



PAMBANSANG PUNONGHIMPILAN TANODBAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th Street, Port Area,
1018 Manila

CGLSC/CGIDS

10 January 2022

STANDARD OPERATING PROCEDURES

NUMBER.....01-22

**ADMINISTRATIVE ACTION ON CONTRACTS WITH NEGATIVE SLIPPAGE
FOR PCG INFRASTRUCTURE PROJECTS**

I. REFERENCE:

1. RA 9184 - Revised IRR - Annex "E" Contract Implementation Guidelines for the Procurement of Infrastructure Projects
2. RA 9184 - Revised IRR - Annex "I"- Guidelines on Termination of Contract
3. GPM Volume 3 Manual of Procedures for the Procurement of Infrastructure Projects - "Contract Termination for Default, Unlawful Acts or Insolvency"
4. GPPB Circular No. 03-2019 - Guidance on Contract Termination Due to Fifteen Percent (15%) Negative Slippage by the Contractor in Infrastructure Projects
5. DPWH Department Order No. 193 Series of 2016 - Administrative Action on Contracts with Negative Slippage in Accordance with the Revised IRR of RA 9184

II. PURPOSE:

This SOP prescribes the rules, policies, guidelines and procedures to contractors, implementing units, and procuring entities on the actions to be undertaken when the infrastructure project incurred negative slippage in the implementation of infrastructure projects under PCG contract.

III. SCOPE:

This covers all PCG infrastructure projects concerning contracts with negative slippage attributable to the contractor in accordance with the IRR of R.A. 9184 relative to the Command's goal to deliver the projects under the PCG contract on time.

IV. DEFINITION OF TERMS

Coast Guard Infrastructure Development Service (CGIDS) is the engineering arm of the PCG responsible for the site survey, inspection, monitoring, and evaluation of infrastructure project performance until its completion.

Daily Accomplishment Report (DAR) reflects the on-site manpower, equipment, construction activities, and weather conditions in the morning and afternoon according to the prescribed guidelines and standard format.

End User - refers to the PCG unit who will actually utilize or occupy the building, property or infrastructure project including accompanying equipment supplied and installed.

Evaluator - refers to the CGIDS personnel, uniformed or non-uniformed, under Project Performance and Evaluation Branch of the Construction Division of Engineering Department designated to conduct the evaluation of the Summary of Accomplishment Report and Summary of Instances of PCG infrastructure projects to ensure that the project implementation is in accordance with the prescribed period of the contract.

Implementing Unit - refers to the PCG unit responsible for the implementation of infrastructure projects from planning, design, pre-construction, maintenance and rehabilitation including but not limited to CG District, Station, Sub-Station, Detachment, Operational Support Command, Functional Command, Administrative Support Command, Support Bases, Flag Office, Central Staff, Special & Technical Staff, Technical, Technical & Administrative Support Services and the Command itself.

Liquidated Damages (LD) - According to the **Civil Code of the Philippines Article 2226**, liquidated damages "refers to the damages agreed upon by the parties to a contract, to be paid in case of breach thereof." Thus, the Contractor shall pay the liquidated damages to the Procuring Entity for each day that the Completion Date is later than the Target Completion Date or upon the project contract expires unless said contract will be terminated for reasonable grounds of contract termination.

- According to the **2016 Revised IRR of RA No 9184** (Updated as of 31 March 2021) "*When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned. The procuring entity need not prove that it has incurred actual damages to be entitled to liquidated damages. Such amount shall be deducted from any money due or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the procuring entity concerned. In case the total sum of liquidated damages reaches ten percent (10%) of the total contract price, the procuring entity concerned may rescind the contract and impose appropriate sanctions over and above the liquidated damages to be paid.*"



Procuring Entity - refers to the organization procuring/purchasing the infrastructure projects (e.g. NHQ-PCG, Districts, and Commands). The procuring entity has the right to impose liquidated damages to the Contractor/Supplier provided such refuses or fails to satisfactorily complete the works under the contract within the specified contract duration, plus any time extension duly granted, and is thus considered in default under the contract, it will be liable for liquidated damages for the delay.

Project Contractor - refers to a person or entity / company, either sole-proprietorship, partnership, or corporation that entered into a contract with the PCG thru competitive bidding or other modes of government procurement in line with RA 9184 and its Revised Implementing Rules and Regulations (IRR) to fulfill the requirements set in the implementation of infrastructure projects.

Project Implementing Officer (PrIO) - refers to a person or entity in-charge in managing the infrastructure project to effectively implement the project, including the tracking of progress and ensuring the activities' completion on time.

Project Monitoring In-Charge (PMIC) - refers to a person or entity in-charge either from CGIDS or Implementing Unit, in monitoring the infrastructure project through the submitted Daily Activity Report (DAR), Weekly Activity Report (WAR), and coordination on the progress of the project.

R.A. 9184 - An act providing for the modernization, standardization and regulation of the procurement activities of the government and for other purposes otherwise known as the Government Procurement Reform Act.

Summary of Instances - is a document from CGIDS under the Engineering Department detailing all the courses of actions of the involved entity/unit including the Contract Time Computations reflecting the elapsed time of the infrastructure project which shall be prepared by the PMIC - Monitoring Team under the Inspection and Monitoring Branch.

Summary of Accomplishment Report (SAR) is a report composed of the contractor's work accomplishments in prescribed guidelines and standard format, which shall be duly prepared by the Project Monitoring In-Charge (PMIC) under the Construction Division of Engineering Department. The accomplishment shall be dependent on the DAR and WAR submitted by the contractor expressed and quantified from the Bill of Quantities (BOQ) in the work order or contract.

Weekly Accomplishment Report (WAR) is a weekly report composed of all of the contractor's work accomplishments with prescribed guidelines and standard format submitted to the Project Monitoring In-Charge (PMIC) under the Construction Division of CGIDS Engineering Department and the PCG Implementing Unit through its PrIO.

V. GUIDELINES AND PROCEDURES

To ensure the timely implementation of infrastructure projects and effective management of the performance of contractors, the following guidelines and



procedures shall be followed in calibrating the implementation of the infrastructure projects.

- 1) The designated Project Monitoring In-Charge (PMIC) for the implemented project under the Inspection and Monitoring Branch of the Construction Division, CGIDS shall monitor the contract time and schedule of the said project. PMIC shall monitor based on the Summary of Accomplishment Report, Summary of Instances and approved PERT/CPM and S-curve, observing the performance of the Contractors.
- 2) The PMIC shall transmit the submitted Daily Accomplishment Report (DAR) and Weekly Accomplishment Report (WAR) submitted by the project engineer or authorized representative of the contractor, attached with the Statement of Accomplishment Report (SAR) duly accomplished by PMIC every Monday of the week for the whole duration of the project. The accomplishment reports shall be transmitted to Implementing Unit and PrIO coursing through Construction Division, Engineering Department and CCGIDS via Chief of Staff and Deputy, CGIDS.
- 3) Once negative slippage is observed, the PMIC shall adhere to the calibrated actions to be taken for the procuring entities end. The calibrated actions include a warning letter and informative communications to the Contractor coursing through the Construction Division Head, Engineering Department Head, C, CGIDS transmitting to the Implementing Unit and PrIO.
- 4) The following calibrated actions in response to delays in the implementation of infrastructure projects are hereby adopted:

4.1. Negative slippage of five percent (5%) –

The contractor shall be given a warning and be required to:

4.1.1. Submit a detailed “catch-up” program every two weeks in order to eliminate the slippage and to restore the project to its original schedule;

4.1.2. Accelerate work and identify specific physical targets to be accomplished over a definite period of time; and

4.1.3. Provide additional input resources such as the following; money, manpower, materials, equipment, and management, which shall be mobilized for this action.

The Implementing Unit/PrIO/PMIC shall exercise closer supervision and meet the contractor every other week to evaluate the progress of work and resolve any problems and bottlenecks.

4.2. Negative slippage of ten percent (10%) –

The contractor shall be issued a final warning and be required to come-up with a revised detailed “catch-up” program with weekly physical targets together with the required additional input resources.



The implementing unit shall intensify on-site supervision and evaluation of the project performance to at least once a week and prepare contingency plans for a possible termination of the contract or take-over of the work by administration or contract.

4.3. Negative slippage of fifteen percent (15%) or more –

The implementing unit shall initiate termination of the contract or take-over of the work by administration or contract in accordance with Section 53.3 of the 2016 revised IRR of RA No. 9184 and the Revised Guidelines for the Implementation of Infrastructure Projects by Administration. It shall likewise take proper transitory measures to minimize work disruptions, e.g., take-over by administration while negotiation or rebidding is on-going.

- 5) In case of non-adherence of the contractor on the calibrated actions undertaken, the following sanctions and penalties shall be implemented;

5.1 The procuring entity shall disqualify the contractor from participating in the bidding or award of contract for infrastructure projects if his firm incurred a delay in any of his ongoing contracts (government and private) which is considered attributable to him, pursuant to the provisions of IRR of RA 9184, in any of the following cases:

5.1.1 Where the firm incurred a negative slippage of at least 15% of his on-going contract in accordance with Section 34.3.b.ii of Rule X - Post Qualification, of RA 9184;

5.1.2 Where the delay in the completion of work has exceeded the time duration equivalent to ten percent (10%) of the specified contract time plus any approved time extension. The same shall be subject for rescission in accordance with Section 8.4 of Annex E of RA 9184; or,

5.1.3 Where the total sum of liquidated damages has exceeded ten percent (10%) of the total contract price. The same shall automatically be taken over by the procuring entity or awarded to a qualified contractor through negotiation in accordance with Section 8.5 of Annex E of RA 9184.

- 6) Any approval of time suspension/extension shall strictly comply with the existing provisions under Annex E of the Revised IRR of R.A. 9184.
- 7) In all cases, the Head of the Implementing Unit shall be held accountable for the success or failure of project implementation, including the slippages incurred and the elimination thereof.
- 8) The concerned Head of the Implementing Unit shall see to it that this SOP is strictly enforced. Failure to do so shall, after due process, make him and other officials/employees involved liable to the penalties prescribed for violation of reasonable office rules and regulations. For

violation in the non-imposition of penalties under Item B - Penalty, pursuant to Section 46, F(3) of Civil Service Resolution No. 1101502 dated November 8, 2011:

- 1st Offense - Reprimand
- 2nd Offense - Suspension for 1 - 30 days
- 3rd Offense - Dismissal

9) Attached as Annex A, Annex B, and Annex C are the standard forms in the issuance of calibrated actions on contracts with negative slippage.

VI. REPEALING CLAUSE:

All PCG rules and regulations which are inconsistent with the provisions of this SOP are hereby repealed or modified accordingly.

VII. EFFECTIVITY:

This SOP shall take effect upon publication of the Coast Guard Adjutant.

BY COMMAND OF COAST GUARD ADMIRAL LAROYA:

OFFICIAL:

FERDINAN B PICAR
CG COMMO
Chief of Coast Guard Staff


JAYSIEBELL B FERRER
CG CDR
Coast Guard Adjutant

(UNIT LOGO)

(LETTERHEAD)
[Implementing Unit]

Annex "A"
(UNIT LOGO)

Date of Issuance

(Authorized Managing Officer)

Position
Company
Complete Address

**SUBJECT : Notice for the Negative Slippage
1st Warning (Early Warning Stage)**

Dear Mr./Ms. (Last Name):

This refers to your contract (Name of Project) in the amount of ₱ (Contract Amount). Please be informed that as of (date the accomplishment was computed), you have incurred a negative slippage of (-) ___ % due to your fault caused by (state the reason, e.g., limited equipment, materials, manpower, etc.), which now falls under the "**Early Warning Stage**" according to Standing Operating Procedures (SOP) Nr. ___ dated 00 Month 2021 - Administrative Action on Contract with Negative Slippages in accordance with the Revised IRR of R.A. 9184.

Based on the approved PERT/CPM Network, the planned accomplishment is ___% while your actual accomplishment is only ___%.

Concerning the above, you are now directed to submit a detailed "catch-up" program on a once every two weeks basis to eliminate the slippage.

In the action program being required, specify the additional input resources such as money, manpower, materials, equipment, and management to cope up and meet the desired result accordingly.

Your immediate compliance on this matter is hereby sought.

Very truly yours,

(Head of Implementing Unit)

Position

(UNIT LOGO)

(LETTERHEAD)
[Implementing Unit]

Annex "B"
(UNIT LOGO)

Date of Issuance

(Authorized Managing Officer)

Position

Company

Complete Address

**SUBJECT : Notice for the Negative Slippage
Final Warning (ICU Stage)**

Dear Mr./Ms. (Last Name):

This refers to your contract (Name of Project) in the amount of ₱ (Contract Amount). Please be informed that as of (date the accomplishment was computed), you have incurred a negative slippage of (-) ___ % due to your fault caused by (state the reason, e.g., limited equipment, materials, manpower, etc.), which now falls under the "**ICU Stage**" according to Standing Operating Procedures (SOP) Nr. ___ dated 00 Month 2021 - Administrative Action on Contract with Negative Slippages in accordance with the Revised IRR of R.A. 9184.

Based on the approved PERT/CPM Network, the planned accomplishment is ___% while your actual accomplishment is only ___%.

Concerning the above, you are now directed to submit a more detailed program of activities with weekly physical targets, together with the required additional input resources to accelerate your work accomplishment and reduce the slippage over a defined time period.

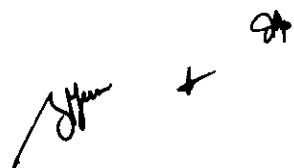
On-site supervision shall likewise be intensified, and project performance evaluation shall be done at least once a week.

Your immediate adherence on this matter is now demanded.

Very truly yours,

(Head of Implementing Unit)

Position

Handwritten signature and initials in the bottom right corner of the page.

(UNIT LOGO)

(LETTERHEAD)
[Implementing Unit]

(UNIT LOGO)

Date of Issuance

(Authorized Managing Officer)

Position

Company

Complete Address

**SUBJECT : Notice to Terminate Contract
(Terminal Stage)**

Dear Mr./Ms. (Last Name):

This refers to your contract (Name of Project) in the amount of ₱ (Contract Amount). Please be informed that as of (date the accomplishment was computed), you have an actual accomplishment of ___ % versus the planned accomplishment of ___%, thus, you have incurred a negative slippage of (-) ___% due to your fault caused by (state the reason, e.g., limited equipment, materials, manpower, etc.), which now falls under the "Terminal Stage".

According to Section III.A.2.a. Annex "I" of R.A. 9184 and the approved Standing Operating Procedures (SOP) Nr. ___ dated 00 Month 2021 - Administrative Action on Contract with Negative Slippages in accordance with the Revised IRR of R.A. 9184, the implementing office shall initiate the termination of the contract.

In view thereof, you are directed to "show cause" within seven (7) calendar days from receipt hereof why your contract should not be terminated, pursuant to Section IV.3 Annex "I" of R.A. 9184.

Your immediate adherence to this matter is hereby sought.

Very truly yours,

(Head of the Procuring Entity)

Position

Notice to Terminate - Negative Slippage

