

**NPM No. 28-2010**

4 October 2010

**HON. DIMAS S. SOGUILON, CESO III**

*Assistant Secretary*

**DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS**

Bonifacio Drive Port Area, Manila

**Re : Submission of Credit Line as a Contract Document**

Dear Sir:

We refer to your letter dated 22 March 2010 seeking clarification on the following issues:

1. Whether a prospective bidder which submitted a Credit Line Commitment (CLC) equivalent to ten percent (10%) of the Approved Budget for the Contract (ABC), must likewise submit a CLC as part of the contract documents; and
2. Whether the computation for the Net Financial Contracting Capacity (NFCC), verified in your electronic evaluation process and post-qualified as adequate, would suffice even without the submission of a CLC.

On the first issue, please note that CLC is a document establishing a bidder's financial capability on the basis of the commitment by a universal or commercial bank to issue a credit line amounting to ten percent (10%) of the ABC in favor of the bidder once it is awarded the contract. Consequently, if the prospective bidder who submitted a CLC as part of its financial eligibility requirements is subsequently awarded the contract, the universal or commercial bank must fulfill its commitment by issuing the actual credit line in favor of the bidder. Such credit line shall then be submitted by the bidder to the procuring entity as required under Section 37.2.3 (e) of the IRR of RA 9184.

Thus, we wish to clarify that if a prospective bidder submitted a CLC for purposes of complying with the financial eligibility requirements and is subsequently awarded the


contract, such bidder is required to submit, as part of the contract documents, the actual credit line issued by the universal or commercial bank that made the commitment.

With regard to the second issue, please note that Section 37.2.3 (e) of the IRR of RA 9184 requires credit line as part of the contract documents if the same is applicable. The applicability of such requirement depends on the document submitted by the bidder in compliance with Section 23.1 (a) (vi) of the IRR of RA 9184, *i.e.*, NFCC computation or CLC. As discussed above, a bidder who submits a CLC for its financial eligibility must submit the actual credit line when it is awarded the contract in fulfillment of the universal or commercial bank's commitment. In the case of an NFCC computation, no such commitment is undertaken by the bidder.

As such, we wish to clarify that a prospective bidder who submits a computation of its NFCC for purposes of complying with the financial eligibility requirements, and is post-qualified to be adequate, need not submit a CLC or credit line as part of its contract documents.

We hope to have provided sufficient guidance on the matter. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

  
**DENNIS LORNE S. NACARIO**  
*OIC-Executive Director III*