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**NCC MEMORANDUM CIRCULAR NO. 2001-01**

**FOR : ALL HEADS OF THE NATIONAL GOVERNMENT DEPARTMENTS/AGENCIES/BUREAUS, GOVERNMENT OWNED AND CONTROLLED CORPORATIONS, GOVERNMENT FINANCIAL INSTITUTIONS, STATE COLLEGES AND UNIVERSITIES, LOCAL GOVERNMENT UNITS AND COA RESIDENT AUDITORS**  
**SUBJECT : GUIDELINES IN LEASING HARDWARE, SOFTWARE, NETWORK AND SOLUTIONS BASED INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) RESOURCES**

**Section 1.0 Rationale.**

Presidential Decree 1480 issued on June 11, 1978 provided for the restructuring of the National Computer Center and vested it among other things with the mandate 'to formulate policies and prescribe standards on the acquisition and utilization of computers and related devices, data communications, information systems, and manpower development in support of national computerization objectives'.

It is hereby declared that it is the policy of the State to have an integrated government computerization program. There is a need to coordinate, integrate, modernize and fast track the implementation of all Information Communications Technology (ICT) related projects to achieve its vision of providing better services to the people.

Executive Order No. 265 dated 12 July 2000 has approved and adopted the Government Information System Plan (GISP) as framework and guide for all computerization efforts in government and envisioned a 'Philippine Government Online' to enhance the overall governance and improve the efficiency and effectiveness of the bureaucracy.

Executive Order No. 262 dated 5 July 2000 and its Implementing Rules and Regulations has amended the policies, guidelines, rules and regulations for the procurement of goods/supplies by the national government but has not explicitly covered the leasing of ICT resources and solutions from reputable vendors.

In view of these, there is a need to provide guidelines to agencies desiring to use leasing as an alternative mode for availing of ICT resources and solutions without actually owning them.

**Section 2.0 Statement of Policy.**

It is the policy of the Government to pursue electronic governance by accelerating computerization initiatives in government agencies through:

the attainment of computerization objectives on a yearly basis and in the long term by means of the judicious use of scarce government funds and resources.

the enhancement productivity of ICT staff by offloading ICT equipment maintenance work from the ICT lessor to the ICT lessee thus unburdening the government and the agencies of routine concerns of computer's technical obsolescence.

**Section 3.0 Definition of Terms.**

**Information and Communications Technology (ICT)** - is the totality of the means employed to systematically collect, process, store, present and share information. It encompasses computers, telecommunications and office system technologies, as well as the accompanying methodologies, processes, rules and conventions.

Information and Communications Technology (ICT) Resources

ICT Resources can be divided into 4 categories namely Hardware, Software, Manpower/Peopeware, and Services.

## Hardware

Hardware is the physical aspect of computers, telecommunications, and other information and communications technology devices. The term arose as a way to distinguish the "box" and the electronic circuitry and components of a computer from the program that makes it work. Hardware includes not only the computer proper but also the cables, connectors, power supply units, and peripheral devices such as the keyboard, mouse, audio speakers, and printers. Hardware is sometimes used as a term collectively describing the physical aspects of telephony and telecommunications network infrastructure.

Hardware consists of:

Primary devices such as processors, system boards, storage devices. These devices are separate items which, when assembled together, is called the Central Processing Unit (CPU).

Peripherals devices, which include input devices, output devices, terminals, secondary storage devices, networking devices/ communication equipment (hubs, routers, switches, etc.). Peripherals include machine components that are attached to a computer. It includes disk drives, printers, modems, etc.

Auxiliary devices which include modems, multiplexers, automatic voltage regulators, uninterruptible power supply, etc.

## Software

Software is a general term for the various kinds of program used to operate computer and related devices.

Software is often divided into application software (programs that do work users are directly interested in) and system operating system and any program that supports application software). The term middleware is sometimes used to describe programming that mediates between application and system software or between two different kinds of application software (for example, converting data from one file format to another file format).

An additional and difficult-to-classify category of software is the *utility*, which is a small useful program with limited capability. Like applications, utilities tend to be separately installable and capable of being used independently from the rest of the operating system. Applet are small applications that sometimes come with the operating system as "accessories." They can also be created independently using the Java or other programming languages.

Software can be purchased or acquired as shareware (usually intended for sale after a trial period), liteware (shareware with some capabilities disabled), freeware (free software but with copyright restrictions), public domain software (free with no restrictions), and Free Software Foundation (software whose users agree not to limit its further distribution).

Software can be classified into two categories namely:

Systems software - includes the operating system and all the utilities that are needed in order for the computer to function.

Applications software- includes programs that do real work for users. For example, word processors, spreadsheets, and database management systems fall under the category of applications software.

## Network

In information technology, a network is a series of points or node interconnected by communication paths. Networks can interconnect with other networks and contain sub networks.

The most common **topology** or general configurations of networks include the bus, star, and **token ring** topologies. Networks can also be characterized in terms of spatial distance as local area networks (**LAN**), metropolitan area networks (**metropolitan area network**), and wide area networks (**wide area network**).

A given network can also be characterized by the type of data transmission technology in use on it (for example, a **TCP/IP** or **Systems Network Architecture** network); by whether it carries voice, data, or both kinds of signals; by who can use the network (public or private); by the usual nature of its connections (dial-up or switched, dedicated or non-switched, or virtual connections); and by the types of physical links (for example, **optical fiber**, **coaxial cable**, and **Unshielded Twisted Pair**). Large telephone networks and networks using their infrastructure (such as the Internet have sharing and exchange arrangements with other companies so that larger networks are created.

## **Manpower/Peopleware**

Peopleware or Manpower Resources include all ICT personnel who provide consultancy/technical services related to the planning, development, implementation and maintenance of information systems and training.

## **Services**

Services include other ICT services not covered in the three categories but are classified as being an ICT Resource. Services include but are not limited to the following:

- Web/WAP Hosting
- Web Design and Development
- Electronic Payment Gateways
- E-Commerce Security Site Services
- Internet connection - broadband, satellite, dial-up, leased-lines, cable, fiber-optic, etc.
- Other services that may arise due to developments in Information and Communications Technology

## **Technology-transfer**

Technology transfer is the process by which existing knowledge, facilities, or capabilities are utilized to fulfill public and private needs.

## **Mission critical applications**

Applications or computer system processes which are required to run 24 hours a day, 7 days a week.

Business or service provision is difficult or impossible to run without these applications.

Uninterrupted running of these application systems is often essential to the agency's primary tasks.

**ICT Solutions** - any combination of hardware, software and network resources configured in a manner that satisfies the application systems' functional requirements with the objective of enhancing the user's existing ICT resources.

**Systems Integration** - a procurement strategy involving a combination of information and communications technology resources made up of hardware, software, network or solution technologies and related services by requiring proponents to present an integrated plan of solving a problem or addressing an application system requirement on an application level or enterprise-wide level within the framework of the agency's Information Systems Plan.

## **Section 4.0 Coverage.**

The guidelines shall cover lease contracts involving rentals of hardware, software, manpower or network resources for a fixed period of time within the year as well as multi-year lease contracts involving the implementation of a solution-based information and communications technology resources wherein the agency lacks any or a combination of the following components for a successful implementation of its Information Systems Plan (ISP): ICT organization, qualified ICT staff, developed application systems and databases and the required hardware/software/network/solution technology resources.

## **Section 5.0 Criteria for Leasing ICT Resources.**

ICT Solutions may be leased only under any or as combination of the following conditions:

- There is an obvious inability/incapacity of the agency to implement the ICT activities for the year in support of their computerization objectives as certified by the National Computer Center.

- There is a demonstrable cost efficiency in leasing the ICT resources instead of acquiring them based on the economic life of the equipment and the projected recurring maintenance expenses.

- The ICT resources to be leased have a fast rate of technical obsolescence.

As a general rule, leasing of ICT resources is recommended only for ICT activities or projects that do not extend beyond one year, and is not recommended for multi-year regular activities.

## **Section 6.0 Other Conditions .**

There must be an existing appropriation (for Rental or other Services) to cover the estimated cost of the lease agreement in the MOOE component of the budget after the comprehensive release of allotment at the start of the year. If insufficient, there should be enough funds in the other expense objects which can be the subject of a realignment under Sec. 61 of the General Appropriations Act to either Rental or Other Services.

For multi-year lease agreements, the appropriation source for the succeeding years must be submitted to DBM for approval.

Lease Contract renewals are subject to existing procurement, accounting and audit rules and regulations particularly Executive Order No. 301 (s.1987) and Section 4 of Memorandum Order no. 237 (s.1989) as reiterated in Sec. 10.2 of NCC MC 99-02.

Leasing of ICT Solutions for mission critical applications is discouraged if the agency has the manpower and budget to do it. However, if the agency requirement is urgent and falls under any of the conditions cited in EO No. 301 (s.1987) and as certified by the Head of Agency , the Agency may enter into a negotiated lease agreement subject to the inclusion of a provision for a technology transfer program to be completed at the end of the lease term. Provision for a technology transfer program between lessor and lessee should be included.

The cost of consumables and administrative overhead could be included in the lease cost at the agency's option.

## **Section 7.0 Bid Comparison.**

The methodology for bid evaluation under the Implementing Rules and Regulations for EO No. 262 (s.2000) may be used for straight lease involving strictly hardware, or software or network ICT resources. However, for ICT solutions/solution-based system integration bids that require configuring the components into a functional solution relative to user's requirements, the methodology outlined under Sec. 8.6 and Annex D of NCC MC 99-02 may be used.

## **Section 8.0 Transitory Provisions:.**

All requests for additional ICT lease budgets based on the Annual IS Development Plan for the year 2002 shall be based on this Circular. Priority for ICT capital expenditures shall be given to the development of networking infrastructure and setting up of databases and acquisition of network servers. Priority for lease budget shall be given to seasonal workgroup demands (i.e. data entry and enhancing the productivity of the knowledge workers). For this year's budget, agencies are allowed to reprioritize their acquisition as either capital outlay or lease budget depending on fund limitation.

## **Sector 9.0 Effectivity.**

This NCC Memorandum Circular takes effect on March 5, 2001.

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