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

13 June 1988

DEPARTMENT ORDER)

No. **57** m)  
Series of 1988 8/3

SUBJECT: Escalation of Foreign Currency  
Portion of Contract Prices

In order to ensure uniformity and promote equity in the grant of price escalation to foreign-assisted projects, the following procedures are hereby prescribed:

A. ON-GOING PROJECTS

1. Price Escalation of the local currency component shall be computed in accordance with the Implementing Rules and Regulations of P.D. No. 1594, as amended.

2. Price Escalation of the foreign currency component shall be computed in accordance with the formula hereunder specified:

Foreign Currency Component Fluctuation Factor

$$K_{FCC} = 0.15 + 0.85 \frac{(CPI_i)}{(CPI_o)}$$

where;  $K_{FCC}$  = Foreign Currency Component Fluctuation Factor

$CPI_i$  = Current Consumer Price Index of Country of Origin as published by the IMF

$CPI_o$  = Base Consumer Price Index of Country of Origin as published by IMF

Parametric Formula

$$P = P_o (K)$$

where;  $P$  = Escalated unit price of foreign currency component or escalated amount of foreign currency component

$P_o$  = Original unit price of foreign currency component or original amount of foreign currency component

$K$  = Fluctuation Factor

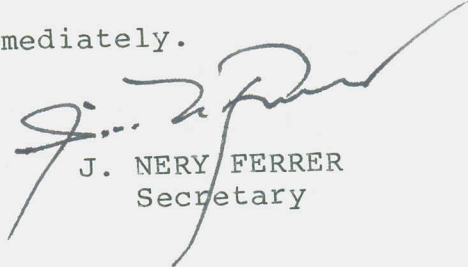
B. FUTURE CONTRACTS

1. To forestall controversy in the escalation of the foreign currency component, future contracts shall be denominated and paid in peso currency.

2. The exchange rate prevailing at the time of progress billing shall govern in the conversion of the foreign currency component.

3. The total cost of the progress billing in pesos shall be subject to price escalation in accordance with the Implementing Rules and Regulations of P.D. No. 1594, as amended.

This Order shall take effect immediately.



J. NERY FERRER  
Secretary