



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

NPM No. 126-2013

27 December 2013

MR. EDWARD M. SISOR

Bids and Awards Committee (BAC) Chairman

**LOCAL GOVERNMENT UNIT OF
THE ISLAND GARDEN CITY OF SAMAL (SAMAL CITY)**
Datu Taganiog St., Brgy. Peñaplata, Samal District,
Island Garden City of Samal, Davao del Norte

Re : Discount on Bid Price

Dear Mr. Sisor:

This is in response to your letter dated 4 December 2013 soliciting our opinion on whether Samal City may consider and apply the five percent (5%) discount offered by a bidder to its bid price.

The above-mentioned request is made in relation to the succeeding facts and circumstances. Samal City used the Philippine Bidding Documents (PBDs) for the Procurement of Infrastructure Projects¹, including the Bid Form therein. One of the bidders in its submitted Bid Form stated that its bid offer is Nine Hundred Sixty One Thousand Four Hundred Seventy Four Pesos and 88/100 (PhP961,474.88), and offered a discount of five percent (5%). It is noted that the Bids and Awards Committee (BAC) of Samal City is confused on how to apply the offered discount since paragraph (b) of the Bid Form states that "The total price of our Bid, excluding any discounts offered in item (d) below is: *[insert information]*", while paragraph (d) states that "If our Bid is accepted, we commit to obtain a Performance Security in the amount of *[insert percentage amount]* percent of the Contract price for the due performance of the Contract."

Republic Act No. (RA) 9184 and its revised Implementing Rules and Regulations (IRR), including its associated issuances, such as the PBDs, recognize offering of discounts to bid offers. Section 32.2.4 of the 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. ITB Clause 27.4 of the PBDs for the Procurement of Infrastructure Projects provides that the determination of the Lowest

¹ Fourth Edition, December 2010.

² Non-Policy Matter No. 17-2013 dated 27 March 2013.

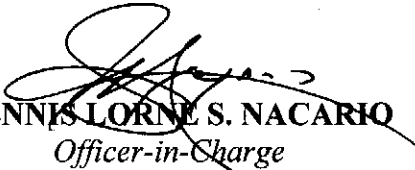
Calculated Bid requires the evaluation and correction for computational errors, discounts and other modifications.

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 bid price. For your guidance, since the offered discount does not qualify the methodology of its application, it can be presumed that the discount will apply to the whole amount of the identified bid price. Thus, the total calculated bid will be determined by deducting five percent (5%) from the bid price of Nine Hundred Sixty One Thousand Four Hundred Seventy Four Pesos and 88/100 (PhP961,474.88).

As regards the confusion on the clause "excluding any discounts offered in item (d) below" found in paragraph (b) of the Bid Form, please note that considering that discounts cannot be offered in relation to performance security, such clause will have no effect on the computation of the bid price vis-à-vis the offered discount to arrive at the total calculated bid price.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Please note that this opinion is being rendered on the basis of the facts and particular situation presented, and may not be applicable given a different set of facts and circumstances. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,


DENNIS LORNE S. NACARIO
Officer-in-Charge

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