



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

NPM No. 46-2014

13 October 2014

MS. ALIA ARUMPAC-MASBUD
Service Chief, Technical Services
COMMISSION ON AUDIT (COA)
REGIONAL OFFICE XII
Cotabato City

Re: Discounts

Dear Ms. Arumpac-Masbud:

This refers to your query sent thru electronic mail (e-mail) dated 8 October 2014, thus:

Can a bidder be disqualified if its total bid price without the offered discount is higher than the Approved Budget for the Contract (ABC)?

As represented, the ABC for the Project is PhP 11,615,338.12. The bidder indicated in its Bid Form a Bid Price of PhP 11,760,720.61, which is higher than the ABC. However, the bidder offered a discount of PhP 235,214.41. It is in this context that the foregoing issue is being raised.

Section 31.1 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 provides for the ceiling of bid prices, thus:

The ABC shall be the upper limit or ceiling for acceptable bid prices. **If a bid price, as evaluated and calculated in accordance with this IRR, is higher than the ABC, the bidder submitting the same shall be automatically disqualified.** There shall be no lower limit or floor on the amount of the award. (Emphasis supplied)

We wish to note that the above-quoted disqualification of a bidder occurs when its bid price is higher than the ABC, *after evaluation and computation of such bid*. For your guidance, RA 9184 and its revised IRR, including its associated issuances, such as the Philippine Bidding Documents (PBDs), recognize discounts to bids. Section 32.2.4¹ of the

¹ Section 32.2.4. Bids shall then be ranked in the ascending order of their total calculated bid prices, as evaluated and corrected for computational errors, and other bid modifications, to identify the Lowest Calculated Bid. Total calculated bid prices, as evaluated and corrected for computational errors, and other bid modifications, which exceed the ABC shall be disqualified.

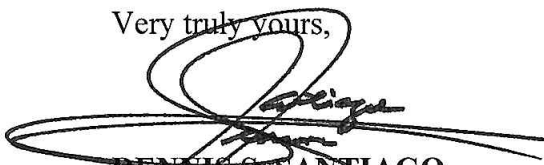
revised IRR recognizes the consideration of bid modifications in the computation of the bid price. Bid modifications may be in the form of discounts offered either as part of the financial document or through the Bid Form.

Thus, as explained in an earlier opinion², although Section 32.2.4 of the IRR does not mention the word “discount”, it does not mean that discounts are not to be considered in the computation of the bidder’s total calculated bid price. Clauses 28.4 and 27.4³ of the Instructions to Bidders (ITB) of the PBDs for Goods and Infrastructure Projects, respectively, provide that the determination of the Lowest Calculated Bid requires the evaluation and correction for computational errors, discounts and other modification. It must be stressed, however, that the discount must be part of the bid proposal, and should not be offered as an afterthought or after the bids are opened.

Based on this, we wish to reiterate that an offer of discount in the Bid Form can be validly considered in the computation of the total calculated price⁴. Accordingly, a bidder whose Bid Price is initially higher than the Project’s ABC may still be qualified if after computation of the total bid price, the same is below the ABC. Note, however, that the discount offered must be part of the bid proposal, and not made or offered as a mere afterthought or after the bids are opened.

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 V

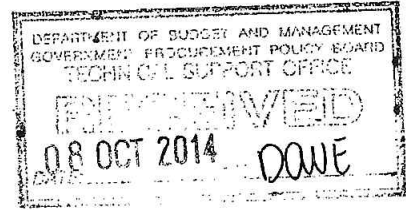
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² NPM No. 17-2013 dated 27 March 2013.

³ Based on the detailed evaluation of bids, those that comply with the above-mentioned requirements shall be ranked in the ascending order of their total calculated bid prices, as evaluated and corrected for computational errors, discounts and other modifications, to identify the Lowest Calculated Bid. Total calculated bid prices, as evaluated and corrected for computational errors, discounts and other modifications, which exceed the ABC shall not be considered, unless otherwise indicated in the BDS.

⁴ NPM No. 126-2013 dated 27 December 2013.

From: ALIA MASBUD <masbud_alia@yahoo.com>
Sent: Wednesday, October 08, 2014 10:50 AM
To: gppb@gppb.gov.ph
Subject: Query on the Discount on Bid Price



Sir/Madam:

I would like be clarified on the following issues:

FACTS:

The ABC of the Project is P11,615,338.12

In the Bid Form:

Total Price of Bid excluding any discount offered is P11,760,720.61

The discount offered is P235,214.41, hence the bid of the Contractor is P11,525,506.20

It appears that the bid of the Contractor without the discount offered is HIGHER by P110,235.18 or 0.95% against the ABC.

QUESTIONS:

1. Can the bidder be disqualified since its total bid price without the discount is higher than the ABC?

We hope to receive your reply the soonest possible time. Thank you so much.

God Bless,

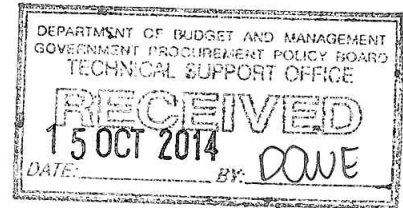
Alia Arumpac-Masbud

Jan / Karan,

*please prepare
 opinion. The bid price
 should consider the
~~discount~~ discount. Tax.
 DS*

GPPB

From: ALIA MASBUD <masbud_alia@yahoo.com>
Sent: Tuesday, October 14, 2014 3:53 PM
To: gppb@gppb.gov.ph
Subject: Fw: Query on the Discount on Bid Price



Sir/Madam:

I would like be clarified on the following issues:

FACTS:

The ABC of the Project is P11,615,338.12

In the Bid Form:

Total Price of Bid excluding any discount offered is P11,760,720.61

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1. Can the bidder be disqualified since its total bid price without the discount is higher than the ABC?

We hope to receive your reply the soonest possible time. Thank you so much.

God Bless,

Alia Arumpac-Masbud
Service Chief, Technical Services
Commission on Audit, RO XII, Cotabato City