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FACTORS AFFECTING THE LEAD TIME IN ELECTRONIC PROCUREMENT SYSTEM FOR THE ARMED FORCES OF THE PHILIPPINES

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Chapter 1.0

Introduction of the Study

President Gloria Macapagal Arroyo in her State of the Nation Address delivered at the opening of the 1st Regular Session of the 12th Congress, House of Representatives, Batasang Pambansa, Quezon City July 23, 2001 stated that:

> "To reduce RED TAPE in the national government, within 12 months, all government agencies will implement measures to cut in half the number of signatures required for their service. . . If Legislation is required to effect this efficiency, the agencies concerned will draft appropriate bills for my endorsement to Congress."
>
> "I ask Congress to enact laws to address Internet privacy and security, allow for multimedia convergence, and create a Department of Telecommunications and Information Technology."

President Arroyo's statement indeed has a great impact on the promotion of faster and efficient transaction in government and private sector, as well as recognition on the role of Information Technology in our advancement as a nation. Information Technology (IT) increasingly widens as doors of opportunities are continuously being opened. The Philippines and the rest of the world will have to change its way of doing business and governance as E-commerce particularly the modes of electronic procurement developments diversifies.

With the IT skills that our younger generation possesses, supported by government initiative, enactment of laws, executive orders and supreme court rulings, the Philippines has all the potential to be an active player in the digital domain. Joint

government and private sector groups such as the Information Technology and Electronic Commerce Council (ITECC) are unified in pushing for the development of e-commerce in the Philippines. This combination is seen as an important driving force that could fuel the country's economic growth and development. We know that to integrate technology in government, there is a need for technology transfer from more advanced sectors such as business, this why the government has been positioning the country to serve as host to various service-oriented businesses particularly in the IT and related industries.

The government is continuously updating its future plans, Internet Strategy of the Philippines and Medium Term Development Plan (MTDP), will set clear directions to develop and accelerate the use of IT. "As of 2001, there are around 250 government agencies connected to the Internet and majority with websites offering information and services to the general public".[1]

[1]Janette Toral. Philippines Responding to the Challenge of the Digitized Society, (Taipei Taiwan: APEC Digital Divide forum, July 27, 2001)

1.1 Government Initiatives Related to E-Procurement and E-Commerce

There are already initiatives in government in the application of e-commerce and are also relative to the electronic procurement. Some of them are:

Department of Budget and Management's Electronic Procurement System [2]– Due to the deadline set by the E-Commerce Law, by June of 2002, all government agencies must go online, agencies must also use the internet in their procurement transactions. The DBM is on top of all government procurements and they have already launched the first phase of procurement by requiring national agencies to post bids over the DBM website. Their Internet-based 24-hour procurement system allows government agencies, state colleges and universities, government owned or controlled corporations, and local government units to post bid notices and get responses from accredited suppliers.

GTEBNet[3]- Garments and Textile Export Board's electronic network is intended to serve more than 1500 garment exporters to issue clearances garment and textile industries for export.

SSSNet[4]- Social Security System's electronic network uses the EDI in allowing companies to submit electronic monthly contribution lists, payment orders, credit/debit advice notices, they also use the Electronic Fund Transfer in bank to bank transaction between the Employer Bank and the SSS Depository Bank. To better serve the

[2] http://www.procurementservice.org/
[3] http://www.dti.gov.ph/gteb
[4] http://www.sss.gov.ph/other/othe4001.htm

consumers, SSSNet utilize the interactive voice response system that allows its members ask updates on their contributions, this is one way of extending customer services to distant members.

Bureau Of Customs EDI Gateway and Super Green Lane- Companies can transact with the BOC through remote computer workstations and make a shipping declaration the latter's electronic network. The Super Green Lane intends to provide the top importers ship to truck release of goods.

PROgress Bonds[5]- Being one form of sure investment, these are government securities issued by the Republic of the Philippines, they are five year bonds with a fixed coupon of 13.875% p.a. payable quarterly. Application forms are downloadable from the web and can be submitted to the linked underwriters.

E-Census[6]- Gone are the days that NSO files need to be applied to the NSO main office. Recently, NSO has decentralized access to personal files in selected cities. Its website and call center allow Filipinos to request for birth, marriage, no-marriage, and death certificate electronically.

The Bureau of Internal Revenue's Electronic Filing and Payment System[7]- Last year, there were plans for the taxpayers to avoid the rush and long waiting when filing their Income Tax Returns. E-Filing system was supposed to provide an alternative to

[5] http://www.progressbonds.com/
[6] http://www.e-census.com.ph/
[7] http://www.bir.gov.ph/rr_2001.html

ordinary taxpayer to file returns and pay taxes online. Early this year, or in the month of February, 2002, "the agency said it is preparing a revenue regulation as well as a bill in Congress that will do away with the filing of tax returns for pure compensation earners"[8]- meaning, E-filing system will be limited to large firms in the future.

E-Agriculture- The Department of Agriculture is currently doing an e-commerce information drive to farmers. A farmer can post products to be sold at B2BpriceNow.com[9] at the same time, buyers can choose the cheapest and nearest location on his choice of agricultural products.

Online IT, Investment, and Outsourcing Help Desk[10]- The Department of Trade and Industry (DTI) recently launched its to assist various queries on the IT status of the country. RA 8792 or the E-commerce Act mandates the DTI to be the implementing agency of the new RA.

On the private sector side, Filipinos now have the capability to do e-commerce such as:

E-Banking- Depositors of selected banks are now allowed to create virtual accounts, manage and transfer funds through the web or through cellular phone using technologies such as wireless application protocol (WAP).

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[8] Melvin G Calimag, " Philippines' Tax Bureau Says E-Filing Limited to Large Firms", Metropolitan Computer Times, 13 February: 2002, p2
[9] http://www.b2bpricenow.com/
[10] http://www.ithelpdesk.ph/

E-Learning- Some of the universities now include online classes as part of the curriculum. This includes De La Salle University- Dasmariñas' Techno-MBA, 2StudyIT.com and University of the Philippines Open University.

E-Trading- Supermarkets like SuperValue, Makro uses EDI and Electronic Fund Transfer in dealing with their respective business partners.

1.2 Background of the Study

Prior to implementation of the Computer Aided Procurement System (CAPS), procurement in the AFP has been made through manual procedures, meaning concerned offices involved in the procurement process may have computers, however they are used for typing and printing purposes only. For a single procurement to be completed, it has to pass through at least twenty offices within the General Headquarters of the AFP and the Department of National Defense. This would certainly require a lot of time and cost for both the supplier and the Armed Forces as well.

CAPS is an implementation of the E-Commerce Law which has allowed or recognized the legality/admissibility of electronic documents as instruments for trade and commerce. It is a Web-enabled system that enhances the procurement process in the AFP where bidding and other related activities are done electronically. The system, which allows Web publication of bid requirements aside from the publication in a circulation of national circulation, has enhanced the bidding process through

automation of the procedures which does not involve discretion. The system is perceived to enhance efficiency in government procurement.[11]

This initiative is a defense-wide project conceptualized and spearheaded by Secretary Orlando S Mercado, the Secretary of National Defense, to promote transparency and as a supplement to the Modernization Program. With the support of the AFP Chief of Staff, General Angelo T Reyes and the supervision of the Deputy Chief of Staff for Communications, Electronics and Information Systems, Brigadier General Amado H De Mata, and the Project Manager, Colonel Roberto L Ricalde, this project can render faster bid processing and secured bid transactions.[12] According to Col. Roberto L Ricalde, then Assistant Deputy Chief of Staff for Communications, Electronics and Information Systems, J11, "CAPS not only shortens time but also minimizes some costs"[13].

[11] http://www.armedforces.mil.ph/oj11/caps.html
[12] ibid.
[13] Marilyn R. Antonio. CAPS: Changing Direction in Military Procurement, INFONET Vol. 8 Nr 3 Jul-Dec 2000 Issue. National Computer Center, Diliman Q.C., p29

1.3 Legal Basis of Conducting E-Procurement

Executive Order No. 302 Series of 1996- "Providing Policies, Guidelines, Rules and Regulations for the Procurement of Goods/Supplies by the National Government" [14]

Republic Act 8792 (Electronic Commerce Act of 2000) - "An Act Providing for the Electronic Recognition and use of Electronic Commercial and Non-Commercial Transactions, Penalties for Unlawful Use Thereof, and Other Purposes" [15]- According to Atty. Jesus Dessini, one of the co-authors for the Implementing Rules and Regulations (IRR) of the E-Commerce Law, "The Act traces roots from the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce and Singapore's Electronic Transaction Act". The law provides: 1) legal recognition of electronic documents, electronic data messages, and electronic signatures; 2) guidelines for retention and storage of documents in electronic form; 3) recognition and validity of electronic contracts; 4) guidelines for use of transport documents in carriage of goods; 5) a 2-year mandate for government to have the capability to transact its business electronically; 6) the directive for the Department of Trade and Industry to function as the country's e-commerce authority; 7) the penalties to crimes such as hacking, cracking, and piracy offenses.

[14] http://www.lawphil.net/executive/execord/eo1996/eo_302_1996.html
[15] http://www.digitalfilipino.com/content.asp?FileName=\legal\ra8792.ini

Implementing Rules and Regulations (IRR) of the "Electronic Commerce Act"[16]- After approval of E-commerce Law on 14 June 2000, IRR was formulated by the Interagency Task Force co-chaired by the Department of Trade and Industry (DTI), Department of Budget and Management (DBM) and the Bangko Sentral ng Pilipinas (BSP). There were other representatives from both government and the private sectors of science and technology, transportation and communication, taxation, legal, and other related agencies. Among the important provisions were recognition on the authority of the DTI and other participating agencies, the role of both government and private sectors, legal recognition of Electronic Data Messages and Electronic Documents, legal recognition of Electronic Signatures and Modes of Authenticating Electronic Documents among other provisions.

Executive Order No. 262 Series of 2000 – "Amending Executive Order No. 302, Series of 1996, entitled "Providing Policies, Guidelines, Rules and Regulations for the Procurement of Goods/Supplies by the National Government" and Section 3 of Executive Order No. 201, Series of 2000, entitled, " Providing Additional Policies and Guidelines in the Procurement of Goods and Supplies by the National Government". [17]

Implementing Rules and Regulations of Executive Order No. 262 Series of 2000- After its publication on the Official Gazette, Republic of the Philippines last

[16] http:// www.neda.gov.ph/PressReleases/MoreNews/IRR.htm
[17] http://www.procurementservice.net/English/AboutEPS/AB_EO262.asp

November 27, 2000, this has been the basis for conducting procurements within the AFP to date.[18]

Executive Order No. 322 Series of 2000- "Requiring All National Government Agencies, Instrumentalities and Government-Owned and/or Controlled Corporations to participate in the Electronic Procurement System"

Rules on Electronic Evidence[19]*- A.M. NO. 01-7-01-SC, Supreme Court of the Philippines En Banc Resolution"*- The Congress abandoned the provisions on digital signatures and regulation of certification authorities to avoid delay in the passage of the E-commerce Act. To clarify the admissibility of Electronic Signatures, the Supreme Court formulated these rules.

Implementing Rules and Regulation on Electronic Authentication and Signatures[20]- Co sponsored by two departments of government namely: the Department of Trade and Industry and the Department of Science and Technology, this IRR was approved last September 28, 2001.

Executive Order No. 40 Series of 2001[21]- "Consolidating Rules and Procedures for All Government Agencies, Government-Owned or Controlled Corporations and

[18] http://www.procurementservice.net/English/AboutEPS/AB_EO262_implement.Asp
[19] http://www.supremecourt.gov.ph/ecommerce.htm
[20] http://216.185.141.192/content.asp?FileName=\legal\e-authentication.ini
[21] http://202.8.237.185:81/new_search/all_frame.htm

Government Financial Institutions and Requiring the Use of Government Electronic Procurement System" Signed by the president last October 8 2001, this is the latest of the EO's concerning e-procurement issued under the Arroyo administration.

IRR to Executive Order No. 40[22]- published at the Official Gazette, Republic of the Philippines on the first week of March 2002, this will serve as the basis of all procurement in government departments and attached agencies.

1.4 Evolution of CAPS 2000

Table 1 shows the historic events on the development of the Computer Aided Procurement System. [23]

[22] http://202.8.237.185:81/new_search/admin/eo_40_irr.htm
[23] Manuelito JB Velasco. Computer Aided Procurement System: A Project Proposal (A Powerpoint Presentation to the Senate)(Quezon City: Office of the Deputy Chief of Staff for Communications and Electronics, J11, AFP, October, 2001), slides 5-6