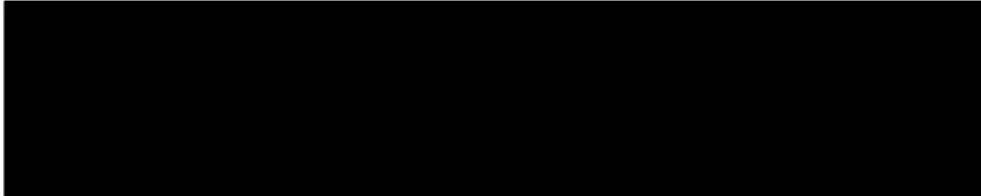




NPM No. 006-2026

08 May 2026



Subject : **Clarification on the Rules Governing Contract Extension and Renewal for Regular and Recurring Services under Republic Act No. 12009 and its Implementing Rules and Regulations**

Dear

This refers to the request¹ of the for guidance on the appropriate procurement approach to ensure continuity of six (6) ICT lease projects, consisting of leases of servers, network equipment, storage systems, and related peripherals. These projects were originally covered by Multi-Year Contractual Authorities (MYCAs) with varying contract durations commencing between September 2023 and January 2024, and are currently under approved contract extensions for CY 2026, pending completion of the procurement activities.

Specifically, clarification is sought on the following matters:

1. Whether an additional contract extension beyond six (6) months is permissible, until new projects are awarded;
2. Whether renewal may be undertaken while contracts are on extension, provided that the aggregate term does not exceed three (3) years; and whether renewal or extension may still be undertaken if the aggregate contract period exceeds three (3) years; and
3. Whether extension or renewal is the more appropriate approach under the circumstances.

¹ Received on 15 April 2026, with DMS Reference No.: 2026-_AD-0004861-C-NPM



At the outset, please be informed that the Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO) render policy and non-policy opinions, respectively, on matters involving the interpretation and application of procurement laws, rules, and regulations. However, they do not possess jurisdiction to have resolve actual cases or controversies arising from the conduct of procurement activities, as they are not vested with quasi-judicial or investigatory powers under the law. Accordingly, we shall limit our discussion to the pertinent provisions of Republic Act (RA) No. 12009 and its IRR.

Request for additional contract extension beyond six (6) months

Section 71.1.3 of the IRR of RA No. 12009 provides that requests for extension, whether initial or supplemental, shall be submitted before the prescribed delivery date. The same may be approved by the Head of the Procuring Entity (HoPE) upon the recommendation of the End-User or Implementing Unit, based on meritorious reasons.

Section 71.1.1 (c) of the IRR allows Amendment to Order when requested by the End-User or Implementing Unit, as may be prompted by a request from the supplier. The HoPE may approve the amendment of the delivery schedule based on meritorious grounds and without fault or negligence on the part of the supplier. The maximum allowable extension should not be longer than the initial delivery period.

Further, under Section 71.1.1 of the IRR, if the amendment to the delivery schedule results in an increase in the cost of executing any part of the contracted goods, supplies, or materials, an equitable adjustment in contract price and/or delivery schedule shall be mutually agreed upon between the parties, and the contract modified in writing; Provided, that any increase must not exceed ten percent (10%) of the original contract price. However, the HoPE may approve the increase to twenty percent (20%).

Hence, while the IRR allows extensions, the same should be carefully assessed in light of the limitations under Section 71.1.1 (c), the possible cost implications arising from the extension, and the fixed-price principle under Section 89 of RA No. 12009.

Renewal while under extension; and aggregate contract period exceeding three (3) years

Section 18.1 of the IRR of RA No. 12009 provides that the Procuring Entity (PE) may consider undertaking renewal of regular and recurring services to facilitate the continuity and immediate implementation of procurement projects. The duration of each renewed contract shall not exceed one (1) year.

However, unlike the previous framework under RA No. 9184, the new rule under RA No. 12009 no longer imposes a limit on the total duration of the original contract and all subsequent renewals combined.

Accordingly, renewal may be undertaken successively, even while the existing contract is under an approved extension, provided that the conditions under Section 18 are fully satisfied at each renewal cycle. The existence of an extension or a cumulative contract period exceeding three (3) years does not, by itself, preclude the PE from undertaking renewal, subject to compliance with applicable conditions and safeguards under Section 18 of the IRR, including the determination that renewal remains advantageous to the government.

It may also be mentioned that DBM Circular Letter No. 2026-2 dated 22 January 2026 clarifies that a MYCA is no longer required for regular and recurring services renewed annually, one (1) year at a time, as contemplated under Section 18 of the IRR. Annual appropriations for the applicable fiscal year constitute sufficient budget authority for each renewal cycle. The MYCA would only remain necessary if the renewal contract itself covers multiple years, such as in cases involving office space rentals or telecommunication requirements which, under Section 18.1 of the IRR of RA No. 12009 and Item 3.3.1 of the DBM Circular Letter No. 2026-2, may be renewed beyond one (1) year.

Under Section 18.3, the PE shall ensure, among others, that funds are available for the renewal of contracts in accordance with existing budgeting, accounting and auditing laws, rules, and regulations.

Whether extension or renewal is the more appropriate approach under the circumstances

Extension under Section 71.1.3 of the IRR of RA No. 12009, and renewal under Section 18 of the same law, are separate mechanisms that serve different purposes. The IRR does not require the PE to first undertake extension before renewal, nor does it prohibit the PE from initiating the renewal process while the existing contract remains in force.

The renewal process under Section 18, including the conduct of the required assessments and evaluations, may already be undertaken while the existing contract is still effective. Crucially, the renewal contract should only take effect upon the expiration of the existing contract, including any approved extension, to avoid overlapping contracts for the same project.

For those projects whose approved extensions are still in force or about to expire, the PE may either (i) pursue a further extension under Section 71.1.3 on meritorious grounds - provided that the additional cost does not exceed the 20% contract price threshold under Section 71.1.1, or (ii) proceed directly to the renewal process under Section 18 if its conditions are already met, timing the renewal contract to take effect upon expiration of the existing extended contract.

On the other hand, where the contract, including any approved extension, has already expired, renewal under Section 18 is no longer applicable, and the PE must instead undertake a new procurement process.

Lastly, it is noted that the foregoing reply is rendered based on facts and specific facts and circumstances presented and may not necessarily apply under a different set of facts and circumstances.

We hope that we have sufficiently addressed the concerns raised.

Thank you.

Very truly yours,

(sgd.)

ATTY. SOFIA C. YANTO-ABAD

Officer-in-Charge, GPPB-TSO