

Procurement Practices and Policies in the Philippines and the Implications to Public Research and Development

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Abstract

Despite the the Government Procurement Reform Act or Republic Act (RA) 9184 in 2003, issues of inefficiency and transparency continue and contribute to delays in project activities, low-quality product purchases, and service turnover, wasting more resources. This study assessed the implications of current procurement practices and policies in the implementation of public R&D in the Philippines. It covered 158 research projects from 48 RDIs across the country. Among the respondents are project leaders, members of the bids and awards committee (BAC), chief accountants, heads of research offices, and suppliers.

This brief discusses several findings, including issues related to Procurement Law, limited management capacity, and constrictive institutional policies and guidelines. Additionally, the brief includes recommendations for improving the efficiency of R&D procurement.

Introduction

Public research and development (R&D) have always played a pivotal role in the overall growth and development of the Philippines. The sector, however, appears to be plagued with policy constraints that hamper effective and efficient operation, especially regarding procurement. There is increasing, albeit anecdotal evidence suggesting that the existing financial management system anchored on the Procurement Act constraints rather than facilitates R&D operation in the country. Researchers hesitate to use the alternative modalities of procurement due to ambiguous provisions in the law, especially regarding the negotiated procurement for scientific, scholarly, artistic, and media services. Further, limited knowledge and capacity of procuring entities or institutions, and issues in the institutional guidelines such as lengthy processes and too many signatories result in delays and inefficiencies in procurement activities.

Low utilization rate of Section 53.6 of IRR 2016 of RA 9184

Public R&D is governed by RA 9184, which was signed into law in 2003 to promote the ideals of good governance in all branches of government regarding government purchases. To fast-track the procurement processes for R&D, a specific section in the 2016 Implementing Rules and Regulations (IRR), is crafted which refers to Section 53.6 of this IRR or the "Scientific, Scholarly or Artistic Work, Exclusive Technology and Media Services," under alternative methods of procurement. In this section, procurement of Goods, Infrastructure Projects, and Consulting Services can be

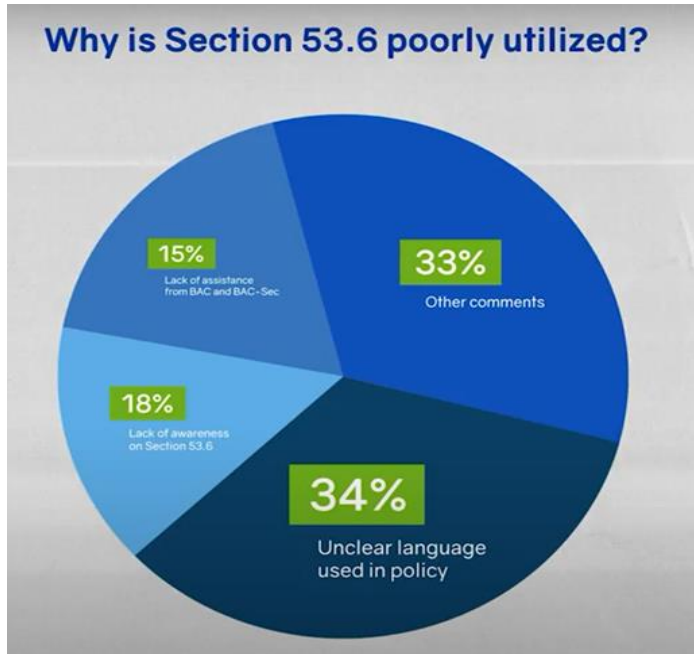
contracted to a particular supplier, contractor, or consultant for scientific and technical work, and as determined by the Head of the Procuring Entity (HoPE). These include highly specialized materials and equipment.

Findings showed that only one (1) RDI among 48 sampled institutions has used Section 53.6 under the Alternative Mode of Procurement. According to the respondents, the language of the policy is unclear. Thirty-four percent (34%) of BAC, BAC secretariat, technical working group (TWG) members, and project leaders said that the language needs to be modified to be fully utilized. Specific services should be stated, and examples should be provided for a better understanding of the scientific and technical requirements section. The section should also indicate specific R&D activities. The current version lumps the mention of services in an all-encompassing phrase of "Scientific, academic, scholarly work or research, or legal services" leaving user baffled on whether scientific services are included. On the other hand, some project leaders were also hesitant to use this mode of procurement as there are some apprehensions from BAC and BAC-Secretariat members. One BAC member mentioned that they do not use it because "competitive bidding is the default mode of procurement." Furthermore, about a third of the project leaders have low awareness or are not familiar with this section and could not comment. Figure 1 (see below) reflects reasons for underutilization of Section 53.6.

It was suggested by the respondents that guidelines for this section be revised to simplify the language, procedure, and requirements. A step-by-step guideline

or manual on this section could also help, including what activities and services are under the specified category.

Figure 1. Reasons for underutilization of Section 53.6



Data source: Survey, 2022

Limited capacity of procuring entities or institutions in conducting procurement activities

A public R&D project usually consists of one project leader¹, one or two project staff² with plantilla positions, two to three research assistants³, and one administrative staff⁴. However, not all of them are involved and knowledgeable about procurement. Although most BAC offices conduct training, only a few project leaders took part in these. The contractually hired administrative staff attend most of the BAC training. Indeed, findings showed that, between project

¹ In the guidelines for grants in aid programs from DOST AO 009 s. 2017, the project leaders are defined as the project's principal researcher or implementer. The main role of project leaders is to steer the implementation of the project activities. They must ensure that the activities are on track and to deliver the expected research outputs. In the R&D system operations, the project leader also takes on the role of administrator in managing and planning the procurement activities. The average percent of time devoted by project leaders in conducting their projects is 20%. This is the percentage of time required of project leaders to devote to the project on top of their other workloads.

² Project staff has the basic function of assisting in the day-to-day implementation activities of the project and is employed

leaders and administrative staff in Luzon, there is a greater number of administrative staff (46%) that have procurement training than the project leaders (36%). Further, project leaders do not refer to any procurement manual in the conduct of their R&D activities.

Project leaders and their administrative staff were also asked to assess their knowledge of the procurement process. Results showed that project leaders have adequate knowledge in the preparation of the proposed budget but have only minimal to basic knowledge with regards to other procurement activities such as the conduct of the market survey, preparation of Project Procurement Management Plan (PPMP), and writing of technical specifications. Meanwhile, the administrative staff have minimal knowledge of the conduct of procurement activities. Though most of the administrative staff have attended procurement training and are the focal person for procurement activities, their self-assessed knowledge falls under basic knowledge.

Table 1. Average rating of knowledge in the procurement process among Project Leaders and Administrative Staff

Process	Average knowledge rating of:	
	Project leader	Administrative staff
Preparation for proposed project budget	4	2
Conduct of market survey	2	2
Preparation of PPMP	3	2
Preparation of APP	3	2
Preparation of request for quotation form with technical specifications	3	2
Preparation of purchase request	3	2
Preparation of purchase order	3	2

by the implementing agency as a regular or in a plantilla item of the agency. A contractual staff renders technical, or administrative assistance and is employed under a contract of services.

³ Contractual staff could be the research assistants and administrative staff. Additional members employed in the project are enumerators and consultants. An enumerator is hired to conduct data collection, work only during the census period, and be employed under *pakyaw labor* while a consultant is an expert who provides technical knowledge and advice on certain project activities.

⁴ Based on the results of the study, 48% of the projects do not have a dedicated administrative staff.

Preparation of abstract of bids	2	2
Preparation of inspection and acceptance report	2	2
Preparation of disbursement voucher	2	2

Note:
4 – with superior knowledge, 3– with adequate knowledge, 2 – with basic knowledge, and 1 – minimal knowledge

Issues in the institutional policies of the RDIs

Apart from the capacity, institutional policies were found to have caused bottlenecks in the implementation of procurement activities. Table 2 shows the factors affecting effective and efficient procurement. Among the given factors, project leaders identified that the lengthy processes of procurement hinder the effective and efficient conduct of R&D. According to them, procurement process preparation is very tedious because of many signatories, requirements, and long paper trail of documents. There are times that because of the tedious process, they could not proceed with project activities because of the waiting time for approval of the documents. On the other hand, many project leaders expressed difficulties in communicating with the different units or offices⁵ within and outside their institution. They identified this as one of the challenges in the overall procurement process because of the additional requirements or attachments imposed by different units or offices. Meanwhile, some state universities and colleges (SUCs) SUCs said that they have difficulty in conducting market surveys due to the limited number of qualified/eligible local or area-based suppliers. Many of the research projects especially for natural science research need materials and highly specialized equipment which are not readily available in the country. Some research projects also experienced market risks including price increases due to inflation and the pandemic (7%).

Table 2. Factors affecting effective and efficient procurement.

Factors	Percentage (%)
Lengthy processes (including too many signatories)	26
Intra organization communication (different interpretation, requirements, execution of offices)	12

⁵ The usual offices that are coordinated with/by the project personnel are the suppliers, office of the VP of Research, funding agency, BAC, Accounting Office, and Cashier’s Office.

Release of budget	14
Changing procurement policies imposed by the institution	11
Too many paper works/ requirements, hard to accomplish requirements	9
Lack of suppliers, unavailability of equipment & supply in the local market	9
Market risks (inflation, costs)	7
Quality of goods and services	6
Communication with suppliers	5
No standardized form	2

Policy recommendations / conclusions

Public R&D is a critical activity that will drive the country’s scientific critical mass. Thus, we must ensure an efficient and effective implementation to motivate our scientists and researchers to engage in more public R&D. However, the national law that governs the procurement of R&D activities in the country is perceived to be a reason for delays and inefficiency. Meanwhile, the procuring entities’ operations and capacities are also factors in delays in procurement. The organizational policies of the RDIs also emerged as a factor that affects the fast procurement timeline.

Given the results of this study, the following are recommended:

- Make amendments to Section 53.6 or craft a Government Procurement Policy Board (GPPB) resolution clarifying the particular section written in plain language that is easily understood by researchers and BAC members alike. A dialogue should be conducted between the three national government agencies of DOST, the Department of Environment and Natural Resources (DENR), the Department of Agriculture (DA), and Commission on Higher Education (CHED) representing the fund sources of most RDIs and GPPB for possible amendments and/or crafting of resolutions.

Suppliers usually coordinate with the BAC offices, end-user, Accounting and Cashier’s Office, Bureau of Customs, and PhilGeps.

- Facilitate access to Section 53.6 so public RDIs can purchase the necessary equipment and services for R&D operations. To accomplish this, GPPB should have clear and simple guidelines in place so that end users and procurement offices can utilize and prescribe section 53.6. Procurement offices may have to retool, focusing specifically on R&D operations to support end users in promoting the use of section 53.6.
- Build and strengthen the capacity of procurement personnel to deliver value for money. It will be necessary to develop measures to promote the use of Section 53.6 and tie them to the performance of the procurement office. Initiatives of this kind will require adjustments related to the choice of procurement mode and the development of human resources, where innovation, efficiency, and effectiveness are valued over simple compliance.
- Provide access to single-use procurement where restrictions on suppliers are justified. Although competitive procedure should be the norm in procurement, if limitations exist in terms of suppliers' availability and qualifications, competitive tendering and the use of single-use procurement may be acceptable, subject to adequate oversight that considers corruption and manipulation risks.
- Streamline the public procurement system of the RDIs by identifying operational overlaps, inefficient processes, and other causes of delays. If possible, public procurement should emphasize service over compliance and regulation.

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