



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS  
OFFICE OF THE SECRETARY  
MANILA

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DEPARTMENT ORDER

No. **24**  
Series of 1989 *for 3-10*

SUBJECT: Preparation of Agency Estimates,  
Prequalification of Contractors,  
Evaluation of Bids and Submission  
of Contracts

To ensure expeditious delivery of DPWH frontline services, improve the managerial capabilities of its staff and pinpoint responsibilities in various decision/action areas, it is hereby directed that, henceforth, Implementing Offices (IOs) shall be responsible in (a) preparing Agency Estimates; (b) initially reviewing the prequalification statements of all contractors interested in submitting bids for particular projects and preparing/submitting to the PBAC concerned a report/recommendation on their prequalification, and (c) the preliminary evaluation of bids submitted and preparing/submitting to the PBAC concerned a report/recommendation for an award of contract.

A. The Agency Estimate to be prepared by the IOs shall initially be the direct costs of the project only, including applicable taxes, taking into consideration current market prices of construction materials and supplies, labor and equipment, and the most cost-effective construction methods and procedures, and choice of equipment.

The PBAC Chairman, the PBAC's regular technical member, and the member representing the IO, shall jointly determine the percentage mark-ups for (a) indirect costs (overhead, contingencies, miscellaneous) and (b) profit, taking into consideration the project location, site conditions and the market situation during the call for bids. These mark-ups shall be added by the IO to the estimates of direct costs and applicable taxes earlier prepared and thus generate the AE whose approval by the authority concerned shall be secured by the IO. These mark-ups shall be within the following ranges:

| ESTIMATED DIRECT<br>COST<br>(EDC) | : | INDIRECT COST/MARK-UP: | : | (%) FOR<br>MOB/DEMOB AS<br>% of EDC | : | TOTAL INDIRECT<br>COST/MARK-UP |
|-----------------------------------|---|------------------------|---|-------------------------------------|---|--------------------------------|
|                                   | : | OCM AS                 | : | PROFIT AS                           | : |                                |
|                                   | : | % of EDC               | : | % of EDC                            | : |                                |
| 1. Up to P500,000:                | : | 10 - 12                | : | 1 - 2                               | : | 21 - 26                        |
| 2. Above P500,000:                | : | :                      | : | :                                   | : | :                              |
| to P1 M                           | : | 10 - 12                | : | 1 - 2                               | : | 20 - 25                        |
| 3. Above P1 M                     | : | :                      | : | :                                   | : | :                              |
| to P5 M                           | : | 9 - 11                 | : | 1 - 2                               | : | 18 - 23                        |
| 4. Above P5 M                     | : | :                      | : | :                                   | : | :                              |
| to P10 M                          | : | 8 - 10                 | : | 1 - 2                               | : | 16 - 21                        |
| 5. Above P10 M                    | : | :                      | : | :                                   | : | :                              |
| to P20 M                          | : | 8 - 10                 | : | [2 - 3]                             | : | 14 - 18                        |
| 6. Above P20 M                    | : | :                      | : | :                                   | : | :                              |
| to P50 M                          | : | 7 - 9                  | : | [2 - 5]                             | : | 12 - 16                        |
| 7. Above P50 M                    | : | 7 - 9                  | : | [2 - 5]                             | : | 12 - 16                        |

[NOTE: For projects with estimated direct costs exceeding P10 M, it is preferred to make Mob/Demob as a separate pay item, hence in calculating unit prices, the indirect cost/mark-up to be used shall only be those for OCM and profit.]

A provision in the contract should be included to define how it should be paid i.e., (1) its total cost should not exceed the percentages given above; (2) payment for mobilization is tied to the degree of actual mobilization of the required minimum equipment; and (3) percentage cost of mobilization and demobilization are defined, e.g., 80-20 or 70-30.]

In accordance with the IRR of PD 1594, the AAE shall be confidential and shall be opened only on the day of the bidding after it has been determined that there are at least two competing bidders. The confidentiality and integrity of the AAE shall be the responsibility of the PBAC Chairman who is empowered to review/amend the direct costs of the project as calculated by the IO(s) either by himself or thru others.

B. The initial prequalification of contractors to be done by the IO(s) shall include a determination of

each prospective bidder's technical and financial capability to prosecute the project. Most important among the technical capabilities of a prospective bidder are its equipment pool pledged to, and appropriate for, the project, and its managerial and technical personnel to be assigned thereto. Necessarily, these should be verified by the IO concerned and, in the case of its equipment resources, inspected and confirmed to be operational and available to be used for the project and should satisfy the minimum equipment requirements of the project to be bid.

The IO concerned shall also be responsible for evaluating the performance of all prospective bidders on their past and on-going projects, including records of rescission or termination for cause. The results of this evaluation shall be strictly applied in the determination of the eligibility of the contractor to participate in the bidding called for.

The financial capability of the prospective bidders shall be determined strictly in accordance with the IRR of PD 1594.

Other requirements such as licenses, joint-venture agreements if appropriate, etc., etc., shall similarly be checked thoroughly by the IO concerned, which shall certify, in its endorsement to the PBAC, that the prequalification of contractors was conducted diligently and strictly in accordance with all DPWH rules and regulations.

The PBAC concerned shall review the prequalification recommendations of the IO and shall prepare/approve the necessary Resolution indicating who among the contractors are prequalified and predisqualified and the reason(s) for predisqualification.

C. The preliminary evaluation of the bids received, including a careful examination of all bidding documents, shall be the responsibility of the IO concerned.

It shall check arithmetically all bids and their compliance with bidding requirements.

The bids of the three lowest bidders shall be evaluated in more detail by cross-comparing unit bid prices against the unit AAE rates. The Detailed Price Analysis and Construction Methods/Procedures submitted by the bidders shall be reviewed to determine their reasonableness and, specially for the latter, flaws which can be corrected in the preparation of the

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official work schedule.

The IO report shall likewise include the names of contractors who received tender documents but did not submit bids and the reason(s) for non-submission. The IO shall examine all bid documents for signs of collusion among the participating bidders and bring this to the attention of the PBAC concerned for its appropriate action.

Having completed the evaluation and with a recommendation to award the project to the bidder adjudged to have submitted the most advantageous bid, the IO shall prepare/submit to the PBAC concerned a draft Resolution of Award. The bid evaluation report, recommendation for award, and draft Resolution shall be accompanied with a top sheet containing a certification of the head of the IO that the aforementioned activities had been diligently done consonant with all rules and regulations.

D. After award, the IO shall prepare the contract and, together with all supporting documents duly reviewed and examined, submit the same for approval by the authorities concerned. In order not to delay its processing and approval, the IO shall ensure that all requirements are complied with and that all necessary documents to support the contract are submitted.

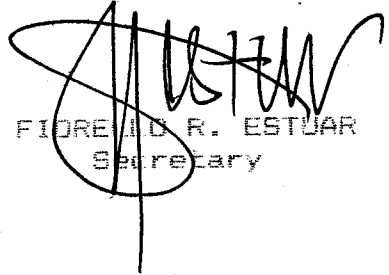
To ensure compliance with this Department Order and institutionalize this process, the Bureau of Construction and the Internal Audit Service shall, among their other functions, post-review approved contracts, including the bid documents of the participating bidders, in the course of their review and evaluation of projects, and report their findings thereon.

The PBAC Secretariat shall function strictly as such - as secretarial corps - to, among others, receive from IO's requests for advertisement, cause advertisements of notices of prequalification and bidding, send notices to qualified contractors, issue qualification forms and tender documents, etc., arrange/coordinate pre-bid conferences and all PBAC meetings, assist in the reception/opening of bids, maintain/update files on contractors, their projects and track records and, in the case of the Central Office PBAC Secretariat, act as the Technical Working Group of the Inter-Agency Committee in the classification and registration of contractors nation-wide.

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In view of the foregoing, the DPWH Central Office Price Estimating Committee is hereby abolished and all previously issued circulars, memoranda, and orders inconsistent herewith are hereby revoked.

This Department Order shall take effect immediately.



FIDREND R. ESTUAR  
Secretary