An Assessment of the DOH Procurement System [1]

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I. CONSTITUTIONAL FRAMEWORK AND GENERAL RISK ASSESSMENT

The 1987 Constitution explicitly directs the government to ensure the availability and accessibility of quality drugs and medicines at affordable costs. Section 12, Art. XIII thereof states that "[t]he State shall establish and maintain an effective food and drug regulatory system and undertake appropriate health manpower development and research responsive to the country's health needs and problems." The availability and accessibility of quality drugs and medicines is declared by the Constitution as a vital goal in the national health strategy. Section 11, Article XIII in the 1987 Constitution provides that "[t]he State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health and other social services available to all the people at affordable costs." These constitutional mandates provide the basis for the current law and policy pertaining to the production, manufacture, import, sale, use and disposition of drugs and medicines. The present Constitution is replete with proclama-

tions and declarations that safeguard against graft, corruption and wastage in the use of scarce government resources. It also underscores the need to institute and preserve an honest, transparent and effective system of governance.

Various studies on the procurement system of the Department of Health (DOH) had been conducted over the last eight years. While most of the administrations at the helm of the Department during this same period sought to introduce meaningful reforms in procurement, major weaknesses that result in hidden costs still exist.

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Virtually each step in the procurement process, from setting the specifications to the release of payment, exposes one to graft and corruption. Procurement work is perceived as fraught with risks. Hence, managers involved in procurement prefer to be given assignments other than procurement.

II. VOLUME OF TRANSACTIONS

This article focuses on the procurement of drugs and medicine by the DOH, although it will take a cursory look at the procurement system at the local government level.

The DOH has large procurements of drugs and medicines annually. Procurement of pharmaceuticals is shared by the Central Office and the regional health offices for public health programs. The regional hospitals and/or retained medical centers have their own budget allocation for drugs/medicines for their own operations. Based on the Government Appropriations Act (GAA) of 2002, the DOH annual budget for drugs and medicines (limited to those that are itemized) sums up to more than Php 565.9 M. These include only the budget for EPI vaccines, oral contraceptives, Vitamin A supplements and drugs/medicines for other DOH programs and services. The amount for drugs and medicines for the operations of the

regional hospitals and/or medical centers are allocated separately but classified under the general category of "supplies and materials". The procurement of TB drugs has been decentralized to the regional health offices and classified with the general supplies and materials budget of each region. The overall annual budget of DOH for drugs and medicines is thus definitely larger than is reflected below. It must also be noted that the budget for drugs and medicines, at least for the items below, has been increasing over the past three years.

TABLE 1: DOH Budget for Drugs and Medicines Year 2000-2002

Year	2000 (PhP)	2001 (PhP)	2002 (PhP)
Total DOH Appropriations	10,728,905,000.	9,456,263,000.	11,278,237,000.
Itemized Budget	398,960,000.	491,960,000.	565,960,000.
EPI vaccines	316,960,000.	316,960,000.	376,960,000.
Vitamin A	19,000,000.	39,000,000.	39,000,000.
Oral Contraceptives	63,000,000.	86,000,000.	100,000,000.
Other Drugs/ Medicines for other programs		50,000,000.	.....50,000,000.

The amount allocated for drugs and medicines through foreign-assisted projects comprises a small portion of the DOH annual procurement. The Year 2001 Annual Procurement Plan of DOH only programmed PhP 13.0 M, mainly for ferrous sulfate drops and syrups through the Early Child Development Project (ECDP). A higher budget was allocated for medical equipment and supplies. Drugs and medicines represented almost 80% of the total procurement amount of DOH.

TABLE 2: Amount of Drugs and Medicines in the Annual Procurement Plan, Year 2001

Items	Amount	Per Cent
Drugs/Medicines	PhP 518,047,297.00	78.1
Medical Equipment/supplies	PhP 23,347,662.00	3.5
Other items (administrative, financial supplies, IEC, training, computer/supplies, janitorial, office supplies, etc.)	PhP 122,472,262.46	18.4
Total	**PhP 663,867,221.46**	**100.0**

III. STRENGTHS AND WEAKNESSES OF THE DOH PROCUREMENT SYSTEM

There is not much difference in the lead or turn-around time of the procurement process over a 7- year period; the lead time observed in 1994 holds true up to the present.

In a 1994 study by Alano et. al[2], the procurement process from the preparation of the Requisition and Issue Voucher (RIV) to delivery of goods summed up to 4.75 months or 143 days. The time lag between the opening of the bid to delivery of goods takes about 85 days. Comparing this cycle with the procurement flow prepared by the DOH-United Project Management Office (UPMO) in Year 2001, the estimated time from opening of bid to delivery takes about 2.25 to 3.25 months or 67 to 97 days, which becomes even longer if the package requires NEDA's approval. (Please refer to Annex 1.)

Based on sample records that were reviewed by the team, the actual procurement cycle took much longer than expected. Using the International Competitive Bidding (ICB) as the mode of procurement for a drug/medicine under the Early Childhood Development Project (ECDP), the procurement was completed in a period of 364 days. This did not include the payment period, since at the time of this study, no payment has been made. The same can be observed in the procurement of medical equipment under another foreign-funded project – the Women's

Health and Safe Motherhood Project through national shopping, which took 531 days or 17.7 months from RIV preparation to the actual delivery of the item. Using the government-funded procurement through public bidding, the procurement cycle took 192 days or 6.4 months from RIV preparation to payment. Analysis of these transactions reveals major bottlenecks (Please Refer to Annex 2) especially at the following points in the procurement processes:

- preparation of specifications
- contract perfection
- issuance of the Notice to Proceed
- payment

Further assessment made on other procurement transactions showed that the targeted schedules and deadlines set by the DOH procurement units for each procurement milestone were not followed. Deviations were noted to be from 8 months to more than 1 year. One transaction was even delayed for more than 2 years. (Please refer to Annex 3.)

A. PROCEDURES AND PRACTICES

The following is a brief assessment of each major procurement milestone in the DOH procurement system.

1. Pre-bidding

(a) Supplier Accreditation and Product Registration

The list of accredited suppliers, both large and small, has expanded over the past three years, which could be a reflection of the improved credibility of the DOH procurement process. There are now efforts to give more stress to eligibility checks with the fail-pass test criteria that leave no room for accommodation.

However, the old bottlenecks that were the cause of recurring informal and formal complaints from interested bidders such as the lengthy and cumbersome accreditation process, remain in place. The issuance of a Certificate of Product Registration (CPR) from the Bureau of Food and Drug Administration (BFAD)

takes 20-60 days. Initial registration could take as long as six months. A report in one of the Procurement Committee meetings was that there are pending contracts between DOH and suppliers due to the absence of the CPRs. While supplier failures are also reasons for this bottleneck (e.g., incomplete documentary requirement, erroneous document submissions, insufficient physical samples for testing, etc.), insufficient staff and equipment support for BFAD remain the main culprits.

BFAD is overwhelmed by numerous applications for registration and accreditation. There are about 15,000 applications still pending from past years, with new applications numbering to 30,000. With only 10 evaluators in BFAD, the processing and evaluation of these applications cannot possibly be completed within the year. This weakness, however, is acknowledged fully by the DOH and has been identified as a priority area for improvement, with funding support from WB thru the SEMP II Project.

BFAD has established a fast track lane to register/accredit suppliers who have been selected winners in the bidding. With complete and accurate documentation by the suppliers, the CPR can be issued within 20 days.

The Alano Report in 1994 mentioned 2 recommendations to facilitate registration and accreditation, namely: (1) increase the human resource complement in BFAD; and (2) accredit private laboratories to undertake the testing and evaluation. Although BFAD has been given additional evaluators, these are still inadequate to meet the demand. To date, there has been no move to accredit private laboratories.

Another issue is the widespread perception among suppliers that the purposes and functions of accreditation and registration overlap since most of the accreditation and licensing requirements are the same. This is reinforced by the fact that most of the members of the Accreditation Committee are mainly BFAD staff and personnel who are also in-charge of registration.

Moreover, there are instances when even staff and officials involved in the procurement process do not have the same understanding of when the CPR should be required from the suppliers. The rules/guidelines only state that this is not a requirement before the suppliers could participate in the bidding but do not specify exactly when this is required.

(b) Procurement Planning

The DOH has issued Administrative Order No. 14-A dated August 1, 1997, specifying reasonable schedules for preparing the Annual Procurement Plan (APP) and submitting it to the concerned units at the DOH and the Department of Budget and Management (DBM). This makes the general procedure for preparing the Annual Procurement Plan clear enough. At present, the APP for foreign-funded projects is prepared by the Unified Project Management Office (UPMO) while procurement funded by the government is prepared by the Procurement and Logistics Service (PLS). The PLS consolidates these two procurement plans then packages and schedules the procurement. The submission of a supplemental APP is allowed but requires the approval of the Secretary of Health before procurement is initiated.

While the mechanics are clear, the inputs and outputs of the planning exercise are still wanting in terms of guiding the procurement process to ensure timely delivery and to prevent wastage of resources. Aside from technical issues that impinge on sound forecasting of drug requirements (i.e., different programs and offices use varying population data bases and sometimes inaccurate assumptions), there is also a problem in stock keeping which has remained inaccurate, especially at the local government level. This has proved to be a major constraint in monitoring the status of inventory, in estimating future needs and in controlling leakage and wastage of stock.

Based on records review, the formulation and submission of the APP are not done within the timeframe or schedule provided for in the AO, thus effectively delaying the whole process. For example, procurement plans of individual services were submitted to the PLS as late as February or March 2001, instead of September or October of the previous year. As a result, scheduling of procurements tends to be unevenly distributed throughout the year. This drags out the evaluation periods, resulting in adjustments in bidding schedules.

A related observation, shared by one DOH official, is that since a supplemental APP is allowed, program or service managers tend to take this route rather than the regular submission, not realizing that the supplemental APP would require another loop for the DOH Secretary's approval. Moreover, the AO is also unclear in terms of the threshold of amount of supplemental APP that would require the approval of head of the agency.

There is also an observation that while an APP must be submitted for local procurement, it was never used as a procurement tool since it is the RIV that initiates the procurement process. A question is posed as to whether it is necessary for the PLS to wait for the end user to prepare the RIV, or if the PLS can prepare the RIV based on the APP, to be concurred with by the end user. One lesson learned by the UPMO in handling foreign-funded projects is that the procurement process is facilitated if the UPMO prepares the RIV based on the APP submitted by the end users, instead of waiting for the end-users to prepare them.

Another significant development related to procurement planning is the automation of the process. The DOH-Information and Management Service or IMS (formerly Management Advisory Service-MAS) has developed the software for the automation of the preparation of the APP. The software enables the categorization of the items by types of goods, products and commodities to be procured and the computation of the total amounts involved. The APP has been formatted as well to include the quarterly requirements programmed by all DOH offices and services. However, at the time of this study, the DOH-wide network for the APP was not yet in operation, although the program has already been installed in the IMS and PLS.

(c) Preparation of Specifications and the RIV

Numerous complaints from end-users and requests for modification from winning bidders seem to point to poor research (e.g., on what should be delivered to the end-user) and inability to mobilize experts during the preparation of specifications of the items to be procured. There were also occasions when items in the RIV, or efforts to modify the specifications of the item to be procured, were not in agreement with the Philippine National Drug Formulary (PNDF)[3]. The weakness in setting specifications is also revealed in cases where higher level DOH officials, who are recognized experts but are not party to the procurement process, would recommend the purchase of equipment different from that presented by the winning bidder who met the given specifications.

Two of the suppliers interviewed for the study complained that there were occasions when they felt the specifications were slanted towards a specific brand which only 1-2 suppliers were capable of delivering. DOH officials also reported

that most of the complaints from the suppliers regarded "specifications" of DOH which seemed to favor a certain brand.

As to the Advice of Allotment (AA) which should accompany the RIV, studies have pointed out that waiting for the AA greatly lengthens the requisitions phase of the process since the budgetary cycle allows the earliest release of the AA late in the first quarter or even in the second quarter of the year.

A positive development in this procurement milestone is the mobilization of a "clearing house" composed of end-users to assist in drawing up the specifications of item(s) to be procured.

(d) Preparation of Bid documents

There are standard bid documents for pharmaceuticals procurement. The weakness seems to be in ensuring confidentiality of the bid documents. There have been reports, albeit undocumented, that some suppliers are informed in advance about the procurement package to be undertaken, giving these suppliers undue advantage over the others.

(e) Pre-Bid Conference

The DOH generally complies with the rules and regulations in conducting the pre-bid. The meetings are properly documented and the bid bulletin is immediately issued after the conference. Based on sample transactions reviewed, the bid bulletin is issued on the same day or 3 days after the conference at the latest.

The DOH may also be described as duly complying with the requirements regarding advertising. Advertising the bid is adequately done now, including through internet.

However, while pre-bid conferences and standard procedures are strictly adhered to, there is concern as to how exhaustive the conferences are. Clarifications sought after the pre-bid conference indicate that the conduct of the conference can be improved. But according to the DOH, some suppliers do not maximize the conferences to clarify issues or concerns regarding the procurement package at hand. Then they complain after the pre-bid has been conducted. There is also an observation that there is not enough time for the preparation of bids after the holding of the

pre-bid conference. The DOH-UPMO has declared that for foreign-funded procurement, the pre-bid conference should be held not later than two weeks prior to the submission of the bids. However, an interview with selected suppliers revealed that this time allotted is inadequate for them to comply with all the requirements.

2. Bidding Proper

(a) Opening of Bids

Opening of bids is described to be transparent. The Bids and Awards Committee (BAC) is experienced in conducting this, with the members on jury duty when going through this process.

(b) Technical Evaluation

Given the exacting work of technical evaluation, improvements had been introduced in recent years to better dispense this task. For example, there are now templates and matrices for the evaluation of bids. As a step towards an exhaustive evaluation of bids for foreign-assisted projects, the Technical Evaluation Committee (TEC) report is clarified with each member of the Committee (e.g., each member is given the opportunity to explain or clarify his/her finding/observation). This process is also properly documented.

However, there are still cases indicating that documents are not meticulously reviewed, thus resulting in delays. This problem is traced to two factors: a) Technical evaluation is not a full-time function, that is, it is treated as an additional function over and above the official duties and responsibilities of the persons designated to the Committee; and b) Procurement proficiency is not normally the main requirement for appointment to procurement committees.

(c) Financial Evaluation

In the absence of written guidelines on what deviations or "errors" in the financial proposal can be tolerated by the Committee, there have been instances when – out of fairness – bidders with faulty computations were given a chance to re-submit or correct their bid documents. The corrections are then properly docu-

mented. Though driven by good intentions, this has caused other bidders to complain that the Committee is unfair and overly accommodating.

Another and, perhaps, the more major issue, is the lack of access to comparative price data. The Committee operates in an information vacuum, with insufficient information on prices or on the performance record of international suppliers. This problem remains as no system or mechanism for the price monitoring of drugs and medicines has been set up. While the DBM has its price catalogue for common supplies, there is none that exists for pharmaceuticals. An Administrative Order (No. 14-A, August 1, 1997) issued by the Health Secretary in August 1997 spoke of the need for a Drug Price Monitoring Committee. However, the issuance did not go as far as appointing committee members and stating the terms of reference. At present, the PLS has assigned one staff to keep track of drug prices. But this has been limited to simply summarizing the prices resulting from the biddings conducted by the different regional hospitals and DOH medical centers. Its use has been limited to providing a rough list of comparative prices of drugs to regional health offices requesting the information. On the other hand, the IMS has developed an automated drug price monitoring system which has not been put to use, awaiting the training of the PLS staff on the software.

(d) Notice of Award

This seems to be a bottleneck as complaints and cases of graft and corruption filed against members of the Bids and Awards Committee in the past have made committee members over-cautious in making decisions as to choice of bidder. It was also mentioned as a reason for the lack of quorum during BAC meetings.

(e) Notice to Proceed

There is also lack of common understanding among officials and personnel concerned of the application of the Notice to Proceed which, at present, is applied to all procurements entailing International Competitive Bidding (ICB) and public bidding as well as requests for quotations. The DOH has raised the issue of whether this should be required for the Request for Quotations (RFQs) which elicited different responses from the members of the Procurement Committee. Furthermore, the re-

cently passed EO 40 states that procurement, other than public bidding, should be approved by the head of the agency. This EO is also silent on the amounts involved.

(f) Contract Preparation and Signing

The preparation of contracts has been identified as a major bottleneck in the procurement process. In the original arrangement, the PLS was responsible for preparing the contracts after the BAC has decided on the winning bidder. The contract is then reviewed by the DOH Legal Service Division (LSD). This process proved to be rather lengthy. However, even after the responsibility for contract preparation was transferred to the LSD, the process has not improved. This is attributed to LSD's being swamped by many legal cases and lack of adequate staff. The delay in the finalization of the contract is also caused by the inability of the supplier to submit the necessary requirements (e.g. performance bond, CPR, etc.). At the time of the study, there were 13 contracts pending at the DOH-Legal Service for review.[4] Most of these incompletely processed contracts need the submission of either the performance bond from the suppliers concerned or the CPR before the contracts are finalized.

(g) Grievance or Appeal Mechanism

The DOH units involved in procurement seem to know the process of addressing any complaint or grievance from a participating supplier. However, this route and procedure for reporting and addressing grievances or appeals are not documented nor disseminated to the suppliers. Hence there are complaints that are submitted to the PLS, others to the BAC and, in the case of foreign-funded projects, to the donor agencies. Moreover, proper documentation and recording of these grievances or appeals are also wanting.

3. Delivery

(a) Trade Practices (Pre-Shipment Inspection)

Pre-inspection of pharmaceuticals and equipment from other countries is not a standard practice even though it is important in ensuring the correct specification

and good quality of the goods that will be delivered. In instances when there is a need for pre-inspection, the cost of pre-inspection is shouldered by the procuring agency, resulting in higher prices of commodities and equipment. Another instance is when an international donor agency delivers commodities that are later on found to be defective. In this instance, the DOH (not the donor agency) is made to deal directly with the supplier of the defective commodities. This weakness has led to incidences of commodities being delivered that do not meet specifications. There was one case when the supplier delivered hydralazine powder instead of solution, and a case wherein the winning bidder delivered Oral Polio Vaccines in the wrong dosage form.

(b) Payment

While it is a widely acknowledged fact that sustained low prices are possible only when a procurement system is able to guarantee prompt payment in full according to the terms of contract, payments have been delayed for long periods of time. A case in the recent past: a supplier to both the DOH and Philippine General Hospital charged a much higher price for the same item procured by DOH in even greater quantity and justified the higher price quoted for DOH by citing the long waiting time for payment by DOH, which takes up to 1 year, compared with PGH's two weeks to a month. Another supplier observed that there is no system in the DOH finance office for alternate cashiers or clerks to handle payment/transactions. More often than not, suppliers are told to come back since the person in charge is absent or is attending a meeting. The delay in payment is also compounded by the limitations of the overall financial management system of the government. Cases when payments have been obligated, but the cash needed to back these obligations are not available, sometimes happen.

4. Record-Keeping

Bid documents and tenders are safely secured. Proper filing and archiving of pertinent documents is observed, although this can be improved significantly by computerization. The DOH is yet to have a centralized filing and systematic codi-

fying of pertinent records. Some complaints or cases in the recent past about lack of transparency were reinforced partly by records that were not made easily available or, if made available, were not in order.

While foreign-funded projects have difficulties accessing relevant records especially for those transactions that were processed two years ago, a certain level of efficiency seems to have been established by individual units in the PLS in filing and maintaining procurement-related documents.

5. Monitoring Transactions and Processes

Monitoring of procurement activities is now done at two levels. At the top management level is the Central Procurement Committee (formerly the Procurement Reform Advisory Committee under the previous leadership) that meets weekly with an NGO observer present. The Committee tackles developments in the procurement activities of the agency. At the program or service level, a monitoring form that serves as an audit trail form – an innovation introduced by the WHSMP - has been adopted by the PLS. This tracking form, though, is quite limited as it starts with the opening of bids as the initial milestone to be tracked. But substantial delays occur during the pre-bidding phase, especially in the preparation of the RIV (indicating specifications and clearing it with designated units in the DOH).

Except for the deliberations of procurement issues by the Procurement Committee, monitoring of procurement is not pro-actively undertaken. There are certain issues and concerns that can already be acted upon or resolved even outside the Procurement Committee meetings.

There is no clear entity in the DOH designated to monitor procurement transactions, whether foreign-funded or locally funded. The issue on whether the PLS and UPMO should take on this task has been raised since they are themselves key players in the procurement process. Options being considered include tapping the Internal Auditing Staff for the "oversight committee" being planned to replace the Accreditation Committee.

6. E-procurement

The DOH has made the initial step towards e-procurement thru its website (www.doh.gov.ph) which has a portal for procurement related information that includes requests for quotations and invitations to bid. The portal also includes the lists of accredited suppliers for all categories of items, the lists of requirements for accreditation and product registration and an application form for accreditation that can be downloaded from the website. However, like most agencies, the DOH needs to strengthen its technical capacity before it can reasonably harness e-procurement and reap its benefits.

There is also a plan to post the results of DOH bidding on the DBM website.

B. ORGANIZATION AND RESOURCES

1. Organizational Structures on Procurement

Units and committees handling procurement are in place and officially established through the issuance of Department Orders 5-As, 2001 and 36s, 2001. The top level Procurement Committee mandated to monitor procurement activities and reform the procurement system of the DOH was first created during the term of Sec. Alberto Romualdez, Jr. It initially started as the Procurement Reform Advisory Team (PRAT) which met weekly to address procurement-related issues and concerns. At present, the Committee, which is chaired by an Undersecretary, continues to meet to monitor progress in the procurement of both GOP and foreign-funded items. The Procurement Watch, an NGO monitoring office, is a member of the Procurement Committee.

As to the Bids and Awards Committee (BAC), its chairmanship was initially on a rotation basis among the Undersecretaries. At present, the BAC is chaired by an Assistant Secretary who is assisted by various chairpersons with alternates for each category of items to be procured: (1) drugs and medicines, (2) medical supplies and materials, (3) infrastructure services, (4) hospital and laboratory equipment and (5) non-medical goods and general services. The Technical and Financial

Evaluation Committees are in place. While these are permanent committees, the composition changes depending on the items for procurement.

The establishment of the Unified PMO in October, 2000 streamlined the procurement of foreign-funded items for different projects. This de-loaded the programs or technical units of the task of coordinating procurement.

Clearing houses have been identified to review and ensure that goods procured are consistent with DOH policies and follow set standards. Specifications of drugs and medicines are reviewed by the PNDP, while medical equipment and supplies are reviewed by the Hospital and Maintenance Service before RIV's are approved.

2. Human Resource

The strong support of top DOH management, especially during the term of Dr. Romualdez, for procurement reforms has strengthened the procurement system. In terms of human resource, trainings on procurement management were given to at least 55 personnel from the PLS and the UPMO and to selected program coordinators and regional representatives. Orientations were also conducted among BAC, TEC and FEC members, PLS and PMO staff on the overall flow and requirements of foreign-funded procurement.

The UPMO has 10 organic staff as well as the technology and expertise in procurement -acquired through foreign-funded projects – that can be institutionalized through these staff.

On the other hand, the DOH has to tackle some serious constraints with regard to human resource. Among these is the reduction in the number of PLS staff from 75 to 35, five of whom were assigned to other units of the DOH. Another concern is that members of the Technical Evaluation Committees lack the capability to undertake thorough analyses of bids, especially in determining the financial capability of the bidders. Program coordinators or end-users have limitations in coming up with appropriate specifications for the items to be procured. There is also a need to upgrade the capacity of concerned staff to document and prepare reports.

The two most senior managers at PLS appreciate the pivotal role that procurement plays in the life of the Department and are aware of the problems that need to be addressed. They also recognize the need to instill a sense of mission and excitement about procurement work, at least within the PLS.

3. Financial Resources

The limited resources of the DOH hamper its need to increase the needed human resource and equipment (e.g., those needed by BFAD) to improve the procurement process.

Aside from the limited budget, there is also the case of lack of cash availability from the national government. In 2001, this problem prevented the regions from doing their own procurement. The lack of cash availability for GOP-funded procurement results in at least two major delays: delays in the processing of the RIV (thus lengthening the entire process), and delay in payments. The latter has also been a major source of corruption as some suppliers vie to influence the paying office into prioritizing their payment from the monthly releases of DBM.

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IV. POLICY IMPLICATIONS

Based on the foregoing discussion, a strategic approach in effectively pursuing procurement reforms will include the following key actions that involve the DOH and other agencies:

A. Strengthening the Mechanisms for Oversight

While the needed changes are not yet in place, and even after they have been instituted, there should be robust mechanisms to ensure that oversight functions are performed. The existence of a DOH Procurement Committee is laudable. However, its processes for oversight or review of major procurement transactions should be continuously strengthened. "Integrity circles", once formed, can also

take on procurement oversight functions, with their findings or observations routed to the Procurement Committee.

B. Getting Out of the Information Vacuum

The formation and operationalization of a National Drug Price Monitoring body that will guide procurement should be considered a priority action. It is proposed that this body be lodged with an independent institution or the academe where the systems and technology for research are already developed and functioning. A modest grant could very well start off the establishment of this body.

C. Professionalizing the Procurement System

Aside from capacity-building that tackles the technical demands of procurement work, a human resource development program for procurement-related personnel should include culture-building (vision/mission/goals), values formation and clarification. This is to ensure that the values of people engaged in procurement resonate with the desired norms and conduct in the procurement profession.

The formulation of a Code of Ethics for Procurement Personnel/Professionals, the formation of "integrity circles" and the granting of a more appropriate and decent salary or benefits would be helpful in building a culture of integrity, a sense of mission and pride among procurement personnel.

D. Achieving a Common Understanding of Procurement Policies

As another requisite to culture-building and a guide to instituting procurement reforms, there is a need to review and codify all laws, policies and issuances (including Department Orders and Administrative Orders) relevant to procurement. To "laymanize" this compendium, a procurement manual explaining the various steps in the procurement process and the time-frame involved in each step should accompany it. These documents should also harmonize the seemingly conflicting procurement guidelines of foreign donors and the government that resulted in a major administrative case in the recent past.

As soon as these documents are ready, an internal marketing of these materials to all concerned personnel (including those that are only "indirectly" and "occasionally" involved in procurement) should be done.

E. Streamlining the Cash Allocation Process

The existing cash allocation process that results in delayed initiation of the procurement process and in delayed payment (with the latter resulting in a much higher cost of drugs and medicines), should now be given the needed focus by the Department of Budget and Management and related agencies. All other reforms would appear superficial if this single biggest constraint in the procurement system is not addressed.

F. Strengthening the Bureau of Food and Drugs

Strengthening the BFAD should be a priority if it is to meet the high demand for product registration. Concomitantly, the possibility of tapping private laboratories for product testing without sacrificing quality assurance should be explored.

G. Bringing Best Practices to Light

There are pockets of procurement innovations that until now go unnoticed, thus hindering our ability to learn. It is time to bring best practices to light by documenting and disseminating them in both technical and non-technical media and by bestowing awards to organizations or agencies which have exemplified the highest consideration and standards for procurement reforms. This can be done within and across agencies.

H. Reckoning With and Harnessing the Bigger Policy Environment

There is a need to clarify/develop a framework for procurement reform consistent with the larger policy environment (e.g., decentralization, generics law). The issue of the extent to which procurement should be devolved to the local govern-

ment units, how it should be devolved and when should be resolved to guide investment decisions, especially for systems and capability-building.

From the standpoint of social equity, the parallel drug importation initiative (Plan 50) should be studied for its consistency with the Generics Law.

ANNEX 1: Assessment of DOH Procurement of Drugs and Medicines

Procurement Milestone	Alano Report, 1994	UPMO, 2001
1. RIV Preparation to Approval	4.0	No estimate
2. Bid Document Preparation to Opening of Bids	63.0	No estimate
3. Opening of Bids to Selection of Winner	43.0	23.0 – 28.0
4. Preparation of PO to delivery	33.0	46.0 – 74.0
Total No. of Days (Step 3 to Step 4)	76.0	69.0 – 102.0
Total No. of Months	2.53	2.25 – 3.25

Source: Flowcharts A and B, Clark, Alano et. al., 1994
Flowchart on Foreign-Funded Procurement, UPMO, 2001

ANNEX 2 : Procurement Cycle of Sample Transactions

A. Foreign-Funded Procurement

Project	:	Early Childhood Development Project	
Funding Source	:	World Bank	
Package	:	Ferrous Sulfate Drops	411,237 bottles
		Ferrous Sulfate Syrup	241,516 bottles
Total Amount	:	U$ 259,494.80	
Procurement Mode	:	International Competitive Bidding	

Procurement Milestone	Dates	Elapse Time (Calendar Days)
1. Preparation of RIV	January 18, 2000	-
2. PLS received RIV	February 14, 2000	34.0
3. Preparation of Bid Documents		
3.1 By the DOH-PMO to ECDP	January 31, 2000	
3.2 ECDP-PMO to WB	February 13, 2000	
4. WB concurrence to Bid	February 23, 2000	9.0
5. Advertisement	March 17, 18, 25, 2000	32.0
6. Pre-Bid Conference	May 2, 2000	38.0
7. Bid Bulletin Issued	May 11, 2000	9.0
8. Opening of Bid	May 16, 2000	5.0
9. Bid Evaluation Report	June 20, 2000	24.0
10. Concurrence of WB to BER	June 27, 2000	37.0
11. Notice of Award		
11.1 by COBAC	July 10, 2000	13.0
11.2 received by PLS	July 25, 2000	15.0
11.3 conformed by Supplier	July 31, 2000	6.0
12. Approval of CPR	August 17, 2000	17.0
13. CPR received by PLS	August 24, 2000	7.0
14. Performance Bond		
14.1 posted by supplier	August 8, 2000	-
14.2. PLS received PB	August 24, 2000	-
15. Contract perfected	October 31, 2000	67.0
16. Notice to Proceed	November 22, 2000	21.0
17. Delivery	no delivery yet	> 30.0
Total Days		> 364.0
Equivalent Months		> 12.0

B. Foreign-Funded Procurement

Project	:	Women's Health Safe Motherhood Project	
Funding Source	:	World Bank	
Package	:	Examining Tables	230 units
		Examining Stool	230 units
		Examining Lamps	230 units
Total Amount	:	Php 5,313,000.00	
Procurement Mode	:	National Shopping	

Procurement Milestone	Dates	Elapse Time
1. Preparation of RIV	July 26, 2000	-
2. RIV cleared by HOMS	August 21, 2000	25.0
3. PLS received RIV	August 23, 2000	2.0
4. Advertisement	December 16, 17, 23, 2000	120.0
5. Pre-Bid Conference	January 12, 2001	19.0
6. Opening of Bids	January 16, 2001	4.0
7. Bid Evaluation Report	January 27, 2001	11.0
8. COBAC Resolution	February 26, 2001	30.0
9. Notice of Awards	June 4, 2001	112.0
10. Performance Bond	July 5, 2001	30.0
11. Contract Perfected	September 6, 2001	61.0
12. Delivery Date	September 9, 2001	3.0
13. Request for Inspection	September 20, 2001	0.0
14. Inspection Report	November 13, 2001	53.0
15. Payment Completed	January 14, 2002	61
Total No. of Days		531.0
Equivalent Months		17.7

C. GOP-Funded Procurement

Package : Aluminum Hydroxide
Total Amount : Php 1.4 M
Procurement Mode : Public Bidding

Procurement Milestone	Dates	Elapse Time (Calendar Days)
1. Preparation of RIV	May 29, 2000	-
2. Verified against APP by PLS	May 30, 200	1.0
3. RIV cleared	June 4, 2000	5.0
4. Advertisement	June 20, 23, 2000	19
5. Issuance of Bid Documents	June 6 – July 27, 2000	-
6. Pre-Bid Conference	July 16, 2000	26.0
7. Bid Bulletin Issued	July 20, 2000	4. 0
8. Opening of Bid	July 31, 2000	7.0
9. BAC Resolution	August 21, 2000	20.0
10. Notice of Award		
10.1 COBAC	August 27, 2000	6.0
10.2 Received by Supplier	September 7, 2000	10.0
11. Performance Bond	September 10, 2000	3.0
12. Purchase Order		
12.1 PO Approved	October 12, 2000	32.0
12.2 PLS issued final PO	October 19, 2000	7.0
13. Notice to Proceed	October 19, 2000	-
14. Delivery	November 27, 2000	38.0
15. Inspection	November 28, 2000	1.0
16. BFAD Resolution	December 5, 2000	7.0
17. Voucher Prepared	December 14, 2000	9.0
18. Payment	December 17, 200-	3.0
Total Days		192.0
Equivalent Months		6.4

Annex 3: Assessment of Procurement

A. Drugs and Medicines

A.1 Ferrous Sulfate under ECDP-WB - ICB

Procurement Milestones	Target	Actual	Deviation (calendar days)
Opening of Bids	May 9, 2001	May 16, 2001	7.0
Notice of Award	June 9, 2001	July 25, 2001	46.0
Performance Bond	July 6, 2001	July 25, 2001	49.0
Contract Perfected	August 24, 2001	Oct. 31, 2001	67.0
Notice to Proceed	August 24, 2001	Nov. 22, 2001	88.0
Delivery date	Oct 24, 2001	Not yet delivered	> 75.0
Payment Completed	Nov 24, 2001	Not yet done	
Duration (Months)	6.5 months	> 8 months	4.0 months
Equivalent Days	195.0 days		> 120.0 days

A.2 Ferrous Sulfate under ECDP – ADB – Shopping

Procurement Milestones	Target	Actual	Deviation (calendar days)
Opening of Bids	Feb. 16, 2001	Feb. 16, 2001	-
Notice of Awards	March 9, 2001	May 31, 2001	82.0
Performance Bond	Apr. 6, 2001	July 9, 2001	93.0
Contract Perfected	Aug. 24, 2001	Oct. 31, 2001	67.0
Notice to Proceed	Aug. 24, 2001	Nov. 21, 2001	87.0
Delivery Date	Oct. 24, 2001	Dec. 27, 2001	63.0
Payment Completed	Nov. 24, 2001	No payment	>45.0
Duration (Months)	9.25 months	11.0 months	1.75 months
Equivalent Days	278.0 days	>330.0 days	>52.0 days

A.3 Hydralazine Under WHSMP – ICB

Procurement Milestones	Target	Actual	Deviation (calendar days)
Opening of Bids	July 11, 2000	July 11, 2000	-
Notice of Awards	Aug. 18, 2000	Jan 23, 2001	158.0
Performance Bond	Sept. 15, 2000	Feb 20, 2001	155.0
Contract Perfected	Oct. 30, 2000	Nov. 21, 2001	416.0
Notice to Proceed	Nov. 2, 2000	Nov. 22, 2001	415.0
Delivery Date	Jan. 2, 2001	No deliveries yet	>365.0
Payment Completed	March 2, 2001	-	>313.0
Duration (Months)	8.0 months	18.0 months	>12 months
Equivalent Days	229.0	558.0 days	>329.0

B. Medical Equipment

B.1 Ice-Lined Refrigerator

Procurement Milestones	Target	Actual	Deviation (calendar days)
Opening of Bids	Jan. 22, 2001	Jan 22, 2001	-
Notice of Awards	Feb 22, 2001	Feb 14, 2001	0
Performance Bond	Mar 21, 2001	Mar 2, 2001	346.0
Contract Perfected	Aug 16, 2001	Oct 10, 2001	54.0
Notice to Proceed	Aug 17, 2001	Oct. 17, 2001	
Delivery Date	Oct 17, 2001	Not yet	>12 weeks
Payment Completed	Nov. 17, 2001		
Duration (Months)	9.79 months or	>12 months or	>2.20 months
Equivalent Days	299 days	365 days	>66 days

B.2 Toilet Bowl, Portable Water Test Kit, et al

Procurement Milestones	Target	Actual	Deviation (calendar days)
Opening of Bids	Aug 16, 1999	Aug 16, 1999	-
Notice of Awards	Sept 22, 1999	July 12, 2001	680
Performance Bond	Oct 20, 1999	Aug 15, 2001	655
Contract Perfected	Aug 23, 1999	Oct 20 2001	777
Notice to Proceed	Aug 24, 1999	Oct 29, 2001	785
Delivery Date	Oct 24, 1999	No delivery yet	>795
Payment Completed	Nov 24, 1999	No payment yet	>765
Duration (Months)	3.33 months	>27.23 months	>23.98 months
Equivalent Days	100 days	>827days	

Notes

1 This article is based on the Country Procurement Assessment Report on the Department of Health undertaken by Health Futures Foundation, Inc. (Dr. Jaime Z. Galvez Tan, Ms. Eireen B. Villa, Mr. Pedrito B. dela Cruz and Atty. Carlo Taparan) from January to March 2002 under the auspices of the World Bank.

2 Clark, Malcolm; Alano, Bienvenido et.al., PHILIPPINES: Women's Health and Safe Motherhood Project, Logistics Report, Cranfield University, U.K., 1994.

3 The Philippine National Drug Formulary (PNDF) is a major strategy in promoting rational drug use and is a component of the Philippine National Drug Policy. The PNDF is composed of two lists, the Core Lists and the Complementary List. The drugs in the Core List include drugs that are needed by the majority of the population and should therefore be available at all times. The drugs in the Complementary List are those needed for treating rare disorders, drugs with special pharmaceutical properties and alternative drugs to be used where there is no response to the Core List drugs or when the Core List Drugs cannot be administered for one reason or another. Executive Order No. 49 operationalized this mandate and made mandatory the use of generic names by requiring the use of the PNDF which is considered as the "Essential Drug List" required by the Generics Act, as a basis for the procurement of drug products by the government. Thus, by virtue of E.O. No. 49, only drugs listed in the PNDF can be subject to procurement by the government. In instances that the drugs to be acquired by a government agency are not found in the PNDF, the executive order requires the prior approval of the National Drug Policy Office. In support of the said policy, the Philippine Health Insurance Corporation (PhilHealth) upholds the use of the PNDF as basis for the reimbursement of claims for drugs by its members under the National Health Insurance Program. Drugs and medicines not found in the PNDF are generally not subject to reimbursement. The PhilHealth maintains a Positive List that is based on the highest level of scientific or medical evidence which is submitted to the National Formulary Committee for evaluation for inclusion in the formulary. The positive list may be considered for possible reimbursement by the PhilHealth.

4 Based on the Minutes of Meeting of the Procurement Meeting dated January 17, 2002.

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