

Factors affecting Suppliers' Refusal to Participate in Public procurement through Competitive Bidding

Gladys Jane B. Casiano¹, John Ray V. Dela Cruz², Regie E. Irineo³, Monique B. Jimenez⁴, Anjennette F. Patricio⁵, Felipe E. Balaria⁶

^{1,2,3,4}Department of Education

⁵Philippine Rice Research Institute

⁶Business Administration Department, NEUST

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Abstract— This study identified factors of the procurement process and policies that affected suppliers' decisions to refuse to participate in public procurement. The assessment of discernment is in the extent of suppliers' company profiles and the procurement process and policies based on the 2016 Revised Implementing Rules and Regulations of Republic Act 9184. The study used a descriptive research design. A simple random sampling method was used to selected participants for the study. A combination of a checklist, free and scaled response questionnaire was used to collect responses. The researchers were able to disseminate questionnaires to the suppliers of different government agencies in the vicinity of the Science City of Muñoz, Nueva Ecija. The study revealed that a huge number of the surveyed suppliers felt that participation in public procurement through a competitive bidding process would entail them with more obstacles and challenges than some alternative types of procurement. The study also found that the three most-cited factors affecting suppliers' decisions to refuse in participating: the approved budget for the contract is usually too low, the time frame for the delivery is usually too short, and the process is too long.

Keywords— Competitive bidding, policies, public procurement, RA 9184, suppliers.

I. INTRODUCTION

The Philippine government spends hundreds of billions of pesos on products and services to run the bureaucracy, complete projects, and provide services to its people, from paper and pens, chairs, and tables, to mobility items, IT systems, security contracts, and even the needs for combating the ongoing COVID19 pandemic, including vaccines and personal protective equipment. According to the World Bank, for the past four years, an average of P121 billion worth of infrastructure, equipment, materials, supplies, and services were procured each year, which accounts for 15% of the country's annual budget and all passes through government procurement processes, making procurement markets a unique pool of business opportunities for the private sector.

The Philippine government procurement system is being guided by Republic Act 9184 and its Implementing Rules and Regulations (IRR), otherwise known as the Government Procurement Reform Act (GPRA) of 2003. In recent years, the government has introduced several measures to reform procurement to respond to the long-standing failings in public procurement in the Philippines, including a lack of transparency and competition.

Competitiveness is one of the governing principles of government procurement, which is stated in the revised 2016 IRR of RA 9184. Both the GPRA and the IRR stipulate open competitive bidding, also known as public bidding, as the standard method of public procurement, while the IRR also states that the bids and awards committees shall evaluate all bids on an equal footing to ensure fair and competitive bid comparison. A competitive bidding process treats bidders equitably and provides

fairgrounds for competition among themselves, thus encouraging more bidder participation.

The high number of participating bidders in public procurement is important because it allows competition among proponents to urge them to offer more beneficial terms to the government. At the 2017 forum entitled "Market Procurement Opportunities Summit," Atty. Dennis Santiago, the former Executive Director of GPPB-TSO, mentioned that the zealous participation of the private sector in public bidding ensures that the government gets value for its money. However, in the focus group discussion results conducted in 2014 for the different government agencies by the Government Procurement Policy Board (GPPB), the governing body for all public procurement, it is found that low numbers of participating bidders contribute to the causes of delays in procurement, which can result in further losses on the part of the government.

Specifically, the study was intended to:

- a). Describe the existing government procurement process and policies, specifically through competitive bidding method
- b). Describe the suppliers' profile and perceptions in participating in competitive bidding.
- c). Identify the specific attributes in the existing procurement process that most affect suppliers' decisions to refuse to participate in competitive bidding.

II. METHODOLOGY

A descriptive research design was used for this study to describe the situation systematically. A combination of a checklist, free and scaled response questionnaire were used by the researcher to collect responses. According to Dr. Y.P. Aggarwal (2008) as cited by Salaria (2012) "descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. This type of research design is not simply amassing and tabulating facts but includes proper analyses, interpretation, comparisons, identification of trends and relationships" (Garcia, et al, 2019). And for this study, a simple random sampling was used to select respondents, who are the suppliers. "In a simple random sampling, every member of the population has an equal chance of being selected as respondents" (McCombes, 2019). The researchers were able to disseminate questionnaires to the suppliers of different government agencies in the vicinity of the Science City of Muñoz, Nueva Ecija.

III. RESULTS AND DISCUSSION

3.1 The existing procurement process and policies through the competitive bidding method

Competitive bidding is one of the several methods in conducting public procurement. In Article IV Sec. 10 of Republic Act No. (R.A.) 9184, it is stated that all procurement shall be done through competitive bidding, except as provided for in Article XVI of this Act. Competitive bidding refers to a method that is open to participation by any interested party and which consists of the following processes: pre-procurement conference, advertisement, pre-bid conference, receipt and opening of bids, evaluation of bids, post-qualification, and award of contract. Prior to the advertisement or the issuance of the Invitation to Bid/Request for Expression of Interest for each procurement undertaken through competitive bidding, the Bids and Awards Committee (BAC), through its secretariat, will call for a pre-procurement conference. During the pre-procurement conference, the participants, led by BAC, confirm the description and scope of the contract, the approved budget for the contract, and the contract duration. After the pre-procurement conference is done, the next step is the advertisement. Procuring entities are mandated to post their bid opportunities on the PhilGEPS website, the procuring entity's website, and in any conspicuous place of the procuring entity concerned. Seven (7) calendar days from the PhilGEPS posting of the Invitation to Bid or Bidding Documents, the pre-bid conference will be held. In the pre-bid conference, it discusses, clarifies, and explains, among other things, the eligibility requirements and the technical and financial components of the contract to be bid, including questions and clarifications raised by the prospective bidders before and during the pre-bid conference. Twelve (12) calendar days after the pre-bid conference, the submission and opening of bids are next. Bidders shall submit their bids through their duly authorized representative using the forms specified in the bidding documents in two (2) separate sealed bid envelopes. The first envelope shall contain the following technical information/documents, at the least: PhilGEPS Certificate of Registration and membership; Statement of all Ongoing Government and Private Contracts; Statement of Single Largest Completed Contract, Net Financial Contracting Capacity; Computation or committed Line of Credit; JVA or the Duly Notarized Statement (if applicable), Bid security in the prescribed form, amount, and validity period; Technical Specifications, which may include production/delivery schedule, manpower requirements, and/or after-sales service/parts, if applicable and Omnibus Sworn Statement. The second envelope shall contain the financial information/documents as specified in the

Philippine Bidding Documents. All bids shall be accompanied by a bid security, payable to the procuring entity concerned, as a guarantee that the successful bidder shall, within ten (10) calendar days from receipt of the notice of award, enter into a contract with the procuring entity and furnish the performance security required in Section 39 of IRR. After the deadline for the submission and receipt of bids, the BAC shall open the bids immediately. The time, date, and place of the opening of bids shall be specified in the Bidding Documents. The BAC shall open the first bid envelopes in public to determine each bidder's compliance with the documents required to be submitted for eligibility and for the technical requirements. For this purpose, the BAC shall check the submitted documents of each bidder against a checklist of required documents to ascertain if they are all present, using a non-discretionary "pass/fail" criterion, as stated in the Instructions to Bidders. If a bidder submits the required document, it shall be rated "passed" for that particular requirement. In this regard, bids that fail to include any requirement or are incomplete or patently insufficient shall be considered as "failed." Otherwise, the BAC shall rate the said first bid envelope as "passed." The Lowest Calculated Bid ("LCB")/Highest Rated Bid ("HRB") shall undergo post-qualification in order to determine whether the bidder concerned complies with and is responsive to all the requirements and conditions as specified in the Bidding Documents. The BAC will recommend to the Head of the Procuring Entity the award of contract to the bidder with the LCRB/HRRB or the Single Calculated/Rated Responsive Bid after the post-qualification process has been completed. Notwithstanding the issuance of the Notice of Award, the award of the contract will be subject to the posting of performance security in accordance with Section 39 of IRR. (2016 Revised IRR of RA9184). And for the overall operational timeline, the recommended earliest possible time is 24 days, and the maximum period allowed is 119 days.

3.2 Suppliers' perception of the existing procurement process, specifically of the competitive bidding method. Procurement process attributes that affect a supplier's decision to participate in public bidding.

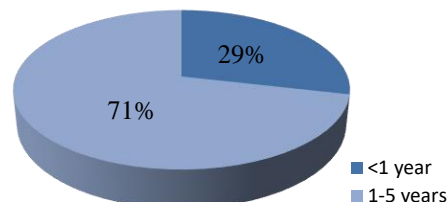


Fig1. Suppliers years selling to government

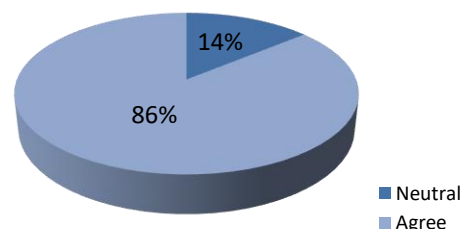


Fig.2. Suppliers' perception of how competitive bidding gives them more difficulties and challenges

Figure 1 reflects that 71% of the total surveyed suppliers were selling to the government for 1–5 years, while 29% of them were for less than a year. From the total number of suppliers who have been selling for 1-5 years, 86% of them (shown in Figure 2) agreed that participating in public procurement through competitive bidding gives them more difficulties and challenges (Abelardo, et al, 2019) compared to the other modes of procurement.

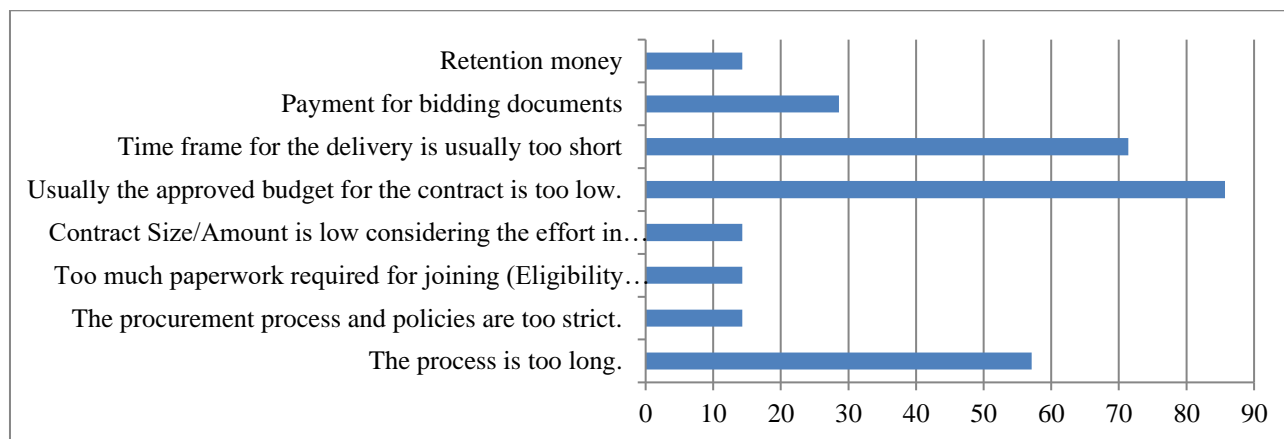


Fig.3. Attributes in the competitive bidding process and policies.

Figure 3 shows the attributes in the competitive bidding process and policies that got the highest percentage in affecting suppliers' decisions to refuse to participate. From the total number of suppliers who have been selling to the government for 1–5 years and who also agree that participating in competitive bidding causes more difficulties. It can be noted that the 3 attributes that got the highest percentage were the following: approved budget for the contract is too low (85%), the time frame for the delivery is usually too short (71%), and the overall process is too long (57%).

IV. CONCLUSIONS AND RECOMMENDATIONS

Based on the data gathered, it is found that the majority of suppliers who have already been selling to the government for 1–5 years agree that participating in public procurement through competitive bidding gives them more difficulties and challenges, which can be the general factors for their refusal. The study also found that the refusal of suppliers to participate in public bidding was specifically on the matters of the budget of the contract, time frame of the delivery, and overall processing time. Based on the process of competitive bidding, the approved budget for the contract and the time frame for the delivery are being discussed and confirmed in the stage of the pre-procurement conference. Therefore, it is suggested that prior to pre-procurement, procuring entities should undertake extensive market research regarding the prevailing price of the goods and services to be procured and should maintain a price database. For the time frame for the delivery period, the procuring entity must strengthen the procurement planning in order to determine when goods and services should really be delivered in order to avoid passing the burden on suppliers to deliver the goods and services in a shorter period of time. Procurement through the competitive bidding method is still a longer process compared to other modes of procurement, hence the governing body for all procurement methods should continue its ongoing revision of the process, specifically in the time frame for the conduct in competitive bidding.

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