

Chapter 3

PROCUREMENT WATCH, INC.: THE ROLE OF CIVIL SOCIETY IN PUBLIC PROCUREMENT REFORMS IN THE PHILIPPINES

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INTRODUCTION

The paper highlights the role of Procurement Watch Inc. (PWI), a civil society organization, which was at the forefront of the advocacy for the government procurement reform act (GPRA). Prior to the passage of the GPRA, there were over a hundred guidelines governing public procurement. The GPRA seeks to standardize and institutionalize procurement reforms; and address the lack of transparency and accountability, and the high levels of discretion that have long plagued the Philippine government in its procurement.

OVERVIEW OF THE POLITICAL LANDSCAPE, CORRUPTION, AND PUBLIC PROCUREMENT IN THE PHILIPPINES

The Philippine Political Structure and the Importance of Civil Society

The Philippine government is divided into three seats of power: the executive (which implements laws and guidelines); judiciary (which prosecutes offenders of the law), and legislature (crafts laws). According to Vinay Bhargava and Emil Bolongaita (2004), civil society claimed the fourth seat of power in the Philippines after serving as the driving force of EDSA I, a peaceful people power movement responsible for the ouster of President Ferdinand Marcos in 1986. Civil society once again exemplified its strength during the ouster of yet another President, Joseph Estrada, through EDSA II, in 2001. Both presidents were charged with corruption. This fourth force is perceived as that responsible for bridging the gap between government and the citizens. Moreover, it is recognized for taking on state responsibilities which government fails to fulfill. However, it should be noted, “vigilance is not a substitute for efficiency and effectiveness” (Bhargava & Bolongaita, 2004, p. 86).

The United Nations Development Programme Poverty Report (1998) states that Civil Society Organizations are a vital source of information, experience, and expertise, which have made major contributions in pioneering new approaches. Noteworthy also, is their political and social role.

Corruption in the Philippines

In a World Bank Report (2000), the Ombudsman estimated that the loss due to corruption over the last 20 years is U.S. \$48.0 billion, larger than the country's foreign debt of U.S. \$40.6 billion at that time. The Commission on Audit on the other hand reported that the annual cost of corruption to government was about 2.0 billion Pesos.

Transparency International (TI) (2001; 2002; 2003), an independent global research organization, confirmed the widespread presence of corruption in the Philippines. In its 2003 Corruption Perceptions Index (CPI) report, TI ranked the Philippines as 92nd of the 133 countries covered by the survey, sharing the spot with Albania, Argentina, Ethiopia, Gambia, Tanzania, Pakistan, and Zambia. The first in rank was dubbed as the “cleanest” country and the 133rd as the most corrupt. The Philippines’ ranking slipped to 92nd with a CPI score of 2.5 from its 2002 ranking of 77th out of 102 countries, with a CPI of 2.6. In 2001, the country ranked 65th with a CPI score of 2.9 (Table 1). The CPI score refers to perceptions on the degree of corruption as seen by business people and risk analysts, and ranges between 1 (most corrupt) and 10 (least corrupt). The CPI is a composite index, drawing on 17 different polls and surveys from 13 independent institutions carried out among business people and country analysts, including surveys of residents, both local and expatriate.

TABLE 1
The Philippines’ Corruption Ranking

Year	Philippine CPI Rating	Rank in Survey
2003	2.5	92 nd of 133
2002	2.6	77 th of 102
2001	2.9	65 th of 91

State of Philippine Public Procurement

According to the World Bank’s Philippine Country Management Unit (2000), a survey conducted by the Social Weather Stations (SWS)¹ in 1998

revealed that about 38% of those asked believed that there was a “great deal” of corruption in government, while 34% replied “some”. The majority of the respondents perceived that more than 50% of government funds was wasted in building roads alone. A SWS 2002/2003 survey reported that a conservative estimate of leakages lost to corruption would be about 20% of the total budget of government for procurement (Social Weather Stations, 2003).

According to Senator Edgardo J. Angara (2002), the Department of Budget and Management (DBM) estimated that an average of P22 billion annually was lost to graft and corruption in public procurement of locally funded projects alone. P22 billion is twice the budget of the Department of Health. This is equivalent to 520 million textbooks for Philippine public school children or 63,000 new classrooms. This amount also translates to 1,500 kilometers of concrete farm-to-market roads.

Since procurement is the government activity where huge losses are perceived to occur, reforms in the said area therefore should have a substantial impact on the delivery and quality of social services. Prior to January 10, 2003, there were over one hundred administrative guidelines on public procurement affecting both local government units (LGUs) and national government agencies. Some of the issuances were conflicting, which allowed for differing interpretations by implementing agencies. The enactment of a procurement law that would streamline and standardize reforms at all government levels to achieve long-term reforms was imperative. Moreover, the reform efforts would also aid in maximizing scarce resources allotted for the provision of public services, intended to directly benefit the poor.

Reducing corruption in public procurement, however, is a public good and essentially suffers from a free rider problem, which is that of collective action. Even if many want to see a reduction of corruption in public procurement, few are willing to invest the time and effort. This dilemma was the circumstance out of which PWI was born: PWI was created to take on the task of bearing most of the costs in terms of effort, personnel and funding; and organizing groups to advocate for the passage and proper implementation of a landmark procurement reform bill.

METHODS

The paper is a product of learning gained from on the author’s experience as Program Director for Advocacy of PWI. PWI is a civil society organization (CSO) that aims to combat corruption in public

procurement by instilling reforms anchored on transparency, impartiality, and accountability through research, training, partnerships and advocacy.

A review of literature, conducting of interviews and an analysis of events leading to the passage of the GPRA were employed to provide the reader with an empirical foundation for the explicit need for procurement reforms in the Philippines, and the need for a CSO to take the cudgels for moving the said reforms forward.

PUBLIC PROCUREMENT REFORM EFFORTS IN THE PHILIPPINES: A FOCUS ON PWI'S ROLE

The Legislative Experience

Prior to the formal establishment of Procurement Watch Inc. (PWI) in February 2001, there were already efforts to legislate a law on public procurement as evidenced by several bills filed in both Houses of Congress in the 11th and 12th Congress. However, the enactment of the Government Procurement Reform Bill (GPRB) in the 11th Congress failed due the lack of a concerted effort between the legislative and executive branches of government. Moreover, there was a dearth of citizen support on the matter since many were unaware of the efforts.

The strategy during the 11th Congress was to 'quietly' push for procurement reforms to avoid arousing the attention of possible detractors of the bill. The DBM, which led the efforts, did not consider public advocacy as high priority task, preferring to rely on the merits of the bill. Thus, efforts to legislate the bill into law were not highly publicized. Moreover, there was an absence of public consultation on the bill. Further, the push for procurement reforms lost its steam as the legislators focused on the Estrada impeachment hearings.² Since the private sector was unaware of the efforts and was excluded from the legislative process, there was no public clamor to insist on the urgency of the bill and push for its passage.

The legislative experience in the 11th Congress revealed a need to inform the public and drum up citizen support for procurement reforms. According to Dr. Jose Edgardo Campos (2000), since elected officials are sensitive to public opinion, getting the GPRB passed into Law meant that it was critical to muster collaboration for the process through an independent private sector group that would have the time, technical expertise, and capacity to advocate for the reforms.³

This legislative experience provided the founders of PWI with greater affirmation of their belief that in order to make significant headway against corruption, continuing efforts had to be focused on procurement reforms in

government. PWI’s founders consisted of seasoned academics (some of who were already consultants to the procurement reform process in the 11th Congress), highly reputable retired government officials, progressive lawyers, and concerned private sector executives. After months of discussion and a change in government,⁴ on February 2001, PWI was created with the specific objective of combating corruption in public procurement through partnerships, monitoring, research, training, and advocacy.

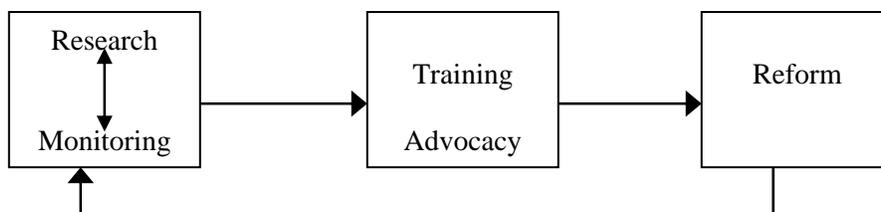
PWI’s Strategy

PWI works in cooperation with reform minded officials in government. As such, it is non-adversarial. In order for an organization to have full access to government information, and to be invited to attend and participate in confidential discussions of public officials, PWI projects itself as a partner, offering its services.

PWI monitors government biddings. Based on observations made, PWI then composes a diagnostic report and submits it to the agency for reference and implementation. The report puts forward recommendations on how the agency can improve its procurement process. The observations made in the monitoring of actual bidding guide PWI in determining which areas to focus on for future research.

PWI conducts in-depth research. Knowledge gained from this exercise adds to the recommendations PWI provides to agencies it monitors. Knowledge from monitoring and research provides PWI with the technical competence to undertake training and advocacy in order to bring about reforms in public procurement. The lessons learned in the reform process feedback into our research. The incorporation of PWI was the formal step taken to organize reform minded individuals in order to present a stronger identity and to ensure a continuity of efforts in the reform process (Figure 1).

**FIGURE 1
PWI Strategy**



How PWI Applied its Strategy to Assist in the Passage of the GPRB and Beyond

Procurement Watch Inc. began to identify possible champions for the GPRB as soon as the members of the 12th Congress took their oath of office in June 2001. Law making in the Philippines is a long and arduous task. To ensure the Bill's enactment within the lawmakers' three-year term, PWI immediately met with re-electionists who authored similar bills during their previous term, and who occupy seats of power in the present Congress. PWI offered technical assistance to the legislators without cost. Moreover, the PWI provided the lawmakers with policy papers to show them that despite being a six-month old CSO at that time, PWI had already acquired the knowledge and network needed to conduct research and advocacy. PWI then linked up with the most receptive congressman and senator.

In order to increase the chances of getting sufficient votes for the passage, Procurement Watch worked with both administration and opposition leaders. In the Lower House, PWI partnered with the Speaker and Chairman of the Committee on Appropriations, who were both from the administration. In the Upper House, PWI worked with the leader of the opposition party, thus establishing the bill as bi-partisan.

As Procurement Watch Inc. (PWI) gained the trust and confidence of its chosen advocates in the Legislature, PWI analyzed the legislators' personal intentions for championing the said bill, and as a result, facilitated the achievement of the lawmaker's legitimate personal goals. For the progressive House Chairman of the Committee on Appropriations, the Government Procurement Reform Bill was a logical and meaningful reform to push; for the Speaker of the House, the Bill would provide him a legacy; for the Senate Committee Chairman on Constitutional Amendments and the Revision of Laws, the legislative measure would not only provide him with a legacy, but also help build public confidence in him.

PWI's technical assistance was vital in the crafting of the GPRB. PWI was the only CSO represented in the Technical Working Group (TWG) tackling the GPRB in both Houses of Congress and was designated as a member of the Secretariat of the TWG of the Senate Committee on Constitutional Amendments and Revision of Laws.

Aside from technical assistance, PWI provided advocacy support and conducted information campaigns for both private and public sectors on the GPRB, stressing that the bill was an anti-corruption measure. PWI staff traveled around the country to meet with professional government associations, business groups, CSOs and student organizations, to present

the Bill's salient points, impart updates, and garner their support. PWI encouraged them to participate as observers in public biddings, as point persons in media campaigns, and as representatives of their respective organizations in the legislative process, by attending public hearings and submitting position papers. PWI granted TV, radio, and broadsheet interviews; and distributed posters, streamers, and primers on the GPRB with an implicit message: those who do not support measures for transparency and accountability in public procurement foster corruption.

Several international donor institutions supported PWI's efforts through program and project grants.⁵ PWI has reporting obligations to its donors, but has a free reign on the direction and decisions it makes. The donors' participation in the direction PWI takes has been purely recommendatory and low-key.

The legislative process of institutionalizing procurement reforms which began in June 2001 with the filing of several versions of the bill in both Houses of Congress, ended in the passage of the GPRA on January 10, 2003.

The GPRA aims to address, among others, the lack of transparency and accountability, and the high levels of discretion that have long plagued the Philippine Government in its procurement of goods, supplies, materials, consulting services and infrastructure projects. The major features of the law are: (1) shift of emphasis from pre-qualification to eligibility check, while strengthening post-qualification; (2) shift to Lowest Calculated Bid as the criterion for award; (3) two-stage bid evaluation, de-linking technical and legal considerations from financial offers, (4) publicizing the available agency budget cost as the ceiling for bid price; (5) use of transparent and objective criteria (posting of advertisements to bid in websites and standardization of forms) and the promotion of the Government-Electronic Procurement System (G-EPS) as the primary source of information for all government procurement, and the utilization of the Government Electronic Procurement System for the procurement of common use goods; (6) inclusion of civil society representatives in the Bids and Awards Committee as official observers; and (7) coverage of all government entities – local government units, government departments, agencies, offices, financial institutions, and government owned and controlled corporations.

PWI was also involved in the crafting of the Law's Implementing Rules and Regulations, which was approved by President Gloria Macapagal-Arroyo on September 18, 2003 and deemed effective on October 8, 2003.

PWI conducts training in order to expand the reach of civil society. PWI alone cannot handle the monitoring. But, it is strategically well-situated to provide CSOs throughout the country with the knowledge necessary to become effective monitors.

Parallel to the conduct of training, PWI has set up a web-based reporting and feedback mechanism to aid in the drive for greater transparency and transmission of reports of its trained CSO affiliates. The reports submitted by the affiliated CSO will be posted in PWI's website for wider readership and shall be made accessible to the public.

Initial Results of the GPRA

In a preliminary survey conducted by the Procurement Service on government agencies, savings, as shown in Table 2, have already been obtained from the posting of advertisements on the G-EPS for projects up for bid, due to an increase in information dissemination, which in turn has led to an increase in competition.

TABLE 2
Savings Obtained By Agencies
(1st Semester 2003)

Agencies	Savings	Specific Savings on...
Bureau of Corrections	58%	Subsistence of prisoners, ammunition, and office equipment
Housing and Land Use Regulatory Board	38%	IT parts and accessories
Technology and Livelihood Resource Center	25%	Rehabilitation/Renovation of post harvest facility, printing services
Presidential Commission on Good Governance	20%	Office equipment, supplies, consumables
E-Commerce Council	15%	Office equipment, IT parts, and accessories
Philippine Children's Medical Center	11%	Medical supplies, drugs, printing services
Bureau of Agricultural Statistics	8%	Computer supplies
Department of Agrarian Reform	7%	Office supplies and other consumable items
Social Security System	5%	IT equipment/parts/accessories, office equipment, furniture
Air Transportation Office	5%	Construction and office equipment
Clark Development Council	5%	All purchases

CONCLUSION

Procurement reform is a long-term and continuing process. Aside from the inherent time involved in the legislative process, many actors are involved with different interests at work.

A challenge of this long process is for the reformers to have a mindset that is capable of dealing with partial and imperfect victories. This mindset requires a fair amount of openness in accepting the ideas of other actors and stakeholders, and a flexibility to deal with changes in the political environment.

Procurement reform requires technical competence found in a combination of people in and out of government. It is vital that they can complement each other's unique contributions. People in government should know when the expertise required is beyond them. People out of government should appreciate the fact that there are many well-meaning people in government. A network of like-minded individuals is priceless. The partnering process therefore is essentially a helping relationship as opposed to an adversarial relationship. Reformers have to continuously build bridges instead of emphasizing differences that separate.

While technical expertise is certainly needed, understanding the cultural context and the social process of change may be just as decisive and will require a different type of expertise.

This sustained effort in partnering is better coordinated by an independent and non-partisan group that acts in a low-key role as a partner who provides assistance and brings together in a collaborative way the reform-minded actors needed for social change.

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NOTES

1. The Social Weather Stations (SWS) was established in August 1985 as a private non-stock, nonprofit social research institution.
2. Estrada impeachment trial began on December 7, 2001 in the Senate for charges of plunder, amounting to P4.1 billion.
3. Discussion with Dr. Jose Edgardo Campos, consultant to the DBM on procurement reforms during the 11th and 12th Congress, and founder of Procurement Watch, Inc.
4. Estrada vacated his post as President on January 2001, with then Vice President Gloria Macapagal-Arroyo, assuming the Presidency.
5. PWI receives financial assistance from the ASEM Trust Fund managed by the World Bank and in part by USAID.

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