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Philippines

COUNTRY PROCUREMENT ASSESSMENT REPORT

2nd UPDATE

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PROCUREMENT
ASSESSMENT
REPORT**

2nd UPDATE



THE WORLD BANK
Country Operations and Services Unit
East Asia and Pacific Region
August 2005

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Acronyms and Abbreviations

ADB	- Asian Development Bank	GPPB	- Government Procurement Policy Board
AIM	- Asian Institute of Management	GPRA	- Government Procurement Reform Act
AO	- Administrative Order	ICB	- International Competitive Bidding
BAC	- Bids and Awards Committee	INT	- Department of Institutional Integrity
BSP	- Bangko Sentral ng Pilipinas	IRRs	- Implementing Rules and Regulations
BOT	- Build-Operate-and-Transfer	JBIC	- Japan Bank for International Cooperation
CIAP	- Construction Industry Authority of the Philippines	LC	- Letter of Credit
CDF	- Countryside Development Fund	LCE	- Local Chief Executive
CIDA	- Canadian International Development Agency	LGU	- Local Government Unit
COA	- Commission on Audit	LOI	- Letter of Instructions
CPAR	- Country Procurement Assessment Report	NBI	- National Bureau of Investigation
CPPR	- Country Portfolio Performance Review	NCB	- National Competitive Bidding
CSC	- Civil Service Commission	NGA	- National Government Agencies
DBM	- Department of Budget and Management	NGO	- Non-Government Organization
DepEd	- Department of Education	NEDA	- National Economic and Development Authority
DILG	- Department of the Interior and Local Government	OSG	- Office of the Solicitor General
DOJ	- Department of Justice	PCAB	- Philippine Constructors Accreditation Board
DOH	- Department of Health	PEAC	- Pre-qualification, Evaluation and Awards Committee
DPWH	- Department of Public Works and Highways	PD	- Presidential Decree
DTI	- Department of Trade and Industry	PPB	- Procurement Policy Board
EO	- Executive Order	PSB	- Philippines Shippers' Bureau
EPS	- Electronic Procurement System	PS	- Procurement Service
GAAM	- Government Accounting and Audit Manual	PWI	- Procurement Watch, Inc.
GEF	- Global Environment Facility	TIP	- Transparency International Philippines
G-EPS	- Government Electronic Procurement System	TTL	- Task Team Leader
GFI	- Government-Financing Institution	TWG	- Technical Working Group
GOCC	- Government-Owned and/or Controlled Corporation	WB	- World Bank
GOP	- Government of the Philippines	WBOM	- World Bank Office Manila
GPIS	- Government Procurement Information System	WG	- Working Group

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This Report is a follow-up of the original CPAR, which was part of the Public Expenditures, Procurement and Financial Management Review, and the CPAR Update which was published in February 2004. The original CPAR was prepared in June 2002 and published in March 2003, by a Team led by Christian A. Rey (Task Team Leader).

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Foreword

It has been three years since the comprehensive assessment of the Philippines public procurement system was completed and published in the Country Procurement Assessment Report (CPAR) in June 2002. Substantial progress has been made since major procurement reform activities identified at that time were completed and are now being implemented. The CPAR process achieved its goal of being an analytical tool to help assess the public procurement system in the Philippines and in the process helped to generate a dialogue with the Government to improve procurement practices, and to help civil society and the private sector understand better the processes and procedures in place at that time. Following the significant progress reported in the November 2003 CPAR Update, this Second Update aims to: (a) record the status of agreed actions and analyze their relevance to existing priorities; (b) benchmark the procurement reform progress against international standards and in the process identify its strengths and weaknesses; (c) discuss and agree on measures to address the weaknesses; and (d) review the status of harmonization and/or alignment activities. This CPAR 2nd Update was also used to identify governance issues pertaining to procurement for input to the preparation of the World Bank's Country Assistance Strategy for 2006 to 2008.

This new Strategy supports reforms like these, which are examples of "islands of good governance." These reforms help fight corruption and support better governance in the public sector, eventually resulting in improved services to the poor. While there are still many challenges in implementing these reforms, the achievements cited in this Report demonstrate that there are also many successes that we can encourage, and empower and enable others to build upon.

It is laudable that consistent Government ownership of the CPAR process, through the Technical Support Office of the Government Procurement Policy Board, was evident in this CPAR 2nd Update, and that the joint CPAR Mission from November 2 to 5, 2004 resulted in a fruitful dialogue as the Report presents. It is also remarkable that many development partner organizations were able to participate, and civil society organizations and their members could air their issues, concerns and suggestions. The result is a document that truly captures the Philippines' many achievements in procurement reform, provides a benchmark on the progress made compared with international standards, identifies strengths and weaknesses, and records the agreements in moving the reforms forward.

Finally, it is worth citing the significant achievement made in the harmonization and alignment efforts in the use of country systems. Foremost of these are the harmonization of the bidding documents for works, goods and consulting services across many government agencies and with the international development partners policies and procedures. The documents are now being used for all national public procurement by every entity, including the Local Government Units.

We wish to commend the executive and legislative branches of government for continuing to pursue a key governance measure that will reduce corruption in the long term. Much now will depend on the ongoing implementation, monitoring and enforcement of these institutional and policy reforms to ensure their sustainability in achieving good governance.

Joachim von Amsberg
Country Director, Philippines
World Bank Office Manila
August 2005

I. Introduction

1. Overview

The Country Procurement Assessment Report (CPAR) process proved to be a successful mechanism in assessing the country's public procurement system, identifying its strengths and weaknesses, and providing an avenue for a dialogue among key stakeholders to address the weaknesses. The June 2002 CPAR, and its subsequent first update in November 2003, resulted in an agreement to act upon sixty-six (66) activities to address the existing weaknesses in the country's public procurement system. So far, as discussed in Section II of this CPAR 2nd Update, ninety five percent (95%) were either completed or ongoing as of November 2004. On account of the improvements made, it is necessary and critical therefore to follow-up the implementation of agreed actions in particular, and the overall progress of the procurement reform in general. It is also important to determine and assess the impact of the Reform thus far, its strengths and weaknesses, and again use the updated CPAR as a tool for dialogue on how to address the weaknesses uncovered. Along this line, a Joint CPAR 2nd Update Mission was conducted from November 2 to 5, 2004, with the following main objectives: (a) to assess the progress of procurement reform and identify priority areas for the next three years; (b) review the status of the Philippines' Procurement Harmonization Program and identify next steps; (c) review international experience on procurement monitoring and performance measurement; and (d) firm up the roles of civil society organizations and the private sector to achieve sustainability.

2. Ownership

The procurement reform process on the part of the Government had been very strong since the original June 2002 CPAR, and that is evident in this 2nd Update. The GPPB, through its TSO, participated fully in defining the objectives and the various activities of the Mission, the identification of priority areas, the execution of this second Mission and in the formulation of the agreed actions and expected lead times for completion. The improvements in the country's procurement reform are, therefore, driven by the Government. The development partners' assistance came in the form of funding resources and providing expert advice on international procurement best practices.

3. Mission Preparatory Activities and Schedule

The CPAR Team reviewed and updated the original CPAR Agreed Action Plan in advance of the actual Mission as detailed in Section II of this 2nd Update. The GPPB spearheaded two major activities that determined the way forward: (a) a meeting of procurement experts on October 22, 2004 identified the reforms' next key priority areas; and (b) an assessment or benchmarking of the reforms' progress using the Baseline Indicator System (BIS) done by a Technical Working Group composed of Ms. Florida Arias, Atty. Pia Zobel Ruiz and Atty. Jose Luis Syquia. Thus, these preparatory activities resulted in a compressed four-day Mission that covered extensively the substantial areas of the

progress of the Reform. In her welcome remarks, Undersecretary Pascua set the Mission's and the reforms' direction and reiterated the Government's resolve in pushing procurement reform forward (Appendix 2).

II. Big Achievements So Far

Laudable achievements have been made since the June 2002 CPAR, as listed in the Summary of Achievements and Ongoing Agreed Actions in Appendix 3. Table 1 presents a summary status. The first update to the CPAR recorded sixty-six (66) agreed actions. As of November 2004, 42 or 64 % were completed, 19 or 29% were ongoing as of November 2004 while only 5 or 7% were not yet started.

It is worth mentioning the reforms' progress on the national and local levels where forty-one agreed actions were completed and/or ongoing as of November 2004, resulting in a 95% completion record. The two remaining actions not started were those pertaining to: (a) development of a good record-keeping system for LGUs and, (b) training of Government E-Procurement System staff and the Commission on Audit (COA) in the area of system security. On the other hand, the twenty (20) sectoral actions (Education, Health and Public Works) completed and/or ongoing agreed actions consisted of 87% of the total for the three sectors. The remaining actions not started are those pertaining

Table 1: **Status of Completed, Ongoing and Open Agreed Actions**

	Completed	On-Going	Open	TOTAL
National/Local Levels	27	14	2	43
Sectoral Levels	15	5	3	23
Total	42	19	5	66
Percent	64%	29%	7%	100%

The reforms' progress on the national and local levels where forty-one agreed actions are completed and/or ongoing as of November 2004; resulting in a 95% completion record.

to the Public Works Sector as discussed in Section 6 of this 2nd Update.

4. Completed Agreed Actions at the National Level

The foundation of the reform lies in the promulgation of the Government Procurement Reform Act (Republic Act No. 9184) in January 2003 and the issuance of its Implementing Rules and Regulations (IRRs) in September of the same year, which covers all government entities, including local government units. Consultations with the civil society at large and comments from donor institutions strengthened

the reform measures mandated by the Law and its IRRs. This was followed by concerted efforts to develop harmonized bid documents and thus, the following key reform measures are now in place and being implemented:

- a. A single oversight body called the Government Procurement Policy Board (GPPB);
- b. Procurement planning and budget linkage through the Annual Procurement Plan;
- c. Approved Budget for the Contract as ceiling for bid prices;
- d. Use of Government Electronic Procurement System becomes mandatory, including the posting of bid opportunities and awards of contracts;
- e. Fixed responsibilities and accountabilities of the Bids and Awards Committee (BAC), BAC Secretariats, Technical Working Groups, and the bidders;
- f. A national and local training program for capacity building on the new procurement system, its documents and forms – the Status of Procurement Training on the Laws, Rules and Regula-

tions for the period October 2002 to December 2004, and the status of the procurement training conducted by the Government Procurement Policy Board – Technical Support Office (GPPB-TSO) from October 2002 to December 2004 and status report on the G-EPS are shown in Appendix 4;

- g. Move towards professionalization of procurement officials;
- h. Use of standard bidding forms and manuals – the standard bidding documents for works, goods and consulting services as harmonized with development partners institutions are discussed in Sections 13 to 15 of this Report;
- i. Standard bidding procedures using non-discretionary bid evaluation criteria;
- j. Mandated lead-time for each procurement step;
- k. Stricter rules on alternative methods of procurement;
- l. Clearly defined protest mechanism;
- m. Penal, civil and administrative sanctions against erring procurement officers, bidders and contractors;
- n. Legal assistance and indemnification packages for BAC members who are subjected to harassment;
- o. Strengthened involvement of civil society organizations, professional associations and non-government organizations in policy formulation and reform implementation;
- p. Harmonized standard bidding documents containing provisions on fraud and corruption, conflict of interest and prohibition against relatives within the third civil degree of consanguinity and affinity; and
- q. Issuance of Rules for Blacklisting and Suspension of Bidders, Constructors, Suppliers and Consultants.

5. Implementation in Local Government Units

The Procurement Law repeals the procurement related sections of the Local Government Code, thereby making the new law and its IRRs mandatory for all LGUs. One of its major reforms is prohibiting the Local Chief Executive being directly involved in the bidding process, since it provides that the BAC Chairman should not be the head of the procuring entity. Conversely, training of LGUs' staff on the new procurement system are ongoing through the Composite Team of Regional Trainers, where each Team is comprised of trainers from DBM, DILG, COA, and the Philippine League of Local Budget Officers. As of December 2004, seventy-two (72) provinces, or 91% of the total number of provincial governments, one thousand one hundred seventy nine (1179) municipalities or 79% of the total number of municipal governments, and one hundred nine (109) cities or 92% of the total number of city governments, were trained, accounting for 80% of the local government units. Appendix 4 of this Report provides a detailed account of the training in the LGU level as of November 2004. While capacity building is underway, remaining concerns are: (a) the need to develop a mechanism to accredit procurement lecturers, organizations and training programs to ensure that quality is maintained; (b) inadequate keeping of procurement records in most LGUs; and (c) monitoring of actual procurement performance. A detailed report on progress of the reform in the LGUs is in Appendix 5.

6. Progress of the Reform in Key Sectors

The results of the implementation of reform measures over the three year period are exemplified in the three sectors that were subjected to institutional analysis.

Summaries on the progress made in each sector are presented below:

- **Health.** All agreed actions in the June 2002 CPAR have been completed, except for the review and implementation of reforms in terms of decentralizing procurement. In this regard, Department Memorandum No. 74 was issued informing all Directors of the Centers for Health Development to: (a) constitute their Bids and Awards Committee (BAC); (b) institutionalize the Annual Procurement Plan; and (c) institutionalize a procurement monitoring system that will ensure adherence to the new law, its IRRs and standard documents and forms. However, support is needed in: (a) developing and conducting training programs on the new procurement system; and (b) the development of the Contract Distribution System into a fully functional and effective system that is utilized in all regions. The detailed report on the Health Sector is attached as Appendix 6.
- **Education.** Almost all agreed actions identified in the June 2002 CPAR were accomplished, notable of which was the adoption of the competitive bidding process for textbooks which resulted in greater efficiency and economy. The focus now of the Department of Education (DepEd) is the creation of its own Procurement Service Unit and the operation of a national textbook delivery program to ensure that the books reach the students. It is necessary to support DepEd in its downstream reform actions, such as the conduct of training sessions to build capacity on such matters as procurement planning, database and records management, local and international procurement practices, and project management. A Special Report detailing the progress in this sector is presented in Appendix 7.

- **Public Works.** Agreed actions recorded in the CPAR that were completed include: (a) use of a computerized registry for eligibility screening; (b) issuance of amendments to the Arbitration Law; (c) a report on capacity, quality and size of contracts for works under foreign assisted projects, including the mix of national and foreign funding; (d) a report on bid prices/variation orders relative to engineer's estimates in projects with and without fixed budget ceilings; (e) downloading of bid documents from agency websites; and (f) the introduction of value engineering through case studies. However, there are agreed actions that remain incomplete or not started. These are: (a) rationalization of licensing procedures and harmonization with eligibility screening requirements; (b) use of a computerized registry in all projects including those procured in provinces and districts; (c) strengthening the quality assurance mechanism for design and supervision; and, (d) specialized training on cost estimation and analysis of bid variances. A review of these agreed actions resulted in new lead times for their completion.

7. Civil Society Observers

The need for civil society's participation in the procurement process was enabled by R.A. 9184 and its IRRs particularly by being "observers" in all stages of the procurement process to enhance its transparency and monitor the agencies' compliance with the Law, and implementing rules and regulations. In pursuing this objective, the GPPB arranged a

Civil Society Observers are "observers" in all stages of the procurement process to enhance its transparency and monitor the agencies' compliance with the Law and IRRs.

meeting of the various civil society organizations (CSOs), professional associations (PAs), non-government organizations (NGOs), religious groups, and the academe who have been actively participating in monitoring procurement activities and goods delivery. The participants recommended establishment of a CSO Alliance comprising PWI, as the secretariat, the Catholic Bishops' Conference of the Philippines (CBCP), the University of Santo Tomas Center for Contextualized Theology & Ethics (UST- CTE) and Social Research Center (UST-SRC), National Movement for Free Elections (NAMFREL), Philippine Constructors Association (PCA), Confederation of Filipino Consulting Organizations Inc. (COFILCO), the Bishops-Businessmen's Conference (BBC), and the Transparency and Accountability Network (TAN). The CSO Alliance proposed: (a) a massive information campaign on the new public procurement system, its documents and forms; (b) institutionalizing the standard monitoring system for BAC observers and a case-handling system linked to the Office of the Ombudsman; (c) screening and accrediting observers; and (d) providing for an information support system for trained CSOs.

8. Private Sector

Constructors, suppliers and consultants are important partners in the operation of the public procurement system and in the implementation of the reform. They recognized that the new Government Procurement Reform Act provides more transparent and efficient technology and more objective standards. However, they have two main concerns: (a) insufficient knowledge and lack of understanding of the new law and system; and (b) the stringent qualification requirements of foreign assisted contracts. To address these, they have a number of ongoing initiatives such as: development of an accreditation system internal to their association, briefings and seminars on the law,

introduction of a professional indemnity insurance, and promotion of joint ventures with local and foreign partners. However, it was felt that these initiatives are not enough and more resources are needed. They recommended that Government should consider: (a) the inclusion of the private sector in the national training program; (b) adoption of a policy on value engineering; (c) improving the validation process of documentary submissions of constructors; and (d) rationalizing the foreign assisted contracts' requirements for average annual turnover (AAT), the experience qualification for international competitive bidding (ICB) and the amount of threshold for National Competitive Bidding (NCB).

9. Anti-corruption Program

The Government, in April 2001, issued a directive reconstituting and enlarging the powers of the Presidential Anti-Graft Commission (PAGC, formerly Presidential Commission Against Graft and Corruption). Chairperson Constancia De Guzman advised the meeting of its mandate and activities. Among its tasks is to strengthen the integration of anti-corruption efforts in the entire bureaucracy that includes key agencies such as: the Commission on Audit, the Ombudsman, the Civil Service Commission, the National Bureau of Investigation and the Department of Justice. With the appointment of Chairperson De Guzman, major policy and operational changes are underway to reduce corruption. On procurement matters, the plan is to strengthen the role of internal audit units in all agencies, which will serve as the monitoring and enforcement arm of the executive leadership in implementing its anti-corruption program. The output of internal audit units will bridge the critical gap from implementation to enforcement by COA and the Office of the Ombudsman. The CPAR Team recommended that this program and its key implementer, PAGC, be supported.

III. Assessment of Progress

10. Baseline Indicator System

In her speech that opened the CPAR Mission, Undersecretary Pascua mentioned that the “Baseline Indicator System (BIS)” recently developed by the OECD-DAC/WB offers a systematic way of benchmarking the country’s procurement reform efforts against established indicators for achieving economy, efficiency, transparency and equal opportunity for bidders. As a pre-Mission activity, a BIS Technical Working Group was tasked to assess structural performance and determine the progress of the Philippines’ public procurement system on four key areas consisting of twelve (12) indicators that were the core components of a good public procurement system. The Report as adopted by the CPAR Team is presented in Appendix 8. The BIS demonstrates that the components of an effective procurement system have been put in place, and now the challenge is to manage those components to achieve improved outcomes. It was emphasized during the Mission by Mr. Joel Turkewitz of the Bank’s Central Procurement Unit that the BIS needs a separate set of indicators to measure actual procurement performance supported by a monitoring and data collection system from implementing units up to the oversight agency.

11. Strengths and Weaknesses

Applying the BIS result, the Philippines reform achievement garnered an overall score of 68%, which translates to the percentage of the twelve indicators where more than fifty percent (50%) of baseline elements have been substantially met. The reform achievements done so far account for passing the standard in the following benchmarks: (a) legislative

and regulatory framework; (b) existence of implementing regulations and documentation; (c) mainstreaming procedures into public financial management; (d) functional normative body at the center; (e) existence of contract administration and dispute resolution provisions; (g) presence of an appeals mechanism; and (h) structural, ethics and anti-corruption measures. However, there are five specific benchmarks where 50% or less of the baseline elements are met. These are: (a) existence of institutional development capacity; (b) efficient procurement operations and practice; (c) functionality of the public procurement market; (d) effective control and audit system; and (e) degree of access to information.

12. Matching of Agreed Actions

Having identified the lacking elements in the current system, the Mission discussed the steps which are needed to address the gap. Ongoing activities were matched to the specific elements and new activities were agreed on to ensure that the identified gaps are addressed. This resulted in a consolidated agreed action plan as discussed in the following paragraphs.

IV. Consolidated Agreed Actions

Based on the result of the BIS and the matching of ongoing and new activities to address the gap, the CPAR Team adopted a consolidated agreed action plan (Matrix of Weaknesses and Targeted Activities) (as of November 2004) as shown in Appendix 9. Amongst the key new actions are:

- Inclusion of the private sector and the CSOs in the national training program;
- Provision of administrative support to the CSO Alliance;

- Replication of appropriate BIS for national agencies and LGUs to monitor actual performance under the law;
- Development of actual performance indicators and implementation of a system for data collection and information analysis;
- Support for strengthening the role of PAGC, including through the internal audit units of each agency; and
- Issuance of policies on value engineering and procurement security instruments.

Assisted Projects (FAPs)

In January 2003, the Government and its development partners, ADB, JBIC and the World Bank agreed to harmonize six procurement areas to reduce transaction costs, simplify procedures, facilitate decision-making and reduce capacity building costs for foreign assisted contracts. The move towards further reliance in the Philippine's country systems will depend largely on completion of the harmonization activities. Since then, four of these areas are either ongoing or completed as shown in Table 2.

IV. Procurement Under Foreign

13. Philippine Bidding Documents (PBDs) Harmonized with ADB, JBIC and

Table 2: *Procurement Harmonization as of June 30, 2005*

Area	Update as of June 30, 2005	Expected Completion Date	Funding Support
1. Implementing Rules and Regulations	Done. IRRs for domestic funded contracts were issued in September 2003. FAPs are covered by Sections 4 and 43 of the Law.	Done	USAID and WB-IDF
2. Bidding documents for works, goods and consulting services	Done in August 2004. Works and Goods Documents harmonized with ADB, JBIC and WB. Consulting Service harmonized with WB.	Done	WB
3. Training and certification program	Ongoing. Included in the professionalization study.	June 2006	WB-IDF
4. Procurement manual	Ongoing. Procurement Manual drafted and will be harmonized simultaneous with issuance in January 2006. Seven (7) national agencies, one (1) GOCC, and one (1) LGU were selected as pilots.	January 2005; pilot testing to start April 2005	USAID and ASEM 2 Grant
5. Procurement reporting format	Not yet started. To be done simultaneously with Procurement Manual's harmonization.	June 2006	ASEM 2 Grant
6. Registration and licensing procedures with eligibility	Not yet started.	June 2005	To propose for a WB-IDF Grant

the WB

The country's Procurement Harmonization Program took a big leap forward with the issuance of GPPB Resolution No. 10-2004 dated August 20, 2004, as amended by GPPB Resolution No. 01-2005 dated January 24, 2005 requiring mandatory use, by July 1, 2005, of the PBDs for Works and Goods as harmonized with ADB, JBIC and the World Bank, and the PBDs for Consulting Services as harmonized with the World Bank. The mandatory use of the documents is enforceable by law based on Section 6 and Article VI thereof, providing as well corresponding penalties for violators. From the first identification of conflicting rules for each document, to workshops and discussion meetings, and then to final compromises to harmonize the conflicting rules, it took nineteen months to finish the initial edition which became the first harmonized bidding documents issued within the East Asia and Pacific Region. The magnitude of this achievement is described in Table 3.

14. Differences with the World Bank Rules and Updating the Loan Agreement's Annex to Procurement Schedule

The Loan Agreement's Annex to the Procurement Schedule identifies unacceptable national procurement rules that do not conform to procurement best practices. Prior to the issuance of the Harmonized Bidding Documents, there were nineteen national rules for Works and Goods that were unacceptable to the Bank and were included in the NCB Procurement Annex to all Loan Agreements. While the harmonization process was not 100%, its outcome drastically reduced the differences from nineteen rules to eight (8), a reduction of 60%, that are now identified in the NCB Procurement Annex. On the

Table 3: *Harmonized Bidding Documents Harmonized with ADB, JBIC and the WB*

Bidding Documents	Number of Conflicting Paragraphs In:		
	Works	Goods	Consulting Services
Original Number of Conflicting Paragraphs	128	145	171
Harmonized Paragraphs	101	117	162
Remaining Un-harmonized Paragraphs	27	28	9
Percent Harmonized (%)	79%	81%	95%

other hand, the differences between the national rules for Consulting Services has been reduced from six (6) to four (4) rules; a reduction of 33%. Moreover, it is an evolving process since adoption of the documents will provide more avenues for further harmonization. The differences, which are the basis for revising the standard Annex to the Procurement Schedule of Loan Agreement are adopted by the Government. Affected Loan Agreements have been amended accordingly. See Appendix 10 for the latest standard Procurement Annex to Loan Agreement.

15. Threshold per Contract for Procurement Methods

With the progress in the harmonization efforts between the Government of the Philippines and donor agencies as shown by the positive rating attained by applying the BIS, the number of agreed actions ongoing and concluded, and the current capacities of contractors and suppliers in terms of volume and size of contracts the amount of thresholds per contract for the different types of procurement methods and

prior reviews requires a proportionate adjustment to properly integrate the current state. Subject to the assessment of the procurement needs and content of the project, the revised threshold for each method of procurement is presented below in Table 4.

16. Prior Review Threshold

A Procurement Capacity Assessment will be applied to each new project which will include the risk rating

Table 4: **Amount of Threshold per Contract for Procurement Methods**

Amount of Threshold per Contract for Procurement Methods		
Item	Category	Amount per Contract
ICB	Works Goods	Over \$5,000,000 Over \$1,000,000
NCB	Works Goods	Over \$200,000 to \$5,000,000 Over \$100,000 to \$1,000,000
National Consultant Shortlisting	Consulting Services	Not more than \$200,000

for the project. The thresholds identified in Table 4 and the prior review thresholds will be adopted depending on the risk rating resulting from the Assessment.

V. Funding Requirement for Agreed Action

17. Possible Funding Sources

Aside from ADB, JBIC and the World Bank, other development partner agencies such as: USAID, CIDA, EU, UNDP and AUSAID met with the CPAR Team to discuss the consolidated agreed actions and possible funding resources. The EU has indicated its readiness to fund the activities of standardization of specification on commonly used items. The ADB agreed to review its possible funding on the expansion of the G-EPS. USAID proposed to revive the Anti-Corruption Summit for the Philippines. The World Bank proposed for GPPB to fully utilize the IDF Grant on Procurement Oversight Agency and the ASEM 2 Grant on Strengthening Procurement Institutions for Good Governance. The CPAR 2nd Update Mission agreed to have a separate meeting to flesh out funding requirements.

The February 2004 CPAR can be found in Appendix 11.

Appendix 1 - List of CPAR 2nd Update Mission Participants

Government Procurement Policy Board

Laura Pascua, Undersecretary, DBM
Antonio Molano, Jr., Director, DPWH
Carlos Madamba, Jr., Senior Economic Development Specialist, NEDA
Arcadio Cuenco, Assistant Commissioner, COA
Ireneo Vizmonte, Director, DTI
Joeelyn Alvarado, Assistant Secretary, DOST
Aida Carpintero, Director III, DepEd
Lorraine Sanchez, Designated Head, DOF
Ricardo San Andres, Assistant Secretary, DND
Theresa Ann Diaz, Director III, DOH
Manuel Ocampo, Director of Information Technology and Management Services, DOE
Robert Martinez, Director DTI
Arturo Baloalao, Director, DOE

Government Procurement Policy Board-Technical Staff Office

Jose Martin Syquia, Executive Director
Elmer Dorado, Assistant Executive Director
Dennis Nacario, Staff
Genmaries Entredicho, Staff
Pia Zobel Ruiz, Staff
Dana Marie Casiano, Staff
Mila Manalastas, Staff
Alvin Dellora, Staff
Ma. Lourdes Tuazon, Consultant
Jeff Taylor, Consultant

Other Government Officials

Teodoro Encarnacion, Presidential Assistant, Office of the President
Constancia de Guzman, Chairperson, PAGC
Fiorello Estuar, Private Sector Member to GPPB
Arnaldo Reyes, Program Development Officer II, DOST
Christine Gulmatico, Administrative Officer V, DepEd
Mary Grace Quintano, State Counsel IV, DOJ
Kenneth Ronquillo, Director, DOH
Joel Lazo, Director, DOH

Civil Society Organizations

Josefina Esguerra, Chief Executive Officer and President, PWI
Cipriano Ravanos, Executive Director, PWI
Jose Concepcion, Jr., National Chairman, NAMFREL
Nestor Malapajo, Jr., Officer-In-Charge, NAMFREL
Rev. Fr. Vicente Cajilig, OP, Director, UST-CCTE
Pablito Baybado, Assistant Professor, UST-CCTE
Jose Lugay, Chairman, Advocacy Against Graft & Corruption, CBCP
Edgardo Tirona, Member Committee, CBCP
Mia Munoz Zafra, Member Committee, CBCP
Victorino Guterrez, Member Committee, CBCP

Private Sector

Manolito Madrasto, Executive Director, PCA
Armando Alli, President, COFILCO
Cesar V. Tuason, Second Vice President, COFILCO
Ariston Mitra, Member, PICPA

Asian Development Bank

Richard Ondrik, Chief Country Officer
Shouhua Wu, Senior Portfolio Management Specialist
Cesar Valbuena, Procurement Specialist

Japan Bank for International Cooperation

Isuru Kimura, Representative
Flery Chan, Project Officer

Other Development Partners

Angus MacDonald, Counsellor, Development Cooperation, AusAID
Gerard Belanger, Head of Aid, Canadian Embassy
Christina Pineda, Senior Program Officer, Canadian Embassy
Michael Yates, Mission Director, USAID
Frank Hess, Operations Counsellor, EU
Deborah Landey, Resident Coordinator, UN

World Bank

Joel Turkewitz, Senior Public Procurement Specialist
Cecilia Vales, Senior Procurement Specialist
Noel Sta. Ines, Procurement Specialist
Dominic Aumentado, Procurement Specialist
Rene Manuel, Procurement Specialist
Evelyn Quirante, Program Assistant
Alice Tiongson, Consultant
Jose Luis Syquia, Consultant
Noriel Sicad, Consultant

Appendix 2 - Speech of Undersecretary Laura B. Pascua

Good morning, on behalf of Secretary Boncodin who chairs the GPPB, let me welcome all of you to this 2nd CPAR Mission. And let me thank the World Bank (WB) for initiating and hosting this Mission. If I recall, our first CPAR was done in 2001-2002 in the context of a bigger effort to review the financial management, expenditure management and procurement reforms being pursued by government. We were still shepherding the Government Procurement Reforms Act in Congress and hence the agreed actions then had to do with the successful passage of the law, preparing the IRRs, linking it with the new COA Audit Manual, establishing the GPPB, and ensuring that important safeguards were put in place like ensuring the LGUs and NGOs were consulted, setting up a national training program, making procurement planning mandatory, and ensuring that there would be no negotiations after determination of best bid.

During the 2nd CPAR last year, as a result of successful passage of the law and the important completion of IRR-A, and development of the guide for local procurement, three out of five commitments that I mentioned above were judged as accomplished, including agency specific actions like adoption of the pass/fail criteria in DPWH, standardization of estimated cost per bidding for textbooks, and streamlining of textbooks' content evaluation, the review of the staffing of the Procurement and Logistics Server in DOH, and the Drug Price Monitoring System. During that 2nd CPAR, 13 more emerging issues dealing with strengthening Procurement Practices and Processes were identified.

We meet today to look at Progress made on these commitments, 43 all in all, left uncompleted from the 1st and 2nd CPARs, to look at problems holding up their accomplishment and to solve them or identify the next steps in instances where substantial accomplishment have been made. Today and tomorrow, we also look at the initial findings and progress report made on technical assistance projects, which are being pursued as part of this CPAR funded from the grants from the WB. These include the diagnostic study to strengthen the PS in the light of the GEPS, the recommendation to professionalize the procurement function in government, the study of the capacities of local contractors and suppliers and the introduction of Value Engineering to improve the design and cost efficiency of proposed infrastructure projects.

This is why the GOP and the WB decided to expand the participation to this CPAR Mission to include all GPPB members of the Interagency BAC who have approved these projects and, as major procurement departments, would have a stake in these TAs as well as the pursuit of some of the 43 commitments I mentioned above.

But the different donor organizations have a stake also in these procurement reforms and we would like to thank the USAID for helping us pass the procurement law and helping finance the drafting of the procurement manual which is shortly to be presented to the GPPB, the CIDA for financing the last 3 years of the GEPS pilot using the Merks System and helping us ensure the proper development of our own GEPS. And the EU and

WB for giving the grants by which we are able to finance the training of all government procurement personnel in the NGA, GOCCs and LGUs in the GPRA and its IRRs and now in the SBDs. They also financed the development of the Harmonized Bid Documents, the planned dissemination of which we talk about tomorrow as part of the Harmonization effort. We hope to interest the other donors from the ADB, and JBIC in the use of these Philippine Harmonized Bid Documents as well as the drafting of Procurement Side Letters to facilitate the adoption of common procedures and formats. Lastly, we have included the PWI and the PCA in this Mission to also contribute their expertise to make Procurement ingovernment more transparent and accountable.

While we sometimes like to pat ourselves on the back with the progress made in setting in place the new Procurement Law in government; disturbing developments like the further downgrade we got under the quality of public and institutional world competitiveness study, including that for government procurement and the corruption issue in the military procurement finance management, make us realize that we have a long way to go in achieving the anti-corruption aspects of procurement.

The development of a Code of Ethics for CSO BAC observers, training of CSOs and development of the CSO network by PWI, the Round Table Discussion with 10 CSOs including nationwide groups like NAMFREL, CBCPTAN, PCA, and COFILCO offer some answers; as well as the meeting with senior officials last October 22 which included PAGC and the Ombudsman. They point to the need to 1) develop an information system for greater transparency, like the GEPS, 2) develop the Internal Audit Unit in departments to cover the Monitoring of Procurement, 3) strengthening the role of COA in enforcing compliance with the law, 4) further strengthen the Oversight Committee on Procurement and,5) expand the role of CSOs and Media in reform.

We have much to tackle in the next four days and the Baseline Indicator System developed by the OECD and the WB offers a systematic way of benchmarking the country's procurement reform efforts against established indicators of achieving economy, efficiency, transparency, and equal opportunity for bidders. I therefore hope that by Friday, we as a group come to a consensus on how to cooperate and work together to realize more of the promise of procurement reform for improving public services, identifying more savings for

Appendix 3 - Summary of Achievements and Ongoing Agreed Actions



Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
PUBLIC PROCUREMENT BY NATIONAL AGENCIES, Government-Owned-and-Controlled Corporation and other Instrumentalities					
Strengthen Legal and Policy Framework	1. Passage and promulgation of an Omnibus Law on Procurement.	Department of Budget and Management	December 2002	Done. The Law was passed on February 10, 2003.	USAID
	2. Prepare implementing rules and regulations after enactment of the Law and preparation of Philippines Bidding Documents and Forms.	Government Procurement Policy Board		Done. The Implementing Rules and Regulations-A was issued September 23, 2003 and became effective October 8, 2003.	USAID/ ADB
	3. Update Government Accounting Audit Manual to include the new Procurement Law.	Commission on Audit	December 2003	Done. Government Procurement Reform Act circularized as part of Audit Rules.	
	4. Develop a training program for auditors on the Law, its Implementing Rules and Regulations and Procurement Bidding Documents and Forms.	Commission on Audit	December 2003	Done. Training program on Law/Implementing Rules and Regulations developed; training of auditors (6 regions) completed. Continuous training is being conducted.	
	5. Establish the Government Procurement Policy Board.	Department of Budget and Management	June 2003	Done. The Board was convened on February 4, 2003 as mandated by law.	WB-IDF
	6. Conduct a study on the scope of work of the Government Procurement Policy Board.	Department of Budget and Management/ Government Procurement Policy Board - Technical Services Office		Done. The Government Procurement Policy Board established by the Law which defines its functions.	
Strengthen Organization and Staffing					

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
PUBLIC PROCUREMENT BY NATIONAL AGENCIES, Government-Owned-and-Controlled Corporation and other Instrumentalities					
Strengthen Organization and staffing	7. Establish a national training program for the new public procurement system. In-depth training needs to be conducted.	Government Procurement Policy Board	June 2004	On-going. Regional trainings on the Law and the Implementing Rules and Regulations being conducted by the Government Procurement Policy Board. First round of training of national agencies completed; training for LGUs started. Trainor's training for LGUs in partnership with Local Government Academy accomplished on March 2004. GPPB-TSO has developed the modules for the public Procurement Practitioner's Development Program in coordination with the Development Academy of the Philippines for NGAs, LGUs, GOCCs and SUCs to cover Harmonized Bidding Documents as well. Full training to be accomplished by March 2005.	WB-IDF (ASEM 2 Grant); Government to pursue funding from ADB in December CPRMU
	8. Professionalize the procurement function: <input type="checkbox"/> Prepare a Study <input type="checkbox"/> Implementation (NGA)	Government Procurement Policy Board/Civil Service Commission Professional Regulations Commission	December 2003	Ongoing. Contracts with domestic and international consultants have been signed by Secretary Boncodin. The deadline for the accomplishment of this activity is April 2005.	WB IDF; ASEM 2 Grant will cover 5 pilot agencies
	9. Study to corporatize Procurement Service as independent entity.	Department of Budget and Management-Procurement Service	June 2003	Ongoing. Contract with domestic consultant has been signed by Secretary Boncodin. Procurement Service is implementing the Government-Electronic Procurement System and reengineering its systems and procedures. Completion of the study by February 2005.	CIDA/WB-IDF
Improve Procurement Practices and Processes	10. Enforce the regulation on transparency through procurement audit.	Commission on Audit	December 2004	On-going. Training on the Law and the Implementing Rules and Regulations. Training on Procurement Bidding Documents and the Procurement Manual will be required for auditors.	Government to pursue funding from ADB in December CPRMU

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
PUBLIC PROCUREMENT BY NATIONAL AGENCIES, Government-Owned-and-Controlled Corporation and other Instrumentalities					
	11. Enforce processing lead time through application of sanctions and monitoring through procurement audit (Administrative Order 129).	Commission on Audit	June 2004	Done. Section 38 of the Law mandates leadtime for key steps. Commission Audit Procedure.	IFIs will conduct briefing with Commission on Audit auditors leadtimes for Foreign-Assisted Projects Procurement
	12. The Implementing Rules and Regulations of the law should prohibit negotiation of price and contract amount (goods and works) after bid opening (IRR).	Department of Budget and Management-Procurement Services	June 2003	Done. The Law does not allow for negotiation of price and contract amount.	
	13. Develop a framework and guidelines for Congressional insertions and Constituency Development Fund. <input type="checkbox"/> Terms of Reference prepared and submitted by Department of Interior and Local Government	Department of Interior and Local Government/Department of Budget and Management/ League of Cities	December 2002	Done. Study and framework submitted by consultants. Needs follow-up activities to explore possibility of enhancing audit by the Commission on Audit and monitoring by the Procurement Watch, Inc./Government-watch/ Philippine Center for Investigative Journalism/other NGOs.	ASEM Grant
	14. Price monitoring to be included as an important function of Oversight Board (IRR).	Government Procurement Policy Board-Technical Services Office/Procurement Service	June 2003	Ongoing. PS regularly monitors commonly-used supplies. The G-EPS will have a price monitoring feature for non common-use supplies; to be completed by March 2005.	
	15. The Civil Service Commission or the Office of the Solicitor General to provide support to members of the Bid and Awards Committee/Procurement Evaluation and Awards Committee subjected to harassment.	Department of Budget and Management	June 2003	Done. The Law provides for legal assistance and indemnification of Bids and Awards Committee members.	
	16. Develop on demand satisfactory securities to be issued by non-banking institutions. Improve penalties in lieu of bid security for small contracts.	World Bank	December 2003	Done. Article XXI of R.A. 9184 provides for penal sanctions. The Securities Report completed on June 2004.	

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
PUBLIC PROCUREMENT BY NATIONAL AGENCIES, Government-Owned-and-Controlled Corporation and other Instrumentalities					
Enhance Transparency	<p>17. Replace surety bond with Bank guarantee/Letters of Credit/other forms.</p> <p>18. Push for 60% implementation by all agencies of Government Electronic Procurement Systems.</p>	<p>Government Procurement Policy Board</p> <p>Department of Budget and Management/Procurement Services</p>	<p>June 2003</p> <p>December 2003</p>	<p>Done. The Implementing Rules and Regulations specify options.</p> <p>Ongoing. As of August 31, 2004, 77% for National Government Agencies; 38% for Government-Owned and Controlled Corporations with all GOCCs in NCR (head offices registered); 92% of State Universities and Colleges; and all cities, 68% of provinces, 22% of municipalities and 9 barangays were registered. To be completed in accordance with the Implementing Rules and Regulations. The Government Procurement Policy Board to monitor and report on compliance quarterly.</p>	Initial funding by ASEM
	<p>19. Encourage guidelines and training of civil society's participation in procurement at all levels.</p>	Procurement Watch, Inc./ Transparency International Phils.	December 2002	<p>Ongoing. Procurement Watch, Inc., is being invited to observe procurement processes in at least twenty-five (25) agencies in the NCR. High demand requires additional staff and training with workshops (funds). To be completed by December 2004.</p>	WB-IDF
	<p>20. Develop guidelines and training of National Government Organizations and Civil Society.</p>	Procurement Watch, Inc./ Transparency International Phils.	December 2002	<p>Done. As of August 31, 2004, Procurement Watch, Inc. developed a BAC Observer Code of Ethics, a training package for Civil Society Organizations and Professional Associations, as well as a public bidding checklist. Procurement Watch, Inc. trained 34 Civil Society Organizations nationwide, with 18 signing a MOA with it for purposes of observing public bidding. Procurement Watch, Inc., also developed a web-based central reporting/information sharing and dissemination system for MOA partners.</p>	WB-IDF

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
LOCAL GOVERNMENT UNIT PROCUREMENT					
Public Procurement	21. Ensure that Local Government Units' procurement is adequately covered in proposed Procurement Bill.		December 2002	Done.	
	22. Local Government Units' concerns/ views will be represented in the formulation of the Implementing Rules and Regulations once the Bill is enacted.	Department of Interior and Local Government/League of Cities	December 2002	Done.	
	23. Local Chief Executives should not chair the Bidding and Awards Committees.	Department of Budget and Management	December 2002	Done. The Law prohibits approving authority to be chair of the Bids and Awards Committee.	
	24. Make the implementation of Annual Procurement Plan by the Local Government Units mandatory.	Department of Budget and Management Circular	June 2003	Done. Section 7 of the Law requires Annual Procurement Plan linked to Budget.	
	25. Professionalize the procurement function and build Local Government Units-level procurement capacity. <input type="checkbox"/> Develop a Study <input type="checkbox"/> Implementation	Government Procurement Policy Board/Department of Interior and Local Government	December 2003	Ongoing. This is part of the Professionalization Study in Activity No. 8; to be completed in March 2005.	WB-IDF
	26. Rationalize method of procurement and expedite payment to contractors and suppliers (to be dealt with in the Implementing Rules and Regulations). <input type="checkbox"/> Update the Government Accounting and Audit Manual <input type="checkbox"/> Develop and implement training program on procurement audit	<p>Department of Budget and Management/Government/ Procurement Policy Board</p> <p>Commission on Audit</p> <p>Commission on Audit</p>	<p>60 days from approval of New Procurement Law</p> <p>December 2003</p> <p>June 2003</p>	<p>Done. Rules on alternative methods of procurement provided in Section 48 of Implementing Rules and Regulations.</p> <p>Government Procurement Reform Act and Implementing Rules and Regulations circularized as Audit Rules.</p> <p>Ongoing; to be completed by December 2004.</p>	

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
LOCAL GOVERNMENT UNIT PROCUREMENT					
	27. Develop a good record keeping system for: <input type="checkbox"/> Provinces/cities (pilot phase) <input type="checkbox"/> Municipalities (full implementation)	Government Procurement Policy Board/Department of Public Works and Highways/ Department of Interior and Local Government	December 2004 December 2004	To be completed by December 2004. To be completed by December 2004.	

PUBLIC WORKS SECTOR

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
Policies and Procedures	28. Foreign contractors should be allowed to bid without PCAB license but will need to present the license prior to award.	DPWH/CIAP	June 2003	The Contractors Licensing Law prohibits this. However, the process is being streamlined. Further elaboration required to facilitate participation of bidders.	
Legal Framework	29. Review the law on arbitration to align it with international practice.	CIAP/DPWH	June 2003	Enhancement of existing Law based on UNCITRAL model is being considered. This requires in-depth study. Needs technical assistance for the study.	
Improve Procurement Practices and Processes	30. Study on registration and licensing of contractors; design and implement an action plan to streamline processes for registration and licensing of contractors.	GPPB/DPWH/CIAP-PDCB	June 2003	To be completed. Needs assistance to streamline.	
Evaluation of Bid Awards	31. Adopt the standard pass or fail criteria for all procurement except pre-qualification of ADB-funded projects which will also be scheduled to adopt pass or fail criteria in 2002.	DPWH/ADB	June 2003	Done.	
- do -	32. Standard estimated cost per classroom, for budgetary purposes, should not be a limitation to the resulting bid price.	DPWH	June 2003	Done.	
Delivery, Inspection, Payment	33. Provide/strengthen quality assurance mechanism for design and supervision.	DPWH	June 2004	Ongoing. DPWH has an updated and strengthened 5-year Quality Assurance Program, which involves additional Quality Assurance Units	
Enhance Transparency	34. Use of computerized registry by all projects following progress of computerization.	DPWH	December 2004	Ongoing. Pilot test on two WB-funded projects under implementation, and successful. Training program for the use of electronic registry for roll out to the regions has been developed and will be implemented by December 2004	

EDUCATION SECTOR

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
Legal Framework and Policy	35. Revise Section 1-A, Rule IV of RA 8047 and General Policy No. 5 of the National Book Policy to relax its requirements on importation of raw materials for textbooks.	DepED	December 2003	Done.	
- do -	36. Amendment of the law to allow textbooks of foreign authors to compete locally for Science, Math and English textbooks.	DepED	December 2004	Because of the new curriculum, this activity needs to be pursued.	
- do -	37. Streamline the policy on textbook content evaluation.	DepED		Done. Further improvements with the new textbook policy (English, Math and Science).	
Organization	38. Training and empowerment of the bid committee members (professionalization).	DOH/SEMP2/All Agencies	December 2003	Done. BAC members to AIM procurement training.	
Planning and Monitoring	39. Develop an effective procurement planning and inventory monitoring system at the Regional, Division, District and School Levels.	DepED	June 2003	On-going with implementation of system at all levels (except school) to be completed in December 2004. Procurement process at "school" level is "open". Nationwide Training seminar for supply officers at the Regional and Division levels is being undertaken.	
Capacity Building	40. Strengthen DepEd's procurement capacity.	DepED	June 2003	Ongoing. Nationwide training seminar for supply officers at the Regional and Division levels is being undertaken. Procurement Service unit established on December 2003, but still needs to be fully staffed.	

HEALTH SECTOR

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of October 31, 2003	Funding
Organization	41. Review and implement Department of Health reforms in terms of decentralization of procurement.	Department of Health	December 2003	Ongoing.	
Advertisement	42. Develop a mechanism to ensure wider participation and competition	Department of Health/Social Expenditure and Management Project 2	December 2003	Done. Registration instead of accreditation and wider notification.	
Capacity Building	43. Strengthen Bureau of Food and Drug's capacity to shorten the registration process.	Department of Health	June 2003	Done. Instead of up to 6 months, now 2-3 weeks.	
- do -	44. Training and empowerment of the bid committee members (professionalization).	Department of Health/Social Expenditure and Management Project 2/All Agencies	December 2003	Done. Staff sent to AIM training.	
Procedures and Practices	45. Streamline the procedure for contract review by Legal Services Division.	Department of Health/Social Expenditure and Management Project 2	December 2003	Done. One week instead of one month.	
- do -	46. Streamline the cash allocation process and approval process to avoid delay.	Department of Health/Social Expenditure Management Project 2	December 2003	Done.	
Monitoring	47. Develop a mechanism to monitor and evaluate the performance of the suppliers, and constructors/consultants.	Department of Health/Social Expenditure Management Project 2	June 2003	Done for suppliers; for constructors/consultants still under preparation.	
Organization and Staffing	48. Review the staffing of Procurement and Logistics Service.	Department of Health/Social Expenditure Management Project 2	December 2002	Done August 2002.	
Systems and Procedures	49. Establish a National Drug Price Monitoring System.	Department of Health/Social Expenditure Management Project 2	June 2003	Done November 2002.	
- do -	50. Conduct a study on price of pharmaceuticals.	Department of Health/Social Expenditure Management Project 2	December 2003	Done August 2003.	

Emerging Issues/Priorities

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of August 31, 2004	Proposed Funding
Strengthen Organizational Capacity	1. Prepare implementation plan for Monitoring and Evaluation capability of the Government Procurement Policy Board- Technical Services Office with respect to enforcement of the Government Procurement Reform Act/Implementing Rules and Regulations.	Government Procurement Policy Board	June 2004	Ongoing. The GPPB-TSO has a tool to evaluate agencies' compliance with the Government Procurement Reform Act, as well as effectivity of the Law, known as the Procurement Reform Impact Monthly Evaluation Report. An online monitoring/survey system will be developed by November 2004.	WB-IDF/ ASEM2
	2. Disseminate information on Government Procurement Reform Act/Implementing Rules and Regulations to Local	Government Procurement Policy Board/Department of Interior and Local Government	March 2004	Done. Upon the request of the GPPB DILG issued a circular to inform all LGUs of the Government Procurement Reform Act and its IRR-A.	WB-IDF; Government to pursue additional funding from ADB
	3. Implement E-Procurement as a transactional tool.	Government Procurement Policy Board/Procurement Service	December 2004	G-EPS contract with private service provider was signed on April 6, 2004 and Notice to Proceed was issued on April 13, 2004. Full implementation of Phase I of the G-EPS Project will be by Many 26, 20005; Phases II, III, IV, and V will be developed from September 1 to September 15, 2005.	Government to pursue funding with ADB
Improve Procurement Practices and Processes	4. Training Government E-Procurement systems staff and Commission on Audit auditors in the area of system security.	Commission on Audit/ Procurement Service	December 2004		
	5. Prepare a report on capacity, quality and size of contracts for works under Foreign Assisted Projects, including the mix of national and foreign funding.	International Financing Institutions	March 2004	Done. Report of consultants discussed during the CPAR Second Update Mission. Recommendations are being acted upon.	WB

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of August 31, 2004	Proposed Funding
	6. Training on Harmonized Bidding Documents at all levels including national agencies, local government, private sector and civil society.	Government Procurement Policy Board	December 2004	Ongoing. GPPB-TSO has developed the modules for the Public Procurement Practitioner's Development Program in coordination with the Development Academy of the Philippines for NGAs, LGUs, GOCCs, and SUCs to cover Harmonized Bidding Documents as well. Full training to be accomplished by March 2005.	WB-IDF/ ASEM 2
	7. Prepare a report on bid prices/variation orders relative to Engineer's Estimates in projects with and without fixed budget ceilings.	Government Procurement Policy Board/Department of Public Works and Highways/ Commission on Audit	September 2004	Done. The report of the consultants was discussed during the CPAR Second Update Mission. Recommendations were considered.	Government will request Japan Bank for International Cooperation
	8. Pilot testing of the Procurement Manual in at least nine (9) agencies/Local Government Units.	Government Procurement Policy Board/All Agencies/ Local Government Units	September 2004	Ongoing. Terms of Reference still to be finalized. Manuals still to be reviewed.	ASEM 2 Grant
	9. Downloading of bidding documents from the Procurement Services or agency website.	Government Procurement Policy Board/Department of Health or Department of Public Works and Highways	December 2004	Done. G-EPS has full capability to allow downloading of bidding documents.	
	10. Improvement of skills in estimating prices and analyzing bid variances.	Government Procurement Policy Board/Department of Public Works and Highways	September 2004	Ongoing. Terms of Reference have been drafted	WB-IDF
	11. Include procurement method for small works in the Implementing Rules and Regulations or procurement manual.	Government Procurement Policy Board	June 2004	Done. Guidelines for Implementation of Projects by Administration approved by Resolution No.	

Key Area	Activity and Agreed Action	Responsible Agency	Timetable	Status as of August 31, 2004	Proposed Funding
	12. Introduce a system of value engineering analysis on a pilot basis, to check that designs and cost estimates ensure best value for money. Begin with three selected projects and invite foreign experts to share international experience.	Government Procurement Policy Board/Department of Public Works and Highways	June 2004	Done. Initial introduction of the concept of value engineering by a foreign expert was conducted on June 14, 15 and 18, 2004 at the World Bank. The GPPB and DPWH will still have to undertake the pilot project.	WB will provide funding for trainer
	13. Pilot "design and build" procurement schemes in at least one contract.	Government Procurement Policy Board/Department of Public Works and Highways	June 2004	Done. A number of water supply and waste management projects are under Design and Build procurement.	
	Enhance Transparency	14. Capacity building of Civil Society Organizations as Government's partners and Bid and Awards Committee observers.	Government Procurement Policy Board	June 2005	Ongoing. This will be done with the newly created Alliance of CSOs with PWI as the Secretariat.
15. Define the qualification criteria to match bidding requirements in the procurement manual.		Government Procurement Policy Board/Department of Public Works and Highways	June 2004	Done in the bidding documents for works harmonized with ADB, JBIC and WB.	
16. Collect and disseminate data on actual bid prices of common procurement items, e.g. classrooms, roads, medical supplies, water supply, and books procured by different		Government Procurement Policy Board/Commission on Audit/Procurement Watch, Incorporated	June 2004	Ongoing. G-EPS is monitoring bid prices of commonly used items. A standalone study will be done for selected items.	

Appendix 4 - Status of Procurement Training and G-EPS Update

Status of Procurement Training on Procurement Laws, Rules and Regulations (October 2002 – December, 2004)

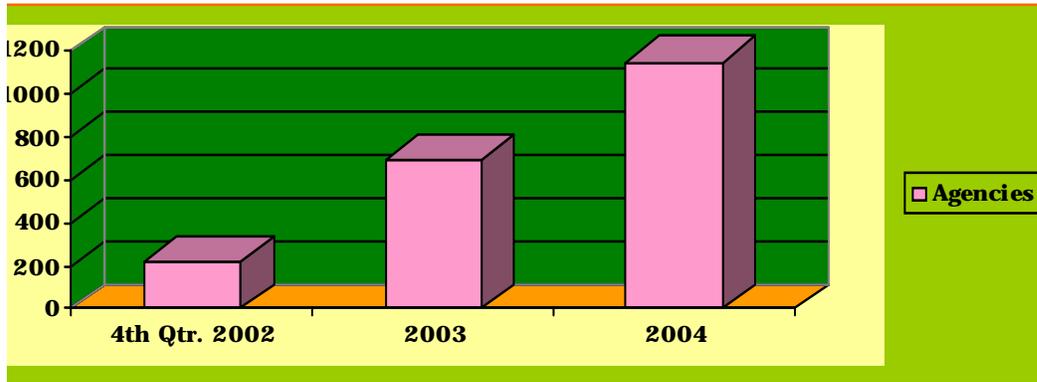
Agencies	No. of Existing Agencies	No. of Trained Agencies	Percentage of Agencies Trained
National Government Agencies (NGAs)	739¹	549	62.32%
Main/Regional Offices	435	404	92.87%
Bureaus	145	48	33.10%
Attached Agencies	159	97	61%
Local Government Units (LGUs) (excluding barangays)	1,692²	1,228	77.23 %
Provinces	79	66	83.54%
Cities	119	91	76.47%
Municipalities	1,494	1,071	71.68%
Government-Owned or Controlled Corporations (GOCCs) and other Government Corporate Entities (GCEs)	723³	167	40.14 %
Chartered GOCCs	76	61	80.26%
Non-Chartered GCEs	57	14	24.56%
GOCCs by Judicial Decisions	590	92	15.6%
State Universities and Colleges (SUCs)	112⁴	112	100%
SUCs in NCR	8	8	100%
SUCs in other regions	102	102	100%
Other attached SUCs	2	2	100%
TOTAL	3,266	2,056	70%

¹ Source: Department of Budget and Management (DBM) Directory, Organization and Productivity Information Bureau (OPIB) – DBM, Agencies' Main Offices, Agencies' Website

² Source: Department of Interior and Local Government

³ Source: Department of Finance

⁴ Status Report on G-EPS (2001-December 2004)



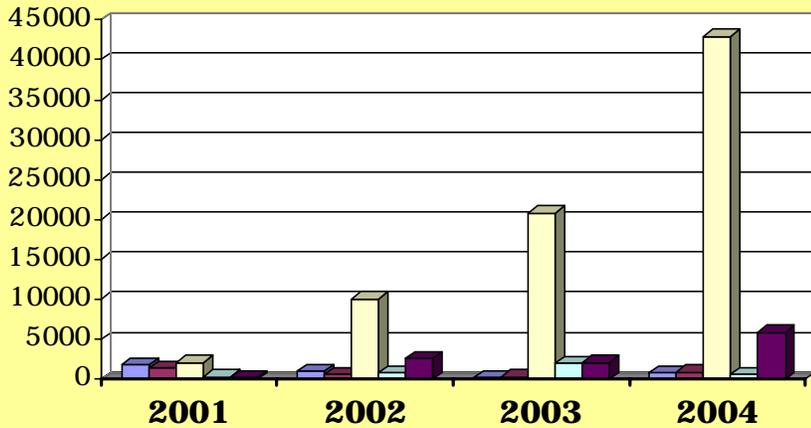
Status Report on G-EPS (2001-December 2004)⁵

Agency	Total
No. of Agencies Registered w/G-EPS	3,558
No. of Agencies Trained on G-EPS	2,993
No. of Notices Posted	75,842
No. of Agencies who Posted on G-EPS	3,531
No. of Awards Posted	10,529

Supplier	Total
No. of Suppliers Trained	3,186
No. of Registered Suppliers	11,176
No. of Suppliers that Downloaded Notices	6,734
No. of Notices Downloaded by Suppliers	16,536
No. of Downloaded Notices by Suppliers	59,064

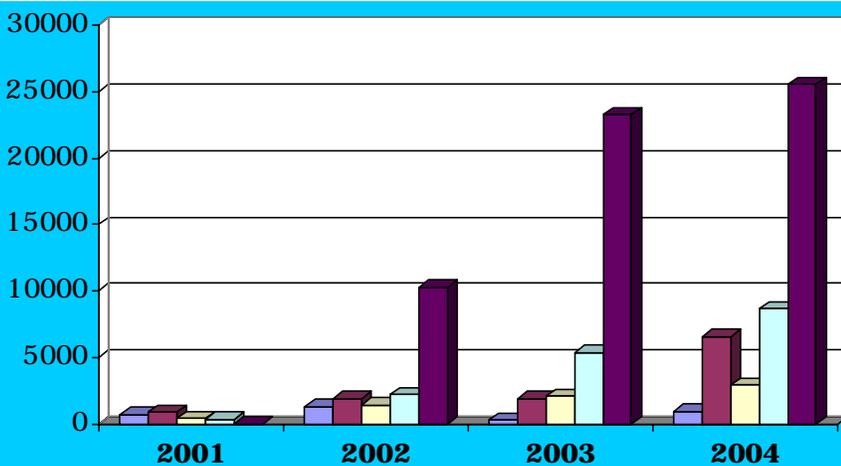
⁵ Source: Office of Philippine Government Electronic Procurement System (PhilGEPS)

AGENCY



- No. of Agencies Registered w/ G-EPS
- No. of Agencies Trained on G-EPS
- No. of Notices Posted
- No. of Agency who Posted on G-EPS
- No. of Awards Posted

SUPPLIER



- No. of Suppliers Trained
- No. of Registered Suppliers
- No. of Suppliers that Downloaded Notices
- No. of Notices Downloaded by Suppliers
- No. of Downloaded Notices by Suppliers

Appendix 5 - Report on Progress of Reforms in LGUs

1. In line with the thrust to fully disseminate the new procurement procedures, the Government Procurement Policy Board (GPPB) spearheaded a move to create an efficient and expeditious system of rolling out training of Republic Act (R.A.) 9184, otherwise known as the "Government Procurement Reform Act," and its Implementing Rules and Regulations Part A (IRR-A) to more than 48,000 local government units. The Department of Budget and Management (DBM) tasked the Local Government Academy (LGA), the training arm of the Department of Interior and Local Government (DILG), to bring together a team of national trainers and to assist in advocating the new law through the conduct of training for a pool of trainers from every region who, in turn, will handle the training of procurement officials - such as the members of the Bids and Awards Committee (BAC), BAC Secretariat and the Technical Working Group (TWG) - in the respective Local Government Units (LGUs) located in their own regions. The pool of trainers consisted of a Composite Team of Regional Trainers for each region. Each team was comprised of representatives from DBM, DILG, Commission on Audit (COA), and the Philippine League of Local Budget Officers (PHILLBO).¹ The objective was to bring together different departments dealing with different facets of local government so that together they could answer all possible questions and resolve issues plus provide information to LGUs. The goal of the entire program was to train all LGUs in the country on the basic provisions of R.A. 9184. The strategy includes the standardization of all materials for the training and the distribution of Frequently Asked Questions (FAQs) from concluded training on R.A. 9184 to the participants.

2. After having trained the trainers, the Government Procurement Policy Board Technical Support Office (GPPB-TSO) then entered into a Memorandum of Agreement (MOA) with the PHILLBO for the organization, arrangement, management and administration of the procurement training to be conducted by the Composite Team for LGUs in all the regions with DBM acting as the lead agency and over all coordinator of the Team. The methodology of the LGU training programs generally utilized lecture-discussions, open forums, and workshops using case analyses and mock biddings, and pre-training and post-training evaluation sheets.

3. Table 1 shows the status report on the training of LGUs conducted by the Composite Teams from April to December 2004. This table is based on those reports that have been sufficiently documented by the GPPB-TSO. It has to be mentioned as well that, prior to the creation of the Composite Teams, the GPPB-TSO had initially conducted regional training on the new procurement law, and that this training included LGU participants composed of Local Government Officials, Local Budget Officers, Engineers, Municipal Treasurers, BAC Members/Secretariat and Procurement/Supply Officers. The training was conducted in Regions II, III, IV, V, VI, VII, VIII, IX, X, XI, NCR, and the Cordillera Autonomous Region (CAR) within a period from October 2002 until December 2003. Using the same GPPB-TSO pool of speakers, a similar

¹ The PHILLBO is a private organization whose membership consists of local budget officers throughout the country and whose purpose is to constantly build up, improve and strengthen the capacities of its members in LGUs through appropriate interventions responsive to the changing demands and opportunities of the times.

Table 1: Summary Status Report of the Training for Local Government Units (period covering April to December 2004)

Region	Participants (LGUs)			Percentage of LGUs Trained
	Province	Municipality	City	
II	4 trained/4 P 100%	113 trained/117 M 96.58%	8 trained/8 C 100%	125/129 96.90%
III	5 trained/5 P 100%	85 trained/90 M 94.44%	3 trained/3 P 100%	93/93 94.90%
III	7 trained/7 P 100%	103 trained/118 M 87.29%	10 trained/12 C 83.33%	120/137 87.59%
IV - A ²	5 trained/5P 100%	103 trained/132 P 78.03%	11 trained/11 P 100%	119/148 80.41%
V	6 trained/6 P 100%	73 trained/107 M 68.22%	6 trained/10 C 60%	85/123 69.11%
VI	6 trained/6 P 100%	117 trained/117 M 100%	16 trained/16 C 100%	139/139 100%
VII	4 trained/4 P 100%	114 trained/120 M 95%	12 trained/12 C 100%	130/136 95.59%
VIII	6 trained/6 P 100%	129 trained/139 M 92.81%	4 trained/4C 100%	139/149 93.29%
IX	3 trained/3 P 100%	44 trained/66 M 66.67%	5 trained/5 C 100%	52/74 70.27%
X	5 trained/5 P 100%	85 trained/85 M 100 %	8 trained/8 C 100%	98/98 100%
XI	4 trained/4P 100%	38 trained/43 M 28.37%	4 trained/5 C 80%	46/52 88.46%
XII	4 trained/4 P 100%	38 trained/45 M 84.44%	5 trained/5 C 100%	47/54 87.04%
XIII	4 trained/4 P 100%	49 trained/70 M 70%	3 trained/3 C 100%	56/77 72.73%
CAR	6 trained/6 P 100%	51 trained/76 M 67.11%	1 trained/1 C 100%	58/83 69.90%
National Capital Region (NCR)		3 trained/4 M 75%	12 trained/13 C 92.31%	15/17 88.24%
Autonomous Region of Muslim Mindanao (ARMM)	3 trained/5 P 60%	34 trained/94 M 36.17%	1 trained/1 C 100%	38/100 38%
Total	72 trained/79 P 91.14%	1,179 trained/1,494 M 78.92%	109 trained/119 C 91.60%	1,360/1,692 80.38%

¹ For Region IV-B, training was handled by the Commission on Audit.

program was also conducted by the PHILLBO in November and December 2003, at Tagaytay City, Iloilo City and Davao City, covering the three island clusters of Luzon, Visayas and Mindanao, respectively. These special PHILLBO training seminars had a total of two thousand two hundred and sixty-two (2,262) participants, composed of Local Government Officials, Local Budget Officers, Engineers and Municipal Treasurers.

4. The GOP, through the DBM-Procurement Service (PS), has also been actively marketing the G-EPS to the LGUs, by conducting regional seminars and hands-on trainings for LGUs on its use. Table 2 shows how many LGUs have already undergone hands-on training on the G-EPS beginning in October 2002, while Table 6 shows the number of LGUs registered with the G-EPS, vis-à-vis the total number of existing LGUs.

Table 2: Number of LGUs Trained (hands-on) on the G-EPS (period covering October 1, 2002 to December 31,2004)

	4 th Qtr 2002	1 st Qtr 2003	2 nd Qtr 2003	3 rd Qtr 2003	4 th Qtr 2003	1 st Qtr 2004	2 nd Qtr 2004	3 rd Qtr 2004	4 th Qtr 2004	Total
LGUs	90	33	22	0	81	34	11	18	54	343

Table 3: Total Number of LGUs v. LGUs Registered with G-EPS (as of December 31, 2004)

	Total Number of LGUs	Total Registered with G-EPS
Provincial Government	79	60
City Government	119	107
Municipal Government	1,494	438
Barangay	41,975	41
Total	43,667	646

5. From the above, it can be said that the GOP has been undertaking a vigorous program to disseminate and market the new procurement law and the G-EPS to the LGUs. Moreover, despite a low number of hands-on training on the use of the G-EPS, there appears to be a high rate of LGU registration with the G-EPS at the provincial and city government levels. This high rate of registration appears to spring from the continuous information campaigns of the GPPB-TSO on the new procurement law, because the training invariably identifies the G-EPS as one of the mandatory features of the reform. As such, registration with the G-EPS may, in fact, be considered as one of the indicators of the impact of R.A. 9184, and given the high rate of registration in the Provincial and City Governments, it becomes apparent that LGUs at this level are increasingly becoming aware of the law and adopting it. On the other hand, the low rate of G-EPS registration in Barangays may be attributed to a lack of training at that level and sheer lack of infrastructure.

¹ GPPB-TSO

² *Id.*

6. To further elucidate on the impact of R.A. 9184 on the LGUs, the survey of the GPPB-TSO on LGU compliance with the Annual Procurement Plan (APP) BAC requirements may prove to be helpful. This survey was conducted by the GPPB-TSO in twenty-seven LGUs – comprising twenty-three cities/municipalities and thirteen provinces – representing the CAR, Regions I, III, IVA, IV-B, V, VI, VII, IX, XI, and the National Capital Region (NCR), from June to December 2004. First of all, it showed that all the respondents affirmed that they adopted a centralized system of procurement, which means that these LGUs are able to consolidate procurement requirements at either the Provincial, City or Municipal levels; thereby facilitating the introduction of reforms, as most efforts may be focused on only one main and central office.

Secondly, looking at the APP and BAC provisions of R.A. 9184, Table 4 shows the percentage of compliance by the respondent LGUs with essential provisions of the law on the preparation and use of the APP, and the formation of the BAC. It should be noted, however, that some assertions contained therein may be self-serving and would have to be validated. At any rate, the results of the survey may be sufficient to justify the assertion that the reforms in the new procurement law may effectively be implemented at the Provincial, City and Municipality levels.

Table 4: LGU Compliance with APP and the BAC Requirements (as of December 31, 2004)¹

APP Requirement	Percentage of Compliance
Preparation of the Annual Strategic Plan	89.8%
Approval of APP by Head of Procuring Entity or 2 nd Ranking Official, duly designated	100%
APP is consistent with yearly-approved budget	100%
APP has provisions on foreseeable emergencies, based on historical records	69.6%
APP includes a Project Procurement Management Plan (PPMP) for each individual project	75.2%
Existence of PMO that is supposed to be responsible for preparing and updating the PPMP	48.4%
BAC Secretariat is responsible for the consolidation of the PPMPs into an APP	45.75%

¹ GPPB-TSO

Recommendations

7. Accrediting Procurement Training Programs. As pointed out above, the nationwide procurement training program of the GPPB-TSO is considered by almost all participants as both effective and advantageous. However, with the onset of this program, various groups have reportedly been undertaking their own seminars and training programs on the new law for both NGAs and LGUs - sometimes charging hefty amounts. While the initiatives of these groups and organizations may be a welcome sign of an increased demand for knowledge on the law, the quality of these programs have sometime been questioned, and the danger of misinformation has been raised. In fact, it has been reported that some speakers would merely use the presentations of the GPPB-TSO designated trainors but would not be able to explain the contents thereof. It should be noted that the GPPB has been training a national composite team of trainors specifically for the purpose of ensuring that the new procurement law would be rolled-out to the regions with the appropriate quality checks. These composite teams are also the same groups that are currently being trained on the new harmonized Philippine Bidding Documents, so that they may likewise conduct the next level of training in the regions. Despite this, it is recognized that these composite teams are still insufficient to cope with the present demand for training - discounting even the private sector. As such, although independent groups and organizations may be allowed to conduct their own training programs on the new procurement law, it is highly recommended that the GPPB develop a mechanism to accredit procurement lecturers and the organizations that seek to conduct public procurement training seminars, to ensure the quality of both, including that of the entire program. Although the accreditation system may not necessarily include in-house training programs, agencies seeking qualified speakers therefore may simply refer to the list of accredited lecturers maintained by the GPPB. This accreditation system may also be linked to the GOP's efforts to develop a certificate program and professionalize the public procurement practice.

8. Record Keeping and Maintaining of LGU Performance. To support the training programs and as a "follow-through" for capacity building efforts at the LGU level, there is a need to strengthen the LGUs' capacity to to manage and maintain procurement records. These records will, in turn, serve as critical input for micro-level maintenance of LGU procurement performances.

Appendix 6 - Progress of Reforms in the Health Sector

1. As provided in the November to December 2003 Country Procurement Assessment Report (CPAR) Update, all the activities and agreed actions in the March 2003 CPAR for the Health Sector have been completed, except for the review and implementation of reforms in terms of decentralization of procurement. In this regard, Department Memorandum No. 74, dated June 19, 2003, was issued by the Secretary of Health, directing all Directors of the Centers for Health Development (CHDs) (the equivalent of the Regional Offices) to: (i) constitute/reconstitute their Bids and Awards Committees (BACs) in accordance with Republic Act (R.A.) 9184, otherwise known as the “Government Procurement Reform Act;” (ii) institutionalise the preparation of the Annual Procurement Plan (APP); and (iii) institutionalise a procurement monitoring system that will ensure adherence to the procurement timelines provided in R.A. 9184. However, there is still a need for developing the capacities of the BACs in the various regions through training programs and seminars on procurement. Moreover although the decentralized BACs were created by Department Memorandum No. 74, the Department of Health (DOH) maintains a centralized distribution system for essential drugs.¹ It should be noted that a Contract Distribution System (CDS) was developed by the DOH with assistance from the World Bank for the purpose of monitoring the demand and consumption of essential drugs. But, until now, this is being fully implemented only in one region, i.e., Region VI. Among the barriers to the full implementation of the CDS are misconceptions in the regions regarding the payment of distributors, issues on the procurement of drugs at the CHD level, warehousing, the need to upgrade facilities, and problems in managing the supply chain.²

2. As part of organizational reforms, by virtue of Department Order No. 210-E, dated August 2002, the DOH restructured its Procurement and Logistics Service, by dividing it into two divisions, the Procurement Division and the Materials Management Division, each headed by a Director. The former acts as the Secretariat for the Central Office Bids and Awards Committee (COBAC) and is responsible for requirements planning, sourcing and ordering, while the latter is responsible for receipt of goods, preparation of payment documents, storage and distribution. Thus, by separating logistics from the actual procurement activities, there is an increased check and balance in the new organizational set-up.

3. With the DOH dividing its Procurement and Logistics Service into the Procurement Division and the Materials Management Division, it has established an internal oversight committee, the Procurement Committee, to ensure effective operation and proper coordination between these two offices as well as the finance units. However, a lot more has to be done on the logistics side, particularly in distribution, as there have been problems in recent deliveries. In the case of SEMP2, while procurement (through UN agencies)

¹ Based on an interview with Department of Health Undersecretary Alexander A. Padilla, Engr. Joel N. Lazo, Chief of the Procurement Division, Department of Health, and Dr. Maria Virginia Guzman-Ala, Chief, Project Management Division, Department of Health (October 4, 2004).

² *Id.*

and deliveries up to central warehouses have improved a lot, the on-ward distribution to the end-points (field offices) in the system is a concern. Often, vaccines and drugs are distributed to the end points with only a short time remaining before their expiry dates. The problems have become critical recently because of a logjam in the contract of a forwarder that is effecting the distribution of vaccines and drugs.

4. The November to December 2003 CPAR Update noted the strengthening of the capacity of the Bureau of Food and Drugs (BFAD) so that the registration process has been shortened from six (6) months to two (2) to three (3) weeks. Recently, the BFAD bid out the development of an Automated Total Solution that is intended to further speed up the process. The project is fully locally funded and covers the purchase of equipment, system design, network installation and internet services. Hardware delivery will be completed early this year to allow the Design Phase and Pilot Testing to be accomplished in 2005, and the full implementation of the system is planned for 2006.

Recommendations

5. Supporting DOH Reforms. The DOH may need technical assistance to further develop the CDS into a fully functional and effective system that is utilized in all regions. This may require addressing such issues as the authority of CHDs to procure drugs, the upgrade of existing facilities, and a review of the DOH's entire centralized logistics network for drugs, i.e., not only from planning to contracting, but including warehousing and distribution.

Appendix 7 - Progress of Reforms in the Education Sector

1. Among the activities and agreed actions in the March 2003 Country Procurement Assessment Report (CPAR) for the Education Sector are the development of an effective procurement planning and inventory monitoring system at the Regional, Division, District and School levels, and the strengthening of the Department of Education's (DepEd's) procurement capacity. To this end, DepEd, has focused much attention to two major areas of reform, namely the National Textbook Delivery Program (Textbook Count) and the creation of its very own Procurement Service (PS).

2. In 2003, the DepEd undertook its first Textbook Count program, involving the procurement and delivery of thirty seven million (37 Million) textbooks and teachers' manuals under the 2nd Social Expenditure Management Project (SEMP2)/Third Elementary Education Project (TEEP), amounting to One Billion Three Hundred Million Pesos (Php1.3 Billion), awarded to six publisher/printer groups. This involved five thousand six hundred twenty-three (5,623) delivery sites and over thirty thousand (30,000) separate deliveries nationwide.

3. The problems addressed under the 2003 Textbook Count were over-pricing, unqualified bidders winning bids, long delays in delivering textbooks, under-deliveries and substandard quality of textbook printing, binding and packaging. Under previous findings of the Philippine Center for Investigative Journalism (PCIJ), in 1998 and 1999, the average delivery period was twenty-four months and the average price per textbook was Ninety Pesos (Php90.00).¹ Now, by virtue of the 2003 Textbook Count, the opening of bids up to awarding of contract were undertaken from November 13, 2002 to January 2003, so that the contracts were awarded on March 2003, at an average price of Forty-one Pesos (Php41.00) per textbook (with Lesson Guides). Moreover, deliveries were completed by the end of November 2003 – translating to a completed procurement cycle within twelve months.² This program also helped achieve a textbook to pupil ratio of 1:1 (except for Math 3 textbooks for elementary and Math IV textbooks for high school),³ from previous ratios of 1:6 at the elementary level and 1:8 at the high school level.⁴ These results were achieved through: (i) the conduct of transparent bidding procedures that were publicly-viewed, taped and conducted with non-governmental organization (NGO) observers, all in accordance with Republic Act (R.A.) 9184; (ii) two-level, mutually exclusive, technical evaluation process (involving financial and content evaluation); (iii) planned and surprise plant visits with Civil Service Organization (CSO)/NGO partners to check on quality; (iv) the use of a common delivery schedule set by the DepEd as the client and not by the publishers/suppliers; (v) the use of CSOs and NGOs to monitor and inspect deliveries; (vi) detailed and full disclosure of deliveries to principals and district

¹ Presentation delivered by Department of Education Undersecretary Juan Miguel Luz, during the Combating Corruption Conference, Manila, Philippines, entitled "National Textbook Delivery Program (Textbook Count) – Libro Ko, Kinabukasan Ko" (September 21, 2004).

² *Id.*

³ Based on an interview with Department of Education Undersecretary Juan Miguel Luz and Ms. Aida Carpentero, Director of the Procurement Service, Department of Education (September 20, 2004).

⁴ See Philippine Center for Investigative Journalism, *Betrayals of the Public Trust: Investigative Reports on Corruption*, at 65 (2000).

supervisors through individual letters; (vii) published school-by-school delivery schedules in local newspapers, with actual textbook numbers and range of delivery dates; and (viii) radio advertisements to announce textbook deliveries to the general public.⁵

4. The DepEd has also successfully undertaken its 2nd National Textbook Delivery Program for 2004 (Textbook Count 2), involving thirteen million six hundred thousand (13.6 Million) textbooks amounting to Six Hundred Sixty Million Pesos (Php660 Million), to over thirty-five thousand (35,000) delivery sites nationwide, from July through November 2004. Similar to the 1st Textbook Count, the 2nd Textbook Count involved partnering with an even larger number of CSOs and NGOs (18), as well as the Government Procurement Policy Board (GPPB); but, this time, the program also taps the Boy Scouts and Girl Scouts of the Philippines organized at each of the school sites. Aside from the World Bank financed SEMP2 and TEEP projects, textbooks from the Asian Development Bank's Secondary Education Development and Improvement Project (SEDIP) were included in the textbook delivery program for the first time. This necessitated better coordination within and outside of DepED in view of the number of projects, suppliers/forwarder and delivery sites involved.

5. Using the provisions of Section 14 of R.A. 9184 and its Implementing Rules and Regulations Part A (IRR-A), which provides for the creation of a Secretariat in the procuring entity to support the Bids and Awards Committee (BAC), the DepEd created the PS. The creation of the PS was also committed to by the GOP to the World Bank under the SEMP loan, which provides for the improvement of the performance and efficiency of DepEd procurement systems, financial management and information communication systems.

6. The PS is tasked to act as BAC Secretariat at the central office in all biddings costing Two Hundred Fifty Thousand Pesos (Php250,000) and above, as well as provide technical support in the evaluation of bids, the implementation of a procurement tracking system, and the overseeing of contract administration, among others. All procurements below the Php250,000 threshold are handled by the Property Division.

The PS is headed by a Director III, and has a staffing complement of sixteen. All the positions available have been filled from internal and external recruitments.

7. The general functions of the PS cover the acquisition of goods and consulting services, and the contracting for infrastructure projects; secretariat and support services to the BAC; the provision of efficient records management of procurement documents; and contract administration. Its special functions are:

- Formulate plans, policies, standards and guidelines pursuant to R.A. 9184 and other relevant laws, rules and regulations.

⁵ *Supra* note 1.

- Procure goods and consulting services and contract for infrastructure projects, including lease of goods and real estate, through local or international competitive bidding, or when necessary, any of the alternative methods of procurement.
- Maintain the procurement database and records management.
- Liaise with the GPPB-Technical Support Office (TSO).
- Provide opportunities for the training of personnel to professionalize the procurement service and the procurement functions within DepEd.
- Advise the Secretary of Education on procurement matters.

Recommendations

8. Supporting DepEd Reforms. The initiative of the DepEd to institutionalize internal procurement reforms through the creation of its PS has to be supported. In particular, now that the PS is fully staffed, it would need to undergo training sessions to build its capacity on database and records management, project management, local and international procurement procedures, and effective planning, among others. It would have to establish an effective partnership with the GPPB-TSO to be kept abreast with updates on the GOP's overall procurement reform program. It would also need to institutionalize its arrangements with CSOs/NGOs for a continued effective partnership in procurement and contract administration undertakings.

Appendix 8 - Baseline Indicator System Report

Baseline Indicator System with Weights

The assessment of the Philippines’ public procurement system was conducted on the basis of four (4) key areas called “Pillars,” which are composed of twelve (12) Indicators that have been identified as the core components of a public procurement system. These twelve (12) Indicators are, in turn, composed of Baselines that are considered the desirable standards against which the existing elements of the Philippines’ public procurement system may be assessed. The table below provides for the descriptive analysis of the rating as to where, how and why the Philippines fully or fails to achieve this standard.

For the assessment, points were given to each Baseline, the total of which corresponds to weights assigned to each of the Indicators. In turn, the weights of these Indicators comprise the total score for each of the four (4) Pillars. To reflect their equal importance, each of the Pillars was given a weight of twenty-five percent (25%) each, amounting to a grand total of one hundred percent (100%). The distribution of points was based upon the importance and relevance of each of the Baselines and Indicators involved, in relation to the Philippines’ public procurement reform program.

PILLAR I – THE LEGISLATIVE AND REGULATORY FRAMEWORK (25%)		
Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 1 – Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations (15%) 	<ul style="list-style-type: none"> <i>Baseline (a) – Scope of application and coverage of the legislative and regulatory framework (20% of Indicator)</i> <ol style="list-style-type: none"> Contracting entities at all levels, including government authorities, municipalities, regional authorities and utilities/state-owned enterprise, are covered (5%) All areas of procurement; works, goods and consulting services are included (5%) Procurement using public funds, irrespective of contract value, is included (5%) The applicable legislative and regulatory framework is structured, consistent, and accessible to users and all interested stakeholders (5%) 	<ul style="list-style-type: none"> Yes. Sec. 4, R.A. 9184. Yes. Sec. 4, R.A. 9184. Yes. Sec. 1, IRR-A, R.A. 9184. Yes. R.A. 9184. provides for open and competitive bidding.

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 1 – Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations (15%) 	<ul style="list-style-type: none"> <i>Baseline (b) – Procurement methods (15% of Indicator)</i> <ol style="list-style-type: none"> 1. Stated preference for the use of open, competitive procurement unless otherwise justified in accordance with the legislative and regulatory framework (3.75%) 2. International competitive tendering methods defined for specified contracts (e.g. where monetary thresholds exist) that are consistent with international standards (3.75%) 3. Defined basis for the procurement method, if other than open competition (3.75%) 4. Negotiated procedures and direct purchasing only under well defined and justified circumstances, subject to controls (3.75%) <i>Baseline (c) – Advertising rules and time limits (10% of Indicator)</i> <ol style="list-style-type: none"> 1. Mandatory and accessible publication of opportunities for competitive procurement (3.33%) 2. Mandatory publication of result information on contract awards based on defined thresholds (3.33%) 3. Minimum time limits for submission of tenders and applications, which should be consistent with methods of procurement, national conditions and when applicable, international requirements (3.33%) <i>Baseline (d) – Rules on participation and qualitative selection (15% of Indicator)</i> <ol style="list-style-type: none"> 1. Fair, predictable and defined rules for participation that rely on qualifications and ability to perform the requirement (3.75%) 2. Limited and controlled use of price preferential clauses (3.75%) 3. Debarment process if covered, on defined basis, allowing for due process and appeal (3.75%) 4. Rules for participation of government-owned enterprise that provide for equal treatment in competitive procurement (3.75%) 	<ul style="list-style-type: none"> • Yes. Sec. 10, R.A. 9184. • No. R.A. 9184 is generally not open to foreign competition, but exceptions exist. • Yes. Secs. 48 to 54, R.A. 9184. • Yes. Secs. 50, 52 and 53, R.A. 9184. • Yes. Sec. 21, R.A. 9184. • Yes. Posting requirement in G-EPS. • Yes. Annex C, IRR-A, R.A. 9184. • Yes. Secs. 23 and 24, R.A. 9184. • Yes. R.A. 9184 has clear conditions. • Yes. R.A. 9184 has blacklisting and protest mechanisms and. • Yes. R.A. 9184 allows GOCCs to bid competitively.

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> • Indicator 1 – Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations (15%) 	<ul style="list-style-type: none"> • <i>Baseline (e)</i> – Tender documentation and technical specifications (5% of Indicator) <ol style="list-style-type: none"> 1. The minimum content of the tender documentation is specified (2.5%) 2. Neutral technical specification with reference to international standards where possible (2.5%) • <i>Baseline (f)</i> – Tender evaluation and award criteria (15% of Indicator) <ol style="list-style-type: none"> 1. Objective, fair and pre-disclosed criteria for evaluation and award of contracts (7.5%) 2. Clear methodology for evaluation of tenders based on price and other fully disclosed factors leading to award of contract (7.5%) • <i>Baseline (g)</i> – Submission, receipt and opening of tenders (15% of Indicator) <ol style="list-style-type: none"> 1. Public opening of tenders in a defined manner that ensures the regularity of the proceedings (5%) 2. Clear requirement to maintain records of proceedings and process that are available for review/audit (5%) 3. Requirement to maintain security and confidentiality of tenders prior to bid opening (5%) • <i>Baseline (h)</i> – Complaint review procedures (5% of Indicator) <ol style="list-style-type: none"> 1. Inclusion of complaint and remedy procedures that provide for fair, independent and timely implementation (5%) 	<ul style="list-style-type: none"> • Yes. R.A. 9184 provides for minimum requirements. • Yes. R.A. 9184 prohibits use of brand names. • Yes. Secs. 32 and 33 of R.A. 9184. • Yes. Secs. 32 and 33 of R.A. 9184. • Yes. Sec. 29, R.A. 9184. • Yes. BAC Secretariat required to keep records of bidding. • Yes. Confidentiality clause and penal provisions in R.A. 9184. • Yes. Art. XVII, R.A. 9184.

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> • Indicator 2 – Existence of Implementing Regulations and Documentation (10%) 	<ul style="list-style-type: none"> • <i>Baseline (a)</i> – The existence and availability of implementing regulation that provides defined processes and procedures not included in higher level legislation (20% of Indicator) • <i>Baseline (b)</i> – The existence and availability of model tender documents for goods, works and services (20% of Indicator) • <i>Baseline (c)</i> – The existence and availability of procedures for pre-qualification (10% of Indicator) • <i>Baseline (d)</i> – The existence and availability of procedures suitable for contracting for services or other requirements where technical capacity is a key criteria (10% of Indicator) • <i>Baseline (e)</i> – The existence and availability of user's guide or manual for contracting entities (20% of Indicator) • <i>Baseline (f)</i> – The existence and availability of General Conditions of Contracts for public sector contracts covering goods, works and services consistent with national requirements and international requirements when applicable (20% of Indicator) 	<ul style="list-style-type: none"> • <i>Qualified Yes. IRR-A, R.A. 9184 covers locally-funded projects, while Foreign-Assisted Projects are covered by Secs. 4 and 43 of the law.</i> • <i>Yes. Sec. 6, R.A. 9184 and Harmonized Philippine Bidding Documents.</i> • <i>Yes. Eligibility is equivalent to prequalification.</i> • <i>Yes. R.A. 9184 allows QBS procedures for consulting services.</i> • <i>Qualified Yes. Procurement Manuals have been drafted and ready for issuance.</i> • <i>Yes. In the Harmonized Philippine Bidding Documents.</i>

PILLAR II – CENTRAL INSTITUTIONAL FRAMEWORK AND CAPACITY (25%)

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> <li data-bbox="147 405 430 548">• Indicator 3 – Mainstreaming Procedures into Public Financial Management (9%) <li data-bbox="147 1150 430 1262">• Indicator 4 – Functional Normative Body (the Body) at the Centre (8%) 	<ul style="list-style-type: none"> <li data-bbox="430 405 1133 489">• <i>Baseline (a)</i> – Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning (30% of Indicator) <li data-bbox="430 548 1133 604">• <i>Baseline (b)</i> – Budget Law supports timely procurement, contract execution and payment (10% of Indicator) <li data-bbox="430 663 1133 720">• <i>Baseline (c)</i> – No initiation of procurement actions without existing budget appropriations (20% Indicator) <li data-bbox="430 831 1133 888">• <i>Baseline (d)</i> – Contract execution is subject to budgetary controls to ensure sufficient funding for contract (20% Indicator) <li data-bbox="430 947 1133 1031">• <i>Baseline (e)</i> – Budgeting system provides for timely release of funds to make payments against contractual obligations (20% of Indicator) <li data-bbox="430 1178 1133 1262">• <i>Baseline (a)</i> – The status and basis for the functional normative body at the centre (the Body) is covered in the legislative and regulatory framework (30% of Indicator) <li data-bbox="430 1293 1133 1545">• <i>Baseline (b)</i> – The responsibilities of the Body address a defined set of functions which include, but are not limited to: the provisions of advise to contracting entities; drafting amendments to the legislative and regulatory framework and implementing regulations; providing monitoring of public procurement; providing procurement information; reporting on procurement to other parts of government; developing and supporting implementation of initiatives for improvements of the development of implementing staff (20% of Indicator) <li data-bbox="430 1577 1133 1692">• <i>Baseline (c)</i> – Organization and staffing of the Body and the level of independence and authority (formal power) of the body to exercise its duties is sufficient and consistent with the responsibilities (30% of Indicator) <li data-bbox="430 1776 1133 1833">• <i>Baseline (d)</i> – Responsibilities of the Body provide for separation and clarity so as to avoid conflict of interest (20% of Indicator) 	<ul style="list-style-type: none"> <li data-bbox="1133 405 1430 462">• Yes. Art. II, R.A. 9184 and P.D. 1177. <li data-bbox="1133 548 1430 604">• Yes. P.D. 1177 and in GAA. <li data-bbox="1133 663 1430 804">• Yes. R.A. 9184 provides for Approval Budget for the Contract prior to procurement. <li data-bbox="1133 831 1430 888">• Yes. R.A. 9184, P.D. 1177, P.D. 1445. <li data-bbox="1133 947 1430 1146">• Qualified No. Delayed release of funds at times, but there is a pilot payment system through the banks for DPWH. <li data-bbox="1133 1178 1430 1234">• Yes. Art. XX, R.A. 9184. <li data-bbox="1133 1293 1430 1350">• Yes. Art. XX, R.A. 9184. <li data-bbox="1133 1577 1430 1755">• Yes. Art. XX, R.A. 9184 provides for cabinet-level representation and a Technical Support Office. <li data-bbox="1133 1776 1430 1892">• Yes. Art. XX, R.A. 9184 provides for an independent inter-agency body.

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 5 – Existence of Institutional Development Capacity (8%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – A system exists for collection and dissemination of procurement information, including tender invitations, request for proposals and contract award information (15% of Indicator) <i>Baseline (b)</i> – A sustainable strategy exists to provide training advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented (30% of Indicator) <i>Baseline (c)</i> – Systems and procedures exist for collection and monitoring of national procurement statistics (25% of Indicator) <i>Baseline (d)</i> – Quality control standards are disseminated and used to evaluate performance of staff and address capacity development issues (30% of Indicator) 	<ul style="list-style-type: none"> <i>Qualified Yes. A central portal exists but contract award information is not yet accessible.</i> <i>Qualified Yes. Sec. 16, R.A. 9184 and program to professionalize public procurement, but private sector is not included.</i> <i>No. Rudimentary system which has to be developed further.</i> <i>No. Quality control standards still have to be developed.</i>

PILLAR III – PROCUREMENT OPERATIONS AND PUBLIC PROCUREMENT MARKET PERFORMANCE (25%)

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> • Indicator 6 – Efficient Procurement Operations and Practice (10%) 	<ul style="list-style-type: none"> • <i>Baseline (a)</i> – At the contracting entity level, the level of procurement competence among government officials within the entity is consistent with their procurement responsibilities (25% of Indicator) • <i>Baseline (b)</i> – At the contracting entity level, the procurement training and information programmes implemented for government officials, as well as for private sector participants is consistent with demand (25% of Indicator) • <i>Baseline (c)</i> – At the contracting entity level, the existence of administrative systems for public procurement operations, and information databases to support monitoring of performance and reporting to and responding to the needs of other related government systems (25% of Indicator) • <i>Baseline (d)</i> – At the contracting entity level, the existence and implementation of internal control mechanisms for the undertaking of procurement operations at the contracting level, including a code of conduct, separation of responsibilities as a check/balance mechanism and oversight/control of signature/ approval authority (25% of Indicator) 	<ul style="list-style-type: none"> • <i>No. Professional program is not yet in full swing.</i> • <i>No. The demand of public and private sector participants still has to be met.</i> • <i>Qualified Yes. Administrative systems exist, but these have to be improved because they do not yet adequately support monitoring performance. Although some agencies have successfully developed procurement systems and information databases to support monitoring activities.</i> • <i>Qualified Yes. E.O. 109-A provides for signing authorities, and various laws and executive orders to strengthen internal control mechanisms have been issued. Although most agencies have internal audit units and/or internal control systems, this has not been institutionalized on a nationwide scale.</i>

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 7 – Functionality of the Public Procurement Market (10%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – The public procurement market in the country has sufficient numbers of producers/suppliers to provide for competition and comparative pricing for goods, works and services when compared to prices paid for similar requirements in local, regional or international markets as applicable (30% of Indicator) <i>Baseline (b)</i> – The quality and consistency of submissions by the private sector to the government enables the application of the process leading to the award and completion of contracts (20% of Indicator) <i>Baseline (c)</i> – The participation rate of tenderers in response to competitive tender invitations is consistent with the capacity of the marketplace (20% of Indicator) <i>Baseline (d)</i> – The private sector confidence in the legal and regulatory framework governing the procurement process is evidenced by their use of complaints or protests mechanisms (30% of Indicator) 	<ul style="list-style-type: none"> <i>Yes. Sufficient enough to conduct a competitive bidding for most items and works.</i> <i>Yes. Private sector is generally capable of complying with bidding requirements.</i> <i>No. Political interventions distort competition and participation rate. There are private sector companies that have not been participating.</i> <i>No. Few complaints received. Information on confidence level is lacking because R.A. 9184 is relatively new.</i>
<ul style="list-style-type: none"> Indicator 8 – Existence of Contract Administration and Dispute Resolution Provisions (5%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – Procedures are defined for undertaking contract administration responsibilities to include inspection and acceptance procedures, quality control procedures and methods to review and issue contract amendments in a timely manner (50% of Indicator) <i>Baseline (b)</i> – Dispute resolution procedures are included in the contract document providing for an efficient and fair process to resolve disputes arising during the performance of the contract (25% of Indicator) <i>Baseline (c)</i> – Procedures exist to enforce the outcome of the dispute resolution process (25% of Indicator) 	<ul style="list-style-type: none"> <i>Yes. R.A. 9184 provides for contract administration, variation orders/ amendments and warranties.</i> <i>Yes. Art. XVIII of R.A. 9184.</i> <i>Yes. Arbitration Law provides for this.</i>

PILLAR III – THE INTEGRITY AND TRANSPARENCY OF THE PUBLIC PROCUREMENT SYSTEM (25%)

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> • Indicator 9 – Effective Control and Audit System (8%) 	<ul style="list-style-type: none"> • <i>Baseline (a)</i> – A legal framework, organization, policy and procedures for internal and external control and audit of public procurement operations exists and operates to provide a functioning control framework (25% of Indicator) • <i>Baseline (b)</i> – Enforcement and follow-up on findings and recommendations of the control framework provide an environment that fosters compliance (20% of Indicator) • <i>Baseline (c)</i> – The internal control system provides timely information on compliance to enable management action (20% of Indicator) • <i>Baseline (d)</i> – The internal control systems are sufficiently defined to enable performance audits to be conducted (10% of Indicator) • <i>Baseline (e)</i> – Auditors are sufficiently informed about procurement requirements and controls systems to conduct quality audits that contribute to compliance (25% of Indicator) 	<ul style="list-style-type: none"> • <i>Qualified Yes. Laws such as P.D. 1445 and R.A. 3456 govern these matters. Existing systems in most agencies have to be improved. Most agencies have no internal audit units/ internal control systems.</i> • <i>No. There is lack of enforcement.</i> • <i>No. Weak internal control in most agencies.</i> • <i>Yes. Internal control system existing are clearly defined.</i> • <i>Qualified Yes. Some auditors are not sufficiently informed of procurement requirements. There are complaints about conflicting COA interpretations of procurement law.</i>

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 10 – Efficiency of Appeals Mechanism (5%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – The existence and operation of a complaint review system that gives participants in the public procurement process a right to file a complaint within the framework of an administrative and judicial review procedure (25% of Indicator) <i>Baseline (b)</i> – Decisions are deliberated on the basis of available information and the final decision can be reviewed and ruled upon by a body with judicial capacity under the law (15% of Indicator) <i>Baseline (c)</i> – The complaint review system has the capacity to handle lodged complaints efficiently and a means to enforce the remedy imposed (25% of Indicator) <i>Baseline (d)</i> – The system operates in a fair manner, with outcomes of decisions balanced and justified on the basis of available information (10% of Indicator) <i>Baseline (e)</i> – Decisions are published and made available to the public (15% of Indicator) <i>Baseline (f)</i> – Administrative review body is separate from the regulatory body (10% of Indicator) 	<ul style="list-style-type: none"> Yes. Art. XVII of R.A. 9184. Yes. Art. XVII of R.A. 9184. Yes. There are administrative, civil and criminal liabilities in R.A. 9184. No. No sufficient information exists in this area. No. There is no requirement to publish decisions. No. There is no central administrative review body.
<ul style="list-style-type: none"> Indicator 11 – Degree of Access to Information (4%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – Access to information is supported by publication and distribution of information through available media with support from information technology when feasible (50% of Indicator) <i>Baseline (b)</i> – Systems exist to collect key data related to performance of the procurement system and to report regularly (25% of Indicator) <i>Baseline (c)</i> – Records are maintained to validate data (25% of Indicator) 	<ul style="list-style-type: none"> Qualified No. R.A. 9184 requires publication/ posting in general newspapers, websites and the G-EPS, but full access of information is not fully institutionalized. Qualified No. Although some agencies have systems, the key data actually needs to be identified. Qualified Yes. Agencies maintain records. Contents of the records have to be defined.

Indicators	Baselines	Answers/Comments
<ul style="list-style-type: none"> Indicator 12 – Ethics and Anti-corruption Measures (8%) 	<ul style="list-style-type: none"> <i>Baseline (a)</i> – The legal and regulatory framework for procurement, including tender and contract documents, includes provisions addressing the issues of corruption, fraud, conflict of interest and unethical behaviour and states actions which can be taken with regard to such behaviour (either directly or by reference to other laws) (50% of Indicator) <i>Baseline (b)</i> – Special measures by the government to prevent and detect potential fraud and corruption in public procurement is addressed in an anti-corruption programme (25% of Indicator) <i>Baseline (c)</i> – Stakeholders (private sector and civil society) support the creation of a procurement market known for its integrity and ethical behaviour (25% of Indicator) 	<ul style="list-style-type: none"> Yes. R.A. 9184 includes provisions on all these matters. Other laws also address these, e.g., R.A. 3019 and 6713. Qualified Yes. There is an anti-corruption program that involves CSOs, but it needs further development to address effectiveness. Yes. There is strong CSO involvement, which finds support in Secs. 13 and 64 of R.A. 9184.

Assessment Ratings

The following Assessment Ratings per Indicator shall be used to determine the level of achievement met by the Philippines, to provide a profile or mapping of its existing public procurement system. The Assessment Ratings are based upon the points garnered for each Baseline.

Level of Achievement

0 – 20% of Indicator	21 – 50% of Indicator	51 – 80% of Indicator	81 – 100% of Indicator
NA	PA	SA	FA

Legend:

NA – No Baseline elements substantially met

PA – Less than 50% of Baseline elements substantially met

SA – More than 50% of Baseline elements substantially met

FA – All baseline elements are substantially met

Application

Applying the BIS weights upon the Philippines' national procurement system, a Grand Total Score of 67.29% was garnered as a result of the scores achieved by the Philippines in the attached BIS Rating Sheet and Charts. Adopting the above Assessment Ratings for the Indicators, this translates to a Level of Achievement whereby more than fifty percent (50%) of ALL Baseline elements have been substantially met (SA).

BIS Rating Sheet

Pillars/Indicators/Baselines	Weights	Rating	Level of Achievement
Pillar 1 - The Legislative and Regulatory Framework Indicator 1 – Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations	25.00% 15%	22.44% 14.44%	89.74% FA
Baseline (a) Scope of application and coverage of the legislative and regulatory framework	0.200	0.200	96.24% FA
1. Scope and coverage 2. All areas of procurement included 3. Use of public funds regardless of value 4. Consistent and accessible to all	0.050 0.050 0.050 0.050	0.050 0.050 0.050 0.050	
Baseline (b) Procurement Methods	0.150	0.113	1.69%
1. Preference for open and competitive bidding 2. International competitive procedures 3. Defined basis for use of other procurement method 4. Justifications and controls for negotiation/direct contracting	0.038 0.038 0.038 0.038	0.038 0.000 0.038 0.038	
Baseline (c) Advertising rules and time limits	0.100	0.100	1.50%
1. Mandatory and accessible publication of opportunities 2. Mandatory publication of results based on thresholds 3. Minimum time limits for submission of tenders consistent with methods of procurement	0.033 0.033 0.033	0.033 0.033 0.033	
Baseline (d) Rules on participation and qualitative selection	0.150	0.150	2.25%
1. Fair, predictable and defined rules based on qualifications 2. Limited and controlled use of price preferential clauses 3. Defined debarment process w/ due process and appeal 4. Equal treatment for government owned enterprises in competitive procurement	0.038 0.038 0.038 0.038	0.038 0.038 0.038 0.038	
Baseline (e) Tender documentation and technical specifications	0.050	0.050	0.75%
1. Minimum content of tender documentation specified 2. Neutral technical specifications with reference to international standards where possible	0.025 0.025	0.025 0.025	
Baseline (f) Tender evaluation and award criteria	0.150	0.150	2.25%
1. Objective, fair, and pre-disclosed criteria for evaluation/award 2. Clear methodology for evaluation based on disclosed factors	0.075 0.075	0.075 0.075	
Baseline (g) Submission, receipt and opening of tenders	0.150	0.150	2.25%
1. Public opening in a defined manner 2. Clear requirement to maintain records for review/audit 3. Requirement for security and confidentiality of tenders	0.050 0.050 0.050	0.050 0.050 0.050	
Baseline (h) Complaint review procedures	0.050	0.050	0.75%
1. Complaint and remedy procedures included and provides for fair, independent and timely implementation	0.050	0.050	

Legend:

- NA - No Baseline elements substantially met
- PA - Less than 50% of Baseline elements substantially met
- SA - More than 50% of Baseline elements substantially met
- FA - All Baseline elements are substantially met

Indicator 2 - Existence of Implementing Regulations and Documentation	10.0%	8.00%	80.0%	FA
Baseline (a) – The existence and availability of implementing regulation that provides defined processes and procedures not included in higher level legislation	0.200	0.100	1.00%	
Baseline (b) – The existence and availability of model tender documents for goods, works and services	0.200	0.200	2.00%	
Baseline (c) – The existence and availability of procedures for pre-qualification	0.100	0.100	1.00%	
Baseline (d) – The existence and availability of procedures suitable for contracting for services or other requirements where technical capacity is a key criteria	0.100	0.100	1.00%	
Baseline (e) – The existence and availability of user's guide or manual for contracting entities	0.200	0.100	1.00%	
Baseline (f) – The existence and availability of General Conditions of Contracts for public sector contracts covering goods, works and services consistent with national requirements and international requirements when applicable	0.200	0.200	2.00%	

Pillar II - Central Institutional Framework and Capacity

Indicator 3 – Mainstreaming Procedures into Public Financial Management

- Baseline (a) – Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning
- Baseline (b) – Budget Law supports timely procurement, contract execution and payment
- Baseline (c) – No initiation of procurement actions without existing budget appropriations
- Baseline (d) – Contract execution is subject to budgetary controls to ensure sufficient funding for contract
- Baseline (e) – Budgeting system provides for timely release of funds to make payments against contractual obligations

Indicator 4 – Functional Normative Body (the Body) at the Centre

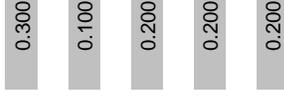
- Baseline (a) – The status and basis for the functional normative body at the centre is covered in the legislative and regulatory framework
- Baseline (b) – The responsibilities of the Body address a defined set of functions which include, but are not limited to: the provisions of advise to contracting entities; drafting amendments to the legislative and regulatory framework and implementing regulations; providing monitoring of public procurement; providing procurement information; reporting on procurement to other parts of government; developing and supporting implementation of initiatives for improvements of the development of implementing staff
- Baseline (c) – Organization and staffing of the Body and the level of independence and authority (formal power) of the body to exercise its duties is sufficient and consistent with the responsibilities
- Baseline (d) – Responsibilities of the Body provide for separation and clarity so as to avoid conflict of interest

Indicator 5 – Existence of Institutional Development Capacity

- Baseline (a) – A system exists for collection and dissemination of procurement information, including tender invitations, request for proposals and contract award information
- Baseline (b) – A sustainable strategy exists to provide training advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented
- Baseline (c) – Systems and procedures exist for collection and monitoring of national procurement statistics
- Baseline (d) – Quality control standards are disseminated and used to evaluate performance of staff and address capacity development issues

25.00%

9.00%



8.00%



8.00%



17.90%

8.10%



2.70%



0.90%



1.80%



1.80%



0.90%

8.00%



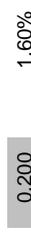
2.40%



1.60%



2.40%



1.60%

1.80%



0.60%



1.20%



0.00%



0.00%

71.60%

90.0%

SA

SA

100.00%

FA

22.5%

PA

Pillar III - Procurement Operations and Public Procurement Market Performance

Indicator 6 – Efficient Procurement Operations and Practice

Baseline (a) – At the contracting entity level, the level of procurement competence among government officials within the entity is consistent with their procurement responsibilities

Baseline (b) – At the contracting entity level, the procurement training and information programmes implemented for government officials, as well as for private sector participants is consistent with demand

Baseline (c) – At the contracting entity level, the existence of administrative systems for public procurement operations, and information databases to support monitoring of performance and reporting to and responding to the needs of other related government systems

Baseline (d) – At the contracting entity level, the existence and implementation of internal control mechanisms for the undertaking of procurement operations at the contracting level, including a code of conduct, separation of responsibilities as a check/balance mechanism and oversight/control of signature/approval authority

Indicator 7 – Functionality of the Public Procurement Market

Baseline (a) – The public procurement market in the country has sufficient numbers of producers/suppliers to provide for competition and comparative pricing for goods, works and services when compared to prices paid for similar requirements in local, regional or international markets as applicable

Baseline (b) – The quality and consistency of submissions by the private sector to the government enables the application of the process leading to the award and completion of contracts

Baseline (c) – The participation rate of tenderers in response to competitive tender invitations is consistent with the capacity of the marketplace

Baseline (d) – The private sector confidence in the legal and regulatory framework governing the procurement process is evidenced by their use of complaints or protests mechanisms

Indicator 8 – Existence of Contract Administration and Dispute Resolution Provisions

Baseline (a) – Procedures are defined for undertaking contract administration responsibilities to include inspection and acceptance procedures, quality control procedures and methods to review and issue contract amendments in a timely manner

Baseline (b) – Dispute resolution procedures are included in the contract document providing for an efficient and fair process to resolve disputes arising during the performance of the contract

Baseline (c) – Procedures exist to enforce the outcome of the dispute resolution process

<p>0.250</p> <p>0.250</p> <p>0.250</p> <p>0.250</p> <p>0.300</p> <p>0.200</p> <p>0.200</p> <p>0.300</p>	<p>10%</p> <p>10.00%</p>	<p>25.00%</p>	<p>0.000</p> <p>0.000</p> <p>0.125</p> <p>0.125</p> <p>0.300</p> <p>0.200</p> <p>0.000</p> <p>0.000</p>	<p>12.50%</p> <p>2.50%</p> <p>0.00%</p> <p>0.00%</p> <p>1.25%</p> <p>1.25%</p> <p>5.00%</p> <p>3.00%</p> <p>2.00%</p> <p>0.00%</p> <p>0.00%</p>	<p>50.00%</p> <p>25.00%</p> <p>50.00%</p>	<p>PA</p> <p>PA</p> <p>PA</p>
<p>0.500</p> <p>0.250</p> <p>0.250</p>	<p>5.00%</p>	<p>100.00%</p>	<p>0.500</p> <p>0.250</p> <p>0.250</p>	<p>5.00%</p> <p>2.50%</p> <p>1.25%</p> <p>1.25%</p>	<p>100.00%</p>	<p>FA</p>

Pillar IV - The Integrity and Transparency of the Public Procurement System

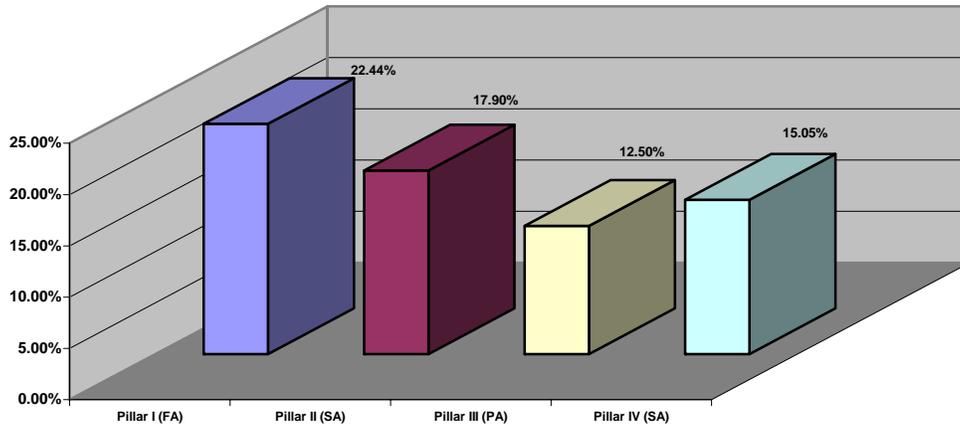
	25.00%	15.05%	60.20% 35.00% SA PA
<p>Indicator 9 – Effective Control and Audit System</p> <p>Baseline (a) – A legal framework, organization, policy and procedures for internal and external control and audit of public procurement operations exists and operates to provide a functioning control framework</p> <p>Baseline (b) – Enforcement and follow-up on findings and recommendations of the control framework provide an environment that fosters compliance</p> <p>Baseline (c) – The internal control system provides timely information on compliance to enable management action</p> <p>Baseline (d) – The internal control systems are sufficiently defined to enable performance audits to be conducted</p> <p>Baseline (e) – Auditors are sufficiently informed about procurement requirements and controls systems to conduct quality audits that contribute to compliance</p>	<p>8.00%</p> <p>0.250</p> <p>0.200</p> <p>0.200</p> <p>0.100</p> <p>0.250</p> <p>5.00%</p> <p>0.250</p> <p>0.150</p> <p>0.250</p> <p>0.100</p> <p>0.150</p> <p>0.100</p>	<p>2.80%</p> <p>1.00%</p> <p>0.00%</p> <p>0.00%</p> <p>0.80%</p> <p>1.00%</p> <p>3.25%</p> <p>1.25%</p> <p>0.75%</p> <p>1.25%</p> <p>0.00%</p> <p>0.00%</p> <p>0.00%</p>	<p>0.125</p> <p>0.000</p> <p>0.000</p> <p>0.100</p> <p>0.125</p> <p>0.250</p> <p>0.250</p> <p>0.150</p> <p>0.250</p> <p>0.000</p> <p>0.000</p> <p>0.000</p>
<p>Indicator 10 – Efficiency of Appeals Mechanism</p> <p>Baseline (a) – The existence and operation of a complaint review system that gives participants in the public procurement process a right to file a complaint within the framework of an administrative and judicial review procedure</p> <p>Baseline (b) – Decisions are deliberated on the basis of available information and the final decision can be reviewed and ruled upon by a body with judicial capacity under the law</p> <p>Baseline (c) – The complaint review system has the capacity to handle lodged complaints efficiently and a means to enforce the remedy imposed</p> <p>Baseline (d) – The system operates in a fair manner, with outcomes of decisions balanced and justified on the basis of available information</p> <p>Baseline (e) – Decisions are published and made available to the public</p> <p>Baseline (f) – Administrative review body is separate from the regulatory body</p>			<p>65.00%</p> <p>SA</p>

Indicator 11 – Degree of Access to Information	4.00%	2.00%	50.0%	PA
Baseline (a) – Access to information is supported by publication and distribution of information through available media with support from information technology when feasible	0.500	0.250	1.00%	
Baseline (b) – Systems exist to collect key data related to performance of the procurement system and to report regularly	0.250	0.125	0.50%	
Baseline (c) – Records are maintained to validate data	0.250	0.125	0.50%	
Indicator 12 – Ethics and Anti-corruption Measures	8.00%	7.00%	87.50%	FA
Baseline (a) – The legal and regulatory framework for procurement, including tender and contract documents, includes provisions addressing the issues of corruption, fraud, conflict of interest and unethical behaviour and states actions which can be taken with regard to such behaviour (either directly or by reference to other laws)	0.500	0.500	4.00%	
Baseline (b) – Special measures by the government to prevent and detect potential fraud and corruption in public procurement is addressed in an anti corruption programme	0.250	0.125	1.00%	
Baseline (c) – Stakeholders (private sector and civil society) support the creation of a procurement market known for its integrity and ethical behaviour	0.250	0.250	2.00%	

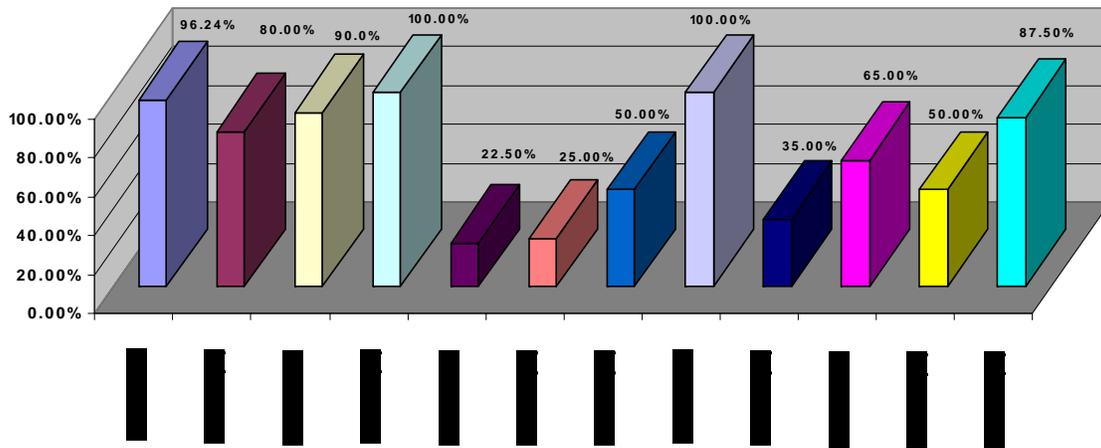
Grand Total	100.00%	67.89%	SA
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BIS Charts

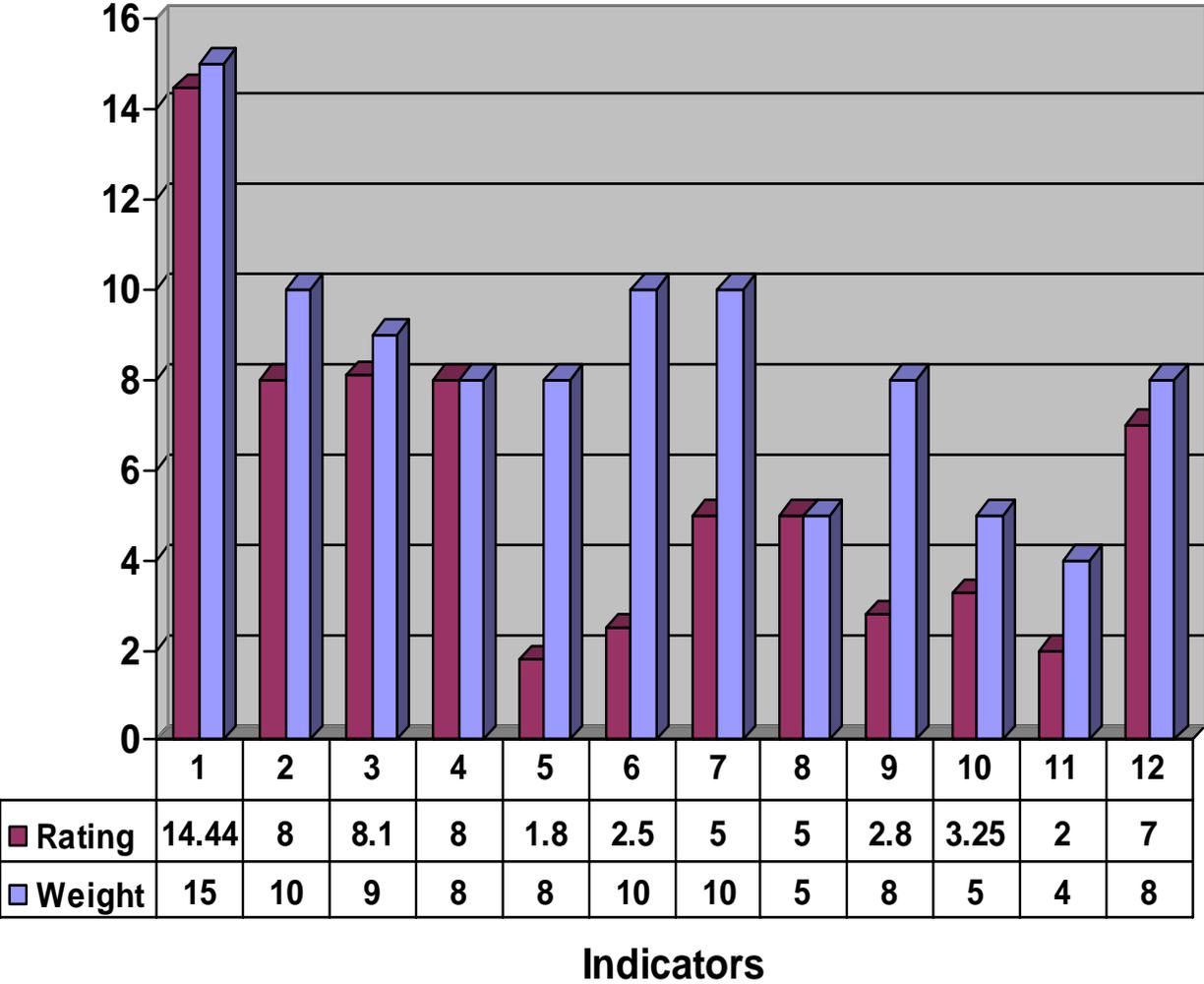
Philippines Level of Achievement: BIS Pillars



Philippines Level of Achievement: BIS Indicators



Philippines Level of Achievement: BIS Indicators



Appendix 9 - Consolidated Agreed Actions

Matrix of Weaknesses and Targeted Activities (as of November 2004)			
Indicator	Specific Weakness	Current Activities/Actions to be Undertaken	Responsible Agencies, Funding and Timetable
Existence of institutional development capacity	1. Contract award information not available and accessible in the existing system.	Issuance of guidelines reminding all heads of procurement entities and BACs to post in G-EPS awards of contract. TSO will monitor compliance.	GPPB -TSO
	2. Sustainable strategy is not yet developed to provide training advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented.	a) On-going; implementation of national training the trainers program for agencies and LGUs. b) On going; medium term approach to capacity building is to accredit State Universities and Colleges, including the National Defense College; c) On going; is the development of long term plan to professionalize procurement as a career for practitioners? d) Not started yet; is private sector training to be included in the training program.	GPPB, SUCs, Group of CSOs
	3. Lack of systems and procedures for collection and monitoring of national procurement statistics in addition to the absence of a similar system to collect procurement related data to monitor performance of agencies.	To be done – a) Develop actual performance indicators and implement a system for data collection and information analysis from contracting entities up to GPPB; b) Replicate appropriate BIS to assess national agencies and LGUs, as management tool.	GPPB
	4. Lack of quality control standards to evaluate performance of staff and address capacity development issues.	To be done – include setting up of quality control standards to evaluate staff performance and address capacity development issues in the professionalization program mentioned in No. 2(c).	GPPB-TSO GPPB

Matrix of Weaknesses and Targeted Activities (as of November 2004)

Indicator	Specific Weakness	Current Activities/Actions to be Undertaken	Responsible Agencies, Funding and Timetable
Efficient procurement operation and practice	5. At the contracting entity level, the level of procurement competence among government officials within the entity is not yet consistent with their procurement responsibilities.	a) Link to No. 2. b) To be done – conduct of training program to improve of skills in estimating prices and analyzing bid variances. c) To be done as follow-up to Value Engineering (VE) Briefings which are: (i) to enhance capacity for value engineering focusing more on upstream reviews; (ii) issuance of guidelines to agencies for the use of value engineering.	GPPB
	6. At the contracting entity level, the procurement training and information programs implemented for government officials, as well as for private sector participants is not yet consistent with demand.	a) On-going; should be linked to No. 2. Expansion of the training should be done to meet demands. b) To be done – the training program should include the private sector and the civil society observers.	GPPB
	7. While administrative systems exist at the contracting entity level, they do not adequately support monitoring procurement performance in most agencies.	a) Link to No. 3. b) On-going; development of G-EPS will provide on line information on commonly used supplies procurement such as prices, contracts performance, etc. c) To be done – collection of technical specifications on non-commonly used supplies such drugs, etc., catalogue and disseminate on line. d) To be done – stand alone study on comparison of bid prices for common procurement items, such as classrooms, medical supplies, water supply and books procured by selected agencies. e) On-going; implementation of E-Procurement as a transactional tool.	a) GPPB b) GPPB, PS (September 2005) c) GPPB, PS (funding by EU) d) GPPB, COA, G-Watch, by June 2005, funding by WB-IDF. e) GPPB, PS by September 2005 with possible funding from ADB. f) GPPB, BSP, IC, DOF and WB.

Matrix of Weaknesses and Targeted Activities (as of November 2004)

Indicator	Specific Weakness	Current Activities/Actions to be Undertaken	Responsible Agencies, Funding and Timetable
		f) To be done as follow-up to recommendations in the Security Report: (i) discuss procurement security relevance with BSP and Insurance Commission, and (ii) issue guidelines on selective reputable surety companies.	f) GPPB, BSP, IC, DOF and WB.
	8. Inadequate internal control mechanisms for undertaking procurement operations at the contracting level.	a) To be done – implementation of Procurement Manual in all agencies and harmonization with donors. b) To be done – (i) strengthen the internal control mechanism at agency level by: enforcing the law that mandates creation of internal audit units; (ii) prepare internal audit manual on procurement; and (iii) implementation of a training program for internal auditors.	a) GPPB Procurement Manual to be issued in January 2005; Pilot testing in 6 agencies; b) January 2005 (Prepare for possible IDF funding).
Functionality of the Public Procurement Market	9. The participation rate of tenderers in response to competitive tender invitations is not consistent with the capacity of the marketplace. The reason is that political interventions distort competition and participation rate. A number of private sector companies are not participating.	a) To be done – ntensive information dissemination and familiarization on the new law to the private sector and civil society to bring trust and confidence in the new system. b) To be done – support to private sector initiatives on trainings on the new system. c) To be done – include private learning institutions in accreditation of procurement training institutes to cater to private demand. d) To be done – issuance of a policy that advertisements should include key evaluation criteria.	GPPB

Matrix of Weaknesses and Targeted Activities (as of November 2004)

Indicator	Specific Weakness	Current Activities/Actions to be Undertaken	Responsible Agencies, Funding and Timetable
Effective control and Audit System	10. Lack of enforcement and follow-up on findings and recommendations from the control framework.	a) On-going; implement the Guidelines for Suspension and Blacklisting of Bidders, Suppliers and Constructors. b) To be done – strengthen the role of Presidential Anti-Graft Commission in ensuring that procurement audit is institutionalized through the internal audit units of each agency. Training on fraud examination and audit. c) To be done – (i) COA should include as part of its Annual Report an assessment of adequacy of internal control mechanism in weak agencies; and, (ii) training of investigators on fraud examination and audit. d) To be done – provide active assistance to Ombudsman for successful prosecution of procurement cases.	a) GPPB b) PAGC, COA c) COA, OMB d) PAGC
	11. The internal control system of agencies does not provide timely information on compliance to enable management action.	To be done – agencies should institute adequate internal control mechanism to ensure that timely information are provided to agency management. Link to No. 10.	PAGC, COA
Degree of access to information	12. While the law requires publication in the G-EPS, websites and newspapers, the full access to information by the civil society is not yet fully institutionalized.	a) On going. Support to PWI in improving training design and delivery for BAC civil society observers (CSOs). b) To be done – information support system for trained BAC CSOs.	a) GPPB b) OMB, COA
	13. Some agencies and LGUs are not maintaining records to validate data.	To be done – issuance of guidelines for proper record management for national agencies and LGUs. Prepare the TOR and hire consultant.	GPPB

Appendix 10 - Annex to the Procurement Schedule of Loan Agreement

1. Eligibility screening shall not be applied. However, bids that do not contain any of the following documents will not pass the documentary compliance check: (a) evidence of the required financial, technical or production capability; (b) audited financial statements; (c) credit line, or cash deposit certificate; (d) bid security; and (e) authority of the bid signatory.
2. In the case of prequalification, if any bidder is denied access to the bidding process for reasons unrelated to its financial and technical qualifications to perform the contract, prior concurrence of the Bank shall be sought.
3. A ceiling maybe applied to bid prices, with prior concurrence of the Bank in advance of bidding. However, the Approved Budget Estimate maybe disclosed in the advertisement or in the bidding documents.
4. Domestic or regional preferences will not be applied in the evaluation of bids, and other preferences in effect in the Philippines will not be used except with the prior concurrence of the Bank.
5. Suppliers and contractors will not be required to purchase only local goods or supplies or materials.
6. In case of contracts for prior review, modifications exceeding 15% of contract amount and material changes in the conditions during implementation require prior Bank concurrence.
7. Foreign suppliers and contractors shall be allowed to participate, if interested, without first being required to associate with, or enter into joint venture with, local firms. Moreover, foreign bidders shall be allowed to bid, even without registration, licensing, and other government authorizations, leaving these requirements for after award and before signing of contract.
8. For works contract, the experience qualification requirement shall be: (a) at least one previous contract at 80% of the estimated cost of the contract being procured; and (b) an annual turnover from all works averaged over the last three years equal to 100% of the estimated cost of the contract being procured.

Appendix 11 - CPAR Update February 2004 (without Appendices)

Overview

Following the completion of the Country Procurement Assessment Report in June 2002, which was published in March 2003, there has been a great deal of progress in pushing procurement reform in the Philippines. This CPAR Update was undertaken in November-December 2003 to take stock of achievements so far, and to review the priorities for further action in procurement reform.

Discussions were held between the World Bank and the Government in November 2003 to review the status of actions identified in the first CPAR which were recommended and taken, and to discuss recommendations for future actions to carry forward the reform process. The Japan Bank for International Cooperation (JBIC) and the Asian Development Bank (ADB) also joined key meetings. The Bank Mission Team met with other key stakeholders such as the Council of Engineering Consultants of the Philippines, the Philippine Contractors Association, Procurement Watch, Incorporated and the Philippine Center for Investigative Journalism. The list of participants to the Mission and persons met by the Mission Team is presented in Appendix 1 (see the CPAR Update). In a wrap-up meeting held on December 11, 2003, the key findings and recommendations were discussed with the Government Procurement Policy Board (GPPB) chaired by Secretary Boncodin.

Big Progress in Procurement Reform

Laudable achievements have been made in the Government's agenda for procurement reform in the past year, as follows:

- Passage and promulgation of the Government Procurement Reform Act (GPRA) on January 10, 2003 (Republic Act No. 9184). The Law consolidates the more than sixty laws pertaining to public procurement and institutionalizes transparency measures including the use of electronic procurement and the participation of Civil Society Organizations. The Law covers all national agencies, government owned and controlled corporations, all government entities and instrumentalities.
- The inclusion of all Local Government Units in the coverage of the Government Procurement Reform Act.
- The issuance of Implementing Rules and Regulations (IRRs) for the Law on October 8, 2003.
- The creation of the Government Procurement Policy Board vested with sole authority to oversee procurement reform and protect the national interest in all matters affecting public procurement. A Technical Support Office was created by the Implementing Rules and Regulations to undertake the day-to-day operations of the GPPB in the performance of its duties and responsibilities in policy making, monitoring compliance, and training and advocacy.
- Mandatory use of the Government Electronic Procurement System (G-EPS) for the procurement of common supplies and to promote transparency and efficiency through the establishment of a central government procurement web site to be the primary source of information on all government procurement transactions. Initially, this has involved the posting of bid invitations and awards in the procurement web site.
- The monitoring and enforcement of procurement rules as well as ensuring efficiency and effectiveness for each step of the procurement process through procurement audit.
- The provision of penal sanctions against violators of the Law, and its rules and regulations.
- The development of a procurement manual and

standard bidding documents and forms (harmonized with those of the major international financing institutions: World Bank, ADB and JBIC) to facilitate compliance with the new law.

Review of the June 2002 CPAR Agenda

The CPAR was a comprehensive document that covered the entire public procurement system of the country plus an in-depth study of three sectors: Public Works, Education and Health. It contained fifty recommendations and agreed actions. Responsible government agencies reported on the status of completion of each agreed action. These agreed actions were classified into (a) national and local governments, and (b) the three sectors. The detailed status are presented in Appendix 2 (see the CPAR Update). Most of the recommendations have either been completed (58%) or are on-going (26%). The data in Table 1 provides an overview.

Some activities that are still to be completed relate to:

- Professionalization of the procurement function;
- Corporatization of procurement services;
- Study on securities and bank guarantee;
- Streamline and reducing delay in registration and licensing procedures;
- Establishment of record keeping systems at the LGU level; and
- Eligibility of textbooks with foreign authors (Science, Math and English).

Table 1: **Status of Recommendations in the March 2003 CPAR**

	Completed	On-Going	Open	TOTAL
National/Local Levels	15	7	5	27
Sectoral Levels	14	5	4	23
	29	12	9	50

Emerging Issues/Priorities

Several new issues emerged which were not included in the June 2002 CPAR. These arose from ongoing discussions with government, and issues that arose from the completed activities. For example:

- Some key priorities identified by Government include the apparent high cost of some works and goods procured by Government and the eligibility of Philippine firms to compete for internationally financed contracts;
- It was also noted that government has made considerable progress in electronic procurement systems and further development now needs to be pursued; and,
- With the passage of the new Law, issuance of the Implementing Rules and Regulations and completion of harmonized bid documents, a major challenge is to disseminate the new rules and procedures, and provide training at all levels including local government units, the private sector and in civil society.

The focus of the CPAR Update therefore is on new activities to achieve these objectives. Discussions were held on how to implement funding requirements and to explore possible opportunities for partnerships with international organizations. There was a strong sense of commitment among the various organizations to work together to follow-up on the strong momentum for procurement reform—to achieve better governance and better value for money for public spending in the Philippines. Some of these partnerships are reflected in the joint responsibilities shown in the matrix in Appendix 3. Important priorities that were identified are:

- Disseminate information on Government Procurement Reform Act/Implementing Rules and Regu

lations to all stakeholders including local governments, the private sector and civil society;

- Implement E-Procurement as a transactional tool;
- Preparation of a report on capacity, quality and size of contracts for works;
- Training on harmonized bidding documents at all levels including national agencies, local governments, the private sector and civil society;
- Introduce a system of value engineering analysis on a pilot basis to check that designs and cost estimates ensure best value for money;
- Pilot “design and build” procurement schemes in at least one contract; and
- Capacity Building of Civil Society Organizations (CSOs).

Discussions with the Private Sector

The discussions with the Philippines Contractors Association and the Council of Engineering Consultants of Philippines (CECOPHIL) indicated some positive elements in the introduction of the GPRA and IRRs. The discussions disclosed some serious concerns relating to:

- Qualification criteria for short listing of consultants and contractors, especially under contracts funded by International Financing Institutions;
- Transparency of the pre-qualification/eligibility and evaluation processes;
- Lack of interest of contractors to participate in provincial procurement as a result of provincial preference provisions;
- Capacity building of Civil Society Organizations with extended participation as observers in the Bids and Awards Committees;
- Adjustment of prices of contracts with long completion periods;

- No clear mechanism in submitting a legitimate protest; and
- Hiring only of international firms as coordinating consultants.

These are legitimate concerns, which need to be addressed in the on-going efforts of the government to ensure an efficient, transparent and open competitive process, however, it appears that almost all of these issues had been addressed in the Law and in the Implementing Rules and Regulations. Further, some of them are likewise considered in the procurement manuals and harmonized bidding documents. What appears to be lacking is the dissemination of information and training of the private sector and civil society. These activities are included in the emerging issues/priorities presented in Appendix 3 (see the CPAR Update).

Meeting with GPPB and Next Steps

In a meeting held on December 11, 2003, the GPPB and the Bank agreed on the following next steps:

- Appointment of the new Executive Director of TSO-GPPB soonest. The new TSO Executive Director is on board.
- Issuance of harmonized bid documents with necessary forms.
- Responsible Agencies will implement agreed actions on dates specified. Progress will be monitored jointly by the TSO-GPPB and the World Bank.
- International partners will make the promised assistance available. A request for ASEM 2 funds is being processed internally by the World Bank. GPPB will discuss with other donors possible assistance.
- Finalize World Bank Procurement Side Letter. The TSO-GPPB, DOF and NEDA representatives will start discussing the draft Side Letter, included as Appendix 4 (see the CPAR Update).



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