



Technical Assistance Report

Project Number: 42537
Policy and Advisory Technical Assistance (PATA)
March 2009

Republic of the Philippines: Strengthening the Philippine Government Electronic Procurement System

CURRENCY EQUIVALENTS

(as of 5 February 2009)

Currency Unit	–	Peso (P)
P1.00	=	\$0.0212
\$1.00	=	P 47.22

ABBREVIATIONS

ADB	Asian Development Bank
CIDA	Canadian International Development Agency
EPS	electronic procurement system
GPPB	Government Procurement Policy Board
IRR	implementing rules and regulations
NGO	nongovernment organization
PhilGEPS	Philippine Government Electronic Procurement System
PS-DBM	Procurement Service of the Department of Budget and Management
TA	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Policy and advisory technical assistance (PATA)
Targeting Classification	–	General intervention
Sector	–	Public sector management
Subsector	–	Public administration
Themes	–	Governance, capacity development
Subthemes	–	Public administration (national, decentralized, and regional), institutional development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. Electronic procurement provides opportunities to strengthen procurement efficiency, and thus to improve the timely and cost-effective delivery of public services, besides facilitating public access to procurement information. Electronic Government Procurement (e-GP) have been proven to produce transparency and significant savings for those countries that can implement it successfully. A very effective tool in the fight against corruption, it also promotes integration and stimulates greater productivity not only in government but also in small and medium-sized enterprises.¹ The Government of the Philippines is implementing an electronic procurement system (EPS) for government entities, which it regards as an important anticorruption initiative and a critical part of its governance agenda.² In December 2000, the Procurement Service of the Department of Budget and Management (PS-DBM), with technical assistance (TA) support from the Canadian International Development Agency (CIDA), made an Internet-based pilot EPS operational throughout government. The EPS implementation has received active support from the Government through several executive orders and through the Government Procurement Reform Act (Republic Act 9184), which was passed in January 2003. In 2006, PS-DBM launched phase 1 of the Philippine Government Electronic Procurement System (PhilGEPS). This release combined the functionality of the pilot EPS and enhancements drawn from the experience in implementing the system.

2. In 2007, the Government, committed to moving beyond phase 1, requested TA from the Asian Development Bank (ADB) and the World Bank for the implementation of phases 2–5 of PhilGEPS. The TA will enable the Government to continue strengthening PhilGEPS and implementing it more widely, as the Government and ADB are committed to doing under the 2005 Paris Declaration on Aid Effectiveness and ADB's Second Governance and Anticorruption Action Plan.³ On 4 September 2008, under the Accra Agenda for Action, ministers of developing countries including the Philippines and heads of development partner agencies including ADB agreed to accelerate and intensify the implementation of the Paris Declaration. The Philippines was one of 10 countries proposed for the pilot implementation of country systems in procurement by the World Bank. ADB has agreed to actively collaborate in the pilot project. TA preparation was reported in ADB's Aid Harmonization and Alignment Action Plan⁴ of 31 July 2007 and the inclusion of the TA in the 2009–2010 country program was approved on 28 April 2008.⁵ The TA design and monitoring framework is in Appendix 1.⁶

II. ISSUES

3. The Philippines used to have more than 100 laws, rules, and regulations on government procurement. In January 2003 this fragmented and cumbersome system was replaced with the Government Procurement Reform Act, which provided for “the modernization, standardization, and regulation of the procurement activities of the government.” The law was designed to streamline the Philippine procurement system, reduce opportunities for graft and

¹ Multilateral Development Bank E-Procurement website. <http://www.mdb-egp.org/Index.aspx>

² National Economic and Development Authority. 2004. *Medium-Term Philippine Development Plan 2004–2010*. Manila. <http://www.gov.ph/documents/MTPDP%202004-2010%20NEDA%20v11-12.pdf>

³ ADB. 2006. *Second Governance and Anticorruption Action Plan*. Manila.

⁴ ADB. 2007. *Aid Harmonization and Alignment Action Plan*. Manila (p. 27). http://www.aidharmonization.org/download/256911/ADB-Action-Plan_31-July-2007.pdf.

⁵ In 2008, ADB and the Government agreed on an operational program for 2009–2010, which extends the country strategy and program by 2 years. ADB. 2008. *Country Operations Business Plan (2009–2010): Philippines*. Manila.

⁶ The TA first appeared in the business opportunities section of ADB's website on 5 January 2009.

corruption, harmonize the system with international standards and practices, and promote transparency, competitiveness, streamlined procurement, accountability, and public monitoring. The PhilGEPS is now managed by PS-DBM under the supervision of the Government Procurement Policy Board (GPPB), an interagency policy and monitoring body mandated to handle all public procurement matters and to protect the national interest in all such matters. The GPPB is headed by the secretary of budget and management as chair and the director-general of the National Economic and Development Authority as alternate chair. The secretaries of public highways, finance, science and technology, health, trade and industry, education, defense, energy, and interior and local government are members, together with a representative from the private sector to be appointed by the President upon the recommendation of GPPB⁷.

4. The Government Procurement Reform Act requires the use of PhilGEPS by all national government agencies, government-owned and controlled corporations, government financial institutions, state universities and colleges, and local government units. Suppliers, manufacturers, contractors, and consultants must be registered in the system. The use of PhilGEPS will improve transparency in government procurement since opportunities to trade with government and the ensuing transactions are provided online. Information about the winning bidder, the reason for the award, and the contract amount is currently accessible through the system. PhilGEPS gives suppliers continuous access to government bid opportunities. Suppliers no longer have to visit government agencies to monitor bid notices. The bid-matching feature of the system allows them to be notified automatically by e-mail if newly posted government opportunities match their line of business.

5. Since PhilGEPS was first implemented in 2006, compliance with the publication of procurement notices has been high, but the requirement to publish contract awards as well has still to be fully complied with. End users also need regular training. Despite having unlimited access to the system, not all government agencies use it.

6. A recent review of the pilot use of PhilGEPS for official development assistance projects established the fact that agencies⁸ register and post notices more to comply with the implementing rules and regulations (IRR) of the Government Procurement Reform Act than to use the system in their procurement. Published bid notices sometimes provide insufficient information and instructions to prospective suppliers about the items being procured, or insufficient online access to the bid documents. Moreover, while the system is designed to provide information about procurement opportunities and contract awards, it does not cover bidding and has no payment facility; both are key functions of phases 2–5. Thus, current PhilGEPS functionality falls short of addressing the efficiency and economy objectives of public procurement.

7. The country procurement assessment⁹ stressed the need to prepare and issue IRR that will harmonize government procurement bidding documents, and a manual that will specify the regulatory framework for procurement under foreign-assisted projects – IRR-B. GPPB, going a step further, is pursuing the adoption of “One IRR” to cover all government procurement, including that funded by official development assistance. ADB and other development partners (World Bank and the Japan Bank for International Cooperation) are actively involved in the review of One IRR.

⁷ Republic Act 9184, Government Procurement Reform Act, Article XX, Section 64

⁸ Department of Public Works and Highways, Department of Education, Department of Health, Department of Agriculture, Foreign-Assisted and Special Projects Office of the Department of Environment and Natural Resources, and Local Water Utilities and Administration.

⁹ World Bank 2008. *Philippines Country Procurement Assessment Report*

8. Delay in the implementation of phase 1 set back the development of phases 2–5. The Government has sought technical assistance from both ADB and the World Bank for the implementation of phases 2–5 as part of ongoing cooperation with development partners. The World Bank, through approved TA, is taking the lead in technical advice for system design, development, and implementation, and in the design of training-of-trainers programs and the organization of study tours for key decision makers. ADB is being asked to provide policy advice in systems design, the development of Web-based e-training materials, and user acceptance testing of the software to be developed in phases 2–5.

III. THE TECHNICAL ASSISTANCE

9. The TA will improve transparency, efficiency, and accountability in government procurement and reduce opportunities for corruption.

A. Impact and Outcome

10. Government procurement is expected to become more transparent and efficient as PhilGEPS is used by all government agencies in e-procurement.

B. Methodology and Key Activities

11. The TA will support the Government in developing phases 2–5 of PhilGEPS—virtual store, charges and fees, e-payment, and e-bidding.

12. The virtual store (phase 2) is an enhanced electronic catalogue that will allow online ordering of common supplies, materials, and equipment from procurement service warehouses and regional depots. Together with an e-payment gateway, the virtual store will make it easier for government entities to order and pay for goods. Paperwork will be reduced and transactions speeded up.

13. The charges-and-fees phase (phase 3) will make the system more sustainable by introducing user fees for system use and online purchase of bid documents by interested suppliers.

14. E-payment (phase 4) will facilitate transactions through the transfer of funds from procuring entities to the procurement service when buying common goods, and from suppliers to procuring entities when downloading bid documents attached to bid notices posted in PhilGEPS; the generation of purchase orders; and the payment of fulfilled contracts resulting from bids processed through the system.

15. Finally, e-bid submission (phase 5) will allow the creation of electronic bid forms and an electronic bid box, online delivery of bids, automatic notification of suppliers upon receipt of bids, electronic bid opening, and online posting of bid results.

16. For full integration, the systems developed under the TA must be built on the same technical platform as the systems developed under phase 1. From a technology standpoint, the specific outputs will be the designed, developed, and tested systems, including purchased testing software and hardware (peripherals and office suite software, among others) that will

allow access through regional depots of procurement services. To facilitate technology transfer and build awareness of the applications, the TA will also support the design and implementation of e-training for PhilGEPS users (both suppliers and government procurement staff).

17. The extent to which market players will accept and use the electronic government procurement system will depend on fundamental trust in the transparency, impartiality, and fairness of public procurement as well as access to Internet-based technology. The TA will therefore support user acceptance testing, specifically load and security testing. It will build on the existing mechanism of procurement oversight with the participation of nongovernment organizations (NGOs) and civil society organizations to increase awareness of the facilities created by PhilGEPS and inform stakeholders about the system, and to support the capacity of users to operate and navigate the Web-based procurement system. A robust and secure electronic bidding and electronic payment facility will foster trust in the security of the system, while ensuring transparency and efficiency in public procurement.

18. Parallel funding for PhilGEPS from the World Bank raises the possibility of overlap with ADB's systems design and training initiatives. With this in mind, the advisory assistance in systems design for phases 2–5 will be provided as follows: technical expertise will come from the World Bank, and policy advice from ADB. Coordination of efforts with the World Bank and the Department of Budget and Management will be crucial for the success of this component. The Government's continued commitment to the enhancement and further development of PhilGEPS is assumed. In the matter of training, while the World Bank is supporting the training-the-trainers programs, ADB will support e-training. ADB will fund the design and production of e-learning materials (either interactive compact discs or online web tutorials) to sustain the training effort.

C. Cost and Financing

19. The TA is estimated to cost \$800,000, of which \$600,000 will be financed with a grant from ADB's TA funding program (TASF-Others). The Government will finance in kind the local-currency cost of \$200,000 by providing office accommodation, transport, and counterpart staff. The detailed cost estimates are in Appendix 2.

D. Implementation Arrangements

20. The GPPB Technical Support Office will be the Executing Agency for the TA, and the PhilGEPS Office of PS-DBM will be the Implementing Agency. For seamless and integrated provision of inputs from ADB and the World Bank, the PhilGEPS Office of PS-DBM will take the lead in TA implementation under the supervision of the GPPB Technical Support Office. Coordination meetings are planned every 2 months.

21. The TA will require the services of an (individual) international expert in electronic public procurement systems and a training provider with experience in the design and implementation of e-training initiatives. Ideally, the e-training materials will be designed and implemented by the same consulting team that is training the trainers (with funding from the World Bank through a grant from its Institutional Development Fund). To ensure compatibility with the PhilGEPS platform that is already operational, as well as consistency of training approach, consultants previously hired under CIDA and World Bank assistance will not be excluded from consideration. ADB, in coordination with the Government, will hire consultants according to ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Outline terms of reference for

the consulting services are in Appendix 3. The progress made during the TA will be assessed independently by NGOs involved in procurement oversight. Information technology equipment and testing software will be procured according to ADB's *Procurement Guidelines* (2007, as amended from time to time). The TA will be implemented over 30 months, from February 2009 to July 2011.

22. The plan for disseminating the expected outputs of the TA includes uploading publications onto the PhilGEPS website and making presentations to broader consulting and contractors' communities.

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$600,000 on a grant basis to the Government of the Philippines for Strengthening the Philippine Government Electronic Procurement System, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Improved transparency and efficiency in government procurement</p>	<p>All high-value government procurement is advertised</p> <p>All contract awards are published within 3 months of bid award</p>	<p>PhilGEPS reports</p> <p>Government procurement statistics</p>	
<p>Outcome</p> <p>PhilGEPS is used by all government agencies in e-procurement</p>	<p>All cities are registered by the end of 2009</p> <p>All provinces are registered by the end of 2009</p> <p>Number of registered suppliers, contractors, and consultants increases (from 26,057 in September 2007 to 34,000 by September 2009)</p>	<p>PhilGEPS reports</p> <p>Government procurement statistics</p>	<p>Commitment and willingness of participating agencies and suppliers</p> <p>Awareness and informed participation of civil society organizations and NGOs in public procurement</p>
<p>Outputs</p> <ol style="list-style-type: none"> 1. Virtual store for common supplies, materials, and equipment is available for use 2. Bid documents can be purchased online 3. E-payment facility is operational 4. E-bidding is operational 5. Design and implementation of e-training program is completed 	<p>Virtual store is accessible to all government agencies</p> <p>By 2011, at least 30% of bid documents are paid online</p> <p>By 2011, at least 25% of payments are processed online</p> <p>By 2011, bidders are able to submit bids online</p> <p>By 2011, e-training materials are used by at least 1,000 users</p>	<p>PhilGEPS reports</p> <p>Government procurement statistics</p>	<p>Internet access constraints (financial and personnel) among local government units, which may inhibit efficient use of computer technology, including PhilGEPS</p> <p>Lack of trust in security of electronic payment facility</p> <p>Lack of trust in security of electronic bidding facility</p>

<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Acquisition of equipment 2. Implementation of phases 2–5 <ol style="list-style-type: none"> 2.1. Definition of user requirements for phases 2–5 2.2. Definition of systems' security requirements 2.3. Formation of user groups 2.4. Development of systems 2.5. Conduct of user acceptance testing 2.6. Conduct of security and load testing 2.7. Completion of user training 2.8. Rollout of phases 2–5 3. Design and implementation of PhilGEPS e-training program <ol style="list-style-type: none"> 3.1. Analysis of training needs 3.2. Review of training program design 3.3. Design of e-training module for government procurement users 3.4. Design of e-training module for suppliers 3.5. Rollout of PhilGEPS e-training 4. Independent review of project implementation <ol style="list-style-type: none"> 4.1. Monitoring and evaluation report <p>Baseline indicators</p> <p>As of December 2008, PhilGEPS has achieved the following:</p> <ol style="list-style-type: none"> (i) 7,641 agencies registered; (ii) 32,692 suppliers registered; (iii) 663,044 notices posted; and (iv) 95,593 opportunities posted. 	<p>Inputs</p> <p>ADB: \$600,000</p> <p>Consulting services: \$224,000</p> <p>Independent NGO involved in procurement oversight: \$100,000</p> <p>Equipment: \$26,000</p> <p>Purchase of LoadRunner or equivalent software: \$155,000</p> <p>Training: \$35,000</p> <p>Miscellaneous: \$14,000</p> <p>Contingencies: \$50,000</p> <p>Government of the Philippines: \$200,000</p> <p>Remuneration and per diem of counterpart staff: \$125,000</p> <p>Office accommodation and transport: \$75,000</p>
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ADB = Asian Development Bank, NGO = nongovernment organization, PhilGEPS = Philippine Government Electronic Procurement System.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	190.00
ii. National Consultants ^b	100.00
b. International and Local Travel	30.00
c. Reports and Communications	4.00
2. Equipment ^c	26.00
3. Training, Seminars, and Conferences ^d	35.00
4. User Acceptance Testing ^e	155.00
5. Miscellaneous Administration and Support Costs	10.00
6. Contingencies	50.00
Subtotal (A)	600.00
B. Government Financing	
1. Office Accommodation and Transport	75.00
2. Remuneration and Per Diem of Counterpart Staff	125.00
Subtotal (B)	200.00
Total	800.00

^a Financed by the Asian Development Bank from its technical assistance funding program (TASF-Others).

^b A national NGO.

^c Including hardware testing and software licensing.

^d Design and production of interactive training materials.

^e Purchase of LoadRunner or equivalent performance testing software.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. To ensure compatibility with the Philippine Government Electronic Procurement System (PhilGEPS) platform that is already operational, consultants previously hired under Canadian International Development Agency (CIDA) and World Bank assistance will not be excluded from consideration. The expertise required for the TA will be as follows.

A. Government Electronic Procurement Systems Expert (international consultant [individual], 6 person-months, intermittently over 30 months)

2. The expert will provide policy advice to the Government Procurement Policy Board Technical Support Office on the development of phases 2–5 of PhilGEPS—virtual store, charges and fees, e-payment, and e-bidding.

3. The virtual store (phase 2) is an enhanced electronic catalogue that will allow online ordering of common supplies, materials, and equipment from procurement service warehouses and regional depots. Together with an e-payment gateway, the virtual store will make it easier for government entities to order and pay for goods. Paperwork will be reduced and transactions speeded up.

4. The charges-and-fees phase (phase 3) will make the system more sustainable by introducing user fees for system use and online purchase of bid documents by interested suppliers.

5. E-payment (phase 4) will facilitate transactions through the transfer of funds from procuring entities to the procurement service when buying common goods, and from suppliers to procuring entities when downloading bid documents attached to bid notices posted in PhilGEPS; the generation of purchase orders; and the payment of fulfilled contracts resulting from bids processed through the system.

6. Finally, e-bid submission (phase 5) will allow the creation of electronic bid forms and an electronic bid box, online delivery of bids, automatic notification of suppliers upon receipt of bids, electronic bid opening, and online posting of bid results.

7. This expert must have

- (i) strong knowledge of best practices in information technology, especially in e-government procurement and e-commerce;
- (ii) proven qualifications in defining detailed user requirements in electronic procurement systems;
- (iii) sound knowledge and understanding of the operation of electronic government procurement systems (including, but not limited to PhilGEPS); and
- (iv) work experience in both developed and developing countries.

8. The expert will

- (i) provide the overall framework for the design and development of phases 2–5 of PhilGEPS;

- (ii) advise on the implementation of phases 2–5, specifically on system application design, security, and technical architecture to address the scalability, performance, and availability requirements;¹
- (iii) advise and support PhilGEPS in defining detailed user requirements, including compliance with the system design guidelines, rules, and regulations of multilateral development banks;
- (iv) assist PhilGEPS in properly managing the service provider in each phase by recommending international best practices in e-procurement for consideration or adoption by PhilGEPS. In particular, advise PhilGEPS on enhancements and changes that are not yet stated in its current contract with the systems provider (Ayala Systems Technologies) but are needed for the successful implementation of PhilGEPS;
- (v) assist PhilGEPS in managing the service provider throughout system design and implementation in phases 2–5;
- (vi) assist PhilGEPS with the system's security considerations as required under section 9 of the Government Procurement Reform Act and international best practice;
- (vii) advise PhilGEPS on product planning over the next 3 years, considering annual system changes and other options available for the next life cycle after the service agreement or contract with the service provider expires;
- (viii) provide guidance on international best practice in the formation of user groups and the conduct of user workshops to optimize use of the system;
- (ix) review the input of the national consultant² on e-government initiatives (Department of Public Works and Highways, Department of Agriculture, Bureau of Internal Revenues, Department of Trade and Industry, Securities and Exchange Commission, Department of Health,) for possible linkage with PhilGEPS, and provide inputs based on international best practices in e-government;
- (x) undertake a business process modeling exercise and set up governance mechanisms to handle any change in business processes during implementation; and
- (xi) provide regular updates on implementation to PhilGEPS of PS-DBM, the Asian Development Bank, and the World Bank.

B. E-Training Provider (Lump sum contract, implemented intermittently over 30 months)

9. The provider must have (i) extensive expertise in designing and implementing e-training materials, including Web-based online interactive tutorials; and (ii) familiarity with procurement systems. Knowledge of government procurement regulations will be an advantage.

¹ Applications in phases 2–5 are significantly different from phase 1 applications and are mission-critical. The application and technical architecture must meet the scalability, performance, and availability requirements. Consideration will include not only application software that has already been selected; application design architectures (decoupling of functions, navigation, error handling, and transaction rollbacks), server farm design, security architecture (sign-on mechanisms, payment gateways, encryptions) all play a critical role. Therefore, as part of the technical assistance, the solution architecture (covering business processes, application design, security design, high-availability design, bandwidth requirements, etc.) must be designed and the system development must adhere to the solution architecture.

² Financed with a grant from the World Bank's Institutional Development Fund.

10. Ideally, the e-training materials will be designed and implemented by the same consulting team that is training the trainers (with funding from the World Bank through a grant from its Institutional Development Fund).

11. The e-training provider will design and produce interactive compact discs (CDs) or online tutorials for users of PhilGEPS (government procurement specialists, suppliers, contractors, and consultants). The e-training provider will start by designing and producing interactive CDs or online tutorials for phase 1 of PhilGEPS, which is already operational. When phases 2–5 are implemented, the provider will design and produce e-learning materials for the use of the virtual store, charges and fees, e-payment, and e-bid submission facilities.

C. Independent Monitoring and Evaluation

12. A national nongovernment organization (NGO) (or NGO consortium) involved in procurement oversight will be hired to monitor and evaluate the progress made in phases 2–5 of PhilGEPS.