



Republic of the Philippines
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE



NPM No. 123-2017

29 December 2017

ENGR. MYRNA B. BALAORO
Chairman, Bids and Awards Committee
PROVINCE OF MISAMIS OCCIDENTAL
Capitol, Oroquieta City

Re: Discounts -

Dear Engr. Balaoro:

This refers to your letter seeking advice on a situation where a bidder whose bid offer at Forty Three Million Seven Hundred Ninety One Thousand Eight Hundred Twenty One Pesos and 21/100 (Php43,791,821.21) has exceeded the Approved Budget for the Contract (ABC) of Forty Three Million Seven Hundred Twenty Five Thousand Eight Hundred Forty Four Pesos and 50/100 (Php43,725,844.50), but offered a Thirty-two percent (32%) discount, which when applied would make its bid within the ABC at Twenty Nine Million Seven Hundred Seventy Eight Thousand Four Hundred Thirty Eight Pesos and 43/100 (Php29,778,438.43).

In an earlier opinion¹ we clarified that the disqualification of a bidder occurs when its bid price is higher than the ABC, *after evaluation and computation of such bid*. For guidance, Republic Act (RA) No. 9184, the Government Procurement Reform Act, and its 2016 revised Implementing Rules and Regulations (IRR), including its associated issuances, such as the Philippine Bidding Documents (PBDs), recognize discounts in bids or offers. Section 32.2.4² of the 2016 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, 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

¹ NPM No. 046-2014 dated 13 October 2014.

² 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.


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 PBDs.

submitted and included as 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 price. 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, including the discount, the resultant amount is below the ABC. Thus, if the bidder offered the discount as part of its bid proposal or in the Bid Form, it shall be deducted from the total bid price, and this will be the basis for the determination of whether its bid price is within the ABC. Note, however, that the discount offered must be submitted and included as 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,
(sgd.)

DENNIS S. SANTIAGO
Executive Director 

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