



**NPM No. 17-2009**

11 March 2009

**ALVARO R. DERRAMAS**  
*BAC Chairman*  
**MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY**  
Lapu-Lapu City, 6016  
Philippines

**Re : Rural Bank Guarantee as Bid Security**

Dear Mr. Derramas:

This is in response to your letter, dated 2 March 2009, asking whether or not there is an existing prohibition on the part of a procuring entity from accepting a bank guarantee issued by a rural bank as bid security.

In this regard, please note that, to the best of our knowledge, there is no existing resolution, circular or memorandum specifically prohibiting procuring entities from accepting bank guarantees issued by rural banks. Republic Act No. 9184 (R.A. 9184) or the *Government Procurement Reform Act (GPRA)* and its Implementing Rules and Regulations Part A (IRR-A) are likewise silent on the matter. At present, the only qualification provided in the IRR-A is that the bid security must be confirmed by a *reputable local bank*.<sup>1</sup>

However, we note, for your guidance, that sometime in October last year, the Government Procurement Policy Board (GPPB) has resolved to revisit the IRR-A, in view of the many issues, concerns and recommendations of procuring entities, bidders, civil society and other stakeholders relative to the GPRA's implementation. After extensive consultations, the GPPB has come up with a revised draft of the IRR which will result, among others, in confining bank guarantees to those issued by local *universal* and *commercial* banks duly authorized under Republic Act No. 8791 (otherwise known as "*The General Banking Act of 2000*"), as acceptable bid securities.

In the interim, we trust that the concerned procuring entity shall take the necessary steps to ensure that the bank guarantee submitted as bid security is issued by a reputable local bank.

We hope to have provided sufficient guidance on the matter. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,

  
**RUBY U. ALVAREZ**  
*Executive Director III*

<sup>1</sup> Sec. 27.2 (a), Rule VIII, IRR-A of RA 9184