

09 March 2020

SEN. JUAN EDGARDO "SONNY" M. ANGARA

Chairperson
Committee on Finance
Senate of the Philippines
GSIS Financial Center, Pasay City

Dear Sen. Angara:

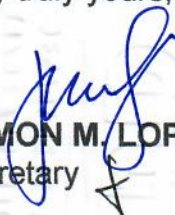
We are pleased to submit the Department's comments and recommendations on Senate Bill No. 1102, entitled:

"An Act Institutionalizing the Filipino First Policy in the Government Procurement System, Amending for the Purpose Republic Act No. 9184 Otherwise Known as the Government Procurement Reform Act and for Other Purposes"

This is without prejudice to the Department's submission of additional comments.

With my best regards.

Very truly yours,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

DTI Position on:

Senate Bill No. 1102

“An Act Institutionalizing the Filipino First Policy in the Government Procurement System, Amending for the Purpose Republic Act No. 9184 Otherwise Known as the Government Procurement Reform Act and for Other Purposes”

The Department supports the proposed legislation that aims to ensure that Filipinos are first priority in the choice of labor and supplier of goods and services; and, to institutionalize the Filipino first policy in the government procurement system. This is consistent with the state policy highlighted in Section 2, Article XII of the 1987 Philippine Constitution which clearly states that:

“The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive.”

The proposed bill seeks to promote Filipino artistry, ingenuity and creativity. It encourages Filipino scientists, inventors and innovators to create better and more beneficial products and services. It would also enable the government procuring entities to explore a wider array of options that are available locally.

The DTI believes that this amendment will help spur economic activity as it will provide more business and employment opportunities. It will also increase productivity and quality of products and services produced and rendered. Likewise, it will be more cost efficient and logistically effective as the required or procured goods and services are available domestically.

Government spending in Philippines is expected to be at P259,944,000,000.00 by the end of the first quarter of 2020, according to Trading Economics global macro models and analysis. Looking forward, the estimated government spending in Philippines is at P288,740,000,000.00 in the next 12 months. In the long-term, the Philippine government spending is projected to reach around P306,642,000,000.00 in 2021 and P326,267,000,000.00 in 2022, according to econometric models.¹ This projected increase in government expenditure may open more opportunities for local businesses to take part in government procurement. This may be in the form of competitive public bidding or alternative modes of procurement.

Government spending is a form of public expenditure on goods and services and is a major component of the country's Gross Domestic Product (GDP). Government spending policies like setting up budget targets, adjusting taxation, increasing public expenditure and public works are very effective tools in influencing economic growth.

¹ Philippine Fiscal Expenditure 2020-2022 Forecast., Trading Economics., Retrieved from: <https://tradingeconomics.com/philippines/fiscal-expenditure>., Retrieved on: 09 March 2020

According to the Philippine Statistics Authority (PSA), the country's total external trade in goods in December 2019 amounted to USD13.96 billion, which represents an increase of 2.4% from the USD13.63 billion external trade in the same month of the previous year. Of the total external trade, USD5.74 billion (41.1%) were exported goods and USD8.22 billion (58.9%) were imported merchandise. Total imported goods in December 2019 contracted by 7.6%, from USD8.90 billion in December 2018 to USD8.22 billion in December 2019.

The proposed legislation may help trim down the trade deficit as government procurement focuses on locally produced products and services. This pivot towards Filipino-made products will help minimize the overall outflow of cash/foreign reserves that will ultimately alleviate trade deficit.

The DTI recognizes the efforts and initiatives to support Filipino trade and enterprise through the Bill. This proposed measure is in line with some of the Department's existing programs and projects with the same objective of helping local producers and service providers such as the following;

- Go Lokal! - A market access platform provided to Filipino micro, small and medium enterprises (MSMEs) for market incubation and brand testing.
- One Town, One Product (OTOP) Philippines - A priority stimulus program for Micro, Small and Medium-scale enterprises (MSMEs) as government's customized intervention to drive inclusive local economic growth. The program enables localities and communities to determine, develop, support, and promote products or services that are rooted in its local culture, community resource, creativity, connection, and competitive advantage.
- The Green Public Procurement (GPP) – This aims to promote sustainable development in the Philippines by creating a replicable and workable pilot for innovation within the procurement system of DTI that will support and provide incentives for government contractors to produce ecologically-certified products/services.

The following are the Department's comments/recommendations on the matter:

Stipulations Under Senate Bill No. 1102 (Lines 10-13)	DTI Comments and Recommendations
<i>Entity SHALL give preference to the purchase of domestically-produced AND FILIPINO-MADE and manufactured goods, supplies and materials, AS WELL AS PREFERENCE TO FILIPINO AND DOMESTIC SUPPLIERS OF SERVICES, that meet specified or desired quality.</i>	The DTI supports the recommended stipulations under SBN 1102. Furthermore, the DTI acknowledges the purpose of Republic Act 9184 also known as the Government Procurement Reform Act (GPRA) to prescribe the necessary rules and regulations for the modernization, standardization, and regulation of the procurement activities of the Government of the Philippines. The Department believes that the domestic suppliers must still comply with the Implementing Rules and Regulations imposed by the GPRA even if they are considered as first priority in the selection of

	<p>qualified bidders. Being Filipino does not automatically mean that the bid is awarded to the bidder; the bidder must first and foremost comply with all the requirements and provide the quality expected of the product or service. Transparency and the integrity of the procurement activities as well as quality must not be diminished in light of this policy.</p>
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The Department wishes to reiterate its support to the provisions of the bill that seeks ensure that the Filipinos are first in the choice of labor and supplier goods; and to institutionalize the Filipino first policy in the government procurement system. The thrust of the proposed legislation is in congruence with the mandate of the DTI in promoting job generation and inclusive growth.


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