



# Government Procurement Performance Management

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# 01

## **Government Procurement Performance Management: China's Experience**

Reform Background

Reform Process

Reform Outcomes

# Reform Process

2000



public finance reform launched

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.

2003



*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.

2015



*Regulation on the Implementation of the Government Procurement Law of the People's Republic of China* adopted

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.

2018

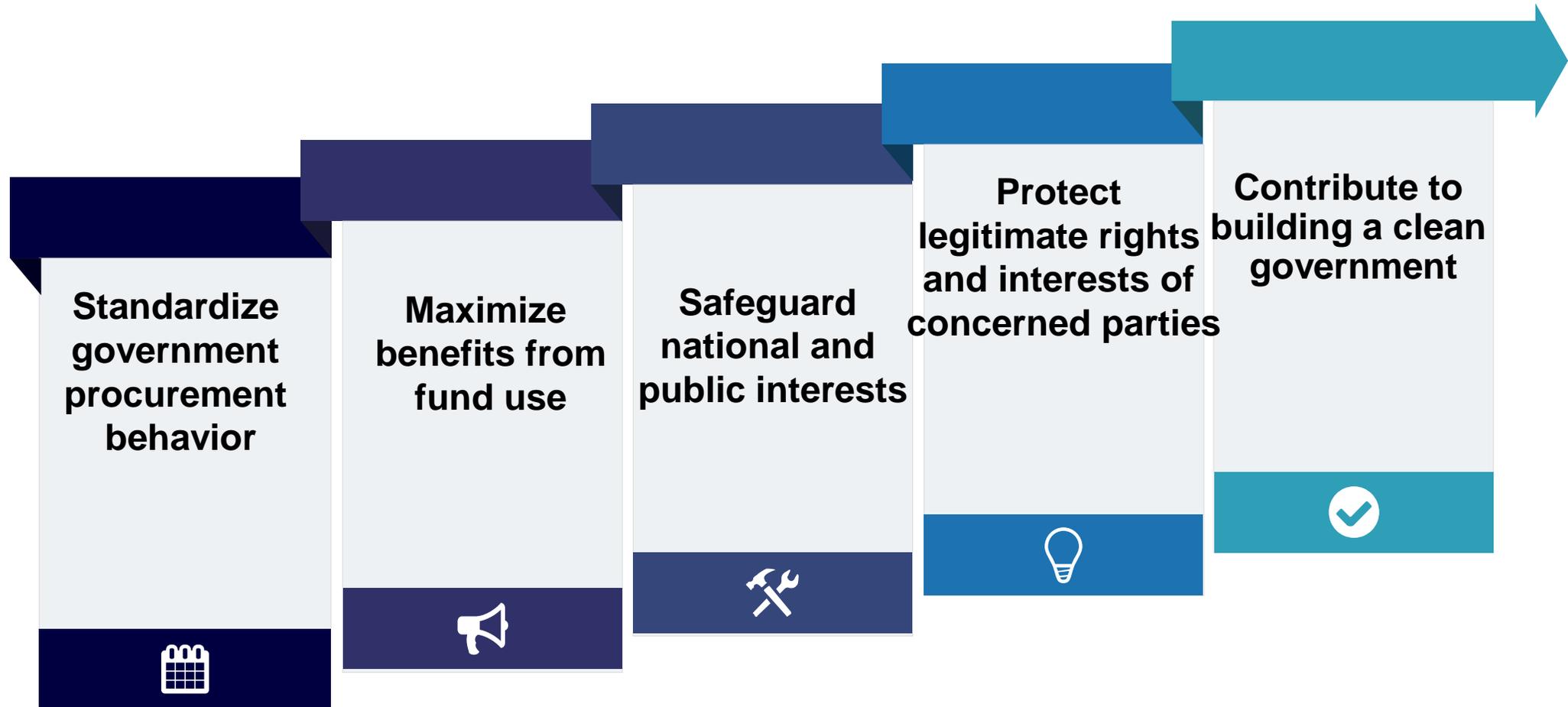


Program for Deepening Government Procurement Institutional Reform reviewed and approved by Central Commission for Comprehensively Deepening Reform

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

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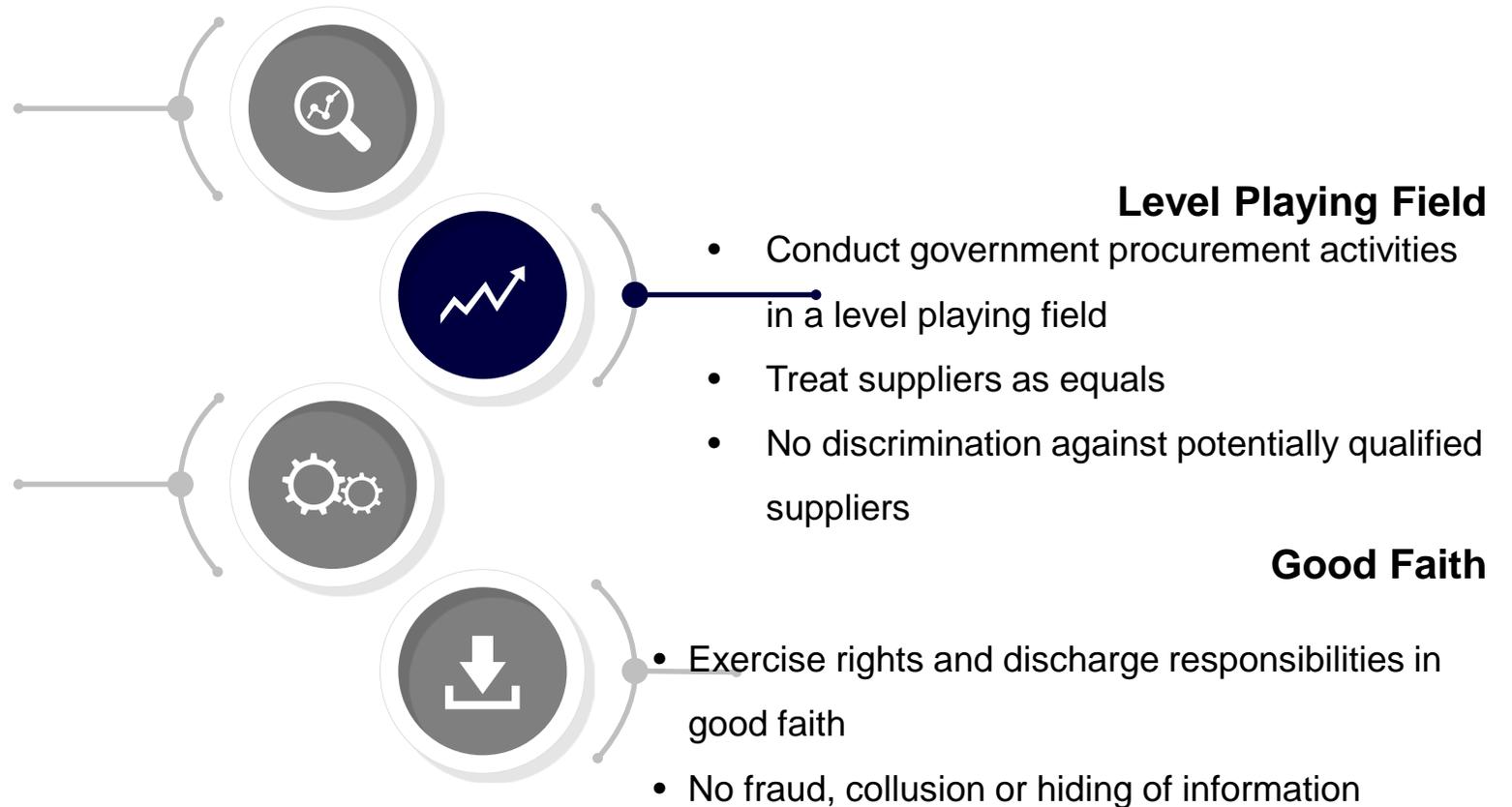
# Basic Principles

## 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.



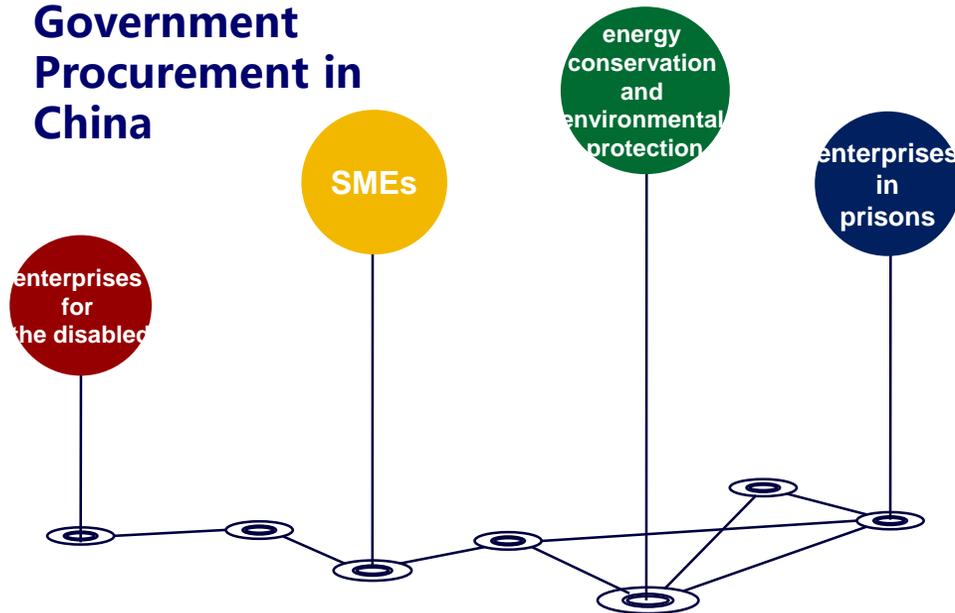
# Policy Functions

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

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

## Policy Functions of Government Procurement in China



Protect environment, support development of less developed and minority-concentrated areas, and facilitate SMEs' development, etc.

# Legal Framework

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Government Procurement Law of the People's Republic of China  
Regulation on the Implementation of the Government Procurement  
Law of the People's Republic of China

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MOF Order No. 19: Rules for Management of Public Notices on  
Government Procurement Information

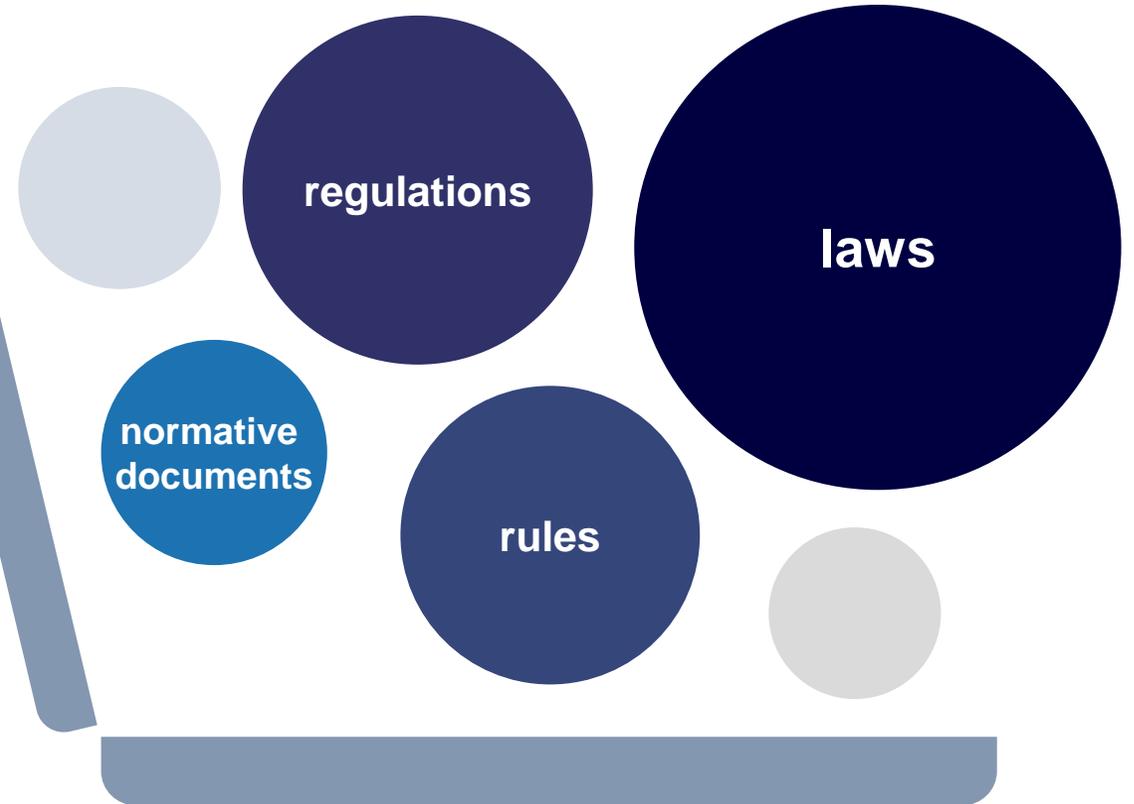
MOF Order No. 74: Rules for Management of Government  
Procurement Through Non-Tender Means

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

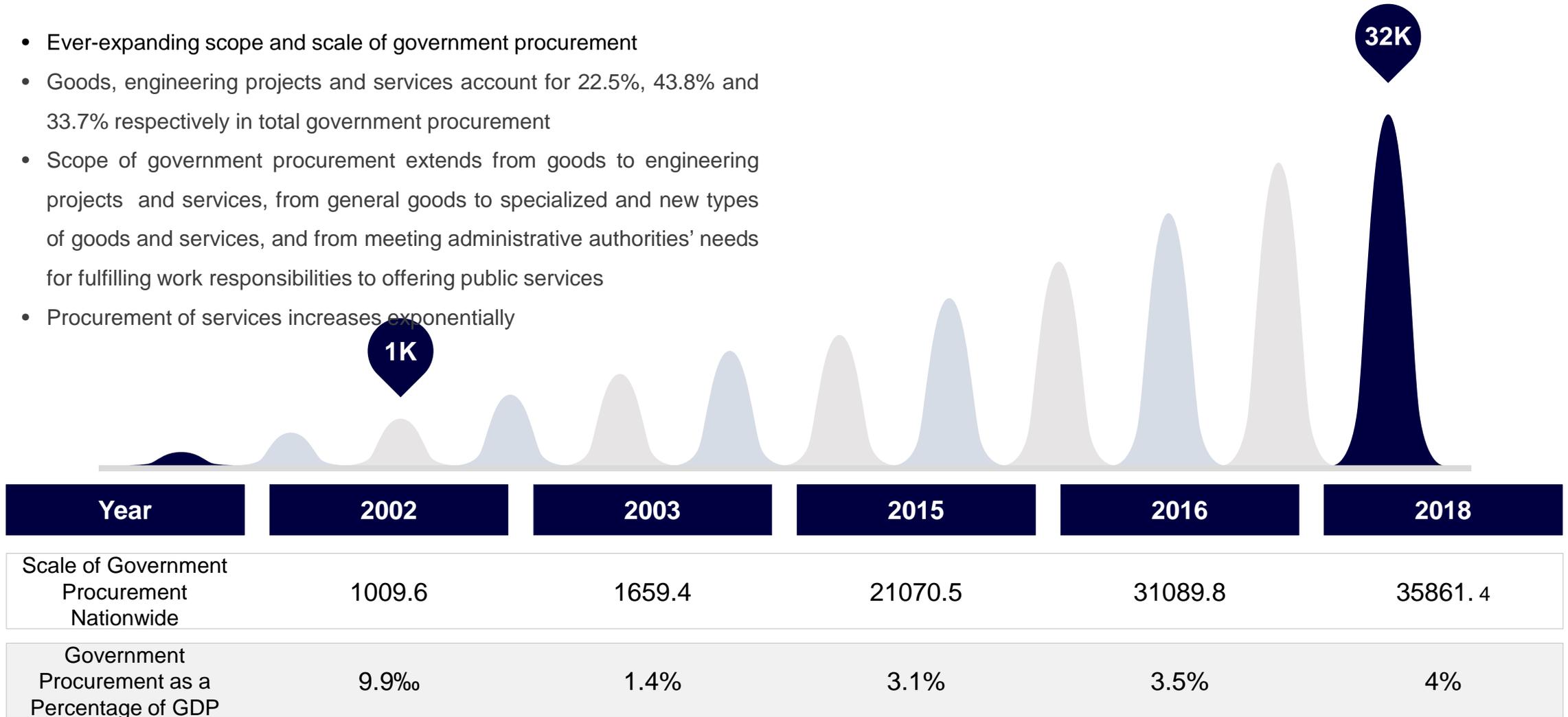
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Over 60 normative documents cover such items in  
government procurement management as policy  
functions, budget implementation, agencies, expert  
review, information disclosure, and supervision and  
checks.



# 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



Unit: RMB 100 million

# Procurement Policy Outcomes

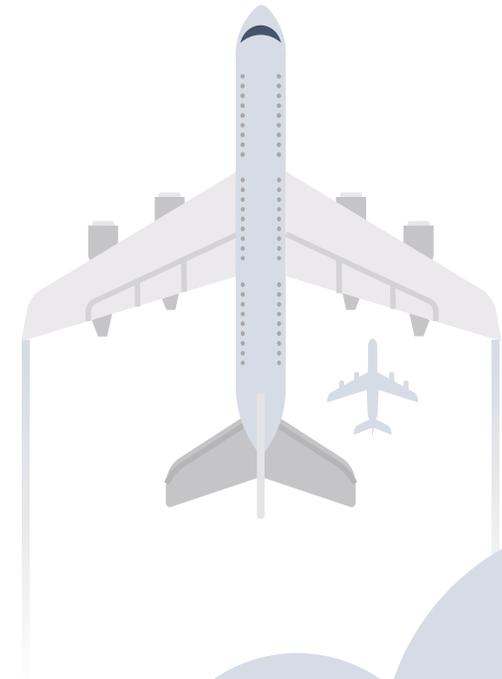
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## Green Procurement System

- 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

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## Shift from being procedure-oriented to being results-oriented

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Institutional objective-wise, shift from conserving resources and preventing corruption to achieving maximum value out of procurement

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Market regulation-wise, shift from creating a level playing field to improving market rules

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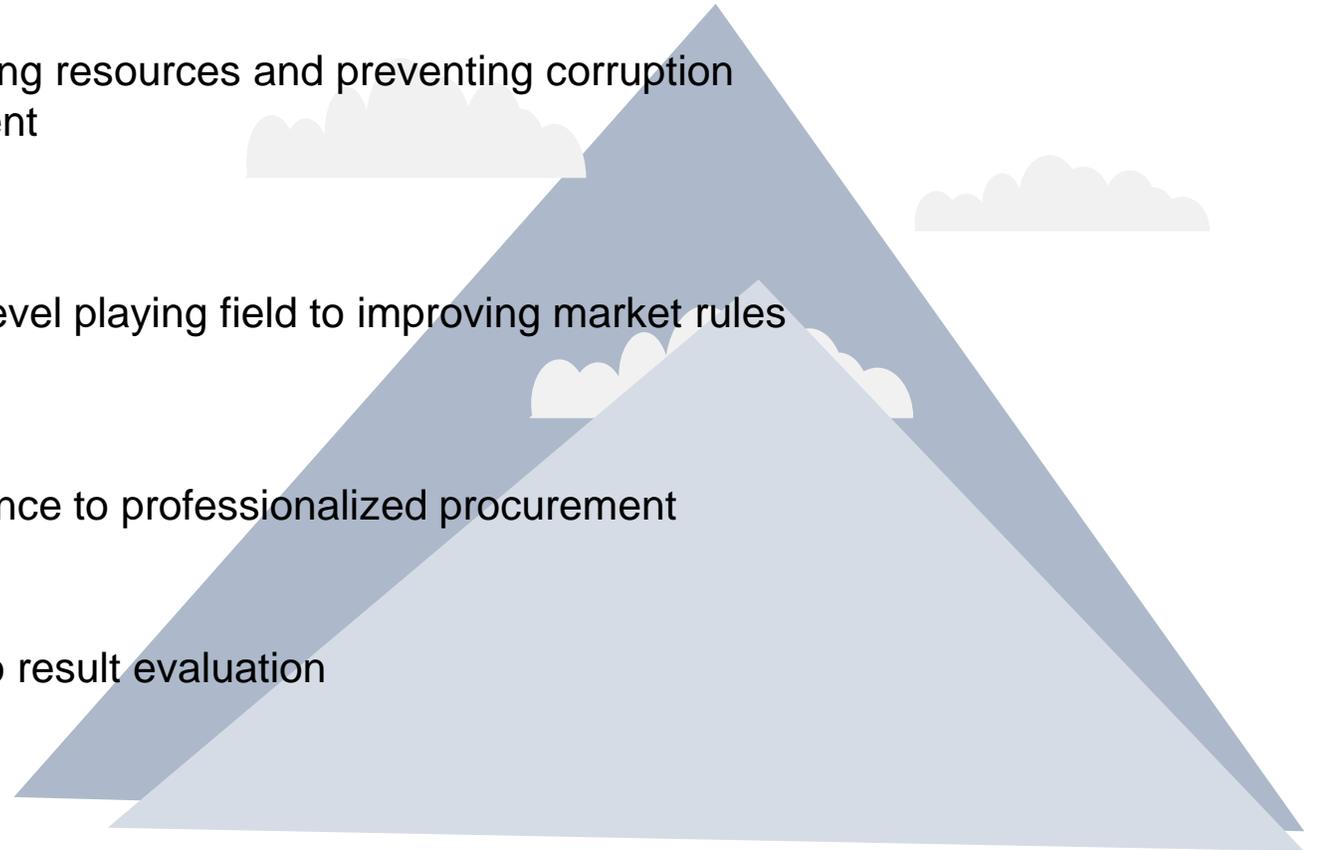


Operation-wise, shift from procedural compliance to professionalized procurement

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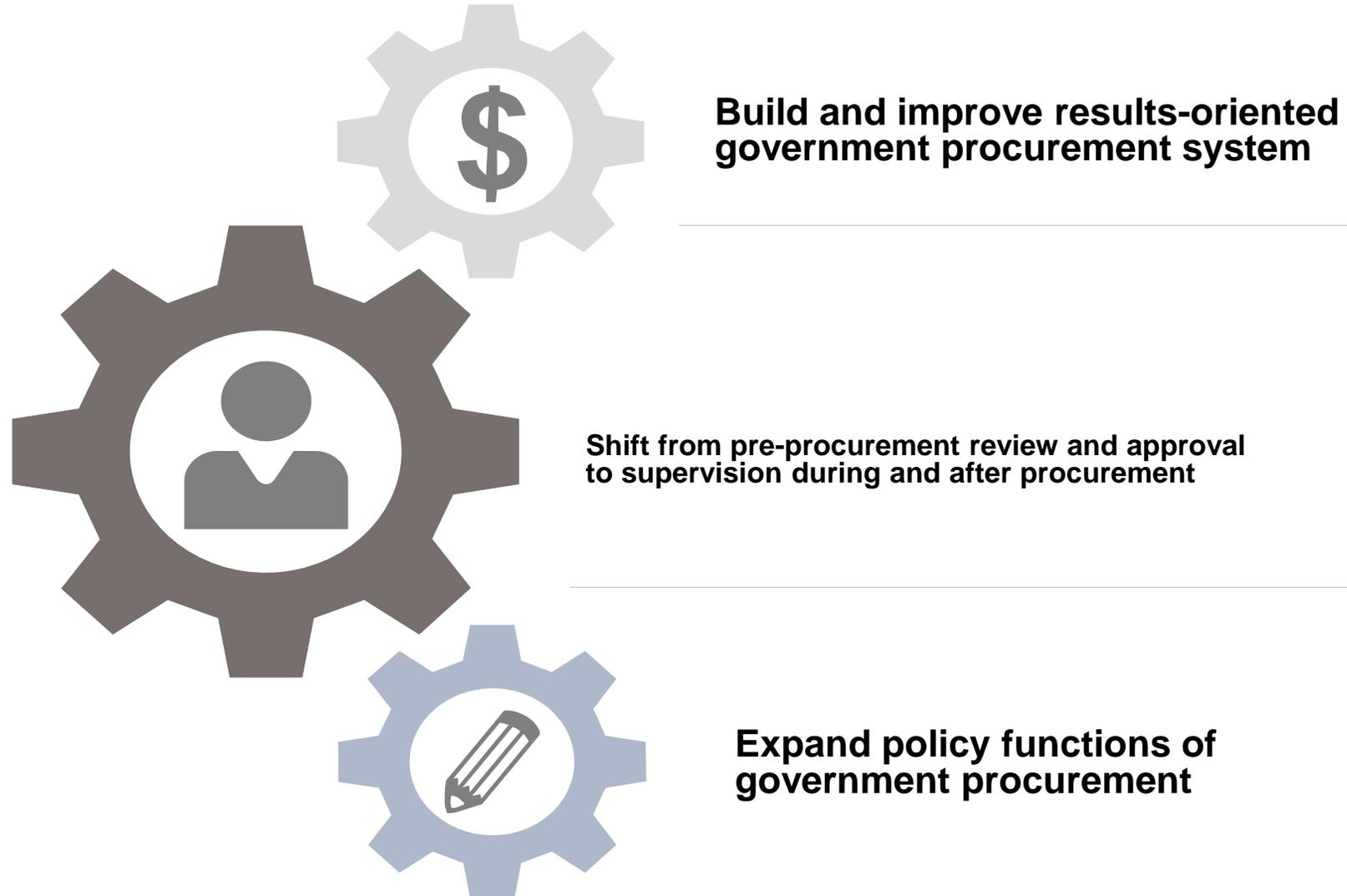


Supervision-wise, shift from process control to result evaluation



# Maximum value out of procurement

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# 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.

- 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

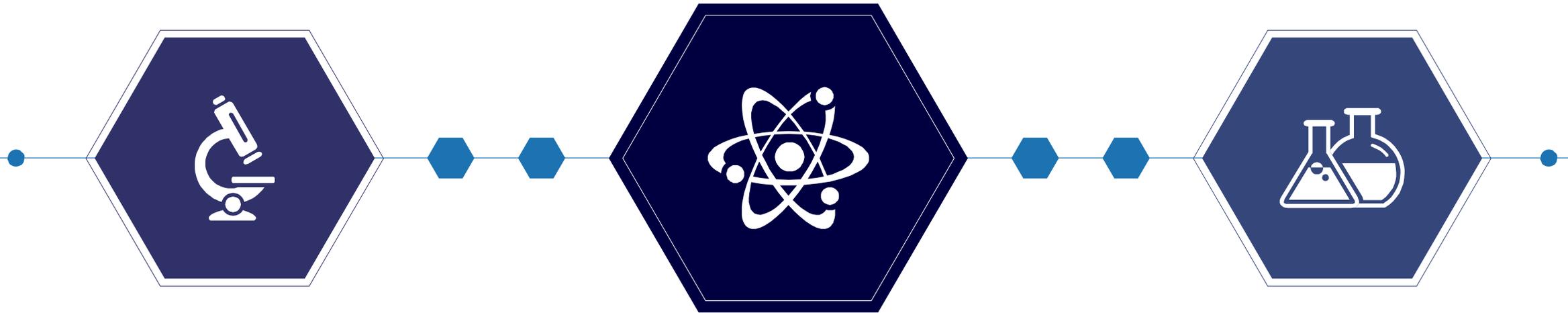


- Identify rules of vertical correspondence regarding features of demand, mode of procurement, review method, contract text and evaluation approach, and design procurement procedure under the principle of competitive quotes after offering or obtaining clear demand.

Improve credit evaluation mechanism and combine law-based punishment with credit downgrade for breach

# Promote Professionalized Procurement

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## **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

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**Strengthen contract fulfillment, check and acceptance**

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**Disclose more information**

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**Build procurement result evaluation system**

# Central Government's Experience

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01

## Improve legal system

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



02

## 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



03

## 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

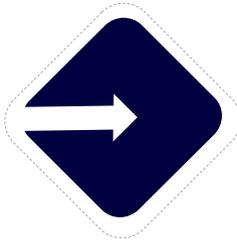
## **Existing Difficulties**

Institutional design

Evaluation indicators

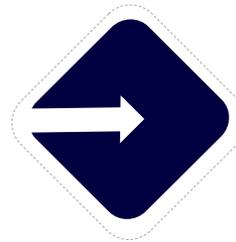
Fulfillment of government functions

Efficacy of policy implementation



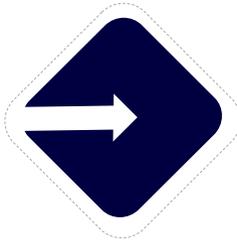
### **Institutional design ignores results and performance**

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



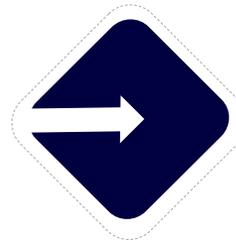
### **Unsound indicator design**

- 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

# 03

## **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

# Program for Deepening Government Procurement Institutional Reform: Principal Goals

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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

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## 01. Strengthen government procurement demand management

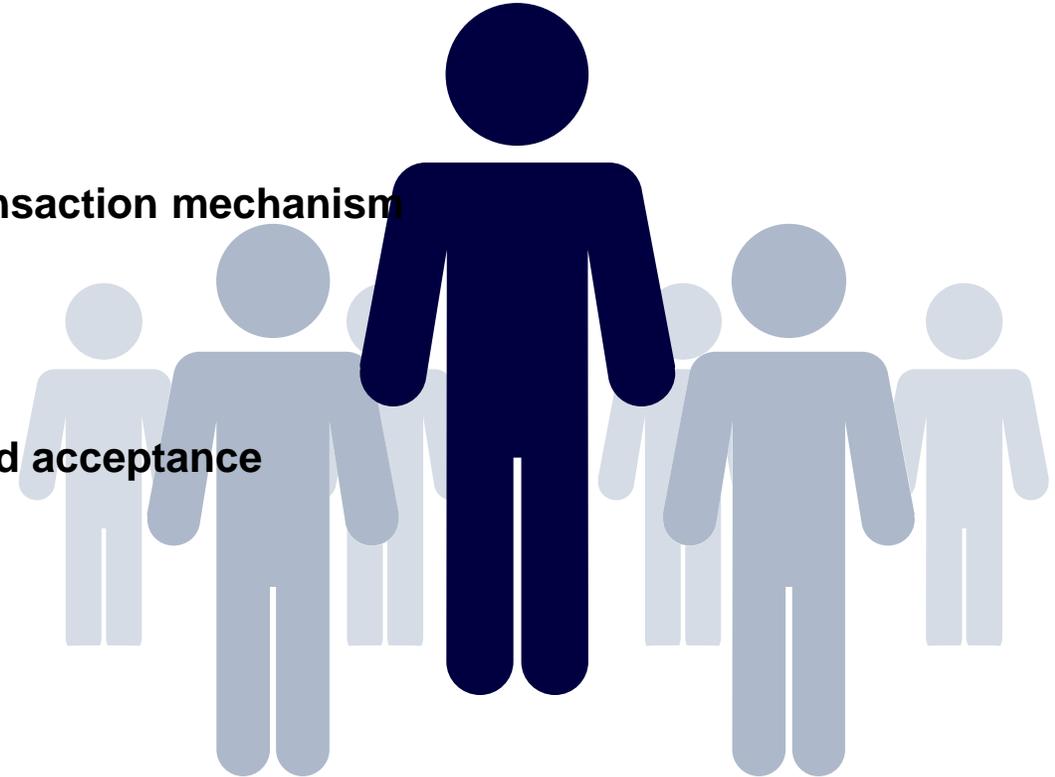
- Build a demand-led government procurement system, so as to achieve maximum value out of procurement by meeting demands

## 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

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**Expand scope of policy support**



**Diversify means for policy support**



**Step up policy implementation**



**Bolster application of digital tools**





**Thank you**