



**MEMORANDUM CIRCULAR NO. 32**  
**Series of 2026**

**SUBJECT: GUIDELINES IN ADDRESSING THE EFFECTS OF INCREASING CONSTRUCTION MATERIAL PRICES AND PROCESSING PRICE ADJUSTMENT CLAIMS FOR NIA INFRASTRUCTURE PROJECTS**

**I. RATIONALE**

In view of the volatility and significant increase in the prices of construction materials, petroleum products, and equipment rental rates due to the on-going hostilities in the Middle East, which may affect the implementation of irrigation and other infrastructure projects of the National Irrigation Administration (NIA), this Memorandum Circular is hereby issued pursuant to the provisions of Republic Act No. 9184, its Revised Implementing Rules and Regulations, and NIA Memorandum Circular No. 17, Series of 2023, in order to provide interim guidelines for project preparation, procurement, and contract implementation, without prejudice to the existing NIA procedures for price adjustment and contract-related claims for locally funded infrastructure projects.

**II. COVERAGE**

These guidelines shall apply to all NIA infrastructure projects, including irrigation systems, dams, diversion structures, canal systems, and other related civil works implemented by NIA Central Office, Regional Offices, Irrigation Management Offices, and other implementing units.

These guidelines shall serve as interim administrative measures to guide implementing units in addressing extraordinary fluctuations



in construction input prices pending the issuance of more comprehensive national guidelines or policy directives.

### **III. GUIDELINES**

#### **Prefatory Statement**

In accordance with Republic Act No. 9184 and its Revised Implementing Rules and Regulations, significant and abnormal increases in the prices of construction materials, petroleum products, equipment rental, and other construction inputs resulting from external economic events, including but not limited to international conflicts, supply chain disruptions, and inflationary pressures, may be considered as **extraordinary circumstances** affecting the procurement and implementation of NIA infrastructure projects.

In such cases, the Implementing Units, the Bids and Awards Committee (BAC), and the appropriate approving authorities may take the necessary procurement and contract management actions allowed under RA 9184 and its Revised Implementing Rules and Regulations, including but not limited to:

- a. updating the construction material prices used in the preparation of the Program of Work (POW), Derivative of Unit Cost (DUC), and Approved Budget for the Contract (ABC);
- b. recommending the postponement of bidding activities where justified by substantial changes in market prices;
- c. invoking the reservation clause under Section 41 of the Revised Implementing Rules and Regulations of RA 9184, where warranted; and
- d. evaluating requests for price adjustment or contract price escalation in accordance with Section 61 of the Revised Implementing Rules and Regulations of RA 9184 and existing NIA guidelines.

The determination that such price increases constitute an extraordinary circumstance shall be supported by appropriate documentation, including market canvass, price monitoring data, and where applicable, relevant economic indicators or advisories issued by competent government authorities.

Hence, this Guidelines:

**A. Projects for Procurement**

In the preparation of the Program of Work (POW), Approved Budget for the Contract (ABC), and Derivation of Unit Cost (DUC), Implementing Units may utilize construction material prices that differ from the latest Construction Materials Price Data when justified by prevailing market conditions.

Such prices shall be supported by appropriate documentation, including canvass of at least three (3) current market prices and corresponding cost analysis, and shall be certified by the Head of the Implementing Unit as reasonable and necessary.

The use of updated equipment rental rates and fuel costs may likewise be considered in the preparation of project cost estimates.

**B. Projects Already Advertised for Bidding**

For projects already advertised but with pending submission of bids, the Bids and Awards Committee (BAC), upon recommendation of the Implementing Unit, may issue a notice of postponement and update the Approved Budget for the Contract to reflect current construction material prices.

**C. Projects Already Bid but Not Yet Awarded**

Where substantial increases in construction material prices render the project no longer economically feasible under the approved ABC, the BAC may invoke the reservation clause pursuant to Section 41 of the Revised Implementing Rules and Regulations of Republic Act No. 9184 and declare a failure of bidding. The project may thereafter be re-bid using an updated cost estimate.

**D. Projects Already Awarded but Not Yet Implemented**

For contracts already awarded but where project implementation has not yet commenced, the contract may be subject to termination by convenience in accordance with the Revised Implementing Rules and Regulations of RA 9184 when justified by extraordinary increases in construction material prices.

Subsequent to such termination, the Implementing Unit may negotiate with the next lowest calculated and responsive bidder, provided that such negotiation shall be based on, and shall not exceed, the bid price and terms originally submitted by said bidder during the bidding process, subject to allowable adjustments in accordance with applicable laws, rules, and regulations.

The Implementing Unit may also opt with the rebidding of the project using an updated Approved Budget for the Contract.

**E. Ongoing Projects**

For ongoing infrastructure projects affected by increases in construction material prices, contractors may file requests for price adjustment or contract price escalation in accordance with:

1. Section 61 of the Revised Implementing Rules and Regulations of RA 9184; and

2. NIA Memorandum Circular No. 17, Series of 2023, on the Guidelines and Procedures for All Price Adjustment Contract-Related Claims for Locally-Funded Infrastructure Projects.

Requests for price adjustment shall undergo the evaluation process prescribed under existing NIA guidelines, including review by the appropriate technical and administrative bodies and approval by the authorized approving authority.

#### **F. Reference to Official Inflation Determination**

In determining the reasonableness of prevailing construction material prices and the necessity for revising project cost estimates, the Implementing Units may consider the official inflation determination, advisories, or reports issued by the Department of Economy, Planning and Development (DepDev) relating to construction inputs and related economic indicators.

Such official determination may serve as supplementary reference in:

- a. validating the results of market canvass conducted by Implementing Units;
- b. assessing whether price increases may be treated as arising from extraordinary circumstances affecting infrastructure procurement under Republic Act No. 9184; and
- c. evaluating the potential impact of inflation on the Approved Budget for the Contract (ABC) of projects across NIA implementing units nationwide.

Where warranted by the magnitude of such inflationary adjustments, the Implementing Units may recommend either the augmentation of project funding requirements or the revision of technical specifications and scope of work in order to align the project cost with the available Approved

Budget for the Contract, subject to applicable budgeting, procurement, and approval processes.

**G. Reference to DPWH Guidelines on Price Escalation**

In the evaluation and processing of requests for price adjustment or contract price escalation for infrastructure projects, NIA implementing units may refer, in a supplementary capacity, to the relevant provisions of Department Order No. 92, Series of 2025 of the Department of Public Works and Highways (DPWH), entitled "Guidelines and Procedures for all Price Escalation and Extraordinary Contract-Related Claims Manual."

The DPWH issuance provides the technical parameters and evaluation methodologies for determining price escalation claims in government infrastructure projects, including the identification of extraordinary circumstances, applicable price indices, and the computation of escalation factors.

Accordingly, the technical principles and evaluation methodologies contained in the said Department Order may be used by NIA implementing units as reference guidance in:

1. determining the existence of extraordinary circumstances affecting construction input prices;
2. validating contractor requests for price adjustment or contract price escalation; and
3. evaluating the impact of fluctuations in labor, materials, equipment, and other construction cost components on infrastructure project implementation.

The use of the said DPWH guidelines shall be without prejudice to the application of Republic Act No. 9184, its Revised Implementing Rules and Regulations, and existing NIA guidelines governing price adjustment claims, and shall not be construed as automatically authorizing price escalation or modification of contract prices.

#### IV. COMPLIANCE WITH EXISTING NIA GUIDELINES

Nothing in this Memorandum Circular shall be construed as automatically authorizing price adjustment or modification of contract prices. All requests for price adjustment or contract price escalation shall strictly follow the procedures, documentary requirements, and review process provided under the existing NIA guidelines for price adjustment claims.

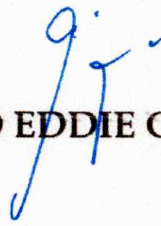
#### V. REPEALING CLAUSE

All previous NIA issuances inconsistent with this Memorandum Circular are hereby modified or amended accordingly.

#### VI. EFFECTIVITY

This Memorandum Circular shall take effect immediately upon issuance.

Issued this 23rd day of March 2026, Quezon City, Philippines.

  
**ENGR. EDUARDO EDDIE G. GUILLEN**  
Administrator