



REPUBLIC OF THE PHILIPPINES
MINISTRY OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE MINISTER
MANILA

15 October 1984

MINISTRY ORDER)

SUBJECT: Release of 15% advance
payment on contracts

NO. **42**

Series of 1984)

Pursuant to the provisions of the Implementing Rules and Regulations (IRR) of P.D. 1594, the government, upon request of the contractor, makes an advance payment to the contractor in an amount equal to the average operating expenses for two months or fifteen per cent (15%) of the total contract price, whichever is less, to be made in lump sum or by installment according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents.

Heretofore, the Ministry has been giving advance payments in lump sum to contractors upon approval of the contract, issuance of the Notice to Commence Work and the posting by the contractor of an irrevocable standby letter of credit in an amount equal to the amount advanced.

It has been the sad experience of the Ministry that many contractors, after receiving the advance payment equivalent to 15% of their contract price, have either abandoned their projects or incurred undue delay in mobilizing their equipment thereby delaying the prosecution of their projects to the prejudice of the government and rendering naught the purpose of advance payment, which is to expedite the completion of the project.

To ensure that the advance payment shall be fully utilized exclusively for the project and assure the speedy implementation and completion of the projects, a policy is hereby adopted whereby advance payment to contractors shall be paid in two equal installments: the first installment (7.5%) shall be paid upon approval of the contract, issuance of the Notice to Commence Work and the posting by the contractor of the required letter of credit; and the balance thereof (7.5%) shall be paid only after the contractor has fully mobilized the minimum equipment required for the project.

This policy shall take effect immediately, and all contracts entered into beginning the month of November 1984 shall include a provision to incorporate this policy.


JESUS S. HIPOLITO
Minister

ok for file - 10/23/84