

INCLUSION OF PRICE ESCALATION FUNDS IN THE PROGRAMS OF WORK AND CONTRACTS

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In order to ensure that funds are available to meet escalation of construction costs, it is hereby directed that, henceforth, all POWs and contracts shall include built-in provisions for price (inflation) contingencies not to exceed 12% per annum, based on price indices and projected inflation rates, in addition to the 5% contingency portion, and subject to the following conditions:

1. The amount allocated for Price Escalation shall be obligated supported by a separate ROA for the purpose.
2. Separate CAF shall be prepared for the same.
3. Unused obligation for Price Escalation at the end of the year or after completion of the project maybe used for payment of other unpaid claims of the contractor for the same project. Otherwise, the balance of the obligation shall be reverted to the unappropriated surplus.
4. Unobligated allotment of completed project shall be used for any deficiency for price escalation of the same project not covered in the original contract thru additional obligation/CAF.
5. Any deficiency for price escalation not covered in the original contract which cannot be sourced from project funds may be sourced from savings of other projects in accordance with the provisions of the General Appropriations Act.

This order is in addition to the provisions of Department Order No. 36 series of 1989.

Adopted: 8 May 1991

(SGD.) JOSE P. DE JESUS
Secretary

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