

# [ PRESIDENTIAL DECREE NO. 1594, June 11, 1978 ]

## **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 processes 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 of 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 resources.

**SEC. 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, or the Minister of Energy, as the case may be.

**SEC. 3. *Prequalification of Prospective Contractors.***—A prospective contractor may be 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 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.

**SEC. 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 contract and furnish the required performance bond for the faithful and complete prosecution of the work specified in the contract documents.

**SEC. 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.