



Efficiency

Purpose of the Checklist

- To guide and support public procurement practitioners in reviewing, developing and updating their procurement framework, according to the 12 principles of the Recommendation of the Council on Public Procurement.
- To encourage self-assessment and providing a starting-point for implementing the Recommendation.
- To provide more detailed information and guidance for each of the 12 principles as well as actions that can be taken to improve the strategic use of public procurement.

Public Procurement
Principle: **Efficiency**

Procurement Stage:
All phases

Audience: **Policy Maker,
Procuring Entity, Private
Sector, Civil Society**

Description

Efficiency can be strengthened by following proposed steps below, while also improving other closely-linked principles (please refer to the box below). Suggestions and comments on the content and format of the Checklist can be sent to: public.procurement@oecd.org.

Main linkages between efficiency and other principles of the Recommendation

- **Transparency:** Transparency, in the flow of public funds for instance, can help policy makers to organise procurement strategically and improve its efficiency.
- **Integrity:** Efficiency, by reducing waste, reduces the vulnerability to corruption since funds are better accounted for and used for the intended purposes.
- **Access:** A coherent and stable institutional, legal and regulatory framework are essential to increase participation in doing business with the public sector and are key starting points to assure sustainable and efficient public procurement systems. The use of competitive tendering is a means of driving efficiency by achieving better value for money: low prices and/or better products are desirable because they result in resources either being saved or freed up for use on other goods and services.
- **Participation:** A correct understanding of markets contributes to more realistic and effective tender specifications.
- **E-procurement:** E-procurement tools simplify processes for contract award and management and drive cost savings.
- **Capacity:** A procurement workforce with adequate capacity ensures an efficient and effective delivery of value for money.
- **Evaluation:** Indicators can help measure performance, effectiveness and savings of the public procurement system.

- **Risk management:** Risk management tools contribute to identify potential mistakes in the performance of administrative tasks and bring them to the attention of relevant personnel, providing an intervention point where prevention or mitigation is possible.
- **Integration:** Specifically designed budget commitments can reduce fragmentation, which in turn increases efficiency. Multi-year financing options can contribute to take purchasing decisions that properly allocate risks and achieve long-term efficiency.

(A) Streamlined public procurement system and institutional frameworks

Adherents should streamline the public procurement system and its institutional frameworks. Adherents should evaluate existing processes and institutions to identify functional overlap, inefficient silos and other causes of waste. Where possible, a more service-oriented public procurement system should then be built around efficient and effective procurement processes and workflows to reduce administrative red tape and costs, for example through shared services.

A.1 Adherents should evaluate existing processes and institutions to identify functional overlap, inefficient silos and other causes of waste. In order to achieve this end, adherents could consider:

- Establishing and consistently applying a performance measurement systems that focuses on the outcomes of procurement processes versus set targets, internally as well as externally (by Supreme Audit Institutions for instance),
- Developing and using Key Performance Indicators (KPIs),
- Using the information to support strategic policy making on procurement,
- Developing and using strategic plans including results frameworks (explicit articulation of the different levels, or chains, of results expected from a particular intervention) to improve the system,
- Clearly defining the responsibilities.

A.2 Adherents should build a more service-oriented public procurement system around efficient and effective procurement processes and workflows to reduce administrative red tape and costs, for example through shared services. This can include:

- Developing strategies to increase savings and efficiency,
- Implementing initiatives to reduce administrative red tape and costs in the procurement activities,
- Using e-procurement systems.

(B) Sound technical processes to satisfy customer needs efficiently

Adherents should implement sound technical processes to satisfy customer needs efficiently. Adherents should take steps to ensure that procurement outcomes meet the needs of customers, for instance by developing appropriate technical specifications, identifying appropriate award criteria, ensuring adequate technical expertise among proposal evaluators, and ensuring adequate resources and expertise are available for contract management following the award of a contract.

B.1 Adherents should develop appropriate technical specifications. This can include:

- Conducting appropriate needs assessments,
- Conducting effective market research, regular market surveys as well as strategic sourcing to all tenders (i.e. collecting relevant information on the potential suppliers, products and prevailing prices for goods and services),
- Using early engagement mechanisms with suppliers, such as Requests for Information (RFIs), Prior Information Notices (PINs), one-to-one consultations with suppliers, holding of industry/supplier days, information discussions, etc.,
- Undertaking competitive dialogues that allow a public entity which knows what outcome it wants to achieve in awarding a public contract but does not know how best to achieve it to discuss, in confidence, possible solutions in the dialogue phase of the tender process with short listed bidders before calling for final bids (when needed),
- Clearly defining the requirements and desired outcomes of contracts,
- Using neutral specifications citing international norms when possible and the use of functional specifications, where appropriate,
- Defining the appropriate methodology/calculations to determine best value for money based on the criteria stated in the tender/bid documents.

B.2 Adherents should identify appropriate qualification criteria for suppliers and award criteria. This can include:

- Identifying qualification criteria, precisely specified in the tender/solicitation documents, in accordance with applicable rules and eligibility and exclusions,
- Identifying award criteria that are objective, relevant to the subject matter of the contract and precisely specified clearly in the tender/solicitation documents so that the award is made solely on the basis of the criteria stated in the documents,
- Clearly defining the manner in which award criteria are combined and the relative weights allocated in the tender documents,
- Developing specific guidelines or policies to define qualification and award criteria.

B.3 Adherents should ensure adequate technical expertise among bid evaluators to make sure that the selection and award is carried out effectively, efficiently and in a transparent way. This can include:

- Applying of appropriate methodology/calculations to determine best value for money based on the criteria stated in the tender/bid documents,
- Using price and non-price criteria and/or considering life-cycle cost to ensure the objectivity and value for money decisions,
- Giving adequate importance to the quality for goods, works and services and clearly defining the procedures and methodologies for assessment of technical capacity,
- Not disclosing information relating to the examination, clarification and evaluation of tenders/proposals to the participants or to others not involved officially in the evaluation process,
- Developing documents providing guidance on the use of selection criteria and their weightings.

B.4 Adherents should ensure adequate resources and expertise are available for contract management. This can include:

- Defining the functions for undertaking contract management and assigning the responsibilities,
- Applying the provisions of the legal framework with regard to contract management, including penalties for delays, termination of contracts,
- Implementing contracts in a timely manner to support effective delivery of public services,
- Undertaking inspections (covering quantitative aspects), quality control (covering qualitative aspects) and supervising works,
- Examining invoices and processing payments as stipulated in the contract,
- Reviewing, issuing and publishing contract amendments in a timely manner,
- Putting in place a system for post-award management that monitors the progress and performance of bidders,
- Ensuring efficient and fair processes to resolve disputes during the performance of the contract,
- Ensuring complete and accurate records on the contract implementation, easily accessible in a single file.

(C) Tools to improve procurement procedures, reduce duplication and achieve greater value for money

Adherents should develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money, including centralised purchasing, framework agreements, e-catalogues, dynamic purchasing, e-auctions, joint procurements and contracts with options. Application of such tools across sub-national levels of government, where appropriate and feasible, could further drive efficiency.

C.1 Adherents should develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money, including centralized purchasing. Those tools can include:

- Joint procurements:** A joint procurement means combining the procurement actions of two or more contracting authorities. The key defining characteristic is that there should be only one tender published on behalf of all participating authorities.
- Central Purchasing Body (CPB):** A CPB is a contracting authority (CA) providing centralised purchasing activities and, possibly, ancillary purchasing activities, where ‘ancillary purchasing activities’ means activities consisting in the provision of support to purchasing activities, in particular in the following forms: (a) technical infrastructure enabling CA to award public contracts or to conclude a framework agreement for works, supplies or services; (b) advice on the conduct or design of public procurement procedures; (c) preparation and management of procurement procedures on behalf and for the account of the CA concerned. This requires including the following provisions in the legal and regulatory framework:
 - a clear definition of the legal status, funding, responsibilities, and decision-making powers;
 - a precise definition of the accountability for decisions and
 - a high level and authoritative standing in Government of the body and the head of the body.
- Defining the financing model of the CPB,
- Ensuring that the internal organization and staff sufficient and consistent with THE responsibilities of the CPB,
- Specifying if the use of CPB’s services is compulsory for the procurement entities,
- Measuring the objectives of the CPB implementation.

C.2 Adherents should develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money, including framework agreements (FAs) and dynamic purchasing systems (DPS). This can include:

- Defining the use of FAs and DPS in the legal and regulatory framework,
- Identifying the main body responsible for establishing, awarding and management FAs and DPS,
- Identify the procurement entities entitled to use FA and DPS,
- Undertaking following steps prior to introducing a FA or a DPS:
 - Exploring all the possibilities offered by FA (one or multiple suppliers and complete or incomplete) or a DPS,
 - Defining the categories of goods and services subject to framework agreements,
 - Setting up of the framework agreements and DPS,
 - Developing e-catalogues,
 - Managing the FA e-catalogue.
- Providing the public procurement workforce with tools, guidance and/or training on how to use FAs and DPS, in particular to manage the second-stage competition (if any),
- Monitoring the use of FAs and DPS.

C.3 Adherents should develop and use tools to improve procurement procedures, reduce duplication and achieve greater value for money. These can include:

- ❑ E-catalogues, listing of available products and/or services that can be viewed and bought in an electronic format and can include information such as illustrations, prices, and product and/service description. E-catalogues can reduce the transaction and administration costs, simplify the ordering processes and reduce unauthorized purchasing outside permitted systems. It needs to be ensured that e-catalogues are interoperable with other platforms.
- ❑ Reverse auction/E-auctions, online electronic system which allows economic operators to submit new, downwards revised, prices and/or revisions to elements of their tenders in real time, and in direct, anonymous competition with other economic operators.
 - E-auctions can only be used when the specification can be established with sufficient precision.
 - Only elements of a tender which are suitable for evaluation using electronic means along may be the subject of an e-auction.
 - E-auctions should not be used for certain service contracts and certain work contracts.
 - The use of e-auctions depends on the market structure and the costs of suppliers.