

Annex B

Public procurement in Colombia

Introduction

This Annex examines how the government of Colombia can use public procurement in a more transparent and effective manner to achieve policy objectives. This Annex focuses on three key reform areas, in particular how to:

- Optimise the organisation, operation and capability of the government’s new central procurement agency **Colombia Compra Eficiente** (Agencia Nacional de Contratación Pública – *Colombia Compra Eficiente*), which was established in 2012;
- Tap into the potential of new technologies to enhance transparency and ensure an evidence-based approach to procurement reforms, in particular through the electronic procurement platform;
- Achieve efficiency gains across levels of government, in particular through framework agreements¹ recently placed under the responsibility of *Colombia Compra Eficiente* and regulated by a new decree to be adopted in 2013.

Key challenges in public procurement reform identified by the government of Colombia include the topics set forth in the matrix in Box B.1.

Box B.1. Matrix of challenges and proposed actions

Key challenge	Short-term actions	Long-term actions	Link to public governance reform agenda
Establish Compra Eficiente's role as a centre for procurement capacity and expertise.	Launch an awareness campaign on Compra Eficiente's services.	Organise trainings by Compra Eficiente to other procurement officials.	Coordinate centre-of-government action in the area of procurement.
Address procurement disparities between central and sub-central levels and between sub-central levels.	Provide a help-desk and practical tools on how to use framework agreements.	Harmonise procurement practices and procedures.	Enhance multi-level governance through guidance to sub-central authorities. Increase achievement of government policies objectives.
Professionalise the procurement workforce	Create specific procurement positions with clear skills and career paths for Compra Eficiente. Train procurement officials.	Develop a commercial strategy for Compra Eficiente, with dedicated customer service.	Develop human resources management and link workforce to medium- and long-term policy objectives.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Box B.1. Matrix of challenges and proposed actions (continued)

Enhance the electronic procurement platform	Roll out the implementation of e-bidding features of new electronic procurement platform. Train public officials and suppliers in the features and potential of electronic procurement platform.	Introduce contract management features (e-payment and close-out procedures) in the electronic procurement platform.	Increase uptake of e-government objectives.
Enhance the business intelligence features of the electronic platform	Collect procurement participation and award data and perform statistical analyses on their basis.	Develop national policies to improve procurement procedures or pursue secondary objectives (green/other) on the basis of collected evidence.	Evidence-based policy making
Standardise range, quality and price of commonly procured products and services	Develop specifications for framework agreements on the basis of adequate needs analysis and market research.	Ensure regular dialogue with potential suppliers to keep track of markets development in a database.	Public service quality; achieve value for money.

Overview of public procurement in Colombia

Procurement-reform as part of Colombia's good-governance strategy

Procurement reform in Colombia is an important component of the governance-reform agenda as set out in the National Development Plan 2010-14. It forms part of the efforts from the government to enhance the quality of public-service delivery as well as transparency and accountability in government spending.

Despite its economic importance, with procurement accounting for 15.8% of Colombia's GDP, it is often not seen as a strategic function of government or as a strategic asset for the country's economic, social and environmental development. Ensuring an evidence-based approach to procurement-reform will be essential for the Colombian government to verify that the objectives pursued through procurement are being achieved – whether they relate to value-for-money objectives in the traditional sense of price and quality, or to broader policy objectives such as environmental protection. Also a precondition for an effective use of procurement will be to ensure that officials involved in procurement are adequately skilled and trained to achieve these objectives.

At the request of Colombian authorities, this procurement assessment, part of the Public Governance Review of Colombia, focuses on the short-term imperative for the government to promote efficiency and effectiveness in the overall procurement system and ensure quality-of-service to the public. A key recommendation for the national procurement system in Colombia is to move away from a compliance-based approach towards a more commercial approach to procurement. *Colombia Compra Eficiente*, as the recently-created national procurement agency, has a key role to play in co-ordination with the Presidency of the Republic and line ministries for promoting:

- **Policy coherence:** by harmonising procurement policy and practice across government agencies;
- **Capacity building across levels of government:** by building the professional skills of procurement officials, especially at the sub-national level. Bridging the procurement capacity gap between central and sub-central authorities will be key, as officials tend to possess less specialised procurement knowledge and skills at the local level;

- **Efficiency and effectiveness in procurement processes:** achieving productivity gains can be achieved by aggregating demand through the award of framework agreements and
- **A broader base of suppliers:** for example by developing the electronic procurement platform to promote a level playing field for potential suppliers.

Procurement in Colombia is an activity through which several public policy goals can be pursued alongside the primary goal of covering public needs. Such policy goals include support to SMEs, optimal use of natural resources and other environmental objectives, securing work opportunities for disadvantaged or sub-central communities. The achievement of these policy goals may in some cases conflict with core buying principles, such as value-for-money, and this may raise questions about how to assess the costs and benefits of the various procurement policies, how to measure the success of such policies, which objectives to prioritise in procurement and how to guide procurement priorities and policy reforms based on evidence.

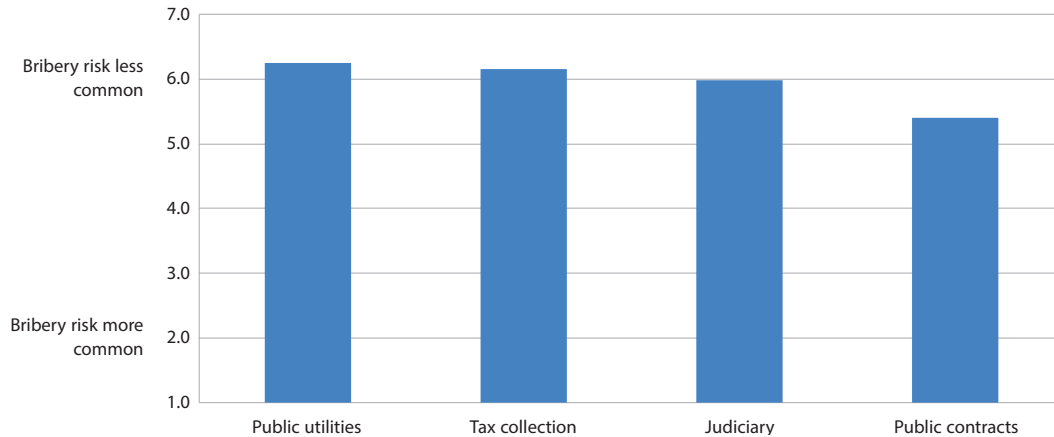
In order to ensure that procurement is used strategically to pursue key government objectives, the government of Colombia could, over the medium term, invest in:

- **Assessing the trade-offs of using procurement as a policy lever to pursue wider economic, social and environmental objectives:** for example by measuring the opportunity costs of buying at increased cost versus implementing direct social programmes to achieve similar policy results.²
- **Developing policy guidance for articulating the main objectives pursued through public procurement** and providing guidance to procurement officials on how to reflect these considerations in their daily purchasing decisions: For example, to promote green procurement the Presidency of the Republic, the Ministry of Environment and *Colombia Compra Eficiente* could join forces to develop guidelines for procurement officials to assist them in integrating green considerations for key sectors in a transparent and effective manner.

As part of its objective to transparency and accountability, it is also essential for the Colombian government to **identify and manage pro-actively integrity risks in public procurement**. The experience of OECD countries shows that procurement is particularly vulnerable to corruption because of the financial interests at stake and volume and size of business opportunities for suppliers. For example, in OECD countries the perceived level of bribery risk of public officials by international firms is higher in public procurement than in other government activities such as taxation or the judicial system, according to a survey of the World Economic Forum (see Figure B.1).

Accordingly the government may also consider undertaking an evaluation against the OECD *Recommendation on Enhancing Integrity in Public Procurement*³ as part of a wider Integrity review of the public service. The Recommendation articulates a set of principles aimed at promoting transparency, integrity and accountability as well as good management in the whole procurement cycle, from inception (needs assessment) to completion (contract management and payment). A full-scale integrity review of the Colombian system could help promote a culture of transparency and accountability in government.

Figure B.1. Average perceived level of bribery risk in selected government activities in OECD countries

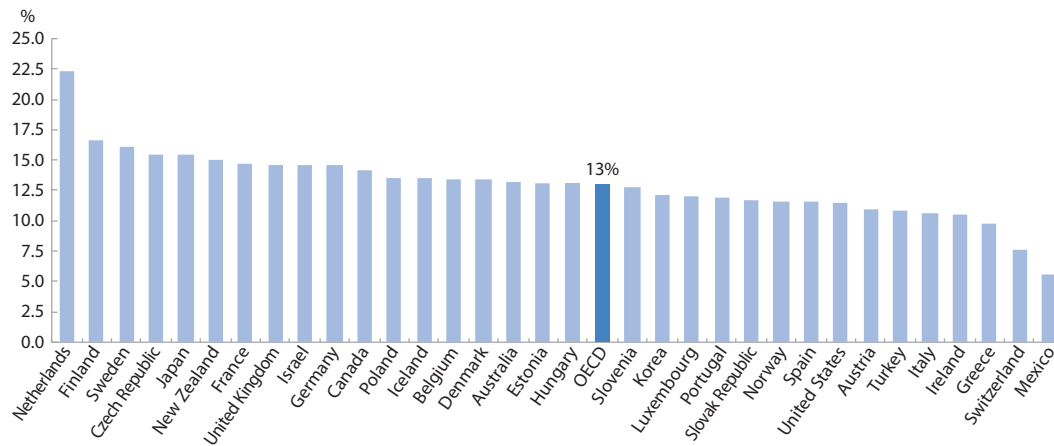


Source: OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris.

A high-value activity economy-wide

Public procurement in Colombia represents approximately 11 billion USD spent at national level, corresponding to approximately 70 000 contracts (see Figure B.3). Its 15.8% GDP share is higher than the OECD average (12.9% of the GDP), as shown in Figure B.2.

Figure B.2. Government Procurement as a share of GDP (2011)



Source: OECD, National Accounts Statistics.

Note: During the interviews it was mentioned that Colombia procurement spending is 15.6% of GDP. Data for Australia and Chile is not available. Data for Canada, Japan, Korea, Mexico, New Zealand and Turkey refers to 2010 instead of 2011.

A decentralised activity

In Colombia there are more than 2 000 public purchasing entities at the central and sub-central levels. Each public entity assesses its needs and carries out public contract-award procedures to fulfill them. The expertise and quality of the procurement workforce varies considerably. Procurement officials at the sub-central level tend to be less specialised.

To understand the strengths and weaknesses inherent in procurement practices across the country, *Colombia Compra Eficiente* recently commissioned a study to develop an inventory of the public-procurement workforce and identify the professional profile, professional and academic background and remuneration of procurement officials and external procurement contractors in Colombia. Data collection for this study took place between August and October 2012 and involved 87 public buying entities.

This study demonstrates that procurement is deemed by the government to be an administrative function; procurement officials are housed in administrative support units of buying entities (such as the entity's secretariat). A dearth of procurement officials has led to a reliance on external contractors/consultants to carry out procurement-related work. The average ratio of staff to contractors/consultants in entities participating in the study was 49% (procurement staff) versus 51% (contractors/consultants). Both procurement staff and contractors/consultants display, in their majority, a legal professional background (62% and 75% respectively).

Procurement: a complex regulatory framework

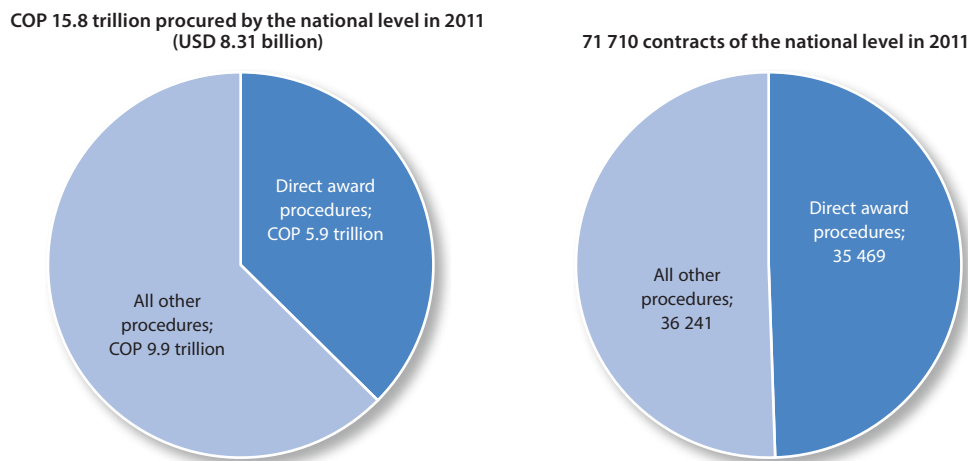
Public procurement in Colombia is regulated under a detailed regulatory framework.⁴ This framework is complex, with many overlapping rules, and often not easy to implement. This contributes to public-procurement officials adopting a compliance-based approach to procurement emphasising process, not outcomes. Also, it makes it harder for potential suppliers, especially Small and Medium-sized Enterprises (SMEs), to participate in the procurement process, as it is not easy to follow the rules.

Colombia Compra Eficiente is already working on simplifying the legal framework and has prepared a new draft decree consolidating rules on public procurement principles and objectives, procedures, awards, conclusion and execution of contracts and related matters. The draft decree is intended, in accordance with its preamble, to provide a “regulatory framework that is coherent, concise, easy to understand and implement”. Going forward, *Colombia Compra Eficiente* could also play an important role by providing a help-desk to respond to questions by buying entities and delivering practical technical guidance on following the new decree, which is expected to be adopted in 2013.

In Colombia there is a wide range of exceptions to the procurement rules; these allow specific entities to procure goods and services outside the competitive tendering process (e.g. for the defence and the health sectors, public universities, the central bank of Colombia etc). In addition, buying entities can bypass competitive procurement procedures using specific grounds identified in the regulatory framework, including urgency, defence procurement, insufficient numbers of suppliers in the marketplace, inter-administrative contracts (i.e. when buyer and supplier are both public entities), lease or conveyance of real estate, hiring of professional services, and research projects.⁵ In 2011, almost half of the total number of public contracts in Colombia was awarded on the basis of exceptional procedures (see Figure B.3), but there is no secure catch-all mechanism to evaluate to what extent and how exceptions are used by buying entities.⁶

The government of Colombia is currently in the process of cleaning up its procurement data to enhance the reliability of the information on the size of the procurement market and the total number, type (products, works and services) and value of contracts. Also, the new draft decree prepared by *Compra Eficiente* consolidates, clarifies and reduces the grounds on which direct awards can be made. It places an obligation on buying entities to justify recourse to direct award, to identify clearly the rationale for the direct award and follow specific conditions and rules of procedure for direct awards.

Figure B.3. Value and amounts of awarded contracts including direct awards in Colombia in 2011



Source: 2011 data obtained from SECOP.

Institutional weaknesses led to the creation of the agency Colombia Compra Eficiente

All three international studies on procurement in Colombia – the 2000 World Bank Country Procurement Assessment Report (CPAR), the 2005 World Bank and Inter-American Development Bank CPAR and the 2009 World Bank and Inter-American Development Bank Status of the Public Procurement Reform in Colombia – recommended consolidating, unifying and harmonising procurement rules, creating a central public procurement agency and setting up an electronic procurement platform. The main weaknesses in Colombia were found by all three studies to be not in Colombia’s legal framework but in the organisation and operation of procurement and in the system’s integrity and transparency.

In response to these recommendations, and on the basis of its national plans, the government of Colombia established the central procurement agency *Colombia Compra Eficiente* in 2012 through the implementation of decree-law 4170/2011. *Colombia Compra Eficiente* is in charge of setting up framework agreements, updating and overseeing the electronic procurement platform, co-ordinating and advising on procurement policy and assisting buying entities and suppliers in procurement practices. It is already taking initiatives in these directions.

Transparency, accountability and professionalisation: impact on public procurement

The government’s governance-reform agenda, as articulated in the government’s National Development Plan 2010-14 (see Chapters 1 and 2), prioritises the use of information technology and of electronic means of communication as a governance tool to strengthen institutional arrangements along with the government’s transparency and accountability. *Prosperidad para Todos* also focuses on improving the co-ordination and alignment of central and local levels of government and on improving public sector professionalisation and performance.⁷

The government of Colombia is currently investing in procurement to increase its transparency and effectiveness. First, it acknowledges functional and reliability limitations

in existing procurement tools and is going forward with the introduction of an advanced electronic platform. Second, it encourages the use of framework agreements⁸ to aggregate demand for products and services commonly required across government entities and assist in the standardisation of such purchases. The task of setting up such agreements for commonly procured products and services is assigned to *Colombia Compra Eficiente*.

Key areas for public-procurement reform

The key areas of reform as identified at the beginning of the annex are:

- Optimise the organisation, operation and capability of *Colombia Compra Eficiente* (institutional reform);
- Tap on the potential of new technologies for procurement reforms, through the electronic procurement platform (functional reform) and
- Achieve efficiency gains across levels of government, through framework agreements (purchasing practice reform).

Colombia Compra Eficiente's mandate under decree-law 4170/2011 includes the following:

- Proposing and implementing procurement policies, programmes, tools and rules aiming to increase the efficiency, transparency and competitiveness of public buying,
- Undertaking procurement-related research, feasibility studies and data collection,
- Answering and resolving general queries on application of the procurement rules,
- Drafting circulars and guidelines, supporting the government in relevant international negotiations,
- Designing, carrying out and concluding framework agreements and other aggregation mechanisms,
- Developing and managing the electronic procurement system in line with technological developments,
- Supporting bidders in order to increase and assist in their participation in public procurement,
- Disseminating the rules, procedures, technical means and best practices,
- Providing training and capacity building (eventually with the support of other public entities) and assisting regional buying entities in the application of the procurement rules and tools.⁹

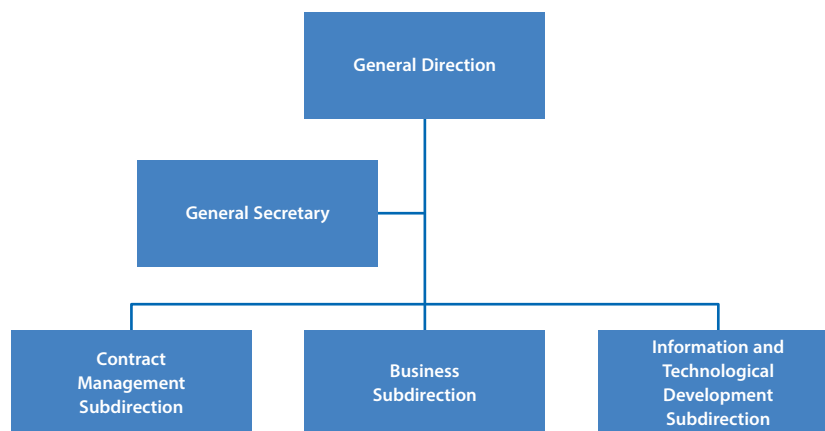
Colombia Compra Eficiente is currently hiring personnel and is expected to have a staff of 40 persons by April, 2013. Its activities are financed from the national budget in accordance with article 4 of decree-law 4170/2011 and it may receive payment for delivering training seminars (*recursos por cooperacion tecnica*). Building on *Colombia Compra Eficiente*'s 2012-13 Action Plan, the following section identifies both short-term and long-term actions to help procurement move away from a strict law-compliance approach to a more outcome-oriented and commercial approach. This includes a focus on using framework agreements as a way to tap into the potential of aggregating demand and on the development of an electronic platform to promote standardisation of procurement practices.

Colombia Compra Eficiente could be structured to ensure a commercial orientation

Colombia Compra Eficiente's mandate includes policy as well as operational tasks. It is managed by a General Director (*Director General*) and a Steering Committee (*Consejo Directivo*), which set priorities and sequencing of actions. The following persons compose the Steering Committee (the organigramme of *Colombia Compra Eficiente* is shown in Figure B.4):

- The Director of the National Planning Department or a delegate, who chairs the Committee.
- The Minister of Finance or a delegate.
- The Minister of Technology, Information and Communications or a delegate; the representative in this case could be the Vice-Minister of Information Systems and Technology in his/her role as national Chief Information Officer (CIO).
- The Minister of Commerce, Industry and Tourism or a delegate.
- The Minister of Transportation or a delegate.
- The Director of the Administrative Department of the Public Function or a delegate.
- A representative of the President of the Republic.¹⁰

Figure B.4. **Organigramme of the procurement agency Colombia Compra Eficiente**



Colombia Compra Eficiente has started building its workforce to cover all areas entrusted to it under the law in a step-by-step, gradual and timed, approach to staffing and activities. This gradual approach should allow *Colombia Compra Eficiente* to build its capacity, infrastructure and performance realistically and credibly, ensuring a smooth flow of work and public recognition without jeopardising the quality of its services and without risking loss of public or private trust in its work. Directions and objectives should be validated by the Steering Committee and the General Director.

Colombia Compra Eficiente is hiring specialised procurement staff to secure sound in-house procurement knowledge contacting procurement experts and specialists. This is consistent with the trend in OECD countries to recognise procurement officials as belonging to a specific profession (see Box B.2), with their own goals and career path.

Box B.2. Are procurement officials recognised as a specific profession?

Total OECD countries		
yes	18	Australia, Canada, Chile, Estonia, Hungary, Iceland, Ireland, Israel, Mexico, Netherlands, New Zealand, Poland, Portugal, Slovak Republic, Slovenia, Sweden, Switzerland, United States and Egypt, Morocco and Russian Federation
no	11	Austria, Belgium, Czech Republic, Finland, France, Germany, Italy, Japan, Luxembourg, Norway, Turkey and Brazil

Note: Data are unavailable for Denmark, Greece, Korea, Spain and the United Kingdom

Source: OECD, *Government at a Glance 2013* (forthcoming).

Appropriate staffing is central to promoting the strategic goals of *Colombia Compra Eficiente*, in particular regarding the provision of centralised advice and tools on procurement and setting up framework agreements. Building in-house capacity means hiring people with a mix of profiles to build multidisciplinary teams with different expertise (technical, regulatory, commercial, market and business, etc.). Staff can then be placed in different units or teams, in accordance with the specific focus of their expertise. Key areas and skills could include:

- **Customer relations skills**, to promote *Colombia Compra Eficiente*'s services to the end users of framework agreements and other entities that could benefit from *Colombia Compra Eficiente*'s guidance. This includes listening to stakeholders' needs and developing strategies to address them, as well as developing relationship and interaction with them. Early buy-in from stakeholders could be a crucial element of *Colombia Compra Eficiente*'s success. A sound marketing approach to publicise *Colombia Compra Eficiente*'s services would be essential to make its role known and develop it into a procurement lead actor.
- **Market skills** to understand suppliers' capacity for the products and services that *Colombia Compra Eficiente* will include in its framework agreements, in terms of knowing the types and variables of products or services offered in the market and who the main suppliers are. Market skills are core as successful delivery of *Colombia Compra Eficiente*'s role is likely to depend to an extent on its capacity to understand and manage demand needs and supply capacity. These officials can increase over time, depending on the coverage of the framework agreements led by *Colombia Compra Eficiente*. These officials would act as the link between the public buyers and the private market and would need knowledge of commercial realities and business limitations.
- **Procurement and contract-negotiation knowledge and skills**, for conducting procedures and concluding framework agreements. This would include persons with experience in procurement procedures and in ways of addressing and overcoming obstacles, including knowledge and experience in a number of procurement functions such as contract advertisement and tender review, resolution of informal bidder complaints at a managerial level (formal dispute resolution belongs to the courts), selection of suppliers and contracts negotiations.
- **Legal skills** required to understand legal requirements and limitations. These are particularly important in view of the complex Colombian regulatory framework. These officials will advise in-house on legal requirements, including procurement methods for framework agreements, and could provide legal advice to end users, as needed.

- **Financial and accounting skills.** In particular regarding framework agreements, they would be following the financial aspect of procedures and evaluating, along with the other units (market and legal), bids and contract awards.
- **Information technology (IT) skills,** to handle all procurement IT requirements, including all uses and functions of the electronic platform. The financial and IT persons could also be entrusted with registering the contract in the budget IT system, the Financial Information Integrated System (*Sistema Integrado de Información Financiera*) “SIIF”, thus informing the budget, and also registering contract payment during the execution of the contract in SIIF. Also, they would, gradually and based on the framework agreements concluded and performed, start preparing average prices per type of product or service.

The above functions are consistent with organisational charts of bodies entrusted with setting up framework agreements, as shown in Box B.3. The allocation of such functions within the units of *Colombia Compra Eficiente* could be done by grouping teams, for example, customer relations and market could go under the “business sub direction” of *Colombia Compra Eficiente*.

Box B.3. Organigramme of bodies entrusted with establishing framework agreements

The organisational charts of 7 bodies entrusted with setting up framework agreements contain the following main functions (in Denmark, France, Hungary, Sweden, the United Kingdom, Finland, Italy):

- General Management
- Product/category management
- Customer/client market management
- Procurement/contracting
- IT/electronic systems development
- Legal services management
- Financing and accounting

Source: OECD (2011), *Centralised Purchasing Systems in the European Union*, SIGMA Papers, No. 47, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kgkgqv703xw-en>.

It is possible to start the hiring process focusing on only some of the key functions, such as customer-relations and market skills, and then increase hiring as soon as experience in the key functions is consolidated. This was followed by the Italian procurement agency, Consip SpA (see Box B.4).

Appropriate unit organisation and staffing could avoid overreliance on external contractors, making recourse to them residual, i.e. at times of significant work load or when there is need for specific expert one-off knowledge in specific areas. Keeping activities in-house could allow better control of relevant costs and a more consistent formulation of choices and needs. A sequenced process can be followed in this regard. Thus, market research and analysis in products with which *Colombia Compra Eficiente* is not familiar can at first be outsourced. Then, over time, as *Colombia Compra Eficiente* builds capacity

Box B.4. Italy's procurement body Consip's establishment

- Consip SpA is the Italian public procurement agency. It was established in 1998 under the Ministry of the Economy and Finance and operates exclusively on behalf of the State, to support public administration activities. In its first stage of operation it started with one director and staff with two major orientations and skills:
 - Knowledge of the market categories (industries and products) that the framework agreements run by Consip would cover. Hiring of staff thus focused on sourcing and employing people from the relevant industries of the private sector, and
 - Customer relations skills, to market Consip's services to buying entities.
- Also, two-three lawyers with strong procurement skills were put on board since the beginning but a large part of legal support was outsourced. The part of the work that could not be covered in-house was initially outsourced to technical experts. In the beginning of its operation, Consip SpA organised day visits to every ministry to learn the market and meet the people that were going to use its framework agreements. This strategy allowed Consip SpA to gradually build capacities and expertise in-house over time, without allocating a large budget to staff before it rolled out its operations.

Source: Interview with Consip SpA Peer Reviewer.

and/or hires experts in the relevant areas, it can perform more tasks in-house and only outsource activities for which it lacks capacity in-house (for example, in case of exceptional or unusual projects) and the value of which makes it worthwhile to outsource, as ANCP has done (see Box B.5). Over time, in-house capacity and number of staff and outsourcing could reach a balance determined by *Colombia Compra Eficiente's* needs and budget for a) hiring and b) outsourcing.

OECD countries are investing in strengthening the capabilities of their procurement officials to be able to run procurement procedures in-house and follow market developments, as is shown in Box B.5.

Successful organisation and staffing would entail hiring experienced persons with procurement experience in the private sector as well as public sector experts from across the country. *Colombia Compra Eficiente* is already moving in this direction. Also, developing the procurement skills of *Colombia Compra Eficiente's* staff is important. They already receive training to develop technical skills and the capacity of complying with the applicable rules and procedures without losing sight of the objectives of purchasing activities. Such trained procurement staff within *Colombia Compra Eficiente* can then train procurement officials in central and regional governments and public buying entities. Training courses for procurement officials have already been designed and will kick off in 2013. The benefit of training its own officials is thus two-fold: *Colombia Compra Eficiente's* staff become increasingly expert and will be able to disseminate such expertise.

In addition to sound hiring and training, it could be useful to put in place:

- Competency requirements clarifying the specific abilities – knowledge, skills and behaviour – needed for a given position;
- Individual performance requirements for employees in particular positions, including unit and agency objectives, with the employee being assessed against these requirements at regular intervals (for example bi-annually or annually) and
- Procurement career paths.

Box B.5. Investing in developing in-house capacity: Ireland and Portugal

- In Ireland, the National Procurement Service was established in 2009 in order to achieve best value for money in procurement of supplies and services. It takes a strategic approach to public Procurement, in particular through the aggregation of purchases across government departments, agencies and the non-commercial state sector to reduce prices paid for goods and services. On the basis of market analysis, the NPS has identified the top 50 categories of procurement expenditure that can be targeted for intervention. This can involve demand aggregation to leverage public sector buying power, nominating/supporting lead procurement organisations for particular categories (such as pharmaceuticals, catering security) and facilitating collaboration by public purchasers. In 2012 the NPS had 40 national frameworks in place for high spend requirements with a total value in excess of EUR400 million. The NPS is governed by a board of senior procurement stakeholders chaired by a Minister of State with responsibility for public sector reform. An advisory panel of three procurement experts (two from the private sector) has been established to ensure access to leading edge procurement practices and market developments. As a result, savings across all focus areas of the National Procurement Service have been achieved with a combination of price reductions, administrative efficiencies and demand management.
- In Portugal, the National Agency for Public Procurement (*Agência Nacional de Compras Públicas*), “ANCP”, established in 2007, conducts market research studies and outsources as necessary, especially for contracts for which it lacks in-house capacity, for example projects with specialised technical features, and contracts for which the cost of the market research study versus the value of the framework agreement make it worthwhile. For example, they outsourced the market research study for the first framework agreement that they concluded in 2009 for IT supplies and software. Overtime, ANCP has built considerable procurement and market expertise and relies to a large extent on its in-house capacity. ANCP was merged with the Shared Services Entity for the Public Administration, “ESPAP”, in September 2012.

Source: OECD (2012a), *Report to the Council on the implementation of the Recommendation of the Council on Enhancing Integrity in Public Procurement*, www.oecd.org/gov/ethics/combined%20files.pdf.

Box B.6. The Scottish procurement competency framework

- The procurement competency framework of the Scottish government identifies the skills and competency levels required by all staff involved in the procurement process and focuses on people and skills. Not all competencies are required at all levels of staff. They are increasingly required as staff moves up in seniority. The framework is intended to compliment, not replace, existing personal development tools in different organisations and agencies.
- The framework identifies thirteen key competencies:
 - *Procurement process*: has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with the role.
 - *Negotiation*: has the ability to negotiate within the scope of the role.
 - *Strategy development and market analysis*: has the strategy development and market analysis skills necessary to carry out duties associated with role.
 - *Financial*: has the financial knowledge and understanding needed to carry out duties associated with role. Elements include appraisal of suppliers’ financial positions, total costing and the compliance frameworks that exist for public sector finance and procurement.
 - *Legal*: has sufficient understanding of legislative frameworks relating specifically to procurement to carry out duties associated with the role.
 - *Results focus*: is aware of how personal and team objectives contribute to the success of the organisation and continually demonstrates commitment to achieving these.

Box B.6. The Scottish procurement competency framework *(continued)*

- *Systems capability*: has the knowledge and understanding of systems and processes utilised in the procurement of goods and services. Specific system competencies may be localised to specific systems.
- *Inventory, logistics and supply chain*: has the knowledge and understanding of materials management solutions to carry out duties associated with role. Elements include inventory, logistics, warehouse management, etc., specifically for organisations which hold stock. Knowledge and understanding of supply chain management techniques are not restricted to organisations holding stock.
- *Organisational awareness*: clearly understands roles and responsibilities, how procurement should be organised and where it should sit within the organisation.
- *Self-management*: responds quickly and flexibly where required, supporting others whilst striving to improve skill application in line with organisational requirements.
- *Leadership*: contributes to the achievement of team goals by providing support, encouragement and clear direction when appropriate.
- *Communication*: openly shares relevant information and communicates in an effective and timely manner using a variety of means.
- *Relationship management*: identifies different types of customers and stakeholders and formulates strategy for managing relationships.

Source: Scottish Government (n.d.), *People and skills: procurement capability*, www.scotland.gov.uk/Topics/Government/Procurement/Capability/; OECD, *Public Procurement Review of the Mexican Institute of Social Security and Services for Government Workers* (ISSSTE), (forthcoming).

For example, the Scottish government introduced a framework that identifies the skills and competency levels required by all staff involved in the procurement process and assists individuals to take ownership of their personal development through skills assessment, identification of training and development needs and career planning. The framework has 13 competencies which reference the technical skills needed at different levels to conduct procurement (Box B.6).

An awareness campaign on Colombia Compra Eficiente's role and benefits

The success of *Colombia Compra Eficiente* is likely to depend on the extent to which trust and confidence can be built and maintained in its relations with major stakeholders, i.e. end-users of framework agreements, other government bodies such as anti-corruption, competition and audit bodies and private-sector suppliers. Both the public and private sectors should thus become acquainted with *Colombia Compra Eficiente's* role as a platform for procurement expertise and advice. In the case of framework agreements, buying entities and suppliers need to know that with *Colombia Compra Eficiente's* help they have access to attractive framework agreements. In the case of buyers, this means agreements capable of providing quality services or products at competitive prices with simple and clear call-off procedures. In the case of suppliers, this would mean agreements awarded fairly offering business opportunities.

Undertaking an awareness campaign could help establish business relationships with the end-users of the framework agreement and suppliers and familiarise them with *Colombia Compra Eficiente's* role and with the framework agreements concluded by it, so that the

buyers will want to use them and the suppliers will want to participate in *Colombia Compra Eficiente*'s procurement procedures. In practice, as regards buyers, each unit of *Colombia Compra Eficiente* could be in touch with the relevant unit of the end users (business, legal, accounting) with co-ordination being handled by *Colombia Compra Eficiente*'s business sub direction. Properly balancing this communication with end-users is important, as they must receive co-ordinated/aligned information from *Colombia Compra Eficiente*. Make sure that the market, both on the demand (public) as well as the supply (private) side, is involved in the needs assessment, i.e. in feasibility studies and needs sourcing.

In conducting procedures for the conclusion of framework agreements, it is important to involve buyers throughout the procurement cycle, from the moment that the specifications for the purchase needs are drawn up, through to setting the framework agreements award criteria and the conditions for awarding individual (call-off) contracts under frameworks. This is essential to make sure that buyers' needs and choices are reflected and thus buyers will want to use framework agreements.

An awareness campaign should highlight success factors. In this context, a campaign can highlight the experience that already existing in Colombia regarding the success of framework agreements: for example, the Colombian ministry of Defence's centralised purchases have shown that in the case of large purchases of commodities such as clothes and shoes, lower prices can be achieved. An example of a dynamic awareness campaign is that followed by ANCP in Portugal (see Box B.7).

Box B.7. Launching an awareness campaign in Portugal

- The Portuguese National Agency for Public Procurement ANCP launched an awareness campaign when it was established in 2007, consisting in:
 - A road show with meetings in all large Portuguese cities for civil servants and bidders and open to all. Contacts through universities, technical chambers, chambers of commerce were sought and used.
 - Direct information sessions for buyers, in particular big or strategic buyers.
 - A large and advertised public conference and launching event with political participation, in two parts: part 1 with the participation of national political leaders and part 2 with international organisations and similar international authorities.
- ANCP is now a well-known authority which sets up framework agreements and provides procurement advice, its role recognised country-wide. ANCP was merged with ESPAP in September 2012 and now ESPAP is in charge of public procurement activities for the Portuguese government.

Source: Interview with ESPAP peer reviewer.

Set up a help-desk at Colombia Compra Eficiente

In view of *Colombia Compra Eficiente*'s current role in awarding framework agreements and developing the electronic procurement platform as well as its mandate under decree-law 4170/2011 to provide capacity-building, it can establish a help desk to guide buying entities in these two subjects, answering questions on the application of the procurement rules and methods. The help desk can be extended to other procurement matters going forward.

Colombia Compra Eficiente could chair a network of procurement professionals

Colombia Compra Eficiente is the platform of procurement policy and practice knowledge. As such, it could create and chair a network of procurement professionals, from both the public and the private sector, so that experiences and lessons learned can be exchanged. The network could also be an instrument to co-ordinate and promote procurement practices through the exchange of views on best practices. The first phase of such network could start with public-sector participation only, to assess participation and areas of interest. Participation of procurement officials in sub-central authorities could be particularly important, since regions have needs, processes and limitations that differ from central buying entities and their views are necessary to shape nation-wide policies. Once structured, private-sector participation can be sought, to make sure that both sides are heard and that procedures and policies reflect needs, requirements and limitations on all sides.

Going forward, the network could serve as a consultation platform to share information on the development, amendment or introduction of national procurement policies, on changes to procurement procedures as well as on the achievement of procurement objectives, for example about value-for-money initiatives, support to SMEs or other issues. In addition, such a network could be managed so that its members meet at regular intervals. However, since participation of procurement officials from certain regional authorities might prove logistically difficult, it could be useful to create a web-page or blog where procurement-related questions, answers and exchange of ideas can be posted and web-seminars conducted. PIANOo in the Netherlands is an example of how a network of professionals and an on-line platform for sharing experiences and lessons learned in procurement procedures can be established (Box B.8).

Box B.8. PIANOo: A community of practice in the Netherlands

- The Public Procurement Expertise Centre (PIANOo) was created in 2005 by the Dutch Ministry of Economic Affairs as a knowledge network to increase the professionalism of public procurement in the Netherlands. It helps facilitate the management and democratisation of knowledge on that field, crossing the boundaries between practices, science, law and policy, between countries and between governments and markets. Its expertise is built up through a large network of around 3 500 public procurement professionals and contracting authorities.
- The first step taken was the introduction of the PIANOo-desk (www.pianoo-desk.nl), a discussion platform where public sector procurement professionals and contracting authorities can exchange experiences, ask questions, take part in discussions, share files, collaborate on documents and plan projects. In view of the informal nature of that community and the high volume and diversity of the information exchanged, members asked PIANOo to summarise discussions, to draw conclusions and to intervene when answers are not in line with the law.
- The role of PIANOo was expanded in 2008 when it was decided to evolve it into an expertise centre making authoritative statements on subject matter. Two expert groups were founded and headed by University professors: one is involved in the legal matters surrounding public procurement while the other covers the economic aspects of the profession. Issues that are not well solved on PIANOo-desk are transferred to one of the expert groups to make a position paper. Key themes on PIANOo in 2013 include market knowledge, the position of procurement in the organisation, innovation-focused procurement, innovative procurement and sustainable procurement.

Box B.8. PIANOo: A community of practice in the Netherlands *(continued)*

- PIANOo crosses reaches out beyond public procurement professionals. Policy-makers are stimulated to become members of the community and regular meetings are held to discuss policy-related topics. Interaction with the market place is also stimulated to promote supply chain integration and market knowledge. For example, business companies are invited to comment on model requests for proposals and other contractual documents available through a digital interactive library. PIANOo also organises joint meetings with the industry at which economic operators and public sector contracting authorities meet to discuss tendering and ways to improve tendering strategies.
- In addition to the PIANOo-desk, a large range of products and services are now available from PIANOo, including:
 - a main website (www.pianoo.nl), intended for both public and private sector organisations, where are available public procurement-related, advice, useful tools and model documents, including weekly publication of summary and explanation of related jurisprudence and the newest judicial verdicts;
 - A Q&A section where public procurement and tendering professionals can find answers to more complex questions.
 - Publications (e.g. practical guides and brochures) on various topics, providing a mixture of practical knowledge and scientific insights. Position papers are also developed by the PIANOo Tendering Law expert group to tackle complex legal issues in procurement practice and provide advice and recommendations; and
 - Events, such as an annual conference, regional meetings held in different locations across the Netherlands, monthly PIANOo lunch meetings as well as joint meetings with the industry.
- With the success of PIANOo in the Netherlands, it was decided to create a similar platform on a European scale. Together with Consip from Italy, PIANOo is responsible for the resulting EU Public Procurement Learning Lab.

Source: www.pianoo.nl; and Tazelaar, K. (2010), *Pianoo, a Knowledge Network for Public Procurement*, Presentation at the 4th International Public Procurement Conference, Seoul, www.ipppa.org/IPPC4/Proceedings/14ProcurementProfession/Paper14-6.pdf/.

Training for central and sub-national procurement officials

Colombia Compra Eficiente has initiated training courses for buying entities both in central and local government in order to build their capacity. As a first step, given *Colombia Compra Eficiente*'s current role in awarding framework agreements and developing the electronic procurement platform, these two subjects could be the subject of training activities. Training could then be extended to cover further procurement matters. Training could also be extended to suppliers. Experience in OECD countries, for example in Italy, show benefits of training suppliers (see Box B.9).

The outcomes of the training seminars and workshops as well as issues identified through the network of public officials and through the help desk could serve as the basis for *Colombia Compra Eficiente* preparing manuals and checklists of actions (step-by-step guides and flow charts) for the use of public authorities in conducting procurement, to help them comply with legal and policy requirements and make them aware of procurement risks and pitfalls. Similar information could be prepared for bidders, focusing on requirements and risks concerning them.

Box B.9. E-Procurement for Local and SMEs in Italy

- Italy has taken a step towards strengthening its co-operation with suppliers by setting up Supplier Training Desks (STDs) (“Sportelli in Rete” in Italian) within the offices of suppliers’ associations. STDs provide training and assistance to local enterprises and in particular SMEs on the use of electronic procurement tools. The project consists of a network of dedicated training desks over the country where Consip experts train workforce from the associations that will subsequently train local SMEs in the use of electronic procurement tools.
- The project addresses point 5 of the European Small Business Act (SBA): “Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs” and has also been quoted as a best practice, at a national level, in the “European Code of Best practices facilitating access by SME’s to public procurement contracts”.
- This project is successful, well received and attended by SMEs.

Source: Information provided by the Italian peer reviewer.

Institutional co-operation with anti-corruption oversight bodies

The authorities involved in taking action against corruption in Colombia include the *Secretaria de Transparencia*, *Procuraduría General de la Nación* (Office of the Ombudsman and Prosecutor General), *Contraloría General de la República* (General Comptroller’s Office), *Fiscalía General de la Nación* (Office of the State Attorney) and *Superintendencia de Industria y Comercio* (SIC, the Competition Authority). Public officials have the obligation to report cases involving corruption and/or collusion to the competent authorities. What is missing is a well-defined mechanism and close regular contact between procurement officials and anti-corruption authorities to ensure a constant flow of information. Progress is being made and initiatives to encourage communication have taken place.

Colombia Compra Eficiente could assist in facilitating contact between procurement officials and corruption and collusion authorities, exchanging information with them and making sure that they exchange information among themselves. A more organised interaction between authorities could help to identify risks of corruption throughout the procurement cycle and enhance, in particular, prevention of irregularities. The Ombudsman/Prosecutor General has a preventive role in controlling and resolving cases of corruption as well as the authority to impose sanctions. It is currently investing in this preventive role and has delegated 7 persons to this function. Similarly, the Competition Authority set up in April, 2012 an inter-disciplinary group specialising in collusive practices to improve the monitoring of public procurement. It has also established, within its cartel practice, a specialised group of approximately 8 persons dealing with bid-rigging. This group deals with both enforcement and education with regard to anti-competitive practices in procurement, i.e. it handles specific cases as well as provides guidance to procurement officials. This group is currently in charge of putting together a study on anti-competitive practices and bid-rigging. If *Colombia Compra Eficiente*, with its role as a new and dynamic procurement entity, establishes a communication channel with and between such authorities and in particular their prevention teams, this could feed into the development of practices to manage risks of corruption government-wide.

E-procurement roll-out

In Colombia there are several electronic procurement facilities, including the certificate of registration with the Single Suppliers Register (*Registro Único de Proponentes*), “RUP”, and the System for Electronic Public Procurement (*Sistema Electrónico para la Contratación Pública*), “SECOP”, both created as a result of the implementation of law 1150/2007. Electronic facilities have proven effective in improving the accessibility of potential suppliers to procurement opportunities. However, they have functional and reliability limitations and are not interconnected.

RUP is a registry in which suppliers wishing to participate in public-procurement processes must record their professional data (including penalties against them during public-contract performance) and from which they must receive a RUP certificate, which they then submit as part of the formal requirements of each bid. Registration with the RUP consists in suppliers filling out paper forms and providing documentation on their legal and financial standing and on professional experience to the chamber of commerce closest to their principal address. The chamber of commerce then checks the information and issues the RUP certificate which then becomes accessible on-line. In procurement procedures, the RUP certificate thus acts as a preliminary check of suppliers and is as such beneficial. It is however not compulsory for all procedures. Also, although suppliers must annually renew their registration on RUP, they do not always update their information; the RUP certificate may therefore not be a reliable source of information. The new draft decree prepared by *Colombia Compra Eficiente* to be adopted in 2013 includes rules on RUP which seek to ensure that information on RUP is appropriately detailed and updated on a regular basis. Suppliers have an annual deadline to renew their registration on RUP otherwise their certificate ceases to exist. Also, chambers of commerce are required to verify and certify information on RUP, so that information submitted by suppliers is checked.

SECOP is a platform for the advertisement of contract notices; it also includes information on awards. As such, it makes procurement information easily available and helps bidders find procurement opportunities and authorities find procurement-related information. However, information on SECOP in practice contains omissions or mistakes. SECOP does not interface either with other procurement platforms, databases and tools used by public buyers, or with the on-line RUP certificate; neither does it interface with SIIF on budget information and contract payments. Also, SECOP does not allow on-line bidding or data collection on steps of procurement procedures, completion or abandonment of procurement procedures, award of contracts, contract performance and payments, or contract close-outs. Responsibility for SECOP was transferred to *Colombia Compra Eficiente* at the beginning of 2013 and can be accessed through *Colombia Compra Eficiente*'s new website www.colombiacompra.gov.co. *Colombia Compra Eficiente* is now in the process of developing the requirements for a new electronic platform and preparing to launch a tender for its development.

Electronic procurement tools can greatly simplify procurement procedures and increase the efficiency and transparency of procurement processes, through adding visibility to the system. Colombia is already moving in this direction and is in an advanced stage of specifying and obtaining an electronic platform which will enable the electronic conducting of procurement procedures.

The electronic platform: e-bidding and interface with other electronic tools

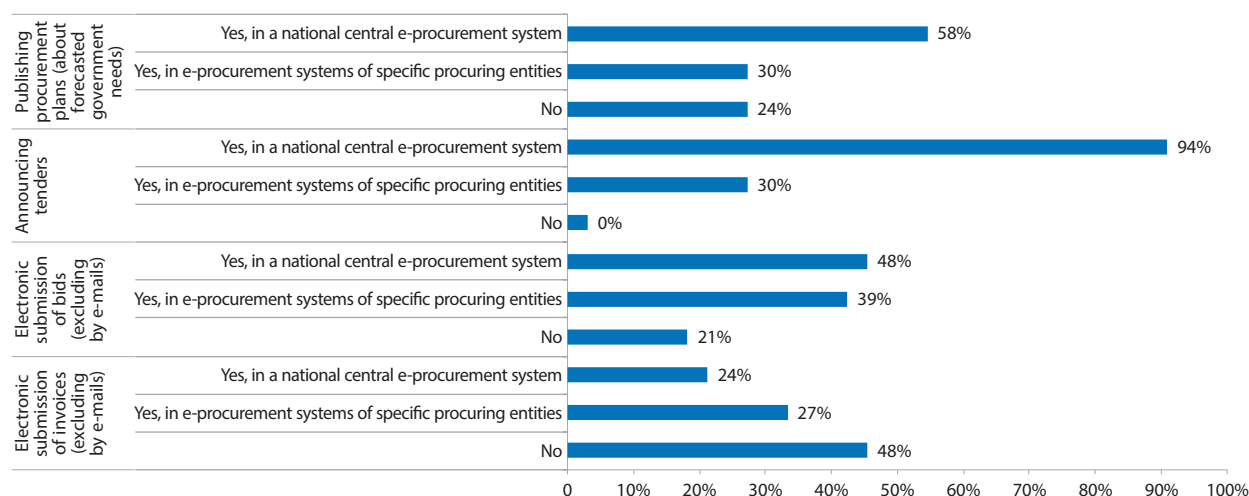
Part of the NDP 2010-2014 focuses on the use of information technology and of electronic means of communication for the economic and social development of the country. Also, Compra Eficiente's Action Plan 2012-13 envisages that the new electronic platform will allow electronic bidding. Platform functionalities involved in electronic bidding include:

- The electronic availability of the procurement documents (specifications, terms and conditions, contract forms etc.)
- Electronic communication at all stages of the procedure, including the transmission of requests for participation
- Transmission of the tenders (e-submission).

Experience in OECD countries shows that electronic announcements of opportunities and electronic bidding are part of the functionalities offered by electronic procurement platforms.

Figure B.5. Functionalities provided by e-procurement system

Functionalities provided by e-procurement system (e.g. portal, website) to promote competition and increase efficiency in procurement at the central government level



Source: Source: OECD, *Government at a Glance 2013* (forthcoming).

The new electronic platform could interface with other electronic systems involved in procurement processes, in the first instance with SIIF, and then with the electronic platforms used by public buyers, so that they upload and download information. In particular, as regards RUP, it could gradually become electronic and integrated with the new electronic platform, so that there would be a unique and easily accessible and verified source of information as regards suppliers' professional characteristics and situation. This would be valuable for efficiency reasons as well as for reducing errors and making data easier to analyse. Integrated e-procurement systems have been established successfully in OECD countries (see Box B.10).

Box B.10. Integrated e-procurement: Korea and Chile

- The e-procurement model in South Korea is built around the Korea On-line e-Procurement System (KONEPS). KONEPS is an electronic market where public organisations and supplying companies conduct transactions. KONEPS serves as a single procurement window for private enterprises to conduct transactions with public organisations. All bidding information can be accessed at KONEPS, and a one-time registration through that portal is needed to participate in all biddings. Furthermore, all procurement procedures including bidding, contract, delivery inspection, payment of proceeds and others are processed electronically via KONEPS, and related documents are exchanged online. In particular, KONEPS links with about 140 external systems to jointly share any necessary information, and provides a one-stop service, including internet banking. KONEPS represents a fully integrated, end-to-end e-procurement model, which in 2011 enabled 288 533 e-biddings and its level of acceptance and of user satisfaction is high (84.3% in 2011, increasing steadily). The Public Procurement Service in Korea launched a smart phone bidding service in 2011, which allows bidders to search bidding information at KONEPS and participate in biddings via smart phone through newly developed security token and application.
- The Chilean e-procurement architecture, built around the web portal www.chilecompra.cl has reached a high degree of integration among various systems governing the different phases of the procurement cycle. One of the main achievements of such an integrated system is the high level of transparency towards all stakeholders, mainly by means of accurate data production about public contracts. Among other things, this has generated lots of official investigations on public contracts awards, thus strengthening the overall level of integrity of the Chilean system.
- The goals of the two e-procurement systems, including user ease of use and satisfaction and transparency, were successfully achieved and maintained.

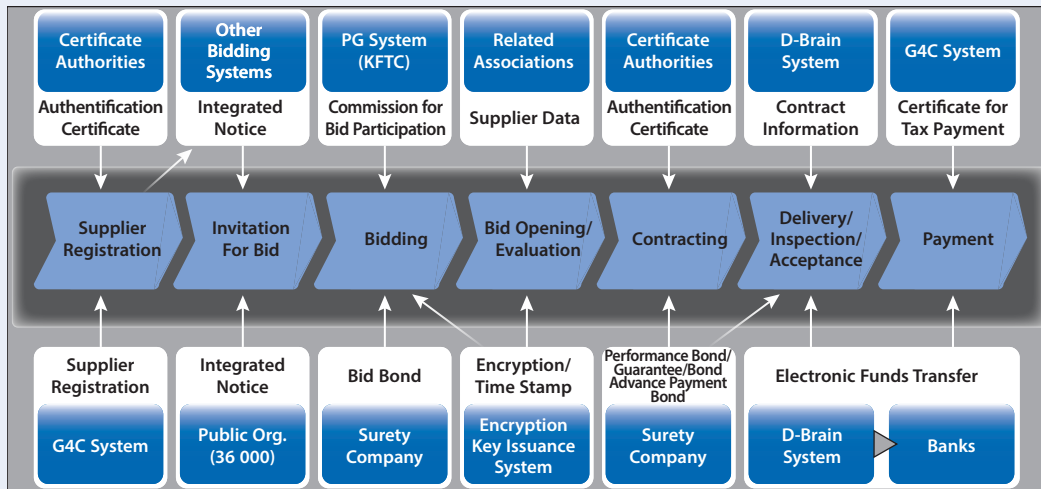
Sources: OECD (2012a), *Report to the Council on the implementation of the Recommendation of the Council on Enhancing Integrity in Public Procurement*, www.oecd.org/gov/ethics/combined%20files.pdf; and OECD (2013a), *Public Procurement Review of the Electric Utility of Mexico: Towards Procurement Excellence in the Federal Electricity Commission (CFE)*, OECD Publishing, Paris.

Introduce electronic contract-management and business-intelligence features

The electronic platform could be enhanced in order to enable electronic contract-management, including communications, invoicing and payments during performance and up to the close-out of the contract. Electronic contract-management is useful in monitoring contract development and completion and allows a quick and secure search of contract steps and payments, including contract amendments, performance delays and timing and amount of contract payments. It is thus a tool for assessing contract compliance on the part of both the buyer and the supplier. Since electronic contract management is an advanced function, it can be introduced in steps, so that buyers and suppliers become gradually acquainted with the use of electronic platform and have time to acquire skills and personnel qualified to handle relevant actions and requirements. An example of an advanced e-procurement platform is KONEPS in South Korea, which covers all procurement processes, from suppliers' registration to bidding, contracting and payment, and provides a one-stop service (see Box B.11).

The electronic platform could also be enhanced to have business intelligence features, thus aggregating numbers, duration and amounts of contracts per product and per service

Box B.11. KONEPS



Source: Chang, K.-S. (2012), *Innovating Public Procurement through KONEPS*, Public Procurement Service of Korea, Presentation at the event “ISSSTE: Desarrollo de una Estrategia Organizacional de Adquisiciones”, 26 September 2012, Mexico City.

as well as per buyer and supplier and being able to generate reports and statistical analysis, i.e. ensure a “spend visibility”. Spend visibility should include sufficient information to be able to answer the question, “Who buys what, from whom?” It is useful in budget review, assessment and forecasting as well as in developing an understanding of spend patterns, profile of suppliers, degree of aggregation, types and categories of spend, unplanned purchases and putting together a sourcing plan and strategy for future purchases. Advanced electronic platform features can also offer forecasting and extrapolation. Data obtained through the business intelligence features can feed back into policy, showing whether amounts and standards were achieved. This is the case in Chile (see Box B.12).

Box B.12. Relying on procurement evidence: The example of ChileCompra

In Chile, the Public Procurement and Contracting Bureau (ChileCompra) began to operate in 2004. It analyses data on the number of bids, direct deals and purchases through framework agreements that are extracted from the e-procurement platform (www.mercadopublico.cl). On a monthly basis, this data is then compared with data from previous months and years in order to estimate amounts spent, savings achieved, and the correct application of standards related to framework agreement procedures.

Source: OECD, 2012 Report to the Council on the implementation of the Recommendation of the Council on Enhancing Integrity in Public Procurement, www.oecd.org/gov/ethics/integrityinpublicprocurement.htm.

Extend the use of the platform to increase transparency in public spending

If the platform is put in place and fine-tuned following a pilot phase of, for example two years, it could then be used for procurement procedures other than framework agreements, taking into consideration buyers' and suppliers' capacities and needs. The advantage of electronic procedures is that they increase the visibility of spending and allow the on-line overview of the steps and outcome of procurement opportunities by interested suppliers, government officials, national oversight bodies and civil society actors and citizens. They also offer opportunities to buyers to benchmark, informally or formally, practices between buying entities (who pays how much for what), increase efficiencies (aim to achieve same price for same product) and increase control (through public information). Public and private sector review and control may eventually increase the transparency and accountability of government action and ultimately foster public trust in government. Transparency and citizens' oversight on procurement are actively sought by the Mexican Institute of Social Security (*Instituto Mexicano del Seguro Social*), "IMSS" (see Box B.13).

Box B.13. IMSS

- IMSS is the largest health and social security provider in Latin America. It covers around half of Mexico's population and is a major spending entity within Mexico's government. In 2011, IMSS created a new online portal (<http://compras.imss.gob.mx>) which replaces the procurement segment of its transparency online portal established in 2003/2004 (www.imss.gob.mx/transparencia). The portal was created with the intention of enhancing public accountability and transparency and improving the understanding of IMSS expenditures. It is inspired by the US portal <http://usaspending.gov/>. IMSS personnel were key participants in its development. Responsibility for its deployment has been given to the unit already developing and maintaining the main IMSS portal. This allows the integration of the two portals in terms of content and consistency, ensures synergies in their development and maintenance, avoids overlaps and provides a clear and coherent image to the portals' users.
- The resulting IMSS procurement transparency portal is operational since April 2011 and targets a wider public audience. It presents IMSS public procurement activities in a user-friendly manner, and provides a full picture on how, on what and why IMSS spends its resources, as well as the benefits achieved through these activities. Currently the IMSS portal includes a database, which sorts and provides specific information (e.g. price paid and quantity procured) based on the type of acquisition, service or public work. It also includes procurement planning and solicitation documents, as well as other relevant information. Details concerning suppliers, such as the value of contracts and non-performance, will also be available in the future.

Source: Source: OECD, *Public Procurement Review of the Mexican Institute of Social Security and Services for Government Workers (ISSSTE)* (forthcoming).

Ensure that information from the platform helps adjust public policy

Information obtained through the electronic platform can help monitor the effectiveness of government policies and evaluate the need of adopting new or adjusted measures and/or continuing, amending or abolishing policies. For example, in Colombia green procurement is an emerging priority for the government. The NDP 2010-2014 prioritises sustainable production and processes and the optimal use of natural resources. The government of Colombia intends to use procurement to promote environmental objectives. Thus in 2012 the Colombian Ministry of Environment collected information on environmentally-sustainable public procurement and selected 5 products (coffee, printed materials (books, maps and

publications), light bulbs, paper and mining materials) on which it is conducting market research in order to arrive at environmental procurement targets (product specifications, selection criteria). The Ministry of Environment already has 15 guidelines on how to include green criteria in procurement, 5 of which include life-cycle analysis of products. If procurement procedures for green products are run electronically, data and numbers acquired through the electronic platform can inform this analysis to see volumes, prices and the environmental characteristics of products purchased and can thus be used to decide whether to extend or modify the procurement targets for them. Proposing green policies, practices and methods is part of *Colombia Compra Eficiente*'s current strategy.

Framework-agreement implementation

Framework agreements are purchasing arrangements concluded following a procurement procedure “conducted in two stages: a first stage to select a supplier (or suppliers) or a contractor (or contractors) to be a party (or parties) to a framework agreement with a procuring entity, and a second stage to award a procurement contract under the framework agreement to a supplier or contractor party to the framework agreement”.¹¹ The possibility to conclude framework agreements in Colombia has been allowed by law since 2007. However the procedure has not been used other than by the Colombian Ministry of Defence (“**MoD**”) which aggregates certain purchases for the army, the navy and the police under framework agreements.

Framework agreements are convenient procurement tools in securing a flow of supply for products or services across buying entities. They are useful in covering repeated needs for a particular product or service for which the exact quantities, nature and/or timing of needs are not known at the outset of the agreement.¹² They allow parties to agree to conditions for the provision of the product or service in advance and thus save time, money and resources for both the buyer and the supplier, by avoiding the administrative inconvenience of advertising and conducting new procurement procedures whenever there is need for a product or service.

There is a growing trend internationally to use framework agreements – including with the support of e-procurement systems. Between 2006 and 2009, the number of framework agreements in the EU increased almost four-fold. Over 2008 and 2009, framework agreements in the EU represented 27% by number and 42% by value of all central purchasing contracts.¹³ According to a recent OECD survey, 97% of responding countries reported that framework agreements are routinely used by some, or all, procuring entities at the central-government level.¹⁴ Advantages of framework agreements can range from cost-savings due to consolidation of demand and leveraging buying-power at central level, to increased competition, lower transaction time and costs for end-users, and standardisation of technical norms within the public administration, for example for IT applications which call for co-ordinated solutions, simplicity and legal certainty for end-users.¹⁵ Examples of cost-savings or lower transaction costs achieved through the use of framework agreements include:

- In Italy, in 2011 the total amount of orders made through available framework agreements was EUR 2.113 million and the overall percentage of estimated savings was about 22%.¹⁶
- In Mexico, the Ministry of Public Administration (*Secretaría de la Función Pública*), “**SFP**”, initiated in January 2010 the award of framework agreements in order to increase the efficiency of the procurement process for common goods and services and achieve savings through economies of scale. SFP estimated the resulting savings to have reached almost USD 60 million for 2011 alone, most of

it through the framework agreement put in place for the Mexican national state oil company *Petróleos Mexicanos* (PEMEX) for work-wear, safety footwear and personal-protection products. It also calculated that the use of these instruments resulted, in 2010, in a reduction of up to 95% of the time required by buying entities to issue a contract for these goods and services¹⁷.

- A 2009 assessment of the Swedish system of framework agreements estimates that transaction costs are reduced by approximately EUR 50 million per year due to centralisation of procurement.¹⁸

Colombia Compra Eficiente has been assigned the responsibility to conclude framework agreements centrally for end-users. This represents a strategic tool for *Colombia Compra Eficiente* to assert its position as a central procurement entity. The new draft decree to be adopted in 2013 includes rules on the award of framework agreements “to acquire products, works and services with uniform technical characteristics for common use” (in accordance with article 50 of the draft decree) and make their use compulsory for central government.

Getting the framework-agreement set-up right

Colombia Compra Eficiente has launched a pilot project for the award of framework agreements for selected products such as airplane tickets, fuel, insurance agreements, IT licences. During the pilot phase of conducting framework agreements, *Colombia Compra Eficiente* could consider different options for framework agreements as follows:

- Framework agreements can be concluded with a single supplier (single-member framework agreements – see Box B.14) or with many suppliers (multi-member framework agreements). Procedures for the award of single-member supplier frameworks are likely to be attractive for suppliers, because of the relative certainty that the winner will be able to receive a good amount of purchase orders and therefore may result in competitive prices. Multi-member frameworks on the other hand give in principle greater security of supply to buyers, since if one supplier does not respond to a purchase order, another one can be asked to supply. Also, multi-member framework agreements do not bind the end users to a particular supplier but allow them to make the choice between different suppliers based on specific pre-agreed procedures or criteria. Framework agreements can also be constructed to allow for the addition or removal of suppliers over time.
- Each framework agreement should not cover a wide range of products or services, as this would lead to shutting suppliers not participating in the framework agreement out from the market and may be detrimental to job growth and competition. This is particularly true in the case of single-member framework agreements, as they anyway restrict procurement to only supplier. It is also true when the government has a large share of that particular part of the market and therefore any choice it makes affects suppliers.
- The same applies in the case of a very long duration of a framework agreement: it would close off that part of the market from competition and secure a market share for specific suppliers. Duration is a matter of assessment of each particular situation and product. A small duration (for example, for a year or less) lessens the aggregation benefit and makes the effort expended at central (*Colombia Compra Eficiente*) level less worthwhile. A long duration (for example, more than four years) ties parties in terms that may become outdated, thus making the framework less attractive for end users to rely on and for suppliers to compete for. It may be

that long agreements, unless designed correctly, neglect developments in market prices and technology.¹⁹ Again, this is particularly true in the case of single-member framework agreements.

Box B.14. Single-supplier framework agreements used by Consip SpA

- Consip SpA for the first 10 years of its operation used almost entirely single supplier framework agreements. The choice to start with this kind of framework agreements was mainly related to the strong focus on the value for money and process simplification that guided Consip's activity in its startup phase.
- The main advantages of framework agreements identified by Consip SpA are:
 - For public authorities: simplification of purchasing processes, reduction of unit costs and delivery times, more transparency and competition, reduction of litigation costs, better product and service quality. Navigation through the product catalogue enables the identification of the supply of goods and/or services offered through framework agreements and the possibility to order online allows for a speedy purchasing process.
 - For suppliers: access to a market with a high sales potential, possibility of becoming a supplier to various authorities through a single tender, guarantee of a completely transparent transaction process.
- Drawbacks of single-member framework agreements are related mainly to the lack of flexibility and secondly to the possible strong impact on the supply through single-source purchasing. For some categories of goods and services, a multi-member framework agreement concluded with several economic operators is a more useful tool. Nowadays, Consip chooses the appropriate type (single or multi-member) of framework agreements identifying the best strategy case by case, through a sound market analysis on the buy and supply side.

Source: Interview with Consip peer reviewer.

Consider extending framework agreements to more products and services

Framework agreements in Colombia will be piloted to specific products and services. Following the pilot phase, their use may be extended to more products and services. Under the new draft decree to be adopted in 2013, central government buying entities can request *Colombia Compra Eficiente* to conclude a framework agreement for a defined product or service. *Colombia Compra Eficiente* shall then review the request, assess its relevance and opportunity cost and proceed accordingly to launch a procedure for it, or not. Also, in accordance with the draft decree, central government buying entities shall inform *Colombia Compra Eficiente* of the technical and financial terms that they have achieved through their own procurement procedures, so that *Colombia Compra Eficiente* launches a procedure to conclude a framework agreement on these terms. The range of items usually covered by framework agreements often includes:

- ICT products and services (computers, photocopiers, printers, servers, software), generally the largest product area in terms of purchasing volume;²⁰
- Telecommunications products (networks, mobile phones, landline phones, telephone exchanges);
- Office furniture;
- Travel services;
- Office equipment and supplies;

- Vehicle and transport services;
- Fuel (for heating and transport) and electricity;
- Food (foodstuffs, meal tickets);
- Organisational and human resources development services

Consider making framework agreements mandatory for more end-users

Under the new draft decree to be adopted in 2013, the use of framework agreements will be compulsory for buying entities at the central-government level and optional for sub-national buyers. Buying entities at the central level will have to decide whether a framework agreement can cover their needs and, if so, they must use it. Thus, “non-loyal” end-user behaviour is avoided, as end-users are obliged to buy under available framework agreements. Such compulsory use of framework agreements is useful as it enables, at the procurement design phase, an evaluation of the demand for a product or service, which is not possible if need can be freely covered outside the framework agreement. At the bidding phase, they also boost competition, since if the market believes that framework agreements are not going to be used, interest in competing to sell products and services under the agreement would disappear.

Following the first phase of implementation, *Colombia Compra Eficiente* could consider whether use of framework agreements can be made compulsory for more buying entities, for example for authorities of a specific region only or for all buying entities in relation to certain products or services. This could ensure that standardised products and services covered by the framework agreement are procured throughout the public sector, thus aligning quality with public-service delivery. This may be particularly relevant in the case some products, for example for ICTs, for which there may be an increased need for standardisation, interoperability and integration of systems nationwide. Advantages of the mandatory use by the central government of framework agreements – the approach being pursued by the government of Colombia – have been identified by OECD countries (see Box B.15).

Box B.15. Mandatory framework agreements

- In Canada the Public Works and Government Services Canada (PWGSC) Business Transformation Initiative was approved in 2005, modifying various elements of the supply approach of the federal central procurement agency. Amongst others, the federal contracting policy was modified to render the use of existing framework agreements mandatory. Prior to putting in place any procurement instrument or contract, federal procurement units (either from PWGSC and any other federal department or agency) must first verify whether a framework agreement exists that meets their requirements. If one does, they are required to use it, unless in exceptional cases which they need to justify. The reason for making framework agreements mandatory in Canada was to ensure long-term benefits and savings through government-wide use of such contracts.
- In Portugal, use of framework agreements let by ANCP is also mandatory for central administration and public institutes. The mandatory approach was chosen due to the common understanding that it was necessary to promote discipline of use, standardisation of goods and green public procurement criteria, alongside with rationalisation of expenditure and savings. ANCP was merged with ESPAP in September 2012 and now ESPAP is in charge of public procurement activities for the Portuguese government.

Source: Treasury Board of Canada Secretariat (2005), *Business Transformation Initiative – The Way Forward, Policy Notice*, TBS, Ottawa, www.tbs-sct.gc.ca/pubs_pol/dcgpubs/contpolnotices/2005/04-eng.asp/; Public Works and Government Services Canada (PWGSC) (2012), *Supply Manual*, Version 12-2, Ottawa, <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/> (accessed May 2013)..

Notes

1. By framework agreements, we mean purchasing arrangements, under which one or more suppliers provide goods or services over a period of time to public buying entities, which we will call the “**end users**”, in accordance with the terms and conditions set forth in such framework agreements, including prices or methods of calculating prices.
2. OECD, 2009.
3. OECD, 2013b.
4. These include Law 80 of 1993 on public administration contracting, Law 816 of 2003 on supporting national industry through public contracting, Law 1150 of 2007 amending law 80 of 1993, Law 1474 of 2011, decree-law 19 of 2012 on regulations, processes and procedures applicable to the administration, decree 734 of 2012 which groups and consolidates many older decrees on public procurement, decree 1397/2012 on contractor capacity for public works, and decrees 1467/2012 and 1508/2012 on public-private partnerships. There also two public-policy guidelines on procurement: Conpes (Consejo Nacional de Política Económica y Social (National Council of Economic and Social Policy) 3249 of 2003 and Conpes 3714 of 2011.
5. Article 2 of law 1150 of 2007.
6. OECD, 2012b.
7. Colombian Government, 2013.
8. Article 2 of Law 1150/2007.
9. Article 3 of decree-law 4170 of 2011.
10. Chapter II of law 1470 of 2011.
11. UNCITRAL, 2011, Article 2.
12. Arrowsmith, 2005.
13. European Commission, 2011.
14. OECD, 2012b.

Annex B.1

Setting up framework agreements

Setting up framework agreements typically involves the following steps:

- **Define technical specifications and selection and award criteria:**
 - The solicited products or services need to be specified with as much precision as possible and not discriminate between bidders (i.e. target to eliminate some or assist others, on grounds not allowed under the law). Selection and award criteria should be set at the outset of the procedure too. A pertinent award criterion is the projected security of supply over the period that the framework agreement is in place. One aspect that is useful to consider is whether, if a bidder is awarded the framework agreement and becomes a framework supplier, it will be obliged to supply the requested good or service, if a purchase request is made. It may be useful to provide for such obligation, at least up to a certain quantity or amount. Otherwise, if framework suppliers are free to refuse to supply they will be able to cherry-pick purchase requests, accepting the profitable ones (whether by volume, type of product or service, location of end user, timing of purchase request) and rejecting the others. This can distort the procedure for the award of the framework agreement, because bidders may intend from the outset to respond only to lucrative orders and not to the low profitability ones.
- **Decide on end users:**
 - It is good practice to identify the entities that are entitled to have recourse to the framework agreement, i.e. those who may buy under it, by name or by other means, such as a reference to a category of entities (such as all ministries, or all local authorities in a given geographical area etc.). Different buyers can be agreed to have access to the framework agreement at different dates. If it is decided that entities that are not mentioned at the outset may use the framework agreement going forward, it would be best if such additional entities are still mentioned as likely or potential users, so that suppliers can judge whether it is worthwhile to participate or not, on the basis of the likely size or coverage of the agreement. Free access of any public buyer to a concluded framework agreement may make the agreement unmanageable, due to bidders' unresponsiveness (if, for example, they receive too many purchase orders which they cannot process).
- **Advertise the framework agreement** on the electronic platform sufficiently in advance, make a selection and conclude the framework agreement: bidders would need sufficient time to prepare their bids and the awarding authority sufficient time to evaluate and make a selection.

- **Place (by the end user) purchase order to framework supplier:**
 - In the case of single-member framework agreements, the situation is straightforward: the purchase order will be placed with the only supplier. In the case of multi-member frameworks, end users are usually given flexibility to obtain goods or services that are covered by the framework agreement, by requiring them from one of the suppliers directly under the terms already set out in the framework, without further competition. Alternatively, end users may conduct a mini-competition between suppliers on the basis of predefined criteria set forth in the framework agreement. To ensure transparency, the objective criteria that will govern the choice between these two methods of performing the framework agreement, i.e. direct award or mini-tender, should be stated in advance (for example, in the tender documents). Such criteria could for instance relate to the quantity, value or characteristics of the supply or service concerned or to market developments or changes in price levels compared to a predetermined price index; thus the buyer may decide to conduct a mini-competition to seek a discount or ask for improved products. This is common for IT licences due to the constant rapid development of information technology. In cases of direct purchases, choice of specific providers should be done on the basis of objective criteria defined in the tender documents for the framework agreement: for example, the provider who is cheaper, or who is geographically closer to the authority, may be chosen.

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