



Changes in Philippine procurement process needed — PIDS

By Louise Maureen Simeon – July 23, 2021

<https://www.philstar.com/business/2021/07/23/2114369/changes-philippine-procurement-process-needed-pids>

MANILA, Philippines — The Philippines needs to change some of its procurement policies to ensure full trade integration in Asia-Pacific, the state-run think tank said.

In a recent webinar, the Philippine Institute for Development Studies (PIDS) said the country has restrictive policies on foreign investors' participation in public procurement which are hindering its integration with the region.

PIDS senior fellow Francis Quimba and research specialist Sylwyn Calizo said three restrictions serve as a disincentive to foreign bidders: domestic preference, foreign equity limitations and local reference requirements.

“This is okay because we want to support our domestic economy. But domestic preference could become problematic if it creates inefficiencies,” they said.

“There are instances when local bidders to whom the projects were awarded end up subcontracting to foreign suppliers because they cannot fulfill the requirements of the projects.”

The authors argued that the Government Procurement Reform Act is also limiting the participation of foreign bidders in the public procurement of goods and consulting services.

The law imposes a reciprocity condition which requires foreign bidders to present a certification from their government to allow Filipinos to participate in their procurement activities for the same item or product.

They also need to present a local reference to qualify as bidders for publicly procured infrastructure projects. A local reference refers to a project that a foreign contractor previously completed in the Philippines.

The authors maintained that such practice is restrictive because digital infrastructure, such as cloud services, is often new, which means that a local reference cannot possibly be cited.

They said it discourages foreign participation and have an adverse effect on competition.

To bridge the gap, the authors are pushing for the amendment of the Government Procurement Reform Act, particularly the removal of the local reference requirement.

They are also urging lawmakers to amend Commonwealth Act 138, particularly the removal of the price preference for domestic bidders, as this could adversely affect consumer welfare.

“Allowing full foreign ownership on advertising could incentivize foreign investors to operate in the Philippines, thereby creating employment opportunities for the creative workforce,” they said.