

*INTAL/IDB ON-LINE TRAINING WORKSHOP ON GOVERNMENT
PROCUREMENT AND TRADE FOR
BRAZIL SUB-NATIONAL GOVERNMENTS*

2.1 GPA Participation and International Best Practices: Market Openness, Transparency, Sustainability & Integrity

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LAW

Baseline:

Why Do Governments Procure?

To obtain the goods and services needed to achieve governmental objectives.

Procurement & Governance - Aspirations

- Provide effective, stable, credible governance
 - ***Deliver critical goods, public works, and services*** to your states and citizens
 - ***Maintaining confidence in (and avoiding loss of credibility of) government institutions***
- Function within economic constraints
 - Economic Reality: all States confront limited resources, none can afford all of their aspirations
 - ***Avoid wasteful spending, excessive taxation, unsustainable debt***
- Deploy private sector capacity to supplement existing government resources
 - Cost effective, reliable outsourcing takes advantage of the global marketplace to ***access the best (most innovative, experienced, reliable, cost effective) firms***
- Grow domestic economy by increased access to global marketplace
 - Potential ***export markets*** dramatically exceed domestic markets

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE
DEVELOPMENT
GOALS



1 NO POVERTY

A white icon on a red background depicting a family of four: two adults and two children.

2 ZERO HUNGER

A white icon on a gold background depicting a bowl of food with three wavy lines above it representing steam.

3 GOOD HEALTH AND WELL-BEING

A white icon on a green background depicting a heartbeat line and a heart.

4 QUALITY EDUCATION

A white icon on a dark red background depicting an open book and a pencil.

5 GENDER EQUALITY

A white icon on an orange background depicting the female symbol with an equals sign inside.

6 CLEAN WATER AND SANITATION

A white icon on a light blue background depicting a water tap with a single drop of water falling from it.

7 AFFORDABLE AND CLEAN ENERGY

A white icon on a yellow background depicting a sun with a power button symbol in the center.

8 DECENT WORK AND ECONOMIC GROWTH

A white icon on a dark red background depicting a bar chart with an upward-pointing arrow.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

A white icon on an orange background depicting three stacked cubes.

10 REDUCED INEQUALITIES

A white icon on a pink background depicting a balance scale.

11 SUSTAINABLE CITIES AND COMMUNITIES

A white icon on a gold background depicting a city skyline with several buildings.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

A white icon on a brown background depicting an infinity symbol.

13 CLIMATE ACTION

A white icon on a green background depicting an eye with a globe as the pupil.

14 LIFE BELOW WATER

A white icon on a blue background depicting waves and a fish.

15 LIFE ON LAND

A white icon on a light green background depicting a tree and two birds flying.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

A white icon on a dark blue background depicting a dove and a gavel.

17 PARTNERSHIPS FOR THE GOALS

A white icon on a dark blue background depicting four interlocking circles.

Procurement Must Embrace the Reality of Globalization

- **Multinational markets**
- **Multinational firms**
- **Global supply chain**
- **Free flow of**
 - **Capital**
 - **Information**
 - **Technology**
 - **Personnel**



Increasing convergence & harmonization of international procurement norms

–WTO GPA

–EU

–UN-UNCITRAL Model Law

–World Bank, etc.

–OECD

–*Bilateral, regional agreements*



Revised GPA

Global Best Practices Template

- GPA: Increasingly accepted, familiar template of *global best practices* in public procurement
- **Efficiency:** aligning public procurement regime and practices with well established public procurement regimes (and markets), such as the EU and the US
 - Benefits government as buyers
 - Benefits private industry as sellers

Trade Barriers Are Sub-Optimal

Barriers to international competition (*which restricts access to the best firms, talent*) may translate into ***higher costs – and possibly reduced quality*** - for socially important government services, access to goods, and infrastructure

Closed markets tend to be ***more vulnerable to corruption***

Harsh Reality

- Public Procurement Regimes Are Unlikely to Exceed (and are *more likely to reflect*) Standards, Norms, and Capacities of Other Governmental Institutions
- Some examples:
 - Transparency
 - Efficiency
 - Corruption, Credibility & Accountability
 - Human Capacity***
 - Outcome (Results) Orientation

Transparency: A Key Element

- *A means* to other important goals of the procurement system, especially, competition & integrity
- **Critical to market access** (by domestic and foreign firms)
- **Helps fight corruption** (which thrives in the dark)
- **Increases public trust in the procurement system, and, therefore in government overall**

Premise: Open & Transparent Procurement Regimes Enjoy

- **More potential suppliers** – results in more competition – lower prices & better quality goods & services, which may translate into:
 - Reduced tax burden and/or ...
 - Ability to provide more, better government services to State, public
- Healthy pressure for domestic reform, from civil society
- Increased access to foreign markets by (your own) domestic producers (based on *reciprocity*)
- Better return on investment, value for money expended

Additional benefits of open, robust procurement regimes

- **“Beach-head” effect – foreign firms selling to government:**
 - **Require domestic subcontractor support**
 - **Seek out non-government customers**
 - **Spend money (lodging, food, entertainment) & stimulate/diversify economy**
- **Growth, development of domestic capacity**
 - **Labor market skills**
 - **Access to technology**
 - **Training, management experience, etc.**
- **Spillover effect – domestic firms become more competitive; sell at lower prices (to government and private sector)**

Goals & Constraints

- *Transparency*
- *Integrity (Compliance, Corruption Control)*
- *Competition*
- *Uniformity*
- *Risk Avoidance*
- *Wealth Distribution*
- *Value for Money*
 - *Sustainability*
- *Administrative Efficiency*
- *Customer Satisfaction*

Conventional?

Transitional?

Current?



- **Citizens/public**
 - Taxpayers
 - Recipients of government services
- **Government officials:**
 - End users of goods & services
 - Legislature (appropriators)
 - Government ministers/bureaucracy
 - Accountability organizations (courts/auditors)
- **Civil Society**
 - Press/Media
 - Interest groups (for example, small businesses)
- **Private Sector (Companies/Contractors)**
 - Domestic v. Foreign
 - Firms/Companies dependent on sales to Government (as opposed to purely commercial firms)

*Whose Priorities?
[Stakeholders]*

...

everyone cares!

Data:

Key to Informed Decision Making

- **Measure what matters, not what's easy to measure**
 - ***Focus more*** on procurement OUTCOMES
 - Value for money, life cycle cost, customer satisfaction
 - ***Focus less*** on the procurement process
 - ***What you received*** (in exchange for your expenditure) ***is more important than what you spent***
- **Consider the Evolving *Open Data* standards**
- ***Make decisions based upon data*** – not myths, not anecdotes, not rumors

Rethinking Conventional Procurement Metrics

■ Conventional U.S. Procurement Metrics

- Volume of Transactions
- Contract price
 - *(Low) Purchase Prices*
- Delivery Date
- Original performance specification
- SME participation

■ Market-Based Metrics

- Value (received) for money (expended)
 - Life Cycle Cost (or Total Ownership Cost)
- *Customer Satisfaction*

Distinguishing Low Price From Value

- **Low purchase price may lead to a “false economy”**
- ***Consumer-based approach: value for money, most economically advantageous tender, cost/technical tradeoff, price/quality ratio***
- ***Life Cycle Cost*** (LCC or total cost of ownership, TOC) is a more meaningful (informative) measure. **LCC elements** include:
 - Purchase Price
 - Transaction Costs
 - Operating Costs
 - Maintenance (Sustainment) Costs
 - Disposition Costs (+/-)
 - * *Externalities (e.g., Sustainability Considerations)*

Conclusion:

*Good (value based)
procurement outcomes
enhance government efficiency!*

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