



Region 10



REPUBLIC OF THE PHILIPPINES

## Department of Budget and Management

Building I, General Solano Street, San Miguel, Manila

### BUDGET CIRCULAR

**No. 2004-5A**

OCTOBER 7, 2005

**TO :** Heads of Departments, Bureaus, Offices and Agencies of the National Government, Including State Universities and Colleges, Government-Owned or -Controlled Corporations, Local Government Units, and All Others Concerned

**SUBJECT :** GUIDELINES ON THE GRANT OF HONORARIA TO GOVERNMENT PERSONNEL INVOLVED IN GOVERNMENT PROCUREMENT

#### 1.0 Background

Budget Circular (BC) No. 2004-5, dated March 23, 2004, provides the guidelines on the grant of honoraria to government personnel involved in government procurement consistent with Republic Act 9184 (Government Procurement Reform Act). Certain provisions thereof need further clarification particularly on the entitlement to honoraria when alternative modes of procurement are used, the definition of a "successful procurement project", and the funding source for payment of honoraria.

#### 2.0 Purpose

To amend BC No. 2004-5 and reissue the guidelines on the grant of honoraria to qualified personnel.

#### 3.0 Coverage

This Circular shall apply to all national government agencies (NGAs), and its instrumentalities, including state universities and colleges (SUCs), government-owned or -controlled corporations (GOCCs) and local government units (LGUs).

#### 4.0 Rationale

Honoraria is a form of compensation granted to individuals for the performance of tasks or involvement in activities beyond their regular functions. Equity calls for equal compensation for performance of substantially similar duties, with substantially similar degrees of responsibility. Propriety dictates that only persons who have successfully completed their tasks or participated in accomplished activities ought to be compensated.

#### 5.0 Guidelines

5.1 The chairs and members of the Bids and Awards Committee (BAC) and the Technical Working Group (TWG) may be paid honoraria only for successfully completed procurement projects. In accordance with Section 7 of the Implementing Rules and Regulations Part A (IRR-A) of RA No. 9184, a procurement project refers to the entire project identified, described, detailed, scheduled and budgeted for in the Project Procurement Management Plan prepared by the agency.

A procurement project shall be considered successfully completed once the contract has been awarded to the winning bidder.

5.2 The payment of honoraria shall be limited to procurement that involves competitive bidding. Competitive bidding activities are present only in:

- Open and competitive bidding;
- Limited source bidding;
- Negotiated procurement under Section 53 (a) of the IRR-A, where there has been failure of bidding for the second time; and
- Negotiated procurement under Section 53 (b) of the IRR-A following the procedures under Section 54.2 (b) thereof, whereby the procuring entity shall draw up a list of at least (3) suppliers or contractors which will be invited to submit bids.

Conversely, honoraria will not be paid when procurement is thru:

- Direct contracting;
- Repeat order;
- Shopping;
- Negotiated procurement under Section 53 (b) of the IRR-A following the procedures under Section 54.2 (d) thereof, whereby the procuring entity directly negotiates with previous supplier, contractor or consultant; or when the project is undertaken by administration or thru the AFP, in case of infrastructure projects; and
- Negotiated procurement under Section 53 (c) to (g) of the IRR-A.

- 5.3 The honoraria of each person shall not exceed the rates indicated below per completed procurement project:

	Maximum Honorarium rate per procurement project
BAC Chair	P 3,000
BAC Members	2,500
TWG Chair and Members	2,000

- 5.4 The average amount of honoraria per month over one year shall not exceed twenty five percent (25%) of the basic monthly salary. The honoraria, however, shall be paid only upon the successful completion of each procurement.

- 5.5 To be entitled to honoraria, personnel should be duly assigned as chair or member of the BAC or the TWG by the head of the department/agency concerned.

- 5.6 The members of the BAC Secretariat who are performing the attendant functions in addition to their regular duties in other non-procurement units of the agency may likewise be paid honoraria at the same rate as the TWG Chair and Members, subject to the same regulations.

The members of the BAC Secretariat whose positions are in the Procurement Unit of the agency shall not be entitled to honoraria. The payment of overtime services may be allowed, subject to existing policy on the matter.

- 5.7 Heads of government entities are prohibited from paying honoraria to personnel involved in procurement activities outside of those covered herein.

- 5.8 By reason of jurisprudence, a Department Undersecretary or Assistant Secretary who concurrently serves in the BAC, in whatever capacity, shall not be entitled to honoraria.

- 5.9 In lieu of honoraria, the payment of overtime services may be allowed for the administrative staff, such as clerks, messengers and drivers supporting the BAC, the TWG and the Secretariat, for procurement activities rendered in excess of official working hours. The payment of overtime services shall be in accordance with the existing policy on the matter.

- 5.10 Those who are receiving honoraria for their participation in procurement activities shall no longer be entitled to overtime pay for procurement-related services rendered in excess of official working hours.

## 6.0 Funding Source

- 6.1 The amount necessary for the payment of the honoraria and overtime pay authorized herein shall be sourced only from the following:

- Proceeds from sale of bid documents;
- Fees from contractor/supplier registry;
- Fees charged for copies of minutes of bid openings, BAC resolutions and other BAC documents;
- Protest fees;
- Liquidated damages; and
- Proceeds from bid/performance security forfeiture.

6.2 Pursuant to the DOF-DBM-COA Permanent Committee Resolution No. 2005-2 dated June 2005, all agencies are authorized to treat the collections from the sources identified in item 6.1 hereof as trust receipts to be used exclusively for the payment of honoraria and overtime pay herein authorized. Agencies may utilize up to one hundred percent (100%) of the said collections for the payment of honoraria and overtime pay subject to the guidelines in item 5.0 of this Circular. Any excess in the amount collected shall be remitted by NGAs to the Bureau of the Treasury. In the case of GOCCs and LGUs, the same shall form part of their corporate or local government funds, respectively.

6.3 The total amount of honoraria and overtime pay to be paid for procurement-related activities shall not exceed the said collections.

6.4 In cases of deficiency in collections from the sources identified in item 6.1 above, the amount of honoraria and overtime pay shall be adjusted proportionately for all those entitled thereto.

#### 7.0 Saving Clause

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

#### 8.0 Repealing Clause

This Circular supersedes BC No. 2004-5 dated March 23, 2004.

#### 9.0 Effectivity

This Circular shall take effect immediately.

  
**ROMULO L. NERI**  
Secretary