



Department of Budget and Management
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE

NPM No. 45-2012

26 April 2012

ATTY. RAYMUNDO U. TAN
OIC, Administrative Service
DEPARTMENT OF FINANCE
BUREAU OF TREASURY
Intramuros, Manila

Re: Multi-Year Contracts and the Multi-Year Obligational Authority

Dear Atty. Tan:

We write in response to your letter, dated 6 January 2012, requesting for confirmation/comment that a Multi-Year Obligational Authority (MYOA) is not required for Multi-Year Contracts (MYC) of Security and Janitorial Services, which have regular annual appropriations.

The request stems from your view that procurement activities in connection with Security and Janitorial Services and other services may be extended by entering into a MYC; and that the Department of Budget and Management (DBM) Circular No. 2004-12¹, as amended, requires MYOA only for Multi-year Projects (MYPs) without regular annual appropriations.

More in point, the rules for extension of Security and Janitorial contracts are governed by the Revised Guidelines on Extension of Contracts for General Support Services.² A reading of these guidelines will readily show that extension of contracts, although allowed, cannot be done through a MYC. Additionally, these guidelines prohibit an extension for more than one (1) year, either on a singular or aggregated basis. Thus, it is not accurate to say that Security and Janitorial Services contracts may be extended by entering into a MYC.

A reading of the Circulars reveals that there is no distinction on the application of MYOA by reason of the regularity of an annual appropriation for a project. What is clear in said Circulars is that MYCs which require a MYOA are those that take more than one (1) year to complete and require multi-year appropriations. Thus, if the duration of a contract for Security or Janitorial Services is more than one (1) year and will require multi-year

¹ Issued on 27 October 2004 and amended by DBM Circular 2010-8, issued on 30 December 2010

² Annex "A" of GPPB Resolution No. 23-2007, dated 28 September 2007

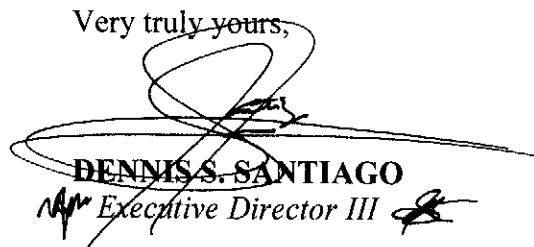
appropriations, a MYOA is necessary regardless of the fact that such projects are regularly included in the appropriations. Notwithstanding this position, an inquiry with the DBM is a prudent option for an authoritative and definitive interpretation of the provisions of the subject Circulars.

It should be emphasized, however, that Section 5 of the Guidelines on Procurement of Security and Janitorial Services³ do not provide for a different rule as regards MYC for such services. These guidelines merely clarify that these services may be engaged on a multi-year period through a MYC, subject to existing rules on MYCs, particularly, DBM Circular No. 2004-12, as amended.

Based on the foregoing, we are of the view that MYOA is required for MYCs of Security and Janitorial Services even though these services have regular annual appropriations.

We hope our advice provided sufficient guidance on the matter. Should you have further questions, please do not hesitate to contact us.

Very truly yours,



DENNIS S. SANTIAGO
Executive Director III

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³ Annex "A" of GPPB Resolution No. 24-2007, dated 28 September 2007