

## Creating a Strategic Procurement System in Santiago, Chile

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*Waste collection services are delivered by contractors in Santiago, Chile.*

*As part of Bloomberg Philanthropies' What Works Cities initiative, the Government Performance Lab provided pro bono technical assistance to help the Municipality of Santiago establish a strategic procurement system to apply results-driven contracting strategies to high-priority contracts.*

**The Challenge:** Prior to the GPL's engagement, the Municipality of Santiago faced difficulties advancing policy priorities in its key procurements. The contract planning phase typically lacked any discussion of goals and assessment of past performance, limiting improvements in service delivery and cost-effectiveness. Over the years, well-intentioned legal initiatives to promote integrity in government contracting transformed procurement into a rule-driven process. Numerous regulations stifled innovation, leading to contract terms that remained unaltered for decades. A single-minded emphasis on compliance created communication silos in the procurement process, further constraining results. In many instances, departmental staff worked independently, crafting the terms of their solicitations with little guidance on strategic goals, legal restrictions, or budgetary constraints until the late stages of the contracting cycle. As a result, city attorneys and administrative officers rejected contracts before they were executed due to issues with the procurement process. Overall, there was a need for better coordination and positive feedback loops around the procurement process.

**Applying Results-Driven Contracting Strategies:** To plan high-priority procurements based on municipal goals and budgetary constraints, the GPL and Santiago:

- 1) **Developed a centralized strategic procurement system.** The GPL designed an organizational structure to manage high-priority contracts, enhance procurement planning,

and increase interdepartmental collaboration. The system was initially launched on a provisional basis, led by the Deputy Director of Planning. New system components include:

- a. **Strategic Contracts Committee with Municipal executive leadership.** The committee convenes the Municipal Administrator, the Planning Director, the Mayor's Chief of Staff, and the director(s) of the department(s) issuing the solicitation. They select high-priority procurements and define their high-level goals, providing guidance on relevant criteria to craft the solicitation.
  - b. **Cross-functional working group for each high-priority contract.** To foster interdepartmental collaboration, the group includes a representative from the procurement division, a member of the department issuing the solicitation, and a delegate of the Municipal Administrator. To navigate the complex regulatory landscape, the group is also joined by a representative of the Legal Department. The team develops recommendations to improve contract results by analyzing past performance, critically assessing contract requirements, aligning payments with contract goals, and implementing other relevant results-driven contracting strategies. Their insights are elevated to the Strategic Contracts Committee for validation and guidance on implementation.
- 2) **Piloted the new system on a procurement for sanitation services.** To test the new system, the Strategic Contracts Committee tasked a working group with developing a solicitation to provide sanitation services in one of the City's most important marketplace districts, *Vega Poniente*. Transforming the business-as-usual approach into innovative solicitation drafting, participants collected evidence on past contract performance and structured the scope of work according to their findings. The new contract terms clearly defined desired outcomes and service standards while eliminating unnecessary requirements from the scope of work. For the first time in the department's history, the Request for Proposals (RFP) introduced objective outcome metrics and contractor reporting requirements. To enhance accountability, the new specifications included remote sensing technology and linked payments to contractor performance. These innovations will serve as a model for future departmental solicitations.
- 3) **Set up a roadmap to formally adopt the strategic procurement system.** The GPL supported the Municipal Planning Secretary in drawing lessons from the pilot to help integrate the new system into the Municipality's regular procurement process. At the beginning of each fiscal year, the Strategic Contracts Committee will assign working groups to high-priority contracts. These will be selected from a list of procurements targeted for issuance or renewal in the near future that are considered critical based on their dollar amount and/or policy relevance. The GPL also developed a model work plan to streamline working group meetings and deliverables. Initially, the system will be managed by the Municipal Planning Secretary with support from the Mayor's cabinet.

**The Results:** The pilot gained support from departmental staff who were eager to reform their traditional approach to contract development. The Strategic Contracts Committee provided a unique venue to elevate recommendations and for management to make decisions based on the best available evidence. The working group fostered collaboration, providing clear roles for all project participants. At the conclusion of the pilot, the Deputy Director of Planning presented to the Strategic Contracts Committee a list of seven high-priority contracts for 2019. In the coming months, the Municipality plans to implement the regulatory and administrative reforms to codify the Strategic Procurement System. This system will be part of a broad municipal effort to adopt managerial best practices and promote performance improvements.

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