

NPM No. 04-2007

8 March 2007

HON. ESPERANZA I. CABRAL

Secretary

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

Batasan Pambansa Complex, Constitution Hills

Quezon City

Re : Swiss Challenge

Dear Sec. Cabral:

We refer to your letter dated 30 June 2006 inquiring whether the Department of Social Welfare and Development (DSWD) may adopt the Swiss Challenge system in its procurement transactions.

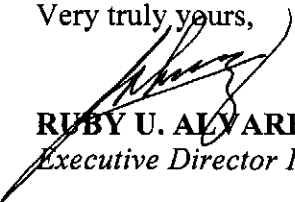
As described in your letter, the Swiss Challenge is a procedure that "gives new bidders an opportunity to challenge an original proponent's proposal by making better offers and then allows the original proponent to match these offers." (INQmoney:June 30, 2006)

Based on our research, however, the Swiss Challenge system is more appropriately applied outside the framework of a competitive public bidding. It is initiated by an unsolicited proposal or when the original proponent makes an offer to the government without any formal or informal request from the former. To ensure that the original proponent's scheme is superior, third parties are allowed to challenge said scheme during a designated period. The original party then gets the right to counter-match any superior offers given by the third party.

More importantly, Republic Act No. (R.A.) 9184 and its Implementing Rules and Regulations Part A, does not legally sanction the adoption and use of the Swiss Challenge system. We believe that R.A. 9184 does not prescribe this system since the conduct of public bidding already ensures that the lowest complying and responsive bid or the highest rated and responsive bid, as the case may be, is the most favorable bid to the government. Adoption of the Swiss Challenge system after conduct of public bidding may thus be considered redundant.

In ending, please allow us to thank you for your comments. We fully appreciate the DSWD's commitment towards improving government procurement procedures.

Very truly yours,



RUBY U. ALVAREZ
Executive Director III