



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

NPM No. 135-2014

2 December 2014

MR. ESEL B. BAÑEZ
LCV DESIGN AND FABRICATION CORP.
5th Rufina St., San Agustin Village,
Talipapa, Novaliches, Quezon City

Re: Floor Price or Lower Limit

Dear Mr. Bañez:

This refers to your electronic mail (e-mail) requesting clarification on whether there is a floor price or lower limit on a bid offer.

We wish to clarify that under Section 31 of Republic Act (RA) No. 9184 and its revised Implementing Rules and Regulations (IRR), *there shall be no lower limit or floor on the amount of award*. Accordingly, the rules do not sanction the fixing of a certain percentage or amount of the Approved Budget for the Contract (ABC) to be the minimum bid price. The ABC serves as the upper limit or ceiling for bid prices, such that bid prices exceeding the ABC shall be disqualified outright during bid opening, but no lower limit or floor shall be fixed.

In fact, even prior to the enactment of RA 9184, the same rule is being observed under Executive Order (EO) 40¹ and its IRR, particularly Section 25² thereof. Thus, the Supreme Court held, in the case of *Philippine Sports Commission v. Dear John Services, Inc.*³, that the provision in the Instruction to Bidders stating that no award of the contract shall be made to a bidder whose bid price is lower than the allowable government estimate is not valid. Consequently, bidders are at liberty to submit a bid price equal to or lower than the ABC, regardless of how low the bid price proposal may be.

It bears stressing, however, that while there is no lower limit or floor on the bid price, the Bids and Awards Committee should carefully ascertain, verify and validate all the representations and documentary submissions made by the bidders to determine their compliance with the technical aspect of the project, lest a low bid price proposal will be for

¹ Consolidating Procurement Rules and Procedures for All National Government Agencies, Government-Owned and Controlled Corporations and/or Government Financial Institutions, and Requiring the Use of the Government Electronic Procurement System"; Series of 2001, dated 8 October 2001.


² Section 25. Ceiling for Bid Price. The approved budget for the contract shall be the upper limit or ceiling for the bid price. Bid prices which exceed this ceiling shall be disqualified outright from further participating in the bidding. There shall be no lower limit to the amount of the award. For this purpose, the approved budget for the contract shall be that approved by the head of the agency.

³ G.R. No. 183260, promulgated on July 4, 2012.

naught if the technical requirements, which were formulated based on the need of the procuring entity, are not met.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is being 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

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