Chapter 8

E-procurement: Implementing a strong IT environment to support ISSSTE's procurement activities

This chapter describes ISSSTE's current IT environment and highlights how the absence of integrated IT systems covering the entire procurement cycle can hinder the efficiency and evidenced-based management of procurement activities. The slow uptake of e-procurement is also addressed, describing the need to build awareness and capacity, both within the organisation as well as within its supply base.

Introduction

The existence and use of IT systems at the Mexican State's Employees' Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) varies across the functional areas of the organisation. The current administration has made a significant effort to bring a new impetus for the use and deployment of IT. In particular, the adoption of some key systems since early 2012 marks an important evolution in the development of the IT environment to support more efficient management of functions. This has concerned, in particular, the distribution process of medicines and medical supplies (e.g. supported by the Supply Control Board, *Tablero de Control de Abasto*) and has strengthened the management of the supply functions. Unfortunately the same developments have not occurred in relation to the management of the procurement functions.

This chapter highlights how ISSSTE could lever existing IT systems to tackle a number of issues (e.g. information management, integration of systems, improved collaboration and communication) which would have a positive impact on the procurement functions. There are indeed a number of shortcomings highlighted in this chapter that, if not properly addressed, could limit the benefits reaped from the investments in this area. These are gaps that need to be tackled in order to ensure the optimal use of the systems in use.

Building on the recent IT developments, it is advisable that ISSSTE develop an IT-based platform to manage all of the activities related to its procurement function. The deployment of such a system across all of its procurement units could contribute to the overall improvement of its procurement function as a whole, for example by making the process more standardised, consolidating opportunities and planning. Furthermore, that system would complement the functionalities enabled by Compranet, the national e-procurement solution used by the Mexican federal government which does not support the full digital management of the procurement cycle but only parts of it.

Current IT environment

Implementing a single, comprehensive e-procurement system would harness the power of technology for more efficient and transparent public procurement

ISSSTE does not have an IT-based procurement platform, i.e. e-procurement system, which means that there is no specific IT used to manage its internal procurement processes. ISSSTE's central level administration and the decentralised units use Compranet (*www.compranet.gob.mx*), which is the procurement management information system of the federal government. Since the reform of the procurement laws in 2009, it is compulsory for the Mexican public administration at the federal level to use this national e-procurement system. However, the Law of Acquisitions, Leasing and Services of the Public Sector (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*, LAASSP) still allows suppliers to use paper-based processes to participate in public tenders. Compranet, managed by the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP), is intended to streamline procedures in the procurement of goods, services, leasing and public works funded with federal public resources. It also supports back-office integration within the public administration among procurement, budget and

accounting information management systems, and increases transparency in government operations (OECD, 2011).

The absence of an organisational procurement management system that is integrated with associated systems (e.g. budget, stock) is a significant weakness of ISSSTE's procurement function. In public procurement, the goals of fairness, competition and economic value are paramount. To achieve these goals, effective and efficient procurement processes must be established. This includes incorporating adequate controls to promote competition and minimise the risk of fraud, corruption, waste, and the mismanagement of public funds. In this context, ICTs can be a pivotal tool to foster efficiency and transparency in public procurement.

E-procurement, i.e. the use of information and communication technologies in the procurement function, can help streamline and increase the efficiency of purchasing through more efficient procurement administration. It can indeed result in significant cost and time savings. Additionally, it can help further optimise the efficiencies of the entire process by helping to integrate support functions (i.e. legal, budget related, product specific, stock and supply management, statistical), fostering the creation of specialised skills and facilitating the standardisation of practices whenever suitable. Going even further, ICTs enable economies of scale, for example through the creation of pooled procurement information (e.g. made available on public procurement portals).

Additionally, e-procurement enables a more rigorous management of the procurement process as it provides a mechanism to increase objectivity in the selection of suppliers and increase process transparency. This can have direct consequences on the perceived level of accountability and integrity of ISSSTE's activities. It can, for example, facilitate the provision of data and information when requested for auditing purposes, thus curbing the time spent on data collection required for internal control purposes.

As for all other areas of public functions, openness and transparency are core principles of public procurement. Fairness can only be ensured by making information throughout the process open and available to all. Using ICTs to foster sharing in open formats of data provided by various parts of the Institute at all levels can facilitate the consolidation of requirements, which could allow better prices through greater volumes, i.e. suppliers can provide the most competitive pricing for higher volumes. Savings can be achieved with a combination of price reductions, administrative efficiencies and demand management. These higher efficiencies can benefit both ISSSTE as purchaser as well as its suppliers.

Among other IT initiatives, the recent deployment of the Supply Control Board supporting stock management of medicines and medical products (refer to Boxes 4.2 and 8.2) as well as the planned development of a similar tool to present the status of all of the Institute's procurement procedures, illustrate ISSSTE's overall efforts to promote more strategic sharing and use of information and to strengthen the use of ICTs to foster better co-ordination and collaboration within and across the various administrative levels. Such systems would, however, only cover some aspects of the management of the procurement process. Instead of investing resources in the deployment of individual systems, it is recommendable to adopt a comprehensive strategic view and envisage a related action plan aimed at developing a complete e-procurement system. This approach would more strategically, and in an integrated way, frame the development of single components as part of a full-scale system.

Following the experience of OECD countries such as Chile and Korea (Box 8.1), ISSSTE could consider developing an e-procurement management system used by all of its procurement units, covering the entire procurement cycle, supported by a single e-procurement portal and integrated with existing relevant IT systems and databases.

Box 8.1. **Integrated e-procurement systems in Korea and Chile**

Korea

In 2002, Public Procurement Service (PPS), the central procurement agency of Korea, introduced a fully integrated, end-to-end electronic procurement system called KONEPS. This web-based system processes the entire procurement process electronically (including a one-time registration, tendering, contracts, inspection and payment) and related documents are exchanged online. In particular, KONEPS links with about 140 external systems to jointly share any necessary information, and provide a one-stop service, including Internet banking. Furthermore, it provides related information on a real-time basis. All public organisations are mandated to publish procurement tenders through KONEPS. In 2011, over 64% of Korea's total public procurement (USD 100 billion) was conducted through KONEPS, under which 44 000 public entities interact with 228 000 registered suppliers. According to KONEPS, the electronic procurement system has increased participation in public tenders and has significantly improved the transparency in procurement administration, eliminating instances of corruption. In addition, the system has boosted efficiency in procurement, increasing the number of transactions and significantly reducing transaction costs.

Chile

The Chilean e-procurement architecture, built around the web portal *www.chilecompra.cl*, has a high degree of integration among various systems governing the different phases of the procurement cycle. One of the main achievements of such an integrated system is the extremely high level of transparency towards all stakeholders, mainly by means of accurate data production on public contracts. ChileCompra analyses data extracted from the electronic platform such as the number of bids, purchases through framework agreements, non-competitive procedures. This data are then compared to figures from the previous years in order to estimate amounts spent, savings and the correct application of standards related to the types of procedures. Among other things, this has generated many official investigations on public contracts awards, thus strengthening the overall level of integrity of the Chilean system.

Sources: Chang, Kyung-Soo (2012), "Innovating Public Procurement through KONEPS"; OECD (2012), "Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement", OECD, Paris, *www.oecd.org/gov/ethics/combined%20files.pdf*; accessed 4 October 2013. OECD (forthcoming) *Public Procurement Review of the United States*.

The development and implementation of such an e-procurement system could provide various advantages, such as:

- increasing the consistency and adequacy of the procurement activities through a common process, the availability of templates (e.g. model solicitation documents) and the automation of various steps of the process (bid evaluation and selection of the best offer, automatic calculation and application of penalties for late delivery, etc.);
- reducing the effort and time required to complete the procurement cycle, thus freeing up resources for higher value-added activities (such as market research and the development of optimal strategies);

- collecting key procurement data for decision making, performance management (of both the procurement function and suppliers) and auditing purposes;
- improving the transparency of the management of the procurement process which could help increase overall accountability;
- strengthening communication, collaboration, co-ordination and planning, which could have a positive impact on the overall quality of procurement.

However, there is no "one size fits all solution". As such, it is essential that any decision to make an electronic tool mandatory for specific procedures take into account the specific organisational and field context, as well as the level of IT readiness among users. Furthermore, such a tool should be flexible enough so that it does not reduce the effectiveness and efficiency of the process.

Interviews have shown that the key stakeholders – both at the central and local level of ISSSTE – are willing to take up new IT platforms and systems to support procurement functions. The Sub-Directorate of Information Technology (Subdirección de Tecnología de la Información) appears to have the right governance model, capacities and strategic approach to drive e-procurement implementation across the Institute. All ICT initiatives are managed and co-ordinated by this sub-directorate which is in charge of the development and improvement of the IT institutional systems. All delegations' and hospitals' IT needs are channelled through the central level that consolidates the requirements. Similarly, the sub-directorate has also taken a number of initiatives to build relevant IT capacities across the agency. Through diagnostics of the various units, the level of readiness needed to support the deployment of new IT systems is assessed (e.g. to assess whether the local medical units are ready to take up the new systems and platforms or not) to make sure that everyone is aligned and trained on the technical and change management aspects. The approach is aimed to ensure that the system is deployed only once the personnel is ready. This was done, for example, in relation to the new ISSTEMED system (described in Box 8.2) to ensure the presence of the right level of preparedness across the Institute before deploying it.

A significant gap can be observed in the use of ICT in the management of procurement activities compared to other functions

As indicated earlier in this chapter, the current administration has brought new impetus in the IT environment at ISSSTE. A number of new systems have been developed or are under design or development since the beginning of 2012 and actions have been taken to boost the use of IT to improve the management of administrative functions. However, this momentum was not reflected in the development of IT systems directly related to the procurement process. Of the 43 IT systems identified by ISSSTE, only 4 are used by the Administration Directorate (*Dirección de Administración*) and none of them are used to support key functions of the procurement process *per se*.

ISSSTE is still characterised by a significant difference between the use of IT for information management in relation to a number of administrative functions and activities and the use of IT to manage the procurement functions. Nevertheless, the current administration has stated that the use of ICT to improve the management – i.e. efficiency and transparency – of the procurement process is a priority; and the Institute has a number of IT systems – many of which were deployed in 2012 – which are used for a number of functions, such as stock management, supply management and performance management, closely related and key to procurement (Box 8.2). This reality has two implications:

- There is a good set of experiences and good practices, as well as IT systems and databases, which could be taken into account and used to create synergies and guide the development of the e-procurement system.
- Integration will need to be ensured between the existing systems and the newly developed ones.

Box 8.2. **ISSSTE's main IT systems related to the procurement function**

SPEP (Budget Programming and Exercise System, *Sistema de Programación y Ejercicio Presupuestal*)

This system is used to manage the budget and is integrated with the central level budget and procurement area for the following processes: registering and processing systematic and immediate programme-budget operations and unliquidated certified accounts (CLC) and multiple documents; resource administration; control of discharge; budget reports; exercise closings; reconciliating figures by modifications to the original budget; controlling payment of pensions.

SIAM (Comprehensive Medicines Supply System, *Sistema Integral de Abasto de Medicamentos*)

Launched in March 2012, SIAM is an integrated system used to manage the supply and stock of medicines. It is meant to ensure an integrated control of stock levels and the exchange and return of medicines, thereby preventing shortages in the medical units. Under a new version recently developed, SIAM is integrated with ISSSTE's Comprehensive Healthcare Registry System (ISSSTEMED, see below) and the ERP system of the firm that manages the central warehouse (Servicio Integral de Logística y Distribución Sapi de C.V, SILODISA). Following a two-month pilot phase, the deployment of SIAM's new platform started in early September 2012 to improve supply management thanks to better integration among the relevant IT systems. In order to ensure higher integration of SIAM, the plan is to incorporate the following functionalities: the bar codes of medicines, information concerning rights' holders, better generation of reports, and a bidirectional interface with SILODISA ERP.

SISDEL

This system is integrated at the central level with the system used for movable goods to properly register and control delegations' inventory. The following processes have been integrated: registration and control of delegations' property and of the transfer of property between delegations; registration of donations; issuance of individual backup forms; report of the physical inventory of goods; users' catalogue of movable goods; catalogue of workplaces at the delegation level; reports on monthly movements within the delegations and on figures at the delegation level.

SIA

SIA is used to record the movement of capital and consumer goods entering the regional warehouses, but is not integrated with any other areas. In contrast, the healthcare products and medicines procured and delivered by the National Distribution Centre are recorded in a system called SiiPlus that is integrated with the suppliers, and where contracts are recorded and captured, and amendments and returns are registered.

Box 8.2. **ISSSTE's main IT systems related to the procurement function** (*cont.*)

Supply Control Board (*Tablero de Control de Abasto*)

ISSSTE's strategic aim for developing the Supply Control Board was to "gain a greater control on the results obtained by the Institute under the various main areas covered by its mandate". The system began as a spreadsheet in February 2012 and later evolved into a tool downloaded from Internet (March 2012). ISSSTE has been working on a new system to make it available through the intranet by the end of September 2012. Information is now made public on a product basis -such as unit prices, planned national demand and availability by medical units- through the website *http://isssteapache.issste.gob.mx/transparenciaproactiva/*.

The system covers 907 codes of medications. It was developed as a dashboard to track the level of supply in the medical units, as well as the availability of each of the key medicines and healing materials in the National Distribution Centre. The use of this tool also allows highlighting existing problems concerning the supply chain from a medical point of view, as well as in relation to the distribution of income, and the stock and purchasing procedures that are being implemented. It is not currently integrated with any other system.

SIEDI (Institutional Comprehensive Performance Evaluation System, *Sistema Integral de Evaluación del Desempeño Institucional*)

SIEDI is a system used to register and monitor the institutional programmes of each of ISSSTE's areas. It has three levels of indicators: performance strategies, administrative strategies, patients' perception. SIEDI is intended to improve the management of the whole planning, monitoring and evaluation process to ensure that corporate goals are achieved according to standards of service. Its goals are to integrate information, promote a culture of evaluation and assessment, and regularly incorporate users' perception in the overall evaluation as a way of improving results. The system is currently used by 35 delegations, 18 administrative units and 11 hospitals. However, and as discussed in Chapter 4, the system is currently too limited to support a sound management of the procurement function (among others, the indicators are too few and insufficient).

ISSSTEMED (Electronic Medical Files, *Expediente Clínico Electrónico*)

The system was conceived to link different medical units to manage and register the medical services provided to beneficiaries. The goal is to streamline, improve and integrate medical processes at the three levels of the Institute's services. In its new version, the process of integration between the appointment interface and the supply of medicines was strengthened, the imaging features improved and warning messages were introduced related to patient's characteristics (allergies) for a permanent monitoring by the health team. All of these changes can potentially improve the efficiency and quality of services delivered to beneficiaries (the most important priority identified by the organisation).

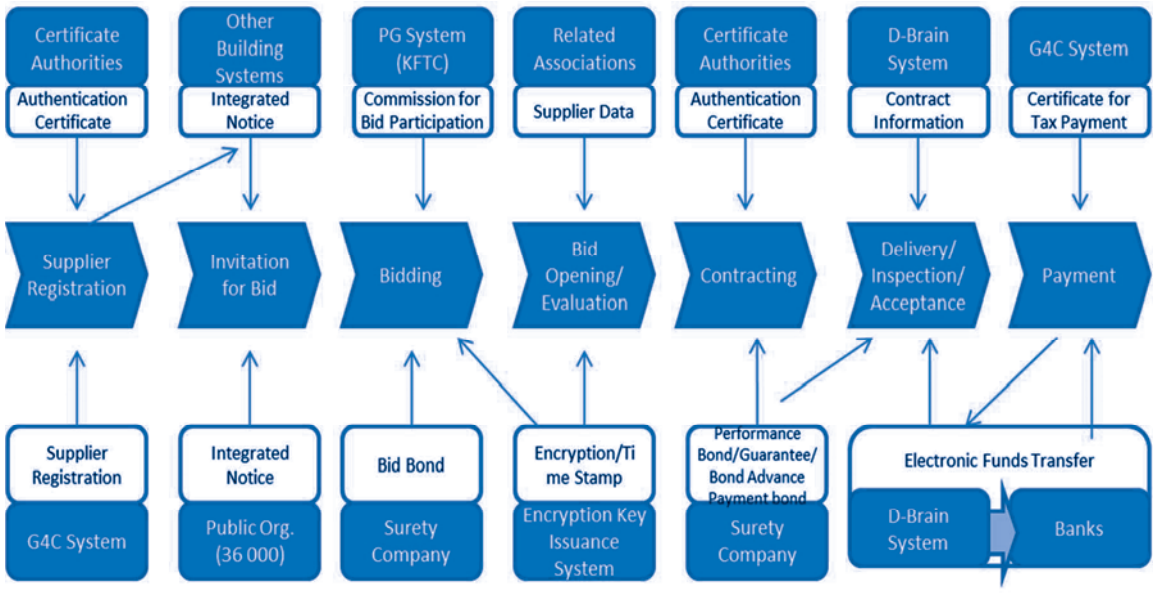
Source: Information provided by ISSSTE.

Improving the integration of IT systems and databases should be a priority for ISSSTE

The integration of IT systems and databases supporting the electronic management of the procurement function is increasingly considered by OECD countries as an essential element to improve the overall efficiency and transparency of the procurement process. A good example is KONEPS, Korea's e-procurement platform, which covers all procurement processes (from suppliers' registration to bidding, contracting and payment)

and provides a one-stop service as it is linked with about 140 external systems (Figure 8.1).

Figure 8.1. Systems integration of KONEPS throughout the procurement cycle



Source: Chang, Kyung-Soo (2012), "Innovating Public Procurement through KONEPS", Public Procurement Services, Republic of Korea, presentation at the event "ISSSTE: Desarrollo de una Estrategia Organizacional de Adquisiciones", Mexico City, 26 September 2012.

In ISSSTE, the integration of the various systems and databases used at the central and decentralised levels is very limited and insufficient to enable capturing the expected efficiency. Based on the information provided by ISSSTE, about two-thirds of the systems are not integrated with any other systems.

The low level of integration found in ISSSTE can have considerable negative impacts in terms of resources, inefficiencies, errors, lack of accurate information for decision making, operations and performance management, etc. For instance, IFAI's website – where information on contracts is uploaded every three months to ensure transparency and openness as required by the Federal Transparency and Access to Government Public Information Act – and ISSSTE's portal (*www.issste.gob.mx*) – where information and comments are also regularly posted – are linked but not integrated. Little information on procurement is currently published on ISSSTE's website; and only pre-solicitation documents are uploaded for comments. In addition, the same information local units send to IFAI is also sent to the central level of ISSSTE that uploads it on the agency's portal. Having integrated portals would allow units to only submit the information once, thus increasing the overall efficiency of the process. This information is shared and uploaded on the central portal using spreadsheets. Similarly, spreadsheets are also used to upload on Compranet information extracted from SPEP, the financial management system centrally managed at ISSSTE that contains all of the information on delegations' and hospitals' purchases in the form of reports. Compranet is indeed not integrated with ISSSTE's databases.

IT integration (including with Compranet and Silodisa ERP) would lead to greater efficiencies in the management of the procurement functions. Integrating systems could increase the efficiency and transparency in the management of procurement-related information. Better integration of systems could lead to greater availability of standardised, consistent and consolidated data and might also help find solutions to some inherent inefficiency in the procurement process. For instance, the fact that SIAM is currently not installed everywhere, and information not updated regularly, creates issues with the control of distribution (losses) and stock level. ISSSTE is aware of these issues and has initiated IT integration initiatives.

Improvements to the procurement function through ICTs

Enhanced use of IT systems would improve strategic planning and the management of the procurement function

As discussed in Chapter 4, the unavailability of harmonised, reliable, consistent and consolidated key information and data represents a significant constraint to adequate performance and operations management, as well as to effective decision making, in ISSSTE's procurement function. Other than some information captured by Compranet, there is no automatic mechanism in place to collect, consolidate and share information with the central level. Information is collected and managed differently by the various procurement units, mainly through spreadsheets, with manual manipulation to provide information requested by the central level. The absence of a single co-ordinated method to collect data on contracts leads to inconsistencies and inefficiencies.

The unavailability of key procurement data can also be partly explained by the absence of an IT procurement management system at ISSSTE covering the entire procurement cycle. As a result, there are divergences in the procurement processes of different procurement units (e.g. application of sanctions for failed or late delivery), notwithstanding the existing regulations and the issuance by SFP of an administrative manual describing the various actions to be taken throughout the procurement cycle.

This lack of information negatively impacts the decision-making process throughout the procurement cycle. It is indeed difficult to reconcile information and this can create important delays in the procurement function (e.g. for the supply of medical requirements). In this perspective, ICTs can play a key role to support strategic and evidence-based decision making as well as good planning in procurement, as it allows for better access to and management of data and information. This may be particularly relevant as ISSSTE's requirements from suppliers are very high (including the quantity of documents) and the required timeframe for deliveries are often too tight, which is seemingly caused by the lack of strategic planning. Suppliers are also asked multiple times for the same information, causing unnecessary paperwork and making the procurement process time consuming. The existence of integrated databases would help reduce this problem.

Similarly, lack of data undermines the organisational efforts to implement an effective performance management system of the procurement function, tracking trends and making corrections when necessary. Contracts management represents a good example; follow-up and sanctions were neglected in the past and this created problems. In line with the practice of the United States (Box 8.3), ICT could be used to consolidate and make information on suppliers' performance consistent – e.g. on delayed delivery – to conduct appropriate evaluation and take follow up actions (e.g. imposing sanctions) when

necessary. This could have a positive overall impact on the performance of the procurement function, e.g. through a higher range and quality of services, reduced lead times and lower prices.

Box 8.3 **Consolidation of suppliers' information in the United States**

The System for Award Management (SAM, *www.sam.gov*) is a United States Federal Government owned and operated free web site that consolidates the capabilities in various databases and systems used in Federal procurement and awards processes. As it relates to suppliers' information, it covers the following systems:

- The Central Contractor Registration (CCR) is the Federal Government's primary vendor database that collects, validates, stores, and disseminates vendor data in support of agency acquisition missions. Both current and potential vendors are required to register in the CCR to be eligible for federal contracts. Once vendors are registered, their data are shared with other federal electronic business systems that promote the paperless communication and co-operation between systems. These information and capabilities of CCR are gradually being transferred into SAM.
- The Excluded Parties Lists System (EPLS) was a web-based system that identified parties excluded from receiving federal contracts, certain subcontracts, and certain types of federal financial and non-financial assistance and benefits. The EPLS was updated to reflect government-wide administrative and statutory exclusions, and also included suspected terrorists and individuals barred from entering the United States. The user was able to search, view, and download current and archived exclusions. All the exclusion capabilities of the EPLS were transferred to SAM in November 2012.

Furthermore, federal agencies are required since July 2009 to post all contractor performance evaluations on the Past Performance Information Retrieval System (PPIRS, *www.ppirs.gov*). That web-based, government-wide application provides timely and pertinent information on a contractor's past performance to the federal acquisition community for making source selection decisions. PPIRS provides a query capability for authorised users to retrieve report card information detailing a contractor's past performance. Federal regulations require that report cards be completed annually by customers during the life of the contract. The PPIRS consists of several sub-systems and databases (e.g. Contractor Performance System, Past Performance Data Base, Construction Contractor Appraisal Support System).

Source: OECD (forthcoming), Public Procurement Review of the United States, OECD Publishing, Paris.

ISSSTE has a good record using ICTs to manage and elaborate information in support of administrative functions (e.g. the use of IT systems such as SIEDI and SIAM) but a number of existing IT systems could certainly be used more strategically to support improved decision making and management of procurement. The Supply Control Board implemented in early 2012 represents a good example in this sense. By providing ongoing visibility on the stock of medicines, this instrument provides significant information supporting more strategic decisions and requirement planning (see Chapter 4 for further details). It is a good example of the use of IT-based systems to support decision making, planning and strategic management of the procurement needs and process (e.g. to deal with issues related to low stock, late delivery, delays in awards). The Supply Control Board illustrates the increasing awareness and recognition by ISSSTE of the relevance of IT in strategic procurement planning and management.

ICT has a strong potential to achieve more efficient and transparent communication in the procurement function

More strategic use of ICTs could also improve the efficiency and transparency of communication and information exchange between ISSSTE's central and local procurement units, its senior management and the public. The use of technology to exchange information and communicate at ISSSTE is indeed very basic. No IT system exists, for instance, to monitor how the administrative and procurement parts of the hospitals operate. Internal communication and information exchange within the local units, and with heads of departments, is very time consuming as it is mainly conducted in person, over the phone or via email. For example, heads of department visit the various units in person to obtain information on how things are being done, and to ensure that things are done as expected. The overall impression is that there is no sense of the value of the time being lost.

There is no awareness of or view on how the strategic use of ICTs to manage communication and interpersonal exchange could sustain the management of operations based on the recognition of the real time value. This would greatly contribute to the establishment of an environment within the Institute conducive to the use of ICTs to improve the performance of all functions, including procurement-related ones. An e-procurement system could automatically record key information and data required for decision making, ongoing performance improvement and internal control. Improved exchange of information and better communication could foster co-ordination between the local and central units. Finally, better communication with the public could increase the visibility of the procurement function and bring ISSSTE closer to users.

On the other hand, the focus should not only be on implementing new ICTs. A higher use of simple technologies already in place (such as videoconference and teleconference) represents an important low-cost, low-commitment approach to improve communication and to get people included, informed and motivated.

Enabling e-procurement

Uptake of Compranet by suppliers is low due to a lack of trust and capacity

There is a general perception across ISSSTE that Compranet creates difficulties for both public procurement agents and vendors – mainly small and medium enterprises (SMEs). The latest version, launched in 2010 (Compranet 5), is still not considered to be very user friendly by internal and external users alike, and some of ISSSTE's procurement officers even consider it more complex than the previous version.

While Mexico is one of 14 OECD countries allowing the electronic submission of bids through a national e-procurement system at the central government level (Table 8.1), the number of ISSSTE's suppliers using Compranet to submit proposals remains very low. Suppliers almost exclusively submit their offers on paper, and only a very small minority uses the electronic channel, as permitted by the Law of Acquisitions, Leasing and Services of the Public Sector which allows the process to be done in person as well. Apparently, the level of trust of suppliers towards the electronic platform is very low, bidders fearing that their offer will not arrive in time if submitted electronically or that the documents submitted may not be accessed or opened for technical reasons (e.g. files corrupted or encrypted). Furthermore, Compranet is not user friendly for bidders, who experience technical difficulties in uploading or downloading information to/from Compranet, making the process slower and therefore inefficient. Similarly, procurement

agents find the system difficult to use, especially during the opening of bids. Consequently, bidders feel more secure when presenting the offer on paper and in person.

Table 8.1. Availability of functionalities in e-procurement systems in central government.

	Publishing procurement plans (about forecasted government needs)	Announcing tenders	Electronic submission of bids (excluding by e-mails)	Electronic submission of invoices (excluding by e-mails)
Australia	●	●	●	◉
Austria	○	●	○	○
Canada	○	●	◉	○
Chile	●	●	●	○
Czech Republic	●	● ◉	●	◉
Denmark	● ◉	●	●	●
Estonia	○	●	●	○
Finland	○	●	◉	●
France	● ◉	● ◉	● ◉	◉
Germany	○	● ◉	◉	○
Hungary	◉	●	◉	◉
Iceland	◉	◉	○	●
Ireland	○	●	●	○
Israel	●	●	◉	◉
Italy	●	●	●	○
Japan	●	●	◉	○
Korea	●	●	●	●
Luxembourg	○	●	●	○
Mexico	● ◉	● ◉	●	○
Netherlands	◉	● ◉	● ◉	◉
New Zealand	●	●	○	●
Norway	●	●	◉	●
Poland	○	●	○	○
Portugal	●	●	●	○
Slovak Republic	○	●	●	○
Spain	●	●	◉	◉
Slovenia	● ◉	● ◉	◉	◉
Sweden	◉	◉	◉	◉
Switzerland	●	● ◉	○	●
Turkey	●	●	○	○
United Kingdom	○	○	◉	◉
United States	● ◉	●	◉	◉
Total OECD 32				
● Yes, in a national central e-procurement system	18	29	14	7
◉ Yes, in e-procurement systems of specific procuring entities	9	9	14	11
○ No	10	1	6	14

Source: OECD (2012a), "OECD 2012 Survey on Public Procurement" (Unpublished internal document), OECD, Paris.

FOVISSSTE is an exception, as all of its suppliers are required to participate electronically. FOVISSSTE'S Internal Control Office (*Órgano Interno de Control*) does not allow procurement officers to accept offers on paper, stating that the law says the federal public administration should go fully electronic over time. Since this decision was taken, the participation of vendors is reported to have been reduced by half. In the case of the procurement of stationary, for example, 20 proposals were usually previously

submitted while the number dropped to 11, some of which could not be opened as the files were encrypted or corrupted. Even though there is a common agreement among public officials on the positive value and potential benefits of doing everything electronically, the significant reduction in the number of offers that can be observed should be taken into account as a risk and an appropriate mitigation strategy should be devised. The focus should indeed be on making Compranet user friendly and on building users' capacity, which should be a pre-condition for making electronic participation mandatory.

Similarly, there seems to be low capacity and willingness among suppliers to use the new version of Compranet, deemed by some as less user-friendly than the previous one. Their personnel tasked with preparing proposals are often not properly trained to use Compranet and the assistance provided by SFP is apparently not sufficient. Although companies often call ISSSTE to obtain assistance in using Compranet, ISSSTE's personnel feels that SFP is in a better position to answer most of the users' doubts or questions. For these reasons, most of the bidders that used to use electronic means are reverting to their previous practices and going back to paper.

A better understanding of the users' needs and points of view – both of ISSSTE's procurement agents as well as of suppliers – would help devise a focused capacity-building plan comprising training and providing assistance, to be delivered by SFP or ISSSTE, or on a clear co-sharing of the responsibilities.

Furthermore, in order to ensure the level of uptake necessary to reap the benefits of the significant investment made in Compranet, a culture of confidence and trust in the IT system must be fostered. Targeted awareness-raising and capacity-building initiatives could help increase suppliers' awareness of the benefits associated with using Compranet.

The way ahead: Ensuring the right capacities and the right enabling environment

As stated earlier, the absence of an e-procurement system at ISSSTE affects the overall effectiveness, efficiency and transparency of the procurement function. Focusing efforts and resources on the development of an IT procurement platform should therefore be seen as a priority. Preferably, such an e-procurement management system would be fully integrated with other associated systems (e.g. Compranet, stock management system, budget and payment system). Along these lines, systems integration (for example of Compranet and ERP) has also been identified as a priority by the SFP. ISSSTE's procurement staff and managers that were interviewed have indicated that they would strongly support higher automation of the procurement functions and would welcome a common IT-based platform integrated with existing IT systems to manage the procurement function.

For any public body, the development of an e-procurement system should be part of the overall public procurement strategy. The deployment of such an IT platform requires the existence of the appropriate enabling environment, i.e. the right IT infrastructure, low resistance to the changes brought about by the implementation of e-procurement, the right IT literacy rate of public servants and suppliers, and political and managerial support.

Efforts should be geared, for instance, to building the internal capacities needed to ensure the appropriate use of IT, and in particular of e-procurement platforms. Even if the overall impression is that the IT systems appear to respond to the needs of the users, the perception is that some systems are still not user friendly and that the level of IT readiness is not adequate across ISSSTE as a whole. This can partly be explained by the fact that there is not any training/capacity programme in place for at least 50% of the

organisation's IT systems. Training would help overcome resistance and increase the receptiveness towards the usefulness of IT systems.

Ensuring the right level of uptake implies building internal as well as external capacities. It was highlighted above how the level of dissatisfaction with Compranet and the inadequate capacities to use it have been important obstacles hindering its uptake. The aim of building users' capacities and raising their awareness should be embedded upfront in any strategy and related plan of action aimed to develop ISSSTE's e-procurement system. Furthermore, e-public procurement systems are usually considered an effective solution for fostering the participation of small and medium-sized enterprises (SMEs). In line with the experience of other OECD countries (Box 8.4), Mexico has provided training to SMEs in areas such as business management, exports, and the use of Compranet 5.0. In 2010, the Ministry of Economy provided 4 500 scholarships for companies to be trained in Compranet 5.0.

Box 8.4 **Building the capacities of SMEs**

Recognising the importance of a well-informed supplier base, **Ireland** organises seminars, workshops and conferences with the aim of educating SMEs. To date, more than 1 000 SMEs have attended such sessions.

Similarly, **Italy** has taken a further step towards a more "collaborative" e-public procurement system by creating a training programme for SMEs, the Supplier Training Desks (Sportelli in Rete). Managed by Consip – the Italian central public procurement agency – in collaboration with Enterprise Associations, the project consists of a network of dedicated training desks scattered all over the country where Consip experts train workforce from the associations that will subsequently train local SMEs in the use of electronic procurement tools. The project addresses point 5 of the European Small Business Act (SBA), i.e. to "Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs". This initiative has been quoted as a best practice of personalised assistance to SMEs at a national level, in the "European code of best practices facilitating access by SMEs to public procurement contracts".

Source: Commission of the European Communities (2008), "European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts", Commission Staff Working Paper SEC(2008) 2193, *http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf*, accessed 20 October 2012.

Finally, political and managerial support is crucial to set concrete actions in motion and secure successful implementation. The right support from decision makers and users, an adequate culture and openness to needed changes in practices and processes, and knowledge of the context where the new applications will have to be deployed, are all key prerequisites to rolling out any system.

Proposals for action

Harnessing the power of ICTs would facilitate the management and improvement of the procurement function by improving the management and sharing of information, enhancing strategic planning, and increasing transparency, communication and co-ordination. To reach that objective, ISSSTE could consider the following proposals:

1. Building on the existing internal expertise and the success of recent initiatives (such as the Supply Control Board), increase the use of existing and new IT

systems and ICTs for strategic planning and management of the procurement function, notably as it relates to the collection, communication and assessment of information and data allowing evidence-based decision making.

2. Pursue a higher level of integration of the various IT systems, databases and tools in place at the central and decentralised levels (particularly those related to the procurement and supply functions), as well as with external systems such as Compranet and the ERP system of Silodisa.

3. Develop and implement an e-procurement system used by all of ISSSTE's procurement units and integrated with other IT systems in place in ISSSTE. Doing so will require:

   – Including this initiative in a long-term procurement strategy, preferably the organisation-wide procurement strategy discussed in Chapter 4. This will need careful preparatory work aimed at defining the key steps necessary to implement the system. Strong political commitment and sequential implementation are crucial to facilitate the availability of the resources and support needed for successful implementation.

   – Ensuring that the decision of making this system mandatory for specific procedures takes into account the specific organisational and field context, as well as the level of IT readiness among users. Sufficient flexibility must be introduced in the system as not to reduce the effectiveness and efficiency of the process.

4. Increase the uptake of e-procurement by ensuring sufficient internal and external awareness and capability through tailored communication and capacity building projects. This requires, amongst others, to:

   – Embed these priorities upfront in any strategy and related plan of action aimed at developing ISSSTE's e-procurement system, and focus on user friendliness.

   – Undertake discussions with SFP on the various challenges experienced by Compranet users (both public servants and suppliers) and identified corrective actions. It could take the form of a focused capacity building plan comprising training and providing assistance to be delivered by SFP or ISSSTE (or based on a clear co-sharing of the responsibilities).

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