





Section-3

CONDITIONS OF CONTRACT

Conditions of contract shall be read in conjunction with Section 5-Contract Data, which shall take precedence over the Conditions of Contract



97

Conditions of Contract

1.0 General Provisions



1.1 Definitions

In the Contract as defined below, the words and expressions defined shall have the following meanings assigned to them, except where the context requires otherwise:

The Contract

- 1.1.1 The "Contract" is the Contract between the Employer and the Contractor to execute the Works and shall include the documents listed in Clause 1.3
- 1.1.2 **"Contract Price"** means the amount stated in the Letter of Acceptance and thereafter as adjusted in accordance with provisions of the Contract.
- 1.1.3 "Specification" means the specification of the Works included in the Contract and any modification or addition made or approved by the Engineer.
- 1.1.4 "Initial Contract Price" means the amount stated in the Letter of Acceptance.
- 1.1.5 **"Letter of Acceptance"** means the letter signed and issued by the Employer accepting the Bid submitted by the Contractor for the execution and completion of the Works.
- **1.1.6 "Drawings"** means the Employer's drawings of the Works, and any Variation to such drawings.
- **1.1.7 "Schedule"** means the completed pages entitled schedule, which forms part of the conditions of contract.

Persons

- 1.1.8 **"Employer"** means the Party named in the Schedule, who employs the Contractor to carry out the Works.
- 1.1.9 "Contractor" means the person(s) who's Bid to carry out the Works has been accepted by the Employer and named in the Agreement.
- 1.1.10 "Engineer" is the person named in the Schedule (or any other competent person appointed by the Employer and notified to the Contractor) who is responsible for administering and supervising the execution of the work.

Such person may be an engineer, architect or any other technical person. In the absence of such appointment the Employer himself.







1.1.11 The "Adjudicator" is the Institute for Construction Training and Development (ICTAD) or a person as the case may be, in accordance with Sub-Clause 14.2 for determination of the disputes in the first instance, as provided for in Clause 14.0.

Dates, Times and 1.1.12 Periods

- "Start Date" means the date 7 Days after handing over the each location by the Employer to the Contractor or any other date agreed between the Employer and Contractor.
- 1.1.13 "Day" means a calendar day.
- 1.1.14 "Intended Completion Date" means the date for completion of the Woks as stated in the Schedule.

Money and Payments

1.1.15 "Cost" means all expenditure properly incurred (or to be incurred) by the Contractor, whether on or off the Site, including overheads and similar charges, but does not include profit.

Other Definitions

- 1.1.16 "Contractor's Equipment" means all apparatus, machinery, vehicles, facilities and other things required for the execution of the Works but does not include Materials or Plant.
- 1.1.17 "Materials" means things of all kinds (other than Plant) intended to form or forming part of the permanent work.
- 1.1.18 **"Plant"** means the machinery and apparatus intended to form or forming part of the permanent work.
- 1.1.19 **"Site"** means the places provided by the Employer where the Works are to be executed, and any other places specified in the Contract as forming part of the Site.
- 1.1.20 "Variation" means a change to the Specification and/or Drawings (if any), which is instructed by the Engineer under Sub-Clause 9.
- 1.1.21 "Works" means all the work to be performed by the Contractor specified in the Schedule including temporary work and any variation.
- 1.1.22 **"Party"** means either or both the Employer or the Contractor as the context requires.

98

1.2 Interpretation

 Words importing persons or parties shall include firms and organizations;

DUPLICAT

 Words importing singular or one gender shall include plural or the other gender where the context requires.

1.3 Priority of Documents

- The documents forming the Contract are to be taken as mutually explanatory of one another;
- If an ambiguity or discrepancy is found in the documents, the Engineer shall issue any necessary instructions to the Contractor;
- the priority of the documents shall be in accordance with the order as listed below:
 - 1. The Contract Agreement.
 - 2. The Letter of Acceptance.
 - 3. Memorandum of Understanding (if any).
 - 4. The Contractor's Bid.
 - 5. Schedule
 - 6. These Conditions of Contract.
 - 7. The Specifications.
 - 8. The Drawings.
 - 9. The Bills of Quantities.

1.4 Law

The law of the Democratic Socialist Republic of Sri Lanka is applicable.

1.5 Communications

Communication by any person under the Contract can be written in official language and/or English.

2.0 The Employer

2.1 Execution of Contract

The Employer shall ensure that the Contract is executed within 14 Days after the date of the Letter of Acceptance.

2.2 Provision of Site

The Employer shall provide the Site and right of access to Site before the Start Date.

2.3 Engineer's Instructions

The Contractor shall comply with all instructions given by the Engineer in respect of the Works including the suspension of all or part of the Works.

2.4 Approvals

No approval or consent or absence of comment by the Employer or the Engineer shall affect the Contractor's obligations.





3.0 The Engineer

3.1 Engineer's Decisions

Except where otherwise specifically stated, the Engineer will decide contractual matters between the Employer and the Contractor.

4.0 The Contractor

4.1 General Obligations

The Contractor shall:

- carry out the Works properly and in accordance with the Contract;
- Shall provide all supervision, labor, Materials, Plant and Contractor's Equipment which may be required.

All Materials and Plant on Site shall be deemed to be the property of the Employer

4.2Contractor's Representative

The Contractor shall submit to the Employer for consent the name and particulars of the person authorized to receive instructions on behalf of the Contractor.

4.3 Subcontracting

The Contractor shall not subcontract:

- the whole of the Works;
- Any part of the Works without the consent of the Engineer.

4.4 Performance Security

The Contractor shall deliver to the Employer within 14 Days of the Letter of Acceptance a Performance Security:

- from an agency approved by the Employer;
- to an amount stated in the Schedule;
- In a form specified in the Schedule.

5.0 Employer's Liabilities / Risks

5.1 Employer's Liabilities / Risks

In this Contract, Employer's Liabilities / Risks mean:

- war, hostilities (whether war be declared or not), invasion, act of foreign enemies, within the Country;
- rebellion, terrorism, revolution, insurrection, military or usurped power, or civil war, within the Country;
- riot, commotion or disorder by persons other than the







Contractor's personnel and other employees, affecting the Site and/or the Works;

- use or occupation by the Employer of any part of the Works, except as may be specified in the Contract;
- design of any part of the Works by the Employer's personnel or by others for whom the Employer is responsible;
- any operation of the forces of nature affecting the Site and/or the Works, which was unforeseeable or against which an experienced contractor could not reasonably have been expected to take precautions;
- Force Majeure;
- a suspension unless it is attributable to the Contractor's failure;
- any failure of the Employer;
- physical obstructions or physical conditions other than climatic conditions, encountered on the Site during the performance of the Works, which obstructions or conditions were not reasonably foreseeable by an experienced contractor and which the Contractor immediately notified to the Employer;
- any delay or disruption caused by any Variation;
- any change in Law on or after the date 14 Days prior to the deadline for submission of bids for the Contract.
 - For purposes of this sub clause, Change in Law means the enactment of any new Law or a change to existing legislation and the repeal of , or modification of existing laws of the country, including any regulations made, and/or directives issued there under, or a change in the judicial interpretation and the application of any Law by a competent Court as compared to such interpretation or application by a Court prior to the date of this agreement, and which relates to taxation or imposes rationing proscribing any activity or relates to duties and other import/export levies which in each case is beyond the control of the Contractor and materially affects the performance of the Contractor's responsibilities under the Contract.
- losses arising out of the Employer's right to have the permanent work executed on, over, under, in or through any land, and to occupy this land for the permanent work; and
- Damage which is an unavoidable result of the Contractor's obligations to execute the Works and to remedy any defects.
 - all of which would entitle the Contractor to an extension to the Intended Completion Date under Section 6 and/or right to claim under Section 9.



6.0 Time for Completion

Works

6.1 Execution of the There are eight locations covered under this Project The Contractor shall:

- commence the Works on the each location within 7days of the Particular location handing over to the Contractor by the Client;
- proceed expeditiously and without delay;
- Complete the each location Work within the Intended Completion Date which is 120 days from the commencement

6.2 Programme

The Contractor shall submit a programme for the Works to the Engineer:

- within 14 Days from the Start Date;
- In a form acceptable to the Engineer.

6.3 Extension of Time

- Subject to Clause 9.0 the Contractor shall be entitled to an extension to the Intended Completion Date if he is or will be delayed by any of the Employer's Liabilities / Risks.
- On receipt of an application from the Contractor, the Engineer shall:
 - consider all supporting details provided by the Contractor;
 - Extend the Intended Completion Date as appropriate.

6.4 Late Completion

If the Contractor fails to complete the Works within the Intended Completion Date, due to the failure of Contractor, the Contractor shall pay liquidated damages to the Employer at the per Day rate stated in the Contract Data for each day that the completion Date is later than the Intended Completion Date. The Employer may deduct liquidated damage from payment due to the Contractor. Payment of liquidated dames shall not affect the Contractor's liabilities.

7.0 **Taking-Over**

7.1 Completion

The Contractor may notify the Engineer with Final reports when he considers that the Works are completed.



7.2 Taking-Over Notice

- The Engineer shall notify the Contractor when he considers that the Contractor has completed the Works stating the date accordingly;
- Alternatively, the Engineer may notify the Contractor that the Works, although not fully complete, are ready for taking over, stating the date accordingly;
- The Employer shall take over the Works upon the issue of this notice;
- The Contractor shall promptly complete any outstanding work and, subject to Clause 8.0 clear the Site.

8.0 Variations and Claims

8.1 Right to Vary

The Engineer may instruct variations.

8.2 Valuation of Variations

Variations shall be valued as follows:

- a) at a lump sum price agreed between the Engineer and the Contractor;
- b) where appropriate, at rates in the Contract; however, if the final quantity of the work done differs from the quantity in the Bills of Quantities for the particular item by more than 25 percent, provided the change exceeds one (1) percent of the Initial Contract Price, an appropriate new rates, as may be agreed shall be used for the excess quantity.
- c) in the absence of appropriate rates, the rates in the Contract shall be used as the basis for valuation, or failing which;
- d) At appropriate new rates, as may be agreed or which the Engineer considers appropriate.

8.3 Early Warning

- A Party shall notify the other as soon as he is aware of any circumstance which may delay or disrupt the Works, or which may give rise to a claim for additional payment;
- The Contractor shall take all reasonable steps to minimize these effects;
- The Contractor's entitlement to extension to the Intended Completion Date or additional payment shall be limited to the time and payment which would have been due if he had given prompt notice and had taken all reasonable steps.



8.4 Right to Claim

- If the Contractor incurs Cost as a result of any of the Employer's Liabilities / Risks, the Contractor shall be entitled to the amount of such Cost;
- If as a result of any of the Employer's Liabilities / Risks, it is necessary to change the Works, this shall be dealt with as a Variation;

8.5 Variation and Claim Procedure

- The Contractor shall submit to the Engineer an itemized makeup of the value of variations and claims within 28 Days of the instruction or of the event giving rise to the claim;
- The Engineer shall check and if possible agree the value. In the absence of agreement, the Engineer shall determine the value

9.0 Personnel

9.1 Employ

The Contractor shall employ the key personnel if named by the Employer in the schedule of key personnel, as referred to in the Contract Data, to carry out the functions stated in the schedule or other personnel approved by the engineer. The Engineer may approve any proposed replacement of key personnel only if their relevant qualifications and liabilities are substantially equal to or better than those of the personnel listed in the schedule.

9.2 Remove Personnel

If the Engineer asks the Contractor to remove a person who is a member of the Contractor's staff or work force, stating the reasons, the Contractor shall ensure that the person leaves the Site within seven Days and has no further connection with the work in the Contract.

10.0 Contract Price and Payment

10.1 Valuation of the Works

- The Contractor shall submit an interim payment Application for each location Work after completion and submission of final report of each location out of eight locations.
- The Engineer shall check the Contractor's statement and certify the amount to be paid to the Contractor, within 14 Days of the receipt of the Contractor's statement.







10.2 Interim Payments

- Within 14 Days of delivery of each certificate by the Engineer, the Employer shall pay to the Contractor the amount shown in the certificate less retention stated in the Schedule;
- No deductions shall be made for retention after the total amount deducted as retention reached the amount stated in the Schedule;
- The Employer shall not be bound by any sum previously considered by him to be due to the Contractor;
- The Employer may withhold interim payments until he receives the performance security under Sub-Clause 4.4 (if any).

10.3 Final Payment

- Within 42 Days of the completion of the Defects Notification Period and completing of outstanding work as per Clause 8.0 above, the Contractor shall submit a final account to the Engineer together with any documentation reasonably required to enable the Engineer to ascertain the final contract value;
- Within 28 Days after the submission of this final account, the Engineer shall certify the amount due to the Contractor;
- If the Engineer disagrees with any part of the Contractor's final account, he shall specify his reasons for disagreement when making certification;
- Employer shall pay to the Contractor the amount due, within 21 Days of receipt of the certificate from the Engineer.

10.4 Currency

Payment shall be in Sri Lanka Rupees only.

10.5 Subsequent Legislation

If, after the date 14 Days prior to the latest date for submission of bids for the Contract;

- changes to any Statute, Ordinance, Decree, or other Law or any regulation or by-law of any local or other duly constituted authority; or
- introduction of any such State Statute, Ordinance, Decree, Law, regulation or by-law





which causes additional or reduced cost to the Contractor, other than under Sub-Clause 10.10 above, in the execution of the Contract, such additional or reduced cost shall, after due consultation with the Employer and the Contractor, be determined by the Engineer and shall be added to or deducted from the Contract Price and the Engineer shall notify the Contractor accordingly, with a copy to the Employer.

Notwithstanding the foregoing, such additional or reduced cost shall not be separately paid or credited if the same shall already have taken into account in the indexing of any inputs to the Price Adjustment Formula in accordance Sub-Clause 10.10.

10.6 Advance Payment

- The Employer shall make advance payment to the Contractor within 14 Days after Contractor furnishing a unconditional guarantee;
- The amount of advance shall be equivalent to 20% of the Initial Contract Price (less provisional sums and contingencies);
- The advance payment shall be repaid by deducting proportionate amounts from payments otherwise due to the Contractor, following the schedule of completed percentages of the Works on a payment basis;
- The advance payment shall be repaid in full when the total certified value of work reaches 90% of the Initial Contract Price:
- The guarantee shall be from bank or a company acceptable to the Employer;
- The guarantee shall remain effective until the advance payment has been repaid.

11.0 Default

11.1 Default by Contractor

Engineer may give notice referring to this Sub-Clause and stating the default of the Contractor:

- abandons the Works;
- refuses or fails to comply with a valid instruction of the Engineer;







- fails to proceed expeditiously and without delay despite a written complaint; or
- in breach of the Contract.

If the Contractor has not taken all practicable steps to remedy the default within 14 Days after the Contractor's receipt of the Engineer's notice, the Employer may by issuing a letter within a further 21 Days, terminate the Contract.

The Contractor shall then demobilize from the Site leaving behind Materials and Plant and any Contractor's Equipment which the Employer instructs in his letter is to be used until the completion of the Works.

If the Contractor has engaged in corrupt or fraudulent practices, in competing for or in executing the Contract, the Employer may, after given 14 days notice to the Contractor, terminate the Contract. For the purpose of this Sub-Clause:

"corrupt practice" means the offering, giving, receiving or soliciting of any thing of value to influence the action of a public official in the procurement process or in Contract execution;

"fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a Contract to the detriment of the Employer, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels and to deprive the Employer of the benefits of free and open competition.

11.2 Default by Employer

Contractor may give notice to the Employer referring to this Sub-Clause and stating the default;

- if the Employer delayed the payments due to the Contractor for more than 42 Days; or
- if the Employer is, despite a written complaint, in breach of the Contract; or
- The Engineer is not carrying out his obligations.
- If the default is not remedied within 14 Days after the Employer's receipt of this notice, the Contractor may suspend the execution of all or parts of the Works;





- If the default is not remedied within 28 Days after the Employer's receipt of the Contractor's notice, the Contractor may by a second notice given within a further 21 Days, terminate the Contract;
- The Contractor shall then demobilize from the Site.

11.3 Insolvency

- If a Party is declared insolvent under any applicable law, the other Party may by notice terminate the Contract immediately;
- The Contractor shall then demobilize from the Site leaving behind, in the case of the Contractor's insolvency; any Contractor's Equipment which the Employer instructs in the notice is to be used until the completion of the Works.

11.4 Payment upon Termination

After termination, the Contractor shall be entitled to payment of the unpaid balance of the value of the Works executed and of the Materials and Plant reasonably delivered to the Site, adjusted by the following:

- a) any sums to which the Contractor is entitled under Sub-Clause 9.4;
- b) any sums to which the Employer is entitled;
- c) if the Employer has terminated under Sub-Clause 11.1 or 11.3, the Employer shall be entitled to a sum equivalent to 20% of the value of those parts of the Works not executed at the date of the termination;
- d) If the Contractor has terminated under Sub-Clause 11.2 or 11.3, the Contractor shall be entitled to the Cost of his suspension and demobilization.

The net balance due shall be paid or repaid within 28 Days of the notice of termination.

12.0 Risk and Responsibility

12.1 Contractor's Care of the Works

- The Contractor shall take full responsibility for the care of the Works from the Start Date until the date of the Engineer's notice under Sub-Clause 7.2;
- Responsibility shall then pass to the Employer;
- If any loss or damage happens to the Works during the above period, the Contractor shall rectify such loss or damage so that the Works conform with the Contract;





Unless the loss or damage happens as a result of an Employer's Liability / Risk, the Contractor shall indemnify the Employer, the Employer's contractors, agents and employees against all loss or damage happening to the Works and against all claims or expense arising out of the Works caused by a breach of the Contract, by negligence or by other default of the Contractor, his agents or employees.

12.2 Force Majeure •

- For the purposes of this Contract "Force Majeure" means an event or circumstance which is beyond the reasonable control of a Party and which makes a Party's performance of its obligations under the contract impossible or so impractical as to be considered impossible under the circumstances.
- The failure of a Party to fulfill any of its obligations under the contract shall not be considered to be a breach of, or default under, this Contract in so far as such inability arises from an event of Force Majeure, provided that the Party affected by such an event (a) has taken all reasonable precautions, due care and reasonable alternative measures in order to carry out the terms and conditions of this Contract, and (b) has informed the other Party as soon as possible about the occurrence of such an event.
- For the avoidance of doubt, Force Majeure shall not include the inability of the Employer to make payments that are due to the Contractor, under the terms of this Contract.
- If a Party is or will be prevented from performing any of its obligations by Force Majeure, the Party affected shall notify the other Party immediately;
- If necessary, the Contractor shall suspend the execution of the Works and, to the extent agreed with the Employer, de-mobilize the Contractor's Equipment;
- If the event continues for a period of 84 Days, either Party may then give notice of termination which shall take effect 28 Days after the giving of the notice;
- After termination, the Contractor shall be entitled to payment of the unpaid balance of the value of the Works executed and of the Materials and Plant reasonably delivered to the Site, adjusted by the following:
 - (a) any sums to which the Contractor is entitled under Sub-Clause 9.4;

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- (b) the Cost of his suspension and demobilization;
- (c) any sums to which the Employer is entitled.
- The net balance due shall be paid or repaid within 28 Days of the notice of termination.



13.0 Insurance

13.1 Extent of Cover

The Contractor shall, prior to commencing the Works, effect and thereafter maintain insurances to the amounts given below, in the joint names of the Employer and Contractor:

- a) 110% of the Initial Contract Price, for loss and damage to the Works, Materials and Plant;
- b) full replacement cost for the Contractor's Equipment;
- c) to the amount stated in the Schedule, per any event for liability of both Employer and the Contractor for loss, damage, death or injury to third Parties or their property arising out of the Contractor's performance of the Contract, including the Contractor's liability for damage to the Employer's property other than the Works; and

The Contractor shall, prior to commencing the Works, effect and thereafter maintain insurance cover to the amount not less than the amount stated in the Schedule, per any event for liability of both Employer and the Contractor and of any Employer's representative for death or injury to the Contractor's personnel except to the extent that liability arises from the negligence of the Employer, any Employer's representative or their employees. The Contractor's liability for personal injury or death of workmen shall be as provided for in the Workmen's Compensation Act and any other statutory modifications or amendments thereto.

13.2 Failure to Insure

If the Contractor fails to effect or keep in force any of the insurances referred to in the previous Sub-Clauses, or fails to provide satisfactory evidence, policies or receipts, the Employer may, without prejudice to any other right or remedy, effect insurance for the cover relevant to such default and pay the premiums due and recover the same with an additional charge of 30% of the premiums paid, as a deduction from any other monies due to the Contractor.



14.0 Resolution of Disputes

14.1 Dispute Resolution

Any dispute of whatever nature arising out of or in relation to this agreement shall in the first instance be attempted to be resolved by way of adjudication in accordance with the adjudication procedure set forth in Clause 14.2.

14.2 Procedure for Adjudication

- Either Party may initiate the reference of a dispute to the Adjudicator by giving 07 Days notice to the other Party.
- The Institute for Construction Training and Development (ICTAD) shall be the Adjudicator, unless the bidder had disagrees and stated so in the bid, in which event the Employer and the Contractor may reach agreement on the appointment of an Adjudicator by mutual consent within 14 Days from the Letter of Acceptance.
- If mutual consent is not reached or resorted to as above then the Adjudicator shall be appointed by the Institute for Construction Training and Development (ICTAD) at the request of either Party after the expiry of 28 Days.
- If ICTAD is not accepted as the Adjudicator then the Adjudicator shall be a professional with experience relevant to the Works and in the interpretation of contractual documents. Such Adjudicator shall have no interest financial or otherwise in the Employer, the Contractor or the Engineer nor any financial interest in the Contract, except in respect of his professional fees.
- The Adjudicator's fee shall be agreed by both Parties and shall be borne by both Parties in equal amounts.
- The Adjudicator shall give the determination in writing within 28 Days or such other period of receipt of a notification of a dispute. The Adjudicator shall determine procedures as he sees fit ensuring that each Party is given a reasonable opportunity to make representations including written submissions and/or hearing of witnesses in person.
- Each of the Parties shall upon and in accordance with a request by the Adjudicator supply him free of charge such information and documents as he shall require for the purposes of the reference to him. That information and those documents shall be kept confidential by him and by the Parties.
- The Adjudicator shall not act as an Arbitrator. The decision of the Adjudicator shall be deemed final and binding on the Parties if neither Party refers the dispute to arbitration in accordance with Sub-Clause 14.3 within twenty eight (28) Days of the Adjudicator's determination.



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Replacement of Adjudicator

14.3 Arbitration

- Should the Adjudicator appointed by mutual consent of both Parties resign or die or is removed by agreement of the Parties on the basis of his unsatisfactory performance, the Parties may jointly appoint another Adjudicator and such an appointment shall be made within fourteen (14) Days after the resignation or death or removal of the Adjudicator. If the Parties are unable to reach agreement on the appointment of a new Adjudicator then the Adjudicator shall be appointed by the Institute for Construction Training and Development (ICTAD) at the request of either Party within fourteen (14) Days of receipt of such request.
- (a) Any dispute of whatever nature arising from, out of or in connection with this agreement, on the interpretation thereof, or the rights, duties, obligations or liabilities of any Party, or the operation, breach, termination, abandonment, foreclosure or invalidity thereof, shall be referred to by either Party to arbitration for final settlement, in accordance with the Arbitration Act No. 11 of 1995, or any amendment thereof,
- (b) Pending the award in any arbitration proceedings hereunder,
 - (i) this Contract and the rights and obligations of the Parties shall remain in full force and effect and
 - (ii) each of the Parties shall continue to perform their respective obligations under this Contract. The termination of this Contract shall not result in the termination of any arbitration proceedings pending at the time of such termination nor otherwise affect the rights and obligations of the Parties under or with respect to such pending arbitration.
- (c) Any award rendered by the arbitral tribunal shall determine the extent to which the cost of arbitration is to be borne by each Party. The arbitration centre charges (if any) and the compensation to the arbitrator shall be equally shared by the Parties initially.

Composition of the Arbitral Tribunal:

The arbitral tribunal shall consist of a sole arbitrator who shall be appointed in the manner provided as follows;

Selection Procedure:

The Party desiring arbitration shall nominate three arbitrators out of which one to be selected by the other Party within 21 Days of the receipt of such nomination. If the other Party does not select one to serve as Arbitrator within the stipulated period then the Arbitrator shall be appointed in accordance with the Arbitration Act No. 11 of 1995, or any amendments thereof.

Venue & Language:

The venue of arbitration shall be in Sri Lanka.

Unless otherwise agreed to by the Parties the proceedings shall be conducted and the award shall be rendered in the English language.