



REPUBLIC OF THE PHILIPPINES  
**Department of Budget and Management**



**NATIONAL BUDGET CIRCULAR**

**No. 517**  
December 22, 2008

**TO** : All Heads of Departments, Bureaus, Offices and Agencies of the National Government, Including State Universities and Colleges (SUCs); Government-Owned and/or -Controlled Corporations (GOCCs); Government Financial Institutions (GFIs); and All Others Concerned

**Subject** : **GUIDELINES ON THE ESTABLISHMENT OF PROCUREMENT UNITS**

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**1.0 General Policy**

Consistent with the general policy, as prescribed under Section 11 of Republic Act No. 9184 and its Implementing Rules and Regulations (IRR), to establish a single Bids and Awards Committee (BAC) in the Central Office of the procuring entity, a single procurement unit shall likewise be established to support the BAC of the Central Office. If the head of the procuring entity deems it fit to create more than one BAC in accord with Section 11.1 of the IRR, said BAC/s shall also be supported by the single procurement unit established in the Central Office to facilitate professionalization and harmonization of procedures and standards.

**2.0 Purpose**

This Circular is being issued to provide the guidelines on the establishment of procurement units and institutionalize the functions of these units pursuant to Republic Act No. 9184 and its IRR.

**3.0 Coverage**

It shall apply to all national government agencies which have yet to establish procurement units at the central level. Those agencies with existing procurement units shall adopt the principles and parameters under this Circular at the earliest possible opportunity.

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#### 4.0 Procurement Units

- 4.1 Procurement units may be created at the Central Offices of departments, line bureaus, attached agencies, SUCs, GOCCs, GFIs and equivalent agencies.
- 4.2 The procurement units shall have four (4) main functions: procurement planning, purchasing, contract management, and procurement monitoring.

#### 5.0 Guidelines on the Organization and Staffing of Procurement Units

##### Organization

- 5.1 The organizational level of the procurement unit shall be determined by: (i) the organizational level of the procuring entity; and (ii) the average procurement budget of the agency for the last three (3) years.

For this purpose, the procurement budget shall refer to the sum of the allocations of the central office, staff bureaus, and regional offices of the agency for repair and maintenance; supplies and materials; rents; professional services; buildings and structures outlay; office equipment, furniture and fixtures; transportation equipment; machineries and equipment; public infrastructures; and other expense items subject of procurement, as reflected in its Annual Procurement Plan.

- 5.2 The organizational level of the procurement unit corresponding to the agency category and its average procurement budget shall be as follows:

<i>Annual Procurement Budget *</i>	<i>Department</i>	<i>Bureau</i>	<i>GOCC/GFI</i>
<b>P 5 B and above</b>	Service	Division	Department
<b>P 1 B to less than P 5 B</b>	Division	Section	Division
<b>Less than P 1 B</b>	Section	Positions below SG-18 under the Administrative or General Services Division	Section

\*Average for the last three years

- 5.3 The organizational structure and functions of each of the above-mentioned levels of procurement units shall be as described below:

5.3.1 Procurement Service

The Procurement Service shall be composed of the following:

*Office of the Director.* Shall direct all activities of the agency, whether in the central (including those of its staff bureaus) or regional level, pertaining to procurement planning, purchasing, contract management, and monitoring.

*Procurement Planning and Management Division.* Shall be responsible for all planning and procurement activities. Specifically, it shall: coordinate and monitor all procurement activities of the agency, whether in the central (including those of its staff bureaus) or regional level; assist in the consolidation of the Project Procurement Management Plans and the preparation of the Annual Procurement Plan; provide technical support and recommend the appropriate procurement method to the BAC/s; manage and monitor all phases of the procurement process; create and maintain the price monitoring list and the registry of suppliers, contractors and consultants; and concurrently perform the functions of the BAC Secretariat, including overseeing the work of other BAC Secretariats.

*Contract Management Division.* Shall be responsible for all post-award contract management activities. Specifically, it shall: monitor compliance with the terms and conditions of the procurement contract; coordinate with the end-users for the acceptance of goods and services; coordinate with the Finance Unit for payment of contracts; initiate sanctions against erring suppliers, contractors and consultants, including the forfeiture of performance security and blacklisting. It shall oversee contract management activities of its regional offices and provide technical support when necessary.

5.3.2 Procurement Division

The Procurement Division shall be created under the Administrative Service (AS) or the Financial and Administrative Service (FAS) in the agency, whichever is applicable. It shall be responsible for the performance of the functions listed above for a Procurement Service, including its divisions, at a smaller scale.

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### 5.3.3 Procurement Section

The Procurement Section shall be created under the General Services Division (GSD) or Administrative Services Division (ASD) or a similar unit in the agency. It shall be responsible for the handling of all of the functions listed above for a Procurement Service, including its divisions, at a municipal level.

#### Staffing

5.4. Staffing of the procurement unit shall be as follows:

Procurement Unit	Job Position
Procurement Service	
Office of the Director	Director (1) (SG-28) Administrative Assistant (1) (SG-9) (support staff)
Procurement Planning and Management Division	Chief Administrative Officer (SG-21)
Contract Management Division	Chief Administrative Officer (SG-21)
Procurement Division	Chief Administrative Officer (SG-21)
Procurement Section	Administrative Officer (1) (SG-18)


5.5. To preserve the hierarchy of positions, there should be no duplication in the level of positions from SG-22 and above in each of the divisions under the Procurement Service, and for the Procurement Division under the ASD or AAS and SG-18 in the Procurement Section under the GSD or ASD.

5.6. In the creation and staffing of the procurement unit, agencies shall adopt the "scrap and build" policy, wherein existing vacant funded positions may be "scrapped" or abolished to create the appropriate positions, working within the funding limitations. Agencies should see to it that the full requirements of the staffing should be covered by the positions proposed for abolition.

5.7. Where there are no existing funded vacant positions, the agency may resort to the transfer/deployment of positions from other units. The transfer/deployment of positions may involve the reclassification of funded positions or the conversion of the vacant items to conform with the staffing requirements of the procurement unit. The incumbents of the position(s) for

reclassification should meet the qualification requirements of the new positions.

- 5.8 The upward reclassification of positions would only be allowed if the agency offers the abolition of vacant funded position/s to support the attendant increase in Personal Services.
  - 5.9 Priority shall be given to the creation of positions in the professional category rather than in the clerical or non-professional positions. Agencies shall endeavor the greater use of information technology in the accomplishment of clerical or routine administrative tasks.
  - 5.10 Existing positions involved in procurement activities as described in Item 5.3 hereof shall be transferred to the procurement unit.
  - 5.11 The head of the procurement unit shall be a regular member of the Technical Working Group of the BAC. Agencies are also encouraged to designate the head of the procurement unit as a regular member of the BAC/s if s/he meets the requirements prescribed by Section 11.2.1 of the IRR.
- 6.0 Proposals for the establishment of procurement units shall be submitted to the Department of Budget and Management for approval.
  - 7.0 This Circular shall take effect immediately.

  
**ROLANDO G. ANDAYA, JR.**  
Secretary