

Domestic Preference in Government Procurement in the Philippines: A Policy Tool for Economic Stimulus

I. Introduction

Preferential procurement is defined as “the margin of preference given to local companies or individuals, and to locally made products” (Asian Development Bank, 2018). It is used to support industries and empower local bidders to compete with foreign firms in government procurement (McCrudden & Gross, 2006). In response to crises, governments have also resorted to the use of preferential procurement to avoid leakages in fiscal stimulus packages (Gourdon & Bastien, 2019). However, international organizations such as the World Trade Organization (WTO), European Union (EU), and the Association of Southeast Asian Nations (ASEAN) consider preferential procurement as barriers to free trade (Jones, 2007).

In the Philippines, efforts were made to liberalize government procurement, and in so doing, consolidate the process as well, which resulted into the signing into law of Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA). Prior to the GPRA’s enactment in 2003, government procurement was governed by more than sixty (60) laws, executive orders, presidential decrees and administrative orders, which resulted in “confusion and conflicting interpretation ... increasing the likelihood of rigged bidding, delay and irregularities in the bid evaluation process” (Jones, 2007). The enactment of the GPRA streamlined and uniformed the processes in government procurement in the Philippines, and Section 3 of the said law explicitly provides the following governing principles on public procurement in the country:

- “a) Transparency in the procurement process and in the implementation of procurement contracts through wide dissemination of bid opportunities and participation of pertinent non-government organizations;*
- b) Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in public bidding;*
- c) Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method;*
- d) System of accountability where both the public officials directly or indirectly involved in the procurement process as well as in the implementation of procurement contracts and the private parties that deal with GOP are, when warranted by circumstances, investigated and held liable for their actions relative thereto; and*
- e) Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and this IRR, and that all these contracts are performed strictly according to specifications.”*

In essence, the objectives of GPRA are to facilitate the procurement process through an efficient and economical manner, and ensure competition in bids and private sector participation, in consideration of the interest of the people.

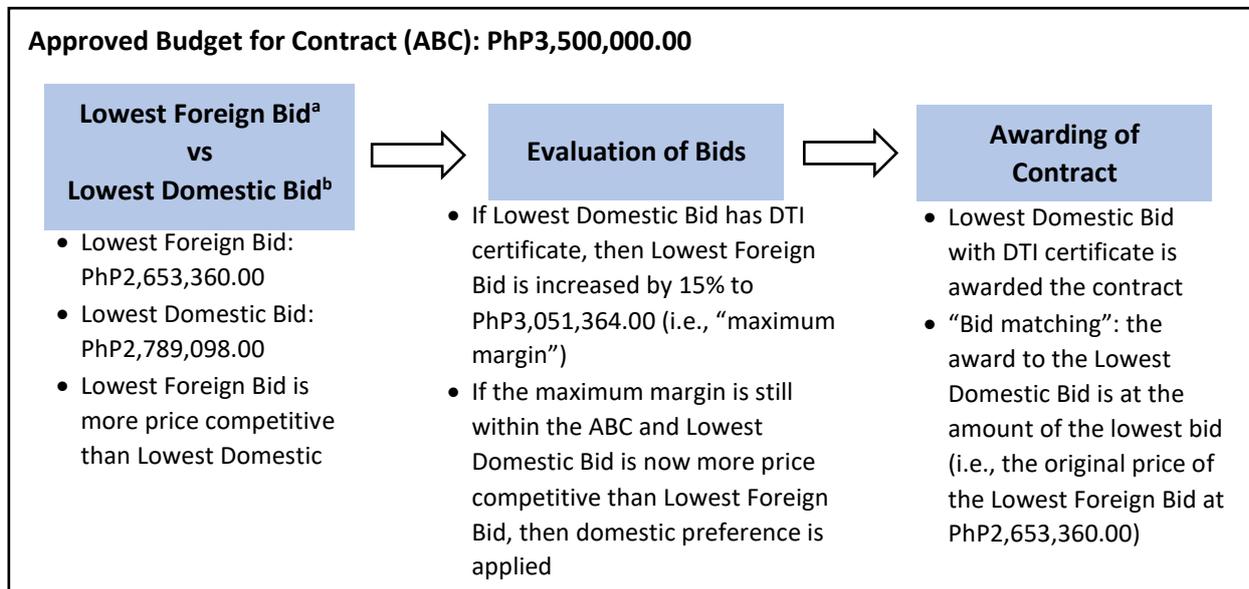
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Moreover, the GPRA also acts as the enabling framework for preferential procurement by virtue of Article XII, Section 43 of the said law, to wit:

“XXX However, in the interest of availability, efficiency and timely delivery of Goods, the Procuring Entity may give preference to the purchase of domestically produced and manufactured goods, supplies and materials that meet the specified or desired quality.”

Rule XII of the Implementing Rules and Regulations (IRR) of the GPRA outlines the implementation and process of preferential procurement, wherein the procurement award shall be made to the lowest domestic bid provided that it is not more than fifteen percent (15%) in excess of the lowest foreign bid. In relation to this, the Department of Trade and Industry (DTI) issued the Department Administrative Order (DAO) No. 19-01, which operationalizes the certification of domestic bidders following Rule XII of the IRR. Figure 1 provides an illustration of the application of domestic preference in government procurement in the Philippines.

Figure 1. Application of Domestic Preference in Government Procurement in the Philippines Following Rule XII of the IRR of the GPRA



a – Foreign bids are any goods that are grown/produced/manufactured outside the Philippines

b – Domestic bids are any goods that are grown/produced/manufactured in the Philippines

Source: Author’s own illustration

In the Philippines, the extent of preferential procurement – apart from the procuring entities’ discretion as provided by the GPRA – can be seen through the implementation of the DoBid program. The DoBid program provides for the issuance of a certificate for domestic bidders, which is a prerequisite requirement in activating domestic preference as prescribed by Rule XII of the IRR of the GPRA. The DTI DAO No. 19-01 sets the guidelines on the issuance of DoBid certificates, which can only be granted to eligible local growers, producers, and manufacturers that intend to invoke domestic preference in government procurements, provided that the goods are substantially grown, produced, or manufactured in the Philippines. The DoBid program is hinged on promoting Filipino labor, local/indigenous materials, and domestic manufacturing.

This policy brief aims to discuss and revisit current measures on preferential procurement, especially the Domestic Bidders’ Preference Certification (DoBid) Program, and assess its impact and possible ways forward to enhance and maximize economic gains and industry development that could be facilitated through the grant of domestic preference in government procurement in the Philippines.

II. Issues in the Application of Preferential Procurement and the DoBid Program

The implementation of preferential procurement in the Philippines is faced with issues that prevent the attainment of stated objectives and reduces incentives to participate in the DoBid program. These issues largely stem from inconsistencies in laws, policies, and procedures that are manifested as (i) lack of uniform application of preferential procurement and lack of recognition of DoBid certificates; (ii) non-transferability of the DoBid certificates, which restricts applicability and use among actual domestic bidders; (iii) bid matching, which invalidates the domestic preference as the price of the lowest domestic bids with DoBid certificates would not be upheld; and (iv) ineffectiveness of the maximum margin given that imported goods are so inexpensive that the actual price of the lowest domestic bids are more than 15 percent in excess of the lowest foreign bids.

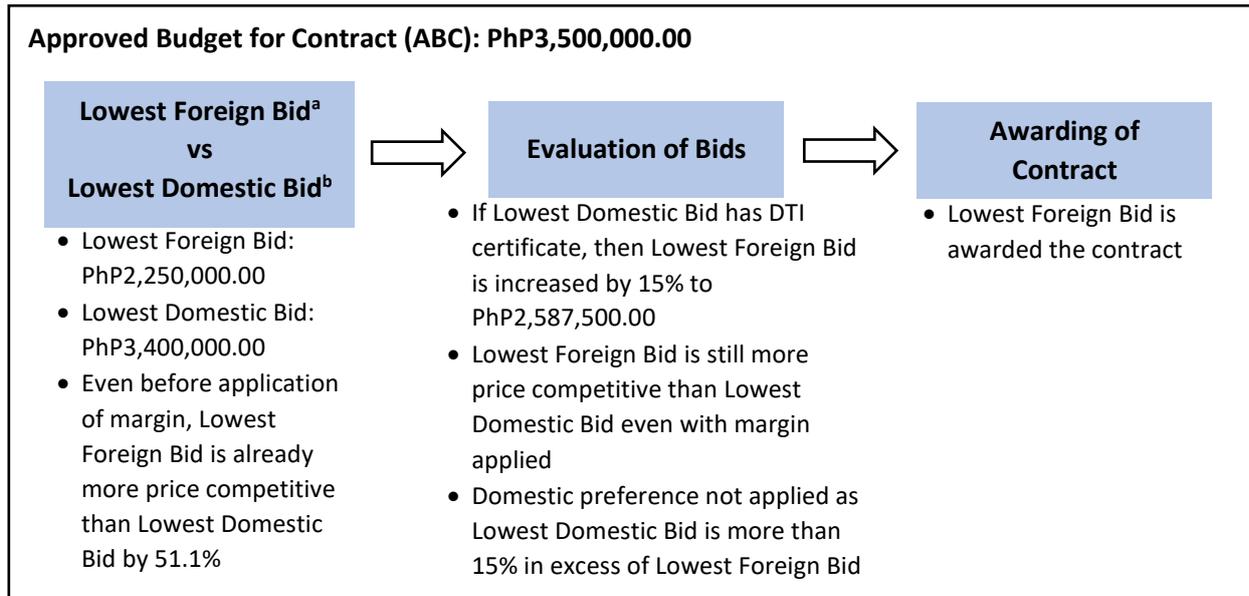
The lack of uniform application of preferential procurement and lack of recognition of DoBid certificates is primarily due to the language used in Article XII, Section 43 of the GPRA. The said provision states that procuring entities “*may*” give preference to local bidders, while in the IRR of the GPRA, the word “*shall*” is used. Furthermore, inconsistencies in the implementation of the GPRA and preferential procurement are amplified by putting the discretion of applying domestic preference unto procuring entities, thus, creating confusion for bidders.

On the non-transferability of the DoBid certificates, the DTI DAO 19-01 stipulates that only the growers/producers/manufacturers of the good intended to be certified and submitted to biddings are eligible to apply for DoBid certification. Furthermore, DTI DAO 19-01 specifically prohibits the transferring of the certificate from anyone other than the entity that applied for it. Hence, these stipulations cause difficulties in the activation of domestic preference in government procurement as in actual practice the growers/producers/manufacturers only grow/produce/manufacture goods, while another affiliated entity, such as a licensed distributor or trader, markets the goods. Hence, the affiliated entities can neither use the certificate nor activate domestic preference when they submit bids in government procurement given the non-transferability stipulation. This has been resolved on a case-by-case basis using the discretionary privilege given to procuring entities. However, this is not a permanent nor sustainable solution given the room for inconsistencies and restricted effectiveness in implementation.

Another issue is the amount awarded to lowest domestic bids that won using domestic preference, i.e., the practice of “bid matching”, wherein DoBid certificate holders would have to agree or match the price of the lowest foreign bid, thereby lowering their own price and subverting the purpose of the domestic preference granted to them. In this scenario, the edge given to certificate holders are only applied in the bidding process but not in the actual procurement award, forcing the firms to either drop the bid, or accept the award even if it is lower than their bid price (see Figure 1).

Lastly, in actual public biddings, it is noted that most foreign bids hold a competitive advantage in prices, being 50-60 percent cheaper than domestic bids. Hence, the 15 percent margin of preference granted to domestic bids would not even be applicable. Furthermore, due to the vast difference in prices between domestic and foreign bids, procuring entities see the latter as more cost-effective. Given the competitive advantage of foreign bids in terms of price, most domestic bids cannot compete or claim preference even with a DoBid certificate, rendering the latter impotent. Figure 2 illustrates this issue.

Figure 2. Ineffectiveness of the 15 Percent Margin of Preference Given to DoBid Certificate Holders



a – Foreign bids are any goods that are grown/produced/manufactured outside the Philippines

b – Domestic bids are any goods that are grown/produced/manufactured in the Philippines

Source: Author’s own illustration

III. Recent Updates to Preferential Procurement in the Philippines

Government Procurement During the COVID-19 Pandemic

With the onset of the COVID-19 pandemic, the procurement process was challenged by unprecedented disruptions to the country’s supply chain due to restrictions in transportation and international exports ban on essential health and sanitation goods. Moreover, since Personal Protective Equipment (PPEs), masks, and compounds such as alcohol and hand sanitizers are mostly imported, the sudden worldwide increase in demand for these products, combined with the export restriction laws set up by foreign countries manufacturing and exporting such critical goods, has limited the government’s efficiency in acquiring such emergency items.

In response, the Philippine government passed RA 11494, otherwise known as the Bayanihan to Recover as One Act (Bayanihan II). Section 4(u) of Bayanihan II exempts certain products that are highly essential during the pandemic from the standard procurement rules under the GPRA, as well as highlights the application of domestic preference rules for DoBid certificate holders participating in government procurement and public biddings, especially for the supply of critical products. The law also includes provisions such as delegation of procurement authorities, and identified goods and services under emergency procurement (EP). To further expedite EP during the pandemic, local producers, especially manufacturers who repurposed their production in order to be able to retain jobs and augment the scarcity due to the demand of essential goods, shall be given priority as this shall ensure advance market commitment. The Government Procurement Policy Board (GPPB) issued Circular No. 18-2020 provide the guidelines on the conduct of procurement activities during the pandemic by virtue of Bayanihan II. This circular also encourages procuring entities to purchase directly from local farmers and agricultural associations. Furthermore, the rules for application of domestic preference under Bayanihan II was outlined by the issuance of GPPB Circular No. 19-2020, which states that: (i) procuring entities are to uphold the domestic preference under GPRA; and (ii) DoBid certificate holders would no longer have to undergo bid matching.

The Bayanihan II and the issuance of the GPPB circulars, resolved the bid matching issue as mentioned previously but this solution is still not institutionalized permanently as Bayanihan II

expired on 30 June 2021, and the sustained relevance and applicability of the solution is in question. Furthermore, the confusion caused by the different languages used in GPRA and its IRR are still not addressed. The issue on the ineffectiveness of the 15 percent margin as domestic preference is also not addressed. Even in the event of an EP, foreign bidders usually outmatch domestic bidders with DoBid certificates despite the latter's 15 percent edge, as the former offers products that are 50-60 percent more price competitive than domestic bids.

Small Group Discussions on Local Preference in Government Procurement

The Task Group on Economic Recovery (TGER) and the National Employment Recovery Strategy (NERS) Task Force, which are both chaired by the DTI, had a joint meeting on 04 March 2021, that identified as one of their action points the maximized use of domestic preference in government procurement as a stimulus aiding economic recovery. Preferential procurement through the domestic preference rules are envisioned to contribute in accelerating economic recovery by patronizing local firms and sustaining economic activities. Furthermore, the NERS Strategic Framework Pillar 1: Stimulating the Economy and Employment specified addressing policy and process gaps for competitive local preference in procurement. The same meeting also acknowledged the issues surrounding the regime for preferential procurement in the Philippines, and determined the need to come up with an alternative stopgap measure.

Furthermore, the rationale for enhancing domestic preference in government procurement was later echoed by the Business Sector Agenda presented during the TGER-NERS Job Summit on 01 May 2021. The Business Sector Agenda consolidated inputs and recommendations of the business sector from various industries that were initially gathered through focus group discussions (FGDs)/consultations held from 05-22 April 2021, and then validated during the Pre-Summit Dialogue for Businesses on 23 April 2021. The business sector recommended that domestic preference be mandated in all government procurement as a means of pump-priming and restarting the economy, as well as restoring business confidence. This would greatly help local businesses that are struggling to reach their sales target due to lowered consumer demand during the COVID-19 pandemic, and consequently have voluntarily reduced business operations and capacities due to the pandemic.

The discussions of the TGER and NERS led to the formulation and issuance of NERS Resolution No. 1, entitled "*Adopting the Proposal for the Inclusion of Preference for Locally-Manufactured Products in the Terms of Reference of Government Procurement*", which recommends that procurement should be awarded to domestically-produced and locally manufactured products that meet the specified or desired quality to be clearly and directly defined, through specifications under the Terms of Reference (TOR). Specifying in the TOR that only domestic goods would be selected will be a way around the identified issues in the implementation of the existing preferential procurement regime in the Philippines. It is noted that merely encouraging the application of domestic preference, using the existing mechanisms, would be insufficient as it would be hounded by the aforementioned identified issues.

Repurposing of the Manufacturing Sector

Essential goods such as medical grade PPEs, masks, alcohol, and hand sanitizers have been scarce during the COVID-19 pandemic. To augment the scarcity of such products, many companies in the manufacturing sector were encouraged by the government to repurpose their existing production lines in consideration of the surge in demand for essential goods.

The DTI initiated a program on manufacturing repurposing, which is stipulated in the Interagency Task Force Resolution No. 21 on 06 April 2020. The said program calls for manufacturers with existing capacity in producing medical-grade PPE and other critical medical equipment and supplies to coordinate with DTI to repurpose into the production of PPEs (including face masks, face shields, gowns), Alcohol, CPAP with tubing and patient interfaces, Hygiene gates, Ventilator patient, Respirator parts, Thermal scanner, Automatic

sanitizer dispenser, and Disinfectants/cleaning products . Moreover, through the Board of Investments (BOI), the program governs the following: 1) facilitate the issuance of government permits and licenses; 2) develop necessary PPE Standards; 3) push for legislative support; 4) industry promotion; and 5) facilitation of business exchange for manufacturers and suppliers.

Qualified manufacturers in the Philippines that repurposed their operations to continuously contribute to the said demand for essential COVID-19 goods and services are supported by the government. BOI Memorandum Circular No. 2020-06 on Relaxation of Policies for Critical Goods exempts manufacturers of critical goods and services from the locational restriction policy and modernization policy on 25 percent substantial reduction of production cost. Together with the United Nations Development Programme (UNDP)-Philippines, the DTI initiated the EMPOWER PH or Enhanced Manufacturing of Protective Wear and Equipment for COVID-19 Response in the Philippines (Department of Trade and Industry, 2020), which aims to create linkages between relevant stakeholders (e.g. laboratories, government agencies). The project aims to create an online platform to increase demand from informal and small-scale suppliers and ensure compliance of products to quality standards.

Furthermore, Memorandum Order No. 50, s.2020, entitled Approving the 2020 Investment Priorities Plan, specifically identifies all qualified activities relating to the fight against the COVID-19 pandemic as priority activities entitled to incentives, including repurposed manufacturing. BOI Memorandum Circular No. 2021-001 details such incentives that may be availed of, including exemptions for manufacturers of COVID-19 essential goods from the locational restriction policy and modernization policy on 25 percent substantial reduction of production cost, as well as entitlement to two (2) years Income Tax Holiday (ITH) for existing projects that will repurpose their operations without additional investment or employment.

IV. Preferential Procurement in ASEAN: A Comparative Analysis

The Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) envisioned in the Bali Accord II in 2003 stated that the region shall achieve a single market and production base characterized by free flow of goods, services, and investments, as well as freer flow of capital and skills (ASEAN, 2003). It is important to note that creating a well-developed and efficient system of government procurement is an important hallmark of a high standard of public procurement (Jones, 2012), ASEAN member states then followed through initiated efforts to streamline and create a uniform government procurement system. However, even though preferring local bidders in government procurement is considered as anti-competition and contrary to the free flow of goods and services under the AEC framework, differences remain in the respective procurement processes of ASEAN member states with varying approaches and coverages. The principle of a more open and non-discriminative procurement is still dependent on the membership of states.

Nevertheless, there had been considerable progress in reforms already given that in the past, most states in Southeast Asia experienced limitations in achieving value for money and fairness in the treatment of suppliers and contractors due to the absence of uniform government procurement laws (Jones, 2007). Highly fragmented procurement laws have created confusion and their various interpretations prevented member states to promote competition in their government procurement (Jones, 2012). Hence, most states streamlined and created comprehensive procurement laws to further promote transparency and competition in public bidding. Despite such progress, there are many governments that still use preferential bidding in order to accomplish important redistributive developmental goals (McCrudden & Gross, 2006).

As stated, some ASEAN member states, namely, Malaysia, Vietnam, Laos, Thailand, and the Philippines use local preference in government procurement. A comparative overview on their application of preferential procurement is summarized, to wit:

Malaysia

Malaysia has major preference programs for the Bumiputera and domestic providers, with preferential procurement laws and other mechanisms facilitating local preference in government procurement in the country (McCruden & Gross, 2006). The Malaysian Government has been using preferential mechanisms since 1976. Although it still adheres to open competition based on equal access in public procurement, the present domestic laws ensure that there should still be opportunities for the Malay (Bumiputra) business community which is exercised through set asides, preferential margins, and quota restrictions (Jones, 2007). Preferential margins for local businesses are up to 12.5 percent for medium to high value tenders. Lastly, awards up to 30 percent of the annual value of public works, contracts, must be awarded to local businesses (World Trade Organization, 1997).

Vietnam

Due to a lack of Government procurement laws and a clear set of guidelines in domestic preference as identified by the World Bank, Vietnam passed numerous laws in relation to creating a uniform procurement law: the Law on Procurement (Law No. 61/2005/QH11), adopted in 2005, and amended by Law No. 38/2009/QH12 in 2009 (together, the “Law on Procurement”) (Transparency International-USA; Center for International Private Enterprise, 2012).

Domestic preference in Vietnam is under its Law No. 43 of the National Assembly on bidding. Law No. 43, Article 14(3) has an extensive scope that includes giving preference to bidders based on: (a) employing marginalized laborers; and (b) being small-size enterprises. Given the extensive requirements on local preference, Vietnam tries to address gender equality, employment of persons with disabilities, and empowering MSMEs. Moreover, International bidders can only participate in domestic tenders only as subcontractors to Vietnamese bidders (Transparency International-USA; Center for International Private Enterprise, 2012). Preference to international bidders are given in: (i) all procurements to bidders established in Vietnam under the Law on Enterprises investment; (ii) procurement of consulting services, construction and installation contracts, and Engineering, Purchasing and Construction (“EPC” Contracts); and (iii) procurement of goods, a bidder whose bid comprises at least 30% domestically produced goods.

Thailand

In Thailand, competition in government is still considered limited. Low-value tenders (under USD80,000) are still undertaken through negotiation, or selective tenders. For higher tenders, open bidding is applied. However, bidders are qualified by a system of preferential margins accorded to Thai-owned businesses. Preferential margins up to seven (7) percent is given to local firms registered with the Ministry of Industry and whose products meet national standards. For instances when there are three or more Thai companies in the procurement of goods and services, only local firms will be considered. For consultancy and engineering services, a Thai consultant must be engaged as the leading firm (Jones, 2007).

Laos

Laos expresses its preference in procurement on the Lao’s People Democratic Republic Amendment of the Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance, and Services Article 9(1), which states that “*Local firms that are not affiliated to foreign firms and have the capacity to supply goods, works and services with equal quality will be given preferential rights in competitive biddings.*” However, State-Owned Enterprises (SOEs) have obtained the largest share in bidding contracts in most of the World Bank’s sponsored projects; lest, questionable under eligibility criteria of the Bank’s guidelines (Jones, 2002). This could be an issue of transparency as there is almost no competition in government procurement.

Philippines

The Philippines' implementation of local preference in government procurement is generally for local bidders with products that are locally grown, cultivated, and/or manufactured. It is hinged under the assurance of competition. The clear difference between the Philippines and its ASEAN counterparts is the identification of which industries/sectors, or demography and at what percentage of the offered goods and services are going to be prioritized in local preference. The mentioned differences may be explored for improving the implementation of local preference in the country. Moreover, we have provided recommendations for further exploration and improvement of the implementation of local preference in government procurement in the country.

V. Recommendations

The recommendations of this paper would be based on the identified issues in the application of domestic preference in government procurement. As stated, the main issues lie with: (i) lack of uniform application of preferential procurement and lack of recognition of DoBid certificates; (ii) non-transferability of the DoBid certificates; (iii) bid matching; and (iv) ineffectiveness of the maximum margin of 15 percent. These issues contribute to the lack of opportunities for domestic bidders. We believe that revisiting the provisions in the GPRA and the DoBid program is timely to further strengthen the implementation of preferential procurement in the Philippines. The harmonization of language between the GPRA and its IRR should be undertaken, and include explicit mention towards uniformity that would mandate recognition of domestic preference and DoBid certificates, as applicable, as well as restrict unfavorable discretion by procuring entities.

Furthermore, DTI DAO 19-01 specifies that the DoBid certificate is not transferrable and that the eligible certificate holders are domestic manufacturers, producers, or growers. However, in the implementation of domestic preference mechanism, the usual domestic bidders are traders or distributors, not the manufacturers themselves. This causes difficulty in effectively implementing the DoBid program since its aim is to give domestic bidders (which as stated are mostly traders or distributors) a competitive edge against foreign bidders. Thus, it is recommended to revisit the definition of eligible certificate holders or to allow the transferability of the certificate, with due consent, from the applicant/named manufacturer in the certificate to affiliated traders, distributors, representatives, and subsidiaries.

On the matter of the bid matching, it is advocated to permanently institutionalize the Bayanihan II provision and the GPPB Circular 19-2020 that enables the awarding of contracts in the amount of the lowest domestic bid price, i.e., *de facto* suspending bid matching.

Moreover, as specified in the issues on the implementation of the DoBid program, even with a 15 percent margin given to domestic bidders, most foreign bids still have a 50-60 percent price edge compared to local bidders. Thus, the 15 percent margin shall be revisited and reviewed on its relevance when it comes to the implementation of the DoBid program. We view that by revisiting the threshold, many domestic bidders will have an advance market assurance on investing on goods and services with such edge. However, the standards of local goods and services that will be prioritized shall be more stringent, meeting the quality of foreign offered goods and services to ensure conformity and safety of consumers.

We are further submitting the following recommendations to support our domestic industries:

Domestic Preference vs. Domestic Exclusivity

Since domestic preference pertains to the existing mechanism of giving edge to domestic bidders, as identified in the NERS Task Force meeting last 25 November 2021, the exclusion of foreign bidders should not be termed as "domestic preference," as this will confuse lawmakers, and the general public with the current policy in place (i.e., the implementation of the 15 percent margin/edge). Nevertheless, in consideration of the gaps in the existing

domestic preference rules, specifically on the ineffectiveness of the 15 percent margin, it is recommended to explore granting “domestic exclusivity” wherein the only eligible bids to be considered by procuring entities are those with DoBid certificates. However, the GPPB-Technical Support Office (GPPB-TSO) cautioned that adopting domestic exclusivity may increase the chances of bid failures as there is currently a limited number of DoBid certificate holders in general, and that only a select few sectors/industries/products have manufacturers that are DoBid certificate holders. Hence, it is further recommended that should a domestic exclusivity policy be adopted, it should only apply to specific sectors/industries/ goods that are identified to have enough number of DoBid certificate holders to hold competitive bidding.

National Stockpiling: The Pandemic Protection Act

In addressing scarcity during times of crises, we recommend that local sourcing and stockpiling of critical/essential goods must be undertaken to prepare for health emergencies such as the current COVID-19 pandemic. Currently, there are four (4) Senate bills, and two (2) House bills that suggest the adoption of the strategic stockpiling of critical/essential goods. The bills aim to adopt systems to ensure efficient and effective measures to contribute to the health sector by developing the domestic healthcare and manufacturing sector, ensuring supply of critical products and services to health workers and the public, and generating employment through it.

The manufacturing sector needs to further repurpose since the Philippines is highly dependent on importation of medical-grade PPEs. However, the establishment of laboratories to check/verify the conformity of the said products would be crucial in the local sourcing and stockpiling. It is therefore recommended to establish robust systems of linkages between government, and local industries to ensure the efficiency of the said programs.

In a letter sent by the Coalition of Philippine Manufacturers of PPEs (CPMP) to the DTI expressing their views on the said bills, the CPMP recommended that the measures in both houses should consider the S.4324, entitled “*Restoring Critical Supply Chains and Intellectual Property Act*”, which is proposed in the US Senate. The said measure proposed that the US Department of Health and Human Services (HHS) shall increase procurement of domestic PPE for the Strategic National Stockpile incrementally and reach 100 percent domestic sourcing as soon as practicable within five years. The CPMP views that having the same program will be beneficial for the establishment of a local PPE industry in the Philippines. Moreover, the CPMP recommended that there should be a program to support the local production of PPEs, specifically one that mandates a certain fund be provided for relevant government agencies and affiliated hospitals, clinics, and other health care service providers to purchase locally manufactured PPEs. We believe that putting the right measures in place will ensure smooth implementation of a national sourcing and stockpiling program. It is for this reason that we support the Senate and House bills in the Philippines, which pursue the said program, and likewise consider the adoption of the suggestions of the CPMP.

Export Facilitation for Repurposed Manufacturers

Since the demand for essential/critical goods to address COVID-19 has dramatically increased, this poses an opportunity to export for firms that repurposed during the pandemic. In April 2020, the World Health Organization (WHO) estimated that 89 million masks will be needed each month together with 76 million examination gloves and 1.6 million medical goggles (Asian Development Bank, 2020). Moreover, WHO warned that there could be an international shortage of an estimated 1-2 billion syringes and needles due to the heightened demand in vaccination (Reuters, 2021). However, the total export value for PPEs and medical supplies in May 2021 dropped to USD1.61 million (-93.1 percent) from USD23.3 million in May 2020.

At the Senate Hearing on Finance (Subcommittee A) on 06 October 2021, it was reported that most of the PPEs produced by the repurposed manufacturing firms in the Philippines were not distributed locally during the pandemic since there are no local laboratories that will check its

conformity, and for other reasons such as losing to foreign bidders. Current DTI engagement with the European Union (EU), particularly through the ASEAN Regional Integration Supported by European Union (ARISE) Plus Philippines project, shall be fully explored to support MSMEs be empowered to have exportation opportunities. Thus, we recommend that future measures on supporting the creation of a PPE industry shall consider integrating efforts on ensuring the access of MSMEs to such opportunities in the international market, as well as providing assistance for the establishment of local laboratories to check PPE conformity to minimize costs of having the tests done overseas.

VI. Conclusion

Even with the creation of a uniform procurement law in the GPRA, preferential procurement in the Philippines has been mired with problems and impotency due to the aforementioned identified issues. Hence, there is a need to revisit the current frameworks and ensure that procuring entities recognize and uniformly apply the domestic preference rules.

Given the COVID-19 pandemic, maximizing the utilization of domestic preference in government procurement can be contributory to the stimulation and recovery of the Philippine economy. By ensuring that local growers/producers/manufacturers have opportunities to win awards in government bidding, there would be an increase in domestic demand and productivity that would sustain employment and income.

Finally, the recommendations stated in this paper are meant to reinforce current efforts to create opportunities for local firms, and to trigger further discussions between and among stakeholders on actions to be undertaken (e.g., pursuing amendments to existing laws and policies, among others) to address recurring issues on government procurement.

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