



## **JOINT STATEMENT ON THE PROPOSED NEW GOVERNMENT PROCUREMENT ACT**

We, the undersigned organizations, call on Congress to revisit the domestic preference requirement in the proposed New Government Procurement Act under Senate Bill No. 2593 (SB 2593).

SB 2593 seeks to promote competitiveness in the government procurement process by ensuring equal opportunity for all eligible and qualified suppliers, manufacturers, distributors, contractors, consultants, and service providers.

However, the domestic preference requirement in SB 2593 may inadvertently weaken the administration's goal of fostering competition among potential suppliers of goods and services needed by government agencies and the public.

The bill requires the government to give priority and preference to Philippine products and services and to guarantee such preference at all levels of the government procurement process. The requirement is wide-ranging and covers procuring entities in the national government, state universities and colleges, government-owned and/or -controlled corporations, government financial institutions, and local government units. If the bid of a domestic bidder is higher than the lowest foreign bidder but within a 25% margin, the domestic bidder wins.

### **This poses a challenge for several reasons:**

1. Policies that signal preferential treatment dampen the interest of potential suppliers. This limits the diversity of the pool of competitors from which the government can even select the best value-for-money option – one that balances quality, performance, sustainability, and cost.
2. The administration's thrust toward whole-of-government digitalization means accessing innovative and secure solutions from technology-forward companies that can provide solutions at scale. Preferential treatment limits the government's choices.



3. Supply chains are becoming increasingly complex, and assessing whether or not a product or service can be considered “local” or “domestic” may not be a straightforward process. If a Filipino supplier forms part of a foreign provider’s supply chain but is not necessarily the dominant player in that relationship, the domestic preference rule works against the Filipino supplier in such a case.

4. The bill, if passed into law, hampers the development of globally competitive state-owned defense industries and other industries as well since state-owned enterprises will be forced to purchase from Filipino-owned firms with higher prices.

5. Domestic preference at higher prices goes against the principles of fiscal prudence and consolidation.

The government has already taken several steps forward in positioning the Philippines as an attractive destination for foreign investment through landmark policies such as the amendments to the Public Service Act, the Foreign Investment Act, and the Retail Trade Liberalization Act. An overly rigid focus on domestic preference in government procurement sets the country two steps back.

We therefore call on Congress to reconsider the domestic preference provision in SB 2593.

Approved:

Foundation for Economic Freedom (FEF)  
Japanese Chamber of Commerce and Industry – Philippines (JCCIP)  
American Chamber of Commerce of the Philippines (AmCham Philippines)  
Korean Chamber of Commerce Philippines (KCCP)  
European Chamber of Commerce of the Philippines (ECCP)  
Makati Business Club (MBC)

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