

DEVELOPING NEW PROCUREMENT INDICATORS

iChallenge Conference
Paris, 29 October 2014

Outline

- What Motivated the Indicators?
- How are the Proposed Indicators Defined?
- Where do the Proposed Indicators Fit in the Context of Emerging Practices?
- What have been some Challenges Identified for the Proposed Indicators?
- What are some Proposed Improvements and Complements to the Proposed Indicators?
- Questions for discussion

What Motivated the Indicators? – Introducing Sucre

- Four years of experience working in the Sucre Municipality of Caracas:
 - ▣ Director of Budget and Planning
 - ▣ Member of the Procurement Evaluation Committee



What Motivated the Indicators? – Beyond Rules

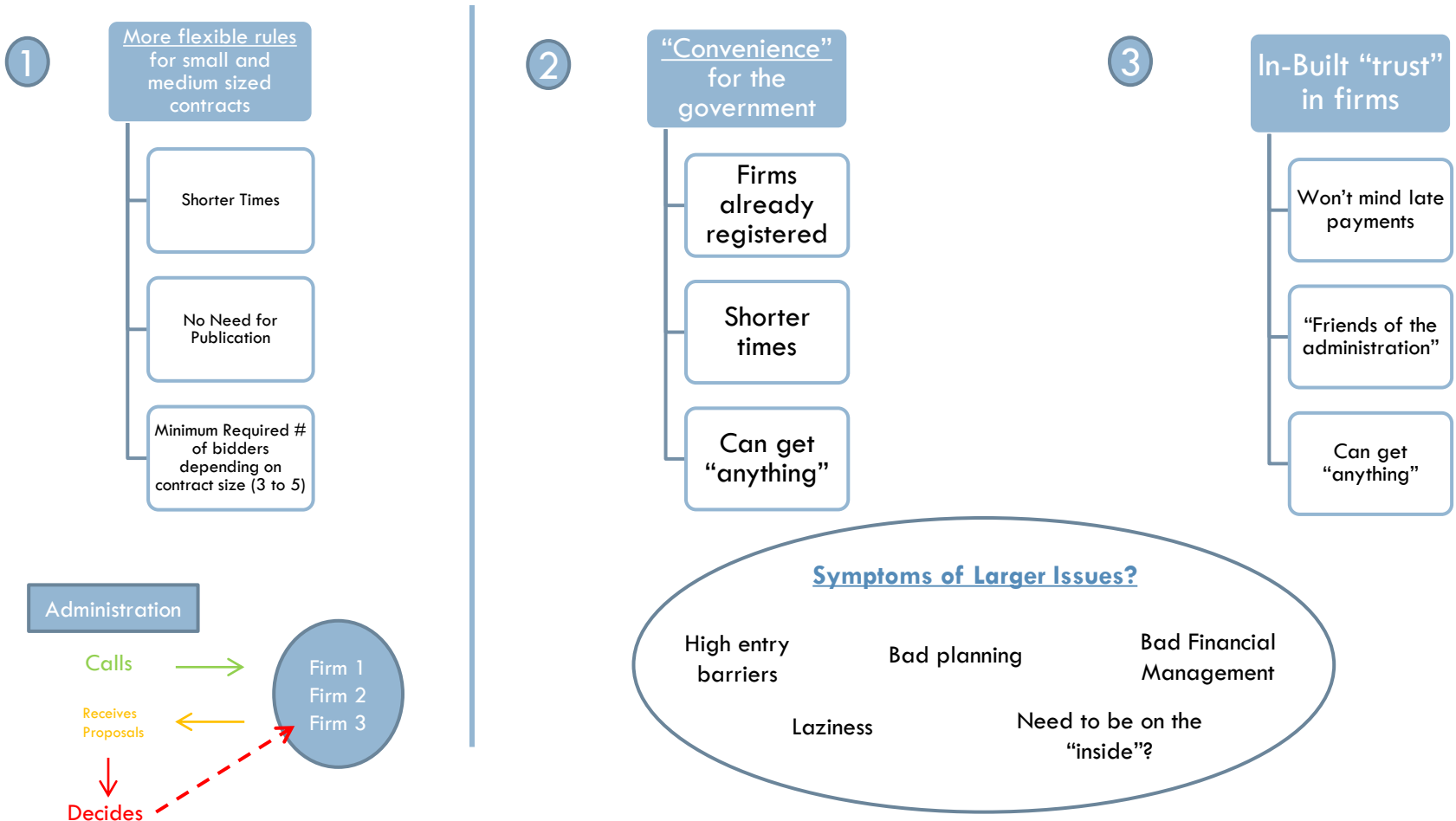
- A superficial look would appear to show everything working perfectly:
 - ▣ Formal rules were followed to the letter
 - ▣ Larger procurement processes published online and attracted many good bidders



- But digging deeper would reveal some practices that might not lead to the most efficient results
 - ▣ Small and medium sized processes show few bidders
 - ▣ Regardless of the subject matter processes usually won by the same group of “trusted” “do-it-all” firms (essentially intermediaries)
 - ▣ Sometimes times all the companies are owned by the same person

Less competition = Higher prices

What Motivated the Indicators? – Analyzing the Problem



How do we Shine a Light on These Practices?

Proposed Indicator #1 – Average Number of Bids

- Problem it attempts to shine a light on:

Lack of competition - few bids per procurement process

- Definition

$$\frac{\text{Number of Valid Bids per Year}^*}{\text{Number of Procurement Processes in a Year}^{**}}$$

* Valid bids refers to those not eliminated for technical reasons, only discarded by better options

** Limited to procurement processes that are completed successfully, that is, lead to getting the goods or services



High Ratio

Means

Significant
Competition

Related to

Higher prices



Low Ratio

Poor Competition

Lower Prices

ISPMS Criterion	
Action-Worthy	✓
Actionable	✓
Behavioral	✓
Replicable	✓
Feasible	✓

Proposed Indicator #2 – Average Number of Firms Submitting Bids

- Problem it attempts to solve

Lack of competition – same firms submitting the bids for most processes

- Definition

$$\frac{\text{Number of unique firms submitting bids}^*}{\text{Number of Procurement Processes in a Year}^{**}}$$

* Valid bids refers to those not eliminated for technical reasons, only discarded by better options. Firms are identified by Tax Identification Number (TIN)

** Limited to procurement processes that are completed successfully, that is, lead to getting the goods or services



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ISPMS Criterion	
Action-Worthy	✓
Actionable	✓
Behavioral	✓
Replicable	✓
Feasible	✓

Proposed Indicators in the Context of other Existing ISPMS Compliant Indicators

	De Jure	De Facto	Outcomes
Value for Money	-	-	-
Fit for Purpose	<ul style="list-style-type: none"> Use of competitive procurement methods (PEFA) 	<ul style="list-style-type: none"> Reported instances not followed competitive process? (Open Budget Survey) Is private market competitive? (MAPS) Share of Procurements that use competitive procedures (EU) Average number of bids / Average number of firms submitting bids (Proposed IChallenge) 	-
Integrity	<ul style="list-style-type: none"> Audit recommendations implemented? (MAPS) 	<ul style="list-style-type: none"> Conflict of interest regulations enforced? (GII) Gifts to secure public contracts? (Enterprise Surveys Survey) 	-
Fairness	<ul style="list-style-type: none"> Adequate appeals/complaint system (MAPS) 	<ul style="list-style-type: none"> Companies guilty of violations excluded from future bids? (GII) Enforcement of rulings and penalties? (MAPS) Independent complaint system (PEFA) 	-
Transparency	-	<ul style="list-style-type: none"> Public Access to procurement information (PEFA) Decisions by complaint body are publicly available (MAPS) Information on Procurement easily accessible (MAPS) 	-

- Expert Assessment
- Survey
- Data

Challenges Identified and Feedback

- Potentially very different ratios between sectors/goods procured (few suppliers of satellites, many for pencils)
- Potentially very different ratios between countries (expect to be higher in more developed countries)
- No direct causal link; for example, also very influenced by size of market
- Will data be available?
- All procurements counted the same, irrespective of value

Proposed Improvements and Complimentary Indicators

- Proposed Improvements
- Adjusted by sector?
- Adjusted to reflect market conditions?
- Adapted by value?

- Proposed complimentary indicators using data
 - Transparency
 - Fairness
 - Value for Money

Questions for Discussion

- How can the proposed indicators be improved/adjusted to better measure firm competition in public procurement?
- What other indicators should complement the proposed ones to better measure procurement performance and results?
- How can we encourage the collection and systematization of data needed to measure these indicators?