

June 2, 1989

**EXECUTIVE ORDER NO. 359**

**REITERATING THE POLICY AND PRESCRIBING GUIDELINES AND PROCEDURES  
IN THE IMPLEMENTATION OF THE PROVISIONS OF EXECUTIVE ORDER NO. 285,  
"ABOLISHING THE GENERAL SERVICES ADMINISTRATION AND  
TRANSFERRING ITS FUNCTIONS TO APPROPRIATE GOVERNMENT AGENCIES"  
ON THE OPERATION OF A PROCUREMENT SYSTEM FOR COMMON-USE OFFICE SUPPLIES,  
MATERIALS AND EQUIPMENT**

**WHEREAS**, the cost of government operations can be substantially reduced through greater efficiency in the procurement of supplies, materials and equipment;

**WHEREAS**, innovations in procurement have been successfully tested by the Department of Budget and Management (DBM), Department of Finance (DOF) and the Commission on Audit (COA) through the Pilot Procurement Project and subsequently the Procurement Service;

**WHEREAS**, the said policies, procedures and innovations should be institutionalized in line with the provisions of Letter of Instructions No. 755 and Executive Order No. 285 mandating the operation of a government-wide procurement system and price monitoring of common-use supplies, materials, and equipment;

**NOW, THEREFORE, I, CORAZON C. AQUINO**, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1. Reiteration of Policy.**

The National Government hereby reiterates the policy that procurement of government supplies, materials and equipment shall be done in the most economical and efficient manner by purchasing directly from reliable sources in economic lot sizes, by observing optimum specifications and by making prompt payment.

**SECTION 2. Organization.**

- a. Pursuant to the principle enunciated under Section 51, General Provisions, Republic Act No. 6688, a Procurement Policy Board is hereby established to consist of the Secretary of Budget and Management (DBM) as Chairman and, as Members, the Secretaries of Finance (DOF), Trade and Industry (DTI), Health (DOH), National Defense (DND), Public Works and Highways (DPWH), Education, Culture and Sports (DECS) and a representative from the Philippine Institute of Certified Public Accountants (PICPA). The Board shall promulgate rules and regulations to carry out the policy statement and intent of this Executive Order, which shall serve as the basis for the procurement operation of the Procurement Service (PS) of the Department of Budget and Management (DBM) and other government agencies. In the formulation of said rules and regulations, the Procurement Policy Board may, in its discretion, consult the Chairman, Commission on Audit on matters falling under the functional jurisdiction of the Commission.

The Board shall conduct periodic evaluation of the effectiveness of the centralized procurement system as carried out by the Procurement Service in terms of economy and efficiency measured against the following criteria:

1. comparable prices in the open market;
2. compliance with established standards and quality as formulated by the Bureau of Product Standards of the Department of Trade and Industry; and
3. meeting delivery time standards to client agencies.

For the above purpose, the Board may commission the undertaking of an independent survey to accomplish this task. Upon effectivity of this Executive Order, the holdover status of all the Members of the Procurement Council who are rendering services on holdover capacity in the Procurement Service shall automatically terminate and cease.

- b. In line with the mandate of Executive Order No. 285, the Procurement Service (PS) of the Department of Budget and Management (DBM) and its Inter-Agency Bids and Awards Committee created under Letter of Instructions No. 755 shall be maintained as the regular organizational units to implement and operate a central procurement system. Accordingly, DBM shall in accordance with Executive Order No. 86, establish Regional Depots as part of the regular organization structure of the Procurement Service from which government agencies may locally purchase their common use supplies, materials and equipment requirements.

### **SECTION 3. Coverage.**

All national government agencies, including State Universities and Colleges and government owned or controlled corporations and their subsidiaries, that require common-use supplies, materials and equipment are covered by the Executive Order. The central procurement system may be availed of by local government units, on a voluntary basis. Agencies are, however, allowed to procure directly for emergency needs whenever there is a significant delay in the delivery of urgently needed supplies by the Procurement Service, subject to existing accounting and auditing rules and regulations.

### **SECTION 4. Operating Procedures.**

The operating procedures of the procurement system shall be prescribed by the Procurement Service (PS). Said operating procedures shall remain in force unless subsequently modified in consultation with the Systems and Procedure Bureau (SPB) of DBM, subject to the approval of the Procurement Policy Board.

The operating procedures shall cover, among others, the following:

- a. Preparation and submission of the annual agency procurement programs for brand-new supplies, materials and equipment which are covered by the procurement system.
- b. The appropriations for the Annual Procurement Programs of Agencies shall be identified in their annual Work and Financial Plan. Said Work and Financial Plan shall serve as the basis of the Department of Budget and Management in the release of the Agency's quarterly allotments and monthly funding warrants. The agencies shall remit in advance to the Procurement Service the funds needed to service their requirements for supplies, materials and equipment as reflected in said Work and Financial Plan.
- c. Adoption of simplified bidding procedures as authorized under Item 12 of Letter of Instructions No. 755 by a Procurement Service Bids and Awards Committee whose composition shall be determined by the Procurement Policy Board.
- d. In the evaluation of supplies, materials and equipment, the applicable standards as to specifications and test methods as formulated by the Bureau of Product Standards shall be strictly followed; where otherwise not available, the appropriate international and/or trade standards, whichever is more beneficial to the government, shall apply. Evaluation of items which are highly technical in nature shall in all cases be attended by the technical experts of the end-user agency and representatives of professional associations under whose field of expertise the items may be covered.
- e. The charging of service fees by the Procurement Service to cover its personnel services and other operational expenses as may be authorized by the Procurement Policy Board pursuant to Section 33 of Republic Act No. 6688 and Section 52 of Presidential Decree No. 1177, but not to exceed five (5%) percent of the value of supplies, materials and equipment procured and supplied to the agency concerned.

### **SECTION 5. Funding.**

The initial funding for the operation and initial stocking of the regional depots shall be charged against available appropriations of the Department of Budget and Management. This shall include the amount of three million pesos (P3,000,000.00) for each regional depot which shall be treated, recorded, deposited and used consistent with and in the same manner as the PS Operating Funds established under Letter of Instructions No. 755. In case of deficiency of available appropriations, such deficiency shall be covered by savings from any appropriate lump-sum funds as may be determined by the Department of Budget and Management.

### **SECTION 6. Repealing Clause.**

The provisions of Procurement Council Circular No. 1; Joint Circular 77-2 as amended by Procurement Circular No. 3 and 3a; Joint Circular No. 3-B and Joint Department of Budget and Management, Department of Trade and Industry, and

Commission on Audit (DBM-DTI, COA) Memorandum Circular, dated October 1, 1987 prescribing the Implementing Guidelines on Government Procurement of Bureau of Product Standards-Certified Products that are inconsistent herewith are hereby revoked or modified accordingly.

**SECTION 7. Effectivity.**

This Executive Order shall take effect immediately.

**Done** in the City of Manila, this 2nd day of June, in the year of Our Lord, nineteen hundred and eighty-nine.