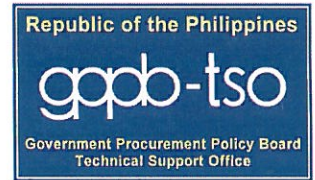




Republic of the Philippines  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**



**NPM No. 07-2017**

19 May 2017

**MR. XERXES ULYSSES E. ROQUE**  
*Chief Operating Officer*  
**ADVANCE-TECH COMMODITIES PHILS, INC.**  
300-B FSS Building, 89 Scout Castor Street  
Brgy. Laging Handa, Quezon City

**Re: Valuation of Contracts for the Computation of the  
Net Financial Contracting Capacity (NFCC)**

Dear Mr. Roque:

This refers to your letter requesting for guidance on how to determine the value of the outstanding or uncompleted portions of ongoing contracts in relation to the duration of the project being procured for the purpose of establishing its NFCC.

At the outset, we would like to clarify that the Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO) render policy and non-policy matter opinions, respectively, on issues purely pertaining to the interpretation and application of procurement laws, rules and regulations. We have no authority to dictate upon the Procuring Entity how to decide or resolve issues relative to its procurement activities. Moreover, we adhere to the position that we cannot, nor any other agency, authority, or official, encroach upon or interfere with the exercise of the functions of the Head of the Procuring Entity (HOPE) and the BAC, since these duties and responsibilities fall solely within the ambit of their authority and discretion.

As one of the eligibility documents to be submitted by the bidders, the NFCC is a financial document which establishes the bidder's liquidity and capacity to absorb the additional obligations in connection with the contract, and ensures that the bidder has the necessary resources to successfully implement and complete the project to be bid<sup>1</sup>. Hence, in order to attain its purpose, the NFCC must be at least equal to the Approved Budget for the Contract (ABC) of the project.

As such, Sections 23.5.1.4 and 23.5.2.6 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 provide for the equation to determine the NFCC, thus:

*NFCC = [(Current assets minus current liabilities<sup>2</sup>) (K)] minus the value of all outstanding or uncompleted portions of the projects under ongoing contracts.*

<sup>1</sup> NPM No. 035-2007, dated 06 August 2007.

<sup>2</sup> The values of the bidder's current assets and current liabilities shall be based on the data submitted to the BIR, through its Electronic Filing and Payment System (EFPS).

*including awarded contracts yet to be started, coinciding with the contract to be bid.*

*Where:*


*K = 10 for a contract duration of one year or less, 15 for a contract duration of more than one year up to two years, and 20 for a contract duration of more than two years.*

In this regard, the abovementioned computation requires the valuation of all current contracts, whether commenced or not, which corresponds to the duration of the project submitted for bids. In computing the NFCC, only the value of the undelivered, uncompleted or unperformed portions of existing contracts shall be deducted from the working capital<sup>3</sup>, but only with regard to the period overlapping with the contract being bid out.

Hence, if the project being procured is to be implemented in different phases within a determined schedule, the prospective bidders should indicate only the value of the unperformed portions of their respective ongoing contracts corresponding to, or overlapping with, the implementation period of the project being bid out. Accordingly, the values of the unperformed portion of ongoing contracts beyond the period for the implementation of the project being bid out are no longer part of the NFCC computation and will not be deducted from the working capital component of the NFCC.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is being 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,



**DENNIS S. SANTIAGO**  
*Executive Director*

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<sup>3</sup> Working Capital = (Current Assets – Current Liabilities) x (K)