

# UNLOCKING SAVINGS

Making the case for  
a Government Procurement Agency

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# FOREWORD

Dear Reader,

We are pleased to present this report on government procurement as a resource and thought starter for key stakeholders across Kuwait.

Prudent government spending is important to a nation's prosperity. It also bolsters public trust.

The State of Kuwait is taking significant steps in this regard through its Reform Program, which aims to optimize the country's fiscal balance. One of the key reforms in the program is the Government Procurement Efficiency Reform, which aims to rationalize public expenses across all government entities while improving services for the public.

This reform is a smart move that will have far-reaching benefits, including creating value for citizens, unlocking capital for other initiatives, fostering transparency, and building momentum for further structural reforms. We hope that the research and insights presented in this report will serve as an enabler in this process.

As outlined in the following pages, the global market for government procurement is worth \$13 trillion annually, representing roughly one-fifth of government expenditures. Therefore, focusing on procurement can have a significant impact on government savings.

Kuwait has already made strides in this area by implementing strategies such as developing centralized estimation frameworks, reviewing selected government contracts, and conducting contract review studies in various areas.

Kuwait's reform program also outlines the launch of a standard central platform for public procurement that is linked to all government agencies, leveraging the full benefits of collective procurement. This is a key topic in the report, which details tactics and frameworks for optimizing procurement spending with a focus on levels of centralization.

We trust that this report will provide valuable insights and information that will help Kuwait create impact during its important fiscal reform process.

Kind regards,

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# EXECUTIVE SUMMARY

Government procurement accounts for USD ~13 trillion worldwide, representing on average around one-fifth of all government expenditures. Such high volumes of capital mean huge potential for savings — and Oliver Wyman and TICG have identified that governments could save up to 50% of procurement costs by reducing inefficiencies. While there is no one-size-fits-all approach, an essential step to unlock value for some countries is the **establishment of a centralized Government Procurement Agency**.

Oliver Wyman has mapped government efficiency through its Public Procurement Performance Index (PPPI), identifying that countries with a pressing need for optimization could save up to 25% in the short term by deploying a dedicated task force to review procurement contracts. Meanwhile, sustainable savings require a strategic and holistic rethinking and a centralization of the procurement function. This operating model could then lead to an additional 25% in potential savings.

While the degree of centralization in procurement depends significantly on factors such as a country's government structure and size (with smaller countries generally having the potential for more centralized procurement), **all governments can leverage Government Procurement Agencies (GPAs) in some shape or form in order to optimize public sourcing**.

However, achieving these fundamental structural changes requires time and the backing of senior stakeholders. Typically, the transformational process takes three to six years, contingent on the country's level of maturity and institutional framework. Once established, it is important that GPAs mature and evolve with time to continue to reach higher levels of technological and operational sophistication.

While optimizing and centralizing procurement operations requires time and strategic attention, our analysis indicates that it is a worthwhile investment.

**Governments that implement the actions described in this paper are demonstrating a commitment to optimizing operations and are taking significant steps towards achieving cost savings. By unlocking value for the broader public, these efforts will enhance trust in the government's actions and decisions.**

# MAKING THE CASE FOR A GOVERNMENT PROCUREMENT AGENCY

## 1. HOW MUCH DO GOVERNMENTS SPEND, AND WHY IS THAT IMPORTANT?

The market for government procurement (including goods, products, and services) currently amounts to around \$13 trillion annually worldwide<sup>1</sup>, representing roughly one-fifth of all government expenditures, with the exact percentage varying by country (Exhibit 1).

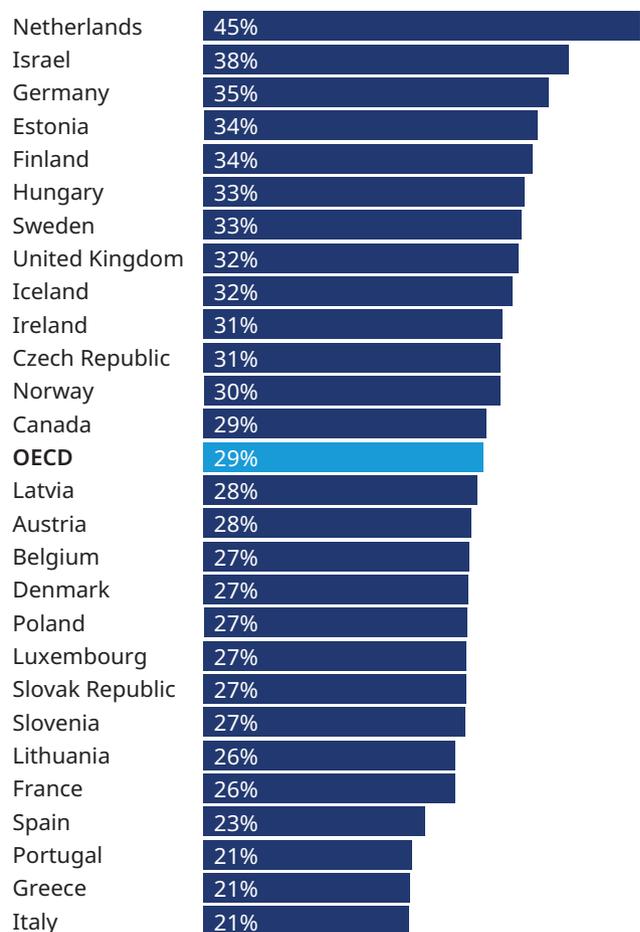
Due to this sizeable value and the high proportion of government spend that goes towards procurement, **advanced public procurement systems are a key tool in achieving public sector efficiency and delivering policy goals, such as increased transparency and accountability, innovation, job creation, and private sector development.**

Pre-requisites for effective public procurement systems include **well-defined policies, transparency on spend targets, streamlined processes, and strong procurement capabilities.**

As demonstrated during the COVID-19 pandemic, procurement is a core citizen service, and failures in any of the aforementioned areas are likely to impact procurement directly, which in turn can affect the quality of life and well-being of citizens.

All in all, public procurement demonstrates a government's ability to steer spend wisely, and is therefore a **crucial lever to deliver the public sector's commitment to guaranteeing and maintaining public trust.**

**Exhibit 1: General government procurement as a share of total general government expenditures, 2021**



Source: OECD, Oliver Wyman and TICG analysis

<sup>1</sup> Excluding military spend.

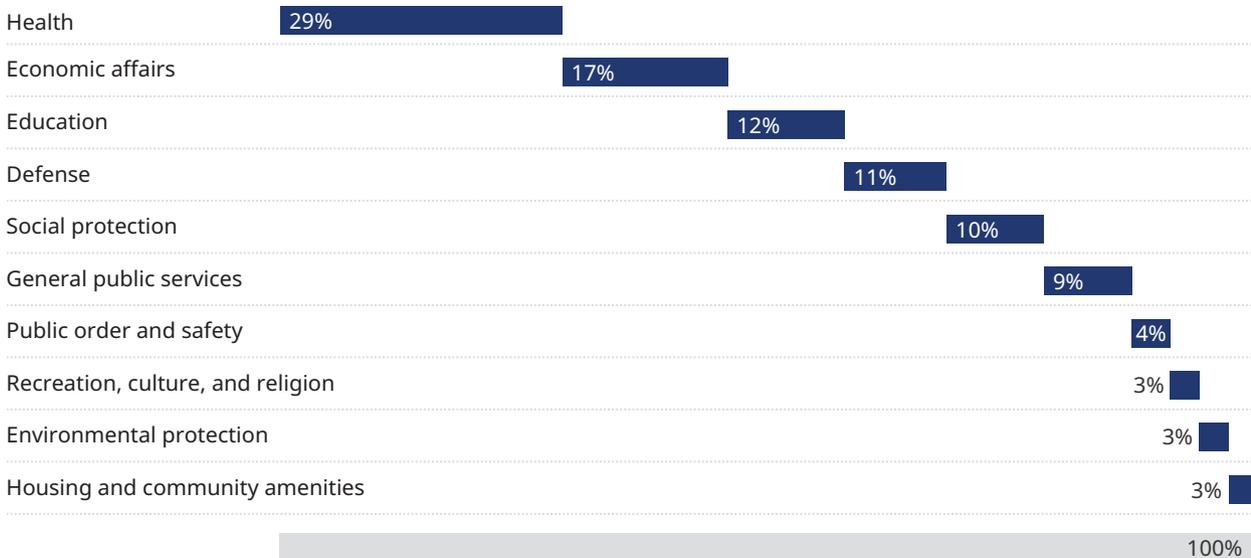
## 2. WHAT DO GOVERNMENTS SPEND ON?

Public procurement covers all government demand needs, including health, education, public order, and economic affairs. Government spend can be categorized as follows:

1. **Vertical spend:** needs that are dependent on a specific sector or ministry, for example, the procurement of medical supplies
2. **Horizontal spend:** needs that are common across all governmental entities, for example, the procurement of IT software, office supplies, or the leasing of government fleet

The distribution of a country's public procurement spending varies based on their needs; however, there are common patterns. For example, OECD data shows that health, economic affairs, education, defense, and social protection represent almost 80% of total expenses, with relatively little variability among countries<sup>1</sup> (Exhibit 2).

**Exhibit 2: Public procurement spend by sector, OECD average (2021)**



Source: OECD, Oliver Wyman and TICG analysis

<sup>1</sup> OECD [Government at a Glance 2021](#) (2021).

### 3. WHAT ARE THE CURRENT INEFFICIENCIES?

In order to stimulate economies, governments are increasingly seeking to improve public sector productivity and the provision of services. Despite **the vital importance of efficient procurement** and the increasing attention paid to efficient government expenditures, it is still common for there to be **many areas that need enhancing across public procurement strategies, systems, and processes.**

In 2018, Oliver Wyman published the first edition of the Public Procurement Performance Index (PPPI), a metric designed to rate the quality of public procurement, and assess the potential for improvement across more than 75 countries (Exhibit 3). The PPPI is calculated using government indicators from the IMF, the World Bank, the OECD,

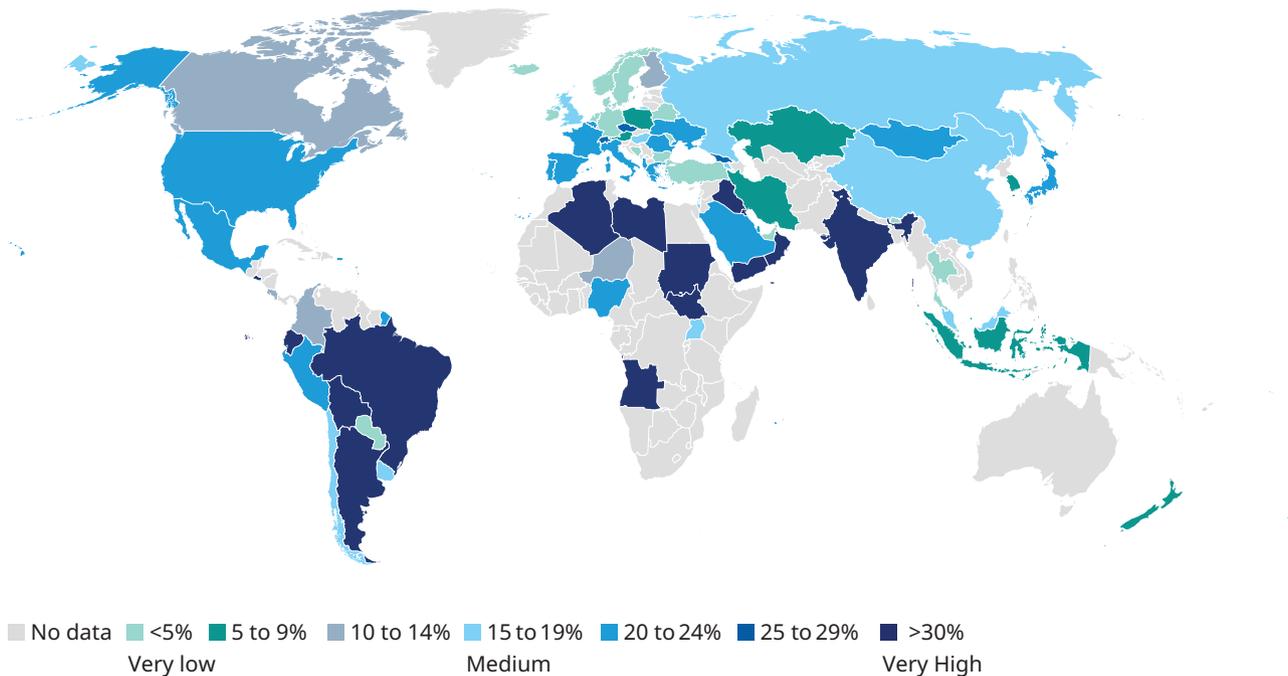
and other official sources. In addition, the index weighs the impact of public debt, fiscal balance, government expenditures, public procurement efficiency, public procurement maturity, and corruption (using an index).

The PPPI shows that highly indebted economies with growing fiscal imbalances and less efficient or nascent public procurement systems have considerable scope for improvement.

Oliver Wyman and TICG's experience and data show that in worst-case scenarios, the **potential for savings is 35-50% of total government procurement spend** (this varies based on the level of maturity of current procurement systems).

**Exhibit 3: Public procurement spend optimization potential based on Oliver Wyman’s Public Procurement Performance Index (PPPI), using 2021 data**

Potential savings from procurement spend optimization



Source: IMF, WB, OECD, Oliver Wyman and TICG analysis

### 3.1. WHY DO INEFFICIENCIES EXIST?

Inefficiencies in government procurement can arise from various issues during both the planning and execution phases.

Category	Common challenges identified (non-exhaustive)	
<b>Planning</b> 	Ambition and approach	<ul style="list-style-type: none"> <li>• Transactional approach to public procurement, wherein management and personnel are focused on managing the process rather than enabling strategic sourcing</li> <li>• Focus on CapEx or OpEx only rather than on the total cost of ownership</li> </ul>
	Policy and political framework	<ul style="list-style-type: none"> <li>• Sub-optimal or limiting regulatory framework</li> <li>• Political pressure to reduce overall spend without a proper assessment of the impact on the quality of service or user experience</li> </ul>
	Operating model	<ul style="list-style-type: none"> <li>• Unclear governance, roles and responsibilities, and unclear delegation of authority within procurement entities</li> <li>• Suboptimal spend ownership and accountability</li> <li>• Limited cross-entity purchasing synergies across government entities</li> <li>• Outdated procurement systems or limited digitization of processes</li> </ul>
	Organization and capabilities	<ul style="list-style-type: none"> <li>• Limited capabilities across procurement teams</li> <li>• Suboptimal training curriculum for employees</li> <li>• Lack of incentives to enhance training or encourage strategic thinking</li> <li>• Limited emphasis on quality hiring and employee retention</li> </ul>
<b>Execution</b> 	Needs estimation	<ul style="list-style-type: none"> <li>• Limited use of analytics solutions in demand estimations, leading to excess purchasing</li> <li>• Non-standardized tools for demand sizing assessment</li> <li>• Challenges in achieving the optimal equilibrium between the advantages of potential volume discounts and the potential risks associated with a heavy reliance on a limited number of suppliers</li> </ul>
	Tendering	<ul style="list-style-type: none"> <li>• Inadequate visibility and monitoring of the tender process</li> <li>• Suboptimal allocation of contract lots to bidding suppliers</li> <li>• Limited involvement of experts in technical evaluation</li> <li>• Lack of open competition and inclusion of international suppliers<sup>1</sup></li> <li>• Insufficient diagnosis or assessment of market tampering practices</li> </ul>
	Contract monitoring and renewal	<ul style="list-style-type: none"> <li>• No independent auditory process for compliance</li> <li>• Looseness in the approval of variation orders</li> <li>• Automatic contract renewals</li> <li>• No applications of lessons learned when entering new contracts</li> </ul>

<sup>1</sup> Government Transparency Institute [Global Public Procurement Open Competition Index](#) (2021).

## Government efforts to tackle common procurement challenges: case studies

Country	Area	Case details
<b>Mexico</b> 	Ambition and approach	<ul style="list-style-type: none"> <li>In many organizations in Mexico, procurement is treated as an <b>administrative support function for technical areas</b> rather than as a <b>strategic function</b><sup>1</sup></li> <li>The Commission for Electricity (CFE) has collaborated with the OECD to develop an action plan aimed at transforming procurement into a strategic function, providing a roadmap for reform for other entities<sup>2</sup></li> </ul>
<b>Morocco</b> 	Organization and capabilities	<ul style="list-style-type: none"> <li>Identifying a <b>lack of professionalization in the procurement function</b>, the Moroccan government established a dedicated procurement unit within the Treasury. This team of procurement specialists provides the government with the necessary expertise in this area</li> </ul>
<b>Mexico</b> 	Needs estimation	<ul style="list-style-type: none"> <li>The Mexican Institute of Social Security (IMSS) procures a wide range of products and services through a <b>highly decentralized procurement function</b><sup>3</sup></li> <li>Multiple reviews from the OECD (since 2013) recommended the centralization of procurement for specific functions to achieve efficiency gains</li> </ul>
<b>Kuwait</b> 	Needs estimation	<ul style="list-style-type: none"> <li>Kuwait applies a <b>highly decentralized approach</b> to the procurement of government services, limiting cross-entity purchasing synergies across government entities</li> <li>Kuwait is currently undergoing a <b>full review of government spend by entity as part of an expenditure control program</b> (including the planned launch of a central platform for government procurement)<sup>4</sup>. This will work towards improving process synergy, process digitization, and estimation of capacity and demand</li> </ul>
<b>Italy</b> 	Tendering and vendor selection	<ul style="list-style-type: none"> <li>To address multiple corruption cases, the Italian National Anti-Corruption Authority (ANAC) collaborated with the OECD on a project aimed at <b>promoting transparency and integrity in the tender processes</b> associated with Expo Milan (2015)</li> <li>This initiative resulted in the creation of a “<b>collaborative supervision and control</b>” <b>framework</b><sup>5</sup>, which involved establishing a dedicated operating unit (UOS) and implementing innovative supervision methods, including ex-ante controls for procurement procedures</li> </ul>

1 OECD [Public Procurement in the State of Mexico](#) (2021).

2 OECD [The OECD Recommendation on Public Procurement](#) (2015).

3 OECD [Second Public Procurement Review of the Mexican Institute of Social Security \(IMSS\)](#) (2018).

4 [Ministry of Finance Kuwait](#) (2023).

5 OECD [High-Level Principles For Integrity, Transparency And Effective Control Of Major Events And Related Infrastructures](#) (2016).

### 3.2. WHAT ARE THE BEST PRACTICES TO ADDRESS THESE INEFFICIENCIES?

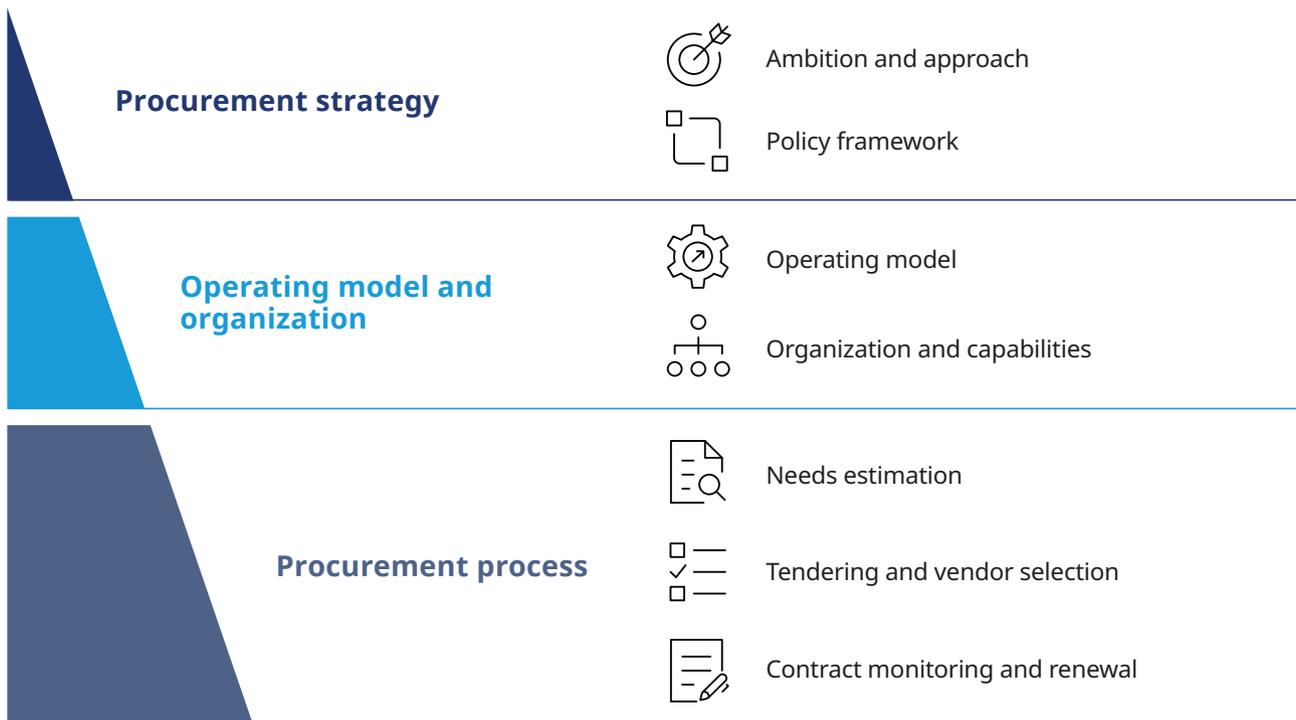
There is no one-size-fits-all solution to address government procurement inefficiencies. Solutions must be tailored based on a government’s strategic ambition, financial reality, and the state of the nation — in terms of size, fragmentation, and so on. However, one key best practice that works for many countries is to create **Government Procurement Agencies (GPAs)** to guarantee the efficient deployment of resources.

**A GPA is a government organization responsible for developing the policy, executing, and monitoring a country’s public procurement.**

While the level of autonomy varies by country, GPAs can have several functions, including (Exhibit 4):

1. Defining procurement **vision, ambition, and approach**
2. Establishing and managing **policy** in line with the **regulatory framework**
3. Developing and managing its **operating model** and its relationship with other entities
4. Professionalizing and **developing capabilities**
5. Implementing and monitoring the **procurement processes**, which includes:
  - i. Cross-checking estimates of demand needs, stress-testing the contract scope
  - ii. Coordinating and monitoring the tendering process and vendor selection
  - iii. Monitoring contracts and managing renewals and variation orders

**Exhibit 4: Government Procurement Agency Framework**



Source: Oliver Wyman and TICG analysis

Oliver Wyman and TICG conducted an international benchmarking analysis, evaluating the government procurement function of several countries across a variety of geographies and levels of maturity. This analysis revealed **three archetypes under which government procurement can be structured, depending on the country**. Within these three archetypes the specificities regarding roles, responsibilities, and functions will also vary by country.

Moreover, research indicates that the **optimal models are highly correlated to a country's size** (in terms of geographical area) **and the government's degree of centralization**<sup>1</sup> (Exhibit 5).

**The three archetypes are:**

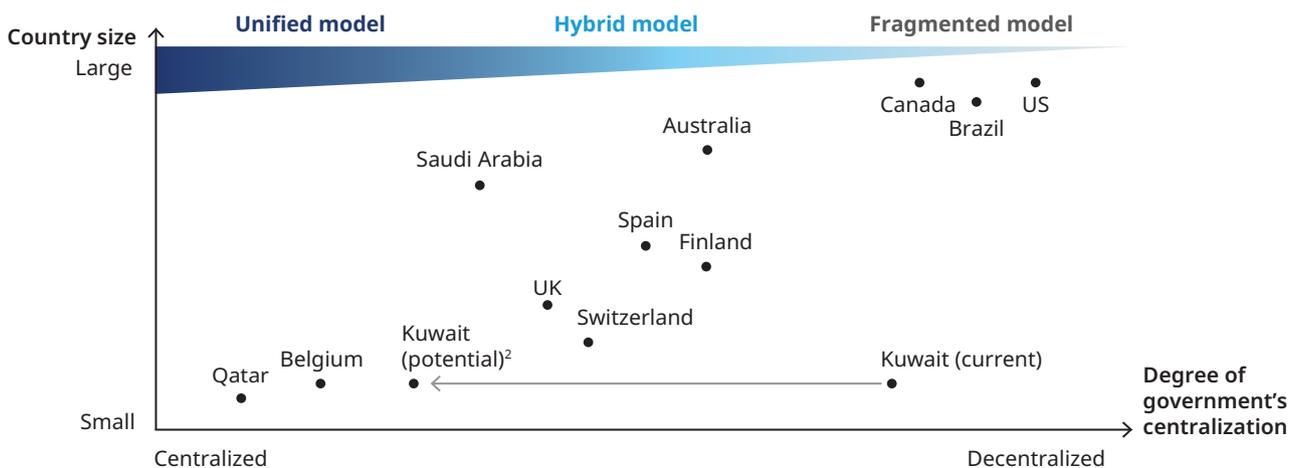
1. **Unified model.** This model relies heavily on the Government Procurement Agency — one government agency that carries out all procurement functions and manages all the collective needs of ministries and other state bodies. While it is impossible to fully generalize, this tends to work very well in smaller-sized countries

2. **Hybrid model.** This model has multiple potential variations, here are two that are common and widely applicable:

- i. **Option one:** One centralized GPA performs policy-setting and monitoring functions (for example, acts as a mere orchestrator), while the government entities themselves carry out the procurement functions. So, for instance, a transport-focused ministry would procure road maintenance services, but the GPA would provide oversight in terms of legal, and process monitoring
- ii. **Option two:** One GPA performs all centralized purchasing functions for selected categories of goods (for example, goods that are more generic, while highly specific procurement is still the responsibility of individual entities)

3. **Fragmented model.** Individual government entities carry out purchasing functions without involvement from a centralized monitoring unit (for example, the GPA role is essentially internalized and within each entity's procurement division)

**Exhibit 5: GPA archetypes based on country size and degree of government centralization**



Source: Oliver Wyman and TICG analysis

<sup>1</sup> OECD [Centralised and Decentralised Public Procurement](#) Retrieved from (2000).

<sup>2</sup> Kuwait could envision the transition towards a unified procurement model as an integral component of the country's ongoing Government Procurement Efficiency Reform program.

## Unified model

<b>Definition</b>	<b>One government agency carries out all procurement functions and represents the collective needs of ministries and other state bodies.</b>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• <b>A reduction in the prices of goods and services</b> due to the economies of scale achieved through centralized negotiations and volume discounts</li> <li>• Increased <b>purchasing power</b></li> <li>• <b>Standardization of technology</b> at the state level (for example, IT systems or software applications)</li> <li>• Lower costs of <b>training staff</b>, due to a reduced, centrally located team</li> <li>• <b>Economies of knowledge and information</b>, for example, efficient acquisition, dissemination, and utilization of knowledge</li> <li>• A reduction in the <b>duplication of processes</b></li> <li>• Better <b>attention to contract management</b> and problem resolution</li> <li>• Easier <b>performance management</b> of staff</li> <li>• The encouragement of <b>efficient transparency provisions</b>, for example, reporting of contracts and transactions, effective management control, a transparent audit trail</li> <li>• <b>Increased capabilities and expertise</b> within a unified procurement agency due to the professionalization of processes and functions</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Potential favoritism in choice of supplier, leading to <b>limited competition</b>, transparency, and potentially higher prices</li> <li>• A risk of acquiring <b>unsuitable goods and services</b> due to a difficulty in understanding the specific requirements of individual end users or departments</li> <li>• Potential limiting of opportunities for small and medium enterprises (SMEs) to participate in large contracts, leading to lower competition and hindered local market development</li> </ul>
<b>Example</b>	
<b>Finland</b> 	<ul style="list-style-type: none"> <li>• The Ministry of Finance guides and directs procurement through the <b>Government Procurement Strategy</b><sup>1</sup>, which: <ul style="list-style-type: none"> <li>– Decides on centralized joint purchases</li> <li>– Develops a procurement procedure</li> <li>– Maintains responsibility for standardized contractual procurement terms and conditions</li> </ul> </li> <li>• Agencies use centralized framework agreements and tendering for their procurement needs through a <b>government joint procurement unit</b> (Hansel Ltd)</li> <li>• Additionally, specialized agencies are responsible for <b>select horizontal procurement functions</b> (for example, those that are not dependent on any particular sector), including: <ul style="list-style-type: none"> <li>– <b>Senate Properties</b>: competitive tendering for construction and renovation contracts</li> <li>– <b>Government information, communications and technology center</b>: central government joint ICT systems</li> </ul> </li> </ul>

<sup>1</sup> OECD [Productivity in Public Procurement: A Case Study of Finland: Measuring the Efficiency and Effectiveness of Public Procurement](#) (2019).

## Hybrid model

<b>Definition</b>	<b>This has elements of both unified and fragmented models</b> (multiple hybrid models exist, examples below).
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• <b>Flexibility and customization of procurement processes</b> based on which procured items are most suited for standardization</li> <li>• <b>Cost optimization</b> is achieved on commonly used or high-volume items due to economies of scale</li> <li>• A more customized approach is leveraged for <b>specialized or niche items</b>, limiting the risk of dissatisfaction among end users</li> <li>• <b>Flexibility is given to purchasing entities</b> to choose, based on their specific requirements, whether they participate in agreements negotiated at the central level or instead engage in individual supplier negotiations</li> <li>• There is <b>efficient allocation of procurement resources</b> in that they only need to be given to the purchasing entities that require it (for reasons of specificity of items, for example)</li> <li>• The ability for tailored stakeholder/supplier engagement</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• <b>Complexity in terms of coordination</b>, communication, and alignment across entities</li> <li>• The potential for <b>duplication or overlap</b> in procurement activities across entities</li> <li>• <b>Fragmented data collection</b> and reporting systems</li> <li>• The need for a <b>robust framework</b> ensuring clear guidelines, policies, and governance mechanisms</li> </ul>
<b>Example 1</b>	<b>One centralized GPA performs policy-setting and monitoring functions, while multiple government entities carry out the procurement function (for example, individual ministries).</b>
<b>United Kingdom</b> 	<ul style="list-style-type: none"> <li>• Policy setting is the responsibility of the <b>Treasury's Procurement Group</b>, which gives guidance and central direction to government departments (for example, ministries)</li> <li>• Each government department is responsible and accountable for getting value for money from their procurement arrangements</li> <li>• <b>Departments are not obliged to use central purchasing agencies</b> for their procurement, but these agencies should be used when they offer the best value for money<sup>1</sup></li> </ul>
<b>Example 2</b>	<b>One centralized GPA performs all purchasing functions for selected categories of goods and services.</b>
<b>Spain</b> 	<p>Procurement of selected goods and services must be processed through the <b>General Directorate for Rationalization and Centralization of Procurement</b> (under the Ministry of Finance). The GPA has a double role:</p> <ul style="list-style-type: none"> <li>• <b>Specialized procurement of certain goods/services at the state level</b> (for example, fleet, office supplies, paper supplies, and security equipment)</li> <li>• <b>Brokering of procurement agreements made by different contracting authorities</b> who are not obliged to purchase through the agency but choose to do so voluntarily</li> </ul>
<b>Saudi Arabia</b> 	<p>Saudi Arabia recently underwent an extensive exercise to improve the Kingdom's fiscal balance by rationalizing public procurement spending. As a result of this process, a unified procurement agency, the <b>Government Expenditure &amp; Projects Efficiency Authority (EXPRO)</b>, was created to coordinate and align cross-ministry spending<sup>2</sup>:</p> <ul style="list-style-type: none"> <li>• EXPRO reviews demand needs for major projects for the Kingdom (while individual purchasing entities manage procurement of specialized needs)</li> <li>• Entities submit procurement requests to EXPRO in the form of comprehensive business cases complete with capacity demand analyses, business logic, procurement substitutes analysis, and synergies or alignment with other entities across the Kingdom, among other things</li> <li>• The final budget is stress-tested based on both international benchmarks and KPIs that monitor internal projects</li> </ul>

<sup>1</sup> UK Parliamentary Secretary at the Cabinet Office [Transforming public procurement](#) (2020).

<sup>2</sup> EXPRO [Government Expenditure & Projects Efficiency Authority](#).

## Fragmented model

<b>Definition</b>	<b>Individual government entities carry out purchasing functions without involvement from a centralized monitoring unit.</b>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• <b>Reduced incentives for corruption</b> via large-scale protectionism or favoritism</li> <li>• <b>Better estimation of needs</b> due to proximity to the final user and the ability to more closely match goods and services delivered to needs</li> <li>• <b>Reduced risk of overspending</b> given limited large volume purchases</li> <li>• <b>Limited red tape</b> due to a lower number of stakeholders</li> <li>• Greater possibilities for <b>Small and Medium Enterprises (SMEs)</b> to compete successfully for contracts</li> <li>• <b>Reduced risk of oligopolistic competition</b> as a barrier to incentives to innovate</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• <b>Higher prices and missed cost-saving opportunities</b> due to limited economies of scale</li> <li>• <b>Fragmented</b> purchasing power</li> <li>• <b>Duplication of procurement efforts</b> across departments leading to increased administrative burden and additional costs associated with redundant processes</li> <li>• <b>Lack of standardization</b> and coordination in processes, policies and procedures, leading to difficulties in monitoring and oversight</li> <li>• Potential for <b>uneven distribution of expertise</b> in procurement practices across different departments or units</li> </ul>
<b>Example 1</b>	
<b>Canada</b> 	<ul style="list-style-type: none"> <li>• Canada has a procurement system where purchasing decisions are made at the contracting authority's discretion. There is <b>no obligation to purchase through a centralized agency</b></li> <li>• As a major purchasing body, Public Works and Government Services Canada (PWGSC) plays a support role for other federal departments and agencies to define their requirements and scope of work</li> <li>• In recent years, Canada has undergone a shift away from a strictly fragmented procurement model. Large and mid-sized municipalities have progressively embraced a more unified approach, particularly for significant purchases, aimed at enhancing the efficiency and effectiveness of the procurement process</li> </ul>
<b>Example 2</b>	
<b>Kuwait</b> 	<ul style="list-style-type: none"> <li>• Kuwait's procurement system is characterized by <b>decentralized procurement departments within each ministry</b>, without a dedicated agency responsible for procuring goods on behalf of other government entities</li> <li>• Kuwait's Ministry of Finance currently centralizes a limited set of procurement functions, such as the utilization of comprehensive cross-government catalogues (developed jointly with committees of various government bodies), and the collection of procurement data for tracking and budgeting purposes, such as the utilization of <b>cross-government catalogues for selected categories of goods</b> (developed jointly with committees and various government bodies), and the collection of procurement data for tracking and budgeting purposes</li> </ul>

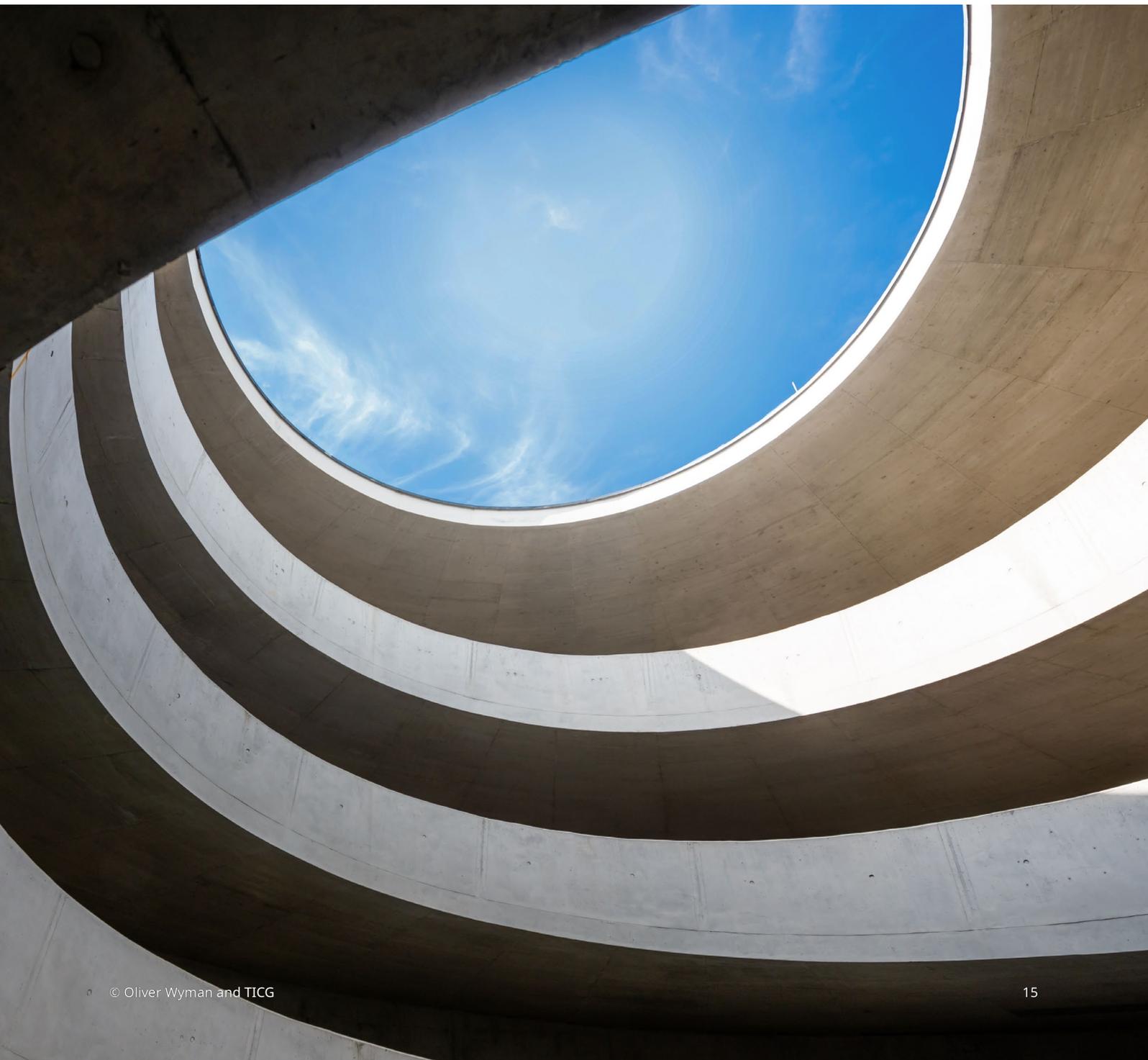
Readers should be advised that the presented **models are not black-or-white**. Indeed, governments **often mix the characteristics and scope of the GPA depending on** the country's

political **status quo** at the time of the agency's creation, the government system's **level of maturity**, and **political willingness, or ability, to drive change**.

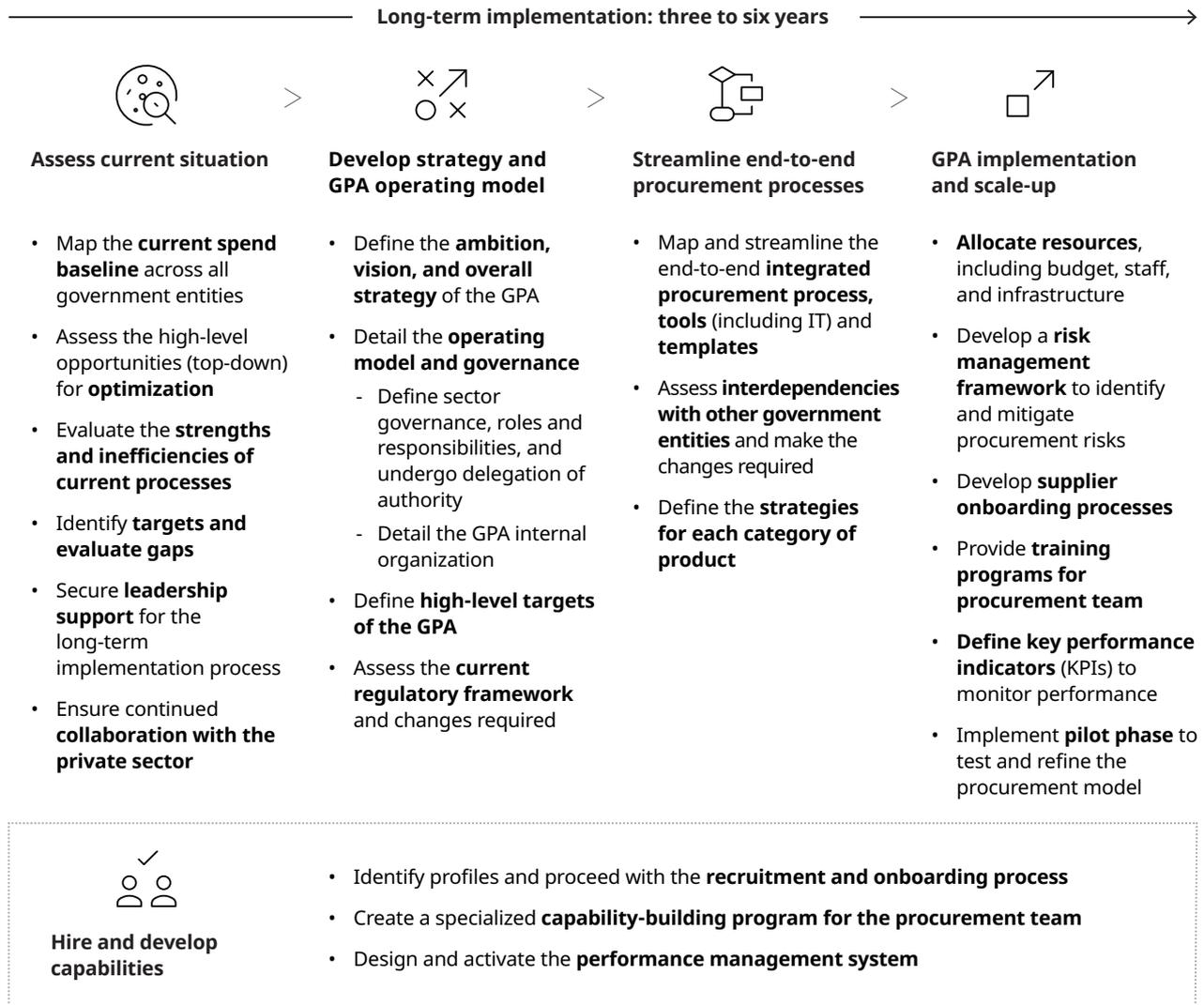
## 4. HOW TO PROGRESS TOWARDS IMPLEMENTING A SUCCESSFUL GPA?

As we have laid out, some countries are more suited to centralization than others — but many states could benefit from some form of GPA. Setting up these agencies is a **transformational journey that could take three to six years**, depending on the country's maturity and institutional setup.

The approach consists of **first assessing the current situation, second developing the strategy and operating model, and third streamlining the overall procurement process**. In parallel to these three steps, acquiring the right talent and building the right capabilities should also be prioritized (see Exhibit 6).



**Exhibit 6: How to approach the creation of a government procurement agency**



Source: Oliver Wyman and TICG analysis

Governments intending to achieve short-term impact from spending optimization can also fast-track the delivery of some efficiencies by **deploying a dedicated**

**task force to build essential contract intelligence and benchmarks**, while also identifying low-hanging fruit solutions (Exhibit 7).

### Exhibit 7: How to approach procurement optimization using a dedicated task force



Source: Oliver Wyman and TICG analysis

## 5. WHAT ARE THE KEY SUCCESS FACTORS?

Irrespective of the level of procurement integration that is deemed best (unified, hybrid, fragmented),

we have identified six critical areas that require attention to boost public procurement maturity (Exhibit 8).

### Exhibit 8: Key enablers for a mature public procurement system



Source: Oliver Wyman and TICG analysis

## 6. HOW DO GPAS MATURE OVER TIME?

The efficiency of the procurement function has gained in strategic importance ever since the Great Financial Crisis. In fact, it was identified as one of the top six priority areas in the European Commission’s 2017 procurement strategy as part of the broader push for cross-country collaborative procurement. It also ranks highly in the domestic agendas of most independent EU states, though the maturity of procurement operations varies by nation. With this pressure,

GPAs are increasing their level of sophistication and their ability to steer the sector, ultimately driving further efficiencies.

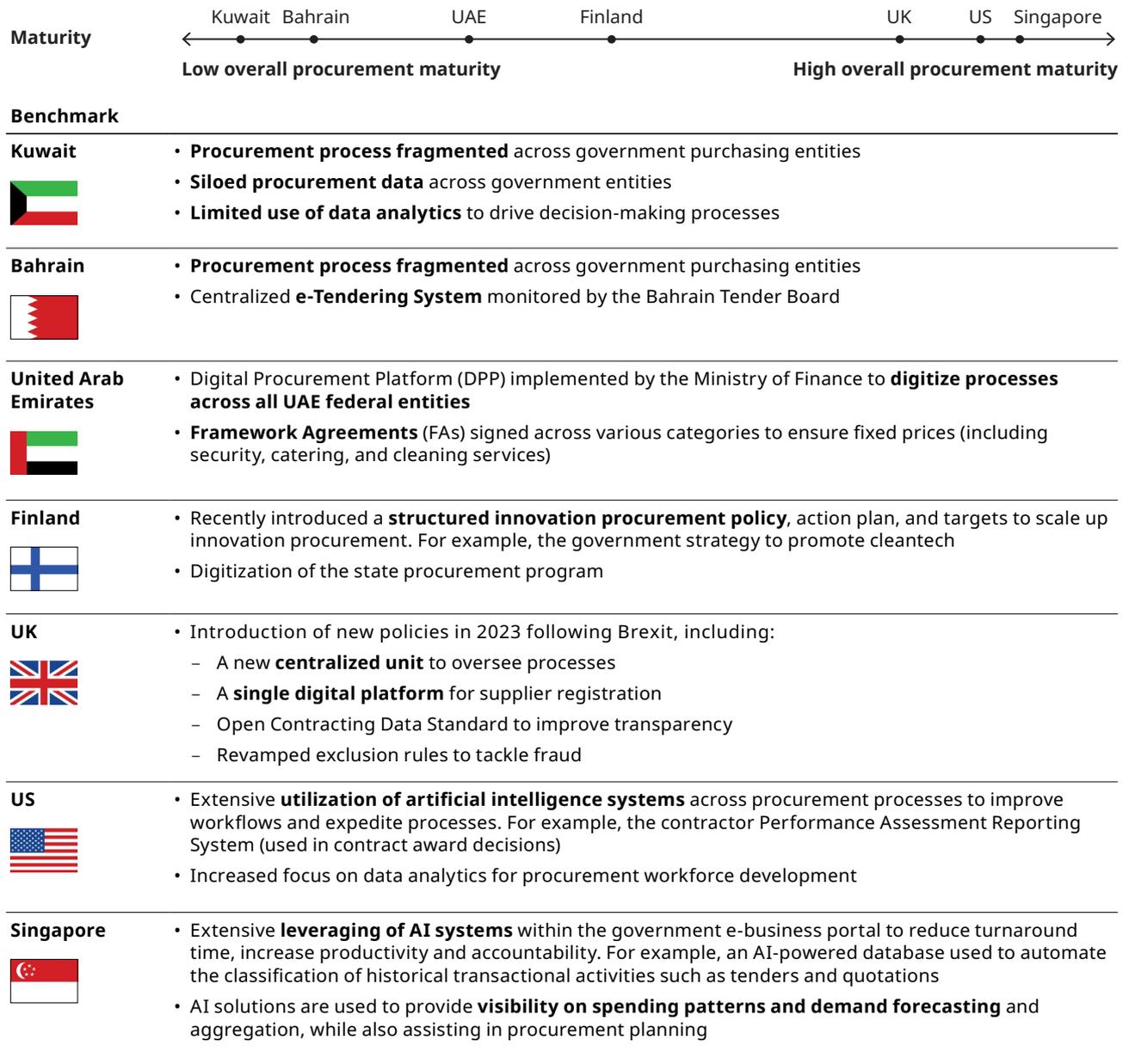
Our analysis points toward three levels of procurement maturity: **new/stabilizing, consolidated/insights-driven, and predictive/AI-driven** (Exhibit 9).

**Exhibit 9: Levels of procurement maturity**

	No GPA	1. New/stabilizing	2. Consolidated	3. Mature/AI-backed
<b>Operations</b> 	Processes differ across entities	Fragmented processes Standardized best practices applied selectively	Partially integrated processes across entities Standardized best practices applied widely	Fully standardized and integrated processes across entities
<b>Data and analytics</b> 	No comprehensive database Data scattered across entity departments, central teams, vendors	A comprehensive procurement database within each entity Limited data analytics capabilities	Digitized and aggregated databases across entities Widely leveraging data analytics to drive decision-making	A digitized and aggregated database across entities Leveraging AI and blockchain for predictive decision-making
<b>Capabilities</b> 	Fragmented procurement teams	A centralized procurement team monitoring processes performed by individual entities	Centralized procurement team driving procurement processes	A standardized capability building framework Highly skilled, specialized personnel

Source: Oliver Wyman and TICG analysis

**Exhibit 10: Procurement maturity benchmarks**



Source: Oliver Wyman and TICG analysis

## 7. WHAT IS THE EXPECTED IMPACT OF AN INCREASE IN PROCUREMENT MATURITY?

Improving the overall efficiency of procurement processes and systems, whichever model applies, will yield various benefits, the first and foremost of which is economic savings (Exhibit 11). Through our quantitative analysis (refer to Exhibit 1) and on-the-ground cooperation with governments, we have proven that there is a 35-50% potential for optimization in the most critical cases.

The cost savings achieved through improved procurement efficiency can be allocated in various ways: a portion can be designated as **net savings**,

another portion can be invested into **enhancing spending efficiency and maximizing value for money**, and the remaining portion can be directed towards other areas that may require additional **budgetary support**. Additionally, it is important to emphasize the need for a digitized, detailed, line-item view of each purchase to accurately analyze and isolate the effects of these optimizations<sup>1</sup>. The process of unlocking full optimization is a journey — and here are some key steps, and results, that can be expected along the way (Exhibit 11):

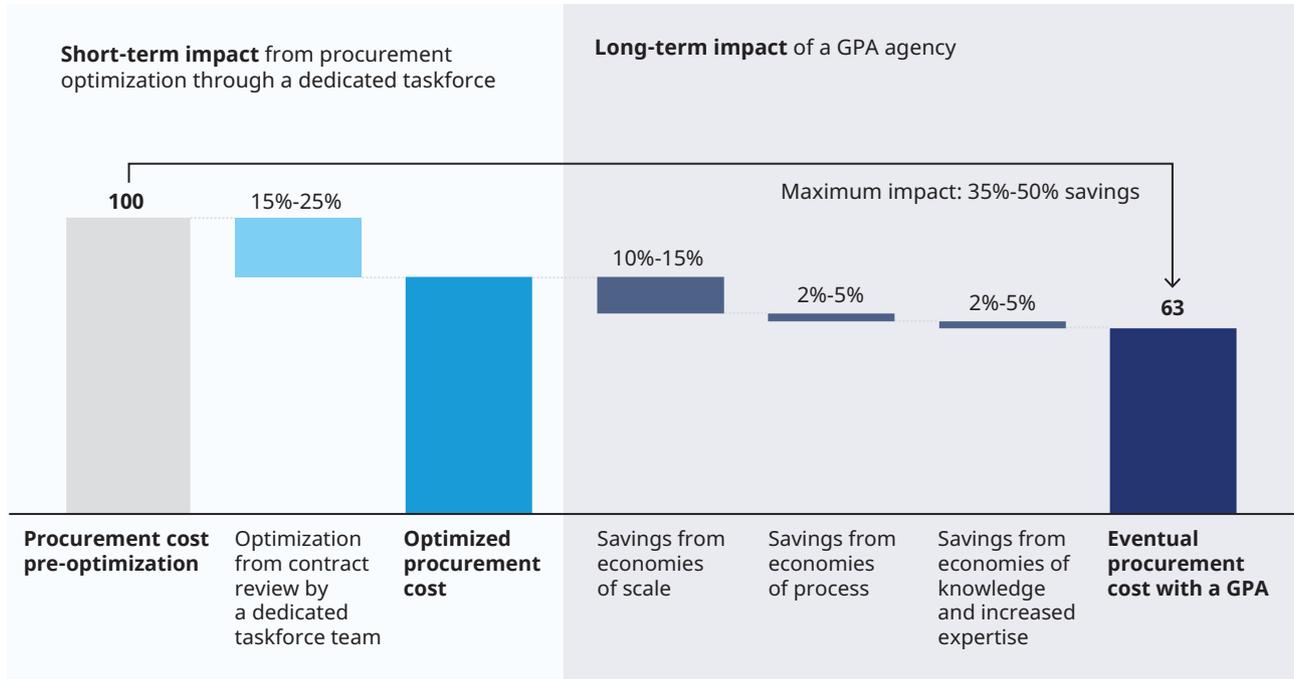
In the short term	In the medium-to-long-term
<p>Governments can implement a tactical review of government procurement contracts by deploying a dedicated task force. This will <b>reduce costs by up to 25%</b>. Savings can be achieved from a set of standardized optimization levers, including:</p> <ul style="list-style-type: none"> <li>• Adjusting procurement to meet actual demand needs</li> <li>• Adjusting the span of control to the appropriate level (for example, the ratio of managers per employee)</li> <li>• Ensuring that full-time equivalent (or employee) productivity as well as machinery productivity and utilization meet international best practices</li> <li>• A reduction in overpayment by negotiating towards international best practices and market prices</li> <li>• Selling/leasing of unused equipment</li> <li>• Adjusting frequencies of activities and services to international best practices</li> </ul>	<p>Governments can strategically reevaluate their procurement functions by creating government procurement agencies, with an <b>estimated additional cost reduction of up to 25%</b>.</p> <p>To go into further detail, centralized purchasing could achieve an <b>average of 10% to 15% in savings</b> through economies of scale. An additional <b>5% to 10% of savings</b> can arise from the increase in process efficiency, higher procurement expertise, and the capabilities of the specialized/centralized team.</p> <p>During this phase, key value-creation levers will include:</p> <ul style="list-style-type: none"> <li>• The aggregation of demand across entities, allowing for collaborative purchasing to achieve economies of scale</li> <li>• A shift from current/outdated government procurement processes and an exploration of alternative ways of working and fresh service-delivery models</li> <li>• The integration of IT systems and the introduction of electronic and smart procurement to both deliver process efficiencies and contribute to the collection of data on procurement activity</li> <li>• Increased innovation, transparency, and accountability in the procurement process</li> </ul>

In addition to quantifiable savings, procurement plays a crucial role in **restoring confidence in government through the efficient and transparent use of public funds**, an increase in transparency, accountability,

and an overall professionalization of the citizen experience when it comes to accessing goods and services.

<sup>1</sup> OECD [Government at a Glance 2021](#) (2021).

**Exhibit 11: Illustrative quantification of savings arising from the review of procurement spend through a dedicated taskforce (short-term savings), and the creation of a government procurement agency (long-term savings)**



Source: Oliver Wyman and TICG analysis

At present, Kuwait is proactively tackling inefficiencies in its government procurement system through a dedicated task force. This initiative encompasses a comprehensive examination of procurement

expenditures, including a meticulous review of government contracts, an analysis of major government spend categories, and the advancement of skills among public sector procurement professionals.

## 8. THE KUWAIT CASE

### Kuwait's journey

Kuwait's commitment to achieving spend rationalization of the government procurement function has been marked by **significant progress through a series of strategic initiatives**. These initiatives encompass the establishment of centralized estimation frameworks, a thorough evaluation of select government contracts, an analysis of major procurement spend categories, and the upskilling of public sector professionals responsible for public sourcing.

The State could continue building on the existing momentum by addressing the remaining long-term opportunities for optimization. For example, Kuwait's procurement functions are fragmented across different entities, resulting in operational inefficiencies. Implementing more structural transformative actions, Kuwait's reform program could envision a bold shift by **introducing a central platform for public procurement within the Ministry of Finance**, with the key objective to ensure control over expenditures while maintaining the highest standards and quality of public services.

Supported by a comprehensive policy overhaul, the target operating model for the centralized platform would **incorporate a range of best practices across all procurement dimensions**, aiming to propel Kuwait's procurement function to the next level of modernity and efficiency. This comprehensive approach could include setting a government-wide vision for optimization, enabling performance-based contracting and international supplier participation, streamlining functions management, bolstering analytics and data intelligence functions, standardizing supplier databases and operational KPIs, streamlining procurement approval processes, enforcing stringent procurement policy, and enhancing IT systems and automation to reduce dependence on multiple entities.

**Kuwait is demonstrating significant leadership and a steadfast commitment to establish an efficient and effective use of public resources**, which could be highly amplified by implementing the above-mentioned ambitions.

## Our initial hypothesis for Kuwait's target procurement operating model

The long-term vision of Kuwait's reform program aims to bring about a significant transformation in the public sourcing function (Exhibit 12). By introducing a **Central Procurement Agency**,

**the State could enhance the control over expenditures** while maintaining the **highest standards and quality of public services**.

**Exhibit 12: Kuwait's target procurement operating model**

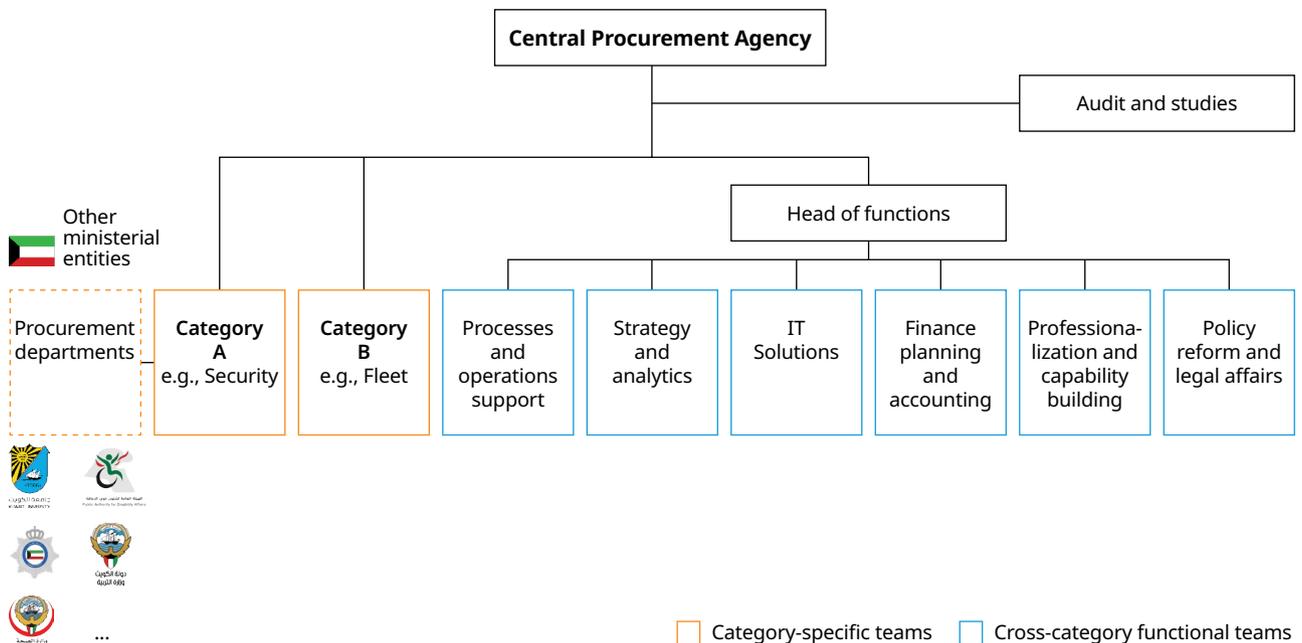
	Current state	Long-term ambition
<b>Vision and policy</b>	<ul style="list-style-type: none"> <li>• <b>Transactional approach</b> to public procurement</li> <li>• <b>Policy constraints</b> limiting competition from international bidders</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Overarching vision</b> focused on procurement efficiency and service quality</li> <li>• Flexible policy framework aimed at <b>fostering competition</b></li> </ul>
<b>Structure and organisation</b>	<ul style="list-style-type: none"> <li>• <b>Procurement function fragmented</b> across ministerial entities</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Centralized procurement function</b> focused on category management</li> <li>• Addition of <b>functional teams and enhanced functional capabilities</b> pertaining to, for example, intelligence and data excellence</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• <b>Multiple entities involved</b> in tender/contract approval process</li> <li>• <b>Non-standardized tools</b> for demand sizing assessment</li> <li>• <b>Limited use of data analytics</b> for decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Tender/contract approval process <b>streamlined to limited number of entities</b></li> <li>• <b>Data analytics leveraged at central level</b> to drive decision-making through standardized demand-sizing approach</li> </ul>
<b>Capability</b>	<ul style="list-style-type: none"> <li>• Hiring process <b>handled by single external agency</b> (therefore limiting specialized hiring)</li> <li>• Lack of targeted <b>trainings aimed at specific procurement functions and categories</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Centralized procurement team</b> driving procurement processes</li> <li>• <b>Specialized procurement trainings</b> by spend category and functional team</li> </ul>
<b>Performance management tools and templates</b>	<ul style="list-style-type: none"> <li>• Existing tools and templates available, yet siloed within ministerial entities</li> <li>• Centralized catalogue coverage available for <b>select spend categories</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Standardized tools and templates</b> used at a central level, such as category-based "handbooks"</li> <li>• <b>Expanded catalogue coverage</b> to additional horizontal categories including fleet management, security</li> </ul>
<b>IT Systems</b>	<ul style="list-style-type: none"> <li>• <b>Lack of centralized data repository</b> for procurement intelligence</li> <li>• <b>Lack of processes digitization</b> in favor of highly paper-based processes</li> </ul>	<ul style="list-style-type: none"> <li>• Digitized and <b>centralized procurement database</b></li> <li>• <b>AI and blockchain</b> leveraged for predictive decision-making</li> </ul>

## Kuwait’s Central Procurement Agency potential operating model

We envision a Central Procurement Agency that incorporates the organizational and operational best practices of the international reference entities,

securing a combination of a best-in-class quality of service, agility, and efficiency (Exhibit 13).

**Exhibit 13: Target organizational structure for Kuwait’s Central Procurement Agency**



The organization structure of the potential **Central Procurement Agency** could include **category-specific** and **cross-category functional teams**

**Category-specific teams** would liaise with ministry entities and **coordinate procurement of horizontal spend categories**, streamlining processes and harnessing greater negotiating power (e.g., in areas such as cleaning, security, and fleet management)

**Centralized cross-category functional teams** would enable streamlined processes, enhanced analytics and data intelligence, standardized supplier databases and operational KPIs

Source: Oliver Wyman and TICG analysis

## 9. GENERAL CONCLUSIONS

Increasing levels of public debt and more demanding taxpayers will only increase the need for governments to deliver more, and with less.

One way to **unlock value** is by increasing the efficiency of the procurement function. This can save procurement costs by up to 50%, as we have laid out in this paper.

Revamping a government’s approach to sourcing products, services, and goods and **embarking on the journey toward procurement efficiency** requires endorsement by all decision-making stakeholders and cooperation between both the public and the private sector. Short-term remedies can alleviate immediate cost pressures, but **long-term sustainability** and further savings requires a policy and operating model transformation.

**Disclaimer**

Through the analysis, Oliver Wyman and TICG identified discrepancies among data from different sources or published documents. To minimize inconsistencies, we limited the inputs to those provided by worldwide-accepted agencies and conducted an assessment based on the available information.

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