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# Public Procurement in South Africa: Issues and Reform Options

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**Public Procurement in South Africa: Issues and Reform Options**  
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**ABSTRACT:** The 2015 Supply Chain Management Review lays out a sound agenda for procurement reform. The ongoing work on a new procurement bill and regulations are an important opportunity to spearhead procurement reform and step-up implementation. Several important reform aspects worth prioritizing are the simplification and standardization of procurement procedures, the standardization of transparency requirements through the adoption of the Open Contracting Data Standards, transitioning to a new e-procurement system that is linked to the government's integrated financial management information system (IFMIS) and other systems, making preferential procurement more cost effective and goal oriented, and strengthening staff capacity to carry out procurement. Opportunities to centralize procurement should be further explored to leverage and develop limited capacity.

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SELECTED ISSUES PAPERS

# **Public Procurement in South Africa: Issues and Reform Options**

South Africa

Prepared by Alejandro Simone and Vybhavi Balasundharam

## A. Introduction

1. **Sound public procurement practices are an important determinant of the growth impact of public spending and expenditure efficiency.** Public procurement processes affect how much the government pays for the inputs it buys to deliver its services, the quality-of-service delivery (i.e., the extent to which goods and services are delivered in the right quantities, with the right quality, at the right time, and in the right place), and the cost of doing business (e.g., the extent to which the economy has well-maintained economic infrastructure to support private sector activity). Countries also use public procurement to pursue secondary objectives (including preferential objectives such as promoting SMEs) but usually at a cost in terms of expenditure efficiency and other unintended consequences that require careful monitoring.

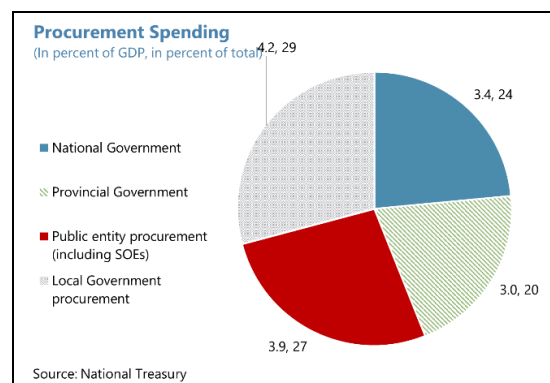
2. **Given South Africa's need to consolidate, strengthening its public procurement is essential to make spending more efficient and achieve savings.** The 2015 Supply Chain Management Review (SCMR) suggested that savings from improving procurement practices could be sizable, up to 20 percent of the cost of goods and services procured (3 percent of GDP or 12.7 billion US dollars),<sup>1</sup> if use of strategic sourcing is increased (i.e., having differentiated but standardized procurement processes throughout the public sector that optimize procurement strategies for different groups of goods and services). Other research, such as IMF (2018), also points to opportunities to improve spending efficiency in health and education as South Africa spends considerably more than comparator countries but achieves worse outcomes.

3. **This paper seeks to take stock of main procurement issues and reform progress since the SCMR with a view to identifying areas to prioritize reforms.** Section B discusses key characteristics of the South African procurement system, summarizes the challenges identified by the SCMR, and takes stock of the progress made to address them. Section C discusses the experience with procurement reforms mainly in other emerging markets and draws on international procurement best practices to identify reforms that could be implemented to address the challenges that the South African procurement system is facing. Section D discusses the extent to which the new procurement bill, which is pending finalization and submission to the Cabinet, addresses the procurement system challenges. Section E concludes by outlining key procurement reform priorities going forward.

## B. The South African Procurement System: Key Characteristics, Issues, and Reform Progress

### Key Characteristics

4. **Public procurement spending was 15 percent of GDP in FY21/22.** Local and provincial governments and public entities, including large SOEs such as Eskom (electricity) and Transnet (logistics), carried out about 76 percent of public procurement expenditure with the national government accounting for the remaining 24 percent. More detailed breakdowns of this expenditure (e.g., top 5 largest spending categories), or the characteristics of



<sup>1</sup> Estimated assuming total fiscal year procurement spending of about 15 percentage points of GDP at the public sector level, the FY GDP for FY 2021/22, and the average rand per US dollar exchange rate for FY 21/22.

the firms that delivered the goods and services (e.g., the size and ownership characteristics of the firms), are only available to a varying degree for the national government and the provincial governments.

**5. Public procurement is highly decentralized at the institutional level.** Each government entity has significant latitude to decide how it procures the goods, services, and public works it needs to carry out its functions. This implies different procurement requirements, forms, and processes across institutions. This is also reflected in fragmented legislation, where 80 different legal instruments govern public procurement across the public sector with their accompanying regulations.

**6. The variety of procurement processes are accompanied by multiple IT systems and significant manual processing of procurement transactions.** While the national government and a fraction of provincial governments use one IT system (Logis), local governments use a variety of different IT systems. Moreover, these systems only tend cover the early stages of procurement (i.e., procurement plan and tendering) and are not compatible with each other and other IT government systems (e.g., budget systems). The latter implies that time consuming and more error prone manual processes are needed to extract information from them, which also may be difficult to consolidate with information produced by other systems. More generally, the SCMR estimated that about 45 percent of procurement activities were still conducted through manual processes.

**7. A variety of preferential objectives are pursued with the procurement system in addition to traditional primary objectives.** The secondary objectives are included in preferential procurement legislation and include favoring SMEs, historically disadvantaged groups, and local enterprise development including through local content requirements. Section 217(2) of the Constitution of South Africa (CSA) also provides for "categories of preference in the allocation of contracts" and "the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination". Section 217 (1) of the CSA establishes the more traditional primary procurement objectives indicating that public procurement should be "in accordance with a system which is fair, equitable, transparent, competitive, and cost-effective".

**8. Capacity to carry out procurement efficiently varies considerably across the public sector.** Apart from most large metro area municipalities, information available suggests that in general staff capacity to execute procurement declines with the level of government. Municipalities have the weakest capacity, especially those that are in poor financial conditions, which often coincide with sub-par service delivery. Moreover, as identified in the Zondo Commission Reports, governance issues in SOEs are another important factor undermining procurement efficiency.

**9. The Office of the Chief Procurement Officer (OCPO) has broad responsibilities in the reform and maintenance of the procurement system.** The Office was created in 2013 within the National Treasury to ensure that public sector organizations in South Africa honor the provisions of section 217 of the CSA. It is responsible for managing procurement reforms, enhancing, and maintaining the procurement system, and overseeing how government conducts business with the private sector. The execution of procurement remains the responsibility of accounting officers and public entity authorities more broadly to avoid conflicts of interest.

### **Procurement System Challenges**

**10. The fragmentation of legislation and regulation results in significant inefficiencies.** Different procurement practices are followed to procure the same type of goods and services involving the same suppliers leading to different prices being paid across the public sector for the same goods and services and suppliers. The multiplicity of procurement processes makes compliance with procurement requirements

burdensome for suppliers, especially for SMEs. Moreover, it creates uncertainty on the applicable procurement standard complicating court enforcement of public procurement rules, and it makes public procurement personnel training more difficult.

**11. Weak enforcement of existing procurement legislation and regulations result in repeated serious procurement violations.** While this in part stems for the fragmented legal and regulatory framework, failure by institutions to enforce procurement procedures, is also an important problem. According to SCMR, this results in repeated violations such as bribery and nepotism, fraud and theft of resources, conflict of interest, collusion and bid rigging, abuse and manipulation of information and processes, discriminatory treatment, and waste and abuse of public resources as suppliers take advantage of enforcement weakness. The 2020–21 Auditor General report suggests that the most frequent procurement concern, even in institutions that have clean audits, is an uncompetitive or unfair procurement process. There are also concerns on whether institutions select adequate procurement methods and properly justify exceptions to competitive procurement.

**12. The lack of integration and multiple IT systems lead to fragmented procurement data and of insufficient quality.** Insufficient detailed standardized transactions level data on which to build relevant aggregate data creates significant difficulties in monitoring the efficiency of procurement across levels of government and at the different stages of the procurement process, including at the contract and delivery management stage. This, combined with the significant manual processing of procurement transactions and the weak compliance with procurement procedures, increases the likelihood of errors and inaccuracies undermining data reliability. These data weaknesses also limit the ability to enforce compliance with procurement rules.

**13. Insufficient transparency throughout the different stages of public procurement facilitates corruption.** In particular, the SCMR indicates that bid documents are not sufficiently published, bid committee evaluation minutes and standard contracts entered are not made available to the public, bids are not opened in public and published, the entire bid evaluation process is not open to scrutiny, and progress and contract implementation reports are not made publicly available.<sup>2</sup>

**14. Procurement is carried out with limited strategic focus resulting in high procurement costs.** Given insufficient data availability to monitor and assess the overall efficiency of the procurement system, procurement processes are not being optimized to get the best value for money depending on the good, service, or public work that needs to be procured and standardized throughout the public sector. The insufficiently strategic focus, combined with the inability to aggregate demand across public institutions to exploit the government's large buyer power, and lengthy procurement decision-making, results in high procurement costs and quality concerns.

**15. The preferential procurement system is costly and ineffective.** The cost concerns have arisen not only because of the trade-offs with competitive procurement, but also because the Zondo commission reports have illustrated how the preferential procurement system has been used as an avenue for corruption, state capture, and rent seeking. Moreover, while it is difficult to assess preferential procurement outcomes given procurement data limitations, the SCMR notes that the perception is that desired local and enterprise

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<sup>2</sup> Until 1 November 2022, Government institutions were only required to use the e-Tender Portal to advertise bids but not the value of tenders. For FY22/23, a total number of 30,062 were advertised on the portal, of which 11 percent was by National Departments and entities, 68 percent by provincial governments and the rest from local governments. Since November 2022, only the bid values of 796 contracts were reported, indicating low compliance.

development has not been achieved and that the system favors established businesses, including businesses that were disadvantaged in the past but are no longer so, erecting barriers to entry.

**16. Staff capacity to carry out procurement is limited.** Many procurement practitioners do not have the skills, knowledge, experience, and motivation they need to perform their duties contributing to significant turnover. The multiplicity of procurement processes further exacerbates the training difficulties.

### **Progress in Addressing Procurement System Challenges**

**17. The SCMR proposed several reforms to address procurement system challenges.** They included: (1) standardization and simplification of procurement forms, rules, and processes across the public sector by making changes to relevant legislation and regulations; (2) strengthening OCPO enforcement powers to improve compliance with procurement rules; (3) transitioning to an integrated financial management information system (IFMIS) to increase transparency, oversight, and data accuracy; (4) creation of a central supplier database to reduce the compliance burden and address data weaknesses; (5) standardization of procurement information dissemination through the creation of an e-tenders portal and publication of additional information in the OCPO website; (6) making procurement more strategic by expanding the use of framework agreements; (7) better alignment of preferential procurement with primary procurement goals by reviewing preferential procurement legislation, limiting cost premiums, and improved monitoring of policy outcomes; and (8) implementation of a procurement capacity development strategy to create a corps of competent and committed procurement professionals.

**18. Implementation of SCMR reform proposals has been limited.** Dissemination and reporting of tender information and more general procurement information was improved with the creation of an e-tenders portal and through expanded publication in the OCPO website.<sup>3</sup> A central supplier database was also created. The database currently has information on over a million suppliers but weak compliance with procurement rules still creates data quality issues (e.g., some supplier data is not entered as required). Some optimization of procurement was also implemented with increased use of framework agreements and an “Amazon like” IT platform (G-commerce) for buying entities to procure goods and services. Nevertheless, data suggests that the share of good and services procured through this route remains limited. The remaining SCMR reforms are still in progress with recent efforts geared to prepare a new procurement bill and corresponding regulations, and a revision of the preferential procurement framework.

## **C. International Experience with Procurement Reforms**

**19. Many of the procurement weaknesses identified in the SCMR have already been identified in OECD countries procurement systems more broadly.** According to OECD (2016a), frequently identified weaknesses ordered by the percentage of countries that identified them as a problem include lack of capacity in procurement (e.g. numbers, knowledge, skills), deficiencies in the legislative framework to guarantee that procurement is conducted in a fair and transparent manner, limitations in the remedy and review system of procurement decisions (e.g. timeliness of review of complaints), lack of effective mechanisms to monitor procurement and identify irregularities and potential corruption (e.g. whistle blowing), abuse of exceptions to competitive tendering, lack of consistent information provided to potential suppliers and/or other relevant

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<sup>3</sup> Additional information published through the OCPO website includes demand and procurement plans for all purchases above R500 000 and quarterly reporting against such plans, deviations from competitive procurement processes, and variations or extensions of existing contracts. Organs of State were also required to submit information on awards above R100 000 to the OCPO to populate a contract register.

stakeholders (e.g. on laws and regulations, procurement opportunities), internal controls and/or audits problems (e.g. segregation of duties, obligations for internal reporting), and overly complicated or burdensome procurement legislation/framework.

**20. Countries have addressed these weaknesses with reforms that aim to fix several weaknesses simultaneously.** Such reforms include:

- **Legal and regulatory reforms.** These reforms are used to standardize procurement procedures and documentation to lower transaction costs, help promote good procurement and related transparency practices, and lay the legal basis for the automation of those practices with e-procurement systems (Mexico and Chile).
- **E-procurement reforms.** These reforms are about automating procurement processes and related transparency arrangements with IT systems with several purposes: (1) reduce corruption by minimizing direct contact between public procurement officials and bidders, establishing electronic records of procurement operations for the purposes of audit and oversight, and facilitating compliance with procurement procedures (Mexico, India, Indonesia, Brazil, Ukraine);<sup>4</sup> (2) inform efforts to optimize procurement by covering all stages of procurement (i.e., planning, tendering, awarding, contracting and implementation) and communicating with other important systems (e.g. budget systems) to produce reliable procurement data for analysis (Korea, Mexico); (3) identify risky procurement transactions for close monitoring in real time using the accurate data produced by e-procurement systems on risk indicators such as those in Abdou et. al (2022) (e.g., Korea's bid rigging detection system and Brazil's Public Spending Observatory where procurement expenditure data are cross-checked with other government databases as a means of identifying atypical situations).<sup>5</sup>
- **Centralization of purchasing.** These reforms entail creating central purchasing bodies (CPBs) which carry out procurement transactions on behalf of multiple public institutions based on their procurement plans (Korea, Finland, multiple countries). Their coverage varies across countries but, according to OECD (2016b), 90 percent of countries that have CPBs have them at the central level and 52 percent also have them at the regional level. CPBs have several advantages: (1) they help create savings/better value for money by aggregating the demand by multiple public institutions for the same goods and services/public works; (2) they can yield greater transparency and accountability at a lower cost by helping enforce procurement rules and transparency standards over a large number of procurement transactions; and (3) they can help leverage scarce procurement resources and facilitate the development of central sources of expertise, e-procurement solutions, and training programs.

**21. Countries have also combined or implemented separately reforms with more targeted objectives to address procurement weaknesses, such as:**

- **Improving Transparency.** An important reform in this area is the adoption of Open Contracting Data Standards (OCDS). The OCDS facilitates the structured publication of shareable, reusable, and

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<sup>4</sup> Ukraine introduced a real-time e-procurement platform (ProZorro) as part of its procurement reform which helped save around 12% during its first year of operations. In absolute terms, the amount of savings reached US\$6 billion between 2017 and 2020, and fraud in public procurement decreased twofold.

<sup>5</sup> Indicators referenced in the paper include single bidder contracts, non-open procedures, lack of publication of call for tenders, length of period of submitting bids, length of period of selecting the winning bid, spending concentration (by organization, by year), and the share of suppliers registered in jurisdictions offering limited company and banking transparency.



machine-readable data from all phases of the public procurement process that are suitable to a variety of stakeholders (e.g., contracting authorities, suppliers, civil society, audit bodies) being mindful of confidentiality constraints or possible unintended consequences.<sup>6</sup> Publishing state procurement contracts and the names of the beneficial owners of firms receiving such contracts and conducting and publishing audits of spending also help enhance accountability. Countries have sought to publish all procurement documents including contracts signed by public entities with few exceptions (Slovakia, Georgia),<sup>7</sup> the publication of lists to highlight non-performing and performing companies respectively (Georgia), and the publication of contracts above a certain size (Colombia).

- **Addressing corruption and unethical behavior.** Reforms include introducing a clear national definition of conflict of interest, creation of a specific conflict of interest policy and code of conduct for procurement officials, and asset disclosure requirements including beneficial ownership disclosure. Other reform examples include the signing of integrity pacts added to contracts (Indonesia) and a system of social witnesses (Philippines) that bring in citizens to observe different stages of the procurement process.
- **Improving the effectiveness and efficiency of public procurement.** Reforms include framework agreements, which are used in Chile and many other countries. These are agreements between multiple public entities and one or more suppliers for the purchase of a variety of goods and services. These are often managed by CPBs, such as in the case of Chile, and countries use them to streamline procurement, reduce administrative costs, increase purchasing power, and use procurement strategically. Another reform in this group is implementation of the support tool for effective procurement strategy (STEPS) for large infrastructure projects (Norway). STEPS uses economic theory to help design an optimal procurement process considering whether to make (use in house capabilities) or buy (outsource) and whether to bundle or not lifecycle phases like design and build.
- **Addressing limited procurement staff capacity.** Reforms seek to professionalize procurement through a variety of approaches include requiring enhanced qualification criteria for contracting authorities (CAs), where only CAs that meet the criteria are allowed to procure while other entities need to procure through them (Italy), specialized training for public procurement (France, Italy, Korea), establishment of dedicated competence centers to develop specialized skills in procurement (Germany), and professionalization of procurement workforce more generally (Peru, Norway). The latter involves the use of certification systems, training and work requirements, and the use of e-learning approaches to ensure proper knowledge and work experience to be able to carry out public procurement.
- **Improve dispute resolution.** Reform options include the use of pre-award opportunities for suppliers to address early sources of potential disputes, expanding pre-trial complaint resolution, and the creation of a specialized public procurement tribunal for pre-award and contractual disputes (Colombia, Peru, Germany).

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<sup>6</sup> For example, disclosure of some contract information may facilitate collusion and should thus be avoided.

<sup>7</sup> For example, in the case of Slovakia, there is a total of about 20 exemptions laid out in law such as employee contracts, national-security and privacy-based documents, contracts with foster parents, unemployment benefits contracts, any secret service contracts. Exemptions based on administrative cost include artists' work contracts with national TV. Expropriated land contracts of the national highway authority are also excluded.

**22. With respect to preferential procurement objectives, countries seek to balance their potential benefits with the need to achieve value for money.** Preferential procurement objectives among OECD countries often involve the promotion of SMEs, green procurement, and firms that produce innovative goods and services. A frequent concern is “objective overload”, or the ability to meet multiple preferential objectives with procurement. To address this concern, creating a list of preferential objectives with a view to streamlining or consolidating them may be helpful. Assessing whether the preferential objectives are either in conflict with other policy priorities and/or whether other non-procurement policy instruments may be more suitable to achieve them could help. For preferential objectives that will be retained as such, the 2015 OECD recommendation on public procurement suggests the need to take certain actions to ensure a proper balance with value for money: (1) evaluating the use of public procurement as one method of pursuing preferential policy objectives in accordance with clear national priorities, balancing the potential benefits against the need to achieve value for money; (2) developing an appropriate strategy for the integration of preferential policy objectives in public procurement systems; and (3) employing an appropriate impact assessment methodology to measure the effectiveness of procurement in achieving the preferential policy objectives.

**23. Procurement reforms are usually accompanied by broad stakeholder consultations.** Reform experiences suggest that it is critical to involve stakeholders into the reform discussion through institutions such as NGOs and business associations. This allows governments not only to identify concerns, minimize loopholes, and receive useful implementation suggestions but also helps secure the public support for reform and reduce potential reform pushback by vested interests. For example, OECD (2018) illustrates the importance of stakeholder consultations in Mexico’s e-procurement reforms.

## **D. An Assessment of the Draft New Procurement Bill**

**24. The new draft procurement bill has worthy objectives.** It seeks to standardize the framework for procurement and preferential procurement across public entities, strengthen integrity in the procurement process by limiting conflicts of interest and increasing sanctions for offenses including supplier debarment, and establish an independent administrative tribunal to speed up the processing of procurement disputes.

**25. Nevertheless, there are several areas for improvement:**

- **Standardization of procurement processes.** The bill still provides public entities with significant discretion on how to conduct their procurement processes limiting standardization opportunities which are a key source of efficiency gains and reduced compliance costs. The Online Bid Submission functionality (eSubmission) combined with the Transparency Dashboard, which were implemented in December 2022 on the eTenders Portal presents an opportunity to standardize the procedures and improve transparency.
- **Leveraging scarce procurement resources.** The bill replicates a resource intensive institutional structure across public entities by requiring the establishment of procurement units, bid specification, bid evaluation, and bid adjudication committees. While such structure may be needed in bodies that may remain decentralized in certain specialized procurement areas where such an approach could be desirable (e.g. construction and related consulting services) or due to geographical considerations, there should be further efforts to optimize the use of scarce procurement resources as has occurred in many OECD countries either by reducing the number of contracting authorities, such as by using CPBs, and/or expanding the use of framework agreements (which account for less than 2 percent of current procurement in South Africa).

- **Improving incentives to promote integrity in the system.** The bill has an insufficient focus on standardizing good practice transparency measures across all public entities which could be achieved by adopting OCDS to provide key stakeholders the data they need for each stage of the procurement process to enlist them in the fight against corruption. Moreover, the bill does not cover the publication of information on beneficial ownership, awardees, or independent audits.
- **Establishing procurement approaches available to public entities and concrete principles to guide the selection among them to ensure adequate levels of competition.** The bill does not define procurement approaches and circumstances for use unlike in good practice model procurement legislation, such as the UNCITRAL model procurement law.<sup>8</sup> This should ideally be covered in the law since deviations from competitive approaches are an important reason for procurement inefficiency at the international level. In particular, the bill does not establish open tendering as the default approach with other approaches to be used when the conditions for open tendering approach are not met.
- **Limiting policy discretion on important areas of public procurement.** A comparison with the UNCITRAL model procurement law suggests that the bill leaves many important procurement areas to be specified by regulation such as, the definition of procurement methods (including for preferential procurement) and circumstances for use, and the standardization of transparency standards among other areas covered in the general provisions.<sup>9</sup> These risks exposing the procurement system to excessive regulatory discretion and insufficient public scrutiny of changes in key areas.
- **Ensuring the independence and impartiality of the administrative tribunal.** Even though the funding for the tribunal comes from fees and from funds allocated by the Parliament, the Minister of Finance's ability to appoint and dismiss the tribunal members raises questions on the tribunal's independence and impartiality.

## E. Procurement Reform Priorities Going Forward

**26. In completing the remaining reforms proposed by the SCMR, the following aspects are worth prioritizing:**

- **Simplification/Standardization of Procurement procedures.** Updating and harmonization efforts should continue at all levels of government. This includes ensuring that central and municipal level procurement legislation is aligned and incorporates all public entities including majority owned SOEs. A wide stakeholder consultation should accompany the process to minimize loopholes and reduce potential reform pushback by vested interests. This reform serves many important purposes, including reducing compliance costs for businesses, facilitating the implementation of integrated E-Procurement

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<sup>8</sup> The UNCITRAL model procurement law is a template available to governments seeking to introduce or reform public procurement legislation. It intends to provide all the essential procedures and principles for conducting various types of procurement proceedings and can be adapted to country specific circumstances. The model law also considers the provisions of other international procurement standards such as the WTO Agreement on Government Procurement, the European Union Directives (on procurement and remedies), the UN Convention Against Corruption, and the Procurement Guidelines and Consultant Guidelines of the World Bank.

<sup>9</sup> The UNCITRAL model procurement law detailed index provides guidance on which topics should preferably be in legislation rather than regulation. This includes methods of procurement allowed and their conditions for use making open tendering the default method with other methods considered only under certain conditions requiring written justification for their use, specification of how open tendering and a variety of other procurement procedures should take place (e.g. restricted tendering, request for quotations, single source procurement), the use of electronic auctions, the procedures for open and closed framework agreements, and the challenge and appeal of decisions during the procurement process.

tools, gathering consistent procurement transactions data across the public sector for monitoring and strategic procurement, ensuring that procurement methods are used consistently to improve value for money, and spearheading improvement in procurement practices in line with international good practice. With respect to the latter, conducting an assessment of the public procurement system against international standards using the Method of Assessing Procurement Systems Initiative (MAPS) tool would help identify recommendations for improving procurement practices.

- **Standardization of Transparency Requirements.** Making the OCDS the official standard and transitioning to them would significantly improve transparency. OCDS would facilitate the structured publication of information from all phases of the public procurement process, increase competition and lower the prices of procured goods, services, and public works, and provide the detailed/relevant data that a variety of stakeholders including civil society and audit institutions need to enlist them in the fight against corruption.
- **Transitioning to a new E-Procurement system linked to the IFMIS and other relevant systems.** An E-procurement system that covers all stages of the procurement process would allow real-time bidding, monitoring, and contracts awarding helping reduce procurement transactions costs and increasing competition. It would also eliminate the need to upload data from outside the system and facilitate electronic cross checking with other government systems (e.g., IFMIS, tax administration systems, business registry) and private sector systems (e.g., banking systems for electronic bids, performance, and advance payment guarantees) increasing data quality. Anti-corruption efforts would also be enhanced as direct contact between public procurement officials and bidders is minimized and an electronic record of procurement operations is established. Moreover, a wealth of reliable transaction information will become available to stakeholders to monitor the system and inform procurement strategy. Staged introduction can ease implementation complications while generating visible results that will help increase public support.
- **Make preferential procurement more cost effective and goal oriented.** Conduct an impact assessment of the preferential procurement system by quantifying preferences offered to targeted groups of bidders, and benefits these brought to the country's economy. The assessment would then inform a review of the framework which is better linked to results that are easy to monitor and measure for their effectiveness (targets, groups, impact on the economy). In particular, beneficiaries of preferential procurement should not necessarily remain on the list of beneficiaries. Eligibility for such programs should be based on supplier performance and be temporary, so that firms can graduate from them once they are no longer disadvantaged. More generally, comparing the procurement cost under preferential procurement with that of the best value for money option in the evaluation process, regularly monitoring and quantifying preferential procurement objectives to assess progress towards their achievement, and putting together a list of preferential procurement objectives with a view to consolidate or streamline them are other steps that could be taken to improve effectiveness.
- **Strengthen staff capacity to carry out procurement.** The variety of approaches other countries have followed to achieve this goal include specialized training for public procurement, establishment of dedicated competence centers to develop specialized skills in procurement, and professionalization of the procurement workforce more generally.

**27. Opportunities to centralize procurement should be further explored to leverage limited capacity and develop it.** In addition to expanding the use of framework agreements as recommended by the SCMR,

which could provide faster savings as the infrastructure for them has already been deployed, consider reducing the number of contracting authorities either by creating CPBs or requiring that entities meet minimum standards to be allowed to execute procurement as a second-best option.

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