

Serving the Citizens—Not the Bureaucracy

A Strategic Vision for City Procurement

Sascha Haselmayer

JUNE 2021

THE CHICAGO COUNCIL ON GLOBAL AFFAIRS

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EXECUTIVE SUMMARY

In a volatile and changing world, one government function is in a position to address challenges ranging from climate change to equity to local development: procurement. Too long confined to a mission of cost savings and compliance, procurement—particularly at the local level, where decisions have a real and immediate impact on citizens—has the potential to become a significant catalyst of change.

In 2021 alone, cities around the globe will spend an estimated $6.4 trillion, or 8 percent of GDP, on procurement.[i] Despite this vast buying power, city procurement faces several challenges, including resistance to the idea that procurement can be creative, strategic, economically formidable—and even an affirming experience for professional staff, citizens, civil society organizations, and other stakeholders.

Unfortunately, city procurement is far from ready to overcome these hurdles. Interviews with city leaders and procurement experts point to a common failing: city procurement today is structured to serve bureaucracies—not citizens.

City procurement is in a state of creative tension. Leaders want it to be a creative engine for change, but they underfund procurement teams and foster a compliance culture that leaves no room for much-needed creative and critical thinking. In short: procurement needs a mission.

[i] Based on Organisation for Economic Co-operation and Development (OECD) estimates in "Subnational Governments in OECD Countries: Key Data 2018 Edition" that subnational government (SNG) procurement constitutes 49.5 percent of all SNG public expenditure estimated at 16.2 percent of GDP. Global GDP was $84 trillion in 2020.

In this report, we propose cities reimagine procurement as a public service, which can unlock a world of ideas for change and improvement. The vision presented in this report is based on six strategic measures that can help cities get started (Figure 1). The path forward involves not only taking concrete actions, such as reducing barriers to participation of diverse suppliers, but also adopting a new mindset about the purpose and potential of procurement. By doing so, cities can reduce costs and develop creative, engaging solutions to citywide problems. We also offer detailed insights, ideas, and best practices for how practitioners can realize this new vision.

Better city procurement offers the promise of a vast return on investment. Cost savings stand to exceed 15 percent across the board,[1] and local development may benefit by multiplying the participation of small and disadvantaged businesses. Clarity of mission and the required professional skills can lead to new, pioneering innovations. Technology and the right data can lead to sustained performance and better outcomes. A healthy supplier ecosystem can deliver new supplier talent that is aligned with the goals of the city to reduce carbon emissions, serve complex needs, and diversify the supply chain.

All of this not in service of the bureaucracy but of the citizen.

Figure 1: **A vision for 2030: City procurement as a public service**

1. **Share the dream**
   Convene a wide range of stakeholders to develop an aligned mission and purpose.
2. **Shift the focus**
   Put city procurement at the service of the public.
3. **Nurture the supplier pool**
   Refresh the supplier base to align with changing city values and needs.
4. **Be open by design**
   Use open data to foster innovation, collaboration, and trust.
5. **Establish the 'yes' team**
   Empower procurement staff to lead through diverse skills, creativity, and critical thinking.
6. **Invest to transform**
   Build a case for ambitious reform by creating a body of trusted local evidence.

"I have learned that the real test of development can be measured not by the bureaucratic approval process but by the smile on a child's face when a project is successful."

— James Wolfensohn, president, World Bank,

addressing the US Congress in 1995.[2] He initiated a broad reorganization at the World Bank, including one notable measure: every manager had to live in a poor village or slum during the executive development program.

A note on terminology

This report is intended for novices and experts in city procurement alike. A few terms require clarification because they are used differently by procurement professionals in various English-speaking regions.

Bids or proposals

We refer to bids and proposals interchangeably to mean the responses submitted by suppliers to a public procurement opportunity. In North America, confusingly, bid is also used to refer to procurement opportunities.

Disadvantaged businesses or MWBEs

We refer to disadvantaged businesses and minority- and women-owned business enterprises (MWBEs) interchangeably. The definition of MWBE varies by region; for example, some regions have expanded the phrase to include veteran-owned businesses (VMWBEs) or small businesses (S/MWBEs). We include all disadvantaged businesses in this context, even if we don't specifically call out small or veteran-owned businesses. We do not include what are known in Europe as sheltered workshops—places of employment for people with disabilities that fall under a separate procurement regime.

Tenders or contract opportunities

We refer to tenders and contract opportunities interchangeably and mean to include invitations to bid, procurement notices, contract notices, requests for proposals, requests for information, or similar notices published by a city government as an invitation for proposals.

Suppliers or vendors

We use the term suppliers in this report to mean vendors or providers, as referred to in some regions, but also as a catchall to cover nonprofit suppliers, community organizations, social enterprises, and other contracted providers of goods and services. It may also refer to businesses or organizations not yet in business with a city.

Conversions

We refer to US dollars ($), British pounds (£), and euros (€) in this report without conversions. As of publication, $1 = £0.71 = €0.83.



INTRODUCTION: THE PROMISE OF PROCUREMENT

1

As a concept, city government procurement does not tend to generate excitement. Even those who have dedicated their careers to the function generally think of it as little more than a necessary task to be tweaked incrementally and with much bureaucratic red tape. But cities around the world will spend an estimated $6.4 trillion on procurement in 2021 alone—8 percent of global GDP.[ii] That spending offers a huge opportunity.

New research and interviews with city officials around the world highlight the potential of public procurement to be much more than a mechanical, neutral administrative process of making purchases according to prescribed specifications. Transformative procurement is the art of using buying power to achieve commercial terms that make innovation viable—and it can have a profound impact on how citizens experience and participate in their cities. Instead of impeding progress, procurement can aid cities' efforts to achieve economic recovery, address racial inequities, respond to future pandemics and crises, reduce costs, improve public services, limit carbon emissions, engage citizens, and engender innovation.

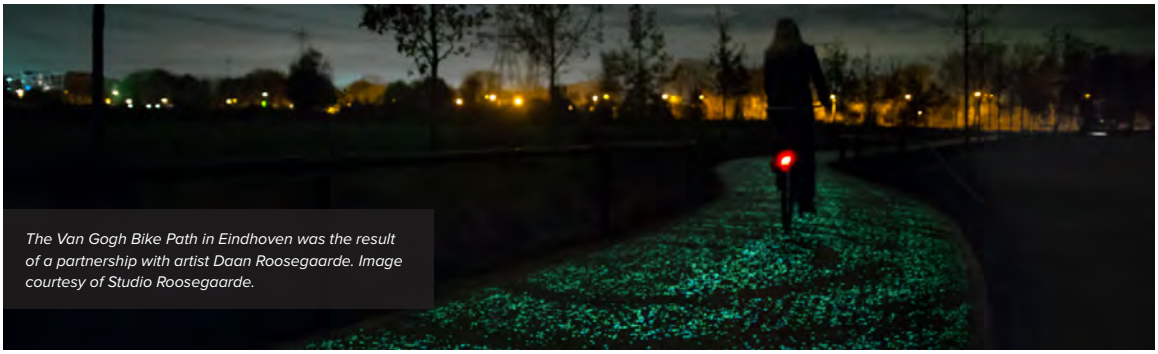
Consider light bulbs. Every global city operates tens of thousands of streetlights. Over the past 15 years, LED technology has become a viable alternative to incandescent bulbs, operating at significantly lower cost and carbon emissions (thus making up for up-front costs of replacement). That is why some cities, such as Sydney, have been installing LED lights for more than a decade.

[ii] Based on Organisation for Economic Co-operation and Development (OECD) estimates in "Subnational Governments in OECD Countries: Key Data 2018 Edition" that subnational government (SNG) procurement constitutes 49.5 percent of all SNG public expenditure estimated at 16.2 percent of GDP. Global GDP was $84 trillion in 2020.

The City of Eindhoven in the Netherlands offers an example of how lighting procurement can go beyond mere lighting to acknowledge the cultural, environmental, and economic importance of our public spaces. Known to some as the City of Light, Eindhoven approached its transition to LED lighting with a human-centered and artistic mindset, conducting extensive research into human needs and technological trends and producing a Vision and Roadmap for Urban Lighting 2030.[3] The vision calls for lighting innovation to be anchored in socially relevant themes, combining a smart infrastructure plan with a clear policy of putting citizens in control of local decisions. Across the city, lighting installations have replaced or complemented traditional forms of street lighting. The city has also commissioned artists, including Daan Roosegaarde, to explore the latest technologies and invent new forms of urban lighting—such as the glowing pebbles that illuminate a bike path inspired by Vincent van Gogh's paintings[4] or illuminated crystals designed to be carried like torches from one end of the street to the other. In one installation, drones wait on rooftops to act as personalized streetlights by following people as they walk down the street. In another, subtle color changes in street lighting respond to activities in a lively urban space.

Eindhoven used procurement not simply to purchase a lot of lamps but to orchestrate a long-term partnership among the city, the technical university, citizens, and corporate partners. Anchored in citizen participation, the partnership has opened up spending normally used for maintenance to allow ongoing innovation.[5] The city and its partners can now continually explore new ideas to benefit the community at a hyperlocal level. Eindhoven's annual GLOW festival showcases new ideas, local design talent, and innovations in technology, attracting hundreds of thousands of visitors and inspiring citizens with new ideas for their own neighborhoods.[6]

Procurement is central to cities' efforts to balance their various interests—whether commercial or creative, technical or political, urgent or open-ended—in practically all domains of public service and government. These choices play out in tens of thousands of transactions in cities every day, in urban mobility, education, health, public works, urban services, energy, social care, and more. City procurement thus is not only an important function but also one that has the potential to be creative, strategic, economically powerful—and, as demonstrated by Eindhoven, delightful. To reach this next level of procurement as a tool for achieving broader goals, cities must move beyond seeing procurement through the lens of compliance and embrace its potential to offer significant cost and emissions savings and also better-quality public services, more public trust and engagement, and the diversity and partnerships that cities deserve.



The Van Gogh Bike Path in Eindhoven was the result of a partnership with artist Daan Roosegaarde. Image courtesy of Studio Roosegaarde.


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CITY PROCUREMENT: THE CHALLENGES AND THE VISION FOR REFORM

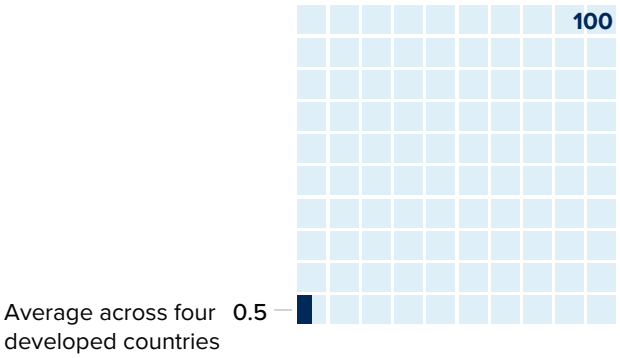
2

City leaders want procurement to reliably meet the needs of citizens; support complementary goals such as climate change, equity, and local development; and be trusted as a fair and open government process. However, our research and interviews with experts and public leaders reveal a fundamental tension between what procurement is and what it could be: leaders may want city procurement to be a creative engine for change, but in practice, it all too often simply guarantees bureaucratic compliance. According to interviewees, procurement teams are often underfunded and receive little encouragement from above. They are also often stigmatized—seen by other departments as naysayers who create obstacles rather than solutions. Not surprisingly, 2019 data show that a mere 0.5 percent of municipal procurement transactions in Canada, Ireland, the United Kingdom, and the United States could be classified as innovative and open to new ideas or different ways of doing things (Figure 2).

Procurement faces a variety of additional barriers. Rooting out corruption is a major priority in developing countries, where leaders recognize a need for citizen oversight in the development of city procurement functions. However, many of those same leaders believe that mature procurement functions in advanced economies have no need for citizen oversight and their activities should be largely invisible to the public. The COVID-19 pandemic revealed the extent to which public procurement everywhere is vulnerable to corruption, especially when rushed into crisis mode. Even the procurement functions of advanced economies such as Germany[7] and the United Kingdom[8] were exposed to manipulation and other forms of corruption during

Figure 2: **The current state of innovation in city procurement**

Municipal procurement transactions classified as innovative, open to new ideas, or open to doing things differently, 2019, %



Source: "Hey Mayors! Here Is What Your City Did for Entrepreneurs, Diversity & Innovation," Citymart, accessed May 11, 2021, citymart.com/small-business-procurement-innovation

the pandemic. These revelations are convincing more experts that the prevailing view—that procurement is a function best run quietly—should be challenged in the same way that almost all other public services in cities have transitioned from "quietly run, invisible operations run by experts" to operations that embrace community engagement.

Many professionals we interviewed reported that working in procurement has gotten worse in the past decade or two. In many places, professionals feel more constrained and less trusted to deliver the best outcomes for the beneficiaries of public services. They spoke of operating under the assumption that they are corrupt—or, as one interviewee put it, "We feel 200 years of scandals in our cities weigh on us every day." Encouragingly, that sentiment is not universal; other practitioners spoke with pride about progress made in professionalization, digitization, and sustainability.

In fact, many of our interviews revealed optimism and a vast appetite for change. The majority of experts recognized the potential of investments to transform public procurement. Most agreed that public procurement can be much more than an administrative function, describing a future in which procurement could be seen as a creative and strategic force to transform our cities.

In the course of our research, we learned about nearly 600 distinct problems and opportunities for city procurement. The most cited cause for these poor outcomes is simple: public procurement does not have a mission. Indeed, the experts we interviewed expressed a universal view that strategic thinking about procurement would help cities achieve larger goals.

A vision for 2030: City procurement as a public service

A mission statement for procurement can be built on the concept of city procurement as a true public service. Rather than a tool of compliance that serves government institutions, procurement as a public service puts communities first, building on proven practices for accountability, problem-solving, and participation. In the words of one interviewee, "Imagining procurement as a public service is a clear statement of intent to stop looking inward and redesign the process to deliver the best outcomes for our community."

In this section, we outline our vision of what procurement would look like as a trusted, creative, and competent public service. Cities can realize this vision by 2030 by focusing on six strategic measures: share the dream, shift the focus, nurture the supplier pool, be open by design, establish the "yes" team, and invest to transform.

Share the dream

City procurement, at its best, is a highly collaborative undertaking. To build a mission statement, deliver complex services, and achieve the desired outcomes, the procurement function must position itself as a facilitator of internal partners, beneficiaries, political leaders, the market, and new actors such as social entrepreneurs. High-quality collaboration engenders trust and respect, among both partners and general public, thereby elevating the profile of procurement as a true catalyst for change and building support for the mission statement. If such collaboration is done well, by 2030, city procurement will have a seat at the table for strategy and budget planning and project launches. It will be known as a function that delivers dividends in the quality, creativity, and cost-effectiveness of hundreds of public services. City leaders will credit the role of procurement when they celebrate positive outcomes.

Shift the focus

City procurement today tends to serve the goals of bureaucracy. By 2030, procurement teams will be accountable to the beneficiaries of public services—citizens. Throughout the project cycle, procurement teams will spend more time in the community, exploring the needs of citizens and community organizations, sourcing new ideas, cocreating solutions, choosing suppliers, and managing contracts. They will also make procurement more accessible to the public by abandoning the cryptic jargon that has become the norm. By explaining themselves in accessible ways, procurement teams will enable the public to take both pride and a share of ownership in defining the mission and purpose of their city's procurement.

Rather than a tool of compliance that serves government institutions, procurement as a public service puts communities first, building on proven practices for accountability, problem-solving, and participation.

Nurture the supplier pool

Today, many city leaders describe their supplier bases as "tired," full of incumbents more attuned to selling to government than addressing the urgent challenges and changing values of our time. Most procurement supplier pools are also strongly resistant to diversity, new ideas, and small suppliers. By 2030, cities will redevelop supplier ecosystems to fit the values and emerging needs of communities and the wider economy. They will make longer-term investments in renewal instead of opportunistic approaches often used to fill quotas. They will offer a more level playing field and fewer barriers to participation, with simple and easy-to-use processes, language, usability, and contract terms. And they will replace the prescriptive specifications of the past with clear problem statements that describe the desired outcomes (problem-based procurement), publishing drafts for supplier and public consultation and allowing diverse suppliers to showcase their ideas.

Be open by design

Suppliers and other stakeholders commonly describe city procurement as a black box. The wider public barely knows of its existence, apart from reports about scandals—which have fostered a fear of revealing mistakes. Information is hard to come by, and mindsets are often defensive. By 2030, city procurement will be open by design and invite engagement, both in the early phases of publishing requests for proposals and later during contract management. Cities will make extensive use of data-based decision making to achieve outcomes. They will also publish data about their procurement activities in real time—including not just raw data but also tailored messaging, dashboards, and stories to engage the public—and adhere to common data standards to facilitate oversight, comparison, and market intelligence. Cities will be forthcoming in admitting mistakes and will actively involve the public in solving problems, deliberating trade-offs, and overcoming inertia to effect change.

Establish the 'yes' team

City procurement must break out of its traditional compliance culture to serve increasingly complex needs and achieve transformation. By 2030, procurement teams will embrace the motto "Yes, and here is how we can help," and use a full range of public assets and resources to achieve city goals. To attract motivated professionals from a wide variety of backgrounds, the function will need to operate under an ambitious mission, empower staff to lead, ensure adequate resources, and hold leadership accountable for delivering on its promise. These teams will be empowered to make valuable contributions starting in the earliest stages of a project.

Invest to transform

According to consulting firm McKinsey & Company, projects that reform public procurement lead to average cost savings of 15 percent.[9] Applied to a city with $1 billion in procurement spending, this would amount to recurring savings of $150 million per year—and that doesn't account for nonmonetary and other indirect benefits. And yet, cities' reform efforts often falter due to a narrow focus on doing the same thing at lower cost, as well as a lack of trusted local evidence supporting the business case for reform. In the words of one city procurement leader, "So far, my finance

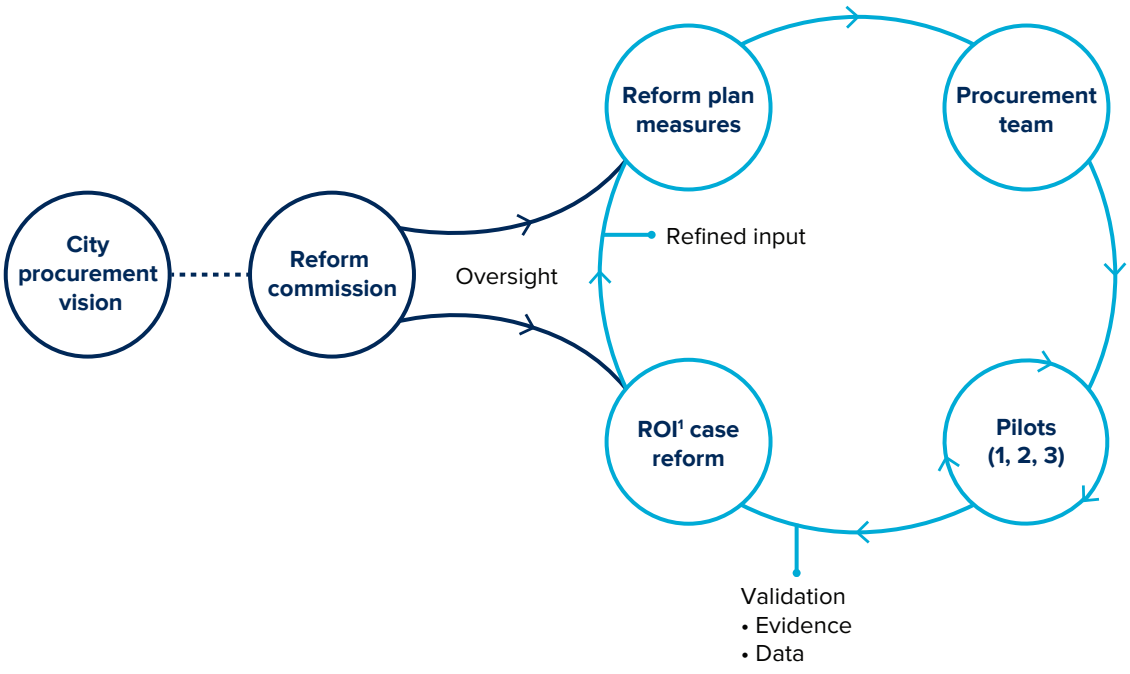
department has declined every proposal I presented for reform, even if I can model the cost savings or cost avoidance. First, they reduce everything to cost savings instead of value-added. Then, they don't want to believe the business case that I am presenting."

By 2030, the procurement function within city government will establish a reform commission, guided by the city's overarching procurement vision, to oversee pilots that test reform ideas and collect concrete data about not only cost savings but also other outcomes—including environmental sustainability; improved diversity, speed, workflows, and accountability; and a positive and motivating culture around public procurement. Figure 3 demonstrates how a city's reform commission can oversee pilots run by the procurement team to validate the impact of reform measures and to propose refinements. The objective is to build shared truths about what works in the city so that the case for reform can be based on trusted assumptions. (For more on the increasing importance of pilots in effective procurement, see "Case study: Two tales of streetlights.")

A sketch to help cities get started

Our research found many examples of how procurement can achieve cost savings as well as a host of other positive outcomes. Figure 4 offers an encouraging look at benefits that cities say they're already realizing from procurement reform—and that other cities could use to sketch out their own cases for reform and potential return on investment.

Figure 3: **A model for city procurement based on pilots and reform-commission oversight**



[1] Return on investment.


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CASE STUDY

TWO TALES OF STREETLIGHTS

Even well-meaning and common-sense procurement can be problematic if not undertaken strategically, with proper piloting and citizen feedback—as demonstrated by the contrasting experiences of the US cities of San Francisco and San Diego.

In 2009, San Francisco began to consider installing not just LEDs but also a wireless control system that would allow the city to adjust lights from a central location, get maintenance alerts, and manage electricity meters. The city selected eight suppliers to run pilots and then tested the viability of the systems and collected feedback. At the conclusion of those pilots, citizens and neighborhood organizations expressed concern that the sensor-laden streetlights had become monitoring devices and might be used as a tool for police surveillance. The pilots also revealed that the business case for the smart control system was not strong enough to justify the major upskilling of maintenance workers that would be required to maintain the high-tech infrastructure. In the end, the city upgraded 18,500 lampposts with standard daylight sensors that had been around for decades.

A similar initiative in San Diego played out differently when the city began installing smart sensors in streetlights in 2017.[1] Equipped with video capabilities, the sensors were originally intended to monitor traffic. Then law enforcement began using the videos to help solve crimes, raising concerns among civic organizations. Those concerns grew into a major civil liberties scandal in 2020, when police used the video-equipped streetlights to surveil Black Lives Matter protesters.[2]

[1] "Smart Streetlights Program," City of San Diego, accessed June 4, 2021, https://www.sandiego.gov/sustainability/energy-and-water-efficiency/programs-projects/smart-city.

[2] Sarah Holder, "In San Diego, 'Smart' Streetlights Spark Surveillance Reform," Bloomberg CityLab, August 6, 2020, https://www.bloomberg.com/news/articles/2020-08-06/a-surveillance-standoff-over-smart-streetlights.

Figure 4: **Benefits of new procurement practices (cont'd on next page)**

		Project/practice	Cost savings
1	Long Beach	In Long Beach, California, potential suppliers and partners used city property in lieu of a portion of city funding to deliver the Shaun Lumachi Small Business Innovation Center, demonstrating an innovative and open approach to procurement.	$9 million savings against $250K outlay and 10 years' commercial lease revenue for city property
2	Boston	Commercial skills (market research and engagement) helped Boston procure a superior technology system to run its Senior Shuttle service.	70% lower-than-expected costs
3	Kiev	Ukraine Post procurement reform (first four years) leveraged open data, diverse talent recruitment, culture change, and investments in quality training.	40% lower spend and 30% less staff in procurement; 20X return on investment
4	Kiev	Ukraine's ProZorro procurement reform includes open data and an open national e-procurement portal.	$800 saved per $1 invested on corruption alone
5	Sefton	Creative and commercial skills allowed the Metropolitan Borough of Sefton, Merseyside, England, to transition from a contracted Community Meals service costing $300,000 per year to a civil-society-operated alternative.[1]	$2.4 million saved over 8 years against one-off staff-time investment of $50,000
6	Barcelona	Barcelona Open Challenge was a €1 million public procurement opportunity open to anyone with solutions to six major urban challenges.	30% budget savings
7	Sydney	Commercial and sustainability skills gave Sydney an edge in adopting emerging LED streetlight technology at scale through an informed perspective on the full economics, including CO_2 abatement pricing.[2]	$600K saved in first 10-year rollout; $17.4M saved in 20-year life cycle
8	New York City	To advance its broadband-for-all strategy, New York City tendered 10,000 unused phone boxes to invite the market for concepts that provide wayfinding, gigabit Wi-Fi, free telephone services. The winning bid delivered LinkNYC, funded by digital advertising.	$500 million guaranteed revenue; no costs

[1] Sascha Haselmayer, "The Right Way to Cut a Budget," *Bloomberg Cities,* March 11, 2021, https://bloombergcities.medium.com/the-right-way-to-cut-a-budget-ebcdec2b3f8.
[2] Cole Latimer, "New LED Street Lights to Cut Sydney Rates by More Than $1m a Year," *Sydney Morning Herald,* August 16, 2018, https://www.smh.com.au/national/nsw/led-street-lights-sydney-council-clover-20180815-p4zxl4.html.

Figure 4: **Benefits of new procurement practices (cont'd from previous page)**

		Quality outcomes	Supplier ecosystem	Accountability	Sustainability
1	**Long Beach**	Service launched at least three years before budget would have been created	Creative proposals from consultants, corporations, universities, and local businesses	More open procurement process	More effective use of existing assets
2	**Boston**	Radically improved user experience	Five out of six bids were from new suppliers with better solutions		CO_2 emissions reductions
3	**Kiev**	Better-quality postal and retail services	Regained supplier trust	Notable improvements for suppliers and service users	
4	**Kiev**	Underpinned reform at Ukraine Postal Service; significant outcomes with COVID-19 emergency procurement	Increase in trust	Open data for citizens, suppliers, and civil society organizations	Creation of Bulb Project, a purchasing tool using ProZorro data to reduce energy consumption
5	**Sefton**	Better quality, more choice for service users; access to new community services	Single supplier replaced by 40 local small businesses; trained to serve vulnerable citizens	Collaboration with volunteer organizations and service users	
6	**Barcelona**	All solutions proven effective; Vincles BCN won Bloomberg Mayors Challenge Grand Prize of €5 million	35,000 local, 20,000 international citizens and entrepreneurs accessed tender; 119 bids	High visibility of city procurement; commitment to open opportunities for all	Significant CO_2 reductions
7	**Sydney**	Impact four to eight years earlier than other cities			70,000 tonnes CO_2 emissions abatement
8	**New York City**	Free phone, charging, and gigabit Wi-Fi in 10,000 locations and new digital public announcement system (screens)	Various supplier mergers and acquisitions thanks to new partnerships		



HOW TO GET THERE 3

To achieve meaningful procurement reform by 2030, cities can pursue seven action areas, each of which can be mapped to the strategic measures of the vision for 2030 (Figure 5). These action areas are informed by best practices from procurement functions in cities across geographies and at various stages of procurement reform efforts.

The seven action areas presented in this report are informed by best practices from procurement functions in cities across geographies and at various stages of procurement reform efforts.

Figure 5: **Moving toward city procurement as a public service**

Action areas	Strategic measures: **Share the dream** — Convene stakeholders and elevate the profile of procurement (1)	**Shift the focus** — Place procurement in the service of the public and involve citizens in the process (2)	**Nurture the supplier pool** — Refresh the supplier base to align with city values and new needs (3)	**Be open by design** — Use open data to foster innovation, collaboration, and trust (4)	**Establish the 'yes' team** — Empower staff to lead through diverse skills, creativity, and critical thinking (5)	**Invest to transform** — Build the case for ambitious reform through trusted local evidence (6)
1 Mission and purpose	●	●				●
2 Citizen engagement	●	●	●	●		
3 Sustainability, equity, and other goals						●
4 Supplier ecosystem			●	●		
5 Culture and staffing				●	●	●
6 Performance and accountability		●	●	●	●	●
7 Information, data, and technology			●	●		

Mission and purpose

The mission and purpose of city procurement should be defined at the local level. Cities can play an important role as laboratories for new practices that can later be adopted nationally, but a focus on local priorities can better account for nuances in the expectations and culture of a city's procurement. Differences are also significant across cities: in some, procurement is highly centralized and integrated with contract management, while in others it is decentralized with loosely connected teams in every department. There is little evidence to suggest one is better than the other, but their paths to success are different.[10]

Going local does bear risks. To avoid the kind of inertia, backroom deals, and vested interests that lead to half-baked reforms, cities need to invest in access to independent advice, transparency, and citizen engagement. Openness is not a gimmick, but a critical element for success.

To that end, cities should convene a variety of experts, stakeholders, and beneficiaries to propose ambitious, creative ideas to help define the mission and purpose of procurement. Procurement in most cities has not changed in generations, making it all too easy for the future to be framed by the past. Rather than relying solely on incumbent vendors and government officials, cities should have a wide alliance of supporters to maintain the momentum even through setbacks and political transitions.

In principle, the process of developing ideas for the mission and purpose of city procurement could be initiated by city government—or by citizen groups or nongovernmental organizations (NGOs) that don't want to wait for government to make the first move. For example, a civil society group could make the public case for reform, demonstrate what is broken, and present ideas for improvement. This was the case in procurement reform in Ukraine, where Transparency International and other organizations played a leading role in convening stakeholders to offer guidance and even built a prototype of the national procurement technology platform, ProZorro.

Of course, there could—and likely will—be resistance. Some experts we interviewed continue to define procurement as mainly a compliance function inside government. Others see procurement as a highly complex and specialized function with needs that are identified by internal service departments and skilled procurement staff contracting the outcomes. City leaders should remember that professionals' perspectives are usually framed by past experience, which could have an impact on their outlook for the future.

For an example of how a city energized its procurement team to lead in solving local challenges, see "Case study: How Sydney's procurement team became a champion for Indigenous reconciliation."

How to involve stakeholders in developing a mission for procurement

To develop a public mission for procurement, cities must involve stakeholders in a proportionate way. A two-hour workshop, for example, may not yield meaningful results if participants are unfamiliar with procurement or have mindsets shaped by current practices and experiences. Stakeholder involvement should be designed in such a way that participants can unlearn

preconceptions before beginning to envision the future in all its facets.[11] One suitable format for such deliberation may be citizen assemblies (also known as citizen juries or mini publics[12])—groups of citizens selected by demographics and other criteria who work with key stakeholders and consider input from experts over the course of several months to shape the mission and purpose for their city's procurement.

BOX 1

Getting started: Mission and purpose

1. Use processes such as stakeholder mapping to identify the primary beneficiaries of city procurement. Use concrete examples of how procurement shapes lives, well-being, the economy, resilience, and public services in your city.

2. Identify the trade-offs procurement must make. Explore the choices that need to be made about quality, cost, time frames, innovation, sustainability, zero waste, social inclusion, added value to other goals, problem solving, local job creation, economic development, and skills development. Use examples such as complex care services, new urban services, technology, placemaking, and commodities to think through different methods of value assessment. What data, skills, values, and guidance does procurement need to carry out these tasks? When should beneficiaries be involved?

3. Build a multilevel government alliance—such as the partnership among South Africa's National Treasury Department, the South African Cities Network, and the World Bank—to encourage cities to incorporate creativity and innovation in public procurement. Such partnerships offer comprehensive support to help cities explore new approaches to procurement.

4. Develop a clear set of guiding principles and values for procurement teams. Identify the support these teams need to implement these principles and values in their work and to cultivate the right behaviors and actions that will define their culture.

5. Convene stakeholders and beneficiaries to establish a formal procurement-reform commission for governance and performance management.



Youth deliberating uses of and access to technology in a Kathmandu neighborhood. Image courtesy of Tribesh Kayastha.



CASE STUDY

HOW SYDNEY'S PROCUREMENT TEAM BECAME A CHAMPION FOR INDIGENOUS RECONCILIATION

City leaders in Sydney succeeded in giving procurement a new mission. The chief executive of the City of Sydney, Australia, called on the city's procurement manager to take a leading role in implementing Sydney's *Stretch Reconciliation Action Plan 2020–23*.[1] She wanted him to take the lead on increasing Indigenous participation in the city's full supply chain, including helping Indigenous suppliers to be procurement ready.

After participating in Aboriginal cultural-awareness training, the procurement manager became an award-winning champion for Indigenous businesses, lowering barriers and expanding city contracting with Indigenous businesses.[2] Taking ownership of a citywide social outcome changed the culture of the department. What started as an unfamiliar new responsibility soon became a passion, energized by meetings with Indigenous business leaders. Enthusiasm grew as procurement staff members engaged with beneficiaries and discovered their power to make a difference. To support this new mindset, the team measures progress on the tangible goals set out in the action plan, and city leaders make a point of calling out the procurement team's contributions to successful projects all over the city.

[1] For more, see "Reconciliation Action Plan," City of Sydney, November 23, 2020, https://www.cityofsydney.nsw.gov.au/strategies-action-plans/reconciliation-action-plan.

[2] Marie Sansom, "City of Sydney Backs Indigenous Procurement Drive," *Government News,* February 17, 2016, https://www.governmentnews.com.au/local-councils-back-indigenous-procurement-drive/.

Cities can also run workshops and focus groups to support a broad strategy of engagement. This approach is most likely to yield good results if the groups are truly representative of the community to compensate for the asymmetry of established lobbying around procurement, in which incumbent suppliers, for example, have a more organized voice than ordinary citizens. Careful planning and implementation will be required to address both the complexity of the issue and the (initially) low level of public interest in city procurement. Most interviewees agreed that telling a compelling public story about procurement can build important backing for reform among citizens, the broader society, the media, or NGOs. Even in smaller cities, hundreds of millions of dollars in spending are at stake.

Cities can also energize the ideation process with a broad campaign to collect ideas from a variety of stakeholders and organizations through a challenge process, as long as it offers a substantive framing of the opportunity. Such a process would consist of two elements. The first is a call for ideas from a variety of experts and nonexperts (for example, "What is your vision for how the city should buy goods and services?"). The second is due process: ensuring that even hard-to-reach groups can contribute and that they have a fair chance to learn why city procurement matters to them.

Citizen engagement

City procurement offers many opportunities to disrupt the traditional asymmetry of information and involve citizens throughout the process, from supervision of city spending to direct involvement in the design of solutions, selection of suppliers, or contract management. Engaging direct users or beneficiaries of a procurement undertaking yields the highest value. Done right, involving citizens in the process is a proven way[13] to build trust, deliver higher-quality services, reduce the rate of failure, lower costs, and contribute to the empowerment and democratic participation of citizens.

Asking people for feedback—which is the extent of citizen engagement in most procurement functions today—is not much more meaningful than informing them about a decision. True empowerment requires involvement and collaboration. Figure 6 shows the full spectrum of community engagement, from ignoring citizens to empowering the community to own services.

While most of the experts we interviewed agreed that citizen involvement can lead to better outcomes in procurement and reform efforts, two countervailing perspectives stood out. One is that it is sufficient to involve citizens only at the earliest stage of the process—to identify their needs and then leave the process to experts. Another view is that to be effective, procurement must work smarter but quietly, behind the scenes, from beginning to end. In this view, citizens may periodically need to act as watchdogs, especially in systems with a recent history of corruption. To win over experts who hold these alternative views, cities will need to build a strong case for the importance of citizen engagement throughout the process.

Figure 6: **The spectrum of community engagement, from marginalization to ownership**

Impact	Stance toward community	Community engagement goals	Message to community
0 Marginalization	Ignore	Deny access to decision-making processes	*Your voice, needs, and interests do not matter*
1 Placation	Inform	Provide the community with relevant information	*We will keep you informed*
2 Tokenization	Consult	Gather input from the community	*We care what you think*
3 Voice	Involve	Ensure community needs and assets are integrated into process and inform planning	*You are making us think (and therefore act) differently about the issue*
4 Delegated power	Collaborate	Ensure community capacity to play a leadership role in implementation of decisions	*Your leadership and expertise are critical to how we address the issue*
5 Community ownership	Defer to	Foster democratic participation and equity through community-driven decision making; bridge divide between community and governance	*It's time to unlock collective power and capacity for transformative solutions*

Source: Rosa González, Facilitating Power

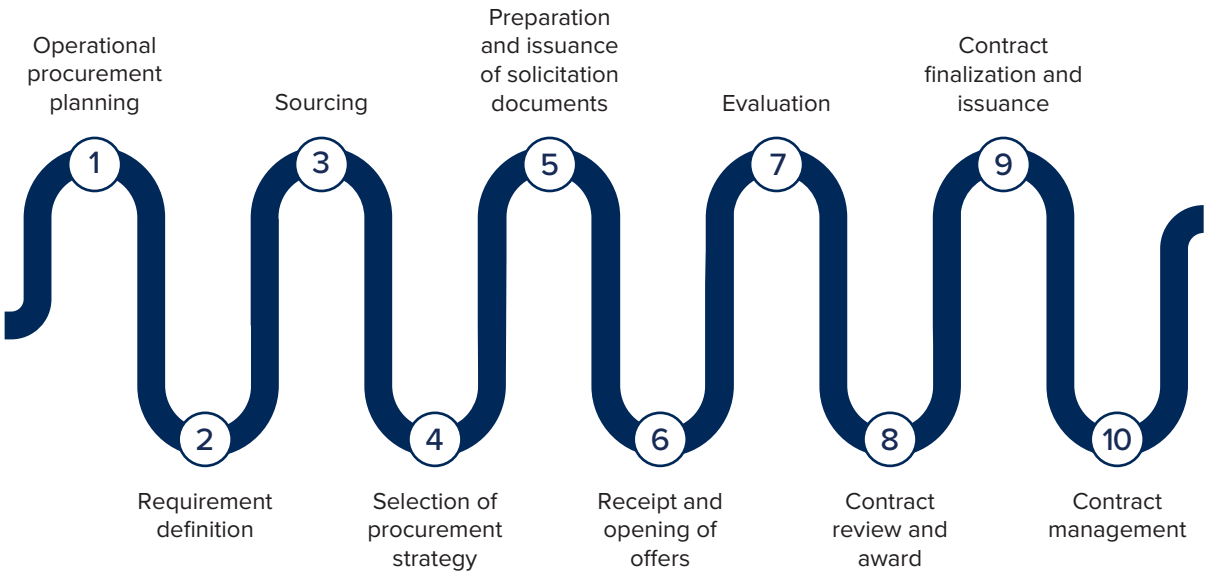
How to engage citizens throughout procurement

A traditional procurement process may look something like Figure 7 and take place entirely behind closed doors. An approach that puts citizen engagement at the forefront could look more like Figure 8—which is the approach that some cities are using today.

Oversight. One way in which citizens participate in city procurement is through civil society organizations that develop their capacity to oversee city procurement and hold it accountable. In Montréal, for example, the Smart and Digital City team worked with the Open Contracting Partnership to make the city's procurement data easily accessible on its *Vue sur les contrats* website.[14] The site is now used regularly by elected officials, political staff, citizens, and journalists.[15]

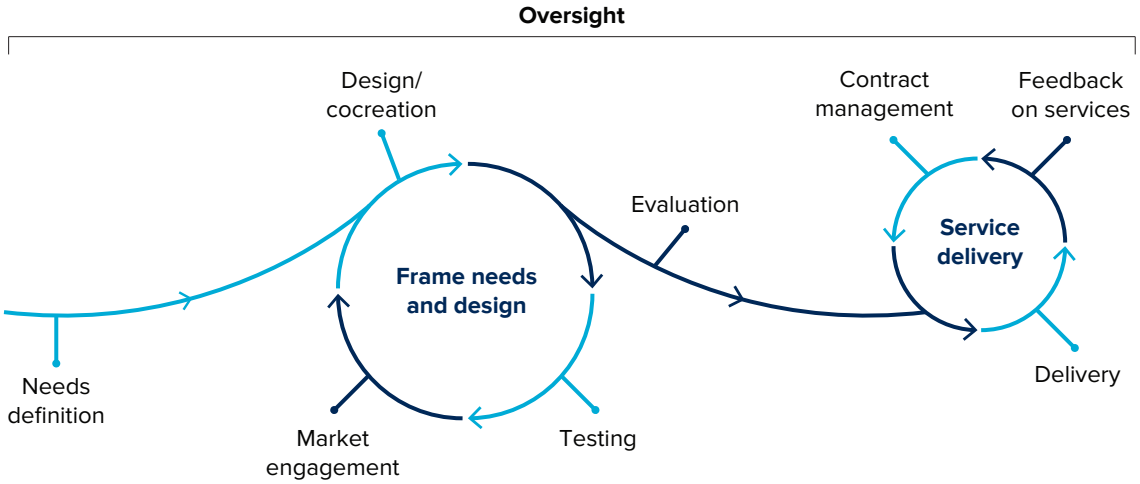
Needs definition. The most common form of citizen participation today is at the earliest stage of procurement. Beneficiaries young and old have been involved in developing the needs and problem statements for procurement of community playgrounds, urban developments, healthcare services, digital education services, and social care. The City of Stockholm involved 300 visually impaired residents—and their relatives and other care providers—in defining their needs for a digital navigation aid.[16]

Figure 7: **The traditional procurement model**



Source: UN Procurement Practitioner's Handbook

Figure 8: **A procurement model that enables citizen engagement at all critical junctures**



Design/cocreation. Citizens have also been involved in market research and consultation phases by proposing ideas or by testing urban prototypes or pilots. In Santiago, Chile, for example, the Impacta Salud program had a dozen teams develop experience prototypes that would provide better access to community health for all stakeholders.

Testing. Pilot projects, such as San Francisco's experiments with smart streetlight technology (see "Case study: Two tales of streetlights" on p. 13), provide an experiential form of citizen engagement to help cities evaluate options—as well as to identify potentially unforeseen citizen concerns.

Market engagement. "Market engagement" refers to marketing contract opportunities to suppliers to encourage more of them to submit bids. Mexico City publicly reported the findings of its market engagement for EcoBici, the new bike-share system, to allow citizens to participate in drafting the terms of reference for the procurement. (See "Case study: How Mexico City used open information to improve public engagement in procurement" on p. 45.)

Evaluation. The City of Helsinki invited citizens to test a variety of bike models for its bike-share program, giving them formal ownership of the usability score in the evaluation process. In Long Beach, California, citizen input was instrumental in choosing outdoor furniture for the Harvey Milk Promenade Park.[17]

Contract management. Citizen participation can extend beyond procurement into contract management, as illustrated by a public transit contract in the Outer Hebrides (see "Case study: How citizens took the driver's seat in procuring public bus service" on p. 26). Cities have developed variations on this approach with different degrees of empowerment, from providing feedback to running inspections—as was done in Bogotá, where the city government relied on market operators as inspectors for cleaning services in surrounding areas.

Citizens with lived experiences of public services can provide valuable feedback into the service-delivery process.



Approximately 500 volunteers turned out to help build KaBOOM!'s 2,000th playground in Washington, D.C., in 2011. Image courtesy of the Knight Foundation.

BOX 2

Getting started: Citizen engagement

1. Collaborate with NGOs and citizens to convert transparency activism into a constructive partnership to improve procurement.
2. Develop tools to make each step of the procurement process, even in contract management and project delivery, accessible to citizen contributions.
3. Ensure that engagement is appropriate to the scale of procurement activity, not the scale of the procurement department. Educating citizens about procurement is not a quick process, but it has the potential to return significant dividends.
4. Identify both direct and indirect beneficiaries of procurement projects, and involve them in the process to maximize the value created for them.
5. Develop the skills, capacity, and workflows to involve citizens where they are. For example, Seattle operates neighborhood offices to organize communities and build capacity for community participation over long periods of time.[18]

Feedback on services. Citizens with lived experiences of public services can provide valuable feedback into the service-delivery process. For example, a group of parents, foster parents, family members, and advocates for young children in Brownsville, in the New York City borough of Brooklyn, organized United for Brownsville to have a voice in improving their local early-childcare services. Families, city government leaders, service providers, and experts in early-childhood development have created a shared framework to continually account for lived experiences in service improvements.[19]

Delivery. Citizens can participate as cocreators in the delivery of projects and services. For example, KaBOOM!, an organization that promotes community participation in building playgrounds and helps cities to procure materials, assisted city leaders in Ankeny, Iowa, in procuring a community facility that was cofunded through community fundraising and in-kind construction work.[20] At different scales, this kind of partnership can be extended to combine volunteerism with fundraising or hiring community members to provide services.


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CASE STUDY

HOW CITIZENS TOOK THE DRIVER'S SEAT IN PROCURING PUBLIC BUS SERVICE

The local government of the Outer Hebrides island chain in Scotland engaged citizens at all stages of its effort to contract public bus services—and not only secured better outcomes but also built trust in, and community ownership over, an important service.[1] Inspired by participatory budgeting and the Barcelona Open Challenge (see "Case study: Barcelona's procurement for anyone with the right idea" on p. 32), a team of officials set out to create their own participatory process. Procurement used a three-year, £2.4 million bus contract as an opportunity to involve the community. The team combined consultation events in every locality with surveys to identify and prioritize needs. By setting a predetermined budget, the team could focus on evaluating proposals not by cost but by value added.

Using evaluation scenarios prepared by the procurement team, the community designed the selection criteria. Different areas turned out to have different priorities, demonstrating that a one-size-fits-all approach would not have met actual needs. Community panels comprising up to 15 people of diverse backgrounds and age were formed to score the proposals, with experts overseeing technical aspects such as licensing and regulations. The procurement team acted as a facilitator among the transport team, community workers, and corporate policy leaders. After awarding the contract, the team trained community councils to run the contract-management process, dealing directly with suppliers. This approach paid dividends: use of public transport increased by 10 percent, and the project led to budget savings of 5 percent compared with the previous contracted service.

[1] Helen Mckenzie, "How We Put Our Rural Community in the Driver's Seat for Public Transport Procurement," Citymart Procurement Institute, June 26, 2020, https://medium.com/citymartinsights/rural-public-transport-procurement-putting-communities-firmly-in-the-driving-seat-d090150ae09d.

Sustainability, equity, and other goals

Accounting for value—financial and otherwise—is central to the role, operation, and culture of city procurement. A growing number of cities have declared climate emergencies, set carbon-neutrality goals, made pledges for reconciliation with disadvantaged groups, and promoted inclusion or health and well-being goals. Most of these policy goals will have a bearing on city procurement, encouraging cities to make changes to the goods and services they buy and from whom.

But award criteria—the method by which a vendor is selected in a competitive procurement—differ widely across cities. Many cities in the United States, for example, still require their procurement teams to award contracts based solely on price. In Europe, buyers have to use whole-life cost assessments to determine the most economically advantageous tender (MEAT). The UK government goes a step further by adopting the method of most advantageous tender (MAT) to let procurement choose the best fit. To facilitate these assessments, some cities develop sophisticated guidelines and models for cost and value assessments. For example, Sydney deducts carbon abatement at a fixed price per ton from proposals, and London evaluates proposals against a wide variety of priced outcomes, such as their impact on a public transport user's waiting time.

BOX 3

Getting started: Sustainability, equity, and other goals

1. Develop cost and value models to guide finance, budget, and procurement offices in evaluating proposals not just for cost but also for the value they add to outcomes such as happiness, social mobility, sustainability, or well-being.

2. Use networks such as the Milan Urban Food Policy Pact, C40, Metrex, ICLEI, and What Works Cities to share methods and build professional networks.

3. Instead of betting big on unproven measures, deal with uncertainty by using agile methods, such as minimal viable products (MVPs),[21] to test the effectiveness of procurement on policy goals and improve it. Universities can help to develop new practices as independent evaluators.

4. Evaluation is closely linked to the culture of procurement. Decide whether the city can produce reliable, detailed guidance for procurement teams on all issues, or whether it should invest in creative and professional capabilities to respond to changing needs and uncertainty.

5. Connect the dots around the city's procurement policies. For example, don't merely offer incentives to contract from local women-owned businesses—establish a priority to attract women-owned business as part of the city's wider economic development and inward-investment strategies.



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CASE STUDY

HOW COPENHAGEN SWITCHED TO ORGANIC FOOD, AT NO ADDITIONAL COST

In 2001, the City of Copenhagen, Denmark, set a policy goal to serve 90 percent organic meals in its public kitchens, run by city agencies to prepare food in childcare centers, schools, hospitals, and staff canteens. The move was part of a wider reimagining of the city's food system and its impact on health, social, and environmental outcomes. Food systems are complex, involving many public and private stakeholders in not just the sourcing of ingredients but also the management of leftovers and food waste.

Copenhagen relied on city procurement in making this transition.[1] Procurement teams engaged very closely with stakeholders, including the kitchens that order ingredients and prepare meals and places such as schools where meals are served. An important step in the process was to train staff members in 900 kitchens to learn new recipes that could make better use of organic ingredients. Procurement teams also found that by breaking the procurement process into smaller, specialized pieces, they could reach more specialized regional farmers and suppliers to meet their needs. Copenhagen achieved its goal through a procurement effort that balanced costs, supplier capabilities, and needs. Procurement teams found that to manage the higher cost of organic food, they needed to reduce their reliance on meat—which, in turn, has health and environmental benefits.

[1] "Organic Conversion and Green Public Procurement in Copenhagen's Public Kitchens," IFOAM Organics Europe, accessed June 4, 2021, https://euorganic2030.bio/initiatives/organic-on-every-table/organic-conversion-kitchens/.

How to expand award criteria to include nonfinancial goals

Cities can respond to new policy goals by introducing more detailed rules and methods to guide decisions. This works best when there is conclusive evidence that a particular financial formula works. However, many experts wonder if reliance on financial models in procurement has a reductive or dehumanizing effect on public services. They point to examples such as contracting care for children with special needs, where a focus on cost alone ignores the value of caregivers who make children laugh. This is why many practitioners call for fewer rules and models and more discretion to use their expertise (and involve beneficiaries) to make well-informed judgment calls on which proposal offers the most public value.[22] Inspiration could be drawn from cities' long-standing practice of procuring architecture services by running design competitions[23] and appointing respected practitioners to juries or commissioning independent design reviews.[24]

Supplier ecosystem

Many city leaders worry that their supplier base doesn't reflect the diversity of their city's entrepreneurs. In the United States, for example, cities regularly commission disparity studies to get insights on exclusionary practices in the solicitation and awarding of contracts. These studies often lead to changes in policy and practice.[25] Transformation is already underway, with many cities doing more contracting with small businesses or growing their vendor-diversity programs.

Cities are looking for alternatives to incumbents and for suppliers that contribute new ideas, are aligned with cities' changing values and policy goals, and can provide better-quality services. Many cities, such as Albuquerque[26] in the United States and Sefton[27] and Wigan[28] in the United Kingdom, prefer to buy local to strengthen the connection between community-based suppliers and the people they serve.

Cities are also looking for better quality and more innovation in line with their evolving priorities on issues such as digitization and technology, social care, sustainability and climate change, gender and racial equity, ethical supply chains, and transparency. Paris, for example, is using market research and networking to find suppliers that can help meet the mayor's ambitious climate goals. As one city leader put it, "The best contract is one we never have to use because we all want the same outcome."

Cities have long been accustomed to the convenience of just-in-time global supply chains, but the COVID-19 pandemic highlighted the importance of resilience. The Paris procurement team, like others, expects to diversify its supplier base, sacrificing some savings in return for the resilience of sustaining some regional capacity, even in manufacturing.

How to revamp the supplier ecosystem

Cities should define their ideal supplier ecosystem according to a variety of perspectives. For example, Barcelona found that the winners of its Open Challenge were more passionate about solving problems than the city's typical suppliers, who were more focused on aggressive contract management (see "Case study: Barcelona's procurement for anyone with the right idea" on p. 32). Many businesses share those suppliers' passion. Research by Global Entrepreneurship Monitor found that 65 percent of entrepreneurs in the United States start their businesses "to make a difference."[29]

Cities can start by mapping out the types of suppliers and partners available to them and prioritizing the qualities and capabilities that are most important to meeting the goals of the city. Figure 9 offers an example of such a list.

One proven way to reach potential suppliers is to develop partnerships that help to align more businesses with city priorities. Berlin, for example, is funding programs led by community organizations, such as Yeşil Çember, that specialize in developing sustainability initiatives in immigrant communities to expand the city's relationships with historically excluded suppliers.

Figure 9: **Illustrative mapping of suppliers and capabilities**

Types of suppliers/partners	Desired qualities/capabilities
Community-based businesses	Community knowledge
Cooperatives	Knowledge of best practices
Corporations	Financial stability
Innovators	Firsthand experience of the need (e.g., homelessness, crime, abuse, addiction)
Nonprofits	Flexibility
Sheltered workshops	Innovation capacity
Small business	Investment in local skills development
Social entrepreneurs	Leadership skills
Start-ups	Open books accounting
Universities	Regional manufacturing
Veteran-, minority-, and women-owned enterprises (VMWBE)	Resilience
Voluntary-sector organizations	Social value contributor
Volunteers	Supply-chain integrity
	Sustainability practices
	Values
	Willingness to operate locally
	Workforce diversity


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BOX 4

Getting started: Supplier ecosystem

1. Involve stakeholders in designing a better supplier ecosystem. Which suppliers would the city love to do business with, what would they bring to the table, and what would the relationship look like?

2. Develop the supplier base with a long-term perspective on capabilities and capacity in the right places. With good support, a three- or five-year runway is sufficient for most small businesses or community organizations to become viable business partners with city procurement.

3. The COVID-19 crisis has forced many cities to overcome barriers to quickly deliver emergency grants, loans, or payments to suppliers. Build on these experiences to align all financial support tools to nurture existing and potential suppliers.

4. Put success before effort and flip the script on certification. Instead of making small-business or VMWBE certification a precondition of submitting a proposal, allow suppliers to acquire certification after they have won a contract. Most cities already take this approach regarding liability insurance.

5. Invest in communications. Start with the user in mind: a small business that hasn't worked with government before. What would an attractive, intuitive opportunity look like to that small business, and how can procurement cultivate trust and alignment with its values over time?

Finally, change will require a change of mindset. In the past, city procurement has often been reactive, or even defensive, in dealing with suppliers. Going forward, cities will need to be proactive and targeted in the same way that an employer thinks about hiring the best people for a job: building relationships with candidates and making them feel valued.


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CASE STUDY

BARCELONA'S PROCUREMENT FOR ANYONE WITH THE RIGHT IDEA

In 2013, the mayor of Barcelona, Spain, announced the BCN | Open Challenge,[1] an initiative supported by a €1 million city procurement innovation fund designed to generate innovative solutions to urgent urban problems. The program, which accepted submissions from anyone in the city and awarded public contracts to the winners, broke new ground in a number of ways.[2] Instead of detailed specifications, the city published problem statements (challenges) on six unmet urban and social needs, and it eliminated typical barriers to doing business with the city.[3] The mayor wanted to empower anyone with a good idea to compete for a contract (the average contract size was €150,000). The city's economic development department created an incentive package that included free office space and a subsidy on Spain's 30 percent social security tax on employee salaries.

Barcelona ran an outreach campaign across digital, media, and urban screens to engage citizens and entrepreneurs. The request for proposal was downloaded 55,000 times (including 35,000 downloads from within the city), leading to 119 proposals that passed technical screening. A multidisciplinary expert panel led the evaluation. Six projects were contracted—at 30 percent below budget—and implemented successfully. One project, Vincles BCN, a tablet-based solution to tackle social isolation among senior citizens, went on to win the €5 million grand prize in the Bloomberg Mayors Challenge. By 2019, more than 1,000 residents were using the app.[4]

[1] "BCN | Open Challenge," Barcelona City Council, accessed June 4, 2021, https://bcnopenchallenge.wordpress.com/.

[2] Gracia Vara Arribas and Jasmijn van der Most, *Diagnosis in Public Procurement of Innovation / Diagnosis en Compra pública para la innovación,* Barcelona City Council, April 2017, https://ajuntament.barcelona.cat/digital/sites/default/files/diagnosis-esp_v2.pdf.

[3] Sascha Haselmayer, "Barcelona's Communications Magic in Public Procurement to Engage the World, and 2% of Residents," Citymart Procurement Institute, March 26, 2020, https://medium.com/citymartinsights/barcelonas-communications-magic-in-public-procurement-to-engage-the-world-and-2-of-residents-71c3c493d944.

[4] "In Barcelona, an App with a Personal Touch Keeps Seniors Connected," Bloomberg Cities, February 21, 2019, https://bloombergcities.jhu.edu/news/barcelona-app-personal-touch-keeps-seniors-connected.

Culture and staffing

Reducing procurement to nothing but efficiency or administration of rules often leads to a downward spiral of diminishing resources, compliance culture, and disillusioned teams. Some city and procurement leaders step up to the challenge. They empower procurement teams and publicly celebrate their professionals, successes, and contributions. These leaders want to professionalize procurement and energize it to be less reactive, challenge the status quo, and make projects better by offering new perspectives. They know the starting point is buildling a great team and a culture that rewards collaboration, innovation, and the right kind of professionalism.

To this end, city procurement can work to develop a capacity for problem-solving and managing uncertainty, as well as a multidisciplinary environment in which collaborative professionals thrive. As Liverpool's experience has shown, procurement teams can take a more proactive role (see "Case study: Liverpool's award-winning team of procurement extroverts" on p. 35). As one practitioner put it, "Ten years ago, we simply bought what departments asked us to. Now, we challenge them and ask questions to find new opportunities."

Change management is a controversial subject in city procurement. Many leaders express frustration that their efforts to energize and professionalize an existing team are sometimes met with resistance. Without trust, resources, and recognition from leaders, even the most successful change-management efforts are likely to run out of steam. Many of the changes discussed in this report will result in more responsibilities, new skills, and new activities for procurement—and those expanded capacities need to be appropriately resourced and sustained.

How to improve procurement culture and staffing through training and networking

A lot can be done to cultivate a great procurement team, both within the team and beyond it. For example, the European Commission developed ProcurCompEU,[30] a comprehensive public procurement competency map encompassing both traditional hard skills, such as familiarity with the law, and soft competences, such as critical thinking and change management. This approach aligns with what experts hope to see more of in procurement: stronger commercial skills, including technical skills such as project management or financial analysis; an entrepreneurial mindset that's open to opportunity; the ability to collaborate, think creatively and holistically, and question convention; and innovation skills such as design thinking and user engagement.

Partnerships with universities and other educational or training institutions can help procurement professionals maintain the skills needed to keep up with trends and laws and regulations. Partnerships also help procurement avoid the insular culture that prioritizes the "way things always have been done" over an understanding of the law, rules, rights, and best practices. And they can facilitate opportunities for procurement professionals to engage with the outside world through site visits to projects and meetings with beneficiaries and suppliers.



BOX 5

Getting started: Culture and staffing

1. Provide a clear mission and a moral compass. Clarity on what success looks like should balance the adherence to rigid rules underpinning procurement.

2. Build a world-class procurement training program in partnership with academic institutions. Recruit from a wide variety of backgrounds.

3. Combat negative stereotypes about procurement—instead, energize the function. City leaders and leaders from other departments should become prime cheerleaders for procurement reform and encourage creativity and experimentation.

4. Build a sense of ownership, pride, and motivation among team members by getting them out of the office to meet beneficiaries, suppliers, and partners.

5. Develop a long-term talent program, aligned with a future competence map that takes into account trends and emerging needs in city procurement. The function should offer a welcoming environment to entrants from new disciplines and diverse backgrounds.

In addition to training, networking is an important way to build a sense of professional belonging and identity, as well as a vibrant peer community for mutual support. Networking can happen at events, training programs, award programs, and even in social media groups; in Ukraine, a 10,000-strong Facebook community of procurement professionals has become a universal channel for senior managers and a central resource for jobs and advice. In Scotland, practically all city- and local-government procurement professionals know one another, creating a tight-knit learning network.



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CASE STUDY

LIVERPOOL'S AWARD-WINNING TEAM OF PROCUREMENT EXTROVERTS

When a new leader took over the procurement department of Liverpool, United Kingdom, in 2014, he found many indications that things weren't right. "People were working around, rather than with, procurement," he said. The small team he inherited had no profile, was seemingly happy to not be visible, and offered little in terms of strategic procurement expertise.

To turn the procurement function around, the leader dragged it out of hiding and instilled a sense of mission and pride in the team. In the past, other departments had turned to procurement only at the 11th hour of a project, after all the decisions had already been made. The new leader invested not just in specialized procurement skills but also in category management, letting professionals take the lead in certain markets. "We now lead on market research, even acting as a kind of innovation department that brings new ideas to departments," the procurement leader said. No longer a barrier, procurement is now a useful partner in engaging markets early and finding new ways to procure things differently. And the team actively promotes itself and its services. In April 2018, Liverpool's procurement team and adult social care team won a prestigious national GO Award for introducing innovations and technology to home care services facing stiff budget cuts.[1] This achievement was made possible by collaborative efforts between frontline social services and procurement professionals to create a new solution.

[1] "Liverpool Takes Top Honours at the National GO Public Procurement Awards," *LiverpoolExpress,* April 27, 2018, https://liverpoolexpress.co.uk/liverpool-takes-top-honours-at-the-national-go-public-procurement-awards/.

Performance and accountability

You can't manage what you can't measure, and experts and leaders agree that city procurement has a long way to go in developing solid frameworks for performance management and reporting beyond basic compliance. In the past, most cities measured procurement performance by the number of contracts closed and by the absence of scandals. This approach originated in a time when cities were buying mostly goods and public works—commodities that could be specified in great detail and awarded to the lowest bidder. Today, nonmonetary goals—from providing loving care to a child with special needs to transitioning to a zero-waste economy—are increasingly at the heart of procurement's mission.

In many cities, procurement teams are beginning to take a more outcome-oriented role—for example, by questioning other departments about the needs they present. They provide higher-value-added services, such as market research and insights into trends, helping improve contracted designs and solutions. Accountability for procurement itself may continue to focus on compliance, but the function is increasingly providing "accountability as a service," helping partners avoid delivering ineffective services, wasting resources, or overlooking value opportunities.

What to measure to ensure progress

The Center for Government Excellence defines performance management as "helping governments use technology and data to openly set goals, hold participants accountable, connect to stakeholders, track progress, and achieve results. By collecting and analyzing data and evidence, determining the desired outputs and outcomes, and linking data to overarching priorities, city leaders can use performance management to best administer policies and programs to the benefit of their community and residents."[31]

The same applies to city procurement. Any system should start with a definition of community and stakeholder needs and service expectations—see, for example, the strategic plan for the City of Raleigh, North Carolina (Figure 10). A clear definition will help focus performance management on outcomes that can transcend functional barriers and ultimately lead to improved decision making and problem solving.

Figure 10: **Raleigh's strategic plan: Six key areas of focus**



Source: "Strategic Plan: A Solid Foundation for an Intentional Future," City of Raleigh, accessed June 4, 2021, strategicplan.raleighnc.gov.

More specifically, experts recommend that city procurement manage performance on two tracks: the value added by the procurement operation and the value added by the goods or services that have been procured (Figure 11).[32] To obtain these measures of progress, procurement will often need to take a collaborative approach to capture the activities overseen by design teams, procurement staff, or frontline workers.[33]

Figure 11: **Illustrative measures of performance for city procurement**

Value added by overall procurement operations in the city

- Number of proposals per opportunity
- Health of the supplier ecosystem
  - Number of suppliers
  - Number of local suppliers
  - Diversity
  - Relevant competencies
  - Participation
  - Number of proposals per opportunity
- Citizen participation
  - Community engagement in processes
  - Degrees of community empowerment
- Open data/information
  - Quality of open data
  - Relevance of visualizations to users
- Trust score/user feedback
  - From suppliers
  - From citizens
  - Internal clients
- Procurement team
  - Competence map
  - External perception

Value added by the specific procurement project for a good or service

- Evaluation
  - Beneficiaries
  - Suppliers
  - Project team
  - Public perception
- Life-cycle cost
  - Planned
  - Actual
- Carbon-emissions savings
- Improvements in value
  - Social
  - Environmental
  - Jobs
  - Skills
  - Investment in the community
- Learning
  - Discovery of new ideas
  - Improvement of solutions

A complementary way to manage performance is to look at the actions and behaviors of the procurement organization. The Commissioning Framework of Southend on Sea in the United Kingdom sets out 10 principles governing how the city commissions its public services (Figure 12).[34] For example, Principle 5, "High-quality, robust evidence informing our decisions," demonstrates that the council "recognizes and respects a range of intelligence, data, feedback and knowledge that collectively tell the story of Southend." The Commissioning Framework is part of a comprehensive transformation program the city is rolling out to all of its 1,800 employees, including those in procurement. The principles provide a common language and set of goals that all departments can use—in much the same way that procurement's mission statement aligns all stakeholders on the same overarching goals.

Figure 12: **Commissioning framework used by Southend on Sea Borough Council in the United Kingdom**



Source: Adapted from "A Commissioning Framework for Southend on Sea Borough Council"


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BOX 6

Getting started: Performance and accountability

1. Don't jump into metrics or systems. City procurement teams should think comprehensively about performance and accountability, inviting all stakeholders and beneficiaries to contribute their needs and expectations.

2. Use data—as early in the commissioning and project development process as possible—to help define the need and understand the root causes. Keep using data even after procurement is complete and the project is in contract management to optimize outcomes (and build data for renewals).

3. Provide a mechanism for suppliers to rate the city as a buyer and customer along the whole procurement and contract-management journey. Collect this feedback also from suppliers who did not win a contract or chose not to bid. This invaluable input reveals problems early and helps cities improve procedures and communications.

4. Invest in sophisticated procurement skills. This will strengthen the accountability of all city departments by challenging convention, providing market research, and basing decisions on a comprehensive view of policy goals in the city.

5. Evaluate the ability of performance management to encourage the right kinds of actions and behaviors in city procurement. Performance management should be closely tied to the culture, values, and principles by which the city expects the team to act and behave.


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CASE STUDY

HOW BOGOTÁ BECAME A DATA DETECTIVE TO UNLOCK FOOD PROCUREMENT

In 2016, leaders in Bogotá's Department of Education discovered that the market was shortchanging the city's school meals program, which provided the only reliable meal of the day for many of the city's one million school children. Concerns were raised about the quality, delivery, price, and origin of the meals. Inspired by a national effort to publish government procurement data, the mayor and education secretary partnered with the national procurement agency, Colombia Compra Eficiente, to determine where $170 million in spending was going.

They found both inefficiency and possible malfeasance.[1] Their analysis showed that by bundling sourcing, packing, and distribution into a single contract, the city had limited the pool of potential suppliers to only 12 contractors—and the country's best-known food brands were missing. Interviews revealed that the bundling made participation unattractive. Team members also realized that by focusing solely on low prices, they were compromising quality and inviting manipulation. They launched a new procurement process in which jobs were unbundled and quality became the determining factor. Adopting data-driven practices to detect abnormalities led Bogotá to sign contracts with 55 producers instead of only 12 suppliers. Fourteen of the contracted producers had never previously participated in a public contracting process.

[1] "The Deals Behind the Meals," Open Contracting Partnership, 2018, https://medium.com/open-contracting-stories/the-deals-behind-the-meals-c4592e9466a2.

Information, data, and technology

By 2030, city procurement everywhere will be at least partly digitized. Data, especially if shared across cities, can strengthen market research and help detect irregularities at an early stage. Experts agree that digitizing the procurement process provides a great deal of value—not only in cost savings but also in supplier and performance management, accountability, broader participation, and automation.

Today, most global cities run their procurement in isolation, using proprietary e-procurement platforms that meet their process and compliance needs. But cities that don't plan properly risk getting stuck with proprietary systems that are not fit for the future and could undermine their spending, their goals, and the trust of the public. And the history of procurement technology has shown that technology can amplify existing biases because it is always at risk of distilling flawed practices into automated workflows without oversight.[35]

This isolated approach has also undermined competition for contracts. Platforms require users to register and log in, often with the well-intentioned aim of collecting data on who is accessing information—but in many cases, this has led to systems that are at best complex to navigate for citizens or first-time vendors and at worst have outright exclusionary barriers in the form of paywalls or complex questionnaires that stop the curious from finding out more. Even the business model of e-procurement platforms constitutes a barrier: in many US cities, for example, suppliers have to pay a fee to access opportunities as cities and platform operators try to generate revenue from a paywall.[36]

Figure 13 traces the six-step process of accessing opportunities through the e-procurement portals of several major US cities and counties. At each step of the way, the data underlying the figure reveal that 40 to 94 percent of the portals present significant barriers to participation.

How to improve data and technology by putting stakeholders first and embracing open data

Cities should plan their approach to technology and data around the value these tools can add to the city's longer-term mission. They should also be sure to prioritize the needs of stakeholders—including suppliers and the public more generally—to the same extent as internal needs. Adhering to standards such as the Open Contracting Data Standard[37] will allow cities to opt in to global best practices used by local and national governments alike. These standards allow for interoperability and the development of tools that help use cases of city departments, performance management, and public accountability.

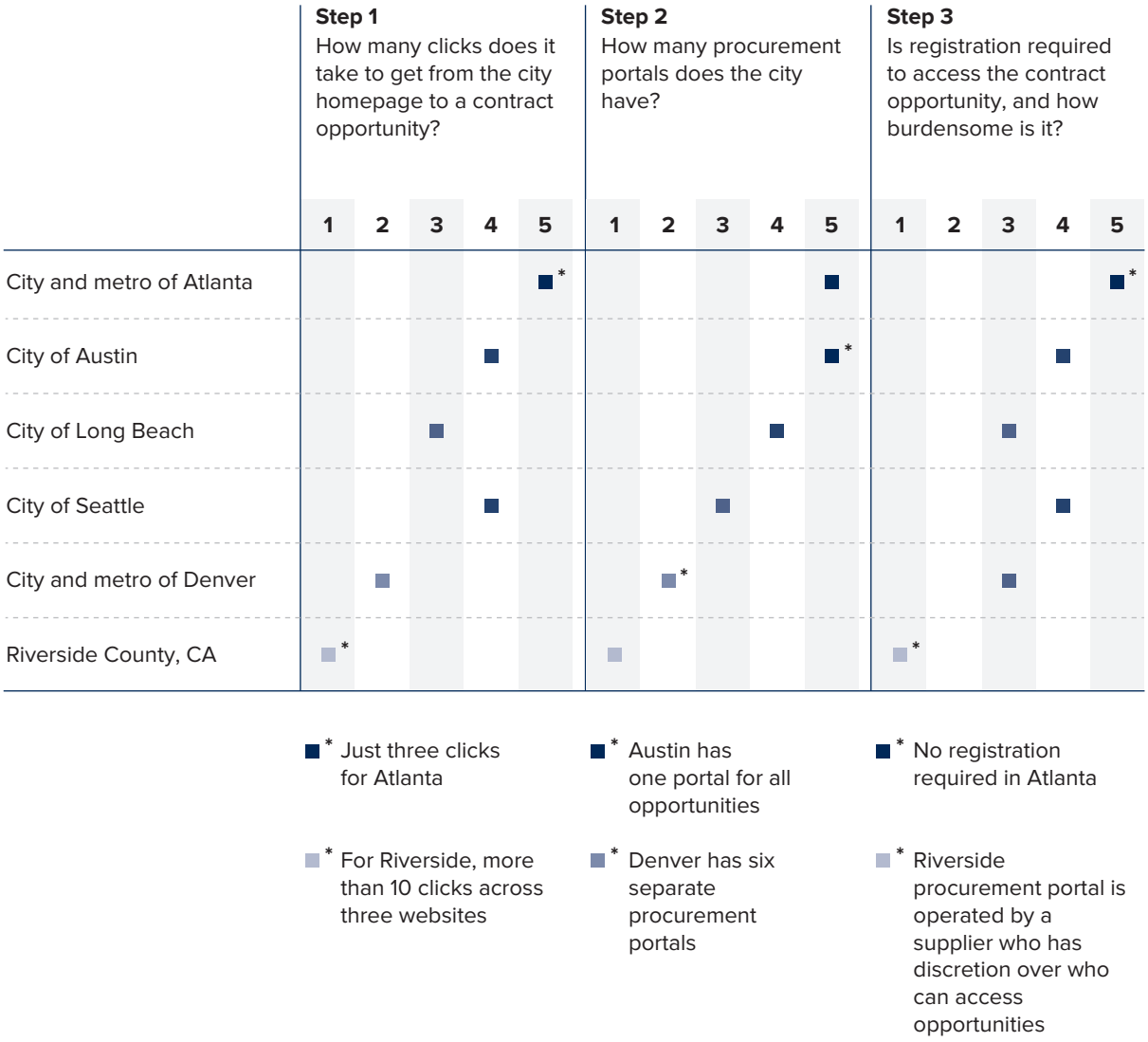
Furthermore, open data combined with regulations will help cities to operate a more diverse procurement function. The Ministry of Health of Ukraine, for example, built an e-shop that allows 3,000 participating hospitals to order preapproved products from a catalog without involving procurement. Scotland's National Health Service has provided a similar catalog to users of care

services. And for Mexico City, open information is crucial to the successful renewal of its public bike-share system (see “Case study: How Mexico City used open information to improve public engagement in procurement” on p. 45). Automation and artificial intelligence will offer further opportunities to take care of routine commodity transactions and augment market research. And if cities push their case for the right kind of citizen participation, technology may empower those who are often excluded to take a seat at the table.

Figure 13: **Six steps that determine ease of accessing e-procurement opportunities by city (cont’d on next page)**

Small Business Accessibility Score, 2019

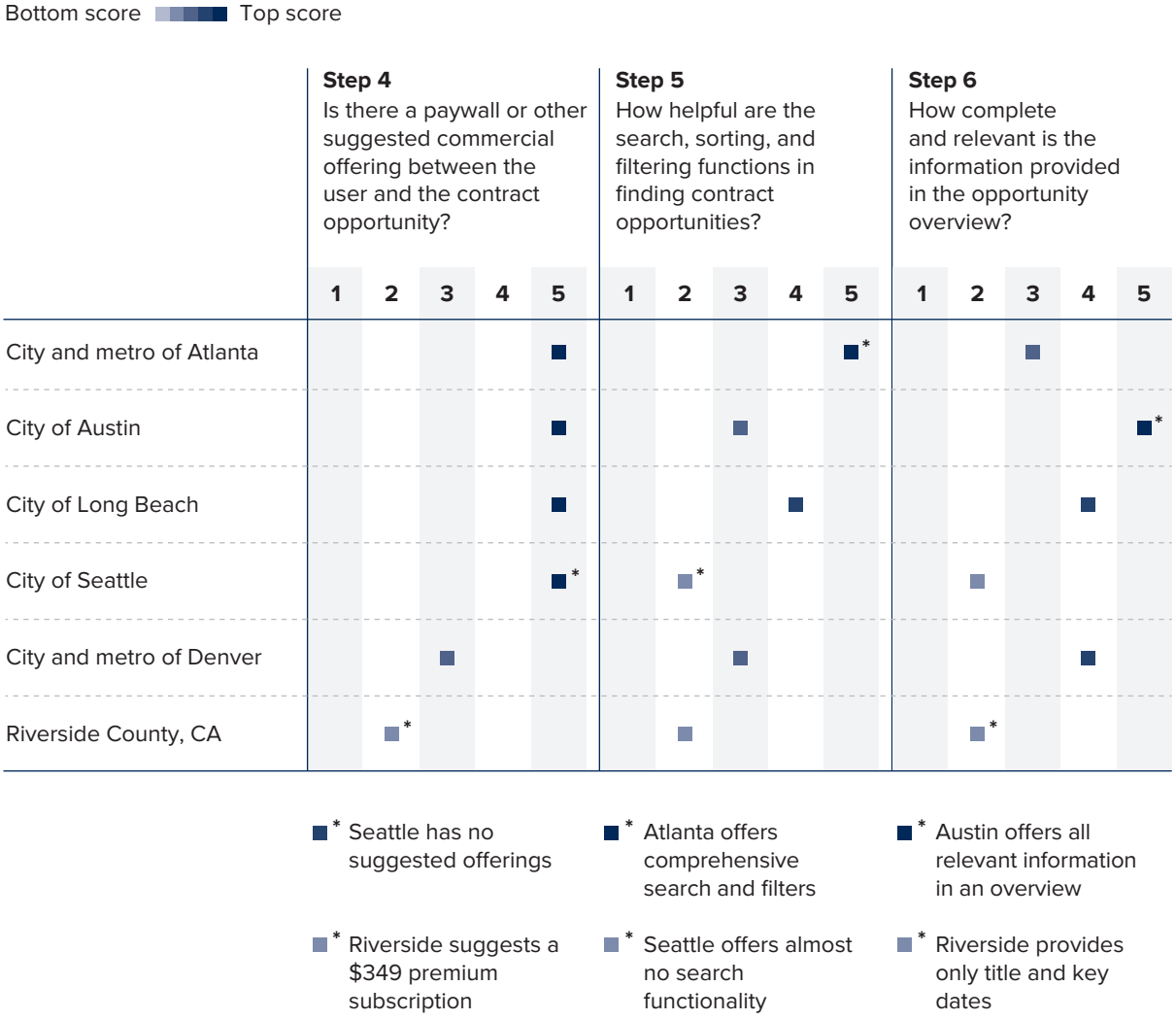
Bottom score ■■■■ Top score



Source: Citymart

Figure 13: **Six steps that determine ease of accessing e-procurement opportunities by city (cont'd from previous page)**

Small Business Accessibility Score, 2019



Source: Citymart


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BOX 7

Getting started: Information, data, and technology

1 Learn the perspective of an ordinary citizen or small business: visit your city's public online portal, try to find a procurement, and see what the process is like. Go through the whole process and read the documentation.

2 Build digital capacity by developing a set of competencies in line with the advancing digitization of procurement and wider operations. For example, data analysis skills help procurement to better manage supplier relationships and participate in the growing use of data in measuring service performance and framing needs across the city. Digital skills are also growing in significance as cities use digital strategies to ramp up their all-important market engagement and tackle barriers to user access.

3 Study how ProZorro, Ukraine's public procurement system, integrated legal reform with the complete digitization of public procurement and the release of open data. The use of ProZorro has led to billions of dollars in savings, a significant reduction in corruption, and a vibrant ecosystem of practitioners and civic interest.[38]

4 Take collective action. Thousands of cities operate proprietary e-procurement systems that don't publish open data or adhere to open standards. In markets such as the United States, this creates an opportunity for an open-source, open-standard, alternative e-procurement system that could save billions of dollars through more competition and shared data on pricing and contracts.

5 Embrace technology as a powerful tool not just for the procurement function but also for networking professionals and advancing skills. It can be as simple as a social media or messaging group, or a sophisticated learning and mentoring network facilitated by an academic partner institution. Seed these networks with inspiring leaders and professionals who share the city's vision and are generous about mentoring others.

Data and technology generate a great deal of enthusiasm, but cities should remember that technology can't do everything. Leaders know that technology won't replace the skilled professionals who can navigate the organization; engage suppliers; tell the story of procurement to the public; and provide creative, critical, empathic, and commercial thinking to ensure that cities address the right problems and that beneficiaries are satisfied. But they hope that the right kind of data can augment their capacity to deliver better outcomes.



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CASE STUDY

HOW MEXICO CITY USED OPEN INFORMATION TO IMPROVE PUBLIC ENGAGEMENT IN PROCUREMENT

When Mexico City began the process of renewing its public bike-share system, EcoBici, in 2019, it raised the bar on openness and citizen participation through the use of new tools to increase participation. Working together, the city transport, procurement, and digital-innovation agencies learned that openness is not just about sharing information but also about thinking carefully about when to share information in a way that fosters participation.

The team's first move was to publish a request for information (RFI), reaching out to a wide network of potential providers in an effort to understand the latest innovations on the market. Next, it had to find the right balance between the desire to make all information public and the confidentiality terms of the seven suppliers that responded to the questionnaire. In the end, the city published a report that successfully balanced those needs.[1] As the city evaluated the findings, it set out to develop the terms of reference—the actual specification for the system—with the innovative idea of publishing those terms for public consultation. The city opted for a single public consultation process using the Plaza Publica digital engagement platform.[2]

Open data and accessible information allowed the city's procurement function to include the public in its learning and planning process to an unprecedented extent and to time the publication of information in a way that allowed for meaningful participation.

[1] *Renovación y expansión Ecobici: informe de resultados del cuestionario de investigación sobre el mercado de bicicletas publicas 2020,* Gobierno de la Ciudad de Mexico, February 2020, https://www.tianguisdigital.cdmx.gob.mx/ecobici/docs/ecobici_reporte.pdf. (Note: Access to this report was limited from some countries as of June 2021.)

[2] "Discusión del documento preliminar de requerimientos técnicos para la licitación del proyecto de renovación y expansión del Sistema de Transporte Individual en Bicicleta Pública ECOBICI," Plaza Pública, accessed June 4, 2021, https://plazapublica.cdmx.gob.mx/processes/PrebasesEcobici?locale=en.


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CONCLUSION 4

Today, cities across the world are at various stages when it comes to procurement activities and capabilities. Some have launched pioneering efforts to change the way they work, adopt innovative methods, or include residents. Many others have procurement functions that are understaffed, underresourced, and undervalued. But our core argument in this report remains relevant to all: cities can turn procurement into an intentionally transformative creative force. Cities can bring this transition about by implementing the six strategic measures outlined in this report: share the dream, shift the focus, nurture the supplier pool, be open by design, establish the "yes" team, and invest to transform. These measures are a comprehensive approach to set cities on course to harvest the immense potential of their procurement.

Our research demonstrates that city procurement as a whole lacks a vision for the future. We sketched out *Vision 2030: City procurement as a public service* to get the conversation started. In essence, our vision is a call to action: to make procurement urgent and important; to explain its potential to citizens and the wider business community; and to invite everyone to the table to help create a vision for 2030.

Many will find our call for citizen participation strongly counterintuitive, but our interviewees expressed a strong desire for just that. As we imagine the future of city procurement, we should be vigilant: our mindsets are shaped by the past, clouding our ability to envision the future. We are not proposing a path that is easier, cheaper, or more convenient—quite the opposite. We propose a path that requires intelligence and engagement in return for spectacular benefits in value, quality, and societal outcomes. ■

"This is the essence of intuitive heuristics: when faced with a difficult question, we often answer an easier one instead, usually without noticing the substitution."

— Daniel Kahneman, author, *Thinking, Fast and Slow*

APPENDIX

We carried out an extensive literature review covering more than 40 organizations and institutions worldwide. We also conducted more than 20 interviews with city leaders, experts, and stakeholders in city procurement from around the globe.

Our conversation partners

We are grateful to the following experts and institutions who spoke with us about the current state and future of city procurement. We chose not to attribute quotes and opinions to our interviewees to give them the freedom to express their opinions and speak openly about opportunities and challenges.

Appendix Figure 1: **Our conversation partners**

Organization	Name	Type	Region
27é Region	Stephane Vincent	Think tank	France
Aspen Institute Center for Urban Innovation	Jennifer Bradley	Think tank	US
Automotive Industry Development Centre	Kosheek Maharaj	Government	South Africa
Barefoot Facilitator	Rehana Moosajee	Consultancy	South Africa
Bates Wells Braithwaite	Jonathan Blake	Consultancy	UK
Cities Support Group, Treasury Department	Karen Harrison	Government	South Africa
City of Berlin	Benjamin Bongardt	Government	Germany
City of Cape Town	Basil Chinasamy, Bridgette Morris, Thembinkosi Siganda, Daniel Sullivan, and Carlo Vizzi	Government	South Africa
City of Paris	Emmanuel Martin	Procurement practitioner	France
City of Sydney	Monica Barone	Government	Australia
Copenhagen Business School	Pedro Telles	Research	Europe
EDP Kaiser	Rupert Barnard and Michelle de Bruyn	Consultancy	South Africa

Appendix Figure 1: **Our conversation partners (cont'd)**

Organization	Name	Type	Region
Ethekwini Metro	Justice Matarutse, Gary Cullen, and Ajiv Maharaj	Government	South Africa
EUROCITIES	Anja de Cunto	Government association	Europe
Free State Province Department of Local Government	Christine Prinsloo	Government	South Africa
FutureGov	Anna Inman and Matt Skinner	Consultancy	Global
Government Performance Lab - Harvard Kennedy School	Jeff Liebman	Research	US
LA County	Michael Owh	Procurement practitioner	US
Moscow Centre for Innovation Development	Alexey Parabuchev	Government	Russia
OCP Latin America	Oscar Hernandez	NGO	Latin America
OECD	Kenza Khachani, Paulo Magina, and Aline Matta	Think tank	Global
Open Contracting Partnership	Kathrin Frauscher and Gavin Hayman	NGO	Global
Open Contracting Partnership Previous: Transparency International, ProZorro, Ukrainian Ministry of Health	Viktor Narulia	Procurement practitioner	Eastern Europe / Central Asia
Public Service Transformation Academy	Benjamin Taylor	Consultancy	UK
Smart Dublin	Jamie Cudden	Government	Ireland
South African Cities Network	Kayla Brown	Government association	South Africa
Southend on Sea	Glyn Halksworth	Government	UK
Transport for London	Rikesh Shah	Procurement practitioner	UK
Ukraine Rail Prev. Ukrainian Postal Service, ProZorro	Alexandr Nakhod	Government	Ukraine
University of Manchester	Elvira Uyarra	Research	Europe
User Voice	Mark Johnson	NGO	UK
World Bank	Lethu Masango	International organization	South Africa

Research resources

We reviewed reports on city and public procurement by the following organizations.

Appendix Figure 2: **Research resources**

Organization	Type	Region
18F - US Digital Services	Government	US
Ashoka, Echoing Green, Skoll, Catalyst 2030, Schwab Foundation	NGO	Global
Aspen Institute Center for Urban Innovation	Think tank	US
Bloomberg Philanthropies	NGO	Global
Boston Consulting Group	Consultancy	Global
Catalyst 2030	NGO	Global
City of Berlin	Government	Germany
Code for America	NGO	US
Chile Compra	Procurement practitioner	Chile
Citymart	Consultancy	Global
Echoing Green	NGO	Global
Governing Institute	Think tank	US
Government Outcomes Lab	Research	Global
Government Performance Lab, Harvard Kennedy School	Research	US
Institute for Government	Think tank	UK
Institute for Innovation and Public Purpose	Research	Global
International Journal of Operations & Production Management	Research	Global
Inter-American Network on Government Procurement (OAS)	Procurement practitioner	Global
Insight Center for Community Economic Development	NGO	US
Institute for Public Procurement	Procurement practitioner	Global
Living Cities	NGO	US
Local Government Association	Government association	UK
McKinsey & Company	Consultancy	Global
Minority Business Development Agency	Government	US

Appendix Figure 2: **Research resources (cont'd)**

Organization	Type	Region
National Association of State Procurement Officers	Procurement practitioner	US
New America	Think tank	US
OECD	Think tank	Global
Ontario Chamber of Commerce	Lobby	Canada
Open Contracting Partnership	NGO	Global
Public.io	Investor	Global
Quality of Government Institute	Research	Global
Reform	Think tank	UK
Royal Society for the Encouragement of Arts, Manufactures and Commerce	NGO	UK
Schwab Foundation	NGO	Global
Skoll	NGO	Global
State of New Mexico Procurement Reform	Procurement practitioner	US
Tony Blair Institute	Think tank	Global
Transforming Public Procurement - Green Paper	Procurement practitioner	UK
University of Manchester	Research	Europe
US Conference of Mayors	Government association	US
World Bank Group	International organization	Global
Volcker Alliance	Think tank	US
York University	Research	Global

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Sascha Haselmayer is a Public Interest Technology Fellow at New America. As a social entrepreneur, he has led urban innovation, economic development, and government innovation projects in more than 40 countries. He trained as an architect at the Architectural Association in London and is a globally recognized expert on urban and local government innovation.

In 2011, Haselmayer founded Citymart, an organization that transformed expectations and practices of public procurement by reliably introducing civic engagement, diversity, problem solving, and innovation into a core bureaucratic process. Under his leadership, Citymart implemented innovative procurement practices in 135 cities in 35 countries that led to better community outcomes and connected 30,000 creative small, social, and disadvantaged businesses to opportunities to participate in government contracting.

Prior to Citymart, he founded businesses and organizations that pioneered inclusive urban innovation districts and civic service innovation in cities through a global network of living labs and advising governments, investors, and universities in Europe and Asia.

Haselmayer's contributions to the fields of urban and civic innovation, smart cities, economic development, and public procurement innovation in cities have been recognized through an Ashoka Fellowship. He advocates for change as a keynote speaker at global convenings and through lectures at institutions such as the London School of Economics Cities Programme and the University of Chicago Booth School of Business. He has authored two books on service and procurement innovation in cities and has served as a trusted adviser to organizations such as the Rockefeller Foundation, Bloomberg Philanthropies, and the Aspen Institute. He has served on the selection committee of the Bloomberg Philanthropies Mayors Challenge and the Advisory Board of the UN Global Compact Cities Programme.

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