10. Advance Payment Guarantee (APG)

Overview

An Advance Payment Guarantee (APG) is a financial surety instrument that protects an employer or project owner who has paid a contractor a lump sum in advance — typically to cover mobilisation costs, purchase of materials, or equipment procurement — against the risk that the contractor fails to perform their contractual obligations. If the contractor defaults, misappropriates the funds, or becomes insolvent before delivering the contracted work, the APG allows the employer to recover the full value of the advance payment without costly and protracted legal proceedings.

APGs are a standard requirement in both public and private sector contracts, particularly in construction, infrastructure, supply chain, and government procurement. Our team issues APGs rapidly and works with a broad panel of underwriters and financial institutions to secure instruments that are accepted by all major procuring entities, including government ministries, parastatals, multinational corporations, and international development organisations. The guarantee value typically mirrors the advance payment amount and reduces progressively as the contractor delivers work.

> ***An APG bridges the gap between trust and certainty — giving employers the confidence to release funds and contractors the liquidity to deliver.***

Policy Options

28. **Insurance-Backed APG**

    Issued by a licensed insurer, this form is widely accepted across East Africa and is often faster and more cost-effective to obtain than a bank guarantee for qualifying contractors.

29. **Bank-Backed APG**

    Issued through a commercial bank, offering maximum counterparty credibility for high-value contracts or international procurement where bank instruments are specifically required.

30. **Reducing / Amortising APG**

    The guarantee value automatically reduces in line with contract progress as the advance is recouped, minimising the cost of the instrument over the contract duration.