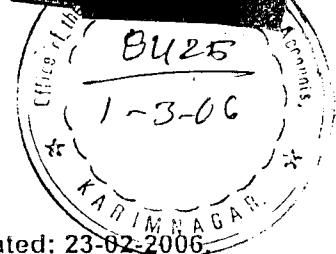


P.W. 627
01/3/06

GOVERNMENT OF ANDHRA PRADESH
IRRIGATION & CAD DEPARTMENT



Memo No.5217/Reforms/06

Dated: 23-02-2006

Sub: Major Irrigation – Prioritized projects under EPC system – Guidelines – Orders – Issued.

24/2/06
JDWA
PAO
Supdt
Admn

24/2/06
24/2/06
24/2/06

Ref: 1) Director, Godavari Basin Lr. No. DGC/ Hyd/ 2005-2006, Dt. 06-2-2006.
2) G.O. Rt. No. 224. Finance (W&P. F3) Dept., Dt. 17-12-2005

Government have taken up large number of major and medium irrigation projects under EPC system for timely completion of the projects so as to complete the works contemplated within the agreement amounts.

2. The departmental procedures are mainly based upon lump sum contract system and therefore there will be certain anomalies in the procedures that are to be followed and deviations from codal procedures.

3. Government in the reference second cited, have constituted a committee to evolve suitable guidelines for arranging payment without delay in respect of works under EPC contract system.

4. Based on the recommendations of the Committee, Government hereby issue a comprehensive order on all the issues under EPC contract system for timely payments of the bills as detailed in Annexure-I.

5. In case of any item not covered in this Government memo, the Chief Engineers and Superintending Engineers shall compare the agreements with standard format and bring to the notice of the Government if there is any deviation for the decision of the Government and orders.

6. These orders are made applicable with immediate effect.

7. This order issues with the concurrence of Finance & Planning (W&P) Department.

Dr.C.V.S.K.SARMA
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Engineer-in-Chief (A.W.)
The Engineer-in-Chief (I.W.)
The Chief Engineers concerned.
The Director of Works & Accounts.

Intermediary file in EPC

SITC

ANNEXURE – I

(Enclosure to Government Memo No.5217/Reforms/06 Dated 23-2-2006)

1. Administrative Approval:

- i) In case of EPC agreements where tenders are called for without the Administrative approval, Government will ratify the same duly according administrative approval for the proposals received.
- ii) In case where the ECV is more than the Administratively approved amounts, Government will ratify the same duly according revised administrative approval for the proposals received.

2. Technical Sanction:

- i) Where tenders were called without technical sanction, Government ratify the action in calling tenders before according technical sanction for the proposals received.
- ii) Government will ratify the procedure followed by the competent authority in preparing the estimates for the works under EPC contract based on the available data and in according technical sanction to the estimate so prepared for the proposals received.

3. Agreements:

- i) Any deviations and in-consistencies from the format prepared by the Committee of Chief Engineers that are noticed will be examined and action will be initiated against the erring officers.
- ii) Orders will be issued separately illustrating key words and post facto approval of the uniform standard format for EPC contracts as prepared by the Committee of Chief Engineers headed by ENC after examining the clauses separately.
- iii) After post-facto approval to the uniform standard format of agreement for EPC contracts is accorded by the Government, any inconsistencies in the already concluded agreements may be regularized by the competent authorities by concluding necessary supplemental agreements.

4. EMD and Bank Guarantee:

- i) The Bank guarantee should be un-conditional.
- ii) Government direct that the bid security, bank guarantees taken at the time of bid should not be utilized towards EMD. Such Bank guarantees should immediately be replaced with unconditional bank guarantees.
- iii) Government also direct that the agreement concluding authority shall verify the genuineness of the B.G. and after accepting the B.G. have to communicate the same to PAO duly endorsing the acceptance. The PAO should immediately communicate any lapses in the BG within a week and also must indicate when they will lapse. The PAO and the Executive Engineer shall be personally responsible for the correctness and validity of the B.G.
- iv) As per the rule, EMD is collected at 2.5% fo the contract value. However it is noticed that EMD is being collected at Rs. 50 lakhs only. In such cases Govt. direct the shortfall of 2.5% of contract value should be immediately made good.

5. Retention Amount:

- i) In the agreements already concluded with 5% as retention amount in the running account bill it has to be retained.
- ii) As per normal rules 7.5% is to be withheld as retention amount in the running account bill. But in all the agreements under EPC the retention amount is taken as 5%. Government direct that for future tenders on EPC the retention amount should be at 7.5% of the running account bill.
- iii) In the present agreement where at one place the retention amount is specified as 7.5% and at another place as 5%, 7.5% is to be adopted.

6. Release of retention amount against Bank Guarantee:

Government permits the following procedures for the release of retention amounts:

- i) Release of the retention amount against B.G. in multiples of Rs. 25 Lakhs / 50 Lakhs.

- ii) The retention amount in multiples of Rs. 1000/- against interest bearing securities subject to condition that the rate of progress is maintained.
- iii) The 2.5% EMD that needs recovery in final bill shall be in cash only.

7. Insurance:

Government hereby order that Insurance policy shall be obtained for the total period at the time of concluding agreement which shall form part of agreement and the policy should be obtained by paying the premium at on time only.

8. Interpretation of Agreement Conditions:

Any corrections or amendment to agreement involving financial commitment shall be by Govt.

9. Measurement and Check-measurement:

For EPC contracts the measurements are to be recorded by the Contractor. The guidelines issued by Engineer-in-Chief in Circular Memo. No. DCE-I/OT.MP/AEE/29348/2005-1, Dt. 26-12-2005 as detailed in Annexure-II have to be strictly followed.

10. Quality Control:

Guidelines issued by the Engineer-in-Chief on quality control in circular Memo No. DCE-I/OT.MP/ AEE/ 29384/ 2005-1, Dt. 26-12-2005 shall be followed.

11. Payments:

- i) In EPC system payments shall be made as per Annexure to Schedule-A of agreement which specifies the percentage of payments component wise.
- ii) The work should be carried out as per mile stones.

- iii) After receipt of the construction programme from contractor the Superintending Engineer should prepare the revised milestone in consultation with Chief Engineer who will approve the revised milestones.
- iv) Where any financial implication is involved in this revision it should be referred to Govt. for approval.

12. Earth work Excavation:

Unit length for eligibility for arranging payment of earth work excavation is given in agreement and payment shall be as per agreement conditions only.

13. Price Adjustment:

- i) Wherever it is said as price escalation it shall be read as "price adjustment" to take care of increase and decrease of prices.
- ii) Price adjustment can only be allowed on steel, cement and fuels.
- iii) Component of percentage of fuels and lubricants will be decided by the Committee to be constituted.
- iv) Escalation shall not be allowed where liquidated damages are levied and extension of time granted for reasons attributable to contractor.

14. Ayacut registers:

- i) The contractor makes available the ayacutdar particulars pipe-wise village-wise by June 2006 and supplied to MROs, MDOs, GPS for public awareness.
- ii) The specified ayacut as noted in the agreement shall be developed. In case of short-fall, the ayacut has to be made good in higher reaches through sprinklers or drip at the cost of agency. Any deletion of ayaut shall reach the agreement concluding authority before 50% of the payment of contract value. Payment shall be restricted for the actual ayacut proportionately.

15. Extension of time:

Government order that the expert committee constituted is only competent to grant extension of time up to six months. Beyond six months the recommendations of Committee shall be sent to Government for consideration.

16. Incentive to the Contractor:

Government directs to delete incentive clause for future contract.

17. Recovery of Mobilization Advance:

Deduction of the advance commences in the next interim payment following that in which total of such payments to the contractor reached 10% of contract value. The deduction will be made at the rate of 20% of the amount of all the interim payment together with interest. The exclusion of amounts paid till the stage of recovery is reached is not correct. Government reiterates the clarification issued in Government Memo. No. 1938/ F8(1)/ 99-9 F&P (FW) Dept, Dated: 17-01-2000.

18. Seignorage Charges:

Seignorage charges shall be recovered from the bills on the quantities used and measured at the rates mentioned in the agreement and as per the conditions of the agreement. All material including ordinary earth used on the work will attract seignorage charges even if they are supplied free of cost as per agreement conditions.

19. Liquidated Damages:

Liquidated charges shall be recovered as per the conditions of the agreement and Executive Engineer is responsible for effecting recovery. For fixing revised milestones the competency is vested with Chief Engineer.

Principal Secretary (I & CAD)