Chapter 8

Challenges in Chilean E–Procurement System: A Critical Review

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ABSTRACT

ChileCompra (CC) is the procurement authority of Chile. Purchases are made independently by the public entities, but CC is responsible for market regulation and management of the electronic platform, where transactions are made. ChileCompra was launched on 2003, within a deep State modernization process which started by the end of the 90s. ChileCompra was born with the mission of generating a substantial change in public procurement, as the previous system was neither responding to market needs nor to the accountability which citizens demanded. The objective was the creation of a transparent, efficient, and – most of all - accessible system, which would create equal business opportunities to companies of all sizes, especially for micro and small ones. ChileCompra manages the public procurement market, facilitating the acquisition of goods and services for public authorities; with high levels of transparency and equal opportunities for every enterprise, especially the smallest ones. Through the electronic platform www.mercadopublico.cl – which is the biggest electronic marketplace in the country – public organizations are connected to suppliers within a transparent and efficient system based on a solid regulatory framework whose governing principles are universality, accessibility,
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INTRODUCTION

The significant market share attained by Medium and Small Enterprises (MSE) within the Chilean government procurement system is the result of permanent actions of the Directorate of Government Procurement and Contracting (ChileCompra) aimed at reducing barriers to entry and market failures to which smaller providers seem to be especially sensitive. The fact that the measures are of a general nature and application has led some observers to believe that there are not specific measures for MSE in the Chilean government procurement system. Thirteen (86%) broad categories of problems, out of 15, are covered by measures aimed at the right direction to mitigate such problems.

Measures such as not charging for registering in the system (www.mercadopublico.cl), the decrease or non-existence of bank guarantees, the total access to all purchases and related data and the fact that financial eligibility is not mandatory for awarded providers of framework agreements, are indicative of very significant actions (and in some cases unique within the OECD) to reduce difficulties that smaller providers face.

Measures implemented in other systems, (especially within the European Union) and their potential effect upon two performance dimensions that are very significant in any government procurement system, namely, savings and participation of MSE providers, are studied in this document.

Although transparency and saving are the main objectives (primary objectives) for government procurement systems, the participation of smaller businesses has also received wide recognition as secondary objective important in the OECD countries (see Annex).

BACKGROUND

One of ChileCompra’s permanent motivations has been to include smaller businesses in the public procurement market. Of course, succeeding in integrating small
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