



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

097-13 DPWH
8-5-98



March 4, 1998

DEPARTMENT ORDER) SUBJECT: PROCUREMENT AND USE OF CEMENT,
No. 49) REINFORCING STEEL BARS, AND
Series of 1998/40) ASPHALT MATERIALS
X-X-X-X-X-X-X-3/5-X

In the interest of public service and in accordance with the provisions of Presidential Memorandum Order No. 459 dated January 13, 1998, "authorizing agencies of government implementing infrastructure projects to adopt prepayment basis in the procurement of cement, reinforcing steel bars, and asphalt materials", copy attached, the following guidelines and policies relative thereto are hereby prescribed for the guidance of all concerned:

1. DPWH contractors for infrastructure projects may use either domestically produced or imported cement, reinforcing steel bars, and asphalt provided that they meet the prescribed specifications.
2. As a matter of policy, the DPWH does not intervene in the procurement of cement, reinforcing steel bars, and asphalt materials for use of a contractor in its project(s) contracted with the DPWH. The procurement transaction shall be between the contractor and the supplier only.
3. A contractor may, however, request the DPWH in writing to pre-pay the cement, reinforcing steel bar, and asphalt material requirements of its project using funds obligated to cover the cost of its contract, provided the cement, reinforcing steel bar, and asphalt materials shall be exclusively used for the specific DPWH project contracted and shall not exceed the requirements of said project, as verified by the Head of the DPWH Implementing Office, but in no case exceeding the cement, reinforcing steel bar and asphalt material requirements for three months based on the approved PERT/CPM schedule of the project. The said request shall be supported by formal written quotations from the suppliers identified by the contractor, and a written statement that the contractor shall store the cement, reinforcing steel bars, and asphalt materials within the project site. The quotations shall not exceed the prevailing prices of these materials announced by the Department of Trade and Industry for the period under consideration.
4. The request for pre-payment shall be subject to the approval of the DPWH official who approved the corresponding civil works contract, as recommended by the Head of the Implementing Office concerned. Before the request for pre-payment is approved, the Head of the Implementing Office must verify that adequate storage facilities for the materials are available within the project site.

5. After approval of its request for pre-payment, the contractor concerned shall submit to the Head of the Implementing office the official invoice from its supplier and a written commitment to deliver the materials within fifteen (15) days upon receipt of the pre-payment. These documents shall be presented to support the corresponding DPWH disbursement voucher, payable to the contractor.
6. For the faithful recoupment of the pre-payment made by the DPWH, the contractor concerned shall submit a Surety Bond, callable on demand, covering the amount of the pre-payment and issued by a surety company acceptable to the DPWH.
7. The DPWH shall recoup the pre-payment made to a contractor through deductions from its progress billings under a definite repayment schedule mutually agreed upon by and between the DPWH and the contractor, over a period not exceeding three (3) months after the pre-payment. In case of termination/rescission, the DPWH reserves the right to assume or not to assume eventual ownership of unused materials remaining on stock in the project and its consequent payment or non-payment in the financial liquidation of the terminated/rescinded project.
8. The contractor concerned shall be responsible for the quality of the cement, reinforcing steel bars, and asphalt materials that it will use. The DPWH reserves the right to reject cement which does not comply with the prescribed specifications, especially the pertinent provisions of the DPWH Standard Specifications 1988, Volume II (Blue Book), e.g., Item 700, to wit:

"Cement shall conform to the requirements of the following cited Specifications for the type specified or permitted.

Portland Cement	AASHTO M 85 (ASTM C150)
Blended Hydraulic Cement	AASHTO M 240 (ASTM 595)
Masonry Cement	AASHTO M 150 (ASTM C 91)

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"Unless otherwise permitted by the Engineer, the product of only one mill of any one brand and type of Portland Cement shall be used on the project.

"The Contractor shall provide suitable means of storing and protecting the cement against dampness. Cement which, for any reason, has become partially set or which contains lumps or caked cement will be rejected. Cement salvaged from discarded or used bags shall not be used."

In the case of Portland cement, the pertinent AASHTO Specifications to be followed are as follows (AASHTO M 85-89/ASTM C150-86):

"Cement remaining in bulk storage at the mill, prior to shipment, for more than 6 months, or cement in bags in local storage in the hands of a vendor for more than 3 months, after completion of tests, may be retested for use and may be rejected if it fails to conform to any of the requirements of this specifications."

9. Furthermore, the contractor concerned shall be fully responsible for the proper storage of the cement, including possible damage or loss. The contractor will be required to refund to the DPWH the amount pertaining to the rejected, damaged or lost cement or to replace said cement with cement which complies with the prescribed specifications.
10. The quality of reinforcing steel bars and asphalt materials should meet the prescribed specifications, especially the pertinent provisions of the DPWH Standard Specifications 1988, Volume II (Blue Book).
11. The cement, reinforcing steel bars and asphalt materials pre-paid by the DPWH shall not be subject to price escalation.
12. The application by interested contractors and approval by the concerned DPWH official of this pre-payment scheme for specific projects can be authorized only until August 12, 1998.
13. Any violation of these guidelines shall be subject to existing laws, rules and regulations, including but not limited to the blacklisting of the contractor concerned and/or forfeiture of his surety bond as per Section 6 hereof.

This Order shall take effect immediately.


GREGORIO R. VIGILAR
Secretary

MALACAÑANG

Manila

By the President of the Philippines

MEMORANDUM ORDER NO. 459

AUTHORIZING AGENCIES OF GOVERNMENT IMPLEMENTING INFRASTRUCTURE PROJECTS TO ADOPT PRE-PAYMENT BASIS IN THE PROCUREMENT OF CEMENT, REINFORCING STEEL BARS, AND ASPHALT MATERIALS

WHEREAS, the depreciation of the Philippine Peso has adversely affected the implementation of national infrastructure projects in terms of increased construction costs and difficulties in the sourcing of credit facilities.

WHEREAS, Section 88 (1) of Presidential Decree No. 1445, otherwise known as the Government Accounting Code of the Philippines, provides that:

"Except with the prior approval of the President (Prime Minister) the government shall not be obligated to make advance payment of services not yet rendered or for supplies and materials not yet delivered under any contract therefor. No payment, partial or final, shall be made on any such contract concerned to the effect that the services or supplies and materials have been rendered or delivered in accordance with the terms of the contract and have been duly inspected and accepted."

WHEREAS, the grant of authority to the agencies of government implementing infrastructure projects to adopt pre-payment basis in the procurement of their requirements for cement, reinforcing steel bars, and asphalt materials, subject to certain limitation, would accelerate the implementation of these projects;

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. All government agencies implementing infrastructure projects are hereby authorized to adopt pre-payment basis in the procurement of cement, reinforcing steel bars, and asphalt materials, for government infrastructure projects as an exception to the prohibition under Section 88 (1) of Presidential Decree No. 1445.

The Government agencies concerned shall provide sufficient safeguards to ensure that the materials procured under the pre-payment arrangement mentioned above are not applied to purposes other than implementation of the infrastructure projects mentioned herein.

IN REPLYING, PLEASE CITE:

PFVR Memorandum # M980003



M980003

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As used in this Memorandum Order, the phrase "infrastructure project" shall mean construction, improvement, or rehabilitation of roads and bridges, flyovers, railways, airports, seaports, communication facilities, irrigation, flood control and drainage, water supply and sewerage systems, shore protection, power facilities, national buildings, school buildings, hospital buildings, and other related construction projects that form part of the government's capital investment program.

SEC. 2. The authority granted herein shall remain in force and effect for a period of six (6) months from date hereof.

SEC. 3. This Memorandum Order shall take effect immediately.

DONE in the City of Manila, this 13th day of January in the Year of Our Lord, Nineteen Hundred and Ninety-Eight.



By the President:



ALEXANDER P. AGUIRRE
Acting Executive Secretary