

Chapter 6

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

This chapter describes the current IT environment of the Mexican Institute of Social Security (IMSS). It focuses on the IT supply management system and e-procurement systems used by IMSS. It also discusses recent system integration efforts in the organisation and remaining opportunities to increase the efficiency of the procurement function through higher information management. The slow uptake of e-procurement is also addressed, describing the need to build awareness and capacity within its supply base.

Introduction

E-procurement, the use of information and communication technologies in procurement processes, is widely considered as a tool with strong potential to deliver major benefits to governments. E-public procurement can streamline and accelerate public purchasing, benefiting both public purchasers and suppliers along the way. It can lead to more efficient procurement administration and savings in terms of both cost and time. Moreover, e-procurement can help reach a wider audience and provide greater publicity by automating and strengthening the flow of information on individual tender opportunities. In turn, this leads to increased participation by economic operators and, as a consequence, increased competition.

This chapter describes the e-procurement development at the Mexican Institute of Social Security (*Instituto Mexicano del Seguro Social* – IMSS). It gives an account of the different digital platforms used to manage data and information in the back office, and to enable access to public tendering in the front office, e.g. portals.

IMSS e-procurement systems

IMSS e-procurement systems are generally well-developed, but uptake by small and medium enterprises is limited

IMSS has a fairly well-developed e-procurement system to address the different needs, the information management systems used in the back office, and the portals, which provide information on IMSS public procurement. Since the reform of the procurement laws in 2009, it is compulsory for the public administration at federal level to undertake public tenders through a national e-procurement system, Compranet. However, the Law on

Box 6.1. Overview of IMSS e-procurement platforms

- Institutional Supply System (*Sistema de Abasto Institucional* – SAI) is the system used by IMSS for the management of the entire procurement cycle for goods and services, including supporting the identification of procurement needs of all units.
- Compranet is the procurement management information system of the federal government. It was established in 2009 as part of Mexico's public procurement reforms. In addition to being used for competitive procedures, it supports back-office integration within various management systems of the federal government and provides transparency in government operations. It is used by IMSS for all planned purchases (i.e. excluding urgency requirements), which are addressed through another system.
- Single Registry of Supplies (*Bolsa Única de Ofertas* – BUO) is the internal IMSS e-procurement system used by the local entities (delegaciones) and high specialty medical units (Unidades Médicas de Alta Especialidad) to address immediate needs, i.e. needs to be covered within 30 to 40 days and based on prior authorisation from the central level.
- Transparency Portal is the revised version of the portal, which had been established in 2003/2004, based on the Transparency Law (IFAI, May 2005). That portal implemented in 2010 aims to share IMSS vision on public procurement, not only with a specialised audience, but with the wider public, i.e. providing a full picture on how, on what and why IMSS spends its resources, as well as on the benefits achieved through IMSS procurement. This portal is further discussed in Chapter 14.

Acquisitions, Leasing and Services (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público* – LAASSP) still allows suppliers to use paper-based processes to participate in public tenders. Box 6.1 provides an overview of the main e-procurement platforms in place in IMSS.

Some units of IMSS are quite advanced in the use of e-procurement, as they conduct public tenders completely electronically. These include, for instance, the Therapeutic Goods Division (*División de Bienes Terapéuticos*), which has an annual volume of public procurement equal to MXN 20 billion (approximately USD 1.6 billion). Furthermore, that division ran five public tenders in 2011 that were entirely electronic; making it compulsory for the suppliers to use electronic means to complete the entire process. The same cannot be said for many other units of IMSS, as their suppliers are mainly small and medium enterprises in which a large number – close to 50% according to the interviewees – still submit their proposal on a paper-based approach as permitted by the law.

The latest version of Compranet (5.0) is considered as a significant improvement, but various functionalities could still be improved, such as for searching for information and generating reports

Compranet (www.compranet.gob.mx) is the procurement management information system of the federal government, which was established in 2009 as part of Mexico's public procurement reforms. The system, 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, as well as providing transparency in government operations (OECD, 2011). Compranet is used by IMSS for all planned purchases.

IMSS is currently completing the migration from Compranet (version 3) to Compranet 5. Interviewed users of Compranet within IMSS expressed a high level of satisfaction with the current version of Compranet 5, and consider it as a major improvement from the previous version. Nevertheless, they also identified some further areas for improvement. Among other issues, it appears that Compranet 5 does not have adequate search and report-generation functionalities that respond efficiently to users' needs.

As such, Compranet could be made more user-friendly for public officials, suppliers and the public through improved information sharing, e.g. constantly providing real-time information. Some information, for instance, is difficult to find or access (e.g. past events, or events running cannot be found by dependency). Compranet 5 does not enable users to search for information through predetermined fields of a specific event or fact, or by phase of an event. As an example, each hospital had an identification number under Compranet 3 which made retrieving all information on its procurement process much easier. IMSS users of Compranet 5 complain that they can only retrieve information on electronic tenders in the form of an excel file. This means that they then have to check the list manually to find the desired information. Moreover, Compranet 5 should make information available that not only records positive events (e.g. processes completed), but also potentially negative ones (e.g. how many times a provider was awarded a contract and how many times it was not). Finally, Compranet 5's ability to generate reports is quite limited. The system currently enables reports to be generated only by procedures, and it is not possible to obtain tailored reports.

Modernising information search and access, simplifying the language, and using single access keys would improve the system and make it more user-friendly. As it stands, there is

minimal scope to customise the information management, perform searches and produce reports tailored to the needs of specific users. Such changes could be made without the need for major investment, through adding certain technical features.

An additional issue hindering the agility of the process concerns the auditing mechanism on e-procurement. Users must print all information in order for auditors (both external and internal) to access and review it, as they cannot do it electronically. Such a process is not time-efficient. It would help if the auditors were familiar with Compranet 5 and users could avoid having to reprint the whole set of information each time.

Finally, various procurement units of IMSS considered that their training on Compranet 5, provided by SFP, was good but insufficient. According to interviews, the weaknesses in the training concerned both content and method. Moreover, few people were trained per unit, and only a general overview of the system was provided, rather than the details. As a result, many of the tools and capabilities of Compranet are learned through trial and error, which delays the process and may result in errors.

The Single Registry of Supplies is a useful e-procurement tool, but needs further improvements

The Single Registry of Supplies (*Bolsa Única de Ofertas* – BUO) is the internal IMSS e-procurement system used by the 35 local entities (*delegaciones*) and 25 high specialty medical units (*Unidades Médicas de Alta Especialidad*). It is intended to provide flexibility in responding to immediate needs, i.e. needs to be covered within 30-40 days and based on prior approval. These immediate needs are the consequence of suppliers' non-performance, unsuccessful tenders, or they emerge from an unforeseen exceptional procurement need. The BUO is an internal system to which interested suppliers can register, and then indicate the goods and services they provide, at which locations and at what prices. The system has been improved over time and users from various local entities report an overall fair level of satisfaction with it.

Even so, the commonly shared opinion is that the system could be further improved if some problems were properly tackled. One such problem does not relate to its functionality and performance *per se*, but rather to the obligation to use reference prices which are not considered competitive enough to allow an effective process (see Chapter 9 for further details). Also, suppliers were previously not able to access the needs and requirements of each agency and local entities (e.g. information on what they need, how much, by when, as well as who was awarded the contract). However, this limitation of BUO is being addressed through the improved integration with SAI (discussed later in this chapter). In addition, BUO's current reporting functionality is not optimal, as it enables reports to be produced only on the full-month acquisitions, rather than individual reports by drug. Enabling this feature would allow the local entities to see individual suppliers' quotes for specific drugs. Finally, actual and potential suppliers, some of whose are not at ease with the use of BUO, could benefit from further training.

Systems and back office integration

IMSS is currently in the right direction through the integration of its back office

The Institutional Supply System (*Sistema de Abasto Institucional* – SAI) is the system used by IMSS throughout the entire procurement cycle for goods and services. This includes identifying the procurement needs of all units in IMSS. Efforts are underway to

transfer most procurement-related SAI modules to the Institutional Resources Planning (*Planeación de Recursos Institucionales* – PREI) platform used by IMSS to manage budget and accounting information. Some modules will continue to operate on the SAI, such as those associated with the pharmacies and stores, as the PREI does not have the technical capacity to support the running of all modules.

As a result of this transfer, all information on tenders, contracts, and acquisitions will also be made available on the PREI platform. This operation is of critical importance as it will establish an integrated back office for procurement as well as budget and information processes into a single platform, thereby increasing the overall transparency and efficiency of IMSS internal processes.

The migration of SAI modules to the PREI has already started and the estimated date of completion is the end of 2012. The migration will be performed by areas and in phases to ensure that the required capacities are in place. In deciding how to determine the transfer of the system, and in planning the relevant steps and actions, IMSS was guided by the Administrative Manual of General Application in the ICT Domain (MAAGTIC, *www.maagtic.gob.mx*). IMSS decisions are in line with the guidelines provided by SFP and, therefore, are also in line with the overall strategic directions of the Mexican Government. This will foster and ensure integration of IT systems across the federal public administration (OECD, 2011).

The integration strategy envisages training staff so as to ensure the development and availability of the needed capacities within IMSS. In order to guarantee that changes are implemented smoothly and efficiently, it is crucial for IMSS to create a comprehensive communication strategy and to properly prepare the users of SAI at all levels for the transfer to the new platform. From a technical point of view, it will be essential to strengthen and enhance the capacity of the existing PREI platform to support the efficient running of the new functions.

There are further opportunities for system integration in IMSS, especially in information management

BUO and SAI systems are well-integrated: the SAI feeds requirement information into BUO and, once the process is over, BUO provides relevant information back to SAI for the issuing contracts. Under the migration of various SAI modules to the ERP platform, modifications were made to improve the communication and integration of information between SAI and BUO. Even though BUO will continue working on a web platform, new functionalities of the SAI will allow its integration with the modules of the pharmacies and stores. Furthermore, the changes brought about by the new system will address the main limitations identified earlier, i.e. suppliers not being able to see the needs and requirements of each agency and local entities. These changes will provide incentives to the suppliers and increase overall transparency and efficiency. By allowing a better distribution of resources through a more opportune budget allocation and improved planning, the new system will also mitigate inadequate performances of some suppliers as well as the dependence of local entities on the suppliers when requirements have to be met on an urgent basis.

Despite IMSS' significant efforts towards integration, its procurement information systems are not fully integrated. The investment made to develop IT systems in order to facilitate information management and access – to make it easier, more transparent and less time-consuming – have been hampered by this lack of integration among the procurement information systems. The low-level of integration also defeats the overall purpose of developing a digitised environment to support procurement processes that are

more efficient and agile for both government and suppliers. Having to upload information more than once, for instance, slows down the process for IMSS, and creates risks of data errors. From the perspective of the suppliers, it might duplicate the points of access to public information on public tenders, leaving them with the impression of inefficiency and lack of transparency.

As further discussed in Chapter 14, the IMSS portal (www.imss.gob.mx) is used to advertise calls for proposals, tenders, and contracts, and to enable easy access to procurement information. While the portal is linked to Compranet, the two systems are not integrated. As a result, the same information, e.g. on suppliers, has to be uploaded twice. This limits the agility and efficiency of the process.

Similarly, the transparency portal (<http://compras.imss.gob.mx/>) is not linked to the main portal of IMSS, although there is apparently an intention to do so. IMSS should focus on linking the two portals in the immediate future, as having them separate makes the citizens' and suppliers' search for information more confusing and time-consuming, thus defeating the transparency goal. Under the integration of these two portals, users could actually access the information from either of them, rather than being redirected through a link. While the transparency portal will provide a link to Compranet, integration of the two systems would further support full and transparent access to information on public procurement. For example, it would allow access to information stored in the e-archive of Compranet through IMSS' transparency portal.

Similarly, there is no integration between IMSS, SAI and Compranet. As result, information on procurement requirements must be uploaded one by one. The link between the systems is not made through a common interface, but through an excel file used to transfer internal data and information to Compranet. Integration of the electronic archives of the two systems is crucial to ensure greater efficiency of the process.

There are many opportunities for enhancing integration of Compranet with IMSS IT platforms and solutions. Ensuring a direct and open dialogue between Compranet users in IMSS with Compranet personnel in SFP, as well as with the company contracted by the Ministry to deploy and manage the system, would be most efficient.

Uptake of e-procurement

Addressing suppliers' needs to increase the uptake of e-procurement

Currently, half of IMSS suppliers (about 90 000) use the e-procurement platform Compranet. The others participate in the public procurement process by completing the procedure manually, as allowed by the procurement laws. The limited uptake of the e-procurement platform is due, in part, to the suppliers' lack of trust in the system's security and reliability. This is particularly true for small suppliers, who represent a considerable portion of IMSS supply base.

Suppliers seem to fear that their information will not reach the public organisation concerned. Technological limitations also impact on suppliers' confidence in the system and their willingness to use it: network unreliability makes uploading information cumbersome and time-consuming, which is made worse by Compranet's inability to accommodate the number of users. Additionally, assistance in using the system is inadequate. Users at IMSS mentioned that the assistance plan did not take into account realistic expectations, especially with reference to requests for clarifications.

Many interviewees at IMSS were also of the opinion that, until the use of the system is made compulsory, many suppliers will continue using the paper-based procedure. The decision to make the use of e-government services compulsory for businesses has been adopted by a number of OECD countries to ensure a level of uptake sufficient enough to guarantee the desired return on investments. However, such a decision implies a high level of technical skills which are currently not present in many Mexican businesses.

The suppliers' reluctance to use e-procurement platform is also explained by the advanced digital signature: FIEL (*Firma Electronica Avanzada*). The Compranet 5 guidelines, published in June 2011, stipulate that suppliers must use FIEL. However, many suppliers have only one FIEL key holder located in the finance department, rather than in the commercial departments, limiting their ability to use Compranet. Many suppliers would like a certification for the person in the commercial department who interacts with the customers. An awareness-raising and training campaign aimed to increase the suppliers' knowledge and capacity to use the FIEL would assist in its integration within the supplier's structure. This would also help suppliers familiarise themselves with the use of FIEL, improving the uptake and acceptance of Compranet. Even though the management of Compranet is the responsibility of SFP's E-Government Unit, IMSS could contribute to developing a solution. For example, it could provide specific knowledge on the concerns of IMSS suppliers and help devise a proper and incisive strategy targeting the needs of its suppliers.

Finally, the system of supplier assistance could be improved. Currently, when the suppliers have a problem, they call SFP which transfers the call to IMSS. However, IMSS employees do not always have the capacity to respond adequately to these requests, hindering the system uptake. As such, internal capacity should be reinforced, both in terms of technical expertise and human resources, so as to ensure the necessary level of support to suppliers.

Proposals for action

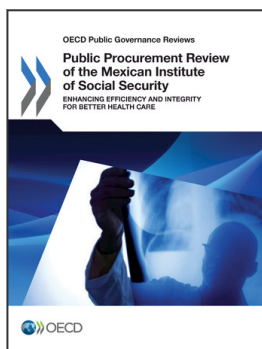
In order to enhance the efficiency of the procurement process through increased use of e-procurement and integration of the various associated systems, IMSS could consider:

1. Improving various functionalities of the various existing procurement IT systems to make them more user-friendly and responsive to IMSS needs, as well as those of its suppliers. This may include:
 - a. Strengthening the collaboration with SFP to support improvements to Compranet, such as modernising its search tools, harmonising its numbering systems and improving its report-generation capabilities.
 - b. Improving the BUO reporting functionality so as to enable individual reports by drug.
2. Advancing the integration of various IMSS IT systems among themselves, with IMSS IT platforms and with Compranet (through engagement with SFP). This will make procurement processes more efficient, transparent and agile for government agencies, suppliers and citizens. Opportunities for improvement include:
 - a. Integrating IMSS Transparency portal, in terms of content and back-office, with its general portal, as well as with Compranet. This will ensure synergies, avoid overlaps and provide a clear and coherent image to the portals' users.

- b. Integrating IMSS SAI and Compranet (including their electronic archives), for example, so that procurement requirements do not have to be uploaded one by one on Compranet.
 - c. In support to the migration of various modules from SAI to ERP platform and the subsequent development of new functionalities, strengthening the capacity of the existing PREI platform and developing a comprehensive communication strategy to properly prepare and reassure the users of SAI at all levels.
3. In order to boost the digital skills of the various users of the IT procurement systems (both IMSS employees and suppliers) and stimulate the uptake of e-procurement, IMSS could organise awareness-raising campaigns, training sessions and capacity-building initiatives. These could include:
- a. Engaging with SFP to provide improved Compranet 5 training (both in terms of method and content) to a larger number of users in IMSS.
 - b. Implementing an awareness-raising and training campaign aimed to increase the suppliers' knowledge and capacity to use the FIEL, thereby encouraging their acceptance of Compranet.
 - c. Providing training to suppliers on the use of the BUO system, especially at the level of the local entities.

Reference

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