



Republic of the Philippines
OFFICE OF THE CITY MAYOR
City of Davao

EXECUTIVE ORDER NO. 44
Series of 2020

AN ORDER ADOPTING THE GUIDELINES OF THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH) DEPARTMENT ORDER NO. 197, SERIES OF 2016, ENTITLED "REVISED GUIDELINES IN THE PREPARATION OF APPROVED BUDGET FOR THE CONTRACT"

WHEREAS, the DPWH had issued Department Order No. 197, Series of 2016, entitled "REVISED GUIDELINES IN THE PREPARATION OF APPROVED BUDGET FOR THE CONTRACT (ABC)" for the implementation of the government projects and public works throughout the country.

WHEREAS, the LGU DAVAO is mandated to comply with and adopt the afore-said guidelines for the preparation/computation of Approved Budget for the Contract in infrastructure projects per Evaluation Report dated May 17, 2019 by the Commission on Audit entitled "TECHNICAL EVALUATION REPORT FOR INFRASTRUCTURE PROJECT".

WHEREAS, there is an immediate need to adopt the Revised Guidelines under DPWH D.O. 197 in order to arrive at a reasonable Approved Budget for the Contract and project cost in all civil works of the City thereby ensuring the economy, efficiency, and quality in construction;

WHEREAS, D.O. No. 197 will form part of guidelines of the City Engineers Office in implementing the budget in bankrolling local government structures in the City.

WHEREFORE, the foregoing considered, this Executive Order is hereby issued for the information, guidance and strict compliance:

1. DPWH Department Order No. 197, Series of 2016 entitled Revised Guidelines in the preparation of Approved Budget for the Contract (ABC), is hereby adopted and shall form part of the City's guidelines in the implementation of infrastructure projects particularly in determining and arriving at the appropriate and reasonable Approved Budget for the Contract and project cost.
2. The guidelines shall be utilized by the City Engineers Office in the preparation of the cost estimates and the program of works of the various infrastructure projects of the city.

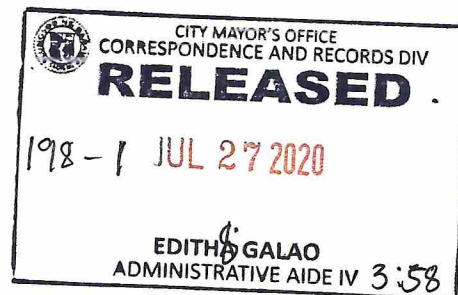
3. The ABC as mentioned under D.O. No. 197 shall be prepared based on the design plans for the project which has been duly approved by authorized officials in accordance with existing regulations. All items of work to be used in preparing the ABC shall conform to the Standard Specifications for Highways, Bridges and Airports, revised 2013, Standard Specifications for Public Works Structures, 1995 and approved Special Specifications for the project.
4. This Executive Order shall take effect immediately.

Issued this 27 JUL 2020, 2020, at the City of Davao, Philippines.


SARA Z. DUTERTE
City Mayor

Attested by:


ATTY. ZULEIKA T. LOPEZ
City Administrator





Republic of the Philippines
 DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
 OFFICE OF THE SECRETARY
 Manila

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DEPARTMENT ORDER)
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 NO. 197)
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 Series of 2016 *A 10-10-16*)

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

The following policies, rules and procedures relative to the preparation of the "Approved Budget for the Contract" (ABC) previously prescribed under Department Order No. 22, Series of 2015, are hereby revised/reiterated.

The ABC shall be prepared on the basis of the design plans for the project which has been duly approved by authorized officials in accordance with existing regulations.

All items of work to be used in preparing the ABC shall conform to the Standard Specifications for Highways, Bridges and Airports, revised 2013, Standard Specifications for Public Works Structures, 1995, and approved Special Specifications for the project.

The ABC shall be composed of the Direct Cost and the Indirect Cost.

A. The Direct Cost shall consist of the following:

A.1 Cost of materials to be used in doing the work item called for, which shall include, inter alia, the following:

A.1.1 Cost at source, including processing, crushing, stockpiling, loading, royalties, local taxes, construction and/or maintenance of haul roads, etc.

A.1.2 Expenses for hauling to project site.

A.1.3 Handling expenses.

A.1.4 Storage expenses.

A.1.5 Allowance for waste and/or losses, not to exceed 5% of materials requirement.

A.2 Cost of Labor:

A.2.1 Salaries and wages, as authorized by the Department of Labor and Employment.

A.2.2 Fringe benefits, such as vacation and sick leaves, benefits under the Workmen's Compensation Act, GSIS and/or SSS contributions, allowances, 13th month pay, bonuses, etc.

A.3 Equipment Expenses:

A.3.1 Rental rates of equipment shall be based on the prevailing "Association of Carriers and Equipment Lessors, (ACEL) Inc." approved for use by the DPWH (Presently it is the 2014 ACEL Rates). Rental rates of equipment not indicated in the ACEL booklet shall be taken from the rental rates prepared by the Bureau of Equipment. For simplicity in computation, the operated rental rates are preferred over the bare rental rates as the former includes operator's wages, fringe benefits, fuel, oil, lubricants and equipment maintenance. The make, model and capacity of the equipment should be indicated in the detailed unit cost analysis.

A.3.2 Mobilization and demobilization shall be 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. Mobilization and demobilization shall not exceed 1% of the Estimated Direct Cost (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 concerned Undersecretary for Operations.

A.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.

B. The Indirect Cost shall consist of the following:

B.1 Overhead Expenses – ranges from 7 – 11% of the EDC, which includes the following:

B.1.1 Engineering and Administrative Supervision.

B.1.2 Transportation allowances.

B.1.3 Office Expenses, e.g., for office equipment and supplies, power and water consumption, communication and maintenance.

B.1.4 Premium on Contractor's All Risk Insurance (CARI).

B.1.5 Financing Cost.

B.1.5.1 Premium on Bid Security

B.1.5.2 Premium on Performance Security

B.1.5.3 Premium on Surety for Advance Payment

B.1.5.4 Premium on Warranty Bond (one year)

B.2 Contingencies – ranges from 0.5 - 3% of the EDC. These include expenses for meetings, coordination with other stakeholders, billboards (excluding Project Billboard which is a pay item under the General Requirements), stages during ground breaking & inauguration ceremonies, and other unforeseen events.

- B.3 Miscellaneous Expenses – ranges from 0.5 - 1% of the EDC. These include laboratory tests for quality control and plan preparation.
- B.4 Contractor's Profit Margin – shall be 8% of the EDC for projects above P5Million and 10% for projects P5Million and below.
- B.5 VAT Component – shall be 5% of the sum of the EDC, OCM and Profit.
- B.6 The following items shall not be subjected to OCM and Profit mark-up:
 - B.6.1 Mobilization and demobilization
 - B.6.2 Provision of Service Vehicle
 - B.6.3 Permits and Clearances
- B.7 The following non-civil works items shall not be subjected to OCM mark-up:
 - B.7.1 Field/Laboratory Office & Living Quarters (Rental Basis)
 - B.7.2 Furnishing of Furniture, Laboratory Equipment, Survey Equipment and Consumables
 - B.7.3 Assistance to the Engineers
 - B.7.4 Photographs
 - B.7.5 Health and Safety
 - B.7.6 Traffic Management
 - B.7.7 Environmental Compliance
 - B.7.8 Communication Equipment, etc.

NOTE: For the percentage to be used for Nos. B.1, B.2 and B.3, see OCM (Overhead, Contingencies and Miscellaneous) column in the tabulation below.

ESTIMATED DIRECT COST (EDC)	INDIRECT COST % FOR OCM AND PROFIT		TOTAL INDIRECT COST % FOR OCM AND PROFIT
	OCM (% OF EDC)	PROFIT (% OF EDC)	
Up to P5Million	15	10	25
Above P5M up to P50M	12	8	20
Above P50M up to P150M	10	8	18
Above P150M	8	8	16

- C. The prescribed format for the calculation of the ABC is shown in Attachment "A".
 - C.1 Instructions for filling-up the format:

- C.1.1 Columns (1) to (4) are self-explanatory.
- C.1.2 Column (5) is the EDC of the work item as calculated and reflected in the cost analysis prepared by the Estimator.
- C.1.3 Columns (6) and (7) are the mark-ups in percent for OCM and profit.
- C.1.4 Column (8) is the total mark-up, which is the sum of the percentages under columns (6) and (7).
- C.1.5 Column (9) is the Peso value of the total mark-up. It is determined by multiplying the total mark-up on percent in column (8) with the EDC (column 5).
- C.1.6 Column (10) is the VAT component which is 5% of the sum of columns (5) and (9).
- C.1.7 Column (11) is the total estimated Indirect Cost which is the sum of columns (9) and (10).
- C.1.8 Column (12) is the total estimated Total Cost or the sum of columns (5) and (11).
- C.1.9 Column (13) is the unit cost for each item of works, determined by dividing the estimated Total Cost in column (12) by its total quantity in column (3).
- C.2 Procedures in preparing, processing and corresponding signatories specified under Department Order No. 163, Series of 2015 in the preparation of Program of Work (POW) and Approved Budget for the Contract (ABC) shall be observed.

Since the ABC is to be compared with the Contractor's bid and is the ceiling for acceptable bid prices in accordance with the provision of R.A. 9184, the ABC should be based on the approved Bidding Documents for the contract which contain the same work items and quantities as those to be used by the contractors in preparing their bid.

DPWH estimators shall continuously update their information/statistics on market prices of all construction inputs submitted for incorporation in the quarterly Construction Materials Price Database (CMPD). All assumptions in generating the estimate should be shown in the cost analysis.

In all cases, estimates for special items of work (SPL) should be accompanied with plans and specifications, methods of construction, measurements and payments duly approved by the Bureau of Research and Standards (BRS).

This Order shall take effect immediately and shall supersede Department Order No. 22, Series of 2015.



MARK A. VILLAR
Acting Secretary

6.1 WRO/RCA

Department of Public Works and Highways
Office of the Secretary



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