

**ABSTRACT OF KEYNOTE SPEECH TO 3RD GENERAL ASSEMBLY OF THE AFRICAN PUBLIC PROCUREMENT NETWORK
ABIDJAN, CÔTE D'IVOIRE, 13 NOVEMBER 2023**

SOCIOECONOMIC DEVELOPMENT THROUGH PUBLIC PROCUREMENT

I. INTRODUCTION

1. The strategic importance of public procurement is self evident. The World Bank estimates that, globally, more than \$11 trillion is spent on goods, services and works each year, and in Africa, an average of 17% of GDP goes on public procurement. Spent wisely, that represents a huge economic lever to deliver social good and sustainable economic growth. This includes the delivery of high quality public services and infrastructure, promoting sustainability and meeting climate change targets, supporting micro, small and medium enterprises, encouraging innovation, enhancing trade and competitiveness, strengthening social inclusion and reducing corruption.
2. But procurement has traditionally been regarded as a technical compliance function. The focus has typically been on the process of letting a contract, with little consideration given to the broader economic and social impacts. Only in the past decade have governments begin to recognise the strategic importance of procurement to deliver economic growth and social good, and to assist in meeting targets for sustainability and climate change. Gradually, procurement has come out of the shadows, repositioned from a technical back office function to a strategic enabler of policy development and public service delivery.
3. Scotland saw one of the earliest programmes of comprehensive procurement reform, and from 2009-2015 it was my privilege to lead that process as the Scottish Government's Commercial Director and Chief Procurement Officer. What became known as the Scottish Model of Procurement has served as a blueprint for many other reform programmes worldwide. The concept was simple – to deliver value beyond savings, and that saving money should go hand in hand with responsible purchasing.
4. The model aimed to be business friendly but socially responsible, based around sustainable outcomes not outputs, led by government but owned by the whole public sector, and developed in partnership with business and the voluntary sector.
5. There are four key ingredients of the Scottish Model that can be applied to harness the power of procurement to promote socioeconomic development:
 - Governance – having the right authorising environment, including legislation, and alignment with government policies;
 - Capacity – both in terms of people with the right skills and capability, but also systems that are standardised and easy to use;
 - Data – to support analysis and evidence-based decision making and prioritisation;
 - Innovation – understanding the market to stimulate innovation and competitiveness.

II. GOVERNANCE

Ministerial support

6. The buy-in and proactive support of Ministers and senior officials in government is essential for any procurement reform programme to succeed. It is therefore important to demonstrate clearly how procurement aligns with and supports the delivery of key government policy objectives – having an “elevator pitch” of clear and compelling messages will help catch the attention of Ministers and senior government officials and make them realise why procurement matters. In Scotland, the government’s economic framework balanced the ambition of improving competitiveness with the priority of tackling social and economic inequalities. So it was – and remains – essential to show how public procurement could directly support these high level objectives.
7. The current vision for Scottish procurement reflects this – to put public procurement “*at the heart of a sustainable economy to maximise value for the people of Scotland*”, with four underpinning outcomes – “*good for businesses and their employees*”, reflecting government commitments to fair work practices; “*good for places and communities*”, reflecting the climate change and environmental agenda; “*good for society*”, reflecting the government’s social agenda but also conditions in the supply chain; and “*open and connected*”, reflecting the importance of transparency. Direct links to government policy such as these have made procurement a central pillar of the government’s broader economic agenda and maintained its political profile.

Legislation

8. Procurement legislation is notoriously complex and technical, and it has to be so. But used intelligently, it can make a key difference. The Procurement Reform (Scotland) Act of 2014 went beyond the traditional technical requirements of legislation to introduce a Sustainable Procurement Duty. This requires all public bodies, as part of their procurement strategies and at the outset of each regulated process, to consider the local economic, environmental and social aspects of their procurement strategies, as well as to consider how procurement could be used to promote innovation and encourage SMEs. This turns the traditional approach on its head. Rather than including social or environmental benefits as an “add-on” at the end of the procurement process, public bodies are now required to do this at the very start.

Governance structures

9. Ensuring collaboration across key government departments and functions – including finance, economy, transport, IT, audit – will encourage a joined up approach to build a broader appreciation of the strategic potential of procurement. Similarly important is reaching out beyond central government bodies. In Scotland, to build momentum behind reform, we established a procurement board chaired by the Finance Minister,

one of the most senior positions in Government, and bringing together senior representatives from across the public sector, including local government, health and government agencies. This gave representatives of the main contracting authorities a voice at the table, a role in agreeing priorities, and a stake in ensuring successful outcomes. It ensured that the procurement strategy was led by government but owned by the whole of the public sector. Most other countries who have successfully delivered procurement reform have adopted variants of this approach, with a steering group of key Ministries being the most common example.

10. Engaging supplier representatives in governance structures is also important to build transparency and trust, and to identify opportunities for efficiencies. One of the most powerful moments in the Scottish reform programme was when I invited business representatives not just to identify the barriers they perceived in accessing public contracts, but to work with me to co-produce practical affordable and legal solutions.
11. Just as important is engagement across the political spectrum. Procurement reform takes time to deliver meaningful results, beyond the span of a single parliament. As far as possible, building cross-party support for the basic tenets of reform will bring long term benefits. The greatest amount of work in taking the Procurement Reform Act through the Scottish Parliament was working with opposition parties to secure their support, and to ensure that the legislation was passed with the unanimous support of the whole parliament.

III. CAPACITY

People, skills and capability

12. Investing in professional procurement people is essential. Whilst there are many training providers, including private sector specialists, universities and professional associations such as CIPS, training needs to go beyond the technical skills to build the confidence of procurement professionals and leaders to look for and deliver the value beyond savings. Maturity models can be helpful to understand how a procurement organisation sees itself, and where it wants to be in the future. Again, there are many sophisticated tools available including MAPS and the ProcureCompEU toolkit. I developed a simple model to assist public bodies starting down the journey of reform. This looks at eight aspects of procurement (planning and analysis; procurement processes; client service; technology and tools; policies and support; oversight; green procurement; supplier access) and assesses current levels of capability and the organisation's ambition and potential for change. This in turn helps to identify priorities for skills development and targeted training interventions.
13. One such example was bringing about a culture shift in Scotland towards sustainable and green procurement. We commissioned a 2 day training programme based on the UN Environment Programme's Marrakech Task Force to provide a common methodology for optimising social, environmental and economic outcomes. This focused on the twin

concepts of life cycle mapping and a risk and opportunity-based approach to considering all components of public procurement, and trained 1800 procurement professionals from across the public sector over a 2 year period.

14. Many governments run their own training academies for public sector procurement, and the best of these go well beyond technical skills to cover aspects of leadership and management. Examples from Ireland, New Zealand, Scotland and Chile are particularly worth exploring. <https://www.gov.ie/en/publication/39075-commercial-skills-academy/>
<https://learning.procurement.govt.nz/>
<https://academy.scotland-excel.org.uk/>
<https://capacitacion.chilecompra.cl/>

Systems, tools and processes

15. The standardisation of documents and processes in an accessible form is very important. One of the best examples remains the Scottish Procurement Journey. Based on the model of a metro map, it provides a central online point of access for up to date procurement guidance, tools, checklists and links. Each “station” on the map represents a step in the process from scoping the requirement through to letting and managing a contract. It has been a powerful tool to drive best practice and compliance across the public sector, and has been used by over 90,000 procurement professionals from more than 50 countries. It also includes the Single Procurement Document, developed in response to feedback from SMEs as a standard template that allows them to upload and store most of the information required to prequalify as bidders for public contracts.
[Www.procurementjourney.scot](http://www.procurementjourney.scot)
16. Investment in e-Procurement also helps the process of standardisation. It brings benefits to public sector organisations by reducing time and transaction costs of purchasing; and brings benefits to suppliers through providing access to contract opportunities and more efficient ordering and payment processes. E-Procurement systems vary in complexity and sophistication. We introduced one of the first systems in Scotland and its central features are common to most successful procurement programmes:
 - The Public Contracts Scotland portal, providing a “one stop shop” for suppliers looking for public sector contract opportunities. Its use by public sector organisations to advertise regulated contract opportunities is now mandatory.
 - E-Tendering – allowing suppliers to submit tenders for a public contract in electronic format, enabling also public sector organisations to manage their contracts and suppliers electronically.
 - Purchase to pay – automating the purchase to pay process from creating shopping baskets, raising orders and presenting valid invoices for payment. It also can be used to embed standard and consistent business workflows and antidoted approval processes to ensure compliance with procurement and financial guidelines. This is also important from a counter-fraud perspective.
 - Spend information hub – a spend analysis tool that provides reporting capability on procurement spend by public sector organisations. This enables them to see their

spend, identify who their key suppliers are, highlight spend with SMEs and local suppliers and identify potential collaborative opportunities.

17. Additional features of e-procurement systems also include:

- E-invoicing, receiving and validating electronic invoices from suppliers, which are then passed automatically for matching and payment in finance systems.
- Catalogue management, managing the validation and approval of catalogues that are made available as a result of national, sectoral or local contracts. Catalogues can be published in a number of formats for upload directly into purchase to pay systems.
- The Single Procurement Document, allowing buyers to identify suitably qualified and experienced bidders, and allowing suppliers to store and reuse information and evidence that they meet criteria relevant to the class of contract they are interested in.

18. The Spend Information Hub is a particularly valuable tool. Most e-procurement systems record contracts let and the value of those contracts. But linking this with spend provides valuable information about what you are spending, whom you are spending it with and what you are getting for the money. This is even more fundamental as opportunities for data-driven spend analysis grow. At its simplest, spend analysis can identify basic inefficiencies and opportunities for collaboration – a government agency that had more printer maintenance contracts than it had printers, for example, or a municipality that had let seven separate contracts for the same foodstuffs with the same supplier. But increasingly, the power of combining spend data with contracting data allows for sophisticated prioritisation and planning, as well as powerful tools for combating fraud and corruption.

IV. DATA

19. The increasing availability of comprehensive and high quality data is opening up new opportunities. Sophisticated processing tools can analyse contracting and spend patterns, and match different data sets. But at its simplest, approaches to data collection should standardise fields and formats; recognise the “golden source” principle; and avoid or minimise duplicate entries. Increasingly, analysts are working alongside procurement professionals, but there is always a judgement call to be made. Data needs to be interpreted and the findings are not always what they may at first appear to be. In one instance, the data on SME spend appeared to show a huge fluctuation from one year to the next – until we discovered that the authority concerned had changed their definition and the parameters of the information being collected. In another project, the data analyst identified a disproportionate concentration of firms registered in the capital city – until we discovered that the government encouraged this, regardless of where the firm’s production and logistic sites were actually located.

20. Understanding the quality and reliability of data is therefore very important and the OCP’s Open Contracting Data Standards provide a benchmark that is increasingly recognised for its excellence and quality. The Open Contracting Data Standards provide a

free and non-proprietary standard, defining structures and meaning of data, removing ambiguity and assisting interpretation.

Red Flags

21. Data analytics also enhance the ability to deter and combat fraud. So-called Red Flag systems are increasingly popular in this respect, matching different data sets and automatically scanning contracts to provide increased indication of risk. These can replace traditional ex ante scrutiny, but care needs to be taken as red flags highlight increased risk and are not by themselves an indicator of fraud. Any red flag system needs to be supported by a skilled and capable investigation team, and the parameters need to be carefully defined to avoid swamping the system with false positives.

Data analysis in practice

22. We recently used data analytics to assess the effectiveness of a country's public procurement system and make recommendations for improvement. We first established 10 indicators of performance reflecting a balance between global good practice in public procurement as well as local policy priorities. These were derived from the simple capability matrix analysis described earlier, and were grouped around three headings of cost efficiency, timely delivery, and transparency quality and fairness.
23. We gathered information available from the e-procurement system, but this provided limited information on actual contract spend, and we supplemented this with a combination of focus group discussions and sample survey data to assess issues around quality cost and schedule. We also sourced data from the courts about complaints, and from training providers. It was important to be very clear about how each type of evidence contributed to the analysis. E-Procurement data provided comprehensive information about bidding and successful bidders – but not about unsuccessful bidders and was not matched to spend. Focus groups and sample surveys had to attract good representation to ensure the quality of evidence and understand the local context.
24. Cleansing the data was very important, to avoid misleading conclusions, and we used regression analysis to understand key drivers, and commercially available tools such as Tableau and Qlikview to provide an easy means of visualising. All this, supplemented by our broader international experience, allowed us to make a series of recommendations across five areas – transparency and integrity; data driven improvement and governance; training; digital transformation; and consolidation and management of demand.
25. Strongly recommended is an excellent World Bank report ***Using Data Analytics in Public Procurement: Operational Options and a Guiding Framework***

<https://openknowledge.worldbank.org/entities/publication/81fc58a7-fccb-5b03-9980-bd4eb8027101>



V. INNOVATION

26. Procurement has traditionally been a rather passive process, but used intelligently, it can shape the market, increase competition and encourage innovation. SMEs are the economic engines of every economy, representing the vast majority of businesses. So if you want a healthier and more competitive market, you need more SMEs involved. Lotting, frameworks and subcontracting are traditional means of encouraging SMEs. Some countries also reserve by law a proportion of contracts for SMEs (and other protected groups) – although care needs to be taken here that it does not stifle efficiency and competition. Talking to suppliers and their representative bodies is important, to understand the barriers they are facing and co-produce solutions.
27. As a result of doing just that, in Scotland we developed the Supplier Journey. Mirroring the Procurement Journey described above, it provides an easy to use source of information for suppliers about what to expect at each step of the procurement cycle, together with hints, tips, guidance and references. www.supplierjourney.scot
28. Informal dispute resolution services can also be an important means of building confidence, and targeted supplier development programmes can provide tailored support for business that have little or no experience of tendering, and are too small to have dedicated resources to contemplate bidding for public sector contracts. The Supplier Development Programme in Scotland provides mentoring and support in this way, as well as organising regular “meet the buyer” events to bring together local small businesses and public sector purchasers. Other examples are from New Zealand and Chile, whilst Italy provides supplier training desks to help SMEs use electronic procurement tools.
www.sdpscotland.co.uk/
www.procurement.govt.nz/suppliers/
<https://ayuda.mercadopublico.cl/>
29. In Tanzania, we went a step further, partnering with the World Bank and the Public Procurement Agency PPRA to design an online interactive training programme specifically designed for women led small businesses, and accessible on the most basic smartphones or laptops. <https://www.merrill-solutions.com/WLSME/index.html>

Case studies

30. Stories are important, and I shall spend the last few minutes outlining some specific examples where innovative procurement has contributed directly to socioeconomic growth. The Scottish Materials Brokerage Service addressed a market failure in recyclates, matching supply and demand, enabling local government to put in place contracts bringing together high quality recycled materials, and attracting inward investment into new recycling facilities.
<https://www.zerowastescotland.org.uk/resources/scottish-materials-brokerage-service>

31. A national biomass framework for boilers and technicians addressed a gap in the market, creating anchor demand through public sector contracts, stimulating the creation of new manufacturing capability and the development of local supply chains
<https://www.scottishprocurement.scot/frameworks/energy-efficiency/energy-efficiency-measures-associated-works-n8/>
32. In granting a public contract for provision of hospital uniforms to a supported business employing disabled people, we successfully argued that the extra unit costs involved were offset broader economic and societal benefits from keeping some of society's most vulnerable individuals in work, paying taxes and reducing their dependency on health and social care services. <https://www.base-uk.org/base-region/scotland>

VI. CONCLUSION

33. Procurement has truly come out of the shadows, and its strategic importance to deliver socioeconomic benefits is huge. To harness that potential, it is essential to have the right governance in place, and the right people, tools, systems and processes. The opportunities of data analytics are growing – both to identify new opportunities and tackle challenges of fraud and corruption. But these need to be handled with care and require different mixes of skills.
34. Procurement cannot be a closed profession – working with suppliers, particularly SMEs, can stimulate innovation and boost sustainable growth. There has never been a more exciting, or important time for strong and consistent leadership in public procurement. And this conference, bringing together senior procurement executives from 44 countries across the continent of Africa, is testimony to the power and potential of public procurement to tackle the many challenges and exploit the opportunities that lie ahead.

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