

**MALACAÑANG**  
Manila

**PRESIDENTIAL DECREE No. 1594**

**PRESCRIBING POLICIES, GUIDELINES, RULES AND REGULATIONS FOR GOVERNMENT  
INFRASTRUCTURE CONTRACTS**

WHEREAS, the present policies, rules and regulations covering government contracts for infrastructure and other construction projects are generally fragmented and have been found to be inadequate to cope with the intricate and complex process involved;

WHEREAS, there is a need to adopt a comprehensive, uniform, and updated set of policies, guidelines, rules and regulations covering government contracts for infrastructure and other construction projects in order to achieve a more efficient and effective implementation of these projects.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

**Section 1. *Policy Objectives.*** It is the policy of the government to adopt a set rules and regulations covering government contracts for infrastructure and other construction projects which shall:

- (a) bring about maximum efficiency in project implementation and minimize project costs and contract variations through sound practices in contract management;
- (b) promote a healthy partnership between the government and the private sector in furthering national development; and
- (c) enhance the growth of the local construction industry and optimize the use of indigenous manpower, materials and other sources.

**Section 2. *Detailed Engineering.*** No bidding and/or award of contract for a construction project shall be made unless the detailed engineering investigations, surveys, and designs for the project have been sufficiently carried out in accordance with the standards and specifications to be established under the rules and regulations to be promulgated pursuant to Section 12 of this Decree so as to minimize quantity and cost overruns and underruns, change orders and extra work orders, and unless the detailed engineering documents have been approved by the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, of the Minister of Energy, as the case may be.

**Section 3. *Prequalification of Prospective Contractors.*** a prospective contractor may prequalified to offer his bid or tender for a construction project only if he meets the following requirements.

- (a) **Legal Requirements.** The prospective contractor must have been licensed as a contractor for the current year pursuant to Republic Act No. 4566, must have paid his privilege tax to practice or engage in the contracting business for the current year, must comply with the Administrative Order No. 66 of the Office of the President of the Philippines, and must comply with other existing pertinent laws, rules and regulations.
- (b) **Technical Requirements.** The prospective contractor must meet the following technical requirements to be established in accordance with the rules and regulations to be promulgated pursuant to Section 12 of this Decree, to

enable him to satisfactorily prosecute the subject project:

- 1) Competence and experience of the contractor in managing projects similar to the subject project.
- 2) Competence and experience of the contractor's key personnel to be assigned to the subject project.
- 3) Availability and commitment of the contractor's equipment to be used for the subject project.

(c) Financial Requirements. The net worth and liquid assets of the prospective contractor must meet the requirements, to be established in accordance with the rules and regulations to be promulgated pursuant to Section 12 of this Decree, to enable him to satisfactorily execute the subject project. The prospective contractor may be allowed to cover the deficiency in the required net worth through a line of credit fully committed to the subject project by a bank or financial institution acceptable to the Ministry concerned.

(d) Filipino participation. The Government shall promote maximum participation of eligible Filipino contractors in all construction projects.

**Section 4. *Bidding.*** Construction projects shall generally be undertaken by contract after competitive public bidding. Projects may be undertaken by administration or force account or by negotiated contract only in exceptional cases where time is of the essence, or where there is lack of qualified bidders or contractors, or where there is a conclusive evidence that greater economy and efficiency would be achieved through this arrangement, and in accordance with provision of laws and acts on the matter, subject to the approval of the Ministry of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be, if the project cost is less than P1 Million, and of the President of the Philippines, upon the recommendation of the Minister, if the project cost is P1 Million or more. A bidder's bond, in an amount to be established in accordance with the rules and regulations to be promulgated pursuant to Section 12 of this Decree, shall accompany the bid to guarantee that the successful bidder shall, within a prescribed period from receipt of the notice of award, enter into account and furnish the required performance bond for the faithful and complete prosecution of the work specified in the contract documents.

**Section 5. *Award and Contract.*** The contract may be awarded to the lowest prequalified bidder whose bid as evaluated complies with all the terms and conditions in the call for bid and is the most advantageous to the Government. To guarantee the faithful performance of the contractor, he shall, prior to the award, post a performance bond, in an amount to be established in accordance with the rules and regulations to be promulgated under Section 12 of this Decree. All awards and contracts duly executed in accordance with the provisions of this Decree shall be subject to the approval of the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be.

**Section 6. *Assignment and Subcontract.*** The contractor shall not assign, transfer, pledge, subcontract or make any other disposition of the contract or any part of interest therein except with the approval of the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be. Approval of the subcontract shall not relieve the main contractor from any liability or obligation under his contract with the Government nor shall it create any contractual relation between the subcontractor and the Government.

**Section 7. *Responsibility of the Contractor.*** The contractor shall assume full responsibility for the contract work until its final acceptance by the Government and shall be held responsible for any damage or destruction of works except those occasioned by force majeure. Except likewise for force majeure, the contractor shall be fully responsible for the safety, protection, security, and

convenience of his personnel, third parties, and the public at large, as well as the works, equipment, installation and the like to be affected by his construction work.

**Section 8. *Adjustment Contract Price.*** Adjustment of contract price for construction projects may be authorized by the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be, upon recommendation of the National Economic and Development Authority, if during the effectivity of the contract, the cost of labor, equipment, materials and supplies required for the construction should increase or decrease due to direct acts of the Government. The adjustments of the contract price shall be made using appropriate formulas established in accordance with the rules and regulations to be promulgated under Section 12 of this Decree.

**Section 9. *Change Order and Extra Work Order.*** A change order or extra work order may be issued only for works necessary for the completion of the project and, therefore, shall be within the general scope of the contract as bid and awarded. All change orders and extra work orders shall be subject to the approval of the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be.

**Section 10. *Inspection and Construction of Contract Work.*** Inspection of the contract work shall be made by the Government while such contract work is in progress to ascertain that the completed works comply in all respects with the standards and requirements set forth in the contract documents. Notwithstanding such inspection, the contractor shall be held responsible for the acceptability of the finished works. The contractor shall promptly replace all materials and correct all works determined by the Government as failing to meet contract requirements.

**Section 11. *Government's Right to Take Over Contract Work.*** The Government may take over the contract work should the contractor abandon the contract work, or unduly delay the prosecution of the contract work, or become insolvent, or assign his assets for the benefit of his creditors, or be adjudged bankrupt, or assign the contract work without written approval by the Government, or violate any condition or term of the contract. In any of these cases, the Government may terminate the employment of the contractor and take over the contract work after giving due notice to the contractor and his sureties.

**Section 12. *Implementing Rules and Regulations.*** The Minister of Public Works, Transportation and Communications, as the lead official, the Minister of Public Highways, the Minister of Energy, and the Director-General of the National Economic and Development Authority, shall jointly promulgate the rules and regulations to implement the provisions of this Decree. Once approved by the President of the Philippines, these implementing rules and regulations shall be applicable to all contracts for infrastructure and other construction projects of all government agencies including government-owned or controlled corporations and other instrumentalities.

**Section 13. *Separability Clause.*** If any provision of this Decree is held unconstitutional, the other provisions shall remain valid.

**Section 14. *Repealing Clause.*** All Acts, Charters, Decrees, Letters of Instructions, Executive Orders, Proclamations, rules and regulations or parts thereof in conflict with the provisions of this Decree are hereby repealed or modified accordingly.

**Section 15. *Effectivity.*** This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.