

ANTIMONOPOLY POLICY: SCIENCE, EDUCATION, PRACTICE

Session 3: “Innovative focus in procurement procedures”

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Context

Brazil's data since 2010:

- Procurement procedures: 3 million
- 300 U\$ billion
- Potential Suppliers (federal government): 309,000
- Purchasers Authorities: 20,000

Designing procurement procedure

Law

Purchaser

Auditor

Brazilian Procurement Law

1993

(Act 8.666)

Bureaucratic requirements

One-stage mechanism:

1) First-Price Sealed



2002

(Act 10.520)

Two-stage mechanism:

**1) First-Price Sealed
2) Open oral descending bids**

(only bidders 10% above the lowest)



2005

(Decree 5.450)

Two-Stage electronic auction:

**1) First-Price Sealed
2) Open electronic descending bids**

(In practice, just the second stage matters since every bidder goes to the second stage)

**The first sealed bid auction
has a **lower** probability of cartels
than the open descending auction.**

So, Brazil procurement policy became more inclined to bid-rigging.

Special Characteristics of Electronic Auction

- Anonymous bidders
- Random closing auction

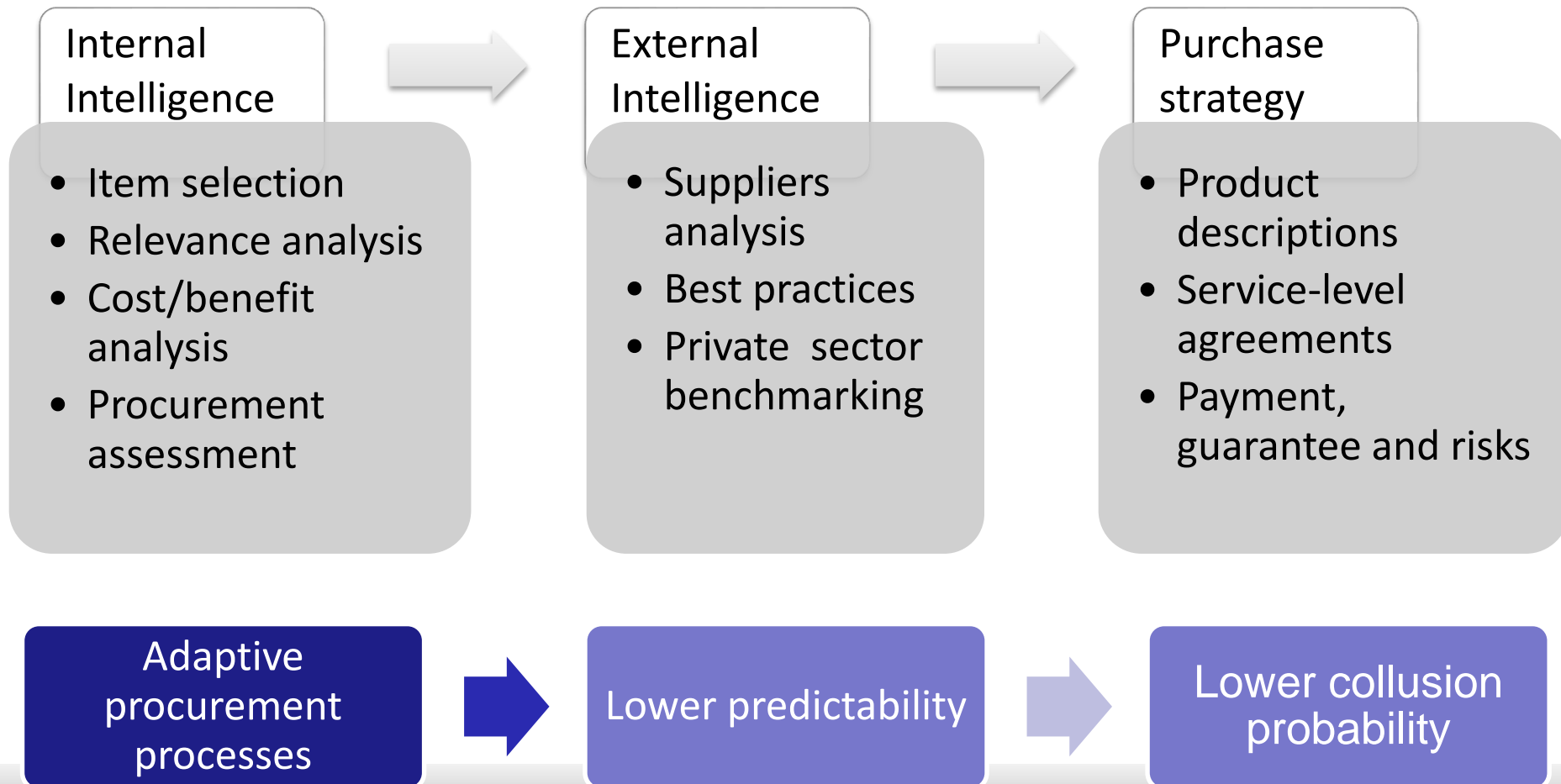
Goal

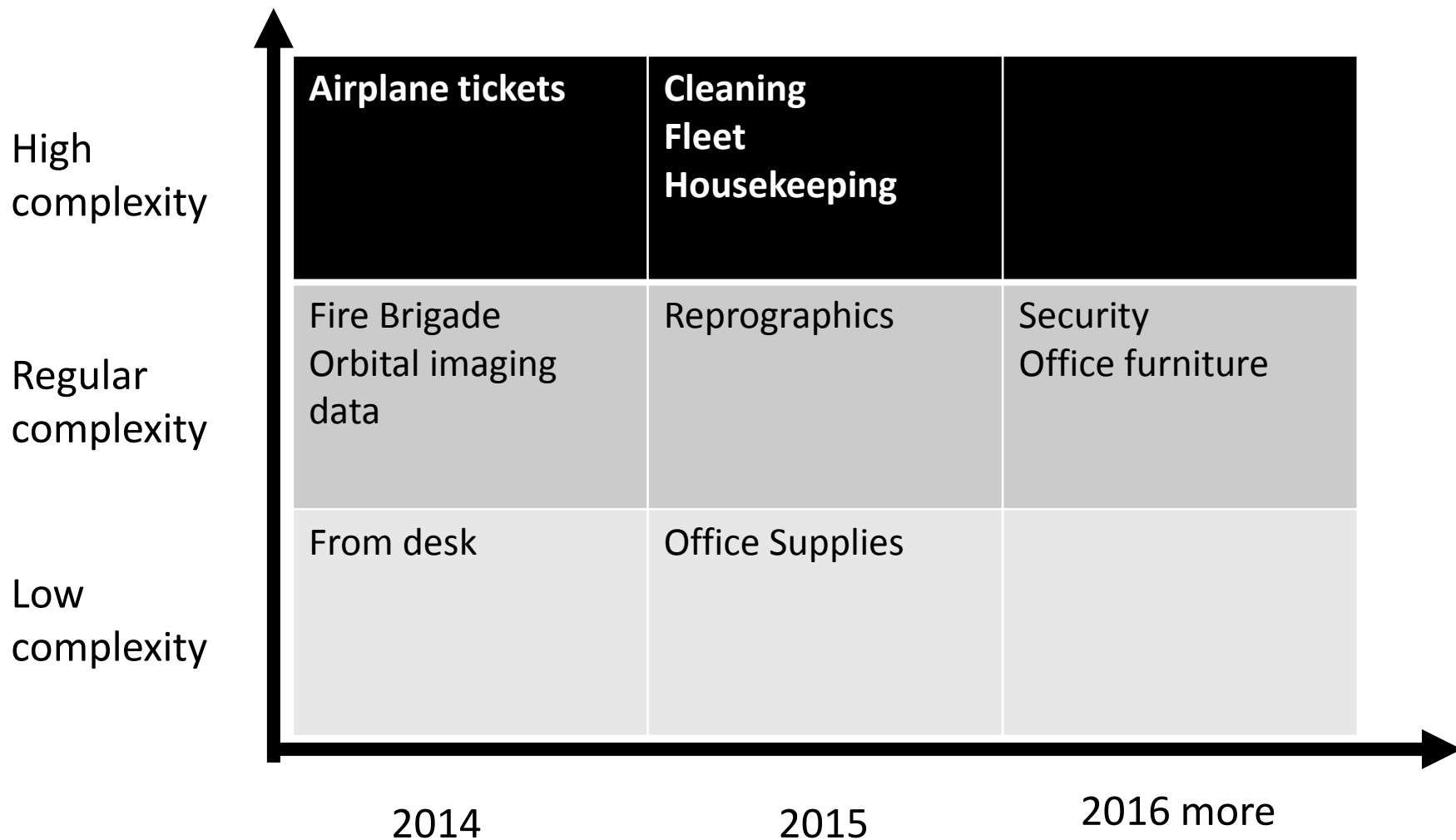
To break the tendency to cooperative behavior on the open descending auction.

2 successful cases

- **Central Purchasing and Contracting Unit**
Public Administrator
- **Public Expenditure Observatory**
Comptroller

Strategic sourcing methodology



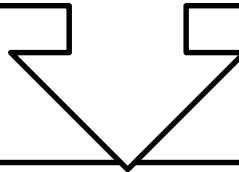


Public Expenditure Observatory

(permanent intelligence unit)

2008 a 2015 - Data Analysis Unit

Focus: to detect fraud in audit activities



2015 – ODP Platform

Focus: to deliver actionable information to public buyers:

- is the price far from the average?
- is there interlocking directorship between bidders?

Final remarks

Procurement rules

- sealed and anonymous bids
- random closing auction

Purchasers

permanent improving method

Auditing

real-time actionable information to public buyers

Thank you

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CADE - Brazilian Competition Authority