OECD Webinar on “The COVID-19 Legacy: more resilient procurement strategies?”

21 April 2021 – 9:30 PM (CET)

Watch the webinar here

In 2020, the OECD held a series of webinars on the infrastructure and public procurement responses to the COVID-19 pandemic. 2021 is the year where the COVID-19 legacy and its impact on infrastructure and public procurement will be discussed. On 21 April 2021, the OECD had its first webinar from this series discussing the many impacts the COVID-19 crisis has on public procurement strategies and institutions implementing them. Greater exposure to supply chain risks, increased expectations to contribute to a better recovery, demand to demonstrate agility in responding to essential needs, all these variables are exposing public procurement systems to unprecedented stress. The webinar shared insights and experiences on how countries could build economies that are more resilient by relying on stronger, smarter and more effective public procurement strategies.

This note summarizes some of the key messages identified by the different panellists, speakers and participants.

Policy options chosen today in public procurement strategies will have lasting effects on resilience, the development of thriving societies and government’s capacity to achieve their political commitments.

Challenges evidenced at the onset of the crisis persist today and will continue if we do not take a fresh look at public procurement policies. The global nature of the COVID-19 crisis and the quest for the same essential goods revealed a number of interconnected challenges, such as matching surge in demand with supply, uneven digitalisation of procurement operations to provide visibility on stocks, deliveries and prices, absence of pro-active risk management strategies or insufficient coordination between public buyers, to name of few. These challenges persist in today’s worldwide focus on vaccines.

The opportunities ahead put further impetus on revamping procurement strategies. Political commitments to build back better and increase resilience are accompanied by unprecedented recovery packages opening new fiscal spaces for priority spending. This historical moment is not
just coming from the record size of public investments, it is also because such investments are explicitly tied with sustainable development objectives to create more inclusive and sustainable societies. The scale of public procurement means that any improvement will significantly raise the effectiveness of public spending, and help realise broader policy goals such as supporting innovation, jobs and SMEs and reducing greenhouse gas emissions, throughout global value chains.

**Shifting from ‘just-in-time’ to ‘just-in-case’ procurement strategies involve trade-offs.** The crisis has shown that efforts to deliver public services with solely economic efficiency in mind may fall short of creating a resilient system. A shift towards just-in-case procurement strategies could bring benefits, by building buffers and thus reducing the cost of disruptions when supply chains fail to deliver in crisis situations. Yet, they imply trade-offs. To effectively weigh various advantages and challenges posed by different procurement strategies, public institutions will need to reinforce the foundational pillars of their procurement systems and address deficiencies revealed by the crisis. Integrating a risk-lens in procurement decisions, increasing cooperation both within and outside of national frontiers, adopting a culture of engaging suppliers or uplifting the skills of public procurement professionals and equipping them with modern digital tools are all elements that would contribute to increase the resilience of procurement systems and public administrations.

There is no one-size-fits-all approach to increase the resilience of procurement strategies to resist to future shocks

**Different strategies for different circumstances.** One main point raised by panellists was that varying circumstances and contexts warrant different approaches. John Williams from the World Bank stressed the importance of defining value for money beyond its traditional sense. Given its federal system, Australia had to focus on coordination between states and territories and also had to develop industry capacity to develop local supply chains. Not only in healthcare but also in other strategic sectors that could be subject to supply disruptions caused by a crisis, Australia is working towards implementing a modern manufacturing strategy. Pre-approving alternative suppliers could further increase the resilience of procurement systems by providing the necessary flexibility in case of surge in demand of the same products. One common challenge raised by panellists is the ability to reconcile short-term procurement strategies, which are responding to a volatile environment, with long-term objectives.

The announcement by the Danish government in May 2020 of the acceleration of the social housing renovation programme demonstrates that procurement strategies providing immediate effects can also address longer-term objectives. The Danish National Building Fund is implementing the social housing renovation programme that seeks to give a boost to the construction industry while achieving ambitious environmental targets and delivering social benefits. The European Commission published a number of initiatives aiming at supporting procurement practitioners in achieving a sustainable recovery.
Data in support of agile procurement strategies. Panellists highlighted the critical importance of data to build more resilient procurement systems. In health procurement, Australia confirmed that being able to closely monitor stocks of products and better understanding supply chains was only possible with an intensive use of procurement data. The experience of the Danish National Building Fund also demonstrated that using a broad dataset to inform specific renovation programmes could provide the possibility to capture social dimensions and the impact these programmes could have on local communities. The presentation of the business model developed by Rolls Royce further highlighted the potential of data to contribute to value creation and how different suppliers in the value chain could benefit from a structured approach to data sharing. In recent years, we have seen major advances in digitalising public procurement. However, the approach towards data collection and data analysis is still scattered across levels of governments and countries. The European Commission will soon propose a data strategy with higher interconnectedness and better data analysis requirements.

Proactive risk management strategies could strengthen procurement systems

Anticipate, plan and prepare for uncertainty. In Australia, the COVID-19 pandemic showed that health procurers needed to better manage inventory risks and to carry out stress tests for every single health product that might be needed in times of crisis. These mitigation measures would support addressing often self-created shortage of supplies. The experience of the World Bank supporting countries when dealing with the crisis also revealed the importance of carrying horizon scanning exercises to better understand which type of products or services might be required in the future and to align procurement strategies accordingly. This would be critical to mitigate future supply shortages (e.g. steel, timber or international logistics) that might arise for example because of high number of parallel infrastructure projects.

Diffuse a risk-based approach throughout supply chains. Many panellists pointed to the importance of engaging into more pro-active risks management strategies but further stressed that these activities need to target supply chains well beyond first tier contractors. In the context of health procurement, this becomes even more an imperative since the market tends to be occupied by big international companies which have big international supply chains. To avoid exposing procurement systems to harmful risks, the European Commission recently published guidelines on identifying collusion.
Revamping relationships with suppliers to create stronger public services

The discussions evidenced a greater focus on supplier relationships is needed. Challenges faced during the pandemic evidenced that suppliers need to be seen as service delivery partners, even more so in the health sector where they are integral to the provision of public health. In Australia, closer relationships with suppliers helped buyers to better understand their supply chains and the suppliers’ supply chains. The Danish experience illustrates how the construction industry is central to the objective of renovating social housing which benefit the most disadvantaged citizens. By mobilizing the private sector, the National Building Fund is able to implement a €4 billion green renovation programme.

The European Commission shed light on current strategies for the production of vaccines. By organising matchmaking sessions with the industry the Commission is able to identify suppliers across Europe that could contribute to the effective rollout of vaccination campaigns. The Commission further emphasised the need to identify classes of trusted suppliers to expedite procurement processes in case of emergency.

From adversarial to trusted relationships. Experiences from countries and multilateral development bank all highlighted the benefits of a paradigm change where relationships between clients and suppliers are based on trust rather than costs and benefits optimisation. The case study of Rolls-Royce clearly evidenced that the resilience and the value proposition offered by a private institution significantly depends on the supply chains networks. By revisiting business relationships with clients, suppliers and producers, Rolls Royce had been able to propose new ways of delivering its core services while reinforcing it resilience to external shocks. This experience also highlighted that members of supply chains have different roles depending on the stage of the production process and can shift from producers to suppliers and clients. Relationships based on trust integrate this element by aligning incentives amongst supply networks.

The next webinar on the Role of infrastructure and its governance for a sustainable recovery in Latin America will be organised in June 2021 (more information to come soon).