

October 18, 1978

LETTER OF INSTRUCTIONS NO. 755

**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 pre-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

10. An amount equivalent to the procurement requirements of an agency maybe withheld by the Ministry of the Budget from Quarterly Allotments and transferred

to the Service, subject to the concurrence of the agency head concerned. The amounts thus withheld and/or remitted shall constitute deposits against which agencies may withdraw corresponding value in supplies and materials.

11. The Minister of the Budget shall release from the National Priorities Support Fund the following amounts:
 - a. Rehabilitation and renovation of the former San Miguel closure plant which shall be the site of the Procurement Service warehouse — ten million pesos;
 - b. Expansion and operation of the Project and its paper converting plant, delivery equipment, delivery and other operating expenses — ten million pesos;

Authority is hereby granted for the Service to establish a revolving fund of up to twenty-five million pesos for use in its procurement operations, subject to pertinent accounting and auditing regulations.

Exemptions

12. The transactions of the Service shall be subject to post audit. In addition, the Service is hereby exempted from the following:
 - a. Executive Order No. 298, S-1940; Executive Order No. 302, S-1040; Executive Order No. 290, S-1958; Executive Order No. 218, S-1970; Executive Order No. 284, S-1971; Executive Order No. 323, S-1971.
 - b. Letter of Instructions No. 83 dated May 29, 1973; Letter of Instructions No. 488 dated August 18, 1976; Letter of Instructions No. 501 dated January 28, 1977; Letter of Implementation No. 47, S-1976; and Presidential Memo-Circular No. 1012 dated October 19, 1977.
 - c. COA Circular No. 76-26 dated April 6, 1976; COA Memorandum Circular Nos. 460 and 640 re; Implementation of LOI No. 83; and COA Circular No. 78-84 dated August 1, 1978; and
 - d. Such other rules and regulations in connection with the procurement of supplies, materials and equipment not otherwise cited above. aisa dc

Rules and Regulations

13. The Council shall issue the implementing rules and regulations necessary to implement these instructions.

Repeal Clause

14. All Executive Orders, Letter of Instructions, rules and regulations or part thereof which are inconsistent with the provisions of these Instructions are hereby superseded and/or modified accordingly.

Done in the City of Manila, this 18th of October, in the year of Our Lord, nineteen hundred and seventy-eight.