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Procurement Watch Inc. Specializes in Monitoring Public Procurement in the Philippines

Organizational Profile

In 2001, a group of individuals determined to fight corruption in government procurement in the Philippines established Procurement Watch Inc. (PWI) as a non-governmental organization to advocate for a new procurement law and to monitor enforcement of the law after it was enacted. In 2003, PWI's advocacy efforts assisted passage by the national legislature of a new procurement law – perhaps the first time in the country's history that a civil society group successfully advocated for a law on a subject that required a high degree of technical expertise. Currently, PWI conducts a wide variety of capacity-building activities with different groups and individuals, including anti-corruption officials, agencies involved in large procurements, civil society organizations, and private citizens.

a. Introduction

When PWI was created in 2001, procurements laws in the Philippines governing public infrastructure projects were confusing, and there were no laws governing the procurement of office goods and supplies. The government could change procurement practices for these commodities simply by issuing an executive order.

Some members of PWI's governing board were also members of a government task force created to examine procurement reforms and draft a new law on procurement. Drawing on these connections, PWI became involved with the task force activities and established itself as a non-governmental procurement expert. Over the next two years, PWI led a civil society campaign to mobilize public opinion in support of procurement reform. In 2003, PWI's advocacy efforts supported passage by the national legislature of a new procurement law.

The new law specifies clear, simple "pass/fail" non-discretionary criteria that are to be used during the evaluation of bids to make the procurement process more corruption-resistant and efficient. The new law also provides for criminal and administrative sanctions against procurement officials and bidders who violate the law. In addition, it empowers civil society monitors to file reports on deviations from the mandated procurement process with government "Ombuds," whose mission includes preventing and investigating government corruption and prosecuting corrupt officials.

b. Methodology

PWI's most recent initiative has been to develop Differential Expenditure Efficiency Measurement (DEEM), a tool to measure corruption and inefficiency in public procurement. PWI has tested DEEM by collaborating with the government's internal audit agency, which agreed to provide PWI with access to procurement documents maintained by the agencies it was auditing.

PWI begins this process by examining all government documents produced at each stage of a completed procurement transaction. PWI staff enter data from these documents into ten forms that collect relevant information about the procurement. Each form covers a specific stage of the procurement process:

- The first form provides an overview of the transaction, including information on the check issued in payment of an invoice (its number, date, and amount) and the corresponding disbursement voucher. It also provides information on the officials who authorized payment for the procurement, including their names and titles.
- The second form describes the items that were procured and summarizes the information pertaining to that procurement that is available from the government.
- The third form addresses the purchase request form, providing the form number, date, requesting department/section/person, requested items, estimated costs, purpose, authorized signatures, etc.
- The fourth form addresses the purchase order, including the question of whether this information is consistent with the information provided in the purchase request form and the corresponding disbursement (payment) voucher. The form also collects information on the supplier of the goods/services.
- The fifth form collects information on the invoice and prompts the person assessing the procurement to check whether it is consistent with the information in the disbursement voucher and purchase order and whether it has been duly signed by the appropriate officials.
- The remaining forms cover other stages of the procurement, including the pre-bidding process, the assessment of bids received, and the inspection reporting process. The forms allow for the collection of other potentially pertinent information, on such topics as annual procurement plans and the minutes of meetings held regarding the procurement.

PWI then analyzes the summary sheets to identify inconsistencies and other potential irregularities in the procurement process. For example:

1. Is the purchase request form dated after the purchase order form?
2. Does the purchase order form show a higher cost for a procured item than the bid document does?
3. Does the payment invoice show a higher amount paid to a vendor than the purchase order does?
4. Does the purchase order contain a different quantity of items than the payment invoice does?
5. Is the delivery date (as recorded in the goods inspection and acceptance form) the same as the date mentioned in the contract or purchase order, and is any delay accounted for?

Through this assessment, PWI can uncover inconsistencies that merit further investigation. For example, if a purchase order is dated before or only a few days after the bids were due, that may indicate an irregularity in the procurement process requiring explanation by officials, since it would normally take several weeks for a purchase order to be created after the bids are evaluated and the winner selected.

DEEM also allows reviewers to compare the price paid for a good or service with its fair market value. The degree to which the amount paid by government exceeds an item's true cost is a reasonably objective measure of the extent of corruption or inefficiency. This enables PWI to go beyond making anecdotal claims of problems and provide specific, concrete evidence of them.

c. Results Achieved

Successes

During its pilot test of DEEM at a government hospital, PWI achieved important results. Investigators found a certificate signed by a hospital official justifying a contract with a particular company on the grounds that it was the only company that could make good-quality Vitamin C available to the hospital. Given the number of Vitamin C brands available in the Philippines, this claim is doubtful. Had the contract been bid out, the hospital would likely have saved money, since the Vitamin C brand provided by the selected vendor is one of the most expensive on the market (Magalit, 2006).

PWI is now conducting a wide variety of activities with different groups and individuals, including the Ombuds, government agencies involved in large procurements, civil society organizations, and private citizens. PWI has a particularly close relationship with the national Ombuds. It conducts training sessions on the new procurement law for Ombuds staff and has helped them publicize information on procurement laws. It has also created a mechanism to respond to information from procurement observers about potential fraud and abuse. As many citizens prefer not to contact government officials with complaints themselves (due to the fear of harassment from corrupt officials), PWI serves as a critical link between citizens and the Ombuds.

PWI has also developed partnerships with government agencies to study systems for soliciting proposals and evaluating bids and awards. As part of this process, PWI conducts diagnostic exercises on the activities of the bid evaluation committees of various agencies. PWI also conducts workshops and conferences on the national procurement law, develops research papers on the subject, and provides technical assistance to the government on best practices in procurement procedures.

PWI's efforts have helped establish systems that allow citizens not only to sit as observers on government bid and award committees but also to act as monitors to ensure that contractors comply with their contracts. However, PWI estimates that of the 8,000 trained monitors that are needed throughout the Philippines only 800 exist. PWI has therefore embarked on a national effort to train new monitors.

Challenges

Any organization interested in using DEEM should take into consideration the five challenges PWI faced in implementing this methodology. They are:

- The detailed checks for inconsistencies that are conducted under DEEM may be of limited use in monitoring agencies whose procurement systems do not follow specific rules and regulations under a procurement law.
- An organization must have access to all (or most) procurement documents maintained by an agency during a procurement process. Even if agencies maintain this information, it may not be easily accessible.
- An organization wishing to use DEEM may need to collaborate with the audit agency (and time its investigation according to the audit's schedule) in order to obtain audit documents that contain information unavailable through the procuring agency. PWI did this during its pilot test of the DEEM methodology.
- PWI found that the agencies most likely to have irregularities in their procurement processes are least likely to cooperate with a procurement-related investigation.
- While a payment invoice will tell the actual cost paid for a good/service, the true market cost may be much more difficult to obtain. Very little information on market costs may be available in many countries, or other factors may prevent a non-governmental organization from obtaining or using information on actual costs. For example, there may not be any records of an item's true cost at the time the procurement was conducted, or vendors may be reluctant to disclose information on the true cost. Also, the good/service procured by an agency may have technical specifications that make the transaction unique, which would give officials wide discretion when setting the price.

This case was excerpted from Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditure by Vivek Ramkumar (International Budget Partnership, 2008), available at www.internationalbudget.org.