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**EVALUATION OF THE EFFICIENCY AND EFFECTIVENESS OF THE
REGIONAL PROCUREMENT SERVICE DEPOTS IN THE PHILIPPINES:
A CASE OF REGION 1**

A thesis presented in partial
fulfilment of the requirements for the degree of
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Ria S. Vicente

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ABSTRACT

The focus of this research is to examine the efficiency and effectiveness of recent procurement reform done by the Government of the Philippines, particularly the centralized procurement system for common-use supplies, materials, and equipment. The centralized procurement system is adopted with the intent of taking advantage of the savings inherent to bulk purchasing, streamlining procurement procedures, and reducing opportunities for corruption in the procurement of the abovementioned items. By legislative authority under Republic Act No. 9184, the centralized procurement system was made mandatory among all government agencies, government owned and controlled corporations and local government units in the purchase of their supplies, materials and equipment requirements.

With the introduction of tighter budget and the stronger pressure for good governance, the contributions of procurement policy and institutions of procurements to the achievement of good governance and potential relation to development has been gaining global recognition. Given the association of procurement to the way public money is spent, the issue on corruption is also central to this research. There has been a growing recognition of the relationship between corruption and development – the more corrupt a country is, the more underdeveloped it becomes. With the daunting task of battling against corruption, the country's strategy is to direct its efforts in combating corruption in specific areas, like public procurement.

This thesis demonstrates that the centralized procurement system offers a significant reduction in processing times in the conduct of procurement. Additionally, it offers opportunities for savings generation with the cheaper prices of goods and the reduction of administrative cost associated with procurement. More over, it provides a procurement framework where opportunities for administrative corruption are reduced. This leads to the conclusion that the centralized procurement system is efficient in that it reduces administrative processing time and concomitant costs. This, in the long run, will benefit the procuring entities and ultimately the tax payers.

However, the emphasis placed on achieving administrative savings is at the expense of other measures of effectiveness such as quality of goods being supplied and the quality of services being extended to client agencies. Moreover, the lack of effective inventory and control system may pave the way to greater waste. Without an effective inventory and control system as well as an improved quality control system, the centralized procurement system that works faster and cheaper may not be better after all.

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CHAPTER 1

Introduction

1.1 Statement of Purpose

The subject of this research is to examine the effects of the recent reform done by the Government of the Philippines (GoP) in its procurement practices. Public procurement, as a topic of study, is very important in the study of public policy given that government functions through its purchase of goods and services.

Procurement embraces the whole acquisition process through which the Government obtains goods and services to support its day to day operation. Government agencies purchase goods and services necessary to provide the public with education, defense, utilities, infrastructure, public health, and so forth. For example, the Department of Education need to procure chairs, textbook, school supplies and some other items so as to carry out its objective in providing education to the people.

The above items need to be procured in an efficient and cost-effective manner. Efficient in a way that these items are available at the start of the school term to which they are needed; cost-effective in a way that they are obtained where value for money is maximized. Considering the scarce financial resources, especially of developing countries like the Philippines, the Government needs to make sure that government agencies procure these goods and services at least cost and in a fair and transparent manner.

Previously, procurement has not been viewed as direct contributor to the operation of governments as it is a “back-room” process. But over the recent years, its contribution to the achievement of good governance and its potential relation to development is gaining global recognition.

In recent years, the GoP, supported by its external partners, has embarked in an extensive reform in its procurement practices as part of its modernization of public life. It is driven by the technical “best practice” and a political imperative to make government more transparent and accountable as there had been a growing pressure for reform of governance across the country and within the public administration. More so, a global public sector reform seeking to transform the processes of government into becoming service-oriented with an overall concern for the three “Es”: efficiency, effectiveness and economy; was emerging at the time.

The procurement reform strategy started with the strengthening of the legal underpinnings of government procurement. The issuance of Executive Order (E.O.) No. 40 and the passage of the Republic Act (R.A.) No. 9184 is a big progress in procurement reform in the country. To date, the majority of the procurement reform effort is at the level of systemic change, with the reforms now in the phase of implementation and ensuring that implementing agencies comply with the new framework.

1.2 Research Focus

While the aforementioned reform embraces the entire government procurement activities ranging from the purchase of common-use office supplies to the award of infrastructure projects and consulting services, this research focuses on the examination of the institutional arrangements made by the GoP in the procurement of common use supplies, materials, equipment and such other items including constructions materials.

The recent reform which started in the legislative changes provided for the centralization of the procurement of the above mentioned items. This research assesses the extents to which the institutionalization of the Procurement Service made the procurement of such items more efficient and cost-effective. It will cover the assessment of whether the rationale for the rule of centralizing said procurement which includes taking advantage of the built-in efficiencies of the system, ensure optimum quality of goods, and taking advantage of the discount inherent to bulk purchasing are being met. The Procurement Service is mandated to operate the government-wide procurement system.

For the three-year period starting from 2005, the size of national government procurement for supplies and materials is more than two percent of the national government expenditure. Unfortunately, the size of Local Government Units' expenditure on supplies and materials could not be established as there is no consolidated record showing their expenditure by object.

| Year | Supplies & Materials Expenditure (In Billion Pesos) | Total Expenditure (In Billion Pesos) |
|------|--|---|
| 2005 | 19.9 (actual) | 947.6 (actual) |
| 2006 | 23.8 (adjusted) | 1,053.3 (adjusted) |
| 2007 | 29.3 (proposed) | 1,126.3 (proposed) |

Table 1.1

Source: 2007 Budget of Expenditure and Sources of Financing

While the above-shown amounts may be seen as meager amounts, it should be pointed out that they are still part of the budget pie and that any savings there from will mean additional funds to undertake important programs, activities and projects of the government.

The centralized procurement system of common use supplies and materials has been introduced as early as 1978 when the Government Procurement Services (GPS) was first established by virtue of Letter of Instruction (LOI) No. 755 of the President of the Philippines, however, up to 1999, only 15% of common used supplies and materials were handled by the GPS (Campos & Syquia, 2005, p.7). And while the systemic expansion of the GPS through a network of regional depots was mandated through Executive Order No. 359 in 1989, the first regional depot was established only in 1998, a year prior to the start of the procurement reform program.

The reforms done by the government in its government procurement system over the recent years, include, among others, the revitalization of the Procurement Service. The Executive Order No. 40 s. 2001 of President Arroyo mandated all national government agencies to comply with the centralized procurement system (CPS). The CPS was only mandated among national government agencies then

as “Local Government Units (LGUs) enjoy local autonomy and the President cannot dictate upon them, except when the rule is embodied in a law” (Abuel, 2005, p.6). Accordingly, when the R.A. No. 9184 was enacted into law in 2002, the law mandated that LGUs as well shall undertake the centralized procurement of common use supplies from the PS.

This research is done through a survey with national government agencies at the regional level, particularly in Region 1. As of to date, there are seventeen (17) established and operating regional PS Depots in the country (Attachment 1.1). These depots were established in order to cater to the regional and field offices of the national government agencies as well as the local government units that are far from Manila where the main PS is located. Questions cover the issues on efficiency as regards the processing time of each procurement activity, effectiveness as regards to cost, responsiveness as to whether the goods offered at the Regional PS Depots meet the requirements of the client agencies, and it also includes questions on the quality of service of the Regional PS Depots.

Likewise, management issues of the centralized procurement at the regional level are discussed through a focus group discussion with the Region 1 PS Depot personnel. The discussion covers institutional capacities and capabilities of the Department of Budget and Management (DBM), Regional Office 1 as the implementer/manager of the Region 1 PS Depot. Added to that is the issue of how has the institutionalization of the Regional 1 PS Depot affected the overall operation of the DBM, RO 1, if affected at all, since the operation of the PS Depot is an added responsibility to the Department.

1.3 Overview of the Philippines

Located in South-East Asia, the Philippine archipelago consists of 7,107 islands with a total area of 300,000 sq. km.. It is a democratic and unitary republican state composed of 17 administrative regions and divided into political subdivisions called Local Government Units (LGUs) – provinces, cities, municipalities, and barangays (villages). The powers of government are exercised by three independent and co-equal bodies: the Executive Branch, Legislative Branch, and the Judicial Branch. Figure 1.1 shows the organizational structure of the Philippine Government.

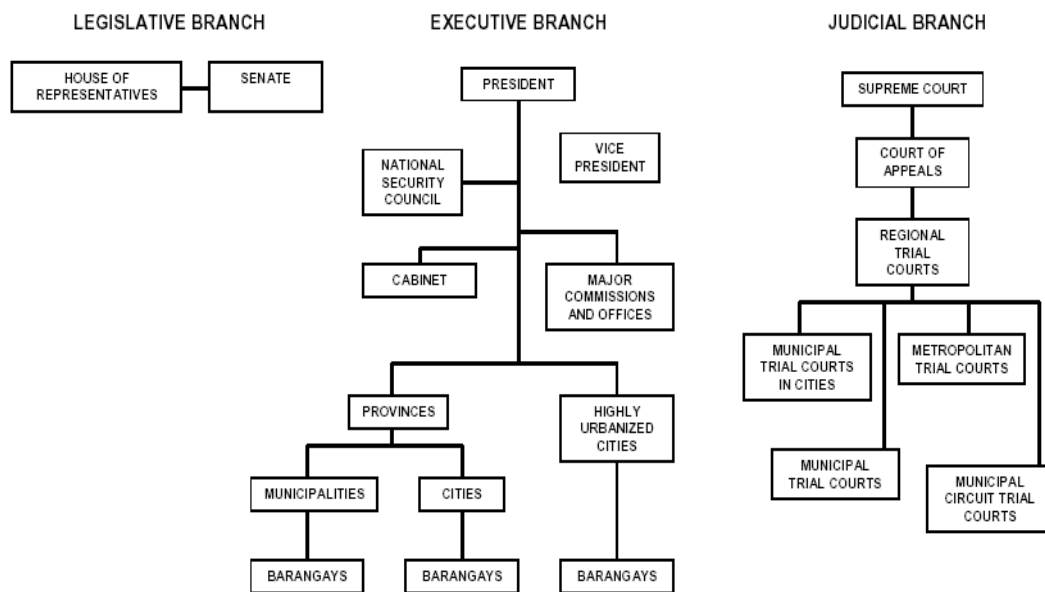


Figure 1.1

Note: Barangay is the smallest local government units
Source: Asian Development Bank Report

The Executive branch, headed by an elected president with a term of six years and not eligible for reelection, enforces the laws. The executive functions of the government are carried out through the Cabinet of Ministers. The Cabinet is

appointed by the President with the consent of the Commission on Appointments. Sec.1, Chapter 1 of the Book IV of the 1987 Administrative Code of the Philippines provides that the Executive branch shall have such Departments as are necessary for the functional distribution of the work of the President and for the performance of their functions.

For administrative convenience, provinces that have the same cultural and ethnological characteristics are grouped together to form the regions. Government departments establish regional offices not only to bring the services closer to the people but to enable each region to plan its own development programs. There are 17 regions in the Philippines: National Capital Region (NCR), Regions 1-13 including Region 6b, Cordillera Administrative Region (CAR), and Autonomous Region of Muslim Mindanao (ARMM). Figure 1.2 shows the seat of regional offices where the PS Depots are located.

The Legislative branch, vested in a bicameral Congress consisting of the Senate (upper chamber) and House of Representatives (lower chamber), is responsible in the promulgation of laws.

With 24 members, the Senate is smaller in number as compared to the House of Representatives. Senators are elected at large by the entire electorate to a six-year term. Having a national, rather than just a district constituency, it is said that the rule of electing senators at large is intended to make the Senate a training ground for national leaders and possibly a springboard for the presidency. The term of each senator is limited to no more than two consecutive terms.

Unlike the Senate, the House of Representative is composed of members who are elected from their respective legislative districts apportioned among the provinces, cities, and Metropolitan Manila and those who are elected through the party list-system of registered national, regional and sectoral parties or organizations. A member of the House of representative has a three-year term and shall serve for no more than three consecutive terms. At present there are 239 members of the House of Representatives, 221 district representatives and 18 party-list representatives.

Basically, the Philippine Constitution provides for a number of members of the House of Representatives to be no more than 250¹. However, the number of seats may increase beyond the limitation due to the implementation of the party-list system whereby a party-list shall be entitled to one seat if it will be able to garner at least 2% votes from the total votes cast in the national election and a maximum of three seats for garnering at least 6%².

The Judicial Branch, vested in the Supreme Court, the Court of Appeals, and various other special and lower courts, settles disputes involving rights of contending parties under the law and has the power to review the constitutionality of presidential decrees and all existing laws. The Chief Justice and the 14 Associate Justices of the Supreme Court are appointed by the President upon the recommendation of the Judicial and Bar Council.

¹ Article VI, Sec. 5(1) of the 1987 Constitution of the Republic of the Philippines

² Section 11 of the Republic Act 7941 otherwise known as the Party List Act

1.4 The Philippine Procurement System

1.4.1 Legal Framework

Prior to the signing of the Executive Order (E.O.) No. 40 in 2001 and the legislation of Government Procurement Reform Act in 2003, the public procurement in the Philippines was governed by more than 40 laws, executive orders, presidential decrees and administrative orders, including issuances from government agencies applicable to respective departments (World Bank, 2004, p.21).

The basic regulations that governed the contracting of public infrastructure projects, a law passed in 1978 known as Presidential Decree (PD) 1594, has not been challenged until the reforms which started in 1999. During the martial law years, a PD has the force of law and this particular PD was retained as law even after the dictatorship of Marcos had fallen in 1986 (Campos and Syquia, 2005, p.5).

As for the purchase of common use supplies and equipment, a Procurement Service (PS) was first established in 1978 by virtue of the Letter of Instruction (LOI) 755. The mechanics of the PS system were earlier tested and validated from 1976 to 1978 in an experimental implementation of a centralized form of procurement on a limited basis (Procurement Service, 2006). On June 02, 1989 the President issued Executive Order No. 359 which prescribed the systematic expansion of the PS through a network of regional depots under a governing Procurement Policy Board (E.O. No. 359). It was found out, however, that up to

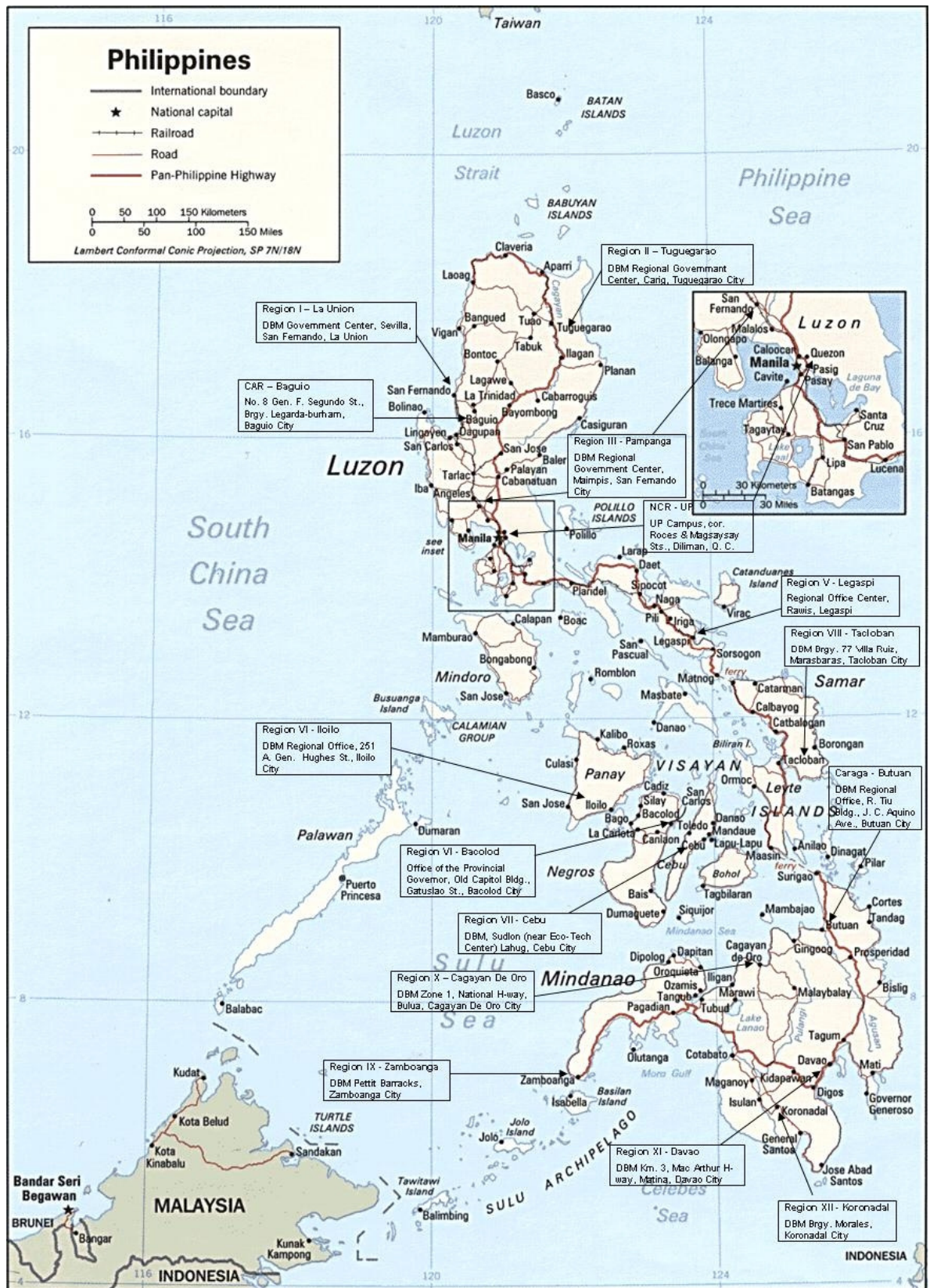


Figure 1.2

1999, only 15% of common goods and supplies by the government were handled by the Procurement Service (Campus & Syquia, 2005, p.7).

In the absence of a comprehensive law governing public procurement, several regulations were introduced, both in the contracting of public infrastructure projects and in the purchase of goods and services. While these regulations were supposed to plug loopholes, they created a plethora of inconsistent rules creating confusion in government contracting.

As stated in the findings of the World Bank in its Philippines Country Procurement Assessment Report (CPAR) for the period October 2001 to June 2002, “the public procurement is characterized by outdated and fragmented laws and a proliferation of uncoordinated executive issuances... inconsistent with one another” (World Bank, 2003, p.21).

Over the recent years, the government has taken several steps to address the legal mess that governed public procurement of the country. The procurement reform movement was launched in 1999, attempting to modernize the legal and institutional framework for public procurement. The envisioned reform, however, was not easy to achieve as any reform in public procurement may have financial ramifications for legislators and probably even for some officials in the civil sector. In fact, the draft law for procurement reform took two stints in Congress before it was finally passed and signed into law by the President - first during the time of the then Pres. Estrada in 2000 and second during the time of Pres. Arroyo in 2002

Whilst the first attempt to have the draft reform bill be passed in Congress did not succeed, majority of the new procurement law, however, was approved by the President through an Executive Order (E.O.) No. 40³ in October 2001. This is to forestall any veto in the procurement draft reform bill that is put in Congress the second time. Finally, in 10 January, 2003, the Government Procurement Reform Act (Republic Act No. 9184)⁴ was signed into law. The Implementing Rules and Regulations (IRR) for the Law was issued on 23 September 2003 and became effective in 8 October 2003.

The R.A. No. 9184 is an omnibus law which consolidated, standardized and updated all the previous procurement laws, rules and regulations, administrative issuances and procedures for the all national government agencies (NGAs) and local government units (LGUs).

With the increasing pressure for reform of governance, the R.A. No. 9184 aims to replace the “cumbersome and conflicting procurement rules and regulations”⁵ with a more simplified and transparent one.

Overall, it took more than three years to reform the legal underpinnings of public procurement in the Philippines. The reform process cost the reformers thousands of hours of back-breaking work and several bouts of frustrations before the Procurement Reform Law was enacted. Indeed, pushing for reforms

³ The authority of the President of the Philippines to issue Executive Order is provided for under Sec. 1, Article 7 of the 1987 Philippine Constitution and under Sec. 2, Chapter 1, Book III of the 1987 Administrative Code of the Philippines

⁴ It shall be referred to as “the Law” in this paper

⁵ A term used by the World Bank in the Philippine Country Procurement Assessment Report (CPAR). This is in fact one of the areas of concerns in the 1997 CPAR which persisted until 2001 before the E.O. No. 40 was signed.

requires considerable patience and a carefully thought out strategy for managing the politics of the reform process.

1.4.2 Organizational Structure

1.4.2.a Procuring Entities

The overall procurement function is vested to: (a) the head of each national agency or instrumentality; (b) the governing board for government owned or controlled corporations (GOCCs); and (c) the elected head of each LGU. Each procuring entity has an established single Bids and Awards Committee (BAC) for its procurement activities, as mandated by EO No. 40 and R.A. No. 9184⁶. BAC shall have at least five (5) members, but not more than seven (7), designated by the head of procuring entity. In no case shall the approving authority be a member of the BAC. The scope of the BAC activities spans the pre-procurement conference up to the recommendation of the award to the approving authority. A technical working group (TWG) from a pool of technical, financial and/or legal experts may also be created to assist the BAC in the evaluation of bids and post-qualification. To enhance the transparency of the procurement process, a representative from the Commission on Audit (COA) and at least two other observers shall be invited in all the stages of the process. In the interest of efficiency, a BAC Secretariat is created to assist in the administrative functions in the bidding process.

In the 1997 CPAR of the World Bank, one of the observations is the need for capacity building for implementing agencies to carry out their procurement work.

⁶ Section 7 for the E.O. No. 40 and Section 11, Article V of the R.A. No. 9184

In many agencies, proficient procurements staff are lacking. In some instances, proficient staff hesitates and sometimes refuse to be designated as members of the committees as the function is just an added burden to their original jobs without additional incentives. Worse, some refuse to be designated as members of the committees due to the fear of harassment and legal suits from bidders in the absence of any legal or appropriate assistance from government (World Bank, 2003, p.91). With such, the WB recommended the professionalization of the procurement function and establish a national training program to strengthen the capacity of the civil servants involved in procurement at the national and local level.

In response to the matter, the Law mandated the professionalization of the BAC, TWG members and Procurement Units.⁷ The GPPB, the main oversight body for procurement, is tasked to establish a sustained training program to develop the capability of the BACs, TWGs, BAC Secretariats and the Procurement Units of procuring entities. Over the past three years, the GPPB together with some trained officials from the DBM, COA, State Universities, conducted and offered in-depth training programs on the new procurement system to employees involved in procurement activities at the national and local level. Private legal assistance and an equitable indemnification package for procurement officials were also established.⁸ Additionally, in the interest of professionalization, the heads of procuring entities are encouraged to extend the terms of deserving BAC members beyond the fixed term of one (1) year.

⁷ Article V, Section 16 of the Law

⁸ Article XXIV, Secs. 71 and 73

As part of the addressing the human element of the procurement process, the Law also mandates the payment of honoraria to BAC and TWG members in the amount not to exceed 25% of their respective basic monthly salary.⁹ The honorarium is a form of compensation granted to the BAC and TWG members as compensation owing to the performance of tasks beyond their regular functions. The specific guideline promulgated by the DBM provides for the following amounts:

| Composition | Honorarium Rate Per Procurement Project |
|-----------------------|--|
| BAC Chair | P3,000.00 |
| BAC Members | 2,500.00 |
| TWG Chair and Members | 2,000.00 |

Table 1.2

Source: Budget Circular 2004-5 dated 23 March 2004

1.4.2.b. Procurement Practices and Processes

The principle of transparency in governance has become the catchphrase being used widely not only by international agencies such as the World Bank, Asian Development Bank, and some others, but also by all governments at all level of development. For government procurement in the Philippines, the principle of transparency shall govern all procurement activities of the national government agencies, government owned or controlled corporations and local government units.

⁹ Article V, Section 15

Rules and regulations on public procurement require that all procurement activities shall undergo competitive public bidding. Competitive public bidding requires public advertisement of requests for bid quotations through general newspaper, through posting in conspicuous public places, and lately posting in the PhilGEPS¹⁰ website. The BAC undertakes the opening of the bid following a prescribed procedure for evaluating bids. The bid opening is public and may be attended by the bidders or their representative.

In some instances, procuring entity may resort to any of the alternative methods of procurement such as selective bidding, direct contracting, repeat order, negotiated procurement and shopping¹¹ in order to promote economy and efficiency. Article XVI, Section 48 of the R.A. No. 9184 provides in part that, “In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained.”

For the procurement of common use supplies, materials and such other items including equipment and construction materials, a centralized procurement system is in place. The centralized procurement system is operated, nationwide, by the Procurement Service (PS), an attached agency of the Department of Budget and Management (DBM). Procurement Service Depots were and are being institutionalized at the regional level in order to reach government agencies and local government units outside Manila.

While the centralization of the procurement of common use supplies and materials aim to take advantage of the discount inherent to bulk purchasing, said

¹⁰ PhilGEPS is the government portal for government wide procurement activities

¹¹ These are provided for under the Law

procurement centralization created some concerns among local suppliers of losing their businesses as the government constitute a big client to them. To address said issue, the GPPB proposed for the creation of the Regional Inter-Agency Bids and Awards Committee (RIABAC) to bring down the bidding activities to the regional level. This will localize the bidding process and will allow local suppliers to participate. This will also serve as a protection among local industries. In December 2006, Secretary Andaya of the DBM ordered the operationalization of the RIABAC effective in January, 2007 in the form of a memorandum order. Specifically stated in the memorandum is to bring the procurement activity of common-use goods to the region by giving opportunity to local manufacturers, suppliers and dealers to enhance and sustain the economic inter-play in the locality¹².

¹² Sec. 2.2 and 2.3 of DBM Memorandum dated 18 December 2006

CHAPTER 2

Literature Review

This chapter discusses some of the literature related to this research. It starts with the discussion of the concept of government procurement and its uses as a policy tool. Included in the literature review are some of the issues surrounding procurement reforms and what is the role of international organizations in these so called reforms. Given its association to public spending, issues on corruption are also included in the discussion.

2.1 What is Government Procurement?

Governments buy things – from pens to equipment to warships – to support its day to day operation. This function of government goes under various terms such as “government purchasing”, “public procurement” or “government contracting”. The term “government procurement” will be used throughout this thesis for consistency purposes. “Government procurement refers to the acquisition of goods, consulting services, and the contracting for infrastructure projects by the procuring entity. (It) shall also include the lease of goods and real estate”¹³. Procuring entity refers to “any branch, department, office, agency or instrumentality of the government procuring or leasing goods, consulting services and infrastructure projects”¹⁴

There is a range of alternative methods upon which the government can obtain its needs – it can employ people to produce the goods directly or it can produce

¹³ Sec. 5(n), Art. I of the R.A. 9184

¹⁴ Sec. 5(o), Art. I of the R.A.9184

the goods itself by building its own factories. Modern governments, however, have increasingly moved away from these methods. Governments nowadays prefer to buy these goods and services from the market usually on the basis of competitive bidding.

Government procurement represents an important share of total government expenditure and has significant role in domestic economies. The WTO estimates that government procurement typically represents 10-15% of GDP (Alton, p.1, 2004), and in some developed countries, it even reached as high as 20% or more of GDP¹⁵ (Miyagiwa, 1991, p1320), a reason why Government Procurement an important consideration in international trade agreements.

Attention was also directed at government procurement with the introduction of much tighter budgetary constraints and the continuous effort to achieve good governance. "For many developing countries, procurement reform is a key issue, and one which is ought to be high in the good governance agenda" (Fenster, 2003, p.65). Wit the role of government procurement in the public sector management, good governance agenda cannot totally be achieved without introducing a sound procurement principle or reforming defective procurement practices.

Furthermore, improved procedures and practices had become an international criterion, particularly for large lenders, in allocating scarce development aid resources. This is not surprising considering the role of procurement in the implementation and delivery of programs to which these aids are intended for.

¹⁵ The 20% is a 1988 World Bank figure for United States, Western Countries & Canada

As what Fenster (p.65) said, where procurement is not conducted in accordance with sound principles “the door is open to corruption, wasteful expenditure, higher prices, failure to deliver, loss of faith and integrity in the public sector, and many more ills”.

2.2 Locating Government Procurement in Public Policy

“Policy represents a coherent framework, or set of ideas and principles, by which people’s actions can be guided or governed” (Duncan, 2004, p.3). From the given definition of the term “policy”, it can be deduced that a government procurement policy expresses or represents the framework, or set of ideas and principles underpinning the activity of public purchasing. These ideas and principles are the results of government interpretations and shaping up of what it believes to be the needs and wants of the citizens.

There are two sets of objectives that a regulation of government procurement can be seen as serving: economic and political. These two sets of objectives are the major consideration in constructing or reforming a system of government procurement regulation. Political objectives may range from the promotion of human rights and social justice to the promotion of a country’s industrial policy. On the other hand, economic objectives are those that reflect the desire to emulate the procurement practices of the private sector that is assumed to operate in an efficient, less expensive and more transparent way.

2.2.1 Economic Objectives

With the preoccupation on market-oriented ideologies and the introduction of a much tighter budget, methods of delivery of public service were placed under more intense scrutiny, particularly with a view of reducing cost and increasing efficiency and transparency. There was then the belief that public spending is massively in excess of what is necessary to deliver public services, and that issues of costs and efficiencies as well as transparency should be more firmly embedded in the public sector ethos than previously. Where government procurement is used as a basis for delivering public services, “value for money” was proclaimed to be the basis in which government procurement should be undertaken. As how McCrudden (2007, p.11) puts it, “the biggest bang for the least buck”.

Miller (cited by McCrudden, p.115) said,

“the only mission of a purchasing/contracting agency is to obtain what is needed, in both quantity and quality, at the time when it is needed, at a decent price, and under circumstances which are fair to both the Government and the contractor. “

The above mentioned statement suggests that government procurement should be kept in a purely commercial consideration which is guided by market discipline. It suggests that no social or political concerns should complicate the ways in which contracting should be applied. Hence, procurement or contracting decisions should be made on the basis of:

- a. value for money, interpreted largely as lowest price;

- b. quality, something that will satisfy the requirement of the Government
(not something that goes beyond the requirement)
- c. quantity, just enough to avoid wastage

In here, “competition” is at the heart of public procurement. Government can acquire the needed quality and quantity at the lowest price possible with the right competition in place. Competition in government procurement, however, is not that easy to achieve, as there are political and social concerns that need to be reflected in the procurement process.

2.2.2 Political Objectives

In a time of pressure on government budgets, the economic considerations discussed above, have become increasingly important as a factor motivating procurement regulation. However, there is an argument that the regulation of government procurement cannot solely rely on these ideologies as there are social and political concerns that need to be addressed by governments. McCrudden, in his book entitled Buying Social Justice made an extensive account on how the power of the purse can be used as a social policy tool. Political and social objectives may well be broad, from the promotion of a country’s industrial policy to the promotion of human rights in other countries. Below are some of the specific political and social goals that a procurement regulation, of several countries, can be seen as serving:

- protection of local industry from foreign competition;
- anti-discrimination against minority groups;
- improving competitiveness of certain industrial sector/protection of small

businesses;

- remedying regional disparities; and
- indirect uses of procurement as a tool for social policy (unemployment, fair wages, disabled workers).

While Miller may be true that the role of procurement is to obtain the what is needed by the government, in both quantity and quality, at the time when they are needed, and under the circumstances which are fair to both the Government and the contractor, the importance of the political and social objectives of the Government should never be discounted, especially in the formulation of policies. The role of governments is never simple, and much as government procurement policies need to be kept at a purely commercial basis where value for money is to the major consideration, this cannot be so as there are social and political concerns of the governments that can best be addressed via procurement regulations.

2.3 Using International Organizations to Improve Procurement

In the late 1970s several high-income countries negotiated an agreement on government procurement under the auspices of the General Agreement of Tariffs and Trade (GATT). The Government Procurement Agreement (GPA) extends the basic principles of the GATT – nondiscrimination, national treatment, and transparency – to the tendering of procedures of specified government entities. As the goal of WTO is to liberalize and establish rules for trade, the motivation for regulating procurement appears patent. Government procurement represents a large chunk of international trade and so the WTO would be falling short if it were left largely unregulated (Fenster, 2003, p.66).

While the WTO's concern lies more in the promotion of a more open international trade, international lending institutions such as the World Bank, Asian Development Bank, etc. and some donor countries are directing increasing attention towards strengthening the procurement capacities of recipient countries. The impact of foreign aid is especially affected by the procurement performance of the recipient countries. Poor or weak system serves to squander scarce domestic and foreign resources, hence, donors are now concerned about how the development aids are being spent. Strengthening procurement capacity is now a vital precondition for aids to developing countries. There has been a gradual convergence between country systems and international standards. There has been increased harmonization among donors and increased use of common documentation.

2.4 Public Sector Reform and Government Procurement

Public sector reform is usually thought of as a means to an end. As what Pollit and Boukaert (2004, p.7) pointed out, it is a means to "multiple ends". Public sector reform may be used to lift a country from economic languor, it may be a response to some forces posed by political, economic or social forces that can undermine the state, or it may be a reaction to changes in the environment – whether local or international. Sometimes, the aims of a reform can be more specific: to try to deal with corruption or to find administrative solutions, like decentralization or privatization, to some political problems. To sum it up, public sector reforms were pursued to make governments more efficient and effective.

According to the literature, authors and commentators (like Pollit, Mathiasen, Ferlie, Wescott) on public policy share a common impression of a huge amount of public sector reform over the last two decades. They share a common view that there has been a wave of reforms across many countries. “To put it more colloquially, there has been more ‘hype’ about administrative change, in more countries, more or less simultaneously, than ever before” (Pollit & Boukaert, 2004, p.24).

Causes of public sector reforms are diverse and complex. There is no single explanation that will serve to capture the particular circumstance to which they have arisen in individual countries. Each country has its unique features of administration that there can be no prescribed reform model to suit all countries and this is something that reformers should always consider. What may have succeeded in the developed world may not be applicable to developing countries. In the same way that what may be applicable to the western world may not be applicable to the eastern countries.

2.4.1 New Public Management

Much of the discussion on public sector reforms in the past two decades is construed within the NPM paradigm. Sometimes public management reform in general is confused with NPM because most public management reforms advocated by the OECD countries overlap substantially with characteristics attributed to NPM (Mathiasen, 2005, p.656). Borrowing from Pollit (2003, p.26), NPM “has achieved a degree of rhetorical dominance... and has led to too many institutional changes in some countries.”

It shall be noted, however, that NPM is a term used by Hood in 1991, thus the term “NPM” is not yet being used in the 1980s when some countries like New Zealand and UK had launched their public sector reforms. It was not until later that NPM was used to call the concept surrounding the public sector reform done by these countries.

First introduced in the OECD countries like New Zealand, Canada, UK and Australia in the 1980s, NPM can be seen as a label given to a set of radical public sector reforms which seek to incorporate the best practice of private sector practices into the public service in order to meet the requirements of the new environment characterized as “customer focused” (Cheung & Scott, 2003, p.11). It aims to make the government work “faster, better and cheaper” (Osborne & Gaebler, 1993, p2).

While there may have different definitions given to NPM, or rather there is no standard definition given to NPM, authors on the field acknowledge that there is a fair amount of overlap between most of them, and that many authors and commentators agree that NPM has a number of facets or ingredients that may vary on emphasis from one country and time to another (Pollit, 2003, p.27; Mathiasen, 2005, p.656; *Christensen & Lagreid, 2002, p.*). Quoting from various authors (Pollit, 2003, p.27; Cheung & Scott, 2003, p.11; Ferlie, et.al, 2005, p.55; Osborne & Gaebler, 1993, p.2; Marcussen & Zolner, 2002, p.6-7) below are some of these ingredients/elements/characteristics which are most relevant to the analysis of this study:

- Shift in focus of management system and efforts from inputs and processes to outputs. Giving more freedom to civil servants and better control for politicians.
- Shift towards more measurement and quantification (especially performance indicators and standards)
- Preference for more specialised, lean, flat and autonomous organizational forms rather than large, multi-purpose, hierarchical ministries. It is based on strong criticism of large public sector and make use of nonbureaucratic mechanisms to get things done.
- Much wider use of markets to deliver public services
- Emphasis on service quality and consumer orientation in delivery of public service. The relationship between the civil servant and the citizens become a seller and buyer relationship where the public services produce goods to their customers who will buy them if they have right price and quality
- An attachment to efficiency, effectiveness and economy. Saving money, cutting down expenditure, spending as little as possible are some of the more popular phrases used in the discussion of NPM. As the famous quote from Gore - “a government that works better and costs less”.

Much more can be said about NPM. As mentioned, it has various elements that may vary on emphasis depending on a certain condition upon which a reform is being done. And while NPM led many institutional changes in some countries, it shall be pointed out that reforms have and are taking place in some countries without regard to NPM. As Mathiasen (2005, p.656) pointed out, in many countries “eliminating corruption is more important than sorting out purchaser-

provider relationships, financial auditing is more important than quantifying performance management, and accurate and honest cash accounting is more important than accrual accounting.”

2.4.2 Philippine Public Sector Reforms

As mentioned above, a reform has many ends – it may be to promote efficiency, to promote economy, or it may be done to address corruption, and many others, depending on the need of certain country at certain time. The Philippines was also swept by this so-called wave of reform in the past couple of decades – liberalization, privatization, decentralization, reorganization of government departments, rationalization of the entire civil service have all been part of the Philippine public sector programs in the post-Marco era.

Overhauling the public sector in the Philippines during the late 1980s up to the present is not surprising. For more than 20 years the Philippines had been under the leadership of Marcos. The Marcos regime which lasted until 1986 had been identified not only with dictatorship and loss of human rights but also with cronyism, protectionism, and rent-seeking (Bello, 2004, p.92). It had therefore been the number one priority of the succeeding governments to restore public confidence over the government, hence overhauling the public sector immediately after the dictator was ousted from power.

While the pressure for reform had been internal, it is worthy to note that it was during those times that neoliberalism replaced the state-oriented Keynesian ideology. The reactions of the succeeding governments towards the Marcos regime had been greatly influenced by the doctrines of neoliberalism as the

Philippine technocracy had been dominated by political and academic figures who, as a matter of faith, believed that neoliberalism is the answer to all the problems posed by the protectionist, rent-seeking Marcos regime. The programs of deregulation, liberalization and privatization which were pursued with almost messianic zeal were the reaction of the succeeding administrations towards the Marcos regime (Bello, 2004, 92).

Very recently, financial and procurement management has also been the object of scrutiny among the middle and senior positions in the civil service. In fact in the year 2000, the New Government Accounting System was introduced, shifting from cash basis to accrual accounting; new regulations to improve revenue collection were passed and are continuously being enhanced to ensure that collection targets are met; and in 2003, the new government procurement reform act which provides for the modernization, standardization and regulation of procurement activities of the government was finally approved into law.

2.4.3 The need for Government Procurement Reform

There are two possible routes that a country may take when it embarks into procurement reform. Fenster (2003, pp.70-71) discussed these two possible routes: he called the first as the “true reform” and the other is the “reform for development”. According to him, “true reform” aims to deal with problems within the procurement system. This route is taken when the procurement system itself is ill, it could either be that the system is vulnerable to corruption, less cost effective, less transparent, inequitable or otherwise ineffective hence in need of reform.

The second route, the “reform for development” is taken when governments wish to use their spending power in order to achieve certain socio-economic goals. For example, it may be directed to poverty alleviation programs or at advancing smaller enterprises. Reform for development could occur in an environment where the underlying procurement system is appropriate, cost effective, equitable, transparent, competitive and generally healthy. The restructuring in this route aims to address socio-economic ills in the society. This, according to Watermayer, (2003 , p. 2-3), is the secondary objective of procurement itself, and can be achieved through some form of preferencing and with instruments, which are, by their very nature, discriminatory.

The path that a reform may take depends on the needs of a particular country. These two paths, according to Ferns, are not necessarily divergent. Countries may embark upon both reform of the procurement system and directing the system at particular goals. An example is the South African Constitution which directs the procurement restructuring on the (a) internal reform of the procurement process itself so as to ensure that there is a procurement system and that it is fair, transparent, competitive and cost effective; and (b) procurement restructuring where the goal is to achieve the socio-economic goal of uplifting those members of the society who have been disadvantaged by, among other things, South African apartheid history (Mc Crudden, 2007, p.8; Watermayer, 2003, pp.2-20; Ferns, 2003, p.71).

2.4.4 Procurement Reform in the Philippines

- In the Philippines, the reform of procurement sought to accomplish a series of things, and these were summarized by Thornton (2006, p.7) in his case study prepared for presentation at the Asian Regional Forum on Aid Effectiveness: Implementation, Monitoring and Evaluation in Manila in October, 2006, as the following:
- to respond to the domestic pressure for good governance (especially to reduce the level of corruption in the administration, particularly around large public procurement);
- to unify the “splintered and chaotic” procurement regime that applied in government, making the process more manageable and oversight more effective;
- to modernize the processes of procurement in accordance with international best practice (the laws had not been amended for over 20 years); and
- to respond to international demand for improved procedures and practices in the management of finance and procurement, particularly from large lenders.

2.4.4a Splintered and Chaotic” Procurement Regime

The problem with the Philippines is that many rules and regulations are being promulgated without repealing the old ones which gives rise to inconsistent rules and regulations that creates confusion. The procurement regime in the country is no different with its anti-corruption program where inconsistencies of rules and

regulations dominate the implementation rendering it ineffective. Wescott (2007, p.501) noted that:

“The Philippine leaders periodically boast of their strong stance against corruption, citing seven (7) laws and thirteen (13) anti-corruption agencies, instituted to fight graft since the 1950s. Yet because of the overlapping mandates and accountabilities of these agencies, low salaries for public officials, red tape, inconsistent policing, nepotism, and lack of political will, these laws and institutions and related action plans have not been effective”.

Going back to the country’s procurement system, one of the main concerns presented in the Philippines Country Procurement Assessment Report 2002¹⁶ is that “public procurement is characterized by outdated and fragmented laws and a proliferation of uncoordinated executive issuances” (World Bank, 2003, p.21). These uncoordinated laws and executive issuances prescribe variety of procurement procedures and requirements which at times are not consistent with one another. This creates ambiguity and uncertainty in some procurement procedures.

2.4.4b Domestic and International Pressure for Good Governance

Aside from the necessity to unify the splintered and chaotic and outdated procurement regime, an equally important, if not more important, is the urgent need to respond to domestic and international pressures for good governance. Strengthening procurement efficiency and increasing transparency might equally

¹⁶ The CPAR 2002 was conducted by the World Bank in close collaboration with the GoP and with the participation of the Asian Development Bank.

increase the confidence and trust of the civil society and even aid donors in the government, in particular in government’s credibility, honesty and commitment to development.

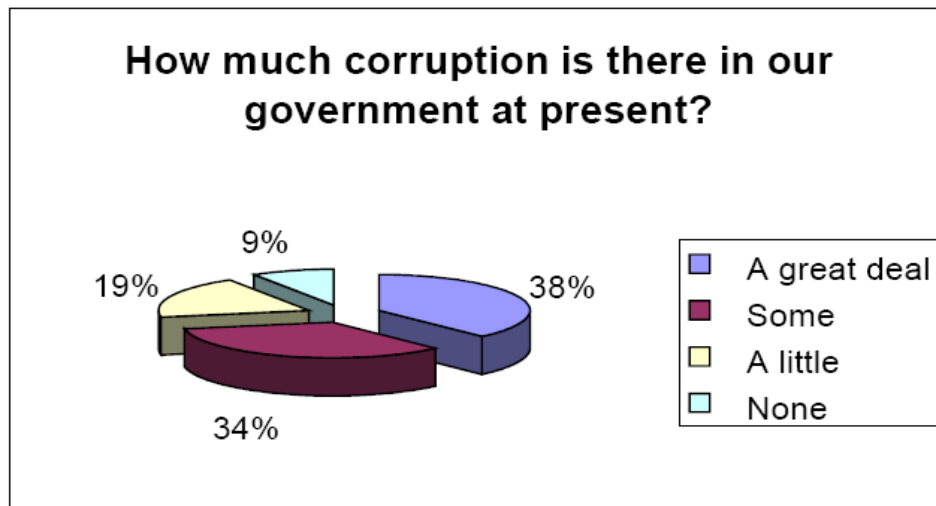
In 1999, President Joseph Ejercito Estrada’s administration asked the World Bank to make recommendations to help the government strengthen its fight against corruption. Budget and expenditure reform is the centerpiece of his campaign platform as well as his first State of the Nation Address (SONA). It is quite ironic though that in 2001, tens of thousands of people massed again in EDSA (a major commercial avenue within the capital city of the country) to demand for the ouster of another President, Joseph Estrada. The charge: monumental corruption.

Table 2.1: How much government funds do you think is wasted due to corrupt practices connected to...

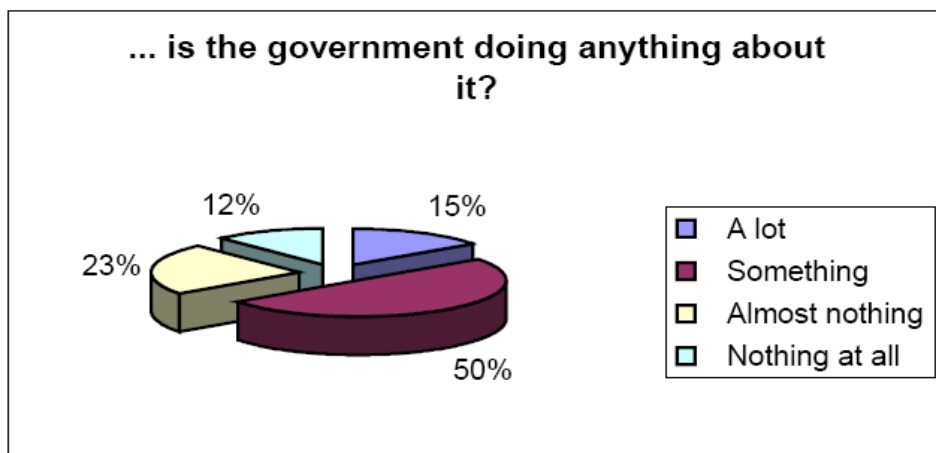
| Amount of leakage | Building roads | Collecting taxes | Providing free books to children in public schools | Installing modern equipment in government offices |
|-------------------|----------------|------------------|--|---|
| More than 50% | 51% | 41% | 30% | 23% |
| 30 to 50% | 29% | 31% | 32% | 39% |

Source: Combating Corruption in the Philippines (World Bank Report)

Figure 2.1 Perceptions of the Degree of Corruption in the Philippines



Source: 1998 Social Weather Stations Survey.



In response to said request, the World Bank prepared a report that presented the status of governance and corruption in the country and its corresponding recommendations. The report used the findings of the study conducted by Guerrero and Rood on the “Exploratory Study of Graft and Corruption in the Philippines” which was based on data collected in 1998 by the Social Weather Station (SWS). The study reported, among others, that 51% of the respondents believe that more than 50% of funding for building roads is lost to corruption, 30% and 20% of respondents believe that more than 50% of funds are lost to corruption for providing free books to children public schools and for installing

modern equipment in government offices, respectively (World Bank, 2000a, pp.2-5).

Based on such findings, it can be concluded that the system of procurement in the county is dysfunctional, which while adhering to principles of competition and transparency, is inefficient and prone to abuse. As such, among the recommendations of the 1999 World Bank report is a comprehensive reform of state procurement regulations and practices (2000a. p.27).

For a developing country like the Philippines, which is scarce in resources and is laden with debt, the fiscal condition is very tight. The amount which could be used in providing social services or investment in infrastructure is limited. In order to be able to be able to deliver quality services to the public, it has to make optimal use the limited development resource. As such, it cannot afford to lose not even a single peso to corruption.

While efforts to improve the fiscal condition are focused largely on the improvement of revenue collection either through legislation of new tax measures and/or improvement of new tax administration, the GoP also recognizes that the need to plug the leakages in the expenditure stream is equally important. As what Manalo (2005, 1) said, “any additional revenue inflow could hardly improve public services if funds are eventually lost to corruption and inefficiencies” in government spending.

Over the recent years, public procurement has been recognized by international organizations as factor affecting the development of country. “Poor procurement

system may waste tremendous amounts of scarce resources” (DAC, Vol. III) which can be used for development programs. Government procurement is at the centre of the way public money is spent. Budgets get translated into services in large part through the workings of the procurement system. Hence, the ability of governments to meet their promises of economic and social improvement is strongly related to how well procurements functions.

2.5 Government Procurement and Corruption

Often, procurement policy and the institutions of procurement suffer from lack of legitimacy in the eyes of the public and even from within the government itself due to the association of spending and contracting with corruption and constant bending of rules. A survey conducted by Transparency International found out that the areas of government activities most vulnerable to corruption are public procurement, rezoning of land, revenue collection, government appointments, and local government (Transparency International, 2000, p.14). This indicates that the issue on corruption can never be divorced from the discussion of government procurement.

2.5.1 Corruption and Development

Over the years there has been a growing recognition of corruption as a cancer that retards development. Medalla & Balboa (p.22) pointed that based on various studies involving different countries, there is a link between corruption and development. “The more corrupt the government, the more underdeveloped the country becomes. Poverty becomes more rampant, social services are reduced and investment in infrastructure and social services are diminished”. Additionally,

Hoekman (1998, p.255) suggested that corruption and rent-seeking distorts resource allocation and result in higher taxes, or more commonly, deficit financing.

International organizations, as well, recognize the link between corruption and development, to quote Bello (200, p.261), “the World Bank believes as a matter of faith that corruption repels investments and therefore lowers growth.”

“Global experience shows how, and in how many ways, corruption undermines development. Corruption hurts the poor. It diminishes the quality and delivery of public services and raises prices of goods and services. Corruption allows production of poor quality and non-standardized goods and services, which can result in accidents and fatalities. By reducing funds available to the government, it erodes the extent and quality of public services available to the people” (Worldbank, 2000a ,p.1).

Whether one is dealing with developed or developing countries, corruption in the public sector takes the same form: use of public resources for private gains. There had been many attempts to pin down the concept and practice of corruption. Various definitions have surfaced, however, they are merely more sophisticated variants of the simplest definition: corruption as the misuse of public resources by a public agent for private gains (Bello, 2004, p.262).

While the definition presented may seem to be so simple, corruption is a complex phenomenon that takes on many forms. Campos & Syquia (2003, p.1-3) had categorized these multitude of types into two: (1) state capture; and (2) administrative/bureaucratic corruption:

“State capture refers to the influence that narrow interests can exert on the state to adopt or implement laws and regulations that accrue to their private benefit. Administrative corruption on the other hand refers to the mis-implementation of a law or regulation to accommodate bribes or to extract money (extortion).”

Another way of defining state capture is “the tendency of some elite firms and conglomerates to shape illicitly the formation of state laws, policies and regulations” (Kaufman, 2003, p.21). It can be illustrated in a case where a law restricting the entry of possible competitors into a certain kind of industry, allowing for a monopolistic system, is passed. Profits over and above what could have been earned under a competitive condition can be shared with officials or politicians who have the authority to grant and implement such law.

On the other hand, administrative corruption ranges from petty bribes to officials or illicit and non-transparent payment to public officials in order to alter the prescribed implementation of administrative regulations all the way to large-scale corruption in the awarding of contracts to huge infrastructure projects (Hellman, Jones & Kaufman, 2000, p.5; Campos & Syquia, 2002, p.2). Both types, from small to large scale, create distortions that retard investment, growth, and poverty reduction.

2.5.2 Prevalence of Corruption in the Philippines

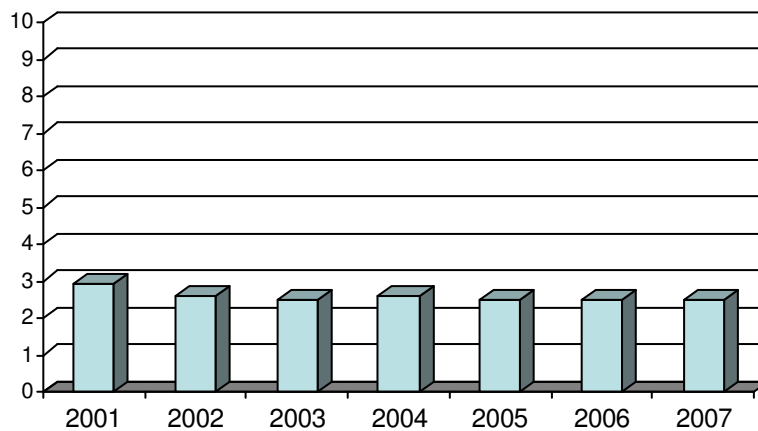
While the underdevelopment of the country may be attributed to different factors, corruption played a significant role. The country has had a long battle with corruption. Since its inception in 1994, the Transparency International Corruption

Index has placed the Philippines among the most corrupt countries in East Asia. On the scale of 1 (high perception of corruption) to 10 (negligible perception), the CPI of the Philippines is 2.5 in 2007. Out of 180 countries rated, the Philippines ranked 131st (Transparency International, 2007).

Table 2.:2 2007 Corruption Perception Index
Regional Highlights: Asia Pacific

| Country Rank | Regional Country Rank | Country /Territory | CPI Score 2007 | Confidence Intervals | Surveys Used |
|--------------|-----------------------|--------------------|----------------|----------------------|--------------|
| 1 | 1 | New Zealand | 9.4 | 9.2 - 9.6 | 6 |
| 4 | 2 | Singapore | 9.3 | 9.0 - 9.5 | 9 |
| 11 | 3 | Australia | 8.6 | 8.1 - 9.0 | 8 |
| 14 | 4 | Hong Kong | 8.3 | 7.6 - 8.8 | 8 |
| 17 | 5 | Japan | 7.5 | 7.1 - 8.0 | 8 |
| 34 | 6 | Macao | 5.7 | 4.7 - 6.4 | 4 |
| 34 | 6 | Taiwan | 5.7 | 5.4 - 6.1 | 9 |
| 43 | 8 | Malaysia | 5.1 | 4.5 - 5.7 | 9 |
| 43 | 8 | South Korea | 5.1 | 4.7 - 5.5 | 9 |
| 46 | 10 | Bhutan | 5.0 | 4.1 - 5.7 | 5 |
| 57 | 11 | Samoa | 4.5 | 3.4 - 5.5 | 3 |
| 72 | 12 | China | 3.5 | 3.0 - 4.2 | 9 |
| 72 | 12 | India | 3.5 | 3.3 - 3.7 | 10 |
| 84 | 14 | Maldives | 3.3 | 2.3 - 4.3 | 4 |
| 84 | 14 | Kiribati | 3.3 | 2.4 - 3.9 | 3 |
| 84 | 14 | Thailand | 3.3 | 2.9 - 3.7 | 9 |
| 94 | 17 | Sri Lanka | 3.2 | 2.9 - 3.5 | 7 |
| 98 | 18 | Vanuatu | 3.1 | 2.4 - 3.7 | 3 |
| 111 | 19 | Solomon Islands | 2.8 | 2.4 - 3.1 | 3 |
| 123 | 20 | Vietnam | 2.6 | 2.4 - 2.9 | 9 |
| 123 | 20 | Timor-Leste | 2.6 | 2.5 - 2.6 | 3 |
| 131 | 22 | Nepal | 2.5 | 2.3 - 2.7 | 7 |
| 131 | 22 | Philippines | 2.5 | 2.3 - 2.7 | 9 |
| 138 | 24 | Pakistan | 2.4 | 2.0 - 2.8 | 7 |
| 143 | 25 | Indonesia | 2.3 | 2.1 - 2.4 | 11 |
| 162 | 26 | Bangladesh | 2.0 | 1.8 - 2.3 | 7 |
| 162 | 26 | Papua New Guinea | 2.0 | 1.7 - 2.3 | 6 |
| 162 | 26 | Cambodia | 2.0 | 1.8 - 2.1 | 7 |
| 168 | 29 | Laos | 1.9 | 1.7 - 2.2 | 6 |
| 172 | 30 | Afghanistan | 1.8 | 1.4 - 2.0 | 4 |
| 175 | 31 | Tonga | 1.7 | 1.5 - 1.8 | 3 |
| 179 | 32 | Myanmar | 1.4 | 1.1 - 1.7 | 4 |

Figure 2.2: Transparency International Corruption Perception Index (CPI): Philippines Score, 2001-2007



Source: Transparency International

In his book entitled The Philippines: Land of Broken Promises, Goodno (1991, p.260) discusses that because corruption is so widespread in the country, it should already be considered as a cultural phenomenon. Corruption in the Philippines is so pervasive and deep-rooted touching even the judiciary and the media.

“Bribes are taken as travelers pass through customs, grease money provides services, government officials seal deals in exchange for a cut in profits, businessmen avoid paying taxes by bribing the collector, politicians pay off journalists, police force accepts bribes... “

It is not just a public sector issue, it is a private sector issue as well. As a frequent source of bribes, the private sector shares responsibility for corruption. In the 2006-2007 SWS surveys of Enterprises on Corruption (SWS, 2007, pp.7-8), forty-eight percent (48%) of the respondents who are managers of enterprises around the major cities in the country said that “most/almost all companies in their own line of business practice bribery to win government contracts”. This

rating is backed up by the respondents' experience on corruption. Forty-four percent (44%) of those interviewed have personal knowledge of a corrupt transaction with government by a company in their line of business in the last three months.

From an international perspective, the World Bank Country Director for the Philippines (Bhargava, 2000, pp.1-2) stresses 3 main reasons why a more vigorous and credible program to combat corruption is vital:

- The Philippines is cited with increasing frequency (by business surveys, the media, and anticorruption watchdog agencies) as a country where corruption is a factor that inhibits foreign and domestic investment and which may be eroding the country's competitive position. Such investment is vital to economic growth and social well being.
- Because corruption undeniably saps resources available for development, distorts access to services for poor communities, and undermines public confidence in the government's will and capacity to serve the poor, an anticorruption strategy is an essential complement to the Estrada administration's pro-poor and pro-growth stance.
- Corruption has emerged as a pivotal international criterion for allocating scarce development aid resources, and countries will increasingly be judged by their actions in combating corruption.

2.6 Transparency in Government Procurement

“The last decade has seen momentum growth behind initiatives to enhance transparency in procurement regimes at the national and international level. The initiatives are motivated by concerns about using taxpayers’ money and aid donors’ money effectively, as well as by a greater appreciation of the deleterious effects of corruption” (Evenett & Hoekman, 2008, p.17)

Procurement process is regarded to be transparent if:

- the terms upon which the procurement process will be conducted and the criteria upon which any decisions are to be made are codified to the greatest extent possible and made widely available;
- the procurement award decisions are made publicly available, as are the reasons for such decisions;
- it is possible to verify expeditiously that the codified procedures and criteria were indeed applied, and that the award decisions are in fact true.

2.7 Centralized and Decentralized Structure

There are two ways in which countries may administer their government procurement – centralized or decentralized. With the desire to bring economic and political system closer to local communities, decentralization had become an essential part of the public sector reform in the recent decades. However, some countries believe that there are some functions of the government that are better left under the regulation of the central government. For instance, while the United States embarked on an extensive decentralization of purchasing authority where the personnel who needs a certain supply can negotiate directly with the

suppliers (Write, 2001, pp.54-60), the Philippine government believes that it is more advantageous to operate the centralized procurement system of common-use supplies, materials, and equipment for all government offices. The point is, rationales for centralizing or decentralizing vary from one country to another, and it may take many forms and has several dimensions.

CHAPTER 3

Methodology

This chapter addresses and outlines the design of this research and the justification for this design. First, it presents the underlying theoretical perspective of the study. Next, it examines Evaluation Research. Then it discusses the methods used in the research, the reason for such use, and the problems involved in it. Finally, it outlines the ethical considerations observed in the conduct of this research.

3.1 Research Design

This thesis adopted a program evaluation method to meet the objectives set up at the beginning. It is mainly qualitative in nature, however, it allows for simple quantification to aid in the analysis of some of the data gathered. As what Einstein said (quoted by Patton, 2002, p.12), “Not everything that can be counted counts, and not everything that counts can be counted.”

The process of evaluating one’s own efforts is as natural as breathing. In simple terms, we use evaluation in our daily lives to help us decide what to do next. The same is true with program evaluation. Programs are evaluated to see whether it is achieving its objectives – result of such evaluation will determine the faith of such program. But there are crucial differences between the natural, almost automatic, evaluations we carry on in our daily lives compare to the practice of program evaluation in organizational settings (Posavac & Carey, 2007, pp.2-3).

Program evaluation, as will be used in this research, is “the systemic assessment of public policies, programs, and projects” (Pollit, 2003, p.115). Politicians, civil servants, the general public, probably everyone is interested in knowing whether government policies or programs are working properly. In here, there are two purposes of evaluation: first, evaluation is done in order to help management of an existing program improve the way they implement it; second, evaluation is done to know how well or badly a program had worked and this will inform the management on whether to continue, improve, or drop the program. The former is called formative and the latter summative (Patton, 2002, pp.214-215; Posavac & Carrey, 2007, p.15, Pollit, 2003, pp.121-122).

Centralized system of procurement is a new practice in the Philippines. While it has been introduced as far back as 1978, it was not actually practiced or observed by many government agencies specially those at the lower level of governments like LGUs and regional or field offices of the decentralized national government agencies. It was only after the procurement reforms in the recent years that government agencies, at all levels, were mandated to observe the new system of procurement of common-use supplies, materials, and equipment. Though annual internal assessment is being conducted by the PS for its performance, the assessment is limited within what the PS management experiences. An actual assessment with client agencies has not yet been done and this is what this thesis will address: to involve both the service provider and the service recipient in the evaluation process. This way the perspective of the management and the client will be incorporated in the evaluation.

3.1.1 Criteria

Evaluation cannot be done without a given set of criteria. Selection of evaluative criteria is fundamental to any evaluation. A policy or program may be very successful when evaluated against one criteria but may be fairly weak when evaluated against another one (Pollit, 2003, p.123). Below is the list of specific evaluative criteria used in this thesis:

- Cost effectiveness/Economy – this looks into whether objectives are being achieved for the minimum possible price or is government money wasted?
- Processing time (a measure of efficiency) – is the input:output ration as high as possible?
- Quality of Goods (a measure of effectiveness) – are clients satisfied with the products offered by the program?
- Quality of Service (a measure of effectiveness) – are clients satisfied with the kind of service being extended by program implementers?
- Purchasing Convenience (a measure of efficiency) – did the policy make the purchasing transaction easier for the clients?
- Overall Impact – this looks at the “side effects”, whether positive or negative, of the program which is either intended or unintended.

3.2 Tools of Inquiry

There are myriad ways on how to collect data from research participants. There is no best way from among them. Each has its advantages depending on the

circumstances surrounding the research. The efforts of this research examine the efficiency and effectiveness of the centralized procurement of common-use supplies, materials and equipment by gathering qualitative data from the agency responsible to the implementation of the centralized procurement system as well as from the client agencies which are mandated to observe said system. In consideration to the constraints surrounding this research activity, self-administered survey and focus group discussion are used to gather data from the two groups of participants.

3.2.1 Self-Administered Questionnaire

My data collection started with the sending out of self-administered survey questionnaires to all national government agencies (NGAs) in Region 1. NGAs were chosen as respondents as they are the first ones mandated to observe the centralized procurement of common-use supplies, materials and equipment. Even when the Region 1 PS Depot was not yet established within the region, some NGAs were already practicing the centralized procurement by procuring either from the PS main depot in Manila or to any regional PS depot nearest them.

While San Fernando City is the seat of regional offices for NGAs, some of these forty-eight (48) offices were scattered on the four (4) provinces in the region. In consideration to time and money, self-administered survey is found to be the most practical way of gathering the data (Bourque & Fielder, 1995, p.9), given the number of the offices that are to be consulted and the geographical distance between them. But what is more important in using this method is the

consideration that people are more likely to give complete and truthful information in a self-administered questionnaire than in a face-to-face interview (1995, p.13).

Though there is a caveat in the use of open-ended questions on self-administered survey, the survey questionnaire (Appendix 1) contains open-ended questions. This is to ensure that richer collection of data will be gathered. As to who will answer the questionnaire, the survey will be directed to the “Procurement Officer” or “Supply Officer” or such other term as may be applicable in each particular office. They are chosen as the respondents since they are the ones directly involve in the procurement process. The motivation of the respondents to answer the questionnaire is the fact that they cannot avoid procuring from the PS Depot, hence, they might as well use the survey as a means of communicating their issues, concerns, observations, and difficulties with the new procurement process, for a chance that their concerns will be addressed, (if they have any).

3.2.2 Focus Group Discussion

The other method employed in gathering data is the focus group discussion (FGD) with seven (7) members of the Region 1 PS Depot management. The FGD was chosen for several reasons: first, FGD creates multiple lines of communication for which each participant can share ideas, beliefs, and attitudes in the company of people from the same socioeconomic, ethnic or gender background (Madriz, 2000, p.835); second, it allows access to participants who find one-on-one, face-to-face interaction “intimidating” or “scary”; third, for practicality purposes in consideration to time constraints; and fourth, is that FGD

yields a more extensive and rich collection of data since it allows for more open discussion, probing, clarification and additional responses.

As the researcher I aimed to gather the richest possible data. I had prepared a guide question for the discussion but the questionnaire is not structured or formal. I wanted that the discussion will flow just like a normal conversation among workmates so as to enable them to be at ease and be able to discuss their ideas and opinions freely. Questions were according to the responses given to maintain the continuous flow of the topic of discussion.

At the beginning of the discussion, the participants talked about the events surrounding the centralization of the procurement of common-use supplies, materials and equipment. This includes the rationale for establishing the PS as well as the move for bringing down the PS to the regional level. From this, issues encountered by the PS Depot management during the initial stage of the operation of the depot were discussed. And in the final stage is the reflection of the participants on their performance and on the lessons they have gained in operating and managing the PS Depot.

3.2.3 Document Analysis

Part of data gathering process is the analysis of written and transcribed documents like laws, memoranda, administrative orders. Analysis of these documents provided me with greater insight on the things that were not covered in the survey and in the focus group discussion.

3.3 Ethical Considerations

This thesis was conducted in accordance with the Massey University code of ethics. In conducting the research, a letter (Appendix 2) was sent to the Procurement Service requesting for the authority to conduct the study and be allowed access to information that may be necessary for the study. Respect for person is very much central to the conduct of this study. Below are the considerations made in involving human participants in this research study.

3.3.1 Voluntary Participation/ Informed Consent

All participation in this study is voluntary. For the self-administered survey, an information letter (Appendix 3) was attached to the survey questionnaire mailed to each NGA. The information sheet does not only provide information about the subject of the research but it also details the rights of the participants should they decide to participate.

As for the focus group discussion, included in the information sheet (Appendix 4) is a consent form (Appendix 5) that the participant should sign if they decide to participate. Just like in the survey, the information sheet for the FGD participants also detailed their rights as research participants. A consent form (Appendix 6) for the release of information from the transcribed audio tapes was also provided to them.

For the two methods I used in gathering the data, I had been careful to avoid any form of deceit in enjoining them to participate in the research. In the survey, it was specifically indicated that completion and return of the survey questionnaire implies consent to participate. While I reached the point where I wanted to call

those who did not return the survey questionnaire on time, I decided otherwise as my thesis supervisor cautioned me on the ethical implication of such action.

As for the FGD participants, I received their consent verbally and in writing. One difficult thing I encountered is the setting of date for the FGD. Though I received their consent to participate, each of them has different dates of availability. Scheduling in order to accommodate all the participants had cost me a long period of time and this is one thing I should have tried to find solution early on.

3.3.2 Confidentiality and Anonymity

Confidentiality has been specifically assured in the information letter provided to each participant. For the focus group discussion, a confidentiality agreement form (Appendix 7) was given to the participants for them to sign. Confidentiality, according to Tolich and Davidson (1999, p.76) “is established when the researcher can identify a certain person’s response but promises not to make the connections publicly. On the other had, anonymity is established when a researcher cannot identify a given response as belonging to a particular respondent”.

With the research methods I employed, I can assure confidentiality but not full anonymity. Having participated in the focus group discussion, I can put a face to some of the responses. For the survey part, there is complete anonymity on the part of the participants as I don’t have any idea as to the personality of the respondents. There are ways and means on how to know the survey respondents but I had not ventured in that direction as it is no longer part of the research.

While confidentiality and anonymity is assured among the survey participants, confidentiality is difficult to maintain with the focus group discussion. Any reference to the PS management will direct the readers to the people who are members of the PS management. While people may not be able to pinpoint as to who is the specific respondent, they will make reference to one of the member of the management. To address this issue, a consent form to publish the result of the discussion was given to each of the focus group participants.

3.3.3 Research Findings

Research findings will be furnished to participants who requested for it. For example, one participant specifically requested for a copy of the thesis when it is done because she/he is interested in knowing how the client agencies perceive the Region 1 PS Depot.

3.4 Limitations of the Methods

While the methods in collecting the necessary data have been carefully chosen, this research is no different from other pieces of research which are bound by real world restraints. One limitation encountered is the size of population. The client participation in this research is represented by national government agencies in Region 1, just about 48 offices – a meager number compared to the entire government offices within the region. With this, a member of the PS management questioned whether the chosen group of participants is representative of the overall population of government offices within the region and ultimately within the entire country.

This limitation has been acknowledged even before the start of the research. Although it would have been beneficial to include all government offices within the region, it is simply not the most practical thing to do given the limited time and budget for data gathering. Another consideration why national government agencies are the only ones included in the research is that they are the first ones to observe the centralized system procurement and by this time, they have more concrete ideas and observation on the system. Local government units, which make up the larger portion of the population of government offices, are still in the infancy of adopting said system of procurement. Hence they cannot form more definitive opinion about the system.

The second limitation being recognized in this research is the association of the researcher in the subject of study. Subjectivity is one issue being faced in almost every piece of research because as humans we bring bias to all that we do. There are two ways in which I am directly associated in the subject of this research – first, I am directly involved in the purchasing transaction of my office; second, the Office I belong to manages the PS which operates the centralized procurement system. Having these two associations to the research subject, I have formed my own opinion regarding the centralized system of procurement and this does not make me far removed from my research. However, my association with the research's subject has given me the drive to conduct this research – in order to have a clear and unbiased analysis of the program. Much more is that my familiarity with the subject helped me understand and interpret the responses of the participants.

CHAPTER 4

Results Presentation

This chapter is divided into two parts. The first part presents the result of the focus group discussion conducted with the Reg. 1 PS Depot officials. It presents the Officials' perception, opinions, beliefs, and expectations on the Procurement Service. The advantages of bringing down its operation at the regional level are likewise discussed. The second part presents the result of the survey conducted with the procuring entities, particularly the national government agencies, in Region 1. This part discusses how the procuring officers/supply officers of the procuring entities perceive the centralized procurement system and its implementation through the Reg.1 PS Depot.

4.1 Focus Group Discussion with the PS Officials

A discussion with the Officials of the Region 1 PS Depot was conducted for the purpose of gathering the most relevant data about the centralized procurement system and its institutionalization at the regional level. As part of the system, they are the most knowledgeable about the topic. More so, they themselves have the first hand experience on the reform process. This discussion focused on the beliefs, opinions, and expectations of the Officials on the PS and their experiences in operating the Reg. 1 PS Depot.

4.1.1 Events Surrounding the Decision to Centralize the Procurement of Common Use Supplies, Materials, & Equipment

The focus group discussion started with the presentation of the events surrounding the decision to centralize the procurement of common use supplies, materials and equipment. The discussion suggests that, among others, the following were the dominant reasons for such decision – simplification of procurement process, savings generation and corruption.

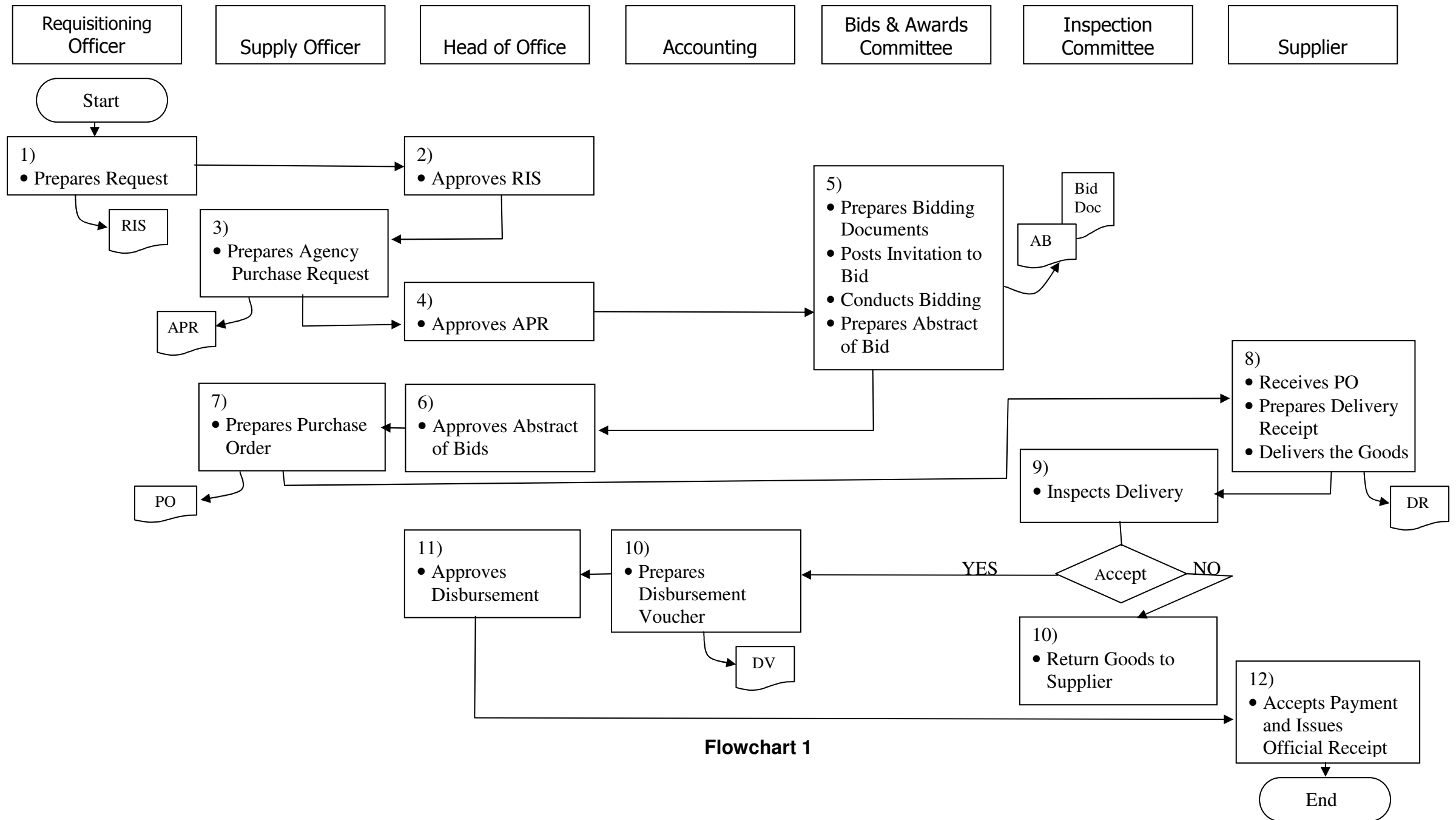
4.1.1a Simplification of Procurement Process

Discussion with the PS Management showed that one of the reasons for the establishment of the Procurement Service (PS) is to simplify and streamline the procedures in the conduct of procurement activity of the government. This is to do away with the unnecessary purchasing processes that had been in use for many years in the procurement activities each government agency is undergoing every time they buy their common-use supplies, materials and equipment. The Official pointed out that the traditional process of procurement is cumbersome and can be characterized as paper-pushing exercise. With the PS, procurement of supplies, material and equipment is made easier, faster and cheaper.

During the discussion, the Officials made a comparison between the traditional procurement process (Flowchart 1) and the process of procurement required by the PS (Flowchart 2) to better illustrate their point.

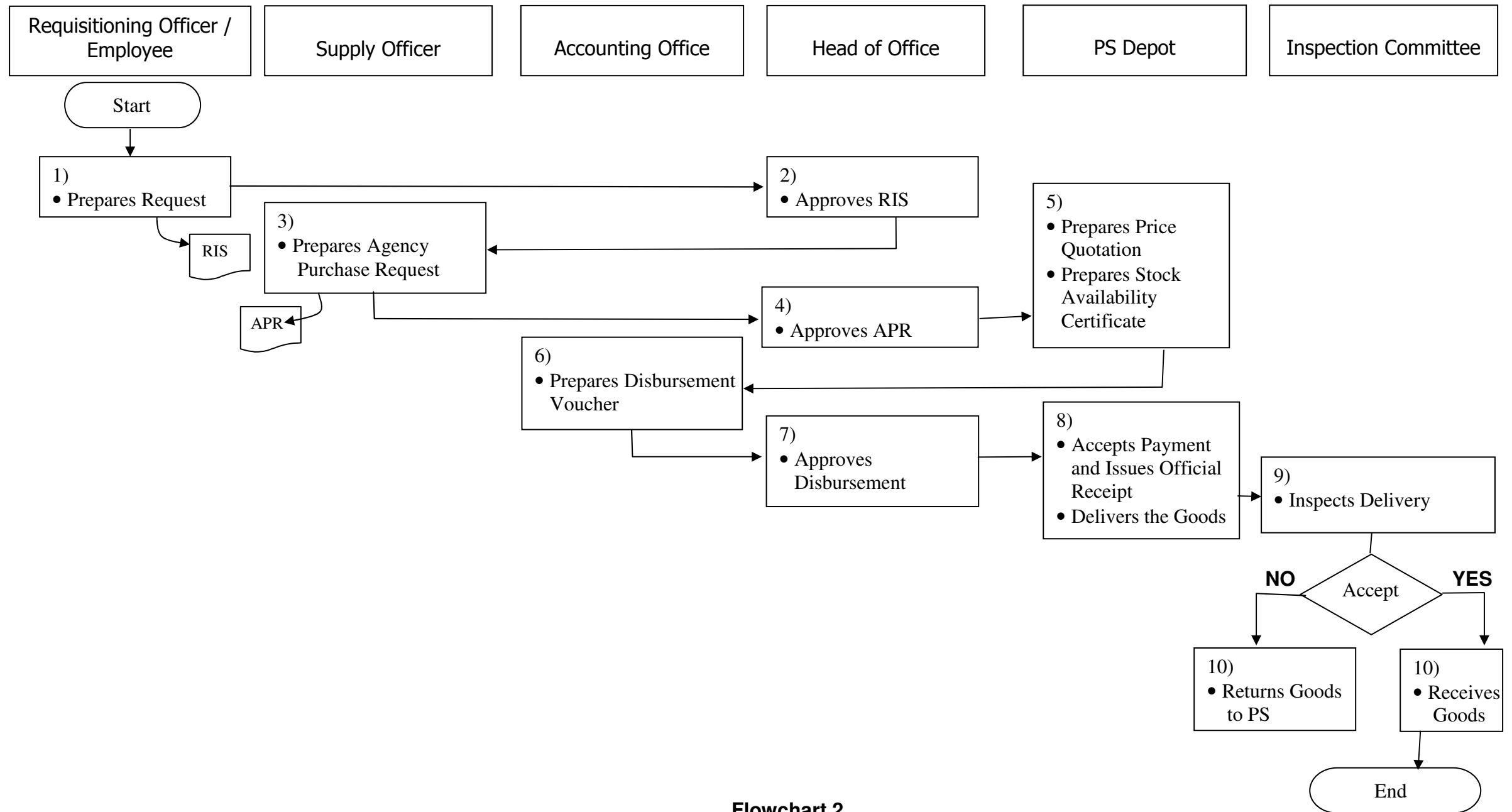
The comparison reveals that several processing steps are removed under the PS System particularly the public bidding that procuring entities need to undergo in every procurement activity. With the removal of public bidding, procuring entities

PROCUREMENT FLOWCHART UNDER THE OLD SYSTEM



Flowchart 1

PROCUREMENT FLOWCHART UNDER THE PS SYSTEM



Flowchart 2

are spared a minimum of 28 days to 80 days maximum of conducting public bidding for their procurement of goods (IRR of the R.A. No. 9184, p.121). The PS Official clarified that a public bidding is no longer needed as the public bidding was already conducted at the PS level. With this, procuring entities can now conduct the entire process of their procurement activity within a day.

Alongside streamlined procurement procedures is the decrease in the documentations needed. Under the old system of procurement, procuring entities need to prepare Request Issue Slip (RIS), Purchase Request (PR), Canvass/Bidding Forms, Abstract of Canvass/Bid, and Purchase Order (PO). Under the PS system, only the RIS and Agency PR are needed.

Furthermore, one PS Official pointed out that the procurement forms/documents required by the PS are simpler and easier to complete. And despite the fact that systems procedures were streamlined and paper documentations were considerably decreased, the flow of accountability among the Officials involved in the procurement process are clearly defined.

4.1.1b Savings Generation

The Officials discussed that as far back as the 1970s, a study on the central procurement system of common-use supplies, equipment and materials was already conducted using some pilot agencies at the central level. Such was brought about by the desire of the government to adhere to a policy of economical and efficient manner of procurement through purchasing directly from reliable sources in economic lot sizes to take advantage of the discount inherent to bulk purchasing. In the said study, it was found out that savings could be

generated, and so Procurement Service (PS) was created in 18 October 1978 under LOI No. 755 to act as the procuring agent for the government.

The PS Officials explained that with the discount inherent to bulk purchasing directly from reliable sources, the PS will be able to provide the government agencies with their supplies and equipment requirements at a cheaper cost. With cheaper prices, the procuring entities will realize savings from this item of expenditure.

Furthermore, procuring entities can also generate savings from the decreased transaction cost or administrative cost discussed above. The PS Officials claimed that with the decrease in processing time and documentation requirements discussed above, transaction cost per procurement activity is also reduced. These savings presented an opportunity by which government agencies can absorb the budget cuts due to tighter national budgets.

Additionally, the PS Officials also made mention that savings can also be generated from the prevention of corruption.

“Of course we cannot quantify the cost of corruption that may be saved, but we know that it is an area where savings could be generated. As to how much, we do not know. All we can come up with is an estimate.”

Operating the central procurement system, however, entails a great cost. While it is true that the central procurement system presented an opportunity for government agencies to generate savings in their procurement activities, the PS Officials are in agreement that discounts on bulk purchasing and savings from

reduced transaction costs are not sufficient to compensate for the cost of establishing and managing the Procurement Service.

“... If we are to compute, the cost of organizing and managing the PS is greater than the savings from the discounts...”

Personnel services and operating expenses alone are much higher than the discount on bulk purchasing and savings from the reduced transaction cost. Not to mention the capital outlays to defray the cost of constructing warehouses and office buildings, the cost of delivery trucks, and the cost of establishing regional depots.

In view thereof, the PS is authorized under the EO of 1989 to impose a 5% mark up. The PS, however, is only imposing a 4% mark up at the present time. Said mark up is the sole source of funding for the operating expenses of the PS as well as the cost of developing and managing the PhilGEPS. The PhilGEPS is the central portal of all public procurement activities that provides both the government agencies and suppliers a more open, transparent and competitive environment.

4.1.1c Corruption

Related to savings generation from the centralized procurement system is the issue of corruption.

“... One of the reasons for centralizing the procurement of these items is for the government to be able to cut down or control corruption. With the centralized procurement system, opportunities for kickbacks will be controlled.”

In the President's Budget Message in 2002, she made mention that the procurement reforms being undertaken by the government in the recent years is "to transform government procurement, rife with corruption, towards transparency, competition, and accountability, while lessening discretion, collusion, and delays." There is recognition on the part of the government that the prevalence of corruption within the procurement system is one of the major reasons in reforming the government procurement system. As one of the PS Officials said:

"While corruption is not the declared objective of the reforms on our procurement system, we can see that corruption is often mentioned every time our officials talk about the procurement reforms. In one of the State of the Nation Addresses of the President, she had presented an estimated savings from corruption due to the reforms on procurement, I mean the overall procurement reform not just the centralized procurement system. What I am saying is that the declared objective is different from motivation. In setting up the PS, the declared objective is to generate savings from bulk purchasing and to simplify the procurement process for these items but the motivation is to curb corruption or to lessen the opportunities for corruption."

In August 2007, the President signed Administrative Order (A.O.) No. 193 placing the Government Procurement Policy Board (GPPB) in the frontline against graft. Said A.O. mandated the GPPB to promote the culture of good procurement practices as the government believes that good governance starts with a good procurement.

Furthermore, the President issued Executive Orders (Eos) No. 662 and 662-A dated 20 September 2007 and 15 November 2007, respectively. Said EOs are directed toward enhancing transparency measures and creating the Procurement Transparency Group and encouraging greater involvement of civil society organizations in the Procurement Transparency Group. Likewise, the Commission on Audit issued Memorandum Order No. 2004-037 reinforcing the President's Memorandum Order No. 144 inviting non-government organizations as observers in the proceedings of Bids and Awards Committees (BAC). This is pursuant to Section 13, Article V of the R.A. No. 9184 which mandates the BAC to invite, in all stages of the procurement process, at least two (3) observers to sit in the proceedings. One (1) from the Commission on Audit; one (1) from a duly recognized private group in a sector or discipline relevant to the procurement at hand; and one (1) from a non-government organization (NGO).

The Law also required all government needs from goods, consulting services to civil works to be centrally posted through the internet infrastructure called the PhilGEPS (Philippine Government Electronic Procurement System). The PhilGEPS is the central portal of all public procurement activities that provides both government agencies and suppliers a more open, transparent and competitive environment and is under the management of the PS. It has the following components, to which three is currently operational and the other two is still being developed:

| Component | Functions | Status |
|---------------------------|---|--------------------|
| Electronic billboard | Used for posting procurement opportunities, notices, awards and reasons for award for government procurement. | Operational |
| Suppliers' Registry | Used for the registration of suppliers who wish to do business with government agencies | Operational |
| Electronic Catalogue | It is a listing of all the goods, supplies, materials and equipment available at the Procurement Service | Operational |
| Virtual Store | Will allow agencies to order and pay on line for items they will procure from the PS | Under construction |
| Electronic Bid Submission | Will allow online submission of bids by interested suppliers although the issue on confidentiality of the documents is still to be resolved | Under construction |

Table 4.1

When asked about the comment that centralizing procurement will only centralize kickbacks, one PS Official said that

“as far as the PS Regional Depots are concerned, there is no way to generate kickbacks at this level as the Regional Depots do not conduct purchasing activities at the moment. Stocks for sale at the Depots are merely transferred from the PS Main”

At present, the operating set up of the PS Regional Depots is purely on the distribution of goods to the client agencies. It has no direct association with the PS suppliers as the purchasing of stocks is conducted solely by the PS Main.

4.1.2 Effects of the CPS on the Procurement Operations

The PS Officials present during the focus group discussion all agree that definitely the “centralized procurement system made procurement simpler and easier” due to the removal of the public bidding and the reduction in the

documentations required as discussed above. It streamlined the procurement processes, hence, it made procurement operations more efficient in terms of processing time, processing cost and the number of employees involved in the conduct of procurement activities. Also, the procurement process has become more user-friendly as the “procurement forms are easy to complete.”

4.1.3 Implementing the CPS at the Regional Level

There are two dominant reasons for the establishment of the Regional PS Depots, as discussed by one of the PS Officials during the discussion. First, to comply with the Law mandating the establishment of Depots on strategic locations around the country in order to provide quality supplies, materials and equipment to government agencies within their jurisdiction. Executive Order (E.O.) No. 359 s. of 1989 provided for the systemic expansion of the PS through the establishment of network of PS regional depots. Centralizing procurement aims for a more economical government transaction and this will not be served if the government agencies outside Metro Manila will be required to travel a long way just to purchase their supplies from the PS Main Depot, hence, regional depots should be established.

Second, to respond to the clamour government agencies as well as Local Government Units (LGUs), that PS Depots should be made accessible. It is already a legal requirement for them to buy their supplies requirements from PS and compliance to the Law is being monitored by the Commission on Audit (COA).

The very first Regional Depot that the PS operated was established in 1998, long after the issuance of EO No. 359 in 1989. Said depot is located in Region V. The succeeding Depots were established in 2004 onwards after the procurement reforms. To date, there are 13 PS depots operating in the country. Currently, the study on the establishment of regional sub-depots in every province in the country is underway.

| DEPOTS | LOCATION | DATE ESTABLISHED | |
|-----------|-------------------|------------------|----------------|
| | | DEPOT | COMMISSARY |
| NCR | Quezon City | July 2005 | - |
| CAR | Baguio City | July 2004 | August 2006 |
| Region 1 | La Union | November 2005 | August 2006 |
| Region 2 | Tuguegarao City | February 2005 | November 2006 |
| Region 3 | Pampanga | November 2005 | June 2006 |
| Region 5 | Legaspi City | 1998 | May 2006 |
| Region 6 | Negros Occidental | March 2004 | - |
| Region 7 | Cebu | June 2005 | September 2006 |
| Region 8 | Tacloban | December 2005 | October 2006 |
| Region 10 | Cagayan de Oro | September 2004 | August 2006 |
| Region 11 | Davao City | April 2004 | September 2006 |
| Region 12 | Koronadal City | March 2006 | September 2006 |
| Region 13 | Butuan City | September 2006 | October 2006 |

Table 4.2

Source: Management Services Report No. 2007-02 of the Commission on Audit

Pending the approval by the DBM on the organizational structure and staffing pattern of the PS Depot, the operation of the Depots remains to be under the direct supervision of the DBM Regional Director. The manpower requirement of the PS Depots is complemented by the DBM Regional Offices personnel and hired employees under Job Order (JO) and/or contractual status. In 2006, there are 115 personnel manning the 13 Regional Depots in the Philippines, 63 of them are DBM Regional Offices Employees. In Region 1, there are 6 DBM employees assigned at the PS Depot assisted by 3 employees hired under job order.

Unlike other reforms, the Officials said that the Reg. 1 PS Depot did not gain so much resistance from the client agencies.

“Politics was carefully played in order to obtain compliance from the client agencies without so much resistance. This is probably the reason why the management of the PS Depots is given to DBM.”

For the Fiscal Years 2005 and 2006, the PS reported total sales of 2.406 Billion Pesos (PhP) and 3.002 Billion (PhP), respectively:

| LOCATION | SALES(in PhP) | |
|---------------------------|-------------------------|-------------------------|
| | FY 2005 | FY 2006 |
| PS Main | 2,018,775,262.55 | 2,497,816,850.34 |
| NCR –Quezon City | 82,354,246.20 | 118,347,247.17 |
| CAR –Baguio City | 48,838,862.45 | 42,647,162.57 |
| Region 1 –La Union | 2,984,600.91 | 29,457,476.30 |
| Region 2 –Tuguegarao City | 21,813,984.87 | 29,906,777.17 |
| Region 3 –Pampanga | 29,829,588.15 | 58,093,731.36 |
| Region 5 –Legaspi City | 44,523,711.80 | 42,060,345.57 |
| Region 6 –Bacolod | 32,855,497.20 | 40,292,071.63 |
| Region 7 –Cebu | 8,887,566.56 | 29,751,008.86 |
| Region 8 –Tacloban | 9,219,763.55 | 25,544,814.70 |
| Region 10 –Cayagan de Oro | 35,366,313.32 | 30,979,088.15 |
| Region 11 –Davao City | 50,019,283.05 | 41,926,352.43 |
| Region 12 –Koronadal City | 5,344,597.20 | 10,268,174.37 |
| Region 13 –Butuan City | 5,556,000.00 | 3,106,214.78 |
| Region 6 –Iloilo | 3,817,400.00 | 66,800.00 |
| Region 9 –Zamboanga City | 6,193,104.00 | 2,217,571.20 |
| Total Sales | 2,406,379,781.81 | 3,002,260,247.88 |

Table 4.3

Source: Management Services Report No. 2007-02 of the Commission on Audit

The PS Officials said that in the case of the PS, the government is trying to use the clout of the DBM to gain compliance from the clients. The DBM is the agency that reviews and releases the budget of all government agencies and local government units.

Though some client agencies question the lack of direct provision in the R.A. No. 9184 that all government agencies should buy their supplies requirements from

the PS, such did not deter the successful implementation of the centralized procurement system in the Regions. The PS Official explained that though there is no direct provision for CPS under the R.A. No. 9184, there are several provisions of the Law that clearly implies the same.

4.1.4 Responsive PS Depot Services

Services are considered responsive when the services match the clients' needs. In the case of the PS, its services are considered responsive when the goods are delivered at the time most needed, at the required quantity and desired quality, and at the most advantageous prices. Included in the focus group discussion is the responsiveness of the services the PS Depot is able to extend to the procuring entities. This part of the discussion allows the participants to discuss the issues they encounter in managing the PS Depot that, in anyway, affect the responsiveness of their services.

4.1.4a Product Quality

With the cheap prices being offered by the PS, the first issue that may come to mind is the quality of the products being sold.

“Quality is subjective. Each of us has different standards and that makes it very difficult to measure quality... But all PS goods were tested and passed the required standard set by the Bureau of Product Standards. The law allows only for minimum specifications. Reference to brand name is not allowed.”

The PS Officials admitted that there are complaints from the client agencies on the quality of some items (e.g. ball pen, paper, correcting fluid, computer ink, and

even computer equipment and accessories) being sold at the PS. The Officials said that though they understand the predicaments of some “rich” agencies that are used to branded supplies, the PS is only complying with the mandates of the Law. Sec. 18 of the Law specifies that specifications should be based on relevant characteristics and performance requirements and that reference to brand names shall not be allowed. So as long as the PS goods serve the purpose they are intended for, procuring entities cannot demand for branded supplies.

4.1.4b Personnel Service Quality

The Officials discussed that having PS Depot function as an added responsibility to the DBM employees entails several problems that reflect on the quality of service the PS Depot extends to the clients. These problems, according to the Officials, are not because of the inefficiencies of the employees but “due to lack of time and concentration in doing the added functions of managing the PS Depot with so little motivation”. The Officials said that in order for them to be able to render quality output both in the PS Depot and in the DBM, they need to work extra hours.

The Officials further discussed that qualification per se, the PS Depot employees are not qualified to manage the PS Depot. But if you are to assess their performance, they said that they performed well given the current staffing set up.

“We are not trained to run a grocery store. We did not apply to run a grocery. But given these people that we chose to manage the PS Depot, we performed well... despite the fact that this is not our specialization, you could rate the management very excellent. There

had been a lot of failures but if you assess it overall, we succeeded. However, we could have succeeded more if there is specialization and concentration of functions... The Region 1 PS Depot management lacks in terms of specialization, but if we talk about the people, the members of the management are more than qualified... they have commitment which I think is the most important”

While the Officials assert that the PS Depot is managed by competent individuals, they acknowledge the importance of a staff with more specialized and concentrated function.

“If the attention of the PS personnel is solely focused on the PS management, the output would be so much better... The PS is already looking into it, I am sure the PS will go that direction. How soon, I cannot say.”

The Officials said that there is no established organizational structure of the PS Depot. “This makes it very difficult to define responsibility and delineate accountability among the PS personnel.”

In relation to this, the Officials said that so far, the PS Main has not conducted training among the PS Depot staff. They said that it would have been a great help to them if the PS Main conducted training on Depot Management.

“What happened is we learned through experience. It was indeed difficult for us especially that our orientation is not to run a grocery store. Until now we are still learning. The good thing is we are improving.”

4.1.4c Timeliness

The issue on timeliness has different aspects that were discussed by the Officials. The first discussion focused on the amount of time the procuring entities need to process their procurement activities. As mentioned above, there is a significant decrease in the processing time per procurement activity as public bidding need not be conducted by the procuring entities. Hence, earlier delivery of goods to the clients is expected.

Second aspect of timeliness that was looked into during the discussion is how fast can the PS Depot process each purchase order. As per my actual observation, it takes about three (3) to four (4) hours for the PS Depot to process a purchase order, especially if it involves big purchases. When pointed out to the PS Depot Officials that it doesn't take this long for the private suppliers to process big purchases, the Officials explained that "with the present staffing pattern of the PS Depot, it is not possible to arrange for a one-stop shop in order to minimize the processing time". Unlike private suppliers where processing of orders may only need two individuals, the processing of purchase orders in the PS Depot involves the participation of at least five (5) employees. What makes it more complicated is that these people belong to different divisions in the DBM, hence, asking for their signature will take a lot of time.

Another factor that may contribute to the longer period of processing time is the problem on facilities.

"In general, we (the PS) have problems with facilities – space, delivery trucks, equipment, manpower... These are all parts and contributory to faster processing of orders... The clients are

comparing the PS to the private suppliers and the Heads at the PS main are mindful of the urgency of settling all these matters.

We need bigger space to accommodate bigger warehouses. Our warehouse is not enough to accommodate the stocks requirement for the entire region. Some stocks are kept in the DBM building. Delivering the orders to the clients will be faster if we have the stocks in just one place.

Next, there is the need for delivery services/trucks to enable us to provide delivery services to our clients. At the moment, we are using the official vehicle of the DBM to delivery the goods to our clients who do not bring their won vehicles when they come and purchase their supplies. For clients who are not from within the city, we make it a point to delivery the goods to the bus stations.

Most of all, the PS should have an approved staffing pattern. Our policy makers are mindful of these problems. They are still looking into the nitty-gritty portion of acquiring such facilities. But whatever means we can do at the regional level, we are doing it in order for us to be able to compete with the private sector...”

4.1.4d Stocks Availability

Related to the issue of timeliness of delivery is the issue on stock availability. Incidents of stock shortage delay the timely delivery of orders. The Officials acknowledge that incidents of stock shortage are identified problem not only of the PS Depots but of the PS Main as well.

“There were purchase requests/orders that we were not able to deliver or will be able to delivery only after several days due to unavailability of stocks.”

As discussed above, the Reg. 1 PS Depot warehouse is not enough to accommodate the supplies requirement of the entire region. This, according to the PS Officials is the problem of the entire PS. This is why the idea of putting up sub-regional depots in all the provinces is being studied.

“There are times that even if we place stock transfer request to the PS Main, sometimes the PS Main cannot deliver because they themselves do not have the stocks.”

Reasons for stock shortage at the level of the PS Main are already beyond the experiences of the Reg. 1 PS Depot management. They, however, said that there are instances of delayed delivery from the suppliers, especially those that are made from imported materials. This is one probable reason why the PS Main cannot deliver on time to the regional depots. Another reason of delayed delivery from the PS Main to the Regional Depots is the lack of delivery services. The PS is contracting the service of a private trucking business and sometimes the PS needs to wait until delivery trucks are available.

Another reason for stock shortage both at the PS Main and at the Regional Depots, as discussed by the Officials, is the difficulty in estimating the supplies requirements of the clients. As one of the Officials said, “It is so difficult to establish their pattern of office supplies consumption.”

When asked about the Annual Procurement Plan (APP) prepared and submitted by client agencies, the Officials said that there are only few clients who submit their APP to the PS. Out of the 44,909 government agencies in the country, it was reported that only 13 agencies were submitting their APPs to the PS. The Officials said that client agencies prepare the APP for budgetary requirements only. They do not actually follow what is in the APP in their procurement activities. Hence, the APP cannot be used by the PS in managing their stocks.

In the absence of a reliable source of information that will serve as guide to the PS in maintaining its stock level, the PS is constrained to set stock level requirements of three months and another 3 months buffer stock using historical data with due consideration on current trends on purchases made by the clients. In a discussion with one of the warehouse employees, the employee admitted that such policy is not being followed at the Reg.1 PS Depot.

The PS Officials said that some of the situations discussed above are beyond the control of the Reg. 1 PS Depot. That even if they want to meet all the needs of their clients, it would be very difficult for them.

“It is unavoidable that sometimes we run out of stocks on some of the items. This is an issue that we are looking into – on how to decrease the incidence of stock unavailability. If the problem is with our suppliers, we, at the PS Depots, do not have control over it. But those within our control, we are doing what we can to avoid such situation.”

4.1.4e Lack of Established Inventory System

Another problem that the PS Depot is facing is the lack of an established inventory system. At present, the inventory system of the PS Depot is using Electronic Warehousing Management System (eWMS), however, the PS Officials claimed that not all the features of the eWMS were delivered by the contractor. Worse, the warehouse clerks have no training, whatsoever, in inventory management. Until now, the Depot Officials are clamouring that the PS Main should conduct training on inventory management.

Due to lack of an established inventory system and lack of knowledge among the PS Depot management on inventory management, maintenance of a safety stock level will be difficult. Hence, it will be difficult to monitor if stock level already reach the critical level.

The PS Officials also acknowledge that all of the PS Depots in the country had incurred losses due to the expiry of some of the items. This, according to the Officials, is due to lack of a reliable inventory system.

“How would we know that some of the office supplies expire? The PS Main should have at least given us the warning that some of the items do expire. I think there is a communication problem between the PS Main and the Regional Depots. And it is the downward communication that is not effective. And because of the lack of inventory system, details such as date of manufacturing and expiry are not given much attention. As mentioned, we can blame no one on said losses as accountabilities are not clearly defined.”

The losses due to expired items are not the only problem encountered due to lack of inventory system. There is also the problem on unaccounted and missing

stocks. The PS Officials admitted that in 2005 and 2006, there was a substantial difference between the system's generated stock position report which is designed to track down the movement of stocks, stock ledger cards which are manually prepared and the actual count. In some of the items, the actual count is lesser than the system's generated report. The Officials said that once a reliable inventory system is in place, a better internal control system will follow.

4.1.4f Inconsistencies with Other Government Policies

The Officials discussed that there is an inconsistency between the existing government accounting system vis-à-vis the requirement of the PS in terms of payment. Under the government accounting system, goods must be delivered first before making payment. Under the PS system, payment must be made first before the goods are delivered.

Under the PS system, the client agencies need to prepare the voucher and check the same time they prepare the purchase order. While this goes against what government accounting system allows, it also has some negative implications. The PS Depot processes orders on a first come (as in personal appearance to the PS Depot), first serve basis. In some instances, the checks prepared by the clients do not equate with the amount they need to pay for their orders. This is so because what might have been available when they asked for the certification of stock availability may already be unavailable when they submitted to the PS their purchase orders. Such errors in the amount of the checks could have been avoided if the PS allows payment after the delivery of the goods.

What some of the client agencies do in order to address this issue, according to the PS Officials, is for them to bring blank checks if they go and procure from the PS. Accountable Officers of the procuring entities are forced to sign blank checks. The Purchasing Officer will just write the amount on the check once the PS determines what is available from the purchase order submitted by the client.

“This is an acknowledged problem that should be resolved on a policy basis. However, we don’t see any policy forthcoming as yet.”

The Officers also said that if only the “virtual store”, a means of procuring from the PS where they could order and make payment electronically, is already operational, the PS system of payment should no longer be problem. Unfortunately, such electronic system is not yet established up to the present. What is available from the PS website is just the electronic catalogue, which, according to the Officials, is not needed by the clients of the Regional Depots. The catalogue shows what is available in the PS Main and does not show what is available in the Regional Depots.

4.1.4g Payment Scheme

One of the advantages of buying from the private suppliers is that government offices can always buy on credit from them. Private suppliers are always ready to give them credit lines with the idea that government will always have money to pay them later. With the PS, selling on credit is not allowed. On the contrary, it collects payment before it delivers the goods. While the PS Depot management wants to sell on credit to give leeway to some emergency needs of the clients, the PS is constrained from doing so.

“It is very difficult to sell on credit because we need the revolving fund and working capital. We are not an earning enterprise, we are more on government service rather than proprietary earning enterprise. The contention is that if we sell on credit, it would be very difficult for us to maintain revolving fund for our purchases. In that case, the more that we will be facing problems on stock outage.”

The Officials discussed that in lieu of extending credit, they are looking into the possibility of withholding a portion of the cash allocation of the procuring entity corresponding to the amount they buy from the PS. In such a case, procuring entities can obtain their supplies needs from the PS anytime.

“We have endorsed this system to our policy makers. There is no action on it as of this time. Maybe because this cannot be applied to local government units as there is provision in the Local Government Code prohibiting the withholding of the internal revenue allotment of the LGUs. They probably are looking into a system that can be implemented uniformly across the government... This is one subject of study... a very lengthy and critical one.”

The Officials said further that as part of the PS’s continuing effort to improve its operation, the payment scheme is included in the matters being looked into by the policy makers. As this is a policy issue, it would be a subject of a very lengthy and critical study given the constraints mentioned above.

4.1.5 Regional Inter-Agency Bids and Awards Committee (RIABAC)

The establishment of the Regional PS Depot attracted a great degree of disagreement among the local private businesses. The government is one big

client for the private suppliers. With the establishment of the PS Depots, the local private suppliers in the provinces are greatly affected. And this has great implication to the local economy. The PS Officials discussed that there is a clamour from local manufacturers, suppliers, and dealers to bring down at the regional level the bidding activities to enhance and sustain the economic inter-play in the locality.

In response to the clamour, the Secretary of the Department of Budget and Management issued a memorandum dated December, 2006 ordering that the functions of the Inter-Agency Bids and Awards Committee (IABAC) be extended to the regions through the Regional IABAC. The IABAC conducts all bidding activities for the PS. The RIABAC will do the same for the regional PS depots. The bidding to be conducted by the RIABAC, however, is “confined to specific and existing items which are common, manufactured, produced, traded and available in the region. Provided, it can be established that the prevailing price thereat is equal or lower than the prevailing price in Manila” (Memorandum Order on the Operationalization of the RIABAC).

The RIABAC shall be composed of 4 members from different government agencies, 2 observers from the private sector, and 1 representative from the Commission on Audit. The 4 member agencies are as follows:

Chairman:

DBM Regional Director or Assistant Regional Director

Members are representatives from the following:

Department of Finance/Bureau of Local Government Finance

Currently, the Reg. 1 PS Depot is coordinating with the concerned agencies in the establishment of the RIABAC. The Officials said that they are targeting to have full implementation by the end of the year.

4.1.6 Post Script

While the PS Depot Officials acknowledge some failures in managing the Depot, they still congratulate themselves for a job well done. Considering all that has been discussed above, they believe they had performed more than what is expected of them. According to them, if they are to rate the PS Depot management, they will have an excellent rating. In terms of their targets, they are able to meet them, if not surpass them. The Region 1 PS Depot has a target of 20% increase in sales yearly and that they are meeting such. At present, their operation is much better compared to the previous years, they have learned along the way, and they are still learning and improving.

4.2 Survey with Client Agencies

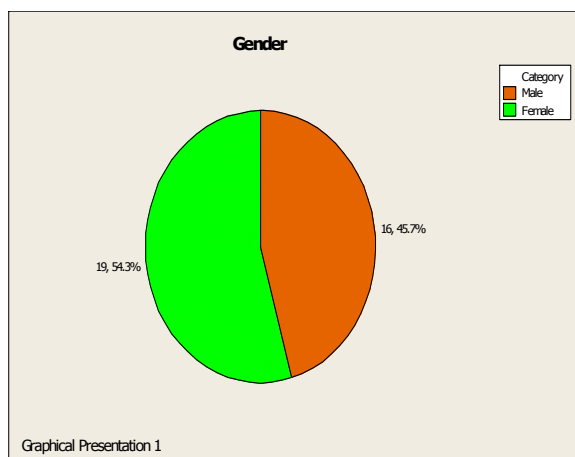
To make sure that both sides of the case is covered by this research, self-administered survey questionnaire was sent to client agencies to gather their opinions, beliefs and ideas on the centralized procurement and on the PS particularly.

For better interpretation of the results, simple descriptive statistics and graphical presentations are used to present the data gathered from the client agencies. The

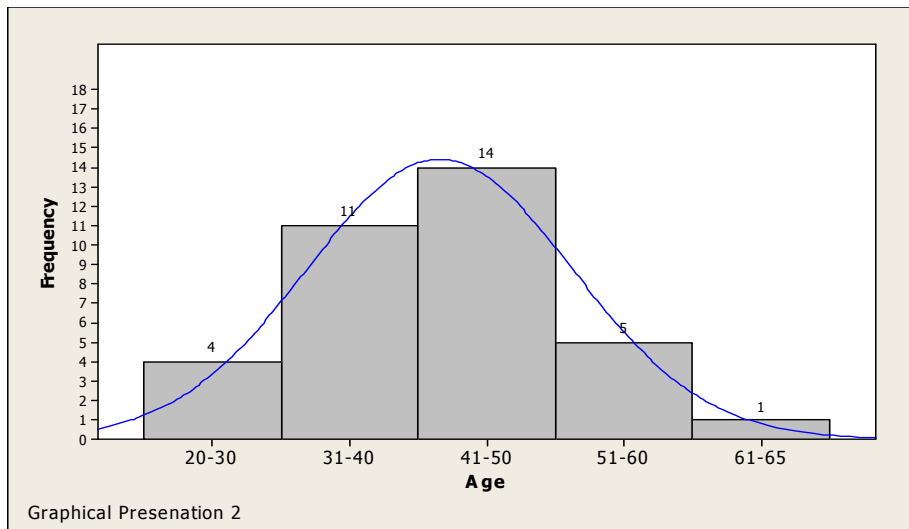
software package called Minitab is used in analysing the result of the survey. For the ordinal variables such as the demographic data, graphical presentation is used. For the nominal variables such as the opinions of the respondents, simple descriptive statistics was employed supported by graphical presentation for easier and more ready interpretation.

In the questionnaire, the respondents are asked to indicate the level of their agreement on some given statements pertaining to the central procurement system and the PS in particular. To determine the respondents' feelings in general about said statements, the MEAN VALUE will be used. The higher the Mean Value is, the more they agree to the statement.

4.2.1 Demographic Data



Graphical Presentation 1 shows the gender distribution of the respondents. Out of the 35 respondents, 19 of them are female and the remaining 16 are male.



Graphical Presentation 2 shows that majority of the respondents belong to the age group 41-50 and 25 out of the 35 respondents are aged 31-50.



Graphical Presentation 3 shows that more than half of the respondents have been performing as supply officers for the period of 1-5 years. Despite the fact that most of the respondents belong to the middle age group, the graph shows that more than half of the total number of respondents are actually new in their jobs as the procuring officer/supply officer of their respective offices. There are, however 10 respondents who have been doing the job for more than 10 years now.

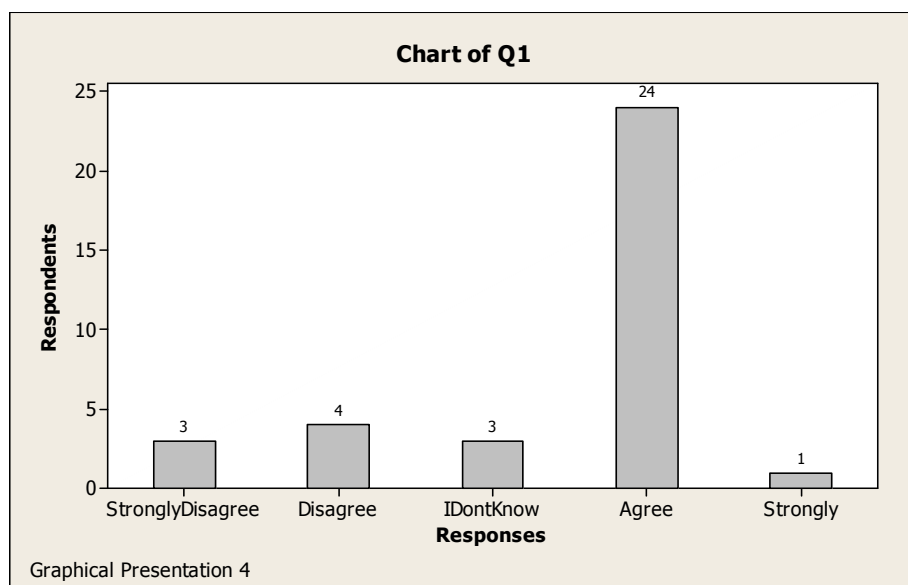
4.2.2 Respondents' Background and Opinion on the Centralized Procurement System

Question 1. Adequate training and seminars to introduce the centralized procurement of common use supplies, materials, and equipment from the PS was conducted and offered for my attendance

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|------|--------|
| Q1 | | 35 | 35 | 0 | 100 | 3.457 |
| 4.000 | | | | | | |

Table 4.1

Table 4.1 shows that there is a 100% response rate for question 1. With a Mean Value of 3.457, the respondents in general, agree that there is adequate training and seminars on the central procurement system conducted by the PS for them to attend to. This is confirmed by Graphical Presentation 4 below which shows that 24 out of 35 respondents agree and 1 strongly agrees that there is adequate training and seminars conducted for their attendance.

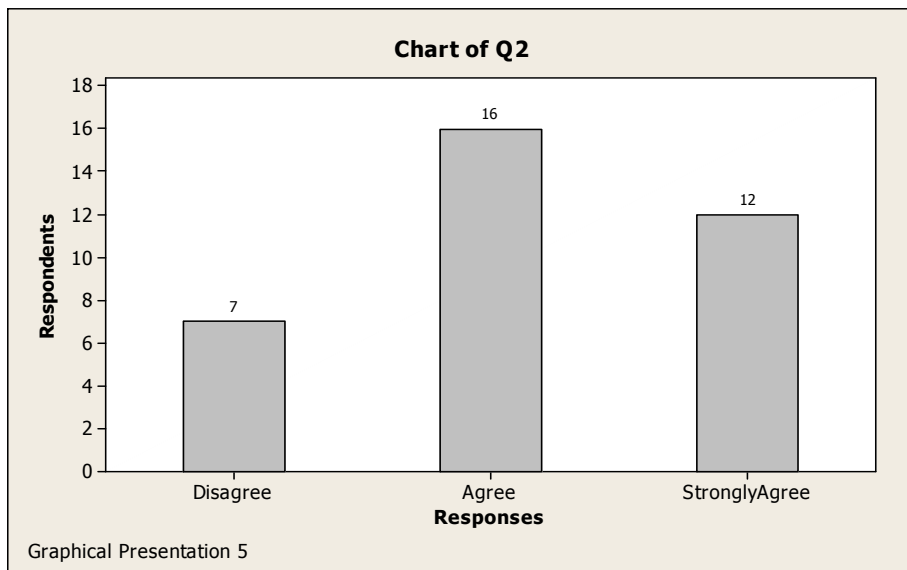


Question 2. I need more trainings and seminars on the centralized procurement system

Descriptive Statistics: Q2

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q2 | 35 | 35 | 0 | 100 | 3.943 | 4.000 |

Table 4.2



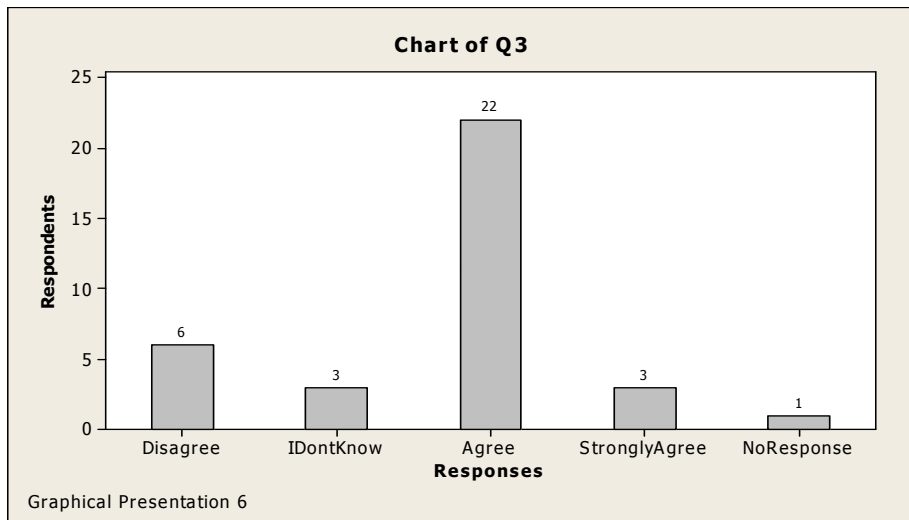
When asked if the respondents need more training and seminars on the central procurement system, there is a general concurrence among them that they need more training and seminars despite the fact that majority of them agreed that adequate training and seminars were offered for their attendance. Based on Graphical Presentation 5, 16 of them agreed and 12 strongly agreed leaving only 7 respondents who no longer need training and seminars.

Question 3. I fully understand the new procurement processes under the centralized procurement system

Descriptive Statistics: Q3

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q3 | 35 | 34 | 1 | 97.1429 | 3.647 | 4.000 |

Table 4.3



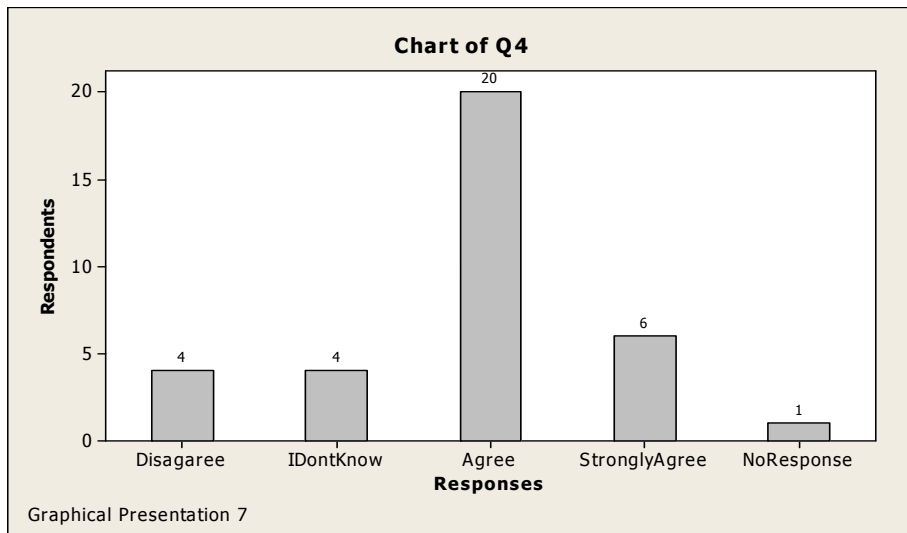
In general, there is agreement among the respondents that they fully understand the processes under the centralized procurement system. There are, however, 6 respondents who declared they do not understand fully the new procurement processes. Three respondents are not sure if they really do understand and one ignored the question. Base on this feedback, one is inclined to wonder why majority of them still need more training and seminars when most of them claim that they already understand fully the procurement processes under the centralized procurement system.

Question 4. The procurement process required by the PS is simpler and easier to follow than the old system

Descriptive Statistics: Q4

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q4 | 35 | 34 | 1 | 97.1429 | 3.824 | 4.000 |

Table 4.4



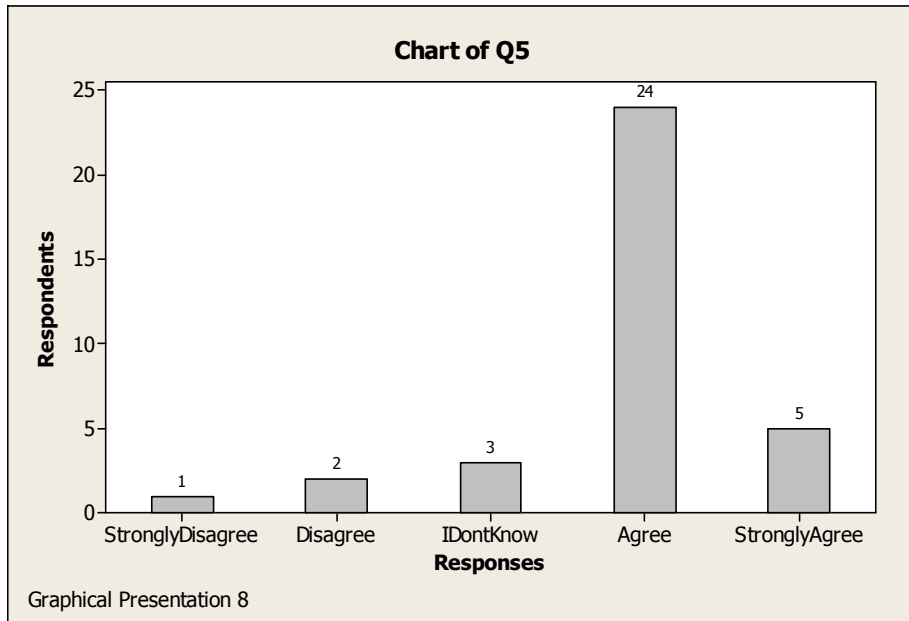
Based on Graphical Presentation 7, 26 respondents agreed that the procurement process required by PS is simpler and easier to follow than the old system. 4 disagreed and 4 responded that they do not know if the process is simpler and easier to follow than the old system. The 4 respondents who responded they do not know is not surprising considering that most of the respondents are actually new to their jobs as the procuring officers. It could be that they do not have any point of comparison as they did not experience the old system of procurement.

Question 5. The PS forms required in the centralized procurement process are easy to complete

Descriptive Statistics: Q5

| Variable | Count | Total | N | N* | Percent | Mean | Median |
|----------|-------|-------|----|----|---------|-------|--------|
| Q5 | 35 | 35 | 35 | 0 | 100 | 3.857 | 4.000 |

Table 4.5



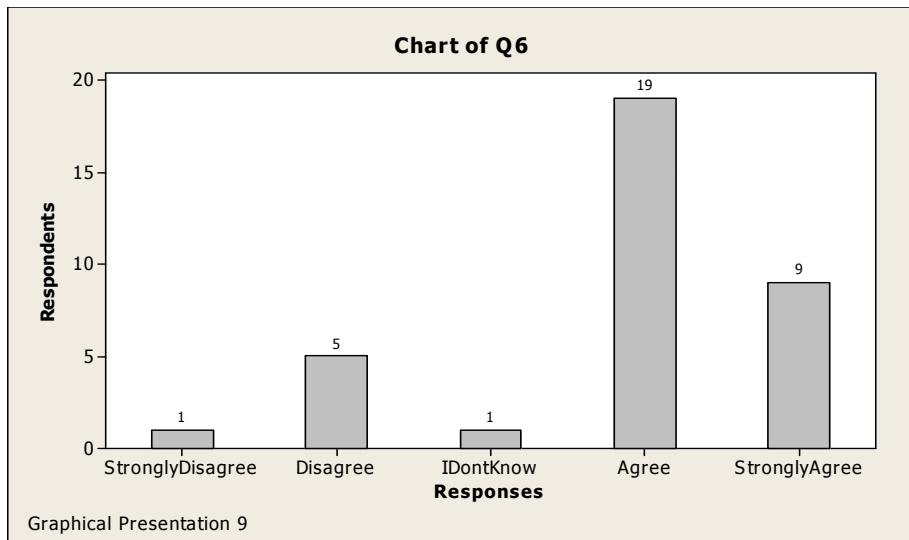
Out of the 35 respondents, 29 agree that the procurements forms required under the centralized procurement system are easy to complete. 5 of them strongly agreed. There are 3 who responded they do not know and the remaining 3 disagreed.

Question 6. There is a decrease in the processing time of procurement activity under the centralized system

Descriptive Statistics: Q6

| Variable | Count | Total | N | N* | Percent | Mean | Median |
|----------|-------|-------|----|----|---------|-------|--------|
| Q6 | 35 | 35 | 35 | 0 | 100 | 3.857 | 4.000 |

Table 4.6



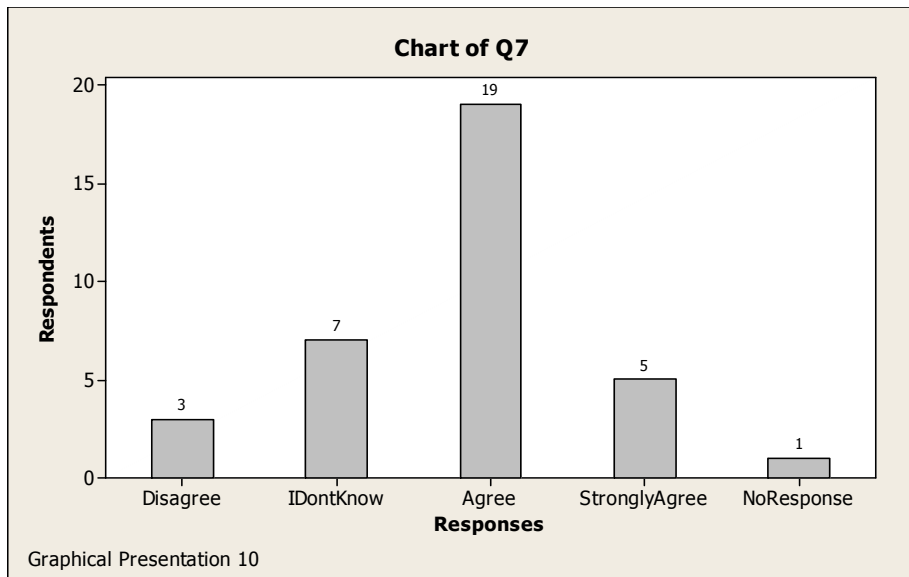
As to the processing time per procurement activity, only 6 respondents disagree that there is a decrease in the time required to execute procurement activities. 1 does not know, 19 agreed and 9 strongly agreed. It appears that in general, the respondents agree that the processing time per procurement activity under the central procurement system is shortened.

Question 7. Administrative cost associated with procurement activity is reduced with the centralized system

Descriptive Statistics: Q7

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q7 | 35 | 34 | 1 | 97.1429 | 3.765 | 4.000 |

Table 4.7

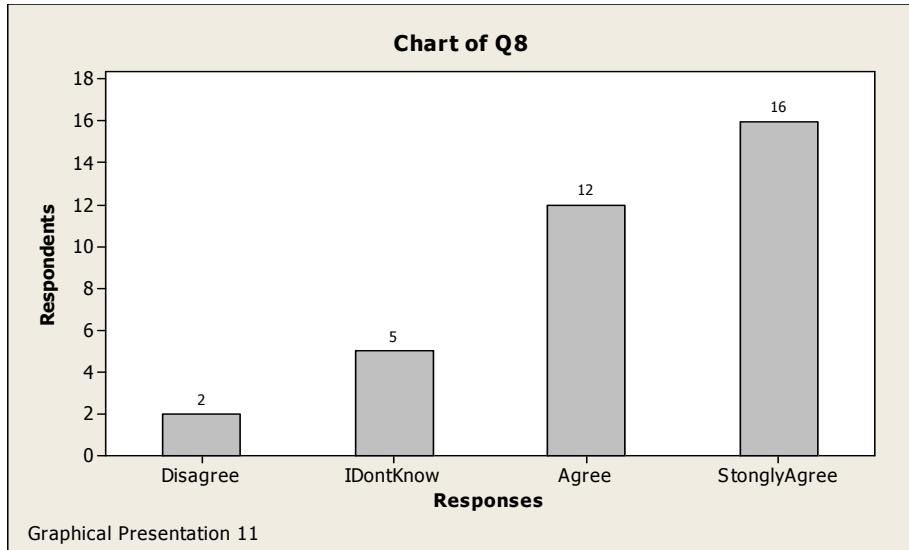


Overall, there is general agreement among the respondents that there is a decrease in the administrative cost associated with procurement activities under the central procurement system. However, it can be noted that there is a significant number of those who responded they do not know if there is a decrease at all.

Question 8. In my opinion there is a decrease in the level of perceived corruption in government procurement with the introduction of the centralized procurement system

| Descriptive Statistics: Q8 | | | | | | |
|----------------------------|-------------|----|----|---------|-------|--------|
| Variable | Total Count | N | N* | Percent | Mean | Median |
| Q8 | 35 | 35 | 0 | 100 | 4.200 | 4.000 |

Table 4.8



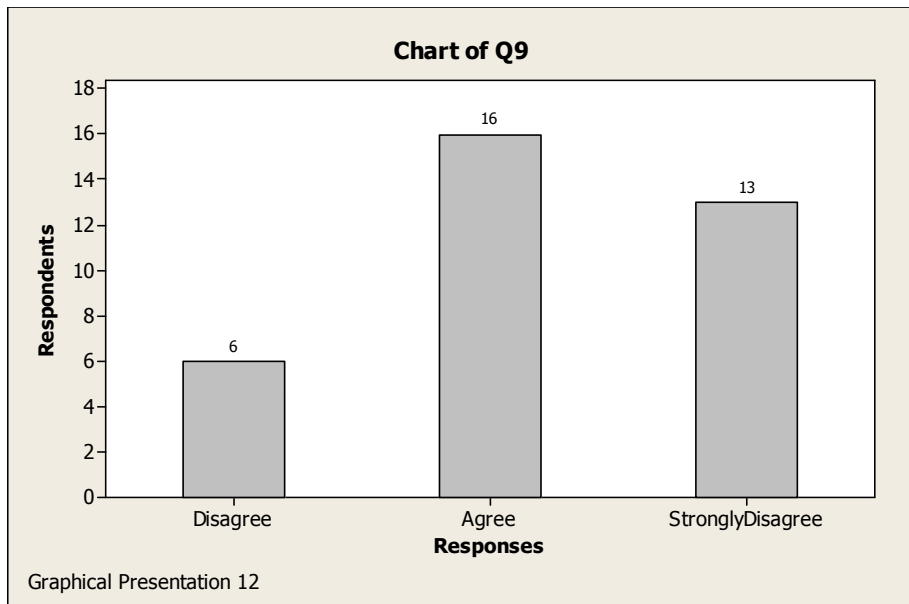
More than half of the total number of respondents strongly agrees that there is a decrease in the perceived corruption with the centralized procurement system. Only 2 disagree and 5 responded they do not know. Among all the questions, this question garnered the highest Mean Value which means that this question obtained the strongest agreement from the respondents.

4.2.3 Respondents' Assessment on the Quality of Service of the Region 1 PS Depot

Question 9. Prices set by PS Depot are cheaper than that of the private counterpart

| Descriptive Statistics: Q9 | | | | | | |
|----------------------------|-------------|----|----|---------|-------|--------|
| Variable | Total Count | N | N* | Percent | Mean | Median |
| Q9 | 35 | 35 | 0 | 100 | 4.029 | 4.000 |

Table 4.9



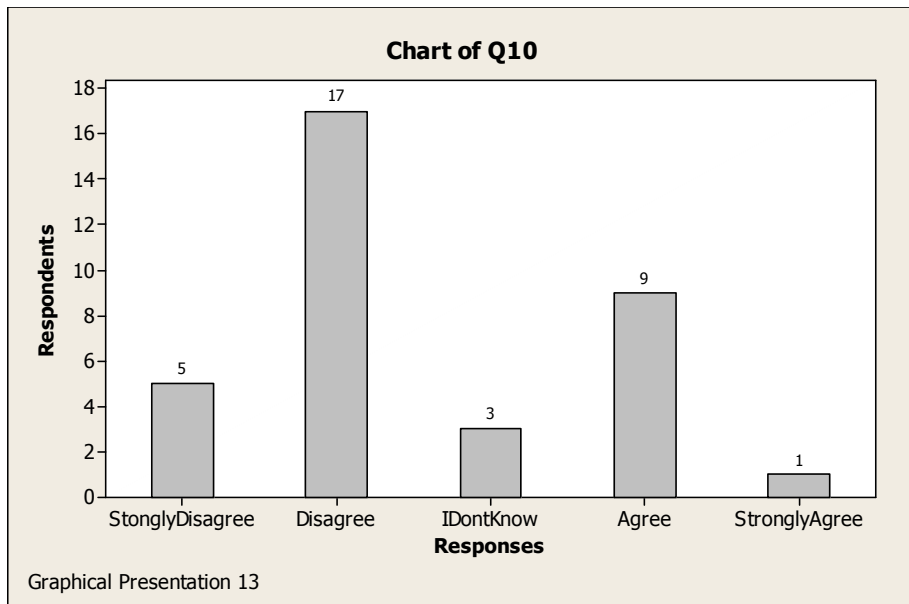
With the responses gathered, the prices set by the PS are apparently cheaper than the local private suppliers. Out of the 35 respondents, 13 strongly agreed, 16 responded they agree and only 6 responded they do not agree that the PS prices are cheaper than the prices offered by the local private suppliers.

Question 10. The quality of goods at the PS Depot is comparable to that of the private sector

Descriptive Statistics: Q10

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q10 | 35 | 35 | 0 | 100 | 2.543 | 2.000 |

Table 4.10



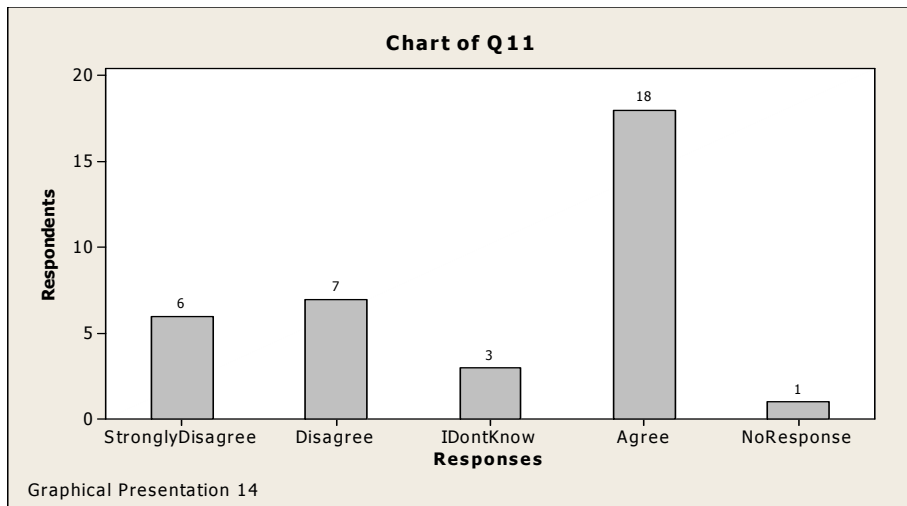
While there is a strong agreement among the respondents that the prices set by the PS are cheaper, there is also a general agreement among them that the quality of goods offered by the PS is not comparable to the quality being offered by the private suppliers. According to their responses, it seems that the private suppliers offer goods of better quality than those being sold at the PS. This question, however, does not signify that the PS goods are of poor quality.

Question 11. The PS Depot is responsive to the needs of the clients in terms of timely processing of orders

Descriptive Statistics: Q11

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q11 | 35 | 34 | 1 | 97.1429 | 2.971 | 4.000 |

Table 4.11

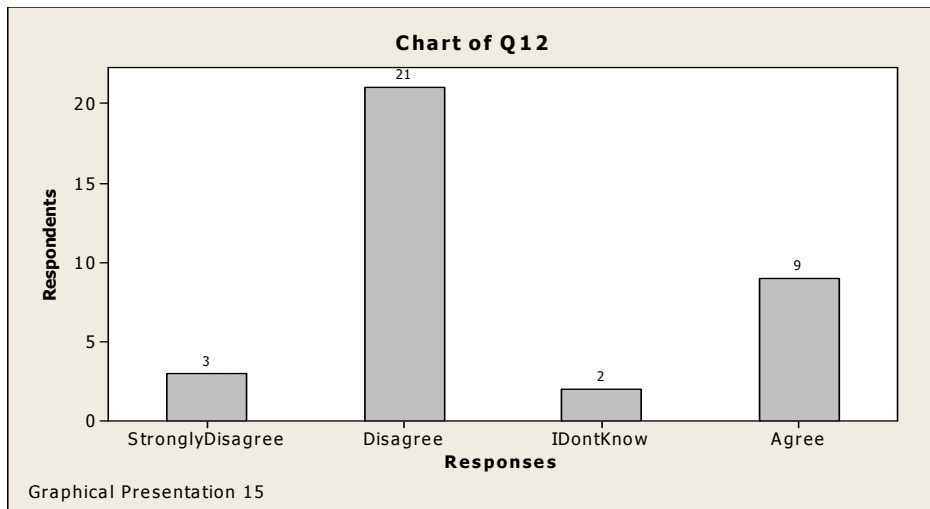


Graphical Presentation 14 shows that there 18 respondents who agreed that the services of the PS Depot are responsive in terms of timely processing of orders, there are 7 who disagreed and 6 who strongly disagreed. Applying simple descriptive statistics, the responses show a quite low Mean Value which means that in general, the respondents do not agree that PS Depot services are responsive in terms of timely processing of orders.

Question 12. The PS Depot is responsive to the needs of the clients in terms of availability of orders

| Descriptive Statistics: Q12 | | | | | | |
|------------------------------------|-------|----|----|---------|-------|--------|
| | Total | | | | | |
| Variable | Count | N | N* | Percent | Mean | Median |
| Q12 | 35 | 35 | 0 | 100 | 2.486 | 2.000 |

Table 4.12

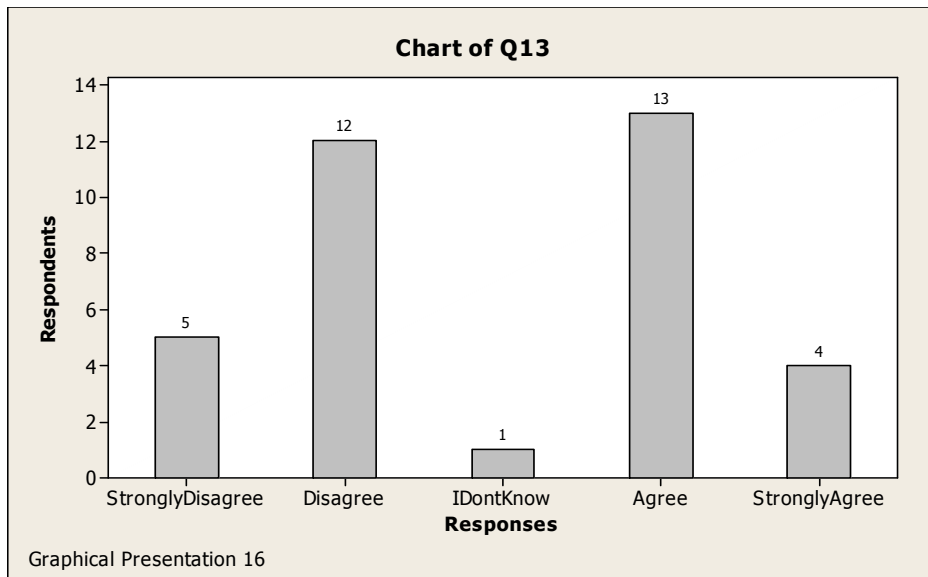


With a Mean Value of 2.486, it can be inferred that in general, the respondents disagree that the PS Depot is responsive to their needs in terms of availability of stocks. As shown in Graphical Presentation 15, 3 strongly disagree and 21 disagree to the statement that PS Depot is responsive to the needs of the clients in terms of availability of orders.

Question 13. I support the “no credit” policy and the “payment before delivery” policy of the PS

| Descriptive Statistics: Q13 | | | | | | |
|------------------------------------|-------|----|----|---------|-------|--------|
| | Total | | | | | |
| Variable | Count | N | N* | Percent | Mean | Median |
| Q13 | 35 | 35 | 0 | 100 | 2.971 | 3.000 |

Table 4.13



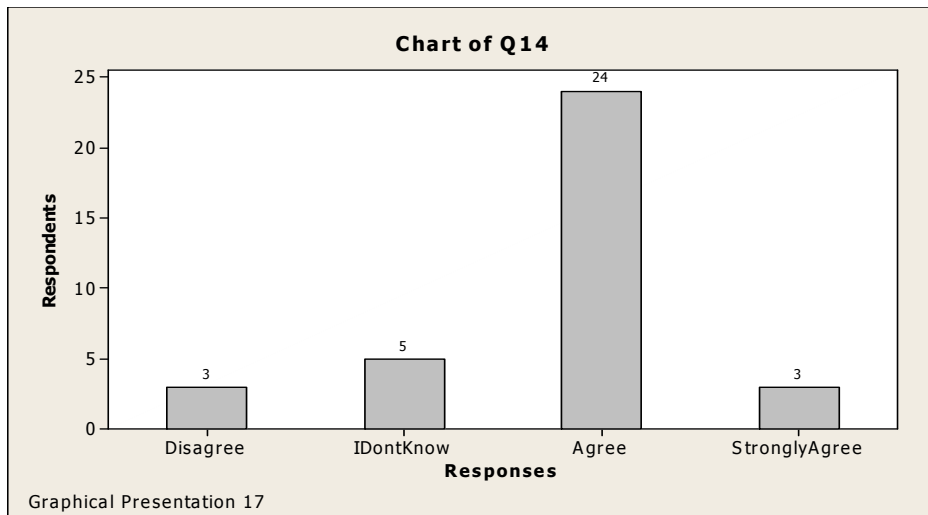
In general, the respondents do not agree to the “no credit” and “payment before delivery” policy of the PS. While there is equal number of respondents who agreed to said policy and the number of respondents who disagree, it can be noted from the graph above that there are more respondents who strongly disagree than those who strongly agree. This caused a lower average or mean value of the responses.

Question 14. The geographical location of the PS Depot is accessible to client agencies within the region

Descriptive Statistics: Q14

| Variable | Total Count | N | N* | Percent | Mean | Median |
|----------|-------------|----|----|---------|-------|--------|
| Q14 | 35 | 35 | 0 | 100 | 3.771 | 4.000 |

Table 4.14



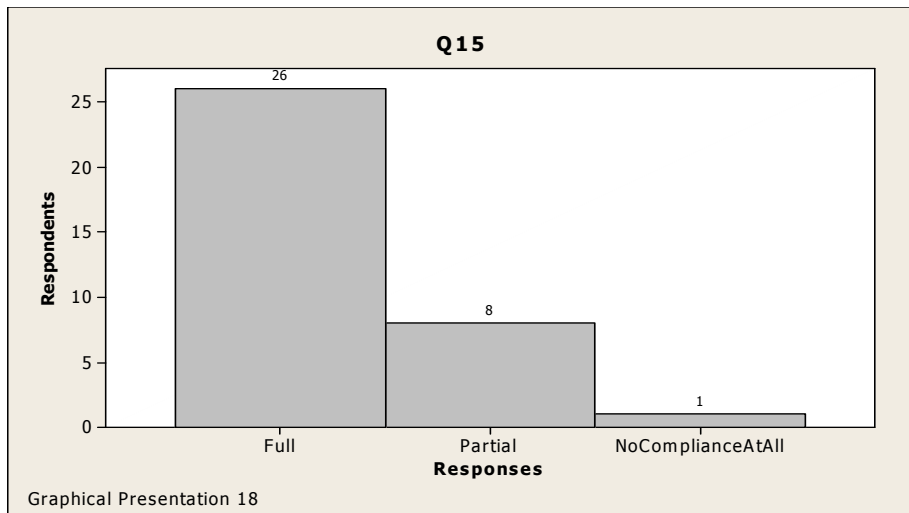
As to the accessibility of the Reg. 1 PS Depot, there are only 3 respondents who do not agree that the Reg. 1 PS Depot is accessible to clients. 5 replied they do not know and the rest agree that the Reg.1 PS Depot is accessible to them.

4.2.4 Additional Questions to Aid in the Improvement of the Operation of the PS Depot

Question 15. The status of my agency's compliance to the requirement of procuring from the PS Depot:

| Tally for Discrete Variables: Q15 | | |
|-----------------------------------|-------|---------|
| Q15 | Count | Percent |
| 1 | 26 | 74.29 |
| 2 | 8 | 22.86 |
| 3 | 1 | 2.86 |
| N= | 35 | |

Table 4.15



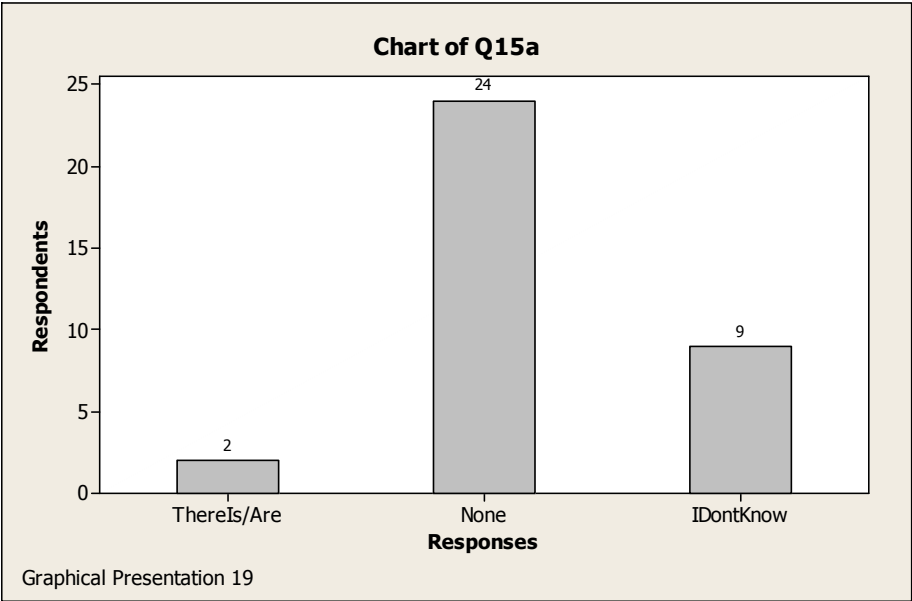
26 out of the 35 respondents claim that they have full compliance to the requirement of the law that they should procure their common-use supplies, material and equipment from the PS. 8 admitted that their compliance is just partial and 1 agency did not comply at all.

According to some of the respondents, their compliance to the requirement of procuring from the PS is not 100% because there are times that they resort to private suppliers due to the limited stocks being offered by the PS Depot. Others mentioned that their compliance depend upon the availability of funds available for the procurement of supplies and equipment. “If funds are not available, we are forced to buy the items that are needed immediately from the private suppliers who can give us the needed supplies on credit.”

Question 15a. Are there observed inconsistencies of the procurement process required by the PS against existing government accounting and auditing rules?

| Tally for Discrete Variables: Q15a | | |
|------------------------------------|-------|---------|
| Q15a | Count | Percent |
| 1 | 2 | 5.71 |
| 2 | 24 | 68.57 |
| 3 | 9 | 25.71 |
| N= | 35 | |

Table 4.15a



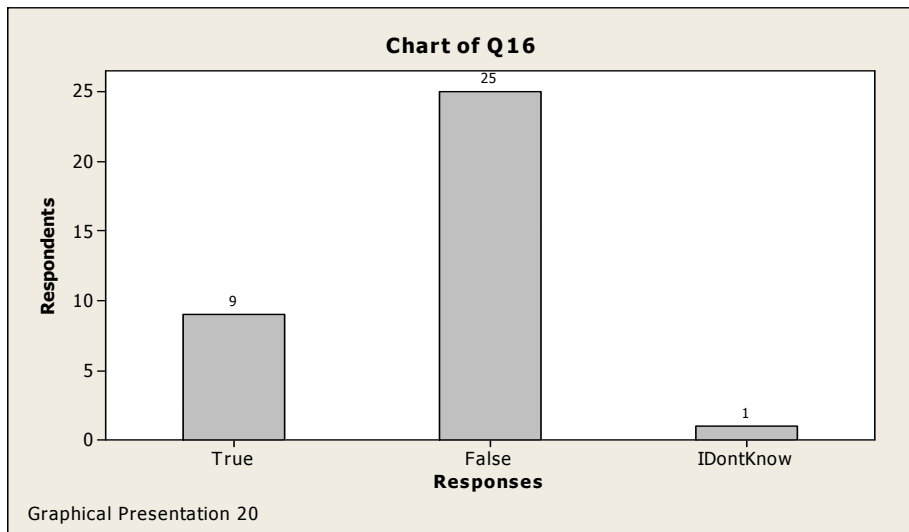
There are only two respondents who responded that there are observed inconsistencies between the procurement process under the PS as against existing government accounting and auditing rules. Out of the 35 respondents, it can be noticed that 25% answered they do not know. Maybe this is because of the fact that most of the respondents are new to their jobs and they are not yet very familiar with both the procurement processes and the accounting and auditing rules.

Question 16. In general, I prefer to buy from the local private suppliers than from the PS Depot

Tally for Discrete Variables: Q16

| Q16 | Count | Percent |
|-----|-------|---------|
| 1 | 9 | 25.71 |
| 2 | 25 | 71.43 |
| 3 | 1 | 2.86 |
| N= | 35 | |

Table 4.16



Out of the total number of respondents, 25 of them prefer to buy from the PS Depot. Below are their reasons given for such preference:

- Lower prices;
 - Elimination of the opportunities for kickbacks and corruption;
 - Lesser documentary requirement;
 - Lesser procurement time, no bidding required;
 - Mandated by Law to procure from PS; and
 - Easier procurement process.
- While most of the respondents prefer to buy from the PS, they also made mention of some of the observed flaws of the PS. And these flaws are also

the reasons why 9 out of 35 prefer respondents prefer to buy from the private suppliers:

- Lower quality of goods;
- Unavailability of stocks at the PS Depot;
- More varieties to choose from at the private suppliers;
- Unresponsiveness of the PS Depot in processing the orders;
- Lack of credit facility in the PS;
- There is no free delivery offered by the PS Depot, unlike the private suppliers who deliver the items for free; and
- Limited choices in the PS while the private suppliers offer a wide variety to choose from.

Question 17. Please write any suggestion, comment, observation, or anything you would want to say regarding the processes, systems, policies and even to the quality of service of the PS Depot.

In order to gather more informative data on how the respondents feel about the PS Depot, the respondents were asked to write down their suggestions, comments, observation or anything they want to say regarding the services offered by the Reg.1 PS Depot. Below is the itemized summary of the feedback gathered from the respondents:

- a. The quality of the supplies sold at the PS Depot should be improved as there are items that are of inferior quality like the pens, correcting fluid, stationeries, etc...;
- b. There are instances when ordered supplies and equipment from the PS Depot take a month or more before they are served to clients;

- c. There is an observed red tape in the processing of purchase requests and this should be avoided as it delays the delivery of goods to the clients. In relation to this, it is suggested that the PS should hire permanent employees who can devote their entire time in the prompt processing of orders;
- d. Common-use supplies and materials should always be made available at the PS Depot. The PS depot should maintain adequate stocks in order to be able to cater to the needs of the clients;
- e. The supplies available at the PS Depot are insufficient to supply the demands of the entire region;
- f. PS should develop a credit facility to allow clients to buy on credit anyway the purchase transaction is between two government agencies;
- g. Free delivery services should be provided;
- h. The PS should conduct survey on the supplies requirements of the clients in order to know what supplies should be made available at the PS;
- i. PS Depot employees should have more training on customer service delivery;
- j. The PS should study how to satisfy their clients and not just implement the mandates of the Law;
- k. More PS Depots should be established in the Region; and
- l. Price should not sacrifice quality.

While some respondents made some suggestions on how to improve the services of the PS, they also gave credit to the good services offered to them by the PS.

Some respondents say that the service of the PS Depot is very satisfactory and that the problem does not lie with the processes and procedures but with the conditions enumerated above.

CHAPTER 5

Analysis/Conclusions

The primary purpose of this research has been to examine whether or not the centralized procurement system has made procurement of common-use supplies, materials, and equipment efficient and effective. This chapter presents analysis and the conclusions drawn from this research.

5.1 Analysis: Rationale for the Decision to Centralize Procurement

The world had seen a huge amount of public sector reforms across the globe starting in the 1980s. These reforms seek to improve government operations in a variety of functional areas, to which procurement is no exemption. As discussed in Chapter 2, there are several dimensions that a procurement system can be seen as serving: political and economic, depending upon the need of a particular country. For the procurement reforms in the Philippines, particularly the decision to centralize the procurement of common-use supplies, materials and equipment, there are three dominant reasons given by the respondents: simplification of the procurement process, savings generation, and corruption.

Prior to the introduction of the procurement reforms in the Philippines, public procurement was characterized by outdated and fragmented laws and a proliferation of uncoordinated issuances creating a plethora of inconsistent rules giving way to confusion in government contracting. While these rules are supposed to plug loopholes, they provide opportunities for wastage

expenditure, higher prices, failure to deliver, and corruption, and other more ills that may lead to the loss of faith and integrity in the public sector.

5.1.1 Simplification of Procurement Process

It can be said that the centralized system provided for a simplified and streamlined procedure in the conduct of procurement of common-use supplies, materials and equipment. Based on the responses gathered from the client agencies, there is a general consensus that the centralized procurement system is indeed simpler and easier to follow, forms required are easy to complete, and there is a decrease in processing time per procurement activity.

5.1.2 Savings Generation

“Value for money” has been proclaimed as the basis in which government procurement is to be undertaken. One of the driving forces behind the decision to centralize procurement of common-use supplies, materials and equipment is to provide quality supplies to all government agencies at the most advantageous prices. This can be achieved by taking advantage to the inherent discounts on bulk purchasing.

The PS Depot Officials as well as the client agencies are in agreement that savings can be generated from the centralized procurement system. Despite the imposition of the PS of a 4% mark up as a source of fund to finance its operation, the respondents acknowledge that the prices at the depot are cheaper than if they buy it directly from the private suppliers. The 4% mark up is the source of fund to finance the operation of the PS. Additionally, the respondents also recognize that with the streamlined procedures, there is a

decrease in the administrative costs associated with procurement activities, meager in amount yet significant considering the tight budgets. Furthermore, the respondents believe that savings can also be generated from the prevention of corruption, it cannot be quantified but they believe it is there.

5.1.3 Corruption

The issue of corruption is one big consideration in the recent reforms undertaken by the GoP given its history and current association with corruption and struggles for economic development. The area of corruption, where lies the interface between politics and economy, is particularly challenging. Often, corruption is associated with development. Corruption distorts allocation of scarce resources, hence, social services are reduced and investments for infrastructure and social services are diminished.

As provided for in the previous chapters, the system of procurement in the country is dysfunctional, inefficient and prone to abuse. It provides opportunities for corruption. While the declared objectives of the current procurement reforms in the country had been to promote efficiency in the conduct of public contracting, the PS Officials claim that the driving motivation is the reduction, if not elimination of corruption in the institutions of procurements.

A valid question that may be asked would be - is the issue on corruption really addressed, or there is only a shift in the opportunities for corruption? The literature chapter has provided two types of corruption: state capture and administrative corruption. While opportunities for administrative corruption was

believed to have been reduced under the centralized procurement system, is the centralized system not a product of the influence of narrow interests of some elite manufacturing firms on the country's policy makers?

The above question is very contentious and one which is very difficult to answer. With the centralized system, there is a strong conviction on the part of the PS Depot Officials that opportunities for corruptions in the procurement of common-use supplies, materials, and equipment will be lessened. Moreover, there is also general agreement among the client agencies that there is a decrease in the perceived corruption in government procurement with the introduction of the centralized procurement system. As it is difficult to measure corruption, the indicator used in studies on the level of corruption is the perception of the people. With that, what matters is what the people think or feel. What is important is the restoration of trust and confidence of the civil society on the government's honesty and commitment to development.

5.2 Analysis: Responsiveness of the Services of the PS, a Case of Region 1

"Responsive public service" has become a catchphrase during the introduction of public sector reforms in the recent years. A service is said to be responsive when it matches the needs of the clients. For the PS, the service is said to be responsive when the goods are delivered at the time the goods are needed, at the required quantity and desired quality, and at the right price.

5.2.1 Timeliness

In general, clients of the Region 1 PS Depot do not agree that the goods they ordered from the Region 1 PS Depot were delivered on time and some are not delivered until several weeks or even months. This problem has been acknowledged by the PS Officials. They said that inasmuch as the PS personnel want to deliver the orders of the clients without delay, they are constrained to do so because of the following issues:

- there is an acknowledged insufficiency of warehouse to accommodate the requirement of the entire region, hence stock shortage on some of the items;
- lack of delivery equipment;
- lack of an established inventory system for better monitoring of stocks;
- absence of an approved staffing pattern for the PS Depot/ absence of permanent personnel to manage the operation of the PS Depot;
- difficulty in estimating the supplies requirements of client agencies due to lack of reliable source of information; and
- some other factors that are beyond the control of the PS Depot such as stock shortage at the PS Main level.

5.2.2 Cost

One of the concerns, if not an obsession, of the recent public sector reform is the reduction of cost of public service which has is believed to be massively in excess. Concerning this criterion, client agencies agree that the prices set by the PS are cheaper than their private counterpart.

5.2.3 Quality

Quality is a contentious issue in terms of evaluating a particular service. As mentioned by one of the respondents, quality is subjective and very difficult to measure. Each of us has different quality standard, which make it very difficult to establish an indicator that may determine if a service is of quality or not. For the PS, the Law provides that reference to brand names is not allowed, but should pass the standards set by the Bureau of Product Standards of the Department of Trade and Industry. However, there is a general agreement among the clients that the quality of goods being sold at the PS is not comparable to the quality of the goods being sold by the private sector.

5.2.4 Payment Scheme

Unlike the private counterpart, the PS does not provide credit lines to clients. Procuring entities need to pay every time they order goods from the PS. While clients are not very happy about this as manifested in their responses, there is no forthcoming policy of the PS to address this issue as yet. While the PS operates like the private sector as a provider of goods to all government agencies, its operation depends upon the income from the 4% mark up allowed to it by law. There is no way where the PS can generate huge savings that it can set aside for revolving funds in cases when client agencies cannot pay immediately the goods they procured from the PS. With just a minimal mark up, the set up is actually a transfer of funds from client agencies to the PS and the PS will procure for them. So while the PS wants to satisfy the clamor of the clients for the provision of credit lines, the PS cannot do so considering the need for a sufficient revolving fund to sustain its operation.

5.2.5 Personnel Service Quality

One of the most important, if not the most important, factor affecting the quality of service the PS Depot is able to extend to its clients is the human resource aspect. One of the recognized problems of the PS Depot is the lack of an approved staffing pattern. Organic staff of the DBM Regional Offices are given additional responsibility to manage the PS, on top of their regular functions in the DBM. There is an admission that, qualification per se, the current personnel complement of the PS Depot is not qualified to manage the PS Depot as they are not trained to manage a grocery store. More so, with the voluminous work in DBM, there is lack of time in doing the added function of managing the PS Depot. Not to mention that there is very little financial motivation for them to perform the function.

Obviously, there is a problem on the specialization and concentration of functions among the personnel of the PS Depot. While the PS Officials asserted that the personnel chosen to be part of the PS management are competent individuals, there had been failures. And since it is difficult to define responsibility and delineate accountability with the absence of an approved staffing pattern, such failures can not be blamed to any particular employee of the PS Depot.

Overall, the PS Officials believe that assessing their performance, they performed well given the current set up. However, they recognize the importance of a staff with more specialized and concentrated function.

5.2.6 Regional Inter-Agency Bids and Awards Committee

The responsibility of the PS, as a government entity, extends beyond the provision of supplies requirement of the client agencies. The establishment of the PS Depot affected, a great deal, the operation of local industries in the region. The operation of the Regional PS Depot provided for some sort of discrimination among the local businesses. To address the issue, and to enhance and sustain the economic interplay in the locality, there is a need to bring down the bidding process conducted by the PS at the regional level. Currently, the bidding process for all PS procurements is centered in Manila as big manufacturing industries that are able compete with the bidding are concentrated in the said area.

5.2.7 Procurement Service and the PhilGEPS

The use of the World Wide Web plays a significant part in the efforts to enhance transparency in government transactions. For procurement transactions, the PS operates the PhilGEPS. All government needs from goods, consulting services and civil works are posted in the PhilGEPS through its electronic billboard. The posting in the PhilGEPS can have a positive effect on the quality and pricing aspect of government procurement as this provides for a more open and competitive procurement environment. More over, notices of awards and reasons for such awards are also posted in the electronic billboard. This allows open scrutiny and any deviation from the codified procurement process are quickly uncovered and steps are taken to remedy the situation.

5.3 Conclusion

Central to this research is whether or not the centralized procurement system had made procurement more efficient and effective. This research had used the following criteria in the evaluation process, and had made the following conclusions:

a. Cost effectiveness/Economy

The findings show that the centralized procurement system is cost effective. Cheaper prices, lesser administrative cost, and opportunities for savings from the prevention of corruption are all addressed by the centralized procurement system.

b. Processing time

The conclusion is that the centralized procurement system is efficient in terms of the time required to conduct procurement activities. The streamlined procedures under this system allow government agencies to complete the conduct of their procurement activities within the day.

c. Quality of Goods

Basing from the responses of the client agencies, the centralized procurement system is not effective in terms of the provision of quality goods to the clients. As a service agency, what matters is the satisfaction of the clients. The PS Depot Officials emphasized that all goods have passed the quality standards set by the Bureau of Product Standards and that the Law only allows for minimum specification for the

goods to be used by government agencies. However, at the end of the day, what matters most is whether clients are satisfied or not.

d. Quality of Service

Are clients satisfied with the services of the PS Depot? Apparently, clients believe that the service of the PS Depot is not responsive in terms of timely processing of orders. And this is recognized by the PS Depot Officials. And while they wanted to provide a more responsive service, there are factors that constrain them from doing so, especially those factors that should be resolved on a policy basis.

e. Purchasing Convenience

While the centralized procurement made the conduct of procurement easier due to streamlined and simplified procedures, the new system placed little emphasis on the payment scheme that need to be adopted. The “no credit” policy of the PS attracted much criticism from the clients. And this should be looked into by the PS in order to provide for a more convenient procurement environment for the clients. Moreover, the “virtual store” should soon be operated as it provides for the ultimate procurement convenience for both the PS and the clients.

f. Other Impacts

The decision to bring down the bidding process of the PS at the regional level demonstrates the desire of the PS to support the local industries that are affected by the centralized procurement system. This is one way to remedy regional disparities within the country. Development had

been concentrated in the Metro Manila area. While cost reduction for the government is important, directing development efforts to the provinces is vital for a more sustained economic growth.

Overall, this research concludes that the centralized procurement system is cost effective and efficient in terms of processing time and simplified procurement procedures. The system, however, placed too little emphasis on other measures of effectiveness like the quality of goods being supplied to the clients and the convenience of procurement. It is not necessarily true therefore, that a system that works faster and cheaper is actually better. Additionally, the PS is not ready in rolling out the centralized procurement system across the country. This is evidenced by the lack of an approved staffing pattern or lack of approved staffing positions with identified duties and responsibilities having corresponding remunerations, lack of sufficient facilities and warehouses, and the inability of the PS to operate the full features of the electronic procurement system.

It should be noted, however, that the motivation behind the reform is the reduction, if not elimination of corruption, which in turn will contribute to development. Though the amount used by the government in the procurement of common-use supplies, materials and equipment may be minimal as compared against the total national budget, any savings there from may mean additional funds for other development projects. More so, this thesis concludes that with the centralized procurement, there is an increased trust and confidence among the civil society that the opportunities for administrative

corruption are reduced. Corruption is likened to the Great Wall of China, huge and daunting. It is almost impossible to tear it down altogether at one time. A strategy is to plan for gradual collapse starting by causing the small portions and details to go weak. The procurement of common-use supplies, materials and equipment is just a very small portion of the entire government contracting. But big leaps start from small steps. If the government can address the issue on corruption at this stage, efforts to curb corruption on bigger and more significant portions of governance may prove possible.

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**Evaluation of the Efficiency and Effectiveness of the
Regional PS Depots in the Philippines:
A case of Region 1**

Part I. Direction: Please read the following statements and indicate your level of agreement or disagreement by making a check mark in the box that corresponds to your opinion.

| Statements | Strongly Disagree | Disagree | Don't Know | Agree | Strongly Agree |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Section I. Clients' background and opinion on the centralized procurement of common use supplies, materials and equipment from the Procurement Service (PS). | | | | | |
| 1. Adequate training and seminars to introduce the centralized procurement of common use supplies, materials, and equipment from the PS was conducted and offered for my attendance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. I need more trainings and seminars on the centralized procurement system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I fully understand the new procurement processes under the centralized procurement system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The procurement process required by the PS is simpler and easier to follow than the old system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. The PS forms required in the centralized procurement process are easy to complete | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. There is a decrease in the processing time of procurement activity under the centralized system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Administrative cost associated with procurement activity is reduced with the centralized system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. In my opinion there is a decrease in the level of perceived corruption in government procurement with the intro- | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Statements | Strongly Disagree | Disagree | Don't Know | Agree | Strongly Agree |
|------------|----------------------|----------|---------------|-------|-------------------|
|------------|----------------------|----------|---------------|-------|-------------------|

duction of the centralized procurement system

Section II. Clients' assessment on the PS Depot service quality

- | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 9. Prices set by PS Depot are cheaper than that of the private counterpart | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. The quality of goods at the PS Depot is comparable to that of the private sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. The PS Depot is responsive to the needs of the clients in terms of timely processing of orders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. The PS Depot is responsive to the needs of the clients in terms of availability of orders | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. I support the "no credit" policy and the "payment before delivery" policy of the PS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. The geographical location of the PS Depot is accessible to client agencies within the region | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Part II. Additional point of discussion to help in improving the new systems and processes involved in procuring from the PS Depot. Please put a check mark on the space provided before each choice of your most appropriate answer. Spaces are provided for additional explanation if needed (*please use separate sheet if the space provided is not enough*).

15. The status of my agency's compliance to the requirement of procurement from the PS Depot is:
- _____ Full
- _____ Partial
- _____ No compliance at all

If your answer is "partial" or "no compliance at all", please state the reason why.

15. a. Are there observed inconsistencies of the procurement process required by the PS against existing government accounting and auditing rules?

- There is/are
- None
- I don't know

If your answer is "there is/are", please enumerate said observed inconsistencies.

16. In general, I prefer to buy from the local private suppliers than from the PS Depot.

- True
- False
- Don't know

Why?

17. Please write any suggestion, comment, observation, or anything you would want to say regarding the processes, systems, policies and even to the quality of service of the PS Depot.

Part II. Knowing the respondent

I would appreciate it very much if could fill in some information about yourself. Please tick the most appropriate answer.

1. Gender

- Male
- Female

2. Age group

- 20 to 30 years
- 31 to 40 years
- 41 to 50 years
- 51 to 60 years
- 61 to 65 (retirement age) years

3. How long have you been working as the Procurement Officer/Supply Officer of your agency? Please state the duration in terms of the number of years:

The questionnaire ends here. Thank you very much for your trust and participation.



Massey University

School of Humanities and Social Sciences

Letter Request for Access to Institution

The Management

Region 1 Procurement Service Depot
c/o Department of Budget & Management
Regional Office I
San Fernando City, La Union

To whom it may concern:

My name is Ria S. Vicente and I am a student of Massey University – Albany Campus. I am enrolled under the degree Master of Public Policy. In partial fulfilment of my degree, I am required to conduct a research study and I have chosen to do an analysis of the stakeholders of the Region 1 Procurement Service Depot.

I am asking your kind consideration that I may be allowed to conduct the study and be allowed access to information that may be necessary in this study. As the PS Depot is newly established, I believe that this project is timely to identify possible issues, concerns, difficulties, and some unintended outcomes of the PS Depot. The research findings will be important not only for the PS Depot Management in formulating some modification or improvement in the operation of the Depot but also in formulating plans of action for possible intervention on the unintended outcomes of the Depot.

I hope you will consider this request and grant me the permission to work with you in this project.

Sincerely yours,

Ria S. Vicente

**Massey University****School of Humanities and Social Sciences**

**Evaluation of the Efficiency and Effectiveness of the
Regional Procurement Service (PS) Depots in the Philippines:
A case study of Region 1**

INFORMATION SHEET

Dear Respondents,

My name is Ria S. Vicente, an employee of the Department of Budget and Management, Regional Office 1. I am currently enrolled under the degree Master of Public Policy at Massey University – Albany Campus, New Zealand. In partial fulfillment of the degree, I am required to conduct a research study. I have chosen to do an evaluation of the efficiency and effectiveness of the operation of the Procurement Service (PS) Depots in the Philippines, taking the case of Region 1. I am therefore asking you, as the property officers/supply officers, of your respective agencies to please participate in this study. Without your participation and help, the success of this study will not be possible.

It has been more than a year since the establishment of the Region 1 PS Depot in November, 2005. By now the intended as well as unintended impacts of the PS Depot operation are now felt by the client agencies. For that matter, I am asking your professional opinion, as the officer directly involved in your agency's procurement activities, regarding the program in order to:

- identify the needs, issues, concerns, and/or difficulties encountered by you with the new government procurement processes required under the centralized procurement system operated by the PS ;
- formulate recommendations for possible modification or improvement of the new procurement processes; and
- formulate recommendations for possible intervention to address any unintended effects of the PS Depot that may have not been anticipated prior to its establishment and operation.

It is not, in any way, the intention of this research project to identify or uncover any fraudulent procurement practices (if there are any) of the National Government Agencies (NGAs) in Region 1.

The method in which you will be expected to participate is through the filling out of the survey questionnaire attached to this letter. The questionnaire will take no more

than 30 minutes to answer. Included is a pre-stamped envelope to be used in sending back the questionnaires.

Completion and return of the questionnaires implies your consent to participate.

Please consider this request, as participants you have the right to:

- decline to answer any particular question;
- ask any question about the study at any time during the participation;
- provide information on the understanding that your name will not be used unless you give permission to the researcher; and
- be given access to the summary of the project findings when it is concluded.

Rest assured that your responses are confidential. Should you have any questions, please feel free to contact me. These are my contact details:

Phone No. : 63-72-7002194
Email Ad. : ria_047@yahoo.com
Mailing Ad. : DBM Reg. 1, Government Center, Sevilla, San Fernando City
2500,
La Union

Below is the contact details of my research supervisor should you have any concerns about this research project that you wish to discuss aside from me.

Name of Supervisor : Dr. Grant Duncan
Phone No. :64-9-4140800 (extension 9086)
Email Ad. :L.G.Duncan@massey.ac.nz

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. I, as the researcher, am responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than me or my supervisor, please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Ethics & Equity), telephone 06 350 5249, email humanethics@massey.ac.nz.

Thank you and I am looking forward to working with you in this research project.

Sincerely,

Ria S. Vicente



Massey University

School of Humanities and Social Sciences

**Evaluation of the Efficiency and Effectiveness of the
Regional Procurement Service (PS) Depot in the Philippines:
A case study of the Region 1 PS Depot**

INFORMATION SHEET

Dear Respondent,

My name is Ria S. Vicente, an employee of the Department of Budget and Management, Regional Office 1. I am currently enrolled under the degree Master of Public Policy at Massey University – Albany Campus, New Zealand. In partial fulfillment of the degree, I am required to conduct a research study. I have chosen to do an evaluation of the efficiency and effectiveness of the operation of the Procurement Service (PS) Depot in Region 1. I am therefore asking you, as part of the Region 1 PS Depot Management, to please participate in this study. Without your participation and help, the success of this study will not be possible.

It has been more than a year since the establishment of the Region 1 PS Depot in November, 2005. By now the intended as well as unintended impacts of the PS Depot operation are now felt by the client agencies as well as the PS Depot management. For that matter, I am asking for your professional opinion regarding the program in order to:

- identify the needs, issues, concerns, and/or difficulties encountered by you as part of the Region 1 PS Depot Management, with the new government procurement process required under the centralized procurement system (CPS); and
- formulate recommendations for possible modification or improvement of the new procurement processes based from the management's experience and on the result of the survey conducted with the client agencies.
- formulate recommendations for possible intervention to address any unintended effects of the Regional PS Depot that may have not been anticipated prior to its implementation and operation.

The method in which you will be expected to participate is through a focus group discussion which will be participated in by six (6) officers/employees involved in the management, cashiering, accounting, supply management and administrative support of the Depot. The duration of the focus group discussion is originally set to be 1 to 2 hours, but it may vary depending on the extent of discussion to be done by the participants.

Attached is a consent form for you to sign should you decide to participate in the focus group discussion.

Please consider this request, as participants you have the right to:

- decline to answer any particular question;
- ask any question about the study at any time during the participation;
- withdraw anytime during the focus group discussion;
- provide information on the understanding that your name will not be used unless you give permission to the researcher; and
- be given access to the summary of the project findings when it is concluded.

Rest assured that your responses are confidential. Should you have any questions, please feel free to contact me. These are my contact details:

Phone No. : 63-72-7002194
Email Ad. : ria_047@yahoo.com
Mailing Ad. : DBM Reg. 1, Government Center, Sevilla, San Fernando City
2500,
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Name of Supervisor : Dr. Grant Duncan
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This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. I, as the researcher, am responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than me or my supervisor, please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Ethics & Equity), telephone 06 350 5249, email humanethics@massey.ac.nz.

Thank you and I am looking forward to working with you in this research project.

Sincerely,

Ria S. Vicente



Massey University

School of Humanities and Social Sciences

**Evaluation of the Efficiency and Effectiveness of the
Regional Procurement Service Depots in the Philippines:
A case of Region I**

CONSENT FORM

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature: _____ Date: _____

Full Name – printed: _____



Massey University

School of Humanities and Social Sciences

**Evaluation of the Efficiency and Effectiveness of the
Regional Procurement Service Depots in the Philippines:
A case of Region I**

AUTHORITY FOR THE RELEASE OF TAPE TRANSCRIPTS

This form will be held for a period of five (5) years

I confirm that I have had the opportunity to read and amend the transcript of the focus group discussion conducted with me.

I agree that the edited transcript and extracts from this may be used by the researcher, Ria S. Vicente, in reports and publications arising from the research.

Signature: _____ Date: _____

Full Name – printed: _____



Massey University

School of Humanities and Social Sciences

Confidentiality Agreement with Focus Group Discussion Participants

I, _____ agree to keep confidential all information discussed during the focus group discussion concerning the project “Evaluation of the Efficiency and Effectiveness of the Regional Procurement Service Depots in the Philippines: A case of Region 1”.

I will not retain or copy any information involving the project.

Signature _____ Date _____