

Price Escalation Management in Philippine Public Infrastructure Projects: A Comparative Analysis of the RA 9184 (GPRA) and RA 12009 (NGPA) Frameworks

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Abstract- *The construction industry has experienced significant supply chain disruptions in recent years brought about by the successive impacts of the COVID-19 pandemic, the Russia-Ukraine War, and the recent US-Israel-Iran conflict. These disruptions have contributed to substantial price escalations in construction materials and resources, the management of which varies depending on the provisions and conditions stipulated in construction contracts. In the Philippine context, these circumstances highlight the need to examine and understand the existing laws, rules, and regulations governing the management of price escalation impacts and their implications on project implementation. In 2025, the existing Philippine procurement law, Republic Act No. 9184, otherwise known as the Government Procurement Reform Act (GPRA), was repealed and replaced by Republic Act No. 12009, or the New Government Procurement Act (NGPA), which introduced a more “fit-for-purpose” approach to procurement. Consequently, the policies and procedures governing price escalation claims likewise underwent significant changes. This research examines and compares the provisions of the previous and current procurement systems, highlighting their differences and points of alignment in relation to price escalation management. Furthermore, the study aims to propose recommendations to improve and streamline the management of price escalation claims and minimize disputes in Philippine public infrastructure projects.*

projects were likewise anchored on the policies and procedures established under the said law. On the other hand, the NGPA is a newly enacted law that is currently undergoing evaluation and study with respect to its application as a guiding framework for the procurement and implementation of ongoing and future infrastructure projects in the country.

Construction contracts delineate exchange of obligations between project parties as well as allocate the associated risks between them (Athnos, 2018). Risks are inherent in the construction industry and cannot be entirely eliminated; however, effective management strategies can be employed to mitigate their impact (Kangari 1995). Price escalation in construction projects can arise due to a variety of reasons, primarily due to market disruptions and changes in laws, both of which can significantly influence the supply chain (Bloom et al. 2021; Khan et al. 2022; Handfield et al. 2020). Most disruptions in the construction industry in the Philippines began in the occurrence of COVID-19 in 2021. The construction industry experienced substantial adverse effects during the COVID-19 pandemic, primarily because its traditional, on-site production activities require physical presence and therefore cannot be effectively carried out through remote work setups.

I. INTRODUCTION

In the Philippines, numerous project contracts, particularly those involving locally funded infrastructure projects, were prepared and executed under the provisions of the previous GPRA. Accordingly, the guidelines governing the procurement and implementation of infrastructure

In addition, the Russia-Ukraine conflict which occurred in February 2022, has resulted in substantial economic and financial disturbances, leading to a surge in the prices of energy and raw materials. Likewise, in March 2026, the conflict between Israel and Iran has resulted to massive increase in fuel prices. Furthermore, it was also said by the

Department of Energy (DOE) that oil price hike in the Philippines could last up to the end of the year.

Amid these extraordinary circumstances, infrastructure project contracts are required to effectively manage and respond to the resulting impacts on project implementation. However, inconsistencies and conflicts in the provisions governing price escalation procedures, from submission to approval or resolution, along with uncertainties in the application of such provisions, have contributed to delays in addressing these issues. Hence, a systematic assessment and comparison of these procedures are essential to clarify the changes introduced and to promote a more coherent, efficient, and effective approach to contract management practices.

1.2 Objectives of the Study

General Objective

This study aims to examine and compare the price escalation provisions under the GPRA and the NGPA, with emphasis on identifying their similarities and differences in the administration of infrastructure contracts.

Specific Objectives:

- A. To identify the differences in the provisions governing approval levels, as well as the roles and responsibilities of the parties involved in price escalation claims;
- B. To analyze the similarities and differences in the scope and conditions considered for price escalation claims under the GPRA and NGPA.

1.3 Significance of the Study

The significance of this study lies in its potential contribution to government agencies, practitioners, and students in enhancing their understanding of contract preparation and administration within the context of public infrastructure projects. By identifying and analyzing the similarities and differences between the GPRA and NGPA, the study provides a basis for clarifying the application of contract provisions and reducing ambiguities in their interpretation and implementation. Moreover, the research aims to support the improvement of

efficiency, predictability, and effectiveness in infrastructure project management, particularly in addressing the challenges posed by unforeseen and extraordinary circumstances.

II. METHODOLOGY

2.1 Research Design

This study employs a qualitative type of research design, through an in-depth content analysis of the two laws to obtain information of the price escalation provisions. This methodology is appropriate as the research focuses on the interpretation and comparison of the texts rather than empirical field data.

2.2 Data Collection Method

The study is primarily centered on documentary sources. The principal references include Republic Act No. 9184 and Republic Act No. 12009. Supporting references shall consist of scholarly articles, government circulars, and procurement policy issuances, which will be utilized to provide contextual and analytical support to the study but will not form part of the primary comparative data.

2.3 Data Analysis

The data analysis shall focus on the following aspects, wherein the provisions related to price escalation will be extracted, organized, and systematically compared through the use of a matrix based on the following criteria:

1. Legal Basis and Policy Orientation
2. Trigger for Contract Price Change
3. Levels of Approval Required
4. Flexibility
5. Risk Allocation
6. Administrative Burden
7. Dispute Likelihood and Management
8. Alignment with International Standards

The criteria are not arbitrary and it is extracted from legal interpretation, procurement policy analysis, and international best practices.

III. RESULTS AND DISCUSSION

In this chapter, a comparative analysis of the price escalation provisions under GPRA and NGPA is presented. The discussion is arranged in accordance with the identified analytical criteria to extract the similarities, differences, and implications of the two systems in the management of infrastructure project contracts.

3.1 Legal Basis and Policy Orientation

Based on the GPRA, price escalation was governed mainly by fixed legal and regulatory provisions intended to maintain financial discipline and prevent unnecessary government expenses. Basically, this law generally allowed price escalation claims under extraordinary circumstances only, subject to strict evaluation procedures. The Implementing Rules and Regulations (IRR) of GPRA, focuses on fixed contract pricing, with price escalation treated as an exception rather than a standard contractual mechanism.

Meanwhile, the NGPA introduced a more flexible and adaptive procurement framework through its “fit-for-purpose” procurement approach. This new law recognizes the instability of the global and local supply chain environment and acknowledges that unexpected market interruptions may substantially affect project implementation. Consequently, the NGPA provides a broader policy orientation that allows entities to make efficient actions to unexpected fluctuations and unforeseen events which affect the construction costs.

Considering the above, it indicates that both laws aim to safeguard public funds and ensure accountability. The GPRA focuses more on restriction or control, whereas the NGPA adopts a more responsive and risk-based procurement viewpoint.

3.2 Trigger for Contract Price Change

The GPRA allowed price escalation only under exceptional cases, such as extraordinary increases in the prices of construction materials, fuel, labor, or equipment, provided that these circumstances were beyond the control of the contractor. Claims were

usually evaluated based on official price indices and required strict compliance with documentary requirements before adjustments could be granted.

On the other hand, the NGPA expands the recognition of factors that may justify contract price adjustments. Aside from extraordinary inflation and supply chain disruptions, the law also considers market instability, geopolitical conflicts, pandemics, and other force majeure events that significantly affect project costs. Therefore, the NGPA reflects a broader understanding of modern economic risks affecting infrastructure projects.

The findings reveal that the NGPA provides a more comprehensive basis for recognizing price escalation triggers compared to the more restrictive framework of the GPRA.

3.3 Levels of Approval Required

Under the GPRA framework, price escalation claims commonly underwent multiple levels of review and approval involving the implementing office, project engineers, legal offices, budget authorities, and higher approving authorities. This multi-layered process usually resulted in delays in resolving claims, particularly for large and complex infrastructure projects.

The NGPA attempts to streamline these procedures by clarifying the approving authorities and delegating certain decision-making responsibilities to procuring entities, subject to accountability and audit mechanisms. The law promotes administrative efficiency while still maintaining transparency and oversight.

The comparison shows that the NGPA reduces procedural complexity by simplifying approval processes, whereas the GPRA relied heavily on centralized and highly procedural review systems.

3.4 Flexibility

The GPRA generally adopted a rigid approach to contract implementation. Since contracts were largely treated as fixed-price agreements, procuring entities and contractors had limited flexibility in adjusting to

sudden market changes. Amendments and price adjustments required extensive justification and approvals.

Meanwhile, the NGPA promotes flexibility by allowing procurement strategies and contract administration mechanisms to adapt according to project conditions and market realities. The fit-for-purpose procurement approach supports timely decision-making and responsive contract management, especially during extraordinary events affecting project delivery.

The findings indicate that the NGPA provides greater contractual flexibility, which may improve project continuity during periods of economic uncertainty.

3.5 Risk Allocation

Under the GPRA, the burden of price fluctuation risks was largely borne by contractors. Since escalation claims were difficult to obtain and highly regulated, contractors often absorbed substantial increases in construction costs, which sometimes resulted in delayed implementation, reduced profitability, or contract disputes.

The NGPA introduces a more balanced allocation of risks between the government and contractors by recognizing that certain market disruptions are beyond the reasonable control of contracting parties. The law therefore supports a more equitable treatment of unforeseen economic risks.

The analysis suggests that the NGPA promotes a fairer distribution of contractual risks compared to the GPRA framework.

3.6 Administrative Burden

The GPRA required extensive documentation, certifications, computations, and endorsements before price escalation claims could be processed and approved. The procedural requirements often increased the administrative burden on both contractors and government agencies.

The NGPA seeks to simplify administrative processes by encouraging digitalization, standardized procedures, and more efficient procurement practices.

The revised framework intends to reduce unnecessary procedural delays while maintaining accountability measures.

The comparison demonstrates that the NGPA may reduce administrative burden and improve efficiency in contract administration compared to the previous procurement system.

3.7 Dispute Likelihood and Management

Under the GPRA, ambiguities in escalation procedures and delays in claim approvals frequently contributed to disputes between contractors and procuring entities. Since escalation provisions were interpreted conservatively, disagreements regarding entitlement, computation, and approval often arose.

The NGPA aims to minimize disputes by clarifying procurement procedures, improving transparency, and recognizing broader circumstances for contract adjustments. By providing clearer mechanisms for addressing price escalation claims, the law aims to reduce uncertainty and contractual conflict.

The findings indicate that the NGPA has greater potential to minimize disputes through clearer and more adaptive provisions.

3.8 Alignment with International Standards

The GPRA was primarily designed to strengthen transparency, competitiveness, and accountability in public procurement. However, its strict procedural structure reflected a more traditional procurement approach that may not fully align with evolving international contract management practices.

In comparison, the NGPA incorporates principles commonly observed in international procurement systems, such as flexibility, risk-sharing, strategic procurement, and adaptive contract management. These principles are consistent with practices adopted by international financing institutions and global infrastructure procurement frameworks.

The analysis shows that the NGPA demonstrates stronger alignment with international procurement and contract management standards than the GPRA.

IV. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

4.1 Summary

This study examined and compared the price escalation provisions under the GPRA and the NGPA in relation to public infrastructure project implementation in the Philippines. Through qualitative content analysis, the research identified significant differences and similarities between the two procurement systems based on legal basis and policy orientation, triggers for contract price changes, approval levels, flexibility, risk allocation, administrative burden, dispute management, and alignment with international standards.

The findings revealed that the GPRA adopted a more rigid and restrictive framework for price escalation claims, emphasizing strict procedural control and fiscal discipline. In contrast, the NGPA introduced a more adaptive and flexible procurement system that recognizes the realities of modern supply chain disruptions and economic uncertainties. The NGPA further streamlined procedures, improved risk-sharing mechanisms, and promoted more responsive contract administration practices.

4.2 Conclusions

Based on the findings of the study, the following conclusions were drawn:

1. The GPRA and NGPA share the common objective of protecting public interest and ensuring accountability in government procurement; however, they significantly differ in their approach to managing price escalation claims.
2. The GPRA employed a restrictive and highly procedural system that often resulted in delays, administrative burden, and increased likelihood of disputes.
3. The NGPA introduced a more flexible and responsive procurement framework that better addresses the challenges posed by extraordinary economic disruptions and supply chain instability.
4. The NGPA provides a more balanced allocation of risks between government agencies and

contractors, thereby supporting more sustainable infrastructure project implementation.

5. The revised procurement approach under the NGPA demonstrates stronger alignment with international procurement and contract management practices.

4.3 Recommendations

Based on the conclusions of the study, the following recommendations are proposed:

1. Government agencies should develop comprehensive implementing guidelines and standard procedures for the application of price escalation provisions under the NGPA to ensure consistent interpretation and implementation.
2. Capacity-building programs and training seminars should be conducted for procurement practitioners, project managers, and contractors to improve understanding of the new procurement framework and escalation procedures.
3. Standard contract templates and escalation formulas should be updated and harmonized with the provisions of the NGPA to minimize ambiguities and contractual disputes.
4. Digitalized systems for submission, evaluation, and approval of price escalation claims should be strengthened to improve efficiency and transparency in contract administration.
5. Future studies may further examine the actual implementation of the NGPA in ongoing infrastructure projects and evaluate its long-term effectiveness in managing price escalation and contractual risks.

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