

NPM No. 27-2007

30 July 2007

MR. ERNESTO J. CABEROY
Chairman, Bids and Awards Committee
METRO ILOILO WATER DISTRICT
Bonifacio Drive, Iloilo City

Re: Cash Deposit Certificate

Dear Mr. Caberoy:

We respond to your letter dated 27 June 2006 inquiring if a cash deposit certificate issued by a licensed bank must certify a hold-out on cash deposits at least equal to ten percent (10%) of the approved budget of the contract (ABC), which shall be specific to the contract to be bid.

Under Section 23.6 (j) of the Implementing Rules and Regulations Part A of Republic Act No. 9184, the prospective bidder must present any of the following: (i) a commitment from a licensed bank to extend to it a credit line if awarded the contract to be bid, or (ii) a cash deposit certificate in an amount not lower than that set by the procuring entity in the bidding documents, which shall be at least equal to ten percent (10%) of the ABC for the contract to be bid; or (iii) must have a Net Financial Contracting Capacity at least equal to the ABC for the contract to be bid. The rationale for said requirement is to establish the bidder's liquidity and capacity to absorb the additional obligations in connection with the contract to be bid. It safeguards the interest of the procuring entity by ensuring that the bidder has the necessary resources to successfully implement and complete the project to be bid.

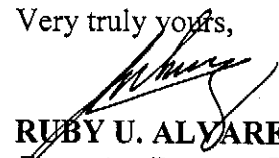
If the bidder opts to submit a cash deposit certificate, said certificate must comply with the following elements:

- (a) It must contain a clear commitment to hold out a specific amount of cash;
- (b) The amount of cash being held out must not be lower than that set by the procuring entity in the bidding documents, which is at least equal to ten percent (10%) of the ABC;
- (c) It must be specific to the contract to be bid;

- (d) The commitment must be issued by a licensed bank. (NPM No. 15-2006 dated 07 November 2006)

We hope to have clarified the matter. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,


RUBY U. ALVAREZ
Executive Director III