

# GOVERNMENT PROCUREMENT POLICY BOARD

## RESOLUTION NO. 07-2005

### PROVIDING FOR THE RULES ON ADJUSTMENTS IN THE APPROVED BUDGET FOR THE CONTRACT

**WHEREAS**, Republic Act No. 9184 (R.A. 9184), otherwise known as “Government Procurement Reform Act” and its Implementing Rules and Regulations Part A (IRR-A) took effect on January 26, 2003 and October 8, 2003 respectively;

**WHEREAS**, Section 7 of R.A. 9184 and its IRR-A provides that all procurement should be within the approved budget of the procuring entity and should be meticulously and judiciously planned. No government procurement shall be undertaken unless it is in accordance with approved Annual Procurement Plan (APP), which must be consistent with approved yearly budget. Further, it is stated that the Approved Budget for the Contract (ABC) for the contract shall be at all times consistent with the appropriations for the project;

**WHEREAS**, Section 5 (b) of R.A. 9184 defines ABC as *“The budget for the contract duly approved by the head of the procuring entity, as provided for in the General Appropriations Act (GAA) and/or continuing appropriations, in the case of national government agencies (NGAs); the corporate budget for the contract approved by the governing board, pursuant to Executive Order No. 518, series of 1979 (E.O. 518), in the case of GOCCs and GFIs, and Republic Act No. 8292 in the case of SUCs; and the budget approved by the Sanggunian in the case of LGUs. For purposes of, and throughout, this IRR-A, the terms “ABC,” “Approved Budget for the Contract” and “Approved Budget” shall have the same meaning and shall be used interchangeably”*.

**WHEREAS**, in connection with this, Section 31 of abovementioned law provides that the ABC shall be the upper limit or ceiling for bids. Bids higher than the ABC shall be automatically disqualified. Accordingly, all procuring entities are required to indicate the amount of ABC for the project in the Invitation to Apply for Eligibility and to Bid (IAEB) and in the bidding documents to inform all prospective bidders of the ceiling for their bid price;

**WHEREAS**, in case failure of bidding where all bids exceed the ABC, the Bids and Awards Committee (BAC) shall modify the terms, conditions and specifications in the first bidding documents to change the scope of work or to adjust the procuring entity’s cost estimates or specifications, Provided, that, the ABC shall be maintained;

**WHEREAS**, Section 35.3 of the IRR-A provides that should there occur a second failure of bidding, the procuring entity may enter into a negotiated procurement;

**WHEREAS**, if after two failed biddings, the procuring entity finds that there is a need to evaluate the responsiveness of the ABC, and decides to revise the ABC

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accordingly, the procuring entity should conduct another public bidding with re-advertisement and/or posting. However, if the procuring entity resorts to negotiated procurement, the terms, conditions and specifications of the project as well as the ABC must be maintained;

**WHEREAS**, in case of failure in the negotiated procurement due to all bids exceeding the ABC, then the BAC must make an evaluation of the responsiveness of the ABC to the project at hand. Therefore, the procuring entity must review and update the APP and the corresponding Procurement Planning Management Plan (PPMP) in accordance with the Section 7.5 of the IRR-A.

**WHEREAS**, in view of the foregoing, the TSO of the Government Procurement Policy (GPPB) presented the draft rule on adjustment in the ABC in the 2<sup>nd</sup> GPPB meeting on February 24, 2005, at DND Social Hall, Camp Emilio Aguinaldo, Quezon City wherein the Members of the Board requested that the subject matter be submitted to the Inter-Agency Technical Working Group (IATWG) of the GPPB for further review and evaluation;

**WHEREAS**, on March 17, 2005 at Unit 2506 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City, the IATWG discussed, reviewed and made necessary changes in the said rule, and recommended to present the revised rule on adjustment in the ABC to the GPPB for approval;

**WHEREAS**, during the 3<sup>rd</sup> GPPB meeting on April 1, 2005 at Unit 2506 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City, the Members of the Board discussed, considered and unanimously agreed to approve and adopt the proposed rule on adjustment in the ABC;

**NOW, THEREFORE**, for and in consideration of the foregoing, WE, the Members of the **GOVERNMENT PROCUREMENT POLICY BOARD**, by virtue of the powers vested in US by law, hereby **RESOLVE** to approve and adopt the foregoing rule on adjustment in the Approved Budget of the Contract, to wit:

- I. The ABC may be adjusted upwards *only* under the following conditions:
  1. There has been failure of 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
  2. There has been previous modification of the terms, conditions and specifications of the project based on Section 35 of the

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IRR-A, 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.

- II. 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.
- III. 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.

This resolution shall take effect immediately.

**APPROVED** this 1<sup>st</sup> day of April, 2005 at Pasig City, Philippines

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**EMILIA T. BONCODIN**

Secretary

Department of Budget and Management

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**ROMULO L. NERI**

Director General

National Economic and Development  
Authority

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**NATIONAL ECONOMIC AND  
DEVELOPMENT AUTHORITY**

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**DEPARTMENT OF NATIONAL  
DEFENSE**

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**DEPARTMENT OF EDUCATION**

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**DEPARTMENT OF HEALTH**

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**DEPARTMENT OF INTERIOR AND  
LOCAL GOVERNMENT**

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**DEPARTMENT OF ENERGY**

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**DEPARTMENT OF PUBLIC WORKS  
AND HIGHWAYS**

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**DEPARTMENT OF FINANCE**

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**DEPARTMENT OF TRADE AND  
INDUSTRY**

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**DEPARTMENT OF SCIENCE AND  
TECHNOLOGY**

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**DEPARTMENT OF TRANSPORTATION  
AND COMMUNICATIONS**

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**PRIVATE SECTOR REPRESENTATIVE**

Attested by:

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**JOSE MARTIN C. SYQUIA**  
Board Secretary, GPPB  
Executive Director, GPPB-TSO