



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

NPM No. 25-2012

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HON. FERNANDO I. MANALO

*Undersecretary for Finance, Munitions,
Installations & Materiel*

DEPARTMENT OF NATIONAL DEFENSE

Room 301, 3rd Floor, DND Building
Camp General Emilio Aguinaldo
Quezon City

RE: Grant of Contract Delivery Extension

Dear Usec. Manalo:

We respond to your letter dated 1 September 2011 requesting for clarification relative to the rules on the grant of extension of delivery period and the corresponding imposition of Liquidated Damages on the procurement of goods and services.

As represented, per consultation with the Government Procurement Policy Board – Technical Support Office (GPPB-TSO) you were informed that the existing procurement law provides no limitation as to the number of times the procuring entity will grant extension of delivery period. As long as valid grounds still exist, then the procuring entity may grant extension. However, the maximum allowable liquidated damages is ten (10%) percent of the contract price, hence, procuring entities are not allowed to collect liquidated damages beyond the prescribed percentage. Moreover, upon reaching the said percentage it will cause the automatic termination of the contract. Nonetheless, the Commission on Audit (COA) does not agree that the limitation on the maximum allowable extension applies to each and every extension. Thus, it shall only apply to all extensions granted and not to individual extensions.

Please note that as a general rule, the supplier/manufacturer/distributor must deliver the goods or perform the services within the period prescribed by the Procuring Entity, as specified in the Contract¹. If delays are likely to be incurred, the supplier/manufacturer/distributor must notify the Procuring Entity in writing. It must state therein the cause/s and duration of the expected delay. The Procuring Entity may grant several time extensions, at its discretion, as long as it is based on meritorious grounds, with or without liquidated damages.

¹ Volume 2, Manual of Procedures for the Procurement of Goods and Services

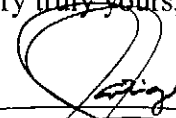

Based on the relevant provisions of the Generic Procurement Manual, each extension should not exceed the initial delivery period as stated in the original contract. It bears stressing, however, that in every grant of extension, the procuring entity must validate the reasons cited by the supplier and determine that extension is based on meritorious ground.

If the Supplier fails to satisfactorily deliver any or all of the Goods and/or to perform the Services within the period(s) specified in the Contract inclusive of duly authorized time extensions if any, the Procuring Entity shall, without prejudice to its other remedies under this Contract and under applicable laws, deduct from the Contract Price, as liquidated damages, the applicable rate of one tenth (1/10) of one (1) percent of the cost of the unperformed portion for every day of delay until actual delivery or performance².

It must be emphasized, however, that under Section 68 of the Implementing Rules and Regulations of Republic Act No. 9184, once the cumulative amount of liquidated damages reaches ten percent (10%) of the contract amount, the procuring entity is mandated to rescind the contract.

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

Very truly yours,


DENNIS S. SANTIAGO
Executive Director III 

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² Section 19, General Conditions of the Contract (GCC), Philippine Bidding Documents, 4th Ed.