



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

06 February 1987

MINISTRY ORDER)

NO. 8

SUBJECT: INSTRUCTIONS ON THE POSTING,
VERIFICATION, CUSTODY
AND RENEWAL/EXTENSION
OF IRREVOCABLE LETTERS
OF CREDIT

To protect the interest of the government and expedite the drawing against letters of credit put up by contractors to guarantee advance payment or withdrawal of 10% retention in case of default, the following instructions are hereby promulgated:

1. Posting of Irrevocable Letters of Credit

- 1.1 Only irrevocable letters of credit issued by reputable banks shall be accepted to guarantee the refund of advance payment or withdrawal of 10% retention.
- 1.2 All irrevocable letters of credit posted by contractors shall be accompanied by a bank draft of the issuing bank.

2. Verification of Letters of Credit and Bank Drafts

- 2.1 All irrevocable letters of credit posted by contractors to guarantee the refund of advance payment or release of 10% retention, including bank drafts, shall first be verified by the Special Action Committee (SAC) created under Ministry Order No. 15, series of 1985.
- 2.2 Irrevocable letters of credit and the accompanying bank drafts not certified by the Chairman, SAC, to have been verified and found to be genuine, duly noted by the Assistant Minister for Legal Affairs, shall not be accepted.

3. Custody and Renewal/Extension of Letters of Credit

- 3.1 Heads of implementing offices (Bureau/Regional Directors, Project Directors/Managers, District/City Engineers) shall be responsible for the custody and safekeeping of irrevocable letters of credit posted by contractors in connection with their projects.
- 3.2 These officials shall conduct periodic or monthly verification of the period of validity of letters of credit to determine those that are about to expire.

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- 3.3 Contractors shall be required to renew the letters of credit that are about to expire or will expire ahead of the full recoupment of the advance payment or ahead of the completion and acceptance of the project.
- 3.4 No further progress payments shall be made to contractors who refuse or fail to renew their letters of credit as required in the preceding paragraph.
- 3.5 Heads of implementing offices shall report immediately to the Assistant Minister for Legal Affairs, thru the SAC, all contracts that are terminated for cause or rescinded, attaching to such report copies of the letters of credit posted by contractors, so that appropriate administrative or legal action may be instituted to collect the value of such letters of credit.
- 3.6 Requests of contractors for deferment in the recoupment of the advance payment, even if meritorious or justified, shall not be allowed without prior consent of the bank issuing the letter of credit.

This Ministry Order modifies or revokes all previous issuances inconsistent herewith and takes effect immediately.


VICENTE R. JAYME
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