

Research and Policy Development Consultation Meeting
on e-Procurement for Innovative Governance
10 - 11 March 2011
Seoul, Republic of Korea

TABLE OF TECHNICAL INPUT

NAME: ROSA MARIA M. CLEMENTE

DATE: MARCH 4, 2011

*Participants may use as much space as deemed necessary in filling out the following sections.

1. Merits and Problems of Existing e-Procurement Systems
<p>A) Kindly list three or more <u>merits</u> shared by the existing public e-procurement systems. In what way have they been successful in promoting innovative governance? Please include short remarks to provide their contexts (developmental stage, geographical scope, legal and institutional background, etc.).</p> <p>An important breakthrough in the Philippines' Government Procurement Reform Act (RA 9184) is the provision mandating all government agencies to utilize the Government Electronic Procurement System (now the PhilGEPS with URL address http://www.philgeps.net) as the single, central electronic portal that shall serve as the primary source of information on all government procurement.</p> <p>What has become PhilGEPS today had its beginnings as the Pilot Electronic Procurement System (Pilot EPS) in November 2000. By utilizing the accessibility of the internet, the pilot EPS was established with the assistance of the Canadian International Development Agency (CIDA) as a common portal for registration of suppliers and advertisement of bid opportunities. The PhilGEPS is being managed by the Procurement Service, an agency under the Department of Budget and Management with supervision of the Government Procurement Policy Board (GPPB).</p> <p>The passage of the Government Procurement Reform Act in 2003 further boosted the importance of PhilGEPS. This law set forth the rules and regulations for government procurement transactions as guided by the principles of transparency, competitiveness, streamlined procurement processes, accountability and public monitoring. It required all government requirements from goods, consulting services to civil works to be centrally posted by all procuring entities (National Government Agencies, Government Financial Institutions, Government Owned and Controlled Corporations, State Universities and Colleges, Local Government Units (LGUs) – Provinces, Cities, Municipalities and Barangay) through an internet infrastructure which will be called the Philippine Government Electronic Procurement System (PhilGEPS).</p> <p>As of December 31,2010, the PhilGEPS hosted bid opportunities posted by 11,298 government agencies</p>

and accessed by 47,760 suppliers/contractors and consultants. A total of 1,228,761 bid notices and 215,347 award notices have been posted by various procuring entities in the system accumulated from its pilot implementation.

The following are the objectives of the PhilGEPS :

- to establish an open, transparent, efficient and competitive marketplace for government procurement;
- to get better prices;
- to build the framework to continually improve the procurement processes; and
- to be sustainable over the long term.

The PhilGEPS presently offers the following functionalities:

- **Electronic Bulletin Board** for posting procurement opportunities, notices, awards and reasons for award for government procurement. This also includes a facility for automatic notification of suppliers registered in the system who have set their bid match profile to receive e-mail notification on bid notices posted by government agencies that matches their line of business.
- **Electronic Catalogue** to support purchases of common goods, supplies, materials and equipment by public sector agencies. The catalogue is a listing of all the items available in the Procurement Service which consist of about three hundred items. The **Virtual Store** which allows government agencies to order and reserve common-use goods available in the Procurement Service online is being pilot implemented in five (5) National Government Agencies. Implementation to other government agencies in the National Capital Region (NCR) will start in April, 2010.
- **Subscriber Registry** for the registration of suppliers who wish to do business with government agencies and government procuring entities (National Government Agencies, Government Owned and Controlled Corporations, Government Financial Institutions, State Universities and Colleges and Local Government Units – Provinces, Cities, Municipalities and Barangays)
- **Material Project Information**

The COST (Construction Sector Transparency Initiative)-Material Project Information (MPI) page enhance existing transparency initiatives and facilitate a more informed

monitoring of infrastructure projects from projects studies, pre-procurement activities to contract implementation phases. Presently, information regarding the ten (10) pilot projects therein comes from three pilot government agencies – the DPWH, DOTC and LRTA. All information posted on the page has been validated by COA as Assurance Partner of CoST Philippines. This facility was implemented last November 15, 2010.

The following are the benefits/merits derived from the PhilGEPS:

(1) Improved transparency in government procurement

Posting of procurement opportunities and award information on the PhilGEPS enhances transparency. Procurement information is readily available in a single portal and could easily be accessed by potential bidders, auditors, civil society organizations and the public.

(2) Enhanced competition and realization of value for money procurement

With bidding opportunities available in the PhilGEPS, potential suppliers could readily access the information which encourage competition and therefore will result in more competitive pricing.

(3) Improved administrative efficiencies.

Wide dissemination is done through the internet and invitation to suppliers/contractors are done automatically through the bid matching notification facility. When the e-bidding functionality is in place, there is also the potential to reduce administrative cost by eliminating manual paper based redundant processes and improving the efficiency of public procurement.

(4) Reduction in procurement costs, including newspaper advertisements

Through competition, procurement cost is reduced. Based on the report generated by the PhilGEPS as of December, 2010, 40% savings has been realized by the Government of the Philippines.

In the past, procurement laws and policies requires government bidding opportunities with an approved budget for the contract (ABC) costing above two million pesos (P2,000,000) for the procurement of goods and above five million (5,000,000) for the procurement of infrastructure projects to be posted in newspapers of general circulation thrice. With the enactment of RA 9184, posting in the newspaper was reduced from three to two and recently to one. With this development, accumulated newspaper cost

savings from April 2001 to December,2010 is estimated at 561,628,522 pesos (13,061,128 US dollars @ 43 a dollar). This savings is estimated based on bid notices posted in three newspapers (Philippine Daily Inquirer, Philippine Star and Manila Bulletin).

(5) Provision of audit trails through information posted in the system

PhilGEPS provides audit trails i.e. report on government bids and results which are accessible to the auditors and other stakeholders interested in government procurement information. This provides stakeholders easily accessible information in spending and supply pattern.

(6) Serves as a medium in the implementation of government procurement policies

Through the PhilGEPS, government procurement policies particularly those in the RA 9184 are implemented.

Suppliers and contractors doing business with government derive the following gains from using the system :

(1) Access to government bid opportunities 24 hours a day and 7 days a week

PhilGEPS is internet based; access to government procurement opportunities is available all the time even after office hours and during weekends and holidays. Before, suppliers need to visit government offices or to buy newspapers to look for bidding opportunities. Now, government bid opportunities are readily accessible even at the convenience of the supplier's/contractor's home or office.

(2) Downloading of electronic bid documents

Government agencies are required under the revised Implementing Rules and Regulations of RA 9184 to upload bidding documents in the PhilGEPS from the time that the Invitation to Bid/Request for Expression of Interest is advertised. Prospective bidders may download the bid documents for free and pay upon submission of their bids. Suppliers need not visit government offices to get bid documents or to get more information about a certain bidding opportunity.

(3) Automatic notification, through the user's e-mail, of bid postings and supplements

PhilGEPS registered suppliers receive automatic notification of bid notices in their e-mail and later through SMS. Once a government buyer posted a bid notice in the system, the system automatically sends notification about the bidding opportunity to suppliers whose line of business matches the product or services being procured by the government

office. Also, when an amendment or bid supplement associated with a bid notice is posted, the system informs the suppliers through this notification facility.

(4) Savings on newspaper costs, transportation and man-hours

Since access to government bid notices is available in the PhilGEPS website, suppliers need not visit government offices or buy newspapers to look for opportunities, thus it provides them savings on transportation cost and time. Later, with the e-bid submission feature of the PhilGEPS, suppliers could submit their bid proposals online.

(5) Information on government bid projects is important in market research and in making business decisions

The system stores information regarding government procurement including bid notices posted in the last five years. Suppliers who are planning to do business with the government could access the information and study the buying patterns of the government.

The following functionalities of the PhilGEPS are under development and are targeted to be pilot implemented within the year :

a) Expanded Supplier Registry

The provisions for the inclusion of a Registry of Suppliers in the PhilGEPS is expressly provided for in Sec. 8.2.2 of Rule III of Republic Act No. 9184. It is prescribed therein that the PhilGEPS shall have a centralized electronic database of all manufacturers, suppliers, distributors, contractors and consultants registered in the system. Eligibility documents may be uploaded online through the PhilGEPS system or physically submitted at the PhilGEPS office. Once these eligibility documents are hosted in the system, procuring entities and their buyers will be able to access information and download documents for use during bid or evaluation activities. This facility makes it less difficult and cumbersome for suppliers to participate in various government tenders and saves them the cost and effort of reproducing and manually submitting documents commonly required in bidding by government agencies. This also enhances competition and levels the playing field in public biddings. This feature will be pilot implemented in the PhilGEPS by April, 2011

b) **Charges and Fees**

The PhilGEPS is presently funded out of the eGov Fund managed by the CICT.

As more functionalities in the system are introduced, it is expected that it should be supported by improvements in IT infrastructure and security and further systems enhancement and upkeep. In order to sustain the operations and maintenance of the country's only electronic exchange in public procurement, the government will implement user fees. This facility is available in the system by April, 2011 however the user fees will be implemented upon its approval by the National Economic Development Authority (NEDA)

c) Electronic Payment

R.A. 9184, specifically Section 8.2.4.2, also prescribes that the PhilGEPS support E-payment functions to pay for goods purchased through the Virtual Store, to manage the generation of Purchase Orders and the payment of bids processed through the system. The focus of this feature is to facilitate the electronic transfer of funds from PS-DBM to and from procuring entities and suppliers, and from procuring entities to suppliers, for bids managed directly by the procuring entity. This also includes the payment of registration fees and other charges that have to be implemented by the PhilGEPS Project Management Group as mentioned earlier and the payment of bid documents downloaded from the system. Development of this module requires interface with designated banks. Hence, by April, 2011, only the payment of Registration Fees in the PhilGEPS is to be fully supported initially and the total functionality is expected to be implemented depending on the implementation of the government's integrated financial management system.

d) Electronic Bid Submission

Under provision 8.2.4.3 of R.A. 9184, the PhilGEPS is tasked to support the implementation of e-Bid submission processes which includes such activities like creation of electronic bid forms, creation of bid box, delivery of bid submissions, notification to supplier of receipt of bids, bid receiving and electronic bid evaluation. The facility shall cover all types of procurement for goods, infrastructure projects and consulting services. This feature in the PhilGEPS is expected to be launched by 3rd Quarter of 2011

*B) Kindly list three or more **major problems** shared by the existing public e-procurement systems. In what way have these problems been proved obstacles to advancing government efficiency, transparency and participatory governance? Please indicate concrete examples to provide details.*

The following are the major problems/challenges in implementing the PhilGEPS:

(1) Technology Infrastructure and Internet readiness

The problem in technology infrastructure and internet readiness is a major problem in implementing e-governance systems in the Philippines because it is an archipelago and there are islands provinces that do not have access to the internet. This is particularly encountered by the regional branches of government agencies and in Local Government Units (LGUS). Some LGUs claimed that internet service for the Bids and Awards Committee (BAC) office is not budgeted nor a priority expense. Other LGUs also claimed that despite the training on the PhilGEPS, there is difficulty experienced in posting because of the poor connectivity in their locality. Registration in the regional branches of government agencies is only about 88%, 84% for the Government Owned and Controlled Corporation's regional branches, 75.15% for the municipalities and 11.59% for the Barangays. The low percentage of registration is attributed to the internet connectivity problems. Transparency is affected since the procuring entities in areas where there are no internet connections or have problems connecting to the internet were not able to register and post their bid notices and awards in the PhilGEPS.

(2) Awareness and Capacity Building

Based on the Country Procurement Assessment Report (CPAR) 2007 of the World Bank and the Asian Development Bank (ADB), most Filipinos are unaware of the impact of procurement on their daily lives, through the delivery of public services, and of the importance of procurement reform. A survey conducted by the SWS at the time of the CPAR development shows that only 13 % of the general public and 30% of government employees knew about the 2003 GPRA. A better communication strategy needs to be devised and implemented to raise the public profile of procurement so that its stakeholders and beneficiaries can participate more actively and safeguard against wrongdoing. It is therefore necessary to deepen civil society and private sector involvement in vigilant monitoring of procurement operation. (CPAR 2007).

As to the Capacity Building, although PhilGEPS conducts regular training to its users through its training partner, the E-Blackboards Solutions, Inc. and has recently launched its trainers training program, some LGUs still claimed that accessing the government portal is a challenge because of the lack of technical capacity of the personnel tasked to

post the bid . This may be due to the requirement that the BAC must be reconstituted every year and the conduct of local elections every three years which resulted to change in the administration of a particular LGU. Training will have to be conducted continuously to build the capacity of the system users in the use of the PhilGEPS.

(3) Institutional Change

Implementing an e-procurement system requires changes in the procurement process of the government procuring entities. Based on the information available in the PhilGEPS as posted by the procuring entities, not all relevant information regarding the bidding has been provided. This is also raised by the selected suppliers and contractors using the PhilGEPS in the Focus Group Discussions (FGDs) conducted by the PhilGEPS Project Management Office. With this, it can be conclude that some procuring entities are not using the PhilGEPS in their procurement activities but only to comply with the requirements of the law.

There are only 215,347 awards posted or 17% in the PhilGEPS as against the 1,228,761 bid notices posted since its implementation. Despite the mandatory posting requirements of the GPRA, there are no incentive provisions and clear sanctions to reprimand non-complying government agencies that do not post in the PhilGEPS. Monitoring government agencies' compliance to the posting requirements as per the law is also limited. The GPPB-Technical Support office (GPPB-TSO) which is supposed to monitor the implementation of the PhilGEPS lacks the manpower to do the monitoring activities. Moreover, not all suppliers registered in the system download their bid documents electronically. Based on the experience in operating the system, suppliers registers in the system only to be able secure a "PhilGEPS certificate of registration" which is before a requirement for eligibility and now a requirement for post qualification. However, after registration, not all suppliers use the system regularly to find bidding opportunities. Updating of the suppliers profile in the system is being required by the PhilGEPS PMO in the renewal of the PhilGEPS registration to compel the suppliers to login into the system.

2. A Common Framework / Toolkit for e-Procurement in Developing Countries

UNPOG (United Nations Project Office on Governance) and DPADM (Division for Public Administration for Development Management, UNDESA) will jointly design a common framework and/or toolkit which aims to provide developing countries with a comprehensive set of strategic guidelines to advance e-procurement for innovative governance. In light of the existence of similar toolkits available in other organizations (such as multilateral

development banks), and taking into account our necessity to avoid possible redundancies, kindly provide three or more **technical recommendations on how to develop such a common framework/ toolkit with added values.**

- (1) A research must be conducted on the existing E-GP frameworks and toolkits
- (2) The existing toolkit must be carefully studied and assessed as to its effectiveness by conducting online surveys, sending questionnaires through e-mail among selected developing countries which includes questions that will measure the following :
 - a) awareness regarding the existing e-GP toolkit
 - b) extent of use of the e-GP toolkit
 - c) feedback of the users on the effectiveness of the e-GP toolkit (ease of use, applicability to the real scenario)
- (3) Conduct follow up interviews/meetings with selected countries that have used any existing E-GP framework and toolkits. If possible, case studies in the use of the e-GP toolkit must be developed.
- (3) Identify gaps determined from the online survey/meetings/interviews conducted
- (4) Develop the E-GP toolkit addressing the gaps identified.

3. Recommended Methodologies for Data Collection and Analysis

*Following the conclusion of our consultation meeting (10-11 March), UNPOG and DPADM will undertake data collection and analysis on the e-procurement status of the United Nations member states. The information to be collected will include legal, administrative, managerial and other diverse institutional aspects of their public e-procurement status, including relevant cases of innovative governance. Kindly suggest three or more ideas on **the approach and/or methodologies** to be used in this data-gathering and analysis.*

- (1) Using Available Information – Research on existing case studies and available information on the status of e-procurement system that has been conducted by MDBs and other institutions must be conducted.
- (2) Administering Online Survey – should be developed and to be made available in the UNPOG website or the website of the Multilateral Development Banks for E-government procurement .Surveys can also be sent to the e-mail of the participants. This survey should not only be given to administrators/managers of the e-procurement system but also the selected client/users of the e-GP coming from the government and the private sector.
- (3) Development/Implementation of E-GP status self-assessment tool – A computerized E-GP self assessment tool should be developed and be made available to the UNPOG website. This tool will assess the status of E-GP in the UN member countries as to legal, administrative, managerial and other instructional aspects. The analysis could also be done through the computerized system.

The OECD-DAC Baseline Indicator (BLI) tool should be used as a guide for the development of the assessment tool. (The OECD-DAC tool assess the levels of achievement against BLI international standard for the four key result areas or pillars for the public procurement system as follows: Pillar I: Legislative and

Regulatory Framework, Pillar II: Institutional Framework and Management Capacity, Pillar III: Procurement Operations and Public Procurement Market Performance and Pillar IV: Integrity and Transparency of the Public Procurement System)

- (4) Interviews/Meeting with selected member countries – A meeting with selected member countries could be done with a local UN representative to conduct interviews and meetings with the managers/administrators of the e-procurement system and also the users of the e-GP.

4. Country Surveys

*In order to facilitate the above-mentioned data collection and analysis, UNPOG and DPADM plan to undertake **country surveys**, starting first with the **member states in Asia and the Pacific**. The compilation of these analytical surveys will lead to the formulation of a 'regional inventory of e-procurement systems for innovative governance' in Asia and the Pacific. Kindly list 3 or more concrete recommendations for preparing the **requisite questionnaires**.*

- (1) All key factors for successfully implementing an e-GP must be taken into consideration i.e. legal framework, political/government leadership, administrative/institutional change, human resources capacity building, technology. The four pillars in the Public procurement system assessment (baseline indicators) as provided by the OECD-DAC can also be considered as a guide in development of the questionnaires.
- (2) Existing e-GP toolkit could be use as a guide in the development of questionnaires
- (3) The prepared questionnaires will have to be pilot tested to the countries participating in this meeting and recommendation/comments/feedback on the questionnaires could be provided as a result of the testing. The feedback will be used to modify the questionnaire.

5. Past and On-going Initiatives **optional*

*Briefly list three or more **major (past and on-going) initiatives** undertaken by multilateral agencies to assist governments, particularly of developing countries, in advancing innovative governance with the application of an e-procurement system. How have they contributed to advancing e-procurement systems? What specific approach have they employed in promoting innovative governance? For each initiative to be listed, kindly provide its title and short descriptions, as well as the name of the agency in charge.*

- (1) WORLD BANK – IDF GRANT TF 092271- STRENGTHENING THE PROCUREMENT SERVICE IN THE IMPLEMENTATION OF THE PHILIPPINE GOVERNMENT ELECTRONIC PROCUREMENT SYSTEM – The Grant amount is \$300,000. The agency in-charge is the Procurement Service. It's component include the following:

A, TRAINING

- Capacity Building for the Administrators/Managers of the PhilGEPS and also the client agencies using the system
 - A study tour to visit the Defense Science and Technology Agency (DSTA) of Singapore who operates the e-procurement system of Singapore (GEBIZ) was conducted in May,2009. It was attended by the PhilGEPS and PS officers and selected

staff and officers from selected pilot agencies. Participation to the 3rd Global E-Procurement Conference held in IADB headquarters in Washington, DC, USA of the PhilGEPS managers was also funded.

- Trainers Training Program

Train the trainers program was established by the PhilGEPS Project Management officers through this grant to train selected trainers from selected government agencies on the use of the PhilGEPS. These trainers have to undergo the PhilGEPS training and use the e-learning facility (provided under the ADB grant) to learn more and review the use of the PhilGEPS. They have to take the online comprehensive examination which is included in the e-learning facility to become PhilGEPS certified trainers. This pool of trainers is currently available in selected regions of the country and is being tapped by the PhilGEPS private sector training partner, the E-blackboard Solutions, Inc. (EBBSI) for regular training being conducted for the government users and suppliers. Government Auditors was also trained in the use of the PhilGEPS which is included as a part of the training for the Procurement Audit Guide.

B. GOODS

- Computers and printers were purchased and were deployed in the PS-DBM regional depots to serve as public kiosks. These facilities will provide government agencies that don't have accessed to internet for the posting requirements in the PhilGEPS as mandated under the GPRA.

C. CONSULTANCY SERVICES

- Consultants were hired to look into the following:
 - Development of the training module for trainers
 - Technical implementation of the PhilGEPS
 - Conduct security testing and load testing before launching the Virtual Store and the E-bid submission facility

(2) ADB PATA 45237– STRENGTHENING THE PHILGEPS

The Grant amount is \$600,000. The implementing agency is the PhilGEPS-Procurement Service. It's component include the following:

- A. GOODS – Provision of various equipment to be used by the PhilGEPS Management Office which provides the help desk services to its client agencies and suppliers
- B. TRAINING – Development and Implementation of E-learning facility. This facility is currently being used by the PhilGEPS Project Management Office and the pool of PhilGEPS trainers
- C. ADVISORY SERVICES – International Consultant who provide the advisory services to the PhilGEPS Project Management Office on the design of the E-bid submission facility based on

International Standards

- D. NGO MONITORING – Hiring of a Non-Government Organization to monitor the implementation of the PhilGEPS