



# Economics policy of implementing reforms in the public procurement process of Honduras

Based on assessments of the implementation of operating procedures in government institutions



October 2018

# ENVIRONMENT



The Government's procurement and procurement in Honduras are a major driver of the economy.

The government is the largest buyer in the country, considering the order of magnitude of purchases and acquisitions to be held in 2018, at L. 55 billion.

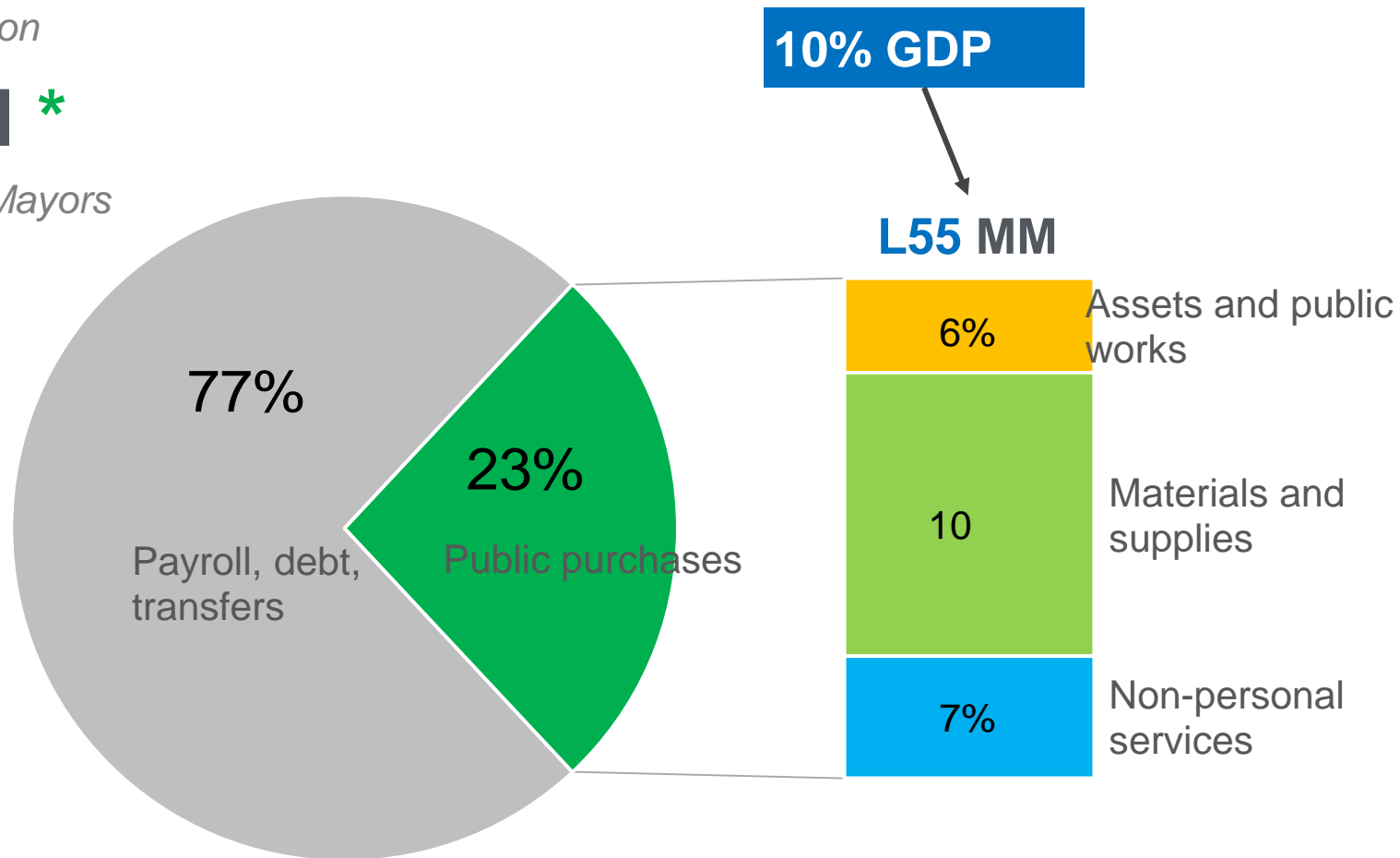


# VALUE OF PUBLIC PROCUREMENT IN HONDURAS

Budget of the Nation

**L243 MM \***

Does not include Mayors



\* Citizen Budget. Fiscal year - 2018. SEFIN

# HONDURAN THRESHOLD PROGRAM (THP)



The Honduran THP consists of two projects:

- } The Public Financial Management Project (PFM) and
- } The Private Public Alliances Project (PPP)

Focusing on three objectives:

- } Increasing cost savings in the provision of public services,
- } Improving public service delivery and
- } Reducing opportunities for corruption.



# TPH MOTIVATION

Weak public financial management (PFM) reduces the effectiveness of public service delivery (e. g. infrastructure, public security, health and education).

Some of the immediate causes of poor PFM are:

Bad recruitment practices related to technical specifications, bidding process or contract management.

- } They cause the Government to pay too much or do not have sufficient quality to meet the minimum requirements for satisfactory public service delivery.





# PUBLIC PROCUREMENT SYSTEM

The regulatory framework for public procurement of works, goods, services and consultancies in the Republic of Honduras includes the State Contracting Act (LCE) and its Regulation (RLCE), among other relevant normative provisions.

This framework is necessary in allocating the different roles for the functioning of the public procurement market:



# PUBLIC PROCUREMENT SYSTEM



Centralization Policy: It is the responsibility of the Procurement and Procurement Policy Office, ONCAE, a technical and consultative body of the State, responsible for issuing general rules and instructives to develop or improve administrative recruitment systems in its operational, technical and economic aspects, providing advice and coordination of activities that guide and systematize procurement processes in the public sector (cf. LCE 30).



# PUBLIC PROCUREMENT SYSTEM

Operational decentralization: **The preparation, awarding, execution and liquidation of contracts are carried out under the leadership of the body responsible for recruitment.** They are responsible for recruitment, competent bodies to award or sign contracts; The body responsible for recruitment will appoint an Evaluation Commission composed of staff of extensive experience and capacity, which will make the relevant recommendation (cf. LCE 32).





# PUBLIC PROCUREMENT SYSTEM

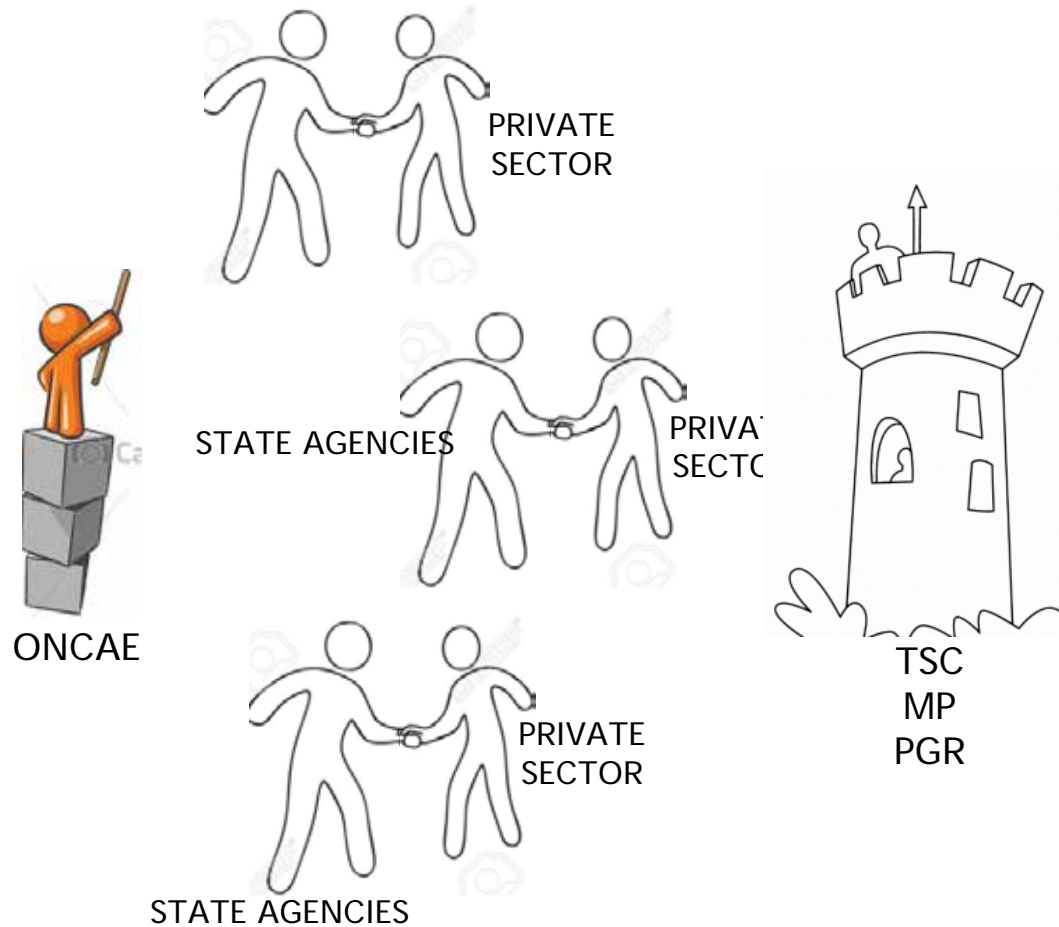
**Audit:** It is exercised by the Internal Audit, without prejudice to the budgetary control functions of the Ministry of Finance and the ex post control powers of the Office of the Comptroller General of the Republic (cf. RLCE 42) and the same.

The High Court of Auditors has the function of ex post auditing of funds, assets and resources administered by public or private bodies that receive or administer public resources from internal or external sources (cf. Cn 222 b, Organic Law of the TSC 3) and the same.



# ROLE IN PUBLIC PROCUREMENT

STATE AGENCIES



- normative
- Buyer
- Seller
- Control and Monitoring



# HONDURAS RATING EVOLUTION

## Assessment to the Procurement and Public Procurement System of Honduras

MAPS, 2017



Pillar	2010	2017	%
Legislative and Regulatory Framework	1.83	2.25	23%
Institutional Framework and Management Capacity	1.03	1.33	29%
Acquisitions and Market Practices	1.03	1.72	67%
Procurement Integrity and Transparency	1.06	1.74	64%



## Activity 1.2 OF TPH

# Improving the planning and control{1} of government procurement



Activity designed to increase transparency, accountability and quality of public procurement through:

- ✓ Technical assistance for ONCAE and other governmental entities to:
  - } Improving transparency and controls on purchases
  - } Compliance with existing national legislation and international agreements
  - } Changing rules and practices,
  - } Training in areas such as:
    - Single source recruitment,
    - contract modifications.
    - Availability of funds.



## Activity 1.2 OF TPH

# Improving the planning and control{1} of government procurement



- ✓ Supporting the expansion of the online online supply catalog of ONCAE, so as to enable ministries to purchase goods and services at lower prices and with lower administrative burden and fiduciary risk; and
- ✓ Increasing coordination between ONCAE and the High Court of Auditors to ensure that established recruitment standards are properly audited to ensure compliance.



# INITIAL ASSESMENTS

In order to identify bad practices in government procurement and to promote changes to improve the quality of public procurement, TPH financially and financially supported the creation and implementation of the Analysis and Statistics Unit (UAE) within the structure of ONCAE.

Through the UAE, evaluations of the implementation of operational procurement procedures have been carried out in 19 government institutions:

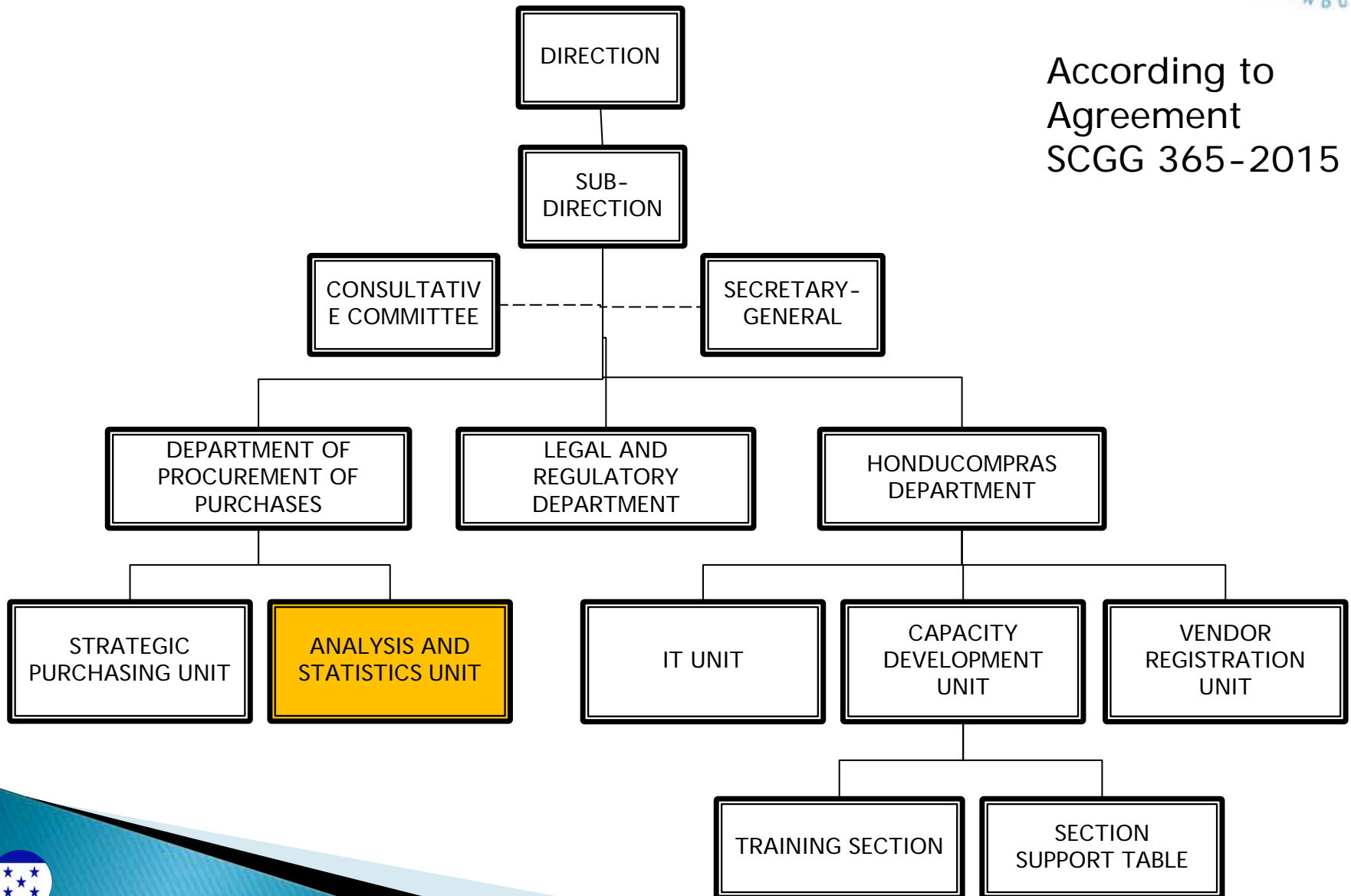


- } 9 institutions of centralized public administration,
- } 7 decentralized public administration institutions,
- } 3 municipalities.



# ORGANIZATION OF ONCAE

According to  
Agreement  
SCGG 365-2015



# EVALUATED INSTITUTIONS

- 1 Road Fund (FV)
- 2 Secretariat for Agriculture and Livestock (SAG)
- 3 Directorate of Agricultural Science and Technology (DICTA)
- 4 Central District Municipal City Hall (AMDC)
- 5 Infrastructure and Public Services Secretariat (INSEP)
- 6 National Autonomous Water and Sewerage Service (SANAA)
- 7 National Electrical Energy Company (ENEE)
- 8 Health Secretariat (SESAL)
- 9 Honduran Social Investment Fund (FHIS)
- 10 Secretariat of Education (SEDUC)
- 11 Central Bank of Honduras (BCH)
- 12 Security Secretariat (SEDS)
- 13 National Port Company (ENP)
- 14 Municipality of Puerto Cortes (AMPC), Cortes
- 15 Municipality of San Pedro Sula (AMSPS), Cortes
- 16 Commission for Flood Control of the Valley of Sula (CCIVS)
- 17 Honduran Institute of Science, Technology and Innovation (IHCITI)
- 18 Directorate for Children, Adolescents and Family
- 19 National Graphic Arts Company





# FINDINGS

From these assessments, it has been possible to identify some bad practices of frequent occurrence, some of which are:

- } Low compliance with the mandatory publications of the process stages in Honducompras,
- } The implementation of procurement processes does not correspond to the planning included in the Annual Procurement and Contracting Plan (PACC).
- } No link between the Annual Operational Plans (Poa) and the PACC.
- } Problems with prequalification of potential contractors; In some cases it was simply not carried out and in others it uses prequalification of past years.



# FINDINGS

- } There are no transparent mechanisms for the formation of short lists, in some cases concentration of invitations to same groups of bidders.
- } Great discretion of the officials on whom to invite to tenders.
- } Fragmentation of Contracts in order to evade procedures established by the Act.
- } Difficulties in setting criteria for evaluating objective, verifiable and measurable offers, which directly impacts the quality of evaluation and awarding processes.
- } Non-compliance with the use of standard specifications published by ONCAE, or the specifications are modified by the institutions, which is not permitted.



# FINDINGS

- } Excess and variety of legal requirements in each institution, potentially discouraging participation.
- } The specifications are available until several days after the publication of the public tender notice at high prices exceeding the reproduction value of the documents.
- } Inappropriate practices in reception and opening of tenders; In some cases bidders are disqualified in the acts of opening or opening acts before the date in invitations and notices.
- } In some institutions, the tender evaluation commissions are fixed (always the same members).



# FINDINGS

- } Price reasonableness analyses are not carried out systematically and under good practices of common use, therefore it cannot be ensured that the prices payable are fair for the goods and services to be received.
- } All participants are not informed of the award decision.
- } Payments to contractors are late; in some institutions, the delay exceeds 45 days.
- } The amendments to the contracts are not formalized.

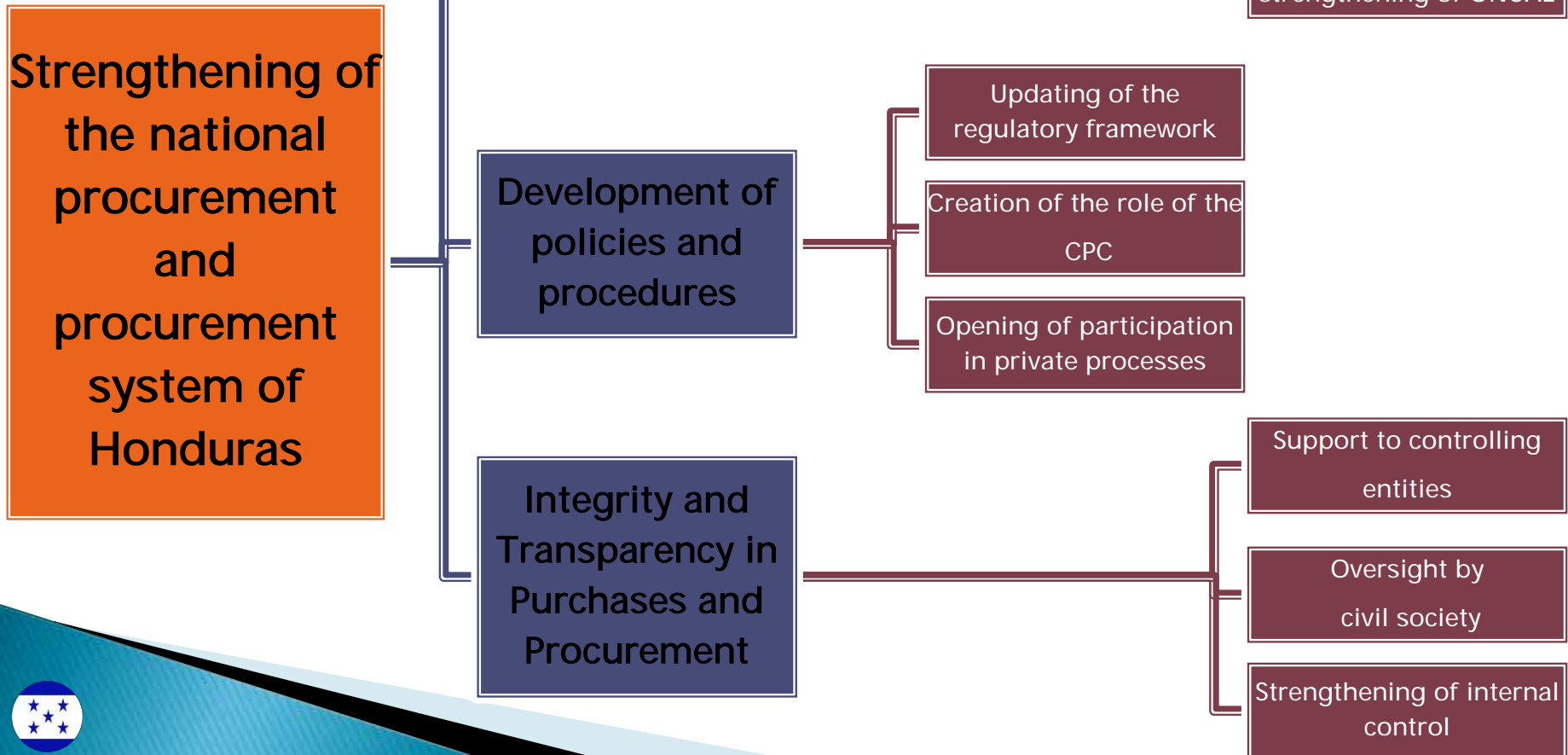


# Findings

- } Recruitment files are disorderly, incomplete or non-existent.
- } The provisions on public procurement, contained in the existing free trade agreements, are not applied.
- } Lack of authorizations provided for in the Act for direct recruitment.
- } Amendments to contracts, not for unforeseen reasons or for apparent emerging needs.



# TPH INTERVENTIONS



# PROGRESS TO DATE

Assuming that bad practices in government procurement are mainly due to the inability or negligence of people involved in processes, TPH strengthens transparency, accountability and quality of public procurement through actions in three key lines:

- } Human capital training
- } Adequacy of regulatory framework
- } Institutional strengthening



# HUMAN CAPITAL TRAINING

In human capital TRAINING, with technical and financial support from TPH, a training pathway as public procurement specialists has been designed; Up to August 2018, 273 persons have been certified as public procurement specialists, through four State universities, and 138 people have been certified as public buyers.

In addition, a number of free courses have been provided on substantive topics.





# ADEQUACY OF THE REGULATORY FRAMEWORK

TPH has led to reforms to the State Procurement Law Regulations, mainly on participation in restricted recruitment processes, role of certified public buyers, implementation of dispute resolution bureaus, etc. These reforms are still in the process of being approved by the executive branch.

TPH has led to improvements in the annual provisions for the General Budget of the Nation.

TPH technically assists the plan for updating the State Recruitment Act and its Rules of Procedure, which is expected to culminate in May next year with an improved regulatory and regulatory framework.





# INSTITUTIONAL STRENGTHENING

TPH has promoted the institutionalization of UNCAE, financing operating personnel mainly in the areas of aid and analysis and statistics, hoping that they will be incorporated into the civil service system to ensure stability.

TPH has provided technical assistance for the systematization, training and dissemination of the CCC and its linkage with the POA and the Budget.

TPH has supported the simplification and improvement of the State Supplier and Contractor Register.

TPH has acquired and is in the process of development and implementation, a new government purchasing platform, honducompras 2.0, transactional and linked to SIAFI.



# SAVINGS WITH HONDUCOMPRAS 2.0



## Efficiency savings

(lower administrative cost)

- **30 - 60%** of the cost of processes \*
- **40 thousand** processes x ~**USD 25**

USD 1M  
\$



## Savings by lower price price

(greater competition)

- **8% - 15%** of expenditure \*\*

USD +200M  
\$

\* OEA. *Management of public purchases*. 2016

\*\* Accenture. *Building the Business Case for e-Procurement*. 2012

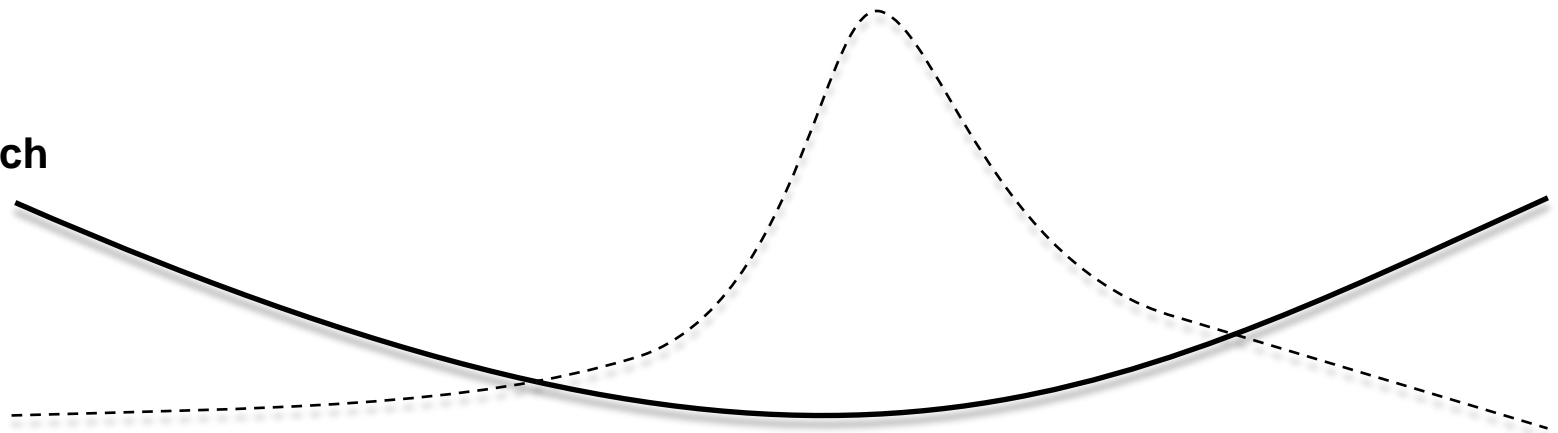


# TRANSFORMATION OF PUBLIC PROCUREMENT



New approach

Traditional



1. Planning
2. Selection
3. Recruitment
4. Execution
5. Termination



# Projections

By May 2019, with the help of TPH, it is expected that we have:

} An updated and improved regulatory and regulatory framework.



} A functional and efficient electronic platform.

} Human capital skilled and trained in good practice.



**Thank you for your  
attention**

