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## MEXICO WATER REPORT



### **Compranet 5.0– Better than or eliminate the problems of the old system?**

Within the last few months, the Mexican federal government has created a new federal registry for the publication of government procurement projects and other purchase activity. The new system is referred to as Compranet 5.0. It is intended to improve on the old system in several ways: (a) make it easier to use and navigate, (b) include more detailed information on tenders, (c) allow more specific search filters (although you can no longer search by date or range of dates), (d) allow interaction directly with the purchasing entity, (e) provide greater clarity about the purchasing entity and the area in charge of the bid, and (f) allow you to export data directly to an Excel sheet for easier manipulation.

While we are pleased that the Mexican government has recognized the need to modify the old system and improved it, it is important to mention that the biggest problem with the old system will remain the biggest problem with the new system, i.e. that the information provided by federal, state, and local government officials to Compranet for publication tends to be late and terribly incomplete.

LGA Consulting monitored water segment tenders, bids, and awards in Compranet from July 2009 through June 2010. From our analysis, we have found three key problems with Compranet information for the Mexican water sector.

#### **1. Time Frames on Compranet**

From our analysis of local, state, and federal water bids, we have been able to determine that the average time between publication of a tender in Compranet and the close of bidding was only 7 calendar days, with 2/3 of the 1158 tenders closing in less than 10 days. Mexican authorities claim that Compranet works in such a way that Mexican or foreign companies can monitor the bids that come out and be able to respond to them with adequate time frames. We think that few bidders could assemble a serious proposal in that amount of time. Conagua, the Mexican water authority, should insist that all tenders should be open for at least one month, if not two, in order to allow foreign companies to be able to adequately access, process, and act on this information.

#### **2. Information about Bid Winners**

LGA Consulting regularly reviews the water project awards and the contact information on public sector water award winners. In this way, we are able to link U.S. companies with Mexican bid

winners. When we tried to access the contact information for these award winners in Compranet, we found that the information listed was incorrect more times than not and that when we tried looking for the winning company by name, we could not always locate them. From our analysis of the 124 water award winners during the months of December 2009 and March 2010, we obtained the following results:

1. Compranet had correct telephone and email information for only 41% of the winners.
2. Only 52% could be located and reached by phone or valid email.
3. Less than 25% of the emails, valid or otherwise, were from company-branded domains as opposed to free, on-line providers (.e.g. gmail, yahoo, prodigy, etc.), suggesting the potential that the bidders were not affiliated with established businesses.

### **Low Award Amounts**

The value of the 498 municipal, state, and federal water project awards listed in Compranet from July 2009 through June 2010 was 3.411 billion pesos (about U.S.\$275 million). The award amounts in the second half of 2009 (2.244 billion pesos) were twice the amounts in the first half of 2010 (1.166 billion). We believe that this imbalance is a consequence of (a) the fact that water budgets in Mexico tend to be back loaded into the last half of the year for funding reasons, and (b) that indeed there has been less spending in 2010 even though the 2010 Conagua budget actually increased more than the inflation in 2010.

The value of these projects represent only 18.9% of the U.S.\$1.45 billion Conagua budget for water and waste water projects in Mexico in fiscal 2010. Larger/richer municipalities and states generally rely on Conagua for no more than half of their water budgets. As a result, the Conagua budget generally represents no more, and probably less, than 2/3 of the funds spent on all Mexican government water projects each year. One could conclude that the water awards reported in Compranet, which should comprehensively include all municipal, state, and federal water projects, actually represent no more than 12.5% (and probably closer to 10%) of the total national water project budget in 2010. One has to ask where this budgeted money is going? Is it being spent on water projects but not being reported in Compranet?

### **Conclusion**

Without a doubt, Compranet 5.0 is an upgrade over the old system. However, as mentioned above, too often the problem is not the system but the info in the system. One has to also wonder why Conagua is not monitoring and trying to eliminate these additional local and state government spending discrepancies and to insist on the publication of complete award winner information.