



097-13-DPHH
2-13-02

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

FEB 13 2002

DEPARTMENT ORDER)

NO. 57
Series of 2002 *(2-13-02)*

**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.

All the items of work to be used herein shall be in accordance with Standard Specifications for Highways and Bridges, Revised 1988.

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

A. The Direct Cost are 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.

A.1.5 Allowance for waste and/or losses.

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 SSS contributions, allowances, 13th month pay, bonuses, etc.

B.4 Contractor's Profit Margin – See tabulation below:

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

ESTIMATED DIRECT COST (EDC)	INDIRECT COST % FOR OCM AND PROFIT (maximum ranges)		% COST FOR MOB./ DEMOB. (maximum)	TOTAL MAXIMUM INDIRECT COST % FOR OCM, PROFIT AND MOB./ DEMOB.
	OCM (%OF EDC)	PROFIT (% OF EDC)		
Up to P1Million	13	15	1	29
Above P 1M to P5M	12	14	1	27
Above P 5M to P10M	12	13	1	26
Above P10M to P20M	11	12	1	24
Above P20M to P50M	11	11	1	23
Above P50M	10	10	1	21

C. The prescribed format for the Calculation of the ABC is hereto attached (Attachment "A").

D. Instructions in filling-up the format:

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

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

D.3 Columns (6), (7) and (8) are the mark-ups in percent to be determined from the ranges given.

D.4 Column (9) is the sum of the percentages under columns (6), (7) and (8).

D.5 Column (10) is the peso value of the total mark-up. It is determined by multiplying the total mark-up in percent (column 9) with the EDC (column 5).

D.6 Column (11) is the sum of column (5) and column (10) multiplied by 10%.

D.7 Column (12) is the sum of column (10) and column (11).

D.8 Column (13) is the sum of column (5) and Column (12).

D.9 Column (14) is determined by dividing the total cost column (13) by its total quantity column (3).

D.10 Columns (1) thru (5) shall be filled up by the Implementing Office concerned, i.e., the Chief of the Construction/Maintenance Section/Division of the District/Regional Offices for construction/restoration projects, or the Project Manager in charge of the Project Management Office concerned. These officials shall be fully responsible for the accuracy of their estimates vis-à-vis current market prices of materials and equipment usage, cost-effectiveness of the choice of construction methods and equipment, numbers/types of equipment/labor used, etc., etc., as well as the confidentiality of these estimates

D.11 Columns (6) thru (14) shall be filled by the Bids and Awards Committee (BAC) Chairman concerned who shall similarly be responsible for the accuracy and integrity of his calculations. Also, he may revise the estimates submitted by the Implementing Office if, in his judgement, the estimates are too high.

The authority who will finally approved the ABC (District Engineer/Regional Director/Undersecretary/ Secretary) can 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 to be the basis for judging whether the bids received are reasonable or not, then the ABC should be based on the proposal and contract booklet and should contain the same items of work and quantities as those used by the Contractor in preparing his 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.

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. 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.

A.3.2 **Mobilization and demobilization** of the equipment shall be computed on a case to case basis, considering the equipment requirements of the project stipulated in the proposal and contract booklet, but in no case exceeding 1% of total civil work items.

B. The Indirect Costs are the following:

B.1 Overhead Expenses – usually 6-7% (ceiling) of the Direct Cost, which includes:

B.1.1 Engineering and Administrative Supervision;

B.1.2 Transportation allowances;

B.1.3 Office Expenses (Office Equipment and Supplies);

B.1.4 Contractor's All Risk Insurance;

B.1.5 Financing Cost

- (a) Premium on Bid Security
- (b) Premium on Performance Security
- (c) Premium/charges/fees on Credit Lines
- (d) Cost of money necessary to finance the project

B.2 Contingencies – usually 3-5% of the Direct Cost.

B.3 Miscellaneous Expenses – usually 1% of the Direct Cost. These include laboratory tests.

Those who prepared/reviewed/checked the estimates shall see to it that in case they are called upon to make good their estimates, they can perform the job themselves at the cost they have generated.

Previously issued circulars, memoranda and orders, or portions thereof inconsistent herewith are hereby revoked or amended accordingly.

This Department Order shall take effect immediately.


SIMEON A. DATUMANONG
Secretary

