



Department of Budget and Management  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**

**NPM No. 27-2014**

19 June 2014

**MR. MARCIAL P. LICHAUCO, JR.**

*President and General Manager*

**911 ALARM INC.**

2/F DPC Place Building,  
2322 Don Chino Roces Avenue,  
Makati City 1231

**Re: Factor “K” in the NFCC Computation**

Dear Mr. Lichauco:

This refers to your letter requesting clarification on whether the factor “K” in the NFCC Computation refers to the duration of the contract to be bid or the duration of on-going contracts.

We wish to inform you that we have clarified this matter in NPM No. 96-2012 dated 8 August 2012, to wit:

*“Section 23(a)(vi) of the revised IRR of RA 9184 was lifted from Sections 16.2.1 and 16.2.2 of the IRR of Executive Order (EO) 40<sup>1</sup>, the executive issuance predecessor of RA 9184. As clarified in Policy Matter No. 002-2002<sup>2</sup>, the value of “K” mentioned in Sections 16.2.1 and 16.2.2 of the IRR of EO 40 shall be based on the duration of the contract under consideration, or the would be contract subject of the bidding opportunity. Relative to the issue at hand, the same interpretation may be adopted for the present formula under Section 23(a)(vi) of the revised IRR, particularly in determining the value of “K”, i.e., the “contract duration” of the contract subject of the public bidding.”*

Hence, the NFCC shall be computed using 15 as “K” factor value for a contract to be bid with a duration of 18 months.

We hope 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

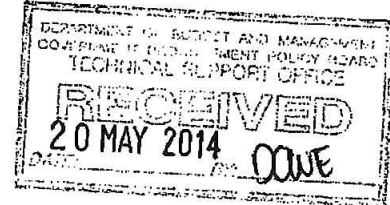
<sup>1</sup> Consolidating Procurement Rules and Procedures for All National Government Agencies, Government-Owned and Controlled Corporations and/or Government Financial Institutions, and Requiring the Use of the Government Electronic Procurement System”; Series of 2001, dated 8 October 2001.

<sup>2</sup> Dated 17 July 2002.

**911**

May 20, 2014

Atty. Dennis S Santiago  
 Executive Director III  
 GPPB Government Policy Procurement Board  
 2504 Raffles Corporate Center  
 Emerald Ave, Ortigas Center  
 Pasig City



FAX # 900-6741 to 44

Re: Question regarding the reference basis for the value of "K" in NFCC Computation

Sir,

Given your Resolution 20-2013 where only NFCC is now allowed, the computation of NFCC now becomes more critical. As a result, we would like to clarify the issue of the "K" in the NFCC calculation. In Resolution 20-2013 you have described in Section 23.5.1.4 the computation of NFCC as follows:

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

Our question is, does the "K" apply to the contract duration of the contract to be bid or to the ongoing contracts?

If "K" applies to the contract to be bid, and for example the Schedule of Requirements has a delivery period requiring completion of the contract, in say 18 months does this mean we can use a "K" of 15?

Or alternatively, if the "K" relates to the duration of ongoing contracts, how would this be applied? This is especially cumbersome, if say, a bidder has ongoing contracts, some of which are for less than 1 year duration, some for 1 to 2 year durations and some with durations of more than 2 years. Do you expect bidders to take the weight average of the duration of its ongoing contracts to see what value of "K" should be used. If so could the GPPB please provide a formula to follow on this so that bidders would use a consistent formula?

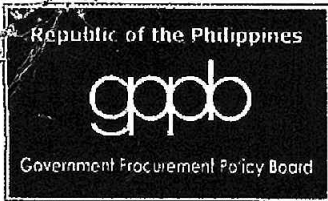
I trust that the GPPB can quickly look into and deal with this critical matter, so that it does not unduly hamper and delay upcoming procurements.

Very truly yours,

Marcial P. Lichauco Jr.  
 President and General Manager

911 Alarm Inc.

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**NPM No. 96-2012**

9 August 2012

**MR. ELLERY VIDMAR M. SEVANDAL**  
*Administration and Finance Manager*  
**AGILEX SECURITY AGENCY INC. (ASAI)**  
5F One Joroma Place, Congressional Avenue  
corner San Beda St., Barangay Toro, Quezon City

**Re: Computation of Net Financial Contracting Capacity (NFCC)**

Dear Mr. Sevandal:

We respond to your letter dated 24 July 2012 seeking clarification on the correct computation of the NFCC.

Under Section 23(a)(vi) of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, one of the financial eligibility documents required to be submitted is the prospective bidder's computation for its NFCC or a commitment from a Universal or Commercial Bank to extend a credit line (CLC) in favor of the prospective bidder if awarded the contract to be bid.<sup>1</sup> If a prospective bidder submits a computation of the NFCC, it must be at least equal to the Approved Budget for the Contract (ABC) to be bid, calculated as follows:<sup>2</sup>

NFCC = [(Current assets minus current liabilities) (K)] minus the value of all outstanding or uncompleted portions of the projects under ongoing contracts, 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. (*Emphasis ours*)

We wish to note that the inclusion of the NFCC as an eligibility criterion was intended to determine at the earliest opportunity, the financial capacity of the bidder to perform and deliver the project being bid out, such that if it is determined at the outset that the bidder has no financial capacity or would have possessed such capacity were it not for the fact that it has spread its resources to cover numerous on-going contracts, it will not be allowed to participate in the bidding process.<sup>3</sup>

<sup>1</sup>Section 23 (vi) of the Revised IRR of RA 9184.



<sup>2</sup>*Id.*, Section 23.5.1.4.

<sup>3</sup>Government Procurement Policy Board (GPPB) Non-Policy Matter 56-2004.

In line with this, we wish to inform you that Section 23(a)(vi) of the revised IRR of RA No. 9184 was lifted from Sections 16.2.1 and 16.2.2 of the IRR of Executive Order (EO) 40<sup>4</sup>, the executive issuance predecessor of RA 9184. As clarified in Policy Matter No. 002-2002<sup>5</sup>, the value of "K" mentioned in Sections 16.2.1 and 16.2.2 of the IRR of EO 40 shall be based on the duration of the contract under consideration, or the would be contract subject of the bidding opportunity. Relative to the issue at hand, the same interpretation may be adopted for the present formula under Section 23(a)(vi) of the revised IRR, particularly in determining the value of "K", *i.e.*, the "contract duration" refers to the duration of the contract subject of the public bidding.]

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 circumstances presented and may not apply to a different set of facts and circumstances. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

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

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<sup>4</sup>"Consolidating Procurement Rules and Procedures for All National Government Agencies, Government-Owned and Controlled Corporations and/or Government Financial Institutions, and Requiring the Use of the Government Electronic Procurement System", Series of 2001, dated 8 October 2001.

<sup>5</sup>Dated 17 July 2002.