

# **[ LETTER OF INSTRUCTIONS NO. 755, October 18, 1978 ]**

## **RELATIVE TO THE ESTABLISHMENT OF AN INTEGRATED PROCUREMENT SYSTEM FOR THE NATIONAL GOVERNMENT AND ITS INSTRUMENTALITIES**

TO: All Ministers and Heads of Government Bureaus,  
Offices, Agencies and Government-Owned or  
Controlled Corporations  
The Minister of the Budget  
The Minister of Finance  
The Acting Chairman, Commission on Audit

WHEREAS, the Government seeks to attain economy and efficiency in all aspects of its operations, consistent with the National Cost Reduction Program;

WHEREAS, the cost of government operation can be substantially reduced through greater efficiency in the procurement of supplies and materials;

WHEREAS, innovations in procurement have been tested by the Ministry of the Budget, the Ministry of Finance and the Commission on Audit through the Procurement Pilot Project;

WHEREAS, the Procurement Pilot Project has identified improvements in policy and procedure that need to be institutionalized so as to achieve greater economy in government operations;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby Order and Instruct:

### Statement of Policy

1. The National Government hereby adopts a policy of procuring supplies and materials in the most economical and efficient manner, by purchasing; directly from reliable sources in economic lot sizes, by observing optimum specifications and by making payment.

### Organization

2. The Pilot Procurement Project is hereby converted into the Procurement Service, as the body to implement the provisions of this Letter of Instructions. The Service shall be attached to the Office of the President and shall report to a Procurement Council, which is hereby created to consist of the Minister of the Budget as Chairman and as Members, the Chairman of the Commission on Audit, the Minister of Finance, the Minister of Industry, and the Presidential Assistant for Economic and Development Affairs.
3. The Procurement Council, with the assistance of the Procurement Service, shall design and implement an integrated procurement system for supplies, materials and other items needed by the government. It shall undertake the following specific functions:

- a. Identify those supplies, materials, and such other items, including equipment and construction material, which can be economically purchased through central procurement and which it shall cover within its scope of activity;
  - b. Determine the technical specifications of items that it will procure for agencies of the government;
  - c. Identify the sources of supply which are able to offer the best prices, terms and other conditions for the items procured by government;
  - d. Purchase, warehouse and distribute items for resale to agencies of government, including government owned or controlled corporations;
  - e. Operate a paper converting plant which will service the requirements of government;
  - f. Undertake continuing studies to improve and develop the government procurement system, coverage and procedure.
4. The Procurement Service shall be attached to the Ministry of the Budget for administrative supervision purposes.
  5. The Procurement Service shall be staffed by persons on detail from the member-agencies of the Council and/or by contractual personnel. The Service shall not have any permanent employees. Transportation, representation and other allowances may be granted its staff members, at rates as may be approved under policies of the Office of Compensation and Position Classification and the Council.
  6. The Council shall adopt the policies and procedures that will ensure least prices and maximum quality of commodities handled.

#### Policies and Guidelines

7. In the selection of suppliers, the Council shall adopt such pro—qualification and other requirements as will ensure that only reliable and adequately capitalized suppliers are chosen. It shall deal directly with reputable and duly licensed manufacturers for products manufactured in the Philippines and with exclusive or duly designated distributors for imported products not locally manufactured. Priority shall be given to companies registered with the Board of Investments and to companies that have no past due obligations with government financing institutions.
8. National government agencies and government-owned or controlled corporations shall purchase all their requirements from the Procurement Council/Service, of items that are decided upon as being within its coverage. The list of items that shall be handled by the Council/Service shall include paper and office supplies and the most commonly used items of government usage, as may be approved by the President, Exceptions may be made for Regional Offices of national government agencies, for specific agencies, or for items, with the Council's approval.
9. The Ministries/Bureaus/Offices/Agencies of the government shall routinely report to the Procurement Council, data on current purchases, as a means of cross-checking on the cost of items procured by the Service. The Resident/Corporate Auditors of the government shall routinely report to the Procurement Service, information on agency purchases as may be required by the Council, including data on purchases made for items not covered by the Council such as specifications, source and unit cost.

#### Funding