

The Naga City Case: Making the Public Procurement System Work

Below are excerpts from the speech given by Naga City Mayor Jesse M. Robredo during the PWI's Mid-year Conference, entitled, "Government Procurement: Best Practices and Reforms in the Pipeline" last August 8, 2002 at the Manila Galleria Suites. The Procurement Watch, Inc., thru its newsletter, "P.R.I.S.M. Update", 3rd Quarter 2002, originally published these excerpts. Procurement Watch, Inc. (PWI) is a non-profit, civil society organization created by a group of concerned and seasoned individuals from government, academe, the legal profession, and the private sector. It promotes transparency and accountability, as well as assist in the streamlining of procedures in government procurement procedures.

Government will always have to deal with the twin givens of a constant lack of resources, and an ever-increasing demand for services and facilities.

Over the past 14 years, Naga City has tried to address this twin predicament through: a system of partnerships with the private sector and non-government organizations; and a series of reforms within City Hall itself.

The city's procurement practices form part of the internal reforms we have been instituting within the city government.

Reductions in city procurement cost

Naga's procurement practices have resulted in significant cost reductions. A sampling of the items purchased and civil works projects bid out within this year shows the following:

- Against a government standard of P6M to P7M, a kilometer of road in Naga costs approximately P4.1M to construct (up to a P2.9M or 42% difference). Medicine procured by the city hall is 19% to 70% lower than the usual price quoted for other local government units;
- city generic medicine is, on the average, 62% lower than branded products under the DTI-PITC program. Supplies bought by the city General Service Department can be up to 33% lower than the local government standard.
- The city government was able to buy an x-ray machine at 59% less than the original quote, a bulldozer for nearly P1M less, and several dump truck for a 28% cost reduction.

There is nothing new in the way the Naga city government has been able to attain relatively lower costs for the purchase of supplies and equipment, and the construction of infrastructure projects. The rules for procurement and bidding of projects have long been laid out by the national government. Perhaps, what makes Naga different is that it has tried to ensure that **the process should work for the government.**

In trying to make the procurement system work for government, therefore, we have focused our efforts on:

- building an enabling environment, improving transparency of the procurement process, and
- encouraging the participation of qualified entities in the selection process.

Enabling environment

Building an enabling environment deals with nurturing a culture that puts value on innovativeness, accountability, adherence to standards, and honesty in government transactions.

This is first, a function of the leadership. By example, the local leadership must show its commitment to the qualities and standards it expects from government employees.

There must also be a mechanism for ensuring that the desired culture takes root within the government. At city hall, this started with the Productivity Improvement Program (PIP) in 1988. PIP is a program that aims to transform city government personnel from being process- to results-oriented. It focuses on improving and setting standards for the delivery of city services. Each office at city hall has a "Performance Pledge". This is a "contract of deliverables" specifying on office's services, persons responsible and response time. It is displayed in conspicuous areas near an office's premises. It is a document against which constituents and clients availing of services may hold an office or person accountable.

All offices need to critically look at the General Services Department's (GSD) costs for the supplies and equipment that they requisition. The main message is that we are **benchmarking city hall vis-à-vis the private sector**. The City Engineer's Office is aware that its project estimates will not be compared to similar government projects but on how much the private sector will allocate for the same project.

Improving transparency

Improving transparency of the procurement process ensures wider participation of qualified providers; and provides the city government with a control mechanism to ensure that the system works. It makes government more accountable. And it provides city hall with a feedback mechanism that can allow it to further source lower-priced goods and service providers.

We have institutionalized several measures to ensure transparency not only of the procurement process but of their outcomes, as well. Among these are:

1. Wider dissemination of notices of bids. Notices of bids are not only posted on bulletin boards or circulated in newspapers. They are also disseminated through radio and television. Furthermore, the GSD and the CEO make it a point to send notices to all accredited bidders.
2. NGO participation. In 1997, the city government took the concept of NGO participation in governance a step further. This was done through a landmark legislation known as the "Empowerment Ordinance of the City of Naga." A Naga City People's Council (NCPC) composed of all accredited business, non-government and people's organizations within the city was established. Among

other duties, the Council:

- Appoints representatives to local special bodies; observes, votes and participates in the deliberation, conceptualization, implementation and evaluation of programs, projects and activities of the city government;
- The NCPC is a highly independent body. In effect, the city government puts a watchdog over itself. Cascading down to the procurement process, it is the NCPC that selects a representative to the Pre-Qualification, Bids and Awards Committee (PBAC). This ensures that all bids are fair and transparent.

3. The i-Governance Program

The city introduced the i-Governance Program last year. It seeks to open wider avenues for stakeholdership of individuals in governing the city.

The i-Governance program demonstrates everything that the city government would like to achieve in terms of its thrust to improve transparency. In terms of the procurement process, one of its components is a web site (www.naga.gov.ph) that shows, among others:

Details about the City's budget and its finances, notices and outcomes of bids, auctions and public offerings.

By showing budget details, we hope to be able to solicit comments on how else we can reduce the costs of running government. By opening for public scrutiny the notices and outcomes of bids, we are looking forward to:

- Greater participation of service providers in the bidding process;
- Comments on costs and inputs as to where the city government can source other suppliers offering the same product or service at lower cost, and;
- Even lower bid prices in the future since the web site already provides information on the quotations of previous winning bidders.

Participation by more qualified entities

The city government cannot hope to have all the required expertise and information needed in evaluating project estimates and bids. It has, therefore, encouraged the participation of individuals and other NGOs in the various phases of the procurement process.

The Philippine Institute of Civil Engineers (PICE), for example, has a representative in the PBAC Technical Committee. He is able to provide valuable inputs as to how the private sector will undertake a civil works project. He has been instrumental in pointing out items which do not have to be included in a project estimate or program of work.

Conclusion

Our experience shows that the present government procurement system can work. However, we should not only focus on guidelines and procedures, although they have their own value. Ultimately, it is the people and institutions that can ensure that government gets the “best deal”. This requires building an environment that puts a value on service and cost standards. Good practices must be reinforced while improper ones must be exposed to public scrutiny. This is where transparency and participation become valuable.