

INSTRUCTIONS/GUIDE LINES - TO ALL CONTRACTORS

1.0 THOSE WHO INTEND TO OBTAIN BONDS & GUARANTEES FROM THE CONSTRUCTION GUARANTEE FUND (CGF) SHOULD WALK UP TO THE “HELP DESK” AND OBTAIN;

- i. information on the services provided and the Operational system
- ii. mandatory requirements to obtain its services
- iii. necessary Registration Application/Application to obtain Bonds/Guarantees
- iv. the method of operation of Lien Account.
- v. apart from above the Helpdesk will assist/direct its customers by way of advise on how to;
 - fill the Registration Application and Bonds & Guarantees Applications
 - analyze the BOQ and the preparation of Cash Flows & Histogrammes
 - open of Lien Accounts
 - involve themselves at Pre Tender Stage
 - tender and follow procedures
 - initiate on pre Contract activities
 - administer contracts
 - manage contracts
 - initiate post Contract activities

2.0 HOW DOES ONE REGISTER WITH THE CGF

The Construction Contractors who possess a valid ICTAD Registration are eligible to obtain Bonds & Guarantees. They may call over personally to our Head Office, Branch Officers request for an application form. They could also download through the Internet – CGF Web Site (www.cgf.gov.lk) for the Application Forms which are available in all three languages. No charge will be made for the Registration.

Once the Application is received it may take 10 working days to scrutinize the perfected application in order to assess the eligibility for Registration and to obtain facilities from the CGF.

CGF Format No. COIN

3.0 ONCE REGISTERED AND ELIGIBLE HOW DOES ONE OBTAIN A BID BOND (BB)

There is a separate Application for this purpose which is to be perfected and submitted together with the necessary support documents. The application form could be collected personally or requested to be posted or downloaded from the Internet.

The perfected Applications together with the support documents (copies only) as indicated in the Application should be submitted either by Hand or by Post or through Internet.

Contractor can apply any no. of Bid bonds but may be successful in few and Out of the successful bids the Employer has the right to accept few depend on the contractor capacity. In this exercise there may be chances that CGF will not be able to issue guarantees to all successful contracts accepted the contractor exceeds his capacity and possible claim/demand on Bond/s.

In an ideal situation it may take 2-3 working days to assess and issue such Bonds/Guarantees on payment of the required Levy. Prevailing levy structure can be obtained on request.

CGF Format No.

A-BB

4.0 TO OBTAIN A PERFORMANCE BOND (PB) OR ADVANCE PAYMENT GUARANTEE (APG)

Currently the application for a PB or an APG is in one format.

All documents requested in the Application are necessary and should be attached with the application for the CGF scrutiny & processing. It is advisable if the Cash Flow is sent together with the copy of Tendered Rated BOQ as accepted by the Employer of the proposed project in advance (probably a day before making the Application) to minimize the delay in processing the Application.

CGF Format No.

A-PA

5.0 EXTENSION OF PB/APG

Delays encountered for any reason should be intimated to the employer / engineer together with any support documents for them to justify and to approve the extension. Letters to be registered post or hand deliver are necessary to prove that the documents have been submitted. Whatever the cause for the delay should be clearly identified which may directly or indirectly affect the performance (implementation).

CGF Format No.

EXT

6.0 APPLICATION OF OTHER BONDS (other than BB, PB or APG)

CGF issues other type of bonds such as MB, RB and CB

Restrictions of Issuing MB, RB or CB

If the applicant obtained a PB or APG or both are eligible to obtain the above bonds from the CGF.

CGF Format No.

A-

6.1 MAINTENANCE BOND (MB) – (to cover the Defect Liability Period)

The PB issued by CGF covers the construction period as per the Treasury Circular 372 issued on 10.05.1999 and a separate Bond to cover the Maintenance period (Defect Liability Period).

Those who have obtained a PB or APG are eligible to apply for MB.

A separate application is available for the purpose. Applications should be submitted with relevant documents.

CGF Format No.

A-MRC

6.2 RETENTION BOND (RB) – (to obtain 50% of balance Retention money equal to 2.5% of Total Contract Price)

50% of the Retention Money will be released with the Final Bill & the balance will be release on a Retention Guarantee.

Those who have obtain PB/APG are eligible to apply for a RB.

CGF Format No.

A-MRC

7.0 INDEMINITY

Contractor when applying for Bonds & Guarantees should use the particular application depend on the nature of the Bonds & Guarantees together with other relevant documents requested for and required to perfect an indemnity, which is a mandatory requirement of the Contractor to comply with the CGF criteria and certain conditions

CGF Format No.

IN-

8.0 BID PRICE & CGF RESPONSE

We presume through experience that you are thorough with the local conditions, market rates, availability of resources and conditions of the contract applicable to the particular project and the source of funds applicable to the contract.

If the Bid Price is not realistic compared with the prices of the other Bidders the market rates and the practical workable rates in the area the CGF will suggest the applicant to adopt various measures such as rescheduling the Cash Flow to have a more realistic picture. When the Revised Cash Flow other than the Mobilization Advance needs project financing Short or Long Term depending on the rates, lead to a risk involved in the implementation strategy, the applicant will have to show proof of liquefying financial facilities available.

There may be instances that CGF will be reluctant to issue the Bonds/Guarantees due to adverse complexity in the Cash Flow in order to avoid risk and may totally reject the application. The other risk areas that the CGF will look in to carefully are;

- past performance
- value of work exceeding the limits provided in ICTAD Grading currently held
- tender results
- comparison of bid price with others

- the Contractor’s pricing strategy
- past performance based on records with CGF
- the Employer not using standard Conditions of Contract
- no proper contract documents
- adverse deviations and omissions from Standard Conditions of Contract
- human and other resources available with the Contractor are not adequate
- access to SITE availability at Tender Stage
- availability of report on feasibility study at Pre-Tender Stage
- minutes of the Pre-Bid Meeting
- dispute resolution clauses
- price fluctuation clause as stipulated in Standard Conditions of Contract
- leasing/hiring arrangements for Plants and Equipment
- overhead provision and profit margin are in adequate

9.0 AN EXCLUSIVE PROJECT/LIEN ACCOUNT

When a Contractor obtains a PB/APG or both, it is mandatory to open a dedicated Current Account for each and every project in any of the Commercial Banks of the contractor’s choice. This account will be named as “Project/Lien Account” or “Lien Account”. The CGF will not be a signatory to such an account but would have mandatory control over the account, with prior irrevocable arrangement that with the bank, the Contractor & the Employer. It is necessary to obtain prior approval of CGF to withdraw/transfer, release of monies or to any transaction from the Account.

In this exercise the Employer undertakes to remit all such payments to the Lien Account and to this effect a letter from Employer and from bank undertaking that no monies will be released without proper approval of CGF is obtain. Relevant formats are attached to each PB/AB Applicatio

CGF Format No (A), (B), (C) & (D) - attached to A-PA

10.0 DISBURSEMENT OF FUNDS (DOF)

The funds remitted to the Lien/Project Account are from;

- i. Investment made by the Contractor before commencement of the Project. It is the Project Finance made direct to the project at the times the Cash Flow forecast negative
- ii. Payment of Mobilization Advance
- iii. Monthly Progress Bill (Interim Bill) payments /Final Bill/Retention, Payment on all contractual and extra contractual claims

The monies lying in the Project/Lien Account will be to disbursed by CGF based on the agreed Cash Flow and current circumstances.

CGF Format No. A-DOF

11.0 MONITORING

As the CGF does not take any securities/collateral stringent measures are adopted to maintain the financial discipline by controlling the Project/Lien Account.

It is mandatory to forward the Monthly Progress Report in order to compare the financial disbursement. The CGF too will physically visit the sites, to attend Site Meetings or meeting with Employer & parties to the project to understand the exact status and the progress according to the Cash Flow and to advise you on remedial measures to be taken “if any”.

The CGF will not release any monies outside the Cash Flow requirement. However if found necessary the Cash Flow would be revised and necessary adjustments to suit the balance work to be completed are made. The CGF will maintain strict financial discipline particularly with in the project and any deviation will not be entertained. CGF Monitoring Officers will physically visit sites & report to the CGF Head Office on site situation, financial & physical progress, any discrepancies, delays & remedial action proposed.

CGF Format No.

MPR

Monthly Progress Reports/ by the

CGF Format No.

M

Guide Line for Monitoring of projects by CGF
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CGF Format No.

Cash Flow for Building/Roads/Water

12.0 SELF MONITORING

The current arrangement of CGF is to issue guarantees and physical and financial monitoring will be done by the CGF. This arrangement is a unique service to both contractor and the employer which will help to secure the guarantees. CGF agreed that securing the project will in-turn secure the guarantees. Hence monitoring and timely completion is important and CGF acknowledge that the project monitoring ensure the total project performance.

The ultimate monitoring aspect of CGF is to share the experience & know how, further education and developed the contractor to maintain a self monitoring scheme and to report regularly to CGF.

For this reason CGF currently developed a self monitoring system by receiving information regularly in a prescribed form. This exercise is paralarly implemented with currently CGF is monitoring system.

CGF Format No.

SM

13.0 NOTES :

13.1 THE CGF ADVICES IT'S CONTRACTORS BEFORE EMBARKING ON THE BID PREPARATION TO ENSURE THAT

- the Employer has sufficient funds or firm commitment of the funds for the project
- the Employer has experience in contracts and construction
- the Consultant has understood the local environment & site conditions when preparing documents
- make available investigation report and prepared the contract document
- the Engineer's Estimate is realistic based on local and market conditions
- additional information and any other queries have been taken up at the pre bid meeting and recorded and to treat the minutes as a part of the contract document
- attend the pre bid meeting and minutes of the pre bid meetings are useful and should serve as a clarification to the Tender document. Question & answers are very important
- retain a copy of the complete Tender Document deposited by you. ie. Conditions of Contract, contract data and other documents attached to the Tender.
- Check whether the Mobilization Advance will pay in two installments
- Proper interpretation of Letter of Acceptance, date of commencement, site possession and date of completion

The conditions of the contract used by the employer is important and ensure that;

- the employer is using the harmonized document or an ICTAD standard bidding document
- a realistic Contract Period is specified
- the employer has not deleted important /vital clauses such as Price fluctuation/ variations which gives a negative impact in the execution of the works
- standard Payment Terms are clearly specified including compensation for delayed payments
- standard alternate dispute resolution clauses are include

13.2 OPPORTUNITY

- The time of Bidding is the only opportunity that is available to lay down your terms and conditions to employer. There will not be any other opportunity for the Contractor to propose changes to the Conditions of the Contract or any other terms stipulated in the contract documents while doing so one should ensure that such conditions will not disqualify the bid.
- It is very important to mention that your covering letter should be treated as part and parcel of bid prepared.

13.3 NOTIFICATION

During implementation it is very important to notify the engineer/employer of any changes, occurs affect the implementation.

Careful consideration to be given to following areas;

- Unforeseen circumstances beyond once control
- Adverse Weather
- Lack of instructions from Engineers /Employers
- Approvals not given/delayed
- Reconciliation/of clarification not promptly made
- Negligence/not fulfill the obligation by the Engineers/Employers
- Price variation
- Delay in issue of approval
- Unsettled SSR and other issues
- Dispute resolution awards not given/not comply
- Mediation not taken place
- Status of Adjudication
- Obtaining approvals from other agencies/parties not taken by Employer in time
- Delay in payments beyond the specified period
- Maintain site log book
- Attend site meetings, progress meetings, management meetings and maintain records

At all times it is necessary to quote the particular clause of the condition of the contract when issuing such notices.

13.4 CONTRACT ADMINISTRATION

Contract administration is very vital and without the proper administration justification of your performance and the expenditure (cash out) and the income (cash in) can not be properly administer. At the time of bidding, during performance the prices will be changing which affect the construction and the Cash flow. Hence remedial measures and the necessary adjustment during performance is important to overcome the delays timely completion and utilization of funds properly.

13.5 BILLING AND PAYMENT

Under normal circumstances monthly has to prepare and should submit for payments within the stipulated period as per the GCC and the SCC. It is suggested that bill should be submitted with an additional copy for the contract which could be taken back after the certification.

Delay in payment should be handle as per the conditions in most of the cases interest component to be added to the bill every month when delays occur after the stipulated period in the conditions of the contract.

Ensure that all payment to be remitted to the particular lien/project account and to obtain authorization to withdraw

13.6 COMPLETION

The term Completion may be used under the contractual interpretation for Partial Completion and Completion.

When the work is nearing completion notification to the Employer is required specifying the status and the probable completion date request for a substantial completion certificate is necessary and intimation to take over the site should be notified. It is appropriate to indicate that the date of he final bill that the proposed date of the final bill going to submit

13.6.1. Partial Completion

The Contractor can apply for Partial Completion Certificate once the work is nearly completed and may request the Employer to issue the Partial Completion Certificate (PCC). Notification is essential to Engineer/Employer on probable date to take over the Site. Proper Handing over notes (HON) to be prepared and after taking over has obtain the Taking Over Certificate (TOC). The Contractor also should notify the Employer the intended date of submission of Final Bill. Ensure that final measurements carefully made compare with previous measurements, identify previous short comings and any unpaid works (Extra & Excess works)

Emphasis is given to the following areas are too. Under payments, part payments (percentage) and non payments on previous Bills. Excess works, Extra works and validity of Guarantees to effect payments, proper handing over notes, and taking over certificate no claim certificate, 50% retention. The 50% retention can be obtained by providing a Retention bond. To cover the DLP a maintenance bond or to cover 50% retention and maintenance a combined bond may be given.

13.7 FINAL BILL

Check whether all measurements are taken as the original scope and any additional and extra work done with instructions verbal or written.

Interest component in delay in finalizing the interim bill payments and compensation events also to be included in the final bill.

13.8 DEFECT LIABILITY PERIOD (DLP)

According to the government guide lines the performance bond only covers the contract period and a separate maintenance bond should be provided to cover the maintenance (DLP).

During the DLP the contractor should ensure to inquire from time to time whether there are any defects and should rectify immediately. At the end of the DLP it is important to obtain the certificate of completion from the employer. Until such time the contractor liability lies on the project and rectification of defects.

14.0 OTHER SERVICES PLANNED TO CONSTRUCTION CONTRACTORS

- i. Enhancing the Guarantee in order to meet special contractual obligations
- ii. Recommendation to Banks or Lending Institutions
 - Project Financing
 - Material & Equipment on credit basis for the Project
 - Factoring
 - Working Capital
 - Assist in resolving dispute
 - Restructuring of organization
 - Promote joint ventures