



**REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GOVERNMENT PROCUREMENT POLICY BOARD
Technical Support Office**

Unit 1103 Taipan Place, Emerald
Ave., Ortigas Center, Pasig City,
1605 Philippines
Tel.: (02) 687-4853 to 55
Fax: (02) 638-3495

TSO NPM NO. 017-2003

August 19, 2003

MR. EDGARDO A. HERRERA
President & General Manager
Alphaomega Integrated Corporation
B-1 Bay Condominium, No. 1 Ubay St.,
Sta. Mesa Heights, Quezon City

Re : Basis to Adjust Prospective Bidder's Largest Single Completed Contract to Current Prices

Dear Mr. Herrera:

This refers to your letter addressed to the National Economic Development Authority ("NEDA") dated June 19, 2003, which was forwarded to the Honorable Secretary Emilia T. Boncodin of the Department of Budget and Management, as Chair of the Government Procurement Policy Board ("GPPB"), and eventually transmitted to our office on July 17, 2003 for appropriate action. The said letter requests for guidance on the adjustment of the prospective bidder's largest single completed contract to current prices. The particular problem sought to be resolved is:

What particular formula shall be used to adjust a prospective bidder's largest single completed contract to current prices?

Basis for the Computation/Adjustment of Largest Single Contract to Current Prices

A review of the provisions of Executive Order No. 40, series of 2001 ("E.O. 40"), and its Implementing Rules and Regulations ("IRR"), specifically Sections 16 and 16.2, respectively, reveal that the basis for the determination of the bidder's largest single contract adjusted to current prices was not specified, both with respect to goods and civil works procurement. For this reason, the members of the Government Procurement Policy Board ("GPPB") and the Joint Congressional Oversight Committee ("JCOC") in drafting the proposed IRR of Republic Act No. ("R.A. 9184"), otherwise known as the "Government Procurement Reform Act," recognized the importance of determining the basis for adjustment in order to arrive at the current price of the

prospective bidder's largest single contract for purposes of eligibility checking. As such, the GPPB and JCOC agreed to utilize, for the procurement of goods and civil works, the wholesale consumer price indices issued by the National Statistics Office ("NSO") as the said basis. In particular, Section 23.11 of the draft IRR of R.A. 9184, provides as follows:

Section 23.11. *Eligibility Criteria*

Eligibility Criteria for the Procurement of Goods

23.11.1. For the procurement of goods:

x x x x

2. The value of the prospective bidder's largest single contract, adjusted to current prices using the **wholesale consumer price index**, completed within the period specified in the Invitation to Apply for Eligibility and to Bid, and similar to the contract to be bid, must be at least fifty percent (50%) of the approved budget for the contract to be bid.

x x x x

23.11.2. For the procurement of infrastructure projects:

x x x x

3. The value of the prospective bidder's largest single completed contract, adjusted to current prices using the **National Statistics Office consumer price indices** available at the G-EPS website, and similar to the contract to be bid, must be at least fifty percent (50%) of the approved budget for the contract to be bid:

x x x x (Emphasis supplied)

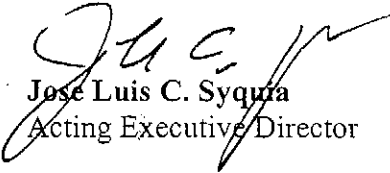
It should be noted at this juncture that, although the proposed IRR of R.A. 9184 has already been finalized by the GPPB and JCOC, the same has not yet been approved by the President. It is in this connection that we inform your office that during the 3rd Meeting of the GPPB on May 26, 2003, the members unanimously agreed that Government agencies are justified in applying E.O. 40 and its IRR pending the approval by the President of the IRR of R.A. 9184, and that a provision should be included in the Transitory Clause of the draft IRR of R.A. 9184 that in cases where the invitations for bids are issued after the effectivity of R.A. 9184 but before the effectivity of its IRR, procuring entities may continue adopting the procurement procedures, rules and regulations provided in E.O. 40 and its IRR, or other applicable laws.

However, considering that E.O. 40 and its IRR are silent on the basis for the computation of the prospective bidder's largest single contract adjusted to current price, it is our opinion that

it is upon the discretion of the agency, in this case the National Transmission Corporation ("TRANSCO"), to determine the basis for such computation, but that it should be made known to prospective bidders through the appropriate bidding document. At any rate, considering further that the NSO consumer price index is considered as reflective of true price movements, it may be suggested that TRANSCO adopt the same at this time.

We trust that this clarifies matters.

Very truly yours,


Jose Luis C. Syquia
Acting Executive Director

Copy furnished:

Honorable ROMULO L. NERI
Director General
National Economic and Development Authority

Honorable EDUARDO P. OPIDA
Assistant Secretary
Department of Budget and Management

