

It is agreed and understood that all unit prices specified in this contract shall be considered as fixed prices, and therefore not subject to price adjustment and escalation during the contract implementation, except under extraordinary circumstances and upon prior approval of the Government Procurement Policy Board (GPPB). Any request for price escalation under extraordinary circumstances shall be submitted by **PPA** to the National Economic and Development Authority (NEDA). Extraordinary circumstances shall refer to events that may be determined by the NEDA in accordance with the Civil Code of the Philippines and upon recommendation of the **PPA**.

3.02 Final and full payment of the consideration herein above-mentioned shall be upon full completion of the project and fulfillment by the **CONTRACTOR** of all the terms and conditions set forth in this Contract.

However, it is agreed that no payment or payments made under this Contract, except the final payment upon issuance of Certificate of Completion and Acceptance, shall be understood as performance of this Contract, either wholly or in part, and no payment shall be construed to be an acceptance of defective work or improper implementation thereof.

3.03 Any payment due and payable to the **CONTRACTOR** may be set off against liquidated damages payable to the **PPA** by the **CONTRACTOR** under this Contract.

3.04 It is likewise understood that the **CONTRACTOR** shall show proof evidencing payments by the **CONTRACTOR** of labor, materials, supplies, insurance premiums, etc., used in the work, before any payment is made to it.

For this purpose, the **CONTRACTOR** shall, before payment is made on the works accomplished, submit an affidavit certifying to the fact of payments of said labor, materials, supplies, equipment, insurance premiums, etc.

3.05 All payments shall be subject to existing government accounting and auditing rules and regulations.

3.06 Progress payments are subject to retention of ten percent (10%) referred to as the "retention money". Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the **PPA** are completed. If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall be imposed.

3.07 The total "retention money" shall be due for release upon final acceptance of the works. The **CONTRACTOR** may, however, request for the substitution of the retention money for each progress billing with irrevocable standby letters of credit from a commercial bank, bank guarantees or surety bonds callable on demand issued by any reputable surety or insurance company duly accredited by the Office of the Insurance Commission of amounts equivalent to the retention money substituted for and acceptable to **PPA**, provided that the project is on schedule and is satisfactorily undertaken. Otherwise, the ten percent (10%) retention shall be made. Said irrevocable standby letters of credit, bank guarantees and/or surety bonds, to be posted in favor of **PPA** shall be valid for a duration to be determined by **PPA** and will answer for the purpose for which the ten percent (10%) retention is intended, i.e., to cover uncorrected discovered defects and third party liabilities.

ARTICLE IV

PERFORMANCE SECURITY

4.01 To guarantee the faithful performance of the **CONTRACTOR** of its obligations under this Contract, it shall post prior to the signing of the Contract a performance security in the form of cash, manager's check, cashier's check, bank draft/guarantee confirmed by a Universal or Commercial Bank, irrevocable letter of credit issued by a Universal or Commercial Bank, surety bond, callable on demand, issued by surety or insurance company duly certified by the Office of the Insurance Commission as authorized to issue such security and acceptable to **PPA** or a combination thereof as may be required by **PPA**, in accordance with the following schedule: