

## Chapter 1. A multi-stakeholder review of the effectiveness of Mexico's CompraNet system

*By gaining the input and perspective of key stakeholders, the project to reform the Mexican e-procurement system has benefited from the broad experience of contracting authorities, supplier groups and civil society. The CompraNet system has gradually developed into an effective tool to facilitate the federal government's engagement with the private sector. However, this third-generation reform presents an opportunity to develop a long-term vision for the system, and to ensure that future developments are in line with global trends. This chapter provides the context for the reform project, and describes how the engagement approach has been designed to ensure that the system upgrade will address stakeholders' concerns.*

The CompraNet system has evolved since its inception in 1996 along with governmental reforms to increase the efficiency, effectiveness and accountability of public institutions. Developments to the system have enabled the Mexican federal government to streamline public procurement activities and make them more transparent. The objectives of the system, which this chapter covers in greater detail, are to increase the efficiency and transparency of public procurement. Feedback from stakeholders, and comparison with international best practice, suggest that these aspects of the system can be further improved.

SFP commissioned this review to identify how CompraNet can be upgraded to help overcome the system's current challenges, and to outline a vision for the future that aligns with current trends in e-procurement. SFP sought to develop an inclusive process to gather stakeholder perspectives on the weaknesses of the current system and a vision for the future. Engagement with stakeholders throughout the project has been broad and comprehensive, and provides a benchmark for other countries wishing to undertake e-procurement reforms in an inclusive, collaborative fashion.

To generate broad consensus for the third generation of CompraNet reforms, SFP decided to invite stakeholders to form a working group supported by several subgroups focused on different thematic streams. The Subgroups of the Plural Working Group on Public Procurement (the "Subgroups"), featuring representatives of key organisations, such as internal auditors, contracting authorities, suppliers and civil society, reached out to their networks through surveys and interviews, to ensure that the opinions of those that they represented were reflected in the process. This was brought together through a co-ordinated and transparent governance structure with high-level project ownership. Working Group meetings were led by the Minister for Public Administration, and included deputy ministers and senior officials. These meetings monitored progress against key project milestones and helped determine the goals of the project and to develop a consensus-based Vision Statement for the system. Based on these solid foundations, the strategy for the system has now been formulated both to meet stakeholders' needs and to reflect international best practice.

The vision for CompraNet, drafted by stakeholders and co-ordinated by SFP and the OECD, aims to overcome the system's challenges by aligning the system with global best practice. The statement outlines the kind of outcomes that can be expected of a well-functioning public procurement environment and an efficient, effective e-procurement system.

## Reforms have improved CompraNet, but it must continue to evolve

***CompraNet has improved over time to meet government goals of increasing efficiency and integrity***

### *Legislative and political context*

Within the framework of the "Good Governance Agenda" established in 1982 (Dussauge, 2010<sup>[1]</sup>), Mexico's federal government has embarked on a series of reforms to make public administration more efficient and effective. Policies of auditing, transparency, regulatory improvement, anti-corruption and the introduction of management practices in the day-to-day administration of public organisations have been instituted. The Ministry of the General Comptroller (*Secretaría de la Contraloría General de la Federación*), created during the 1982-1988 presidential term to enhance the system of accountability

for the federal public administration, was replaced by the Ministry of the Comptrollership and Administrative Development (*Secretaría de la Contraloría y Desarrollo Administrativo*, SECODAM) in the 1994-2000 administration. This change of name reflected the extension of its responsibilities, and the intent to modernise the government's administrative function. The first three versions of CompraNet were developed under the leadership of SECODAM. In the 2000-2006 administration, the ministry's name was changed again to the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP), whose new responsibilities included programmes to increase professionalisation in the civil service (Pardo, 2009<sup>[2]</sup>).

Starting in 2015, Mexico's federal government instituted a series of reforms to strengthen its public integrity system, including reinforcing integrity standards for public procurement officials. In early 2015, a series of executive orders were issued by the president. The eight actions focused on preventing and managing conflicts of interest and integrity risks. They also included four initiatives on the management of public procurement processes:

- **A protocol of conduct for public servants in public procurement**, and on granting and extension of licenses, permits, authorisations and concessions (*Acuerdo por el que se expide el protocolo de actuación en materia de contrataciones públicas, otorgamiento y prórroga de licencias, permisos, autorizaciones y concesiones*). This is part of the General Law on Administrative Responsibilities (*Ley General de Responsabilidades Administrativas*).
- **A registry of federal administration public servants involved in procurement processes** (*Registro de servidores públicos de la Administración Pública Federal que intervienen en procedimientos de contrataciones públicas*), including classification by their level of responsibility and their certification.
- **An online list of sanctioned suppliers**, specifying the reason for the sanction.
- **Increased collaboration with the private sector** to reinforce transparency in procurement procedures and decision making. It also aims to increase integrity by asking citizens to help identify vulnerable processes, as well as developing co-operation agreements with chambers of commerce and civil society organisations.

These developments coincided with the introduction of CompraNet as the government's e-procurement platform and the designation of SFP as the public body entrusted with developing and managing the system. In 2009, the reforms to the Law on Public Sector Acquisitions, Leases and Services (LAASSP) and the Law on Public Works and Related Services (LOPSRM) gave CompraNet legal status as the official platform for managing electronic information on the federal government's procurement activity. Government entities subject to this legislation were required to use CompraNet in the procurement procedures prescribed under both laws.

Reform proposals for the laws regulating acquisitions of goods, services and public works were recently presented in Congress. These efforts should consider the recommendations of this review, such as system interoperability, to ensure that the legal and system changes are fully compatible. These proposals are currently being analysed, and formal amendments may be introduced into the legislative agenda. This review, including the collaborative work of the Plural Working Group on Public Procurement, is expected to inform the process of implementing the recommendations made for CompraNet and to be

carried forward by subsequent administrations, given that the work done so far represents the common vision of major stakeholders involved in public procurement.

### **Box 1.1. Mexican legislation on public procurement and CompraNet**

The legal and regulatory framework for public procurement in Mexico allows for e-procurement to assist government in conducting procurement processes and awarding contracts electronically. The core legislative requirements for e-procurement and e-commerce deal with electronic documents and electronic signatures, but the law touches on different facets of public procurement in a number of ways. At the federal level, the applicable legal provisions in public procurement address the following areas:

- three laws governing procurement and public works
- a number of secondary regulations and administrative instruments
- obligations arising from international agreements.

This legal framework is broad and complex, and is complicated by the number of laws relating to procurement at the state level. The current procurement legislation is now under review, to help identify improvements that could make public procurement operate more effectively. A representative from the Anti-Corruption Commission of the Senate attended the fifth Plenary Meeting to extend this discussion. It should be noted that passing and then implementing any new laws is likely to be a lengthy process involving the efforts of many stakeholders. Many countries regulate procurement practices using a number of other instruments, for example through policies, directives and training, as well as through the functionality of the e-procurement system itself.

*Source:* Revision of current legislation; (Asian Development Bank, 2013<sup>[3]</sup>).

### *Technical context*

Since it was launched in 1996, CompraNet has been expanded and new modules have been added. The tool has evolved from a platform for publicising tender opportunities and disclosing contract award decisions into a portal where government agencies can post tender documents (CompraNet 5.0, launched in 2010). Incremental changes and improvements have been introduced in response to technological developments and government needs.

The first three versions of the tool were developed by SFP's predecessor, SECODAM (1994-2000), as part of a pilot project that produced CompraNet 1.0 (1996), CompraNet 2.0 (1997), and CompraNet 3.0 (2000). The most significant features of each version were as follows:

- 1.0: module to publicise tender opportunities and disclose contract award decisions
- 2.0: access to bidding opportunity documents, upon receipt of a bank slip to prove payment of fees related to federal legal rights
- 3.0: a transaction module to allow for e-tendering.

The first two versions of the system allowed suppliers to search for current government tender opportunities and obtain copies of bidding documents, upon receipt of a bank slip, as proof of payment of fees related to federal legal rights. This lowered transaction costs for suppliers, as historically suppliers had to collect bidding documents from public buying units. CompraNet version 3.0 was adopted after the publication of a Secretariat Agreement in the Official Gazette on 9 August 2000. From that date on, different federal entities and agencies gradually introduced the system for their own procurement processes. Version 3.0 allowed for electronic submission of bid documents and contract award notices.

CompraNet Plus (4.0) was launched in 2007, but ran into performance issues. After six months, the pilot implementation project was canceled, and Version 4.0 never replaced CompraNet 3.0. Nevertheless, during OECD's fact-finding mission, several users indicated that they believed this version was the most user-friendly to date.

CompraNet 5.0 was launched in 2010. Its current scope of activity originates from a web-based platform developed by Bravo Solutions, which was identified as a system able to enact Mexican procurement legislation. The system would enable:

- buyers, private businesses and interested stakeholders to register, even remotely, to gain access to government tender documents
- uploading of documentation related to non-open tender activity, such as closed tenders (invitations to three businesses) and direct awards, both permissible by law under certain circumstances
- loading and sharing of the annual procurement plans developed by government agencies
- execution of various forms of e-auction, including English/reverse and Dutch auctions
- traceability of user activities, such as loading and accessing of documentation
- online training for buyers
- extraction and analysis of data from the Datamart database
- development of a supplier registry, against which government buyers can provide ratings (on a 0-100 scale) to record contract compliance
- execution of tender activities, including the dissemination of documentation such as minutes of clarification meetings, testimonies of social witnesses, executed contracts and any variations or modifications.

Additional enhancements were introduced in 2015, including a new “comprehensive technical support” scheme which aimed to achieve 99.5% availability for CompraNet users, as well as additional security for the Datamart. Another field, the *Clave Cartera*, was added to procurement activities. This relates to investment programmes and projects, and opens the door to linkages being developed between procurement activities and the Ministry of Finance's information on public grants and funding.

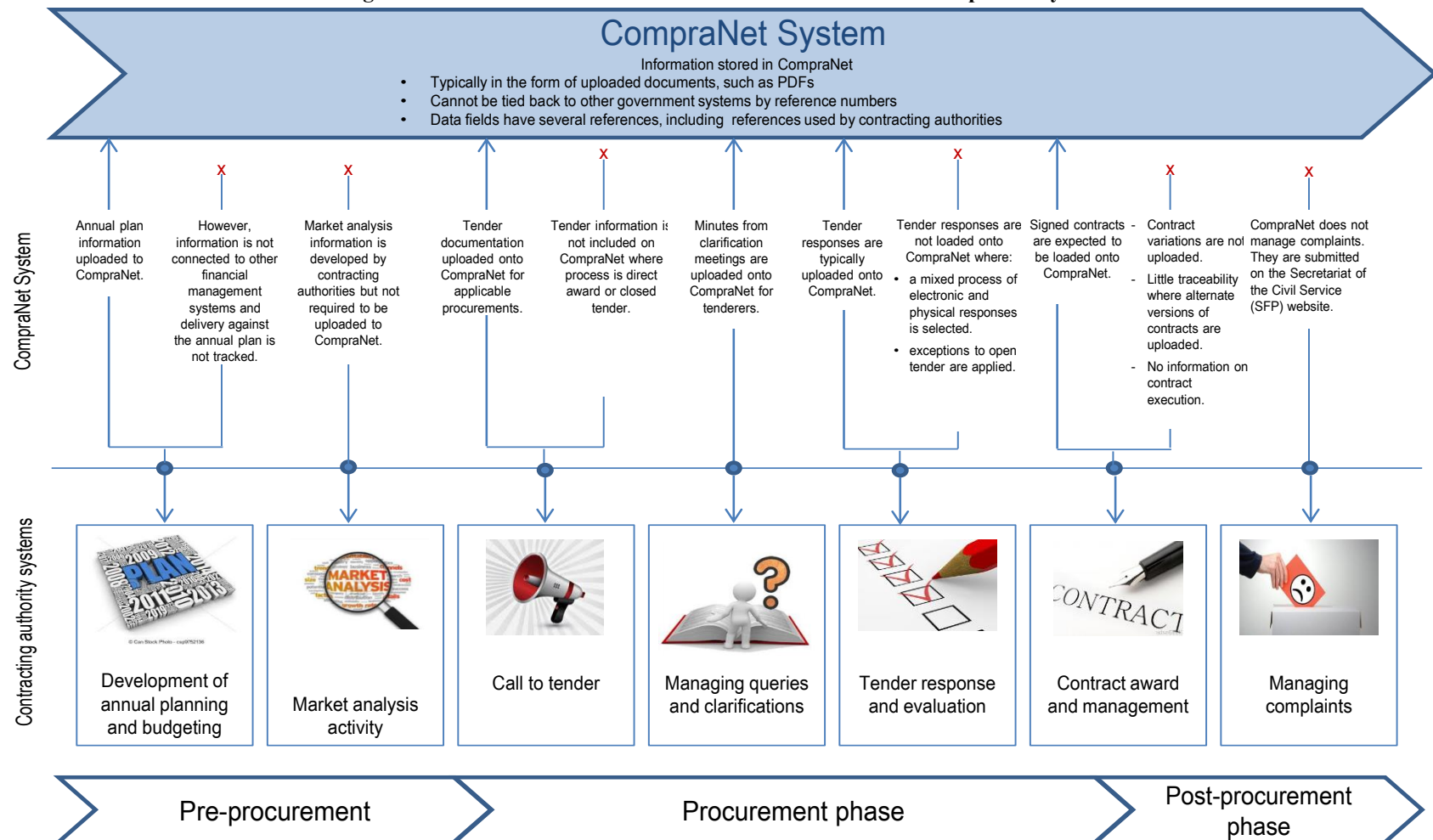
This is reflected in the main objectives of the CompraNet system, as described in Mexican federal legislation and the corresponding manuals of operation, which are intended to:

- help develop a general policy on procurement processes
- facilitate transparency and follow up on procurement processes
- generate adequate information for planning and budgeting
- improve procurement process efficiency to guarantee quality in public services.

***Systemic changes in public procurement could rebuild trust in the integrity of public spending***

The goals listed above concern the importance of CompraNet's role in increasing the efficiency and effectiveness of public procurement processes, providing stakeholders enough information to develop procurement policies to conduct "follow-up to procurement processes" where necessary and to undertake planning and budgeting. CompraNet has encountered some challenges in carrying out this mandate. The diagram below shows how the current operation of the system and its application by users fall short of these objectives.

Figure 1.1. Information flows and limitations of the current Compranet system



Source: Courtesy of system information provided by SFP.

As demonstrated in the diagram above, the type and extent of information loaded in the system and the way in which the information is captured leave room for improvement. For example, efficiency is hampered by the lack of integration between CompraNet and other systems. Information does not automatically flow either horizontally (to other central government systems, such as federal financing and budgeting systems) or vertically (to finance and contract management systems of contracting authorities). This entails double-handling of information; by finance and by procurement practitioners. Many procurement processes are not yet digitised, and activities and documents outside the system must be uploaded to ensure that records are complete.

This not only reduces efficiency and increases administrative work, but also makes it difficult to use the information in a meaningful way. Documents are typically uploaded as scanned PDFs from which the CompraNet system cannot extract any data. Transparency may be achieved at a micro level (i.e. where information is sought on individual procurement exercises), but not at a macro-level, in a way that would allow information to be used to manage risks, identify trends or increase accountability in public procurement.

Alongside the issue of data access is the question of completeness. This manifests itself in two main ways; first, where procurement practitioners do not comply with their obligations to upload all of the tender information that is required of them. Rectifying this will require an approach to control and monitoring that is able to identify cases of noncompliance and follow up with users. Second, commercial information that is outside the scope of CompraNet (such as contracts directly awarded to suppliers where an exception to an open procurement process has been granted, and contracts awarded between public institutions) is not registered in the system. This results in a blind spot for the oversight of commercial activity, meaning that this cannot be monitored and stakeholders cannot obtain a complete picture of commercial activities at the federal level.

E-procurement can play an important role in increasing efficiency in public procurement processes. The potential impact has been estimated as saving at least 12% in transaction costs related to procurement workflows. There is also clear evidence that e-procurement can increase competition in the market, thus reducing the prices paid by government, which can yield between 5% and 25% in cost savings (Procurement Harmonization Project of the Asian Development Bank, 2004<sup>[4]</sup>).

There are also gains to be made to increase Mexican citizens' confidence in public institutions and the use of federal funds. According to recent public opinion surveys, corruption is the second most significant problem facing Mexico, after issues related to security and violence. As of 2015, 27% of citizens reported that they had paid some kind of bribe to a public official over the preceding 12 months, and 92% of citizens believed that acts of corruption occur in Mexico (Marván, 2015<sup>[5]</sup>).

The digitisation of procurement processes strengthens internal anti-corruption controls and makes it easier to detect breaches of integrity. It prevents unnecessary physical contact between officials and prospective suppliers to government during the tender process, and provides audit trails that can facilitate investigation activities (OECD, 2016<sup>[6]</sup>). The use of digital technology in the public sector supports effective implementation and monitoring of policies, by enabling more open and trustworthy government. In particular, e-procurement improves transparency and accountability. According to a World Bank study, systematic corruption can account for an estimated 20%-30% of the value of government procurement (The World Bank; Schapper, 2007<sup>[7]</sup>).



These benefits have long been understood and appreciated by member countries, which helps explain why all OECD countries surveyed have implemented e-procurement systems (OECD, 2016<sup>[8]</sup>).

**Box 1.2. OECD's Recommendation of the Council on Public Procurement – Principle on e-procurement**

VII. RECOMMENDS that Adherents improve the public procurement system by harnessing the use of digital technologies to support appropriate e-procurement innovations throughout the procurement cycle.

To this end, Adherents should:

- i) Employ recent digital technology developments that allow **integrated e-procurement solutions** covering the procurement cycle. Information and communication technologies should be used in public procurement to ensure transparency and access to public tenders, **increasing competition, simplifying processes** for contract award and management, driving cost savings and **integrating public procurement and public finance information**.
- ii) Pursue state-of-the-art e-procurement tools that are modular, flexible, scalable and secure, in order to assure business continuity, privacy and integrity, provide fair treatment and protect sensitive data, while supplying the core capabilities and functions that allow business innovation. E-procurement tools should be **simple to use and appropriate to their purpose**, and consistent across procurement agencies, to the extent possible; excessively complicated systems could create implementation risks and challenges for new entrants or small and medium enterprises.

*Source:* (OECD, 2015<sup>[9]</sup>).

As illustrated in the diagram below, risks posed to integrity can emerge at many different phases of the procurement cycle and in different ways. Similarly, process inefficiencies occur at each phase of the procurement process. To mitigate the risks and increase process efficiencies requires a comprehensive, well-co-ordinated reform programme, with e-procurement as a critical tool in a broader effort.

Figure 1.2. Integrity risks and efficiencies in the procurement process, and e-procurement mitigations

	Step	Integrity risks	Inefficiencies	E-procurement mitigations	Subgroup recommendations
Pre-tendering phase	Needs assessment and market analysis	<ul style="list-style-type: none"> <li>Lack of adequate needs assessment</li> <li>Influence of external actors on officials' decisions</li> <li>Informal agreement on contracts</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of inadequate products and quantities that do not meet the actual needs of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Market analysis can be based on records of past procurement activity and externally validated.</li> </ul>	<ul style="list-style-type: none"> <li>Market analysis should be mandated and made available for consultation in a public version after the award decision.</li> <li>Annual plans for public procurement units should be disclosed through CompraNet, to promote certainty in purchase and investment plans.</li> </ul>
	Planning and budgeting	<ul style="list-style-type: none"> <li>Poor procurement planning</li> <li>Procurement is not aligned with the overall investment decision-making process</li> <li>Failure to budget realistically or deficiency in the budget</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect budget planning can lead to inefficient investment decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Planning can be conducted based on records of past procurement activity and externally validated.</li> </ul>	
	Development of specifications/requirements	<ul style="list-style-type: none"> <li>Technical specifications are tailored for a specific company</li> <li>Selection criteria are not objectively defined and are not established in advance</li> <li>Unnecessary samples of goods and services are requested</li> <li>Buying information on the project specifications</li> </ul>	<ul style="list-style-type: none"> <li>The selected company is not the most suitable and results do not meet the needs.</li> </ul>	<ul style="list-style-type: none"> <li>Specifications can be easily taken from previous tenders.</li> <li>Evaluation criteria can be predetermined and objectively applied in an evaluation module.</li> </ul>	
	Choice of procurement procedure	<ul style="list-style-type: none"> <li>Lack of proper justification for the use of noncompetitive procedures</li> <li>Abuse of noncompetitive procedures on the basis of legal exceptions: contract splitting, abuse of extreme emergency, nonsupported modifications</li> </ul>	<ul style="list-style-type: none"> <li>The procedure excludes contractors that could have carried out the project more efficiently.</li> </ul>	<ul style="list-style-type: none"> <li>Exceptions to open processes can be made publicly available and are therefore minimised.</li> </ul>	
Tendering phase	Request for proposal/bid	<ul style="list-style-type: none"> <li>Absence of public notice for the invitation to bid</li> <li>Evaluation and award criteria are not announced</li> <li>Procurement information is not disclosed or made public</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient transparency limits competition.</li> </ul>	<ul style="list-style-type: none"> <li>Tender documents are all publicly available.</li> <li>Evaluation criteria may be automated with the evaluation module.</li> </ul>	<ul style="list-style-type: none"> <li>Publication of public versions of bid proposals submitted by potential suppliers should be mandated.</li> <li>Approval by the Ministry of Finance and of the Institute of Social Security should be conditional on suppliers meeting their tax and social security obligations.</li> </ul>
	Bid submission	<ul style="list-style-type: none"> <li>Lack of competition or cases of collusive bidding (cover bidding, bid suppression, bid rotation, market allocation)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of competition or collusive bidding may exclude the lowest-cost or most efficient bidders.</li> </ul>	<ul style="list-style-type: none"> <li>Physical contact with suppliers is limited during tender phase.</li> </ul>	
	Bid evaluation	<ul style="list-style-type: none"> <li>Conflict of interest and corruption in the evaluation process, through:               <ul style="list-style-type: none"> <li>familiarity with bidders over time</li> <li>personal interests such as gifts or future/additional employment</li> <li>no effective implementation of the "four-eyes principle"</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Corruption in the evaluation process leads to an inefficient choice of contractors.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation modules can standardise the bid review process.</li> <li>Evaluation documents are available for third-party scrutiny.</li> </ul>	
	Contract award	<ul style="list-style-type: none"> <li>Vendors fail to disclose accurate cost or pricing data in their price proposals, resulting in a higher contract price (i.e. invoice mark-ups, channel stuffing).</li> <li>Conflict of interest and corruption in the approval process (i.e. no effective separation of financial, contractual and project authorities)</li> <li>Lack of access to records on the procedure</li> </ul>	<ul style="list-style-type: none"> <li>Corruption in the contracting phase leads to higher contract prices.</li> </ul>	<ul style="list-style-type: none"> <li>Bids are submitted electronically as open data.</li> <li>Approvals can be separated between roles in the system, ensuring separation of interests.</li> <li>All records are stored and available to accountable stakeholders.</li> </ul>	
Post-award Phase	Contract management/performance	<ul style="list-style-type: none"> <li>Abuses by the supplier in performing the contract, in particular in relation to its quality, price and timing:               <ul style="list-style-type: none"> <li>substantial changes in contract conditions to allow more time and/or higher prices for the bidder</li> <li>product substitution or sub-standard work or service that do not meet contract specifications</li> <li>theft of new assets before delivery to end user or before being recorded</li> </ul> </li> <li>insufficient supervision by public officials and/or collusion between contractors and supervising officials</li> <li>choice of subcontractors and partners is not done transparently or they are not held accountable.</li> </ul>	<ul style="list-style-type: none"> <li>Inefficiencies arise from mismanagement of contracts.</li> <li>Quality and delivery of products can be negatively affected, leading to delays, lower quality, and differences between specification and the delivered product.</li> </ul>	<ul style="list-style-type: none"> <li>Contract milestones are logged and monitored within the system.</li> <li>Contract compliance records for suppliers are then available for other contracting authorities to review.</li> </ul>	<ul style="list-style-type: none"> <li>Clear responsibilities for information registry obligations as well as audit mechanisms should be defined, to ensure data quality.</li> <li>Forbid the deletion of documents from the CompraNet system in order to keep a registry of all document versions within the tool (including who uploaded the document, when it was uploaded or modified, and which changes were made).</li> <li>Allow subcontracting management and supervision of transfer of collection rights.</li> <li>Conduct monitoring of contract execution.</li> <li>Enable e-government system interconnection (i.e. with the Ministry of Finance and with revenue authorities).</li> </ul>
	Order and payment	<ul style="list-style-type: none"> <li>Insufficient separation of financial duties and/or lack of supervision of public officials, leading to:               <ul style="list-style-type: none"> <li>false accounting and cost misallocation or cost migration between contracts</li> <li>late payment of invoices</li> <li>false or duplicate invoicing for goods and services not supplied and for interim payment in advance of entitlement.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Non-transparent invoicing and payment processes can provide opportunities for inefficient accounting and payment delays.</li> </ul>	<ul style="list-style-type: none"> <li>Orders, delivery and payment can all be managed by the system.</li> <li>Catalogue systems can monitor stock levels.</li> </ul>	

Source: (OECD, 2016<sub>[6]</sub>).

An effective response to the many risks mentioned above requires applying a number of different tactics in a co-ordinated fashion. Used appropriately, e-procurement can mitigate many of these risks. However, that will require a reassessment of the way technology is used within the Mexican system, and the supporting mechanisms that are necessary for it to be effective. That may involve developing a system that goes beyond simply providing access to government procurement documentation and instead offers a systematic approach to procurement. Mechanisms for integrity risk mitigation should be introduced hand in hand with efforts to increase the efficiency and effectiveness of the public procurement system. Focusing on the efficiency and effectiveness of the system as a key objective for e-procurement will improve public procurement practices and reduce opportunities for corruption throughout the procurement cycle.

As noted earlier, the introduction of CompraNet resulted in substantial benefits to public procurement in Mexico and increased the efficiency and transparency of the federal system. Through consultation with stakeholders, SFP identified the need to upgrade CompraNet to deliver further benefits. An inclusive review process was then established to identify the future direction for CompraNet to meet the needs of the system's broad array of stakeholders.

### **SFP convened stakeholders in a well-defined, co-ordinated governance structure**

The OECD Recommendation of the Council on Public Procurement calls for member countries to “provide opportunities for direct involvement of relevant external stakeholders in the procurement system”. The delivery of an e-procurement reform programme is a project with a multitude of stakeholders, each with different and often conflicting interests. The level of stakeholder engagement and participation in the CompraNet project provides an example of how an organised approach to collaboration within an appropriate governance structure can lead to a broad consensus and high levels of acceptance, or “buy-in”.

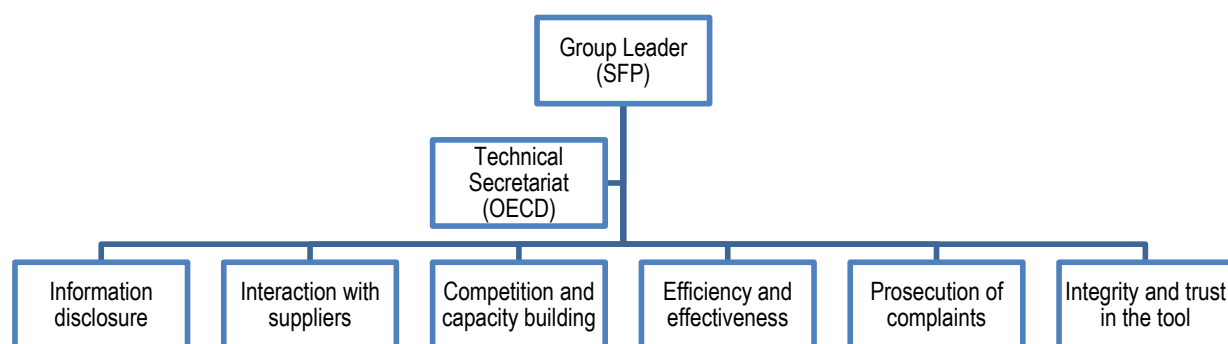
#### ***An inclusive governance structure will help define and implement transformational reforms***

In February 2017, the Ministry of Public Administration, through its Unit of Open Government and International Co-operation Policies (*Unidad de Políticas de Apertura Gubernamental y Cooperación Internacional*, UPAGCI), along with a series of constitutional anti-corruption reforms, commissioned the Plural Working Group on Public Procurement (the “Working Group”). This was established to investigate the enhancement of CompraNet, with the participation of leading figures from business, civil society and the public sector. The Working Group's goal was to build consensus on the development and expansion of the CompraNet system. The OECD was invited to play the role of Technical Secretariat for the project and draft a report providing recommendations based on the perspectives of the stakeholder groups and best practices in e-procurement from across member countries, building on its experience and technical knowledge. To this end, the OECD invited peer experts from countries with relevant experience in recent e-procurement implementation projects and successful reforms (i.e. Chile and Colombia).

A governance structure was established by SFP to oversee the process of collecting stakeholder feedback and input for the project. The project is headed by the Working Group, chaired by the Minister of Public Administration, with administrative responsibilities held by SFP, and with the OECD providing input and co-ordination as part of its Technical Secretariat role. Within the Working Group, six different groups

were established to analyse specific interest areas (the Subgroups). They were made up of representatives from managerial levels of government, business (represented by chambers of commerce as well as by business owners and employees), civil society organisations (CSOs), the National Institute of Transparency, Information Disclosure and Protection of Personal Data (INAI), the Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*, COFECE), and the National Institute for Entrepreneurs (INADEM). All Subgroup members participated in the Working Group to provide updates and direction. Other non-member actors consulted during OECD's fact-finding Mission were the Ministry of Finance, the National Anti-Corruption System, the Superior Audit Institution and representatives from operational levels of government.

**Figure 1.3. Organisation chart for the Plural Working Group on Public Procurement**



*Source:* Information provided courtesy of SFP.

As the main interface for public procurement between the federal government and the business community, CompraNet plays a central role in ensuring the effective and transparent operation of public procurement. Developing a strategy for CompraNet involves many interested parties. The involvement of this group of key stakeholders in this significant initiative is in line with the OECD's public procurement recommendations and represents best practice in government-led consensus building.

**Box 1.3. OECD's Recommendation of the Council on Public Procurement – principle on participation**

VI. RECOMMENDS that Adherents foster transparent and effective stakeholder participation.

To this end, Adherents should:

- i) Develop and follow a standard process when formulating changes to the public procurement system. Such standard process should promote public consultations, **invite the comments of the private sector and civil society**, ensure the publication of the results of the consultation phase and explain the options chosen, all in a transparent manner.
- ii) Engage in **transparent and regular dialogues with suppliers and business associations** to present public procurement objectives and to assure a correct understanding of markets. Effective communication should be conducted to provide potential vendors with a better understanding of the country's needs, and government buyers with information to develop more realistic and effective tender specifications by better understanding market capabilities. Such interactions should be subject to due fairness, transparency and integrity safeguards, which vary depending on whether an active procurement process is ongoing. Such interactions should also be adapted to ensure that foreign companies participating in tenders receive transparent and effective information.
- iii) Provide opportunities for direct involvement of relevant external stakeholders in the procurement system with a view to increase transparency and integrity while assuring an adequate level of scrutiny, provided that confidentiality, equal treatment and other legal obligations in the procurement process are maintained.

*Source:* (OECD, 2015<sup>[9]</sup>).

During the first meeting of the Working Group, the framework for the Subgroups, including topics to be covered and participants, were reviewed and approved. The following six areas had already been identified by SFP as key possibilities for improving the CompraNet system. Subgroup leaders were appointed by SFP according to their expertise and ability to lead a consensus within a given field. Working Group members were then invited to participate within a particular group, depending on their interests. The themes selected were: information disclosure, interaction with suppliers, competition and capacity building, efficiency and effectiveness in CompraNet, prosecution of complaints, and integrity and trust in the tool. The following table provides an overview of the makeup of the Subgroups, and the themes each was to discuss.

**Table 1.1. Subgroup themes and objectives**

Topic	Key issue	Participants	Themes covered
1. Information disclosure	Compranet discloses all information relevant for users	Journalists, CSOs, suppliers, INAI, industry (chambers of commerce), SFP	Availability, accessibility, opportunity, usefulness, accuracy of information
2. Interaction with suppliers	Streamlining the tools for engaging suppliers through e-procurement	Industry (chambers of commerce)	Functionality enhancements, transparency, anti-corruption, statistics, professionalisation
3. Competition and capacity building	Encourage the use of electronic means throughout the public procurement cycle	Public officials, tendering contractors and suppliers	Robustness of platform, reducing participation costs, reducing administrative costs, limiting direct contact between participants
4. Efficiency and effectiveness in Compranet	Alternative solutions and measures to improve the platform	CSOs	Analysis of applicable regulations, background of Compranet, practical operation of the platform, accessibility of processes and results
5. Prosecution of complaints	Processing of complaints focused on creating confidence and credibility in the business sector	Public officials and industry (chambers of commerce)	Analysis of current process flow, diagnosis of options to improve SIDECA (SFP's complaint system) and Compranet (best practices), technological update proposal
6. Integrity and trust in the tool	Identify actions that increase trust in Compranet, ensuring accurate and timely information	CSOs	Integrity of the information contained in Compranet, trust in processes related to Compranet, mechanisms and actions external to Compranet that affect its reliability and integrity

*Source:* Courtesy of information provided by SFP.

The Working Group meetings were held periodically, convened and led by the SFP to monitor and gather updates on the progress made by the Subgroups. From the work done by Subgroups to develop recommendations between February and July 2017, a total of 21 recommendations were presented, covering a diverse range of issues. These included implementing international standards for classifying goods and services, the adoption of approved formats or templates to systematise information, and the public disclosure of information for additional phases of the procurement cycle. These recommendations were used by the OECD as the basis for this report. A final version was reviewed at the meeting of the OECD Working Party of Leading Practitioners on Public Procurement (16-17 October 2017) and approved at the seventh Working Group on Public Procurement meeting in November 2017.

**Figure 1.4. Summary of Plenary Meetings from February to November 2017**

1 <sup>st</sup> Plenary Meeting February 2017	<ul style="list-style-type: none"> <li>• Framework for Subgroups, including topics to be covered and group participants as proposed by SFP, is reviewed and approved.</li> </ul>
2 <sup>nd</sup> Plenary Meeting April 2017	<ul style="list-style-type: none"> <li>• Subgroups provide the Technical Secretariat with their work plan.</li> </ul>
3 <sup>rd</sup> Plenary Meeting May 2017	<ul style="list-style-type: none"> <li>• Subgroups provide a diagnosis of the current state in their areas of interest.</li> </ul>
4 <sup>th</sup> Plenary Meeting June 2017	<ul style="list-style-type: none"> <li>• Subgroups present the OECD with their recommendations for improvement within their areas of interest.</li> </ul>
5 <sup>th</sup> Plenary Meeting July 2017	<ul style="list-style-type: none"> <li>• The OECD provide an aggregated analysis of recommendations received by the Subgroups.</li> </ul>
6 <sup>th</sup> Plenary Meeting September 2017	<ul style="list-style-type: none"> <li>• Preliminary report of recommendations for the improvement of CompraNet is presented.</li> </ul>
7 <sup>th</sup> Plenary Meeting November 2017	<ul style="list-style-type: none"> <li>• Agreement is reached on the final publication of the document.</li> </ul>

Source: Courtesy of information provided by SFP.

Involving stakeholder groups in the project as part of a well-defined, co-ordinated project structure has helped to ensure a collaborative and inclusive process. Working Group meetings are used to update all parties involved on the progress made and to arrive at agreement on the direction of the project.

### ***Surveys of users helped subgroups develop an aligned vision for the future of CompraNet***

The six Subgroups developed a series of recommendations for the advancement of CompraNet, each choosing what they considered to be the most appropriate methods for collecting and analysing information. Diverse stakeholder groups helped shape these analyses, including representatives from CSOs, field experts and academia, journalists, autonomous constitutional bodies such as COFECE, and the Superior Audit Institution (*Auditoría Superior de la Federación*, ASF), which is accountable to the Legislature (*Cámara de Diputados*). The groups used a variety of methods, including surveys, documentary reviews and examining international best practices. Survey participants were selected from user groups including contracting authorities, public officials, and current and prospective suppliers.



#### Box 1.4. Methods for the collection and analysis of information

Various sectors with an interest in public procurement helped collect and analyse data to develop recommendations to improve CompraNet. To collect feedback from the largest possible number of stakeholders, web-based questionnaires were prepared for businesses, public officials and field experts, and distributed on a web link. Paper-based questionnaires were included in a letter sent to officials of COFECE, the Superior Audit Institution and the Co-ordination Unit of Internal Control Bodies of the SFP. Annex B includes further details on this process.

In total:

- **Fifty questionnaires were received from businesses.** Participants included members of the chambers of commerce, the construction industry, a chamber representing small and medium-sized enterprises (SMEs), and members of the Business Co-ordinating Council (*Consejo Coordinador Empresarial*). Of the responses, 36% came from large businesses and 64% from SMEs; 44% are based in Mexico City, 50% are located outside Mexico City, and 6% are established abroad.
- **Public officials sent in a total of 148 questionnaires.** A contact database provided by SFP was used to send out these questionnaires. The SFP also encouraged participation by presenting the questionnaire to public officials. The contact database classified contracting authorities into three different tiers, based on the amount of their spending: 20% of the officials surveyed work in one of the 30 entities or government agencies that spend most public resources on their contracting processes.
- **Five questionnaires were received from CSO experts and eight questionnaires from journalists.** This did not provide a sufficiently large sample to allow for in-depth analysis.
- **Questionnaires were sent to COFECE, the Superior Audit Institution, and the Co-ordination Unit of Internal Control Bodies of the SFP.** Officials from these groups were consulted as a result either of their direct involvement in the system, or their use of information collected by the system. Responses were received in an official letter addressed to the Technical Secretariat.

Source: (Technical Secretariat, 2017<sub>[10]</sub>).

Once the surveys were conducted, and all other processes to collect and analyse information had concluded, the subgroups presented to the Technical Secretariat their diagnosis and recommendations for enhancing CompraNet. The recommendations were presented using a unified format that included a cost-benefit analysis and an analysis of legal implications. In total, 51 recommendations were received, which, after they were analysed and aggregated, were consolidated into 21 proposals for improvement.

The recommendations collected by the OECD were analysed and compared with the OECD's own experience of successful practices in other countries to develop the final recommendations in this report. The perspectives of subgroup members, and the stakeholder groups they represent, were consolidated into a vision statement to help guide the system going forward.



***A vision statement for CompraNet aims to unite stakeholders behind common goals***

An effective vision statement can align stakeholders behind a set of common outcomes. Describing the system in terms of outcomes, as opposed to inputs and technical specifications, can help stakeholders understand how the system will deliver for them, giving SFP the necessary flexibility to determine how those outcomes can be achieved.

More than 20 years have passed since the original approach to the development of the e-procurement system was established in the Information Technology (IT) Development Programme 1995-2000. When it was set up, in 1996, CompraNet was part of an effort to modernise Mexico's federal public administration, using information and communications technology (ICT) to increase the quality of, and access to, public procurement. The declared goal of CompraNet's first Vision Statement was to establish an accessible system where tenders could be published, offers registered, and results and follow-up on awards published for all public tenders relating to the acquisition of goods, services and public works by the federal public administration.

**Box 1.5. IT Development Programme 1995-2000**

**3.1.5 Priority goals**

For the year 2000:

[...]

The procedures of private companies with agencies of the federal public administration, such as those relating to their registration and those related to government procurement, may be made through networks from a terminal, a digital telephone or a personal computer.

**Initial target:** By 1997, a network system will be in place for the publication of bidding rules, bid registration, publication of results and monitoring of allotments, where all public tenders for the procurement of goods, services and public works will be registered in the central public administration. This system must be accessible from all Mexico's state capitals.

Source: (DOF, 1996<sup>[11]</sup>).

The work of the Subgroups has identified a number of areas where CompraNet can be improved to meet the needs of its many stakeholders. The recommendations ranged from technical adjustments that would improve the functioning of the current system to more substantial changes that involve integrating the system with other government platforms and expanding the scope to other stages of the procurement cycle.

To overcome the challenges identified in the current system, the vision statement can provide a common set of expectations to guide the improvement and modification of the CompraNet system. According to Bain, a vision statement should outline the “objectives and (the) approach to reach those objectives”, while inspiring civil servants “to work more productively by providing focus and common goals” and can also “guide decision making” (Bain & Company, 2015<sup>[12]</sup>). Components of an effective vision statement development process include the following (United Nations Relief and Works Agency (UNRWA), 2009<sup>[13]</sup>):

- *Engage the right people in the process*: Make sure that the right stakeholders are involved in developing the vision statement.
- *Create and use a process that ensures full participation, openness, creativity and efficiency*: The process is more likely to be effective if there is a plan and a process; this may require the involvement of an external facilitator.
- *Do the “cosmetic” work off line*: Rather than involving the whole group in the finer details of the vision statement, it is best to fine-tune the document separately and present a polished product to the group.
- *Talk to the outliers*: If there are individuals or groups who do not agree with the vision statement, consult with them to ensure they are committed to the vision, or explore ways to connect the vision to their interests and needs.
- *Reconvene the group to review the draft vision statement*: This should not require lengthy scrutiny by the whole group, but should discuss whether the group is in agreement on the general direction of the document, rather than approves every word.
- *Communicate the vision and begin to make it a reality*: A vision is just a picture for the future without solid goals and action plans; the next step is to develop those. The vision itself can be brought to life by using creative people on the team to develop images, metaphors and stories.

As part of the work by the members of the Working Group, a document was developed to outline the vision for the future of the electronic public procurement system in Mexico, which was then amended to align with best practice.

### Box 1.6. Vision for Mexico's federal government e-procurement system

More than 20 years after the launch of CompraNet, the Plural Working Group on Public Procurement convened by the Ministry of Public Administration has had the opportunity to review the achievements of the e-procurement system. New foundations for Mexico's federal government e-procurement system can harness the energy of our diverse economy, increase co-operation between the public, private and social sectors, and promote prosperity with an efficient, effective and transparent system governing the use of federal funds, subject to the regulations on acquisitions, public works and public-private partnerships.<sup>1</sup>

In developing a better e-procurement system, the Plural Working Group on Public Procurement recognises the opportunities provided by digital technology to enable a fully transactional system that supports the whole public procurement cycle, from planning through tendering and award (contracting), to payment and contract management, as well as subsequent monitoring and auditing.

The success of the Plural Working Group on Public Procurement has been the result of the ability of different sectors, namely CSOs, business leaders and federal institutions, to adapt to changing circumstances. Our economy and societies are moving towards a democratic state that calls on all social actors to be accountable and responsive. The members of the Plural Working Group on Public Procurement are committed to deepening our co-operation, based on our shared vision of achieving stability and prosperity for our peoples through good governance.

To this end, we aim to make Mexico's federal government e-procurement system:

1. **transactional:** The entire public procurement cycle will be managed electronically and establish complete flows connecting each of the steps automatically.
2. **standardised:** The entire public procurement cycle will conform to specifications and approved pre-established formats and adopt internationally accepted contracting data standards.
3. **transparent:** The e-procurement system will be the only access point for publishing information of the government procurement cycle using federal public funds, regardless of whether the case is part of an ordinary process or an exception. The system facilitates compliance with data and document disclosure principles as well as transparency duties.
4. **trustworthy:** The information uploaded to the system will be accurate, complete, updated and secured under strict protocols. All versions and updates of the documents referring to the public procurement cycle and uploaded to the platform will be kept, including modifying agreements, indicating the date and time of update as well as the official responsible for the information. Information and documents in the platform should be recognised as official and may be used in any legal proceeding.
5. **interconnected:** The system will offer interconnection between the processes of the procurement cycle as well as between government information systems (e-government), including those of budget and revenue agencies.

6. **co-ordinated:** The various entities and user units of the system will use it as a tool to ease co-ordination and facilitate consolidated purchases looking for the best market conditions and the standardisation of the procurement process. The system will include modules that allow for public procurement strategies such as reverse auctions and framework agreements.
7. **user-friendly:** The system is designed to offer users clarity on the available information and where to find it, as well as quick access to the system and high-speed navigation, avoiding too many system-interaction rules. A help desk provides useful advice to users, with sufficient numbers of qualified staff to address users' needs.
8. **instrumental for users:** The platform provides information for both public servants and the social and private sectors, as necessary. It will help them in the following tasks: analysing public procurement and the performance of those involved in such activity; making decisions to participate in procurement processes; defining public policies and improvement initiatives for public procurement; supporting audit and control tasks, and carrying out investigations and analyses of procurement outcomes, including the production of statistics and indicators. The platform will also facilitate the preparation of market research and Annual Plans of acquisitions, leases and services, as well as public works, so they can be published in a timely manner with updated information and provide useful input for the industry. The system's Registry of suppliers, including supplier profiles, shareholders, history of performance in public procurement and illicit actions, will contribute to informed decision making by procurement officials.
9. **accountable:** The system links to citizen complaint mechanisms set up for the complete procurement cycle and includes an updated registry of suppliers that have been sanctioned. It contributes data and evidence to review and evaluation mechanisms performed by different authorities (i.e. audit bodies, and transparency and competition authorities) to improve public procurement operations.
10. **dynamic and innovative:** A focus on process innovation will help the system introduce new information-management methodologies in procurement for public works, goods and services, based on knowledge from previous experiences, opinion and feedback from users, and guided by international best practices.
11. **geared towards economic competition.** The system encourages competition, free concurrence and reduces entry barriers, transaction and administrative costs for all types of users. The system will be publicly accessible. All information will be available for consultation in its public version in a timely manner and in a way that does not restrict economic competition or negatively affect the efficiency of public procurement by facilitating collusion and bid rigging.
12. **exemplary.** The federal e-procurement system will be a good practice for all other public e-procurement systems in Mexico to follow, such as those to be developed by states, municipalities and public entities subject to different procurement regimes.

*Source:* Plural Working Group on Public Procurement.

This vision statement is based on the Subgroups' efforts to identify the system's current challenges and to collect opinions on the attributes of a system that will work for all stakeholders. It focuses on developing an e-procurement solution that operates as part of an efficient and effective public procurement system. For any future plans or projects that aim to develop or improve CompraNet, this statement can be used as a point of reference for capturing the goals and ambitions of all stakeholders.

## Note

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<sup>1</sup> As of the time of drafting this vision, these regulations were the Law on Public Sector Acquisitions, Leases and Services (LAASSP), the Law on Public Works and Related Services (LOPRSM), and the Law for Public-Private Partnerships, as well as the secondary regulations derived therefrom.

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From:

## Mexico's e-Procurement System

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Access the complete publication at:

<https://doi.org/10.1787/9789264287426-en>

#### Please cite this chapter as:

OECD (2018), "A multi-stakeholder review of the effectiveness of Mexico's CompraNet system", in *Mexico's e-Procurement System: Redesigning CompraNet through Stakeholder Engagement*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264287426-4-en>

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