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Department of Budget and Management

**GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE**

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.¹ 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:²

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.³

¹Section 23 (vi) of the Revised IRR of RA 9184.

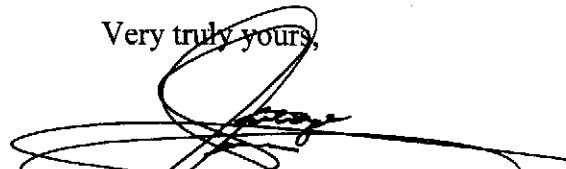
²*Id.*, Section 23.5.1.4.


³Government 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) 40⁴, the executive issuance predecessor of RA 9184. As clarified in Policy Matter No. 002-2002⁵, 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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⁴"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.

⁵Dated 17 July 2002.