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LATIN AMERICAN AND CARIBBEAN COMPETITION FORUM

Session III: Promoting effective competition in public procurement

-- Contribution from Colombia --

12-13 April 2016, Mexico City, Mexico

The attached document from Colombia is circulated under Session III of the Latin American and Caribbean Competition Forum at its forthcoming meeting to be held on 12-13 April 2016 in Mexico.

Contact: Ms. Lynn Robertson, Global Relations Co-ordinator, Competition Division [Tel: +33 1 45 24 18 77 -- E-mail address: Lynn.ROBERTSON@oecd.org]

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LATIN AMERICAN AND CARIBBEAN COMPETITION FORUM



14th Latin American and Caribbean Competition Forum 12-13 APRIL 2016, Mexico City, Mexico

Session III: Promoting Effective Competition in Public Procurement

-- CONTRIBUTION FROM COLOMBIA¹--

1. The Superintendence of Industry and Commerce (SIC) has been developing a software-based detection tool for collusion in public procurement in Colombia, called **ALCO** (meaning App for the fight against collusion in Colombia, in Spanish). The main objective of this app is to help public entities to alert about possible collusive behaviors in the process of evaluation and allocation of contracts. The idea was based on the fact that, the SIC as the Colombian Competition Authority, has found similarities between different investigations on bid rigging. These similarities are all related to intuitive facts, such as coincidences on the application in the public process, and regularities associated to participants and legal representatives. The software was inspired by best practices and guidelines coming from the OECD and the ICN in bid rigging.
2. The idea behind ALCO is to promote coordination within public entities during the process of procurement and to facilitate the SIC the detection of elemental cases of collusion (without the use of screens), in terms of coincidences in different aspects that can be observed by any officer in charge of the allocation process.
3. One final advantage of this app is the provision of a way to codify each process by the characteristic of the product or service to be provided using the United Nations Standard Products and Services Code (UNSPSC).
4. The app is divided into at least three blocks. In the first part, it evaluates the general characteristics of the process, including documents presented during the application, number of possible suppliers, among others. The second block is dedicated to the analysis of each proponent and its history in terms of public procurement. The final section incorporates questions related to the actual tender, asking for details about what is offered in each proposal. At the end of the exercise, the app produces a final score, revealed as a color, representing different risk levels of probability of collusion. This works as an advice

¹ Prepared by the group of economic studies SIC (The Superintendence of Industry and Commerce).

for the officer to make a decision whether to inform or not to the SIC to initiate an administrative investigation about this process.

5. The app was originally developed at the end of 2013 and it has received feedback from agencies in charge on Public Purchases and transparency of the civil society and the private sector such as Transparencia por Colombia and Colombia Compra Eficiente. In addition, officers from the Colombian Institute for Family Welfare (ICBF), academics and experts in government contracts have used it. Finally, the Colombian Competition Authority itself tested ALCO using the information gathered for different administrative investigations.

6. Besides this advocacy strategy in the fighting against bid rigging, the SIC has recently advance on important investigations in sectors like infrastructure, security, scholar food servings, among others. For these cases the SIC has been using economic simulations based on probabilistic analysis and Bayesian methods, forensic tools to gather digital evidence and coordinated down rates with the General Attorney's Office.

7. The following table shows the number of cases solved by the SIC, and related to collusion in public procurement:

SECTORS	2015	2014	2013	2012
Endowments and Supplies	10	12	1	9
Hydrocarbons	2	1	0	0
Supervision	3	2	2	0
Infrastructure	28	9	15	11
Others	7	5	3	4
Services	11	6	17	12
Food Servings	9	7	6	7
Transport	5	3	3	0
Security	9	5	5	10
Social Programs	0	1	0	0
TOTAL	84	51	52	53

Source: SIC Statistics

8. In terms of fines, the following table shows the yearly evolution of sanctions, in terms of monetary units:

Year		Sanctions (COP)		Sanctions (USD)*
2012	COP	8.657.714.630,00	USD	2.792.811,17
2013	COP	30.961.963.500,00	USD	9.987.730,16
2014	COP	10.822.967.000,00	USD	3.491.279,68
2015	COP	105.673.400,00	USD	34.088,19
TOTAL	COP	50.548.318.530,00	USD	16.305.909,20

Source: SIC Statistics. * Exchange rate used: COP 3.100/1 USD

9. With the result of the five last years, the SIC continues in the process of fighting against collusion in Colombia. This is happening not only by creating mechanisms to align the public entities in the promotion and protection of competition, but also by imposing important sanctions to guarantee deterrence, using economic and forensic techniques to proof the anticompetitive behavior inside the tenders where collusion has been found.