



Republic of the Philippines  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**



**NPM No. 013-2016**

21 March 2016

**MR. DOMINADOR M. GAMBOA**  
*Director II, Procurement & Supply Management Service*  
**HOUSE OF REPRESENTATIVES (HOR)**  
Quezon City

**Re: Multi-year contracts (MYCs)**


Dear Director Gamboa:

This refers to your letter requesting for clarification on multi-year contracts entered into by the government.

It is represented that you interpret the provisions of multi-year contracts under Republic Act (RA) 9184 and its revised Implementing Rules and Regulations (IRR) to cover only security and janitorial services, and that there appears to be no express provision covering other forms of general support services and the procurement of supplies. Thus, you inquire as follows:

1. Whether a government agency may resort to multi-year contracts specifically for the procurement of office uniforms?
2. Whether there are other forms of general support services that may be procured under multi-year coverage?

We wish to stress that there is nothing in RA 9184 and its IRR that limits procuring entities from entering into MYCs for their procurement activities only to those involving security and janitorial services. However, in the implementation of Multi-Year Projects (MYPs) covered by MYCs, where the total cost is not available for the first year, procuring entities shall request the Department of Budget and Management (DBM) for the issuance of a Multi-Year Obligational Authority (MYOA) following DBM Circular-Letter (CL) No. 2015-7.

A MYOA is an authorization document issued by the DBM to government agencies that undertake MYPs with funding requirements spread over two (2) years or more. Such projects are evidenced by MYCs entered into by the parties.<sup>1</sup> In the General Appropriations Act (GAA) of 2016, the requirement of MYOA is stated as follows: 

<sup>1</sup> *Jacomille v. Abaya, et al.*, G.R. No. 212381, 22 April 2015.



Sec. 31. Multi-year contracts. The DBM shall identify the requirements and/or prescribe guidelines before departments, bureaus, offices and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy and SUC's may enter into multi-year contracts. This includes the issuance of a multi-year obligational authority (MYOA) prior to the procurement of multi-year contracts. The DBM, in setting the requirements for the issuance of a MYOA, shall consider the types of multi-year contracts if these are capital intensive or regular and recurring, such as, janitorial and security services, telecommunications requirements, provision for water, rental of office space and equipment, and lease-purchase agreements.

The obligation to be incurred for multi-year contracts shall in no case exceed the allotment released for the purpose during the year. Procurement covering multi-year contract shall be subject to guidelines issued by the GPPB and/or the DBM.

For multi-year contracts, the full amount indicated in the MYOA issued by the DBM shall be the basis for the certification of availability of funds required under Section 33 hereof.

Moreover, DBM CL No. 2015-7 prescribes the guidelines and procedure to implement the MYOA requirement. The Circular-Letter defines the different terms affecting MYOA, *to wit*:

3.6 Multi-Year Obligational Authority (MYOA) is a document issued by the DBM either for locally funded projects or foreign assisted projects implemented by agencies in order to authorize the latter to enter into multi-year contracts for the full project cost.

3.7 Multi-year project (MYP) refers to the program or project which will take more than one year to complete that requires multi-year appropriations.

Section 4.1, DBM CL No. 2015-7 provides that “[P]rior to the bidding of multi-year contract for MYPs (both capital and non-capital projects), national government agencies must first secure a MYOA (format shown in Annex A) from the DBM. This prerequisite shall ensure that the succeeding funding requirements of the MYP shall be included in the budget program for the corresponding year and is within the total project cost and categories as reflected in the FEs<sup>2</sup> or in the MTEP.”

In the case of *Jacomille vs. Abaya*,<sup>3</sup> et al., the Supreme Court, citing the Memorandum<sup>4</sup> issued by the DBM, held that:

The DBM explained the nature of MYOA.<sup>5</sup> When the government entered into MYC, it was committed to annually pay a given amount to the contractor/supplier of the project, even without the government planning for its payment. Thus, the imperative for MYOA arose, which gave an assurance that

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<sup>2</sup> Forward Estimates.

<sup>3</sup> *Id.*

<sup>4</sup> 18 October 2010.

<sup>5</sup> *Id.*, at 254-255.

the financial commitments included in MYC are considered in the succeeding proposed budget submitted to Congress. With the issuance of MYOA, the DBM commits to recommend to Congress the funding of the MYP until its completion. Evidently, without MYOA, the government runs the risk of breach of contractual obligations if its financial commitments are not met for lack of funding.

In view of the foregoing, a careful reading of the GAA and DBM CL No. 2015-7 issued by DBM shows that procuring entities may enter into Multi-Year Projects that is evidenced by Multi-Year Contracts for any of their procurement activities, subject to compliance with the requirement of a MYOA issued by the DBM and any other applicable requisites provided by law or DBM's issuances.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is issued on the basis of particular facts and situations presented, and may not be applicable given a different set of facts and circumstances. Should there be other concerns, please do not hesitate to contact us.

Very truly yours,



**DENNIS S. SANTIAGO**  
*Executive Director*

