

No.RW/NH-11024/2/90-DO I

Dated, the 16th Sept., 1991

To

The Secretary, Public Works Departments of all States/UTs; Director General (Works), Central Public Works Department; Director General, Border Road Development Board

Subject: Tender Documents for Local Competitive Bidding for the execution of Road and Bridge work on National Highways and Centrally Sponsored Schemes - Mobilisation-Advance to Contractors

This Ministry has been receiving requests from contractors from time to time that on the pattern of LCB projects, an interest-free mobilisation advance of 10% may be paid to the contractors in respect of LCB works as well.

2. After careful consideration, it has been decided that the facility of 10% interest-free mobilisation advance may be allowed on all projects costing Rs.2 crores or higher for which bidding has been conducted after prequalification as per prescribed procedure of the Ministry. For this purpose, standard clauses about the payment of advance and its recovery have been prepared by the Ministry (see Enclosure).

3. It is requested that in future the tender documents for all Road and Bridge works on National Highways and other Centrally sponsored schemes should contain the above mentioned clauses.

4. At present, the prequalification of contractors is mandatory in respect of works costing Rs.2 crores or more. In case this threshold for prequalification is revised at a subsequent date, the applicability of this circular will get automatically modified to correspond to the revised threshold for prequalification of contractors.

5. It is requested that the contents of this circular may be brought to the notice of all the field offices of the Public Works Department.

6. This issues with the concurrence of Internal Finance of this Ministry.

Enclosure to Letter No. RW/NH-11024/2/90-DOI dated 16.9.91

Clauses to be included in the Tender Documents of Road & Bridge works on National Highways and other Centrally sponsored schemes costing Rs.2 crores or more and for which prequalification of contractors has been carried out

1. Mobilisation - Advance Payments

The Employer will pay an interest-free mobilisation advance against key plant and machinery required for the work and brought to site or proposed to be purchased and brought to site, if so requested by the Contractor. The maximum of such advance shall be ten percent of the Contract amount. In case of new plant and equipment, the advance shall be limited to ninety per cent of the price of such new plant and equipment by the Contractor for which the Contractor shall produce satisfactory evidence of cost and of having purchased or having placed orders for purchase of the same. In the case of used plant or equipment, the amount of such advance shall be limited to ninety per cent of the depreciated value of plant and equipment as may be determined by the Engineer. This advance shall be further subject to the condition that-

- (i) such plant and equipment are considered by the Engineer to be necessary for the works and are included in the list of essential equipment given as Annexure _____ (1) of the tender document,
- (ii) such plant and equipment are in working order,
- (iii) such plant and equipment are hypothecated to the Government in the form given in Tender Document, or
- (iv) the Contractor provides a bank guarantee acceptable to the Employer in an amount equal to the advance.

A form of bank guarantee acceptable to the Employer is indicated in Appendix _____ (2). The advance will be paid only after execution of Form of Agreement by the parties thereto and provisions by the Contractor of the

Performance Security in accordance with Clause _____ (3). No advance shall be granted on any piece of plant or equipment with a value of less than Rs.50,000/-. No advance for plant and equipment shall be granted after eight months from the date of commencement, which period may be extended, if considered reasonable by the Engineer.

2. **Repayment of Mobilisation Advance**

Repayment of the mobilisation Advance shall commence at the time of the next Interim Certificate _____ (4) following that in which the total estimated value of the permanent works executed, as per Clause _____ (5) hereof, has reached 10% of the Contract Price. The deduction shall be made at the rate of 15 (fifteen) per cent of the gross amount of subsequent Interim Payment Certificates, until such time as the total mobilisation advance has been repaid by the contractors, always provided further that the repayment of advance shall be completed when 75% of the contract price of the work has been paid. Also further provided that irrespective of the total payment made to the Contractor, the repayment of the advance shall commence from the time of the Interim Payment Certificate subsequent to completion of one third of the period of completion after the commencement of the works pursuant to Clause _____ (6) hereof,

Notes:

- (1) Insert relevant Annexure No. of Volume III. The Ministry will indicate sample lists of equipment for this purpose in due course.
- (2) A model form of bank guarantee is enclosed as Annexure to this Enclosure. This should be added in the tender document as an Appendix. Appropriate Appendix number of the form in a particular tender document should be inserted, here.
- (3) Insert relevant clause number of the Conditions of Contract specifying 'Performance Security' or 'Security'.
- (4) 'Interim Certificate' means monthly payment account of the Contractor.
- (5) Insert clause number of the Conditions of Contract according to which the 'Interim Payment Certificate' or the monthly payment account is to be prepared.
- (6) Insert clause number of the Conditions of Contract indicating period of completion of the work.

Annexure to Enclosure of letter No.NH-11024/2/90 DO I dated 16.9.91 (Ref. 130.48 dated 20.7.93)

MODIFIED BANK GUARANTEE*

To

The President of India/
The Governor of the State of
acting through

Subject: (Please state the name of the work)

In accordance with the provisions of the Conditions of Contract, in respect of (Mobilization Advance of the Contract Agreement for the abovenamed works, _____

**

(hereinafter called "the Contractor") shall deposit with (Name of Employer) _____

a bank guarantee in an amount of (Amount of Guarantee) _____

(in words) _____

We, the (Bank) _____ as instructed by the Contractor, agree unconditionally and irrevocably to guarantee, as primary obligator and not as Surety merely, the

payment to (Name of Employer) _____
 on his first demand, without any right of objection on our part and without his first claim to the Contractor, in the amount
 not exceeding (Amount of Guarantee) _____
 (in words) _____
 in the event that the _____
 obligations expressed in the said Clause of the above mentioned contract have not been fulfilled by the Contractor giving
 the right of claim to the Employer for recovery of the whole or part of the Mobilization Advance Loan from the Contractor
 under the Contract or the Contractor's employment has been terminated in accordance to the said Conditions of Contract.

We further agree that no change or addition to or other modification of the terms of the Contract or of works
 to be performed thereunder or of any of the Contract Documents which may be made between (Name of Employer)
 and the Contractor, shall in any way release us from
 any liability under this guarantee, and we hereby waive notice of any such change, addition or modification.

This guarantee shall remain valid and in full effect from the date of the advance loan payment to the
 Contractor under the Contract until (Name of Employer) _____
 receives full repayment of the same amount from the Contractor.

Yours truly _____

SIGNATURE AND SEAL : _____

(Name and Designation)

Name of Bank/Financial Institution: _____

Address : _____

Date : _____

WITNESS

1.

2.

- * Tenderers are NOT required to fill in this form at the time of tender submission
- ** Give names of all partners in case of a Joint Ventures.