



MINISTRY OF FINANCE
GOVERNMENT OF THE REPUBLIC OF TRINIDAD & TOBAGO
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Address by

Senator the Honourable Mariano Browne
Minister in the Ministry of Finance

at the
e-Auction Workshop

hosted by The Investments Division
Ministry of Finance

8:30 a.m.
on
Friday 9th May 2008
at the
Marriott Courtyard
Invaders Bay, Woodbrook

- Distinguished Ministers from the Various Line Ministries
- Permanent Secretaries
- Chairmen and Chief Executive Officers from State Enterprises
- Representatives from State Enterprises
- Members of the Media
- Ladies and Gentlemen

Good Morning

Good Morning Ladies and Gentlemen

I am very pleased that today you took the time to join the Ministry of Finance to be a part of this workshop, as we discuss the tremendous benefits e-Auction can offer the State Sector. I know that this is the third seminar we are hosting to educate you on this initiative and although some

of the content that will be presented here today may or may not be familiar, the key objectives are to

1. outline the Government's role in the process
2. reiterate the tangible advantages that e-Auction offers,
and
3. encourage you to become apart of this exciting new phase of e-procurement in Trinidad and Tobago.

Currently, there are forty-three (43) wholly-owned companies which the Ministry has targeted for the implementation of e-Auction where appropriate. The Ministry plans to pursue this programme on a phased basis. In the first phase twelve (12) companies have been identified to adopt the process before the end of the year. These companies have been invited to attend this seminar which will allow them to benefit from the experiences of WASA and Petrotrin who have spearheaded the process in Trinidad and Tobago. There are plans to hold

an e-Auction involving these companies in June/July of this year.

Government has already held several seminars and consultations which have sensitized State Companies of the tremendous benefits which can be realized through the savings generated by e-Auctions.

You may ask why this initiative has become so important to the Government and at this time. Firstly, e-Auction constitutes best practice procurement and it is *certainly* not a new phenomenon. Although it is fairly new to Trinidad & Tobago this form of electronic tendering has been adopted by a wide cross-section of multinational corporations including American Express; BP; British Airways; YARA; and Morgan Chase just to name a few.

e-Auction basically :

- Introduces transparency and accountability into the public procurement process
- Allows substantial Cost and Administrative savings of up to 30% of traditional procurement costs
- Provides easier management of purchasing and costs enabling more efficient examination of total expenditure

Not only does it save time and money but it does so whilst simultaneously preserving the principles of good governance. In essence e-Auction creates a distinct electronic audit trail of activity thus ensuring transparency and it should also be noted that because it is an anonymous

online event it creates a more competitive market for prospective suppliers.

Ladies and Gentlemen as you are aware The State Enterprise Sector plays a significant role in the infrastructure development of Trinidad and Tobago. These Enterprises undertook capital expenditure works of **\$6,250.2 million** for fiscal 2007. Therefore there is tremendous potential for savings.

You will also recall that the Water and Sewage Authority has been using e-Auction in their procurement process. Recently, I have had the opportunity to witness one of these events and it has proven to be very interesting and educational. I know you will be hearing from them today but let me point out that WASA has been able to save up to \$20 million by using e-Auction in their tendering process.

The key benefits of e-Auction namely the creation of an audit trail, enhanced transparency, value for money and accountability are consistent with the objectives of Government's Reform of its existing Procurement Regime. The Government acknowledges that the present public procurement regime should be revised in order to cope with the pace of ongoing developmental projects and the increasingly high levels of expectation among the population.

The reform is intended to address the deficiencies in the existing regime including Deficiencies in the Legal & Regulatory Framework, Human Resource Limitations, Lack of General Oversight, Inadequate Public Information and absence of uniformity in the tendering process. A key limitation in the present regime is the fact that the Central Tenders Board Ordinance, 1961 is largely limited to the tendering stage in which offers of supply are invited and

contracts awarded. In addition, the Ordinance applies mainly to Government ministries and departments and some statutory authorities. The main point to be noted is that the procurement practices of State-owned enterprises, fall outside the ambit of the Ordinance.

The State Enterprises are guided by the Performance Monitoring Manual and the manual entitled Standard Procurement Procedures for the Acquisition of Goods and Services to be provided and works to be undertaken and for the Disposal of Unserviceable item in State Enterprises and Statutory Bodies. State Enterprises since July 2005 are no longer compelled to seek the approval of the Ministry of Finance for awarding contracts of over \$5 million.

However, these Enterprises are also subject to monitoring and oversight by the Investments Division of the Ministry of

Finance. The Board of Directors and the Ministry of Finance, Investments Division, as an integral part of their monitoring function reviewed and approved these company specific procedures. Thereafter oversight for procurement activities is the provisions of the Companies Act. Further oversight for compliance with the approved procurement procedures are within the ambit of Internal Auditors in each company and the Statutory Auditor (External Auditor) during the annual Statutory Audit and by the Public Accounts Enterprises Committee (PAEC) when the Audited Financial Statements of the companies are laid in Parliament.

In 2001 Cabinet established The Central Audit Committee in the Investments Division of Ministry of Finance which was mandated to evaluate and analyse the procedures and practices of State Agencies as they relate to the Procurement of Property and Services.

The new system will take the form of overarching legislation based on the Principle Model and will include sanctions and a complaint mechanism in effort to ensure value for money, transparency and accountability. The new regime will be governed by a Regulator who would be subject to Parliamentary Oversight.

The Regulator based on the advice of a National Advisory Council will establish guidelines for which compliance is mandatory by all Heads of Departments and Permanent Secretaries.

Some of the major differences between the existing and proposed regime is the introduction of sanctions, a complaints mechanism and the empowerment of the Regulator to halt projects while investigations are being

undertaken and to award compensation to complainants as necessary.

The Heads of Departments and Permanent Secretaries will maintain procurement units, will issue procurement guidelines and will be liable for breaches of procurement rules. These officials will be subject to sanction under the Proceeds of Crime Act 2000.

It is important to note that under the proposed legislation officials involved in procurement should ensure that they:

- Recognise and deal with conflict of interest;
- Deal with suppliers even-handedly;
- Consider seeking appropriate probity advice;
- Do not compromise the Government's standing by accepting gifts or hospitality;
- Are scrupulous in their use of public property; and

- Comply with the duties and obligations specified in the Code of Conduct as set out in the Integrity in Public Life Act, 2000, Civil Service Regulations, the Prevention of Corruption Act 1987, the information privacy principles of the Freedom of Information Act, the security provisions of criminal law and their CEIs.

More so the White Paper will facilitate the use of e-procurement and all State Enterprises will be included under its ambit. In essence it will provide overarching legislation.

Therefore e-Auction will complement the reform objectives of the Government. In this regard Cabinet has appointed a Task Force which comprises representatives from the Ministry of Finance, The Petroleum Company of Trinidad and Tobago (Petrotrin), the Water and Sewage Authority

(WASA) and Phoenix Park Gas Processors Ltd. (PPGPL).

The terms of reference of the task force include:

- To promote the implementation of e-Auction by the State Enterprise Sector in Trinidad and Tobago through overall coordination, provision of technical assistance, funding and also ensuring the participation of small State enterprises.
- To design an educational programme to ensure that all State Enterprises are sensitized and become active participants in the process.
- To pursue initiatives geared to facilitate the training and participation of local suppliers.
- To establish and maintain a database to facilitate the compilation of the relevant data, statistics for general insight and management of the e-Auction programme.

The Government is therefore of the firm belief that e-Auction, under the umbrella of e-procurement, will help revolutionise the procurement process and ultimately improve customer service delivery.

In closing, it is our vision that e-auction will be instituted throughout the State Sector. Bear in mind, however, that we are fully cognizant of the fact that e-Auction will not be applicable or suitable for all State Enterprises because it is dependant on:

1. the number of suppliers in the market, working best with sufficient players in a highly competitive market, and
2. the cost of the goods or services required, the commodity must be of sufficiently high value to generate reasonable savings.

Ladies and gentlemen, I trust that you will find the information and practical experiences of our pioneer practitioners of e-Auction which will be outlined in this seminar quite useful and I look forward to the continued interaction between the Ministry of Finance and the State Enterprise Sector as well as other stakeholders as we pursue our national developmental agenda.

I Thank You