



Republic of the Philippines
Department of Education
REGION IV-A CALABARZON

11 January 2024


Regional Memorandum

No.22 s.2024

**REITERATION ON THE REQUEST FOR THE APPROVAL/
CLEARANCE OF THE PROPOSED DEPED ORDER (DO)
SPECIFYING THE GUIDELINES IN THE PREPARATION
OF APPROVED BUDGET FOR CONTRACT FOR GOODS
AND SERVICES, CONSULTING SERVICES, AND
INFRASTRUCTURE PROJECTS**

To **Schools Division Superintendents
Division Procurement Focal Person
Bids and Awards Committee Chairperson
All Others Concerned**

1. Enclosed herewith is the Memorandum OUPro No. 617, s. 2023 signed by ATTY. GERARD L. CHAN, CESO I, Undersecretary for Procurement dated December 19, 2023, regarding the **Request for the Approval/Clearance of the Proposed DepEd Order (DO) Specifying the Guidelines in the Preparation of Approved Budget for Contract for Goods and Services, Consulting Services, and Infrastructure Projects.**
2. Attached also is the final draft of the said proposed DO for concurrence.
3. For more information, kindly contact OUPro directly through email at oupro@deped.gov.ph or at telephone number (02) 863-7224.
4. Immediate dissemination of this Memorandum is desired.


ATTY. ALBERTO T. ESCOBARTE, CESO II
Regional Director

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Republic of the Philippines
Department of Education
OFFICE OF THE UNDERSECRETARY FOR PROCUREMENT

OUPro No. 617, s. 2023

MEMORANDUM

FOR : **Regional Directors
Schools Division Superintendents
Regional and Division Procurement Focal Person
Bids and Awards Committee Chairperson
All Others Concerned**

FROM : 
ATTY. GERARD L. CHAN, CESO I
Undersecretary for Procurement

SUBJECT : **REQUEST FOR THE APPROVAL/CLEARANCE OF THE
PROPOSED DEPED ORDER (DO) SPECIFYING THE
GUIDELINES IN THE PREPARATION OF APPROVED
BUDGET FOR CONTRACT (ABC) FOR GOODS AND
SERVICES, CONSULTING SERVICES, AND
INFRASTRUCTURE PROJECTS**

DATE : December 19, 2023

I. Background Information

In order to harmonize and codify within DepEd the current rules and directives issued by different government authorities on the proper method computing the Approved Budget for the Contract (ABC) of every procuring initiative, the Procurement Strand is proposing the issuance of attached herein guideline. This guideline includes instructions for the program owners on how to prepare the ABC for contract of goods and services, consulting services, and infrastructure projects in accordance with the current issuances regulating the same.

II. Clear Statement of Request

In view of the foregoing, the Office of the Undersecretary for Procurement (OUPRo) is respectfully requesting for approval or clearance of the abovementioned proposed DO **on or before January 10, 2024.**

III. Action Document

Attached hereto is the final draft of the said proposed DO for concurrence. Should Your Honor find the request above favorable, we would appreciate receiving your

Atty. Gerard L. Chan, CESO I
Undersecretary for Procurement
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approval at the last page of this document and Your Honor's signature affixed at the face of this Memorandum.

- ☐ *APPROVED*
- ☐ *DISAPPROVED*
- ☐ *REMARKS/COMMENTS*

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For more information, Your Honor's Office may contact OUPRo, through email at oupro@deped.gov.ph or at telephone number (02) 863-7224.

Thank you very much.

**GUIDELINES IN THE PREPARATION OF APPROVED BUDGET FOR CONTRACT
FOR GOODS AND SERVICES, CONSULTING SERVICES, AND
INFRASTRUCTURE PROJECTS**

I. RATIONALE

Pursuant to Section 7.1 of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, all procurement shall be within the approved budget of the Department and should be meticulously and judiciously planned by the program owner concerned.

In support of the budget estimate indicated in the Project Procurement Management Plan (PPMP) and to standardize the forms for the Approved Budget for the Contract (ABC)¹ in the procurement of goods and services, consulting services and infrastructure projects, the following rules, and procedures relative to the preparation of the ABC are hereby prescribed.

All End-Users (EUs) or Implementing Units (IUs) are instructed to employ the methodologies specified in the guidelines for the calculation and resolution of their procurement project's ABC.

II. SCOPE

This DepEd Order (DO) shall cover all procurement projects of DepEd Central Office and its field offices, including Regional Offices, Schools Division Offices and Schools.

III. POLICY STATEMENT

This DepEd Order aims to standardize and harmonize the procedure on the determination or estimation of the ABC in every DepEd procurement projects.

IV. DEFINITION OF TERMS

1. **Approved Budget Contract (ABC).** Refers to the budget for the contract duly approved by the Head of Procuring Entity (HoPE), as provided for in the General Appropriations Act (GAA), continuing, and automatic appropriations, in the case of national government agencies (NGAs); the corporate budget for the contract approved by the governing board, pursuant to Executive Order (E.O). No. 518, s. 1979, in the case of Government Owned and Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs), and R.A. 8292 in the case of State Universities and Colleges (SUCs); the budget approved by the Sanggunian through an appropriations ordinance in the case of Local Government Units (LGUs). For multi-year contracts, for which a Multi-Year Obligational Authority

¹Item 4.3.1, DBM National Budget Circular No. 2010-9, dated 30 December 2012 defined Approved Budget for the Contract as referring to the following: Approved Budget for the Contract – for specifically appropriated items as reflected in the budget of the agency, the amount corresponding to either the full cost of a single year or multi-year program/project/activity. For multi-year projects, for which a MYCA has been issued, the ABC shall be the amount reflected in the MYCA.

(MYOA) or an equivalent document is required, the ABC shall be that incorporated in the project cost reflected in the MYOA or equivalent document. For

Foreign-funded Procurement, the ABC refers to the cost estimate prepared by the Procuring Entity and approved by the foreign government/foreign or international financing institution as specified in the Treaty or International or Executive Agreement.

2. **Goods.** Refer to all items, supplies, materials and general support services, except Consulting Services and infrastructure projects, which may be needed in the transaction of public businesses or in the pursuit of any government undertaking, project or activity, whether in the nature of equipment, furniture, stationery, materials for construction, or personal property of any kind, including non-personal or contractual services, such as, the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related or analogous services, as well as procurement of materials and supplies provided by the Procuring Entity for such services. The term "related" or "analogous services" shall include, but is not limited to, lease of office space, media advertisements, health maintenance services, and other services essential to the operation of the Procuring Entity.
3. **Infrastructure Projects.** Include the construction, improvement, rehabilitation, demolition, repair, restoration or maintenance of roads and bridges, railways, airports, seaports, communication facilities, civil works components of information technology projects, irrigation, flood control and drainage, water supply, sanitation, sewerage and solid waste management systems, shore protection, energy/power and electrification facilities, national buildings, school buildings, hospital buildings, and other related construction projects of the government. For purposes of, and throughout this IRR, the term "Infrastructure Projects" shall have the same meaning as, and shall be used interchangeably with, "civil works" or "works."
4. **Procurement.** Refers to the acquisition of goods, consulting services, and the contracting for infrastructure projects by the Procuring Entity. In case of projects involving mixed procurements, the nature of the procurement, i.e., Goods, Infrastructure Projects or Consulting Services, shall be determined based on the primary purpose of the contract. Procurement shall also include the lease of goods and real estate. With respect to real property, its procurement shall be governed by the provisions of R.A. 10752 and other applicable laws, rules and regulations.

V. GENERAL GUIDELINES

1. The ABC shall be reflected in the PPMP of the End-Users (EUs) or Implementing Units (IUs), which are consolidated into an Annual Procurement Plan (APP) approved by the HoPE.
2. The ABC reflected in the PPMP shall be based on the market research/study or survey conducted by the EUs during budget preparation in accordance with the prescribed Guidelines set forth in Section V hereof, validated during the preparation for procurement, at least six (6) months prior to submission to the Bids and Awards Committee (BAC), through the Procurement Management Service.
3. The prescribed form for Cost Breakdown and Estimates (CBE) shall be required to be submitted, together with the other required procurement documents, supported by at least three (3) request for information (RFI) and/or other relevant documents.

99 **VI. SPECIFIC GUIDELINE IN THE PREPARATION OF THE APPROVED**
100 **BUDGET FOR THE CONTRACT**

101
102 **A. GOODS AND SERVICES**
103

- 104 1. The program owners and, if needed, the TWG it designated shall determine the
105 ABC in consideration of different cost components, namely:
106
107 a. The cost or market price of the product or service itself;
108 b. Incidental expenses like freight, insurance, taxes, installation costs,
109 training costs, if necessary, and cost of inspection;
110 c. The cost of money, to account for government agencies usually buying on
111 credit terms;
112 d. Inflationary factor, since the planning phase is usually done one year ahead
113 of the actual procurement date;
114 e. Quantities, considering that buying in bulk usually means lower unit
115 prices; and
116 f. The supply of spare parts and/or maintenance services, if these are part of
117 the contract package.
118
119 2. If the project or contract has a foreign component, it is also best to include a
120 currency valuation adjustment factor, in order to address foreign exchange rate
121 fluctuations between the planning phase and the actual procurement date. To
122 determine the factor to be used, the program owner and the TWG it designated
123 may request for guidance from the BSP, or refer to BSP forecasts, if available.
124
125 3. If the sum of the different cost components is lower than the appropriation for
126 the procurement, then the ABC should be equal to the sum of the cost
127 components. If the resulting sum is higher than the appropriation, it is advisable
128 to review the technical specifications and the computation of the ABC. In any
129 case, the ABC should not exceed the appropriation.
130
131 4. In case of failure of bidding under Section 35 of the IRR for RA 9184, in order to
132 determine the reason for the failed bidding, the concerned BAC shall conduct a
133 mandatory review and evaluation of the terms, conditions and specification in the
134 Bidding Documents, including its cost estimates. As the concerned BAC deems it
135 fit, and based on the findings in its mandatory review, it may revise and agree on
136 a new set of technical specifications; and, if necessary, may adjust the amount of
137 the ABC, subject to the required approvals under the IRR, and conduct a re-
138 bidding with re-advertisement and/or posting.
139
140 5. In case of recurring and regular services, e.g. General Support Services², with
141 multi-year appropriations, the full amount indicated in the Multi-Year
142 Contractual Authority (MYCA)³ shall be the ABC for the Project.

²Annex "A" of GPPB Resolution 23-2007, dated 28 September 2007 defined General Support Services as services that are essential, indispensable, or necessary to support the operations of any of the procuring entities or for the enhancement of the welfare of its personnel to include, but shall not be limited to, non-personal or contractual services such as maintenance of equipment and furniture, janitorial and security services.

³Item 8.0, National Budget Circular No. 587 dated 03 January 2022 provides that for purposes of agencies' entering into multi-year contracts, the issuance of a Multi-Year Contractual Authority (MYCA) or an Equivalent authority may be required or prescribed by

- 143
144 6. In addition, latest labor rules and regulations as to any necessary inclusions for
145 payment of services such as janitorial and security services must be considered.
146
147 7. The ABC form for Procurement of Goods and Services is attached as Annex "A".
148

149
150 **B. CONSULTING SERVICES**

- 151 1. The program owners and, if needed, the TWG it designated shall determine the
152 ABC in consideration of different cost components, namely
153
154 a. The cost or market price of the service itself;
155 b. The cost of money, to account for government agencies usually buying on
156 credit terms; and
157 c. Inflationary factor, since the planning phase is usually done one year ahead
158 of the actual procurement date.
159
160 2. The cost of consultancy for the project, which can be considered to be the ABC,
161 shall be computed on the basis of cost to the consultant of actual services to be
162 rendered by the consultant plus a reasonable level of management fee. The
163 amount of management fee depends on the complexity and magnitude of the
164 project, and other direct expenses associated to the undertakings. The cost of
165 actual services shall be commensurate to the work to be performed by the
166 consultant taking into consideration the prevailing industry rates for the specific
167 field of specialization of the consultant.
168
169 3. The cost of consultancy shall consist of the following and shall be presented in
170 the agreement in like manner:
171
172 a. Remuneration Costs (see Item B.4)
173 b. Reimbursable Costs (see Item B.5)
174 c. Contingency (see Item B.6)
175
176 4. Remuneration Costs are the salaries to be paid to the consultant's staff/personnel
177 who are directly engaged in the consulting services as per agreed manning
178 schedule. It covers the basic rates (see 4.a) of the staff multiplied by a billing
179 factor (see 4.b) of the consulting firm.
180

181 a. Basic Rates
182

183 The basic rates represent the salaries actually being received by the professional
184 staff from the consulting firms as certified by the consultant with a sworn
185 statement to be submitted to the DepEd during negotiations, if requested by the
186 concerned BAC. The basic rates of all individual members of the staff shall be
187 clearly indicated in the contract. In determining the basic rates, the following may
188 be considered as bases:
189

- 190 i. Salary history;
191 ii. Industry rates; and
192 iii. Two hundred percent (200%) of the equivalent rate in the DepEd as the floor.
193

the DBM. A MYCA is an authority issued by the DBM to agencies, covering the full contract cost, for the procurement of multi-year projects (MYPs).

194 b. Basic Factor or multiplier

195
196 The billing factor or multiplier shall be derived from the following to be supported
197 by audited financial statements prepared by an independent auditing/accounting
198 firm/entity:
199

- 200 i. Overhead Cost (see item 4.b.i)
201 ii. Social charges (see item 4.b.ii)
202 iii. Management fee (see item 4.b.iii)
203

204 The sum total of the basic salary and overhead, social charges and Management
205 fee as percentage of basic salary represents the billing factor or multiplier. The
206 size of the multiplier will vary with the types of work, the organization and
207 experience of the consultant, and the geographic area in which its office is located.
208 The multiplier normally ranges from 2.0 to 3.0 for the technical personnel, and
209 shall normally not exceed 1.8 for the administrative personnel directly hired for
210 the project.
211

212 4.b.i Overhead Cost or those are incidental and general administrative and
213 management expenses of the firm other than those directly related to the
214 project, and are expressed in percent of the total of the basic salaries of
215 all the personnel of the firm. Normally not exceeding one hundred twenty
216 percent (120%) of the basic salary of the personnel, these expenses may
217 include a combination of the following:
218

- 219 a. Executive, administrative, accounting, and legal salaries, other than
220 identifiable salaries included in the basic man-month salaries;
221 b. Legal and corporate expenses including licenses, professional
222 membership fees;
223 c. Business costs including representation allowances, advertisements,
224 promotions;
225 d. Research and development activities including personnel
226 development programs;
227 e. Provision for office, electricity, water, and similar items for working
228 space;
229 f. Depreciation and amortization;
230 g. Financial and banking costs including interest expenses and
231 handling charges;
232 h. Building and equipment insurance;
233 i. Provision for loss of productive time of technical employees between
234 assignments; and
235 j. Taxes.
236

237 4.b.ii Social Charges or those cost of items for the welfare and benefit of the
238 consultant's staff in accordance with the policies of the consultant and of
239 the government. Expressed as a percentage of the basic rates of the
240 consultant's personnel, these cost items may include any or a
241 combination of the following, based on audited and sworn statement to
242 be submitted by the consultant to DepEd:
243

- 244 a. Bonuses;
245 b. Vacation/sick leave and paid public holidays;
246 c. Medical Care;
247 d. Pension plan – retirement and/or terminal pay;

- e. Company insurance; and
- f. Other benefits as required by law.

4.b.iii Management Fee or those remunerations for the professional know-how and expertise of the consultant. The amount of fees shall be fixed as a percentage of the sum of the basic salary, overhead costs and social charges, depending on the complexity of the services rendered and other considerations, but not to exceed fifteen percent (15%).

5. Reimbursable Costs include all other expenses associated with the execution of the consulting services. These costs may be classified into:

- a. Based on Agreed Fixed Rates (See Item B.5.i)
- b. Based on Actual Cost (See Item B.5.2)

5.a Based on Agreed Fixed Rates

These are cost items which are payable at agreed unit rates to the staff and include the following, among others:

- a. Housing Allowance - These cover housing costs, including those for power and water, for consultant's staff. It should not include food and laundry since these are basic necessities that the consultant has to spend for even without the project. In considering the housing allowance, the base of operation and the designated official station of duty of the consultant must be defined.

The base of operation is the location of the home office of the consultant while the designated official station of duty is the location outside of the base of operation where most of the consultant's staff will be working more often continuously during the duration of the services.

For local consultants, the base of operation is usually in Metro Manila, and the designated official station of duty is the project site outside Metro Manila. Sometimes, in undertaking the services, the consultant's staff is grouped into two (2), i.e. those who are stationed at the base of operation and those stationed at the project site, depending on where they will be staying longer continuously during the duration of the services.

Housing allowance shall be given only for long-term consultant's staff, i.e. those who will be staying at the designated official station of duty continuously for more than one (1) month. The agency may also have the option to provide for housing facilities at the designated official station of duty instead of giving housing allowance. The work and manning schedules, together with the designated base of operation and the official station of duty, shall be the basis for determining the rates of housing allowance and per diem.

- ii. Per Diems - These are daily allowances given to the consultant personnel while on official trips authorized by the agency and/or explicitly required in the contract as follows:

- a. Outside of the base of operation for consultant staff stationed there; and
- b. Outside of the designated official station of duty for consultant staff stationed there, except when staying at the base of operation. Per diems

shall be reckoned from a 24-hour day trip of at least 50 kilometers away from the station.

- iii. For foreign consultants, miscellaneous international travel expenses such as, the cost of transportation to and from the airports, airport taxes, passports, visas, travel permits and vaccinations.

5.b Based on Actual Cost

These are all other reimbursable costs that must be supported with invoices and/or other supporting papers, and include the following:

i. International Travel

This covers the cost of full fare economy class air transportation, preferably through a Filipino-owned airline, by the most direct and expeditious air routes of the consultant's expatriate staff and their eligible dependents, i.e., wife and children under eighteen (18) years of age not to exceed two (2) children, from their point of origin. Eligible dependents are those of the personnel assigned to resident duty in the Philippines for periods of not less than one (1) year. For those whose period of constructive assignment is over six (6) months but less than 1 year, only the wife will be entitled for the cost of transportation. An expatriate shall be allowed the cost of excess baggage up to 20 kilograms each per round trip.

ii. Domestic Travel

This covers the cost of full fare economy class air transportation and/or land transportation by the most direct and expeditious routes of the consultant's staff for official trips authorized by the agency and/or explicitly required in the contract.

iii. Domestic Transportation

This covers the provision of vehicles and equipment either through purchase or rental.

iv. Communication Expenses

This includes telephone, mobile, two-way radio, telegrams, Internet, parcel, freight, courier, fax and etc.

v. Cost of office/engineering supplies and cost of preparing/reproducing drawings and other documents to be submitted;

vi. Cost of field office either through rental or construction; and

vii. Acquisition of software licenses; and viii. Cost of other items deemed necessary for the project as certified by the agency concerned.

6. Contingency

These are payments in respect of items of additional work within the general scope of services that may turn out to be necessary as the study progresses or costs that would exceed the estimates set forth may be chargeable to the contingency amounts in the respective estimates. However, these payments can be done only if such costs are approved by the agency concerned prior to its being incurred and provided, further, that they shall be used only in line with the unit rates and costs specified in the contract and in strict compliance with the project needs. Contingency amount must not exceed five percent (5%) of the amount of the contract.

7. Value Added Tax (VAT)

VAT is set twelve percent (12%) of the remuneration.

8. Proposed Total ABC

The sum of Remuneration costs, Reimbursable Costs, Contingency, and VAT, in accordance with the above guidelines, comprises the base cost of the consulting services, as of the date when the estimate is done.

Since the contract cost is usually a fixed price, adequate provision must be made for the increase on cost due to inflation, projected from the date of the base cost estimate up the estimated date of completion of the services, based on official price indices of the Philippine Statistics Authority (PSA).

Subject to the approval of the HoPE, the proposed total ABC is then the sum of (i) the base cost and (ii) the increase in cost due to inflation.

9. The ABC Form for the procurement of Consulting Services is attached as Annex "B".

10. In determining the rate for individual consultants, the following factors shall be considered as part of the market study:

- a. Nature of the assignment;
- b. Level of work to be performed in terms of complexity, difficulty and extent;
- c. Educational Attainment, Qualifications, degree of expertise and relevant work experience required;
- d. Prevailing consultancy fee based on relevant local market rates, prior or existing local consultancy contract;
- e. Risks and inconveniences related to work under hardship and hazardous conditions; and
- f. Any other relevant expenses related to the performance of services, which may include reimbursable costs and contingency fees.

C. INFRASTRUCTURE PROJECTS

1. The preparation of the ABC has taken into account the following relevant factors a contractor considers in arriving at its estimate of the cost, among others:

- a. Approved Detailed Engineering Design (DED), which contain, among other things, the plans, specifications, work pay items and quantities for the project;

- 406 b. Applicable and cost-effective construction methods and sequencing of
407 activities;
- 408 c. Appropriate size and composition of labor crew, type and number of
409 equipment, and construction materials corresponding to the construction
410 method and sequencing of activities;
- 411 d. Realistic production and efficiency rates for construction equipment and
412 labor;
- 413 e. Identified feasible sources of construction materials;
- 414 f. Market prices of component labor, materials and equipment; and
- 415 g. Reasonable risks and contingencies, cost of money, projected inflation, and
416 other relevant and legitimate cost items to be incurred by the contractor.
- 417
- 418 2. DPWH Department Order No. 197 series of 2016⁴, and DepEd School
419 Infrastructure and Facilities - Education Facilities Division (SIF-EFD) issuances
420 shall be adopted, to the extent possible, by the program owners as guide in their
421 preparation of the ABC. Consistent with the above-mentioned Guidelines, the
422 ABC shall be composed of the Estimated Direct Cost and the Estimated Indirect
423 Cost and shall be calculated in accordance with the following:
- 424
- 425 2.a The Estimated Direct Cost (EDC) shall consist of the following:
- 426
- 427 1) Cost of materials to be used in doing the work item called for, which shall
428 include, inter alia, the following:
- 429 i. Cost at source, including processing, crushing, stockpiling, loading,
430 royalties, local taxes, construction and/or maintenance of haul roads,
431 etc.
- 432 ii. Expenses for hauling to project site.
- 433 iii. Handling expenses.
- 434 iv. Storage expenses.
- 435 v. Allowance for waste and/or losses, not to exceed 5% of materials
436 requirement
- 437
- 438 2) Cost of Labor:
- 439
- 440 i. Salaries and wages, as authorized by the Department of Labor and
441 Employment.
- 442 ii. Fringe benefits, such as vacation and sick leaves, benefits under the
443 Workmen's Compensation Act, Social Security System (SSS)
444 contributions, allowances, 13th month pay, bonuses, etc.
- 445
- 446 3) Equipment Expenses:
- 447
- 448 i. Rental rates of equipment-based on the prevailing "Associated
449 Construction Equipment Lessors, Inc." (ACEL) rental rates approved for
450 use by the DPWH. Rental rates of equipment not indicated in the ACEL
451 booklet shall be taken from the rental rates prepared by the Bureau of
452 Equipment. For simplicity in computation, the operated rental rates are
453 preferred to the bare rental rates as the former includes operator's
454 wages, fringe benefits, fuel, oil, lubricants and equipment maintenance.
455 The make, model and capacity of the equipment should be indicated in
456 the detailed unit cost analysis.

⁴ Revised Guidelines in the Preparation of Approved Budget for the Contract (ABC)

ii. Mobilization and demobilization –treated as a separate pay item. It shall be computed based on the equipment requirements of the project stipulated in the proposal and contract booklet. In no case shall mobilization and demobilization exceed one percent (1%) of the EDC of the civil works items. However, in special cases wherein requirements for mobilization/demobilization exceed 1%, an approval to utilize the actual computed mobilization/demobilization cost shall be secured from the Undersecretary for School Infrastructure and Facilities.

- 4) Cost for Permits, Clearances and other Government Taxes (i.e. MMDA Permit, LGU Permits, Bureau of Fire Protection Clearance, etc.) shall be included in the cost under Part B – Other General Requirements of the Program of Works (POW) and Estimate/ABC.

2.b The Estimated Indirect Cost shall consist of the following:

- 1) Overhead Expenses– range from seven to eleven percent (7-11%) of the EDC, which include the following:
 - i. Engineering and Administrative Supervision.
 - ii. Transportation allowances.
 - iii. Office Expenses, e.g., for office equipment and supplies, power and water consumption, communication and maintenance.
 - iv. Premium on Contractor's All Risk Insurance (CARI).
 - v. Financing Cost:
 - a. Premium on Bid Security
 - b. Premium on Performance Security
 - c. Premium on Surety for Advance Payment
 - d. Premium on Warranty Bond (one year)
- 2) Contingencies– range from five-tenths to three percent (0.5-3.0%) of the EDC. These include expenses for meetings, coordination with other stakeholders, billboards (excluding Project Billboard which is a pay item under General Requirements), stages during groundbreaking and inauguration ceremonies, and other unforeseen events.
- 3) Miscellaneous Expenses– range from five-tenths to one percent (0.5-1.0%) of the EDC. These include laboratory tests for quality control and plan preparation.
- 4) Contractor's Profit Margin– shall be eight percent (8%) of the EDC for projects with an EDC of more than Php5Million and ten percent (10%) for projects with an EDC of Php5Million and below.

Estimates for Overhead, Contingencies and Miscellaneous or OCM (items b.1., b.2., and b.3.) and Profit (item b.4.), as percentages of the EDC, shall not exceed the following amounts for different cost ranges:

Allowable OCM and Profit		
Estimated Direct Cost (EDC)	OCM, as % of EDC	Profit, as % of EDC
Up to Php5M	15	10

Above PhP5M to PhP50M	12	8
Above PhP50M to PhP150M	10	8
Above PhP150M	8	8

- i. Value Added Tax (VAT) Component- shall be five percent (5%) of the sum of the EDC, OCM and Profit.

The Bureau of Internal Revenue - Revenue Memorandum Circular No. 85-2017, provides that: "Sales to the government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs), of goods and/or services are generally subject to the twelve percent (12%) VAT under Sections 106 and 108 of the NIRC, unless the sale transaction is specifically VAT-exempt or VAT zero-rated under the provisions of the NIRC or other special laws. Engineering and Administrative Supervision.

- ii. The following items shall not be subjected to OCM and Profit mark-up:
- a. Mobilization and demobilization.
 - b. Provision of Service Vehicle.
 - c. Permits and Clearances

- 5) The following non-civil works items shall not be subjected to OCM mark-up:

- a. Field/Laboratory Office and Living Quarters (Rental Basis);
- b. Furnishing of Furniture, Laboratory Equipment, Survey Equipment and Consumables;
- c. Assistance to the Engineer;
- d. Photographs;
- e. Health and Safety;
- f. Traffic Management;
- g. Environmental Compliance; and
- h. Communication Equipment, etc.

Since the contract cost is fixed, the program owners must apply an inflationary factor to the calculated base cost considering that the cost estimate is arrived at months ahead of the actual procurement and construction dates. The program owners may refer to the NEDA and the Philippine Statistics Authority (PSA) for estimates of likely inflation rates applicable to the contract.

D. MONITORING AND EVALUATION

The implementation of this DO shall be monitored and evaluated by the PPMD based on the implementation plan, monitoring, and evaluation plan, and in accordance with DO 29, s. 2022 or the Basic Education Monitoring and Evaluation Framework (BEMEF).

E. POLICY IMPLEMENTATION

To guarantee that this DO is effectively used and implemented and that the objectives are attained, a periodical monitoring and evaluation project must be carried out. For this purpose, PPMD shall gather feedback from the various procurement implementers and conduct a periodic review.

Additionally, ProcMS-CMD shall be responsible in overseeing the application if these guidelines and provide support to the field offices in the implementation of this DepEd Order. The said office may request relevant assistance from other concerned offices.

F. REPEALING CLAUSE

All DepEd Orders, DepEd Office Orders, other DepEd issuances, and/or certain provisions thereof, not consistent with this DepEd Order, if harmonization cannot be feasible, are hereby accordingly amended, repealed, or modified.

G. TRANSITORY CLAUSE

In all DepEd procurement activities, if a budget for a procurement project have been allocated and approved by the proper authorities prior to the effectivity of this Order, the implementing issuances on the determination of the ABC when such budget was allocated shall govern.

IX. EFFECTIVITY CLAUSE

These guidelines shall take effect immediately upon its approval. Certified true copies of this Order shall be filed with the University of the Philippines Office of the National Administrative Register (UP-ONAR) at the University of the Philippines (UP) Law Center, UP Diliman, Quezon City.

X. REFERENCES

1. DBM National Budget Circular No. 2010-9, dated 30 December 2012 "Guidelines Directing Agencies to Expedite the Implementation of their Procurement Activities"
2. DPWH Department Order No. 197 series of 2016 "Revised Guidelines in the Preparation of Approved Budget for the Contract (ABC)"
3. GPPB Resolution 23-2007, dated 28 September 2007 "Approving and Adopting the Revised Guidelines on the Extension of Contracts for General Support Services"
4. National Budget Circular No. 587 dated 03 January 2022 "Guidelines on the Release of Funds for FY 2022"
5. Updated 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184
6. Volume 2: Manual of Procedures for Procurement of Goods
7. Volume 3: Manual of Procedures for the Procurement of Infrastructure Projects
8. Volume 4: Manual of Procedures for the Procurement of Consulting Services