

Forum 2: Public Tenders – Transparent, Fair, Successful?

Lateinamerika -Tag in Weimar, 17th October 2017

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Your Moderator



José Manuel Padilla

Partner, Latin American Business Centre, EMEIA
Ernst & Young, LLP

- ▶ Prior to joining the EMEIA Global Tax Desk Network, José was an International Tax Partner based in Mexico City since July 2011. José has over 15 years of international tax planning experience.
- ▶ José holds a public accounting degree from Universidad Iberoamericana, S.A. (UIA) and a Tax Certification issued by Mexican Association of Public Accountants).
- ▶ Starting in 2005, was a professor in the undergraduate and specialized study programs of important Mexican Universities.
- ▶ His professional experience includes federal tax advisory and tax planning services for various industry sectors, including the manufacturing, energy, retail, professional services, hotel, finance, oil & gas and maquiladora sectors.
- ▶ He has coordinated acquisitions of companies, including due diligence, design of acquisition and financing structures, review of legal documents required and negotiations with the seller's advisors
- ▶ Jose provides advisory to international clients looking to invest in Mexico or Latin America and Mexican-based multinationals doing business outside of Mexico. A
- ▶ During his professional career the most relevant clients are/were: Grupo ACS (Cobra), Grupo Acciona, Gas Natural, , Mota-Engil, Weatherford, Mitsubishi, Marubeni, Solera, Alsea, Nutrisa, Monsanto, Amcor, Hugo Boss, Astra Zeneca, Grupo Devlyn, Flowserve, Pernod Ricard, Unilever

Your Panelists



Marjan Levicar
Senior Market Manager
Aesculap AG

- ▶ Marjan Levicar is Senior Market Manager in the Global Sales and Market Management of the Aesculap AG in Tuttlingen, a subsidiary of the B. Braun Melsungen AG.
- ▶ He is dedicated to the Latin American Region for Aesculap since 17 years.
- ▶ Actually responsible for Colombia, Ecuador, Chile and Argentina regarding the development and performance of the overall surgical and interventional business.
- ▶ In his function he is creating and implementing sales and marketing strategies, sales concepts, sales methodologies and commercial sales staff development together with the local sales organizations.
- ▶ Previously he was in charge for the development of the orthopaedic and spinal implants business in whole Latin America.
- ▶ Marjan is born 1975 in Rottweil. He holds a degree in Business Administration with specialization in International Marketing from the Baden Wuerttemberg Cooperative State University (DHBW) in Villingen-Schwenningen.

Your Panelists

B. Michael Nowak Managing Director SALTEC GmbH

- ▶ Born 1949 and responsible for SALTEC GmbH since 1992 as Managing Director and shareholder.
- ▶ Educated in Hamburg Germany for international business and extended this platform by additional studies parallel to my responsibilities of the relevant employment agreement.
- ▶ Working as a technical sales manager since 1969 and was responsible so far for local sales activities in South Africa, Pakistan and South America.
- ▶ Speaks fluently English and Spanish.
- ▶ Since 1992, Managing Director of SALTEC for South America and Russia
- ▶ Due to political restrictions on governmental side SALTEC were compelled to stop their entire activities in Russia resulting to the closing of all their offices in this country.
- ▶ Actually SALTEC is active in Venezuela, Peru, Chile and Bolivia operation their own representation offices in those countries
- ▶ SALTEC designs and executes the supply and installation of electrical systems. Key accounts are high voltage power transport systems and railroad signaling systems incl. uninterruptable power supply subsystems.
- ▶ The engineering concept will be realized in exclusive cooperation with European and American manufacturers and installed under SALTEC responsibility as Turn-Key project with the support of the local offices.
- ▶ His technical and commercial competence relates to the field of activities stated above.

Your Panelists

Michael Lyko
Senior Sales Director
Microdyn-Nadir GmbH

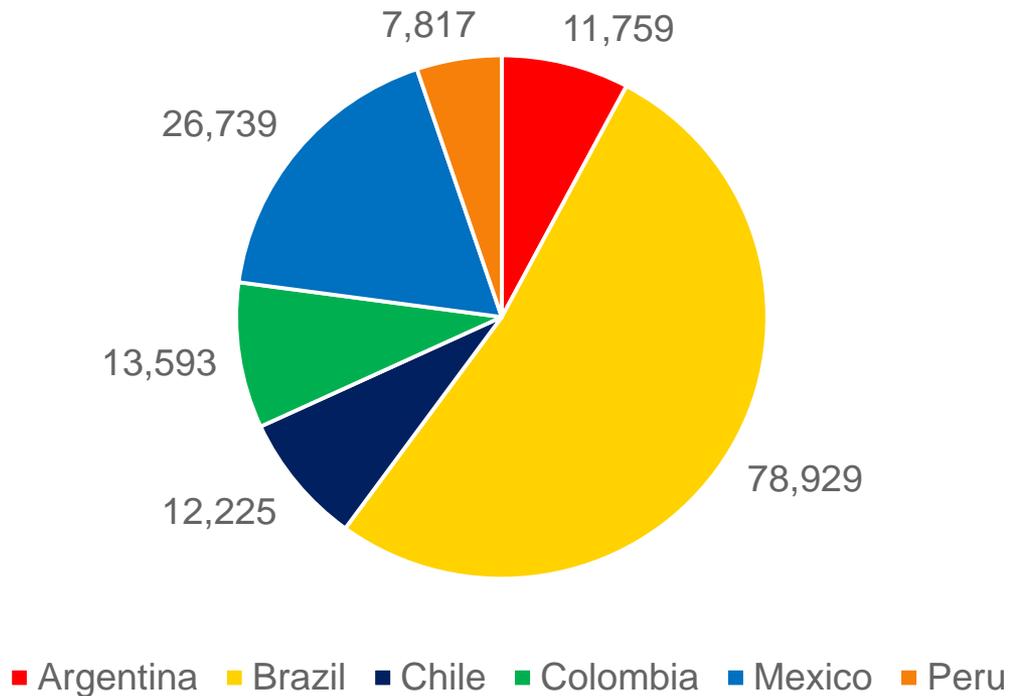
- ▶ German Water Partnership.
 - ▶ Head of Latin America Section since June 2016
 - ▶ Honorary promotion of the German water and waste water industry especially in Latin America
- ▶ Microdyn-Nadir GmbH
 - ▶ Manager International Sales since March 2003
 - ▶ Sales of membranes for micro-, ultra- and nano- filtration membranes and modules with focus
 - ▶ on Membrane Bio Reactors
- ▶ Microdyn Technologies, Inc.
 - ▶ Director and Vice president from July 2004 - April 2005
 - ▶ Controller of the subsidiary
- ▶ Microdyn Modulbau GmbH
 - ▶ Export Western Europe from June 1998 – March 2003
- ▶ Deifuhs GmbH
 - ▶ Project Manager June 1994 – April 1998
 - ▶ Project management for pipeline and plant construction with plastic materials
- ▶ UmweltZentrumDortmund GmbH
 - ▶ Scientific employee August 1990 – May 1994
 - ▶ Project management for consulting projects including the commercial responsibility.

Introduction



Foreign Direct Investment (FDI)

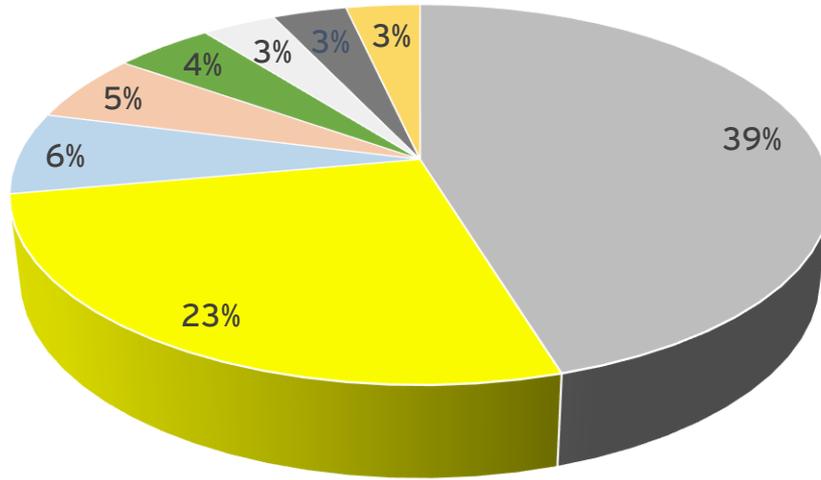
FDI flows record the value of cross-border transactions related to direct investment during a given period of time. Financial flows consist of equity transactions, reinvestment of earnings, and intercompany debt transactions. FDI creates stable and long-lasting links between economies.



Source: The world bank

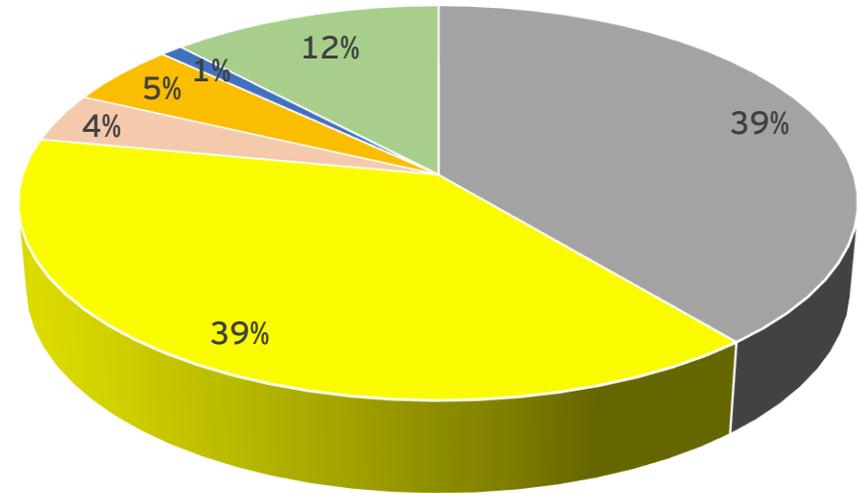
Historical German Investment (2003-2016)

By sectors



- Automotive
- Energy
- Electronic Components
- Pharma
- Transport
- Logistic and warehouse
- Communications
- Financial services

By Country



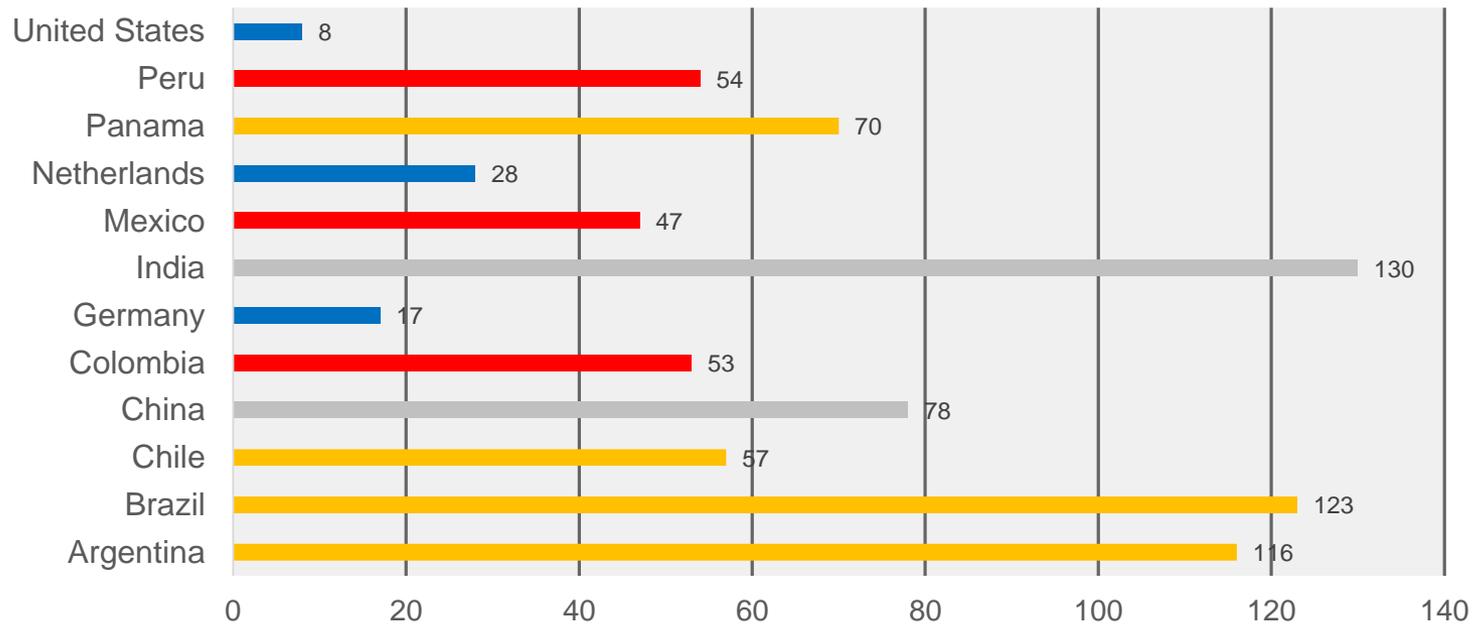
- Brazil
- Mexico
- Argentina
- Chile
- Colombia
- Others

Source: CEPAL "Oportunidades para fortalecer la relación económica entre Alemania y América Latina" by Alicia Bárcena (2016)

Ease of doing business

Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2016. Read the methodology, explaining how the ease of doing business rankings and the distance to frontier measure are calculated (PDF).

Ease of doing business index (1 = most business-friendly regulations)



Source: Worldbank 2016

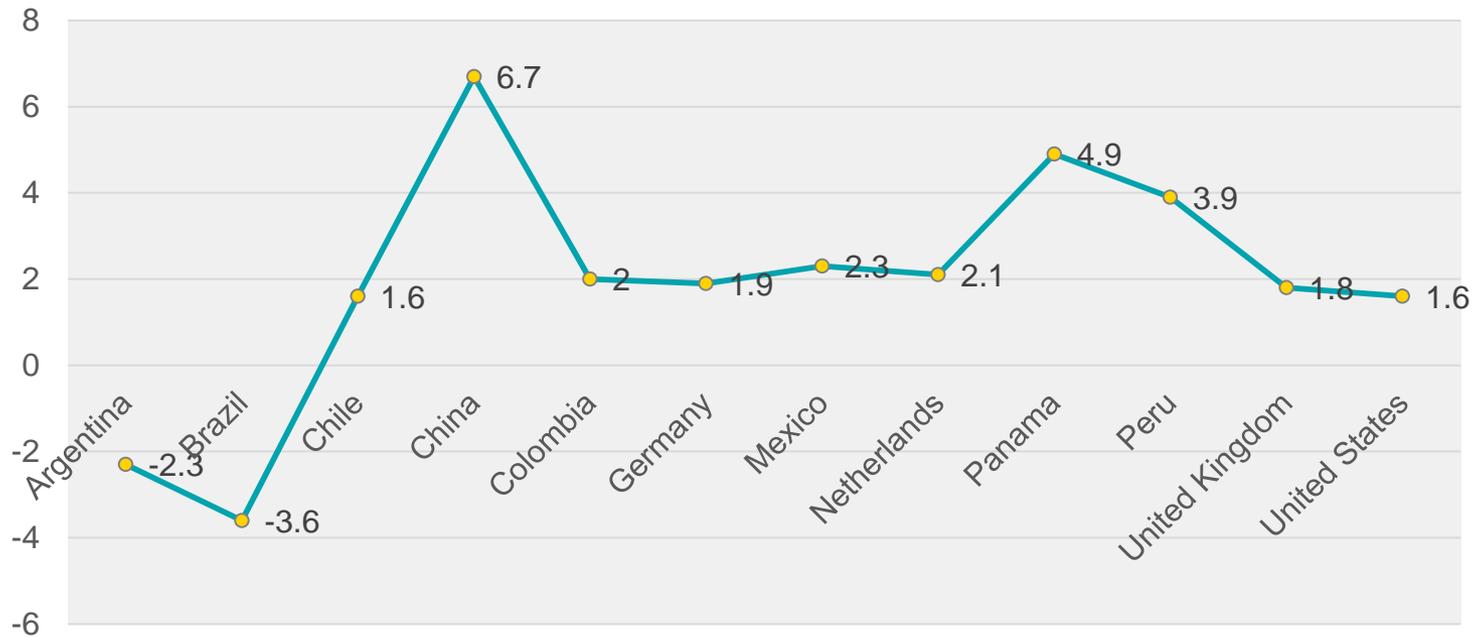
■ Developed countries

■ Best ranked Latin American countries

■ Other countries

Gross Domestic Product growth (annual %) 2016

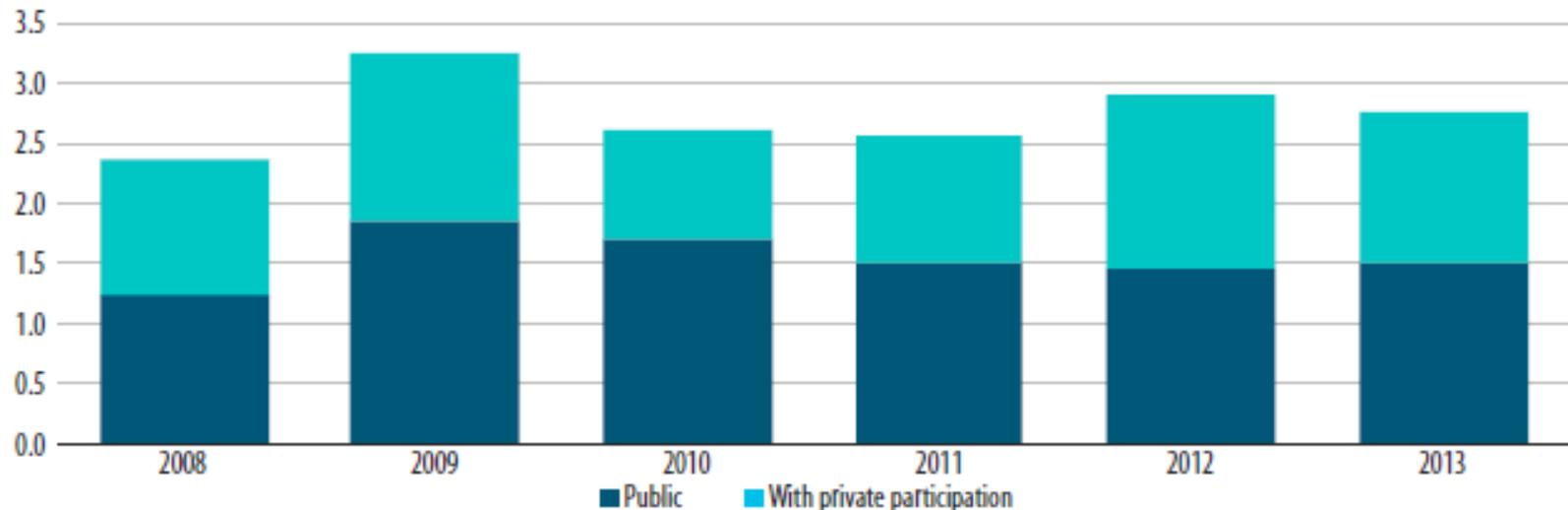
- ▶ GDP at market prices is the expenditure on final goods and services minus imports: final consumption expenditures, gross capital formation, and exports less imports.
- ▶ "Gross" signifies that no deduction has been made for the depreciation of machinery, buildings and other capital products used in production. "Domestic" means that it is production by the resident institutional units of the country.



Source: OCDE 2016

Public & Private Infrastructure Spending

FIGURE 1: Public and private Infrastructure Investments in Latin America have been fairly stable, 2008-13
(percent of GDP)



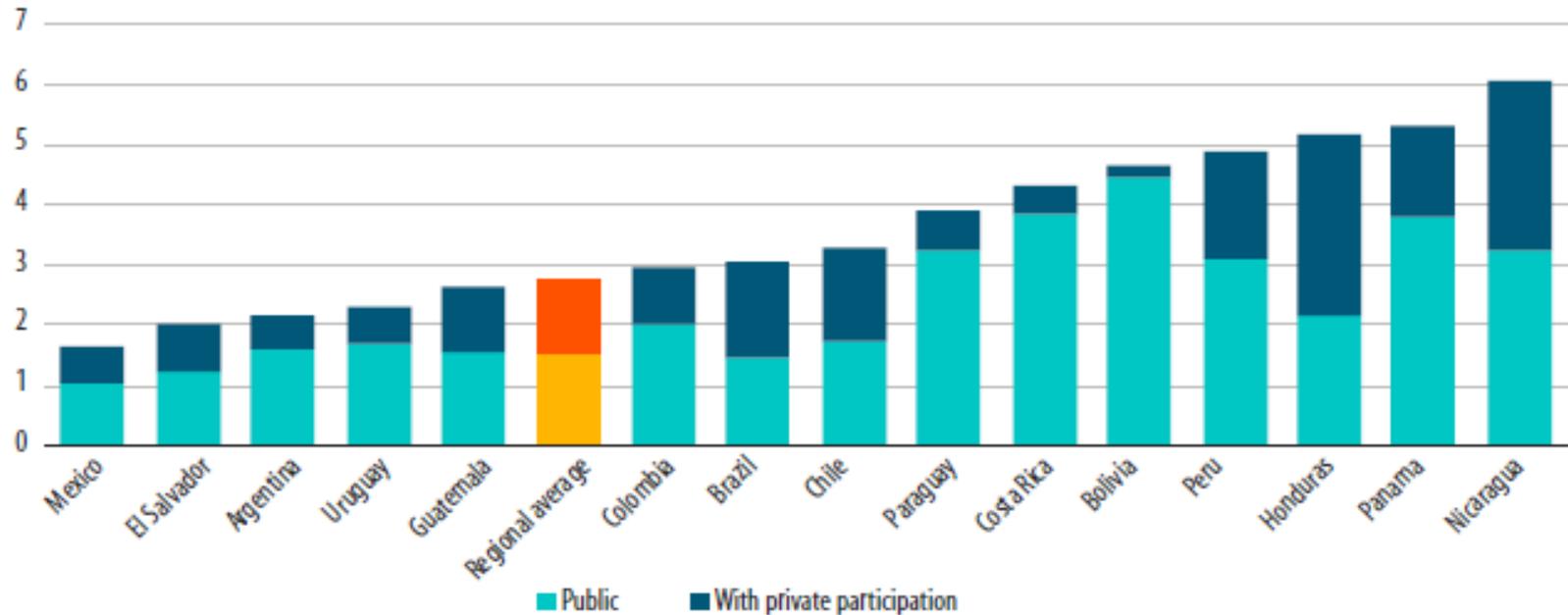
Source: www.infralatam.info, downloaded on August 4, 2016.

Note: Includes investments in electricity, telecommunications, transport, and water and sanitation. Data weighted by country GDP. Data on investments with private participation come from the PPI database (www.ppi.worldbank.org), represent committed rather than actual investments, and are reported in full for the year they are committed rather than when investments are disbursed.

Infrastructure Investments in LatAm

FIGURE 2: Infrastructure Investment levels varied enormously across countries in 2008-13

(percent of GDP)



Source: www.infralatam.info, downloaded on May 2, 2016.

Water & Sanitation Investments in LatAm

FIGURE 15: Impressive progress on access to water though rural and poor populations still less likely to be served

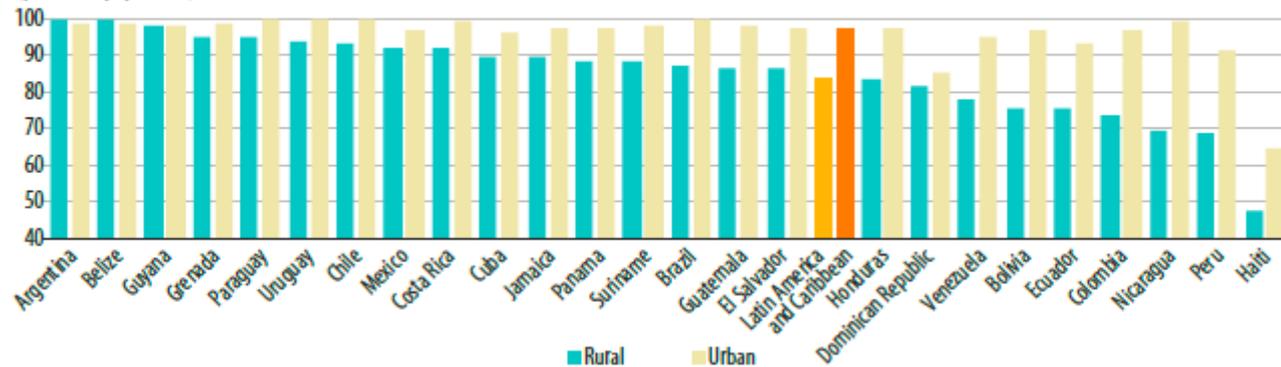
a) Latin America has fairly good overall access to an improved water source, 2015
(percent of population)



Source: WHO and UNICEF 2016.

Note: Republic of Korea excluded from OECD High Income Countries for lack of data.

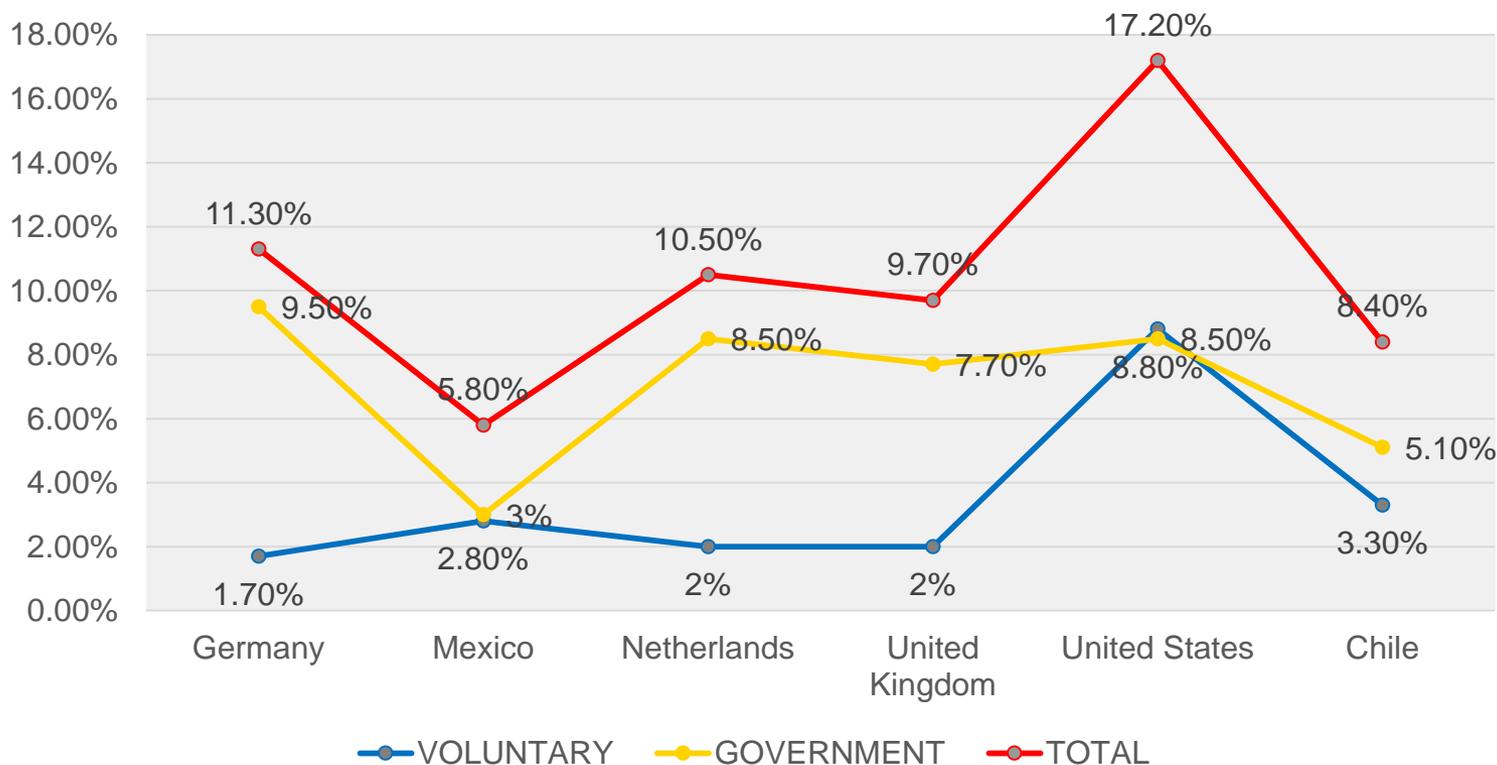
b) But with wide variation across the region, especially among rural populations
(percent of population)



Source: WHO and UNICEF 2016.

Health Spending % of GDP

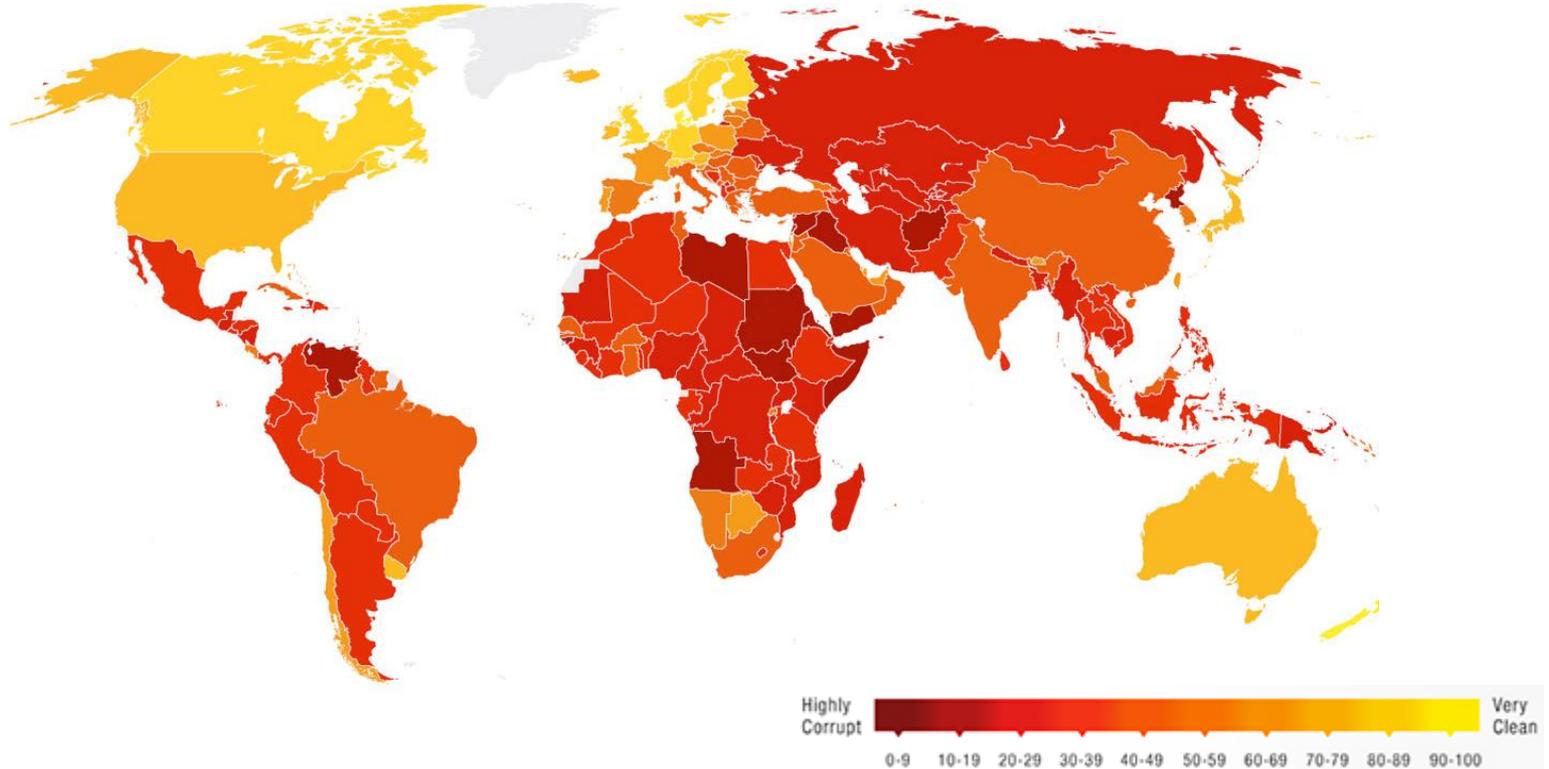
Health spending measures the final consumption of health care goods and services including personal health care (rehabilitative care, long-term care and medical goods) and collective services (prevention and public health services), but excluding spending on investments.



Source: OCDE 2016

Transparency and corruption

Corruption perceptions index 2016



36. Argentina	37. Colombia	81. Germany	38. Panama	74. United States
40. Brazil	58. Costa Rica	30. Mexico	35. Peru	71. Uruguay
66. Chile	31. Ecuador	83. Netherlands	81. United Kingdom	17. Venezuela

Source: Transparency.org

Public Procurement as a tool for national development

- ▶ Public procurement has evolved to become a development tool that enables the incorporation of vulnerable sectors of society into the overall economic process.
- ▶ Generate not only expenses to the state, but much of the dynamism of the domestic economy, with effects on employment generation, channelling of investment and productive development.
- ▶ Through public spending, governments implement public policies and development plans; they affect aggregate demand, economic growth and employment; they condition macroeconomic stability and counteract market failures.
- ▶ The health sector is one of the largest sectors in which the state invests funds through public procurement, mainly through the supply of medicines and medical equipment.
- ▶ Public procurement requires a comprehensive public policy design between state institutions and private sector organizations, which are the main source of suppliers.
- ▶ Small and medium-sized enterprises (SMEs) represent the main supplier of goods and services and the largest employer in Latin America
- ▶ The importance of SMEs in regional employment and production in the countries is an essential factor for the design of policies for their insertion in the public procurement system.

Source: Sistema Económico y Latinoamericano del Caribe (CELA), July 2015.

Discussion

1. The public sector holds big opportunities for tenders. Latin America has a broad potential for infrastructure projects for the health sector, water infrastructure, train lines, energy, roads.

- ▶ What has been your experience regarding the risks and benefits of public (and private) tenders in Latin America? Have you seen any specific differences in terms of value, personal, structure, risks, transparency) in relation to other regions of the world (Russia, Asia, Africa, USA, Europe).
- ▶ How the private sector is working in this area in relation to compliance, speed of decision taking, earnings?

2. Public procurement is one of the government activities most vulnerable to corruption, and important challenges are faced in in terms of transparency and fairness on public procurement.

- ▶ Are public tenders in fact really transparent and fair?
- ▶ Which procedures are you facing up against in order to maintain a transparent and fair project?

3. Mexico and Chile are active members of the OECD. Costa Rica and Colombia are working and in track to become members in some years, and Brazil is now analysing the option to join OECD. This institution is working issuing recommendations of public policy to improve public procurement conditions.

- ▶ In the case of Mexico, the country has implemented certain good practices in public procurement related to the oil & gas, and also by the introduction of social witnesses when public tenders reach certain thresholds.
- ▶ Have you seen any difference in respect of those countries? Does public tenders have become more rigorous on their requirements over the last years for these countries?

Discussion

4. The health public sector in Latin America faces many challenges and presents areas of opportunities when compared to the health private sector.

- ▶ How does public procurement positively or negatively impacts on the quality of the health services?
- ▶ What are your experiences matching the service provided by private health institutions, in terms of efficiency, flexibility and quality?

5. Latin American countries by being third world economies, have a lack of infrastructure in towns away from the big cities.

- ▶ Are project development in small towns profitable enough to make an investment? What are the main challenges to make a project profitable in small towns?
- ▶ Due to the fact that small towns are so far away from the big cities, does it makes it harder to comply with all government request or easier because of the lack of constant surveillance or exposure?

Q&A with the audience