



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

NPM No. 76-2013

8 August 2013

MR. VICENTE G. ROXAS
President and Chairman of the Board
V.G. ROXAS CO., INC. (VGRCI)
Unit 9 ANPN, Balintawak
Quezon City

**Re: Computation of Net Financial Contracting Capacity (NFCC)
based on the Approved Budget for the Contract (ABC)**

Dear Mr. Roxas:

We respond to your letters dated 15 January 2013 and 18 February 2013, seeking our opinion regarding the correct determination of the NFCC based on the ABC as well as the correct interpretation and application of Government Procurement Policy Board (GPPB) Non-Policy Matter (NPM) Opinion No. 81-2012.¹

As represented, VGRCI participated in the Department of Education's (DepED) bidding for the Mass Production and Supply and Delivery of Science and Mathematics Equipment to 544 Public Secondary Schools, Regional Science High Schools (RSHS), and Engineering and Science Education Program (ESEP) Schools consisting of eleven (11) lots. VGRCI participated in Lot "3" (Integrated Science), Lot "4" (Biology) and Lot "6" (Physics), where the total ABC for the said participated lots was in the amount of **Two Hundred Sixty Nine Million, Seven Hundred Sixty Five Thousand, Nine Hundred Ten Pesos and Eighty Nine Centavos (PhP 269,765,910.89)**. The ABCs for each of lots "3", "4" and "6" were are follows:

Lot "3" - PhP 65,203,051.11
Lot "4" - PhP 87,139,142.22
Lot "6" - PhP 117,423,717.56

TOTAL ABC = PhP 269,765,910.89

VGRCI submitted its NFCC in the amount of **Two Hundred Seventeen Million, Four Hundred and Eighty Five Thousand, Two Hundred and Sixty Pesos (PhP 217,485,260.00)** to cover each of lots "3", "4" and "6" separately in view of Clause 13.2² of the

¹ Dated 6 July 2012.

² Philippine Bidding Documents for the Procurement of Goods, Fourth Edition, December 2012


Instructions to Bidders (ITB) and the Bid Data Sheet (BDS), as contained in the Procuring Entity's (PE) Bidding Documents which states that "[e]valuation and award shall be made on a per lot basis".

In line with VGRCI's submission of its NFCC, the DepED Bids and Awards Committee II (DepED - BAC II) disqualified VGRCI's bid on the ground that its NFCC is not at least equal to the total ABC of the contract to be bid out. The DepED-BAC II specifically points out that VGRCI's NFCC in the amount of PhP217,485,260.00 was less than the total ABC of lots "3","4" and "6", which is in the amount of PhP 269,765,910.89, thus disqualifying VGRCI from participating in the bidding. In its Request for Reconsideration, VGRCI contends that its NFCC sufficiently complies with the requirements of the law for being at least equal to the ABC on a *per lot* basis. However, the said request for reconsideration was denied by the DepEd-BAC II citing NPM No. 81-2012 and asserted that "the bidder's computed NFCC must be at least equal to the ABC to be bid or of the entire project, to be financially eligible for the Project." It is in this context that clarification is sought on whether the amount of the NFCC, should be at least equal to the ABC on a *per lot* basis, or on the total ABC for all lots participated in, that is, Lots "3", "4" and "6".

Evaluation on a Per Lot Basis

We wish to emphasize that "evaluation" and contract award are "undertaken on a per lot basis" because each *lot* has its own technical requirements upon which bidders are expected to comply. Thus, since technical requirements in one *lot* will differ from the technical requirements in another *lot*, a bidder who is to participate in one *lot* is required to submit the necessary technical requirements in accordance with those mentioned for such *lot* and compliance with which will have to be evaluated based on the different requirements for each lot. It is in this sense that "evaluation" and contract award will be "undertaken on a per lot basis" for procurements *by lot*.

NFCC Should Address Financial Requirements of All Projects Participated In

On the other hand, we wish to clarify that the NFCC, as a financial eligibility requirement under Sections 23.5.1.4³ and 23.5.2.6⁴ is approached differently because the eligibility criteria for compliance is the same for all the lots, *i.e.*, that the NFCC is at least equal to the ABC to be bid out. The NFCC is intended as a financial eligibility requirement in order to determine whether the participating bidder is financially capable to carry out the subject matter of the contract to be awarded. Thus, if a procuring entity divides its procurement activity *by lots*, and each of these *lots* have their own specific ABCs and are treated as separate procurements, consequently, the participating bidder should be required to submit an NFCC that is at least equal to all the *lots* to which it participated in, in order to establish that it is financially capable of carrying out the contractual obligations required by the *lots* to which it participated in. 

³ If the prospective bidder submits a computation of its NFCC, the NFCC must be at least equal to the ABC to be bid, calculated 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...
(Underscore ours)

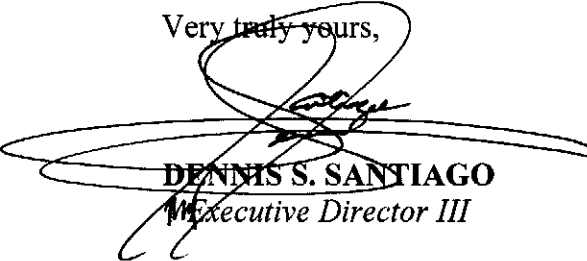
⁴ Revised Implementing Rules and Regulations of Republic Act No. 9184

Consequently, the bidder's NFCC, which shows its financial absorptive capacity to finance a project or projects, must be equivalent to the sum of all the ABCs for each lot participated in. Considering that these projects are to be performed or executed simultaneously, the bidder's overall financial capacity should be able to absorb and support the financial requirements of all the project or contracts participated in.

In view of the foregoing discussions, we wish to reiterate our position in NPM No. 81-2012 that the NFCC should be at least equal to the sum of the ABCs for the *lots* to which the bidder concerned participated in. Again, the NFCC is a financial eligibility requirement that establishes the bidder's financial liquidity and absorptive capacity, thus, it should be at least equal to the sum of the ABCs of all the *lots* to which the bidder participated in. On the other hand, if the bidder opts to submit a Credit Line Commitment (CLC), under Section 23.5.1.4⁵ and 23.5.2.6,⁶ it would have been required to submit one (1) CLC *per lot* equivalent to ten percent (10%) of the ABC for the specific lot, the aggregate of which amounts to at least ten percent (10%) of the total ABCs for each lot or project participated in.

We hope that our advice provided sufficient guidance on the matter. Note that this opinion is being issued on the basis of facts and particular 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 III

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⁵ *Id.*

⁶ *Id.*