



Republic of the Philippines  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**



**NPM No. 015-2016**

21 March 2016

[REDACTED]

**Re: Approved Budget for the Contract (ABC)**

Dear [REDACTED]:

This refers to your letter requesting our opinion on the rules to be observed in cases where the procurement transactions do not involve an ABC, one of the information required to be posted at the Philippine Government Electronic Procurement System (PhilGEPS) website alongside the Invitation to Bid (IB).

As represented, PNU intends to procure the services of private companies to cater to the travel needs of staff, printing services for Licensure Examination for Teachers (LET) Review Materials, and courier services for correspondence and documents. However, there are no ABCs for the project because the exact quantity of items cannot be pre-identified. Considering that the projects may possibly involve huge transactions depending on the volume of items involved, you feel the need to post the transactions at the PhilGEPS website despite the absence of ABC. Hence, you are inquiring how the IB for projects could be posted at the PhilGEPS website if these projects do not have an ABC, and whether negotiations is applicable in this case.

**Requirement for an ABC**

Section 7 of Republic Act (RA) No. 9184 requires that no government procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan (APP). In the recently approved APP format<sup>1</sup>, one of the mandatory items to be indicated in the approved APP is the ABC, which refers to the budget for the contract duly approved by the Head of the Procuring Entity, as provided for in the appropriate budget document<sup>2</sup>. The inclusion of the ABC in the APP is not only relevant, but is also essential as it serves as the

<sup>1</sup> GPPB Resolution No. 20-2015 and Circular No. 07-2015, both dated 16 July 2015.

<sup>2</sup> General Appropriations Act and/or continuing appropriations, in the case of National Government Agencies; the Corporate Budget for the contract approved by the governing Boards, pursuant to E.O. No. 518, series of 1979, in the case of Government-Owned and/or -Controlled Corporations, Government Financial Institutions and State Universities and Colleges; and the Budget for the contract approved by the respective Sanggunian, in the case of Local Government Units (Section 5 of RA 9184)

upper limit or ceiling for the bid prices.<sup>3</sup> The ABC, if meticulously determined during procurement planning, is the guarantee that the contract price will be advantageous to the government. Thus, a procuring entity must ensure that there is a corresponding approved ceiling for the bid prices, which is the ABC reflected in the approved APP, regardless of the method of procurement.


In determining the ABC, the PMO or end-user unit should consider several factors, such as the appropriation for the project or procurement (whether taken from the current year's appropriations or continuing appropriations), the market price of the goods and/or services being procured, inflation, and cost of money which are directly related to the procurement time table.<sup>4</sup> In addition, the PMO or end-user unit may also revisit the historical data of its procurement requirements to determine the estimated quantity of items to be procured, if the exact quantity of items cannot be accurately determined.

Based on the foregoing, regardless of the method of procurement, no procurement project can commence and be undertaken unless it has a corresponding ABC, which is reflected in the approved APP and determined based on market research and historical data.

It also bears stressing that under Section 7.5 of the revised Implementing Rules and Regulations (IRR) of RA 9184 the ABC, as reflected in the APP, shall be at all times consistent with the appropriations for the project authorized in the General Appropriations Act (GAA), continuing, and automatic appropriations, the corporate budget, and the appropriation ordinance. This reinforces the provision of Section 7 of RA 9184 that mandates that all procurement should be within the approved budget of the procuring entity and should be meticulously and judicially planned by the procuring entity.

### **Posting Requirements**

For the procurement of goods, posting of Invitation to Bid (IB) at the PhilGEPS website is one of the requirements under Section 21.2.1 of the IRR of RA 9184. PhilGEPS posting informs the public about the procurement projects of a procuring entity by providing key information on the subject matter of procurement through the IB. Among the key information included in the IB that will be posted in PhilGEPS is the ABC to be bid.<sup>5</sup> But before posting the procurement opportunity that includes the ABC to be bid, procuring entities, through the Bids and Awards Committee (BAC) should be able to confirm the ABC to be bid<sup>6</sup> during the Pre-Procurement Conference, to determine the appropriateness and responsiveness of such ABC.

As mentioned, no procurement project can commence and be undertaken unless it has a corresponding ABC. Thus, without an ABC, which is a mandatory information to be indicated in the IB, the procurement opportunity cannot be posted in the PhilGEPS website or any other posting sites for that matter. 

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<sup>3</sup> Section 31 of RA 9184.

<sup>4</sup> Generic Procurement Manual Volume 1, page 37.

<sup>5</sup> Section 21(d) of RA 9184.

<sup>6</sup> Section 20.1(a) of the IRR of RA 9184.

## Ordering Agreement

For goods determined to be necessary and desirable to address and satisfy the needs of the procuring entities, but by its nature, use, or characteristic, the quantity and/or exact time of need cannot be accurately pre-determined, procuring entities may resort to Ordering Agreements following conditions, procedures and processes laid down in the Revised Guidelines on the Use of Ordering Agreement<sup>7</sup> (*Guidelines* for brevity). Under Section 2.2 of the Guidelines, Ordering Agreement may be used for expendable or non-expendable goods, and services for hotel accommodation, air travel, and repair and maintenance.

We note that one of the identified needs of PNU is the services of private companies that will cater to the travel needs of its staff. We assume that the failure to determine the ABC for this procurement requirement of PNU is due to the nature of the items to be procured, such that the exact quantity and time of the items to be procured cannot be predetermined. In this regard, PNU may review and consider the applicability of the Guidelines in the procurement of its requirements for the travel needs of its staff.

It must be emphasized, however, that in resorting to Ordering Agreement, the procuring entity must also establish the ABC for each of the goods to be procured through market research.<sup>8</sup>

## Summary

In sum, we wish to clarify that regardless of the method of procurement, no procurement project can commence and be undertaken unless it has a corresponding ABC as reflected in the approved APP. Consequently, considering that advertisement and posting of the IB signals the start of the bidding process and ABC is one of the mandatory information to be included in the IB, the procurement opportunity cannot be posted in the PhilGEPS website without first determining the corresponding ABC to be bid.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is issued on the basis of particular facts and situations presented, and may not be applicable given a different set of facts and circumstances. Should there be other concerns, please do not hesitate to contact us.

(sgd.)

~~DENNIS S. SANTIAGO~~

*Executive Director* 



<sup>7</sup> GPPB Resolution No. 01-2012, dated 27 January 2012.

<sup>8</sup> Section 4.1(a)(i)(2) of the Revised Guidelines on the Use of Ordering Agreement.