



GUIDELINES on PROCUREMENT PREPARATION and PROCUREMENT CONTRACTS IMPLEMENTATION & MANAGEMENT



**PROVINCIAL GOVERNMENT OF AGUSAN DEL SUR
YEAR 2011**



PART I

PROCUREMENT OF GOODS AND SERVICES

RULE I. Procurement Preparation

Section 1. Inventory Management, Demand Forecasting, and the Preparation of the Project Procurement Management Plan (PPMP) and the Annual Procurement Plan for Procurement of Goods.

- 1.1. Procurement of goods shall be based on an approved Annual Procurement Plan (APP) reflecting, among others, the combined common requirements for goods in PGAS. To be able to forecast the volume of demands for the coming inventory year, the APP shall consider the aggregate volume of requirements per class of goods, the present and expected stock inventories, historical figures of use and consumption, and a buffer stock volume equivalent to ten percent (10%) of the previous inventory year's total use and consumption.
- 1.2. The PGSO shall be responsible for the judicious preparation and updating of the consolidated Project Procurement Management Plans (PPMPs) for goods. The PGSO shall ensure that the PPMPs of the different end-user units have all been duly accounted for and consolidated. All such PPMPs, as consolidated and judiciously reviewed by the PGSO shall be submitted to the BAC Secretariat to be integrated in the APP.
- 1.3. The PPMPs prepared by each of the different end-user units and the Consolidated PPMP shall include:

Information on whether the program, activity, and project (PAP) will be contracted out or consigned;

The type and objective of the contract to be employed;

The extent/size of contract scope/packages;

The procurement methods to be adopted, indicating whether or not the procurement tasks are to be outsourced;

Delivery and Payment Schedules;

Other major milestones

Section 2. Budget Preparation

- 2.1. Each procurement shall be based on the approved budgetary framework; or the budget estimate, as approved, if the procurement has to be conducted anytime before the approval of the appropriations.
- 2.2. The PPMP prepared by each of the end-user units shall be submitted to the Budget Office for evaluation and approval, taking into consideration the availability of funds for that particular project and the PGAS' objectives and priorities for the budget period.



- 2.3. After the PPMP and the budget proposal for the procurement project have been approved, the Provincial Budget Office shall forward a copy of the PPMP to the concerned End-User Unit. The end-user unit shall revise and adjust the PPMP to reflect the budgetary allocation for their respective programs, activities and projects. The said PPMPs shall be submitted to the BAC Secretariat for consolidation into the APP. The APP shall at all times be consistent with the approved appropriations.
- 2.4. A copy of the final PPMP shall also be furnished the BACs for the finalization of the modes of procurement for each procurement project.
- 2.5. Updating of the individual PPMPs and the APP shall be the responsibility of the end-user concerned and the BAC Secretariat, respectively. The updating shall be undertaken every six (6) months or as often as may be necessary.
- 2.6. The Approved Budget for the Contract (ABC) as reflected in the PPMP and the APP shall at all times be consistent with the appropriations for the project authorized in the Appropriations Ordinance. To facilitate the immediate implementation of projects even pending approval of the appropriation, the ABC shall be based on the budget levels under the proposed budget submitted to the Sanggunian Panlalawigan.
- 2.7. The approved APP should include all procurement activities planned for the fiscal/inventory year. The said APP shall be the basis of the PGAS's procurement, and only those projects/procurement included therein shall be undertaken. It shall include only those procurements that are considered crucial to the efficient discharge of PGAS functions.
- 2.8. The APP shall also include provisions for contingencies as may be sufficiently foreseeable on the basis of historical records. An amount equivalent to not more than four percent (4%) of PGAS' total appropriations for MOOE shall therefore be provided.

Section 3. ABC Estimation

- 3.1. In determining the ABC, the end-user unit, assisted by the TWG, must consider the following cost components:
 - a. The cost or market price of the product or service itself;
 - b. Incidental expenses like freight, insurance, taxes, installation costs, training costs, if necessary, and cost of inspection;
 - c. The cost of money, if buying on credit terms;
 - d. Inflationary factor;
 - e. Quantities, considering that buying in bulk usually means lower unit prices; and
 - f. The supply of spare parts and/or maintenance services, if these are part of the contract package.



- 3.2. If the project or contract has a foreign component, currency valuation adjustment factor may also be considered in order to address foreign exchange rate fluctuations that may happen between the planning phase and the actual procurement date. To determine the factor to be used, the end-user unit may request for guidance from the Bangko Sentral ng Pilipinas (BSP), or refer to BSP forecasts, if available.
- 3.3. If the sum of the different cost components is lower than the appropriation for the procurement, then the ABC should be equal to the sum of the cost components. However, if the resulting sum is higher than the appropriation, the technical specifications, quantity and the computation of the ABC should be reviewed. In any case, the ABC should not exceed the appropriation.

Section 4. Determination of Specification of Goods and Services

- 4.1. Each end-user unit, possibly with the assistance of a specialist, shall determine the specifications of the supplies and services needed.
- 4.2. The specification of the goods and services to be procured should be defined in such a way as will be intelligible to all potential suppliers/contractors and government officials and the personnel involved in the administration of the contract. They shall clearly describe the items of goods or services sought to be procured, either on the basis of physical characteristics or attributes, functionality, performance, and environmental interface. In determining the technical specifications, the end-user unit or the TWG must consider the objectives of the project or the procurement at hand, and identify the standards that should be met by the goods or services.
- 4.3. Any, or a combination, of the following types of specifications may be used:
 - a. **Functional Specifications**, where the specifications contain a description of the functionalities in which the goods are expected to be utilized.
 - b. **Performance Specifications**, where the specifications contain performance characteristics desired for the item, and does not normally deal with the specific configuration, the detailed design and exact measurements. They refer to the manner or method by which the goods or services are expected to carry out the functions expected of them.
 - c. **Design Specifications**, where the specifications contain precise measurements, tolerances, materials, in-process and finished product tests, quality control and inspection requirements and other detailed information.
 - d. **Environmental Interface Specifications**, where the specifications refer to the environment in which the functions required of the goods or services sought to be procured are performed at the desired level.
 - e. **Comparative Descriptions (or Specification by Standards or Bench-**



marks), where the specifications identify the item by another product, brand or exclusive standard which may already be known and is of desirable features and characteristics, with the mandatory use of the “or its equivalent,” statement to allow competition.

Section 5. Determination of Procurement Timelines

- 5.1. The PPMP should include the schedules for the different procurement stages and milestones. The scheduling of procurement activities should be done in such manner as will enable the concerned BAC and other pertinent offices, units and personnel and officials to efficiently manage the conduct of procurement activities and transactions.

Section 6. Preparation of the Bidding Documents

- 6.1. The BAC, through the TWG and with the assistance of the end-user units, the Secretariat or a consultant, shall prepare the bidding documents following the standard forms prescribed by the Government Procurement Policy Board (GPPB). The bidding documents are issued to provide prospective bidders all the necessary information that they need to prepare their bids.
- 6.2. The bidding documents shall clearly identify and/or adequately define the following, among others:
 - a. The objective, scope and expected outputs and/or results of the proposed contract;
 - b. The technical specifications of goods to be procured;
 - c. Expected contract duration, the estimated quantity in the case of procurement of goods, delivery schedule and/or time frame;
 - d. The obligations, duties and/or functions of the winning bidder; and
 - e. The minimum eligibility requirements of bidders, such as track record, among others.
- 6.3. The bidding documents shall include the following component documents:
 - a. Invitation to Bid;
 - b. Instruction to Bidders (ITB/BDS);
 - d. Conditions of Contract (GCC/SCC);
 - e. Schedule of Requirements;
 - f. Technical Specifications; and
 - g. Required/Sample Forms.
- 6.4. The following information should be contained in the foregoing documents:
 - a. ABC and source of funds;
 - b. Date, time and place of the pre-bid conference (if applicable) and the submission and opening of bids;
 - c. Eligibility Requirements;



- d. ITB, including criteria for eligibility, bid evaluation and post-qualification, and the submission and opening of bids;
 - e. Scope of Work (SOW), for services;
 - f. Technical Specifications;
 - g. Form of Bid, Price Form, and List of Goods or Bill of Quantities;
 - h. Delivery Time or Completion Schedule;
 - i. Form, amount and validity period of Bid Security;
 - j. Form and amount of Performance Security and Warranty; and
 - k. Form of Contract (GCC/SCC)
- 6.5.** The BAC and/or the TWG may include additional documentary requirements or specifications to complete the information that may be required of the prospective bidders in support of their bid, or to enable them to fully and properly prepare their bids.
- 6.6.** The bidding documents shall form integral part of the contract, and any amendments thereto shall not modify the terms and conditions of the contract unless made through the issuance of supplemental/bid bulletins, with proper notice to all concerned bidders.
- 6.7.** The specifications and other terms in the bidding documents shall reflect minimum requirements as will satisfactorily meet the requirements of PGAS or the end-user unit concerned, in clear and unambiguous terms. They shall be set and stated in such a way as to encourage a reasonably broader base of competitors and allow any bidder to submit an offer that provides for superior specifications and/or better terms and conditions at no extra cost. Superior specifications and better terms and conditions shall not be given any bonus, credit or premium in the bid evaluation.
- 6.8.** In the preparation of the bidding documents, the BAC and its support units shall be guided by the following policies, among others:
- a. That all prospective bidders should be provided the same information, and should be assured of equal opportunities to obtain additional information on a timely basis; and
 - b. That every prospective bidder should have fair access to the bidding documents and ample opportunity to prepare for a bid. For this reason, any additional information, clarification, correction of error, or modifications of bidding documents should be sent to each recipient of the original bidding documents in sufficient time before the deadline for receipt of bids to enable bidders to take appropriate actions. And when necessary to put this policy in effect, the deadline for submission of bids should be extended.
- 6.9.** The bidding documents must be prepared in time for the presentation at the pre-procurement conference. After the conference, and before the advertisement and/or posting of the Invitation to Bid, it should be ascertained that these docu-



ments will be ready and available for issuance to prospective bidders on the day the Invitation to Bid is first advertised.

- 6.10. The Secretariats may charge the prospective bidders with reasonable fees for the provision of the bidding documents. The amount as so charged shall cover the cost of development and production of the bidding documents.

Section 7. Engagement of Technical Experts during Procurement Preparation

- 7.1. In case of procurement of complex and highly technical items of goods or services, the services of an expert who may serve as a consultant may be engaged to assist in the identification and development of specifications and or terms of reference, that will effectively suit the requirements of the end-user units concerned or of the entire PGAS.
- 7.2. The services of an expert may also be engaged to assist in the development and preparation of the bidding documents and the review of the PPMPs or the APP, if the same require technical expertise or skill beyond the in-house capability of PGAS or the availability of its own experts.
- 7.3. In engaging technical experts or consultants the procedures in the procurement of consulting services shall be followed. Caution should be taken that the possibility of conflicts of interest is avoided, in that no consultant shall be engaged who is related to any of the possible bidders for the project.

Section 8. Market Research and Encounter

- 8.1. In determining the correct technical specifications, scope of work, delivery schedules and the cost estimates, the end-user units should see to it that it has judiciously undertaken a market research and analysis, including an encounter with suppliers or market players involving the goods or services to be procured.

RULE II. Implementation of Contract

Section 9. Notice to Proceed and Take-Off Meeting

- 9.1. The PGAS, through the Provincial Governor, or any of its authorized representative, shall issue to the contract awardee the Notice to Proceed together with a copy of the approved contract, within three (3) calendar days from the date of the approval of the contract.
- 9.2. The BAC Secretariat, shall post a copy of the Notice to Proceed and the approved contract in the PhilGEPS or the PGAS website, within fifteen (15) calendar days from the issuance of the Notice to Proceed.
- 9.3. The issuance of the Notice to Proceed shall be made during a Take-Off Meeting to be conducted by the Contract Management Team.



- 9.4. An inaugural or Take-Off Meeting shall be scheduled to bring together the Contract Management Team, with representatives from both the end-user unit and the BAC Secretariat, and the supplier/contractor to discuss relevant aspects of contract implementation. The objectives of the meeting shall include:
- a. Understanding the roles and responsibilities of everyone present
 - b. Discussing the implementation and/or project plan
 - c. Discussing issues that impact on the operation of the contract
 - d. Discussing controlling mechanisms and other relevant matters
- 9.5. During the inaugural or take-off meeting, care must be taken to avoid corrupt practices, such as changing the scope of work or project requirements or becoming too familiar with each other.

Section 10. Delivery, Inspection and Acceptance

- 10.1 Delivery of the goods/items procured shall be subject to the terms and conditions set forth in the bid documents and in the conditions of contract. The CMT may require that deliveries will be made on staggered basis (upon-order) and the schedule of deliveries will depend on the availability of storage/stocking space, the volume of such goods/items that are immediately required, among other factors.
- 10.2. For all legal and practical intents and purposes, no delivery by any supplier shall be deemed completed unless inspected and accepted by the Inspectorate Team and noted by the CMT.
- 10.3. The Inspectorate Team shall subject the deliveries to either a general or a random inspection and testing to determine whether the goods/items delivered conform with the required specifications, functionality and performance standards, the volume and quantity, packaging, etc. In case of random sampling, the team shall utilize, for purposes of inspection, testing and evaluation, samples representing a reasonable fraction of the total quantity of actually delivered goods/items. However, the acceptance of all the deliveries on the basis of the results of the random sampling, testing and evaluation, shall be merely provisional. Thus, notwithstanding any acceptance made on this said basis, the PGAS through the CMT reserves the right to reject deliveries, or a portion thereof, which are later found to have failed in the required specifications, and the functionality and performance standards as set in the bidding or contract documents.
- 10.4. In cases where the testing and evaluation require laboratory procedures and analysis, the good/items shall not be deemed accepted despite their delivery to or storage in PGAS facilities until after the tests and the evaluations have already been conducted and inspection and acceptance documents have been duly issued by the Inspectorate Team and the CMT.
- 10.5. In case of rejection of deliveries under this provision, the CMT shall require the supplier to replace the goods/items found to be defective or otherwise non-



complying, all costs to be borne by the supplier.

Section 11. Liquidated Damages

- 11.1. All contracts shall contain a provision on liquidated damages which shall be payable to the PGAS, in case the supplier fails to deliver the goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any.
- 11.2. The amount of liquidated damages shall be at least equal to one-tenth of one percent (0.1%) of the cost of the delayed goods for every day of delay until such goods are finally delivered and accepted by the end-user.
- 11.3. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount of the contract, the CMT shall rescind the contract, without prejudice to other courses of action and remedies open to it.
- 11.4. The end-user need not prove that it has incurred actual damages to be entitled to liquidated damages. The amount of liquidated damages shall be deducted from any money due or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the PGAS.

Section 12. Amendment to Order

- 12.1. The end-user unit through the CMT may issue amendments to order at any time during the lifetime of the contract. If any such order increases or decreases the cost, or the time required for executing any part of the contract, an equitable adjustment in contract price and/or delivery schedule shall be mutually agreed upon between the CMT and the supplier. The contract shall then be modified by way of a supplemental contract document reflecting all amendments made and agreed upon.
- 12.2. An amendment to order may be issued only in emergency cases or during fortuitous events requiring necessary adjustments within the general scope of the contract in any one or more of the following, in order to fully meet the requirements of the project:
 - a. Drawings, design or specifications, if the goods to be furnished are to be specifically manufactured for PGAS, in accordance therewith;
 - b. Method of shipment or packing; or
 - c. Place of delivery.
- 12.3. An amendment to order may also be issued by the PGAS where there are additional items needed and necessary for the protection of the goods, which were not included in the original contract. Payments for these additional items shall be based on the unit prices in the original contract for items of goods similar to those in the original contract. . Payments for these additional items shall be based



on the unit prices in the original contract for items of goods similar to those in the original contract. If the contract does not contain any rate applicable to the additional items, then suitable prices shall mutually be agreed upon between the parties. Request by the supplier for payment of any additional item shall be accompanied by a statement, with the approved supporting forms and giving a detailed accounting and record of amount for which it claims payment. The contract time shall likewise be extended if the acquisition of such additional items so warrants.

- 12.4. Under no circumstances shall a supplier proceed to commence work under any amendment to order unless the same has been approved by the Provincial Governor.

Section 13. Contract Prices

- 13.1. For the agreed terms and conditions of contract as awarded, all bid prices shall be considered as fixed prices, and therefore not subject to price escalation during contract implementation, except under extraordinary circumstances. Unless otherwise provided in the bid documents, all contracts shall be denominated and payable in Philippine currency.

Section 14. Warranty

- 14.1. In order to assure that manufacturing defects shall be corrected by the supplier, manufacturer, or distributor, as the case may be, a warranty shall be required from the contract awardee for a minimum period of three (3) months, in the case of supplies, and one (1) year, in the case of equipment, after the performance of the contract.
- 14.2. The obligation for the warranty shall be covered by either retention money in an amount equivalent to less than ten percent (10%) of every progress payment, or a special bank guarantee equivalent to at least ten percent (10%) of the total contract price. The said amount shall only be released after the lapse of the warranty period; Provided, however, that the items supplied are free from patent and latent defects and all the conditions imposed under the contract have been fully met.



PART II

PROCUREMENT OF CIVIL WORKS/INFRASTRUCTURE PROJECTS

RULE III. Procurement Preparation

Section 15. Preparation of the Project Procurement Management Plan and its integration into the Annual Procurement Plan

- 15.1. Procurement of civil works or infrastructure projects shall be based on an Annual Procurement Plan reflecting all the proposed projects for PGAS.
- 15.2. Each of the project-implementing/end-user units or the Provincial engineering Office shall prepare for each project a Project Procurement Management Plan for civil works in which the following key information are stated among others:
 - i. Project requirements;
 - ii. Technical specifications;
 - iii. Approved Budget for the Contract (ABC);
 - iv. Scope of Work;
 - v. Schedule of milestone activities; and
 - vi. Method of Procurement.

- 15.3. The Provincial Engineering Office shall be responsible for the judicious preparation, updating, and/or consolidation of PPMPs for civil works. It shall ensure that the PPMPs of the different project-implementing/end-user have all been duly accounted for and consolidated. All such PPMPs, as consolidated, shall be submitted to the BAC Secretariat to be further combined into the APP.

Section 16. Budget Preparation

- 16.1. Each project procurement shall be based on the approved budgetary framework of the PGAS; or the estimate as approved, if the procurement has to be conducted anytime before the approval of the appropriations.
- 16.2. The PPMP prepared by each of the project-implementing/end-user units or the PEO shall be submitted to the Budget Office for evaluation and approval, taking into consideration the availability of funds for that particular project and the PGAS' objectives and priorities for the budget/fiscal period.
- 16.3. After the PPMP and the budget proposal for the procurement project have been approved, the budget office shall forward a copy of the PPMP to the appropriate project-implementing/end-user unit or the PEO. The said PPMPs shall be consolidated and later on submitted to the BAC Secretariat for further consolidation into the APP. The APP shall at all times be consistent with PGAS' budget for infrastructure.



- 16.4. As soon as the Appropriations Ordinance is released and becomes final, the project-implementing/end-user units or the PEO shall revise and adjust the PPMP to reflect the budgetary allocation for their respective programs, activities and projects. The revised PPMP shall be submitted to the BAC Secretariat for a revision of the APP. A copy of the final PPMP shall also be furnished the appropriate BACs for the finalization of the modes of procurement.
- 16.5. Updating of the individual PPMPs and the APP shall be the responsibility of the project-implementing/end-user unit concerned or the PEO and the BAC Secretariat, respectively. The updating shall be undertaken every six (6) months or as often as may be necessary.
- 16.6. The Approved Budget for the Contract (ABC) as reflected in the PPMP and the APP shall at all times be consistent with the appropriations for the project authorized in the Appropriations Ordinance. To facilitate the immediate implementation of projects even pending approval of the Appropriations Ordinance, the ABC shall be based on the budget levels under the proposed budget.
- 16.7. The APP should include all infrastructure procurement activities planned for the budget/fiscal year. The approved APP shall be the basis of the PGAS' procurement, and only those projects/procurement included therein shall be undertaken. It shall include only those procurements that are considered crucial to the efficient conduct of PGAS operations.
- 16.8. The APP shall also include provisions for contingencies as may be sufficiently foreseeable on the basis of historical records. An amount equivalent to not more than four percent (4%) of the PGAS' total appropriations for MOOE shall therefore be provided.

Section 17. Feasibility and Preliminary Engineering Study

- 17.1. Unless otherwise allowed by the Sangguniang Palalawigan, through proper ordinance, legislation or resolution, infrastructure activities shall be done only on properties owned by PGAS or on those which, though not owned, are administered by it and/or has the owner's concession or permission to conduct infrastructure activities. Procurement planning should include a thorough examination of the status of the land and the viability of using the property involved and/or doing works thereon.
- 17.2. In cases where infrastructure projects are to be implemented on properties administered by the PGAS, the title or ownership of which belongs to other government agencies or private entities, the PEO shall see to it that a Memorandum of Agreement had been duly executed between the PGAS and the land owner.
- 17.3. No infrastructure projects should be allowed on properties donated to the PGAS if the same will violate any condition imposed on the donation.



- 17.4. Before any procurement of infrastructure project may be commenced, the PEO should carry out detailed engineering investigations, surveys and designs, and the acquisition of Right of Way, if necessary. Any investigation conducted must be in accordance with the standards and specifications set forth by the PEO. However, the requirement for detailed engineering may be dispensed with in Design-and-Build Schemes where bidders are required to submit detailed engineering designs as part of their bids.
- 17.5. Prior to the conduct of the detailed engineering investigations, surveys and designs, the PEO should draw a feasibility or preliminary engineering study that would establish the technical viability of the project and its conformance to land use and zoning guidelines prescribed by existing laws. The findings contained in the feasibility study, if undertaken for the project, should be examined. If, in the course of this exercise, it is found that changes would be desirable in the design standards of principal features, as proposed, specific recommendations for such changes should be supported by detailed justifications, including their effects on the cost, and, if necessary, the economic justification.

Section 18. Detailed Engineering

- 18.1. Only after the acceptance and approval of the feasibility study shall detailed engineering investigations be conducted. A schedule of detailed engineering activities shall include the following:
- a. Survey;
 - b. Site Investigation;
 - c. Soils and Foundation Investigation;
 - d. Construction Materials Investigation;
 - e. Preparation of Design Plans and Design Analysis;
 - f. Preparation of Technical Specifications;
 - g. Preparation of Quantity and Cost Estimates;
 - h. Preparation of Program of Work;
 - i. Preparation of Proposed Construction Schedule [and estimated Cash Flow for projects with Schedule over six (6) months];
 - j. Preparation of Site or Right-of-Way Plans including Schedule of Acquisition;
 - k. Preparation of Utility Relocation Plan;
 - l. Preparation and Submission of Design Report;
 - m. Environmental Impact statement for critical project or project in a critical area, as defined by the DENR;
 - n. Preparation of minimum requirements for a Construction Safety and Health Program for the project being considered; and
 - o. Preparation of Bidding Documents.
- 18.2. Work under detailed engineering shall include, but not necessarily be limited to, the following:



- a. Design Standards – Design standards shall be in accordance with appropriate standards and accepted detailed engineering practice adopted by the agency concerned. Design standards for structures shall take into account, among other things, the seismicity of the area to determine the optimum safety of structures and to minimize possible earthquake damage.
- b. Field Survey and Investigations – Necessary field surveys and investigations which may include aerial, hydrographic, topographic, hydrologic, sub-surface, monumenting and other surveys shall be carried out in accordance with the design guidelines, criteria and standards adopted by the agency concerned. All survey and investigation works shall be prepared in a manner satisfactory to carry out accurate design and production of plans.
- c. Contract Plans – The following plans shall be prepared for each construction contract in accordance with guidelines and standards adopted by the PGAS, incorporating at least the following:
 - i. Site development plan;
 - ii. Plans and profile sheet;
 - iii. Typical sections and details;
 - iv. Drainage details where applicable;
 - v. Structural plans at appropriate scales indicating all details necessary in order that the complete structure can be set out and constructed; and
 - vi. Other details which may be required.
- d. Quantities – All construction quantities shall be computed to a reasonable accuracy of plus or minus ten percent (10%).
- e. Special Provisions – Specifications shall be prepared for specific items of work or methods of construction, measurement and payment under each contract, which are not covered by standard construction and material specifications adopted by the PEO.
- f. Unit Prices – these shall be prepared for each contract using costs based on reasonable approved current prices as projected over the proposed construction period, divided into local and foreign exchange costs, as the case may be.
- g. Approved Budget for the Contract.
- h. Bidding Documents.
- i. Program of Work – the program of work must include, among other things, estimates of the work, items, quantities and costs and a PERT/CPM network of the project activities. The program of work must cover at least a usable portion of the project and no construction shall be started



for portions of the project that are less than usable, except projects requiring stage construction. In projects requiring stage construction, continuity of construction up to the completion of a usable portion must be assured.

- 18.3.** The above rules shall apply to the implementation of infrastructure projects under normal or ordinary circumstances. However, under emergency or extraordinary cases involving major calamities and disasters as declared by the President of the Philippines, where time is of the essence to save lives and properties and restore damaged infrastructures, detailed engineering works shall be conducted in accordance with the guidelines and procedures adopted for that purpose. This ought to enable quick response to said cases, while maintaining the safety and integrity of the structure.

Section 19. Standards and Technical Specifications

- 19.1.** Standards and Technical Specifications quoted in the bidding documents should promote the broadest possible competition, while assuring the critical performance or other requirements for the goods and/or works under procurement.
- 19.2.** As far as possible, internationally-accepted standards such as those issued by the International Standards Organization (ISO) with which the equipment or materials or workmanship should comply should be specified. However, where such international standards are unavailable or are inappropriate, national standards may be specified; and
- 19.3.** In all cases, the bidding documents should state that equipment, material or workmanship meeting other standards, which promise at least substantial equivalence, should also be accepted.

Section 20. Cost Estimation and the Approved Budget for the Contract

- 20.1.** The Approved Budget for the Contract refers to the budget for the project as approved by the Sangguniang Panlalawigan based on the APP and the relevant PPMP.
- 20.2.** In determining the Approved Budget for the Contract, the project-implementing/end-user unit, and/or the PEO, with the assistance of the TWG (when necessary), must consider the Direct and Indirect cost components, namely:

Direct Costs:

- a. Cost of materials to be used in doing the work item called for, which shall include the following:
 - i. Cost at source, including processing, crushing, stockpiling, loading, royalties, local taxes, construction and/or maintenance of haul roads, etc.;
 - ii. Expenses for hauling to project site;



- iii. Handling expenses;
 - iv. Storage; and
 - v. Allowance for waste and/or losses.
- b. Cost of labor, which shall include the following:
- i. Salaries and wages as authorized by the DOLE; and
 - ii. Fringe Benefits, such as vacation and sick leaves, benefits under the Workmen's Compensation Act, GSIS and SSS contributions, allowances, 13th month pay, bonuses, etc.
- c. Equipment Expenses, which shall include the following:
- i. Rental of Equipment which shall be based on the prevailing "Associated Construction Equipment Lessors, Inc. (ACEL) rental rates approved for use by the DPWH. Rental rates of equipment not indicated in the ACEL booklet shall be taken from the rental rates prepared by the Bureau of Equipment. For simplicity in computation, the operated rental rates are preferred over the bare rental rates as the former includes operator's wages, fringe benefits, fuel oil, lubricants and equipment maintenance; and
 - ii. Mobilization and demobilization of the equipment shall be computed on a case to case basis, considering the equipment requirements of the project stipulated in the proposal and contract booklet, but in no case exceeding 1% of total civil work items.

Indirect Costs

- a. Overhead Expenses – usually 6-7% (ceiling) of the Direct Cost. Indirect Costs include the following:
- i. Engineering and Administrative Supervision;
 - ii. Transportation allowances;
 - iii. Office Expenses (Office Equipment and Supplies);
 - iv. Contractor's All Risk Insurance;
 - v. Financing Cost:
 - v.a. Premium on Bid Security
 - v.b. Premium on Performance Security
 - v.c. Premium/charges/fees on credit lines; and
 - v.d. Cost of money necessary to finance the project.
- b. Contingencies – usually 3-5% of the Direct Cost
- c. Miscellaneous Expenses – usually 1% of the Direct Cost. Miscellaneous laboratory tests.
- d. Contractor's Profit Margin



- 20.3. If the project or contract has a foreign component, currency valuation adjustment factor may also be considered in order to address foreign exchange rate fluctuations that may happen between the planning phase and the actual procurement date. To determine the factor to be used, the project-implementing/end-user unit may request for guidance from the Bangko Sentral ng Pilipinas (BSP), or refer to BSP forecasts, if available.
- 20.4. If the sum of the different cost components is lower than the appropriation for the procurement, then the ABC should be equal to the sum of the cost components. However, if the resulting sum is higher than the appropriation, the technical specifications, quantity and the computation of the ABC should be reviewed. In any case, the ABC should not exceed the appropriation.
- 20.5. Since the contracts are fixed price contracts, the Approved Budget for the Contract to be bid must provide for the projected movements in construction costs over the construction period. Thus, it has to consider the projected inflation and foreign exchange rates as well as costs of money. It must also show the local and foreign currency requirements, as the case may be.
- 20.6. The Approved Budget for the Contract to be bid must specify for each major work item, such as earthwork, roadwork, and massive concreting. It must also specify the components for equipment rentals, fuel, labor, materials and overhead, including the cost of the approved construction safety and health program and security premiums, taxes, profit, cost of money, inflation, contingencies, etc.
- 20.7. For infrastructure contract packages projects, the ABC shall cover the individual cost components of civil works only. The other components of the project such as Right of Way, Consulting Services, and Engineering Services and Administrative Overhead (ESAO), shall comply with the applicable provisions of law.

Section 21. Determination of Procurement Timelines

- 21.1. The PPMP should include the schedules for the different procurement stages and milestones. The scheduling of procurement activities should be done in such manner as will enable the BAC and other pertinent offices, units and personnel and officials to efficiently manage the conduct of procurement activities and transaction.

Section 22. Preparation of the Bidding Documents

- 22.1. The BAC, through the PEO and with the assistance of the project-implementing/end-user units, the TWG, the Secretariat, or a consultant, shall prepare the bidding documents following the standard forms prescribed by the Government Procurement Policy Board (GPPB). The bidding documents are issued to provide prospective bidders all the necessary information that they need to prepare their bids.
- 22.2. The bidding documents shall clearly identify and/or adequately define the follow-



ing, among others:

- a. The objective, scope and expected outputs and/or results of the proposed contract;
- b. Expected contract duration, the estimated quantity in the case of procurement of goods, delivery schedule and/or time frame;
- d. The obligations, duties and/or functions of the winning bidder; and
- e. The minimum eligibility requirements of bidders, such as track record, among others.

22.3. The bidding documents shall include the following component documents:

- a. Invitation to Bid;
- b. Eligibility Documents;
- c. Instruction to Bidders (ITB/BDS);
- d. Eligibility Data Sheet;
- e. Conditions of Contract (GCC/SCC);
- f. Specifications;
- g. Drawings;
- h. Bill of Quantities; and
- i. Required/Sample Forms and Qualification Information

22.4. The following information should be contained in the foregoing documents:

- a. ABC and source of funds;
- b. Date, time and place of the pre-bid conference (if applicable) and the submission and opening of bids;
- c. Eligibility Requirements;
- d. ITB, including criteria for eligibility, bid evaluation and post-qualification, and the submission and opening of bids;
- e. Scope of Work (SOW), for services;
- f. Plans and Technical Specifications;
- g. Form of Bid and Bill of Quantities;
- h. Completion Schedule;
- i. Form, amount and validity period of Bid Security;
- j. Form and amount of Performance Security and Warranty; and
- k. Form of Contract (GCC/SCC)

22.5. The BAC may include additional documentary requirements or specifications to complete the information that may be required of the prospective bidders in support of their bid, or to enable them to fully and properly prepare their bids.

22.6. The bidding documents shall form integral part of the contract, and any amendments thereto shall not modify the terms and conditions of the contract unless made through the issuance of supplemental/bid bulletins, with proper notice to all the concerned bidders.

22.7. The bidding documents should clearly state the type of contract to be entered



into and contain the proposed contract provisions appropriate therefor. The most common types of contracts provide for payments on the basis of a lump sum, unit price, or combinations thereof.

22.8. The size and scope of contracts should also be clearly stated, which will depend on the magnitude, nature and location of the project. The following are the more common examples:

- a. For projects requiring a variety of goods and works, separate contracts may be awarded for the supply and/or installation of different items of equipment and plant (i.e. installed equipment, as in production facility) and for the works.
- b. For a project requiring similar but separate items of equipment or works, bids may be invite under the alternative contract options that would attract the interest of both small and large firms, which could be allowed, at their option, to bid for individual contracts (slices) or for a group of similar contracts (package). All bids and combinations of bids should be received by the same deadline and opened and evaluated simultaneously so as to determine the bid or combination of bids offering the lowest calculated cost to the PGAS.
- c. In certain cases, the PGAS may require a turnkey contract under which the design and engineering, the supply and installation of equipment, and the construction of a complete facility or works are provided under one (1) contract. Alternatively, the PGAS may responsible for the design and engineering, and invite bids for a single responsibility contract for the supply and installation of all goods and works required for the project component. Also acceptable where appropriate are contracts such as, but not limited to: (a) design and build; (b) design, build and operate; (c) design, build and lease; and (d) management contract.

22.9. The specifications and other terms in the bidding documents shall reflect minimum requirements as will satisfactorily meet the requirements of the PGAS or the project-implementing/end-user unit, as may be appropriate, in clear and unambiguous terms. They shall be set so as to encourage a reasonably broader base of competitors and allow any bidder to submit an offer that provides for superior specifications and/or better terms and conditions at no extra cost. Superior specifications and better terms and conditions shall not be given any bonus, credit or premium in the bid evaluation.

22.10. In the preparation of the bidding documents, the BAC and its support units shall be guided by the following policies, among others:

- a. That all prospective bidders should be provided the same information, and should be assured of equal opportunities to obtain additional information on a timely basis; and



- b. That every prospective bidder should have fair access to the bidding documents and ample opportunity to prepare for a bid. For this reason, any additional information, clarification, correction of error, or modifications of bidding documents should be sent to each recipient of the original bidding documents in sufficient time before the deadline for receipt of bids to enable bidders to take appropriate actions. And when necessary to effect this policy, the deadline for submission of bids should be extended.

- 22.11. The bidding documents must be prepared in time for their presentation at the pre-procurement conference. After the pre-procurement conference, and before the advertisement and/or posting of the Invitation to Bid, it should be ascertained that these documents will be ready and available for issuance to prospective bidders.
- 22.12. The Secretariats may charge reasonable fees for the provision to prospective bidders of the bidding documents. The amount as so charged shall cover the cost of development and production of the bidding documents.

Section 23. Engagement of Technical Experts during Procurement Preparation

- 23.1. The services of an expert who may serve as a consultant may be engaged to assist in the identification development of specifications and or terms of reference, that will effectively suit the requirements of the project-implementing/end-user units concerned, and/or the PEO.
- 23.2. The services of an expert may also be engaged to assist in the development and preparation of the bidding documents and the review of the PPMPs or APP, if the same require technical expertise or skill beyond the in-house capability of the PGAS or the availability of its own experts.
- 23.3. In engaging technical experts or consultants the procedures in the procurement of consulting services shall be followed. Caution should be taken that the possibility of conflicts of interest is avoided, in that no consultant shall be engaged who is related to any of the possible bidders for the project.

Section 24. Pre-Procurement Conference

- 24.1. Before the Invitation to Bid is advertised and posted, the BAC shall conduct a pre-procurement conference where all officials involved meet and discuss all aspects of the procurement, and to do the following tasks:
 - a. Confirm the description and scope of the contract, the ABC, and the contract duration;
 - b. Ensure that the procurement is in accordance with the project plans (PPMP) and the annual procurement plans (APP);
 - c. Determine the readiness of the procurement at hand, including among



other aspects the following:

- i. The completeness of project specifications and requirements;
 - ii. The availability and sufficiency of the Approved Budget for the Contract, appropriations and/or programmed budget for the contract;
 - iii. Completion of the detailed engineering according to the prescribed standards;
 - iv. Confirmation of the availability of Right of Way and the ownership of affected properties; and
 - iv. The completeness of the bidding documents, including technical plans, specifications, and scope of work, and their adherence to relevant general procurement guidelines.
- d. Determine the appropriateness of the procurement methods recommended to be used;
 - e. Review, modify and agree on the criteria for eligibility screening, evaluation, and post-qualification;
 - f. Review and adopt the procurement schedule, including deadlines and timeframes, for the different activities; and
 - g. Reiterate and emphasize the importance of confidentiality, in accordance with Section 19 of the Revised IRR of RA 9184, and the applicable sanctions and penalties, as well as agree on measures to ensure compliance with the foregoing.

24.2. During the pre-procurement conference, the BAC shall review both the APP and the PPMP for the project involved, to ensure that the procurement is in accordance with budget programs; and the bidding documents, to ensure that the guidelines for the procurement and the terms for the contract address technical and procedural requirements.

24.3. The holding of a pre-procurement conference may not be required for small procurements, i.e. costing Five Million Pesos (Php5,000,000.00) and below.

RULE IV. Implementation of Contract

Section 25. Notice to Proceed and Take-Off Meeting

25.1. The PGAS, through the Provincial Governor, or any of its authorized representative, shall issue to the contract awardee the Notice to Proceed together with a copy of the approved contract, within three (3) calendar days from the date of the approval of the contract.

25.2. The BAC Secretariat, shall post a copy of the Notice to Proceed and the ap-



proved contract in the PhilGEPS or the PGAS website, within fifteen (15) calendar days from the issuance of the Notice to Proceed.

- 25.3. The issuance of the Notice to Proceed shall be made during a Take-Off Meeting to be conducted by the Contract Management Team.
- 25.4. An inaugural or Take-Off Meeting shall be scheduled to bring together the Contract Management Team, with representatives from both the end-user unit and the BAC Secretariat, and the supplier/contractor to discuss relevant aspects of contract implementation. The objectives of the meeting shall include:
 - a. Understanding the roles and responsibilities of everyone present
 - b. Discussing the implementation and/or project plan
 - c. Discussing issues that impact on the operation of the contract
 - d. Discussing controlling mechanisms and other relevant matters
- 25.5. During the inaugural or take-off meeting, care must be taken to avoid corrupt practices, such as changing the scope of work or project requirements or becoming too familiar with each other.

Section 26. Subcontracting

- 26.1. A contractor may be allowed to subcontract a portion of the contract or project, except that he should not be allowed to subcontract a material or significant portion of the contract or project, which portion must not exceed fifty percent (50%) of the project cost. The bidding documents must specify what are considered as significant/material component(s) of the project. Moreover, except if otherwise provided by the contract, it should not subcontract any part of the works without the prior consent of the Provincial Governor, the PEO or the CMT. However, this consent shall not relieve the contractor of any liability or obligation under the contract.
- 26.2. The contractor shall be responsible for the acts, defaults and negligence of any subcontractor, his agents, servants or workmen as fully as if these were its own acts, defaults or negligence, or those of its agents, servants or workmen.
- 26.3. All subcontracting arrangements must be disclosed at the time of the bidding, and subcontractors must be identified in the bid submitted by the bidder. For them to be allowed to do so, subcontractors should also pass the eligibility check for the portions of the contract that they will undertake.

Section 27. Inspection and Tests

- 27.1. All materials, plant(s) and workmanship shall be of the kind described in the contract and in accordance with the PEO's instructions. To ensure that this, indeed, is the case, these materials, plant(s) and workmanship will be subjected, from time to time, to such tests as the PEO may require. These tests may be at the place of manufacture, fabrication or preparation, or on site or at such other place or places



as may be specified in the contract, or at all or any of such places.

- 27.2. The PEO must, at all reasonable times, have access to the site and to all workshops and places where materials or plant are being manufactured, fabricated or prepared for the works. The contractor, for its part, shall afford every facility for, and every assistance in obtaining the right to such access.
- 27.3. The PEO shall be entitled, during manufacture, fabrication or preparation of materials to be used in the project, to inspect and test these materials and the plant or plants where these materials are being manufactured, fabricated and/or prepared. If the materials are being manufactured, fabricated or prepared in workshops or places other than those of the contractor, the contractor must obtain permission for the PEO to carry out inspection and testing in those workshops or places. Such inspection or testing will not release the contractor from any obligation under the contract.
- 27.4. If, at the time and place agreed above, the materials or plants are not ready for inspection or testing, the PEO may reject these materials or the plant and must notify the contractor of such rejection immediately. He/she must also do so if, as a result of the inspection and testing, he/she determines that the materials or plant are defective or otherwise not in accordance with the contract. The notice must state the PGAS engineer's objection and the reasons for the objection. The contractor, or its part, must then promptly make good the defect or ensure that rejected materials or plant comply with the contract. If the PGAS engineer so requests, the test of rejected materials or plant shall be made or repeated under the same terms and conditions.
- 27.5. The PEO will, after consultation with the contractor, determine all the costs incurred in the repetition of the test or tests. These costs are recoverable from the contractor and may be deducted from any monies due to the contractor. The PEO must notify the contractor accordingly.

Section 28. Dayworks

- 28.1. If applicable, as indicated in the contract, the dayworks rates in the contractor's bid shall be used for small additional amounts of work, only when the PEO has given written instructions in advance for additional work to be paid for in that way.
- 28.2. All works to be paid for as dayworks shall be recorded by the contractor on forms approved by the PEO. Each completed form shall be verified and signed by the PEO within two (2) days of the work being done.
- 28.3. The contractor shall be paid for dayworks subject to obtaining signed dayworks forms.

Section 29. The Use of Accredited Testing Laboratories



- 29.1. To help ensure the quality of materials being used in infrastructure projects, the Bureau of Research and Standards (BRS) of the DPWH, the DOST or the DTI shall accredit the testing laboratories that can be used in government infrastructure projects. All government agencies implementing infrastructure projects must use only these laboratories. Only tests done by these laboratories shall be recognized and accepted, except for the testing of new materials to be undertaken through procedures approved by the DPWH Secretary.

Section 30. Evaluation of Contractor's Performance

- 30.1. The PGAS or any of its concerned units or offices must evaluate the performance of their contractors using the NEDA-approved Contractor's Performance Evaluation System (CPES) for the type of project being implemented.
- 30.2. CPES evaluation must be done during construction and upon completion of the project. To ensure continuous implementation of CPES, the PEO or any of its contracting units or offices shall include in the Project's engineering and Administrative Overhead Cost the budget for such system's implementation pursuant to NEDA Board Resolution No. 18 (s. 2002).
- 30.3. For project type that do not have specific CPES Guidelines, the PGAS, through the PEO, may formulate and adopt need-specific implementing guidelines.
- 30.4. The PEO shall be designated as its CPES Implementing Unit. As such CPES Implementing Unit, it shall be responsible for the implementation of the CPES Implementing Guidelines, including but not limited to, the supervision of Constructors Performance Evaluators (CPEs) to be accredited by the CIAP. Specifically, the PGAS engineering Service shall be responsible for the following: a) pre-screening of applications of CPEs; b) funding for CPEs accreditation and training, including seminars; and c) yearly evaluation of CPEs.
- 30.5. The PEO as CPES Implementing Unit of the PGAS, shall submit the results of there performance evaluation to the CIAP on a monthly basis or as often as necessary. It shall likewise develop and maintain a databank and disseminate the CPES reports to the concerned units/offices within the PGAS and to other interested users.
- 30.6. The CPES ratings and other information shall be used for the following purposes:
- a. Eligibility screening of constructors
 - b. Awarding of contracts
 - c. Project monitoring and control
 - d. Issuance of Certificate of Completion
 - e. Policy formulation/review
 - f. Industry planning
 - g. Adoption of measures to further improve performance of contractors in the prosecution of government projects



Section 31. Measurement of Works

- 31.1.** The quantities set out in the Bill of Quantities are the estimated quantities for the works. They should not therefore be taken as the actual and correct quantities of the works to be executed by the contractor in the fulfillment of his obligations under the contract. They can vary up to ten percent (10%) of the contract price to account for variation orders.
- 31.2.** The PEO shall, except if otherwise stated in the Quantities of the Detailed Engineering, measure the value of the works actually in-place in accordance with the contract. This measurement will be the basis for the payment that will be made to the contractor in accordance with the Statement of Work Accomplished. The PEO, or any of its authorized engineers, shall, when there is a need to measure any part of the works, give reasonable notice to the contractor's authorized agent, who must:
- Forthwith attend or send a qualified representative to assist the PEO in making such measurement; and
 - Supply all particulars required by the PEO.

Section 32. Payment

Methods and Conditions of Payment

- 32.1.** The method and conditions of payment shall be specified in the contract. Generally, payment for works can be done in two (2) ways: unit price or lump-sum payment. Unit price payments are made base on the unit prices of specific items as applied to actual quantities accomplished according to the Statement of Work Accomplished or Progress Report. Lump-sum payments, on the other hand, are based on the value of actual accomplished work in proportion to total contract cost.
- 32.2.** Any kind of payment, including advance and progress payments, must be made by the PGAS as soon as possible, but in no case later than forty-five (45) days after the submission of an invoice or claim by the contractor, accompanied by documents submitted pursuant to the contract, and upon fulfillment of other obligations stipulated in the contract. The PGAS shall also ensure that all accounting and auditing requirements are complied with prior to payment. The PGAS should commence inspection within twenty-four (24) hours after delivery.

Advance Payment

- 32.3.** A contractor may request for advance payment for mobilization. However, the payment must not exceed fifteen percent (15%) of the total contract price, and must be made in lump sum or, at the most, two (2) installments according to a schedule specified in the Instruction to Bidders and other relevant Bidding Documents. Moreover, it must be made only upon the submission to and acceptance



by the PGAS of an irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued by a surety or insurance company duly licensed by the Insurance Commission and confirmed by the PGAS.

- 32.4. The advance payment shall be repaid by the contractor by deducting fifteen percent (15%) from his periodic progress payments a percentage equal to the percentage of the total contract price used for the advance payment.
- 32.5. The contractor may reduce his standby letter of credit or guarantee instrument by the amounts refunded by the Monthly Certificates in the advance payment.

Progress Payment

32.6. Once a month, the contractor may submit a statement of work accomplished (SWA) or progress billing and corresponding request for progress payment for work accomplished. The SWA should show the amounts which the contractor considers itself to be entitled to up to the end of the month, to cover (a) the cumulative value of the works it executed to date, based on the items in the Bill of Quantities, and (b) adjustments made for approved variation orders executed.

32.7. The procuring entity's representative/project engineer shall check the contractor's monthly SWA and certify the amount to be paid to the contractor as progress payment. Except as otherwise stipulated in the Instruction to Bidders, materials and equipment delivered on the site but not completely put in place shall not be included for payment.

32.8. The procuring shall deduct the following from the certified gross amounts to be paid to the contractor as progress payment:

- a. Cumulative value of the work previously certified and paid for.
- b. Portion of the advance payment to be recouped for the month.
- c. Retention Money in accordance with the condition of contract.
- d. Amount to cover third party liabilities.
- e. Amount to cover uncorrected discovered defects in the works.

Retention Money

32.9. 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 works, as determined by the PGAS, 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.

32.10. The total "retention money" shall be due for release upon final acceptance of the works. The contractor may, however, request 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, of amount equivalent to the retention money substituted for and acceptable to the PGAS, 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 the PGAS shall be valid for a duration to be determined by the PGAS and will answer for the purpose for which the percent (10%) retention is intended, i.e., to cover uncorrected discovered defects and third party liabilities.

Final Payment

- 32.11.** The contractor may request for the penultimate payment for the project it is implementing when ninety percent (90%) of the work has been completed.
- 32.12.** The final payment will be made upon one hundred percent (100%) completion of the work. This payment will be reduced by whatever balance remains of the amount that is needed in order to return to PGAS the fifteen percent (15%) advance payment previously made. Ten percent (10%) of the remainder will then be retained to cover for all defects that may be detected, including maintenance costs for one year after project completion. An alternative to the ten percent (10%) final retention would be for the contractor to post a guarantee bond equivalent to ten percent (10%) of the contract price.

Section 33. Variation Orders

Definition

- 33.1.** A Variation Order refers to any increase/decrease in quantities within the general scope of the project as bid and awarded, in any of the following aspects:
- a. Introduction of new work items that are not included in the original contract;
 - b. Reclassification of work items that are either due to change of plans, design or alignment to suit actual field conditions resulting in disparity between the pre-construction plans used for purposes of the bidding and the “as staked plans” or construction drawings prepared after a joint survey by the contractor and the government after award of the contract, or during actual construction.
- 33.2.** Variation Orders may be issued at any time during contract implementation. However, the adjustment provided for in these orders must be necessary to fully meet the requirements of the project. The issuance of a Variation Order must conform to the following:
- a. That there will not be any short changes in the original design;



- b. That it will not affect the structural integrity and usefulness of the structure; and
- c. That it is covered by a Certificate of Availability of Funds or its equivalent.

Forms of Variation Order

33.3. A Variation Order may be in either of the following form:

- a. Change Order, which covers any increase/decrease in quantities of original work items in the contract; or
- b. Extra Work Order, which covers the introduction of new work necessary for the completion/improvement or protection of the project that are not included as items of work in the original contract. As an example, there may be subsurface or latent physical conditions at the site that differ materially from those indicated in the contract. There might also be duly unknown physical conditions at the site of an unusual nature that differ materially from those ordinarily encountered and generally recognized as inherent in the work or character provided for in the contract.

33.4. In any case, the addition or deletion of works should be within the general scope of the project as bid and awarded, and the deletion of the work should not affect the integrity and usefulness of the structure.

Allowable Amount of Variation Order

33.5. The net cumulative amount of the Variation Order should not exceed positive ten percent (+10%) of the original project cost.

33.6. If the adjustments provided for in a variation Order costs more than ten percent (10%) of the original project costs, these shall be the subjects of another contract to be bid out if the works are separable from the original contract. However, if these adjustments are urgently necessary to complete the original scope of work, the Provincial Governor may authorize the Variation Order beyond ten percent (10%) but not more than twenty percent (20%).

33.7. In case the Variation order exceed ten percent (10%), appropriate sanctions should be imposed on the designer, consultant or official responsible for the original detailed engineering design which failed to consider the conditions that led to the need for adjustments costing more than ten percent (10%) of the original total contract price.

Conditions for Start of Work under Variation Orders

33.8. Under no circumstances can a contractor proceed to commence work under any Change order or Extra Work order unless the same had been approved by the



provincial Governor.

- 33.9.** The PEO, subject to the issuance of the Certificate of Availability of Funds or its equivalent, may authorize the immediate start of work under any Change or Extra Work Order, subject to any or all of the following conditions:
- a. In the event of any emergency where the prosecution of the work is urgent to avoid any detriment to public service, or damage to life and/or property; and/or
 - b. When time is of the essence, for works in the critical path based on the approved PERT/CPM;
- 33.10.** However, the approval is valid on work done up to the point where the cumulative increase in value of work on the project which has not yet been duly fully approve does not exceed five percent (5%) of the adjusted original contract price whichever is less. Furthermore, immediately after the start of work, the corresponding Change Order or Extra Work Order must be prepared and submitted for approval in accordance with the above rules herein set. Payments for works satisfactorily accomplished on any Change Order or Extra Work Order may be made only after approval of the same by the authorized official.
- 33.11.** For a Change Order or Extra Work Order involving a cumulative amount exceeding five percent (5%) of the original contract, no work thereon may be commenced unless said Change Order or extra Work Order has been approved by the Provincial Governor.

Price Adjustments Due to a Variation Order

- 33.12.** The payment to the contractor for additional work under Variation Orders, must be derived based on the following:
- a. For additional/extra works duly covered by Change Orders involving work items which are exactly the same or similar to those in the original contract, the applicable unit prices of work items in the original contract shall be used.
 - b. For additional/extra works duly covered by Extra Work Orders involving new work items that are not in the original contract, the unit prices will be based on the direct unit costs used in the original contract (e.g., unit cost of cement, rebars, form lumber, labor rate, equipment rental, etc.). All new components of the new work item shall be fixed prices, provided the same is acceptable to both the government and the contractor. The direct units costs of new components must also be based on the contractor's estimate as validated by the PEO, in comparison with the construction price indices issued by the NSO. The PEO must validate these prices through a documented canvass among three eligible suppliers/contractors registered with its registry. The direct cost of the new work item must the



be combined with the mark-up factor (i.e. taxes and profit) used by the contractor in his bid to determine the unit price of the new work item.

- 33.13.** The request for payment by the contractor for any extra work must be accompanied by a statement, with the approved supporting forms, giving a detailed accounting and record of amount for which he claims payment. This request for payment must be included in the contractor's statement for progress payment.

PART III

COMMON PROVISIONS

Section 34. Contract Management Team

- 34.1.** A Contract management Team shall be created under the supervision and control of the Office of the Provincial Administrator consisting of the following members:

- a. The Chief, Provincial General Services Office, as Chairman
- b. Representative of the PEO, as Vice-chairman
- c. The Head, BAC Secretariat, as regular member
- d. Chief, Accounting Office, as regular member
- e. The Chief, end user unit, as provisional member
- f. The Provincial Legal Officer, or the legal consultant, as regular but non-voting resource person

- 34.2.** The CMT shall have the following functions, among others:

- a. Track the translation and interpretation of requirements into contractual provisions;
- b. Act as a single point of contract for all formal and legal correspondence relating to the contract;
- c. Conduct contract performance monitoring;
- d. Render reports;
- e. Oversee operation of the contract; and
- f. Negotiate remedies with suppliers, contractors, or consultants.