

Gustavo Piga
Director,
International Master in Public Procurement Management
gustavo.piga@uniroma2.it; @gustavopiga
Università di Roma Tor Vergata

What is Good Planning (in Procurement)?

What are the advantages of good planning?

Conference on Public Procurement Planning a must for
strengthening competition and efficiency

Tuesday, December 3, 2019

CNMC, Madrid

Words

A Plan:

“a set of decisions about how to do something in the future”

Cambridge Dictionary

Planning is defined **relatively** to the amount of **knowledge** inherited from **history**

A Little
(tentative)
History of
procurement's
evolution
globally

(with no flags)

	Effective checks	Ineffective checks
Discretion		
Rules		

A Little
(tentative)
History of
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	Effective checks	Ineffective checks
Discretion		Early stage of development Corruption pervasive and lack of competence High Costs, Low Quality No Planning
Rules		

A Little
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 History of
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	Effective checks	Ineffective checks
Discretion		<p>Early stage of development</p> <p>Corruption pervasive and lack of competence</p> <p>High Costs, Low Quality</p> <p>No Planning</p>
Rules		<p>Advanced stage of development</p> <p>Corruption declining, greater competition</p> <p>Medium Costs, Low Quality</p> <p>Rules as Planning <i>"A nivel regulatorio"</i></p>

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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 Planning "A nivel de ejecución"</p>	<p>Advanced stage of development</p> <p>Corruption declining, greater competition</p> <p>Medium Costs, Low Quality</p> <p>Rules as Planning "A nivel regulatorio"</p>

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A Little
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	Effective checks	Ineffective checks
Discretion	<p>Service-intensive countries</p> <p>Competence and probity</p> <p>Low Costs, High Quality</p> <p>Organization and Competence as focus of Planning <i>"A nivel organizativo y de profesionalización"</i></p>	<p>Early stage of development</p> <p>Corruption pervasive and lack of competence</p> <p>High Costs, Low Quality</p> <p>No Planning</p>
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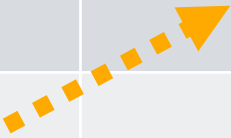
ENGINEERING

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)

Multiple Equilibria

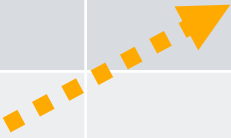
Administrations	Law only	Interdisciplinary (and intersectoral)
Universities		
Interdisciplinary (and intersectoral)		New stage
Law only	First stage	



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	



Directives?

The 2014 EU Directive main revolution
(and some MS' reason for a revolt against it) is its...

... GREATER DISCRETIONALITY

Which modifies the emphasis of Planning too!

Strategic Planning

*“La Planificación estratégica, que debe acomodarse a los objetivos.”**

What are the Goals? Many!

Is Efficiency the Main Target of Policy? Not clear.

Insofar as “no”, how to refocus strategic planning?

Insofar as “yes”, which dimension of it?

*DOCUMENTO PRELIMINAR DE TRABAJO, CNMC

Italian Trends

SMEs

- a) Protection and support adopted more and more in Italian **private sector** procurement (reserved lots for SMEs; reserved innovative partnerships with start-ups);
- b) The case of Consip's defeat in Court («optimal level of territorial governance»; 100 Provinces?). Immense implications for optimal degree of **planning centralization** across the country and thus (for example) for benchmarking performance.

Strategic Goals of Public Procurement

In the USA?

SMEs, since 1953

“The essence of the American economic system of private enterprise is **free competition** ... The preservation and expansion of such competition is basic not only to the economic well-being but to the **security** of this Nation. Such security and well-being cannot be realized unless the actual and potential capacity of **small business** is encouraged and developed. It is the declared policy of the Congress that the Government should aid, counsel, assist, and **protect**, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to **insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government** (including but not limited to contracts or subcontracts for maintenance, repair, and construction) **be placed with small business enterprises”**

Strategic Planning: Implications

In USA's public procurement there is a **dynamic** concept of competition (vs. EU) also at the expense of static efficiency.

How we plan and organize Procurement might have to radically change if we adopt such goal.

What Economic Efficiency?

“on la maximización de la irrenunciable eficiencia económica”

Should Savings be our Efficiency Mantra?

Yes:

Bandiera, Prat, Valletti (2009): $\geq 2\%$ of GDP

No?

Glass and Spagnolo (2020)

Cost Savings and Data Management

Glass and Spagnolo (2020)
(private and public sectors issue)

Data availability (TCO, transaction and renegotiation costs)?

Counterfactual?

Verifiable and non Verifiable Quality Degradation?

Manipulability of Savings?

Cost Savings and Quality Degradation

Glass and Spagnolo (2020)
(private and public sectors issue)

In the absence of full information/verifiability, quality degradation is more likely with savings and reduces the advantages of high-powered incentive schemes like competitive tenders or performance-based contracts.

P.S.: Quality key issue in Complex Procurement rather than in the Standardized one, where instead the Saving dimension dominates the efficiency debate.

Antidotes against Bad Planning

1

Data problems? (**Data** Scientist)

Counterfactual? (Economist)

Quality Degradation? (Technical Expert)

Manipulability? (Auditing)

“La multidisciplinariedad del equipo humano parece un elemento imprescindible, con perfiles económicos, técnicos y no solo jurídicos.”

Antidotes against Bad Planning

2

“2-Layers” Policy
(private sector leading the way)

Standardized Procurement

- a) **AI** and rules driven;
- b) Possibly also Centralized.

Complex Procurement

- a) **Competence** (discretion) driven;
- b) Decentralized and Benchmarked (accountability).

In both

Centralize Data and Aggregate Knowledge (PIANOO)

Antidotes against Bad Planning

3

“ausencia de cultura de evaluación. Todos estos obstáculos estructurales son, por definición, incompatibles con una gestión profesionalizada.”

Benchmarking? Only «Vertical», especially for Complex Procurement Organizations.

Philippines:

*“The **results** should not be used to compare the agency’s score against that of other agencies but to provide a benchmark against which it will measure its own subsequent performance. The assessors shall then identify areas of strength (sub-indicators receiving a satisfactory or Very Satisfactory score) where it can continue to improve and weaknesses (sub-indicators rated poor or acceptable) where it needs to develop a specific plan of action.*

A Plan of Action to Improve Procurement Capacity will then be developed ...”

Antidotes against Bad Planning 4a

“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.”

Decarolis, Giuffrida, Iossa, Mollisi and Spagnolo (2018)

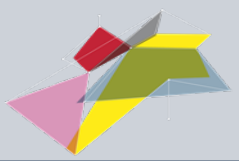
Organizational Reform around Competences

Antidotes against Bad Planning 4b

- 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.*

The Necessary Antidote against Bad Planning

- 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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