



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Building I, General Solano Street, San Miguel, Manila



BUDGET CIRCULAR

No. 2010 - 2
March 1, 2010

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

SUBJECT : GUIDELINES ON THE ACQUISITION AND USE OF GOVERNMENT MOTOR VEHICLES

1.0 Purpose

This Circular is issued to:

- 1.1 Provide the implementing guidelines for Administrative Order (AO) No. 233, "*Reiterating the Prohibition on the Acquisition and Use of Luxury Vehicles and Directing Revisions of Guidelines on Government Motor Vehicles Acquisition,*" dated August 1, 2008; and
- 1.2 Update the Typology of Government Motor Vehicles and the Motor Vehicle Classification and Specifications Guide under National Budget Circular (NBC) No. 446 dated November 24, 1995, as amended by NBC No. 446-A dated January 30, 1998, pursuant to AO No. 233.

2.0 General Guidelines

2.1 The acquisition and use of **luxury vehicles** is prohibited. A "luxury vehicle" shall refer to any motor vehicle exceeding the following technical specifications:

- Car (sedan or hatchback) with an engine displacement exceeding 2200 cc if gasoline-fed or 3000 cc if diesel-fed, and with an engine exceeding 4 cylinders;
- Passenger van or pick-up with an engine displacement exceeding 2200 cc if gasoline-fed or 3000 cc if diesel-fed, and with an engine exceeding 4 cylinders;
- Crossover Utility Vehicle (CUV)/Multi-Purpose Vehicle (MPV)/Asian Utility Vehicle (AUV) with an engine displacement exceeding 2000

cc if gasoline-fed or 2500 cc if diesel-fed, and with an engine exceeding 4 cylinders; and

- Sports Utility Vehicle (SUV) with an engine displacement exceeding 2700 cc if gasoline-fed or 3000 cc if diesel-fed, and with an engine exceeding 4 cylinders.

2.2 The following vehicles are not covered by the above restrictions:

- Those used for security reasons and purposes for the President, Vice-President, Senate President, Speaker of the House of Representatives and Chief Justice of the Supreme Court;
- Those donated by Foreign Governments and Bilateral and Multilateral Institutions, if compliance hereto is violative of the terms and conditions of such donation;
- Those used for visiting foreign dignitaries maintained by the Office of the President (OP)-Proper and the Department of Foreign Affairs; and
- Those acquired for on-going projects funded from existing official development assistance programs.

2.3 Government agencies shall make an inventory of motor vehicles in their possession, prepare a disposal program for luxury vehicles as defined under Item 2.1 hereof, and submit a compliance report to the Department of Budget and Budget Management (DBM) and OP, thru the General Government Administration Office (GGAO), following the format under Annex A hereof.

2.4 Agencies shall immediately dispose of luxury vehicles by public auction or sale in compliance with applicable laws, rules and regulations.

2.5 Proceeds from the sale of luxury vehicles shall be turned over to the National Treasury, in the case of national government agencies (NGAs) and SUCs; or to their respective corporate operating funds, in the case of GOCCs and GFIs; or to their respective local funds, in the case of LGUs.

Such amounts remitted shall be automatically appropriated for the purchase of new vehicles, subject to the guidelines prescribed herein, and for the repair of existing serviceable vehicles. NGAs are required to submit a special budget for the purpose pursuant to Section 35, Chapter 5, Book VI of Executive Order No. 292, and a report of vehicles sold and the utilization of the sales proceeds to the DBM and OP-GGAO.

3.0 Authority to Purchase

3.1 NGAs including SUCs, GOCCs, and GFIs, may purchase the following types of vehicles, chargeable against their respective appropriations authorized for the purpose, upon approval by the agency head concerned and the Secretary of Budget and Management:

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- Specific purpose vehicles such as medical ambulances, military and police patrol vehicles, armored vehicles, prisoners' vans, and fire trucks;
- Heavy equipment such as road construction equipment, cargo transport equipment, farm machineries, waste management/ environmental sanitation equipment, and similar vehicles/equipment;
- Locally assembled owner- or passenger-type jeep;
- Motorized bancas/boats;
- Vehicles for mass transport, when necessary in the interest of public service; and
- Motorcycles and tri-wheel vehicles.

3.2 The purchase of the following motor vehicles, regardless of funding source, is subject to the approval of the Office of the President:

- Car (sedan or hatchback) with an engine displacement not exceeding 2200 cc if gasoline-fed or 3000 cc if diesel-fed;
- Passenger van or pick-up with an engine displacement not exceeding 2200 cc if gasoline-fed or 3000 cc if diesel-fed;
- CUV/MPV/AUV with an engine displacement not exceeding 2000 cc if gasoline-fed or 2500 cc if diesel-fed;
- SUV with an engine displacement not exceeding 2700 cc if gasoline-fed or 3000 cc if diesel-fed;
- All types of aircrafts; and
- All types of seacrafts, not otherwise classified under Sub-Item 3.1 hereof.

3.3 The purchase of motor vehicles by the Legislative and Judicial Branches of government are subject to the approval of the Senate President, Speaker of the House of Representatives, or Chief Justice of the Supreme Court, as the case may be.

The purchase of motor vehicles by Constitutional Commissions and other offices enjoying fiscal autonomy are subject to the approval of their respective heads.

4.0 Acquisition of Motor Vehicles by Local Government Units (LGUs)

Governors, City and Municipal Mayors, and Punong Barangays are authorized to purchase the types of motor vehicles enumerated under Sub-Item 3.1 hereof for their respective provinces, cities, municipalities and barangays out of their

unencumbered local funds covered by appropriations ordinances specifically authorizing/earmarking funds for the purpose.

However, for purchases sourced from national government funds under the General Appropriations Act, the LGU concerned shall seek the approval of the Department of Budget and Management for motor vehicles enumerated under Sub-Item 3.1 hereof, or the Office of the President for motor vehicles enumerated under Sub-Item 3.2 hereof.

5.0 Classification and Specifications of Motor Vehicles

5.1 The acquisition of motor vehicles shall be guided by the revised description, classification and specifications of motor vehicles under Annexes B and C hereof.

5.1.1 As a general rule, only the acquisition of base model vehicles shall be allowed.

Base models are already complete per manufacturer's specifications in terms of basic vehicle components; features are limited to the essential aspects of construction and design without loss of functionality.

The acquisition of fully optioned or up-market models, which provide additional aesthetic/comfort features, shall not be allowed.

5.1.2 In the case of customized or assembled vehicles, optional accessories/equipment shall be limited to those essential to meet the functional requirements, and those that would have been installed as part of basic vehicle components had these passed through the production/assembly line.

5.2 Alternative fuel vehicles (AFVs) that can run on hydrogen, natural gas, electricity, LPG and higher biofuel blends (minimum of 10 % Biodiesel Blend and 20 % Bioethanol Blend) are highly recommended over other types of vehicles.

5.2.1 Vehicle warranties shall be stipulated in the purchase of AFVs.

5.2.2 Fifty percent (50%) of the total vehicles to be purchased or leased shall be AFVs, taking into consideration the sustainability of fuel supply in the area of operation.

6.0 Repealing Clause

The provisions of NBC No. 446, as amended by NBC No. 446-A, and all other Circulars and issuances that are inconsistent with this Circular are hereby rescinded/superseded accordingly.

7.0 Saving Clause

Cases not covered by the provisions of this Circular shall be submitted to the Department of Budget and Management for resolution.

8.0 Effectivity

This Circular shall take effect immediately.


ROLANDO G. ANDAYA, JR.
Secretary

