



# Government Procurement

Local Preference  
Program

Puerto Rico Industry  
Investment Board

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# Puerto Rico Industry Investment Act (PL 14-2004)

- Government Agencies are required by law to participate in a Program that gives local enterprises a competitive advantage during acquisition of goods and services.
- This Act allots a Preference Percentage to products locally offered based on type of operation of companies with substantial presence in Puerto Rico.

# Puerto Rico Industry Investment Act (continued)

- Several mechanisms are disposed of in order to assure Agencies compliance.
- The main goal of the Program is to guarantee businesses and industries with substantial presence in Puerto Rico can do business when the Government acts as market participant, allowing procurement funds act as a form of investment to promote job creation and wealth building.

# The Puerto Rico Industry Investment Board

- Seven Members constitute the Board: PRIDCO's Executive Director Presides; Secretary of Agriculture; General Services Administrator; Cooperative Development Corp. Exec. Director; 3 public interest representatives.
- An Executive Director implements strategies adopted by the Board to ensure broad participation and compliance.



# The Preference Program

- Companies with substantial presence in Puerto Rico can apply to obtain a Preference Percentage Certificate for its products and services.
- Substantial presence is defined by minimum number of employees per type of operation, pay taxes in the Commonwealth of PR, maintain physical stock and offices on the Island.

# The Preference Program

- Qualified products and Services with its corresponding percentage are:
  - Manufacturing: up to 10%
    - Up to an additional 5% can be assigned in special circumstances.
  - Assembly: up to 4%
  - Packaging: up to 3%
  - Distribution: 2%
  - Services, Non Professional, Small Business: 2%



## The Preference Percentage (continued)

- During a Bid Award, the value to be considered for a product or service with a preference percentage certificate is the value of the price tendered minus the value of the percentage.
- Price Tendered
  - (Price Tendered \* % Preference)
  - = Price to be considered for award

# The Preference Percentage

- Example: Company A holds a certificate for pencil distribution (2%) and tender price for a bid is \$50,000 for x amount. Company B sells pencils through catalogue and has no certificate. It tenders for \$49,500.
- The Agency will award the bid to Company A. After applying the preference percentage, Company A's bid is that of \$49,000, becoming the lowest bidder. Contract will be signed for \$50,000.



## The Preference Percentage (continued)

- In case of a tie, operation type orders are to be considered (manufactured locally over distributed). Also origin of materials is taken into consideration (locally produced > US produced > internationally produced).
- Percentage given to a manufacturer can be transferred over to a distributor who also participates in the Program.

# Small Business Set Aside

- Government Agencies are required by law to set aside 15% of its procurement budget to purchase or contract Small Business.
- Small Business is defined as companies with 25 employees or less and \$10 million in gross sales or less.
- This also includes Coops and companies that employ disabled individuals.



# Local Offering Catalogue

- It is intended to implement a Digital Catalogue with all the products and services certified by the Program in order to assist Government Agencies to identify adequately potential providers.
- Spec designers are forbidden to exclude locally produced goods.
- An Electronic Bid System is being considered by the General Services Administration.

# Enforcement

- The Board has put in place a mechanism for Program participants file complaints if Agencies adopt specs that are controversial or do not apply Program's regulation accordingly.
- Along with the Government Ethics Office, the Comptrollers Office and the Inspector General Office, the Board offers educational programs to achieve excellence in procurement processes.



# Opportunities

- The Commonwealth of Puerto Rico purchases close to \$4.5 billion per year in goods and services.
- Nearly 9000 companies registered to do business with the Government of PR.
- Only 332 companies have Preference Percentage Certificates.

Thanks for your Time and Interest





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