

REPUBLIC OF THE PHILIPPINES  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**Technical Support Office**  
*Mezzanine 125, Mabini Hall, Malacañang, Manila*  
*Telefax Nos. (02) 735-4962; (02) 736-5758*

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**NPM No. 028-2004**

March 17, 2004

**MR. ZOSIMO C. MENDOZA JR.**  
Officer-in-Charge  
Light Rail Transit Authority  
Administration Bldg., LRTA Compound,  
Aurora Blvd., Pasay City

**Re : Submission of a Bank Commitment in Lieu of the NFCC**

Dear Mr. Mendoza:

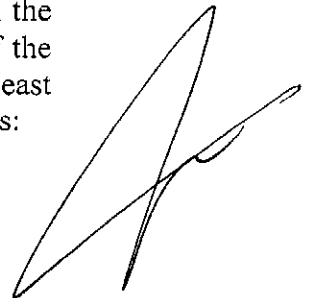
This refers to your letter dated March 8, 2004, which we received and acknowledged on March 9, 2004, requesting for clarification on the sufficiency of a bank commitment/approved credit facility/working capital line certification as a requirement to satisfy the financial qualification of potential bidders irrespective of the calculated value of the Net Financial Contracting Capacity ("NFCC"). The issue at hand is as follows:

Whether or not the submission by a bidder of a commitment from a licensed bank extending to it a credit line is sufficient to satisfy the financial qualification regardless of the calculated value of its NFCC.

**Submission of a Bank Commitment for Extension of a Credit Line**

Section 23.11.1 of the Implementing Rules and Regulations Part A ("IRR-A") of Republic Act 9184 ("R.A. 9184") provides for the eligibility criteria for the procurement of goods, one of which seeks to address the contracting capacity of each prospective bidder. Section 23.11.1.3 specifically states as follows:

The prospective bidder must present a commitment from a licensed bank to extend to it a credit line if awarded the contract to be bid, or 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 approved budget for the contract to be bid; or must have a NFCC of at least equal to the approved budget for the contract to be bid, calculated as follows:



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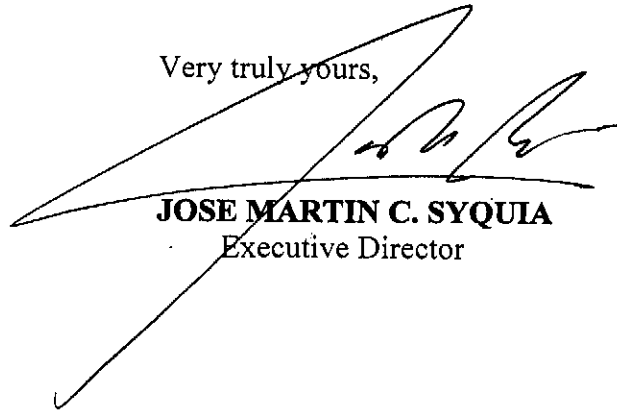
From the above-quoted provision, it is clear that a prospective bidder may choose to submit a bank commitment, a cash deposit certificate, or a computation of its NFCC. The submission and compliance with one is sufficient ground to declare a bidder "passed" for that particular requirement. It should be noted, however, that a bank commitment should be specifically issued for the project for which the bidder is participating, otherwise, such bank commitment will not satisfy the eligibility criterion for contracting capacity.

It is also worth mentioning that the eligibility requirements set forth in the IRR-A of R.A. 9184 are only minimum requirements which procuring entities are obliged to observe. Thus, a procuring entity is not prohibited from prescribing an amount of more than ten percent (10%) of the approved budget for the contract to be bid for a bank commitment that may be submitted by a prospective bidder in lieu of its NFCC for eligibility.

In view of the foregoing, the submission by a bidder of a commitment from a licensed bank to extend to it a credit line satisfies the eligibility criterion for contracting capacity. Regardless of the calculated value of its NFCC, a procuring entity has the discretion to set the amount of such bank commitment equivalent to at least ten percent (10%) of the approved budget for the contract to be bid.

We trust that this clarifies matters.

Very truly yours,



**JOSE MARTIN C. SYQUIA**  
Executive Director