

NPM No. 63-2009

03 December 2009

FRANKLIN M. EBDALIN
Undersecretary
Head of the Procuring Entity
DEPARTMENT OF FOREIGN AFFAIRS
2330 Roxas Boulevard
Pasay City 1300

Re: Extension of Health Insurance Contract

Dear Usec. Ebdalin:

This refers to your letter addressed to Secretary Rolando G. Andaya Jr., as Chairperson of the Government Procurement Policy Board (GPPB), dated 1 October 2009, requesting for clarification relative to the observation of the Commission on Audit (COA) that the Department of Foreign Affairs should have sought the GPPB's approval for the extension of its health insurance contracts for its foreign service personnel beyond six (6) months, in accordance with Resolution No. 03-2006 dated 20 January 2006.

At the outset, we would like to inform you that the GPPB, through GPPB Resolution No. 023-2007 dated 28 September 2007 issued the REVISED GUIDELINES ON THE EXTENSION OF CONTRACTS FOR GENERAL SUPPORT SERVICES (hereinafter, the "Guidelines") superseding GPPB Resolution No. 03-2006 and its predecessor, GPPB Resolution No. 08-2005, to govern the extension of ongoing contracts for general support services which are essential, indispensable, or necessary to support the operations of the procuring entity or for the enhancement of the welfare of its personnel to include, but not limited to, non-personal or contractual services.

Under the Guidelines, procuring entities may extend the duration or effectivity of an ongoing contract about to expire provided the following conditions are present:

1. No contract extension shall exceed one (1) year;
2. The original contract subject of the extension was awarded in accordance with the provisions of Republic Act 9184 (R.A. 9184) and its Implementing Rules and Regulations Part -A (IRR-A);
3. The procuring entity concerned has substantially undertaken the procurement activities required prior to award of the new contract under R.A. 9184 and its IRR-A;
4. The aforesaid contract extension is undertaken due to circumstances beyond its control and the procuring entity concerned cannot award a

- new contract within a month after the expiration of the term of the original contract;
5. The contemplated extension is merely an emergency measure to maintain status quo in the operation of the procuring entity and to avoid interruption of service;
 6. The current service provider has not violated any of the provisions of the original contract; and
 7. The terms and conditions of the original contract shall not be changed or modified, except when changes or modifications will redound to the advantage of the government at no additional cost to the procuring entity.

Thus, while as a general policy, extensions of contract for general support services are discouraged, procuring entities may avail of such limited extensions subject to the aforementioned conditions..

Anent the issue on whether healthcare insurance is considered as general support service, to which DFA subscribes in the negative stating that healthcare falls under social security and cannot in any way be interpreted to be similar to security and janitorial services, please be informed that the purpose and classification of the nature of the items to be procured shall be upon the determination of the Bids and Awards Committee (BAC) guided only by the definitions provided under R.A. 9184 and its IRR and related issuances.

Thus, for guidance purposes as abovementioned, we would like to note that the definition of "Services" under the Manual of Procedures for the Procurement of Goods and Services (Volume 2 of the Generic Procurement Manual dated June 2006) also covers "related services" and "analogous services" which shall include, but not be limited to, lease or purchase of office space, media advertisements, health maintenance services, and other services essential to the operation of the Procuring Entity.

Finally, it bears stressing that under the Guidelines, all contract extensions shall be subject to prior approval of the Head of the Procuring Entity or his/her duly authorized representative upon recommendation of the BAC. In the event that the proposed contract extension exceeds six (6) months, what is incumbent upon the Head of the Procuring Entity is to immediately report in writing to the GPPB of its intention to extend the said service. The GPPB's approval for such extension, however, is not necessary.

We hope to have provided sufficient guidance on the matter. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

Rubisa C. Alvarado
RUBY U. ALVAREZ
Executive Director III



TECHNICAL SUPPORT OFFICE

Unit 2506 Raffles Corporate Center,
F. Ortigas Jr. Road, Ortigas Center,
Pasig City, Philippines 1605

27 November 2009

*Ma'am Ennie, 11/27
for your review, TY..
Jhyce*

FRANKLIN M. EBDALIN
Undersecretary
Head of the Procuring Entity
DEPARTMENT OF FOREIGN AFFAIRS
2330 Roxas Boulevard
Pasay City 1300

Dear Usec. Ebdalin:

This refers to your letter addressed to Secretary Rolando G. Andaya Jr., as Chairperson of the Government Procurement Policy Board (GPPB), dated 1 October 2009 which we received on 19 October 2009, requesting for clarification relative to the observation of the Commission on Audit (COA) that the Department of Foreign Affairs should secure the GPPB approval for the extension of its health insurance contracts for its foreign service personnel beyond six (6) months, in accordance with Resolution No. 03-2006 dated 20 January 2006.

At the outset, we would like to inform you that the GPPB, through GPPB Resolution No. 023-2007 dated 28 September 2007, issued the REVISED GUIDELINES ON THE EXTENSION OF CONTRACTS FOR GENERAL SUPPORT SERVICES (hereinafter, the "Guidelines") superseding GPPB Resolution No. 03-2006 entitled TO APPROVE AND ADOPT AMENDMENTS TO GPPB GUIDELINES ON CONTRACT EXTENSION FOR GENERAL SERVICES, to govern the extension of ongoing contracts for general support services which are essential, indispensable, or necessary to support the operations of the procuring entity or for the enhancement of the welfare of its personnel to include, but not limited to, non-personal or contractual services.

Under the Guidelines, procuring entities may extend the duration or effectivity of an ongoing contract about to expire provided the following conditions are present:

1. No contract extension shall exceed one (1) year.
2. The original contract subject of the extension was awarded in accordance with the provisions of Republic Act 9184 (R.A. 9184) and its Implementing Rules and Regulations Part -A (IRR-A).
3. The procuring entity concerned has substantially undertaken the procurement activities required prior to award of the new contract under R.A. 9184 and its IRR-A.
4. The aforesaid contract extension is undertaken due to circumstances beyond its control and the procuring entity concerned cannot award a new contract within a month after the expiration of the term of the original contract.



11.26.09

Affairs

32271

OFFICE OF THE UNDERSECRETARY

Atty. Hycce:

Please draft reply as instructed by Ma'am Emmie.

[Handwritten signature]

ROLANDO G. ANDAYA, JR.
Chairperson
Government Procurement Policy Board
Raffles Corporate Center
F. Ortigas Jr. Road
Ortigas Center, Pasig City
Fax No. : 900-6741

28 OCT 2009
DANE

FAX - 10/19/09

Dear Chairperson Andaya,

The Department of Foreign Affairs wishes to clarify with the GPPB the observation of the Commission on Audit (COA) that the Department should have sought GPPB's approval for the extension of the Department's healthcare insurance contract for its foreign service personnel stationed abroad beyond six (6) months, citing Resolution No. 03-2006 dated 20 January 2006.

Since the resolution cited by COA has already been repealed by the Revised Guidelines on the Extension of Contracts for General Support Services (GPPB Resolution No. 23-2007), the Department is of the view that there was no longer a need to seek the approval of the GPPB for as long as the contract was approved by the Head of the Procuring Entity. Furthermore, the Department did not immediately inform the GPPB of the extension of the contract pursuant to GPPB Resolution No. 23-2007 because its interpretation was that healthcare insurance did not fall within the definition of "general support services" in the same way as security and janitorial services do. Healthcare falls under social security and cannot in any way be interpreted to be similar to security and janitorial services which are under the "general support services". It is the Department's view that the contract extension of healthcare insurance is not covered by the Resolution.

GPPB's early clarification on the matter will be highly appreciated.

Very truly yours,

[Handwritten signature of Franklin M. Ebdalin]
FRANKLIN M. EBDALIN
Undersecretary and
Head of the Procuring Entity

OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATION

1 October 2009

ROLANDO G. ANDAYA, JR.
Chairperson
Government Procurement Policy Board
Raffles Corporate Center
F. Ortigas Jr. Road
Ortigas Center, Pasig City
Fax No. : 900-6741


Dear Chairperson Andaya,

The Department of Foreign Affairs wishes to clarify with the GPPB the observation of the Commission on Audit (COA) that the Department should have sought GPPB's approval for the extension of the Department's healthcare insurance contract for its foreign service personnel stationed abroad beyond six (6) months, citing Resolution No. 03-2006 dated 20 January 2006.

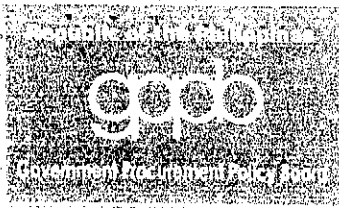
Since the resolution cited by COA has already been repealed by the Revised Guidelines on the Extension of Contracts for General Support Services (GPPB Resolution No. 23-2007), the Department is of the view that there was no longer a need to seek the approval of the GPPB for as long as the contract was approved by the Head of the Procuring Entity. Furthermore, the Department did not immediately inform the GPPB of the extension of the contract pursuant to GPPB Resolution No. 23-2007 because its interpretation was that healthcare insurance did not fall within the definition of "general support services" in the same way as security and janitorial services do. Healthcare falls under social security and cannot in any way be interpreted to be similar to security and janitorial services which are under the "general support services". It is the Department's view that the contract extension of healthcare insurance is not covered by the Resolution.

GPPB's early clarification on the matter will be highly appreciated.

Very truly yours,


FRANKLIN M. EBDALIN
Undersecretary and
Head of the Procuring Entity

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RESOLUTION NO. 23-2007

APPROVING AND ADOPTING THE REVISED GUIDELINES ON THE EXTENSION OF CONTRACTS FOR GENERAL SUPPORT SERVICES

WHEREAS, Section 63 of Republic Act No. 9184 (R.A. 9184) and Section 63.1 of the Implementing Rules and Regulations Part A (IRR-A) provide that the Government Procurement Policy Board (GPPB) shall have the power to formulate and amend public procurement policies, rules and regulations, and amend, whenever necessary the IRR-A;

WHEREAS, pursuant to such power, the GPPB issued the Guidelines on Extension of Contracts for General Services last 28 April 2005;

WHEREAS, the foregoing guidelines authorize the extension of contracts for general services beyond the allowable period of two (2) months, subject to GPPB approval;

WHEREAS, the GPPB amended said Guidelines to extend the allowable period for contract extension from two (2) months to six (6) months last 20 January 2006;

WHEREAS, the Inter-Agency Technical Working Group, during its 8th and 9th regular meetings held last 17 August and 14 September 2007, respectively, recognized the need to further revise said Guidelines, deliberated on and approved the revisions to the Guidelines, and accordingly recommends them to the GPPB for its approval;

NOW, THEREFORE, premises considered, **WE**, the Members of the **GOVERNMENT PROCUREMENT POLICY BOARD**, by virtue of the powers vested on **US** by law, hereby **RESOLVE**, to approve and adopt the "Revised Guidelines on the Extension of Contracts for General Support Services" attached hereto as Annex A.

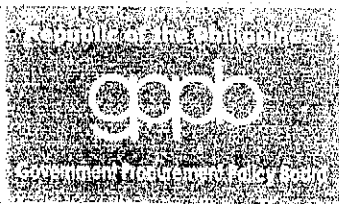
This resolution shall take effect immediately.

APPROVED this 28th September 2007 at Pasig City, Philippines.

(Sgd.)

ROLANDO G. ANDAYA, JR.
Secretary
Department of Budget and Management

AUGUSTO B. SANTOS
OIC - Director General
National Economic and Development
Authority



RESOLUTION NO. 23-2007

**NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY**

(Sgd.)

**DEPARTMENT OF NATIONAL
DEFENSE**

DEPARTMENT OF EDUCATION

(Sgd.)

DEPARTMENT OF HEALTH

**DEPARTMENT OF THE INTERIOR
AND LOCAL GOVERNMENT**

DEPARTMENT OF ENERGY

(Sgd.)

**DEPARTMENT OF PUBLIC WORKS
AND HIGHWAYS**

DEPARTMENT OF FINANCE

(Sgd.)

**DEPARTMENT OF TRADE AND
INDUSTRY**

**DEPARTMENT OF SCIENCE AND
TECHNOLOGY**

**DEPARTMENT OF TRANSPORTATION
AND COMMUNICATIONS**

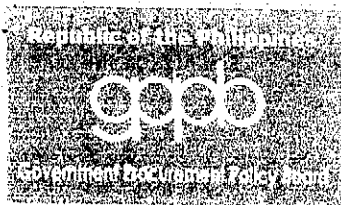
(Sgd.)

PRIVATE SECTOR REPRESENTATIVE

Attested by:

(Sgd.)

Ruby U. Alvarez
Board Secretary, GPPB
Executive Director, GPPB-TSO



**REVISED GUIDELINES ON THE EXTENSION OF CONTRACTS FOR
GENERAL SUPPORT SERVICES**

1.0 POLICY STATEMENT

As a general policy, extensions of contracts for general support services are discouraged.

2.0 PURPOSE

These guidelines are formulated to identify the conditions for the allowance of contract extension and to prescribe the rules and procedures governing the same, for the purpose of averting hiatus in support services essential, indispensable, or necessary in the operations of a procuring entity.

3.0 SCOPE AND APPLICATION

These guidelines shall govern the extension of ongoing contracts of general support services which are essential, indispensable, or necessary to support the operations of any of the procuring entities or for the enhancement of the welfare of its personnel to include, but shall not be limited to, non-personal or contractual services such as maintenance of equipment and furniture, janitorial and security services.

However, these guidelines shall not apply to contracts with water, electricity, telecommunications, and internet service providers, which shall be governed by the Guidelines on Procurement of Water, Electricity, Telecommunications and Internet Service Providers provided issued by the Government Procurement Policy Board under Resolution No. 19-2006, dated 6 December 2006.

4.0 GENERAL CONDITIONS FOR EXTENSION

Procuring entities may extend the duration or effectivity of an ongoing contract about to expire, under the following conditions:

- 4.1 No contract extension shall exceed one (1) year.
- 4.2 The original contract subject of the extension was awarded in accordance with the provisions of Republic Act 9184 (R.A. 9184) and its Implementing Rules and Regulations Part A (IRR-A).

- 4.3 The procuring entity concerned has substantially undertaken the procurement activities required prior to award of the new contract under R.A. 9184 and its IRR-A
- 4.4 The aforesaid contract extension is undertaken due to circumstances beyond its control and the procuring entity concerned cannot award a new contract within a month after the expiration of the term of the original contract.
- 4.5 The contemplated extension is merely an emergency measure to maintain status quo in the operations of the Procuring Entity and to avoid interruption of service.
- 4.6 The current service provider has not violated any of the provisions of the original contract.
- 4.7 The terms and conditions of the original contract shall not be changed or modified, except when changes or modifications will redound to the advantage of the government at no additional cost to the Procuring Entity.

5.0 PROCEDURAL REQUIREMENTS

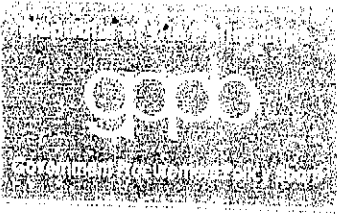
All contract extensions shall be subject to the prior approval of the Head of the Procuring Entity or his/her duly authorized representative upon recommendation of the Bids and Awards Committee.

In addition to the foregoing, if the proposed contract extension exceeds six (6) months, the Head of the Procuring Entity or his/her duly authorized representative shall immediately report to the Government Procurement Policy Board in writing of its intent to extend beyond six months.

6.0 REPEALING CLAUSE

These Guidelines repeal GPPB Resolution 08-2005 and the amendments thereto per GPPB Resolution 03-2006, dated 28 April 2005 and 11 March 2006, respectively.

7.0 EFFECTIVITY



Annex "A"

These guidelines or any amendments hereon shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general nationwide circulation.