

# ANTIMONOPOLY POLICY: SCIENCE, EDUCATION, PRACTICE

Session 3:
"Innovative focus in procurement procedures"

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Moscow, December 2016



## **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)



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

(only bidders 10% above the lowest)



(Decree 5.450)



Two-Stage eletronic auction:

- 1) First-Price Sealed
- 2) Open eletronic descending bids

(In pratice, 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



## CADE Central Purchasing and Contracting Unit

### Strategic sourcing methodology

# Internal Intelligence

- Item selection
- Relevance analysis
- Cost/benefit analysis
- Procurement assessment

# External Intelligence

- Suppliers analysis
- Best practices
- Private sector benchmarking

# Purchase strategy

- Product descriptions
- Service-level agreements
- Payment, guarantee and risks

Adaptive procurement processes



Lower predictability



Lower collusion probability



# CADE Central Purchasing and Contracting Unit

High complexity

Regular complexity

Low complexity

Airplane tickets	Cleaning Fleet Housekeeping	
Fire Brigade Orbital imaging data	Reprographics	Security Office furniture
From desk	Office Supplies	

2014 2015 2016 more

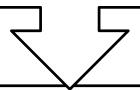


### **Public Expenditure Observatory**

(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**