



Democratic Socialist Republic of Sri Lanka

Supplement - 29

To the

PROCUREMENT MANUAL

Issue Date: 25-01-2016

(To be used along with Procurement Guidelines 2006 – Goods & Works)

This supplement supersedes the sections

PROCUREMENT GUIDELINE REFERENCE: 5.4.4

(ADVANCE PAYMENT FOR WORKS AND GOODS CONTRACTS)

PROCUREMENT GUIDELINE REFERENCE: 5.4.6

(RETENTION MONEY IN WORKS CONTRACTS)

PROCUREMENT GUIDELINE REFERENCE: 5.4.8

(PERFORMANCE SECURITY)

DEPARTMENT OF PUBLIC FINANCE

**ADVANCE PAYMENT FOR WORKS AND GOODS
CONTRACTS**

Advance payment for Work Contracts shall be as follows:

- i) for works where contract value below Rs. 50 Mn, a maximum of thirty percent (30%) of the contract sum (less any provisional sums and contingencies) against the submission of an acceptable advance payment guarantee
- ii) for works where contract value exceeds Rs. 50 Mn, a maximum of twenty percent (20%) of the contract sum (less any provisional sums and contingencies) against the submission of an acceptable advance payment guarantee; ; and
- iii) The advance payment shall be fully recovered before ninety percent (90%) of the payments are made to the contractor.

Advance payment for goods contract shall be as follows:

When the bidding documents require opening of letters of credit (LC) in favour of the PE, the cost of which shall be borne by the supplier, an advance payment not exceeding the LR equivalent of thirty percent thirty percent (30%) of the value of LC may be paid, on the submission of a guarantee acceptable to the PE.

Advance payment guarantee issued in the format given below by the following agencies are acceptable:

The advance payment guarantees issued by the following agencies are acceptable provided the guarantee is furnished without a critical departure to the format given in this manual with respect to the amount validity and payment of guaranteed amount upon receipt of first demand in writing.

- A commercial bank operating in Sri Lanka;
- A bank based in another country but the guarantee “confirmed” by a bank operating in Sri Lanka;

However the requirement of confirmation of advance payment guarantees issued by a bank based in another country, by a bank operating in Sri Lanka is not necessary, if the entity that issues the guarantee is an Export Credit Agency of any foreign government or a reputed International Financier acceptable to the Central Bank of Sri Lanka.

- Construction Guarantee Fund
- Insurance Agencies:

The PE should note that in the event of an extension of the Time For Completion of the Contract, the PE would need to request an extension of this guarantee from the Guarantor. Such request must be in writing and must be made prior to the expiration date established in the guarantee.

RETENTION MONEY IN WORKS CONTRACTS

From all construction contracts retention money shall be deducted from the payments due to contractor to cover the period for remedying any defects. Retention money shall be deducted from the net work done (including material at site) during the period of interim payment before making any adjustments to price fluctuation, VAT and advance payment recovery. No retention money will be deducted from the advance payment.

Fifty percent (50%) of retention may be released after taking over of Works and the second fifty percent (50%) will be released upon satisfactory completion of the defect correction period. Alternatively after taking over of works, contractors may be allowed to replace the second 50% of retention money, with an equivalent security.

Alternatively, after the final completion of Works, contractors may be allowed to replace the second half of retention money with an unconditional and irrevocable guarantee issued by the following agencies in the format given below:

The retention guarantees issued by the following agencies are acceptable **provided the guarantee is furnished without a critical departure to the format given in this manual with respect to the amount validity and payment of guaranteed amount upon receipt of first demand in writing.**

- A commercial bank operating in Sri Lanka;
- A bank based in another country but the guarantee “confirmed” by a bank operating in Sri Lanka;

However the requirement of confirmation of retention guarantees issued by a bank based in another country, by a bank operating in Sri Lanka is not necessary, if the entity that issues the guarantee is an Export Credit Agency of any foreign government or a reputed International Financier acceptable to the Central Bank of Sri Lanka.

- Construction Guarantee Fund;
- Insurance Agencies:

The PE should note that in the event of an extension of the defects liability period of the Contract, the PE would need to request an extension of this guarantee from the Guarantor. Such request must be in writing and must be made prior to the expiration date established in the guarantee.

PERFORMANCE SECURITY

Works

- (a) Works shall require a performance security of not less than five percent (5%) of the estimated contract sum to safeguard the PE in case of breach of contract by the Contractor.
- (b) This security shall be provided by a performance guarantee issued from an acceptable agency, and valid till twenty eight (28) days beyond the intended completion date.

Goods

- (a) In contracts for the supply of Goods, the need for performance security depends on the market conditions and commercial practice for the particular kind of Goods.
- (b) Suppliers are required to provide a performance guarantee to safeguard the PE against non performance of the contract.
- (c) Such security in an appropriate amount of not less than 10% (ten percent) of the estimated contract sum may also cover warranty obligations.
- (d) If warranty obligation is a requirement a percentage of the payments may be withheld as retention money to cover such obligations and any installation or commissioning requirements.

This performance guarantee shall be provided in the format given in this manual and shall valid till 28 days beyond the scheduled completion of works or the supply of goods.

The Performance Guarantee issued by the following agencies are acceptable **provided the guarantee is furnished without a critical departure to the format given in this manual with respect to the amount validity and payment of guaranteed amount upon receipt of first demand in writing.**

- A commercial bank operating in Sri Lanka;

- A bank based in another country but the guarantee “confirmed” by a bank operating in Sri Lanka;

However the requirement of confirmation of performance guarantees issued by a bank based in another country, by a bank operating in Sri Lanka is not necessary, if the entity that issues the guarantee is an Export Credit Agency of any foreign government or a reputed International Financier acceptable to the Central Bank of Sri Lanka.

- Construction Guarantee Fund;
- Insurance Agencies:

The PE should note that in the event of an extension of the Time For Completion of the Contract, the PE would need to request an extension of this guarantee from the Guarantor.

Such request must be in writing and must be made prior to the expiration date established in the guarantee.