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NHQ-PCG/CGPS/CGLSC/CG-4

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MEMORANDUM CIRCULAR
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**SUPPLEMENTAL GUIDELINES ON CONTRACT IMPLEMENTATION
AND PAYMENT FOR GOODS**

I. REFERENCES

- A. Annex "D" of the 2016 revised IRR of RA No. 9184;
- B. Government Accounting Manual Volume 1;
- C. GPPB Resolution No. 02-2025;
- D. Manual of Procedures for the Procurement of Goods, Government Procurement Manual Volume 2;
- E. National Headquarters Philippine Coast Guard Bids and Awards Committee Resolution No. 045-2025;
- F. National Headquarters Philippine Coast Guard Bids and Awards Committee Resolution No. 068-2022;
- G. NHQ-PCG/CG-4 Circular No. 15-22, entitled "Supplemental Guidelines for the Implementation of PCG Projects and Creation of Contract Management Office Under the Coast Guard Procurement Service" dated 13 October 2022;
- H. NHQ-PCG/CG-4 Memorandum Circular No. 09-22, entitled "Guidelines on the Termination of Contracts of all PCG Projects" dated 10 November 2022;
- I. NHQ-PCG/CGIAS Circular No. 13-19, entitled "Revised Guidelines and Procedures on Disposition of Violations of Code of Conduct and Discipline for PCG Uniformed Personnel" dated 18 November 2019;
- J. Republic Act No. 9184, also known as the "Government Procurement Reform Act", and its 2016 Revised Implementing Rules and Regulations dated 10 January 2003; and
- K. Republic Act No. 12009, also known as the "New Government Procurement Act" dated 20 July 2024.

II. PURPOSE

To ensure consistency of rules, procedures and guidelines in the implementation of projects and payments, and to avoid confusion or conflict in contract implementation, this policy, based on existing laws and regulations, is developed to streamline and specifically define the duties and responsibilities of all concerned PCG personnel in the process of delivery, inspection and payment.

This Memorandum Circular prescribes the supplemental guidelines and internal procedures during the contract implementation of goods in the Philippine Coast Guard.

III. SCOPE

This Memorandum Circular shall be applicable to all goods including non-personal or contractual services and related or analogous services procured and awarded by the NHQ-PCG BAC, and the unit BACs of the PCG Commands/Units/Districts established under NHQ-PCG BAC Resolution No. 068-2022 and in accordance with the 2016 revised IRR of RA No. 9184. Nonetheless, the PCG Commands/Units/Districts are still mandated to follow the rules and procedures under the IRR of RA No. 9184, related issuances of the Government Procurement Policy Board (GPPB), and other applicable laws.

IV. DEFINITION OF TERMS

- A. **Amendment to Order** – refers to any necessary adjustment within the general scope of the contract in any one or more of the project scopes/aspects specified in this guidelines, Section 71.1.1 of RA 12009, Annex “D” of the 2016 revised IRR of RA 9184, Government Procurement Manual Volume 2 (*Manual of Procedures for the Procurement of Goods*) and other related issuances.
- B. **Contract Implementation** – the execution of the contract covering the following milestones: effectivity of the contract; contractors’ performance of its contractual obligations; PCG Commands/Units/Districts’ performance of roles and responsibilities as specified in the contract; final acceptance of the project; the processing of payment by the PCG Commands/Units/Districts; and other related activities.
- C. **Contract Management Office** – refers to the office responsible in monitoring progress and status of the implementation of NHQ-PCG big ticket projects.
- D. **End-User Unit** – refers to the PCG Unit that needs and ultimately uses the goods and services based on its submitted Project Procurement Management Plan (PPMP) and/or the unit designated by the Commanders of PCG Commands/Units/Districts for procurement projects with an Approved Budget for the Contract (ABC) within their respective threshold in accordance with the approved delegation of authority by the HoPE. As a general rule, End-User Units shall be the Implementing Unit for a project except for cases in *Section IV paragraph G*.
- E. **Fortuitous Event** – refers to an event which cannot be foreseen, or which, although foreseeable, cannot be avoided.

- F. **Goods** – refers to all items, supplies, materials, and general support services which may be needed in the transaction and day-to-day operations, or in the pursuit of the functions and mandates of PCG Commands/Units/Districts.
- G. **Implementing Unit** – the office, unit, or division within the PCG Commands/Units/Districts that implements the project or contract based on the provisions of the IRR of RA No. 12009. As an exception to the general rule, an IU separate from the End-User Unit shall be designated in the following cases:
- i. For projects that require particular technical and relevant experiences, or for other justifiable reasons that are beyond the capabilities of the End-User Unit, the Commandant, PCG or the Commanders of PCG Commands/Units/Districts shall designate another unit to act as the Implementing Unit.
 - ii. In instances that the project has multiple end-user units, a separate IU shall also be designated and shall temporarily act as the end-user prior to distribution to multiple PCG offices.
- H. **Latent Defect** – refers to a defect that is not apparent to the buyer by reasonable observation. It is one that is hidden or one that is not immediately determinable.
- I. **Non-Personal or Contractual Services** – services that are still classified under *Goods* pursuant to the IRR of RA No. 12009, which refer to repair and maintenance activities such as but not limited to repair and maintenance of office equipment and furniture, vehicles and other physical assets of PCG Commands/Units/Districts. Repair and maintenance of office spaces and buildings and other infrastructure facilities wherein the scope of work of the project includes labor component shall be categorized as Infrastructure Project, hence shall not be covered by this Guidelines.
- J. **Patent Defect** – refers to a defect that is apparent to the buyer on normal observation. It is an apparent or obvious defect.
- K. **Project Implementing Officer** – refers to the Commanding Officer of the Implementing Unit.
- L. **Related or Analogous Services** – services that are still classified under *Goods* pursuant to the IRR of RA No. 12009, which include but are not limited to supply and delivery of meals or catering services, lease of office space, media advertisements, health maintenance services, and other services essential to the PCG Commands/Units/Districts.
- M. **Warranty Security** – refers to a form of deposit or collateral that can easily be forfeited by the buyer (Procuring Entity) in case the Supplier does not correct any manufacturing defect on the product purchased.

V. GUIDELINES ON THE ISSUANCE OF AMENDMENT TO ORDER

A. General Guidelines on the Issuance of Amendment to Order

- i. Amendment to Order may be issued by the PCG Commands/Units/Districts at any time after the contract execution and during the contract implementation stage, subject to the following conditions:
 - a) Emergency cases, fortuitous events, or unforeseen contingencies arising during project or contract implementation, and such contingencies have an impact on the procurement at hand, such as the following:
 - 1) changes in the conditions affecting the project (e.g., drawings, design or specifications, if the goods to be procured are to be specifically manufactured for the Government in accordance therewith; method of shipment or packing; or place of delivery);
 - 2) time is of the essence in the implementation of the project and any changes require immediate implementation;
 - 3) where there are additional items needed and necessary for the protection of the goods, such as changes in the packaging of the goods; or
 - 4) other causes where immediate action is necessary to prevent damage to or loss of life or property;
 - b) When the contract does not reflect the real intention of the parties due to mistake or accident and the amendment is necessary to reflect the parties' intention as provided in the procurement documents;
 - c) When requested by the End-User or Implementing Unit, as may be prompted by a request from the supplier, the HoPE may approve the amendment of the delivery schedule based on meritorious grounds and without fault or negligence on the part of the supplier;
 - d) When the offered goods are no longer available, goods of equivalent or higher specifications may be accepted by the Procuring Entity; Provided, there is no resulting increase in contract price and the acceptance of such goods is advantageous to the government; or
 - e) Other analogous circumstances that could affect the conditions of the procurement contract at hand, or any other change affecting the specifications of the goods or the scope of work of the services previously procured (e.g. growth repairs).

- ii. Change brought about by the Amendment to Order shall constitute an improvement of the goods or services procured and shall be advantageous to the PCG Commands/Units/Districts and to the government in general. Further, said changes shall not be prejudicial to the losing bidders who previously joined the procurement activity in the sense that such change/s could not have been foreseen during the conduct of the bidding and would have significantly affected the other bidders' bids.
- iii. The Amendment to Order due to changes in the drawings, designs or specifications of the goods shall be done at no extra cost to the PCG Commands/Units/Districts. If the changes in drawings, design or specifications of the goods, method of shipment or packing or place of delivery will constitute extra costs, the payment for said changes shall be based on the corresponding value of the changes relative to the prevailing market prices. Meanwhile, payments for additional items shall be based on the unit prices in the original contract for items of goods similar to those in the original contract.
- iv. Any increase in the contract price brought about by the Amendment to Order shall not exceed to a cumulative amount of ten percent (10%) of the original contract price. However, the HoPEs of PCG Commands, Units and Districts may approve the increase to twenty percent (20%) of the original contract price; provided further that there is a prior concurrence and confirmation from the Deputy Chief of Coast Guard Staff for Comptrollership, CG-6 or appropriate budget office/unit as to the availability of funds that shall cover said increase in contract price.
- v. In the event that the Amendment to Order will result to an increase in the contract price that is more than the threshold of twenty percent (20%), the following courses of action may be explored and recommended by the End-User Unit to the Implementing Unit:
 - a) Limit the increase in the contract price between ten percent (10%) to twenty percent (20%) of the original contract price in order to proceed with the Amendment to Order with due consideration of the objectives and overall success and effectiveness of the project; or
 - b) Forego the issuance of Amendment to Order and pursue the project based on the original contract, provided that said project will still serve its purpose and yield the desired outcomes. Otherwise, if the Amendment to Order is deemed necessary to ensure the overall success and effectiveness of the project but the costs exceed the required threshold, the End-User Unit thru the Implementing Unit may terminate the contract, wholly or partly, and/or undertake a new/separate procurement activity through Competitive Bidding or any applicable alternative methods of procurement in order to acquire the necessary items identified in the Amendment to Order.



- vi. In case the changes in the project/contract that may result in the issuance of an Amendment to Order are due to the oversight, lapses or inability of the End-User Unit/ Implementing Unit to fulfill their responsibilities and/or contractual obligations, the End-User Unit, with the assistance of the Implementing Unit, shall provide sufficient justification that would warrant its intention to issue an Amendment to Order which shall not be prejudicial to the supplier/service provider. Provided, such changes must not constitute substantial or material amendments that would alter the basic parameters of the contract and would constitute a denial to the other bidders of the opportunity to bid on the same terms (*Capalla vs COMELEC*).
- vii. Additionally, if the purpose for the issuance of the Amendment to Order is intended to ensure the overall completion and success of the project, then this shall be expressly emphasized in the justification to be provided by the End-User Unit, Implementing Unit and/or supplier/service provider.
- viii. The determination of the merits of the justifications for Amendment to Order is within the authority and discretion of the Head of the Procuring Entity (HoPE) of the concerned PCG Commands/Units/Districts.
- ix. Amendment to Order shall be formalized through a Contract Amendment which may or may not result to an increase or decrease in the contract price, and/or an extension or reduction of the delivery period. In any case, all changes or adjustments to be reflected in the amended contract shall be mutually agreed upon by the PCG Commands/Units/Districts and suppliers/ service providers concerned and ultimately redound to the benefit of the government.
- x. Delivery of goods or performance/ provision of services resulting from the Amendment to Order shall not commence unless the same has been approved by the HoPE of the concerned PCG Commands/Units/Districts. Said approval shall come in the form of an approved Contract Amendment signed by the parties involved and/or a letter to the supplier/ service provider stating the approval of the Amendment to Order, subject to the exceptions provided for under the procurement law.

B. Procedural Guidelines on the Issuance of Amendment to Order

- i. The issuance of the Amendment to Order shall emanate from the End-User Unit and be endorsed by the Implementing Unit through the execution of the following activities:
 - a) The End-User Unit, with the assistance of Implementing Unit of the PCG Commands/Units/Districts, shall determine the existence of circumstances that justify the need for an amendment order;
 - b) The End-User Unit of the PCG Commands/Units/Districts, shall draft the Contract Amendment reflecting the changes or adjustments in the goods or services, contract price and/or delivery schedule, whichever is applicable;



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- c) In case the Amendment to Order will result to an increase in the contract price, the End-User Unit of the PCG Commands/Units/Districts shall secure the following documents:
 - 1) Price quotation from the supplier/ service provider showing the applicable and additional costs or adjustments in the contract price; and
 - 2) Certificate of Availability of Funds (CAF) from its Accounting Office/Unit.
 - d) The End-User Unit, thru the IU, of the PCG Commands/Units/Districts shall submit a letter or memorandum addressed to the HoPE requesting for the issuance of the Amendment to Order containing the details of the project/contract, the appropriate justifications and supporting documents such as the Contract Amendment, supplemental price quotations from the contractor and CAF.
- ii. The End-User Unit of the PCG Commands/Units/Districts shall furnish its Procurement Unit/CMO a copy of its request for an Amendment to Order with the supporting documents for the latter's monitoring and records purposes. The transmittal to the HoPE of said documents shall still be the responsibility of the End-User Unit and Implementing Unit.
 - iii. Within seven (7) calendar days upon receipt of the request of the End-User Unit, provided that all supporting documents are complete, the HoPE of the PCG Commands/Units/Districts shall approve or disapprove the request for an Amendment to Order.
 - iv. In case of approval of the HoPE, the End-User Unit shall immediately issue the Amendment to Order with a copy of the amended contract to the supplier/ service provider and request the same to proceed with the delivery or provision of services in accordance with the said amendment.
 - v. The End-User Unit shall also immediately notify the Procurement Unit/CMO regarding the approval of the Amendment to Order, and furnish the same with a copy of the approved Amendment to Order and amended contract.
 - vi. The Procurement Unit/ BAC Secretariat of the PCG Commands/Units/Districts shall post the Amendment to Order in the PhilGEPS and website of the PCG Command/Unit/District concerned within three (3) calendar days from receipt of the complete set of documents from the End-User Unit/Implementing Unit.



VI. ROLES AND RESPONSIBILITIES OF VARIOUS OFFICES/UNITS DURING THE CONTRACT IMPLEMENTATION STAGE

A. Procurement Units / Bids and Awards Committee (BAC) Secretariats

- i. The function of the procurement units and/or BAC Secretariats including the Coast Guard Procurement Service and the procurement units/ BAC Secretariats created through NHQ-PCG BAC Resolution No. 068-2022 and NHQ-PCG BAC Resolution No. 045-2025 shall only be limited to the roles and responsibilities provided under the IRR of RA No. 12009, the 2016 revised IRR of RA No. 9184, Government Procurement Manuals, issuances and resolutions of the GPPB, and NHQ-PCG/CG-4 Circular Number 06-19.
- ii. As a reiteration, the involvement of the procurement units and/or BAC Secretariats shall commence during the procurement planning stage specifically during the consolidation of the PPMPs until the issuance of the Notice to Proceed (NTP).
- iii. The involvement of the procurement units and/or BAC Secretariats including the Coast Guard Procurement Service and the procurement units/ BAC Secretariats created through NHQ-PCG BAC Resolution No. 068-2022 and NHQ-PCG BAC Resolution No. 045-2025 during the contract implementation stage shall only be limited during the conduct of posting of post-award documents such as Notice of Award, Contract/Purchase Order and Notice to Proceed in the Philippine Government Electronic Procurement System (PhilGEPS), website of the PCG Commands/Units/Districts and conspicuous place within the premises of the PCG Commands/Units/Districts. Meanwhile, copies of Amendment to Orders/ contract amendments shall be posted by the procurement units and/or BAC Secretariats in the website of the PCG Commands/Units/Districts and conspicuous place, if available, and within the premises of the PCG Commands/Units/Districts.

B. Coast Guard Logistics Systems Command (CGLSC)

The CGLSC shall recommend to the HoPE the Project Implementing Officer assigned for every project to be executed in the National Headquarters including the projects undertaken by the PCG Commands and Units pursuant to NHQ-PCG BAC Resolution No. 068-2022 and NHQ-PCG BAC Resolution No. 045-2025 upon issuance of the Procurement Directive. For projects undertaken by the PCG Districts, their respective Logistics Service units (LSUs) shall issue the official order designating the End-User Unit/ Implementing Unit to be assigned in projects within PCG Districts.

C. End-User Units

- i. Subsequent activities after the issuance of the NTP shall be assigned to and spearheaded by the End-User Units of the PCG Commands/Units/Districts which essentially cover all activities during contract implementation stage commencing from the effectivity of the



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contract (e.g. start of delivery, inspection and acceptance of goods, the performance of work/ provision of services) until the processing of payment.

- ii. Nonetheless, the End-User Units of the PCG Commands/Units/Districts shall ensure to furnish their respective procurement units and/or BAC Secretariats and Monitoring Office copies of documents that were prepared, executed and/or issued during the contract implementation stage for monitoring and records purposes.

D. Implementing Unit

In cases where the Implementing Unit is separate from the End-User Unit:

- i. During implementation stage, the IU puts forward all the recommendations of the End-User to its appropriate Program Director for the approval of the HoPE.
- ii. The IU shall be maintaining a close coordination with the End-User Unit should the project at hand encounters a problem on which the End-User Unit must act upon.

E. Technical Inspection and Acceptance Committee (TIAC) and Supply Accountable Office (SAO)

- i. Members of the TIAC shall be endorsed by their respective End-User/ Implementing Units and be consolidated for issuance of order by the Coast Guard Logistics Systems Command.
- ii. During the delivery of goods, the End-User Units/ Implementing Units shall coordinate with the TIAC and SAO for the inspection and acceptance of items delivered in accordance with the technical specifications as well as the quantity expressly provided in the bidding documents and contract/purchase order.
- iii. The TIAC shall ensure to record their findings and observations during the delivery, inspection and acceptance of items through the submission of an Inspection and Acceptance Report (IAR). It shall be noted, however, that the IAR is different from Certificate of Final Acceptance (CFA) in terms of purpose and issuing entity. The preparation and issuance of CFA shall be the responsibility of the End-User Units/ Implementing Units.

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VII. GUIDELINES ON DELAYS IN DELIVERY OF GOODS/ COMPLETION OF WORK/SERVICES AND IMPOSITION OF LIQUIDATED DAMAGES

A. Monitoring of Delivery of Goods or Completion of Work/Services

- i. As a general rule, the End-User Units/ Implementing Units and TIACs of PCG Commands/Units/Districts shall immediately record the delays incurred during the delivery of goods and/or performance of works/ provision of services in the Inspection and Acceptance Report (IAR) noting therein the actual number of days of delay and the possible amount of liquidated damages imposable on the contractor. The same shall be reported to the HoPE for appropriate action/ instructions/ decision.
- ii. The End-User Unit shall also issue a notice/letter to the supplier/ service provider regarding its failure to timely deliver or perform its contractual obligations and requesting the same to complete the delivery of goods or provision of services. Said notice shall also expressly state the imposition of liquidated damages in view of the recorded delays during the delivery of goods and/or performance of works/ provision of services.
- iii. Delays in delivery shall also be documented by the PrIO in the form of a monthly project status reports or verified report (*if the project is for contract termination*) depending on the nature of the project, the surrounding circumstances and the period to which the delays are incurred and recorded.
- iv. Said reports shall be prepared with complete staff work, and be timely submitted to the CMO/ Monitoring Units within the PCG Commands/Units/Districts that have jurisdiction on the matter for appropriate action and intervention pursuant to applicable laws and internal policies of the PCG such as but not limited to NHQ-PCG/CG-4 Memorandum Circular Number 09-22.

B. Imposition of Liquidated Damages

- i. Suppliers and service providers who fails to satisfactorily deliver their contractual obligations within the specified delivery/ performance schedule, inclusive of duly granted time extensions, shall be liable for damages for said delay and shall pay the PCG Commands/Units/Districts liquidated damages which shall be at least equal to one-tenth of one percent (0.001) of the cost of the unperformed portion (delayed goods or unperformed services) for every day of delay.
- ii. Being the responsible unit that oversees the conduct and progress of contract implementation, it is the Implementing Unit that shall compute the actual liquidated damages incurred by the supplier or service provider based on the actual number of days of delay until the supplier or service provider has finally, satisfactorily and completely delivered the goods or rendered the services.



- iii. The Implementing Unit may record the period of delay and compute the corresponding liquidated damages as the delay takes place in real-time. The computation of the final amount of the liquidated damages shall commence on the first day of delay and shall stop until the day when goods or services have been delivered or performed/rendered and accepted by the PCG Commands/Units/Districts.
- iv. In the event that the dates of delivery and acceptance are different from each other, the actual date of delivery shall be the basis for the computation of liquidated damages.
- v. In case the sum of liquidated damages reaches ten percent (10%) of the contract amount, the End-User Unit of the PCG Commands/Units/Districts may consider recommending to the HoPE the termination of contract pursuant to the grounds and procedures stipulated under the Annex "I" of the 2016 revised IRR of RA No. 9184 and NHQ-PCG/CG-4 Memorandum Circular Number 09-22.
- vi. There shall be no maximum amount of impossible liquidated damages pursuant to GPPB Resolution No. 07-2019 as the threshold for the maximum amount of liquidated damages has already been removed in the 5th and 6th editions of the Philippine Bidding Documents for goods. Hence, the final amount of the liquidated damages shall be based on the actual cost of the undelivered goods or unperformed portion of the contract and the actual number of days of delay.
- vii. The amount of liquidated damages due is deducted from the total amount payable to the supplier/ service provider as reviewed by the Chief Accountant, Coast Guard Accounting Service, and the same shall be reflected in the Disbursement Vouchers, or may also be deducted from the performance securities or warranties posted by the supplier/ service provider, whichever is convenient to the PCG Commands/Units/Districts.
- viii. In case the supplier/ service provider has multiple projects with the PCG Command/Unit/District, only the projects with recorded delays shall be imposed with liquidated damages.
- ix. The End-User Unit shall inform the supplier/ service provider concerned in writing that the PCG shall impose liquidated damages to the latter.
- x. The Chief Accountant shall check for computation errors of the amount of liquidated damages computed by the Technical Inspection and Acceptance Committee (TIAC) and ensure that liquidated damages reported by the TIAC are deducted accordingly.



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VIII. GUIDELINES ON CONTRACT SUSPENSION AND EXTENSION

A. General Guidelines on Suspension of Delivery of Goods and Work/Services

- i. The PCG Commands/Units/Districts, through the request of the contractors, recommendation of the End-User Unit thru the Implementing Unit, and upon the approval of the unit HoPEs, may suspend the delivery of goods or performance of work/services, wholly or partly, by written order for a certain period of time, as it deems necessary due to force majeure or any fortuitous events as defined in the contract. For this purpose, the contract may expressly provide instances to be considered as force majeure or any fortuitous events that would warrant the suspension of delivery and/or provision of services. Nonetheless, the list of scenarios to be considered as force majeure or fortuitous event provided in the contract may not be exhaustive and restrictive. Hence, to constitute a fortuitous event, the following elements must concur:
 - a) The cause must be independent of human will;
 - b) It must be impossible to foresee the event;
 - c) The occurrence must render it impossible for the supplier/ service provider to fulfill its contractual obligations in a normal manner; and
 - d) The PCG Units/Commands/Districts/ Suppliers/ Service Providers must be free from any participation that may contribute to the inability if the supplier/ service provider to fulfill its contractual obligations in accordance with Article 1174 of the New Civil Code.
- ii. The suspension of delivery of goods or performance of work/services shall be undertaken prior to the end or expiration of the contract. Hence, if the initial delivery or contract schedule has already lapsed then the suspension of the delivery of goods or performance of work/services may no longer be applicable, and therefore other courses of action or appropriate remedies shall then be considered by the End-User Unit based on applicable laws and internal policies of the PCG.
- iii. The suspension of delivery of goods or performance of work/services shall not necessarily and automatically result to changes or adjustments in the delivery or contract schedule or in the contract price. Hence, a contract may be suspended, as recommended by the End-User Unit/ Implementing Unit, but the initial delivery schedule and/or original contract price may still be in effect if the PCG Commands/Units/Districts deemed it necessary, or if the supplier or service provider assured that it can still fulfill its contractual obligations based on the original delivery or contract schedule at no extra cost.



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- iv. On the other hand, if the suspension of delivery of goods or performance of work/services will likely result to changes or adjustments in the delivery or contract schedule or in the contract price based on discussion and agreement between the End-User Unit and supplier/service provider, then the aforesaid guidelines on the issuance of an Amendment to Order shall be followed, and a contract amendment shall likewise be issued along with the suspension order.
- v. The PCG Commands/Units/Districts, through the request of the contractors, recommendation of the End-User Unit thru Implementing Unit, and upon the approval of the unit HoPE, may either lift the suspension order or terminate the contract, whichever is more convenient and beneficial to all parties involved.
- vi. Delivery of goods or performance of services shall resume upon the lifting or expiration of the suspension order. Anent this, the suspension order shall explicitly state the period of effectivity of the suspension and the date of resumption of delivery/work.
- vii. Meanwhile, in case the resumption of delivery/work cannot be determined yet at the time of the issuance of the suspension order, the notice of lifting the suspension order shall explicitly state the date of resumption of delivery/work. Said notice shall be effective and executory upon receipt of the supplier/ service provider.
- viii. If the resumption of the contract is no longer feasible or beneficial to the PCG Commands/Units/Districts, then other remedies such as but not limited to contract termination may be pursued pursuant to Annex "I" of the 2016 revised IRR of RA No. 9184 and NHQ-PCG/CG-4 Memorandum Circular Number 09-22.

B. Procedural Guidelines on Suspension of Delivery of Goods and Work/Services

- i. Suppliers or service providers may initiate the suspension of delivery/work through submission of a written request containing valid reasons for suspension and determination of the existence of a force majeure or fortuitous event which shall justify the need to suspend the delivery of goods or performance of work/services. On the other hand, the End-User Unit thru the Implementing Unit may also initiate the suspension of delivery/work upon determination of the existence of a force majeure or fortuitous event.
- ii. Upon receipt of a request for suspension from the supplier/ service provider, the End-User Unit shall immediately process the same and seek legal comment from its legal officer with the concurrence of the Commander, Coast Guard Legal Service in the case of projects that were handled and procured by the NHQ-PCG BAC.
- iii. Within three (3) calendar days upon receipt of the legal comment, the End-User Unit shall review the same, and draft and submit a recommendation thru the Implementing Unit to the HoPE on whether it will approve or deny the request for suspension.



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- iv. In case of approval, the End-User Unit thru the Implementing Unit shall recommend to the HoPE its decision including the grounds for recommending to suspend the delivery/work. The End-User Unit shall also draft a reply letter and suspension order to be signed by the HoPE which shall be subsequently issued to the requesting supplier/ service provider.
- v. The following documents shall be prepared by the End-User Unit and transmitted by the Implementing Unit to the HoPE in case the former is recommending the suspension of delivery/work:
 - a) Reply Letter;
 - b) Copy of legal comment from the legal officer or Coast Guard Legal Service;
 - c) Suspension Order; and
 - d) Amended Contract, if the suspension of delivery of goods or performance of work/services will likely result to changes or adjustments in the goods/services, delivery or contract schedule, or contract price.
- vi. On the other hand, in case of disapproval, the End-User Unit thru its Implementing Unit shall recommend to the HoPE its decision, and draft a reply letter denying the request of the supplier/ service provider citing the reasons for the said denial and other alternative actions or remedies to be undertaken moving forward (e.g. contract termination).
- vii. The HoPEs of the PCG Commands/Units/Districts shall have seven (7) calendar days upon receipt of the recommendation from the End-User Unit/ Implementing Unit to render its decision on whether to issue a suspension order or to deny the request for suspension.
- viii. Upon issuance of HoPE's decision, the End-User Unit shall issue the same to the supplier/ service provider either in the form of a Suspension Order or a reply letter denying the request for suspension.
- ix. The End-User Units shall ensure to furnish their respective procurement units and/or BAC Secretariats and CMO/ Monitoring Office copies of the suspension orders issued to suppliers/ service providers for monitoring and records purposes.
- x. Prior to the expiration of the Suspension Order, the supplier/ service provider may submit a request to lift the suspension order stating that the grounds or reasons for the suspension no longer exist. In the absence of said request, the Implementing Unit, prior to the expiration of Suspension Order, shall initiate the validation whether the grounds for suspension still exist and report to the End-User Unit to undertake the necessary procedures stipulated in this guidelines before officially lifting the suspension order.



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- xi. Upon receipt of the request to lift the suspension order from the supplier/service provider, the End-User Unit shall immediately process the same, determine and validate whether or not the grounds for suspension still exist, and seek legal comment from its legal officer with a concurrence from the Coast Guard Legal Service in the case of projects procured by the NHQ-PCG BAC.
- xii. Within three (3) calendar days upon receipt of the legal comment, the End-User Unit shall review the same, and draft and submit a recommendation thru the Implementing Unit to the HoPE on whether or not it will lift the suspension.
- xiii. In case of approval, the End-User Unit thru its Implementing Unit shall recommend to the HoPE its decision citing its reasons for recommending to lift the suspension order. The End-User Unit shall also draft a reply letter and Notice of Lifting the Suspension Order to be signed by the HoPE, which shall be subsequently issued to the requesting supplier/ service provider.
- xiv. The following documents shall be prepared by the End-User Unit and and transmitted by the Implementing Unit to the HoPE in case the former is recommending the lifting of the suspension order:
 - a) Reply Letter (include the extension of validity of performance security if the delivery period shall be extended after the lifting of suspension);
 - b) Copy of legal comment from legal officer/ Coast Guard Legal Service;
 - c) Notice of Lifting the Suspension Order; and
 - d) Amended Contract, if there was no amended contract issued during the issuance of the Suspension Order and in case there are changes or adjustments in the goods/services, delivery or contract schedule, or contract price.
- xv. In case of disapproval to lift the suspension order, the End-User Unit thru its Implementing Unit shall recommend to the HoPE its decision, and draft a reply letter denying the request of the supplier/ service provider citing the reasons for said denial, and other alternative actions or remedies to be undertaken moving forward (e.g. contract termination).
- xvi. The HoPE of the PCG Commands/Units/Districts shall have seven (7) calendar days upon receipt of the recommendation from the End-User Unit/ Implementing Unit to render its decision on whether or not to lift the suspension order.
- xvii. Upon issuance of HoPE's decision, the End-User Unit shall issue the same to the supplier/ service provider.



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- xviii. The End-User Units shall ensure to furnish their respective procurement units and/or BAC Secretariats and CMO/ Monitoring Office copies of the HoPE's decision for monitoring and records purposes.

C. General Guidelines on Contract Extension

- i. The PCG Commands/Units/Districts, through the request of the contractors, recommendation of the End-User Unit thru its Implementing Unit and upon the approval of the unit HoPEs, may extend the period of delivery of goods or performance of services based only on meritorious grounds (e.g. force majeure or fortuitous events, unforeseen circumstances, instances that would affect the completion and success of the project, etc.).
- ii. The request for extension of the period of delivery of goods or performance of work/services shall be undertaken prior to the lapse or expiration of the original delivery date or work schedule as specified in the original contract. Hence, if the initial delivery date or work schedule has already lapsed then the extension of the delivery of goods or performance of work/services may no longer be applicable.
- iii. The maximum allowable extension shall not be longer than the initial delivery period as stated in the original contract pursuant to the IRR of RA No. 12009 and the Manual of Procedures for the Procurement of Goods (GPM, Volume 2).
- iv. However, to avoid multiple requests for extension, the total/aggregate/combined period of extension covering all contract extensions shall not exceed the initial delivery period as stated in the original contract. Further, in every request for extension filed by the suppliers/ service providers, the End-User Unit with the assistance of Implementing Unit shall diligently validate (e.g. coordination meetings, site inspections, documentary evidence, etc.) the reasons for extension cited by the suppliers/ service providers, and prove that the possible extension is based on meritorious grounds and ensure that the primary objectives of the project/contract shall still be met and beneficial to the PCG Commands/Units/Districts.
- v. If the extension of the period of delivery of goods or performance of work/services can no longer be pursued, liquidated damages may be imposed if delays were already incurred, and other courses of action or alternative remedies shall then be considered by the End-User Unit such as but not limited to contract termination based on applicable laws and internal policies of the PCG.
- vi. If the extension is granted, the liquidated damages may or may not be imposed, and the supplier/ service provider shall be informed of this in writing pursuant to the Manual of Procedures for the Procurement of Goods (GPM, Volume 2).



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In the event that the extension is granted and the PCG Command/Unit/District decided not to impose liquidated damages due to justifiable reasons (e.g. the cause of delay is not due to the fault of the supplier/ service provider), the supplier/ service provider shall be informed of this in writing by the End-User Unit including an instruction to extend the validity of the previously posted performance security, to conform to the extended period.

Meanwhile, should the PCG Command/Unit/District opted not to approve the request for extension and impose liquidated damages, the supplier/ service provider shall still be informed in writing by the End-User Unit citing the reasons for the said denial and other alternative actions or remedies to be undertaken moving forward (e.g. contract termination).

- vii. If, however, the request for extension is denied, the End-User Unit shall notify in writing the supplier/ service provider of such denial and inform the same that it becomes liable for liquidated damages if it has incurred delays already.
- viii. The End-User Unit shall ensure that all notices or communications are duly received by the concerned suppliers/ service providers within a reasonable time. Further, the End-User Unit shall also furnish its respective procurement units/ BAC Secretariats and CMO/ Monitoring Offices copies of the notices or communications relative to contract extensions for the latter's monitoring and records purposes.

D. Procedural Guidelines on Contract Extension

- i. Prior to the lapse and expiration of the contract, suppliers or service providers may initiate the extension of the period of delivery/work through submission of a written request citing meritorious grounds for said extension.
- ii. Upon receipt of the request for an extension from the supplier/ service provider, the End-User Unit shall immediately process the same and seek legal comment from its legal officer with a concurrence from the Coast Guard Legal Service in the case of projects that were handled and procured by the NHQ-PCG BAC.
- iii. Within three (3) calendar days upon receipt of the legal comment, the End-User Unit/ Implementing Unit shall review the same, and draft and submit a recommendation to the HoPE on whether it will approve or deny the request for extension.
- iv. In case the End-User Unit approves the extension, the same shall recommend thru its Implementing Unit in writing to the HoPE its decision including the grounds for recommending to extend the delivery/ work schedule and the specific duration of the extended delivery/ work schedule which shall not exceed original delivery/ work schedule.



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- v. The following documents shall be prepared by the End-User Unit and transmitted by the Implementing Unit to the HoPE in case the former is recommending the extension of delivery/ work schedule:
 - a) Reply Letter approving the request for extension;
 - b) Copy of legal comment from the legal officer or Coast Guard Legal Service; and
 - c) Amended Contract reflecting the specific duration of the extended delivery/ work schedule, and other necessary adjustments in the terms and conditions of the original contract, if applicable.
- vi. On the other hand, in case of disapproval, the End-User Unit thru its Implementing Unit shall recommend to the HoPE its decision, and draft a reply letter denying the request of the supplier/ service provider citing the reasons for the said denial and other alternative actions or remedies to be undertaken moving forward (e.g. contract termination).
- vii. The HoPE of the PCG Commands/Units/Districts shall have seven (7) calendar days upon receipt of the recommendation from the End-User Unit/ Implementing Unit to render its decision on whether to approve or deny the request for extension.
- viii. Upon issuance of HoPE's decision, the End-User Unit shall issue the same in writing to the supplier/ service provider.

IX. GUIDELINES ON WARRANTY FOR GOODS

- A. In order to assure that manufacturing defects shall be corrected by the supplier, a warranty security shall be required from the supplier for a minimum period of three (3) months, in the case of Expendable Supplies, or a minimum period of one (1) year, in the case of Non-expendable Supplies, after acceptance by the PCG Commands/Units/Districts of the delivered supplies.
- B. The obligation for the warranty shall be covered by two options, such as:
 - i. Retention money in an amount equivalent to at least one percent (1%) but not to exceed five percent (5%) of every progress payment; or
 - ii. A special bank guarantee equivalent to at least one percent (1%) but not to exceed five percent (5%) of the total contract price.
- C. The said amounts of warranty (either the retention money or special bank guarantee) shall only be released after the lapse of the warranty period or in the case of Expendable Supplies, after consumption thereof, provided, however, that the supplies delivered are free from patent and latent defects and all the conditions imposed under the contract have been fully met.
 - i. A patent defect, which is one that is apparent to the buyer on normal observation. It is an apparent or obvious defect; and

- ii. A latent defect, which is one that is not apparent to the buyer by reasonable observation. A latent defect is "hidden" or one that is not immediately determinable.
- D. PCG Commands/Units/Districts may proceed against the warranty whenever any patent or latent defects are determined to be present in the goods delivered and the same are determined within the period covered by the warranty. However, wear and tear due to normal usage of the goods is excluded from the coverage of the warranty.
- E. PCG Commands/Units/Districts shall promptly notify the supplier in writing of any claims arising under the warranty. Upon receipt of such notice, the supplier shall, within the period specified in the contract and with all reasonable speed, repair or replace the defective goods or parts thereof, without costs to the PCG Commands/Units/Districts.

X. GUIDELINES ON PAYMENT TO CONTRACTORS

- A. It is the Implementing Unit of the PCG Commands/Units/Districts that shall initiate the processing of payment and prepare the necessary documentary requirements including but not limited to Disbursement Vouchers (DVs) and other appropriate supporting documents per Coast Guard Accounting Service Office (CGASO) checklist.
- B. The Implementing Unit of the PCG Commands/Units/Districts shall ensure that all documentary requirements are duly prepared/submitted/signed/issued by the concerned offices/units before processing all requests for payment. Specifically, the Coast Guard Accounting Service Office (CGASO) shall return the DVs if it has determined that there are incomplete or insufficient documentary requirements.
- C. The payment schedule, terms and conditions stipulated in the bidding documents during the bidding stage and in the contract, including amendments thereof, shall prevail and must be complied with.
- D. As a general rule, all payments for goods and services shall be processed upon successful delivery (*either partial/staggered or complete delivery*) or completion of services/works (*either partial or complete performance of services/works*) pursuant to the provisions stipulated in the bidding documents during the bidding stage and in the contract, including amendments thereof.
- E. The Implementing Unit of the PCG Commands/Units/Districts shall monitor the transmittal of the documents and the overall status and progress of the processing of payment to suppliers/ service providers.
- F. Should the suppliers/ service providers follow up on the status of their payment, it is the Implementing Unit of the PCG Commands/Units/Districts that shall coordinate with the suppliers/ service providers and provide updates on the matter. Hence, all communications pertaining to payment shall be coursed through and handled by the Implementing Unit.



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XI. FINAL PROVISIONS

A. Liability Clause

Any violation or non-compliance to this Memorandum Circular committed by the PCG Commands/Units/Offices shall be dealt with accordingly.

B. Amendment

As the need arises, the PCG may amend this Memorandum Circular.

C. Separability Clause

If any provision in this Memorandum Circular, or application of such provision to any circumstance, is declared invalid or unconstitutional, other provisions not affected thereby shall remain valid and subsisting.

D. Interpretation

The terms and provisions of this policy shall be interpreted in accordance with/ in relation to/ in conjunction with the provisions provided for by the procurement law. In case of conflict, the procurement law prevails.

E. Effectivity Clause

This Memorandum Circular shall take effect fifteen (15) calendar days after its publication.

BY COMMAND OF ADMIRAL GAVAN PCG:

OFFICIAL:

GLIDE GENE MARY G SONTILLANOSA
COMMO **PCG**
Acting Chief of Coast Guard Staff


JAYSIEBELL B FERRER
PCDR **PCG**
Coast Guard Adjutant



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