



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

NPM No. 62-2014

15 October 2014

MS. JOSIELYN R. MEDINA
General Manager
M8 MANPOWER SERVICES
#39 Unit B, K8 Street, West Kamias,
Quezon City 1102

Re: Computation of Net Financial Contracting Capacity (NFCC)

Dear Ms. Medina:

This refers to your letter dated 07 October 2014 requesting clarification on the correct computation of the Net Financial Contracting Capacity (NFCC).

As represented, M8 Manpower Services (M8) submitted a bid to the National Museum Bids and Awards Committee (NMBAC) for the procurement of janitorial services. As the bidder with the Lowest Calculated Bid (LCB) was post-disqualified, M8, the bidder with the second LCB, underwent post-qualification. In a letter dated 18 September 2014, the NMBAC requested M8 to clarify matter pertaining to its bid, one of which refers to the NFCC computation as one of the eligibility requirements. M8 replied, through a letter dated 25 September 2014, explaining that since the contract for janitorial service is for a three-year period, it used 20 as "K" factor in computing its NFCC. However, the NMBAC issued a Notice of Post-Disqualification to M8 dated 30 September 2014 on the ground that M8 failed to use 10 as "K" factor. This prompted M8 to appeal the Notice of Post-Disqualification quoting the provision of the Terms of Reference which states that "the Contract for Janitorial Services shall be multi-year as provided for in GPPB Resolution No. 24-2007 for a period of three (3) years.

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

"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) 40¹, the executive issuance predecessor of RA 9184. As clarified in Policy Matter No. 002-2002², 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

¹ 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.

² Dated 17 July 2002.

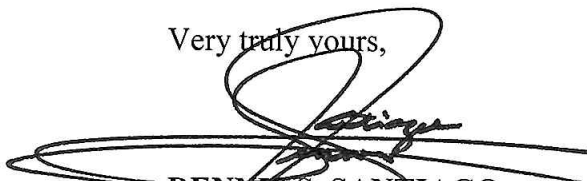
contract subject of the bidding opportunity. Relative to the issue at hand, the same interpretation may be adopted for the present formula under Section 23(a)(vi) of the revised IRR, particularly in determining the value of "K", i.e., the "contract duration" of the contract subject of the public bidding."

Hence, the value of "K" must be based on the duration of the contract under consideration, or the would be contract subject of the bidding opportunity with reference to the schedule indicated in Sections 23.5.1.4 and 23.5.2.6³ of the IRR of RA 9184.

This notwithstanding, we would like to emphasize that it is the BAC that is vested with the responsibility to examine, evaluate, and post-qualify bids utilizing a non-discretionary "pass/fail" criterion in considering, among others, the completeness of the bids submitted.⁴ Accordingly, the Government Procurement Policy Board (GPPB) or its Technical Support Office (GPPB-TSO) cannot determine or rule for the BAC, neither dictate upon nor interfere with the BAC's functions, since these fall within its authority, function, and discretion under the procurement law and its associated rules.⁵

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 may not be applicable given a different set of facts and circumstances. Should you have further questions, please do not hesitate to contact us.

Very truly yours,



DENNIS S. SANTIAGO
Executive Director V

³ K = 10 for a contract duration of one year or less, 15 for contract duration of more than one year up to two years, and 20 for duration of more than two years.

⁴ Section 12 of RA 9184 and its IRR.

⁵ NPM No. 08-2014 dated 28 March 2014.



M8 MANPOWER SERVICES

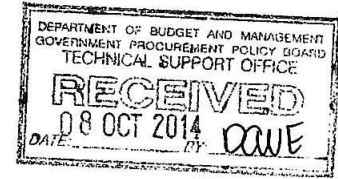
"Your Partner in Quality Service"

01/21/15

JANITORIAL*LANDSCAPING*GROUND MAINTENANCE*CARPET SHAMPOOING*HOUSEKEEPING
EQUIPMENT REPAIRS*ONE-TIME CLEANING*AND OTHER RELATED SERVICES

7 October 2014

EXECUTIVE DIRECTOR
Government Procurement Policy Board
Unit 2506, Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center, Pasig City



Re: Computation of Net Financial Contracting Capacity (NFCC)

Dear Sir/ Madam:

This letter is a query on the Government Procurement Policy Board's (GPPB) formula for the Net Financial Contracting Capacity (NFCC), to wit:

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 for this Project.

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.

M8 Manpower Services (M8) recently submitted its bid for janitorial services with the National Museum Bids and Awards Committee (NMBAC). In a letter dated 18 September 2014, the NMBAC asked M8 to clarify some matters regarding its bid, ie., eligibility requirements and financial proposal as the winning bidder was post-disqualified and M8 was the next lowest bidder. The NMBAC indicated therein that M8 failed to use the one year period multiplier in the computation of NFCC. Hereto attached as **Annex "A"** is a copy of said letter.

In a reply dated 25 September 2014, M8 explained that since the contract is for a three-year period, it used 20 as the multiplier for the computation of its Net Financial Contracting Capacity (NFCC) in accordance with the GPPB'S FORMULA.

However, NMBAC still issued a Notice of Post-Disqualification dated 30 September 2014. Attached hereto as **Annex "B"** is a copy of the Notice of Post-Disqualification.

In a letter dated 2 October 2014, M8 appealed the said Notice of Post-Disqualification, stating, among others that Section II, paragraph 4 of the Terms of Reference prepared by Arch. Evelyn I. Esguerra (Curator I, HEAD RED-FMDS), provides that "the Contract for Janitorial Services shall be multi-year as provided for in GPPB Resolution No. 24-2007 for a period of Three (3) years." As the contract is for a three-year period, M8 used the multiplier 20 for the computation of its NFCC. A copy of the letter appeal is hereto attached as **Annex "C"**.

Jan/George
please prepare appeal
up, 688



REPUBLIC OF THE PHILIPPINES
NATIONAL MUSEUM

Annex A

OFFICE OF THE DIRECTOR

NOTICE OF POST - QUALIFICATION

September 18, 2014

MS. JOSIELYN ROSILLO MEDINA
 M8 Manpower Services
 # 39 Unit B - K - 8th St.
 Barangay West Kamias, Quezon City

Dear Ms. Medina,

The Bids and Awards Committee conducted a post - qualification of your eligibility, technical and financial documents as the next lowest Bidder for "Janitorial Services for the National Art Gallery, Museum of the Filipino People and Planetarium Buildings" located at Padre Burgos Avenue, Manila.

Upon careful examination, verification, validation and ascertainment of all statements and representations made, including all documents submitted, in relation to your bid, the BAC would like to clarify the following TWG observation because you are being considered as the next lowest bidder since the winning bidder was post - disqualified.

Requirements/Conditions	Findings/Observation
Eligibility Requirements	Failed to use the one - year period multiplier in the computation of NFCC
Financial Proposal	For clarification on who will shoulder the supplies and material in the amount of Php. 217,060.00 as attached in the bidding documents because it might affect the detailed cost estimate per janitor.

You prompt response to this request is expected within three (3) calendar days.

Done this 18th of September 2014.

Truly Yours,

ANGEL P. BAUTISTA
 Chairman
 Bids & Awards Committee

Again, we would like to thank you for your interest in providing us this necessary service for our organization and the beneficiaries of our entire services.

Rest assured that a decision as regards consideration and awarding of contracts is always for the advantage of the National Museum and within the purview of authority provided us under the law.

Very truly yours,



ANGEL R. BAUTISTA


Chairman

NM Bids and Awards Committee

M8 is willing to make necessary changes in the calculation of its NFCC, i.e., using 10 as multiplier just so it would pass the post qualification of its bid.

In view of the foregoing, M8 humbly request for the lifting of the Notice of Post-Disqualification and the reconsideration of its bid. Thank you for your time and consideration.

Truly yours,


JOSIELYN R. MEDINA
General Manager

(c) When the Goods sought to be procured are not available from local suppliers; or

(d) When there is a need to prevent situations that defeat competition or restrain trade.

5.3. Government corporate entities may be eligible to participate only if they can establish that they (a) are legally and financially autonomous, (b) operate under commercial law, and (c) are not dependent agencies of the GOP or the Procuring Entity.

5.4. Unless otherwise provided in the BDS, the Bidder must have completed at least one contract similar to the Project the value of which, adjusted to current prices using the National Statistics Office consumer price index, must be at least equivalent to a percentage of the ABC stated in the BDS.

For this purpose, contracts similar to the Project shall be those described in the BDS, and completed within the relevant period stated in the Invitation to Bid and ITB Clause 12.1(a)(iii).

5.5. The Bidder must submit a computation of its Net Financial Contracting Capacity (NFCC) or a commitment from a Universal or Commercial Bank to extend a credit line in its favor if awarded the contract for this Project (CLC).

The NFCC, computed using the following formula, must be at least equal to the ABC to be bid:

$NFCC = [(Current\ assets\ minus\ current\ liabilities)\ (K)]\ minus\ the\ value\ of\ all\ outstanding\ or\ uncompleted\ portions\ of\ the\ projects\ under\ ongoing\ contracts,\ including\ awarded\ contracts\ yet\ to\ be\ started\ coinciding\ with\ the\ contract\ for\ this\ Project.$

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.

The CLC must be at least equal to ten percent (10%) of the ABC for this Project. If issued by a foreign bank, it shall be confirmed or authenticated by a Universal or Commercial Bank. In the case of local government units (LGUs), the Bidder may also submit CLC from other banks certified by the *Bangko Sentral ng Pilipinas* (BSP) as authorized to issue such financial instrument.