

Remarks by

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PRIME MINISTER & MINISTER OF FINANCE

at a Ministry of Finance Investments Division Seminar titled

E-AUCTIONS: REVOLUTIONISING
GOVERNMENT PROCUREMENT

22 March 2006, 2.00 p.m.

Crowne Plaza Trinidad Hotel & Conference Centre,
Wrightson Road, Port Of Spain.

Senator the Honourable Christine Sahadeo

Government Ministers

Permanent Secretaries

Chairmen and Members of the Boards of Directors of State
Enterprises

Company Executives

Members of the Media

Distinguished Ladies and Gentlemen

GOOD AFTERNOON...

I am pleased to be here with you this afternoon and to have the opportunity to address you at this seminar, hosted by the Investment Division of the the Ministry of Finance, and which is entitled “E-Auctions: Revolutionising Government Procurement”.

I wish to extend a very warm welcome to our facilitator from Yara International ASA, Mr. Dag Rune Lien, who came all the way from the company's headquarters in Norway to be with us today.

This seminar this afternoon brings home to me just how small today's world really has become, and the extent of globalisation, which I use here to mean the phenomenal growth in recent years of the economic, cultural and technological connections across state borders.

Globalisation, as one scholar so rightly puts it, has seen the transition of our world from a community consisting of 'atomised nation states' to one characterised by 'a seamless global economy'.

This seamless global economy has been largely the result of rapid movement and transfer of data and information in recent years. It is, therefore, tremendously important for any developing country serious about competing in this 'seamless global economy' to learn about, explore and embrace the technological developments that seem to occur on a daily, some might argue, even hourly basis.

Ladies and Gentlemen... The development of the worldwide web and Internet technologies continue to make available to the world

community an expanding range of options useful to the production process and the transaction of business. These are revolutionising how business is conducted within and across borders, and are bringing to the fore new issues and challenges of management and governance. They are changing the very nature of the best practices across the world.

The Government is very cognisant of these developments and has begun to treat with them in terms of initiating the level and kinds of reforms necessary for the conduct of business of Trinidad & Tobago. And it is not only about our private sector, but equally, also, about the business operations of our public sector. It is against this background that we meet here this afternoon to discuss the E-Auction phenomenon and its significance for the public sector procurement process in Trinidad & Tobago.

As I understand it, Ladies and Gentlemen, E-Auction is an auction conducted through the Internet. On the one hand, it provides all suppliers with an equal opportunity to bid over the Internet. On the other, it provides corporate buyers with the opportunity to increase the number of suppliers, thereby exerting greater influence over the

supply situation, and achieving dramatic reduction of purchasing cost and increased profitability.

Procurement managers can use the service as an effective tool to access more suppliers, improve relationships with them and gain more control over procurement processes.

The system is very transparent in nature and comes as close as possible to what economists describe as a perfect market or market of perfect competition. Buyers can attract all the sellers. Even if the sellers may not know each other, they will be aware of the bids of all their competitors, and in order to secure contracts, are forced to lower their selling price. The system, therefore, offers real-time leading price visibility.

Suppliers who wish to be considered will have to show how they comply with key evaluation criteria. The system brings an unprecedented level of profitability, control and simplicity to corporate procurement.

I mention this primarily because the present public procurement system in Trinidad & Tobago stands in need of revision. There are a

number of limitations to the current legal and regulatory framework. Firstly, it is embodied in the Central Tenders Board Ordinance, 1961, which applies mainly to Government ministries and departments and some statutory authorities. There are, however, other agencies which use public funds, including state-owned enterprises and statutory authorities whose procurement practices fall outside the ambit of the Ordinance. What is necessary is a framework applicable to all and based on sound policy.

Secondly, the scope of public procurement envisaged by the current legal and regulatory framework is largely limited to the tendering stage, in which offers of supply are invited and contracts are awarded. Accordingly, what is also needed is a procurement policy that goes well beyond the tendering process. The Government believes that a public sector procurement policy should include, of course, the prior design stage in which needs are identified, the scope of work determined, the costs estimated and the bid packages prepared.

But we must go further. Procurements should also adequately cover the subsequent or implementation stage in which the performance of the contract is managed. There is, therefore, the need for a

framework that applies objective standards evenly across all stages of procurement and to all the actors in the process.

The Government's position, as some are aware, has been presented in its White Paper on Procurement. The time has come for more definitive change, having regard to developments over the years.

The past 30 years have seen a gradual de-centralisation of the role of the Central Tenders Board. In 1987, the Ordinance governing the operations of the Board was amended to provide for the handling of matters in the event of an emergency, without having to refer to the Central Tenders Board. In 1991, an amendment provided for a Special Ministerial Tenders Committee to be established at the Ministry of National Security to procure ammunition and equipment for our Defence Force and the Protective Services. In 1993, it became necessary to give NIPDEC the authority to carry out its own procurement for Government projects outside the ambit of the Central Tenders Board.

Today, increasingly high levels of expectation among the population, coupled with the Government's commitment to an accelerated pace of national development, as well as to the national aspirations to

transform Trinidad & Tobago into a developed country, require the delivery of goods and services at a level and pace which dictated significant restructuring and adjustments in our procurement systems.

Recall, Ladies and Gentlemen... the establishment last year of a number of Special Purpose State Enterprises. Of necessity, these were created to increase the rate of implementation of the Government's expanded Public Sector Investment Programme, and to undertake projects in areas critical to overall national development. These have been charged with responsibility for ensuring that the execution of Government's development policy initiatives is done in a manner that is timely, transparent, efficient and effective. And they will be held accountable for every dollar of public funds that is spent on these projects.

All the same, what is still needed is implementation of a practical, over-arching policy that will govern Public Sector procurement across the board. The new approach being proposed by the Government is based on a procurement regime that facilitates the achievement of value for money with transparency and

accountability, and the achievement of Government's national development objectives.

It is the Government's intention to introduce in Parliament legislation to repeal the Central Tenders Board Ordinance and its subsidiary legislation, and to replace these with a new Act which will govern the procurement activities of all entities that use public money. The new framework proposed in the White Paper will enable flexibility in policy formulation, to accommodate market changes and information technology developments.

Ladies and Gentlemen... This last aspect brings to mind the purpose of our presence here, this afternoon. It should be of interest to all gathered here and the national community that the White Paper on the Reform of the Public Sector Procurement Regime notes that changing technologies have accelerated the trend towards E-Commerce. Further, that there is the necessity for a reassessment of the legal foundation of commercial practices to accommodate this development. Additionally, the White Paper also sees the promotion of the use of E-Commerce as a means of further streamlining the

procurement and production processes, and of providing access to a larger marketplace.

In point of fact, a range of reforms are needed to take advantage of developments in information and communications technologies, and strengthen and promote the confidence in our public institutions; to ensure that domestic procurement practices are in conformity with international best practice; and to develop and achieve the level of governance and development envisioned by Vision 2020.

Given the Government's commitment to this level of development and transformation, where exactly does the E-Auction fit in? perhaps we should point to the international scenario.

Ladies and Gentlemen... In November last year, the International Telecommunications Union released a Report at the *World Summit on the Information Society* in Tunis.

The Report entitled **The Internet of Things** pointed to some aspects about which we are already aware, but which take on a certain relevance in terms of the conduct of business in the not too distant future.

The Report pointed to the fact that technology today is not merely more pervasive than it was ten years ago, but far more pervasive than we could have ever imagined then; that the demands of multinational businesses are forcing countries to adopt new telecommunications technology; that with this, inter alia, the world is standing on the brink of a new computing and communication era which will radically transform our corporate, community and personal spheres; that one of the major changes the Internet has ushered in, is the way in which businesses are using software to maintain their competitiveness and efficiency.

Much is pointing to the fact that in the not too distant future, there would hardly be many opportunities for business without e-commerce, e-government, etc.

In the corporate sphere in the developed world, we clearly see the proliferation of e-procurement technologies and, increasingly, their adoption as a means of conducting business in both the public and private sectors. E-Procurement consists of a range of technologies that allows easier and more profitable procurement to occur electronically.

Already, E-Auction is but one of these technologies, which has already emerged as a recognised Best Practice for operations of the public sector. We are being told that it creates far less problems than it solves; that less time is spent in sourcing supplies; that it accelerates the negotiation process; that the process is open and leaves a transparent audit trail of negotiations undertaken; that buyers get a greater insight into the nature of the market, and about the 'true market price' for goods and services, or the lowest sustainable price that suppliers can offer for the contract.

The initiative has long been put to work in the United Kingdom to support both central and local government agencies in their procurement of goods and services. Indeed, for their public sector buyers, the E-Auction has been the answer to steadily escalating procurement costs.

For us in Trinidad & Tobago, in terms of where we are now and the future development of our nation, what is important is not just our capability — which we know — but also the choices we make.

I am confident that not only can our Public Sector can embrace E-Auctioning, but also that we should embrace E-Procurement on the

whole, and that this should be an important part of the way forward for the future of Public Sector Procurement in this country.

Ladies and Gentlemen... You would, therefore, appreciate how gratified I am by your presence here at this seminar, which will allow us not only to learn something new, but also something which, if incorporated into our daily business operations, could save substantial sums in our procurement budgets — money that could well be invested in other areas which need the extra financial boost.

I wish to congratulate the Ministry of Finance, Investments Division, on this important initiative, and wish Seminar participants every success.

Ladies and Gentlemen... I thank you very much for your attention...