



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

**NPM No. 81-2012**

6 July 2012

**HON. ARMANDO C. RUIZ**

*Chairman, Bids and Awards Committee II (BACII)*

*Officer-In-Charge, Office of the Assistant Secretary for Finance*

**DEPARTMENT OF EDUCATION (DEPED)**

Room 515, 5<sup>th</sup> Floor Mabini Building, DepED Complex,  
Meralco Avenue, Pasig City

**Re: Insufficient Net Financial Contracting Capacity (NFCC)**

Dear OIC-Asec. Cruz:

This refers to your letter requesting for a written response to your concern regarding the insufficiency of the NFCC of one of the bidders (Bidder A) in the contract for the Mass Production and Supply and Delivery of Science and Mathematics Equipment to 442 Public Secondary Schools (the Project) with an approved budget for the contract (ABC) in the amount of Four Hundred Ninety-Five Million Six Hundred Two Thousand Four Hundred Ninety-Four and 64/100 (PhP 495,602,494.64).

The Project is composed of two packages with various lots, with each lot having its own corresponding ABC. Bidder A submitted its bid for the entire project but its NFCC, in the computed amount of PhP 177,487,560.00<sup>1</sup>, was insufficient for all the lots or the entire project. Bidder A likewise did not submit any Credit Line Certificate (CLC).

Section 23.1(a) of the revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) 9184 provides, in part, that:

For purposes of determining the eligibility of bidders using the criteria stated in Section 23.5 of the IRR, only the following documents shall be required using the forms prescribed in the Bidding Documents:

...

*Financial Documents*

- v) The prospective bidder's audited financial statements, showing, among others, the prospective bidder's total and current assets and

<sup>1</sup> DepED asserts that Bidder A has no outstanding or uncompleted portions of the projects under ongoing contracts to be included in the computation of the NFCC. Thus, Bidder A's NFCC was computed as follows:

$$\begin{aligned}\text{NFCC} &= [(\text{PhP } 58,058,081.00 - \text{PhP } 40,309,325.00) (10)] - 0 \\ &= [(\text{PhP } 17,748,756.00) (10)] - 0 \\ &= \text{PhP } 177,487,560.00\end{aligned}$$

liabilities stamped "received" by the BIR or its duly accredited and authorized institutions, for the preceding calendar year which should not be earlier than two (2) years from the date of bid submission.

- vi) The prospective bidder's computation for its Net Financial Contracting Capacity (NFCC) or a commitment from a Universal or Commercial Bank to extend a credit line in favor of the prospective bidder if awarded the contract to be bid (CLC).

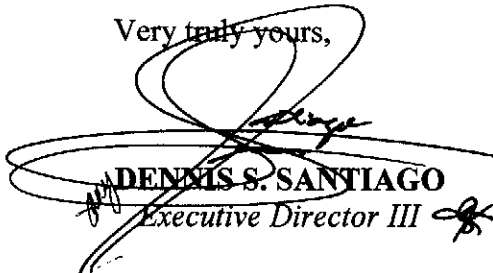
Accordingly, the financial documents required to be submitted for purposes of determining the financial eligibility of the prospective bidders are the following: (1) the prospective bidders' audited financial statements (AFS), and (2) the computation for the NFCC or a CLC commitment from a Commercial or Universal Bank. Clearly, the prospective bidder has the option to submit a computation of its NFCC or a CLC commitment, aside from the submission of the AFS.

If the bidder opts to submit a CLC commitment from a Commercial or Universal Bank, the bidder shall be required to submit an actual CLC from the same bank when awarded the contract in amount equal to at least 10% of the ABC of the project to be bid. On the other hand, if the prospective bidder submits a computation of its NFCC, the NFCC must be at least equal to the ABC to be bid. Considering that Bidder A submitted its proposal for the entire project, Bidder A's computed NFCC **must be at least equal to PhP 495,602,494.64**, which is the ABC of the entire project, to be financially eligible for the Project. Hence, Bidder A's computed NFCC in the amount of PhP 177,487,560.00 is clearly short of the amount of NFCC required by law.

From the foregoing, the determination of Bidder A's financial eligibility depends on the financial documents submitted in support of its bid. Since Bidder A opted to submit an NFCC computation, its submission should comply with the requirement that the NFCC computation should be at least equal to the ABC to be bid. Failure to comply with the financial eligibility requirements and/or criteria set by law and the rules shall result to the ineligibility or disqualification of the bidder concerned.

We hope that our advice sufficiently addresses your concerns. Note that this opinion is being rendered on the basis of the facts and particular circumstances as presented. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

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