

Coronavirus Crisis: How To Quickly Modernize Government Procurement Before It's Too Late

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The **COVID-19 pandemic** has laid bare the deficiencies in the way governments strategize for, and implement [public procurement](#). To see evidence of this, we need only look at the United States, the [current epicentre](#) of the virus and the [world's largest economy](#). It is plain to see the inconsistent responses between [federal/central](#) and [local](#) government officials over who has responsibility to [purchase medical equipment](#) and supplies, while the virus rages across the country. Closures of country borders and economies around the world have affected businesses large and small, as well as every aspect of our professional and personal lives. Governments wishfully turning to [traditional third party providers](#) find those doors [closed](#), as legacy vendors either don't have the staff to cope with demand because of the virus, or are affected by [stay at home orders](#). Additionally, last resort [alternative suppliers](#) are themselves practicing social distancing and self-isolation.

The **global health pandemic** has demonstrated the immense [pressure national governments](#) face when traditional supply chains break down. Just as China has begun a [tepid recovery](#) from this terrible disease, we watch governments struggle with how best to acquire the goods and services needed to adequately respond to the crisis. Many have come to realize that public [purchasing is a pillar](#) on which governments and the citizens they serve, precariously rests.

Today, city, state, and national leaders find themselves forced to adjust their thinking on where and how to access much needed goods. Questions have emerged about the [applicability of current public procurement](#) models for quick decision-making and agile actions, and the [concerns are real](#) about how to apply them within existing legal and policy frameworks in times of crisis. The evolving [supply and demand](#) environment requires flexibility, adaptability, and rapid deployment capabilities, yet few governments are prepared, particularly in [evolving economies](#), to confront choking supply chains in a period when demand far exceeds supply.

There are practical solutions to better [optimize government procurement](#) during a **crisis**, if we hope to improve and [save lives](#), while keeping a functioning society. Assuming vendors can still fulfill orders despite the under-availability of staff, more [modern approaches](#) to procurement are available, and could provide valid options to manage exceptional procurement needs. Nonetheless, to move more quickly, a four-prong macro approach should be pursued:

1/Centralize government purchasing

It is utterly unproductive for a central government to procure goods in an [ad-hoc manner](#) during national emergencies. A more efficient approach under the circumstances, would be to have a central entity in national government carry out solicitations of critically needed goods on behalf of state/local governments, and distribute those supplies directly based on identified local needs. In the United States, for example, the [Federal Emergency Management Agency](#) (FEMA) is responsible for coordinating the federal purchasing in response to the Coronavirus. Under the [current approach in the U.S.](#), when equipment and supplies are procured by the federal government, contracts are [awarded to commercial entities](#) who supply dozens of federal agencies. There is no adequate [national stockpile](#) to supply all 50 states and territories when they are in distress. Instead, state/local governments have to conduct their own procurements to purchase goods and services from the private sector as well. This scenario forces sub-national entities to [compete against each other](#) for the same goods and services from a limited number of suppliers who sell to the highest bidders. With local officials all [trying to up-bid one another](#), few are able to acquire the medical supplies and equipment needed at a reasonable cost, or within a reasonable time frame.



There are a number of [advantages to a centralized procurement](#) system in times of national emergencies. Such a system allows the whole of government to leverage purchasing power, avoid duplication, and facilitate distribution of resources in an equitable manner. At the national level, purchasing officials are positioned to collect inputs from local governments, inventory their needs, and collect specifications, then administratively manage the procurement, freeing up local governments to direct their attention to how to best manage the crisis in their communities.

2/ Adjust risk tolerance

When economic activity is disrupted, the [risk tolerance](#) of government purchasing organizations, along with the determination to get purchasing done efficiently, may require ejecting the status quo. Instead, these purchasing entities must consider how to [identify legitimate suppliers](#) and ensure payment structures [incentivize](#) swift delivery of goods. In crisis situations, vendors need urgent access to capital in order to ensure they can meet urgent government needs. Typically, fast disbursement equals faster delivery. Although the guidance on [emergency preparedness](#) by the National Association of State Procurement Officials (NASPO) doesn't make mention of rapid payments to vendors, some form of electronic payment and derogations from multiple approvals should be pre-authorized. This ensures economic operators can move swiftly through the supply chain to get the flow of goods and services moving where there is demand.

3/ Outsource internationally

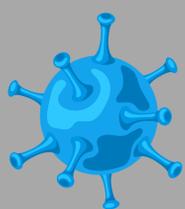
Where governments temporarily lack the appropriate procurement capacity, purchasing entities could delegate procurement to a third-party to make purchases on their behalf on the international market. In a globalized economy, it is conceivable for governments to turn to [United Nations](#) entities such as [UNOPS](#), [the Global Fund](#), or [the World Bank](#), as suitable delegate purchasing agencies. They all have significant experience in administering government resources to combat global disease outbreaks (e.g. Ebola, Cholera, H1N1, SARS, and Zika), in addition to an extensive network of experienced [international procurement professionals](#). Also to be considered are e-commerce sites such as [Amazon](#) or [Alibaba](#), who have conducted their own supplier due diligence and can showcase legitimately certified vendors. In the U.S., such an arrangement would likely require a buyer's legal team to review compliance with Food and Drug Administration and Centers for Disease Control [requirements](#), as well as management of import duties; however, these factors do not outweigh the opportunity to widen the pool of potential suppliers worthy of consideration during global emergencies.

At the beginning of the Coronavirus, [international suppliers](#) were still in a position to export medical equipment and supplies, and procurement entities who were already familiar with the aforementioned platforms, and had authority to purchase globally, could have done so; but as time passed, the [situation deteriorated](#). In the U.S., import tariffs on medical equipment related to the pandemic were [later lifted](#), but could have been waived anyway with a credible [request to U.S. Customs and Border Patrol](#).



4/ Digitize procurement through a single window facility.

Government procurement has been disrupted in ways we've never seen due to the Coronavirus. Consequently, much like in the [international trade arena](#), public procurement entities must adopt technology to ensure the supply chain is resilient in times of crisis. One of the simplest ways to ease interaction across the value chain is to develop a procurement [single window facility](#). Automated information accessibility and exchange better supports economic activities by facilitating the collection and accuracy of [procurement data](#); execution of procurement [processes with suppliers](#); [onboarding vendors](#); transfer of payments; and engagement with the public through [open data](#), limiting waste of public funds. Developing countries in particular can better mitigate against future shocks by investing today in [procurement digital infrastructure](#) (e.g., automation, cyber security, APIs, open data, etc.).



During these difficult times, we must all lean in to offset some of the pain when traditional avenues of public procurement are inaccessible at best, and obsolete at worst.

Government procurement entities must use all available resources to shape how governments respond to the ongoing Coronavirus crisis, and later, apply any lessons learned to future global events. Our lives depend on it.