

NPM No. 120-2015

27 November 2015

[REDACTED]

Re: Similar Largest Completed Contract (SLCC) contract requirement for bidders under Small A and Small B categories

Dear [REDACTED]:

This refers to your electronic mail seeking clarifications on whether bidders in Infrastructure projects under small A and B categories may submit an SLCC that did not meet the 50% required percentage for SLCC as part of their bids.

As a rule, a prospective bidder in infrastructure projects must have the experience of having completed at least one (1) contract that is similar to the contract to be bid, and whose value, adjusted to current prices using the NSO consumer price indices, must be at least fifty percent (50%) of the ABC to be bid. This eligibility criterion cannot be dispensed with as this is one of the minimum requirements that a prospective bidder has to satisfy to establish its track record and capacity to perform the contractual obligations.

Section 23.5.2.5 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184 lays down the rule on SLCC wherein two requirements must be met, thus: 1) It must be similar to the contract to be bid; and 2) It must be at least fifty percent (50%) of the approved budget for the contract to be bid. However, in case a contractor has no similar experience on the contract to be bid, and is registered with the Philippine Contractors Accreditation Board (PCAB) under Small A or Small B category, it may be allowed to bid on contracts costing not more than fifty percent (50%) of its registration's Allowable Range of Contract Cost (ARCC). This rule provides opportunity for small contractors to participate and gain experience in government procurements without running the risk of having inexperienced contractors doing projects for the Government; and ensures that only those with sufficient capability are awarded the contract.¹

With respect to the applicable ARCC, the same provision of the IRR clearly provides that it should be based on the guidelines prescribed by the PCAB, which, in this case, is PCAB Circular No. 001² on the Implementation of the Second Stage of Adjustments on ARCC and Single Largest Completed/Track Record Requirements. Hence, the said circular should be used as basis in determining the amount of approved budget for the contract (ABC)

¹ NPM No. 087-2012, dated 16 July 2012.

² Issued on 18 February 2009 and took effect on 1 July 2009.

for a project which a Small A or Small B contractor would be allowed to participate in, *sans* the required SLCC.

Pursuant to PCAB Circular No. 001, the ARCC for Small A contractors is PhP 500,000.00 while the ARCC for Small B contractors is PhP15,000,000.00. Accordingly, Small A contractors without the required SLCC may bid for civil works projects with an ABC of not more than PhP 250,000.00 (50% of PhP 500,000.00). On the other hand, Small B contractors without the required SLCC may be allowed to bid civil works projects with an ABC that does not exceed PhP 7,500,000.00 (50% of PhP15,000,000.00).

All told, the general rule is that a prospective bidder must have previously completed a contract that is similar to, and valued at least fifty percent (50%) of the ABC of the contract being bid out. However, for prospective bidders registered under either Small A or Small B category that does not have a previously completed similar contract, they are allowed to participate in the procurement activity provided that the cost of the contract being bid out is not more than fifty percent (50%) of its ARCC.³

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.)

 **DE** **GO**
Executive Director V



³ NPM 122-2014, dated 12 November 2014.