

ANTI-BID RIGGING

BID RIGGING SCREENING TOOL

ABOUT THE TOOL

The **Bid Rigging Screening Tool** (“Screening Tool”) is a software tool currently being developed by the Enforcement Office of the Philippine Competition Commission (PCC). Said tool provides a pro-active approach in detecting potential bid rigging activities, which are prohibited under Section 14(a)(2) of Republic Act No. 10667 or the Philippine Competition Act (PCA).

Bid rigging occurs when competitors, instead of competing, coordinate their actions to manipulate the outcome of a bidding process to their benefit. It can undermine both government procurement and biddings held by private businesses, depriving them of better value for money. Ultimately, the higher costs are passed on to consumers. Collusion among competitors in both public procurement and private biddings have been seen to raise prices by as much as 30%.

Detecting and stopping bid rigging activities will be beneficial to government agencies, private businesses, and consumers at large.

The Screening Tool tests procurement data from government agencies against certain criteria to detect potential bid rigging activities. It is currently divided into two (2) parts—(1) the Input Tool and the (2) Screening Tool Proper. The Input Tool shall initially be provided to government agencies to collect the data, which will then generate results in the Screening Tool Proper with PCC.

In the future, the PCC hopes to make the tool available to the public, particularly to private companies and their procurement offices, to assist in their own detection of anomalies in corporate biddings. The PCC believes that success in the detection and prosecution of anti-competitive practices require joint efforts with the public, who will most benefit in the efficient use of both public and private funds.

INPUT TOOL

Who collects. The Input Tool shall be initially provided to auditors of the Commission on Audit (COA) and the Bids and Awards Committees (BACs) of government agencies.

What are collected. The Input Tool requires the following procurement data:

1. Department name or branch (Buyer)
2. Project name or project code (Tender)
3. Date of bidding
4. Approved Budget of Contract
5. Bidder name
6. Bid price
7. Winning bid (yes or no)

8. Mode of procurement
 - a. R.A. No. 9184 or the Government Procurement Reform Act
 - b. R.A. No. 7718 or the Amended Build-Operate-Transfer Law
 - c. Negotiated Procurement (R.A. No. 9184, Sec. 53 (b-d))
 - d. Negotiated Procurement after Two Failed Biddings (R.A. No. 9184, Sec. 53(a))
 - e. Small-Value Procurement (R.A. No. 9184, Sec. 52)
9. Net Financial Contracting Capacity (NFCC)
 - This information may be found in the various documents submitted by bidders to the concerned agencies. The user must have access to these data and must be at liberty to share it.

How to proceed. The steps should be simple and uncomplicated:*

1. The PCC shall provide the user with the Input Tool.
2. The user shall use the Input Tool to create a database of procurement data for their specific government agency.
3. The user shall send the Input Tool (with filled out database) back to the PCC.
 - Regular forwarding of the Input Tool to the PCC shall be subject to agreement between PCC and the user.
4. The PCC Investigator shall run the data collected from the Input Tool to the Screening Tool to determine whether bid rigging activities may exist.
 - Based on the results, the PCC Investigator may examine the bid documents more closely to determine whether the bidding is suspicious and may be recommended for preliminary inquiry.

* The steps above shall apply to the initial version of the Screening Tool that will be provided to COA auditors and BACs. As the tool is further developed and made available to a wider range of users, more general guidelines shall be published by PCC.

SCREENING TOOL PROPER

How does it work? The Screening Tool Proper looks at a list of criteria to determine whether the procurement process shows any signs of bid rigging.

How to check. The screening process is divided into two (2) stages: (1) Initial Screening and (2) Initial Assessment:

1. **Initial Screening.** The PCC Investigator will process the procurement data from the Input Tool using the Screening Tool Proper. The Screening Tool Proper's algorithms will identify potentially rigged bids.
2. **Initial Assessment.** If the Initial Screening score reaches a certain threshold, the PCC Investigator may decide to look at the procurement documents more closely and conduct an Initial Assessment to determine if there are suspicious patterns discernible. At Initial Assessment, the PCC Investigator shall ultimately determine whether the matter shall be recommended for the conduct of preliminary inquiry.

Red flags. At Initial Screening, the Screening Tool will be able to flag the following:

- Tenders with three (3) bidders or fewer
- Tenders with only one (1) bidder
- Winning bid is an outlier (i.e. too low)
- Similar prices across bids
- Winning bid is too close to the Approved Budget of Contract (Winning Bid to Budget Ratio)
- Mode of procurement is suspect (e.g. negotiated procurements due to two failed biddings are likely indicators of rigged bids)

Initial Assessment. The PCC Investigator may look at the following criteria during Initial Assessment:

- Very high text similarity in losing bids
- Prices looks made up
- Same authors of bid documents
- Low effort in the creation of bid documents of losing bid
- Similar text and word count in losing submissions
- Typical cartel (i.e. low number of bidders and made up prices)
- Made up prices and outlier (in a single tender)
- Low effort and high prices (in a single tender)
- Historical data analysis

FURTHER DEVELOPMENTS

The development of a program that can run independently will enable deployment of the full features of the Screening Tool to government agencies and private entities for their own monitoring.

The PCC welcomes suggestions on how to improve the features of the Screening Tool as described above. These, as well as any questions or clarifications on the Screening Tool, may be directed to **enforcement@phcc.gov.ph** under the subject "Bid Rigging Screening Tool".

