

Can we have evidence-based procurement policy?

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*New Priorities in Public
Procurement*



Context

- Reform of EU procurement directives and implementation in UK of Public Contracts Regulations 2015
- Increasing emphasis on use of public procurement to achieve ‘horizontal’ objectives: social value, environmental protection, support for SMEs etc.
- Large-scale research indicates that these policies are pursued by public authorities across Europe, but there is relatively little evidence of whether they are effective
- New sources of data on public contracts are becoming available, and this will increase under the new directives

What is evidence-based policy?

- Can be defined in distinction to policy based on ‘ideology, ignorance or inertia’ (Banerjee and Duflo, 2011)
- An attempt to make policy more robust and effective
- Use of randomised controlled trials or other methods
- Idea of policy experiments is not new – but the ability to analyse very large data sets to support these is
- Public procurement may be particularly well suited to this – constant stream of contracts and many are comparable

Example of current policy

- Lord Young recommendations to increase SME participation and success in public procurement
- Based largely on anecdotal accounts of the procedures which irritate (some) smaller companies (or their associations)
- Has lead to a major change in rules for below-threshold contracts: Pre-qualification questionnaires (PQQs) are now banned
- Questionable whether this will achieve the stated aims of the policy
- Implications for SME and public resources due to higher number of tenders which will need to be prepared and evaluated in full

“Tendering red tape holds firms back”

The Telegraph, 10 March 2014



Photo: Alamy

Alternative approach

1. Randomly select contracts to apply specific measures to encourage SME success (e.g. division into lots, pre-procurement market consultation, longer timelines, no PQQ)
2. Randomly select a control group of contracts of similar value/nature in which no such measures will be taken.
3. Compare results in terms of SME participation and success.
4. Carry out validation work to confirm how the measures worked in practice and whether they are repeatable.
5. Implement policy based on the results and validation.

Other areas needing evidence

- Does greater competition for public contracts lead to lower prices being paid? Is this cancelled out by higher transaction costs?
- Are higher-value contracts of greater cross-border interest?
- Does use of negotiation result in better contracts?
- What effect do environmental and social criteria have on tender outcomes?
- Does central purchasing impede chances of SME success? Does it improve value?

Thank you.

Questions/Discussion



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