

**NPM No. 11-2007**

17 July 2007

**THE VICE CHAIRMAN**  
*Bids and Awards Committee*  
**DAGUPAN CITY WATER DISTRICT**  
New Administration Building  
Tambao District, Dagupan City

**Re: Adjustment of the Approved Budget for the Contract**

Dear Sir/Madam:

This refers to your letter dated 3 May 2006. In said letter, you raised the following questions:

1. Can we increase by two percent (2%) the approved budget for the contract (ABC) of all procurement works this year?
2. If not allowed by law, how can we cope with the effect of the two percent (2%) Value Added Tax (VAT) increase?

As regards your first query, under Section 7.5 of the Implementing Rules and Regulations-Part A (IRR-A) of Republic Act No. 9184 (R. A. 9184), the head of the procuring entity (HOPE) may update the individual Project Procurement Management Plan (PPMP) and the Annual Procurement Plan (APP) every six (6) months or as often as may be required.

Thus, the procuring entity may increase the ABC for its procurement works in order to comply with the provisions of the Expanded Value Added Tax Law (E-VAT Law) provided the following steps are undertaken: (i) the end-user units or the Project Management Offices shall review and update the PPMPs; (ii) the Bids and Awards Committee (BAC) Secretariat shall consolidate these PPMPs into the APP; and (iii) the HOPE shall approve the revised APP (Section 7.4, IRR-A).

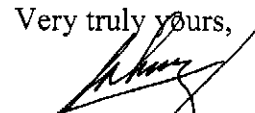
As regards your second query, in cases where the cost of the awarded contract is affected by any applicable new laws, ordinances, regulations or other acts of Government promulgated **after the date of bidding**, a contract price adjustment shall be made or appropriate relief shall be applied on a no loss-no gain basis, provided such is not covered by

the contract provisions on price adjustment under Section 61 of R. A. 9184 (Section 17.7.4, IRR-A).

However, in cases when the new law, ordinance, regulation, or other act of Government takes effect **before the deadline for the submission of bids**, the BAC shall issue a supplemental/bid bulletin to reflect the adjustment in the ABC in accordance with the provisions of Section 22.5 of IRR-A.

We hope to have clarified the matter. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

  
**RUBY U. ALVAREZ**  
*Executive Director III*

REGISTRY RECEIPT

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