

Chapter 2. Upgrading CompraNet to a system that delivers for all stakeholders

E-procurement systems are used throughout OECD countries to ensure that public procurement activity is efficient, effective, transparent and accountable. To ensure that the e-procurement system can deliver the anticipated benefits, it is imperative to incorporate system re-design within a broader approach to reform. This involves identifying the supporting mechanisms (including legislation, policy, training and infrastructure) that are necessary for the system to succeed. In this chapter, CompraNet's scope, functionality and application by users are measured against global trends in e-procurement, with a view to developing a system that meets the unique needs of different users, increases competition and returns value for money.

The initial push to implement e-procurement systems in OECD member countries over the past 15 to 20 years was directed towards building centralised systems for publishing public procurement information. As a result, the focus for the majority of member countries during that period was on developing national, cross-governmental systems that cover the core aspects of the sourcing process, namely from the call for tender until the award of a contract, allowing contracting authorities to manage the rest of the process through stand-alone systems and processes (OECD, 2016^[1]).

The focus on investment in e-procurement systems has gradually shifted away from this original purpose towards developing systems that help increase efficiency and effectiveness in procurement practices. The next phase of the development of e-procurement systems, an approach championed by the OECD and the European Commission, is likely to focus on advances in the following areas:

- taking opportunities to increase efficiency and standardisation by extending the e-procurement system to cover the whole public procurement cycle
- integrating the system with other e-government technologies, such as public finance management, budgeting and service delivery processes, to optimise public resources through better transmission of information, automation and increased accountability.

Although it can handle some of the required features of modern e-procurement systems, CompraNet does not yet support the full digital management of the procurement cycle. So far, the system only covers those aspects of the cycle related to the publication of tender documents, the submission of bids and the awarding of contracts. SFP has however, attempted to expand its scope over time to include additional processes in the procurement cycle.

However, the current system faces various challenges in ensuring consistent, systematised and transparent adherence to procurement legislation. These issues are the result not only of weaknesses in the system, but inconsistencies in the processes used by contracting authorities and disparities in the capabilities of Mexico's procurement workforce.

Reinforcing CompraNet's role in enabling public procurement reform

SFP should consider aligning e-procurement with a broad reform programme

Implementing an e-procurement system can encounter many different hurdles. As a start, the system should be part of a multifaceted programme in concert with other aspects of procurement reform (such as legal and policy settings, and development of the private sector). This requires an e-procurement strategy that is suited to the economic environment and provides solid foundations for the platform itself.

During the OECD fact-finding missions, it became clear that stakeholder groups raised issues with public procurement that extended beyond the technical and functionality requirements of CompraNet. In addition to implementing recommendations related to system changes and improvements, SFP should also identify ways to overcome other barriers to the effective operation of the process, including the following challenges:

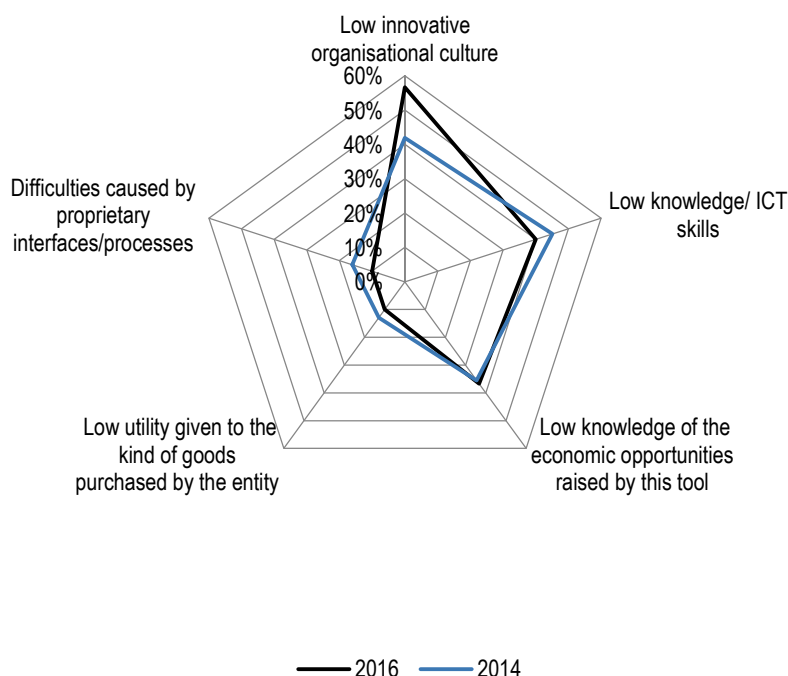
- **Procurement practitioners do not comply with procurement guidelines, and do not always upload the required information:** Either because of lack of capacity in working with CompraNet or insufficient procurement capacity in general, procurement practitioners may require additional support and guidance to

execute their roles effectively. This may be related to the use of the system or to the enforcement of procurement processes, policies or legislation.

- **Exemptions to procurement legislation may not be consistently applied:** There are cases where a contracting authority can legitimately refrain from conducting an open tender process, such as in cases of emergency where goods and services are required within a narrow timeframe, or where it can be established that the goods or service are only available from a single supplier. Nevertheless, staff operating procurement processes do not always comply with policies on the selection of procurement procedures. According to SFP, as of 2017, 68% of all contracts were awarded directly (accounting for 25% of public funds assigned through contracting) while only 18% of contracts were conducted through a public tender process (accounting for 64% of the monetary value). A large number of lower-value transactions are thus not subject to competitive procedures.
- **The format of tender documents varies widely:** Substantial variations in tender documents can require additional time and effort from contracting authorities, businesses responding to tenders and oversight institutions or “social witnesses”². Standardisation will not only allow procurement practitioners and businesses to develop documents more efficiently, but help to streamline requirements across government, including contract terms, general specifications and reporting requirements. Standardising contracts will also make the analysis of procurement data easier, by harmonising variables between all procurement processes.

The 2016 OECD Survey on Public Procurement suggests that the main challenges faced by contracting authorities in OECD countries in using e-procurement systems are an organisational culture that is not as innovative as it could be (57%), limited ICT knowledge and skills (40%) and limited familiarity with the economic opportunities that e-procurement systems can offer (37%).

Figure 2.1. Challenges facing contracting authorities in OECD countries in using e-procurement



Source: (OECD, 2016^[1]).

Technological change must be part of a comprehensive strategy that removes barriers to the e-procurement system. Without the accompanying reforms, it may not achieve the benefits hoped for. Benefits yielded by e-procurement are usually a result of stronger management and co-ordination facilitated by technology, rather than of technology *per se* (Asian Development Bank, 2013^[2]).

According to a study carried out by the European Bank for Reconstruction and Development on implementing diverse e-procurement solutions, these five pillars are the essential elements of an e-procurement strategy:

- **Government and institutional leadership:** Government sets the vision for what is to be achieved; the operational implementation must then be owned or co-ordinated by one agency to achieve commonality of standards and approaches.
- **Management, legislation, regulation and policy:** E-procurement is a business rather than a technological system, and requires strong legislative and management frameworks to be successful. Changes to the e-procurement system will result in amendments to the processes and policies surrounding government procurement, including revised audit and compliance regimes and improved management information on all aspects of procurement. These changes must be understood and prepared for in advance of any modifications to the system.
- **Private sector activation:** An e-procurement strategy needs to be mindful of, and consult with, the private sector if it is to be effective for both supply and demand. Any engagement strategy should consider how to communicate with

businesses to build the case for system changes and prepare users for changes in functionality.

- **Infrastructure and web services:** The success of a government e-procurement system depends on the extent to which all government procurement practitioners and all actual and potential suppliers to government can access it. In addition, an e-procurement strategy must be anchored by other IT management practices, such as data management, security management and access management.
- **Functionality and standards:** The level of functionality required will depend on the types of procurement transactions the system is used for (conversely, the more complex the transaction, the simpler the system requirements). Selecting open or proprietary technical standards is a complex decision that involves many factors.

Figure 2.2. Facets of an e-procurement Strategy



Source: (EBRD; UNCITRAL, 2015_[3]).

E-procurement can play a significant role in public procurement reform, but it will not necessarily remedy poor procurement practice and it may not solve underlying problems in public procurement operations. Poor practices can quite easily be perpetuated through e-procurement (OECD, 2011_[4]), and setting up an e-procurement system cannot ensure that processes are open, fair and appropriate to the needs of each procurement, nor replace the need to ensure that practitioners are well-trained, capable and act with integrity.

Different countries take various approaches, but the underlying objectives remain similar and aligned with priorities of public governance.

Box 2.1. A comprehensive e-procurement strategy in Slovakia

Four objectives were identified to develop an e-procurement strategy in Slovakia for the use and implementation of the national e-procurement system:

- reducing public spending
- increasing transparency
- promoting fair competition
- simplifying and accelerating the procurement process.

To achieve these objectives in a sustainable way, it was clear that activities involving the electronic platform itself would need to be supported by other initiatives. Each action was assessed in relation to the dimensions of the procurement system that would be affected, from the following options:

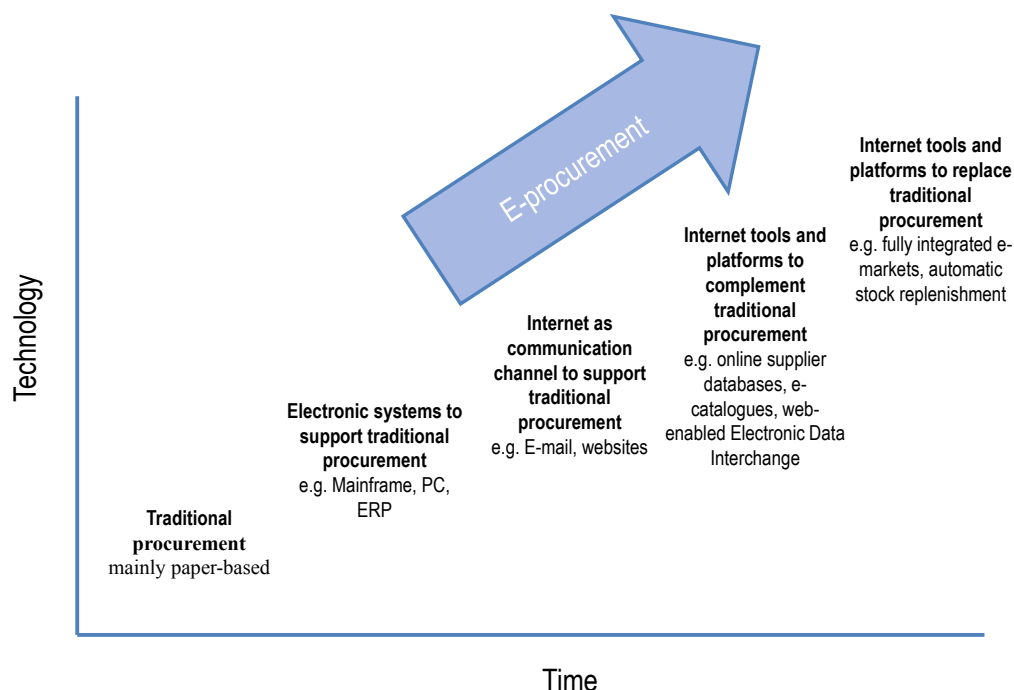
- governance (people and organisation)
- technology
- processes
- legislation.

This approach ensured that broader considerations were taken into account for each change that was required within the system.

Source: (OECD, 2017^[5]).

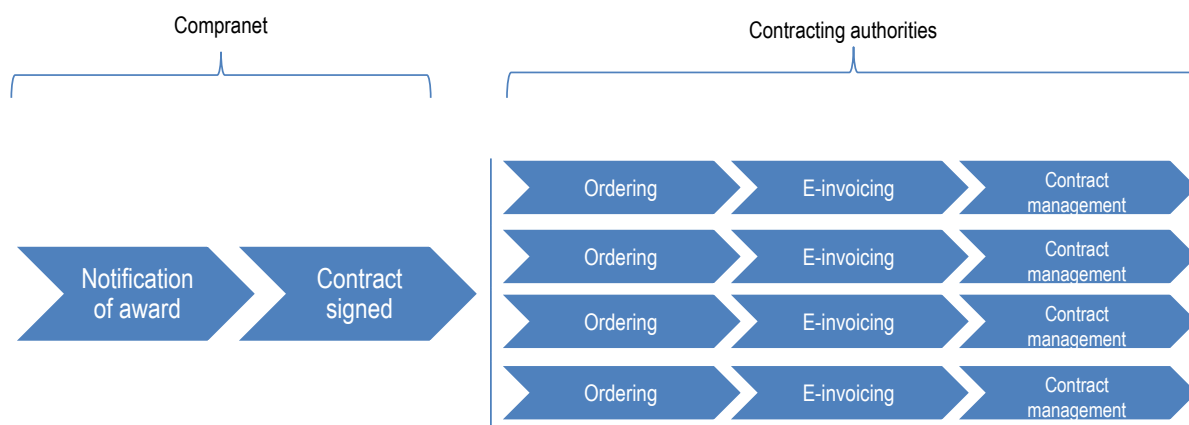
Upgrading CompraNet alongside e-Government reforms can lead to a fully transactional procure-to-pay system

The OECD's Recommendation of the Council on Public Procurement calls on OECD member countries to "employ recent digital technology developments that allow integrated e-procurement solutions covering the public procurement cycle". Enhancing e-procurement in the public and private sector can be the first step towards more integrated systems. Such a transition is likely to require significant investment, and should be viewed as a longer-term objective.

Figure 2.3. Illustration of the evolution of technology in procurement over time

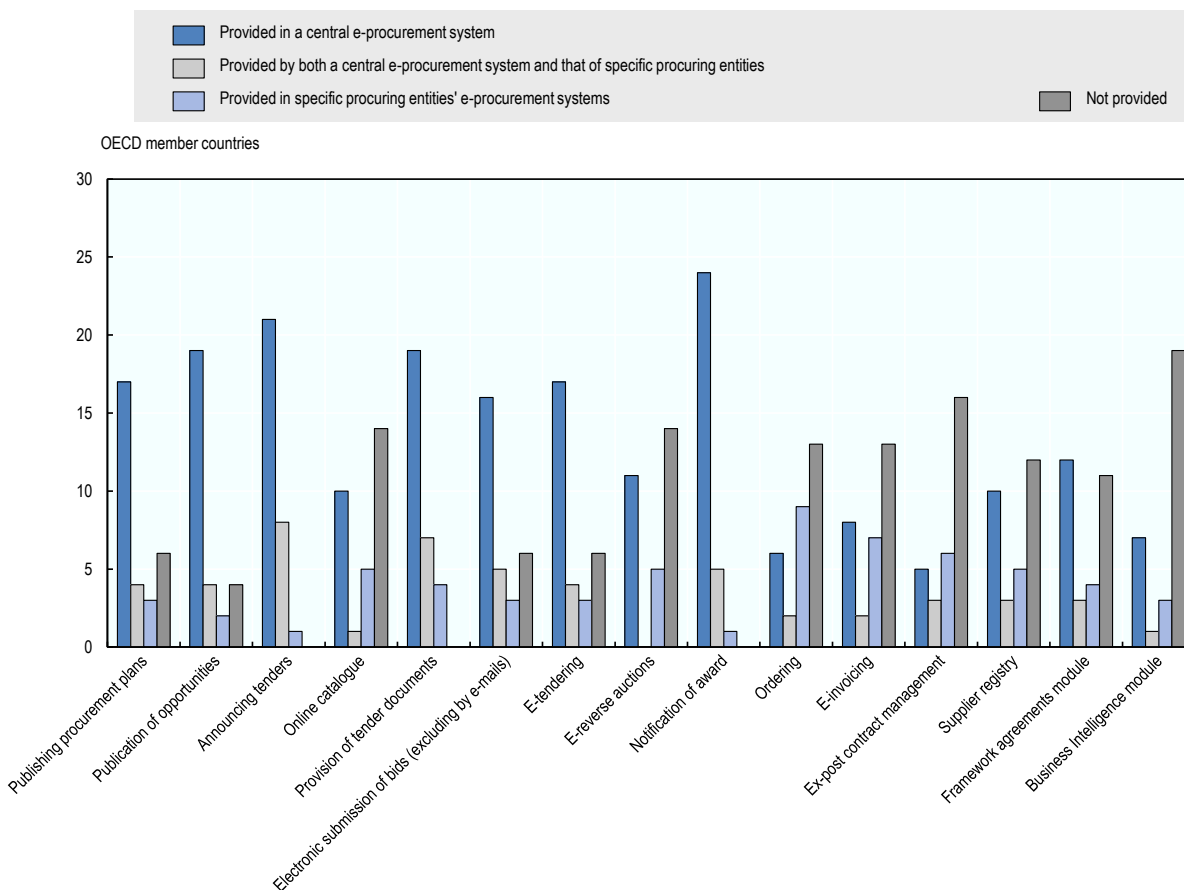
Source: (United Nations, 2006_[6]).

The scope of CompraNet is confined to activities related to the posting of tender documents by government agencies, the management of clarifying questions, the submission of bids and the awarding of contracts. For Mexico, as in the majority of OECD countries, the original objectives for e-procurement were to increase transparency and access to tender opportunities, for both national and international businesses. For this reason, a common approach across OECD countries through the genesis of public e-procurement has been to develop web-based solutions independent of the systems used by contracting authorities. Web-based, central platforms with little integration are a simpler and less costly alternative to a system that is integrated with contracting authorities' payment systems.

Figure 2.4. Comparison of the scope of CompraNet vs. contracting authorities' systems

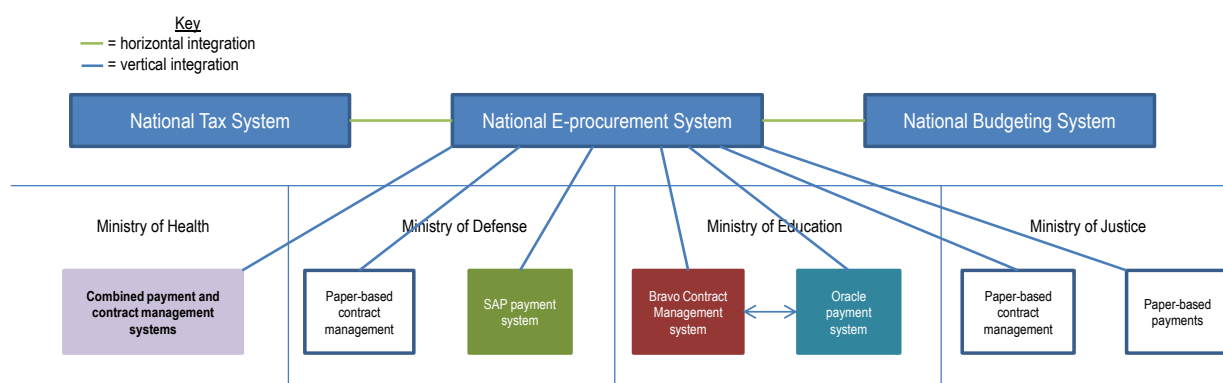
Source: Information provided courtesy of SFP.

From the 2016 survey of OECD member countries, it is clear that most central e-procurement systems are still focused on the core steps of the procurement process. Only in a small number of countries do they cover the latter stages, such as e-Ordering (six countries), e-Invoicing (eight countries) and contract management (five countries).

Figure 2.5. Functionalities of e-procurement systems in OECD countries

Source: (OECD, 2016^[1]).

Procurement has evolved thanks to progress made possible by technological advances. What was once a paper-based function can now be digitised to a large degree. The next step in OECD countries that have not already done so will be vertical integration (i.e. integration of the central tendering platform with the finance or contract management systems of contracting authorities) resulting in a fully integrated, end-to-end procurement system.

Figure 2.6. Horizontal versus vertical integration

In addition to the efficiencies that can be realised by a more integrated and end-to-end e-procurement process, integration would also enable the Mexican government to:

- collect data on government spending to inform economic and procurement policy
- more closely monitor supplier compliance with government contracts
- establish centralised tools such as a Contract Management Module to build contract management capability
- ensure greater integrity in the post-procurement phase of the cycle.

Korea's KONEPS e-procurement system, one example of an integrated online platform for procurement, has resulted in quantifiable benefits.

Box 2.2. The integrated e-procurement system KONEPS in Korea

In Korea, the implementation of a national e-procurement system has achieved significant advances in the transparency and integrity of public procurement.

In 2002, Public Procurement Services (PPS), Korea's central procurement agency, introduced a fully integrated, end-to-end procurement system called KONEPS. This system covers the entire procurement cycle electronically (including a one-time registration, tendering, contracts, inspection and payment) and related documents are exchanged online. KONEPS links about 140 external systems to share and retrieve any necessary information, and provides a one-stop service, including automatic collection of bidders' qualification data, delivery report, e-Invoicing and e-Payment. It provides information on a real-time basis.

All public organisations are mandated to tender publicly through KONEPS. In 2012, over 62.7% of Korea's total public procurement (USD 106 billion) was conducted through KONEPS. In KONEPS, 45 000 public entities interact with 244 000 registered suppliers. According to PPS, the system has boosted efficiency and significantly reduced transaction costs. The system has also increased participation in public tenders and considerably improved transparency, eliminating instances of corruption by preventing illegal practices and collusive acts. For example, the Korea Fair Trade Commission runs BRIAS, a KONEPS system, an automated system that detects suspicious bid strategies. According to the integrity assessment conducted by Korea's Anti-Corruption and Civil Rights Commission, the integrity perception index of PPS has improved from 6.8 to 8.5 out of 10 since the launch of KONEPS.

Use of borrowed e-Certificates was a key concern, in terms of practices that would facilitate illegal activity. To mitigate this risk, the Public Procurement Service introduced "Fingerprint Recognition e-Bidding" in 2010. Under this system, each user can tender for only one company, using a biometric security token. Fingerprint information is stored only in the concerned supplier's file, thus avoiding any controversy over the government's storage of personal biometric information. By July 2010, it was applied in all tenders carried out via KONEPS by local governments and other public organisations procuring goods, services and construction projects. In 2011, PPS launched a new service allowing the bidding process to take place via smartphones, using newly developed security tokens and applications.

Source: (OECD, 2016^[7]).

The business case for such a large-scale project as multi-agency integration may still need to be made to encourage countries to make the sizeable investment. The benefits to government of fully integrated systems are clear, yet often difficult to quantify. Among OECD countries, 66% do not measure the efficiencies/savings generated by using e-procurement (OECD, 2016^[1]). Countries that have measured the savings usually focus on the time saved by increased process efficiency or, as in the case of Korea, the amount of public and private funds saved.

Box 2.3. Korea's system integration has cut the cost of procurement transactions

Through the shared use of government data and data interchange between KONEPS and other databases owned by public authorities, KONEPS made it possible to eliminate paper submission of business registration and tax payment certificates. For public construction tenders, bidders are no longer required to submit certificates on their past experience, because such data is electronically collected through data interchange with construction industry associations.

According to a study conducted in 2009, annual transaction cost savings made possible by KONEPS amounted to KRW 9.5 trillion. Of this, KRW 1.6 trillion (EUR 1.2 billion) was saved in the public sector in reduced labour and process time, due to the streamlined, digitised work process. KRW 7.9 trillion was saved in the private sector, mainly from reduced costs for visiting public entities and obtaining required certificates and proof documents. Reductions in labour and time from streamlined and standardised procedures also contributed to the savings.

Source: (OECD, 2015^[8]).

Achieving end-to-end integration of the processes surrounding public procurement may also require horizontal integration involving linking the central e-procurement system with other government systems. OECD member countries have made limited progress in integrating procurement systems with other government platforms. According to an OECD survey, 60% of e-procurement systems are not integrated with other e-Government digital technology solutions such as budgeting, business and tax registries, social security databases, financial systems for payment, and Enterprise Resource Planning systems (OECD, 2016^[11]). Integrating e-Government platforms is in line with the OECD Recommendation of the Council on Digital Government Strategies, as it enables full visibility of the use of public funds across different government departments (OECD, 2014^[9]).

Efforts have been made to prepare to integrate CompraNet and the Ministry of Finance's budget system, the *Sistema de Contabilidad y Presupuesto* (SICOP). SICOP manages all payments by government agencies that involve the use of federal resources, and stores information on contracts, contractual terms, modifying agreements to contract terms, and the final amounts paid for goods, services and public works. Connecting CompraNet and SICOP would allow the e-procurement system to follow any given procurement process, from the budget assignment phase to the final payment of contracts, allowing procurement officials to avoid duplication. Information would be fed to a single system, rather than the multiple information registries now in place.

Interoperability with other national systems, such as the National Transparency Platform and the Platform of the National Anti-Corruption System, would enhance the government's ability to develop a comprehensive picture of public procurement activity. The National Transparency Platform was introduced to allow the **proactive** publication of information on government activity at both the federal and **sub-national** level, on a single platform. If CompraNet could communicate directly with this system, public procurement information entered into CompraNet could be used by the National Transparency Platform, avoiding inefficiencies of double-handling and the risk of data inconsistencies.

Similarly, the National Anti-corruption System will be used to store data used to support anti-corruption policies in Mexico, including registries of sanctioned suppliers and sanctioned public officials, and the registry of officials carrying out public procurement activities.

These systems are currently under development. It will be important that they have the capacity to exchange information with CompraNet. Linking the information in these systems with CompraNet will enable authorities across government to fight corruption in an integrated fashion.

A programme is also under way to enable interconnection between CompraNet and national tax systems. The aim is to identify businesses that are properly registered and fulfill the obligations of the Tax Revenue Agency (*Sistema de Administración Tributaria*, SAT), as well as to identify “ghost” companies and prevent them from participating in public tenders (El Financiero, 2017^[10]). “Ghost” companies are used to win government tenders and receive public funds by parties that have no ability to execute the contract. Identifying and eliminating them from tender processes would reduce the waste of public funds.

Other stakeholder groups also stand to benefit from interoperability between government systems. For example, access to information on companies that participate in government tender opportunities can help competition authorities identify cases of bid rigging. By providing information on subcontracting arrangements and joint bids, CompraNet could give competition authorities better information on trends such as unusually low tenders and collusive bidding patterns further down the supply chain.

Box 2.4. Horizontal system integration with national finance in Colombia

As part of the transition to a new generation of the e-procurement platform in Colombia, the second phase of the *Sistema Electrónico para la Contratación Pública* (SECOP II) was expanded to integrate with the *Sistema Integrado de Información Financiera* (SIIP). This direct connection with the financial reporting system greatly increased data accuracy and transparency on spending by procurement entities. Integrating procurement and budget data eliminated risks of corruption such as the separation of financial duties, examples of false accounting and cost misallocation, and late payment of invoices.

Some government entities are mandated to use the system, and some are merely encouraged to do so. To attract bodies (such as state-owned entities) that are not mandated by law to use the system, *Colombia Compra Eficiente* has developed a series of key performance indicators that measure the performance of the national procurement system in a number of categories. Each measure has a baseline result from the preceding year, to develop targets in the following areas:

- value for money: includes metrics on the time required for procurement processes and savings achieved through procurement;
- integrity and transparency in competition: includes measures on the number of contracts awarded to new suppliers and the percentage of contracts awarded through noncompetitive processes;
- accountability: includes measures on public entities using SECOP and the percentage of awarded contracts published on SECOP;
- risk management: features one single measure, on the percentage of contracts with modifications of time or value.

Source: (OECD, 2016^[11]).

The Korean and Colombian examples, and the trend toward increased integration, suggest the need for a comparable vision for CompraNet. Integrating it with central and government e-procurement and finance systems would be the ultimate goal.

A user-friendly system providing easily accessible, open and reliable data

Open data practices could normalise public procurement data and enhance accountability

While a large amount of information on Mexican public procurement activity is available on CompraNet, the data is not sufficiently comprehensive, and it is not available in formats that can increase accountability. The current process for achieving transparency and accountability in public procurement involves public disclosure of a large number of documents in formats such as scanned PDFs. This means that control entities and other stakeholders (e.g. auditors or the public) must invest considerable effort and resources in identifying acts of corruption. Increasing accountability requires public disclosure of high-quality data in a format that allows analysts to detect trends and exceptions.

Box 2.5. OECD's Recommendation of the Council on Public Procurement – principle on transparency

II. RECOMMENDS that Adherents ensure an adequate degree of transparency of the public procurement system in all stages of the procurement cycle. To this end, Adherents should:

- i) promote fair and equitable treatment for potential suppliers, by providing an adequate and timely degree of transparency in each phase of the public procurement cycle, while taking into account the legitimate needs for protection of trade secrets and proprietary information and other privacy concerns, as well as the need to avoid information that can be used by interested suppliers to distort competition in the procurement process. Additionally, suppliers should be required to provide appropriate transparency in subcontracting relationships.
- ii) allow free access, through an online portal, for all stakeholders, including potential domestic and foreign suppliers, civil society and the general public, to public procurement information, notably related to the public procurement system (e.g. institutional frameworks, laws and regulations), the specific procurements (e.g. procurement forecasts, calls for tender, award announcements) and the performance of the public procurement system (e.g. benchmarks, monitoring results). Published data should be meaningful for stakeholder uses.
- iii) ensure visibility of the flow of public funds, from the beginning of the budgeting process through the public procurement cycle, to *i)* let stakeholders understand government priorities and spending, and *ii)* allow policy makers to organise procurement strategically.

Source: (OECD, 2015^[12]).

Transparency is widely regarded as an effective tool for fighting corruption. According to OECD research, countries should implement internal control and regulatory oversight, supported by transparency and active participation by civil society in the public decision-making process (OECD, 2016^[13]), to enable effective accountability. However, to be effective, transparency and accountability systems must be linked, and disclosing information should take account of the quality of what is disclosed as well as its quantity.

Box 2.6. Linking systems of accountability and transparency: *Subsidios al Campo* in Mexico

In 2008, a coalition between civil society organisations and interest groups launched an online platform called *Subsidios al Campo en México*, or Farm Subsidies in Mexico (*Subsidios*, www.subsidiosalcampo.org.mx). The coalition launched the website as an online tool to strengthen transparency by disclosing information and data on federal farm subsidies. The website also includes aggregated data on subsidies by state, municipality and region, as well as across years and types of programmes.

The information is presented dynamically on the website, using graphics, figures and maps to aid comprehension and comparative analysis. According to the website, the initiative aimed to systematise information from different sources (state ministries, decentralised agencies, research centres and media). By various measures, *Subsidios* has been successful in increasing transparency, but underlying assumptions about the linkages and inter-reliance between transparency and accountability mechanisms and actors presented several issues. The assumptions included:

- Public and accessible information would be used by civil society organisations and citizens to demand government action.
- Key accountability actors involved in agricultural policy would be responsive to the demands of citizens, and use the information to improve oversight functions.
- The executive branch, including the Ministry of Agriculture, would be equally responsive to the findings and recommendations of control entities, leading to policy reforms.

In the case of *Subsidios*, the online portal was generally a success, but key users of the data did not have the incentive or capacity to use the information. Traditional pitfalls of online transparency policies also include barriers to information access and the resistance of government entities to public disclosure (Shkabatur, 2012^[14]). Barriers to information access involve not only public disclosure of information (quantity), but also the manner in which it is disclosed (quality) and whether the public or accountability actors can analyse and understand the information.

The assumptions in the case of *Subsidios* illustrate the important relationship between transparency initiatives and accountability mechanisms. Transparency systems rely on mechanisms for accountability to achieve certain outcomes, and vice versa. As illustrated by the assumptions in the case of *Subsidios*, actors within a system of accountability have responsibilities for transparency initiatives if they are to affect policy change.

Source: (Cejudo, 2012^[15]); (Shkabatur, 2012^[14]); (*Subsidios al Campo*, 2017^[16]).

SFP has recently led efforts to promote the anti-corruption agenda in Mexico. In March 2017, Mexico's federal government established an Alliance for Open Contracting (*Alianza para las contrataciones abiertas*) involving stakeholders from the public and private sectors, with the objective of adopting the Open Contracting Data Standard (OCDS) for all government procurement contracts at central and local levels (Coordinación de Estrategia Digital Nacional (National Digital Strategy Coordination), 2017^[17]). The adoption of the OCDS is expected to directly impact the work done in

Compranet. The OCDS facilitates the structured publication of data from all phases of the public procurement process: planning, tendering, awarding, contracting and implementation.

Although the Mexican government has agreed to implement the OCDS, the information currently published on Compranet does not provide “shareable, reusable, machine readable data” as required by the OCDS. The current state of Compranet data does not easily allow comprehensive analysis of procurement activities, given that:

- As tender responses are often submitted in hard copy, data is uploaded by scanning documents into PDF formats, which are not easily readable, making it challenging to extract data fields in a standardised fashion.
- Functionality for electronic signatures is not currently used, meaning that contracts cannot be entered into the system in open data format.
- The large number of open fields make it difficult to easily search and input data in a standardised way.
- Lack of compliance with naming conventions and agreed referencing standards reduce the quality and searchability of data in Compranet. This also makes it difficult to link it with data or processes in other government systems.

In developing an approach to the implementation of the OCDS, consideration should be given to information that should not be made publicly available. In addition to data privacy requirements, there are limits to the effectiveness of full transparency on tender information. According to the OECD’s Working Party on Competition, “full transparency of the procurement process and its outcome can promote collusion. Disclosing information such as the identity of the bidders and the terms and conditions of each bid allows competitors to detect deviations from a collusive agreement, punish those firms and better co-ordinate future tenders” (OECD, 2011^[18]). Full transparency can also result in the sharing of commercially sensitive information, such as pricing models and profit margins implemented by businesses, which could discourage businesses from participating in public procurement opportunities. Commercially sensitive information can thus be captured by the system and made available to control entities, such as audit institutions, without being made publicly available in a way that encourages collusion.

Accountability can still be achieved in a somewhat constrained transparency environment, through enhanced systematisation or traceability of decisions through the procurement process. E-procurement can eliminate corruption opportunities from public procurement if it is designed to ensure that rules and procedures are standardised and consistent. This can restrict the existence of discretion in decision-making processes (Heggstad and Frøystad, 2011^[19]). By including evaluation criteria and weightings in tender documents and establishing the evaluation criteria within the system in advance, tender responses can be evaluated against such criteria. This activity can be conducted without direct oversight from the public, using the functionality of the system to evaluate the tender against predefined criteria, whilst avoiding the publication of commercially sensitive information.

According to the findings from a global forum on corruption in public procurement hosted by the OECD’s Competition Division, a number of other methods could be used to make collusion more difficult, while maintaining transparency and safeguarding the need to reduce the risk of corruption:

- Only information on the winning bid should be released, while information on the losing bids could be made available only to issuers of tenders and comptrollers, and not to competitors generally.
- Because of the potentially destabilising effect of nonidentifiable bidders on bid rigging, the procurement official might consider keeping the identities of the bidders undisclosed, perhaps referring only to bidder numbers and the number of bidders remaining in the bidding process.
- The timing of the disclosure of sensitive information (such as the losing bidders' identity and their bids) could be delayed to ease the effects of such disclosure on collusion (OECD, 2010_[20]).

In order to satisfy the OCDS requirements, SFP and contracting authorities are currently spending significant resources on scanning and uploading procurement documents. This administrative work would not be required following a shift to the full use of the OCDS. According to the Open Contracting Partnership (OCP), the group responsible for developing the OCDS, several countries and cities have already benefited from the transition to the standard, as mentioned in the box below.

Box 2.7. Open Contracting Data Standard in Ukraine

After the Maidan revolution, civil society, the private sector and the government in Ukraine came together to make the provision of humanitarian resources more transparent. Based on this experience, civic activists and procurement experts formed a public-private partnership, the ProZorro initiative, to work on expanding this experience to make Ukraine's procurement system more publicly accessible.

The new system, based on the Open Contracting Data Standard, was launched in February 2015. It makes any document and information related to public procurement (including annual plans, tender notices and documentation, bids, decisions of evaluation committees and contracts) freely accessible online as open data. The results of the project have been impressive: in the first three months, USD 1.5 million in public funds was saved and competition increased from an average of two participating bidding companies per tender to three.

After the adoption of the new public procurement law in December 2015, and since it became mandatory on 1 April 2016, ProZorro was scaled up to include all procurement in Ukraine. The success of the project, all the more impressive considering the conflict in the country, was largely due to the collaboration between different stakeholders. For them, this project went far beyond open data as a principle. The implementation was results-oriented, not only in terms of numbers and savings but also in terms of transforming the business culture into something more beneficial for the country. Ukraine's project has been shared as a success with others in the field. ProZorro won the World Procurement Award in the Public Sector.

Source: (Open Contracting Partnership, 2017_[21]).

The transition to the OCDS can be facilitated through use of guidance and tools provided by the OCP itself. According to its experiences of working with countries and cities to implement the OCDS, implementation should follow the steps below:

1. **Design your engagement and make a commitment:** identify the key goals to be achieved, engage with stakeholders and assemble a team with technology and policy skills;
2. **Map the readiness for open contracting in your country:** map data and documents to the OCDS to identify what data is required to meet user needs and what is missing.
3. **Build your Open Contracting Data Standard implementation:** create data releases by amending existing tools or using new ones in order to transform data and documents;
4. **Publish contracting data:** publish in line with a policy that dictates how information is kept up to date and how privacy and confidentiality are managed.
5. **Use information to monitor government contracts and fix problems:** build tools that make the data usable and leverage it to encourage accountability.
6. **Learn and innovate government contracting:** make adjustments to ensure a continuous improvement cycle.
7. **Show and share what you have learned with others:** document progress and monitor against original objectives (Open Contracting Partnership, 2017^[22]).

Once the transition to the OCDS is made, tender submissions and contract details become much more traceable and auditable within the system. The transition will, however, require users and suppliers to be well trained, and the changes from hard-copy tender submissions and manual signatures to electronic documents must be carefully managed. In Chile, the transition from paper-based and “mixed” tender submissions to electronic tender documents required *Chile Compra* to provide incentives for suppliers and contracting authorities, for example:

- intensifying the number of audits on mixed and physical processes, while communicating the strategy clearly to contracting authorities
- using the system’s Terms and Conditions of Use to establish a strict and demanding deadline for uploading paper-based tender files
- communicating statistics on the number of upload errors made by contracting authorities to the supplier community
- calculating the cost of the hours the contracting authority spent uploading documents and disseminating results to demonstrate efficiency gaps across the public sector.

By transitioning fully to the OCDS, the data in CompraNet will become much more usable and provide a solid platform for subsequent analysis. This will be used to enhance accountability, monitor compliance with procurement policy and improve decision making in relation to the impact of public procurement policy on contracting authorities, suppliers, and the wider economy. The continuous learning aspect of the OCDS implementation will be critical for ongoing improvements and requires constant feedback to be gathered from users. As functionality such as drop-downs and restricted options are implemented in order to avoid open fields, it will be necessary to ensure that users are still able to manage the system to input the necessary information.

Considering stakeholders’ requirements can help SFP gather data that leads to insights

A number of stakeholder groups require information from CompraNet for a variety of reasons, for example in order to conduct trend analysis, investigate malpractice, formulate policy or undertake market analysis. All these actors play a role in the effective running

of the Mexican public procurement system and rely on information in CompraNet to carry out their roles. A data management strategy for CompraNet should thus ensure that the information is comprehensive and accessible and that stakeholders can use it effectively.

Not all stakeholder groups have access to CompraNet, and those that do find it challenging to access the information they need. For example, the contracting authority *Instituto Mexicano del Seguro Social* (IMSS) has 544 000 workers and an audit team of 504, which constitutes less than 0.1% of the overall workforce. The organisation spends MXN 1 billion per day (USD 56.5 million). The majority of spending is centralised, with 93% carried out at the central level through contracts in CompraNet. Currently, the IMSS audit team is limited in its ability to use information in CompraNet to identify issues with procurement processes. If properly used, the data in CompraNet could be leveraged to enable audit teams at contracting authorities to conduct targeted, as opposed to random, audit investigations.

Box 2.8. Korea's Bid-Rigging Indicator Analysis System (BRIAS)

The Fair Trade Commission (FTC) in Korea works with public buying entities to identify cartel activity and potential cases of bid rigging in public procurement. This work is particularly relevant today, since a number of potential cases related to increased spending in response to the 2009 economic crisis have been identified. In 2009 and 2010, Korea launched a number of large public works projects in a limited period, and there are now claims that contractors colluded to divide up this work.

To identify cases of collusion, the FTC traditionally relied on voluntary reporting by cartel members seeking leniency, and on reports by competing suppliers. These remain the most reliable sources for identifying potential collusion. In 2006, the FTC developed the Bid-Rigging Indicator Analysis System (BRIAS) to supplement these methods of identification.

Drawing information directly from the Korean e-procurement system KONEPS, BRIAS analyses data elements including bidding price (as a ratio compared to reference price), the number of participants, and the competition method, and applies a formula that generates a potential bid-rigging score. If it is above a certain threshold, it suggests the need to collect more information on the contract action. Based on this information, an investigation is opened in cases where it is warranted.

BRIAS collects information from KONEPS on a daily basis, and each month, the system is run on data collected in the previous months. For goods and services, BRIAS is run on tenders above USD 423 800. For public works, the threshold is USD 4.2 million. As of 2012, BRIAS was run on 20 000 to 30 000 bids per year; of approximately 20 000 runs in 2012, the system generated 200 hits that warranted an additional look. This kind of automated system for detecting red flags in public procurement is a good practice that has been implemented successfully in other countries, such as Brazil.

Source: (OECD, 2016^[7]).

Each of the stakeholder groups has different information needs, which must be understood before designing effective search and analysis tools and to ensure databases

are appropriately structured. For example, auditors may require information aggregated by entity, with the possibility of drilling down to identify exceptions to open tender and to develop a targeted audit plan. This will enable Internal Control Bodies to ensure that contracting authorities follow a competitive process through CompraNet, except where there is a valid exception. Procurement operators need data to formulate market strategies, and policy makers need to be able to detect macro-patterns to identify opportunities for collaboration across government and to assess the impact of public procurement policy on the supply market.

According to the consultancy firm PricewaterhouseCoopers (PwC), e-procurement makes it possible to detect and prevent corruption in public procurement if data on tenders, bidders and contractors are collected and stored in a structured way and made accessible for investigation and analysis. For example, post-tender monitoring and analysis could identify evidence of corruption (e.g. number of contracts awarded to the same bidder, number of bidders, etc.); data mining could then be used to detect anomalies and to reveal potential cases of fraud or corruption (PwC; Ecorys, 2013^[23]).

Table 2.1. Data needs of typical stakeholders

	Aggregated information requirements	Disaggregated information requirements
Contracting authorities	<ul style="list-style-type: none"> • Registered suppliers by category • Spending by category • Spending by supplier • P-card use 	<ul style="list-style-type: none"> • Addressable spending • Savings realised vs. market rate • Payment times • Contract compliance by supplier • P-card use by employee
Audit institutions	<ul style="list-style-type: none"> • Number of direct awards and exceptions • Tender submission times 	<ul style="list-style-type: none"> • Spent vs contract rate • Exception vs. supply market
Civil society	<ul style="list-style-type: none"> • Number of direct awards and exceptions by contracting authority • Average bid per tender 	<ul style="list-style-type: none"> • Number of bids for specific procurements
Suppliers	<ul style="list-style-type: none"> • Opportunity by category • Contract award by supplier 	<ul style="list-style-type: none"> • Contract award by supplier
Central purchasing bodies/policy makers	<ul style="list-style-type: none"> • Spending information by category Framework contract spending • Contracting authority spending information • Contract compliance by supplier • Contract award by SMEs/woman-owned businesses 	<ul style="list-style-type: none"> • Framework contract compliance
Competition authorities	<ul style="list-style-type: none"> • Spending by supplier • Bid value trends • Bid win patterns 	<ul style="list-style-type: none"> • Number of bids for specific procurements

Note: The spending requirements above are for illustrative purposes only and represent data that might ideally be available to stakeholders.

Source: Based on stakeholder interviews.

Not all the information above will be available in the system as it currently stands. According to a Deloitte survey of private sector chief procurement officers (CPOs), analytics is estimated to be the technology area that will have the largest impact on procurement in the next two years (65%), but limited data integration is the second-greatest barrier to the effective application of digital technologies (Deloitte, 2017^[24]). In developing the CompraNet data management strategy, consideration should be given to how data needs to be collected and structured as systems are gradually integrated with CompraNet, to ensure that the needs of stakeholders are met in the future.

Given the diversity of stakeholders and their different needs, any user interface that is developed to enable access to data must be user-friendly, with training provided. According to a report on Business Intelligence (BI) strategies, the ease of use of the system is a key driver in the value that stakeholders can extract from data (Howson, 2010_[25]). A survey of BI system users showed that, regardless of the simplicity of the BI interface, only a small portion (19%) say no formal training should be required, whereas in reality, 37% of respondents received no training at all. Twenty percent of survey respondents would like at least half a day of training, and nearly half (48%) would prefer one or two days or more of training. The study recommended that ease of use should be considered for various stakeholders and user groups, to develop:

- a BI solution that is easy to deploy and enhance
- BI content that is easy for “power users” to create, such as reports and dashboards
- dashboards and reports that are easy for typical users to interact with, explore and consume
- data presented in a way that makes it easy to draw insights once it is accessed.

However, a key consideration that precedes the implementation of a BI tool is that the data within the system be accurate, as BI tools require good data to generate meaningful insights.

Maintaining data integrity will take good governance in and outside CompraNet

The reliability of the data within CompraNet depends on information inputs being accurate, timely and complete. The Deloitte survey of CPOs identified quality of data as the greatest barrier to the effective application of digital technologies (49%) (Deloitte, 2017_[24]). Some of this can be managed through system changes, such as adding checkpoints and requiring the input of complete and unchangeable information before procurement processes can progress to the next stage. However, some elements of data integrity require users to be trained, incentivised and/or compelled to include accurate and timely data.

According to a study on data governance in procurement and supply chain solutions at private organisations, in concert with Bravo Solutions, only 20% of the 70 procurement professionals that responded are currently implementing a “data governance” programme. The ranking of “data quality” priorities were: accuracy (58%), valid data (18%), complete data (11%), consistent data (11%), unique data (11%) and timely data (11%). The study indicates that these concerns represent a serious impediment to migrating to a digital strategy and to being able to use advanced analytical tools with a high level of confidence (Handfield, Yacura and Soundararajan, 2017_[26]).

There are several steps throughout the procurement cycle in which, according to stakeholders, data in CompraNet suffers from one of the challenges mentioned above. For example, Mexico has developed its own catalogue system, the *Clasificador Único de las Contrataciones Públicas* (CUCOP), but it is not systematically used by procurement officials. Lack of enforcement in the use of common classifiers leads to inaccurate and unusable data in CompraNet. Procurement officials thus have greater difficulty in accessing information on past procurement processes, such as pricing information and quantities procured for each good and service. This affects users’ ability to perform such tasks as developing needs assessments, or conducting market research or calls for tender opportunities. Information within the system also supports applications for tender

exceptions. If this process does not draw on accurate information, exceptions may be granted without the requisite data.

The table below identifies challenges raised during discussions with stakeholders, and the types of tactics that may be identified in a data management strategy. It is important to note that not all data or security issues can be resolved through the use of technology. A data management strategy requires tactics that blend technology, process change, training, and culture development, among other things (Handfield, Yacura and Soundararajan, 2017^[26]).

Table 2.2. Techniques for managing data integrity issues

Procurement phase	Data issue	Possible methods of resolution
Market research	Results not consistently uploaded	• System function – user unable to progress to next phase without completing and uploading market research
Supplier registry	Disqualified suppliers are not removed from the system	• Automatic removal of black-listed suppliers
Tender classification	Tenders are not correctly classified	• Align with international classification standards • Additional user guidance on how classification system should be used
Tender – general	Data is not available when linked to a user account for an individual who has left the organisation	• Enable super users within contracting authorities to reassign tenders to other staff members
Tender – general	Concerns that multiple users may be able to access single account	• Hold super users/system administrators within contracting authorities to account for managing users' rights, and checking usage within procurement teams
Tender – general	Inconsistent use of naming conventions	• Provide guidance on use of the system's naming conventions
Tender – general	Inconsistent use of reference numbers	• Introduce system functionality that provides each tender a unique reference number that links into other systems
Contracts and contract variations	Incomplete registry of contracts and contract variations	• Publish list of missing contracts to contracting authorities, to encourage compliance • Disable users that have not uploaded contracts from completed tenders • Use future connection with the financial system to disable payments for inaccurate unit prices without submission of appropriate contract variations to adjust unit price accordingly

Source: Based on stakeholder interviews.

Some data elements that stakeholders insist are important for understanding the full picture of public procurement activity in Mexico are not at present required to be uploaded to CompraNet and are therefore not included in the system. First, where contracting authorities request an exception to an open tender process, the reasons for exemption are not made public. Civil society groups indicate that contracting authorities often erroneously select restrictive procurement procedures that involve direct negotiation with a single supplier, which is usually supported by inaccurate market research indicating that no other viable suppliers exist. However, valid exceptions to open competition undoubtedly do exist, including in highly sensitive cases such as procuring goods or services related to national security. Where appropriate, mandating and facilitating the publication of this information in a public-friendly format would enable the validation of those requests (for example, by conducting objective market research to verify contracting authorities' claims), eventually leading to an increase in competition by ensuring that exceptions are more likely to be correctly applied. Operators of CompraNet

indicated that where they did try to input information into the system, the platform was not suitable for loading information on noncompetitive procedures, and that system changes would be required to facilitate this addition.

Second, contracts between contracting authorities and other contracting authorities or state-owned entities (for example, universities), under what is known as an Article 1 exemption (*Article 1, 5th paragraph, LAASSP & Article 1, 4th paragraph, LOPSRM*), are not required (or allowed) to be entered into CompraNet. According to investigations by *Animal Político* and *Mexicanos Contra la Corrupción y la Impunidad* (MCCI), by using Article 1 exceptions, MXN 7 670 million in public contracts were awarded, through eight public universities, to 186 companies. However, 128 of the companies were not entitled to receive public resources, given that they did not have the infrastructure or legal standing to provide the services for which they were hired, or simply because they did not formally exist (*Animal Político*, 2017_[27]). Even in these cases, contracting authorities are still obliged to apply standard procurement principles dictated by Article 134 of the Constitution. Given that it is not made publicly available or loaded into any central repository, information related to this significant proportion of government expenditure is not easily accessible.

Under the existing legal framework, the two aforementioned categories of information are not required to be made publicly available. Any system changes to enable the publication of this information may thus need to be reinforced by formalising these processes in law.

The quality of insights that can be derived from CompraNet will affect the system's ability to increase accountability, advise public policy and generate value for public funds. However, the quality of insights is dependent on the quality and completeness of the data that is entered into the system. A data management strategy that is not restricted to the use of technology levers can mitigate several data integrity risks.

Using CompraNet to improve procurement practices, encourage competition and optimise value for public money

Existing help desk and training services can be improved and supplemented

Adherents to the OECD's Recommendation of the Council on Public Procurement should build a system geared towards the use of efficient and effective procurement processes and reducing administrative red tape and costs. In an e-procurement context, that involves providing support to users of the platform, to maximise the benefits of the system's functionality. Training and guidance, supported by fit-for-purpose help desk services that respond to both buyers and suppliers will improve users' interaction with the system.

The need to support users to make the most of technology developments in procurement is not limited to Mexico. According to the OECD survey on public procurement, 40% of countries reported low levels of knowledge and skills in the use of ICT (OECD, 2016_[1]). This is seen by OECD countries as the second most significant barrier to the effective use of e-procurement systems by contracting authorities.

CompraNet is currently supported by a three-person in-house help desk team that deals with phone and email-based enquiries and problems. This service is supplemented by self-service resources such as user guides, videos and manuals. The service responds to enquiries about procurement processes, policy and legislation. On average since 2010, the help desk has received 3 000 user enquiries each month, 70% of which are processed,

while 30% remain unresolved. The relatively small size of the help desk team may explain why it cannot satisfy all enquiries.

By contrast, the *Colombia Compra Eficiente* help desk is staffed by a team of 30, made up of 2 supervisors, 1 quality assurance role, 1 trainer and 26 agents. The service is available to users in three different channels. Table 2.3 shows how agents are measured according to the number of issues resolved, and how the average number of enquiries per agent compares with Mexico's.

Table 2.3. Average monthly help desk Statistics at *Colombia Compra Eficiente* (2017)

	Enquiries received	Enquiries resolved	Enquiries per agent (monthly average)	Mexico enquiries per agent (monthly average) (1 January-2 October 2017)
Calls	8 911	6 744 (76%)	343	478
Chat	13 568	9 358 (69%)	522	N/A
Email	2 054	2 054 (100%)	79	423
Total	24 533	18 156 (74%)	944	443

Source: Data provided courtesy of *Colombia Compra Eficiente* and SFP.

The number of enquiries per agent between Colombia and Mexico is currently comparable. However, once awareness and use of CompraNet increases, and allowing for increases that will occur with system changes, the number of enquiries per agent in Mexico is likely to increase. The average number of user enquiries in Colombia is eight times higher than Mexico's. Similarly, the average number of enquiries per month in Chile (20 000) is nearly seven times greater than the monthly average in Mexico, implying that CompraNet users are not engaging with support services at the rate they do in other countries. This could either be attributed to a lack of awareness of the existence of support services, or suggest that CompraNet is a stable system well-understood by its users.

Exploring with non-users of support services their reasons for not engaging with the help desk sheds some light on user perception, as does engaging users in perception or feedback surveys. Efforts should be considered to measure user perception of the help desk service to ensure the service is customer-oriented and user-friendly. User satisfaction surveys can also measure changes in user perception over time.

The process of anticipating and planning for the effects of a significant business change on policies, behaviour, systems and processes is known as "change management". Following a significant change to the system (many of which are anticipated as the system Roadmap is implemented), the number of user enquiries is likely to increase significantly. The plan to manage changes to the system should acknowledge the likelihood of a spike in user enquiries. As demands on help-desk services increase, attention should also be paid to the changes that will be required in guidelines and training services. Communicating to users how the system should be used for conducting each step of the procurement cycle (for example needs assessments, market research or identifying qualifications and award criteria) will be key to the success of the improvements.

Box 2.9. Stakeholder training and e-procurement support in Colombia

In its work, *Colombia Compra Eficiente* emphasises the importance of engaging with stakeholders by giving them useful, relevant information. Its help desk for all stakeholders offers manuals and videos on using the electronic systems, and it also issues manuals and guides explaining how the procurement system works. *Colombia Compra Eficiente* also publishes a regular bulletin for interested stakeholders highlighting ongoing efforts and improvements. SECOP II, the second phase of Colombia's electronic procurement rollout, also provides opportunities to continue and expand stakeholder engagement.

Government purchasing entities, suppliers and potential suppliers, control authorities, the media and NGOs and the general public all have a high degree of interest in receiving relevant information from the public procurement system. Government entities, suppliers and industry stakeholder groups who were interviewed expressed a strong interest in the reduction of effort that will result from the digitalisation of processes; the main concern was that the new system be adopted as soon as possible. Many also said they believed that the move to SECOP II and more clearly defined electronic processes will reduce the barriers facing potential new entrants in their first encounters with the public procurement process.

Journalists are also heavy users of public procurement information provided by SECOP II. This group expressed surprise and satisfaction in interviews at the amount of information *Colombia Compra Eficiente* makes available, and also with the availability of staff to address questions about whether or not data was available. This group, like other stakeholders, expressed interest in the benefits likely to be realised in the transition to SECOP II. They anticipated that the new system was likely to result in higher quality data and better interconnection with other data sources. The timeliness of available information was cited as a critical concern for the stakeholders interviewed.

Source: (OECD, 2016^[11]).

Preparing users for changes to the system should also involve efforts to improve and expand system training both for suppliers and contracting authorities. For procurement officials and suppliers now using CompraNet, SFP has developed face-to-face training programmes, as well as online courses for self-training. Around 9 000 procurement officials had face-to-face training in the use of CompraNet between 2011 and 2017. However, information gathered during the OECD fact-finding mission suggests that many enquiries to CompraNet's help desk reveal a lack of knowledge of the system's processes and norms. Improving and supplementing ongoing system training opportunities for procurement officials is expected to reduce the reliance on the help desk for support and ensure that the system is being used as an effective tool for procurement. Building the capacity of the procurement workforce sustainably is a long-term effort, and strategies are needed to tackle both immediate and long-term issues.

Box 2.10. OECD's Recommendation of the Council on Public Procurement – principle on capacity

IX. RECOMMENDS that Adherents develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively.

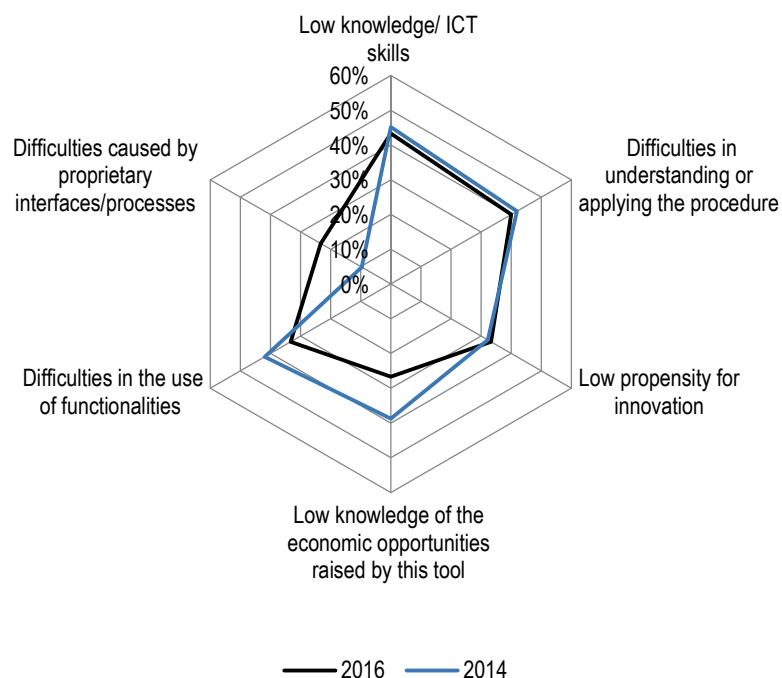
To this end, Adherents should:

- i) ensure that procurement officials meet high professional standards for knowledge, practical implementation and integrity by providing a dedicated and regularly updated set of tools, for example, sufficient staff in terms of numbers and skills, recognition of public procurement as a specific profession, certification and regular trainings, integrity standards for public procurement officials and the existence of a unit or team analysing public procurement information and monitoring the performance of the public procurement system.
- ii) provide attractive, competitive and merit-based career options for procurement officials, through the provision of clear means of advancement, protection from political interference in the procurement process and the promotion of national and international good practices in career development to enhance the performance of the procurement workforce.
- iii) promote collaborative approaches with knowledge centres such as universities, think tanks or policy centres, to improve skills and competences of the procurement workforce. The expertise and pedagogical experience of knowledge centres should be enlisted as a valuable means of expanding procurement knowledge and upholding a two-way channel between theory and practice, capable of boosting application of innovation to public procurement systems.

Source: (OECD, 2015^[12]).

Raising awareness of the system and building suppliers' capabilities to use it

Using CompraNet to increase value for public funds will mean engaging the business community. To increase supplier participation in public procurement, and to increase competition, barriers reducing supplier participation must be removed, particularly in the case of small and medium-sized enterprises (SMEs). According to the OECD survey on public procurement, the barriers for businesses in using e-procurement differ from those faced by contracting authorities. Barriers for businesses are more diverse and include limitations in their knowledge and skills in using ICT, difficulties in interacting with the system and understanding or applying the necessary procedures.

Figure 2.7. Challenges for businesses in effectively using e-procurement systems

Source: (OECD, 2016^[1]).

On average, 4.3 bid proposals were received for each open tender conducted in CompraNet from 2010 to date. SFP intends to increase this number in order to demonstrate the inclusiveness and competitiveness of public procurement in Mexico. Businesses that are not participating in public procurement opportunities can be divided into two groups: those that have access to the system and do not participate in public tenders, and those that do not have access to or are not aware of CompraNet.

Box 2.11. OECD's Recommendation of the Council on Public Procurement – principle on access

IV. RECOMMENDS that Adherents facilitate access to procurement opportunities for potential competitors of all sizes.

To this end, Adherents should:

ii) Deliver clear and integrated tender documentation, standardised where possible and proportionate to the need, to ensure that:

1) specific tender opportunities are designed so as to encourage broad participation from potential competitors, including new entrants and small and medium enterprises. This requires providing clear guidance to inform buyers expectations (including specifications and contract as well as payment terms) and binding information about evaluation and award criteria and their weights (whether they are focused specifically on price, include elements of price/quality ratio or support secondary policy objectives); and

2) the extent and complexity of information required in tender documentation and the time allotted for suppliers to respond is proportionate to the size and complexity of the procurement, taking into account any exigent circumstances such as emergency procurement.

Source: (OECD, 2015^[12]).

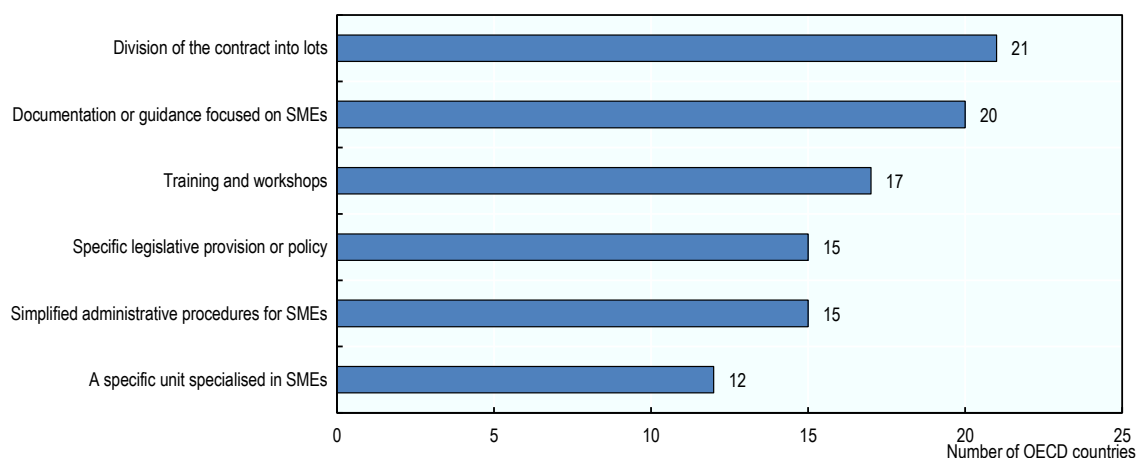
During the interviews, several reasons were suggested for the lack of participation by suppliers already registered in CompraNet. One reason was their inability to act on notifications of tender opportunities. It is not clear how effective the system's alert system is in letting suppliers know of tender opportunities in their field of interest. Some stakeholders suggested that many businesses request notifications in a broad range of categories, including some outside the industry in which they operate, and that the sheer volume of notifications is too great for businesses to identify and act on genuine opportunities. This suggests that suppliers registered in CompraNet could benefit from ongoing training on how to use the system effectively, and training to enhance understanding of how to be successful in responding to government tenders. The issue may also be attributed to the application of CUCOP, a bespoke, Mexican-developed system for classifying goods and services. By transitioning to a more universally recognised standard, SFP may be able to attract international suppliers while familiarising Mexican businesses with a system that they will need to use to export to other countries.

Since 2012, more than 14 000 suppliers have received face-to-face training. However, considering the total amount of suppliers registered in CompraNet (over 215 000 as of 2017, with over 3 000 new users registering each month), these training efforts should be enhanced, for example by educating suppliers on the relevant aspects of the Mexican legal system related to public procurement. The use of online training and the efforts to raise awareness about CompraNet can help educate suppliers outside major urban centres.

According to SFP, as of March 2017, 78% of contracts had been awarded to SMEs, representing 53.1% of the total contract value (a total of MXN 2 893 762 million since 2010). Of more than 5 million registered businesses in Mexico, over 70% are not registered in CompraNet. Around 1 million businesses in Mexico are informal, volatile

and may not be a part of the government tax system, still leaving a pool of over 3 million businesses that could be encouraged to participate in public procurement. Engaging these suppliers, many of whom are likely to be SMEs, will mean eliminating barriers to participation, to ensure that CompraNet can be reached by suppliers of all sizes all over the country. The OECD public procurement survey identified a number of approaches used by member countries to encourage the participation of SMEs in public procurement (OECD, 2016^[1]).

Figure 2.8. Approaches in place in OECD countries supporting the development of SMEs



Source: (OECD, 2016^[1]).

Other mechanisms for improving participation (and for enhancing suppliers' perceptions of public procurement processes as open and fair) include making sure that suppliers are provided with adequate feedback channels and complaint mechanisms where there are issues with a procurement process. The public procurement complaints process is currently located outside CompraNet, as part of a channel for collecting general complaints on the conduct of public officials. There are no specific instructions for filing complaints related to public procurement on the SFP website, and fields on the complaint form do not provide specific options or drop-downs on public procurement. Also, complainants are asked to indicate under which federal law they wish to complain, which requires businesses to have an advanced understanding of public procurement law.

Based on the complaints filed on that website, SFP holds a database of complaints directed against public officials. Of a total of 104 000 complaints, only 2% are related to public procurement. The low numbers could reflect the lack of clarity around the complaints process, or a culture averse to filing complaints. This is reinforced by the fact that Mexico did not launch any investigations or convictions involving foreign bribery between 2009 and 2014 (Bolongaita, 2017^[28]). If CompraNet's role in allowing for acts of whistle-blowing is increased, corruption may be more easily identified and investigations initiated more frequently. The lack of clarity around the process can be resolved as part of supplier outreach and training, and by including instructions on how to submit complaints in relation to public procurement as part of future iterations of the CompraNet system. However, major cultural changes take time, and will be assisted by the government's openness to improving public procurement processes in response to suppliers' feedback.

Box 2.12. A whistle-blower hotline in Austria

In March 2013, Austria's Ministry of Justice set up a whistle-blower hotline on the home page of the Public Prosecutor's Office against Corruption and White-Collar Crime. As of September 2013, approximately 590 notifications were submitted through the platform. Only 53 of those notifications were not relevant.

The Federal Ministry of Justice's whistle-blowing website enables investigators from the Public Prosecutor's Office against Corruption and White-Collar Crime (*Zentrale Staatsanwaltschaft zur Verfolgung von Wirtschaftsstrafsachen und Korruption*, WKStA) to get in direct contact with whistle-blowers to ensure their anonymity. In that event, the whistle-blower is entitled to decide whether he/she would like to remain anonymous or to identify him/herself to the investigators.

Source: (OECD, 2016^[11]).

Increasing competition in public procurement activity, and ultimately achieving improvements in value for money, requires a commitment to using the e-procurement system to better engage suppliers. This means building the capabilities of suppliers already registered on CompraNet, and among SMEs, raising awareness of CompraNet and its role in public procurement processes.

Standardising procurement documentation could reduce the cost of tendering and increase competition

For businesses, participating in public tenders can be costly and complex in an environment where each contracting authority uses different documentation and has different requirements for each tender. By standardising procurement practices in Mexico, using both system-centric and non-system-centric initiatives, transaction costs for suppliers will be reduced and suppliers will be more likely to participate in government tenders.

Central Purchasing Bodies (CPBs) across the OECD membership utilise a range of models to introduce procurement reform. Mexico's current system uses a decentralised approach (similar to that in Japan and Russia), leaving the majority of direct procurement to each contracting authority. The role of a CPB in this model is typically to encourage improvements in procurement practices, often by identifying opportunities to drive standardisation and collaboration between contracting authorities. Procurement reform is often initiated to realise cost savings and to improve a landscape where each agency has established its own procedures and processes. A proliferation of heterogeneous procurement procedures increases transaction costs, and inhibits supplier participation and competition.

The perspective of stakeholders in Mexico is that each contracting authority still uses its own form of procurement documentation and each has different requirements for suppliers. This drives up the cost for suppliers of participating in government procurement, in particular restricting the ability of organisations without significant resources (such as SMEs) to respond to tenders. Having standardised information requirements for the different documentation used in procurement processes is beneficial for all users. This can be achieved either by publishing new standardised documents or by enforcing a standardised order and arrangement of the information requirements included

in each type of document (allowing entities to define their own wording for documents). Homogenising documentation and information requirements will create more efficiency for suppliers and government users. This process should be undertaken in advance of the introduction of open data standards, so that new document formats can use common fields that will allow data to be more easily extracted and analysed. In this sense, interoperability with other systems can be more easily achieved, allowing for automatic extraction of information and preliminary filling of response fields.

Document templates can be developed for different steps of the procurement process to ensure broad standardisation (e.g. model documents for invitations, tender documents and contracts). Commoditised goods and services are often a target for standardisation activities in public procurement, given the lack of unique and customised specifications. Developing a common approach and common specifications for the purchase of these types of goods across government, including in areas such as sustainability requirements, could improve the engagement between government and the suppliers of goods and services that are commonly used by the majority of contracting authorities. Other practices can help drive standardisation across a decentralised system, for example detailing the procedures that can be used to determine a bidder's eligibility and ability to perform a specific contract, and standardising time limits to make sure suppliers have ample time to identify and respond to procurement opportunities.

Box 2.13. Government Model Contracts in New Zealand

The New Zealand Ministry of Business, Innovation and Employment (MBIE) developed a set of standard contract terms and conditions for routine government purchases. These conditions are called government model contracts (GMCs).

The development and implementation of GMCs is part of the Government Procurement Reform Programme and was mandated by a Cabinet Directive requiring MBIE to “create a standard, simple, plain English set of conditions of contract for common goods and services to be used by all Public Service Departments and State Services.”

The GMCs are aimed at low-value, low-risk common goods and services. They have been designed as the default government contract. It is up to each agency using the GMCs to determine what constitutes low-value, low-risk common goods and services. This definition is subjective and will depend on the size of the agency and the scale and complexity of its procurement function.

Through the use of GMCs across the Public Service and State Services, government aims to:

- provide simple, plain English contracts that are easy to use for both agencies and suppliers
- provide a fairer balance of risk between buyer and supplier
- standardise the treatment of legal risk in low-value, low-risk contracts
- reduce the need for negotiations and legal advice in routine purchases
- promote consistent practices across government
- promote process efficiencies in high-volume, low-value transactional contracting
- make it easier to do business with government
- support improved procurement practice and align with international best practice.

The results have been an overall increase in suppliers’ satisfaction with government procurement practices recorded as part of the New Zealand Annual Business Survey.

Source: (OECD, 2016^[11]).

Modifications can be made to CompraNet to further standardise procurement practices for the benefit of suppliers. For example, tools such as pre-qualification functionality can be used to streamline the procurement process for suppliers. Such tools can retain, for each supplier, information such as bank guarantees, insurance certificates, professional qualifications and other documentation that suppliers must provide as part of each tender process. This would prevent suppliers from having to produce the same documents repeatedly. It would be possible to expand a pre-qualification tool to include requirements relevant to certain industries, such as engineering qualifications or association memberships, although this would require contracting authorities to agree on standard requirements. Adapting the current Supplier Registry (*Registro Único de Proveedores y Contratistas*, RUPC) to meet this need is an option that could be explored.

The application of such tactics to standardise tender processes and documentation can lower entry barriers for businesses, and help in the monitoring and analysis of

procurement activity. Such changes offer an opportunity for further improvements as e-procurement becomes a fully integrated end-to-end system collecting procurement data in an open and extractable format.

Note

² The OECD's Compendium of Good Practices for Integrity in Public Procurement has, since 2009, called for social witnesses to participate in all stages of public tendering procedures above certain monetary thresholds, as a way of promoting public scrutiny. As of 2017, the thresholds were MXN 400.2 million (approximately EUR 18.6 million) for goods, leasing and services, and MXN 800.4 million (approximately EUR 37.2 million) for public works and related services.

"Social witnesses" are nongovernmental organisations and individuals selected by the Ministry of Public Administration (SFP). SFP notes that "the monitoring of the most relevant procurement processes of the federal government through social witnesses has had an impact in improving procurement procedures by virtue of their contributions and experience, to the point that they have become a strategic element for ensuring the transparency and credibility of the procurement system" (OECD, 2015^[29]).

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From:

Mexico's e-Procurement System

Redesigning CompraNet through Stakeholder Engagement

Access the complete publication at:

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

Please cite this chapter as:

OECD (2018), “Upgrading CompraNet to a system that delivers for all stakeholders”, in *Mexico's e-Procurement System: Redesigning CompraNet through Stakeholder Engagement*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264287426-5-en>

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