



# Financing For Development 4

## The Critical Role Of Better Public Procurement For Best Use Of Domestic Resources To Meet The SDGs

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This is a submission to the Conference on Financing for Development by the [Open Contracting Partnership](#), a US 501(c)(3) public charity working in over 50 countries to open up and transform public procurement for over a billion people, and to support the better spending of US\$2 trillion of domestic resources by 2030.

Below, we make the case that better public procurement is a priority cross-cutting public financial management reform to deliver the SDGs on the ground, and to make better use of domestic resources and of international aid. We cite compelling evidence on the huge return on investment from better digital procurement systems, as well as recent UN precedents on the importance of procurement, including the UN Convention Against Corruption's first ever resolution on "[Promoting transparency and integrity in public procurement in support of the 2030 Agenda for Sustainable Development](#)", agreed in December 2023) that sets out a clear and updated international consensus on good procurement from which FFD4 should draw.

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## 1. A global financing framework

### a) Better public procurement as a cross-cutting public financial management reform to deliver SDGs on the ground

Our world runs on public contracts. One third of all public spending goes to public procurement, [some \\$13 trillion of spending every year](#), touching every sector and every goal in the Sustainable Development Agenda. Government procurement is *the* vital transmission mechanism to deliver the SDGs – this is how donor money, directly or indirectly, will be spent on goods, works, and services to deliver SDG outcomes.

The [Addis Agenda recognized the importance of public procurement for development in paragraph 30](#) under the domestic public resources action area, which commits to “establish[ing] transparent public procurement frameworks as a strategic tool to reinforce sustainable development.” **New research and evidence now reveals just how important public procurement is to achieve the SDGs, and new precedents have also been set internationally on which FFD4 can draw to elevate global standards.**

A [new World Bank report](#) on the fiscal vulnerability of the world’s 26 poorest economies estimates that these economies—home to about 40 percent of all people who live on less than \$2.15 a day—are poorer today than before COVID-19 and deeper in debt than at any time since 2006. As a result of mounting deficits, government spending has shifted away from crucial sectors, such as health, infrastructure, and education, that are crucial to achieve the SDGs. **A critical finding and recommendation is to strengthen the transparency and efficiency of public spending and procurement.**

The Copenhagen Consensus Institute [estimates that investment in digital, accountable e-procurement systems is one of the twelve best investments in the world to achieve the SDGs](#).<sup>1</sup> Because the resources being spent through procurement are so large, even small improvements can have a massive impact in terms of scale, leading to a very high return on investment. Specifically, they find that “the benefit-cost ratio of implementing an e-GP system in the average low-income country ranges from 8 to 58 and is 142 to 473 for a lower middle-income country.”

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<sup>1</sup> To which OCP contributed with its evidence and experience.

Yet, public procurement often remains an overlooked and underfunded paper-based chore. The concentration of money and discretion makes [it a government's number one corruption risk](#). [According to the OECD](#), nearly 60 percent of foreign bribes are paid to obtain public contracts, worldwide. Corruption and misspending in procurement can have a devastating impact on people's lives: [vulnerable HIV patients facing overpriced medicines](#), [collapsing bridges](#) and ['ghost schools'](#), or [PPE purchases from raspberry farms](#) during the pandemic, among many others.

Better public procurement and spending will be vital to achieving every one of the SDGs; for example, [four of ten key barriers to achieving SDG 3 on universal health care are procurement-related](#). The Covid-19 pandemic revealed the critical importance of effective, efficient, results-driven public procurement, especially of PPE and medicines. Further, the [IMF estimates that there is a 30% gap](#) between the price paid for infrastructure and the quality delivered. Even as we seek to raise new resources to support the SDGs, we need to work urgently to improve the transparency and effectiveness of how these are spent – which will be predominantly through public procurement.

Better public procurement will also be vital for economic inclusion and innovation. [Almost one-third of small businesses are owned or led by women, yet they receive just a fraction of public procurement spending](#) (between 5% and 18% in the few countries for which data is available).

And with public procurement estimated to be responsible for a jaw-dropping [15% of all greenhouse gas emissions](#), governments urgently need to introduce more sustainable procurement policies and processes and to buy things in a different way that ensures better value for people and the planet.

**Is crucial that the FFD4 Outcome Document recognizes the huge importance of better public procurement and elevates its function as a force multiplier to deliver every SDG.**

We discuss the evidence, precedents, best practices, and specific language that can be used for FFD4 in the rest of our submission.

## b) Evidence: The impact of public procurement on the SDGs

The [Open Contracting Partnership](#) is a US-based public charity working in over 50 countries to open up and transform public procurement, working across governments, civil society, multilateral organizations, and the private sector, especially with small businesses.

OCP supports these reformers directly with:

- 1) Goal-driven public procurement reforms;
- 2) Coalitions of change that elevate the voices of civil society, businesses, and communities;
- 3) Digital and technical support to unlock and share valuable information as open data on government spending using the free, open source [Open Contracting Data Standard](#), a global digital public good;
- 4) Peer exchange and learning through a global community of expertise.

We've [documented reforms](#) where open contracting resulted in major improvements in value for money, competition, efficiency, integrity, innovation, and inclusion. Diverse examples illustrate what's possible across country contexts:

i) **Ukraine.** [Prozorro open contracting reforms](#) have delivered over US\$6 billion in savings and made the public contracting sector more diverse, equitable, and inclusive, with more than 80% of contracts now going to small and medium-sized companies. Ukraine's reforms cost about US\$5m, meaning a 200 times return on investment in the first year alone.

The Ukrainian government, civil society, and the international community are building on these digital, accountable, open contracting approaches to improve trust and accountability for the country's reconstruction. The country's [Digital Restoration Ecosystem for Accountable Management or DREAM](#) provides an digital end-to-end ecosystem for public investment management from registering damages to project preparation and delivery from the ground up with community input to enabling multilateral and bilateral donors to identify projects to fund or track where their spending has been allocated.

ii) **Dominican Republic.** The Dominican Republic overhauled its procurement agency, [digitizing the whole procurement process and introducing risk-based monitoring](#) to spot corruption risk indicators early to intervene before things went wrong, and improve both debarment of bad actors and coordination among different agencies and

civil society. More than 20,000 new suppliers registered with the agency, competition across the different open procurement processes has increased by nearly 50% since 2018, supplier diversity is up by 27%, and over 60+ suppliers were debarred for violations.

iii) **Ecuador.** OCP supported government and civil society to improve the public procurement ecosystem through better data disclosure, legal reforms to increase integrity, and multi-stakeholder collaboration. This helped the government respond directly to the pandemic, including making over 8,700 emergency contracts worth over US\$564 million available in user-friendly open data and training over [24,000 officials](#) on how to do emergency procurement more efficiently. By 2023, the procurement agency SERCOP worked with civil society to improve competition and bring in red flag risk indicators, which has resulted in a 19% decrease in the number of notoriously non-transparent special procedures used for procurement, and a 17% increase in vendor participation.

iv) **Uganda.** Uganda's Public Procurement and Disposal of Public Assets Authority (PPDA) worked collaboratively with civil society and a development partner, the German Development Agency GIZ, to build a [digital contract monitoring system to increase local accountability and improve the delivery of public services and infrastructure](#) particularly in remote areas. Since the Contract Monitoring System's launch in April 2022, around 560 civil society monitors have examined 345 projects. The new feedback mechanism between civil society and government has led to the resolution of 225 local or national issues.

v) **Indonesia.** Indonesia's procurement agency partnered with the local CSO Indonesia Corruption Watch to [create the online risk-monitoring tool](#) and to collaborate on [new monitoring and audit procedures have resulted in hundreds of cases being investigated and fixed](#), with over US\$18 million being recovered.

vi) **Rwanda.** Rwanda's e-procurement system is [recognized as one of the most successful in the African region](#) and has even been used directly by IFIS. We have supported Rwanda's Public Procurement Authority, working with local software developers as well as civil society to unlock and use the data from the system to improve accountability and service delivery, enabling better oversight, as well as measuring the performance on leveling the playing field for women-led and marginalized businesses.

**viii) Moldova.** A collaboration between patients and the government on open contracting reforms for medicines [helped the country improve and increase treatment by saving 14.5% on medical procurement overall, and enabling the real-time monitoring of \\$60 million worth of medical contracts.](#)

Open contracting has been endorsed by, or helped to set high-level norms for, the [G7](#), the [G20](#), and the [UN Convention Against Corruption](#), among [other international organizations and frameworks](#) and other instruments that promote transparency, fair competition, and better practices in procurement such as the WTO's Government Procurement Agreement and the UNCITRAL Model Law on Public Procurement.

## 2. Action Areas

### a) Domestic public resources and UN precedents on better procurement from UNGA & UNCAC

[The Addis Agenda recognized the importance of public procurement for development](#) under the domestic public resources action area in paragraph 30, which commits to “establish transparent public procurement frameworks as a strategic tool to reinforce sustainable development.”

The FFD4 outcome document should recognize the vital importance of open contracting and better public procurement as a priority public financial management reform, and as well as being a key source of data for monitoring the delivery of essential goods, works, and services – and ultimately the SDGs themselves – as public contracts are executed.

Procurement is a reform area where every government has room to improve in the context of better matching public spending to the SDGs. We see scope for South-South, North-South, and indeed South-North knowledge and technology transfer. This should be supported by technical assistance and capacity building from multilateral development banks, bilateral and multilateral financing for these reforms, and funding for CSOs and media who focus on community engagement, planning, and monitoring of public contracts.

There is a good template for the FFD's recognition of the importance of procurement that has already received widespread international support. Specifically, the 10th Conference of the States Parties to the UN Convention Against Corruption agreed a resolution on the

importance of better transparency, data and digitization and accountability in public procurement to achieve the 2030 Sustainable Development Agenda, in its [Resolution COSP/2023/L.13 on “Promoting transparency and integrity in public procurement in support of the 2030 Agenda for Sustainable Development”](#).

The background to the Resolution is that a lot has changed in terms of data and technology in the 20 years since the UNCAC Convention was negotiated, and it was important to update global norms of what good procurement means now: in short, moving procurement from a paper-based, procedural chore to a data-driven, intelligent source of valuable information, and the ability to better understand public spending and its impact.

For example, [over 20 African countries now have some form of electronic public procurement system](#) – with the first only in 2014 – with transactional workflows to tender, receive bids, and award contracts. Some 67% of them allow for ePublishing or Notification, 31% for eTendering and 25% for eEvaluation or Awarding.

Some of the best practices for procurement that the Resolution emphasizes are:

1. Transparency across the “whole public procurement cycle” (§3);
2. Having a single rulebook to govern procurement, with “easily and publicly accessible, clear, transparent and consistent public procurement laws” as opposed to the patchwork of regulations and quasi-regulatory dark matter we see in most countries (§1);
3. “[Ensuring] open, equitable and fair competitive tendering” and “publishing clear selection criteria” with “strict and limited” exceptions and that such exceptions be publicly disclosed” (§ 7);
4. “Integrated electronic procurement systems that collect, manage, simplify, standardize, and publish open data on the whole procurement cycle in a timely manner and in a user-friendly format” (§ 8);
5. Supporting the “analysis of procurement data and automated risk indicators, such as early warning methodologies or other means of detecting and reporting potential suspicious activities” (§ 9);
6. “Effective and inclusive public participation” (§17); and
7. “[Establishing] appropriate and effective measures that provide for audits across the whole procurement cycle and to ensure that the competent oversight authorities... have the necessary resources for assessing... the governance, the processes implemented for public procurement and the quality of internal control... and in the

event of alleged corruption, investigate or report to the competent authorities for investigation” (§19.)

In addition, similar language can be found in the the UN General Assembly’s [Resolution 73/191 of the “Special Session of the General Assembly against Corruption”](#), which states:

*§10 We commit to increasing transparency and accountability in the management of public finances and in government procurement, funding and contracting services to ensure transparency in government actions in the use of public funds and during the whole public procurement cycle. We commit to strengthening data-collection systems and open databases that are accessible and user-friendly, in accordance with domestic laws, and to better understanding and better enabling oversight and accountability, including by supreme audit institutions and oversight bodies.*

**Given that FFD4 addresses the broader topic of financing for the SDGs, it is important to go beyond a corruption framing to also emphasize the positive benefits for all SDGs, including economic growth and inclusion (especially for small, women-owned, and historically marginalized businesses), innovation, service delivery, medicines, infrastructure, or climate mitigation and adaptation.**

#### **b) Suggested recommendations on better procurement under “Domestic Public Resources”**

The FFD4 Outcome Document should:

1. Recognize public procurement reform as a critical component to ensure better results from public financial management and mobilizing public resources. While public procurement is most strongly related to the action area on domestic public resources, it also touches upon many of the other action areas given its multidimensional and multi-stakeholder nature (see list below).
2. Reference the UNCAC Resolution [COSP/2023/L.13](#) clearly, and encourage its full implementation.
3. Detail some of the key elements of priority reforms and best practices such as:
  - Strengthening public procurement through open contracting reforms that cover the whole cycle of public procurement, ensuring open data and information are collected at the planning, tender, award, contract, and implementation stages. Each stage has valuable information for monitoring and evaluation of development



finance, and opportunities to involve key stakeholders to improve development outcomes.

- Ensuring public procurement tendering processes are equitable, open, fair, and competitive, with a focus on encouraging the participation of small and mid-sized businesses as well as businesses owned by women and marginalized groups to foster economic development and equitable opportunities.
- Encouraging states to adopt integrated automated public procurement systems that publish open data that can track automated indicators across a range of risks and vital development metrics.
- Recognizing the [importance of open contracting in the infrastructure sector](#) as a large area of development spending with high risk and complex contracting arrangements, and encouraging the use of electronic investment mapping systems that include a clear public pipeline of major infrastructure projects to track and monitor implementation and improve efficiency and coordination, like the IDB's [MapaInversiones](#), Ukraine's [Digital Restoration Ecosystem for Accountable Management](#), or the City of Buenos Aires's [BAObras platform](#).
- Supporting the connection of open data on public procurement to other valuable data sets including budgets, [beneficial ownership data, and company registers](#) to generate open data on public procurement that can be used not only to monitor corruption risk and foster competition by assessing common ownership, but are also the building blocks of collecting data to monitor gender, sustainability, equity, and social value indicators relevant to wider achievement of the SDGs. This includes leveraging beneficial ownership information to track progress around [local content policies](#), especially those targeting women and other target groups.
- Encouraging development finance institutions including the World Bank, the International Monetary Fund, and all of the regional development banks to approach procurement reform holistically, supporting digitization and data across the whole procurement cycle in their country programming, technical assistance, and loan agreements while engaging civil society and smaller businesses to make changes more sustainable.

As mentioned above, public procurement touches upon many of the action areas given its multidimensional nature. In addition to improving domestic public resources, public procurement is vital to set practices related to:

- a) Domestic and international private business and finance, by providing companies access to one of the largest national marketplaces. Better public procurement will also be vital for economic inclusion and innovation. [Almost one-third of small businesses are owned or led by women, yet they receive just a fraction of public procurement spending](#) (between 5% and 18% in the few countries for which data is available).
- b) International cooperation, such as technical assistance on e-procurement by multilateral development banks.
- c) International trade as an engine for development, for example through the World Trade Organization's Government Procurement Agreement.
- d) Debt and debt sustainability, as savings from better public procurement and public financial management can help address the debt crisis.
- e) Science, technology, innovation, and capacity building, as the government has a key role to play in incentivizing new technologies, particularly those that establish innovative approaches to address key challenges.

### 3. Emerging issues

Public procurement relates to the following emerging issues:

1. **Mitigation and adaptation to climate change:** Our governments will need to buy things in a fundamentally different way if we want to tackle the climate crisis. The ONE Campaign found that two-thirds of the OECD-claimed [climate-related funding "are never reported as disbursed](#) or didn't have much to do with climate to begin with." Sustainability needs to be at the heart of every government purchase if we want to have greener, cleaner, and more resilient supply chains. Done better and openly, public procurement presents a huge opportunity to fight climate change. Done poorly or left unchanged, procurement will be a brake on environmental and social progress and leave the most vulnerable communities behind.
2. **Enabling innovation & new technologies:** As highlighted in action area **g**, government has a key role to play in incentivizing and supporting new technologies, particularly those that establish innovative approaches to address threats in SDGs such as health, renewable energy, or to test and invest in public infrastructure. New technology approaches, particularly related to generative AI, are emerging rapidly as potential solutions. All of these technology solutions will have to be procured by the government for them to be implemented, and will require a robust and well-resourced

public procurement system to do so effectively and with external oversight to mitigate risks.

#### 4. Data, monitoring and follow-up

High-quality data on public procurement and spending will be crucial to ensuring that the billions of dollars needed to meet the SDGs are spent well, with better outcomes for people and the planet.

We support an [Open Contracting Data Standard](#) that makes information across the whole public procurement cycle available in a standardized, documented, user-friendly, and accessible way for over 50 countries, cities, and regions around the world, covering billions of dollars in public spending. Importantly, OCDS was also informed by the International Aid Transparency Initiative so they are complementary and intraoperative initiatives.

Data analysis and business intelligence dashboards built on the OCDS provide a wide range of stakeholders inside and outside of governments with a timely and valuable resource to track whether government spending delivers, from [spotting gaps in access to maternal and child health services](#), to providing [critical information for government users to spend better](#), to [tracking the uptake of more sustainable procurement practices](#).

The OCDS is a digital public good that provides tested and detailed guides and resources, as well as indicators that can be calculated related to market opportunity, internal efficiency, value for money, public integrity, and service delivery.

Finally, as a globally recognized and used data standard, the OCDS supports the connection of procurement data to other valuable data sets such as budgeting, beneficial ownership information, as well as spending information. This allows for monitoring corruption risks and following the money, to ensure that development finance reaches the final beneficiary. It also provides the building blocks for collecting data to monitor emerging issues such as gender, sustainability, equity, and social value indicators relevant to the wider achievement of the SDGs.

A powerful example of bringing together such building blocks is [our collaboration on flood resilience with the State of Assam, India and CivicDataLab](#), a dynamic open data company in India. The project connects public procurement and spending on flood defenses with environmental data assessing flood risks and socio-economic indicators, to support better

flood preparedness and protection of the state's most vulnerable citizens. In 2023, this helped the government direct 95% of the budget to protect the regions and populations identified by the modeling as highly vulnerable to flooding, benefiting approximately 6.5 million people. Importantly, using data as opposed to manual surveys hugely increased efficiency and speed of decision-making, taking the time of 33 staff, as compared to more than 150 staff before.

## 5. Overarching reflections

Better public procurement outcomes will touch people's lives directly – through better school meals, cheaper essential medicines, more efficient disaster response, and so much more. When citizens feel connected to better spending, it rebuilds trust in development financing and aid.

As mentioned, [investment in digital, accountable e-procurement systems is one of the twelve best investments in the world to achieve the SDGs](#), according to the Copenhagen Consensus Institute, and “the benefit-cost ratio of implementing an e-GP system in the average low-income country ranges from 8 to 58 and is 142 to 473 for a lower middle-income country.”

We submit these ideas, suggestions and examples from around the world to demonstrate the power of locally-rooted open contracting reforms to transform public procurement into a strong engine for effective development finance implementation, backed by a community of practitioners involved in planning, implementing, and monitoring the effectiveness of public spending on contracts. We work with civil society organizations, industry associations, civic tech leaders, and social enterprises from over 50 countries around the world, and our community of best practice is a truly global, inclusive collective endeavor.

We hope you find the suggestions and specific language in this paper helpful, and that you choose to highlight the power and importance of better public procurement in FFD4 so we can make sure that \$13 trillion dollars spent per year spent through public procurement can more effectively deliver the vital goods, works and services for people and the planet that we all need to achieve the SDGs.

Thank you.