

**FAIR COMPETITION, TRANSPARENCY AND
PROCUREMENT:
ATTRACTING EU INVESTMENT TO THE PHILIPPINES**

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Remarks by Ambassador Guy Ledoux, Delegation of the European Union to the Philippines

Honourable Secretary Butch Abad, Department of Budget Management, Honourable Senator Ralph Recto, Representative Mel Sarmiento, Honourable Guests...

It is a great pleasure to be with you here this morning for this event on public procurement. This is the third event the EU co-organises with the Friedrich Naumann Foundation on economic topics.

Why did we choose this time the topic of public procurement?

First we start from the observation that while global markets are becoming more and more integrated, procurement markets are still lagging behind in this process. But around the world governments have started to understand the importance of government procurement markets and the benefits that could come from undertaking procurement reforms.

Second, we observe that in most countries the public sector remains by far the biggest buyer in the economy.

In economic terms, public procurement makes up a significant part of national economies (10-25% of GDP). In the EU, it corresponds to 19% of GDP or some € 2,4 trillion while globally this amount is well over US\$ 6 trillion.

In terms of benefits, a major gain from an open public procurement system is what we would refer to as "better value for money" or the ability of the authorities to successfully acquire goods, works or services on the best possible terms. Studies in the EU have shown that an open public procurement policy can save up to 30% of taxpayers' money.

A third aspect is the benefit an open procurement system can bring in terms fighting corruption. Studies have shown that corruption can increase costs by as much as 25 to 50%.

How can these benefits be achieved?

The most important principles of regulatory systems in public procurement are:

- 1. Transparency;**
- 2. Competition;**

3. Equal treatment and non-discrimination.

A transparent tendering process ensures that information about the procurement regime and individual procurement opportunities are made available to all interested parties.

Transparency is instrumental to ensure a fair competition among tenderers, thus guaranteeing an equitable access to public contracts. It also helps to increase accountability in how public authorities spend tax money and thus, ultimately, to improving anti-corruption policies and governance – one of the key priorities of this government.

Second, competition through competitive tendering ensures a level playing field, offering all competitors equal chances and access to the same information. This also creates incentives for companies to become more competitive and to look for opportunities in other markets.

Finally equal treatment encourages companies to have confidence in the process and thus encourages the best firms to participate in the procedure

Another important aspect of the public procurement regulatory system is the rules applicable to Public Private Partnership projects and the opportunities that can be created

through the cooperation between the authorities and the private investor. Public Private Partnerships should in fact be seen as a tool to support the government efforts to improve infrastructure developments. PPPs set up can be innovative ways to deliver complex public infrastructures in a more efficient manner.

The Philippines has an ambitious infrastructure agenda, aiming to double infrastructure spending from some 2% of GDP currently to 5% of GDP by 2016 (around €10 billion). In addition, the current administration has awarded 9 Public Private Partnership projects worth over P128 billion (€2.5 billion) since 2010 - the highest number and amount recorded since 1992. Another 6 projects worth P190 billion (€4 billion) are ongoing

I am looking forward seeing European companies delivering a constructive and competitive contribution to these projects – especially following the encouragement of President Aquino, during his Europe visit in September, seeking European companies to come and invest in the Philippines, through PPP or otherwise. The EU wants to deliver on that.

So what can the Philippines do to facilitate this?

First, The Philippines has made progress in terms of attracting FDI. Inward FDI stocks increased from €10 billion in 2004, to €25 billion in 2013. I am proud that most of the investment stocks in the Philippines have its origin in the EU, but admittedly, this is only a fraction of the over €200 billion FDI that European companies invest every year around the world!

However, some of these companies are reluctant due to problems industry faces with procurement: companies encounter problems with tendering and bidding processes that seem to work against foreign bidders. Problems include short timeframes between publication of tenders and bid submissions which do not allow foreign bidders to complete all the formal requirements, for instance the certification of eligibility and translation of documents. In addition, complex formal requirements such as certifications and business licensing and disclosure requirements that include details of similar contracts performed in other countries or details on prices are deterrents for participating in tenders.

For the Philippines to get a much larger share of EU investments, the following could be considered:

1. By joining the Government Procurement Agreement as an Observer, the government can show its engagement towards transparency, non-discrimination and international

competition and benchmark its own policies against international ones.

2. By improving the legal framework for foreign bidders by allowing foreign companies to bid at a more equal footing. A procurement market open to foreign bidders is a key asset to significantly upgrade the level of competition and ensure better value for money. One way to facilitate this is to include all 28 EU Member States in the 'reciprocity' list envisaged in the Government Procurement Reform Act.

3. By implementing Secretary Singson's ambition and the Government Public Procurement Board resolution to liberalise foreign bids for infrastructure project above PHP 1 billion is welcomed and it would be useful to understand how this would work in practice. In addition, bringing down that threshold would benefit the government even more – allowing more competition also for smaller projects.

In addition, the government could facilitate companies by implementing the so-called Apostille Convention. This would do away with the burdensome requirements for legalising documents. The recent decision to further modernise the PhilGEPs, the government's e-procurement platform is also encouraging. According to the procurement law, all public tenders (whether at the national or local government level)

must pass through the PhilGEPS system. This has helped to ensure the accessibility and transparency of the procurement process. PhilGEPS now includes almost 24,000 government agencies and has provided over 550,000 opportunities but was not known for its 'user-friendliness'. The recent decision to update the tool by 2016 is encouraging, as the increase of functionality of the system will further reduce procurement costs, provide audit trails and make available online services such as e-bidding and e-payment.

Let me conclude:

This task that has just been outlined is certainly an ambitious one. However, I am encouraged by the willingness of the current administration to pass economic reform bills and to create a more conducive regulatory environment for foreign investment. We note in particular that reforms to the BOT Law and the GPRA rank high the list of the priority bills.

My wish is that more European companies will find their way to the Philippines to contribute to help create jobs and added value to your economy.

Thank you.