



Department of Budget and Management
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE

NPM No. 26-2011

27 December 2011

HON. FERNANDO L. MANALO

Undersecretary for Finance, Munitions Installations and Materiel

DEPARTMENT OF NATIONAL DEFENSE

Room 301 DND Building, Camp General Emilio Aguinaldo,
Quezon City

Re: Agency-to-Agency Agreements

Dear Sir:

We respond to your letter dated 26 October 2011 requesting for an opinion on whether the Department of National Defense (DND) and Armed Forces of the Philippines (AFP) may directly enter into contract with the Bangko Sentral ng Pilipinas (BSP) to manufacture its medals and decoration requirements.

At the outset, we wish to inform you that pursuant to Section 10 of Republic Act (R.A.) No. 9184 and its Implementing Rules and Regulations (IRR), all procurement, as a general rule, shall be done through competitive bidding. Alternative methods of procurement, however, are allowed in highly exceptional cases in order to promote economy and efficiency subject to the prior approval of the Head of the Procuring Entity upon favorable recommendation of the Bids and Awards Committee.

Please note that, in cases where procurement from another agency of the government is more efficient and economical, Negotiated Procurement (Agency-to-Agency) may be used. This rule allows, a government entity to procure from another government entity without need of public bidding, subject to compliance with the prescribed conditions and procedures under existing rules and the Guidelines on Agency-to-Agency Agreement¹, to wit:

- a) Item subject to be procured through Agency-to-Agency shall be included in the approved Annual Procurement Plan²,
- b) Cost-benefit analysis which indicates that entering into Agency-to-Agency Agreement with another is more efficient and economical for the government;
- c) Total amount of all goods, consulting, and infrastructure projects undertaken or to be undertaken shall not exceed twenty five percent (25%) of the procuring entity's

¹ Approved and adopted through GPPB Resolution No. 018-2007 dated 31 May 2007 and published on 14 January 2008.

² Section 7, IRR of R.A. 9184

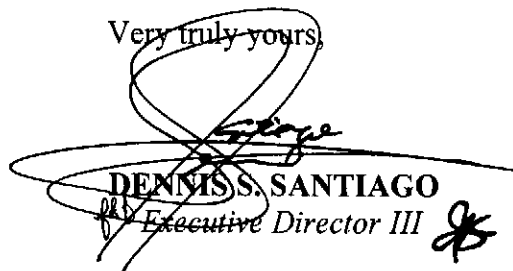
total budget for each category, as reflected in its approved Annual Procurement Plan (APP);

- d) Servicing agency has the mandate to deliver the required goods and services or to undertake the infrastructure project or consultancy required;
- e) Servicing agency owns or has access to the necessary tools and equipment required for the project;
- f) Procuring entity enters into a Memorandum of Agreement with the Servicing Agency; and
- g) Notice of Award shall be posted in the (i) Philippine Government Electronic Procurement System or PhilGEPS; (ii) website of the procuring entity concerned, if any; and (iii) any conspicuous place within its premises.

Based on the foregoing, it is our considered view that DND and AFP may directly purchase its medals and decoration requirements from BSP through Agency-to-Agency under Section 53.5 of the IRR of R.A. 9184, upon compliance with the conditions and procedures provided in the Guidelines.

We hope that our advice sufficiently addresses your concerns. Should you have further questions, please do not hesitate to contact us.

Very truly yours,


DENNIS S. SANTIAGO
Executive Director III