Showcasing the efficiency and impact of open government procurement

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About

This summary report has been produced by the Open Data Institute (ODI) and the Open Contracting Partnership (OCP) for Amazon Web Services Institute. Its authors are Ed Evans (ODI), Lindsey Marchessault and Camila Salazar (OCP).

The Open Data Institute was founded in 2012 by Sir Tim Berners-Lee and Sir Nigel Shadbolt, placing us at the heart of the data economy. Our primary mission is to foster transparency, accountability, and innovation through data. We are independent of government, non-partisan and non-profit, making us the trusted delivery partner for corporate, public, and civil society organisations. We are funded through our market-leading commercial activities, and grants from philanthropic and government bodies worldwide.

Open Contracting Partnership is an independent non-profit working in over 50 countries. We are a silo-busting collaboration across governments, businesses, civil society, and technologists to improve public procurement by designing goal-driven reforms, building coalitions of change and co-creating digital solutions, powered by open data. We help transform procurement from an overlooked, underfunded paper-based chore to a digital, data-driven government service that can be an engine for innovation, sustainability and economic inclusion.

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If you would like to share feedback, or get in touch by email, contact Ed Evans, at ed.evans@theodi.org

The report is based on document research and supported by insight and perspective from focused conversations with procurement experts from the countries of the case studies. We would like to thank them for their generous help and insightful perspective. Please note, currencies are in US $ unless otherwise indicated.

Executive summary

Governments around the world spend approximately $13 trillion per year through public procurement. The goods and services provided are critical to delivering public services and infrastructure.

Public procurement is also a tool to promote competition, innovation, and inclusive social and economic growth by providing a level playing field of opportunities to suppliers. Unfortunately, public procurement is also one of a government's key risks for inefficiency, mismanagement and corruption.

Closed and opaque approaches to procurement are flawed. Unexamined custom and practice, for example outdated processes or habitually reusing established contracts, limits visibility, reduces competition, and stifles innovation.

This report documents a growing body of evidence that open procurement is improving outcomes across many countries and sectors – not just in terms of increased public trust through transparency, but in terms of: increased competition; increased supplier diversity; leading to better value for money and better support for economic development. This report focuses on technology procurement, documenting examples of how more open procurement in the IT sector is contributing to better outcomes globally and highlighted in our case studies from Chile, Colombia, Australia and the UK.

The report is based on document research and supported by insight and perspective from focused conversations with procurement experts from the public and private sector from the countries of the case studies included.

Within this report, policymakers and advocates of open procurement – in government and in industry – have a rigorous evidence base and compelling case studies capable of shifting policy and nudging adoption of more open approaches to how technology procurement is conducted in governments

across the globe. The report provides case studies with the details and references behind the following example statistics:

- UK's G-Cloud, supporting the [Government Cloud First policy](#), has contributed more than £1.5bn in commercial benefits for public sector customers.
- Australian reforms have increased spending directed at SMEs to more than 30%, above a target of 20% in 2021.
- The World Bank reports that Colombia has achieved savings of more than $1bn in streamlined procurement processes.
- Chile's ChileCompra reports that the cost of IT products and services is reduced by 28% compared to the market, with software licence costs showing more than 70% savings.

Findings and recommendations summary

Open procurement is a transparent and inclusive process that fosters competition, promotes fair opportunities for all stakeholders, and ensures accountability in the acquisition of goods and services.

In the context of the two-way relationship with IT, we can add:

Implementation of open procurement is critical for digital transformation, ensuring the seamless integration of innovative technologies, data-driven insights, and efficient digital workflows that enhance the entire procurement lifecycle.

We have found that embracing open procurement provides a fresh examination and re-evaluation of established custom and practice rooted in outdated processes, extensive enterprise agreements and contract extensions.

We have found many examples and case studies showing that adopting open procurement is having a major positive social and economic effect, paying for itself and often generating additional $ms in benefit.

We have found that a working definition of open procurement, going beyond the fundamental aspect of transparency and recognising the seven characteristics that are delivering impact, is a useful model of the 'levers' for measuring and comparing the activities contributing to open procurement.
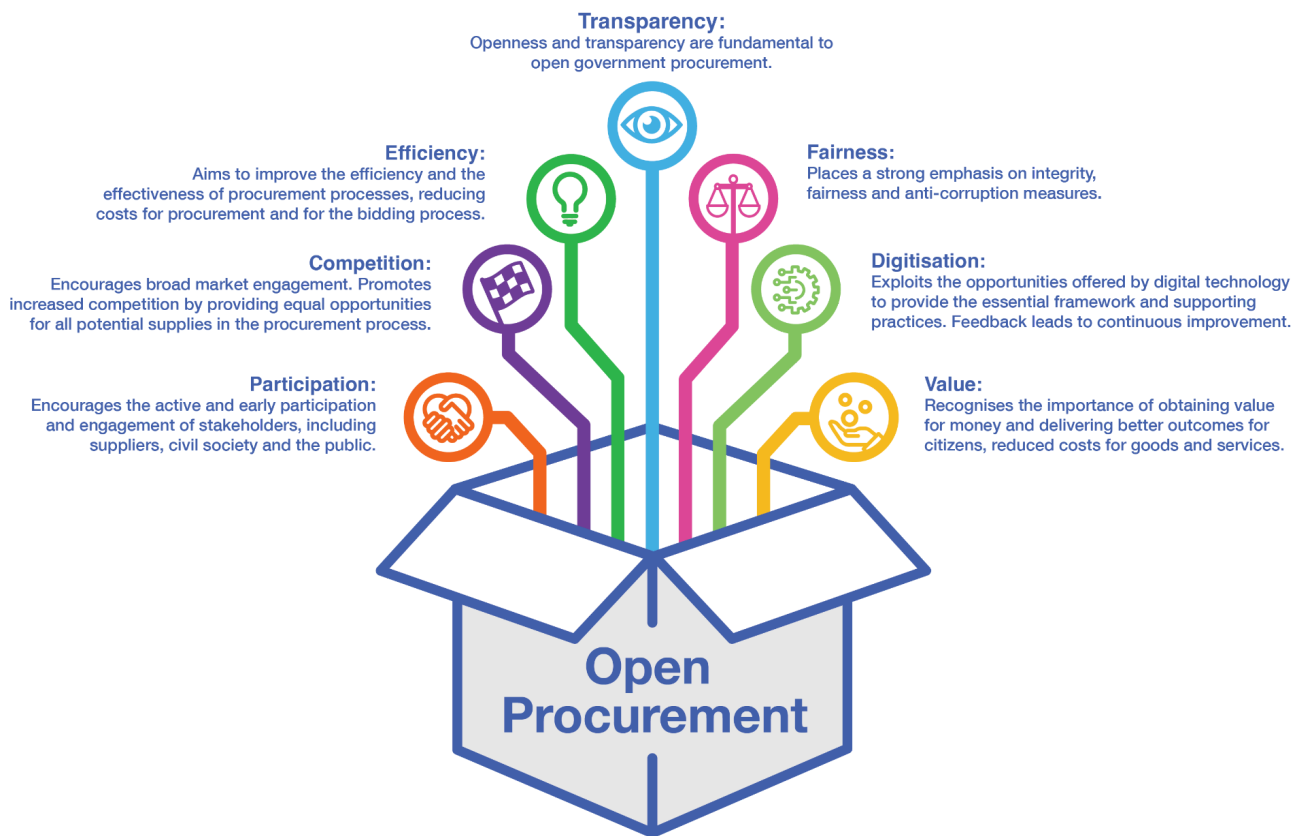

Transparency:
Openness and transparency are fundamental to open government procurement.

Efficiency:
Aims to improve the efficiency and the effectiveness of procurement processes, reducing costs for procurement and for the bidding process.

Fairness:
Places a strong emphasis on integrity, fairness and anti-corruption measures.

Competition:
Encourages broad market engagement. Promotes increased competition by providing equal opportunities for all potential supplies in the procurement process.

Digitisation:
Exploits the opportunities offered by digital technology to provide the essential framework and supporting practices. Feedback leads to continuous improvement.

Participation:
Encourages the active and early participation and engagement of stakeholders, including suppliers, civil society and the public.

Value:
Recognises the importance of obtaining value for money and delivering better outcomes for citizens, reduced costs for goods and services.

Open Procurement

Figure 1. The seven characteristics of open procurement

We have found that government digital transformation is impeded without IT procurement reform. The timelines, bureaucratic hurdles, and intricacies of the procurement process prevent the swift adoption of cutting-edge technology and potential for collaboration with innovative organisations that are essential for reforming existing processes.

We found that there are recognised barriers to government IT procurement that can be overcome by leveraging the open procurement model to increase early engagement, providing online registration and access to open data for example[1].

Based on our findings, we make ten clear recommendations, supported by this body of evidence. If followed, they will enable governments, their citizens and wider stakeholders to enjoy the transformative economic and social benefits of open procurement.

Adopt open e-procurement platforms: Invest in user-friendly and accessible, centralised or interoperable e-procurement platforms, increase transparency through open data, increase access, and provide a unified interface for both government buyers and suppliers.

Implement centralised procurement frameworks: centralised, but flexible, procurement frameworks, similar to the UK's G-Cloud, simplify procurement processes, increase competition, and provide better value for taxpayers. Minimising jargon and complexity, for example with simplified tender documentation, reduces barriers for smaller organisations and non-procurement specialists in government.

Standardise data formats: Embrace standardised data formats, such as the Open Contracting Data Standard (OCDS), to ensure consistency, accuracy and transparency in reporting procurement activities. Provide open data in machine-readable formats. This increases the available, high-quality data to feed into smarter future procurement decisions and strategy.

Ensure clear policy objectives and targets: Set clear and measurable policy objectives for government procurement, including targets for supporting small and medium enterprises (SMEs), promoting local businesses, and achieving broader societal goals such as Diversity, Equity and Inclusion (DEI).

Implement supplier engagement initiatives: Implement ongoing supplier engagement initiatives, including workshops and training sessions. Enabling fair opportunity for a diverse range of suppliers so that, for example, innovative

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[1] ScienceDirect, (2014), 'Barriers to innovation through public procurement'.

businesses better understand government needs and how to participate. This improves two-way understanding, helping to reduce barriers on both sides.

Ensure pre-market engagement: Within supplier engagement, encourage pre-market engagement, allowing government entities to engage with suppliers in advance. This promotes mutual learning, better cost estimation, and increased understanding of project requirements, leading to more suitable successful implementation.

Publish data openly: Publish open data, with an open licence, to increase visibility of opportunities and progress through the whole procurement cycle. This helps suppliers to develop strategies to meet government demand and helps buyers with increased visibility of other government work. It helps combat corruption by involving citizens and businesses in monitoring and evaluating public procurement activities. This ensures trust and accountability in the procurement process.

International collaboration: Facilitate international collaboration and knowledge-sharing among governments to exchange successful approaches, best practices, and lessons learned in open procurement. This promotes continuous improvement in procurement practices globally.

Support and participate in benchmarking: The 'working model' of open procurement, including the wider characteristics, could readily be developed to provide a very useful benchmark for the sector. This would show participants which characteristics or levers of open procurement best practice are most likely to lead to the desired outcomes, depending on comparable circumstances.

Embrace innovative technologies: Explore and integrate emerging technologies, such as artificial intelligence, data analytics and open APIs to enhance the efficiency, security and accountability of open procurement processes, making better use of the data being generated. Ensure data is open and machine-readable and open to stakeholders. Investing in cutting-edge solutions (AI for example) can streamline workflows, reduce errors, and further modernise procurement practices for optimal outcomes.

In summary, this report provides clear guidance on effective open procurement strategies based on examples. It also provides a model for examining those strategies while illustrating, through case studies, that different approaches can be taken to achieve the same goal, contingent upon specific situational factors.

Opportunity: significant economic benefit

For governments, public procurement is an essential process for delivering vital goods, works and services to citizens. This process, when conducted more openly, and with integrity, not only boosts public confidence but also brings increased investment. The digital transformation of public services relies on access to cutting-edge IT equipment and expertise enabled by open procurement.

The global procurement market, estimated at $13 trillion annually according to research by the Open Contracting Partnership (OCP) and Spend Network, underscores the economic significance of this activity.[2] Notably, 77% of this market – more than $10tn, is spent by just 16 countries, with China leading at $4.2tn per annum, followed by the United States at $1.8tn. Between $100bn and $1tn per annum is spent by 14 other countries.

Disturbingly, the United Nations reports that approximately $1 trillion is paid in bribes and $2.6tn is lost to corruption each year. This enormous sum accounts for 5% of the global GDP.[3]

A lack of transparency perpetuates this corruption, posing a significant obstacle to promoting competition, especially for small and medium-sized enterprises (SMEs) and underrepresented business enterprises (UBEs). Good open procurement practices recommend that procurements are all open and openly published.

Urgent reforms are imperative to introduce and build open procurement around improved transparency and refreshed processes. As this report demonstrates, increasing transparency directly leads to better value for money.

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[2] Open Contracting Partnership (2020), 'How governments spend: Opening up the value of global public procurement'.

[3] World Bank (2020), 'Early Detection of Fraud and Corruption in Public Procurement through Technology'.

Organisations like OCP strongly recommend that governments publish open, real-time and high-quality public procurement data, allowing public and commercial scrutiny. According to the OCP, public contracts that are published openly account for only $362bn or 2.8% of the market's total value. OCP reports that fewer than 2% of public contracts are published using the [Open Contracting Data Standard (OCDS)](#).

The OCDS is a set of guidelines and best practices for promoting transparency and accountability in public procurement processes. It provides a helpful framework for standardisation, especially when combined with tools and processes for ensuring data quality and completeness. This would not only give more businesses the information they need to bid for contracts, increasing competition and value for money, but also hold governments and suppliers to account and ensure decisions are made in taxpayers' interest. Taxpayers need to know their money is being well spent as governments attempt to grow the economy.

The findings in this report underscore the opportunity that adopting open procurement practices can significantly reduce the colossal annual waste associated with corruption while generating substantial economic and social benefits, accelerating growth and saving money. The report showcases examples of the diverse paths taken by governments globally, using the different levers available within open procurement to combat corruption, decrease costs, deliver robust IT infrastructure, and enhance trust.

What is open procurement?

Open procurement in government is a powerful tool to enhance transparency and efficiency, and to deliver a positive impact on the economy. Yet the term 'open procurement' lacks a common definition.

For some, the term 'open procurement' is fundamentally about transparency of information. Information about the range and level of detail about procurement activities published openly. For example, a former UK government officer, who was engaged in the development of G-Cloud, summarised open procurement in the following terms: published requirements, published catalogue specs and prices, and published transaction details.

However, others believe that true open procurement is best demonstrated through the utilisation of open source code, transparent data descriptions, and operation on an open platform.

From our conversations with industry experts, it is clear that the term 'open procurement' is a useful banner for a package of activities that build on transparency and leverage modern IT infrastructure and leading applications, including cloud-based technology and services.

Transparency is the fundamental concept behind open procurement, but there are other aspects that help create a sustainable positive impact. Transparency itself can be resolved at different levels, from tender details to capturing the detailed transactions. This report shows evidence that as transparency increases, so does value. The goals of open government procurement include promoting accountability, fairness, competition, value for money, and public trust in the procurement process. In addition,the implementation of open procurement needs to reflect government procurement policy and comply with regulations.

We presented a definition of open procurement in the executive summary, based on our research and interviews:

Open procurement is a transparent and inclusive process that fosters competition, promotes fair opportunities for all stakeholders, and ensures accountability in the acquisition of goods and services.

In the context of the two-way relationship with IT, we can add:

Implementation of open procurement is critical for digital transformation, ensuring the seamless integration of innovative technologies, data-driven insights, and efficient digital workflows that enhance the entire procurement lifecycle.

Here we have a working definition built around transparency and based on the additional, observed characteristics of open procurement. This is followed by a statement of open procurement's impact on essential digital transformation. This is a useful model to help us understand how the different 'levers' available within that definition can be applied.

The following characteristics (as in Figure 1 above), collectively contribute to open government procurement:

- **Transparency** is the cornerstone of open government procurement. It entails granting wider access to open data, information throughout the entire procurement process. This encompasses bid opportunities, contract awards, procurement regulations and decision-making criteria. Ideally, it extends down to the nitty-gritty details of subsequent transactions.

- **Competition** is amplified, and access broadened, by reducing the barriers for suppliers to work with governments. It challenges over-reliance on established contracts, and actively encourages extensive market engagement, allowing a diverse range of suppliers, including SMEs, UBEs and foreign companies, to vie for government contracts.

- **Participation, engagement and inclusion:** Open government procurement encourages active participation and early engagement with stakeholders, including suppliers, civil society organisations and the public. It involves pre-market engagement, user-friendly documentation, and soliciting feedback during the whole procurement process. Collaboration and dialogue between procuring entities and suppliers is encouraged. It seeks to widen the range of suppliers involved, often involving marginalised groups.

- **Efficiency and effectiveness:** Open government procurement strives to reduce effort throughout the procurement process. This encompasses simplifying procedures and bid documentation, harnessing technology for automation and digitization, minimising administrative complexities, and embracing best practices to

achieve cost-effective procurement results.

- **Fairness, integrity and ethics:** Open government procurement places a strong emphasis on integrity, ethics and anti-corruption measures. It aims to prevent fraud, bribery and favouritism by establishing robust safeguards, promoting accountability, and implementing mechanisms for detecting and addressing misconduct. This can help governments demonstrate anti-slavery practices or the attainment of sustainable development goals.

- **Digitalization and innovation:** Open government procurement practices aim to leverage the possibilities of digital technology and open, high-quality data to build the foundational framework and supporting methodologies. Procurement practice benefits from a modern technology infrastructure that helps to make government work more accessible to a wider range of suppliers. This also entails continuous monitoring and evaluation of procurement practices, gathering feedback from stakeholders, and integrating the lessons learned to progressively enhance transparency, efficiency and effectiveness over time.

- **Value for money:** Open government procurement places a strong emphasis on obtaining value for money. It advocates for the adoption of enhanced procurement strategies, including pre-commercial procurement and strategic partnerships, to stimulate innovation, enhance efficiency, and ultimately deliver superior outcomes for citizens.

In the following sections, we document examples of open procurement delivering benefits through this diverse range of practices.

Findings and evidence

Open procurement in government

" *Corruption risks drop noticeably as overall tender transparency increases.*

— Open Contracting Partnership[4]

Government procurement processes are notoriously complex and bureaucratic, and involve a wide range of goods and services. Streamlining these systems to ensure open competition without sacrificing efficiency is a significant undertaking. Innovative solutions and steadfast political will are necessary to navigate this challenge successfully and deliver sustained benefits.

Open procurement in government offers immense promise, driving economic growth, fostering innovation, reducing corruption and enhancing public trust. Success requires a comprehensive approach that balances transparency with confidentiality, streamlines bureaucracy, promotes competition, narrows the digital divide, ensures accountability, and guards against political interference.

Evidence from multinational studies and research

A 2017 study of more than four million government contracts in the EU found that every additional item of information published about a tender decreased the risk of a single bid contract. The same study found that single bid contracts are both a governance risk and more than 7% more expensive on average. The number of bids received per call for tender increased by approximately 12% for contracts subject to mandatory EU transparency requirements. As a result, the authors concluded that increasing transparency by five items (out of 10 items considered) could decrease single bidding by 2–3.5% and could save EUR 3.6 to EUR 6.3 billion across the union. Pre-award transparency had a stronger effect on corruption risks than post-award transparency.

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[4] Open Contracting Partnership (2017), 'Greater Transparency in calls for tender could save Europe billions'.

A [global perspective from the World Bank](#) reveals the profound impact of transparency, independent complaint procedures and external auditing on procurement practices. A survey of 34,000 companies across 88 countries established that governments with these elements in place experienced higher rates of competition and reduced instances of kickbacks. This highlights the pivotal role of transparency and accountability in fostering competitive and corruption-resistant procurement environments. According to the United Nations, every year, an estimated $1tn is paid in bribes and $2.6tn is stolen through corruption. Together, this sum represents 5% of annual global GDP.[5]

In 2021, [a comprehensive review of global evidence](#) on the benefits of open competition emphasised its potential to drive efficiency and combat corruption. The study revealed that open competition often leads to positive impacts, such as attracting a few additional bidders and achieving price reductions of between 10% and 20%. Among the range of policy interventions considered, the study identified the introduction of e-procurement and the broader advertisement of tenders as having the most significant effects. This underscores the substantial benefits of embracing open, digital competition in public procurement.

Country-level evidence

In **Italy,** [a comprehensive study](#) revealed the transformative impact of online versus local newspaper advertising on public procurement. The shift to online advertising not only increased the number of bidders, but also led to a higher prevalence of non-local winners and price discounts. This highlights the power of digital platforms in broadening participation, enhancing competition, and ultimately benefiting procurement outcomes.

Slovakia's experience in public procurement showcases a significant shift in tender dynamics. [This report shows](#) that the country recorded a 16% drop in the share of tenders with a single bidder, signalling a substantial increase in competitive engagement. Moreover, the number of bidders increased from 1.6 organisations to an impressive 3.7 companies, underscoring the effectiveness of measures to promote competition and diversify procurement options.

Chile and Portugal feature prominently in a [recent study](#) that dispels concerns about competition negatively affecting efficiency. The research found that the number of bidders and the quantity of items procured had only

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[5] World Bank (2020), '[Early Detection of Fraud and Corruption in Public Procurement through Technology](#)'.

a very small effect on duration times. This observation suggests that greater competition does not hinder procurement efficiency and underscores the importance of fostering competitive engagement in public procurement processes for both countries.

In **Ukraine,** a groundbreaking transformation occurred with the integration of standardised open data into the Prozorro eGP system, placing transparency and accessibility at the forefront of public procurement. This initiative aimed to ensure that "everyone sees everything", and introduced faster and more flexible procedures, including electronic reverse auctions and integration with private sector commercial platforms. As reported by OCP, the reform yielded remarkable outcomes, with a 15% increase in the average number of bids per tender and a significant 45% increase in the average number of unique suppliers. Perhaps most impressively, the implementation of Prozorro saved $6 billion between 2015 and 2020. An independent evaluation further underscored the effectiveness of this reform, revealing an increase in cost savings, from 3.5% to 5.8%, and a reduction in the time required to procure goods and services by five to six days.

Sector-level evidence

Infrastructure

In **Oklahoma, United States**, a strategic approach to public procurement produced compelling results. An analysis focusing on highway construction revealed that the state's proactive publication of internal cost estimates prior to bid submission led to lower average bids and ultimately lower winning bids. This emphasis on transparency not only enhanced competition but also translated into tangible cost savings and more efficient procurement practices. The case of Oklahoma exemplifies the impact of transparency in reshaping procurement dynamics and generating value for public projects.

In **Japan,** a noteworthy study demonstrated how improved transparency can significantly reduce procurement costs for municipal public works. The research findings indicated that enhanced transparency measures led to cost reductions of up to 8% in the procurement of public works projects. The Japanese experience provides valuable insights into the global potential of transparency reforms in delivering substantial benefits to public procurement.

In Nuevo Leon, Mexico, a significant transformation in public infrastructure procurement practices has been realised through the implementation of the Open Contracting for Infrastructure Data Standard. This multi-stakeholder

coalition's commitment to transparency and efficiency has yielded remarkable results, with competition in the procurement process increasing by 25% since 2017. Notably, 93% of tenders now boast multiple bidders, reflecting a substantial shift towards a more competitive and accountable procurement environment. For further insights into this impactful initiative, you can access the full report here.

Health

In **Chile**, the burden of expensive healthcare at home consumes up to [30% of the average household's income](#). By harnessing the power of open contracting data and enlisting the support of civil society for monitoring, the country's largest purchaser of medicines successfully acquired 60% of medicines at a lower price in 2020. This achievement has saved the government an estimated $9m, underscoring the potential of open contracting to transform healthcare accessibility and affordability. It was demonstrated that the addition of just one more tenderer reduced the price by approximately 5% on average per medicine.

[**Ukraine's** medical procurement agency](#) has harnessed the potential of procurement data to enhance various aspects of its operations. This data-driven approach has paved the way for better planning, more effective supplier engagement, civic monitoring, and strategic communications. As a result, Ukraine has witnessed a significant reduction in medicine prices, with potential savings of up to 40%. This showcases the powerful impact of data-driven decision-making in optimising procurement processes and ensuring cost-effective access to essential medicines.

Moldova stands as a testament to the power of [collaboration between patients and the government](#) in the realm of open contracting reforms. Through these joint efforts, the country has achieved substantial improvements in medical procurement, saving 14.5% on procurement costs. The implementation of these reforms has also enabled real-time monitoring of $40m worth of medical contracts, marking a significant milestone in Moldova's journey toward transparency and cost-effective healthcare.

From the examples listed above, we can draw out a summary of the evidence to support open procurement (each point below is prefixed by a characteristic from the offered working definition):

- **Competition:** An increase in the number of bidders for any call (number of bidders is shown to be a strong positive influence on effective procurement).

- **Competition:** Demonstrating that increasing the number of bidders does not impact efficiency.

- **Competition:** Attracting new and innovative bidders, including from further afield.

- **Value:** A reduction in the actual costs of goods and services received.

- **Transparency:** Showing the benefits of transparency at the pre-award stage is most effective.

- **Fairness:** Reductions in 'kickbacks', reduced corruption as well as diligently encouraging wider participation.

- **Efficiency:** Reduction in the cycle time of the bid process.

- **Efficiency:** Reductions in the internal costs of procurement.

- **Participation:** An increase in the share of the business won by SMEs and UBEs.

- **Digitalisation:** An increase in the useful data for measurement, public communication and decision making.

Open procurement in IT

> **"** *When procurement cycles are too long in IT, you are buying technology that is already out of date.*
>
> — A former UK Department of Transport CTO

Digital transformation is arguably the most important *administrative* undertaking of governments around the world. Success or failure can often hinge on the quality of the procurement process. More often than not, public procurement of technology is viewed as non-transparent, uncompetitive, poorly planned, inefficient, costly and having high failure rates.[6]

Governments need to modernise procurement processes so that they can buy the IT needed for wider reform. In addition, it is widely recognised that governments have specific procurement challenges when buying IT. Open procurement approaches during the procurement lifecycle can help to overcome these challenges.

In government IT procurement, there is a critical paradox: the timelines, bureaucratic hurdles, and intricacies of the procurement process counteract the swift adoption of cutting-edge technology and collaboration with innovative organisations that is itself essential for reforming existing processes.

To find out how, we spoke with civil servants, industry leaders and academic experts in the field to understand how open procurement is making a difference in the IT sector through public procurement in countries including Australia, the UK, Chile and Colombia. We learned that increasingly transparent, faster and more flexible mechanisms for IT sector procurement are making a difference.

What successful jurisdictions have in common regarding IT procurement is that they are shortening cycle-times and developing a common approach through flexible centralised frameworks that enable the private sector to offer solutions to problems. Encouraging a two-way dialogue and transparency about the outcomes (who bought what from whom) to improve visibility and accountability over the spending and the improved outcomes seen in the examples provided.

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[6] See Carleton SPPA (2022), 'A Guide to Reforming Information Technology Procurement in the Government of Canada'.

We found that an open procurement approach involves fostering competition, promoting transparency, and emphasising standards and interoperability. By addressing these challenges strategically, governments can enhance the effectiveness of their procurement processes, especially in the rapidly evolving field of IT.

The following is a summary of the recognised challenges in IT procurement and how open procurement helps overcome these challenges. Recognised good practice is needed to ensure that procurement processes are not holding back access to modern IT, and that procurement infrastructure is built, implemented and continually updated. Below are the ways in which the experts we interviewed felt that open procurement provides opportunities to overcome these challenges.

Agility and innovation

- *Problem:* The procurement process is longer than the cycle of IT innovation.

- *Solution:* An open procurement approach, such as agile procurement methodologies, facilitates quicker decision-making and increases adaptability to emerging technologies. This involves breaking down larger projects into smaller, more manageable components and using iterative development processes.

(open procurement characteristics: digitalisation, value)

Access technical expertise

- *Problem:* Lack of specific technical expertise for informed choices.

- *Solution:* Open procurement encourages collaboration with external experts, leveraging public-private partnerships or industry consultations. Establishing advisory panels or seeking input from the technology community can help ensure that the government makes informed decisions based on the latest technical knowledge.

(participation, digitalisation, value)

Scale and manage investment

- *Problem:* Government reform often requires large-scale investment.

- *Solution:* Open procurement fosters competition among vendors, reducing costs through competitive bidding. Governments can also explore innovative financing models, such as public-private partnerships, to share the financial burden of large-scale projects.

(competition, participation, value)

Overcome legacy and interoperability

- *Problem:* Purchased systems need to replace or work within existing systems.

- *Solution:* Open standards and interoperability requirements are integrated into procurement specifications. By emphasising interoperability, governments ensure that new systems seamlessly integrate with existing infrastructure, reducing the risk of legacy issues and promoting a more cohesive and efficient IT environment.

(participation, transparency, digitalisation, value)

Avoid vendor lock-in

- *Problem:* Concerns about lock-in to certain vendors or technologies, and habitual reuse of established contracts.

- *Solution:* Adopting open standards and promoting vendor-neutral solutions mitigates the risk of vendor lock-in. Clearly specifying interoperability requirements and encouraging modular architectures provides flexibility in choosing and switching between vendors or technologies over time. Continually promoting competition helps to ensure access to innovative solutions.

(competition, participation, digitalisation, transparency)

Enhance privacy and security

- *Problem:* Privacy and security concerns depending on the regime and the source of IT. Privacy and security policy needs constant vigilance as the environment evolves.

- *Solution:* Implementing robust security and privacy requirements in procurement specifications is crucial. Governments can also conduct thorough assessments of potential vendors, including their security practices, compliance with data protection regulations, and track record in handling sensitive information.

(participation, fairness)

Case studies

Case 1: Chile

❝ *When you don't have the right incentives, you don't have
a fair market.*

— Jeanette von Wolfersdorff, former Executive Director,
Observatorio Fiscal in Chile

Context: implementation of an e-procurement system and publication of open data

Chile started to digitise its procurement process in 2003 with the publication
of the law 19.886 and the creation of ChileCompra, the institution that
administers Chile's public procurement system, operating with a unique
regulatory framework based on transparency, efficiency, accessibility and
non-discrimination.[7] One of its key mandates was to centralise all the tenders
of the Chilean state administration agencies and public agencies of the other
administrations in a single electronic system. Between 2007 and 2008, the
fully transactional e-procurement platform Mercado Público was launched. It
currently manages each stage of the procurement process from the
publication of the tender notices to the contract award, with 850 public
entities using the system.

In 2006, the digitalization of the procurement process had resulted in price
reductions of 2.65% in 2006[8] and administrative cost savings between
0.28%–0.38%[9] to 5% of the total transaction value.[10] From 2011 to 2014 the
percentage of savings per bid price had increased between 2011 and 2014
from 3.4% to 7.2% of the total amount transacted.[11]

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[7] Revista de Administración Pública (2016), 'El sistema electrónico de contratación pública
chileno: Chilecompra'. IMF (2016), Public Financial Management in Latin America The Key to
Efficiency and Transparency'. (Chapter 8. Public Procurement in Latin America).
[8] JOURNAL OF PUBLIC PROCUREMENT (2009),'Does e-procurement save the state money?'.
[9] Ibid.
[10] OCDE (2006), 'ChileCompra Public Procurement for Development Felipe Goya'.
[11] DIPRES (2015), 'Informe Final: Evaluación del Gasto Institucional de la Dirección de Compras
y Contratación Pública'.

Since the digitisation process started, different actions have been taken to improve the transparency and quality of the information available in the platform. In 2018, Chile began publishing the procurement data from Mercado Público in an open format following the Open Contracting Data Standard (OCDS) and has been gradually expanding its coverage to the full process from planning to spending. According to figures from ChileCompra, its efforts have been successful, increasing access to procurement data in CSV, API and OCDS formats from 26,000 downloads in 2018 to 120,000 in 2019.[12] This has also led to more data use by government authorities and engagement with civil society. ChileCompra created a civil society council to work with several civil society organisations, including a working group focused on discussing open data.

For instance, the civil society organisation Observatorio del Gasto Fiscal has used open data to publish a series of reports and tools to track and monitor Chilean public procurement. It has created platforms to detect red flags, analyse medicine procurement, and has worked with the government on disclosing data on public works.

Specific reforms related to IT procurement

In 2018, Chile's then President, Michelle Bachelet, signed a presidential directive that provided guidelines on the evaluation and preferential adoption of cloud services by state administration bodies. This encouraged ChileCompra to start developing guidelines on how to better procure IT.

In 2018, ChileCompra launched directive 32, which provided recommendations for contracting cloud services, considering aspects of IT security, availability and flexibility. In 2021, it published directive 38, which provides recommendations to determine the most appropriate way to contract technology goods and services.

The provisions mandated that efficiency principles had to be followed when procuring cloud technology Software as a Service (SaaS), to consider not only price but the intrinsic characteristics of these technologies, that could translate into important savings and lower costs, but also faster development of solutions.

It also stated that procurement processes for cloud services should not give preference to any specific technology, expressly favouring or disfavoring one

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[12] Open Contracting Partnership (2021), 'Diagnosis open: how open contracting is bringing down the cost of medicines in Chile'.

type of technology over another. To encourage greater participation by potential suppliers, procurement processes should refer to technical standards rather than to a proprietary brand, and to elements for consideration rather than to specific norms as a general rule.

In addition, it recommended the use of market consultations and Request for Information (RFI) mechanisms, in which all suppliers in the field are consulted in an open and participatory manner to better identify the needs and design technical specifications.

Moreover, the directives recommended the use of different procurement methods such as framework agreements, and the use of standard documents, coordinated purchases, open procedures and agile procurement.

ChileCompra has relied heavily on framework agreements for a bulk of its purchases. In 2014, frameworks represented 24.9% of the total amount purchased[13] and since 2015, Chile has had framework agreements for the purchase of computers and associated services, data services and software development.

According to a study conducted in 2016 by the Chilean Government Budget Directorate, while overall the framework agreements in place had on average 9.7% lower prices than in the market, the framework for computers had generated overruns of 5%.[14] According to Chile Compra, this was in part due to the fact that there were more than 1,200 varieties of computers offered in the framework.

This led to a redesign of the framework in 2019, reducing its duration (from six years to nine months) to enable it to respond to the technological replacement needs of the industry. To redesign this framework, ChileCompra conducted a public consultation through an RFI and carried out a joint market study with the University of Chile's Faculty of Engineering, in which statistical methods were applied to compare the prices of computers in the general market with the prices in the same framework agreements store. This resulted in standardising the products in three ranges according to their technical specifications (high, medium and low range), depending on the needs of each public buyer, and having price bands for each category.

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[13] DIPRES (2015), 'Informe Final: Evaluación del Gasto Institucional de la Dirección de Compras y Contratación Pública'.
[14] Ibid.

While ChileCompra was expecting savings of 10%,[15] the organisation's recent data shows that, for 2021, the new framework led to average savings of 28% compared to market prices and that for the current framework, it expects to increase that saving to 38%.[16]

A similar process occurred with the framework for the development and maintenance of software services. It updated the framework in 2022 to allow only the procurement of software services linked to a specific project, instead of contracting for "man-hours", which was a problem in the previous framework. The new design also aimed to increase the quality of contracted services, reduce corruption risks and promote greater transparency.[17] According to ChileCompra, since its launch in 2022, this particular framework has led to price savings of 13%.

Similarly, ChileCompra reports that the framework for software licences, updated in 2022, has seen savings ranging from 21.1% to 73%, depending on the product, compared to the market prices.

In addition, ChileCompra has implemented standard documents to procure data centres, cloud services, the development and maintenance of IT services, AI and data-science services, and the rental of computers and printers. These documents help buyers save time in the elaboration of bidding processes, allowing greater efficiency in the most complex and costly acquisitions. Officials from each institution can concentrate on the technical aspects of the purchase, adapting the documents to their needs, without the burdensome administrative costs involved in a procurement process.

Finally, the procuring authority has also implemented coordinated purchases for the purchase and rental of computers, which involves two or more entities carrying out a joint procurement process to obtain more competitive prices, by increasing the volume of the purchase. In 2022, using this method in the purchase of computers for the central government saved 36.6% in the first semester, and 14.3% in the second.

In addition, ChileCompra has improved its pre-market engagement practices, implementing RFIs to engage with the market before the publication of the opportunity, to better estimate cost and define technical requirements. According to one academic and independent consultant in state modernisation

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[15] ChileCompra (n.d.),'Procurement 2239-6-LR19, Mercado Público'.

[16] ChileCompra (2023),'Se adjudica nuevo Convenio Marco para la adquisición de Laptop, Desktop y All in One – ChileCompra'.

[17] ChileCompra (2022), 'Se llama a proveedores del rubro a participar de licitación pública de Convenio Marco de Servicios de Desarrollo y Mantención de Software y Servicios profesionales TI – ChileCompra'.

and public procurement we interviewed, these practices have led to a mutual learning between suppliers and the procuring entities, especially public buyers that have a better technological infrastructure.

For example, ChileCompra used RFIs to gather comments from the industry and national and international suppliers, public entities and academic institutions such as the University of Chile, to develop the standard bidding documents and redesign its framework agreements. A successful example of the market consultation process was the [RFI conducted for the Magento Cloud implementation](#) for the public marketplace of framework agreements in 2021. According to authorities involved in the process in ChileCompra, the market consultation with the industry was very helpful to identify the series of needs and design the tender. It also served as a learning process for public authorities.

In addition, the Digital Government Directorate is currently working on a policy strategy for the purchase of technology, and has already documented [good examples of digitalisations processes](#) implemented across different government agencies.

What are the challenges?

IT purchases tend to suffer from challenges such as the tendency to favour large companies, the continual reuse of existing contracts or the packaging of large projects into a single tender, without knowing, or understanding, what is happening in the market. A lot of contracting entities still know little about this specific market, despite the openness of information available and the recommendation to use RFIs. Also, some interviewees mentioned that the regulatory framework can sometimes be very rigid for these types of purchases, which causes very rigid contracts that might not work well for software projects, and that innovative vehicles to purchase IT are still not being implemented. In addition, an industry interviewee added that standard documents can be very rigid as well, particularly for cloud services. ChileCompra recognized that while they have pushed for standardisation as much as possible, it is particularly hard for the IT sector. For instance there have been procedures to procure data centres that haven't been successful, due to the difficulty of standardising the needs.

Case 2: Colombia

"Having a broader supplier base when responding to the coronavirus emergency meant we had more information on prices, quality and supply alternatives in a market with wide distortions, information asymmetries, demand pressures, and the rupturing of international supply chains.

— José Andrés O'Meara Riveira, former Director General, Colombia Compra Eficiente[18]

Context

Colombia has been pursuing open contracting reforms since the 2010s. In 2012, Colombia Compra Eficiente (CCE) introduced electronic government procurement using a scalable cloud technology. Before this ,each of the 6,000 public entities procured independently. Now, these public entities use one centralised procurement system. The system was upgraded to be fully transactional in 2015. Colombia has legislation requiring transparency and citizen oversight of public procurement. Open, machine-readable, data about public procurement is regularly published using the Open Contracting Data Standard. Efficiency savings (time spent on procurement) from adopting the new system has been calculated at US$1bn.[19]

Driven by high-profile corruption scandals and a popular vote against corruption, CCE was given a mandate to improve transparency and monitoring, with strong targets for increased competition and increased participation of SMEs and women-led businesses in public procurement. It established a public dashboard that enables civic monitoring of procurement performance, including tracking new regulations to measure and enable the participation of women-owned businesses. During the pandemic, a single open framework and real-time open data helped coordinate the pandemic response and allowed civil society, journalists and academics to track and fix emergency contracts gone wrong.

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[18] Open Contracting Partnership (n.d.), 'Colombia: Improving competition and efficiency through open contracting'.
[19] Worldbank (n.d.) 'Enhancing Government Effectiveness and Transparency: The Fight Against Corruption, Open Contracting reforms in Colombia'.

Colombia is also working to promote uptake of open procurement at the subnational level. From 2018 to 2023, CCE and Open Contracting Partnership worked in nine (out of 32) regions of Colombia to accelerate digital transformation, advance data-driven decision-making, implement gender-responsive procurement, and promote civic oversight of public procurement through hands-on technical assistance in open contracting strategies. The regions who were supported to become more open from this program saw a 46% higher average number of bidders and a 64% higher value awarded through open procedures. Usage of the country's transactional electronic procurement system jumped from 15% to 94.5%. In other regions, adoption was 23% in 2022, up from 8.8% in 2018.[20]

IT sector reforms

Colombia set out to reform its IT sector procurement in the early 2010s. At that time, technology procurement was plagued by a variety of problems: contracts were large and costly, procurement could take more than a year, and the procedures could not keep up with the pace of technological innovation and user needs. CCE wanted to find mechanisms that allowed for pre-market engagement, ensured transparency and were more efficient.

It implemented its first reform in this area in 2014, when it implemented centralised framework agreements. It subsequently learned from its first efforts, and improved these framework agreements and other mechanisms based on the feedback received from the market and from the government buyers. CCE has had three versions of framework agreements for the IT sector since 2014. CCE now includes connectivity services, public cloud, private cloud, printing services and support services.

The Colombian IT procurement reforms are good examples of open procurement for several reasons. First, CCE learned through consultations and adapted procedures based on the needs and contexts of the buyers and the sellers. One of these lessons was the decision not to build its own standardised catalogues for these agreements. Building its own catalogue was very difficult to maintain as it required understanding everything the market had to offer and trying to develop standardised products (a pathway to the lowest common denominator). Instead, it linked out to the providers' public webpages, which list all of their services. This ensures transparency and encourages innovation, because as providers introduce new services and products, they become automatically purchasable under the framework agreement. CCE also

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[20] Open Contracting Partnership (n.d.), 'Colombia: Improving competition and efficiency through open contracting'.

introduced a process for pre-market engagement. Departments can issue a request for information that describes the problem that they are trying to solve with technology. As a response to that RFI, they receive designs of possible solutions from all the providers in the framework (which can each submit more than one alternative). From there, the buyer can define the specific requirements for the solution and move to a request for a quotation to build the solution. Colombia has a similar demand aggregation instrument for software services in which they open windows for providers to join every two months.

What have been the impacts?

One of the major reported impacts was increased flexibility and potential for innovation. The providers do not have to wait for bureaucracy to define a new service before they can offer it within the frameworks, and the institutions can utilise new services when they become available. An example of an innovative project using the frameworks is being led by the agency in charge of helping and regulating companies. They are using AI to analyse the financial information of the companies and using predictive models, to identify companies at risk of bankruptcy and offer them support *before* it happens.

In addition, there is increased transparency and competition. The providers post their services and prices on their own websites. Perhaps the biggest impact has been in the area of efficiency. The traditional tender procedures take between four months and one year to complete. The framework procedure takes between four and six weeks on average.

In terms of value for money, in 2016, accumulated savings in the procurement of ICT goods and services through these mechanisms exceeded 200bn pesos. In 2020, a new Framework for Connectivity Services was launched (for two years). Compared to the previous framework, savings were estimated at 25% (the previous framework registered 21% in savings). The new framework also increased the number of suppliers from 8 to 12. The Cloud Framework Agreement has been credited with the creation and growth of new technology suppliers, often starting as SMEs.

What are the challenges?

Providers can only join the framework every two to three years. And there is less transparency and open data with the framework procedures than with traditional procedures (open data from these framework agreements is published through Tienda Virtual).[21] For complex and innovative projects, it is hard to integrate different components and suppliers (connectivity, cloud, software) and buyers

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[21] Datos.gov.co (n.d.), 'Tienda Virtual, Colombian government procurement data'.

will use traditional tender processes to hire an integrator (charging a significant overhead). Reports detailing the performance of the procurement vehicles are no longer publicly available. And it is reported that the processes for renewal and the creation of new vehicles has become slower.

Case 3: Australia

❝ *Our strategy has been to focus on ensuring procurement is data driven, measurable and transparent, and that this is consistent across government.*

— Dr. Anthony Vlasic, Chief Strategy Officer, Australia's Digital Transformation Agency (2019)

Context

In the past, government procurement processes in Australia were characterised as time-consuming, costly and complex. The risk-averse culture within the government added to the challenge. A lack of consistency and coordination across agencies and persistent problems, despite previous change attempts, were major issues. The Digital Transformation Agency (DTA), established in 2015, recognised the absence of robust systems and data for procurement.

Procurement change in Australia has been described as evolutionary rather than revolutionary, based on continuous improvement. More recently, the case for centralising IT procurement was made in the 2017 review, Report of the ICT Procurement Taskforce. The report recognised the need for a centralised approach to IT procurement in order to overcome frustration that IT investments were not delivering the envisaged benefits in digital transformation. This report aimed to create 'targeted re-centralisation' of IT procurement, with increased coordination across departments and states.

The report identified specific barriers to cloud/IT procurement related to a lack of flexibility around ways to deliver the solutions required. Issues include apprehension about data storage locations, data privacy, control over platform changes, and the adaptation to more contemporary application delivery models, such as Product-as-a-Service (PaaS) and Software as a Service (SaaS).

Reforms

> " *Under the government's Cloud Policy, agencies now must adopt the cloud where it is fit for purpose, provides adequate protection of data, and delivers value for money.*
>
> — Department of Finance, Australian government[22]

The transformation of Australian government procurement included the introduction of a cloud-first policy in 2014 and, through the DTA, a more centralised (whole of government) approach to IT, including procurement. The specific 'panel arrangement' for IT was called the Digital Marketplace, which is now incorporated within the buyict.gov.au framework.[23] The reforms were driven by policy and depended on access to the latest IT. The core principles in the policies are about encouraging competition, being innovative, being structured and being fair. Encouraging investment meant showing no discrimination between Australian and international business.

In the 2017 report (referenced above), the government committed to the following IT procurement principles:

- encourage competition,
- be innovative — iterate often, fail fast,
- be structured in a way that enables SMEs to compete fairly to directly provide components of significant ICT projects,
- be focused on outcomes,
- use open standards and cloud-first approaches,
- minimise cyber security risks,
- not duplicate the building of platforms that have been built by other agencies.

There is an emphasis on increased amounts of accurate data for measuring progress and improving decision-making. This data informs procurement strategy.

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[22] Australian Government (2014), 'Australian Government Cloud Computing Policy – smarter IT investment v3.0'.
[23] Australian Government (2023), 'BuyICT – Supporting the government to source ICT products and services'.

To deliver sustainable change, the reforms had to be agreed by all stakeholders. There have been roadshows around the country to encourage increased participation. In the last ten years there has been steady improvement of systems and data. Change in Australian procurement has been, and continues to be, evolutionary rather than revolutionary.

What have been the impacts?

Notable advancements have been made in recent years, exemplified by the increased adoption of open tender procurement by buyers. Over the decade spanning 2012 to 2022, the utilisation of open tendering grew from 40% in 2012 to 55% of all contracts awarded in 2021–22. This shift has fostered a more competitive and transparent environment, aligning with the overarching commitment to open data and accountability.

Furthermore, contract reporting has evolved significantly with more than 824,178 contracts reported during the aforementioned period, amounting to a total commitment of AUS$565bn. The median time for contract reporting has notably decreased, from 12 days in 2012–13 to eight days in 2021–22, a testament to the government's dedication to timely and accessible data.[24]

Policy objectives have been met too, with 30.8% of contract value awarded to SMEs in 2021-22, surpassing the 20% target.[25] The Indigenous Procurement Policy (IPP) has also been pivotal in driving substantial growth in contracts awarded to Indigenous businesses, escalating from AUS$6m in 2012-13 to more than AUS$2.2bn in 2022. This highlights a commitment to inclusive and equitable procurement practices.

The core principle of Cost Price Ratio (CPR) – value for money – has been embraced, emphasising the importance of competition, efficient resource use, accountability, and transparent decision-making. Notably, it is acknowledged that price is not the sole determinant in assessing value for money; both financial and non-financial costs are conscientiously considered.

The Australian government's pledge to encourage competition remains, exemplified by the commitment to non-discriminatory practices and providing opportunities for SMEs, aiming for 35% of contracts by value from SMEs. Further, non-corporate Commonwealth entities are striving to source at least 20% of procurement by value from SMEs, a clear testament to the pursuit of a more inclusive and diverse procurement landscape.

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[24] Australian National Audit Office (2023), 'Australian Government Procurement Contract Reporting — 2022 Update'.
[25] Australian Government , Department of Finance, (2023), 'Statistics on Australian Government Procurement Contracts'.

Efficiency and ethical procurement principles have remained at the forefront of government practices, ensuring the effective and ethical use of public resources. These principles aim to support the highest standards of transparency, accountability and data accessibility in procurement actions and decisions. In summary, the Australian government's commitment to advancing procurement practices aims are furthering transparency, competition and equitable access to opportunities for a wide range of businesses, including SMEs and Indigenous enterprises.

Outcomes, progress on procurement and from recent reforms

AusTender: Launched in 2003, this centralised the publication of government opportunities and remains the key platform. AusTender provides a comprehensive and user-friendly repository of procurement data, enabling easy access to a wider range of organisations, to information regarding government contracts, tenders and related activities. It introduced concepts like 'open tendering' and 'limited tendering', enabling suppliers to be informed and notified of upcoming tenders, and provided with detailed information about successful tenders.

Cloud-first policy: Introduced in 2014, this encourages government agencies to consider cloud solutions as the first option when procuring ICT services.

The Digital Transformation Agency (DTA): The Australian government established this in 2015 to lead its digital transformation agenda, with a focus on improving the delivery of government services to citizens through the use of digital technologies. Responsibilities include creating and supporting a common approach to IT sourcing. The DTA works on various initiatives to enhance the efficiency, effectiveness and user-friendliness of government services and systems.

Panel Arrangements: These arrangements offer standing offers from vetted suppliers, streamlining the procurement process and reducing costs. It opens up the market for businesses to participate more easily where there are commonly required goods or services.

BuyICT: This framework and panel arrangement for IT covers cloud, consultancy, digital, hardware, software and communications. It was established in 2016 and is managed by the DTA. It is an open platform bringing together government buyers and technology sellers. There are regular refreshes of offers and prices.

Data.gov.au: Through steady improvements, this platform was transformed from 'a series of spreadsheets' into a tool that allows the public to monitor government procurement, including open tenders and upcoming opportunities.

Supplier Engagement: A supplier portal was introduced to make it easier for businesses to understand and navigate the Australian procurement framework. There have been workshops to help businesses use the system more effectively.

Commonwealth Procurement Rules (CPRs): These rules, based on principles of value for money, open and competitive processes, accountability, transparency and ethical conduct, govern how Commonwealth entities buy goods and services. State and territory governments have their own procurement rules and regulations, but they are generally aligned with the CPRs.

OCDS Implementation (2020): Open Contracting Data Standards (OCDS) were implemented to improve data accuracy and reusability. However, the implementation falls short of the international standard, meaning additional work is required to understand the data fields.[26]

What are the challenges?

While these reforms have led to positive outcomes, challenges persist, including sustaining the momentum of reform, ensuring consistent adherence to CPRs, and addressing evolving procurement needs.

Particular emphasis is placed on the careful and considerate rollout of data-related changes. Implementing alterations to data collection processes takes time. The government is committed to optimising practices to streamline these efforts and benefit both suppliers and buyers.

There are plans to improve the Supplier Portal, to simplify the collection of crucial supplier information and make it convenient for suppliers to qualify and maintain their data. This approach reduces reliance on procurement officials and empowers suppliers to update their information independently, fostering efficiency and transparency.

There is a goal to support more informed decision-making. It is important to provide buyers with the essential information required to make informed choices when selecting suppliers. Focusing on this goal ensures that the changes made are not reversible, solidifying the transformation of procurement processes.

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[26] Open Contracting Partnership (2020), 'What does Australia's open contracting data look like?'.

Change is approached as a collaborative endeavour. Teams strive to achieve consensus among all stakeholders, ensuring that changes are seen as progressive. The importance of pacing our changes to allow all parties to adapt effectively is well understood.

Through the panel system and other reforms, the Australian government has nurtured strong relationships with entities involved in procurement processes. Partners are well informed about requirements, and valuable feedback is provided based on the data shared. This feedback loop demonstrates the utility of data sharing and encourages further cooperation. The objective is to harness data to its full potential, creating valuable insights. By sharing more data with us, our partners enable us to provide even more useful information, fostering a collaborative journey of data utilisation.

> " *Our focus (is) to accelerate our digital transformation within government to become one of the top three digital governments in the world by 2025.*
>
> — Australian Digital Government Strategy[27]

In summary, the Australian approach revolves around careful and deliberate changes in data collection, supplier engagement, and collaboration with stakeholders. Cloud-first and the establishment of the DTA are actions focused on bringing IT up to date. There are clear technical strategies and policy statements mandating the adoption of technology and the importance of high quality data is recognised.

In numbers, published AusTender statistics:

- 3,600 sellers have joined the digital marketplace since 2018
- 80% of those are SMEs and 2% Indigenous Businesses (an example of UBEs).
- Of the AUS$14.9bn in contracts, over AUS$8.0bn has gone to SMEs or Indigenous Businesses.
- The median time for contract reporting has notably decreased, from twelve days in 2012–13 to just eight days in 2021–22.

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[27] Australian Government (2021), 'Digital Government Strategy. Accelerating the future of our Australian Public Service'.

Case 4: United Kingdom

" *In 2011, there was a direct business case for the UK government, based on bringing together data centre spend in order to reduce overall costs and share resources better.*

— Warren Smith, Curshaw Commercial and former Director of the Global Digital Marketplace Programme, UK Cabinet Office

Context

A National Audit Office report (February 2011) identified many of the key challenges facing government procurement in the UK:

- A restricted choice of suppliers, often limited to established, larger organisations.

- Lengthy procurement timelines: traditional processes were slow, hindering rapid tech adoption.

- Complex documentation: confusing jargon and reams of paperwork, often taking hours to review and submit, deterred smaller companies and startups.

- High bidder costs: participation expenses discouraged smaller businesses.

- Lack of flexibility: rigid contracts caused cost overruns and hindered adaptation.

Since 2011, the UK government has recognised the importance of digital transformation in improving services while reducing costs. Procurement plays a central role in this transformation by enabling access to essential technology. However, at the time, procurement processes were not designed to buy and build systems and services in the agile or iterative way required for modern government.

For example, the pace of IT developments outstrips long procurement cycles, which can mean that organisations can be buying technology that is already obsolete. Reform was needed to bring in the IT required to enable the government's digital transformation.

There was also an opportunity to develop reforms based on a need to upgrade and consolidate the government's numerous and dispersed data centres. A review showed that data centres were 93% under-utilised. This pointed to a

critical need and strong business case for sharing infrastructure and aligning procurement processes between different departments.

The incumbent government was strongly motivated to foster economic growth, with a particular focus on supporting SMEs.[28,29] However, the bureaucratic hurdles involved in registering and bidding for government contracts often led to significant expenses, potentially costing suppliers £50,000 or more per bid. For smaller organisations, it would be a disproportionate burden, with a mostly lower chance of success.

As a consequence, only a handful of companies consistently secured the majority of opportunities, creating a situation where this lopsided distribution was perceived as the norm. This resulted in a track record of IT projects characterised by their excessive size, lengthy timelines, exorbitant costs, high risk, and complexity. These projects were plagued by overruns, delays and failures, undermining their overall success.[30]

Reforms

The UK government took a more nuanced approach to IT procurement than was previously the case, recognising that the same approaches cannot be applied across very different product and service areas. For many parts of government, this meant a significant change to their custom and practice, to move away from a one-size-fits-all approach. It demonstrated that the typical approach used at the time, of aggregation of demand and buying at scale, was not always suitable.

Early on, the government spent time building a multidisciplinary team, including legal practitioners, the commercial policy team, and digital specialists to create more user-friendly contracts, using plain language and improving accessibility. It recognised that early market engagement, providing project roadmaps, helped suppliers, especially smaller ones, to prepare, leading to more and better-value bids.

The team made road trips to engage with buyers and suppliers, to demonstrate the possibilities and dispel particular concerns about early engagement and discussion that were hampering reform.

The team developed a new set of procurement frameworks to facilitate better practice, based on exploiting available technology. For example, the cloud offered scale, security and resilience based on constant innovation. So the

[28] Cabinet Office (2011), 'Making Government business more accessible to SMEs'.
[29] GOV.UK (2015), 'Big opportunities for small firms: government set to spend £1 in every £3 with small businesses'.
[30] GOV.UK (2013), 'Francis Maude spoke on technology procurement and SMEs'.

frameworks allowed faster access to cloud and cloud-enabled services.

The frameworks implemented such as G-Cloud and the Digital Outcomes and Specialists provided the technology, processes and standards. The team recognised this was a fundamental change that would be refined year-on-year.

Another component was catalogue-based procurement. This helps buyers to estimate the costs of the components' needs and to work out which elements might be more important. This open competition with transparent pricing empowered tech teams. The first purchase of services using the new approach took just 24 hours, rather than the weeks or months experienced previously.

Outcomes from the reforms

" *The level of openness correlates directly to the level of benefits, for example you can see by how much business is going to SMEs.*

— Former CTO, Department for Transport, UK

G-Cloud was ambitious and recognised that there were a number of associated aspects of organisations and ways of working that would need to change in order to make this successful..

More centralised procurement makes it easier for public sector organisations to find and purchase goods and services. This reduces duplication and streamlines the procurement process and, importantly, doesn't need to lead to aggregation.

In a rapidly evolving environment, a dynamic marketplace allows suppliers to continually update their offerings and prices. This approach enables public sector buyers easier access to the latest technology and services.

G-Cloud promotes transparency of pricing, services and supply contracts, which helps all stakeholders make more informed decisions. For many in the field, increasing transparency down to transactional level is the fundamental principle that leads to better outcomes.

G-Cloud aims to simplify processes reducing the administrative burden and shortening the procurement cycle, bringing faster, less bureaucratic and more open published procurement pipelines in the sectors into scope. This has delivered IT, covering nearly £79bn of public sector spend since it was instigated.

The team leading the procurement reforms was able to show that pre-market engagement, talking to suppliers in advance, is good practice and low risk. G-cloud encourages increased competition, including greater SME access, to give buyers wider choice and better value. EU research shows that increasing the number of bid participants by a small factor has a profound impact on reducing costs.[31]

The framework is designed to deliver cost savings by leveraging the collective purchasing power of government organisations, leading to better value for taxpayers.

Outcomes, the different procurement solutions and results of reform

G-Cloud is a UK government initiative that provides a framework for public sector organisations to easily and cost-effectively procure cloud computing services.

DOS (Digital Outcomes and Specialists) is a framework under the UK government's Digital Marketplace, allowing public sector bodies to find digital specialists and teams for IT projects.

Digital Services and Digital Specialists refer to an evolution of DOS, the procurement framework. They emphasise the government's approach to acquiring digital expertise and services for various projects.

Digital Marketplace is a publicly available, online service that was used by public sector buyers to find organisations that have registered as providers of certain services and technology.

Contracts Finder, initiated in 2010, helps users to find central government procurement opportunities and awards above £10,000 and wider public sector opportunities and awards above £25,000. More than 347k notices have been published on Contracts Finder since 2015.

Find a tender helps users find higher and value public sector procurement opportunities.

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[31] DigiWhist, EU (2017), 'D3.2 Lights on the Shadows of Public Procurement. Transparency in government contracting as an antidote to corruption?'. (As referenced in the findings and evidence section above).

What have been the impacts?

> ❝ *The procurement processes are now more targeted and informed. Previously, a procurement that could take 4 to 6 months is now taking as little as 4 to 6 weeks.*
>
> — Brian Gannon, Director, Kainos (2015)

Crown Commercial Services' dashboard shows data from the different rounds of G-Cloud, demonstrating the value of contracts and the distribution amongst suppliers.

A 2023 report by the UK Crown Commercial Services estimates that over the 10yrs of G-Cloud £1.5bn of in commercial benefits have been achieved for public sector customers.[32]

The Digital Marketplace has saved the government billions of pounds since its implementation. These savings are not only financial but, according to interviewed sources, also encompass broader economic and social benefits and skills development. There is research to show that every additional tenderer leads to a price reduction (see examples above). Before G-Cloud, the average IT tender elicited three to four bids; after G-Cloud, it elicits eight or nine.

By adopting a user-centred, multidisciplinary and open approach to procurement, the Digital Marketplace has fostered economic growth. It has contributed significantly to the growth of the UK's digital economy, creating jobs and nurturing capabilities within the technology sector. The Digital Marketplace has facilitated the increased inclusion of SMEs in government procurement.. The success of the SMEs policy was measured and reported two years following the reform. The Cabinet Office reported that in the period between 2009/2010 and 2012/2013, direct government spend on SMEs increased from 6.5% to 10.5%.[33] Further, the Cabinet Office and National Audit Office also reported that this spend increased to 27% in 2014/2015, surpassing the government target of 25%.[34] [35]

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[32] Crown Commercial Service, (2023), 'G-Cloud computing initiative marks 10yr anniversary'.'

[33] Cabinet Office (n.d.), 'Making Government business more accessible to SMEs: 2 Years On'.

[34] National Audit Office, (2016), 'Government spending with small and medium-sized enterprises'.

[35] Cabinet Office (n.d.), 'Making Government business more accessible to SMEs: 2 Years On'.

The success of the Digital Marketplace can be attributed to its user-centred design, which respects the needs of both buyers and suppliers in public procurement. It prioritises collaboration, openness and responsiveness. Buyers have a clear picture of the validated supplier landscape and can award contracts and get work started much more quickly, leading to cost savings for the supplier too.

What are the current challenges?

The experts interviewed felt that progress with open government procurement has slowed. For some, transparency has reduced, for example by now requiring registration to access data that was previously open. A reduction in transparency is correlated with a reduction in benefits. There has been a negative impact on SME engagement.[36] For example, the percentage of business going to SMEs has missed the government target of 33.3% set in 2015, and that year remained around 26%, now reduced to less than 50%.[37]

There is a risk of reverting to previous inefficient practice. It is recognised that supportive leadership is essential to continued progress and development, and that this ministerial support needs to be strengthened. There is a danger of the UK losing many of the benefits gained from implementing open procurement. A consortium representing SMEs engaged in cloud technology has published a paper asking for a restoration of the G-Cloud Marketplace.[38]

> " *I strongly support the recommendations, which, if implemented, would restore G-Cloud to the system that made it an international success. The recommendations rightly emphasise the importance of competition and transparency in ensuring SMEs enjoy a level playing field in all areas of public sector technology procurement.*
>
> — Stephen Allott, the first Crown Representative for SMEs in the Cabinet Office (2011–2015), who developed the G-Cloud system

Procurement Act 2023

A new procurement bill has recently been accepted into law and is making its way through the UK parliament. It is expected to come into force by October 2024. . According to a reported PWC analysis,[39] from an open procurement perspective, the most impactful reforms will be:

- More flexibility in procurement procedures, framework rules and new dynamic markets.

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[36] Tech Monitor 30 (2023), 'SMEs could lose out after UK government shutters Digital Marketplace'.
[37] FT (2023), 'UK ministers miss small business procurement spending target'.
[38] Cloud Consulting & Technology Association (2023), 'CCTA Policy Paper: A Future Approach to Cloud Procurement: A future approach to cloud procurement'.
[39] Procurement (2023), 'PWC advises on UK public Procurement Bill reform'.

- Increased transparency requirement.[40]

  - the *"introduction of a number of new procurement 'notices', covering the entire procurement lifecycle from planning through to contract expiry"*

  - the implementation of *"a registration service for suppliers, where they can input information that will be used by all contracting authorities during procurement processes – a 'Tell Us Once' system"*

  - the launch of *"a digital platform which will display all of this information publicly, with API access to data published to the Open Contracting Data Standard"*

- Minimum contract management obligations, driven by KPI-monitoring requirements.

- Enhanced debarment and exclusions regime.

International impact

What is the applicability of the Digital Marketplace model to other countries seeking similar benefits? While there is no one-size-fits-all approach, the fundamental idea is to establish a dynamic procurement framework that enables smaller and innovative businesses to engage with government procurement. Each country should tailor its approach to meet the specific needs and dynamics of its local market.

Starting with a platform like the Digital Marketplace, or adopting dynamic and flexible procurement practices, can be an exciting prospect for start-ups and innovative businesses, as it opens doors to government procurement opportunities. Simultaneously, it offers governments the opportunity to tap into innovative solutions and foster economic growth within their technology sectors.

The UK's journey from reformed procurement practices to the emergence of the Global Digital Marketplace Programme.[41] Closed down in 2020, this was a partnership between GDS (Government Digital Service) and the FCO (Foreign and Commonwealth Office), serving as a valuable blueprint for other countries looking to enhance their procurement processes, drive innovation, and stimulate economic growth, through dynamic and inclusive approaches.

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[40] DWF (2023), 'Procurement Bill: a more effective and transparent system'.
[41] GOV.UK (2018), 'Help the Digital Marketplace go global, 2018'.

Recommendations and conclusions

For governments, public procurement plays a key role in delivering vital goods, works and services to citizens. This process, when conducted more openly and with integrity, boosts not only public confidence but also investment. As we have shown, open procurement has a significant positive impact on national economies. Open procurement enables the digital transformation of public services by providing better access to cutting-edge IT equipment and expertise. The recommendations in this report demonstrate the range of benefits from open procurement reforms, and show how accessing substantial cost savings means that the reforms pay for themselves.

The cases presented demonstrate that there are a number of effective levers for applying open procurement, that can provide access to transformative economic and social benefits. Whilst transparency is fundamental to open procurement, there are other factors to consider. To enhance the range of practices, we present key recommendations for governments to implement open procurement successfully. From the establishment of a centralised approach, to the adoption of standardised data formats and the integration of pre-market engagement, these recommendations aim to streamline processes, empower businesses and public sector buyers, and align procurement activities with broader policy objectives. Furthermore, we emphasise the importance of international collaboration, ongoing engagement with suppliers, and the implementation of open contracting reforms. Each recommendation contributes to creating a procurement ecosystem that is more efficient, transparent, and conducive to achieving government objectives.

Adopt open e-procurement platforms: Invest in user-friendly and accessible centralised or interoperable e-procurement platforms, increase transparency through open data, increase access, and provide a unified interface for both government buyers and suppliers.

Implement centralised procurement frameworks: centralised, but flexible, procurement frameworks, similar to the UK's G-Cloud, simplify procurement processes, increase competition and provide better value for taxpayers. Minimising jargon and complexity, for example by simplifying tender documentation, reduces barriers for smaller organisations and non-procurement specialists in government.

Standardise data formats: Embrace standardised data formats, such as the Open Contracting Data Standard (OCDS), to ensure consistency, accuracy and transparency in reporting procurement activities. Provide open data in machine-readable formats. This increases the amount of available, high-quality data to feed into smarter future procurement decisions and strategy.

Ensure clear policy objectives and targets: Set clear and measurable policy objectives for government procurement, including targets for supporting SMEs, promoting local businesses, and achieving broader societal goals such as those relating to DEI.

Implement supplier engagement initiatives: Implement ongoing supplier engagement initiatives, including workshops and training sessions. Enabling fair opportunity for a diverse range of suppliers so that, for example, innovative businesses better understand government needs and how to participate. This improves two-way understanding helping to reduce barriers on both sides.

Ensure pre-market engagement: Within supplier engagement, encourage pre-market engagement, allowing government entities to engage with suppliers in advance. This promotes mutual learning, better cost estimation, and increased understanding of project requirements, leading to more suitable and successful implementation.

Publish data openly: Publish open data, with an open licence, to increase visibility of opportunities and progress through the whole procurement cycle. This helps suppliers develop strategies to meet government demand and helps buyers by giving them increased visibility of other government work. It helps combat corruption by involving citizens and businesses in monitoring and evaluating public procurement activities. This ensures trust and accountability in the procurement process.

International collaboration: Facilitate international collaboration and knowledge-sharing among governments, to exchange successful approaches, best practices, and lessons learned in open procurement. This promotes continuous improvement in procurement practices globally.

Support and participate in benchmarking: The 'working model' of open procurement, including the wider characteristics, could readily be developed to provide a very useful benchmark for the sector. This would show participants which characteristics or levers of open procurement best practice are most likely to lead to the desired outcomes, depending on comparable circumstances.

Embrace innovative technologies: Explore and integrate emerging technologies, such as AI, data analytics and open APIs, to enhance the efficiency, security and accountability of open procurement processes, making better use of the data being generated. Ensure data is open and accessible to stakeholders. Investing in cutting-edge solutions can streamline workflows, reduce errors, and further modernise procurement practices for optimal outcomes.

While striving for open procurement excellence, governments must also be cautious about certain pitfalls. Avoiding opaque practices, favouritism and unnecessary bureaucracy is crucial. 'Transparency' should not be a buzzword but a genuine commitment reflected in every step of the procurement process. Additionally, governments should guard against overcomplicating procedures, as simplicity fosters accessibility and wider participation. Continuous evaluation, stakeholder feedback and a commitment to learning from both successes and challenges will be instrumental in refining and evolving open procurement practices over time.