

**NPM No. 115-2017**

29 December 2017

**MS. MHELDA GRACE LEYMA**  
*BAC Secretariat*  
**LGU – TAAL, BATANGAS**

**Re: Grant of Advance Payment -**

Dear Ms. Leyma:

This pertains to your electronic mail (e-mail) inquiring whether you can grant the request of the supplier for the 15% advance payment, as supported by a letter of credit.

We note that the applicable rule in case of a request of the supplier for 15% advance payment in the Procurement of Goods is found in the General Conditions of the Contract (GCC) Clause 11.1 of the Philippine Bidding Documents for the Procurement of Goods and Services, thus:

11.1 Advance payment shall 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 or in cases allowed under Annex “D<sup>1</sup>” of RA 9184.

<sup>1</sup> Section 4 of Annex “D” provides that:

4.1 In accordance with Presidential Decree 1445, advance payment shall 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 these guidelines, no prior approval by the President shall be necessary.

4.2 All progress payments shall first be charged against the advance payment until the latter has been fully exhausted, unless otherwise approved by the President.

4.3 A single advance payment not to exceed fifty percent (50%) of the contract amount shall be allowed for contracts entered into by a procuring entity for the following services where requirement of down payment is a standard industry practice:

- a) Hotel and restaurant services;
- b) Use of conference/seminar and exhibit areas; and
- c) Lease of office space.

4.4. Advance payment not to exceed fifteen percent (15%) of the contract amount, unless otherwise directed by the President, shall also be allowed for procurement of goods required to address contingencies arising from natural or man-made calamities in areas where a “State of Calamity” has been declared by appropriate authorities.

4.5 Upon submission of an irrevocable letter of credit or bank guarantee issued by a Universal or Commercial Bank, advance payment not to exceed fifteen percent (15%) of the contract amount shall be allowed and paid within sixty (60) calendar days from signing of the contract. The irrevocable letter of credit or bank guarantee must be for an equivalent amount, shall remain valid until the goods are delivered, and accompanied by a claim for advance payment.

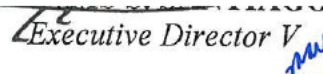
Anent the foregoing, Section 4.5 of Annex "D" or the *Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials*, provides:

Upon submission of an irrevocable letter of credit or bank guarantee issued by a Universal or Commercial Bank, advance payment not to exceed fifteen percent (15%) of the contract amount shall be allowed and paid within sixty (60) calendar days from signing of the contract. The irrevocable letter of credit or bank guarantee must be for an equivalent amount, shall remain valid until the goods are delivered, and accompanied by a claim for advance payment.

Accordingly, a claim of advance payment not exceeding 15% of the contract amount shall be allowed and paid within 60 calendar days from the signing of the contract provided that the bank guarantee or letter of credit must satisfy the above mentioned requirements.

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.

(sgd.)

  
Executive Director V

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