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POSITION PAPER

Spending Better: SECO's Approach to Improving Public Procurement

Around one third of a government's expenditures are channelled through the public procurement system.1 Reforming these systems is critical for improving spending efficiency and effectiveness in SECO's partner countries.

As part of its engagement in Public Financial Management (PFM), public procurement is one of SECO's key areas of work. With a share of approximatively 15% of global GDP, public procurement plays a central role in the allocation and spending of public funds. It is the main channel through which governments secure goods (incl. infrastructure) and services. An efficient and effective allocation and spending of public funds is key to improve public service and infrastructure delivery to citizens.

A well-managed public procurement system fosters sustainable economic growth. Improved procurement processes can lead to better public infrastructure and higher integrity of the system. Strengthened public procurement cultivates trust among stakeholders, thereby boosting private sector confidence and fostering trust in partner country systems. These improvements can establish a more reliable business environment, attracting additional investments and nurturing sustained economic opportunities. Hence, public procurement is essential in making public investment more effective, generate value-for-money for taxpayers, build long-term economic stability and extend the fiscal space for sustainable growth.

Public procurement systems across the globe are facing a variety of challenges. Major issues are lack of skills and capacities, limited use of technology, poor contract management, lack of transparency and integrity, as well as inconsistent regulatory frameworks. Addressing these challenges requires strengthening legal frameworks, improving transparency, investing in capacity building, and adopting technology to modernize procurement systems.

SECO Division
Macroeconomic support (WEMU)

Key partner agency
MAPS Secretariat (OECD), National Procurement Agencies, Ministries of Finance

WEMU global programs
European Procurement Partnership

SECO budget
~ CHF 14'500'000

MAPS | Methodology for Assessing Procurement Systems

[1] OECD (2023), "Size of public procurement", in Government at a Glance 2023, OECD Publishing, Paris. DOI: https://doi.org/10.1787/ce2208f6-en

By adhering to best practices, public procurement systems can become more efficient, fair, and transparent, fostering trust in government spending and contributing to economic development. Such an "ideal" public procurement system is characterized by the following elements:

- It is transparent (e.g. public access to information such as tender documents or contracts) and can be held accountable by independent oversight and audit.
- It works with competitive bidding processes based on clear evaluation criteria.
- It aims to get most out of the price ("value for money").
- It uses technology (e.g. e-procurement, data analytics, online vendor registration)
- It works based on standardized processes and ensures the professionalization of its staff.
- It has mechanisms in place to ensures ethics and integrity (e.g. whistle-blower protection).
- It includes sustainability considerations (e.g. green procurement, inclusive procurement, circular procurement)
- It has a risk management strategy to identify and mitigate risks.
- It fosters efficiency and adherence to timelines through streamlined processes (e.g. in contract management) and framework agreements.
- It complies with the (national and international) legal and regulatory standards.

With its evidence-based approach, SECO leverages the use of diagnostic tools to identify the need for procurement reform in its partner countries. The Methodology for Assessing Procurement Systems (MAPS) is a harmonized assessment tool for assessing public procurement systems and preparing the ground for procurement reforms. The methodology is designed to enable a country, state or municipality (or any other sectoral entity) to assess its procurement system in order to determine strengths and weaknesses. The resulting information can serve as the basis for targeted reform initiatives that can improve the system. The tool covers the fundamentals of procurement systems (i.e., legal and regulatory framework, institutional set-up, procurement operations, integrity and transparency). In addition, there are thematical modules to cast light on specific dimensions of procurement, such as sustainable procurement or e-procurement.

SECO supports procurement projects both on global as well as bilateral level. On global level, SECO is a core partner of the European Procurement Partnership (EuPP), providing both dedicated in-country support as well as support to the above-mentioned MAPS initiative. Projects beyond the EuPP are:

- Procurement, Infrastructure and Knowledge Management (PINK) and the Transparency, Integrity and Accountability Project in South Africa, working with different actors and taking a holistic approach to the public procurement challenges in the country.
- World Bank implemented Public Financial Management Multi-Donor Trust Funds (PFM MDTF) in Indonesia and Nepal with a component supporting the respective National Public Procurement Agencies (LKPP and PPMO)
- The National PFM Reform in Peru supporting the Directorate of Supplies and Acquisition within the Peruvian Ministry of Finance

Annex 1: Overview of WEMU's Public Procurement Engagement

GENERAL

European Public Procurement Partnership (EuPP): SECO is a founding partner of the EuPP together with the European Commission, the Netherlands and France. The initiative aims at improving public procurement systems globally through dedicated in-country support as well as enhancement and application of the Methodology for Assessing Procurement Systems (MAPS). The EuPP programme consists of two components, namely a dedicated contribution to the MAPS Secretariat (Component 1) as well as the Procurement Reform Facility (Component 2), where country-level support is provided. Component 1 of the programme is implemented by the MAPS Secretariat, an entity hosted by the OECD. It aims at promoting and maintaining the basic methodology, ensuring the quality of assessments ensured and enhancing the policy dialogue on public procurement at the global level. Component 2 is implemented by the Agence Francaise de Développement (AFD) together with Expertise France and the Deutsche Gesellschaft für International Zusammenarbeit (GIZ). It provides targeted funding on country level to engage in a MAPS assessments, design action plans for procurement reforms or to provide technical assistance and policy advice in the identified procurement field, where support is required. It takes into account the country specific circumstances and political realities. Working on public procurement in a particular country requires an adaptive implementation strategy, given that this policy areas is highly exposed to political economy considerations

BILATERAL

South Africa: Through the Procurement, Infrastructure and Knowledge Management (PINK) Programme with the South African Ministry of Finance (National Treasury), SECO aims to contribute to increased cost effective, socially inclusive and sustainable service delivery at provincial and local government level. It does so by focusing on public procurement and infrastructure management, the two main sources of irregular and wasteful expenditures in South Africa. Through the enhancement of specific procurement regulations and toolkits customized to municipal needs, dedicated training to public procurement practitioners, and the establishment of a public procurement implementation support mechanism, the programme has contributed to increased public procurement effectiveness and compliance in the eight pilot municipalities. Going forward, the programme will put a particular focus on enhancing the procurement of infrastructure, which plays a key role in the delivery of services to citizens. In addition, the Transparency, Integrity and Accountability Project (TIP) supports the South African government in implementing its National Anti-Corruption Strategy, of which public procurement is one out of six pillars. The project works on professionalisation for public procurement practitioners, enhancing greater data transparency and improving the oversight mechanisms, as well as support the policy development as a follow-up of the recently enacted Public Procurement Act and the Methodology for Assessing Public Procurement (MAPS) Assessment from 2024.

Indonesia: Through the PFM MDTF implemented by the World Bank, SECO supports the National Public Procurement Agency (LKPP). As part of Indonesia's accession process to the Organization for Economic Co-operation and Development (OECD) there is a unique momentum for domestic public policy reform, particularly in public procurement policy. Based on the Methodology for Assessing Procurement System (MAPS) assessment as well as discussions with the National Public Procurement Agency, a dedicated team from the World Bank assists with the OECD accession process. In addition, the project aims at enhancing the efficiency, value for money, and transparency of the public procurement processes. By analyzing national public procurement data, government stakeholders will be empowered to make data-driven decisions, optimize procurement strategies, and identify and mitigate risks. A report outlining actionable insights, recommendations, and strategies aimed at improving efficiency, reducing costs, and optimizing spending was successfully completed. Also, in the past, a policy note on the topic of gender-based public procurement was produced for the National Public Procurement Agency.

Nepal: Through the PFM MDTF implemented by the World Bank, SECO supports the country in developing standardized training modules for procurement management, internal audit, and gender-responsive budgeting as a part of the government's training program. Also, a

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Procurement, Infrastructure and Knowledge Management (PINK) Programme
Country: South Africa
Main Counterpart: National Treasury
Procurement-related budget: CHF 7'010'000
Duration: 2025-2029 (Phase II)

Transparency, Integrity and Accountability Project (TIP)
Country: South Africa
Main Counterpart: Department of Planning, Monitoring and Evaluation (DPME)
Procurement-related budget: CHF 3'146'000
Duration: 2021-2025 (Phase I)

Public Financial Management Multi-Donor Trust Fund (PFM MDTF)
Country: Indonesia
Main Counterpart: National Public Procurement Agency (LKPP)
Procurement-related budget: CHF 500'000
Duration: 2020-2026 (Phase III)

Public Financial Management Multi-Donor Trust Fund (PFM MDTF)
Country: Nepal
Main Counterpart: Public Procurement Monitoring Office (PPMO)
Procurement-related budget: CHF 400'000
Duration: 2020-2028 (Phase II)

Support to National PFM Reform in Peru
Country: Peru
Main Counterpart: General Directorate of Supplies and Acquisitions (Ministry of Finance)
Procurement-related budget: CHF 550'000
Duration: 2024-2028 (Phase III)

Massive Open Online Course (MOOC) on procurement has been created and made publicly available. In addition, basic procurement documents and guidelines were developed for sub-national governments.

Peru: SECO supports the National PFM Reform in Peru, which works with the General Directorate of Supplies and Acquisitions at the Ministry of Finance. In Phase II, the program has provided support to the organizational and functional design, aiding in the preparation of its regulations, as well as significant legal reforms, such as the inclusion of arbitration and the cataloguing of contracts for goods, services, and state works. Furthermore, the program has promoted the standardization of the state's contracting models in accordance with international standards.

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wemu.sekretariat@seco.admin.ch
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