Cartel Outreach Activities in Public Procurement: the Mexican Experience

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Perhaps our most important outreach activity in public procurement has been the signature of an ...

MOU FOR THE IMPLEMENTATION OF THE GUIDELINES TO FIGHT BID RIGGING BY IMSS

The day after the signature, the event was covered in more than press 50 articles in the national and international media.
Before explaining its content here is some background...

In 2002 – IMSS auditing office notified possible collusive agreements in the supply of different types of surgical sutures, x-ray materials and chemicals

In 2006, following a presentation to IMSS’ Director General on bid rigging

CFC investigated and sanctioned (with 1.3 million USD) three firms for bid rigging

IMSS requested recommendations to improve its procurement rules

IMSS gave CFC access to its procurement data bases

In 2010 the CFC detected a cartel in the provision of insulin and electrolyte solutions and sanctioned (with 12.5 million USD) six pharmaceutical companies
When reviewing IMSS databases, the CFC realized that its procurement practices facilitated collusion ...

**Bidding rules**

Reduction of rivalry between suppliers
- Unrestricted joint bids
- Distribution of contracts between nearby positions (multiple allocation)
- Frequent and fragmented tenders
- Exclusive tenders for nationals; and other barriers to entry

Facilitating monitoring among colluded bidders
- Public information about winning and losing positions
- High reference prices

**Incentives for buyers**

- Emphasis (regulation and supervision) in compliance with procedures, not results
Following CFC´s recommendations in 2006-2008 IMSS adjusted its procurement policies

- Tenders fragmented over time and space
- Multiple allocation in close bids
- High reference prices

In 3 years IMSS saved 2.9 billion USD ~ equivalent to 205 years of CFC´s budget
In December 2010, IMSS was involved in a media scandal originated in possible anti-competitive practices...

IMSS contacted the CFC

¿What to do to credibly commit to fight these practices?

CFC recommended to adopt the OECD guidelines

OECD reputation – legitimized the proposed solution (internally and externally)

Thus ...
In January 13, 2011 the OECD, IMSS and CFC signed a MOU

• To implement the Guidelines to Fight Bid Rigging in Public Procurement developed by the OECD.

• The institutions committed to:

**IMSS**

- Conduct compliance analysis of its procurement rules with the Guidelines
- Develop in-house skills to fight bid rigging
- Implement the applicable recommendations

**OECD**

- Support IMSS in the compliance analysis and produce report with a diagnosis and recommendations.
- Provide capacity building activities

**CFC**

- Support IMSS and OECD in compliance analysis and capacity building activities.
The CFC is working to replicate these efforts in the rest of the Federal Public Administration ... 

... there is high potential for government savings
and at the subnational level ...

Dissemination and training on the OECD Guidelines

In 2010, the CFC, with the support of the OECD, organized a regional event on:

- a) Bid rigging
- b) Competition assessment

Using the OECD Bid Rigging Guidelines as benchmark

The Mexican Institute for Competitiveness (IMCO), with the support of the OECD and the CFC ...

Is developing a methodology to assess and rank state procurement rules and practices.