



Behavioral Challenges in SPP

Session 7. Behavioral Change when applying SPP

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Why are behavioral aspects important for SPP?

Who implements public procurement and makes decisions?

People! Each individual differs from others in their perception of tasks, fear of making an error, types of motivation that may bring them to new achievements, attitude to changes. This means everybody **behaves** differently.

All decisions are affected by **behavioral** factors. This differs them from **rational** decisions (that robots would make).

If we know general patterns of behavioral decision-making, we can improve efficiency of public procurement.

Behavioral sciences in simple words

People behave **irrationally**.

A real person is characterized by:

- Deviations from rational decision making
- Heuristics – simplified decision rules
- Loss aversion (losses seem larger than gains)
- Being subject to framing (cognitive distortion: *how information is presented* influences a person's perception of it).
- Being subject to “Nudging” (the environment, information, events push to action)

Kahneman and Tversky, Nobel Prize in Economics 2002, Thaler, Nobel Prize in Economics 2017

A human as seen in behavioral sciences:

- Is afraid of making a mistake (if there is punishment)
- Avoids uncertainty (pessimists exaggerate the likelihood of bad outcomes)
- Acts according to his/her mood
- Shows altruism
- Can be influenced from outside
- Follows familiar procedures (heuristics)
- Has intrinsic motivation
- Resists change
- Does what is clear and easy

and so on...

Accommodating it in public procurement

- Procurement specialists are afraid of violating the rules when implementing complicated procedures (SPP)

What to do: predictable inspections and audit, clearer rules for SPP, replace penalties with bonuses (*Chili*)

- Procurement specialists who do not see the value of SPP, are less likely to implement SPP
- Lack of knowledge leads procurement specialists toward traditional options (not SPP)

What to do: raise awareness and clarify the value of SPP, training (*Netherlands, Kyrgyzstan*). Bonuses for SPP. Include SPP in the procurement strategy of the organization and ensure employees understand and share the organization's values regarding SPP

Accommodating it in public procurement

- If the general spirit in the organization favors change and innovations, this helps SPP

What to do: this task is wider than SPP. Organizational behavior, implementation of changes, behavior of the organization leadership, perception of changes and initiative by employees.

Accommodating it in public procurement

- In construction: real driving force for the SPP comes from the developers
- Developers can influence all participants of the delivery chain.

What to do: encourage the developers' initiative in SPP; encourage sound partnership relationships between all participants of the delivery chain (Netherlands, Finland)

Accommodating it in public procurement

- For different types of SPP (green, social, innovation, circular) behavioral aspects work differently.

What to do: procurement entities should use approaches relevant for the specific task. One cannot just assume that everything that worked well for GPP, would also work for CPP or Social PP (Netherlands)

Accommodating it in public procurement

- Set a Positive Example: If most *universities* implement SPP, then most organizations will follow because the organization's future employees are today's *students* (*United Kingdom, Spain, South Africa*)
- It is worth following the minimum environmental criteria (*Romania*)
- In the short term, sustainability is never a priority. We need to think about the long term
- If the costs are too high, the specialist will not follow the principles of sustainability, even if he understands their importance (*Kyrgyzstan*)

Survey on the Implementation of SPP

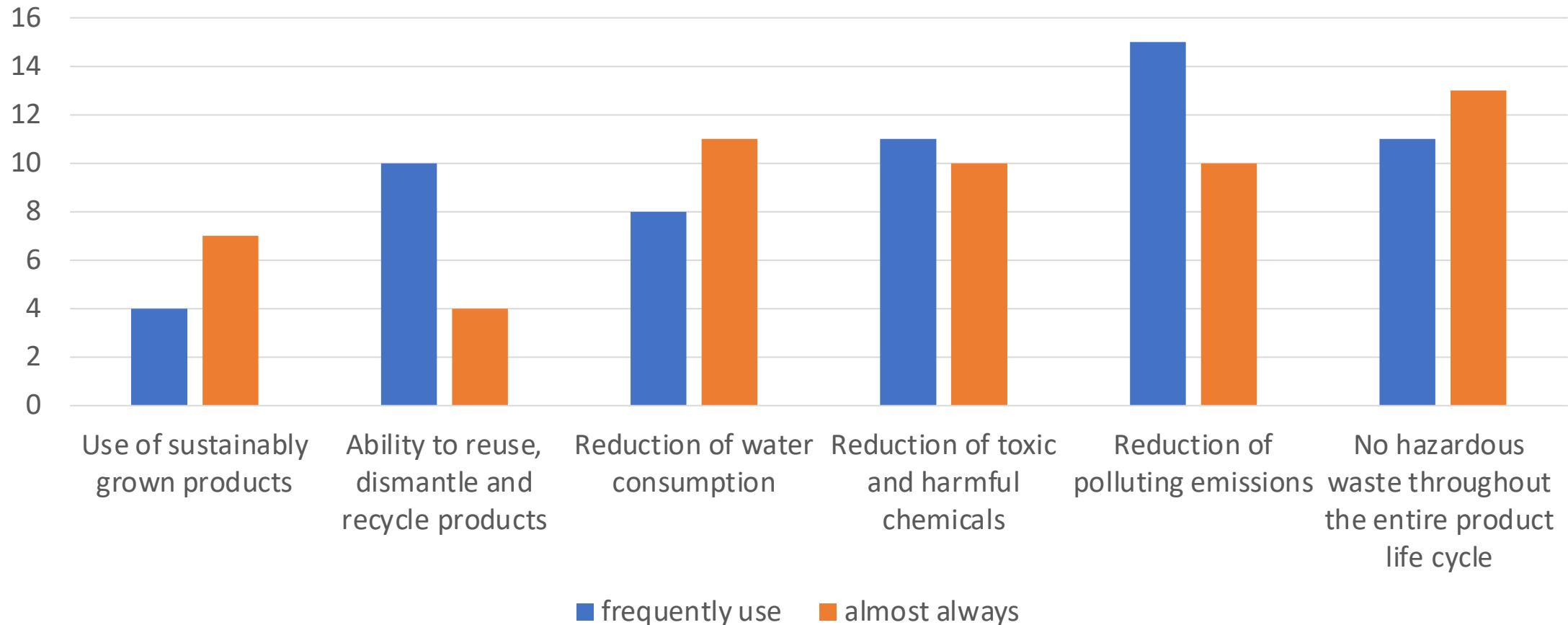
With the support of Mrs. Irina Goncharova, WB Kyrgyzstan

Period: April - May 2024

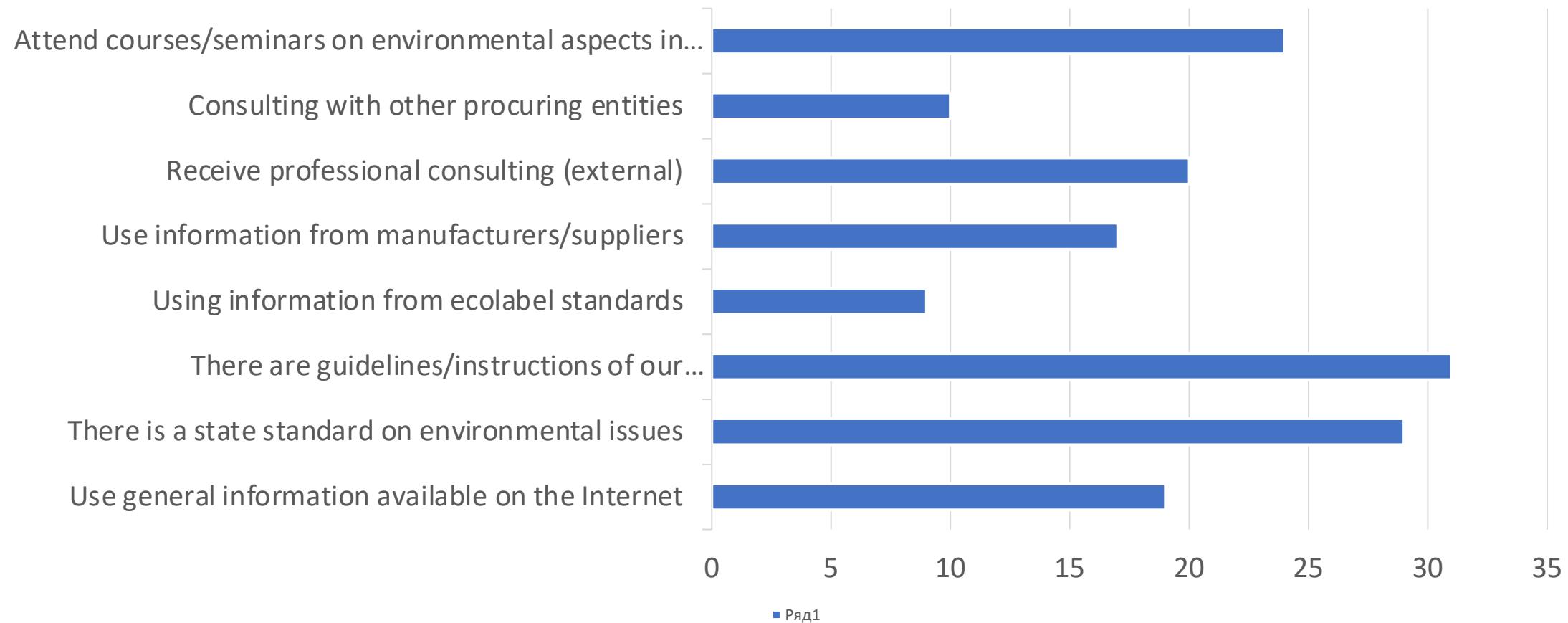
Respondents: leaders and staff of PP departments of central ministries, Staff Project Implementation Groups

Countries: Kyrgyzstan (17), Tadzhikistan (17), Uzbekistan (5), Giorgia (4), Azerbaijan (4), Kazakhstan (2), Armenia (1)

What environmental criteria/requirements are used in procurement in your organization?



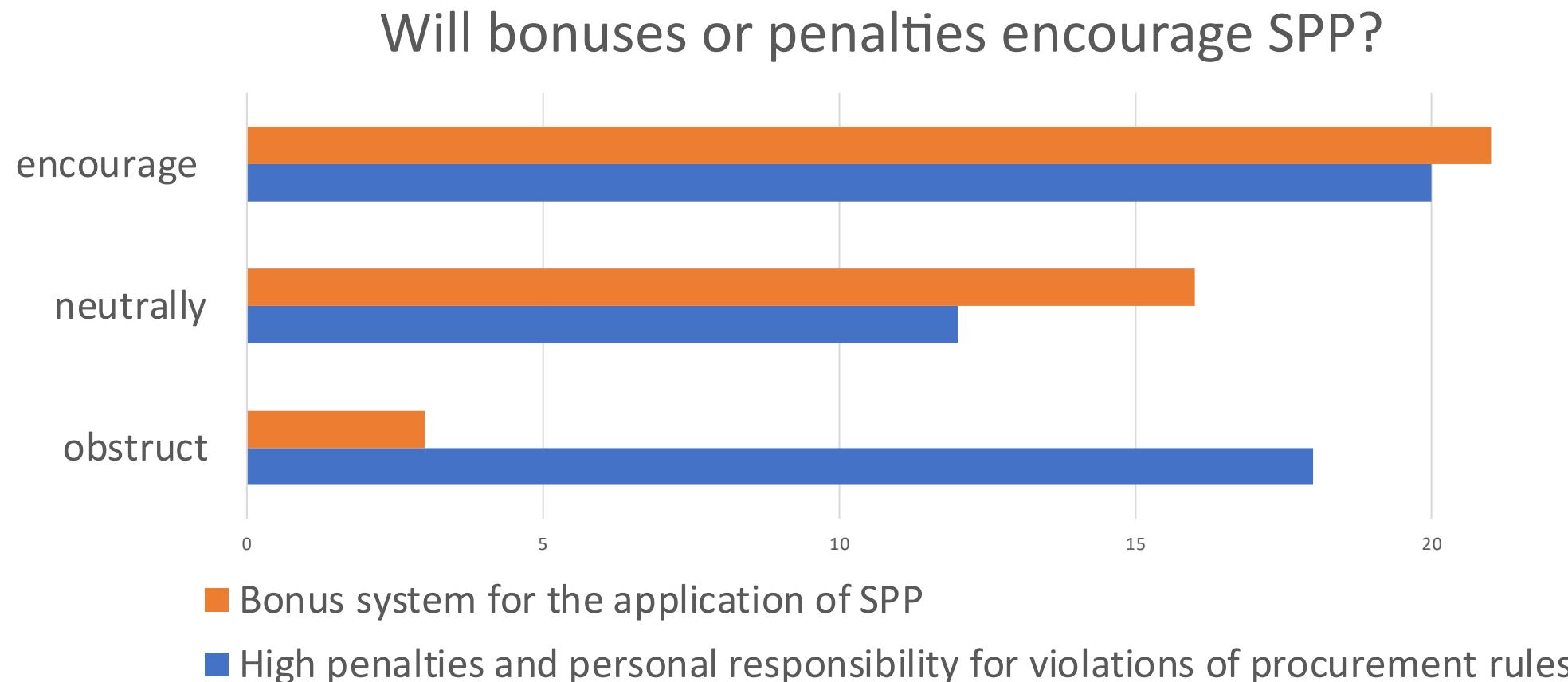
Where do you find information how to formulate environmental criteria/requirements in procurement?



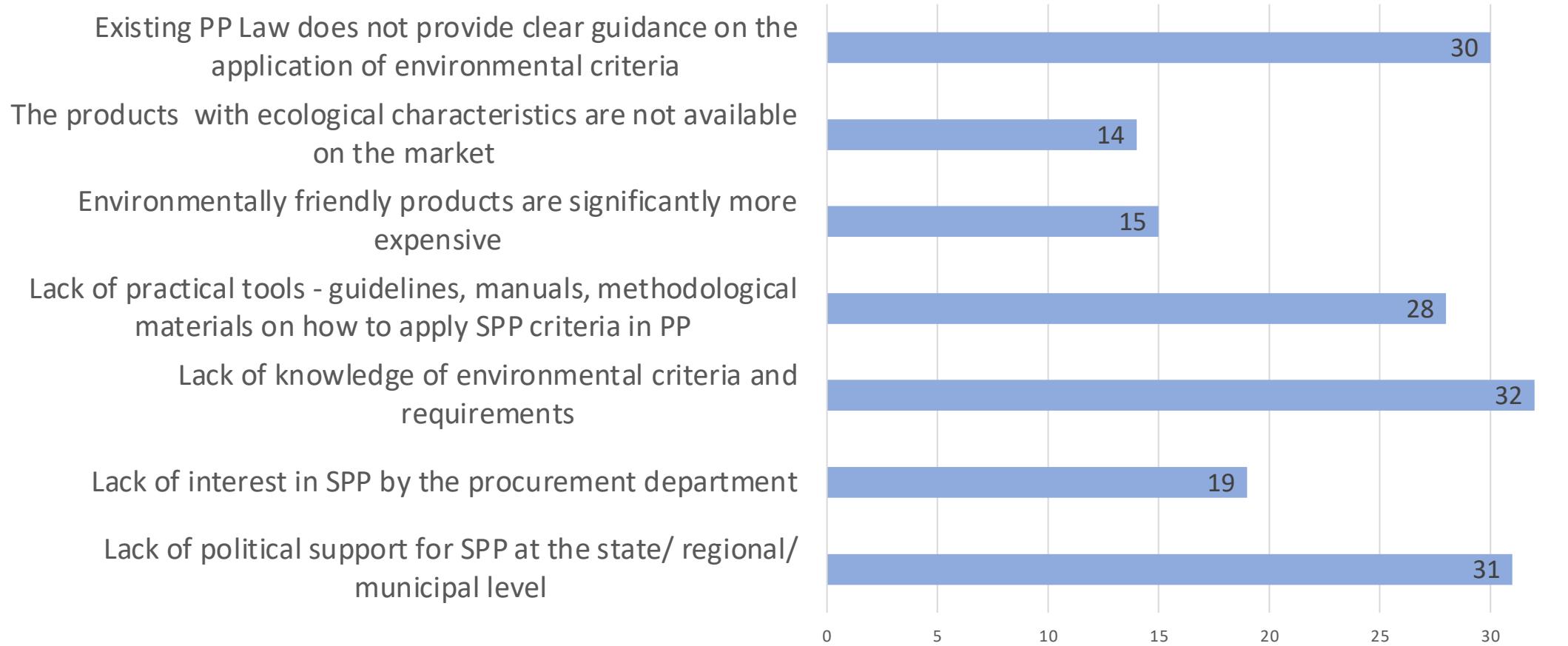
To what extent do you think the following factors will facilitate or hinder the growth of SPP in your country?



Theoretically, bonuses have the same effect as penalties, but...



What are the main barriers to implementing SPP?



What are the main drivers for the SPP implementation ?



Main take-away

- Respondents are well trained and aware of benefits of SPP. *Nevertheless*, the majority appreciates **formalization of SPP requirements** in laws and guidelines.
- It appears that the **fear of violating the rules** of public procurement prevails.
- Procurement specialists within national public procurement systems frequently resort to procurement colleagues for information and advice. *By contrast*, specialists within the Banks' projects are **less likely to ask colleagues** and instead resort to professional consultants.
- The potential from the **interaction with suppliers** is **only half used**.

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Thank you!

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