environmental and developmental impact of procurement choices rather than simply choose the lowest-price option is a radical change in perspective. Communication and change management focused on a new procurement culture will be critical throughout the reform process. GPP should be presented as an opportunity to deliver high-quality public services rather than an added compliance burden. Communication in an accessible language, with high-level endorsements, should answer questions, address concerns, and debunk myths.

Report Link: <https://openknowledge.worldbank.org/server/api/core/bitstreams/5ee88e6e-a161-58b6-8126-e8a885e3acef/content>

Indicative Panel Questions:

Q 1) Most government procurement has worked in quite the same way for a number of years: viz, assess needs, detail specifications for the orders, publish tender enquiry, select lowest cost bidder and performance review. With the increase in the ability to assimilate and process data, where do you believe improvements can be made in any one of the areas and why/how?

Q 2) Given that a lot of public procurement is from domestic companies, what could be the potential consequences on these companies (and local industry) if there were weaknesses in governance on public procurement?

Q 3) What (consider at least 2) internal challenges would you foresee for government public procurement teams who intend to move towards a Green Procurement model. Attempt to relate this to your understanding of the current public procurement system within the KSA

Q 4) Which of the above challenges do you feel will be easier (or more difficult) to address and why?

Q 5) Assuming that the government wishes to integrate a more robust GPP going forward, what metrics do you believe would be relevant to monitor and why?

Key Competencies covered -

- **Government Procurement and Project Management**
- **Sustainable Finance**
- **Data Analytics**
- **Leadership, Communication and Decision Making**