PROCUREMENT REFORM

IN A NUTSHELL

• A good procurement system is vital to effective public expenditure management and to the delivery of services to citizens on time, at the most reasonable cost, and with the best quality.

• More than a decade ago, the Government Procurement Reform Act (GPRA) was enacted:
  - It was a landmark measure that consolidated all fragmented laws and policies on public procurement and established open, transparent, and competitive bidding as the standard.
  - However, public procurement was still beset with problems—from corruption issues to delays in service delivery—due to varying interpretations of the law and the weak capacity of the agencies to undertake the procurement process.

• In the last six years, the government introduced several measures to reform procurement:
  - Implemented the Early Procurement Policy to expedite the process
  - Began the revision of the Implementing Rules and Regulations of the GPRA to ease the processes and encourage more suppliers to participate in government projects
  - Maximized the bulk-buying powers of the Procurement Service (PS) to save on costs
  - Adopted the Agency Procurement Compliance and Performance Indicators (APCPI) to assess the procurement practices of the agencies
  - Modernized the Philippine Government Electronic Procurement System (PhilGEPS) to expand its functionalities and to, eventually, enable e-bidding

• Further improvements to procurement will require a shift in the mindset of the agencies—from mere compliance to performance and results. Measures to consider include:
  - Introduce measures to shorten the average procurement turnaround
  - Complete, widely disseminate, and implement the revised IRR of the GPRA
  - Further strengthen the PS, including a possible corporatization
  - Strengthen the capacity of the agencies for procurement, beginning with better planning
  - Complete the modernization of the PhilGEPS
At the heart of public expenditure management is procurement: the process by which the government acquires goods and services at the most economical means, provides opportunities for businesses, and reduces leakages in the use of public funds. From 2008 to 2012, an average of P318 billion of the Philippine Budget was spent for public procurement requirements. The said amount accounts for an average of 21 percent of the national budget and 3.7 percent of the GDP (ADB, 2013a).

The Asian Development Bank (ADB) highlighted the importance of having a sound public procurement system. “Sound public procurement policies and practices are among the essential elements of good governance. Good practices in procurement reduce costs and produce timely results; poor practices lead to waste and delays (ADB, 2002).

The Organization for Economic Cooperation and Development (OECD) (2015), meanwhile, laid down the elements of a sound procurement system: 1) procurement rules and procedures are simple, clear and secure access to procurement opportunities; 2) effective institutions to conduct procedures and conclude, manage, and monitor public contracts; 3) sustainable human resources to plan and carry out the procurement processes; 4) appropriate electronic tools to facilitate the process and; 5) competent contract management.

**EARLY EFFORTS FOR PROCUREMENT REFORM AND DIGITIZATION**

### Landmark Law Crucial But Insufficient

“The passage of a landmark procurement reform law has been a major achievement in the context of Philippine politics. But the war is far from finished. Enforcement has always been the Achilles heel of Philippine legislation.”

J. Edgardo Campos and Jose Luis Syquia

MANAGING THE POLITICS OF REFORM: OVERHAULING THE LEGAL INFRASTRUCTURE OF PUBLIC PROCUREMENT IN THE PHILIPPINES, 2004

The passage of the Government Procurement Reform Act (GPPRA) of 2003 during the Arroyo administration was vastly celebrated. It was, after all, a crucial reform measure to cure the old system of outdated and fragmented laws and multiplicity of uncoordinated issuances that led to confusion; slow procurement action due to difficulty in enforcing such fragmented rules; and the procurement system’s overall vulnerability to corruption.

Aside from unifying all procurement-related laws and issuances, the GPPRA established a governing body for all procurement activities: the Government Procurement Reform Coordinating Committee. This body conducted a comprehensive study of the problems in the public procurement system of the country. Among others, the GPPRA addressed the need to clarify the existing polices, remove loopholes, streamline the procurement process; promote good governance, accountability and transparency in the use of public funds; and effectively enforce the GPPRA’s policies.

The GPPRA also established the country’s first electronic procurement system, called Philippine Government Electronic Procurement System (PhilGEPS). The system was established to leverage the bulk-buying powers of the government.

The revised GPPRA of 2015, meanwhile, laid down the elements of a sound procurement system: 1) procurement rules and procedures are simple, clear and secure access to procurement opportunities; 2) effective institutions to conduct procedures and conclude, manage, and monitor public contracts; 3) sustainable human resources to plan and carry out the procurement processes; 4) appropriate electronic tools to facilitate the process and; 5) competent contract management.

### GIVING FLESH AND BONE TO THE GPPRA

How the government improved the procurement system

“Truly, I dare say that we are better off with the GPPRA than without it. But I also dare say that we still have a lot of work to do to make public procurement more efficient, responsive and accountable.”

DBM Secretary Florencio B. Abad

SPEECH DURING THE GOOD GOVERNANCE SUMMIT 2014

In line with its platform for good governance, the Aquino administration pursued procurement reforms aiming to clarify the existing policies, remove loopholes, streamline the processes, and maximize technological innovations.

### A Head Start in the Procurement Process

The DBM reiterated the implementation of the Early Procurement Process through Circular Letter 2010-9. Through the policy, the agencies are allowed to proceed with their procurement activities upon the President’s approval of the NEP, short of award. The awarding of the contract to the winning bidder will take place upon the enactment of the GAA or at the start of the fiscal year. The reform enabled the agencies, such as DPWH, to implement infrastructure projects earlier, and in the process avoiding the rainy season that usually causes delay in the course of project implementation (see Fast and Efficient Budget Execution and Insight of a Junior Leader on Early Procurement).

### Revised the Implementing Rules of GPPRA

The GPPR-TSO initiated a second review and revision of the Implementing Rules and Regulations (IRR) in January 2015. The objective of the IRR review is to further streamline, standardize and clarify the rules and procedures to address prevalent procurement issues in government. The Special Technical Working Group, the IRR Review Committee was created to undertake the activities required for the review and revision. The IRR Review Committee conducted focused group discussions and IRR review workshops with relevant stakeholders, such as representatives from government agencies, observers, and bidders.

The revised IRR seeks to streamline the procurement process, motivate the procuring agencies to plan their procurement activities better, and encourage more participation from the business sector. Among others, the revised IRR clarifies the concept of an indicative Annual Procurement Plan (APP), which the agencies must prepare and submit as an input to the Proposed Budget. Normally, the agencies prepare their respective APPs only after the GAA has been enacted: a practice that oftentimes delays the implementation of programs and projects and also reveals the tendency of agencies to define the specifications of the goods and services that they procure only after the Budget is enacted, when these should have been accomplished during budget preparation and proposal.

The revised IRR likewise simplifies the submission of eligibility documents by the bidders. For one, the PhilGEPS certificate of registration suffices for the other documents that agencies used to submit. Other eligibility documents include the statement of the single largest completed contract and the statement of net financial contracting capacity or credit line commitment as proof of a bidder’s financial capacity. The reduced number of documents should not only encourage more bidders to participate in public procurement but also lessen opportunities for the agencies to disqualified bidders during the eligibility stage.

**MANAGING THE POLITICS OF REFORM: OVERHAULING THE LEGAL INFRASTRUCTURE OF PUBLIC PROCUREMENT IN THE PHILIPPINES, 2004**

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The revised IRR also seeks to reduce the cost incurred by the agencies in advertising bid opportunities in newspapers. In particular, it increases the threshold amounts for the procurement activities that must be advertised: for goods, from above P2 million to P10 million; for infrastructure, from P5 million to P15 million; and for consulting services, from P1 million to P5 million. Other key features of the revised IRR include the consolidation of all rules on the alternative modes of procurement in one set of guidelines, compared to the present situation in which these rules are fleshed out in several GPPB issuances.

In May 2016, the draft of the revised IRR was approved in principle by GPPB, after which, GPPB-TSO proceeded to refine said draft. In particular, development partners, including the WB and the ADB, are currently reviewing the IRR as well as the harmonized bidding documents. Once approved by the GPPB, the GPPB-TSO plans to disseminate the revised IRR together with the generic procurement manuals and the Philippine standard bidding documents. The GPPB-TSO likewise plans to roll out a series of intensive briefing and capacity building sessions for the oversight and implementing agencies, as well as for civil society organizations (CSOs).

Maximized the Procurement Service

The government issued A.O. No. 17 in 2011, which directed the agencies to use the PS in purchasing common-use supplies: from paper and pens to general cleaning materials. Such directive was also reiterated by the General Provisions of the annual GAA beginning 2012.

According to PS Executive Director Jose Tomas C. Syquia, the directive created a more conscious effort among procuring agencies to utilize the PS and maximize its bulk buying capacity as a fiscal management tool. The PS is now being tapped to procure for non-commonly used supplies such as information and communication technology (ICT) packages and software licenses. In 2016, the PS-PhilGEPS entered into a General Fare Agreement (GFA) with the Philippine Airlines, which grants the government a discount in procuring airline tickets—the top commonly-required item of government agencies, according to a survey conducted by PS. The GFA with PAL is projected to lead to P8.1 billion in savings, as well as facilitate the ease in procuring airline tickets. The utilization of PS led to a savings up to 30 percent for the government (see Table 1).

The administration also addressed the status of the personnel of PS. Since its establishment in 1978, all PS personnel were engaged through a job order basis. Not only that the set-up is not favorable for the employees, it also undermines the accountability of the employees towards the institution. In 2016, the Office of the President issued a memorandum creating four permanent senior official positions (Division Chief level) and reclassification of two senior positions, particularly the Executive and Deputy Director positions of the PS. The job-order personnel were likewise reclassified to contractual positions.

Strengthened the Capacity of the Agencies to Procure

In 2012, the government adopted the use of the Agency Procurement Compliance and Performance Indicators (APCPI) system as a standard monitoring, assessment and evaluation tool. Through the APCPI, the strengths and weaknesses in procurement practices of the agencies are determined.

The APCPI is a self-assessment tool; therefore, its results need to be validated in terms of completeness, correctness, consistency and responsiveness to the requirements of the APCPI assessment. One of the components of the APCPI is the confirmation of the results through tapping of various stakeholders.10 Once the results are validated and analyzed, the agencies are then expected to formulate an action plan to address the areas of weaknesses revealed by the assessment and adopt measures to sustain the identified strengths.

Expanded and Modernized the PhilGEPS

Along with the utilization of the PS, A.O. No. 17 also mandated the use of the PhilGEPS in all procurement activities of all the agencies. To increase their compliance to the rule to use the PhilGEPS, the government included the posting of bid notices and awards on the system as one of the major good governance criteria in granting the performance-based bonuses (see Compensation Reforms). This strategy has been proven effective in getting the compliance of the agencies and is highly manifested in the increase of traffic in the website whenever the deadline of the uploading comes near.11

The episode of slow spending in 2014, the biggest under this administration with a 13.3 percent deviation against program, was mainly caused by structural weaknesses of NGAs and GOCCs. Fifteen percent of these structural weaknesses is attributed to procurement difficulties (see Figure 1, Faster and Efficient Budget Execution). In response, the government issued A.O. No. 46 in 2015, which directs all agency heads to implement measures that could speed up budget execution.

A section of the A.O. directed the adoption of measures to address issues on procurement. One such measure is the assignment of full-time support staff for the BACs. Members of the BAC and Technical Working Groups were also mandated to prioritize procurement assignment over their other duties. The agencies were also mandated to submit their annual procurement plans to the GPPB-TSO before the end of April of each year.

Departments with high volume of procurement activities—such as DPWH, DepEd, DOH, DOTC, and DSWD—were instructed to set up additional BACs. In relation to the additional personnel requirement, A.O. 46 also mandated the agencies to coordinate with DBM to ensure that the needed personnel and resources for organizational adjustments are addressed. The interventions introduced to strengthen the capacity of the agencies to conduct procurement are backed up with the continuous capacity building activities through the National Training Program conducted by the GPPB-TSO.

Capitalizing on the vast potential of technology in fostering transparency, accountability, and efficiency in the procurement process, the country included the modernization of the PhilGEPS as one of its commitment in the Open Government Partnership. The government entered into contract with Innove Communications, Inc. in 2013 to modernize the existing software of the PhilGEPS and expand its current functionalities.

Aside from mandating the use of the PhilGEPS, road shows were conducted by the PS-PhilGEPS in order to raise the awareness of the agencies on the advantages of using the system: the wide dissemination of the bids in terms of prospective bidders and the savings from advertising costs. Posting bid notices in the PhilGEPS cuts down the advertising costs as it eliminated the requirement to post the bid in three major dailies. According to the PS-PhilGEPS, the projected savings from advertising costs from 2001 to 2014 amounted to P188 million. The use of PhilGEPS has likewise increased (see Table 3); in terms of both the amount of bid opportunities posted as well as the number of merchants utilizing the system.

### Table 1. Savings of the Government from the Utilization of the Procurement Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 - 2011</td>
<td>2 billion</td>
</tr>
<tr>
<td>2012 - 2013</td>
<td>4 billion</td>
</tr>
<tr>
<td>2013 - 2014</td>
<td>5 billion</td>
</tr>
<tr>
<td>2014 - 2015</td>
<td>7 billion</td>
</tr>
</tbody>
</table>

Source: PS

### Table 2. Average compliance rate of PhilGEPS posting

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>83.4</td>
</tr>
<tr>
<td>2013</td>
<td>91.4</td>
</tr>
<tr>
<td>2014</td>
<td>95.2</td>
</tr>
</tbody>
</table>

Source: OGP Status Report of Initiatives as of 2016 1st Quarter
Table 3. Utilization of the PhilGEPS as of June 2016

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agencies</strong></td>
<td>10,945</td>
<td>12,804</td>
<td>15,772</td>
<td>18,341</td>
<td>23,650</td>
<td>27,635</td>
<td>28,789</td>
</tr>
<tr>
<td><strong>Merchants</strong></td>
<td>19,560</td>
<td>24,025</td>
<td>34,678</td>
<td>48,456</td>
<td>65,497</td>
<td>83,149</td>
<td>91,328</td>
</tr>
<tr>
<td><strong>Bid Notices Posted</strong></td>
<td>1,228,834</td>
<td>1,505,407</td>
<td>1,862,581</td>
<td>2,264,836</td>
<td>2,714,044</td>
<td>3,299,054</td>
<td>3,559,355</td>
</tr>
<tr>
<td><strong>Total ABC</strong></td>
<td>4.49T</td>
<td>5.13T</td>
<td>6.04 T</td>
<td>6.88 T</td>
<td>7.84 T</td>
<td>9.11 T</td>
<td>9.78T</td>
</tr>
<tr>
<td><strong>Bid Awards Posted</strong></td>
<td>228,166</td>
<td>300,445</td>
<td>428,370</td>
<td>609,075</td>
<td>807,032</td>
<td>972,223</td>
<td>1,090,645</td>
</tr>
<tr>
<td><strong>Total Contract Amount Posted</strong></td>
<td>324,818</td>
<td>448,49B</td>
<td>687.29 B</td>
<td>967.78 B</td>
<td>1.33 T</td>
<td>1.79 T</td>
<td>2.27T</td>
</tr>
</tbody>
</table>

Source: PS-PhilGEPS

The modernization aims to enable e-bidding, a method by which the procurement process can be further streamlined and decrease if not totally eliminate human discretion and intervention in various stages of the procurement (see box).

More than tapping and maximizing technology, the modernization of PhilGEPS addresses contract management, one of the weak areas in Philippine procurement, as pointed out by PS Executive Director Jose Tomas Syquia and PhilGEPS Deputy Executive Director Rosa Maria Clemente.

Director Syquia said, “Most of the agencies in the Philippines follow a linear path in procurement. For them, procurement stops after the awarding of the contract to a winning bidder. But that shouldn’t be the case. The procurement process should be treated as a cycle; thus the need to extend into contract completion and payment. This is where the contract management comes in.”

Phases of the PhilGEPS Modernization

**PHASE 1: BASE SYSTEM REQUIREMENTS**

**Phase 1A**
- Pending Task– pending tasks of the users are listed on the first page of the user page
- Central Registration Facility Administrators, Procuring Entities including Bids and Awards Committees, Oversight Agencies, Auditors, Civil Society Organizations and Multilateral Development Banks– facilitates user role management
- Government of the Philippines – Official Merchant Registry– central registration facility for suppliers, consultants and merchants, allows the upload of digital copies of eligibility documents
- Site Administration– facility for the system administrators to manage the system, specifically in terms of maintenance of reference files, terms and conditions, configure workflow, to name a few

**Phase 1B**
- Annual Procurement Plan– facility for the procuring entities to input their annual procurement plans
- Electronic Bulletin Board– facility for the posting of bid notices, uploading of bidding documents, including plans, drawings and bid supplies, creation of award notices and updates on the bid results and allows the registered merchants to browse the board
- Integrated Notices Publication– facilitates the publishing of all bids and awards notices posted via PhilGEPS to websites of government agencies through the Application Program Interface
- E-bid submission– facility for the submission of technical and financial proposal online
- Integrated Notices Publication– facilitates the publishing of all bids and awards notices posted via PhilGEPS to websites of government agencies through the Application Program Interface
- Bid Opening, Bid Evaluation, Post-Qualification– facility for the opening of electronic bids, recording of results of bid opening and evaluation and inviting merchant for post-qualification
- E-payment for the E-bid submission– connected with bank/e-payment for the payment of membership in the PhilGEPS, bid documents and posting of bids and performance securities
- Security and Audit Logs– a feature that guarantees that all write events and access to sensitive data are captured in the audit trail and facilitates the authentication of bidders using the e-signature and Digital Signature Certificate (DSC)
- CSO and Auditor Module– provides a platform for CSOs and COA auditors to monitor all the stages of procurement and submit their observation reports

**Phase 1C**
- Virtual Store (Common Use Goods)– allows the order and reserve of common-used goods listed in the E-Catalogue provided by the PS
- Inventory Management System– an end-to-end inventory management system of the PS, connected to the Virtual Store which gives information on the availability of the stocks
- E-payment for Virtual Store– connected to the banks or e-payment gateway which allows procuring entities to pay online
- Virtual Store (Non-Common Use Goods)– allows the direct procurement, without public bidding from suppliers through the PhilGEPS VS for non-common-used goods listed in the E-Catalogue provided by the PS

DELIVERING MEASURABLE RESULTS • PROCUREMENT REFORM
PHASE 2: MANAGEMENT INFORMATION SYSTEM
- Pre-bid Conference– for the conduct of online pre-bid conferences to respond to queries of prospective bidders
- Procurement Management Information System (MIS)– provides a comprehensive set of functionalities that capture all relevant information for procurement management to incorporate performance indicators to match the objectives of public procurement
- Feedback Mechanism– allows the users, e.g., observers and auditors, to provide feedback on the information posted on the website
- Fiscal MIS– connected to the Inventory Management System for tracking of stock availability
- Mobile App– to display PhilGEPS Electronic Bulletin Board and search facility on mobile (Android and iOS)

PHASE 3: E-CONTRACT MANAGEMENT (CONTRACT IMPLEMENTATION)
- Online Tender Acceptance– facilitates the response of the winning supplier/contractor to the Notice of Award/Notice to Proceed through the electronic signing of the documents, either by e-signature or DSC, if available
- Online Signing of the Contract Agreement– facilitates the online signing of contracts using the e-signatures/ DSC of the concerned authority and requires the countersignature of the contractor/suppliers
- Contract Management– targets efficiencies for both agencies and business with the following functionalities:
  - Online Contract Template Library– contains the template library of contracts with common set of terms and conditions for the reference of the users
  - Online Issue of Notice to Proceed– verifies the receipt of electronically signed undertaking from the contractor before the release of the Notice to Proceed (NTP) and allows the issuance of the NTP to contractors online
  - Integration with E-bid Submission Module– facilitates the instant availability of information on the contract terms and other details on the contract to the Contract Management module and the processing of contractor payments based on the information made available from the E-bid Submission Module
  - Integration with Payment Module Database– facilitates the tracking of earlier payments made or advances by the contractor, cost overruns through the integration with the e-Contract

- Contract Status Tracking– tracks contracts which are active, closed, and terminated, allows third party verification on the information on progress; and hosts the uploading of inspection reports, with photographs
- Contract Variation– provides a workflow based on the approved contract variation and retains all explanations regarding the variation requirement, and generates contract variation letter/e-mail
- Tracking Securities– among others, displays the details of the securities of bidders (tender security, performance security, and retention money) along with the date of issue, validity for proper and timely management of such securities, allows the management and tracking of securities and provides auto-alerts to procuring entities
- Tracking Warranties– provides for the creation of inventory of warranties of all goods and services, generates the alert on warranty expiry and flags the record that warrants action by the authority
- Disputes or Resolution Management– provides a form to file complaints and tracks the handling process of the complaints as well as resolution status
- Liquidated Damages Management – provides a form to fill out on the details of liquidated damages, an easy tool to calculate the liquidated damage whilst tracking the target against the delivery dates
- Contract Analytics– captures the information on the project such as accomplishment on the project vis-a-vis the time elapsed, the payments made, etc., in order to generate report

As of date, the PS-PhilGEPS has successfully completed the base system requirements of the modernization project. In 2015, the e-Bidding Parallel Run was implemented in two agencies, PS-PhilGEPS and DPWH. Later on, five pilot agencies were trained for the e-Bidding modules.

SHIFTING THE MINDSET ON PROCUREMENT
From Compliance to Performance and Achieving Results

“It is easy to blame the procurement law, but the real problem is the weak link between planning, budgeting, and acquisition. If the agencies only identify what they need long before they procure, they will be able to prepare the project specifications and other relevant procurement documents. Doing so encourages businesses to participate in procurement: after all, they won’t bid if the projects’ technical specifications are up in the heavens but their budgets are small.”

Executive Director Dennis S. Santiago
GOVERNMENT PROCUREMENT POLICY BOARD - TECHNICAL SUPPORT OFFICE

The procurement system in the Philippines has come a long way. However, despite efforts to strengthen the agencies’ capacity to procure, it remains to be the most significant challenge to effective procurement. Among others, the government should further streamline the existing processes and build on what has been put in place in terms of maximizing technological innovations.

Hasten and Enforce Procurement Timelines
The time dedicated to the procurement process has greatly improved from the past: six months to one year, now it is down to three months, and in some instances to 28 days. However, it is still imperative that the average procurement process be complied with to ensure the timeliness of the delivery of services to the people. Aside from further pushing the agencies to implement the Early Procurement Policy, the government should likewise explore other measures to hasten the process by, among others, ensuring the wide dissemination and implementation of the newly revised IRR.

Disseminate and Implement the Revised IRR
The revision of the IRR is expected to aid in hastening the procurement process while not reducing the embedded accountability controls. The government should be able to widely disseminate the changes effected in the IRR to ensure its effective implementation across all the agencies. Such efforts should include a sound communication strategy and an intensive capacity building program for procurement personnel. The existing bidding documents, templates, and manuals, as well as training modules and reference materials, also need to be updated to reflect the latest revisions of the IRR.
**Provide a Conducive Environment for the PS**

Proposals were made during the term of the outgoing administration to convert the PS into a government corporation; however, such moves have not yet borne fruit. The new administration should consider the corporatization of PS to ensure the financial viability and maximize the potential of the government’s bulk buyer. At present, PS functions like a GOCC as it doesn’t receive funding from the GAA: it provides for its own operating expenditures from the proceeds of its profits. It is important for PS to be corporatized so that it can function independently and make the necessary improvements in its organization and processes. The government may also seek alternative options to improve the organizational performance of PS and the welfare of its employees.

**Strengthen the Capacity of Agencies and Professionals to Procure**

Agency capacity remains to be the primary challenge to effective procurement. Areas that require intervention would be in the preparation of project specifications and cost estimates, as well as the preparation of the Annual Procurement Plans. Information from the GPPB-TSO show that poor procurement planning accounts for a huge chunk of delays in the procurement process.

"Agencies usually blame procurement for the delays in project implementation, but it is usually caused by poor planning. Biddings fail due to poorly prepared cost estimates and specifications. We in the Philippines usually plan several weeks or months before, in other countries, they plan for five years."

*Executive Director Jose Tomas C. Syquia*

**Open and Inclusive Procurement**

The GPRA provided a breakthrough for the participation of civil society organizations (CSOs) in the procurement process. However, such space has yet to be fully maximized by the CSOs. A list of the CSOs that can be invited to observe procurement proceedings, and their respective fields of interest, is already present. However, such a roster of CSOs engaged in procurement monitoring should be strengthened through a capacity development program for procurement observers. The establishment of a reporting mechanism for the feedback and reports of the citizens could also help broaden the engagement of citizens in public procurement.

Another untapped mechanism for citizen participation is the confirmation of the APCPI results. Two years after the roll out of the APCPI, in 2014, the confirmation of results was pilot tested. The pilot test revealed that CSOs found the validation a worthy activity and expressed their willingness to be engaged. However, they may require trainings and other capacity development activities. Likewise, they raised a concern on the operational expenses they would incur in the process of engaging the validation process.

**Complete the Modernization of the PhilGEPS**

The government should undertake the completion of the PhilGEPS modernization project in order to fully enable e-bidding. So far, only Phase I of the project has been implemented due to delays on the part of the service provider. Once the three phases are put in place, a complimentary capacity building on the e-bidding module should be rolled out.

The full impact of measures to address the difficulties in the procurement under A.O. No. 46 still remains to be seen. Anecdotal accounts from the agencies suggest that providing additional items to accommodate full-time staff for procurement alone is not sufficient as it had been difficult for them to fill up the positions created: given the highly technical nature of the work, the market for procurement professionals is likewise tight.

The capacity of the BACs, along with their TWGs and full-time secretariats, can likewise be strengthened through continuous capacity development. The professionalization of procurement personnel should thus be given great attention: among the proposed means to help achieve this goal is the proposed establishment of a procurement institute.

More and more, the mindset of the agencies towards procurement needs to be changed. Often, procurement is viewed as an administrative task rather than as an effective tool for fiscal management.
Delivering Measurable Results • Procurement Reform

NOTES
1 OECD is an organization supporting governments in reforming their public procurement systems to ensure sustainable and inclusive growth and trust towards the government. The OECD – Development Assistance Committee, in partnership with the World Bank, formulated the Methodology for Assessing Procurement Systems (MAPS), the framework by which governments’ public procurement systems are being assessed.
2 R.A. No. 9184
3 The PhilGEPS was launched as a replacement to the Electronic Procurement System which was pilot-tested by the government in 2000, patterned to the Mex, the Canadian e-procurement system.
4 Created through Letter of Instruction No. 755 on October 18, 1978: E.O. No. 285 s. 1987 and E.O. No. 359 s. 1989 reestablished the mandate of the PS and directed its expansion.
5 To date, the country has five existing CPARs, three major assessments in 2002, 2008 and 2012, and minor updates in 2003 and 2005.
6 The GPRA mandates each procuring entity to establish a single BAC composed of at least five but not more than seven members. The BAC is chaired by at least a third ranking permanent official while in the case of departments, is an Assistant Secretary. Based on the IRR of the GPRA, other members of a Department’s BAC include the Directors of the legal, administrative, and finance services. The GPRA allows agencies to create separate BACs if the number and complexity of items to be procured warrant the same.
7 In January 2009, the GPPB, released Circular 01-2009, which first introduced the practice of procurement, short of award upon the approval of the NEP. However, the compliance among the agencies on the said policy was low, thus, the reiteration of the policy in 2010.
8 The first revision of the IRR of the GPRA was in 2009 and it covers for the application of the bidding documents for foreign-assisted projects.
9 The APCI assesses the procurement systems of agencies through four pillars namely: Compliance with the Legislative and Regulatory Framework, Agency Institutional Framework and Management Capacity, Procurement Operations and Market Practices, Integrity and Transparency of the Agency Procurement System the same pillars used in the CPAR. Procurement practices of agencies are subjected against 16 indicators and 40 sub-indicators.
10 Suggested confirmators for the APCI include representatives from CSOs from the pool of observers maintained by the GPPB or by the procuring entity, the COA auditor of the procuring entity, and private sector organizations such as the Philippine Institute of Certified Public Accountants and the chambers of commerce.
11 According to an interview with Procurement Service in November 2015
12 Through the support of the Philippines-Australia PFM Program, the DepEd, in partnership with the Ateneo School of Government, pilot-tested the confirmation of APCI through the CSOs in eight DepEd divisions across the country.

INSIGHT FROM A DBM JUNIOR LEADER

Early Procurement: Just Do It!

Procurement reforms are one of the hardest reforms to implement. The early procurement policy is no exception.

My journey as a procurement practitioner started in 2009 when I was designated to be part of the technical working group (TWG) of the DBM Bids and Awards Committee (BAC). As a member of this TWG, I would be assigned a specific project to handle its procurement, from preparation of the bidding documents to the issuance of notice to proceed to the winning bidder. It was challenging at first—but you begin to understand the law more when you actually practice it.

In 2009 and 2010, the GPPB and the DBM issued guidelines on the implementation of the early procurement policy; the GPPB Circular 01-2009 dated January 20, 2009 and the DBM Circular Letter 2010-9 dated December 30, 2010. Both guidelines allow the start of the procurement of projects before awarding of contracts, which means the activity can be done even before the annual GAA is passed provided that the President has submitted the NEP to Congress.

At the DBM, these guidelines enabled us to procure, even before the start of the year, the requirements we needed routinely, such as water supply and janitorial and security services. This practice helped the DBM ensure timely supply of goods, as well as prevent the renewal of contracts. Despite these clear advantages, we found out that, anecdotally, only a few agencies had begun to comply with the early procurement policy.

I further learned that the agencies were skeptical about the validity of issuances that allowed procurement prior to availability of appropriations without a corresponding law to back it up. My counterpart operation bureaus in the other agencies relayed to me this anecdotal account when we would talk about undependending and low performance of agencies. I personally did not find a reason for their concern as early procurement was allowed only until before the awarding of contracts, which meant there was no need to provide appropriations yet.

By Atty. Maria Paula B. Domingo

As a remedy, the DBM Legal Service recommended that the early procurement provision in the PFM Bill be made part of the general provisions of the 2016 GAA. Thus, we now have the general provision on early procurement. Because of this provision, which now serves as the legal basis for the early procurement policy, hopefully more and more agencies implementing projects efficiently and on time.

1 As of this publication, Domingo is an Attorney V of the Legal Service.
Procurement is a crucial stage in the budget execution process. It is the act by which the government taps the most capable suppliers that can provide goods and services with the best quality and at reasonable costs and timeframes. Hinging on the policy thrusts of the Government Procurement Reform Act, the administration aimed to declog procurement, leverage technology, maximize the government’s bulk-buying power, and improve the capacity of agencies to procure.

**Speed**
Procurement is a complex and time-consuming process. It normally takes 3 to 4 months to procure a contractor for an infrastructure project. To hasten the process, the government introduced the Early Procurement Policy: upon the submission of the Proposed Budget, agencies could proceed with procurement activities. Hence, agencies may award contracts once the GAA is enacted and begin implementing projects at the start of the fiscal year.

**Digitization**
The government modernized the Philippine Government Electronic Procurement System (PhilGEPS): once a mere bulletin of bid announcements, it now supports a merchant registry, a bid notification feature, an integrated notice creation feature, an Auditor and Civil Society module, and e-Bidding. The PhilGEPS has also been improved to cater to more end-users and to now include a more robust Virtual Store, an Annual Procurement Plan module, and an E-Catalogue of common-use supplies procured in bulk by the government. It also has an electronic payment facility, a procurement management information system, and a contract management system. The government also incentivized agencies through the PBB (see pages 20-21) to comply with the requirement to post announcements of bids and awards through PhilGEPS.

**Value for Money**
The government leveraged its bulk-buying power to procure goods at the most affordable cost. It mandated agencies to use and maximize the Procurement Service (PS)—the government’s bulk buyer—to purchase common-use supplies, such as paper and computers. This process resulted in savings of 30 percent at normal market prices. The government also modernized the PS.

**Capacity of Agencies**
Procurement must be strengthened across the bureaucracy. Thus, the government enabled agencies—especially those with large volume procurement requirements (e.g., DPWH)—to create additional bids and awards committees (BACs) and to assign full-time procurement technical staff to support BAC operations and other procurement activities1 (see pages 20-21).

Since 2012, the Government Procurement Policy Board (GPPB) has been assessing the procurement performance of agencies through the Agency Procurement Compliance and Performance Indicator (APCPI) framework. Based on these assessments, agencies formulate action plans to improve processes and address problems identified. The technical support office of GPPB has also been providing capacity-building trainings to procurement personnel.

1Administrative Order No. 46 s. 2015