

**[PNP MEMORANDUM CIRCULAR NO. 2012-001,
January 09, 2012]**

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

1. REFERENCES:

- a. GPP-Government Procurement Manual (Volume 2 – Manual of Procedures for the Procurement of Goods and Services);
- b. Revised IRR of RA No. 9184 dated July 22, 2009;
- c. RA No. 9184 – Government Procurement reform Act;
- d. DPWH Department Order No. 12 series of 2011 with subject, Preparation of the Approved Budget for the Contract dated March 14, 2011;
- e. 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
- f. Philippine Tariff and duty rates

2. GENERAL:

This Memorandum Circular defines and prescribes the policies, 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

- a. 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;
- b. 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;

- c. To safeguard all the appropriations in order to be utilized on what is expected based on the program; and
- d. To enhance transparency and enforce accountability in its implementation.

4. DEFINITION OF TERMS:

- a. **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.
- b. **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.
- c. **Goods** – For this circular, it generally refers to items and equipment procured using capital outlay funds.
- d. **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.
- e. **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

- a. 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.
- b. 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.

c. Adjustment of ABC^[4]

1. *The ABC may be adjusted upwards only under the following conditions:*

- a. *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*
- b. *There has been previous modification of the terms, conditions and specifications of the project based on Section 35 of the IRRRA, 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.*

2. *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*

3. *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.*

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

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

f. *In determining the price per unit, different cost components, shall be considered namely:*^[6]

1. *The cost or market price of the product or service itself;*
2. *Incidental expenses like freight, insurance, taxes, installation costs, training costs, if necessary, and cost of inspection;*
3. *The cost of money, to account for government agencies usually buying on credit terms;*
4. *Inflationary factor, since the planning phase is usually done one year ahead of the actual procurement date;*
5. *Quantities, considering that buying in bulk usually means lower unit prices and*
6. *The supply of spare parts and/or maintenance services, if these are part of the contract package.*

g. *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.*

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