

NPM No. 130-2015

27 November 2015

[REDACTED]

Re: Procurement By Lot

Dear [REDACTED]

This refers to your letter requesting for an opinion on whether a quotation submitted by a supplier may be accepted if it exceeds the budget of an individual item if such quotation does not exceed the Approved Budget for the Contract (ABC) of a contract procured through Small Value Procurement under Section 53.9 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184.

Procurement By Lot under Small Value Procurement

In the procurement of Goods through public bidding, the Procuring Entity (PE) may form lots of similar items that are likely to attract the maximum competition. In this regard, a "lot" is defined as the quantity and number of items that will be included in a single contract, and may be formed in the following manner: 1) Each item to be evaluated and compared with other Bids separately and recommended for contract award separately; 2) All items to be grouped together to form one complete Lot that will be awarded to one Bidder to form one complete contract. 3) Similar items, to be grouped together to form several lots that shall be evaluated and awarded as separate contracts¹.

Accordingly, procurement by lot may be resorted to in Small Value Procurement. Paragraph 3(a) of the Guidelines on Shopping and Small Value Procurement² allows the PE to indicate in the Request for Quotation (RFQ) the specification, quantity, ABC, and other terms and conditions of the item to be procured. This affords the PE the discretion to form lots in its procurement activity to promote competition.

Basis of the ABC and Award of Contract

In determining the applicable ABC of the lot being procured, it should be noted that Section 5(b) of the IRR of RA 9184 provides that ABC refers to the budget for the contract duly approved by the Head of the Procuring Entity (HOPE), as provided in the relevant budget documents³. Accordingly, the ABC depends on the amount appearing in the Annual Procurement Plan (APP) as approved by the HOPE.

¹ Instruction to Bidders Clause 28.3, Philippine Bidding Documents for Goods.

² Issued through GPPB Resolution 09-2009, dated 23 November 2009.

³ i.e., General Appropriations Act, Corporate Budget, or Appropriation Ordinance.

It is noted that in the PE's pursuit or performance of its mandate, it will procure **items** that may be grouped into **lots** necessary to conduct **activities** identified under particular **projects** pursuant to the approved **programs** of the PE⁴.

In the identification of lots to be included in the RFQ, the PE may opt to group several items into one package consisting of several lots, and award the contract per lot; in which case, the ABC shall be based on the budget for each lot that will be awarded separately. In this wise, quotations shall be evaluated per lot, such that any price offer that exceeds the ABC for a particular lot shall be disqualified for that respective lot. However, the same bidder may be awarded other lots where it is found to have submitted the lowest calculated and responsive quotation.


On the other hand, the PE may group several items into a single lot and award the same as one contract. In such case, the sum of the respective budgets or ABCs for the items aggregated into one lot becomes the ABC for such lot. Thus, bids that exceed the ABC for the lot shall be disqualified per Section 31 of RA 9184 and its IRR. Bids or quotations that are within the ABC, regardless if the price offered for other items in the lot exceeds their respective ABC per item, may be considered for award if proven to be the lowest calculated and responsive quotation among all other quotations.⁵

In Small Value Procurement, it must be emphasized that the ABC, grouping of items; forming of lots; and, the allowance for a bidder to make an offer per item or per lot, shall be based on the RFQ provided to the suppliers.

We hope that our advice 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,

(sgd.)

 **DENNIS S. SANTIAGO**
Executive Director V

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⁴ NPM No. 43-2014, dated 10 October 2014.

⁵ *Ibid.*