

[EXECUTIVE ORDER NO. 807, June 10, 1982]

**ESTABLISHING THE SMALL CONTRACTORS MODULE UNDER THE
KILUSANG KABUHAYAN AT KAUNLARAN AND FOR OTHER
PURPOSES**

WHEREAS, the Government has launched the Kilusang Kabuhayan at Kaunlaran (KKK) as a nationwide movement to mobilize local resources for the establishment of viable productive enterprises that will provide sources of livelihood in the community;

WHEREAS, locally-based contractors can be utilized to undertake the construction and maintenance of support facilities required by KKK projects particularly farm-to-market roads, markets, water supply systems and the social facilities such as schools and health centers;

WHEREAS, there are thousands of small contractors groups employing a large number of laborers all over the country, many of which have been and tend to remain perennial sub-contractors and informal labor groups offering their services to the larger and more established contractors and owner/clients not only for private construction jobs but also for community projects such as roads, markets, schools, public buildings, drainage, water supply facilities and other social facilities;

WHEREAS, while these small contractors have manifested the technical capability, determination, and potential to organize themselves into more viable contractor entrepreneurs, a major constraint facing them is the lack of suitable support programs responsive to their financial requirements at affordable levels; and

WHEREAS, the establishment of the KKK opens the opportunity to provide assistance to these small contractors in order to stimulate and sustain entrepreneurship in the countryside, generate local jobs, further develop construction technology, spread income opportunities especially in the rural communities, and enable the extensive construction and maintenance of community public works at reduced costs.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and the authority vested in me by Presidential Decree No. 1416, as amended, do hereby order and ordain:

SECTION 1. Establishment of Small Contractors Module. A "small contractors module" is hereby established as an integral part of the KKK to be implemented in accordance with the guidelines and procedures provided herein.

SEC. 2. Types of Projects. KKK assistance under the small contractors module may be extended for public works and highways projects with an estimated contract cost of not more than Seven Hundred Thousand Pesos (P700,000.00) each, such as

school buildings, barangay roads, small flood control and drainage works, communal irrigation, wells, health centers, and similar projects.

SEC. 3. Prospective Beneficiaries. To be considered as a prospective beneficiary of the KKK, an applicant must be duly accredited by the District or City Engineer's Office or other equivalent instrumentality under the Ministry of Public Works and Highways as having met the following prequalification requirements:

a. Legal requirements

i. The applicant must be a Filipino citizen, of legal age, and good standing in the community, or a partnership/cooperation of good standing whose capital stock is fully owned by Filipino citizens.

ii. The key officers of the applicant must be bona fide residents for the past three (3) years of the region where the subject project applied for is located. The applicant may, therefore, apply for KKK assistance only for proposed public works and highways contracts in his region of residence.

iii. The applicant must submit a sworn statement that he shall, if awarded the contract for the subject project, procure unskilled workers from the municipality or city where the subject project is located, and semi-skilled workers from the province where the subject contract is situated.

b. Technical requirements

i. Experience. The applicant or his key construction staff must have satisfactorily completed projects with aggregate costs of at least ten per cent (10%) of the estimated contract cost of the subject project and which involve essentially the same or similar technology as that of the subject project. Applicants whose completed projects for the past year have an aggregate value of more than One Million Pesos (P1,000,000.00) are disqualified.

ii. Equipment. The applicant must own at least basic construction tools, e.g. masonry, carpentry, and ditching tools.

iii. Organization. The applicant must have in his employ at least a construct foreman with a minimum experience of one (1) year in the same or similar work as that of the subject project.

c. Financial requirements. The applicant must have a positive net worth i.e., his total assets must exceed his total liabilities, based on his latest income tax return.

SEC. 4. Types of KKK Assistance. KKK assistance to pre-qualified and accredited contractors who are awarded a contract will come in the form of a loan bearing an interest of twelve per cent (12%) per annum, repayable in accordance with Sec. 6 hereof. The loan may cover:

a. The estimated working capital required by the contractor for the subject project, but not to exceed the estimated operating expenses for one and one-half (1-½) months or fifteen per cent (15%) of the estimated contract cost of the project, whichever is lesser and/or

b. The estimated cost of purchasing light construction equipment needed for the project, such as concrete mixers, not exceeding fifteen percent (15%) of the estimated contract cost.

The contractor may also request the KKK designated banks to post, on behalf of the contractor, either or both of the following bonds, with the premiums, banking charges and other expenses incidental thereto considered as additional loans under the same terms and conditions as mentioned above:

a. The required bid bond in favor of the government agency concerned in the form of cash, cashier's check, manager's check, letter of credit, or a combination thereof, amounting to at least two and a half (2.5%) of the bid price to guarantee that, if awarded the contract, the contractor will enter into corresponding agreement with the government agency concerned with fifteen (15) calendar days from the date of receipt of the notice of award of the contract; and/or

b. If awarded the contract, the required performance bond in favor of the government agency concerned in the form of cash, manager's check, cashier's check, letter of credit, or a combination thereof, amounting to at least five per cent (5.0%) of the contract price, to guarantee the contractor's faithful performance of the contract.

SEC. 5. Financing Institutions. KKK financing will be extended to accredited contractors by KKK designated banks or other financing institutions duly authorized by the KKK National Secretariat.

SEC. 6. Procedures. The following procedures shall be followed by all concerned in the implementation of this module:

a. Prequalification

i. For every specific project that is deemed eligible for KKK assistance under the small contractors module in accordance with the provisions of SEC. 2 hereof, the government agency concerned, i.e., the District or City Engineer's Office or other equivalent instrumentality under the Ministry of Public Works and Highways shall invite interested contractors to submit to its applications for prequalification and KKK assistance for the project and, if so prequalified, to submit bids for the subject contract under regular public bidding or sealed canvass bidding, at the discretion of the Head of the office or agency concerned.

ii. The contractor-applicant shall accomplish both application forms for prequalification and KKK assistance and submit them to the agency concerned before the prescribed deadline.

iii. The agency concerned shall evaluate the prequalification statement of the contractor to determine its conformity with the requirements mentioned in SEC. 3 hereof. In the event of approval of the contractor's application for prequalification, the agency shall endorse the application for KKK assistance to the KKK Regional Action Officer (RAO) concerned.

b. Processing of application for KKK-assistance.