Government Procurement Performance Management

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Government Procurement Performance Management: China’s Experience

Reform Background

Reform Process

Reform Outcomes
Since around 2000, focus of fiscal reform has shifted to expenditure management, resulting in a host of reforms including departmental budgeting, centralized payment of national treasury, government procurement and separation of revenue and expenditure.

Government Procurement Law of the People’s Republic of China officially takes effect

Government procurement institutional reform in China has thus embarked on a path of law-based development. Reform has been quickly rolled out nationwide and breakthroughs have been made. Standardization thus becomes the main theme of reform.


The pace to build an all-round, standardized, open and transparent government procurement system has been quickened. Government procurement management has shifted its focus from procedures to results.

Program for Deepening Government Procurement Institutional Reform reviewed and approved by Central Commission for Comprehensively Deepening Reform

The aim is to develop a modern government procurement system supported by advanced technologies, under which duties and responsibilities of purchasing entities are clearly defined, rules of transaction are reasonable and efficient, regulation mechanisms are soundly formulated, policy functions are fully performed and legal framework is well-established.
Legislation Goals

- Standardize government procurement behavior
- Maximize benefits from fund use
- Safeguard national and public interests
- Protect legitimate rights and interests of concerned parties
- Contribute to building a clean government
Basic Principles

Openness and Transparency
- Laws and regulations relating to government procurement, information on procurement items, information on punishment for violation of regulations, and other government procurement information that should be made public shall be disclosed.

Justness
- Proceed in accordance with agreed conditions and procedures
- Any entity or individual has no authority to interfere with normal functioning of procurement activities.

Level Playing Field
- Conduct government procurement activities in a level playing field
- Treat suppliers as equals
- No discrimination against potentially qualified suppliers

Good Faith
- Exercise rights and discharge responsibilities in good faith
- No fraud, collusion or hiding of information
Policy Functions

A major goal of government procurement system is to exercise macro control, which is also an internationally recognized practice. Government procurement policies in Europe and the U.S. have extensive policy functions, including supporting domestic industries, alleviating unemployment, facilitating regional development, and assisting the disadvantaged, etc., covering economic, social and political aspects.

Policy Functions of Government Procurement in China

- Enterprises for the disabled
- SMEs
- Energy conservation and environmental protection
- Enterprises in prisons

Government Procurement Law: Government procurement should contribute to realizing goals of national and social development policies.

Protect environment, support development of less developed and minority-concentrated areas, and facilitate SMEs’ development, etc.
Government Procurement Law of the People's Republic of China

MOF Order No. 19: Rules for Management of Public Notices on Government Procurement Information
MOF Order No. 74: Rules for Management of Government Procurement Through Non-Tender Means
MOF Order No. 87: Rules for Management of Tendering and Bidding of Goods and Services Procured by Government
MOF Order No. 94: Rules for Government Procurement Complaint and Grievance Redressal

Over 60 normative documents cover such items in government procurement management as policy functions, budget implementation, agencies, expert review, information disclosure, and supervision and checks.
Scope and Scale

- Ever-expanding scope and scale of government procurement
- Goods, engineering projects and services account for 22.5%, 43.8% and 33.7% respectively in total government procurement
- Scope of government procurement extends from goods to engineering projects and services, from general goods to specialized and new types of goods and services, and from meeting administrative authorities’ needs for fulfilling work responsibilities to offering public services
- Procurement of services increases exponentially

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2015</th>
<th>2016</th>
<th>2018</th>
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<tbody>
<tr>
<td>Scale of Government Procurement Nationwide</td>
<td>1009.6</td>
<td>1659.4</td>
<td>21070.5</td>
<td>31089.8</td>
<td>35861.4</td>
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<tr>
<td>Government Procurement as a Percentage of GDP</td>
<td>9.9‰</td>
<td>1.4%</td>
<td>3.1%</td>
<td>3.5%</td>
<td>4%</td>
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</tbody>
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Unit: RMB 100 million
Procurement Policy Outcomes

Green Procurement System

- Mandatory procurement and preferential procurement of energy saving and environmentally friendly products
- Value of mandatory procurement and preferential procurement of energy saving, water conserving and environmentally friendly products accounts for over 90% of total products of the same group procured nationwide

Support for SMEs

- Reservation, preferential treatment in reviews, encouraging syndicates to participate in bidding, and incentivizing outsourcing
- Value of contracts awarded to SMEs accounts for over 70% of the total value in government procurement
Government Procurement Performance Management: Experience

Shift from being procedure-oriented to being results-oriented

- Institutional objective-wise, shift from conserving resources and preventing corruption to achieving maximum value out of procurement
- Market regulation-wise, shift from creating a level playing field to improving market rules
- Operation-wise, shift from procedural compliance to professionalized procurement
- Supervision-wise, shift from process control to result evaluation
Maximum value out of procurement

Build and improve results-oriented government procurement system

Shift from pre-procurement review and approval to supervision during and after procurement

Expand policy functions of government procurement
Improve Market Rules

- Make demand standards complete, accurate, compliant, economically viable and industry-adaptive, and enable them to lead industrial development. Enhance responsibilities of purchasing entities to offer or obtain clear sound and clear demand before or during procurement.

- Identify rules of vertical correspondence regarding features of demand, mode of procurement, review method, contract text and evaluation approach, and design procurement procedure under the principle of competitive quotes after offering or obtaining clear demand.

- Further enhance transparency in government procurement and disclose information at all points in the process of procurement, from budgeting to procurement process and results, thus making government procurement transparent.

- Improve credit evaluation mechanism and combine law-based punishment with credit downgrade for breach.
Promote Professionalized Procurement

Purchasing Entities
Enhance business training

Agencies
Advance professionalization and standardization

Review Experts
Step up management based on unified standards, separation of management and use, and random checks
Enhance Outcome Evaluation

- Strengthen contract fulfillment, check and acceptance
- Disclose more information
- Build procurement result evaluation system
## Central Government’s Experience

### Improve legal system

- Establish a results-oriented legal framework that underpins fair competition and standardized management

### Enhance government procurement transparency

- Disclose information relating to all links in the whole process, from procurement budget to procurement process and results.
- Conduct transparency assessment by third-parties

### Exercise price monitoring and control

- Monitor prices of general goods
- Overall market price for government procurement is lower than in physical market and e-market
Local Governments’ Experience

**Interim Measures for Performance Evaluation of Procurement of Sichuan Provincial People’s Government**

adopted in 2015

Beijing Municipal People’s Government’s Procurement Budget disclosed to the public in 2019

**Measures for Performance Evaluation of Procurement of Administrative Units Directly under Liaoning Provincial People’s Government (Trial Implementation)**

adopted in 2017

**Criteria and Rules for Green Government Procurement**

released in Tianjin
02
Existing Difficulties
Institutional design
Evaluation indicators
Fulfillment of government functions
Efficacy of policy implementation
Institutional design ignores results and performance

- Over-emphasis on perfect market competition and restrictions on procurement procedure

Unsound indicator design

- Failure to realize complete and sound performance evaluation
Policy functions yet to be given full play

- Limited scope of support results in less than ideal demonstrative and exemplary effects
- Development of demand standard system falls far behind
- Budget authorities have little initiative to implement policies

Inadequate support for implementation

- Purchasing entities not professional enough
- Agencies and review experts not able to play their due roles
Thoughts on Improving Government Procurement Performance Management

- Deepen government procurement institutional reform
- Improve the legal framework
- Build a sound result evaluation mechanism
- Enhance fulfillment of policy functions
Develop a cost-effective results and user feedback-oriented modern procurement system supported by advanced technologies, under which duties and responsibilities of purchasing entities are clearly defined, rules of transaction are reasonable and efficient, regulation mechanisms are soundly formulated, policy functions are fully performed and legal framework is well-established.
With efforts to carry out all-round performance management as the key and starting point, the goal is to transform government procurement supervision from process control to performance management, so as to earnestly improve efficiency in allocation of fiscal funds and maximize benefits from fund use.
Improve Government Procurement Legal Framework

01. Strengthen government procurement demand management
   • Build a demand-led government procurement system, so as to achieve maximum value out of procurement by meeting demands

02. Develop a sound and efficient procurement transaction mechanism
   • Make rules of transaction in accordance with market laws and established procurement practices that suit suppliers of different sorts, so as to enhance procurement efficiency and maximize benefits from fund use

03. Enhance contract signing, fulfillment, check and acceptance
   • Make well-informed decisions on selection of types of contracts
   • Enhance contract fulfillment, check and acceptance
Enhance Fulfillment of Policy Functions of Government Procurement

- Expand scope of policy support
- Diversify means for policy support
- Step up policy implementation
- Bolster application of digital tools
Thank you