



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

897. 13 DPWH/
03-14-2011

MAR 14 2011

DEPARTMENT ORDER)
NO. 12)
Series of 2011 03-14-11)

SUBJECT: **PREPARATION OF APPROVED
BUDGET FOR THE CONTRACT**

The following policies, rules and procedures relative to the preparation of the "Approved Budget for the Contract" (ABC) are hereby issued for the guidance of all concerned.

The ABC shall be prepared on the basis of the design 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 and Bridges, revised 2004, Standard Specifications for Public Works, 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 of equipment which shall be based on the prevailing "Associated Construction Equipment Lessors, Inc." (ACEL) rental rates approved for use by the DPWH (Presently it is the 2009 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. In no case shall mobilization and demobilization exceed 1% of the Estimated Direct Cost (EDC) of the civil works items.

B. The Indirect Cost shall consist of the following:

B.1 Overhead Expenses - ranges from 5 - 7% 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.

(a) Premium on Bid Security

(b) Premium on Performance Security

(c) Premium on Surety for Advance Payment

(d) Premium on Warranty Bond (one year)

B.2 Contingencies – ranges from 0.5 – 2% of the EDC. These include expenses for meetings, coordination with other stakeholders, billboards, 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 EDC.

B.5 VAT Component - shall be 12% of the sum of the EDC, OCM and Profit.

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	10	8	18
Above P5M up to P50M	9	8	17
Above P50M up to P150M	7	8	15
Above P150M	6	8	14

C. The prescribed format for the calculation of the ABC is shown in Attachment "A".

D. Instructions for filling-up the format:

D.1 Columns (1) to (4) are self-explanatory.

D.2 Column (5) is the EDC of the work item as calculated and reflected in the cost analysis prepared by the Estimator.

D.3 Columns (6) and (7) are the mark-ups in percent for OCM and profit.

D.4 Column (8) is the total mark-up, which is the sum of the percentages under columns (6) and (7).

D.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).

- D.6 Column (10) is the VAT component which is 12% of the sum of columns (5) and (9).
- D.7 Column (11) is the total estimated Indirect Cost which is the sum of columns (9) and (10).
- D.8 Column (12) is the total estimated Total Cost or the sum of columns (5) and (11).
- D.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).
- D.10 Columns (1) thru (5) shall be filled up by the Implementing Office concerned, i.e. the Head of the Project Management Office / Implementing Unit in the case of the Central Office, the Chief of the Construction/Maintenance Division in the case of the Regional Offices, or the Chief of the Construction/Maintenance Section in the case of the District Offices. These officials shall be responsible for the integrity and reasonableness of their estimates vis-à-vis current market prices of materials, equipment and labor, cost-effectiveness of construction methods and equipment, minimum production rates for equipment and labor set by the Department, numbers and types of equipment, materials, labor used and other factors.
- D.11 Columns (6) thru (14) shall be filled by the Bureau of Construction (BOC) in the case of Central Office, the Assistant Regional Director in the case of Regional Office for projects within their delegated authority and the Assistant District Engineer in the case of District Office for projects within their delegated authority. They shall similarly be responsible for the reasonableness and integrity of the calculations. They may revise the submitted estimates if, in their evaluation, the estimates need to be adjusted in accordance with the provisions of this Department Order.

The officials who will finally approve the ABC (i.e., District Engineer/Regional Director/Undersecretary/Secretary) may also cause revisions on these estimates as part of the judicious exercise of their authority.

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 and use only unit prices that are realistic based on valid up-to-date information, in contrast to guesswork and haphazard pricing. 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 head of the Implementing Office.

All Department Orders, circulars, memoranda and other issuances, or portions thereof that are inconsistent with this Department Order are hereby revoked or amended accordingly.

This Department Order shall take effect immediately.


ROGELIO L. SINGSON
Secretary



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DO NOT WRITE IN THESE SPACES

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Length :

Contract Duration:

[illegible]

Fig. 1. A schematic diagram of the experimental setup. The subject is seated in a chair, viewing a screen displaying a target (a red dot) and a starting point (a green dot). The subject's hand is positioned at the starting point, and the target is located at a distance of 10 cm from the starting point. The subject is instructed to move the hand to the target. The distance between the starting point and the target is labeled as 10 cm. The subject's hand is shown in a starting position, and the target is shown as a red dot on the screen. The starting point is marked by a green dot on the screen. The distance between the starting point and the target is 10 cm. The subject is instructed to move the hand to the target. The distance between the starting point and the target is labeled as 10 cm.

DATE PREPARED: _____