

### SECTION 3

#### Conditions of Contract

#### Table of Contents

**A. General**

1. Definitions
2. Interpretation
3. Language and Law
4. Engineer's Decisions
5. Delegation
6. Communications
7. Sub-contracting
8. Other Contractors
9. Personnel
10. Employer's & Contractor's Risks
11. Employer's Risks
12. Contractor's Risks
13. Insurance
14. Site Investigation Reports
15. Queries about the Contract Data
16. Contractor to Construct the Works
17. The Works to be Completed by  
the intended Completion Date
18. Approval by the Engineer
19. Safety
20. Discoveries
21. Possession of the Site
22. Access to the Site
23. Instructions

**B. Time Control**

24. Programme
25. Extension of the Intended  
Completion Date
26. Delays Ordered by the Engineer
27. Management Meetings
28. Early Warning

**C. Quality Control**

29. Identifying Defects
30. Tests
31. Correction of Defects
32. Uncorrected Defects

**D. Cost Control**

33. Bill of Quantities
34. Change in the Quantities
35. Variations
36. Payments for Variations
37. Cash Flow Forecasts
38. Payments Certificates
39. Payments
40. Tax
41. Currencies
42. Price Adjustment
43. Retention
44. Liquidated Damages
45. Bonus
46. Advance Payment
47. Securities
48. Cost of Repairs

**E. Finishing the Contract**

49. Completion
50. Taking Over
51. Final Account
52. Operating and Maintenance  
Manuals
53. Termination
54. Payment upon Termination
55. Property
56. Release from Performance

**F. Special Conditions of Contract**

## CONDITIONS OF CONTRACT

### A. GENERAL

#### 1. Definitions

1.1. Terms which are defined in the Contract data are not also defined in the Conditions of Contract but keep their defined meanings. Capital initials are used to identify defined terms.

**Bill of Quantities** means the priced and completed Bill of Quantities forming part of the Bid.

The **Completion Date** is the date of completion of the Works as certified by the Engineer in accordance with Sub clause 25.1.

The **Contract** is the contract between the Employer and the Contractor to execute, complete and maintain the Works. It consists of the documents listed in Clause 2.3 below.

The **Contract Data** defines the documents and other information which comprise the Contract.

The **Contractor** is a person or corporate body whose Bid to carry out the Works has been accepted by the Employer .

The **Contractor's Bid** is the completed Bidding document submitted by the Contractor to the Employer and includes Technical and Financial bids.

The **Contract Price** is the price state in the Letter of Acceptance and thereafter as adjusted in accordance with the provisions of the Contract.

**Days** are calendar days; **months** are calendar months.

A **Defect** is any part of the Works not completed in accordance with the Contract.

The **Defects Liability Period** is the period named in the contract Data and calculated from the Completion Date.

The **Employer** is **Government of Jharkhand** who will employ the contractor to carry out the Works.

The **Employer's representative** will be the Executive Engineer or the Consultants concerned to be notified by the Employer. The Employer's representative will act on behalf of Employer.

The **Engineer** is the person named in the Contract Data (or any other competent person appointed and notified to the contractor to act in replacement of the Engineer) who is responsible for supervising the Contractor, administering the Contract, certifying payments due to the Contractor issuing and valuing Variations to the Contract, awarding extensions of time.

**Equipment** is the Contractor's machinery and vehicles brought temporarily to the Site to construct the Works.

The **Initial Contract Price** is the Contract Price listed in the Employer's Letter of Acceptance.

The **Intended Completion Date** is the date on which it is intended that the Contractor shall complete the Works. The Intended Completion Date is specified in the Contract Data.

The Intended Completion date may be revised only by the Engineer by issuing an extension of time.

**Materials** are all supplies, including consumables, used by the contractor for incorporation in the Works.

**Plant** is any integral part of the Works which is to have a mechanical, electrical, electronic or chemical or biological function.

The **Site** is the area defined as such in the Contract Data.

**Site Investigation Reports** are those which were included in the Bidding documents and are factual interpretative reports about the surface and the sub-surface conditions at the site.

**Specification** means the Specification of the Works included in the Contract and any modification or addition made or approved by the Employer.

The **Start Date** is given in the Contract Data. It is the date when the Contractor shall commence execution of the works. It does not necessarily coincide with any of the Site Possession Dates. Normally this date is 15 days from the Date of commencement notified by the Employer or as notified in the Letter to Commence the Works.

A **Subcontractor** is a person or corporate body who has a contract with the Contractor to carry out a part of the work in the Contract which includes work on the Site.

**Temporary Works** are works designed, consulted, installed, and removed by the contractor which are needed for construction or installation of the Works.

A **Variation** is an instruction given by the Employer, which varies the works.

The **Works** are what the Contract requires the Contractor to construct, install, and turn over to the Employer, as defined in the Contract Data.

## 2. Interpretation

- 2.1. In interpreting these Conditions of Contract, singular also means plural, male also means female or neuter, and the other way around. Headings have no significance. Words have their normal meaning under the language of the Contract unless specifically defined. The Engineer will provide instructions clarifying queries about the Conditions of Contract.
- 2.2. If sectional completion is specified in the Contract Data, references in the Conditions of Contract to the Works, the Completion Date, and the Intended Completion Date apply to any Section of the Works (other than references to the Completion date and Intended Completion date for the whole of the works).
- 2.3. The documents forming the Contract shall be interpreted in the following order of priority:
  - (1) Agreement
  - (2) Letter of Acceptance, notice to proceed with the works

- (3) Contractor's Bid
- (4) Contract Data
- (5) Conditions of Contract including Special Conditions of Contract
- (6) Specifications
- (7) Drawings
- (8) Bill of Quantities and
- (9) Any other document listed in the Contract Data as forming part of the Contract.

**3. Language and Law**

- 3.1. The language of the Contract and the law governing the contract are stated in the Contract Data.

**4. Engineer's Decisions**

- 4.1. Except where otherwise specifically stated, the Engineer will decide contractual matters between the Employer and the Contractor in the role representing the Employer.

**5. Delegation**

- 5.1. The Engineer may delegate any of his duties and responsibilities to other people after notifying the Contractor and may cancel any delegation after notifying the Contractor.

**6. Communications**

- 6.1. Communications between parties which are referred to in the conditions are effective only when in writing. A notice shall be effective only when it is delivered (in terms of Indian Contract act).

**7. Sub-Contracting**

- 7.1. The Contractor may sub-contract any portion of work, up to a limit specified in Contract Data, with the approval of the Engineer but may not assign the Contract without the approval of the Employer in writing. Sub-contracting does not alter the Contractor's obligations. The total amount of subcontract work for all the subcontractors shall not exceed 50% of the Contract Value.

**8. Other Contractors**

- 8.1. The Contractor shall cooperate and share the site with other contractors, public authorities, utilities, and the employer between the dates given in the Schedule of other Contractors. The contractors shall as referred to in the Contract Data, also provide facilities and services for them as described in the Schedule. The Employer may modify the schedule of other contractors and shall notify the contractor of any such modification.

**9. Personnel**

- 9.1. The Contractor shall employ the key personnel named 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 will approve any proposed replacement of key personnel only if their qualification, abilities, and relevant experience are substantially equal to or better than those of the personnel listed in the schedule.

- 9.2. If the Engineer asks the Contractor to remove a person who is a member of the Contractor's staff of his 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. Employer's and Contractor's Risks**

- 10.1. The Employer carries the risks which this Contract states are Employer's risks, and the contractor carries the risks which this Contract states are Contractor's risks.

**11. Employer's Risks**

- 11.1. The Employer is responsible for the excepted risks which are (a) in so far as they directly affect the execution of the Works in India, the risks of war, hostilities, invasion, act of foreign enemies, rebellion, revolution, insurrection or military or usurped power, civil war, riot commotion or disorder (unless restricted to the Contractor's employees), and contamination from any nuclear fuel or nuclear waste or radioactive toxic explosive; or (b) a cause due solely to the design of the Works, other than the Contractor's design.

**12. Contractor's Risks**

- 12.1. All risks of loss or damage to physical property and of personal injury and death which arise during and in consequence of the performance of the Contract other than the excepted risks are the responsibility of the Contractor.

**13. Insurance**

- 13.1 The Contractor shall provide, in the joint names of the Employer and the Contractor, insurance cover from the Start Date to the end of the Defects Liability Period, in the amounts and deductibles stated in the Contract data for the following events which are due to the Contractor's risks:

- (a) loss of or damage to the Works, Plants and Materials;
- (b) loss of or damage to Equipment;
- (c) loss of or damage of property (except the Works, Plant, Materials and Equipment) in connection with the Contract; and
- (d) personal injury or death.

- 13.2. Policies and certificates for insurance shall be delivered by the Contractor to the Engineer for the Engineer's approval before the Start Date. All such insurance shall provide for compensation to be payable in the types and proportions of currencies required to rectify the loss or damage incurred.
- 13.3. If the Contractor does not provide any of the policies and certificates required, the Employer may effect the insurance which the Contractor should have provided and recover the premiums the Employer has paid from payments otherwise due to the Contractor or, if no payment is due, the payment of the premiums shall be a debt due.
- 13.4. Alterations to the terms of an insurance shall not be made without the approval of the Engineer.

- 13.5 Both parties shall comply with any conditions of the insurance policies.
- 14. Site Investigation Reports**
- 14.1. The Contractor, in preparing the Bid, shall rely on any site investigation reports referred to in the Contract data, supplemented by any information available to the Bidder.
- 15. Queries about the Contract Data**
- 15.1. The Engineer will clarify queries on the Contract Data.
- 15. Contractor to Construct the Works**
- 16.1. The Contractor shall construct and install the Works in accordance with the Specification and Drawings.
- 17. The Works to be Completed by the Intended Completion date**
- 17.1. The Contractor may commence execution of the Works on the Start Date and shall carry out the Works in accordance with the programme submitted by the Contractor, as updated with the approval of the Engineer, and complete them by the Intended Completion Date.
- 18. Approval by the Engineer**
- 18.1. The Contractor shall submit Specifications and Drawings, showing the proposed Temporary works to the Engineer, who is to approve them if they comply with the Specifications and Drawings.
- 18.2. The Contractor shall be responsible for design of Temporary Works.
- 18.3. The Engineer's approval shall not alter the Contractor's responsibility for design of the Temporary Works.
- 18.4. The Contractor shall obtain approval of third parties to the design of the Temporary Works where required.
- 18.5. All drawings prepared by the Contractor for the execution of the temporary or permanent Works, are subject to prior approval by the Engineer before their use.
- 19. Safety**
- 19.1. The Contractor shall be responsible for the safety of all activities on the Site.
- 20. Discoveries**
- 20.1. Anything of historical or other interest or of significant value unexpectedly discovered on the site is the property of the Employer. The Contractor is to notify the Engineer of such discoveries and carry out the Engineer's instructions for dealing with them.
- 21. Possession of the Site**
- 21.1. The Employer shall give possession of all parts of the site to the Contractor.
- 22. Access to the Site**

- 22.1. The Contractor shall allow the engineer and any person authorized by the Engineer access to the Site, to any place where work in connection with the contract is being carried out or is intended to be carried out and to any place where materials or plant are being manufactured/ fabricated / assembled for the works.

**23. Instructions**

- 23.1. The Contractor shall carry out all instructions of the Engineer pertaining to works which comply with the applicable law where the site is located.
- 23.2. The Contractor shall permit the Employer to inspect the Contractor's accounts and records relating to the performance of the Contractor and to have them audited by auditors appointed by the Employer, if so required by the Employer.

**B. TIME CONTROL**

**24. Programme**

- 24.1. Within the time stated in the Contract Data the Contractor shall submit to the Engineer for approval a Programme showing the general methods, arrangements, order, and timing for all the activities in the Works along with monthly cash flow forecast.
- 24.2. An update of the Programme shall be a programme showing the actual progress achieved on each activity and the effect of the progress achieved on the timing of the remaining work including any changes to the sequence of the activities.
- 24.3. The Contractor shall submit to the Engineer, for approval, an updated Programme at intervals no longer than the period stated in the Contract data. If the Contractor does not submit an updated Programme within this period, the Engineer may withhold the amount stated in the Contract Data from the next payment certificate and continue to withhold this amount until the next payment after the date on which the overdue Programme has been submitted.
- 24.4. The Engineer's approval of the Programme shall not alter the Contractor's obligations. The Contractor may revise the Programme and submit it to the Engineer again at any time. A revised Programme is to show the effect of Variations and Compensation Events.

**25. Extension of the Intended Completion Date**

- 25.1. The Engineer shall extend the Intended Completion Date if a Variation is issued which makes it impossible for Completion to be achieved by the Intended Completion Date without the Contractor taking steps to accelerate the remaining work and which would cause the Contractor to incur additional cost.
- 25.2. The Engineer shall decide whether and by how much to extend the Intended Completion date within 35 days of the Contractor asking the Engineer for a decision upon the effect of a Variation and submitting full supporting information. If the Contractor has failed to give early warning of a delay or has failed to cooperate in

dealing with a delay, the delay by this failure shall not be considered in assessing the new Intended Completion Date.

- 25.3. The Engineer shall within 14 days of receiving full justification from the contractor for extension of Intended Completion Date refer to the Employer his decision. The Employer shall in not more than 21 days communicate to the Engineer the acceptance or otherwise of the Engineer's decision.
- 26. Delays Ordered by the Engineer**
- 26.1. The Engineer may instruct the Contractor to delay the start or progress of any activity within the Works.
- 27. Management Meetings**
- 27.1. Either the engineer or the Contractor may require the other to attend a management meeting. The business of a management meeting shall to review the plans for remaining work and to deal with matters raised in accordance with the early warning procedure.
- 27.2. The Engineer shall record the business of management meetings and is to provide copies of his record to those attending the meeting and to the Employer. The responsibility of the parties for actions to be taken is to be decided by the Engineer either at the management meeting or after the management meeting and stated in writing to all who attended the meeting.
- 28. Early Warning**
- 28.1. The Contractor is to warn the Engineer at the earliest opportunity of specific likely future events or circumstances that may adversely affect the quality of the work, increase the Contract Price or delay the execution of works. The Engineer may require the Contractor to provide an estimate of the expected effect of the future event or circumstance on the Contract Price and Completion Date. The estimate is to be provided by the Contractor as soon as reasonably possible.
- 28.2. The Contractor shall cooperate with the Engineer in making and considering proposals for how the effect of such an event or circumstance can be avoided or reduced by anyone involved in the work and in carrying out any resulting instruction of the Engineer.



### C. QUALITY CONTROL

**29. Identifying Defects**

- 29.1. The Engineer shall check the Contractor's work and notify the Contractor of any defects that are found. Such checking shall not affect the Contractor's responsibilities. The Engineer may instruct the Contractor to search for a Defect and to uncover and test any work that the Engineer considers may have a Defect.

**30. Tests**

- 30.1. If the Engineer instructs the Constructor to carry out a test not specified in the Specification to check whether any work has a Defect and the test shows that it does, the Contractor shall pay for the test and any samples.

**31. Correction of Defects**

- 31.1. The Engineer shall give notice to the contractor of any Defects before the end of the Defects Liability Period, which begins at completion and is defined in the Contract Data. The defects Liability Period shall be extended for as long as defects remain to be corrected.

31.2 Every time notice of a defect is given, the Contractor shall correct the notified Defect within the length of time specified by the Engineer's notice.

**32. Uncorrected Defects**

- 32.1. If the contractor has not corrected a Defect within the time specified in the Engineer's notice, the Engineer will assess the cost of having the Defect corrected, and the Contractor will pay this amount.

### D. COST CONTROL

**33. Bill of Quantities**

- 33.1. The Bill of Quantities shall contain items for the construction, installation, testing, and commissioning work to be done by the Contractor.

33.2. The Bill of Quantities is used to calculate the Contract Price. The Contractor is paid for the quantity of the work done at the rate in the Bill of Quantities for each item.

**34. Changes in the Quantities**

- 34.1. If the final quantity of the work done differs from the quantity in the Bill of Quantities for the particular item by more than 25 percent provided the change exceeds 1% of initial Contract Price, the Engineer shall adjust the rate to allow for the change, duly considering.

- (a) justification for rate adjustment as furnished by the contractor,
- (b) economics resulting from increase in quantities by way of reduced plant, equipment, and overhead costs,

34.2. The Engineer shall not adjust rates from changes in quantities if thereby the Initial Contract Price is exceeded by more than 15 percent, except with the Prior approval of the Employer.

34.3. If requested by the Engineer, the Contractor shall provide the Engineer with a detailed cost breakdown of any rate in the Bill of Quantities.

**35. Variations**

35.1. All Variations shall be included in updated Programmes produced by the Contractor.

**36. Payments for Variations**

36.1. The Contractor shall provide the Engineer with a quotation (with break up of unit

unit rates) for carrying out the Variation when requested to do so by the Engineer. The Engineer shall assess the quotation, which shall be given within seven days of the request or within any longer period stated by the Engineer and before the Variation is ordered.

36.2. If the work in the Variation corresponds with an item description in the Bill of Quantities and if, in the opinion of the Engineer, the quantity of work above the limit stated in Sub Clause 38.1 or the timing of its execution do not cause the cost per unit of quantity to change, the rate in the Bill of Quantities shall be used to calculate the value of Variation. If the cost per unit of quantity changes, or if the nature of timing of the work in the Variation does not correspond with items in the Bill of Quantities, the quotation by the contractor shall be in the form of new rates for the relevant items of work.

36.3. If the Contractor's quotation is unreasonable, the Engineer may order the Variation and make a change to the Contract Price which shall be based on Engineer's own forecast of the effects of the variation on the Contractor's costs.

36.4. The Contractor shall not be entitled to additional payment for costs which could have been avoided by giving early warning.

**37. Cash Flow Forecasts**

- 37.1. When the Programme is updated, the contractor is to provide the engineer with an updated cash flow forecast.
- 38. Payment Certificates**
- 38.1. The Contractor shall submit to the Engineer monthly statements of the estimated value of the work completed less the cumulative amount certified previously.
- 38.2. The Engineer shall check the Contractor's monthly statement within 14 days and certify the amount to be paid to the Contractor.
- 38.3. The value of work executed shall be determined by the Engineer.
- 38.4. The value of work executed shall comprise the value of the quantities of the items in the Bill of Quantities completed
- 38.5. The value of work executed shall include the valuation of Variations.
- 38.6. The Engineer may exclude any item certified in a previous certificate or reduce the proportion of any item previously certified in any certificate in the light of later information.
- 39. Payments**
- 39.1. Payments shall be adjusted for deductions for advance payments, retention, other recoveries in terms of contract and taxes at source, as applicable under the law. The Employer shall pay the Contractor the amounts certified by the Engineer within 28 days of the date of each certificate. If the Employer makes a late payment, the Contractor shall be paid interest on the late payment in the next payment. Interest shall be calculated from the date for which the payment should have been made upto the date when the late payment is made at 12% per annum.
- 39.2. Items of the Works for which no rate or price has been entered in will not be paid for by the Employer and shall be deemed covered by other rates and prices in the Contract.
- 40. Tax**
- 40.1. The rates quoted by the Contractor shall be deemed to be inclusive of the sales and other taxes that the Contractor will have to pay for the performance of this Contract. The Contractor will perform such duties in regard to the deduction of such taxes at source as per applicable law.
- If at any stage Service Tax is required to be paid by the Contractor to the Government, the same shall be reimbursed to the Contractor on actual basis. This shall be over and above the quoted and accepted rates of items of work.

**41. Currencies**

- 41.1. All payments shall be made in Indian Rupees.

**42. Price Adjustment**

- 42.1. Contract Price shall be adjusted for increase or decrease in rates and price of materials in accordance with the following principles and procedures and as per formula given in the contract data:

- (a) The price adjustment shall apply for the projects to be completed in more than 12 months for the work done from the start date given in the contract data upto end of the initial intended completion date or extensions granted by the Engineer and shall not apply to the work carried out beyond the stipulated time for reasons attributable to the contractor.
- (b) The price adjustment shall be determined during each month from the formula given in the contract data.
- (c) Following expressions and meanings are assigned to the work done during each month:

R = Total value of work done during the month. It will exclude value for works executed under variations for which price adjustment will be worked separately based on the terms mutually agreed.

- 42.2 To the extent that full compensation for any rise or fall in costs to the contractor is not covered by the provisions of this or other clauses in the contract, the unit rates and prices included in the contract shall be deemed to include amounts to cover the contingency of such other rise or fall in costs.

**43. Retention**

- 43.1. The Employer shall retain from each payment due to the Contractor the proportion stated in the Contract Data until Completion of the whole of the Works.
- 48.2. On Completion of the whole of the Works half the total amount retained is repaid to the Contractor and half when the Defects Liability Period has passed and the Engineer has certified that all Defects notified by the Engineer to the Contractor before the end of this period have been corrected.

- 48.3. On completion of the whole works, the contractor may substitute retention money with an “on demand” Bank guarantee.

**44. Liquidated Damages**

- 44.1 The Contractor shall pay liquidated damages to the Employer at the rate per day stated in the Contract data for each day that the Completion Date is later than the Intended Completion Date (for the whole of the works or the milestones as stated in the contract data). The total amount of liquidated damages shall not exceed the amount defined in the Contract Data. The Employer may deduct liquidated damages from payments due to the Contractor. Payment of liquidated damages does not affect the Contractor’s liabilities.
- 44.2. If the Intended Completion date is extended after liquidated damages have been paid, the Engineer shall correct any over payment of liquidated damages by the Contractor by adjusting the next payment certificate. The Contractor shall be paid interest on the over payment calculated from the date of payment to the date of repayment at the rates specified in Sub Clause 43.1.
- 44.3. If the Contractor fails to comply with the time for completion as stipulated in the tender, then the contractor shall pay to the employer the relevant sum stated in the Contract Data as Liquidated damages for such default and not as penalty for everyday or part of day which shall elapse between relevant time for completion and the date stated in the taking over certificate of the whole of the works on the relevant section, subject to the limit stated in the contract data.
- The employer may, without prejudice to any other method of recovery deduct the amount of such damages from any monies due or to become due to the contractor. The payment or deduction of such damages shall not relieve the contractor from his obligation to complete the works on form any other of his obligations and liabilities under the contract.
- 44.4. If, before the Time for Completion of the whole of the Works or, if applicable, any Section, a Taking – Over Certificate has been issued for any part of the Works or of a Section, the liquidated damages for delay in completion of the remainders of the Works or of that Section shall, for any period of delay after the date stated in such Taking-Over Certificate, and in the absence of alternative provisions in the Contract, be reduced in the proportion which the value of the part so certified bears to the value of the whole of the Works or Section, as applicable. The provisions of this Sub-Clause shall only apply to the rate of liquidated damages and shall not affect the limit thereof.

**45. Bonus**

- 45.1. If the contractor achieves completion of the whole of the works prior to the Intended Completion date prescribed in Contract Data the Employer shall pay to the contractor a sum stated in Contract Data as bonus for every completed month which shall elapse between the date of completion of all items of works as stipulated in the contract, including variations ordered by the Engineer and the time prescribed in Clause 17.

For the purpose of calculating bonus payments, the time given in the Bid for completion of the whole of the works is fixed and unless otherwise agreed, no adjustments of the time by reason of granting an extension of time pursuant to Clause 28 or any other clause of these conditions will be allowed. Any period falling short of a complete month shall be ignored for the purpose of computing the period relevant for the payment of bonus.

**46. Advance Payment**

- 46.1. The Employer shall make 10 per cent Mobilization advance payment to the Contractor of the amounts stated in the Contract Data by the date stated in the Contract Data, against provision by the Contractor of an Unconditional Bank Guarantee in a form and by a bank acceptable to the employer in amounts and currencies equal to the advance payment. The guarantee shall remain effective until the advance payment has been repaid, but the amount of guarantee shall be progressively reduced by the amounts repaid by the Contractor. Interest will not be charged on the advance payment.
- 46.2. The Contractor is to use the advance payment only to pay for Equipment, Plant and Mobilization expenses required specifically for execution of the works. The Contractor shall demonstrate that advance payment has been used in this way by supplying copies of invoices or other documents.
- 46.3. 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. No account shall be taken of the advance payment or its repayment in assessing valuations of work done, Variations, price adjustments, or Liquidated Damages.

**47. Securities**

- 47.1. The Performance Security (including additional security for unbalanced bids) shall be provided to the Employer no later than the date specified in

the Letter of Acceptance and shall be issued in an amount and form and by a bank or surety acceptable to the Employer, and denominated in Indian Rupees. The Performance Security shall be valid until a date 28 days from the date of expiry of Defects Liability Period and the additional security for unbalanced bids shall be valid until a date 28 days from the date of issue of the certificate of completion.

**48. Cost of Repairs**

- 48.1. Loss or damage to the Works or Materials to be incorporated in the Works between the Start Date and the end of the defects Correction periods shall be remedied by the Contractor at the Contractor's cost if the loss or damage arises from the Contractor's acts or omissions.

**E. FINISHING THE CONTRACT**

**49. Completion**

- 49.1. The Contractor shall request the Engineer to issue a Certificate of Completion of the Works and the Engineer will do so upon deciding that the Work is completed.

**50. Taking Over**

- 50.1. The Employer shall take over the Site and the Works within seven days of the Engineer issuing a certificate of Completion.

**51. Final Account**

- 51.1. The Contractor shall supply to the Engineer a detailed account of the total amount that the Contractor considers payable under the contract before the end of the Defects Liability Period. The Engineer shall issue a Defect Liability Certificate and certify any final payment that is due to the Contractor within 56 days of receiving the Contractor's account if it is correct and complete. If it is not, the Engineer shall issue within 56 days a schedule that states the scope of the corrections or additions that are necessary. If the Final Account is still unsatisfactory after it has been resubmitted, the Engineer shall decide on the amount payable to the Contractor and issue a payment certificate, within 56 days of receiving the Contractor's revised account.

**52. Operating and Maintenance Manuals**

- 52.1. If "as built" Drawings and/or operating and maintenance manuals are required, the Contractor shall supply them by dates stated in the Contract Data.

52.2. If the Contractor does not supply the Drawings and/or manuals by the dates stated in the Contract Data, or they do not receive the Engineer's approval, the Engineer shall withhold the amount stated in the Contract Data from payments due to the Contractor.

52.3. The Maintenance period for the projects has been decided as 18 months from the date of completion.

### **53. Termination**

53.1. The Employer or the Contractor may terminate the Contract if the other party causes a fundamental breach of the Contract.

53.2. Fundamental breaches of Contract include, but shall not be limited to the following:

- (a) the Contractor stops work for 28 days when no stoppage of work is shown on the current Programme and the stoppage has not been authorized by the Engineer;
- (b) the Engineer instructs the Contractor to delay the progress of the Works and the instruction is not withdrawn within 28 days;
- (c) the Employer or the Contractor is made bankrupt or goes into liquidation other than for a reconstruction or amalgamation;
- (d) a payment certified by the Engineer is not paid by the Employer to the Contractor within 56 days of the date of the Engineer's certificate;
- (e) the Engineer gives Notice that failure to correct a particular Defect is a fundamental breach of Contract and the Contractor fails to correct it within a reasonable period of time determined by the Engineer.
- (f) the Contractor does not maintain a security which is required;
- (g) the Contractor has delayed the completion of works by the number of days for which the maximum amount of liquidated damages can be paid as defined in the Contract data; and
- (h) if the Contractor, in the judgment of the Employer has engaged in corrupt or fraudulent practices in competing for or in executing the Contract.

For the purpose of this paragraph: "corrupt practice" means the offering, giving, receiving or soliciting of anything 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 Borrower, 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 Borrower of the benefits of free and open competition.”

- 53.3. When either party to the Contract gives notice of a breach of contract to the Engineer for a cause other than those listed under Sub Clause 59.2. above, the Engineer shall decide whether the breach is fundamental or not.
- 53.4. Notwithstanding the above, the Employer may terminate the Contract for convenience.
- 53.5. If the Contract is terminated the Contractor shall stop work immediately, make the Site safe and secure and leave the Site as soon as reasonably possible.

#### **54. Payment upon Termination**

- 54.1. If the Contract is terminated because of a fundamental breach of Contract by the Contractor, the Engineer shall issue a certificate for the value of the work done less advance payments received up to the date of the issue of the certificate, less other recoveries due in terms of the contract, less taxes due to be deducted at source as per applicable law and less the percentage to apply to the work not completed as indicated in the Contract Data. Additional Liquidated Damages shall not apply. If the total amount due to the Employer exceeds any payment due to the Contractor shall be a debt payable to the Employer.
- 54.2. If the Contract is terminated at the Employer’s convenience or because of a fundamental Breach of Contract by the Employer, the Engineer shall issue a certificate for the value of the work done, the cost of balance by the contractor and available at site, the reasonable cost of removal of Equipment, a repatriation of the Contractor’s personnel employed solely on the Works, and the Contractor’s costs of protecting and securing the Works and less advance payments received due in terms of the contract and less taxes due to be deducted at source as per applicable law.

#### **55. Property**

- 55.1. All materials on the Site, Plant, Equipment, Temporary Works and Works are deemed to be the property of the Employer, if the Contract is terminated because of a Contractor’s default.

#### **56. Release from Performance**

- 56.1. If the Contract is frustrated by the outbreak of war or by any other event entirely outside the control of either the Employer or the Contractor the Engineer shall certify that the Contract has been frustrated. The Contractor shall make the Site safe and stop work as quickly as possible after receiving this certificate and shall be paid for all work carried out before receiving it and for any work carried out afterwards to which commitment was made.

#### **F. SPECIAL CONDITIONS OF CONTRACT**

##### **1. LABOUR**

The Contractor shall, unless otherwise provided in the Contract, make his own arrangements for the engagement of all staff and labour, local or other, and for their payment, housing, feeding and transport.

The Contractor shall, if required by the Engineer, deliver to the Engineer a return in detail, in such form and at such intervals as the Engineer may prescribe, showing the staff and the numbers of the several classes of labour from time to time employed by the Contractor on the Site and such other information as the Engineer may require.

##### **2. COMPLIANCE WITH LABOUR REGULATIONS**

During continuance of the contract, the Contractor and his sub-contractors shall abide at all times by all existing labour enactments and rules made there under, regulations, notifications and bye laws of the State or Central Government or local authority and any other labour law (including rules), regulations, bye laws that may be passed or notification that may be issued under any labour law in future either by the State or the Central Government or the local authority. Salient features of some of the major laws that are applicable to construction industry are given below. The Contractor shall keep the Employer indemnified in case any action is taken against the Employer by the competent authority on account of contravention of any of the provisions of any Act or rules made there under, regulations or notifications including amendments. If the Employer is caused to pay or reimburse, such amounts as may be necessary to cause or observe, or for non-observance of the provisions stipulated in the notifications/byelaws/Acts/Rules/regulations including amendments, if any, on the part of the Contractor, the Engineer/Employer shall have the right to deduct any money due to the Contractor including his amount of performance security. The Employer/Engineer shall also have right to recover from the Contractor any sum required or estimated to be required for making good the loss or damage suffered by the Employer.

The employees of the Contractor and the Sub-Contractor in no case shall be treated as the employees of the Employer at any point of time.

#### **SALIENT FEATURES OF SOME MAJOR LABOUR LAWS APPLICABLE TO ESTABLISHMENTS ENGAGED IN BUILDING AND OTHER CONSTRUCTION WORK**

- a) Workmen Compensation Act 1923 :- The Act provides for compensation

in case of injury by accident arising out of and during the course of employment.

- b) Payment of Gratuity Act 1972 :- Gratuity is payable to an employee under the Act on satisfaction of certain conditions on separation if an employee has completed 5 years service or more on death, the rate of 15 days wages for every completed year of service. The Act is applicable to all establishments employing 10 or more employees.
- (c) Employees P.F. and Miscellaneous Provision Act 1952: The Act Provides for monthly contributions by the employer plus workers @ 10% or 8.33%. The benefits payable under the Act are :
  - (i) Pension or family pension on retirement or death, as the case may be.
  - (ii) Deposit linked insurance on the death in harness of the worker, (iii)
  - (iii) Payment of P.F. accumulation on retirement/death etc.
- d) Maternity Benefit Act 1951:- The Act provides for leave and some other benefits to women employees in case of confinement or miscarriage etc.
- e) Contract Labour (Regulation & Abolition) Act 1970:- The Act provides for certain welfare measures to be provided by the Contractor to contract labour and in case the Contractor fails to provide, the same are required to be provided, by the Principal Employer by Law. The Principal Employer is required to take Certificate of Registration and the Contractor is required to take license from the designated Officer. The Act is applicable to the establishments or Contractor of Employer, if they employ 20 or more contract labour.
- f) Minimum Wages Act 1948 :- The Employer is supposed to pay not less than the Minimum Wages fixed by appropriate Government as per provisions of the Act, if the employment is a scheduled employment. Construction of Buildings, Roads, Runways are scheduled employments.
- g) Payment of Wages Act 1936:- It lays down as to by what date the wages are to be paid, when it will be paid and what deductions can be made from the wages of the workers.
- h) Equal Remuneration Act 1979 :- The Act provides for payment of equal wages for work of equal nature to Male and Female workers and for not making discrimination against Female employees in the matters of transfers, training and promotions etc.
- i) Payment of Bonus Act 1965 : - The Act is applicable to all establishments employing 20 or more employees. The Act provides for payments of annual bonus subject to a minimum of 8.33% of wages and maximum of 20% of wages to employees drawing Rs.3500/-per month or less. The bonus to be paid to employees getting Rs.2500/- per month or above upto Rs.3500/- per month shall be worked out by taking

wages as Rs.2500/-per month only. The Act does not apply to certain establishments. The newly set-up establishments are exempted for five years in certain circumstances. Some of the State Governments have reduced the employment size from 20 to 10 for the purpose of applicability of this Act.

- j) Industrial Disputes Act 1947 :- The Act lays down the machinery and procedure for resolution of Industrial disputes, in what situations a strike or lock-out becomes illegal and what are the requirements for laying off or retrenching the employees or closing down the establishment.
- k) Industrial Employment (Standing Orders) Act 1946 :- It is applicable to all establishments employing 100 or more workmen (employment size reduced by some of the States and Central Government to 50). The Act provides for laying down rules governing the conditions of employment by the Employer on matters provided in the Act and get the same certified by the designated Authority.
- l) Trade Unions Act 1926: - The Act lays down the procedure for registration of trade unions of workmen and employers. The Trade Unions registered under the Act have been given certain immunities from civil and criminal liabilities.
- m) Child Labour (Prohibition & Regulation) Act 1986 :- The Act prohibits employment of children below 14 years of age in certain occupations and processes and provides for regulation of employment of children in all other occupations and processes. Employment of Child Labour is prohibited in Building and Construction Industry.
- n) Inter-State Migrant workmen's (Regulation of Employment & Conditions of Service) Act 1979 :- The Act is applicable to an establishment which employs 5 or more inter-state migrant workmen through an intermediary (who has recruited workmen in one state for employment in the establishment situated in another state). The Inter-State migrant workmen, in an establishment to which this Act becomes applicable, are required to be provided certain facilities such as housing, medical aid, traveling expenses from home upto the establishment and back, etc.
- o) The Building and Other Construction workers (Regulation of Employment and Conditions of Service) Act 1996 and the Cess Act of 1996 :- All the establishments who carry on any building or other construction work and employs 10 or more workers are covered under this Act. All such establishments are required to pay cess at the rate not exceeding 2% of the cost of construction as may be modified by the Government. The Employer of the establishment is required to provide safety measures at the Building or construction work and other welfare

measures, such as Canteens, First-Aid facilities, Ambulance, Housing accommodations for workers near the work place etc. The Employer to whom the Act applies has to obtain a registration certificate from the Registering Officer appointed by the Government.

- p) Factories Act 1948 :- The Act lays down the procedure for approval of plans before setting up a factory, health and safety provisions, welfare provisions, working hours, annual earned leave and rendering information regarding accidents or dangerous occurrences to designated authorities. It is applicable to premises employing 10 persons or more with aid of power or 20 or more persons without the aid of power engaged in manufacturing process.