



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

**NPM No. 46-2012**

26 April 2012

**ENGR. EDWIN V. REGALADO**  
*Acting General Manager*  
**DAVAO CITY WATER DISTRICT (DCWD)**  
Km. 5 Jose P. Laurel Avenue,  
Bajada, Davao City

**Re: Multi-Year Vehicle Lease Contracts**

Dear Engr. Regalado:

This is in response to your letter dated 21 February 2012 seeking our opinion on whether multi-year vehicle lease contracts may be allowed under Republic Act (RA) 9184 and its Implementing Rules and Regulations (IRR).

It is represented that the DCWD is contemplating on leasing vehicles instead of acquiring new ones. Based on its own study, the lease rate per vehicle is lower if the contract is spread for a period of two (2) to three (3) years, instead of just one (1) year. Thus, DCWD plans to implement a multi-year vehicle scheme similar to the procedure outlined in the Guidelines on the Procurement of Security and Janitorial Services<sup>1</sup> (Guidelines). It is of the view that this scheme may be applied to other general support services.

As correctly mentioned in your letter, RA 9184 and its IRR are silent on the issue of multi-year contracts.<sup>2</sup> Nonetheless, the Department of Budget and Management (DBM) has issued DBM Circular No. 2004-12 on 7 October 2004 prescribing the guidelines and procedures for the implementation of multi-year contracts.

As discussed in a previous opinion,<sup>3</sup> inasmuch as accountability for entering into multi-year contracts solely rests on your Bids and Awards Committee and the Head of Procuring Entity, it is prudent to validate if your governing board is authorized to enter into multi-year contracts under the law creating DCWD or under the corporate articles, whichever is applicable; and, whether there is no additional budgetary authority required for the purpose.

<sup>1</sup> GPPB Resolution 021-2007 dated 28 September 2007.

<sup>2</sup> NPM No. 22-2008 dated 16 September 2008.

<sup>3</sup> NPM No. 40-2011 dated 28 December 2011.

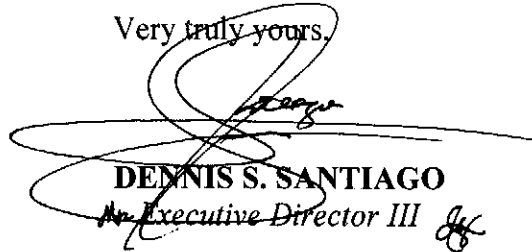
For your guidance, Section 2 of the Guidelines explicitly states that it shall not be applicable to other general support services such as repair and maintenance of equipment and furniture, trucking, hauling, and other services. Nonetheless, the Guidelines do not make any categorical pronouncement that the multi-year contracting approach may be availed of only and exclusively in the case of contracts for janitorial and security services.<sup>4</sup>

Based on the foregoing, we are of the opinion that DCWD should first verify if it is allowed to enter into multi-year contracts under DBM Circular No. 2004-12 or whether its governing board is authorized to enter into multi-year contracts under its enabling law or corporate charter. In the event that the confirmation yields a negative result, we propose that the contract be procured on a yearly basis.

At this juncture, it is worthy to stress that the Government Procurement Policy Board and its Technical Support Office render policy and non-policy opinions on issues purely relating to the interpretation, construction and application of our procurement laws, rules and regulations.<sup>5</sup> This authority does not include the power to grant or approve requests of procuring entities to engage in multi-year contracts involving the procurement of goods, civil works and consulting services.

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

Very truly yours,



**DENNIS S. SANTIAGO**  
*An Executive Director III*

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<sup>4</sup> NPM 011-2009 dated 26 February 2009.

<sup>5</sup> NPM 061-2008 dated 27 November 2009.