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

16 November 1988

DEPARTMENT ORDER)

NO. **107** *M*  
Series of 1988 *11/16*

SUBJECT: NEGOTIATED CONTRACTS INCLUDING  
SUPPLEMENTAL AGREEMENTS

We wish to reiterate Ministry Order No. 1, series of 1987, banning negotiated contracts unless in extreme emergencies allowed by the rules and regulations.

Effective as of date, supplemental agreements shall be avoided as these agreements partake of the nature of a negotiated contract which this Office has banned, as per Ministry Order No. 1, series of 1987.

For agreements initiated prior to this date and for which formal documents have already been entered into by authorized field officials, subject to the approval of this Office, same may be forwarded for consideration, provided the following criteria are met:

1. The need to enter into the supplemental agreement is brought about by an emergency and unforeseen circumstances and not by lack of anticipation of the requirements of the project.
2. The supplemental agreement involves overruns in contract quantities of items of work and/or changes of classification of materials, which are integral to the original scope of the contract, due to changes in field conditions.
3. The total cost of works covered by the supplemental agreement, which is contiguous to an on-going project, shall not exceed ten percent (10%) of the contract cost of the on-going project over and above that allowed as extra work.
4. The work for the structure is indivisible from an engineering point of view.
5. The funding for the supplemental agreement shall be charged to savings generated from the original contract.
6. Prices shall not be more than the original contract prices plus escalation, less cost of mobilization; but in cases where costs have gone down, corresponding reduction in unit prices shall be effected.

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All supplemental agreements under negotiation which are not complying with the above criteria shall be immediately stopped and the proposed works awarded thru competitive public bidding.

Any official or contractor found antedating agreements to avoid application of this Department Order shall be severely dealt with.

Extreme emergency cases not complying with the above shall be brought to the attention of the Office of the Secretary for specific review and consideration.



FIGRELLQ R. ESTUAR  
Secretary