Why public procurement needs integrated technology for better transparency
Efficient modern procurement systems require changes in how governments think.

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Introduction

Today, building a really efficient modern procurement system requires changes in how government thinks and acts on procurement, and technology is the driver. GovTech is a co-production approach that brings technology innovators and governments together to transform both the way government administers procurement and the way it delivers procured services to the public. Digital innovation is evolving as quickly as public expectations. Yet, legacy government e-procurement systems are made with internal controls in mind, but little thought of service to the ultimate consumer: *the public*.

Does this mean government procurement practitioners are ignoring service to the public? No, but the narrow-focus on e-procurement and open data may be missing opportunities to better serve citizens.

For the last two decades, particularly in emerging economies, electronic government procurement (e-GP) and open data have been promoted as the most effective means of ensuring transparency in government purchasing. Many evolving economy countries around the world, including Bangladesh, Chile, Jamaica, Slovakia, Zambia and others, adopted e-procurement to pave the way for doing more business with higher income countries. They created or upgraded public procurement governance frameworks that could transfer to an on-line, secure environment with a multitude of advantages: mitigate fraud, provide transparency, streamline the approval workflow, and make it easier for auditors to track how money is spent, and report to donor countries or lending institutions. Some, like Kenya, ran into problems almost immediately when it became clear they hadn't sufficiently communicated with suppliers or government procurement staff, before adopting their system. In another example, early reviews of the e-procurement system of the United Arab Emirates, revealed a need for a comprehensive e-procurement strategy and policy that would prompt "organizational change", so that e-GP would not be just a technology add-on, but a new component requiring redesign of the UAE's public procurement model.

In fact, early adopters of government e-procurement systems, suffered a common thread of disadvantages that included everything from slow internet speeds and information overload, to poor user interfaces. Those challenges were outweighed by increased accessibility of public purchasing information, positively affecting competition, prices, contract allocations, and contract management.

Now, much like the private sector, governments are grappling with how to provide holistic services to their constituents. This requires going beyond e-procurement to determine which new technology to invest in, how to integrate digital solutions with existing procurement systems, how to recruit internal expertise, offer citizens the transparency they've come to expect, and manage supplier competition, while balancing security issues. GovTech can optimize procurement in a new way, bringing more transparency and efficiency to both how government functions and public expectations of government service delivery for improved accountability.

In Asia-Pacific for example, a UNDP initiative to increase transparency in public procurement, found that technology can help developing countries foster open information exchange with their citizens, tackle integrity risks, and enable government savings that increase resource availability for sustainable development.

How can improvements be made?

Here are four technology-based transparency solutions that, together with an e-GP platform, promote a client-centric approach to public procurement:

1. Start-Up technology partnerships - Procurement is integral to the basic services government agencies provide to the public, and partnerships with the tech sector are critical to innovation. To increase efficiency in interactions with the public, governments and tech start-ups would benefit from innovative collaborations. More flexible methods of procurement would allow these partnerships to test, provide valuable feedback, and procure technologies that incorporate digital innovations such block chain, artificial intelligence, and civic tech, to optimize both how government services are provided and monitored by the public.

According to a recent Boston Consulting Group and Eastern Foundry survey of over 100 investment funds, start-ups, and venture capital firms, the number one reason tech savvy enterprises don't bid on government contracts is the time it takes to win government contracts. Other factors cited include a lack of understanding of government procurement procedures, complex contract processes, and lack of experience with bidding on government projects. Yet, many governments are eager to jump on the start-up bandwagon, especially by procuring with small and medium tech enterprises and in return, tech start-ups gain insights and product exposure by applying their technology-based innovations to the pressing challenges governments face. For example, the government of the United Kingdom has announced plans to spend 33% of public procurement funds on contracts with tech small and medium enterprises (SMEs) by 2022.

2. Customer Relationship Management (CRM) systems - These systems offer more personalized client services. A CRM system can help government segment clients and better meet their needs. For example, business populations may have different expectations of interactions with government, than civil society. Both groups interact with government, but their needs are likely to vary. An advanced CRM system would usually include automation tools that enable customized communication to clients. For example, the CRM can be used to schedule and automatically deliver personalized responses to inquiries, send automated letters that address issues relevant to the individual, and even schedule social media posts.
By tailoring messaging and offerings through a CRM, governments can demonstrate a focus on individual goals and challenges - not a one-size-fits-all approach.

3. Account aggregation software - Every procurement in the public sector doesn't need the same level of review. Aggregation software uses artificial intelligence to allow governments to classify large volumes of procurement spend information, by commodity or other characteristics, for example, while uncovering data insights that can add value. Consolidated account information, provided by account aggregation tools, can sift through massive amounts of information and help improve supplier/vendor on-boarding, while making it easier for open data users to spot unusual or potentially fraudulent activity. Account aggregation software could also facilitate proactive flagging and review of procurement activities where there is potentially inefficient spending. Popular examples of public sector procurement solutions that offer such tools include Coupa, DLT, Morningstar, and Workviva.

4. Interactive Digital Security - With hackers extorting large sums of money from their ransom ware attacks on everything from government infrastructure to supplier data, and scammers using increasingly sophisticated technologies to pretend to represent government agencies, and fraudulently seeking goods delivered to them from unsuspecting online vendors, it is critical that investments in security integrated technology solutions take center stage. The Centre for Internet Security offers advice on how governments can invest in procurement technology with integrated security/authentication software, while respecting user privacy.

While private sector needs traceability in supply chains to avoid financial loss, and ensure supplier reliability, in the public sector, the priorities are different in that citizens seeking information on public procurement, should have simple access online, without having to reveal their identity in exchange. Instead, governments could rely on Application Programming Interfaces (APIs), as one way to offer machine readable data that can be exchanged securely through secure browsing, while improving cyber security. One example from the Netherlands of integrated security/authentication software, had the government procure smart-phone authentication to protect sensitive applications, as part of the Dutch Security Agency cyber security program. GovTech entrepreneurs are working diligently to prevent or limit cyber security attacks, but there's still much room for improvement.

All of the above-mentioned resources have the potential to boost trust in government, spark better collaborations between public and private sector, and improve public satisfaction with government services. Client-centric procurement technologies can also help developing countries improve transparency, jump forward in efficiency and minimize risks.

By putting the public at the center of government procurement technology transparency models, governments can improve citizens' experiences at each point of interaction, and in turn, citizens can trust that public funds are being used for public good.

Author

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As Director of Global Executive Trade Consulting Ltd., Magda has contributed to more than twenty public procurement governance initiatives focused on institution building, policy development, anti-corruption, and contract management in lower income countries. Her clients include UNDP, USAID, Social Impact, IADB, and World Bank. Magda has two decades of experience planning and implementing projects with diverse stakeholders in 30+ evolving countries. Her combined expertise makes her a sought-after consultant for programs throughout Asia, Africa, Latin America and the Caribbean.

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