

NPM No. 13-2009

04 March 2009

MR. JOHN PHILIP G. QUIMOSING
Chairman, Bids and Awards Committee
OFFICE OF THE CITY MAYOR
GENERAL SANTOS CITY
City Hall, General Santos City

Re : Shopping as an Alternative Mode of Procurement

Dear Mr. Quimosing:

This pertains to your letter dated 16 January 2009 requesting clarification on the proper mode of procurement to be used in the acquisition of goods and services to be paid out of "petty cash". In relation thereto, you seek guidance on the propriety of using "Shopping" as an alternative mode of procurement, and, the necessary procedure in the adoption of the said mode, if and when available.

Public Bidding: the General Mode

With the enactment of *Republic Act No. 9184* (R.A. 9184), otherwise known as the GOVERNMENT PROCUREMENT REFORM ACT and its *Implementing Rules and Regulations Part - A* (IRR-A), it is now an established policy that all Government contracts shall be awarded through open and competitive bidding save in exceptional cases provided by law. Section 10 of R.A. 9184 is explicit:

All procurement shall be done through competitive bidding, except as provided for in Article XVI of this Act.

This is further amplified by Section 48. 2 of the IRR-A, viz:

In accordance with Section 10 of this IRR-A, as a general rule, the procuring entities shall adopt public bidding as the general mode of procurement and shall see to it that the procurement program allows sufficient lead time for such public bidding. **Alternative methods shall be resorted to only in the highly exceptional cases provided for in this Rule.** (Emphasis supplied).

Based on the foregoing provisions, it is clear that R.A. 9184 and its IRR-A prescribe public bidding as the general mode that shall be used by Government agencies in the procurement of goods, services or infrastructure projects, and resort to

the alternative methods of procurement is allowed only in highly exceptional cases and upon compliance with the rigid conditions set forth by law.

Shopping as an Alternative Method

Consequently, Shopping as an alternative method of procurement may be availed of only in such instances specified under Section 52 of R.A. 9184 and its IRR-A, thus:

Shopping is a method of **procurement of goods** whereby the procuring entity simply requests for the submission of price quotations for readily available off-the-shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be employed only in any of the following cases:

a) When there is an **unforeseen contingency** requiring immediate purchase: *Provided, however,* That the amount shall not exceed fifty thousand pesos (P50,000); or

b) **Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding two hundred fifty thousand pesos (P250,000):** *Provided, however,* That procurement does not result in splitting of contracts, as provided in Section 54.1 of this IRR-A: *Provided further,* That at least three (3) price quotations from bona fide suppliers shall be obtained. (Emphasis ours)

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Furthermore, may we advise you, that Section 7.1 of the IRR-A requires all procurement to be in accordance with the APP, and all procuring entities are not allowed to procure anything unless it is included in the APP. The requirement extends to those immediate purchases of readily available off-the-shelf goods and to contingencies. These purchases include those charged against cash advances, or the so-called "over-the-counter" purchases.¹

Contingencies must therefore be provided for in the APP based on historical data. This can be done by allocating for such purchases a percentage of the total procurement budget as reflected in the procuring entity's APP. However, it would be advisable for this allocation not to be more than four percent (4%) of the total appropriations for Maintenance and Other Operating Expenses (MOOE) as provided for in the General Appropriations Act (GAA).²

In fine, while purchases of goods and services out of the petty cash may not readily fall under "Shopping" as an alternative method of procurement, there may be certain emergency situations when it may be resorted to. An agency, however, should

¹ Generic Procurement Manual. Manual of Procedures For the Procurement of Goods and Services (Volume 2), p. 91.


² Ibid.

be cautious in considering this method because of the general policy in favor of public bidding. In other words, in the absence of any of the conditions for shopping as aforementioned, it is always safe to conduct a public bidding, because it is the generally accepted method of procurement under the law.

Finally, we would like to inform you that, to further streamline and develop the public procurement system, the Government Procurement Policy Board (GPPB)³, resolved to revisit the provisions of the IRR-A of R.A. 9184. One of the proposed amendments to the Rules includes the review of the threshold amounts in the procurement through "Shopping", in order to reflect the changes in the economic conditions of the government.

With the foregoing elucidations, we trust that your queries have been sufficiently addressed.

Very truly yours,


for **RUBY U. ALVAREZ**
Executive Director III

³ per GPPB Resolution dated 03 October 2008