

THE ELECTRONIC GOVERNMENT PURCHASES IN A BRAZILIAN CITY HALL

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Abstract:

The present study deals with the format of the public purchases. From a traditional face-to-face perspective, the public sector is migrating to a more sophisticated alternative, the electronic auction. In general terms, the electronic auction contributes significantly to the improvement of public purchases processes, but its limitations must also be observed. This paper conceptualizes auction, and then its electronic face based in literature which provides to relate eventual advantages and disadvantages. After the frame construction, the case study is elaborated based on a city hall in order to identify if such theories are congruent with the reality and, possibilities and practices are postulated. After the presentation and discussion of the case, final considerations present the identified elements in the research.

Key-words:

Electronic Purchase; Governmental Purchase; Public Sector.

Resumo:

O presente estudo trata do formato das compras públicas. De uma perspectiva tradicional presencial, o setor público está migrando para uma alternativa mais sofisticada, o pregão eletrônico. Em termos gerais, o pregão eletrônico



contribui com relevância para melhoria dos processos das compras públicas, mas suas limitações também devem ser observadas. Este artigo conceitua pregão, e depois sua face eletrônica baseada na literatura, o que proporciona relacionar eventuais vantagens e desvantagens. Após a construção do referencial, o estudo de caso é elaborado com base em uma prefeitura, para identificar se as teorias são congruentes com a realidade e, possibilidades e práticas são postuladas. Após a apresentação e discussão do caso, considerações finais apresentam os elementos identificados na pesquisa.

Palavras-chave:

Compra Eletrônica; Compra Governamental; Setor Público.

INTRODUCTION

In the Brazilian public sector, auction purchase is the modality of government buy without priority for some entity. In this transaction format, all are equaled able to offer products with justice and equilibrium for the public sector. Some of those modalities are represented by the free competition, budget, and ‘special invited’ cases (in emergency situations), and bidding. The critics claim that the public sector is not efficient and faster enough to supply the population and self demands.

The regulation of Internet to be used in the public sector for purchases represents an evolution in Brazilian legislation. Two main contributions about the modality are visible: less bureaucratic problems and costs reduction. The electronic governmental purchase process is favorable for the federal administration, like in cases of burocratic resolution, economy, media and efficiency (FONSECA, 2010).

This study is related to advantages and disadvantages of electronic auction, which is illustrated by a case study in a city hall. The study is structured as



follows: first, this short introductory mention; the definitions of auction and the migration to electronic auction. After the contextualization of theory, the unit of analysis is presented. To conclude the study, are described the methodological procedures, the case analysis and final considerations.

2. DEFINITIONS ABOUT 'AUCTION' AND 'ELECTRONIC AUCTION' IN THE PUBLIC SECTOR

Auction is a modality of exchanges based in a seller pricing offerings. The rules for that kind of buying system is that the lower price, based in attributes specification, win the competition for concrete the sale (in this specific case, the buyer is the public sector). The central premise that supports this kind of negotiation, as stated by Meirelles (2005), is the lower price policy, in a specific time to make the offerings. In the public sector, auction is a claim to the aims of equality that can make it possible the participation for all social stakeholders. This initiative provides transparency and selective processes to the public administration and evokes the society control to democratic processes. The auction also understands as a public administrative modality that is used for the acquisition of goods, services, publicity, permissions and location for the public sector make related activities that evolve public money. Justen Jr. (2004) presents the auction process as an administrative behavior (and action) that deals with the criteria of public acquisition of any kind of products and services, based in the legal statements and controlled by specific entity that must provide transparency and justice in the competition to supply the government.

Some basic premises must be observed in the action process, and are listed here. The need for regulation is presented in the legality principle (all auction processes are conducted focusing rules that are determined by the law); impersonality (in this case, all competitors that want to sale for the government must be viewed as 'equals' without different treatment); morality (the auction must be do it based



in ethics and honesty/integrity). Continuing, the equality principle (is forbidden preferences for some seller, based in size, or even location); publicity (the processes need to be presented unrestricted to the eyes of all society and interested persons/institutions); honesty (good-will and obedience to morality matters are central, and eventual mistakes must be repaired); rules for auction (rules must be followed –law regulation); and finally, objective judgment principle (the criteria and rules *a priori* stated must to be respected for the final resolution/decision).

The auction also adopted different modalities, for example, competition, proposition and establishment of prices, invitation, proclamation, contest (evaluation), and auction processes itself. To maintain a uniform pattern, this study will use the generic designation for the electronic governmental purchase as ‘electronic auction’ processes.

The public/governmental electronic auction must respect a two steps determination. First, about documentation analysis, for identification of the candidates; and to verify if the seller is able to participates the competition. Secondly, the prices analysis, that will identify (based in the criteria), the lower price to be chosen. To reach the phase two, the candidate to be a supplier must be approved in the first requisite (ALBUQUERQUE, FREITAS, 2006).

The **Electronic Auction** is a modality that was adopted by the Brazilian State to gain agility and lower costs in the public purchases process. This system is used for goods of common use, to avoid the burocratic dysfunctions (MOTTA, 2003). To reduce the costs of governmental purchase processes, the Law that regulates the electronic auction was developed based in the efficiency principle that results in lower time and better prices to public sector acquisition (MARINHO Jr., 2006). The combination needed to success follows the Chinelato Filho (1993) theorem, which states that only if exists efficiency and efficacy can be reached effectively process, and if this process can be reached, the final result will be economy. Of course, as remembered by Marinho Jr. (2006), this must be also a faster system of purchase.



For the purpose of this study, the decision was to do not present legislations, but decisions and macro aspects of the modality, that can serve to different and widely audience. Only for a little description, the Brazilian system of electronic auction is regulated not only nationwide, but with proper local regulation (states and city hall local laws, to complement the federal macro rules), as stated in Albuquerque and Freitas (2006) observations. The governmental purchases process must be conducted by auction, preferable in electronic modality, to attempt to the efficiency-efficacy-effective-economy theorem composition. Also, ‘the lower price ideal’ needs to be remembered to follow that combination above (4-Es). The Internet is the main tool and channel to act in this kind of public purchase process. There is no monetary value limits to realize this type of auction, except for the rule that the modality is designed only to the purchase of normal products and services for the public consumption (DIAS, 2010). To define the idea about ‘normal or simple product’, Costa (2007) characterize this kind of product or service as an easily to found in the market, that don’t need to be customized (defined forms and patterns). For this paper purpose, the regulated and official entity to promote electronic auction is the City Hall.

2.1. Advantages in the use of Electronic Auction

Some of the advantages in the use of public electronic auction are commented in this section. In the vision proposed by Albuquerque and Freitas (2006), the velocity in the process that become faster, the agility, facility and transparency are the main reasons to the public sector adopt this modality to buy from the private sector. In same direction, Fernandes (2008) corroborates, and add a new factor, that is represented by the competition stimuli. Fonseca (2010) also mentions the competitive imperative in the electronic auction, and put in evidence the vital collaboration that the Internet utilization promotes to the public sector. To support the Albuquerque and Freitas (2006) view, also in Paiva and Zuccolotto (2009) is considered the transparency as an important beneficial aspect in the elec-



tronic public auction. This topic is related to the possibility to monitored public decisions in the view of people. The Internet based governmental information is another beneficial use to the technological possibilities. Informational availability is a citizenship right, and it is important to society (SANTOS, 2005). More than a simple benefit, the governmental transparency is a law requisite.

Albuquerque and Freitas (2006) also believes that this modality is adequate to the public sector to pay the 'right and fair price' for goods and services, avoiding opportunistic market relationships. In emergencies and special cases this faster practices can be helpful. As mentioned in Motta (2003), the bureaucracy serves to regulate the patterns and is a useful tool in the public service, but the way to do it never can obfuscate the main purposes. This means that the focal point is the public service benefits, not the purchase itself. For the adepts to this public modality, the 4-Es are obtained, and the result is related to expressive cost reduction and a public resources better application. Other argument is that the unnecessary geographic synchrony (physical presence) to the process is an important facility for all stakeholders (the public sector save money related to location, the suppliers can make better offerings because the costs to offer products and services are close to zero, and the population can monitor).

2.2. Disadvantages in the use of Electronic Auction

As the first disadvantage quoted about the utilization of electronic auction, people mentions the poor knowledge related to the novelty in these technological applications. The limitation can be expanded to the eyes of firms that don't understand how the electronic face of auction is conducted. Many of these managers are unbelievers, who not know the Internet potential to conduce more productive public action for them. Those businessmen's can be viewed as the 'sons of traditional auction', and must be prepared to the new faces of public sector (FONSECA, 2010). As the author remembers, in the public sector the skeptics also resists from the new paradigm imposed by the technological facilities.



Difficulties' in handle the information system also can limit some of the proponents to negotiate with public sector. More common, the misinterpretations about the auction process still a problem in this kind of transaction (as in the presence system of auction). Souza (2010) expands the problematic based in a set of arguments. For the author the problems are dyadic, represented by the seller difficult to handle the system and also because many of the public sector representatives also do not know how to use it. To complement this set, Internet technical problems and external factors like banks strike. To avoid some of this problems the governmental institutions must prepare employees to work in the platforms, make available instructions to suppliers and to the population, and select adequate equipments and partners to put the electronic auction 'in action/use' (DIAS, 2010). Pointed by Parizi Filho (2001), the electronic method of auction, as the traditional one, has some embedded limitations.

3. THE BRAZILIAN CITY HALL: CHARACTERIZING THE UNIT OF ANALYSIS

In the Brazilian public management context, a City Hall represents the executive local official agency of the government. Basically, the power structure of the country is composed by three equivalent and distinct forces, regulated in three levels. The levels are the national representation, regional/state representation, and the local or the city public management. The forces, represented in these levels are the executive power (president, governor and mayor are the equivalent heads in specific levels, and are responsible to the actions together with another executive entities); judiciary power (represented by the law courts, and responsible for the law application), and legislative power (the 'law makers'). The auction process, in all modalities, is a responsibility related to the executive power. In the City Hall studied, mayor and direct involved public employees are responsible for the governmental purchases process.

To the maintenance of anonymity, the City Hall (and the name of the city) will be only superficially presented. This also will be that way for the purpose of



present only objective data related to the direct interest of study. The region where today is the city received the first population village around 1700, colonized by Europeans. Agriculture was, and still be present in the economical system of the region, and was in the beginnings the main way of life for many people, especially during the city 'creation'. In the 1940', the industrial incrementing changes the city landscape, and infra-structure works made favorable to different and more rentable economic activities. Some industrial examples from today are the sectors of apparel, medical inputs and metallurgy. Nowadays, the city contends around 150.000 inhabitants.

In the City Hall building, all the executive power is integrated, including the auction sector. This configuration facilitates the public action and decision making processes. The auction traditional process is not recent, but the electronic auction was established only a few years later (something around two years in operation). The process was made available in a public partnership between a public national bank and the city hall. The judiciary power acts as a consultant entity that represents and analyze the auction processes (integrated services). A constant revision process is done to reach always the best alternatives for the public system.

4. METHODOLOGICAL PROCEDURES

As a better methodology for the analysis purposes was identified the Simple Case Study Research technical employment. As stated by Yin (2005), this approach is useful for empirical investigation that is embedded in the social context. A multiple evidences potential use makes a case study an interesting research strategy for embedded situations (GIL, LICHT, OLIVA, 2005), and justifies the three data collection chosen procedures (documentation analysis; observation; direct interviews). In some aspects, the chosen City Hall case expresses what can be considered a 'specific case', with the attribute of *uniqueness* (MAFFEZZOLLI,



BOEHS, 2008). Also the public entity in this study is the characterized unit of analysis (YIN, 2005). The unity of analysis is a City Hall from a municipal instance in the south of Brazil. To respect the wish of the public professionals, names do not be mentioned, and the city will not be nominal reported. The focus of study contemplates the supply/purchase sector. Entire case study was developed in the second half of the year 2010, by the author himself.

4.1. Data collection procedures

In the empirical step of this research, the data collection uses some different sources of data, as stated in the Case Study recommendations. Observation and documental analysis was added to the main source of research data employed, the semi-structured interview process. The interviews formulary (orientation guide), was composed by 10 open questions, related to the electronic auction in the public sector. After the interviewing process, that was recorded, data was transcribed and then analyzed. The observation made was not enough to conclude. The Internet author's research and the public documentation analysis provide more insights.

The questions from the interview addressed some issues, for example: the electronic auction as a law supplementary function; effects in efficiency-efficacy-effectively-economy and price reduction; electronic auction process itself; transparency and agility in the process; competition stimuli; costs reduction; ethics; credibility in the process; utility level; employees management; technological problems/resolutions; qualification; and modality popularization.

4.2. Data analysis strategy: data triangulation generation of 'meaning'

The procedure of data analysis is very simple, but adequate to case study research. Basically, all the empirical data reached by observation, documentation



and mainly through interviews, was systematically analyzed in the shadows of theory. Semi-structured interviews were made in the locus of action, where also the observation was passively made. The case chooses is important because the City Hall experienced both kinds of auction in a short time.

A ‘pair’ of interviews is systematically compared, but the results are presented in an integrative way to preserve identities (a condition established by the city hall and answers). Data triangulation is a consistent manner to analyze interrelated data. The ‘Figure 1’ exposes in a didactic perspective how the data collected was analyzed to the results generation.

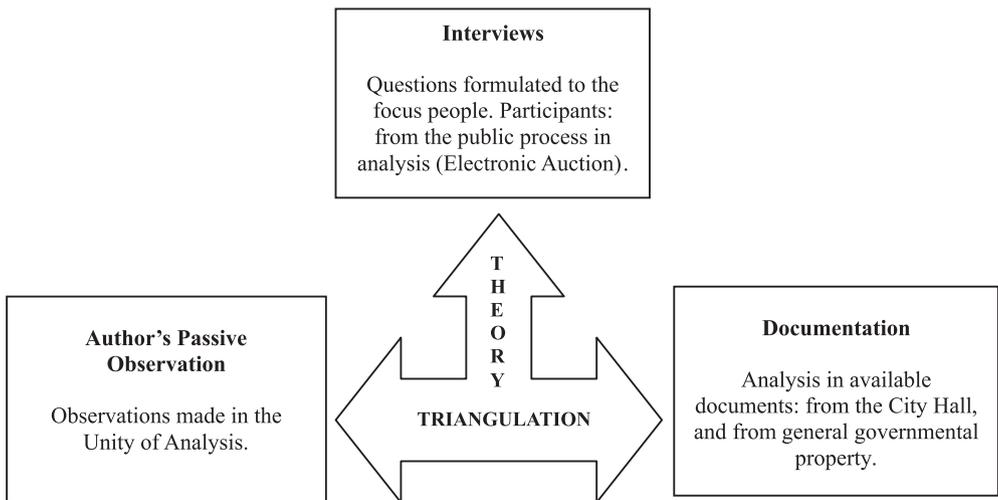


Figure 1: Methodological procedure of analysis (Triangulation).

Source: elaborated by the author.

5. ANALYZING THE RESULTS IDENTIFIED IN THE CASE STUDY RESEARCH

The electronic auction process is promoted by the Internet, and the period to try to win the competition cannot be inferior to eight work days. The candidate



firm must create a digital account to present the proposal, and the information is aggregated to a data mart. A prime analysis is done, to identify firms that really are able to compete and presents all requisites. The entire negotiation can be followed by the interested firms, because the process is transparent oriented. Also the negotiation, based in price is done between the public responsible and the companies involved in virtual real time interaction, by the system. The process discussion is one of the final sessions in the environment. The winner is called to presents all the necessary documentation and other requisites, and if something does it wrong, the next better ranked firm will be the chosen. If all is right, the process is finished. The entire process is informed by formal media, an important element also related to transparency.

Employees interviewed are directly involved in the auction process, and all are public sector workers, in the city hall studied. For more complete information about specific functions of the stakeholders from a city hall, see Müller (2010) work about electronic auction made at the “Sapucaia do Sul City Hall”, in Brazil (the author interviewed five different work employees and discussed legislation). Public sector in general, as stated by the interviewed people is at small steps searching for electronic facilities in general, because the technological tools facilitate the everyday work in front at a population increases. The computer operated procedures are improving the quality of public activities. As stated by the interviewed, the electronic auction, in general terms, follows that same tendency. Similar results are found in other studies. The time consumption is reduced, and as the popular statement: ‘time is money’. The procedures of public purchase were gotten better, and qualified the service.

Not all are flowers, and a complaint is that the Brazilian public sector in general are ill structured and much hierarchal based, what reduces the possibilities to improvements in the auction and related processes. Based in *a priori* advantages related to the electronic auction, the triangulation data analysis identified inside all procedures some of the positive features, but also many possibilities to im-



provements in the process. Price reduction is a conquest that is available through this purchase modality, affirmed some of the respondents. The platform used in the process must be improved (technological improvements in the software), and represents a real difficulty mentioned in the theory section of this paper about disadvantages that is proved in practice. As the employees mentioned, they frequently face some problems, and also they said that the firms also complains about some kind of software limitations.

A positive feature unanimous quoted is the competition higher rates, which provide better investments to the society in general. The 4-Es imperative is observed, not fully, but in a better level than in the past (when traditional auction was the dominant process the results were worse). Also transactions between private and public sector improved and multiplied. In a major perception of the respondents, the paradox relation among better quality and lower price is available, especially because the process is more controllable and comprehensive. Reducing the dyadic operational costs (from city hall and from private industries) better prices can be negotiated. Bureaucratic simplification also reduces the time consumption. The virtual communications facilitate the relationship among the central stakeholders. For them, in the public service, the resources utilization is very well optimized, mentioned the answers.

Transparency aspects about the perception of honesty are mentioned by practically all respondents in reference to the electronic auction when compared with different public ways to realize negotiations and purchases. The electronic apparatus make the process less faceless, and don't promote spaces for stereotypes perceptions about the firms in the decision making. Of course technological traps and hackers require that the observation of improvements needs to be a cyclical and continuous process, to avoid fraud and opportunistic actions. Training is viewed as a critical step to the acquisition of ideal competences and skills to operate the tasks. Federal resources and incentives can motivate another level of the public sector to implement modern programs like the electronic auction.



For this, regulation must be well done. Clear policies about how and for what financial investment in resources must be defined primarily.

Quality of the sale needs to be verified by the government. Products that can't supply the needs of the state must be returned, and another supplier considered. One step that can be implemented is the verification of quality prior to the payment for the supplier. Specifications must be ever checked. To preserve the state, the rules must be complete and also as clear as possible. Price is only one transactional face, which must be complemented by quality. Some law definitions difficult the requisition for a higher quality material, and the corruption in Brazil is not a novelty problem. Higher level public managers could help to a better public investment for the general population life benefits. As in the past, electronic auction also is vulnerable to corruption practices, but the window for that is narrower. More dynamism for the city hall to demand a better quality products and services still a challenging task.

6. FINAL CONSIDERATIONS

The main results from the data triangulation illustrates that the electronic auction is superior to presence auction in a set of aspects. Generates velocity and agility to promote and to operate the system; equalized a favorable 4-Es composition; reduces opportunistic action and fraud. Also promotes significant cost reduction to the public sector; is a better channel to incentives the real competition. The competitors are not analyzed a priory and face-to-face, but through the informational system (all are equally presented); higher transparency among processes is observed; and last but not least, represents the modernization of govern.

In a broader sense, results shown that the electronic auction improves the quality in the city hall that was studied. Some problems are evident, but they not suppressed the benefits. The purchase process become clearer in the eyes of



population and also better realized. The saving money generated can be directed for another society needs.

Modernity was implemented and solves some bureaucratic problems, and information becomes well distributed among all types of stakeholders. People can 'click' and observe how the public money has been spent. A traditional process was changed by a new and better one.

Problems also were identified. Misspecifications can put in check the quality control and opportunists can identify that kind of gap. Internal people (employees) need constant training, a reality far from the general Brazilian public sector routine. But in macro aspects, this work made available to conclude that the electronic auction is a way without return.

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