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## The promises and pains in procurement reforms in the Philippines

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**Philippine Institute for Development Studies**  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## The Promises and Pains in Procurement Reforms in the Philippines

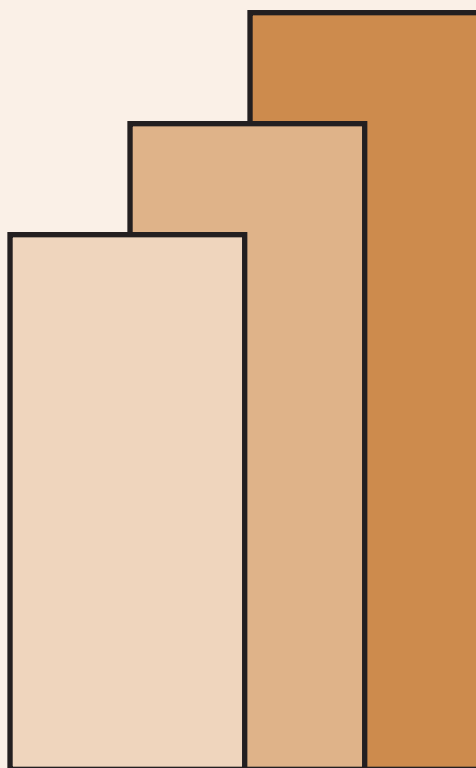
*Adoracion M. Navarro and Juan Alfonso O. Tanghal*

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## The promises and pains in procurement reforms in the Philippines

### Abstract

This study examines procurement policy issues in light of the recent concerns on delays in project implementation and underspending by government agencies. In the 2014 and 2015 reports by the Department of Budget and Management, procurement is cited as a reason for underspending. Likewise, government agencies with major underspending concerns noted "public procurement issues" as a recurring reason for the low disbursement outturn. In an attempt to make procurement less of a hurdle, Congress currently proposes to grant emergency powers to the president and do away with competitive bidding as the default mode in implementing transportation projects. However, procurement data analysis shows that in civil works procurement, the bid failure rate tends to be higher under the alternative mode of procurement than under the competitive mode, a result which does not support Congress' proposal.

Key lessons from experience are also investigated through interviews with various government agencies in the implementation and execution of the Philippine procurement process. The numerous key informant interviews greatly revealed the difficulties encountered and good practices implemented under the current legislative framework. To address procurement issues, the study recommends: (1) pursuing deliberate investments on and having a political will for systems change and organizational culture change; (2) greater investment on planning and other preparatory activities before the actual procurement; (3) innovation orientation in public procurement; and (4) value-for-money procurement.

Keywords: procurement reforms, procurement law, competitive bidding, governance

## **The promises and pains in procurement reforms in the Philippines**

[FOR DISCUSSION PURPOSES; NOT FOR QUOTATION]

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December 2016

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# 1 Introduction

This study examines the issues which beset the implementation of the public procurement law in the Philippines, especially in light of the recent concerns on delays in project implementation and underspending by government agencies. Key lessons from experience are investigated through interviews with government agencies in the implementation and execution of the Philippine procurement process. The numerous key informant interviews greatly revealed the difficulties encountered and good practices implemented under the current legislative framework.

## 1.2 Motivation for the study

It has been repeatedly said that procurement issues are among the reasons for past delays in government spending. In the 2014 and 2015 reports by the Department of Budget and Management (DBM), procurement is cited as a reason for underspending and this was played up repeatedly in media reports.

For 2014, the cumulative disbursement outturn was lower than the programmed spending for the year by about Php302.7 billion. Although not all of the amounts are savings owing to underspending (i.e., around 14 percent of the amount is due to a combination of bigger savings in interest payments and net lending, which reflects prudent debt management by the government), the greater part is reflected as deterioration of performance by agencies in disbursements and budget utilization. The DBM reported that the cash utilization rate was 88.1 percent and the fund absorption or obligation rate was 80.3 percent in 2014 (DBM Assessment of Disbursements-December 2014). The following are among the departments which registered the largest underspending: Department of Public Works and Highways (DPWH), Department of Education (DepEd), Department of Social Work and Development (DSWD), Department of Interior and Local Government (DILG), Department of Agriculture (DA), Department of Health (DOH), Department of Transportation and Communication (DOTC), and Department of Environment and Natural Resources (DENR). The underspending of these “big underspenders” accounted for nearly 58 percent or Php175.4 billion of the total underspending in 2014.

Table 1. 2014 National Government Disbursements, Program vs. Actual

(in billion pesos, unless otherwise indicated)

Particulars	January to December 2014		Variance	
	Program	Actual	Amount	%
Current Operating Expenditures	1,800.9	1,616.7	(184.2)	(10.2)
Personnel Services	661.5	603.6	(57.9)	(8.8)
Maintenance and Other Operating Expenditures	374.6	308.7	(65.9)	(17.6)
Subsidy	109	80.4	(28.6)	(26.2)
Allotment to Local Government Units (LGUs)	273.2	273.2		0.0
Interest Payments	352.7	321.2	(31.5)	(8.9)
Tax Expenditure Fund	29.9	29.5	(0.3)	(1.2)
Capital Outlays	458.4	351.5	(106.9)	(23.3)
Infrastructure/Other Capital Outlays	365.2	276	(89.2)	(24.4)
Equity	3.3	1.7	(1.6)	(47.4)
Capital Transfers to LGUs	84.9	73.8	(11.1)	(13.1)
CARP-Landowners' Compensation	5	0	(5.0)	(100.0)
Net Lending	25	13.4	(11.6)	(46.3)
Total Disbursements	2,284.30	1,981.6	(302.7)	(13.3)

Note: CARP – Comprehensive Agrarian Reform Program

Source: DBM

In 2015, the gap between actual disbursement and programmed disbursement was 12.8 percent of the programmed amount. Relative to 2014, this was a slightly trimmed down gap as a percentage of the program because the gap in 2014 was 13.3 percent of the programmed amount. Still, the undisbursed amount was huge at Php328.3 billion, and was larger in nominal terms when compared with the 2014 record of Php302.7 billion. Per DBM records, the big underspenders in 2015 were: DSWD, DILG, NIA, NHA, DOH, DepEd, DOST, DND, CHED, DILG, Commission on Elections (COMELEC), Department of Agrarian Reform (DAR), National Irrigation Authority (NIA), National Housing Authority (NHA), and DOTC.<sup>2</sup>

<sup>2</sup> Note that the DOTC is now Department of Transportation (DOTr) and its communication functions have been passed on to the newly created Department of Information and Communication Technology.

Table 2. 2015 National Government Disbursements, Program vs. Actual

(in billion pesos, unless otherwise indicated)

Particulars	January to December 2015		Variance	
	Program	Actual	Amount	%
Current Operating Expenditures	1,985.8	1,784.9	(200.9)	(10.1)
Personnel Services	743.2	664.4	(78.7)	(10.6)
Maintenance and Other Operating Expenditures	424.8	403.4	(21.4)	(5.0)
Subsidy	118.6	78	(40.6)	(34.2)
Allotment to LGUs	311.9	311.9	0.0	0.0
Interest Payments	361.8	309.4	(52.5)	(14.5)
Tax Expenditure Fund	25.5	17.8	(7.7)	(30.2)
Capital Outlays	546.7	436	-110.7	(20.2)
Infrastructure/Other Capital Outlays	431.6	345.3	(86.3)	(20.0)
Equity	2.9	0.8	(2.2)	(75.9)
Capital Transfers to LGUs	112.2	90	(22.2)	(19.8)
Net Lending	26.5	9.7	(16.8)	(63.4)
Total Disbursements	2,558.9	2,230.6	(328.3)	(12.8)

Source: DBM

The cited reasons by government agencies for the low disbursement outturn are various, but a recurring reason is “public procurement issues.” For instance, in 2015, a major reason cited is “procurement difficulties due to problems in procurement scheduling, delays in bidding, and incorrect technical specifications and costings.” We are thus motivated to help accelerate public investments on high priority programs and projects by studying what really constrains public procurement in actual practice and finding ways to address the public procurement constraints.

## 1.1 The Philippine public procurement framework

The current legislative framework is contained in Republic Act (RA) 9184 or the Government Procurement Reform Act of 2003. It was signed into law on January 10, 2003. The implementing rules and regulations (IRR) were revised several times: October 8, 2003; September 2, 2009; and, more recently, August 25, 2016.



The governing principles, as provided by Section 3 of RA 9184, are: transparency, competitiveness, streamlined procurement process, accountability, and public monitoring. The following summarizes the reform interventions in the law that support these objectives:

Objectives	Reform Interventions
Transparency	Use of Philippine Government Electronic Procurement System (PhilGEPS)
Competitiveness	Sec. 10 of RA 9184 states that public bidding shall be the default mode of procurement. Article XVI provides for alternative methods of procurement.
Harmonization of inconsistent policies, rules, and regulations	Creation of the Government Procurement Policy Board (which is an inter-agency body)
Accountability	RA 9184 includes penal and civil liabilities
Checks and balance	Civil society organization participation

## 2 Analytical Framework

We rely on Laffont and Tirole's (1993) *A Theory of Incentives in Procurement and Regulation* in analyzing and understanding public procurement. In the basic auction model, Laffont and Tirole analyzes bidding in the natural monopoly context, that is, the government sells a natural monopoly contract, such as a DPWH auction for the construction of a road, or a Department of National Defense auction for the construction of a new ship. They reiterate a previous result (Demsetz 1968) that competitive bidding should be pursued when there are many possible candidate buyers of the contract, or in our example, many possible candidate builders. This is because competition elicits the selection of the most efficient firm and thereby ensures production efficiency and low cost. This frames the default mode that is competitive bidding in the Philippines' procurement law, RA 9184, and its IRR.

In the spectrum of incentive contracts, Laffont and Tirole explain the basic contracts at opposite ends: the cost-plus-return contract at one end and the fixed-price contract at the other end. In the cost-plus-return contract, the government pays the firm (i.e., the contractor) its realized cost plus some return or profit. In the fixed-price contract, the government pays a fixed price to the firm. In between are incentive contracts which can have a combination of the two and with incentives designed in according to some predetermined rule.

Among their results in the basic model are that a fixed-price contract induces the firm to exert the right amount of effort to be efficient because the firm is the residual claimant of cost savings. In contrast, a cost-plus-return contract does not induce the right amount of effort for cost reduction because the firm does not appropriate any of the cost savings. (For the interested reader, the mathematical results from this and other model variations can be gleaned from the book *A Theory of Incentives in Procurement and Regulation*.) But this is not to say that fixed-price contracts are always superior. There are appropriate

uses for cost-plus-return contracts. For instance, cost-plus-return contracts tend to be more favored for really high-tech projects because these tend to elicit more favorable results quality-wise and outcome-wise given that high-tech firms are usually risk-averse and seek insurance when forecast errors are substantial. In standard production contracts and low-tech projects, risk aversion by firms is less and fixed-price contracts tend to be more favored.

The above-mentioned characteristics of fixed-price contracts frame the Philippine procurement law's default prescription of determining and announcing the approved budget for the contract (ABC) duly approved by the head of the procuring entity in the government.

When complexities such as information asymmetry and the presence of costs such as transaction costs or capture costs are added to the basic model, the results of the theoretical models of Laffont and Tirole elicit rich lessons for public policymaking. Let us consider, for example, information asymmetry or the case wherein the government has incomplete information about the firms. When there is information asymmetry, *ceteris paribus* (e.g., barring collusion), the optimal contract resembles more the fixed-price contract the higher the number of bidders and the lower the degree of asymmetric information. Therefore, the contract with stronger incentives becomes the result when there is substantial competition and when incompleteness or reliability of information is assured. Moreover, the optimal contract has a reduced fixed payment relative to the basic model; therefore, it is also in the interest of the bidders to truthfully represent themselves. This implies that public policy must strive to induce competition and reduce information asymmetry.

The complexities introduced by the presence of transaction costs also imply the importance of public policies geared toward reducing them. Examples include building the government agencies' capability to write terms of reference and analyze proposals, inducing the bidders to use clear language and write unambiguous proposals, automating some processes through electronic procurement systems, and using accreditation bodies to limit the time involved in assessing certain bidder attributes. The complexities introduced by the presence of capture costs, or the cost of collusion between the government agency and the bidder or the cost of having the government agency unduly favor a bidder over the others, imply the importance of having institutional checks and transparency mechanisms.

### 3 Results of Procurement Data Analysis

The DBM's Procurement Service, the administrator of the Philippine Government Electronic Procurement System (PhilGEPS) shared January 1, 2012 to December 31, 2015 data on government procurement which passed through the PhilGEPs. The dataset has three categories depending on the type of procurement:

- civil works procurement data for contracts amounting to Php5 million and above
- goods procurement data for contracts amounting to Php2 million and above

- consulting services procurement data amounting to Php1 million and above.

Cost floors are employed because, as advised by the DBM-Procurement Service, the daily observations in the PhilGEPs are too numerous and including the low-cost contracts will make the analysis unmanageable. Given the applied cost floors, we are able to analyze the following data sets: the civil works data set with 74,491 records; the goods data set with 201,583 records; and the consulting services data set with 6,363 records.

One research topic of concern is the comparison of competitive procurement mode versus the alternative modes of procurement. To put the research topic in perspective, note that Congress is currently pushing for emergency powers for President Rodrigo Duterte to "immediately address the transportation crisis that major Philippine urban areas such as Metro Manila, Metro Cebu and Cagayan de Oro are experiencing". The proposal is to authorize the President to adopt alternative modes of procurement as the default mode in implementing transportation projects aimed at reducing traffic congestion in Metro Manila and other urban areas. It is expected that the largest portion of the transportation project budget will involve civil works procurement.

Thus, we processed the data further to gather all competitive bidding records as one group and the rest or alternative modes as another group.

The categories of competitive procurement in the records are:

- Public bidding
- National Competitive bidding
- International competitive bidding

The categories of alternative modes of procurement in the records are:

- Direct contracting
- Limited source bidding
- Negotiated procurement
- Negotiated procurement - Agency to agency
- Negotiated procurement - Community participation
- Negotiated procurement - Emergency cases
- Negotiated procurement - Highly technical consultants
- Negotiated procurement - Lease of real property
- Negotiated procurement - NGO participation
- Negotiated procurement - Procurement agent
- Negotiated procurement - Small value procurement
- Negotiated procurement - Two failed biddings
- Selection based on qualification
- Shopping

One shortcoming of the recording system in the PhilGEPs that is not favorable for our purpose is that there is no ID for the "repeat" procurement cases, or those projects which are already on their second or third round of procurement process because the procuring entity's previous tries were not completed or failed for some reason. Thus, we have no way of isolating those which are not on their first try and therefore have a higher probability of success or bidding process completion, that is, we have no way of isolating the reason that a certain record has a Notice-to-Proceed observation or successful procurement completion only because the project bidding is already on its  $n$ th try.

Table 3. Results of Procurement Data Analysis

Category	Number of records	% Competitive bidding		% Alternative mode		Remarks
Civil Works	74,491	99%		1%		Bid failure rate under alternative mode is higher
		of which:		of which:		
		53% are concluded		41% are concluded		
		47% are not concluded		59% are not concluded		
Goods	201,583	96%		4%		Bid failure rate under competitive mode is higher
		of which:		of which:		
		29% are concluded		36% are concluded		
		71% are not concluded		64% are not concluded		
Consulting Services	6,363	85%		0.148358		Bid failure rate under competitive mode is higher, but the difference in results seem to be insignificant
		of which:		of which:		
		25% are concluded		27% are concluded		
		75% are not concluded		73% are not concluded		

The records show that most of the procurement methods are of the competitive bidding type (99% for civil works, 96% for goods, and 85% for consulting services), which goes to show that the results are consistent with what the procurement law requires—to have the competitive bidding mode as the default mode. This is a promising result.

Looking at records of successfully concluding a procurement process, that is, finishing the process up to the issuance of a Notice to Proceed to the contractor, we are able to check estimates of bid failure rates. Note that in the case of civil works procurement, the bid failure rate under alternative mode is higher (59% for alternative mode vs. 47% for competitive mode). This is despite the fact that we are unable to isolate the cases of repeat procurement or resorting to alternative modes because the competitive mode on the first or second tries failed, meaning, the success rate of the competitive mode may even be underestimated. This is another promising result. Moreover, the result does not support the intention of Congress' proposal to do away with competitive bidding in order to fast-track transportation projects.

In the case of goods procurement, the bid failure rate under competitive mode is higher (71% for competitive mode vs. 64% for alternative mode). Since we are not able to isolate the cases of repeat procurement and resorting to alternative mode of procurement, we may say that the favorable result for alternative mode is inconclusive.

In the case of consulting services procurement, the bid failure rate under competitive mode is higher, but the difference in results seem to be insignificant or a difference of only two percentage points (i.e., 75% vs. 73% failure rates). Thus, this does not strongly support a conclusion that the alternative mode of procurement results in a higher success rate.

## 4 Results of Key Informant Interviews

### University of the Philippines

#### Highlights of Discussion

1. *Principle in Awarding Contracts.* The key informant clarified the rule when it comes to awarding the contracts. The phrase ‘most responsive bid’, according to him, is vague and does not capture shades of quality. As an example, he cited the Chulalongkorn University in Thailand where projects are awarded based on ‘quality at the most reasonable price’. President Pascual states that agencies should not be constrained to considering the price only.
  - a. GPPB stated that the guidelines state ‘lowest’ and ‘most responsive’ bid. Responsiveness in this context refers to the compliance of the bid to the technical specifications set by the procuring entities. Therefore, it is the duty of the procuring entity to ensure that the technical specifications are properly crafted.
2. *Planning as a cause of Procurement Delays.* The point of GPPB-TSO above highlights the most common cause of procurement delays. The body agrees that most of the delays in the procurement system stems from the flawed planning. One of the issues discussed is the capacity of government agencies to properly identify the “Approved Budget for the Contract” (ABC). An incorrect ABC would restart the overall procurement process, thus delaying the disbursement of funds.
  - a. In detail, the ABC serves as the price ceiling for the contract. Thus, a low ABC would not receive any bids from suppliers. No bids would result in a failure of bidding. The Bids and Awards Committee (BAC) and the Technical Working Group (TWG) would now restart the whole procurement process (including realigning the budget, revising of the Annual Procurement Plans (APPs), redesigning the technical specifications, etc.) before it can be posted again for advertisement. Should the bidding fail again, then the procuring entity can change the mode of procurement from Bidding to Negotiated Procurement. Negotiated Procurement will also have a different process.

- b. As an example, the UP Procurement Team cited an experience of procuring laboratory equipment. The initial ABC specified only the price of the equipment, but not of the import duties and taxes. Therefore, failure of bidding was declared when no supplier signified interest based on the ABC. In this case, poor planning can be traced to the TWG and BAC.
- 3. *Strengthening the BAC and the TWG.* Related to the poor planning is the lack of capacity of the BAC and TWG in implementing the rules and regulations set by RA 9184.
  - a. For one, the UP Procurement Team stated that the TWG is 'ad hoc' in nature. It is usually composed of the end-users which may not have the know-how to properly identify the technical specifications nor the appropriate budget for the good or service needed.
  - b. In addition, BAC members have a one-year term, renewable at the discretion of the Head of the Procuring Entity (HOPE). Usually, when a new HOPE is designated, the BAC members are also replaced.
  - c. The GPPB-TSO stated capacity building continues to be one of their main tasks. They are continually training new members to become BAC members, twelve (12) years after the law has been passed. Although, it must be noted there are currently plans for the professionalization of the procurement officers. Only those who undergo a course on government procurement shall be eligible to be members of the BAC.
  - d. PIDS suggested that procuring entities may hire procurement specialists or transaction advisers to aid in streamlining and fast-tracking the procurement process. Further, it would be best if procuring units will be institutionalized in government agencies.
    - i. GPPB-TSO stated that this can be done under the existing rules. It is up to the procuring entities to decide if they choose to hire such consultants. In the law, GPPB-TSO also states that procuring entities can seek the advice of other government agencies with specific expertise (e.g. DPWH, DOST, etc.).
    - ii. President Pascual stated that this would need DBM's approval as this would require additional plantilla positions. Currently, there are no career service employees for procurement at the strategic level.
  - e. The procuring entities can also hire procuring agents, as provided by the IRR of RA 9184. But GPPB states that agencies should also learn the procurement process themselves. They add that most of the agencies are not familiar with transaction advisers, thus it is not even being considered.
- 4. *Procurement Law should Encourage Competition.* The UP interviewee stated that the law should be able to encourage competition. Currently, the existing laws do not inspire small firms to grow bigger since they find a segment of government procurement that is essentially only for them. For example, Small B (up to Php 15 million in contract price) projects only invite contractors that are licensed as C or D. He asks if they could require an AAA-licensed contractor, even for a Small B project.

- a. GPPB-TSO stated that in reality, AAA licensed contractors can compete in Small B projects. There is no provision in the procurement law that limits the competition. However, the AAA contractors are usually not interested in those small projects. Further, RA 4655 or the Contractors' License Law is applicable in this case, which also provides for specific guidelines that need to be followed.
  - b. In a related point, the GPPB-TSO also highlighted the fact that the competition aspect is regulated by other various legislations since time immemorial. It must be remembered that even if bidders are part of delays, they are not incentivized to grow since the market is governed by laws that promote domestic preference.
- 5. *Underspending in the Context of Procurement Planning.* The GPPB-TSO stated that factors in underspending experienced by the Philippines in 2014 include the following: a) the poor planning brought about by uncertainty in budget that government agencies will receive, and; b) lack of absorptive capacity.
  - a. In the current process of government budgeting, the government agencies prepare their estimated budget based on their annual implementation plans, and then submit the same to Congress. Vested in the Congress is the power of the purse to approve, increase, or decrease the proposed budget of the government agencies. According to the GPPB-TSO, what is traditionally done by government agencies is to overstate their needs and fill their annual plans with indicative projects. This is because agencies are expecting that the Congress will only approve a certain amount for their proposed plans. Thus, even after some budget cuts, the government agency will still have an ample amount of resources to pursue their annual implementation plans.
  - b. However, this uncertainty in the planning-budget programming linkage became a problem as early as 2012 when the national government had enough money to allocate to agencies. Thus, the overstated annual plans were approved, while others were granted more than what they requested. Government agencies lack the absorptive capacity to effectively implement the projects they listed in their proposed plans. This was also the cause of the Disbursement Acceleration Program, as implemented by the current administration.
    - i. GPPB-TSO cited DSWD as an example. Usually, DSWD is given an average of 1.5 billion to 2 billion annually. It was given 102 billion one year, which cause difficulties in its implementation. Another agency is DepEd which usually receives 1.5 billion, but was given 17 billion one year when the government experienced underspending.
- 6. *RA 9184 as one of the best procurement laws.* GPPB-TSO stated that the ADB and the World Bank consider RA 9184 as one of the best procurement laws in the world. Procurement in the World Bank standards last for around one (1) year, while the same process in RA 9184 can be done in four (4) months. Based also on the Organisation for Economic Co-operation and Development–Development Assistance Committee (OECD-DAC) Methodology for Assessing Procurement Systems (MAPS), the Philippines received a rating of the medium to moderate risk.

This is based on the four (4) pillars being measured by MAPS, in which the country scored the following:

Pillar	Score
Pillar I: Legislative and Regulatory Framework	86% of the baseline or substantial achievement, low risk
Pillar II: Institutional Framework and Management Capacity	69% of the baseline or partial achievement, medium or moderate risk
Pillar III: Procurement Operations and Market Practices	73% of the baseline or substantial achievement, medium or moderate risk
Pillar IV: Integrity and Transparency of the Public Procurement System	65% of the baseline or partial achievement, medium or moderate risk

Source: Country Procurement Assessment Report, 2012

- a. Despite this, GPPB-TSO mentioned that there still is a need for improved implementation and execution of the law. Most of the problems in procurement are considered 'human-borne difficulties'. Further, there are hesitations from the side of the procuring entities since they are getting mixed signals from COA and the Ombudsman. GPPB is the policy making body, but the investigations and enforcement of fines is with COA and the Ombudsman.
7. *Principle of Integrity in Procurement.* PIDS also mentioned that a significant component in procurement is the principle of integrity. PIDS asks whether there are mechanisms in place to prevent collusion between agencies and suppliers.
- a. The GPPB-TSO stated that there are certainly provisions in the law that prosecutes those who will be caught colluding. However, GPPB-TSO reminded the body that it is by practice in law that those who allege must be the ones to prove. The evidence against an act of collusion must be beyond circumstantial.
    - i. In a related point, questions on how to prevent bidders related to the Mayor were brought forward by several regional and local line agencies during the GPPB training conducted last 29-30 March 2016.
  - b. PIDS asked also if accreditation of private bidders is being done. A scheme such as an integrity pledge may be implemented, and included as part of the technical specifications.
    - i. GPPB-TSO is wary on how serious the private sector if such scheme will be implemented. Further, it is a question of how the private sector will police their ranks. The concept of corporate greed is still prevalent, and corruption is also rampant in the private sector.
    - ii. There are even reports of 'round-robin' schemes so that contractors are given equal opportunities.



It was also discussed that a good practice in public procurement would be 'whitelisting'. Government agencies should not only blacklist, but actively keep a record of compliant and responsive bidders. GPPB-TSO stated that this is currently being practiced by several agencies, but is not adopted consistently.

The GPPB also would like to shift to a more 'principle'-based implementation of the law, rather than 'rule'-based implementation. Rule-based implementation has caused several confusions and clarifications from agencies addressed to the GPPB. Each procurement activity is unique, and sometimes the existing rules will not allow even the most efficient procurement method. GPPB-TSO admitted that this is how the rules are made as it was crafted with anti-corruption as one of its objectives.

- c. Principle-based implementation will be governed by the following principles:
  - i. Public monitoring
  - ii. Accountability
  - iii. Competitiveness
  - iv. Transparency
  - v. Streamlined Process

#### Government Procurement Policy Board

*On the assessment of FY 2014 delays in spending.* An initial assessment on the delays in spending during FY 2014 was done by GPPB in partnership with the Department of Budget and Management. According to GPPB-TSO key informant, it is better to coordinate with DBM for the release of the report. She also shared with PIDS their 2012 findings on the delays in procurement:

- 50% is attributed to planning – which includes problems in technical specifications, late submission of purchase requests of end users, and poor cost estimates.
- 22% is attributed to low number of bidders
- 14% is attributed to approval process/review process
- 6% is attributed to lack of manpower
- 5% is attributed to late release of SARO
- 3% is inadequate training/varying interpretation of rules

As for a more updated data, GPPB-TSO said that the 2014 report has not been generated yet. There is a need to check whether the problems identified in 2012 are still the same ones hounding the procurement process in the country.

GPPB-TSO also stated that they have a matrix/table of problems per agency based on the consultations they conducted. GPPB-TSO stated that they will ask for the approval of the board if they can share the document with PIDS.

Agencies identified with problems in 2014 include: DILG, DA, DepEd, DOTC, DPWH, and DAR.

- a. Based on the discussions, there are also GOCCs that have problems in procurement. But GPPB-TSO stated that the results of their assessment still need the approval of the board before it can be released.

- b. PIDS asked GPPB-TSO to share first the data of the top 20 agencies with the biggest budget, based on the Annual Procurement Plans of 2014. This will give a general idea of the overall trend in procurement practices in the country.
- c. GPPB-TSO stated that they will consult with Exec. Dir. Santiago to what extent they can share data. According to them, the data that they have is limited to 486 agencies out of 1,805. These agencies are all head offices. As of the moment, they do not consolidate regional data of line agencies.
- d. As part of their efforts to highlight the importance of APCPI, the said document was a requirement for the Performance Based Bonus in 2015. GPPB plans to implement the same for 2016.

GPPB-TSO also reports to the Board which agencies are improving in their procurement scores. As with the other data requests of PIDS, GPPB-TSO still need to seek approval for the release of the data. However, GPPB-TSO stated that as of 2014, there are 30 government agencies with improvement in their procurement scores.

*On the analysis of the APCPI scores.* The scores generated by the APCPI is part of the evaluation process. However, GPPB-TSO stated that they are undermanned for the task. For example, for the 2014 APCPI reports, only 4 people from GPPB-TSO assessed all 406 agencies.

GPPB-TSO stated that they are planning to train ‘confirmators’ to speed up the process.

As for the analysis of results, GPPB-TSO clarified that they are analyzing the results per agency, and not the performance of the entire government.

- vi. Although they plan to do this in the future, the immediate concern is the review of APCP indicators. Other agencies suggest that indicators should not be uniform across all offices. The organizational structure, mandate and function should be taken into account when scoring procurement performance.
- vii. GPPB-TSO stated that benchmarking scores based on sector and size is part of their work plan for the year (2016). They plan to hire a consultant to do the exercise.

*On hiring procurement agents.* PIDS pointed out the Section 53.6 of the IRR specifies that GPPB will issue guidelines on the use of procurement agents. GPPB-TSO stated that the guidelines for such have not been released. Although, in the upcoming revise IRR, hiring of a procurement agent will fall under procurement outsourcing and not as an alternative modes of procurement.

- a. It is important to remember however that procurement agents allowed in the upcoming revised IRR is limited only to government agencies, and not open to private procurement agents. This means that if a procuring entity wishes to use procurement outsourcing, the entity will only be allowed to hire another government agency to conduct the procurement activity for the former.
- b. In terms of thresholds, the basis is the resultant contract, and not the contract between the procuring entity and the agent.

The top ten government agencies (in no particular order) with the reported highest underspending, per DBM report in 2014, are the following:

1. Department of Public Works and Highways (DPWH)
2. Department of Education (DepEd)
3. Department of Social Welfare and Development (DSWD)
4. Department of Interior and Local Government (DILG)
5. Department of Agriculture (DA)
6. Department of Health (DOH)
7. Department of Transportation and Communication (DOTC)
8. Department of Agrarian Reform (DAR)
9. Department of Environment and Natural Resources (DENR)
10. Department of National Defense (DND)

It should be noted that the total underspending for 2014 is around P183 billion, updated from the figure stated in the DBM report for that same year. In 2015, the Commission on Elections (COMELEC) was added to the list, replacing DPWH because of increasing obligations.

Remarks on the narrative on underspending. According to DBM, the narration on government underspending is based only on agency submissions. Thus, the following should be taken into account:

- The Operations Group of the Bureau is in charge with directly coordinating with the agencies for the submission of the required information.
- The figures included in the narrative are only estimates and/or proxy data gathered. The reason for this is because of the narrative's dependency on agency submissions. Moreover, other agencies could not fully account for the reasons and the amount of underspending.
- Comparison for underspending is not on the appropriations (GAA) but on the Agency/Cash Disbursement Program. It should be noted that even though the said program is based on the GAA or the appropriations for the current year, this is on expected payments (i.e. the disbursement is a projected payment).
- DBM has a disbursement program on an aggregate level but does not have per agency. The aggregate figures can be found in Table B.28 of the Budget of Expenditures and Sources of Financing (BSF)
- Issuance of Notice of Cash Allocation is based on the disbursement program

#### Highlights of DBM's interviews with government agencies

##### **1.) Department of Public Works and Highways (DPWH)**

According to DBM, the major cause of delays in DPWH projects is sourced from issues in progress billings, in the contract implementation stage. In particular, the documents that contractors submit usually are incomplete, resulting to delays.

Another reason cited is on the agency's insufficient number of staff despite its increasing budget. For instance, in processing contract implementation, the same public finance and accounting staff handle such activities). It should be noted, however, that in 2015 though Administrative Order No. 26, the agency's staff complement has been increased.

Coordination problems between and among agencies is seen as another cause of delay (e.g. the Memorandum of Agreement [MOA] or execution of infrastructure projects with DepEd and DOH). Other problems that were cited include the number of projects of the agency, weather disturbances and the inability of construction industries to support the desired requirements of the agency.

## **2.) Department of Education (DepEd)**

With regards to DepEd, the problem is more on hiring of personnel (e.g. teachers) due to the lack of qualified applicants. The explanation provided by DBM for this issue is that first, the vacant positions are usually high level positions in which few applicants are qualified and the second is on the administrative process such as the submission of requirements, in which applicants encounter difficulties in compliance.

Delays related to Maintenance and Other Operating Expenses (MOOE). Similar with the interview of PIDS with DepEd, DBM cited that the reason for delays in procurement concerning MOOE is with the complexity of the projects (e.g. complex IT Projects which lacked bidders or suppliers). Another are payment issues and billing concerns primarily attributed to the large organizational nature of the agency in which payments coming from the regions usually take longer before it reaches the central office.

## **3.) Department of Social Welfare and Development (DSWD)**

Yolanda programs as cause of delays. In 2014, the agency focused most of its efforts on Yolanda programs resulting to difficulties in the implementation of other projects.

Conditional Cash Transfer (CCT) outside Yolanda. Problems mostly source from the readiness of partner institutions which include conduit banks (e.g. branches of Landbank and DBP) in terms of distribution. To address the backward of payments, the agency has already partnered with Globe, through G-Cash.

Measures to address underspending. First is the issuance of Executive Order No. 46 to address underspending by directing all heads of departments and agencies to implement measures to facilitate budget execution and second is the creation of a full-time delivery unit to investigate bottlenecks in spending. The unit will have its representation both in the various government agencies and in the DBM, headed by Undersecretary Luz Cantor. It was added that the unit operates on a case to case basis.

## **4.) Department of Interior and Local Government (DILG)**

Securing approval permits as cause of delays. In 2014, problems mostly source from securing approval permits to carry out implementation of Bottom-up Budgeting (BuB) projects in certain Local Government Units (e.g. Sangguniang Bayan Resolutions, MOAs, etc.). In addition to this, COA limitations in the liquidation process have also resulted to delays in the procurement process. The scenario is that, once given a cash advance, a particular LGU cannot anymore be given another unless full liquidation of the previous is provided. Since some LGUs lack the capacity, and also because of the voluminous requirements in the liquidation process, these now result to delays and backlog.

## **5.) Department of Agriculture (DA)**

Main causes of delays in spending. DBM cited various reasons for delays in spending and also laid out the portion on where underspending is most prevalent. The following should be noted:

- a.) The bulk of the budget of the agency is more on MOOE and this where underspending is largest, according to DBM.
- b.) Besides MOOE, Capital Outlay (CO) also contributes (worsens) underspending in relation to farm to market road projects.
- c.) The agency's compliance with pre-conditions (requirements) for release was also cited as a primary reason for delays in spending. This can be attributable to capacity (of beneficiaries in farm to market road projects for example), in which funds would not be released unless there are already identified beneficiaries as well as a specific location has already been determined.
- d.) Delays also arise from liquidation of partner LGUs, mostly from BuB projects as well.
- e.) Issues are also prevalent in support services such as provision of agricultural implements and facilities.

Delays in the execution of foreign assisted projects (FAPS). According to DBM, there is an option to choose whether what will be followed are the procurement guidelines of the donor partners or the rules stipulated in procurement law. For agencies that opted to follow the guidelines from donor partners, difficulties arise from securing clearances and permits from these same donor partners, therefore, resulting to delays in spending.

#### **6.) Department of Health (DOH)**

Problems in spending concerning DOH mostly are from one of its largest project, the Health Facilities Enhancement Program (HFEP). Other issues were mentioned as well such as those involving the Doctors to the Barrio (DTTB) project and procurement of medical supplies, medicine and drugs.

- a.) Incorrect specifications of hospital equipment – This is a pervasive problem in HFEP wherein equipment provided thru the program are rendered unusable due to incorrect specifications. For instance, complex hospital equipment cannot be installed in some hospitals due to the lack of capacity of the said hospital. For 2014, DBM cited that this is the most persistent problem of DOH in spending.
- b.) DOH also conducted a survey for HFEP which also resulted to some delays in its implementation.
- c.) Doctors to the Barrio (DTTB) – In 2015, another cause of delay in spending is the lack of supply of doctors that could cater their services to provinces.
- d.) As of latest (2016), problems are mostly in MOOE such as in the procurement of medical supplies, medicine and drugs. Disbursement in Capital Outlays (CO) have increased in 2016.

#### **7.) Department of Transportation and Communication (DOTC)**

The following below were cited by DBM as reasons for the underspending in DOTC. It should be noted that underspending is due to procurement difficulties in the central BAC, legal challenges and some delays in the approval of permits and clearances:

- a.) The main reason for delays in spending in the agency is due to the incapacity (difficulties) of the central BAC to handle procurement due to its bulk (voluminous nature) as it includes procurement from attached agencies such as the Land Transportation and Franchising Regulatory Board (LTFRB) and Land Transportation Office (LTO). According to DBM, the agency's response to the problem is that it has now delegated procurement back to the attached agencies.
- b.) Legal challenges - Temporary Restraining Orders (TROs) in certain properties on where the agency needs to construct or implement their projects (e.g. provincial airports)

- c.) Delayed approval of clearances and difficulty securing approval from authorities (e.g. NEDA Board approval) is cited as another cause of underspending

#### **8.) Department of Agrarian Reform (DAR)**

It was mentioned by DBM the main cause of underspending in DAR for 2014 is the ongoing process of purchasing agricultural lands (i.e. land distribution). It should be noted that land distribution is categorized as MOOE. Other reasons mentioned were legal challenges involving minor impediments such as submission of requirements.

#### **9.) Department of Environment and Natural Resources (DENR)**

Delays in compliance with some special provisions in the GAA. One requirement of the special provisions is the submission of the geotagged photos or the locations of all the sites of the National Greening Program (NGP), and this is where DENR is having most difficulty with. It was added by DBM, that until now, this requirement is still included in the special provisions.

#### **10.) Department of National Defense (DND)**

DBM emphasized various issues in DND that resulted to underspending. The following below were the highlights:

- a.) Lower releases of Quick Response Funds (QRF) in 2014 in the absence of triggers.
- b.) Another reason for underspending are delays in the delivery of some projects like ammunitions, which, accordingly, is the contractor's fault.
- c.) DBM also cited that in 2015, problems in the specifications of equipment and facilities of the DND modernization program is also another cause of underspending. The problems are due to the lack of suppliers (i.e. the readiness of the market) such that there is difficulty in procurement even though specifications have already been defined.
- d.) Underspending is also correlated to certain purchases of DND that require OP clearances; this is especially true for the modernization program. Accordingly, DBM mentioned that for the year, the agency already has a specific listing, which as a whole is to be approved by OP.

#### **11.) Commission on Elections (COMELEC)**

Reasons for Underspending. It was mentioned that there are two main reasons: one is the Supreme Court (SC) decision on the Automated Election System and second are the projects that that were issued Temporary Restraining Order (TRO) by the Supreme Court, and subsequently declared null and void

On a special report on the COMELEC case. According to DBM, they do not have a report on such matter because COMELEC reports need to be coursed through en banc. What DBM does is that it gets reports from media and they consolidate these.

According to the DBM, almost all agencies' reason for underspending is sourced from impediments in Capital Outlay. DOH and DAR are the only agencies which also have problems concerning MOOE.

## Department of Transportation and Communications

(The DOTC was already split into the Department of Transportation (DOTr) and Department of Information and Communication Technology (DICT) during the time of the interview and the key informant was from the DOTr because most problems are concerning the transportation sector.)

The setup of DOTr's BAC consists of the following: Overall head of the BAC secretariat is the Undersecretary for Procurement and Administration. Next to the overall head are the two heads of the primary BAC and secondary BAC.

- Primary BAC – threshold is over 50M
- Secondary BAC – threshold is 50M and below

The former DOTC had a sectoral structure before the PNoy administration, which means that positions were appointed based on the available plantilla, under Administrative Code 1987. This was later changed to a functional structure, and plenty of positions were created (e.g. from having only four assistant secretaries to having ten in the current functional structure).

The agency is having the most difficulty in the planning stage (i.e. before the processes of the actual procurement). The interviewee emphasized that in DOTr, this is the case because of the following:

- a.) There is lack of technical expertise and;
- b.) Some projects, which are not yet ready, are already implemented/started due to time constraints and the call to finish it ahead of time

As a result, while in the middle of the procurement process, the lack of proper planning takes its toll on the whole process and will cause it to take longer than usual.

On the causes of delays. The usual causes of delays in the procurement process are mostly rooted in the agency's own rules and guidelines (i.e. some may be rooted from the capacity of the agency) evidenced by the following:

- a.) The concerned authorities do not readily decide. For example, in having documents signed, there are many layers (i.e. plenty of signatories). One document has to be reviewed by many officials.
- b.) The lack of manpower, time constraints and other technical issues (e.g. in post-qualification relative to airports, bidders have offices situated in far places). Lack of manpower stems from the fact that procurement (i.e. being a member of BAC) is an addition to that employee's regular function. In which case, that employee is not able to give much attention to procurement.
- c.) The nature of DOTr projects. The projects of the agency are complex in nature and this causes delays. As proof of its complexity, the agency hires consultants to make the procurement process faster.
- d.) Unclear specification of bid requirements during the planning stage.

Examples of projects with delays. Some examples of projects with delays include the LTO plate projects wherein all bidders have foreign partners. In which case, these foreign counterparts have certain legal requirements (e.g. authentication) to fulfill/comply which can take time. Another are the MRT projects wherein the lack of time as well as the unclear specifications concerning the number of days resulted to a failure in bidding. In particular, due to the lack of time for the bidders to comply with the requirements, come the opening of bids, no one was able to submit the bid requirements. Other

examples of projects with delays given by the interviewee were the regional airports, license cards and Stradcom Corporation projects

On a procurement manual for the agency. The interviewee also mentioned that DOTr has hired a procurement specialist from the Australian government to create a procurement manual to improve the overall procurement process in the agency.

On procurement planning in the agency. The procurement planning is handled by the Project Development Service which, as explained above, is undermanned. People from this department are also mostly technical assistants or job order personnel.

Afterwards, when planning is already made by the Project Development Service (acting as the proponent), this will then be transferred to BAC which will set the pre-procurement conference.

On projects that failed concerning the FS stage. According to the interviewee, these are projects where failure of bidding happens usually while in the middle of the procurement process. Examples given were airport projects with primary reason for failure of bidding being the lack of requirements.

Outsourcing of procurement activities. Due to the complex nature of projects implemented by the agency, there is outsourcing of procurement activities. DOTr hires consultants that are highly technical to fill in gaps in manpower as well as to fill in the lack of expertise that is needed for the success of the procurement process. To note, this hiring of consultants is made per project.

Procurement of consultants. There are also delays in hiring consultants especially for those deemed as highly technical—wherein these kinds of consultants are difficult to find and, sometimes, almost exclusive.

According to the interviewee, PhilGEPS is, more or less, responsive. There are just some slight technical problems and glitches encountered such as slow loading, among others. Overall, there are no major problems and its performance is deemed to be satisfactory.

She also mentioned that almost all major projects of the agency are in the PPP. Accordingly, she emphasized that there should be clear guidelines and specific mechanics/criteria on the implementation of major projects. This points out that the structure of PPP projects of the agency should be made clear such as a clear distinction of which projects are in the PPP and which are not.

PPPs per type of project. There is no particular person in charge of PPP projects as the agency is currently implementing a sectoral approach, although some positions were created. To specify, there are different people in charge per type of PPP project like Usec. for roads, Usec. for rails, Usec. for air, Usec. maritime and Usec. for legal and procurement.

Attempt at capacity building. Currently, there is a workshop with the people involved in major projects or those in the PPP. The stakeholders involved also undergo training.

In the post-qualification stage, problems usually arise in a specific project, that is, in airports (regional airports). According to the interviewee, during on-site inspection of the technical working group (TWO), equipment are not usually on the site because the bidders also use these in other projects. This is to say



that there are no actual physical inspections made but certain documents like OR/CR can suffice and fill in the place of the actual inspection because what they look into is the capacity of the bidder to undertake a certain project.

On a monitoring and evaluation system. The interviewee mentioned that there is an M&E system in place during project implementation and this is handled by the Project Monitoring & Evaluation Service (PMES).

Issuance of a 'whitelist' for compliant contractors. Currently, the agency does not have a 'whitelist' of preferred contractors/bidders although they keep a list of past good contractors, albeit in the procurement process, even those in the list would still have to undergo competitive bidding.

On best practices:

DOTr strictly enforces the following rules and regulation stated in RA. 9184:

- a.) Everyone could participate in the pre-bid conference even if that bidder has not bought the pre-bid documents yet.
- b.) The implementation of a "no contact" and "no gift" policy rule
- c.) All procurement are posted in the agency's premises and in PhilGEPS

The agency also employs best practices from other government agencies which include, among others:

- a.) The presence of a checklist before the pre-procurement.
- b.) To maximize efficiency, they specify tasks among the BAC Secretariat.
- c.) They ensure that there is a timeline to be followed in the procurement process.
- d.) BAC meetings are usually held on time and on schedule to promote efficiency. Also, there is an interim BAC to handle pending issues and a regular BAC with the new appointees.
- e.) Streamlining of the process of the notice of award and notice to proceed for a faster procurement process.

Disputes are mostly prevalent in solicited projects, those involving PPP projects. On non-PPPs, disputes are mostly prevalent in competitively bid projects.

Role of Civil Society Organizations. In major projects or those involving PPPs, CSOs have a membership in Pre-qualification Bids and Awards Committee (PBAC) which also includes members from COA and NGOs.

On the procurement law. The interviewee mentioned that in fast-tracking public procurement, DOTr is currently coordinating with Congress on the passage of a bill containing some amendments on the procurement law. On such example given was to revise the emergency procurement guidelines wherein the line that states "in a state of calamity" should be altered so as to remove the very restrictive qualifier on this type of procurement.

Agency guidelines. She was not able to give any recommendations concerning the agency's guidelines as the manual is still being made and is yet to be implemented.

Unlike in previous interviews with other government agencies, DPWH is having the most difficulty in the later stages of the procurement process, specifically during its post-qualification stage.

- a.) As per IRR, the head office's BAC has to verify the documents submitted by the bidders
- b.) Civil Works Registry (CWR) – One of the improvements in the agency's procurement process wherein documentary requirements are lessened for contractors/bidders because these are already uploaded and validated in the system.
  - i. The CWR contains all the information of a particular contractor such as its experiences, licenses and financial statements, among others. The contractor could also directly update legal requirements (e.g. income tax return, PCAB license, permits, etc.) in the system.
  - ii. In the agency, eligibility screening is done electronically. The contractor only has to update all information in the CWR. Contractors that do not update their records will be declared ineligible.
- c.) Issues in the Civil Works Registry. According to the GPPB, the agency is already doing a pre-qualification with the validation of documents through the registry, which accordingly is a violation. In the post-qualification stage only those with the lowest calculated bid could be validated.
  - i. At present, the registry is still used by the agency although validation of documents is already prohibited. According to Ms. Potante, this has caused some dilemmas in their procurement process as they risk reverting to the manual submission of requirements, which takes longer than usual compared to electronic eligibility. Furthermore, this restriction imposed by GPPB resulted to another dilemma in the continuance of the registry.
  - ii. DPWH is also working out to integrate their Civil Works Registry into PhilGEPS for use by other agencies. Although at present, DPWH has not yet received any reply from PhilGEPS regarding this.
  - iii. DPWH also plans to initiate E-Bidding but was not given clearance by DBM.
- d.) Other problems in the post-qualification stage include the submission of spurious documents such as tax clearances of some bidders, resulting to blacklisting. All the list of blacklisted contractors/bidders is submitted to GPPB for their consolidation.

The key informants cited many reasons for delays in procurement, especially with regards to their reported underspending. The following were mentioned:

- a.) One reason that was mentioned as cause of underspending was the requirement of a Construction, Health and Safety Program (CHSP). In which case, delays happen in the approval and processing of Civil Works contracts because of its late submission by contractors.
  - i. The CHSP is one of the supporting documents/requirements of GPPB in the execution of contracts. It is done after the procurement process, or in particular, after the awarding of contracts.
  - ii. The appending of CHSP is required for projects with more than fifty personnel involved. It is also mandatory for all civil works projects.

- iii. The clearance of this requirement comes from the Department of Labor and Employment (DOLE).
  - iv. The program was already existent before, but with stricter implementation, bottlenecks emerged.
- b.) Poor planning was also mentioned as another cause of delay especially on the drafting of specifications of other infrastructure agencies. Eventually, this translates to problems in the implementation of projects and in the post-qualification stage, particularly in the validation of requirements.
  - i. During post-qualification, the central office also does validation and verification of documents. This is uploaded in their database for use by other regional offices.
  - ii. All contractors of the agency, including those of DPWH field offices, are electronically recorded by the central office.
  - iii. For efficient post-qualification, the various field offices also conduct validation (e.g. checking of equipment)
- c.) Another cited cause of delay is the capacity of the bidders. This specifically pertains to limited expertise or experience on the part of the contractors and, sometimes, their lack of interest to participate due to the location of certain project.
  - i. On flood control projects – it was mentioned that there is limited expertise on the part of consultants in these types of projects
  - ii. Contractors without experience are only allowed to bid fifty percent of their allowed contract range, but with the 2016 revision of the IRR, this was changed to one hundred percent.
- d.) There are also some delays due to lack of clear specifications mostly attributable to procurement of goods and services. Related to specifications, the following should be noted:
  - i. Direct contracting is allowed for projects which have requirements and specifications that are highly technical.
  - ii. There are some projects that were awarded not because they have the lowest cost but because they are the most responsive, a prime example is the foreign assisted Plaridel Bypass Road project. It was also mentioned that International Competitive Bidding (ICB) is done for foreign assisted projects with a certain threshold.

Procurement planning in the agency is already systematized; minimal problems are encountered in this stage unlike in the experiences of other agencies. According to the key informant, plans that are transmitted to the Procurement Service are already complete in details and already include requirements such as the technical specifications and the Approved Budget of Contract (ABC).

With regards to outsourcing, DPWH hires consultants to assist in the preparation of bidding documents for foreign assisted projects.

The same with other agencies, it was mentioned that problems with PhilGEPS is mostly attributable to accessibility issues (i.e. slow internet). As a result, posting is done during 'dead' hours or on weekends where it would be possible to upload large files. This inconvenience has negatively affected the agency's score in the ACPCI as well as their PBB.

Duplication in the submission of requirements. There are also some instances of duplication wherein the bidder has to submit requirements in both PhilGEPS and DPWH. According to the interviewee, to be able to solve this problem, their Civil Works Registry should be integrated into the system of PhilGEPS.

- a.) As a result of this duplication, DPWH already accepts bidders which have posted only in PhilGEPS. Their BAC is the one assigned to verify if the documents posted in PhilGEPS are genuine or not.
- b.) The members of BAC, like in other government agencies, were also just pulled out from different units. This means that this is just an additional function for the members.

With regards to the whole process of procurement including those of major projects, the agency simply follows the established rules and guidelines stated in R.A. 9184. But it was added that the Civil Works Registry could be used to simplify the whole process, especially in the post-qualification stage.

Monitoring and Evaluation system in the agency. DPWH has tasked another unit to perform this function: the Project and Contract Management Application (PCMA). It replaced the Project Monitoring System (PMS) and the Project Management Office Monitoring System (PMOMS). The main function of PCMA is to monitor and manage 2016 projects and onwards, especially infrastructure (civil works) projects.

On a 'whitelist' of contractors. DPWH provides commendable remarks and takes note of compliant contractors by issuing certificates of completion, but with regards to a formal 'whitelist' in their system or database, the agency has none. However, as previously stated, the agency keeps records of blacklisted bidders of which are also submitted to GPBB.

According to the interviewee, the agency does not have much reported disputes in procurement except for some minor issues involving appeals (i.e. filing of motion for reconsideration) and some audit observation memorandum (AOM) received from COA. Concerning PPPs, there are also not much issues/disputes because it has its own BAC and procedures, citing effective management.

Similar to the experience of other agencies interviewed by the PIDS team, there has also been a declining attendance of CSOs. But with the provision of a transportation allowance of P800, the interviewee remarked that this will entice CSO observers to attend in future meetings and conferences. The most active CSOs observers in the agency include Procurement Watch, Government Watch (Ateneo) and the Citizen's Crime Watch (CCW).

It was given as a recommendation that the full implementation of e-bidding will fast-track public procurement although there are some doubts whether it will be successful, especially with the current lapses of PhilGEPS. Moreover, it was mentioned that if it is to be implemented, e-bidding could only accommodate procurement of small value such as goods.

Other discussion results that should be noted:

Additional information on the Flood Control System project. It was emphasized by the interviewee that the current flood control system in Metro Manila is not well integrated, that is, there is a 'piece by piece' completion of the project. It should also be noted that only 20 percent of the DPWH master control plan in Metro Manila has been completed.

Customized guidelines of the agency. According to the interviewee, the agency guidelines have not yet been formally approved by GPPB in writing. The reason provided are the contentious issues surrounding their Civil Works Registry.

Issues in the right of way procurement. One such problem mentioned is in the 'documentation of ownership' in which there is difficulty in establishing the actual owner of a property. Adding to this dilemma are reports of competing claimants. In the case of Land Registration Authority (LRA) records, DPWH has already signed a MOA with them. However, payments still have to be made per transaction before records/information could be released. The table below shows the expenses incurred in the use of LRA services.

Services	Cost
1. Title Verification/Identification	P227.58 per title, exclusive of VAT
2. Parcel Verification (Lot/Location Service)	P650.00 per title, exclusive of VAT
3. Geospatial Query Service	P128,032.00 per kilometer, exclusive of VAT

## Department of Social Welfare and Development

DSWD has been included in both the 2014 and 2015 DBM reports of top ten underspending government agencies. The main reason for this underspending, as cited by DBM, is that DSWD focused all its efforts on Yolanda programs. Issues in the Conditional Cash Transfer (CCT) with regards to their partner institutions also resulted to delays in spending.

Similar with the problems in other government agencies, DSWD considers the planning stage as the most difficult stage in the entire procurement process.

- a.) There are difficulties in defining technical specifications of procurement (e.g. specifications of IT equipment) and crafting the terms of reference (TOR). Problems concerning specifications are only raised during pre-procurement conference with the BAC members, BAC secretariat and the end-users.
  - i. There is the thinking of end-users that problems in procurement are solely the responsibility of the Procurement Service and the BAC.
  - ii. Procurement is triggered by the submission of procurement requests (PR). First is that end-users are required to craft a Project Procurement Management Plan (PPMP) which supposedly should be based on their requirement for the entire year. The difficulty in the crafting of such is that the end-users do not have knowledge yet on the specifics. Second is that the BAC cannot initiate procurement without the submission of PRs by the respective end-users.

Examples of big-ticket projects that encountered delays in the procurement process. Major projects cited by DSWD are the ICT procurements (ICT component) for CCT-Pantawid Pamilya Pilipino Program (4Ps) and the National Household Targeting System (NHTS).

- a.)** NHTS – ICT procurement is for the second National Household Assessment in 2015 where the agency needs to procure laptops and tablets for this electronic survey.
- b.)** 4Ps – ICT procurement is for the need to improve internet and server requirements for the monitoring of the program.

Other projects with reported delays include disaster related projects (e.g. distribution of relief goods). It should be noted that these projects are not just for typhoon Yolanda but from other disaster related procurements as well. Procurement for typhoon Yolanda is the biggest among the disaster related procurement activities and operations of DSWD.

Unavailability of BAC members. Same with other agencies, BAC members are pulled out from different offices. The usual reason for unavailability is due to conflict of schedule as members are high ranking personnel. As required by the IRR, the BAC Chairman should at least be a 3<sup>rd</sup> ranking personnel, for DSWD this is at least an assistant secretary level.

Lack of plantilla in the region. Regional offices, on the other hand, have a different BAC setup. Members are required to at least be of 3<sup>rd</sup> rank, a division chief in the regional setup. Therefore, all division chiefs are automatically members of BAC, resulting also to difficulties in convening a BAC meeting in the regions.

Delays related to the bidder side. It was explained that there are some projects where there are no bidders due to small budget amount or they are unable to meet specifications. The following were the examples given:

- a.)** Subscription Services from ICT infrastructure – in this project, problems are mostly in the crafting of technical specifications (e.g. that of antivirus software) in which there is a tendency to violate some provisions in the procurement law, particularly that of the reference to brand names.
- b.)** Voluminous documentary requirements - Bidders are disqualified due to technical reasons which are considered to be very minor (e.g. bid envelopes were not sealed, failure to sign some documents). Disqualifications related to this also happen in big projects.

Procurement planning in DSWD. The end-users are expected to prepare the list of their procurement items upon the preparation of their proposed project.

- a.)** The end-users only prepare the PPMP when they already have their National Expenditure Program (NEP). This has been the practice in DSWD.
- b.)** For technical assistance in the crafting of the PPMP, the DSWD Procurement Service conducts an annual procurement planning workshop after the end-users have finished their respective Work and Financial Plans. PPMPs are then consolidated in an Annual Procurement Plan (APP).
- c.)** It was added by DSWD that with the 2016 revision of the IRR, the APP is required to be submitted together with the project proposal.

Outsourcing of procurement activities are done with some procurement agents such as the Philippine International Trading Corporation (PITC) and the Procurement Service-Department of Budget and Management (PS-DBM). This is for more efficiency and to fast-track the procurement process.

- a.) This outsourcing of procurement activity was done with Yolanda projects due to exhausted manpower.
- b.) Procurement agents also encounter problems similar to DSWD - Issues revert back to procurement planning in which even some projects are stalled in these procurement agents due to unclear specifications in the TOR.

Comments on PhilGEPS by the central office BAC include experienced downtime of the system and some problems on the side of the bidders, in which not all of them register. For the regional offices, problems concerning PhilGEPS are on procurements on the community level. Mostly, these are for small value projects.

Difficulty to conduct public bidding for individual consultants. These consultants face difficulties in complying with requirements (e.g. the submission of business permits). This is to say that delays are already encountered during eligibility screening. As a result of these, the agency resorts to using alternative methods.

It was explained by DSWD that there is lack of technical expertise on products and services that the agency evaluates/inspects. This is the most prevalent problem in the post-qualification, both for small-value and major projects. The following below were given as examples:

- a.) Procurement of common items and supplies such as computers and vehicles – focal people (e.g. ITs and drivers) have insufficient expertise to conduct proper inspection. It was added that this problem will be worse for larger and more complex items such as industrial equipment.
- b.) Testing of procurement items: Textile materials and food – Inspection of certain procured items consumes additional time in post-qualification and results to additional charges. Examples given were that of textile materials inspection, in which DSWD sends these to the DOST-Philippine Textile Research Institution (PTRI). Textile testing takes about three to four weeks versus the seven calendar days for post-qualification. Another similar case is with the testing of food through the National Nutrition Council (NNC). To note, this is beyond the control of the agency as well as outside their expertise.

The Procurement Service handles the monitoring and evaluation of the delivery of goods only. M & E for the implementation of construction projects as well as services are handled by the concerned end-user units.

- a.) For services, end-users issue a certificate of completion to the compliant bidder. The last tranche of payment is also to be passed to the end-user unit by the Procurement Service.
- b.) The whole process for monitoring for services in DSWD coincides with the Procurement Services monitoring the end-users (i.e. on how they conduct their M&E) while the end-user is the one that monitors the contractors.

Best practices in other agencies. It was mentioned that some best practices like the conduct of a supplier's summit are also being done by other government agencies such as DepEd and DPWH.

Minor disputes include some motions for reconsiderations (MR). It is to be noted that DSWD central office has no history of protests and TROs. It was also mentioned by the BAC that there is an arbitration case in the central office. The problem with the arbitration case is that GPPB also has insufficient knowledge in handling such case; there are no specific guidelines. Currently, the arbitration case is still proceeding through the use of other laws.

Similar with the experience of other government agencies, there has been a declining attendance of CSO observers which began in 2006 – 2007. Accordingly, they attend more on projects deemed controversial. Active CSOs before include the Fellowship of Christians in Government (FOCIG), Procurement Watch and Ateneo Citizen's Watch.

Fast-tracking public procurement. According to DSWD, the 2016 revised IRR needs to be tested first as it is can supposedly be the remedy for the delays in procurement, although it was added that the ICT annex on the IRR (specific guidelines) should also be released.

### Department of Agrarian Reform

The Department of Agrarian Reform (DAR) has been included in the DBM report of top 10 underspending government agencies. The main reasons highlighted by DBM as cause of this underspending include issues on land distribution, as well as some legal challenges and impediments. The following should be noted in the case of DAR:

- a.)** The Procurement Division was only created in 2013 when DAR's rationalization plan was approved. The function of the BAC Secretariat was transferred to the division, under a BAC resolution issued by the then Secretary of DAR.
- b.)** On the DBM-National Budget Circular No. 558 – For the creation of a Procurement Service, procurement activities should amount to P5 billion and above. But since for DAR Central Office, procurement is only about P2 billion based on their Annual Procurement Plan (APP), only a Procurement Division was established.
- c.)** Regional and provincial offices have their own respective BACs, as with all other agencies interviewed by PIDS.

The same with other government agencies, difficulties in procurement is actually before actual procurement process itself—planning. The interviewee highlighted the following below as examples of this issue in procurement.

- a.)** Due to difficulties in planning, problems only arise during the pre-procurement conference in cases where the proponents/end-users are not able to comply with the documentation required by the IRR such as inclusion in the APP, evaluation criteria especially for short listing, evaluation criteria for technical proposals, basis in the determination of Approved Budget of Contract (ABC) and proposed technical specifications.
- b.)** There is lack of market/feasibility study among the end-user units to determine the correct budget (ABC). As a result, there are cases where no suppliers join the bidding process. This lack of FS study also becomes apparent on the crafting of technical specifications where there are instances repeated specifications of past similar projects.
- c.)** It was admitted by Mr. Cruz that most end-user units in the central office are not trained on the procurement law resulting to minor lapses come actual procurement. Only the BAC, BAC Secretariat, procurement division and the regional BACs are well versed.
- d.)** The agency conducts a Project Procurement Management Plan (PPMP) workshop for pushing the end-user units to craft their respective PPMPs, as well as this serves as a way to prevent late submissions of the APP. But due to the large capacity of the agency, about 47 end-users, such workshop still has minimal effect on the improvement of procurement planning.



On the usual causes of delays in procurement. As explained above, planning is the primary cause of delays in procurement. Other causes include some issues on the policy of the agency and on the side of the bidders.

- a.)** Poor planning or failure of the end-users to adhere with the proposed procurement timelines reflected in their PPMP or APP. For example, even if there is the approved APP, oftentimes, the end-users are not really prepared with the requirements (as stated in question no. 1).
- b.)** Unclear agency policy on the approval process by the Head of Procuring Entity (HOPE) - It is also mentioned that there are instances where the approval of the BAC resolution takes more than a month because of questions raised by the official who countersigns for the HOPE.
- c.)** Other causes include incapacity of bidders to submit all the required documentation. This is the case even with clear instructions to bidders during pre-bid conference.

Delays in procurement concerning big-ticket projects. As highlighted by DBM, issues in procurement of big-ticket projects mostly center on the land distribution program due to some technical issues. A Foreign Assisted Project (FAP) for consulting services was also highlighted as another big-ticket project with some delays in procurement.

- a.)** Land distribution program – procurement activity of this program is the conduct of survey for parcellary and subdivisions, done in the regions and provinces. Delays in procurement are due to tedious documentary requirements of landholdings.
  - i.** The average period it takes for the whole land acquisition process to be completed is about 9 months or more, provided there are no issues from beginning to end. But in actuality, technical issues are unavoidable (e.g. issues in the survey plans where the polygon of the survey cannot be closed, overlapping of landownership, problems in land titles, among others) and, as such, the process takes longer. Exacerbating the delay, these technical problems are only identified during the actual survey itself.
  - ii.** The numerous agencies involved in the land acquisition process are also another reason for delays. In the case of land acquisition, some reference materials need to be sourced from National Mapping and Resource Information Authority (NAMRIA) and Land Registration Authority (LRA).
- b.)** FAPs for consulting services – Another large project of DAR, with the phase one and two amounting to about P200 million. The consulting service is for the conduct of a feasibility studies and provision of overall management in the implementation of multi-component projects related to infrastructure and agricultural development. These consulting services are also for the identification of projects for the agency and its subsequent implementation. Delays are due to the need for confirmation of certain results of the evaluations/feasibility studies from the foreign institutions involved. In the case of DAR these foreign partners are JICA and ADB.

Procurement planning in DAR. The agency conducts an annual PPMP workshop for end-user units to assist them in the preparation of the plan, as previously mentioned. Sometimes the agency holds these workshops twice a year. Afterwards, the Procurement Division requires all the end-user units to submit their PPMP for consolidation of APP.

On Market/FS studies. FS studies and other pre-procurement activities are the responsibility of the end-users. As mentioned in the previous question, the lack of FS studies for projects result to bidding failures, primarily due to low ABC, no suppliers joining the bidding process and incorrect technical specifications.

Procurement Agents: Outsourcing of procurement activities. The only outsourcing activity done by DAR is for the procurement of the second and third batches of common service facilities (CSFs) for the Agrarian Reform Community Connectivity and Economic Support Services (ARCESS) project and Information System Strategic Plan (ISSP) projects wherein PS-DBM was engaged by DAR to be the procurement agent. This is to avoid the lapsing of the budget. The interviewee added that it is stipulated in the GAA that all ICT equipment should be procured exclusively in PS-DBM.

On hiring of consultants. The agency hires consultants in the preparation of procurement documents as well as in the conduct of evaluation. Usually, these consultants are hired for two aspects, one handles the legal aspect (i.e. on procurement law and its IRR) and the other is for the technicalities of the project.

Comments on PhilGEPS. The interviewee emphasized the unresponsiveness of the PhilGEPS website especially during office working hours. To cope with this, some employees render overtime just to upload certain documentary requirements. This is the same experience across all agencies. With regards to the tools and features in the website, the only comment from DAR is that there is lack of categories to choose from when it comes to bid classification. On the side of bidders, they have not yet received any complaints related to PhilGEPS.

Complexity of procedures: Consulting services and FAPs. According to the interviewee, they encounter problems in the procurement of consulting services due to some complex procedures it entails such as the crafting of the terms of reference, determining the basis for evaluation and qualifications. The bilateral agreement in FAPs between the foreign partner and the agency is also another complex procedure due to the need for the former's confirmation.

Usual problems encountered during post-qualification are mostly due to documentary requirements on the part of the lowest calculated bidder (LCB). The following were the key points mentioned:

- a.) The Technical Working Group (TWG) that handles document verification faces difficulties during post-qualification due to the unpreparedness of the LCB.
- b.) Failure of the LCB to pass validation of its statement of compliance with the technical specifications. Spurious documents that were discovered resulting to post-disqualification of the LCB.

On a monitoring and evaluation system. The agency has the Procurement Monitoring Report (PMR) prepared by the procurement division which is required by the GPPB and the Annual Procurement Compliance Performance Indicators (APCPI) that is submitted annually. For shopping and small-value, the agency has devised their own tracking system (through excel) for purchase requests. Tracking of PRs is from submission until the approval of the purchase order.

On a "whitelist" of compliant contractors. The agency does not have a "whitelist", but the Procurement Service keeps a list of suppliers that they have transacted with before. The procurement service also keeps past documents that were submitted by the listed supplier. It should also be noted that the list also includes some remarks/evaluations of the past performance of the supplier relative to procurement.

Best practices on procurement in DAR include the use of a "clearing house" wherein procured items undergo evaluation of the end-user unit with the technical expertise. The agency also has provisional

BAC members for goods, consulting services and ICT related goods which it considers to be another best practice due to added efficiency.

Regarding disputes on various kinds of procurements. The agency does not have solicited and unsolicited proposal as most of the agency's projects are conceptualized by their respective end-user units. On competitively bid projects, the agency only encounters minor disputes such as some Motions for Reconsiderations (MRs).

There has been a decline in CSO observers over the past few years although it was emphasized by the interviewee that they always send invitations to them. The main reason for their absence is due to the transportation expenses incurred the CSOs. Furthermore, CSO observers give preference to more controversial and larger projects. Active CSO observers in DAR projects before include the Confederation of Filipino Consulting Organizations (COFILCO) and International Center for Innovation, Transformation and Excellence in Governance (INCITAGOV).

The following were the recommendations given by the interviewee to fast-track public procurement:

- a.) The GPPB-TSO should upload updated guidelines, procurement manuals and standard Program Beneficiary Developments (PBDs) that are very helpful and useful to government agencies.
- b.) There should be a succession plan for the members of the BAC, BAC Secretariat and TWG. This is for easier transfer of knowledge and responsibility.
- c.) The HOPE and those involved in the approval process for contract award should also be properly oriented on the procurement process so that timelines are complied.
- d.) The procurement law should be loosened up for other projects or basic services deemed as "time is of the essence".

### Department of Education

The same with all other government agencies that were interviewed by the PIDS team, DepEd is also having difficulties in the procurement planning period. As emphasized by the interviewee, delays are not in the procurement process itself but are in the planning period. Likewise, she made mention that this problem cuts along all government agencies.

- a.) Study of GPPB on procurement delays - This problem was confirmed by a study made by GPPB that based on the Agency Procurement Compliance and Performance Indicators (APCPI) of 2011 and 2012, 50 percent of procurement delays are purely attributable to planning.

The major cause of delay in the agency's procurement process is the long waiting time in the submission of the technical specifications and other requirements such as the Approved Budget of Contract (ABC) by the corresponding end-users. This is the case even though a particular project is already included in the Annual Procurement Plan (APP). As such, the BAC would have to wait until all of these are properly submitted to begin procurement.

Examples of projects with delays in procurement. It was mentioned by the interviewee that although the drafting and creation of the technical specifications is just a repeated activity in which the end-users would just have to copy (repeat) the previous specifications they have used, such is not the case in some major projects.

- a.)** An example given was the DepEd Computerization Program (DCP)<sup>3</sup> which involves changing requirements and specifications. This characteristic of the program makes it more complicated resulting to late submission of technical specifications.
  - i.** DCP also involves bulk procurement which includes funds amounting to about P6.2 billion that is package by lots. These lots are then divided with a corresponding ABC for each to ensure competitiveness. Furthermore, this procurement by lots is packaged by geographical matching, in which there is a combination of both accessible and remote areas to guarantee balance.
  - ii.** Besides the late submission of the technical specifications, other causes of delays in this project include the capacity and readiness of the bidders to comply with requirements, and come up with the recipient schools. In which case, all of this contributed to the tedious planning process on the part of the end-user.
- b.)** K-12 Textbooks – delays in this project is due to difficulties in the procurement of manuscripts, involving content development. As mentioned by the interviewee, with K-12, content development has been a challenge because of new requirements which should be considered in the development of textbooks. Thus, this has resulted to some delays. Although it should be noted that in the submission of technical specifications, this project encounters minimal problems.
  - i.** It was added that in the K12 Textbook project delays happen in the planning phase of the end-users. As cited above, procurement has been difficult because of new requirements (e.g. competency and content requirements) which include tedious processes such as coming up with indicators in evaluation of authors and books. On the supply side, the capacity of bidders, authors and publishers to meet the requirements set by DepEd also causes delays, such as in the development of the content of textbooks (content generation).

Procurement planning in the agency. According to the interviewee, procurement planning in the agency is a tedious process which includes the approval of the APP and the approved authority to procure, which as mentioned are the causes of delays. The following are the highlights of procurement planning in the agency:

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<sup>3</sup> A program that involves the provision of computer laboratory packages to secondary schools, provision of e-classroom to elementary schools, provision of laptop units to mobile teachers, integration of ICT in the school system, raise the ICT literacy of those in the school system and reduce the computer backlog in schools.

- a.) Annual Procurement Plan (APP) - includes the list of projects, activities and programs of the agency although technical specifications are not yet indicated in this document. The APP is to be approved by the Head of the Procuring Entity (HOPE).
- b.) Approved Authority to Procure – contains details such as the technical specifications, ABC, contract terms and conditions, delivery schedule and the list of recipient schools. In which case, all these documents are needed before the actual procurement process could begin but it is also in the submission of these requirements to which delays happen.

Response to the delays due to late submission of requirements. According to the interviewee, there is a proposal that by 2017 the Project Procurement Management Plan (PPMP)<sup>4</sup> for each office/ bureau should already include their technical specifications. For example, in the central office, each of the fifty-six offices would have to prepare their PPMP which already contain all their projects, activities and plans for the whole year.

On the hiring of consultants. With all the difficulties encountered in the planning stage, the agency is currently trying to tap the assistance of consultants to fill in the shortage of expertise in the end-user units and facilitate a more efficient procurement process. At present, this has not yet been implemented but has already seen a favorable response in the new administration of the agency. What the agency does, according to the interviewee, is that it taps the assistance of other government agencies, not as consultants, but as members of the Technical Working Group (TWG). According to her, they have already asked the assistance of government agencies such as DOST (for DCP) and University of the Philippines (for Math and Science).

DepEd guidelines on procurement (customized guidelines). The interviewee also mentioned that the customized guidelines on procurement that DepEd is currently using is already outdated because these guidelines were based on the 2009 IRR when it was approved last 2010. Accordingly, the agency plans to upgrade these guidelines using the 2016 revisions of the IRR.

Other highlights that were mentioned

- a.) Procurement in the regional offices and divisions utilize MOOE and therefore are usually smaller.
- b.) Procurements are decentralized in school furniture and in the repair and rehabilitation of school buildings. In 2016, technical vocational requirements were also devolved to the regional offices.
- c.) Development and printing of textbooks are centralized in the head office of the agency.
- d.) On decentralizing DCP – it will be difficult to decentralize because of its ‘customized’ requirements which require the assistance of TWG.
- e.) In addressing classroom backlog, interventions such as the PPP-scheme were a commendable move on the part of the government, although there are still recorded delays.
- f.) The 25 percent limit on the total ABC of goods and services indicated in the 2009 IRR on agency to agency procurement will be removed in the revised 2016 version.

Similar to the comments from other agencies, difficulties encountered in PhilGEPS is primarily due to slow and unresponsive internet, which renders the system inaccessible at peak hours or even during regular office hours. As a result, members of the BAC render overtime (e.g. uploading on Saturdays or at

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<sup>4</sup> Refers to the consolidated APP

home) just to ensure posting According to the interviewee, this is due to the broadband capacity of PhilGEPS in which its IT infrastructure cannot accommodate all visitors, especially in times when it is on demand. Likewise, this is also a foreseen problem in moving towards e-procurement.

With the aforementioned problems in delays concerning the submission of requirements, Dir. Carpentero outlined two recommendations to simplify the procurement procedure and assist the end-user units:

- a.) The whole procurement process should be streamlined. DepEd should move towards the direction of a more complete APP, not merely including a list of projects, but also indicating other details such as the technical specifications.
- b.) The procurement process should be systematized. The whole procurement process should start from planning up to contract implementation. Currently, DepEd does not have a system with regards to the planning stage (e.g. from the project identification and design).

On problems encountered in the post-qualification stage. The interviewee mentioned that in the post-qualification stage, DepEd only experiences minor problems. There some reported incidents of bidders being post-disqualified although these are mostly from small-scaled projects like printing requirements. Furthermore, instances of post-disqualification and other problems in this procurement stage are very rare.

Stringent post-qualification stage. DepEd is able to prevent problems from arising because of their stringent post-qualification stage that follows strict documentation (e.g. they produce minutes of meetings or videos). This guarantees that no supplier/bidder would make false claims that would render them post-disqualified. In addition to this, some of the agency's suppliers are frequent bidders, which more or less, have already established a relationship with the agency.

On a monitoring and evaluation system in the agency. The main department that handles M&E is the Contract Management Division (CMD), formerly the Technical Support Division.

- a.) CMD is still relatively small, with only five people operating the division. It should be noted that the unit was created in 2014 along with the reestablishment of the BAC secretariat as the Project and Procurement Management Plan while maintaining its primary function.
- b.) The division is also currently in the process of finalizing their Contract Implementation and Inspection Protocol which it has already tested in the field. The funds for the creation of such protocol came from an AusAID grant.

On a 'whitelist' of compliant contractors. The agency keeps a record of compliant contractors although there are not systematized and so cannot be formally called a whitelist. On other hand, the agency has a blacklist of bidders to avoid. To date, it has only blacklisted two bidders; one from a project involving painting and one from school building. This is due to their submission of spurious documents.

Best practices in procurement of the agency. DepEd practices a system termed as 'triangulation' in which there is synchronicity among the budget unit, the planning unit and the procurement unit. This system was established to address and facilitate the requirements of the end-users. Besides this, DepEd, also practices a 'clearing house' in which requests would have to pass the necessary divisions to ensure the standardization of technical specifications. For example, procured computers would have to pass the check that will be conducted by the IT department, printing with the Bureau of Learning Resources, test

material requirements with the Bureau of Educational Assessment and buildings, repair and rehabilitation with the Engineering Facilities and Division.

Best practices in other agencies. According to the interviewee, it would be advantageous for the agency to adopt the standards and price listing currently being implemented by the Department of Public Works and Highways (DPWH).

There are relatively no disputes in the procurement process of DepEd, according to Dir. Carpentero. She made mention that this is because the agency is compliant to RA 9184. Concerning the modes of procurement, there have also been no issues on the action of BAC resorting to other modes of procurement.

The agency has been experiencing a declining attendance of CSOs. In 2003, the agency has reported 100 percent attendance of observers (i.e. CSOs/NGOs and COA). Afterwards, in 2007, there has been a steady decline of attendees and by 2012, almost all CSO observers were reported to be absent.

List of CSO Observers in DepEd. Attendees include the Government Watch, Parents-Teachers Association (PTA), Ateneo School of Government (ASoG), Makati Business Club, and Affiliated Network for Social Accountability in East Asia and the Pacific (ANSA-EAP). Of these CSOs, the most active is the ASoG and ANSA-EAP.

Transportation allowance for CSOs. In the 2016 General Appropriations Act (GAA), there are provisions for observers to claim reimbursements for transportation amounting to about P800 per attendance but not more than P3,200 a month.

Improvements in the Procurement Law. The interviewee emphasized that the procurement law was created to limit the discretion and judgment of the BAC because an excess exercise of functions is a source of corruption. Although she also mentioned that there is room for some improvements in the procurement law in which the 2016 revision of the IRR is hoping to address.

Fast-tracking public procurement. For more efficient and faster procurement, the planning process should be the focus for improvement. Furthermore, the creation of agency to agency guidelines would also expedite procurement.

### Department of Science and Technology

The following were mentioned before the start of the actual interview and should be taken into account:

- a.) It should be noted that the BAC interviewed by PIDS was DOST Central's. Other attached DOST agencies such as PAGASA, MIDRC and DICT, among others have their own BACs.
- b.) In the current setup of DOST, there is no need for representatives from the central office's BAC as the attached agencies own committees could already stand alone. The only exception is the approval of the project cost which is transmitted through the agency's secretary. This is to say that the DOST-CO's BAC still reviews documents coming from the attached agencies for the secretary.
- c.) Members of the BAC are from different units of the Central Office. Being in the committee is only an addition to their usual functions.

Similar with the other agencies interviewed by the PIDS team, DOST-CO is also having the most difficulty in the procurement planning stage. The primary reason for this is that not much focus and importance is given in this stage. The following example below was given by the interviewee:

- In the agency's GAA, there are some proposed projects during the initial phase/planning stage but during this phase not much attention is given to study the proposal. So with the release of funds, there are instances where these funds will not be equal to the proposed cost of the project. As a result, come the actual bidding, the terms of reference and/or the specifications of requirements given are not that clear which can result to failure of bidding.

The three units/divisions in the planning process. The interviewee also cited the three key players in the planning process of procurement. These include the end-user unit, the budget division and the planning division. He emphasized that there should of what is termed as "triangulation" wherein these three units would synchronize to come up with a project that is much better in approach. It was also noted that the end-user unit should have prior trainings and knowledge on RA 9184. The planning division, on the other hand, will enable better understanding of what projects should be prioritized.

Currently, this type of system is already implemented/setup in the agency, but even so, problems still persist because of the lack of proactivity on the part of the units. For example, the three units do not hold meetings that are needed to come up with a better plan. What they do is only send a memo indicating the submission of a project list (i.e. wishlist).

On the proposed project (wishlist) versus the budget. The actual amount of the budget that is given is usually less than the amount stated/needed in the request. These results to the downsizing of the project, that is, the project never reaches its full potential. For instance, the request for projects, or the so called "wishlist" amounts to P50 Million but in the final approval of the request this is reduced to P25 million.

One cause of delay in the procurement process is that, sometimes, there are relatively few bidders, and in some instances even, there are no bidders for a specific procurement. According to Engr. Reyes this is because procurements from the agency are usually highly technical/specialized, especially true for science-related procurements. A prime example of this is with the regional DOST offices which have their own BAC that have their own Small Enterprise Technology Upgrading Programs (SETUP)<sup>5</sup>. In these programs, bidders are usually not familiar with the rules and regulations of RA 9184 resulting to failures in bidding, and in turn, delays in the procurement process.

On the agency's own guidelines. Currently, the agency does not have its own customized guidelines for procurement. What it follows are the rules and regulations of RA 9184. Although it was mentioned that there have been talks/plans of creating an agency procurement guideline, this was not given much attention and has not even started yet.

Procurement planning in the agency depends on the needs of the particular project. Also, in the case of the agency, there is not much feasibility study done because procurement is more on equipment and infrastructure (e.g. DOST building being retrofitted).

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<sup>5</sup> An assistance program meant for small businesses (SMEs) to improve their equipment and packaging, among others. DOST will fund their equipment and these, in turn, will be the ones to be bid out. The Technology Application and Promotion Institute (TAPI) is also involved in this assistance program.



On big ticket projects. It was explained by the interviewee that they are not knowledgeable to the details of big ticket projects such as Project NOAH and the Doppler radars. According to him, the PIDS team should go directly to the attached agencies directly handling these projects. .

Instances of failed biddings in projects which need innovations. One example given was in the case of the Doppler radars, where it incurred failure of bidding several times. As proof of these bid failures, procurement for the said Doppler radars was even handled by the Procurement Service (PS) of the Department of Budget and Management (DBM). To note, the DOST-CO BAC were not privy to the specific details on the failed bidding of the procurement of the Doppler radars, to which they remarked that the BAC of PAGASA should be the one interviewed regarding this matter.

The agency does not have any outsourcing activities except for PS like common supplies and equipment. Also, they do not hire consultants on a regular basis, as the interviewee mentioned that BAC already has the capacity to handle its procurement.

According to the key informants, PhilGEPS is easy to navigate but problems usually arise due to internet traffic wherein website loading becomes slow and sometimes renders it inaccessible. To avoid this internet traffic, sometimes the BAC representative posts bids on dead hours/in the middle of the night where there are only few users of the website. Furthermore, the BAC also mentioned that there is no option in PhilGEPS allowing for a combination of both success and failed bids. This results to misinformation in PhilGEPS in which, for instance, a particular project is deemed 'closed' although in reality this is not its actual status. One of the key informants, in response to this, recommended that there be a feature in PhilGEPS that would allow for mixing both successful and failed bids. Accordingly, this problem has already been raised to PhilGEPS by DOST.

Complaints of bidders. The interviewee also remarked that the usual complains of bidders is that they could not download the request for quotation in the PhilGEPS website. So what they do is that they send the request for quotation to the procuring entity and in turn the procuring entity (i.e. DOST) will be the one to send the requirements. This defeats the purpose of PhilGEPS. It is to be noted that the culprit for this is also internet traffic, causing some files to be not downloadable.

On the solicitation number. PIDS mentioned that the solicitation number of a project changes if there is a change in the mode of procurement, this makes it harder for PIDS to trace the evolution of a certain project. This was confirmed by the interviewee that the solicitation number does change because of the following

- PhilGEPS does not have the feature to keep and track the same solicitation number on instances of change in mode of procurement or failure of bidding of the same project and;
- PhilGEPS does not require that the same number be kept if there is failure of bidding

It is then needed that there be a feature in PhilGEPS allowing for the same solicitation number. The interviewee added that they have not tried encoding the same number because the system might not accept it. Currently, what is still practiced is that for a change in mode of procurement, a new solicitation number should be encoded.

PhilGEPS data in DOST's analysis. The interviewee said that data from PhilGEPS is, in a way, helpful in their analysis because they would have information on how many bidders or prospected

bidders/suppliers viewed their request. In turn this would provide basis for the BAC on why other prospected suppliers did not bid but nonetheless viewed the request.

Complex projects for DOST-CO only include the bidding for some consultants (consultancy works) which directly go to alternative mode of procurement due to their highly technical nature, that is, there are only a handful number of people fit or qualified. It can be noted that all consultants are locally sourced. But with regards to other major or complex projects such as infrastructure there are none.

Projects of DOST that need innovation. Projects like those involving railways and articulated buses are handled by the Metals Industry and Research Development Center (MIRDC), an attached agency of DOST which also have their own BAC. According to the interviewee, these projects follow the default mode of procurement (i.e. competitive bidding).

The UP Diliman Automated Guideway Transit (UP Monorail) project. With regards to the UP Monorail project, it was mentioned by the interviewee that the project is still ongoing for continuous testing, and research and development (R&D). It was further explained that the prototype for the project is with DOST but on how it is going to be deployed is to be handled by UP.

Accordingly, on the part of DOST, since their role is on R&D, they already have prepared the needed technologies which are readily available to Local Government Units (LGUs) and private firms willing to invest. In addition to this, there are already ongoing talks with the LGU of Taguig with regards to this although this has remained unclear due to the recent change in administration.

During the post-qualification stage, problems usually source from the unavailability of transportation rendering it difficult for the Technical Working Group (TWG) to check and monitor some projects. Although according to the interviewee, this is just a minor and admin issue which could easily addressed.

Concerning major problems, there are usually none. As proof, ongoing infrastructure projects are just usually within Metro Manila so it can easily be checked, the same with those in the Regional Offices which have their own TWG.

The agency has a monitoring and evaluation (M&E) system in place. For infrastructure, DOST creates a committee to monitor ongoing and existing projects. Separately, with consultants, they have a contractor's performance evaluation system (CPS).

On a 'whitelist' of compliant contractors the agency has none but similar with DOTr, what they have is a blacklist of bidders to avoid.

Best practices of the agency. The best practices of DOST relative to procurement is with their utmost compliance to RA 9184. It was also mentioned that DOST also encounters some problems with COA, although these are mostly minor issues. With these, the agency has consistently achieved an increasing score in their Agency Procurement Compliance and Performance Indicators (APCPI) for four years straight. The agency's APCPI is posted in their website.

On solicited and unsolicited proposals, the agency has no Public Private Partnership Projects (PPPs) and all their projects are sourced from funds in the GAA.

Modes of procurement. The interviewee mentioned that there are more projects bid out in the alternative mode than in the usual way of competitive bidding. This is rooted from poor planning and to the fact that the agency finds it difficult to gather bidders. To note, this is one factor pulling down the agency's APCPI, despite its increasing score. Regarding disputes, it was mentioned that there is not much except in some DOST regional offices, although the actual disputes were not specified by Engr. Reyes.

On DBM's requirement of a procurement unit. According to the key informants, they already requested for the creation of a procurement unit/section because, as of now, what the agency has is a (smaller) procurement division.

On the role of CSOs in the procurement process in the agency. CSOs play a very minimal role in the agency's procurement process because of their usual absence in meetings. It was justified by the interviewee that their absence is due to DOST's clean image as a government institution, which is to say that DOST projects are not that controversial and usually projects of the agency are not that big compared with others. It can be taken into account that this is also another factor that pulls down the agency's APCPI rating.

On fast tracking public procurement. It was mentioned by the interviewee that the nearing amendment of the IRR, with one amendment to posting, changing it from 7 days to 3 days will truly be of big help in scheduling. This in turn would help fast track public procurement.

Recommendation given by the BAC. To fast track public procurement and make it more efficient, DOST-CO's BAC recommended that there should be a unified system to cover the whole procurement process. With the fact that there are plenty of units involved in the process such as finance and the end-user, having a unified system for procurement in the government would make the process easier and more efficient.

#### *DOST-PAGASA*

The main purpose of interviewing this attached agency of DOST is to uncover innovations in procurement, particularly instances of procurement where the most responsive bidder was chosen (awarded) and not necessarily the lowest calculated bidder (LCB). Before the actual interview, the following were noted.

- a.) The current setup of PAGASA involves separation of tasks depending on the type and amount of procurement. The Procurement Division handles goods and consulting services (usually small-value) and the BAC is the one in charge of infrastructure and other major (big-ticket) projects.
- b.) Before a formal BAC was established in PAGASA, procurement activities were conducted in DOST central office.

- c.) Each project that will involve procurement (e.g. Doppler radars) has corresponding technical trainings for the end-users (e.g. technical personnel like engineers and forecasters). Components of certain projects need to be studied, for instance, the software of Doppler radars.

Difficulties in the entire procurement process are mostly encountered in the pre-procurement stage and in the opening of bids.

- a.) In the pre-procurement stage, problems are mostly due to poor preparation of terms of reference (TOR) to suit the needs of the agency. Delays happen because of instances when the TORs are returned to the end-users. In the case of the agency, this will take at least another month for the revised TOR to be submitted again to the procurement division or to the BAC.
- Instances of supplier driven procurement – this is a type of procurement wherein the end-user only took the technical specifications of a project in one source. As a result, problems in competitive bidding ensue such as lack of other bidders.
- b.) Regarding the opening of bids, problems are on the side of the bidders wherein there are instances of failure of bidding due to submission of insufficient documents and non-disclosure of other company information, among others.

Other causes of delays. Besides issues in the pre-procurement stage, other instances of delays are due to petty failures. Thus, in a way, the very restrictive nature of the procurement law is the primary reason for delays. On the other end, the agency concerned has no other option than to comply with what is stated in the guidelines of the law to prevent “double standards”.

Instances of projects where there are delays in procurement. The prime example given was in the procurement of Doppler radars where delays are mostly due to failure in complying with the specifications, instantly resulting to failure in bidding. Another case for the Doppler radars is that manufacturing of such equipment takes about one year or more. As a result, the obligated amount for the project remains unreleased or unspent.

Another is on the supplies of spare parts wherein the designated supplier, that is, the manufacturer that supplied the Doppler radar in the first place, does not join the bidding process. The interviewee cited that this is because of low budget amount.

Lowest calculated bidder (LCB) vs the most responsive bidder. The interviewee cited the same example, on the procurement of Doppler radars. In the project, the second LCB (more responsive) was preferred because of stricter compliance with the specifications. The LCB, on the other hand, provided open-ended specifications (e.g. putting some parenthesis on the specifications) and, also, some components does not suit the requirement of PAGASA. The same is also experienced in the procurement activities involving Automated Weather Stations (AWS) projects, that is, based on comparison of offers. Furthermore, instances of preferring the most responsive than the LCB are due to standardization purposes. The interviewee added that these instances are seen in the detailed evaluation stage where some comparisons on the bidders are conducted.

The agency conducts periodic planning of projects projected for the year, that is, the preparation of the PPMP. Moreover, the agency regularly holds in-house trainings on the procurement law with all planning officers, BAC members and members of the technical working group (TWG) as well as those in the regional offices involved in project planning.

Agency to agency MOA. According to the interviewee, for their All Weather Station project which has an amount of P3.2 billion, the agency sought the assistance of then DOST-ICTO for the setup of its technical communication facilities. PAGASA asked for their assistance in the conceptualization of the plan and preparation of the terms of reference (TOR) of the project. It should be noted that the budget and the procurement for the said project is still with PAGASA.

Another example is on special buildings such as radar building projects in which PAGASA had a MOA with DPWH. In this MOA, DPWH will be the one in charge in the bidding process and implementation of the project.

Comments on PhilGEPS. The interviewee remarked that issues on PhilGEPS are mostly related to the uploading of files wherein certain limitations exist. For instance, large files such as infrastructure plans cannot be uploaded in their system. Also, the upload of large files consumes plenty of time. Therefore, this also results to complaints to some bidders wherein they could not access some information they readily need in the website.

For projects with complex procedures and specifications such as the Integrated High Performance Computing System and the Doppler radars, the agency conducts numerous pre-procurement activities, usually about two to three or even more just to perfect the terms of reference and the requirements of the projects.

Different views of the evaluators. Disputes usually arise between the various evaluators involved in the post-qualification stage. For instance, the TWG will claim a certain bidder is not compliant while the BAC will claim that that bidder is compliant.

Other problems in the post-qualification stage. The interviewee mentioned minor problems such as Motions for Reconsiderations (MRs) come the results of notice of bidding/awards. Others are due to spurious documents submitted by the supplier, usually from documents like the manufacturer's authorization.

Regarding a monitoring and evaluation system. The BAC has a procurement monitoring system as prescribed by GPPB and this is incorporated with the Procurement Section of the agency.

On a whitelist of compliant contractors. The agency only has an informal list of past contractors in which they use this list as reference during instances of two consecutive failed biddings where negotiated procurement is to be the mode. As to a blacklist, the agency has no records of blacklisted bidders to date.

Filing of motion for reconsiderations (MRs) of bidders deemed disqualified due to the above mentioned issues in the opening of bids. The agency also has several instances of protests, about once or twice in the past five years. The agency has no projects from solicited and unsolicited proposals

Similar with the experiences of other agencies, attendance of CSO observers has been declining. Such is the case even with all the invitations sent to the respective CSOs. Those that will be invited as observers depend on the type of project.

Determination of the Lowest Calculated and Responsive Bidder. The guidelines of the procurement law should be “relaxed”. There should be room provided for determining the most responsive bid that will give that agency its value for money.

#### *DOST- Metals Industry Research and Development Center (MIRDC)*

Similar with the interview with PAGASA, the main purpose of this interview is to uncover innovations in procurement, particularly instances where the most responsive bidder was chosen (awarded) instead of the lowest calculated bidder (LCB). Before the actual interview, the following were noted.

- a.) Projects that involve MIRDC are solely handled by the BAC of the agency. It does not pass through the central DOST office.
- b.) BAC members of the agency are pulled out from different units of the agency, having concurrent functions.
- c.) During instances where there are numerous projects which have corresponding procurement requests (especially on year ends), the MIRDC creates a special BAC to meet their timeline and accommodate all the bidding. Usually, this is on a case to case basis.

As with other agencies that were interviewed, MIRDC is also having the most difficulty in procurement planning involving the end-user units. The following were highlighted during this part of the interview:

- a.) Problems in procurement involve projects with specific requirements. Delays are due to late submission of Project Procurement Management Plans (PPMPs) of the corresponding end-user units.
- b.) There are also instances when specifications indicated by the end-user are either incorrect or deficient.
  - Example of these are on the procurement of certain machinery parts, which have been first specified by the end-user but in the end (during implementation) is actually not compatible with the main machinery; calling for another round of bidding. This incorrect indication of specifications is a ground for delays in some projects.
  - There are also instances where there is no amount indicated in the purchase requests (PRs).
- c.) Delays are also rooted on the fact that procurement of materials, mostly for research and development (R&D) purposes, are deemed as “hard to find items”.

Besides the above mentioned reasons, another cause of delay is the seven days required posting in PhilGEPS for procurement amounting to P50,000 and above. For instance, parts that need to be procured again due to incorrect specifications in the first bidding, are required to be posted for another seven days, even with the fact that it is already a “rush” procurement. Besides this, another cause of delay is lack of bidders due to low budget amount, attributable again to poor planning on the part of end-users.

Examples of projects with reported delays in procurement. Big-ticket projects of the agency usually involve the highly technical and those deemed as R&Ds and/or prototypes. In which case, this nature of MIRDC projects also caused issues in procurement. The following below were highlighted as examples of those projects:

- a.) Monorail project (Automated Guideway Transit System) – The project encountered various issues in its implementation including (1) problems in the right of way with the University of the Philippines (UP); that until now the agreement of which is still pending and (2) the pulling out of would-be bidders due to the “prototype” nature of the project. With regards to this, problems in the design of the project only emerge during actual implementation; this equates to additional expenses for the bidder. As such, the risk that prototype projects entail wards off bidders.
- b.) Articulated Bus Projects – Regarding this, the project encounters delays in procurement due to its highly technical nature, in which equipment/parts that are required to be procured can only be sourced internationally. According to the BAC, usually they employ direct contracting for this. It was also emphasized that the reference to brand names portion of the procurement law is grounds for the entrance of bidders from other countries that supply sub-standard materials/equipment.

Lowest calculated bidder (LCB) vs the most responsive bidder. There are some instances where the LCB was not awarded the contract, mainly because the offer of the LCB does not fit several requirements of the project. The BAC provided one example where such was the case:

- a.) Procurement of spindles for computerized numerical control (CNC) machineries – the more responsive bidder was chosen over the other with the lower bid price because the former’s specifications of the spindle fits the purpose of the project. The LCB, on the other hand, left its specifications with slight deviations, which, according to the BAC, may result to compatibility issues. It was further iterated that this is the problem in most highly technical natured projects in which, even with the almost similar specifications of offered materials, a slight deviation from the specifications of the project may result to incompatibilities.

Procurement planning in MIRDC. End-user units are in charge of planning through the crafting of PPMPs and these are consolidated by the Procurement Service for the making of the agency’s Annual Procurement Plan (APP). For the crafting of the PPMPs, the agency conducts a planning workshop beforehand.

On feasibility studies/market analysis. The agency seldom conducts FS studies due to the “prototype” nature of their projects, that is, most of their projects are just on the theoretical conceptualization stage. As such, FS studies are not needed.

The agency hires consultants mostly in infrastructure projects for the design as well as cost estimation (e.g. in bill of quantities [BOQs]). It was added that the technical working group (TWG) also assists in the preparation of some procurement documents and in the crafting of technical specifications due to their linkage in some industry associations that is well knowledgeable on the nature of a certain project.

The foremost complaint of the BAC is the lack of categories in the PhilGEPS website. This is the case with MIRDC, especially with its highly technical projects. Furthermore, similar with the complaints in other agencies, MIRDC regularly experiences slow access speeds (internet traffic) and system downtimes. To cope up with the internet traffic, employees in charge of uploading in PhilGEPS do their work during late hours or at home, rendering overtime. The file size capacity of the system is also another source of problem for MIRDC, wherein plans that have large file sizes need to be reduced first before the PhilGEPS system accepts it.

Major programs of the agency include (1) the Automated Guideway Transit System (AGTS); (2) Hybrid Electric Road Train and (3) the prototype Train set in PNR. All of these are under in the Advance Transport System project of the agency. Complexities of these types of projects usually are on the technicalities in which some parts are only sourced internationally.

Problems in the post-qualification stage are mostly on the transportation needed to conduct verification. Instances of false documents upon verification are also discovered by the TWG, resulting to disqualification of the bidder.

Monitoring and evaluation system in the agency. For small-value procurement the agency conducts a performance evaluation of suppliers every semester. On the other hand, for monitoring of infrastructure projects, the BAC files a request to the infrastructure committee of the central DOST. This is usually on a case to case basis.

On a whitelist of compliant contractors. The agency does not have any formal “whitelist” of contractors but only keeps records of past bidders they have transacted with. The agency also has some list of accredited suppliers which is also listed in GPPB. On the other hand, the agency has some history of blacklisting, with a reported two bidders.

Best practices of the agency. MIRDC has facilitated for the ISO certification of other DOST attached agencies and regional offices. Examples of best practices include the creation of a Procedures Manual that is in accordance with R.A. 9184 and functional objectives that have strict time-tables to be followed (e.g. regular items should already be in the custody of the end-user within 10 working days, other local items in 15 working days, items with posting in PhilGEPS in 20 days and sub-contracted items in accordance with terms and conditions, among others).

With regards to best practices in other agencies, MIRDC wants to adopt a systematized Procurement Monitoring System, similar to that of the Department of Agriculture (DA) wherein the status of a certain request could easily be tracked by the concerned unit as well as the Procurement Service and the BAC.

MIRDC has no solicited and unsolicited proposals but the agency has some industry linkages for procurement of certain items considered as highly technical. Issues on competitively bid projects only include filing of motion for reconsiderations (MRs) mostly in infrastructure projects.

Same with other experiences of agencies interviewed by PIDS, there is minimal participation to zero attendance of CSO observers throughout the duration of the procurement process of the agency. Usually, some CSO observers are only present during opening of bids. Active CSOs include the agency’s industry associations such as Philippine Die and Mold Association (PDMA) and Metalworking Industries Association of the Philippines (MIAP).

The BAC provided the following recommendations to fast-track public procurement, with particular emphasis on PhilGEPS and the restrictions imposed the procurement law.

- a.) Posting in PhilGEPS - Value required for posting in PhilGEPS should be increased from P50,000. Accordingly, the PhilGEPS system should be upgraded, both in its tools and capacity.
- b.) Petty failures due to restrictions - The procurement guidelines should be “relaxed” as there are plenty of requirements which results to bidder disqualification despite being considered a minor mistake.



- c.) On verification of documents - Similar with the suggestion of Dr. Vera from the Department of Health (DOH), MIRDC would also prefer if PhilGEPS will be the agency assigned to conduct evaluation of eligibility documents.

## Department of Interior and Local Government

DILG is included in the top ten list of underspending government agencies as per the interview of PIDS with DBM. It was highlighted during the interview that this reported underspending is mainly attributable to the large program of the agency, the Bottom-up Budgeting (BuB).

On the procurement planning stage. Similar with other government agencies, the planning stage is where DILG is having the most difficulty with in the procurement process. Although it was emphasized by Dr. Cruz that since they are part of the GPPB board, the agency was able to preempt this problem through the issuance of an internal control mechanism. This internal control is through the implementation of procurement policy guidelines that before all procurement papers and documents will be submitted in the division, the corresponding end-unit should have already conducted a market analysis/feasibility study. Also, the issuance strictly states that the Procurement Section will not accept any procurement request without current market analysis.

Regular conduct of procurement planning workshop. As part of the GPPB board, the agency regularly conducts planning workshops for project managers and end-users units; in the proper identification of projects, and preparation of technical specifications and Approved Budget of Contract (ABC)

Other causes of delays in the procurement process. These include the long waiting time for the Head of Procuring Entity (HOPE) to approve contract awards and, on the side of the bidders; delays in procurement are due to some documentary deficiencies which result to disqualification.

Big-ticket projects with delays in procurement: Bottom-up Budgeting (BuB) – According to the interviewee, the only reason that DILG is included in the list of DBM is because of the issues concerning BuB, particularly the portion of the project concerning the regions.

- a.) In the central office – the only part of procurement of BuB where the central office is involved is on the procurement of catering and accommodations, as well as common supplies. No major procurement issues exist in this area of the project.
- b.) In the regional offices – the execution/implementation of the procurement process for BuB is within the regions and down to the provincial offices and their identified LGUs. According to the interviewee, only the regions could properly give the answer for the specific issues of the project, although she made mention that the liquidation of projects involving BuB is one cause for delays.
  - Limitation imposed by COA–Liquidations have certain timelines as imposed by COA. Usually, the scenario in BuB is that LGUs fail to properly liquidate and as such could not download further funding for their projects.

To note, it was heavily emphasized by the interviewee that DILG was included as one of the top underspending government agencies solely due to problems concerning BuB in the regions which aggregate up to the central office.

Procurement planning in DILG is the same with the other agencies. The end-user units handle planning on their part and submit these (Project Procurement Management Plans [PPMPs]) to the Procurement Section for consolidation of the Annual Procurement Plan (APP).

It should be noted, however, that with the issuance of the internal control mechanism (i.e. procurement planning guidelines) with keen focus on market analysis, the agency is able to avoid problems concerning procurement planning. Market analysis addresses problems on scope of works and complete description of requirements, among others.

Clustering and procurement seminar of regions. To address the problems in the regions concerning BuB projects, the central office regularly hold seminars and capacity building in different regions. Although, it has yet to take effect since issues in planning are still pervasive in procurement.

The agency does not outsource any procurement activities and, accordingly, does not hire consultants for the preparation of documents. The interviewee also emphasized that with the implementation of the procurement planning guidelines of the agency as well as being part of the GPPB board, there will be no urgent need for consultants as well as procuring agents.

According to the interviewee, the agency does not encounter any problems with PhilGEPS, and that the system is very responsive. On the part of slow access speeds complained by other agencies, she mentioned that this could be due to the internet connection provider of the procuring entity itself and this should not be blamed on PhilGEPS. Furthermore, in cases of other problems (e.g. system downtimes), she added that PhilGEPS has its own hotline where the procuring entity may course through its concerns. On the side of bidders, the agency has not received any complaints concerning PhilGEPS.

With the recent release of the 2016 revised IRR, the interviewee emphasized that this will simplify complex procedures of all procurement activities including those of major projects. She cited the following revisions of the IRR that could help lessen complexities of procedures, especially on major (big-ticket) projects:

- a.)** Shorter posting time from the original seven days to only three days.
- b.)** Checklist of requirements has been reduced to fast-track procurement and lessen complications. This will address instances of disqualifications due to minor mistakes.
- c.)** Reference to brand names is already allowed for compatibility issues. This revision is mostly applicable to IT related procurements and other procurements deemed highly technical.
- d.)** Bid envelopes that are not properly sealed and marked will already be accepted.

Problems in the post-qualification stage mostly lie on the side of the bidders wherein upon verification of the Technical Working Group (TWG), false or spurious documents are uncovered resulting to disqualification of the bidder(s).

On a monitoring and evaluation (M&E) system and a formal “whitelist”. M&E in the agency is through the Supplier’s Evaluation part of the ISO of the agency. Evaluation which includes criteria on delivery, timeliness and kinds of services is handled by the General Services Division (GSD). With regards to a

formal “whitelist”, the agency has none. According to the interviewee, they only examine the past evaluations of suppliers if a certain supplier has previously joined a round of bidding in the agency.

Best Practices of the agency and on other agencies that DILG wants to adopt. Being part of the GPPB board, the agency has the advantage of preemption, that is, the conduct of preventive measures to problems that may arise in their procurement process. One such example are issues in procurement planning which, as previously stated, is already being addressed through strict implementation of guidelines on market analysis. The interviewee stated that the agency considers this as their best practice.

With regards to best practices of other agencies, the interviewee mentioned that they want to adopt the use of ordering agreement to further smoothen the procurement process of DILG. The only agencies that implement such practice is the Department of National Defense (DND) and the Bangko Sentral ng Pilipinas (BSP).

The interviewee mentioned that the agency does not have any solicited and unsolicited proposals. The agency only encounters minor problems concerning Motion for Reconsiderations (MRs). To date, the agency has not encountered any instances of protests.

Different with other government agencies interviewed by PIDS, there has been regular attendance of CSO observers as well as COA representatives in DILG projects. CSO observers include the Bishops Businessmen’s Conference for Human Development – Coalition Against Corruption (CAC – BBC), People Power Volunteers for Reform (PPVR) and Transparency and Accountability Network (TAN).

Revised IRR of 2016. The interviewee emphasized that the 2016 revised IRR is the answer to the several issues in the procurement process and that it is the key to fast-track public procurement. Accordingly, she mentioned that the new guidelines should be tried and tested first. To note, the 2016 revised IRR was published last August 29, 2016 and will take effect 60 days after, October 28, 2016.

Synchronicity in procurement planning. According to the interviewee, there should be synchronicity; that in the submission of the project profile to the procurement unit, the component that will be procured should already be specified (e.g. if this the project will include infrastructure, goods and services procurement).

## Department of Health

DOH has been included in the 2014 and 2015 DBM reports of top ten underspending government agencies, primarily attributed to the issues in the Health Facilities Enhancement Program (HFEP) and the procurement of medical supplies. The following should be noted in the case of DOH:

- a.) The interview with the key informant represents only the procurement in the DOH central office. Other regional offices (formerly called Centers for Health Development [CHDs]) and some 70 DOH retained hospitals are independent procuring entities from the central office. In which case, they have their own budget and their own Head of Procuring Entity (HOPE), Bids and Awards Committee (BAC), BAC Secretariat and Technical Working Group (TWG).

- b.)** Members of the BAC are high ranking officials from DOH. The chairperson should at least be a 3<sup>rd</sup> ranking office (Undersecretary to Assistant Secretary level) and members must be at least 5<sup>th</sup> level (from Undersecretary /Assistance Secretary to Director IV or III level).
- c.)** The central office has several programs under GAA ranging from Family Planning, Tuberculosis Program, Expanded Program for Immunization, and Dengue and Malaria program, among others. The commodities (e.g. drugs and vaccines) that these programs use are procured in the central office and are then brought down to the different LGUs.
- d.)** As of 2016, the total Annual Procurement Plan (APP) of the agency is around P17 billion due to the commodities that are brought down to the different LGUs.
- e.)** The end-users (different program managers) are in charge of procurement planning.
- f.)** The DOH Procurement Service is part of the team of GPPB that conducted a study based on the APCPI, in which it was identified that planning is the root problem in procurement in 2012 and 2013. It was added by Dr. Vera that 50 percent of the issues raised by procuring entities are problems concerning procurement planning.
- g.)** For 2016, as early as the end of the second semester (June 2016), DOH has already attained 82% – 83% of the total APP. This was due to some interventions imposed by the agency, especially with the end-users.

Similar with other agencies that were interviewed by PIDS, DOH is having most difficulty in the procurement planning stage. The following reasons were cited by the interviewee:

- a.)** End-user units (program managers), due to their very busy and hectic schedule, deprioritize procurement and as a result only submit their requests towards the end of the year.
- b.)** Problems in the preparation of the Project Procurement Management Plan (PPMP), usually with the submission of proper technical specifications.

Other clarifications:

Trainings/orientation on R.A. 9184. The DOH-BAC along with the different end-user units also have trainings and capacity building on the procurement law.

On the role of the Procurement Service. According to the interviewee, the procurement service provides administrative support to the BAC. It is the BAC that makes all the decision on procurement of the central office.

Usual causes of delays. Delays in procurement process are mainly attributed to planning and sometimes on the part of bidders, wherein they cannot submit all the documentary requirements. Another cause of delay is unavailability of end-users to attend procurement activities.

Examples of projects where there are delays/problems in procurement. The interviewee laid out two procurement activities where there are usual delays: in the procurement of medicine and drug supplies and in their big-ticket project, the Health Facilities Enhancement Program (HFEP).

- a.)** For the supplies of drugs and medicines, it was cited that difficulties in procurement is due to voluminous purchase, equating to difficulties in determining which supplier can provide DOH with the right commodities (e.g. suppliers which are WHO pre-qualified). To address this, the agency resorted to negotiated procurement, especially with vaccines. Dr. Vera added that this negotiated procurement is through the United Nation (UN) agency to ensure quality of its procured commodities.

**b.) Health Facilities Enhancement Program** – For HFEP, the main issue is on the procurement of equipment, wherein there is difficulty in determining whether equipment should be procured centrally or should be decentralized.

- Centralized procurement – advantage is on volume discount due to aggregation (bulk purchase). But other factors are also at play such as the time it entails to consolidate all the requirements. Furthermore, this bulk purchase would not take into account the particular needs of LGUs. This is the same problem mentioned by DBM wherein some hospital equipment are rendered unusable due to incorrect specifications.
- Current scenario in the procurement of equipment of HFEP – small value equipment (e.g. Stryker beds, mayo table trays, etc.), which have more specific requirements are now procured in the regional offices. Only large and expensive equipment (e.g. MRI and CT Scans, etc.) are procured in the central office.
- Incomplete facilities and lack of qualified personnel render HFEP equipment unusable – In the process of constructing health facilities (e.g. birthing homes, TB DOTS, etc.), equipment are rendered unusable due to instances of unfinished facilities (e.g. some HFEP infrastructure projects are left incomplete for several years), also procured through HFEP. Furthermore, another problem of HFEP is that there is lack of manpower and expertise that will operate some of its medical equipment.

It was reiterated by the interviewee that procurement planning is done by the different end-user units. For instance, procurement planning involving HFEP is done by the HFEP-Management Office.

Outsourcing of procurement activities are usually done by DOH when their contact amount is about to lapse. The agency seeks assistance of the Philippine International Trading Corporation (PITC) and Procurement Service-Department of Budget and Management (PS-DBM) to better facilitate procurement. This is an example of agency to agency procurement. It is to be noted that this activity is just on a case to case basis.

On the hiring of consultants in procurement planning. According to the interviewee, end-user units do not hire consultants or have consultants that assist them in procurement planning. Pre-procurement activities are solely done by end-users.

Same with other government agencies interviewed by PIDS, problems with PhilGEPS are usually due to accessibility issues. According to the interviewee, during regular working hours, the loading time of the system is very slow rendering it sometimes unusable. As a result, employees choose to render overtime, posting beyond office hours or during weekends where there are few users of the system.

The interviewee remarked that in major projects, the agency just follow the guidelines stipulated in the procurement law and in the implementing rules and regulations (IRR). As for the planning stage of major projects like HFEP, she made mention that this is the concern of the end-user unit in charge of its implementation.

The usual problem encountered in the post-qualification stage is on the validation of documents (i.e. during bid evaluation) because of the amount of time it consumes. The following were highlights during the interview:

- a.)** According to the interviewee, DOH has suggested to GPPB that verification of eligibility documents should be directly made in PhilGEPS (i.e. in their system).

- b.)** To supplement the above suggestion, it was added that GPPB has made a decision that all suppliers are now required to register in PhilGEPS as Platinum members, meaning suppliers now have to submit all the required eligibility documents to PhilGEPS. Thus, verification of eligibility documents can easily be done in the PhilGEPS system if permitted.

On a monitoring and evaluation system. It is the duty of the end-user units to perform monitoring and evaluation of projects during implementation. Accordingly, this is dependent on the program. For instance, projects involving vaccines are monitored by the Family Health Office and for HFEP, the HFEP-Management Office. On a general unit or division that conducts monitoring and evaluation, the agency has none.

On a “whitelist” of compliant contractors. DOH does not have any “whitelist” although it was mentioned that the agency used to have an IT system called the Simplified Suppliers Registration System (SSRS). In SSRS, documents of which are repeatedly submitted by supplier are readily uploaded (submitted ahead) in the system and an accompanying SSRS certificate is provided. But due to some anomalies that it facilitates accreditation, such system was discontinued.

Best practices of DOH. Similar to DepEd, the agency employs a “clearing house” procedure in their pre-procurement process. All different offices, when they prepare their purchase requests, are required to have these checked (cleared) first with the department that has the technical expertise for such request before it enters actual procurement (e.g. IT related purchases are checked by the Knowledge Information and Management System while office requirements are checked by the Administrative service). Regarding best practices in other agencies, according to the interviewee, there has been no venue among government agencies to share their best practices.

The agency does not have any unsolicited and solicited proposals although before there have been PPPs, during the time of former Sec. Enrique Ona. But accordingly, projects concerning PPPs have been scrapped come the time of former Sec. Janette Garin and present Sec. Paulyn-Jean Ubial. One such example is the privatization of the Philippine Orthopedic Center, which has been stalled.

Disputes in competitively bid projects and other modes of procurement. According to the interviewee, in competitive bid projects, there are minor disputes such as Motions for Reconsiderations (MR) and protests with some cases filed against the BAC. In alternative modes of procurement, it was mentioned that disputes mostly source from getting quotations (e.g. in shopping which require three quotations). Thus, this results to failure in bidding.

The same with other agencies, there has been a declining attendance of civil society organizations (observers) although it was emphasized that DOH regularly sends notices/invitations. In relation to this, DOH also made its own initiative to revitalize CSO observer attendance by volunteering to funds trainings for their representatives. It should be noted that active CSO observers in the agency’s procurement projects include the Procurement Watch and the National Citizens' Movement for Free Elections (NAMFREL).

PhilGEPS be assigned to perform verification. As mentioned above, the task of verifying eligibility documents should be assigned to PhilGEPS. This will fast-track the procurement process as well as lessen the burden of procuring entities.

- a.)** Evaluation of eligibility documents is per procurement transaction, this contributes to delays in the procurement process.

- b.)** According to the interviewee, she already raised this suggestion to PhilGEPS, but to no avail. She asked PIDS if this can be included in the recommendation of the study.

The IRR should be “relaxed” and that the procurement process should “mature. The IRR, even with its 2016 revision, is still very restrictive, especially for big agencies with more complex and large procurement activities like DOH, DepEd and DPWH. According to the interviewee, the provision on procurement should “mature” and “graduate”. For instance, the voluminous documentary requirements of which are the source of plenty of bid disqualifications should further be revised; especially this has been a cause of very minor problems.

### Commission on Elections

COMELEC has been included as one of the top ten underspending government agencies in 2015, replacing DPWH in the list of DBM. It was cited that this underspending is due to issues concerning the Automated Election System and some projects that were issued a temporary restraining order (TRO) by the Supreme Court (SC).

Similar with other government agencies interviewed by PIDS, the most difficult part of the procurement process for COMELEC is in the planning stage.

- a.)** Poor planning – this difficulty is caused by problems on purchase requests (PR) and in the crafting of technical specifications, mainly attributable to the end-user units. Moreover, due to hectic schedule of the end-users, procurement is relegated to less importance.
- b.)** Related to planning, it was further emphasized that the thinking of end-users (program managers) is that once they have submitted their purchase requests to the BAC, their role in the procurement process is finished. This “mentality” contributes to difficulties in procurement, as procurement according to BAC should entail cooperation among the involved departments and divisions.
- c.)** Lack of training among end-user units on procurement planning and R.A. 9184 – another is that plenty of end-user units in COMELEC still has minimal knowledge on procurement law. COMELEC’s BAC openly admitted that they lack capacity building on the part of the end-users. Although they hold trainings once a year, it is still deemed insufficient.

Examples of projects with delays in procurement. COMELEC cited some big ticket projects which encountered issues and delays in the procurement process. The following were highlighted during the interview:

- a.)** Election Results Transmission Service (ERTS) System – pertaining to the Automated Election System, the more than P500 million project encountered two failed biddings that resulted to negotiated bidding in its third round, with approval from GPPB due to its large budget amount.
  - For the first round of bidding, the reason for failure is the none submission of bids. According to COMELEC’s BAC, no bidders joined the first round due to low contract amount (low budget). Adding to the odds of no bidders joining is the complexity of the project.

- For the second round, there were bidders that joined the procurement process. Indra Sistemas was awarded the lowest calculated bid (LCB) but was post-disqualified because it was not able to meet the desired specifications needed by the project.
  - Due to the two consecutive bid failures, the third round resorted to negotiated procurement. The alternative mode proceeded with the approval of GPPB and Smartmatic emerged as the LCB and was awarded the contract. Accordingly, COMELEC's BAC emphasized that only Smartmatic has the capacity to meet the specifications of the project, this is in defense that there is the alleged preference towards the foreign supplier.
- b.) Refurbishment project of PCOS machines** – This was the project that was issued a TRO by the Supreme Court and then subsequently declared null and void, as referred to by DBM in the PIDS interview. It should be noted that procurement for this project was through direct contracting.
- The goal of the project was to use existing machines for the upcoming 2016 elections though refurbishment, but due to the TRO issued and eventual nullification of SC, the refurbished machines were not utilized. As a result, COMELEC was forced to do an additional procurement of about 73,000 units from Smartmatic. This extra timeline of the new procurement resulted to another delay.

Other causes of procurement delays. COMELEC mentioned that delays in procurement are also because of bidders. In the experience of COMELEC with some bidders, there are those that fail to comply with the submission of requirements (e.g. samples of the product). This eventually leads to disqualification. It was also mentioned by COMELEC that sometimes bidders are not well versed in the procurement law.

Procurement planning in COMELEC. Planning begins with the end-user units. The Administrative Services Department (ASD) directs the units that they undergo procurement planning to create their respective Project Procurement Management Plans (PPMPs). These are then consolidated by ASD for drafting of the annual procurement plan (APP).

On feasibility (FS) studies. FS studies are conducted by the end-user units and this is depends on the type of project. An example of a project that included an FS study before actual procurement is the ERTS system project. According to COMELEC BAC, this FS study was primarily conducted for the computation of its Approved Budget of Contract (ABC). Although it can be noted that even with such pre-procurement activity, the first budget amount still opted for the failure in bidding of the project.

Other things to note. The BAC of COMELEC handles all kinds of procurement (i.e. Goods and services, infrastructure and consulting services), although small value procurements are delegated to the ASD under the Property Division.

The agency does not outsource procurement activities, only the BAC and their administrative support departments conduct procurement. It was added that there have been talks of engaging with procurement agents (e.g. PITC and PS-DBM) although the status of such is currently uncertain.

It should be noted, however, that the agency has some history in hiring consultants for assistance in training new BAC members and for some IT projects which are highly technical in nature. It was also mentioned that there are plans for a new COMELEC building, in which the agency plans to hire consultants for this infrastructure project.



With regards to PhilGEPS, COMELEC's BAC mentioned that PhilGEPS is responsive enough although there are some instances of minor glitches. The following was emphasized during the interview:

- a.) Minor glitches include internet traffic (and downtime), as well as delayed uploads. Also, similar with other agency's experience, due to internet traffic, they are sometimes forced to upload during late working hours for faster connection.
- b.) Regarding the tools/features of PhilGEPS, according to COMELEC BAC, the system lacks categories for classifying bid types.
- c.) On the side of bidders, there have been no major complaints whatsoever.

For simplification of the procedures of major projects. There should be an extensive hiring of consultants and experts in planning especially big-ticket projects, as well as for those deemed to be highly technical. Furthermore, there should be extensive feasibility studies done on projects related to ICT. Procurement of PCOS machines should also have "testing parameters" in the pre-procurement stage, not just in the post-qualification.

Usual problems in the post-qualification include failure to meet the technical specifications (e.g. submission of samples of the product), resulting to post-disqualification. Besides this, the TWG encounters difficulties in document verification especially for project which have foreign bidders.

On a Monitoring and Evaluation (M&E) system in place. During project implementation, M&E is done by ASD. Consequently, the COMELEC's BAC is not privy on the specifics of this M&E system.

Whitelisting and blacklisting of contractors. On a whitelist, the agency keeps records of contractors that have joined the bidding process, although they have emphasized that these records cannot be formally called a "whitelist". Concerning a blacklist, the agency presently does not have such a system.

On best practices of the agency in procurement. This include the conduct of a bidder's forum (i.e. some form of training on RA 9184 for bidders) to assist them in the procurement process and lessen incidences of disqualifications. To note, this is COMELEC's own initiative and as such they consider it as one of their best practices. Another is that they also conduct post-assessments for big-ticket projects, included in the agency's strategic plan.

Best practices from other agencies COMELEC wants to adopt. With regards to best practices from other government agencies, COMELEC wants to create their own procurement agency manual as well, same with other government agencies such as the Department of Education (DepEd).

In competitively bid projects, only minor problems exist such as motion for reconsideration (MRs) that to some extent, have led to protests. Regarding other modes of procurement, disputes are mostly encountered on large projects such as that of the ERTS system which needs the approval of GPPB as well as the refurbishment project which was declared null and void by SC. It is to be noted that the agency does not have any solicited and unsolicited proposals.

On the role of CSOs in the procurement process. The agency invites CSO observers in every stage of the procurement process to ensure transparency, although the current scenario is that there is declining attendance. Active CSOs include the Parish Pastoral Council for Responsible Voting (PPCRV), the National Citizens' Movement for Free Elections (NAMFREL) and the COMELEC Advisory Council. It is to be noted that these CSO observers only attend on major (big-ticket) projects that are deemed controversial.

On fast-tracking public procurement. According to COMELEC, the 2016 revised IRR will address some delays in the procurement process and what is needed now are trainings and seminars for procuring entities to easily grasp the new guidelines set by the IRR. Furthermore, the government should capacitate all end-user units in procurement planning by conducting agency-wide trainings.

## 5 Recommendations

### **1. Pursue deliberate investments on and have a political will for systems change and organizational culture change**

The DPWH under the helm of former Secretary Singson is an example of this. when the government was severely criticized by many stakeholders for the delays in the implementation of infrastructure projects in 2011, the secretary of the Department of Public Works and Highways (DPWH) vowed to institute an agency transformation program which will reduce corruption, improve efficiency, optimize resources and realize an overall organizational culture change (DPWH 2013).

The DPWH then implemented major reforms given this mantra: to implement the right projects at the right cost and with the right quality, and for these to be delivered right on time and carried out by the right people. For example, in the procurement process, the agency removed the requirement for contractors to submit a Letter of Intent so as to prevent collusion. It also simplified the bidding process by requiring only five documents, instead of the previous 20 documents. Submitting 20 documents in the past provided a lot of room for discretion and opportunities for disqualification in order to favor a bidder. The DPWH also implemented the “clustering of projects”, that is, related projects are joined and packaged into bigger contract packages in order to attract competent contractors.

In the area of project management, the agency also established standard cost estimation manuals for roads, bridges and buildings. It also gathered, disseminated and updated price data on construction materials nationwide. It also adopted standards on construction duration by type of project. Before the reforms were pursued, there was wide variability in unit prices and there was no standard construction duration.

The DPWH also tapped third parties as partners. It accredited 52 civil society organization partners as partners in the different stages of the project life cycle. It is also outsourced some project inspection and quality assurance services.

The agency also set up a web-based communications system for receiving, replying to, and taking action on any complaint, query, or suggestion. It also conducted selective and purposive auditing by concentrating on the most vulnerable areas and giving sanctions to officials with major lapses. As a matter of policy, it also encouraged whistleblowing and internal reporting of bad behavior. It is also currently running an Organizational Culture Change Project, which includes interpersonal and personal

skills development related to core public service values such as integrity, excellence, professionalism and teamwork.

## **2. Greater investment on planning and other preparatory activities before the actual procurement**

There should be deliberate budgeting for updating of project development studies and procurement plans. The investment plans and programs must be communicated very early. Ensure also that expert procurement units are acquired in each agency. Tested good practices from implementing agencies must also be upscaled. There should also be a sustained and dynamic capacity building for implementing agencies, LGUs, provincial contractors, and local monitor CSOs.

## **3. Innovation orientation in public procurement**

This is part of strategic procurement or catalytic procurement. The strategies are to come from the demand side, which often has innovation orientation.

Examples are:

- when large-scale use of an innovation is needed, achieving critical mass of purchase through bundling
- when government needs to meet a normative policy goal such as sustainability or energy efficiency, ask for leading edge products and services
- meeting normative policy goal: this is illustrated by the DOST's Project NOAH and mobile app Arko (weather-monitoring app)

## **4. Value-for-money procurement**

A thorough consideration of value for money begins by officials clearly understanding and expressing the goals and purpose of the procurement.

When a business requirement arises, officials should consider whether a procurement will deliver the best value for money.

In this approach, we need to consider the relevant financial and non-financial costs and benefits of each submission including, but not limited to:

- a. the quality of the goods and services;
- b. fitness for purpose of the proposal;
- c. the potential supplier's relevant experience and performance history;
- d. whole-of-life costs.
- e. flexibility of the proposal (including innovation and adaptability over the lifecycle of the procurement); and
- f. environmental sustainability of the proposed goods and services (such as energy efficiency and environmental impact).