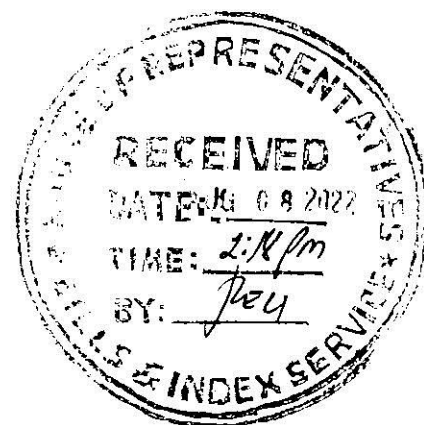


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL No. 3270



Introduced by
ACT Teachers Party-List Rep. FRANCE L. CASTRO,
GABRIELA Women's Party Rep. ARLENE D. BROSAS,
and **KABATAAN Party-List Rep. RAOUL DANNIEL A. MANUEL**

AN ACT
ABOLISHING THE PROCUREMENT SERVICE-DEPARTMENT OF
BUDGET AND MANAGEMENT, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Procurement Service-Department of Budget and Management (PS-DBM) acts as a procurement arm of other government agencies for common-use supplies, equipment, and infrastructure projects. It was created through Letter of Instruction (LOI) 755 dated October 18, 1978, which directed the establishment of an integrated procurement system for the national government and its instrumentalities. On July 28, 1987 the President issued Executive Order 285 reiterating the mandate of LOI 755 by abolishing the General Services Administration and transferring the procurement and price monitoring functions of the Supply Coordination Office to the PS-DBM. Subsequently, on June 02, 1989, the President issued Executive Order 359 which prescribed the systematic expansion of the PS-DBM through a network of regional depots under a governing Procurement Policy Board.

Amid the coronavirus disease 2019 (COVID-19) pandemic, the representatives of the Bayan Muna Party-List along with the rest of the Makabayan, as well as other lawmakers, questioned the Department of Health's transfer to the PS-DBM of COVID-19 funds amounting to ₱42 billion for the procurement of face shields, face masks, personal protective equipment (PPE), medicines, and other health and medical supplies.

According to its 2020 annual audit reports, the Commission on Audit (COA) revealed that there are slow-moving COVID-19 items totaling ₱95.455 million. With the onset of COVID-19 pandemic, there is a high demand and limited supply of surgical

face masks and face shields the prices of which have risen. Such scarcity prompted the PS-DBM to procure surgical face masks and face shields in bulk orders. However, due to failure to deliver to concerned government instrumentalities when the prices are still high, the PS-DBM could not resell such items at the same price level. These unsold 2.7 million surgical face masks could have been used to address the shortage of personal protective equipment especially among health workers if procured not for profit.

The COA in 2021 also reported that the PS-DBM granted unmeritorious requests for extension of the delivery of PPE and mechanical ventilators, and issued purchasing orders late. This resulted in non-incurrence of delivery delays and non-imposition of liquidated damages amounting to ₱52.359 million, which defeated the purpose of Negotiated Procurement-Emergency Cases under Republic Act 11469. The PS-DBM and the suppliers are well aware that the items procured by the government are for its urgent COVID-19 response but the PS-DBM still granted extensions up to 74 days. During the exit conference, the PS-DBM asserted that the reasons of the suppliers are meritorious and did not warrant the imposition of liquidated damages.

Moreover, in 2021, the DOH also requested to include COVID-19 vaccines in the list of common-use supplies and equipment to be procured by the PS-DBM. Despite the request being denied due to lack of on the part limitations PS-DBM of personnel, storage equipment, and technical expertise, the mere fact that the DOH attempted to pass its responsibilities to the PS-DBM instead of utilizing its own Bids and Awards Committee, especially amid a health crisis, reeks negligence and inefficiency.

The PS-DBM was repeatedly flagged by state auditors for COVID-related and non-COVID-related transactions in other agencies such as the Department of Education—to which it owed ₱5.5 billion per the 2020 audit report, Bureau of Fire Protection, and Armed Forces of the Philippines, to name a few. Throughout its existence, the PS-DBM has been made into a personal shopper, grocery reseller, or sometimes travel agency of sorts (like when the Department of Energy and Energy Regulatory Board admitted to buying plane tickets from the PS-DBM).

The directive of the 1987 Constitution to maintain honesty, integrity, and transparency in public service and the Republic Act 9184, or the “Government Procurement Reform Act,” which mandates all procurement entities to establish a single Bids and Awards Committee, have made the PS-DBM archaic and irrelevant. Worse, it became a breeding ground for graft, corruption, inefficiency, and negligence of the duties of other government agencies. Thus, this Bill seeks to abolish the Procurement Service-Department of Budget and Management.

This Bill was first filed in the 18th Congress by Bayan Muna Reps. Carlos Zarate, Ferdinand Gaitan, and Eufemia Cullamat, ACT Teachers Rep. France Castro, Gabriela Women’s Party Rep. Arlene Brosas, and Kabataan Party-List Rep. Sarah Elago as House Bill 10264.

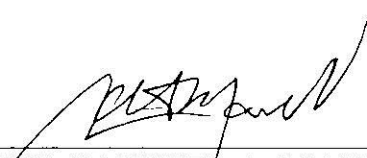
Thus, approval of this Bill is earnestly sought.



Rep. FRANCE L. CASTRO
ACT Teachers Party-List



Rep. ARLENE D. BROSAS
GABRIELA Women's Party



Rep. RAQUL DANNIEL A. MANUEL
KABATAAN Party-List

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AN ACT
ABOLISHING THE PROCUREMENT SERVICE-DEPARTMENT OF
BUDGET AND MANAGEMENT, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Republic of the Philippines in Congress assembled:

SECTION 1. *Declaration of Policy* – It is the policy of the State to maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption.

SEC. 2. *Abolition of the Procurement Service – Budget and Management.* – The Department of Budget and Management-Procurement Service (PS-DBM) created under Letter of Instruction No. 755 shall be abolished.

In lieu of the abolition of the PS-DBM, the respective Departments, Agencies, Government-Owned and/or -Controlled Corporations (GOCCs), State Universities and Colleges (SUCs), and Local Government Units (LGUs) shall, thereafter, undertake the procurement of common-use supplies, materials and equipment.

SEC. 3. *Separation and Retirement from Service.* – Employees affected by the abolition of the PS-DBM shall receive separation benefits under the Government Reorganization Law and other existing laws, rules, and regulations: *Provided*, That those who are qualified to retire and receive retirement benefits shall be allowed to retire under existing laws, rules, and regulations.

SEC. 4. *Reversion of Funds.* – In coordination with the concerned Departments,

Agencies, GOCCs, SUCs, and LGUs. all prior years' and current year's advances for the purchase of supplies, materials, and equipment not available in the PS-DBM inventory shall be reverted to the National Treasury.

SEC. 5. *Transition Period.* – One (1) year upon the effectivity of this Act, the PS-DBM, in coordination and under direct supervision of the Department of Budget and Management (DBM), shall undertake an inventory of all supplies, materials, and equipment under their custody for use of the different Departments, Agencies, GOCCs, SUCs, and LGUs. The PS-DBM shall continue to service the requirements for common-use supplies, materials, and equipment until the inventories of such are fully consumed: *Provided*, That no additional procurement shall be undertaken by the PS-DBM.

SEC. 6. *Special Audit.* - The Commission on Audit shall conduct an updated special audit on the transactions of PS-DBM and submit to the House Committee on Good Government and Public Accountability and the Senate Accountability of Public Officers and Investigations (Blue Ribbon) their findings, observations, and recommendations within thirty days from the completion thereof. Based on the special audit, the COA shall likewise recommend to the Ombudsman the filing of administrative and criminal cases against all responsible public officers and employees as well as private individuals and businesses.

SEC. 7. *Repealing Clause.* – All laws, decrees, executive orders, rules or regulations and other issuances, or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed or amended accordingly.

SEC. 8. *Separability Clause.* – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

SEC. 9. *Effectivity.* – This law shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,