

Innovative tools in public procurement

Driven by the imperative to increase productivity in times of austerity, many OECD member countries are investing in innovative tools to streamline procurement procedures and achieve greater value for money from procurement spending. In particular, these tools include the increased use of e-procurement platforms, framework agreements, pre-qualification systems, electronic reverse auctions and contracts with options.

E-procurement – the use of information and communication technologies in public procurement – can facilitate access to public tenders and increase competition. In addition, e-procurement tools can help reduce costs to government by reducing administrative burdens, shortening procurement contract cycles and raising compliance levels. Many central governments have invested in e-procurement systems; however, governments have yet to take full advantage of the potential benefits of such tools. In OECD member countries, for instance, e-procurement systems continue to be primarily used as platforms to publish information rather than as a two-way communication tool with suppliers. While almost all OECD member countries (97%) are announcing tenders in a national e-procurement system, only 48% offer potential suppliers the possibility of submitting their bids electronically. The Public Procurement Service in Korea is one exception to this trend, having launched a new bidding service in 2011 that allows the bidding process to take place via smartphones through newly developed security tokens and applications.

Countries are also implementing new procurement procedures to help reduce costs. In order to achieve economies of scale, almost all OECD member countries (94%) use framework agreements. However, only about one-third of OECD member countries calculate the savings resulting from the use of these mechanisms to verify whether economies of scale were achieved. Conversely, fewer than half (42%) of responding OECD member countries routinely use electronic reverse auctioning. When using this procurement vehicle, there are both conditions for success and potential adverse impacts that need to be considered. While savings can be achieved if there is an increase in competition, there are also associated risks such as difficulties for small and medium-sized enterprises – which often have lower production volumes and lower profit margins – to compete.

Methodology and definitions

Data were collected through the 2011 OECD Survey on Reporting Back on the 2008 Procurement Recommendation (29 OECD member countries responded), as well as the 2012 OECD Survey on Public Procurement (33 OECD member countries responded). Respondents to both surveys were country delegates responsible for procurement policies at the central government level.

In Figure 7.6, e-tendering refers to enterprises using Internet for offering goods or services in public authorities' electronic procurement systems in their country.

A contract with options refers to a contract under which the procuring entity has the option to obtain predetermined additional goods or services, or to extend the contract by a pre-determined period, under conditions specified in the contract. An electronic reverse auction is a real-time purchasing technique conducted on line, used by the procuring entity to select the successful submission. It involves the presentation by suppliers or contractors of successively lowered bids during a scheduled period of time and the automatic evaluation of bids.

The nature of framework agreements varies by country, but generally these are agreements between procuring entities and suppliers that establish certain terms and can facilitate the awarding of future contracts. Framework agreements are conducted in two stages: a first stage selects a supplier (or suppliers) or a contractor (or contractors) to be a party (or parties) to a framework agreement with the procuring entity. In a second stage, a procurement contract is awarded under the framework agreement to a supplier or contractor party to the framework agreement.

A prequalification system is intended to identify, at an early stage, those suppliers or contractors that are suitably qualified to perform the contract.

Further reading

European Commission (2011), *Evaluation Report: Impact and Effectiveness of EU Public Procurement Legislation Part 1*, Commission Staff Working Paper, SEC(2011)853 Final, Brussels.

European Commission (2010), *Green Paper on Expanding the Use of E-procurement in the European Union*, COM(2010)571 Final, Brussels.

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

Figure and table notes

7.5: Data are unavailable for Greece. All European Union countries must publish procurement plans in the European Union public procurement website (www.ted.europa.eu). For Japan, the response reflects the functionalities of an e-procurement system that is expected to be in operation in 2013.

7.6: All enterprises employ 10 persons or more (excluding the financial sector). Data are unavailable for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Switzerland, Turkey and the United States. Data for Turkey are for 2011 rather than 2012.


Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

7.5. Use of innovative procurement tools in central government (2012)

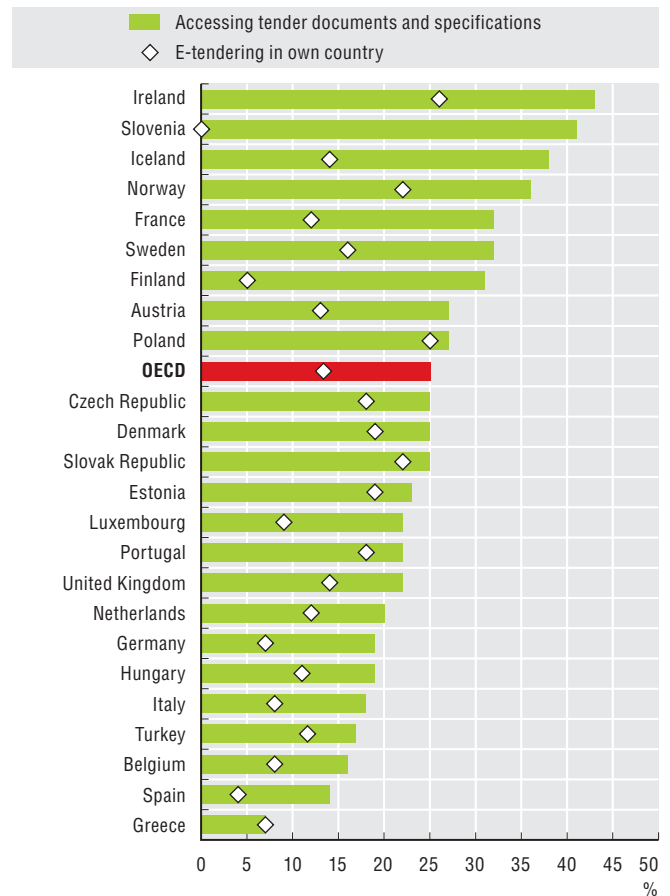
	Functionalities of e-procurement systems				Other procurement tools and mechanisms			
	Publishing procurement plans (about forecasted government needs)	Announcing tenders	Electronic submission of bids (excluding by e-mails)	Electronic submission of invoices (excluding by e-mails)	Framework agreement procedure	Contracts with options	Prequalification systems	Electronic reverse auctioning
Australia	●	●	●	■	◆	◆	◆	◆
Austria	○	●	○	○	□	□	◆	◆
Belgium	●	●	●	○	◆	◆	◆	◆
Canada	○	●	■	○	□	□	□	◆
Chile	●	●	●	○	□	◆	◆	◆
Czech Republic	●	●	●	■	□	◆	□	◆
Denmark	●	●	●	●	□	□	□	◆
Estonia	○	●	●	○	□	◆	◆	◆
Finland	○	●	■	●	◆	◆	◆	◆
France	●	●	●	■	◆	◆	◆	◆
Germany	○	●	■	○	□	□	◆	◆
Hungary	■	●	■	■	◆	◆	◆	◆
Iceland	■	■	○	●	□	◆	◆	◆
Ireland	○	●	●	○	□	◆	◆	◆
Israel	●	●	■	■	□	□	◆	□
Italy	●	●	●	○	□	□	◆	◆
Japan	●	●	■	○	◆	◆	□	◆
Korea	●	●	●	●	◆	◆	□	◆
Luxembourg	○	●	●	○	◆	◆	◆	◆
Mexico	●	●	●	○	□	◆	◆	●
Netherlands	■	●	●	■	□	□	◆	◆
New Zealand	●	●	○	●	◆	◆	◆	◆
Norway	●	●	■	●	□	□	◆	◆
Poland	○	●	○	○	◆	◆	◆	◆
Portugal	●	●	●	○	□	◆	□	◆
Slovak Republic	○	●	●	○	□	◆	◆	□
Slovenia	●	●	■	■	□	◆	□	◆
Spain	●	●	■	■	□	◆	◆	◆
Sweden	●	●	●	●	◆	◆	◆	◆
Switzerland	●	●	○	●	□	□	□	◆
Turkey	○	●	○	○	□	◆	□	◆
United Kingdom	●	●	■	■	□	◆	◆	◆
United States	●	●	■	■	□	□	□	◆
Total OECD	● 20	32	16	8	□ 22	10	10	3
	■ 8	7	13	10	◆ 9	14	15	11
	○ 10	0	6	15	◇ 2	9	8	19

- Yes, in a national central e-procurement system.
- Yes, in e-procurement systems of specific procuring entities.
- No.
- Tool is routinely used in all procuring entities.
- ◆ Tool is routinely used in some procuring entities.
- ◇ Tool is not routinely used.


Source: 2012 OECD Survey on Public Procurement.

StatLink  <http://dx.doi.org/10.1787/888932943514>

7.6. Percentage of enterprises using electronic procurement systems (2012)



Source: Eurostat.

StatLink  <http://dx.doi.org/10.1787/888932942811>



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