

Needs Analysis Guidelines

As part of the European Commission funded project “*Enhancing transparency and integrity in the public procurement system through an integrated risk management system*”, the OECD has developed a risk management framework for public procurement. To ensure its successful implementation and based on the needs of Greek contracting authorities, the OECD has developed a number of tools, including these guidelines on needs analysis.

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GUIDELINES ON NEEDS ANALYSIS IN PUBLIC PROCUREMENT

INTRODUCTION

As part of the European Commission funded project “*Enhancing transparency and integrity in the public procurement system through an integrated risk management system*”, the OECD has adapted the general risk management policy and framework, mandated under Law 5013/2023 to public procurement. To ensure its successful implementation and based on the needs of Greek contracting authorities, the OECD has developed three tools:

- A short information note on integrity breaches
- Needs analysis guidelines
- Market analysis guidelines

The pre-tendering or planning phase of a public procurement procedure includes evaluating the needs of contracting authorities. Needs analysis is a crucial step in the procurement process, focusing on identifying and defining the requirements of the contracting authority and ensuring that the procurement process aligns with its actual needs and strategic objectives.

In terms of integrity, needs analysis helps ensure a clear and accurate definition of requirements, preventing vague or targeted criteria that can lead to conflicts of interest and corruption. It promotes transparency and accountability by aligning procurement processes with genuine needs, mitigating risks, and enhancing informed decision-making, thereby reducing opportunities for integrity breaches such as fraud, corruption, and conflict of interest.

REGULATORY FRAMEWORK

Needs analysis is implicit in the EU Directive’s requirement for contracting authorities to clearly define their requirements and ensure they are met in a cost-effective manner. In Greek Public Procurement Law No. 4412/2016 (hereinafter the PPL), Article 45, paragraph 1 requires the Contracting Authority to document the feasibility of the project and the price of the budget defined in the procurement documents, implicitly requiring an analysis of needs. The stipulations of Article 45, paragraph 1 of the PPL is supplemented by:

- i. Article 53, paragraphs 1 and 2, requiring the clear definition of requirements, specifications, and the subject matter of the contract.

- ii. Article 33 of Law 4270/2014 on the fundamental principle of sound financial management comprising the principles of economy, efficiency, and effectiveness.

NEEDS ANALYSIS

Needs analysis is the foundation of the procurement process. Its main objective is to **analyse contracting authorities' potential demand from a functional perspective, identifying the requirements, defining the objectives, and assessing alternatives**. Potential information sources could include data on historical spending, procurement notices and invitations to tender, current and former contracts, industry publications and standards, supplier websites and catalogues, product manuals, white papers, and others.

This checklist divides the needs analysis process into five key steps, as depicted in Table 1.

Table 1. Needs Analysis Checklist

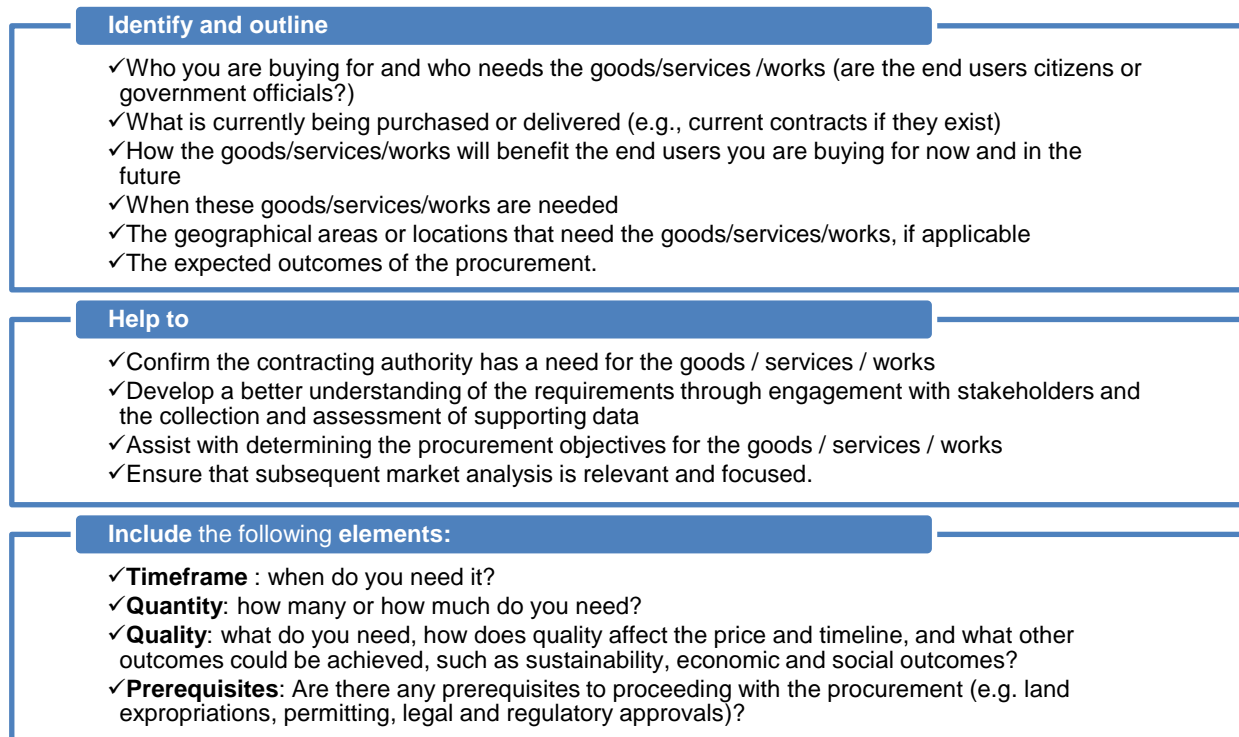
Needs Analysis Checklist			
	Yes	Partially	No
1. Develop needs analysis approach and scope: answer questions such as who you are buying for, how what you are buying will benefit end-users, and when and how many/much is required.			
2. Collect needs analysis information: gather data from internal and external sources to inform the needs analysis.			
3. Define the baseline: evaluate current and future needs (current and future needs).			
4. Assess the potential for aggregation: determine whether there are opportunities to standardise purchases.			
5. Prepare a needs analysis report: create a comprehensive report summarising the findings.			

1. Develop needs analysis approach and scope

When starting procurement planning, it is important to define the reasons why goods, works or services are needed. **Needs analysis should be based on a functional approach: this consists of expressing the needs of users based on the required outputs or outcomes rather than specific delivery models or technologies** (Article 54 of L. 4412/2016). The aim is to state the outcome in terms that are sufficiently broad so as not to restrict the range of potential solutions, but not so broad that it may be open to endless interpretation. The key question to be answered by needs analysis is therefore *“what do we really need?”*

Given that the scale and nature of procurement varies across the public sector, the level of detail required will also vary. **The level of detail for needs analysis should therefore be proportionate to the strategic value and the nature of the goods/ services /works being procured.**

Figure 1. Needs analysis approach and scope



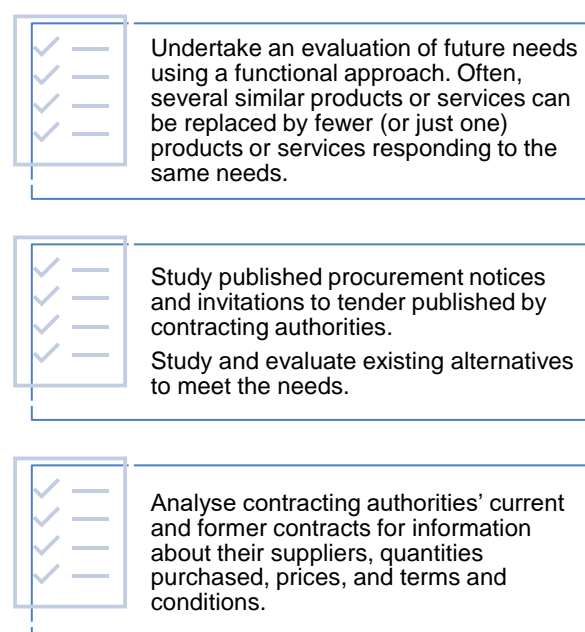
Source: Authors' elaboration

2. Collect information for needs analysis

To gather information for needs analysis, it is essential **to involve a wide range of stakeholders and sources**. This ensures that the collected data is comprehensive and reflects the actual requirements of the contracting authority. An effective need analysis should be also based on key findings from the analysis of both past (if applicable) and future procurement-related spending. Key data sources include:

- **Internal Sources:** Internal sources are the primary source of information on the needs of the contracting authority. This can include internal documents, previous procurement records, and feedback from departments within the contracting authority.
- **External Sources:** External sources can also provide information on how other contracting authorities have expressed similar functional needs. Figures from official data (KIMDIS) on similar procurement procedures and contracts procured by other contracting authorities (making sure that the needs are similar and that no mistakes have been made) or consulting the relevant Central Purchasing Body (CPB) or other contracting authorities may be helpful.

Figure 2. Key steps to consider



Source: Authors' elaboration

An indicative data collection template is included as Part I Annex A to these Guidelines. It can be used to collect high-level information on the subject, size and timeline of upcoming needs, which can then be discussed and developed in further detail.

The data collected should be analysed to identify trends, gaps, and opportunities for improvement. **It is important to document the findings.** The documentation will be used to draft the needs analysis report and can be annexed to the report for future reference.

3. Define the baseline

Defining the baseline involves establishing the current state of procurement needs and projecting future requirements. This step is vital for setting realistic and achievable procurement objectives. The baseline should include:

- **Current Contracts:** An inventory of existing goods, services, and works currently procured by the authority.
- **Unfulfilled Current Needs:** An evaluation of current needs not currently being met.
- **Future Needs:** Anticipated changes in demand due to an evolving internal and external context (e.g., technological advancements).

The baseline provides a reference point for measuring progress and evaluating the effectiveness of procurement strategies. This analysis provides an opportunity to review historic expenditure with a view to improving future spending, for example, by consolidating lower value purchases and/or the number of suppliers.

4. Assess the potential for aggregation

On the basis of the previous steps, the contracting authority can evaluate whether there are opportunities to aggregate needs from across the organisation or with other contracting authorities. For example:

- Do different functional areas or departments have similar requirements? Are their requirements substantively different from each other's?
- Are there variations of requirements, for example geographically, or in terms of the overall product or service?
- What are the business implications of aggregating requirements? For example, for a geographically spread requirement, how important are response times, service levels or local knowledge and experience?

Based on these questions, it should be possible to see if functional areas or departments are buying the same goods or services for a range of prices and assess whether there is room for greater consistency in prices, or greater standardisation of specifications in different categories. It should also be possible to determine whether there are framework agreements that could be leveraged or opportunities for joint procurements.

5. Prepare a needs analysis report

The final step in the needs analysis process is to prepare a comprehensive report that summarizes the findings. The report should include:

- Description of the identified needs, the quantity, quality needed, the frequency of the need, the timeframe and the prerequisites (if applicable)
- Lists of the research sources and information/data used.
- The conclusions of the needs analysis, namely specific actions and strategies to address the identified needs.

The needs analysis report serves as a critical input for the development of a procurement strategy and the development of the tender documentation. It also documents the feasibility of the project in accordance with the stipulation of the Public Procurement Law.

CONCLUSION

Effective needs analysis is an essential component of the procurement process. It ensures that the procurement strategy is aligned with the actual needs of the contracting authority. By conducting a comprehensive needs analysis, contracting authorities can enhance the efficiency, effectiveness, and transparency of their procurement processes, ultimately achieving better value for money and improved public services. Following a standardised approach such as this checklist can help to ensure that the needs analysis process is transparent and well-founded, reducing the risk of integrity breaches.

Annex A. Data collection template for needs analysis

This template provides a means for the procurement function of a contracting authority to collect and track initial information on needs from different areas of the organisation. It is intended to provide high-level information on the subject, size and timeline of upcoming tenders, which can then be discussed and developed in further detail.

Source (functional area or department)	Functional description ¹ of need: what is the objective of the procurement?	Quantity: how many are required? ²	Timeline: when is it needed and for how long?	Is this a recurring need (Y/N)?	Is there a current contract (Y/N)? If yes, provide details (e.g. value)

¹ A functional description of needs defines outcomes rather than inputs or standards. Describing the desired performance level or results rather than a specific solution can allow for the exploration of differing approaches to meeting needs and ultimately (when the needs are translated into specifications) allows for the market to provide a broader range of solutions.

² This column may not be filled depending on the functional description of the need.