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“Professionalization of Public Procurement and Capacity Building”  
East Africa Sub regional Public Procurement Network, July 28, 2021  
On line

A Little  
(tentative)  
History of  
procurement's  
evolution  
globally  
  
(with no flags)

	Effective checks	Ineffective checks
Discretion		
Rules		

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(tentative)  
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	Effective checks	Ineffective checks
Discretion		<b>Early stage of development</b>  <b>Pervasive corruption and lack of competence</b>  <b>High costs, low quality</b>  <b>No planning</b>
Rules		

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Rules		<b>Advanced stage of development</b>  <b>Corruption declining, greater competition</b>  <b>Medium costs, low quality</b>  <b>Rules as focus of planning</b>

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Rules	<p>Industrialized countries</p> <p>Corruption less relevant than waste from incompetence (17-83)*</p> <p>Medium costs, medium quality</p> <p>Execution as focus of planning</p>	<p>Advanced stage of development</p> <p>Corruption declining, greater competition</p> <p>Medium costs, low quality</p> <p>Rules as focus of planning</p>

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A Little  
(tentative)  
History of  
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	Effective checks	Ineffective checks
Discretion	<div>Service-intensive countries</div> <div>Competence and probity</div> <div>Low costs, high quality</div> <div>Career and data management as focus of planning</div>	<div>Early stage of development</div> <div>Pervasive corruption and lack of competence</div> <div>High costs, low quality</div> <div>No planning</div>
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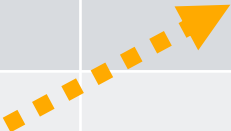
ENGINEERING

# Multiple Equilibria

*For these reasons the EC is developing a policy to promote professionalization of public buyers ... Market intelligence, business skills and a focus on skills must become the heart of public purchasing. In short, public procurement needs to become a business skill - rather than an inefficient (at best) or corrupt (at worse) administrative endeavour.*

Joaquim Nunes de Almeida (EC)


Administrations	Law only	Interdisciplinary (and intersectoral)
Universities		
Interdisciplinary (and intersectoral)		New stage
Law only	First stage	



# What Drives Change?

Development?  
Or... driven by Universities, CPBs, Governments, Societies  
or....?

Administrations	Law only	Interdisciplinarity (and intersectoral)
Universities		
Interdisciplinary (and intersectoral)		New stage
Law only	First stage	





DO COMPETENCES  
MATTER?

SURE!

“How Much Public Money Is Wasted, and Why? Evidence from a Change in Procurement Law” Oriana Bandiera, Andrea Prat, Tommaso Valletti, American Economic Review, December 2009

Waste

How Much?

$\geq 2\%$

Why?

83% (passive)

## Waste

A one standard deviation increase in **competence** reduces **cost overruns** by 29 percent and the number of **days of delay** by 23 percent. It also reduces by half the **number of renegotiations**. This implies that, if all federal bureaus were to obtain NASA's high level of competence (corresponding to the top 10 percent of the competence distribution), delays in contract execution would decline by 4.8 million days and cost overruns would drop by \$6.7 billions over the entire sample analyzed.



ARE COMPETENCES  
ENOUGH?

THE ENABLERS?

# Discretion or Rules?

THE ALLOCATION OF AUTHORITY IN ORGANIZATIONS: A FIELD EXPERIMENT WITH BUREAUCRATS

Oriana Bandiera, Michael Carlos Best, Adnan Qadir Khan & Andrea Prat

Working Paper 26733, <http://www.nber.org/papers/w26733>

**Two different approaches** to increasing purchasing efficiency were tested in the study. Each staff member's spending was monitored by the state accounting office, but in the case of those who were subjected to an **autonomy-enhancing approach**, oversight in the purchasing phase was reduced or even exceeded, significantly reducing the number and type of documents the supervisor could require before authorizing a purchase, leaving purchasing staff members with broad discretion in spending a portion of their budget.

Intuitively, increasing discretion and autonomy in purchasing procedures has **two opposite effects**: (i) reducing bureaucracy and increasing autonomy should lower the price paid for goods; (ii) decreasing supervision could increase waste, both actively (corruption) and passively (laziness of employees).

In the study, we showed that offering **more autonomy** to employees reduced the average price per unit purchased by 8-9 percent: the benefits of removing the bureaucracy associated with monitoring far outweigh the loss of benefits provided by supervision. Despite the relatively small sample of offices considered, the savings from introducing this essentially zero-cost solution would be enough to fund the operations of five additional schools or the availability of 75 additional hospital beds for one year.

# The virtuous circle of careers, discretion and

...

## THE ALLOCATION OF AUTHORITY IN ORGANIZATIONS: A FIELD EXPERIMENT WITH BUREAUCRATS

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The second incentive system involved the **introduction of cash rewards for purchasers** who obtained a price close to the true value of the goods purchased. The study showed that the benefits of this system resulted in minimal price reductions. It would appear that when oversight is stringent, purchasing officers are blocked by bureaucracy from finding ways to improve performance.

**Despite the low savings on each unit, the return on this type of investment has been solid:** the fairly low cost of implementing the incentive system and the large volumes of purchases by public operators have meant that for every dollar spent on cash rewards, \$1.45 has been saved.

The effect of both approaches was very heterogeneous across participants. An important variable in the success of the experiment was the **"type" of supervisor** assigned to each worker. **Giving more autonomy worked best, leading to savings of around 15 percent, in the case of supervisors who, prior to the change in approach, tended to request documents very often before approving a purchase, while economic incentives worked best when the supervisor was less likely to request a large amount of documents before approving a purchase, leading to savings of up to 6 percent.** This is an important finding because it shows that the optimal allocation of authority at different levels of a hierarchy depends heavily on the characteristics of the authorities themselves.

## ... competences

Public procurement: Discretion may have its limitations

<https://voxeu.org/article/public-procurement-discretion-may-have-its-limitations>

Baltrunaite, A, C Giorgiantonio, S Mocetti and T Orlando (2018), "Discretion and supplier selection in public procurement", Bank of Italy, Working paper 1178.

Discretion effects, **however**, may vary substantially across procurement agencies. **For example, discretion may be less effective when granted to public administrations that are less qualified**, more opaque, and more exposed to the risk of corruption. The heterogeneity analysis shows that the adverse effects of discretion on supplier selection are indeed concentrated in municipalities characterised by a **lower institutional quality**, which we proxy by measures of corruption risk at the local level, **the level of education of public officials** and local politicians, and the (pre-reform) degree of transparency of the procuring agency. These results suggest that the lack of competence may prevent local procuring agencies from exploiting potential benefits of discretion. Interestingly, this also indicates that diverging results in the existing literature may be partially explained by the heterogeneity of public agencies and of the environments in which they operate.

## What about... the Team?

“Existing certification programs, **however**, have mainly targeted individual contracting officers. Our results on the role of cooperation suggest that, while certification of individual contracting officer’s capabilities is certainly welcome and important, it may not be sufficient...”

Cooperation in the bureau seems to be by far the most important component of bureau competence in terms of the effects on procurement performance.”



# European Commission



EUROPEAN  
COMMISSION

Strasbourg, 3.10.2017  
C(2017) 6654 final

## **COMMISSION RECOMMENDATION**

**of 3.10.2017**

**on the professionalisation of public procurement**

**Building an architecture for the professionalisation of public procurement**

(Text with EEA relevance)

# European Commission

- II. Human Resources ... must have the right qualifications, training, skills and experience needed for their level of responsibility. This means securing experienced, skilled and motivated staff, offering the necessary training and continuous professional development, as well as developing a career structure and incentives to make the public procurement function attractive and to motivate public officers to deliver on strategic outcomes.*
- III. Systems ... ensuring the availability of tools and processes to deliver smart procurement, such as: e-Procurement tools, guidelines, manuals, templates and cooperation tools, with corresponding training, support and expertise, aggregation of knowledge and exchange of good practice.*

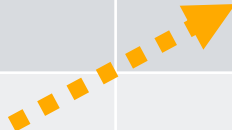
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American Economic Review, December 2009

Where is the  
Money?

How Much!!!  
 $\geq 2\%$


# What Drives Change?

	RULES	DISCRETION (with accountability)
TRUST		GOOD EQUILIBRIUM
NO TRUST	BAD EQUILIBRIUM	



# What Drives Change?

	NO INSTITUTIONAL SUPPORT	INSTITUTIONAL SUPPORT
MOTIVATED		GOOD EQUILIBRIUM
NON MOTIVATED	BAD EQUILIBRIUM	



# «The Fish Smells (bad or good) from the Head»

- I. *Policy ... Developing the appropriate policy architecture for professionalisation: to have a real impact, any professionalisation policy should count on **high level political support**.*
- II. *Human Resources ... must have the right qualifications, training, skills and experience needed for their level of responsibility. This means securing experienced, skilled and motivated staff, offering the necessary training and continuous professional development, as well as developing a career structure and incentives to make the public procurement function attractive and to motivate public officers to deliver on strategic outcomes.*
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# THANK YOU

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