



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

NPM No. 128-2014

14 November 2014

MS. JOSEPHINE G. LOPEZ
Manager, Finance and Administrative Division
NATIONAL DEVELOPMENT COMPANY (NDC)
NDC Building, 116 Tordesillas St.,
Salcedo Village, Makati City

Re: Progress Billing/Payment

Dear Ms. Lopez:

This refers to your letter seeking clarification on whether progress billing/payment is allowed in the procurement of supply and delivery of services for the installation of an accounting system/software.

It is represented that most of NDC's prospective suppliers require a fifty-fifty (50:50) payment terms relative to the above-mentioned procurement, while others are willing to accept payment through progress billing. It is in this context our opinion is sought.

Advance Payment

As a general rule, the government shall not be obliged to make an advance payment for services not yet rendered or for supplies and materials not yet delivered under any contract, except with the prior approval of the President. No payment, partial or final, shall be made on any such contract except upon a certification by the head of the agency concerned to the effect that he services or supplies and materials have been rendered or delivered in accordance with the terms of the contract and have been duly inspected and accepted.¹

Hence, in accordance with the above-stated provision, Section 4.1 of the Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials (Guidelines) provides that advance payment may be made only after prior approval of the President, and shall not exceed fifteen percent (15%) of the contract amount, unless otherwise directed by the President; provided however, that for cases mentioned under 4.3, 4.4, and 4.5 of the Guidelines, no prior approval by the President shall be necessary.

In line with this, "[p]ayments shall be made only upon a certification by the Head of the Procuring Entity to the effect that the goods have been delivered (or services rendered)

¹ Section 88(1) of Presidential Decree No. 1445, Ordaining and Instituting a Government Auditing Code of the Philippines, 11 June 1978.

in accordance with [the] terms of the Contract and have been duly inspected and accepted” pursuant to General Conditions of Contract (GCC) Clause 10.1².

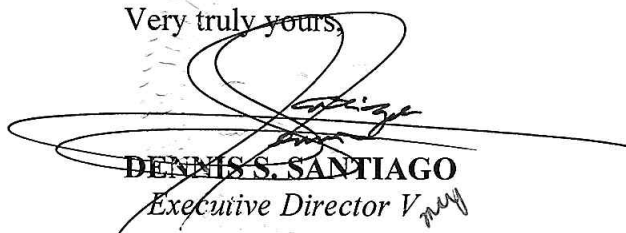
Payment on Partial Deliveries

From the foregoing, the procurement law and its associated rules and procedures admit of procurement transactions allowing partial deliveries and progress payment for each delivery of the goods and services covered by the contract. The terms and conditions for which must be properly indicated in the SCC, particularly, Clauses 6 and 10. The prohibition on advance payment covers only those services not yet rendered or for supplies and materials yet to be delivered and not on partial payments for any part of service or supplies and materials that have already been delivered and accepted by the procuring entity³.

Accordingly, we are of the opinion that payment based on progress billing is allowed, provided that the goods have been delivered or installed in accordance with the terms and conditions of the contract, and the same was duly inspected and accepted by the procuring entity as evidenced by a certification to that effect.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is issued on the basis of particular facts and situations presented, and may not be applicable given a different set of facts and circumstances. Should there be other concerns, please do not hesitate to contact us.

Very truly yours,



DENNIS S. SANTIAGO
Executive Director V

llskp 

² Philippine Bidding Documents for Procurement of Goods, 4th Edition.

³ Policy Matter No. 01-2004, dated 18 February 2004.