



REPUBLIC OF THE PHILIPPINES
MINISTRY OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE MINISTER
MANILA

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MINISTRY ORDER)
No. 43)
Series of 1984)
X-X-X-X-X-X

Subject: Guidelines in the Preparation
and Payment of Contract Price
Escalation

To give substance to the Presidential approval of the amendment to the Implementing Rules and Regulations of PD 1594 authorizing Ministers of Infrastructure agencies to escalate contract prices up to 30% per annum, and for a uniform implementation of the same, the following guidelines are hereby promulgated for MPWH projects:

1. The implementing offices concerned shall submit to the MPWH Price Escalation Committee (MPWH-PEC), which is tasked with the computation of price escalation with the assistance of the MPWH Infrastructure Computer Center (ICC), the following documents (certified true copies), together with the contractor's request for price escalation payment duly endorsed/recommended by the Head of the implementing office:

- a. Approved Contract, including Resolution of Award and Abstract of Bids
- b. Approved Notice to Commence Work
- c. Approved PERT/CPM Work Schedule
- d. Approved Payment Voucher(s) and Statement(s) of Work Accomplished
- e. Approved Change, Work, or Extra Work Orders, Supplemental Agreements, Addenda, etc., if any
- f. Approved Contract Time Suspension/Extension, if any
- g. Background Information for every collection or partial payment duly signed by the Head of the implementing office.

2. The Price Escalation Committee and the ICC shall prepare the necessary computations which shall be approved by the Minister or the Deputy Minister concerned. Copies of the computer printout(s) showing the applicable price escalation for payment duly approved by the Minister or the Deputy Minister, as the case may be, shall be forwarded by the MPWH-PEC to the implementing office concerned.

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3. The implementing offices shall then prepare the corresponding payment vouchers chargeable (a) against the economic contingency portion of the contract if such was provided for in the obligation of funds to support said contract; (b) if no such contingency sum was built-in into the contract, the calculated price escalation shall be charged directly against the project funds; (c) However, if there are no more funds available as free balance of the project, the amount of price escalation shall be charged against the funds obligated for the contract.

4. All payment vouchers for price escalation shall be approved by the Minister unless otherwise delegated under Ministry Order No. 65, s. 1982 (Delegation of Authorities).

5. In case of 3(c) above, the implementing office shall evaluate the effects of price escalation and the extent payment thereof shall erode funds obligated for the contracted scope of work. Should there be no savings in whatever form to offset payments for price escalation, the project should be re-structured and the corresponding Change Order or Supplemental Agreement shall immediately be prepared/submitted for approval, ensuring that a usable portion of the project shall be completed with the exhaustion of the obligated funds therefor. The uncompleted portion of the project due to the resulting shortfall of funds shall be included in the ensuing construction program(s) of the implementing office.

For compliance.



JESUS S. HIPOLITO
Minister