POLICY GUIDELINES AND PROCEDURES FOR DETERMINATION OF APPROVED BUDGET FOR THE CONTRACT (ABC) IN THE PROCUREMENT OF GOODS

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1. REFERENCES:

- GPP-Government Procurement Manual (Volume 2 – Manual of Procedures for the Procurement of Goods and Services);

- Revised IRR of RA No. 9184 dated July 22, 2009;

- RA No. 9184 – Government Procurement reform Act;

- DPWH Department Order No. 12 series of 2011 with subject, Preparation of the Approved Budget for the Contract dated March 14, 2011;

- Policy Guidelines and Procedures in the Preparation of the FY 2012 Budget Proposal para 6.5.2 (National Budget Memorandum No. 107 dtd December 30, 2010); and

- Philippine Tariff and duty rates

2. GENERAL:

This Memorandum Circular defines and prescribes the polices, rules, and procedures of the Philippine National Police (PNP) as the procuring entity relative to the procurement planning more specifically in the determination of the “Approved Budget for the Contract” (ABC). However, before an ABC is arrived at, there is a need to determine the price per unit of goods programmed for procurement.

Guided by the rule that the preparation of PNP budget proposals shall be focused, well-coordinated, integrated, and cost-effective in order to avoid budgetary realignments during the budget legislation and/or execution stages[1], the PNP establishes a sequence of tabular preparation, the data of which are derived from current market prices with defined sources done during the procurement year.

3. OBJECTIVE

- To establish a well-planned procurement that will significantly ensure that the PNP is able to purchase its requirements to perform its law enforcement function as well as to deliver other public safety services to the public;

- To prescribe proper procedures in the preparation of the ABC and ensure that the procurement of and services shall be in accordance with the principles of government procurement;

- To safeguard all the appropriations in order to be utilized on what is expected based on the program; and

- To enhance transparency and enforce accountability in its implementation.

4. DEFINITION OF TERMS:

- Approved Budget for the Contract (ABC) – The budget for the contract duly approved by the head of the procuring entity, as provided for in the General Appropriations Act (GAA)[2]. The determination of this is guided by the price per unit determined respective to the budget used (proposed, GAA, and SARO issued). The ABC may be changed prior to the conduct of the pre-procurement conference through the price monitor and canvass of the current year.

- Annual Procurement Plan (APP) – A consolidation of Project Procurement Management Plans (PPMPs) which defines the different procurement activities with its time schedules. However, this may be changed when the PPMPs from end-user's change, or after the approval of the GAA or issuance of its appropriate SARO. This is prepared by the PNP – National Headquarters Bids and Award Committee (PNP-NHQ BAC) Secretariat which will be approved by the Chief, PNP for implementation.

- Goods – For this circular, it generally refers to items and equipment procured using capital outlay funds.

- Procurement Management Committee (PMC) – Chaired by the Deputy Director for Logistics and with the different Deputy Directors of related Directorates as may be determined by the Director for Logistics, this Committee is tasked to formulate the consolidated PPMP.

- Project Procurement Management Plant (PPMP) – Refers to the procurement plan of Programs, Activities and Projects (PAP) of the PNP prepared by the different Police Regional Offices (PROs), National Support Units (NSUs) or other offices as maybe defined as the end-users. This shall include information on whether the project will be contracted out, implemented by administration or consigned; the type and objectives of contract to be employed; the extent/size of contract scopes/packages; the procurement methods to be adopted; time schedule for each procurement activity; and contract implementation, estimated budget for the general components of the contract.[3]

5. POLICIES

- All procurement shall be within the approved budget of the PNP and should be meticulously and judiciously planned by the concerned committees and offices concerned.

- No procurement shall be undertaken unless it is in accordance with the approved APP of the PNP. The APP shall bear the approval of the Chief, PNP or second-ranking official designated by him to act on his behalf, and must be consistent with its duly approved yearly budget.

- Adjustment of ABC[4]

- The ABC may be adjusted upwards only under the following conditions:

- There has been failure of public bidding for the second time due to all bids submitted exceeding the ABC or no bids have been submitted, or failure in the negotiated procurement after two failed biddings; and

- There has been previous modification of the terms, conditions and specifications of the project based on Section 35 of the IRRA, except when the project is indivisible, where the technical component is an integral part of the whole that cannot be reduced, and it constitutes the minimum requirement of the procuring entity for which there are no substitutes.

- The ABC may be adjusted downwards if there is a need to reflect actual market prices and/or scope of work or suit actual field conditions of the project; and

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- Upon adjustment of ABC, the procuring entity must conduct re-bidding with re-advertisement/posting. Any succeeding adjustment of the ABC shall be in accordance with these guidelines.

- The established rules on Contract Price escalation shall be followed.[5]

- Availability of canvass price of the current year renders past procurement prices suppletory.

- In determining the price per unit, different cost components, shall be considered namely:[6]

- The cost or market price of the product or service itself;

- Incidental expenses like freight, insurance, taxes, installation costs, training costs, if necessary, and cost of inspection;

- The cost of money, to account for government agencies usually buying on credit terms;

- Inflationary factor, since the planning phase is usually done one year ahead of the actual procurement date;

- Quantities, considering that buying in bulk usually means lower unit prices and

- The supply of spare parts and/or maintenance services, if these are part of the contract package.

- If the project or contract has a foreign component, it is also best to include a currency valuation adjustment factor, in order to address foreign exchange rate fluctuations between the planning phase and the actual procurement date.[7]

- To determine the Currency Valuation and Inflationary factor to be used, the PMO or end-user unit may request for guidance from the Bangko Sentral ng Pilipinas (BSP), or refer to BSP forecasts, if available.[8]

- As a general rule, all imported goods for consumption are subject to the payment of import duty prior to release unless otherwise exempted in accordance with law by the Department of Finance. Also, these are subject to the payment of VAT at the uniform rate of 12%. Even if the shipment is duty free, it may still be subject to VAT. A few commodities, like passenger automobiles, jewelry, alcohol, tobacco, etc. may also be subject to the payment of Ad Valorem Tax aside from the import duty and VAT. The rate of Ad Valorem Tax depends on the make-up of the commodity such as the engine displacement cost in case of automobiles, or alcohol content in case of beverages.[9]

- The estimators shall continuously update their information/statistics on market prices of all the items for procurement and use only unit prices that are realistic based on valid up-to-date information, in contrast to guesswork and haphazard pricing. All assumptions in generating the estimate should be shown in the cost analysis.

- The estimators shall similarly be responsible for the reasonableness and integrity of the calculations. They may revise the submitted estimates if, in their evaluation, the estimates need to be adjusted in accordance with the provisions of this Memorandum Circular.

6. PROCEDURES:

In the formulation of the ABC, three stages will be followed which are the following:

a. Price Per Unit Determination

- In the preparation of the budget for the succeeding year, Programs, Activities and Projects are identified by the different Program Directors of the PNP in the National Headquarters. Projects that involve procurement are then

identified in order to address the logistical requirements set for the succeeding year, taking into consideration the budget framework in order to reflect its priorities and objectives for the budget period;

- As an initiatory action, the different end-users will prepare their respective PPMPs for the succeeding year. The end-users will accomplish Table A-1 contained in Annex A[*];

- When the requirement needs are determined, the canvass of prices per unit of the different goods to be procured shall be prepared by the concerned sections of the Supply Management Division (SMD), Directorate for Logistics (DL), or by other related offices concerned with the goods to be procured following Table B-1 contained in Annex B[*];

- Generally, price estimation is done by canvassing in at least three (3) different suppliers, unless constrained by the scarcity of suppliers, with their prevailing suggested retail prices (SRPs) of the identified items. The item model, brand name and source of information must be so indicated.

In the absence of a current year canvassed price per unit, prices per unit of past procurements maybe used with the applicable inflationary rates as published by the Bangko Sentral ng Pilipinas.

In case where there is unavailability of local canvassed price, warehouse price abroad will be used with consideration of the applicable cost, insurance and freight (CIF), arrastre expenses, custom duties and taxes, and other legally imposable fees.

- Upon completion of Table B-1, per unit price with discounts and added cost requirements will be determined as contained in Table B-2. The determination of Volume Quantity Discount (VQD) is dependent on the fiscal and economic conditions of the current year including the marketing atmosphere of the specific item. The SMD, ODL, shall maintain an updated VQD Table; and

- After the determination of the price per unit for each item based on the above-mentioned policies, completion of Table B-3 is mandatory if the same data are available from other government agencies which have ABC determination Policies. In the absence of this data or information in Table B-3, price per unit determined in Table B-2 is sufficient.

b. Price Per Unit Determination and Target Budget

- Upon the determination of the price per unit by the Smd or related office, the same will be submitted to the Procurement Management Committee (PMC); and

- The PMC will determine the exact quantity per item or equipment that would be purchased in relation to the agency’s target budget for the succeeding year. Their end-product would be the consolidated PPMP.

c. Consolidated PPMP and ABC

- Upon the determination of the PMC of the consolidated PPMP, the same will be submitted to the NHQ-BAC who will formulate and prepare the APP; and

- The Chief, PNP who is the Head of the Procuring Entity, will finally approve the APP for implementation.

7. RESPONSIBILITIES:

- The Chief, SMD, DL or the related office shall primarily be responsible in the estimation of price per unit of an item/equipment who will recommend the same to the PMC;

- The PMC is collectively and solidarily responsible for the review and approval of the price per unit

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determination and the consolidated PPMP as a whole, who will recommend the same to the NHQ-BAC; and

- The NHQ-BAC is collectively and solidarily responsible for the integration of the price per unit in relation to the target budget for the succeeding year, the approved GAA and SARO whichever is applicable, all contained in the APP who will in turn recommend the same for approval of the Head of the Procuring Entity (HOPE), in this case the Chief, PNP.

8. PENALTY CLAUSE:
Any violation of this Circular shall be a ground for administrative/disciplinary action under the existing rules and regulations, without prejudice to the filing of appropriate administrative and criminal charges, if warranted, against the erring PNP personnel.

9. REPEALING CLAUSE:

Provisions of existing PNP issuances which are inconsistent with this Circular, in whole or in part, are deemed repealed, set aside, amended or modified accordingly.

10. EFFECTIVITY:

This Circular takes effect fifteen (15) days from filing of a copy hereof at the University of the Philippines Law Center in consonance with Sections 3 and 4, Chapter 2, Book VII, EO No. 292, otherwise known as “The revised Administrative Code of 1987,” as amended.

Adopted: 09 January 2012

(SGD.) NICANOR A. BARTOLOME, CSEE
Police Director General
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[1] Policy Guidelines and Procedures in the Preparation of the FY 2012 Budget Proposal para. 6.5.2 (National Budget Memorandum No. 107 dated Dec. 30, 2012)

[2] Revised IRR of RA 9184 (page 5.b)

[3] Revised IRR of RA 9184 (page 9-7.3.2)

[4] GPPB Resolution No. 07-2005 dtd. April 1, 2005 (page 2)

[5] GPPB Resolution No. 07-2005 April 1, 2005 (page 3)

[6] GPPB Vol. 2 Manual of Procedures for the Procurement of Goods and Services (page 28)

[7] GPPB Vol. 2 Manual of Procedures for the Procurement of Goods and Services (page 11)

[8] GPPB Vol. 2 Manual of Procedures for the Procurement of Goods and Services (page 16)

[9] Philippine Tariff and Duty Center.

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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