

# Construction Contract Administration

Rajendra Raj Sharma  
Sup. Engr. FHSMO, Kathmandu, Department of Roads  
razendra@live.com



# Contract Administration

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- A contract is a legal agreement to perform a certain task
- Employer-incharge of the project, owner/Contractor-who agrees to perform the task
- Contract management is the arrangements made to complete the task with quality within anticipated cost and time



# Contract Administration

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- A good preparation reduces the risk of failures
- Good contract management should aim to anticipate and respond to project needs.
- Operational control with supervision and monitoring is equally important



# Contract Administration

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- Where contract management expertise is not available in-house, it may be appropriate to appoint professional consultants or contract manager.



# Contract Administration

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- Such arrangements should be clearly defined in the construction contract to ensure that ownership of the arrangement as a whole continues to rest with the employer organization.



# Contract Administration

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- The key contract management issues that are anticipated can be addressed in the contract conditions and specifications



# Supervision

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- The supervision of the project needs to be handled by an experienced team of persons or experts of relevant fields.
- For infrastructure contracts, there is a practice to invite bids from consultants with relevant experience.



# Contract Monitoring

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- Monitoring the contractor's performance against the specific targets and milestones laid down in the contract i.e. a particular milestone being reached in stipulated time
- Inspection of completed work or random sample checks





# Contract Monitoring

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- The contractor providing information and reports on his own performance
- Regular review meetings held between the Employer and contractor



# Quality Assurance

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- Contractor is expected to institute a quality assurance system to demonstrate compliance with the requirements of the Contract.
- Details of all procedures and compliance documents shall be submitted to the Engineer for information before each design and execution stage is commenced.



# Construction Program

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- Construction program is the activity chart of the contractor as to how he intends to complete the project within the prescribed time schedule.
- The contractor has to submit the CP immediately on commencement of the contract.



# Extension of Time (EOT)

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- Extension of the time for completion of the project for reasons beyond the control of the contractor.
- A rational analysis should be made(eg rainfall, strikes etc)



# Liquidated Damages

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- Liquidated damage is the predetermined amount to be paid by the contractor to the Employer for the delays in completion of the project or achievement of a stipulated milestone.



# Change or Variation

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- Variations are inevitable in many cases
- Efforts to be made to minimally affect the time and cost of the original contract
- New rates might need to be negotiated
  - 25%/0.25%/1%(FIDIC),25%/2% (PPMO)
- Variation order is issued only before take over certificate is issued !!!



# Price Adjustment

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- Price adjustment provisions are made in the contract

- eg

$$P_n = a + b \frac{L_n}{L_o} + c \frac{E_n}{E_o} + d \frac{M_n}{M_o} +$$

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# Performance Security

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- About 5% of the contract price is performance security





# Insurance

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- Should it be a BOQ item?

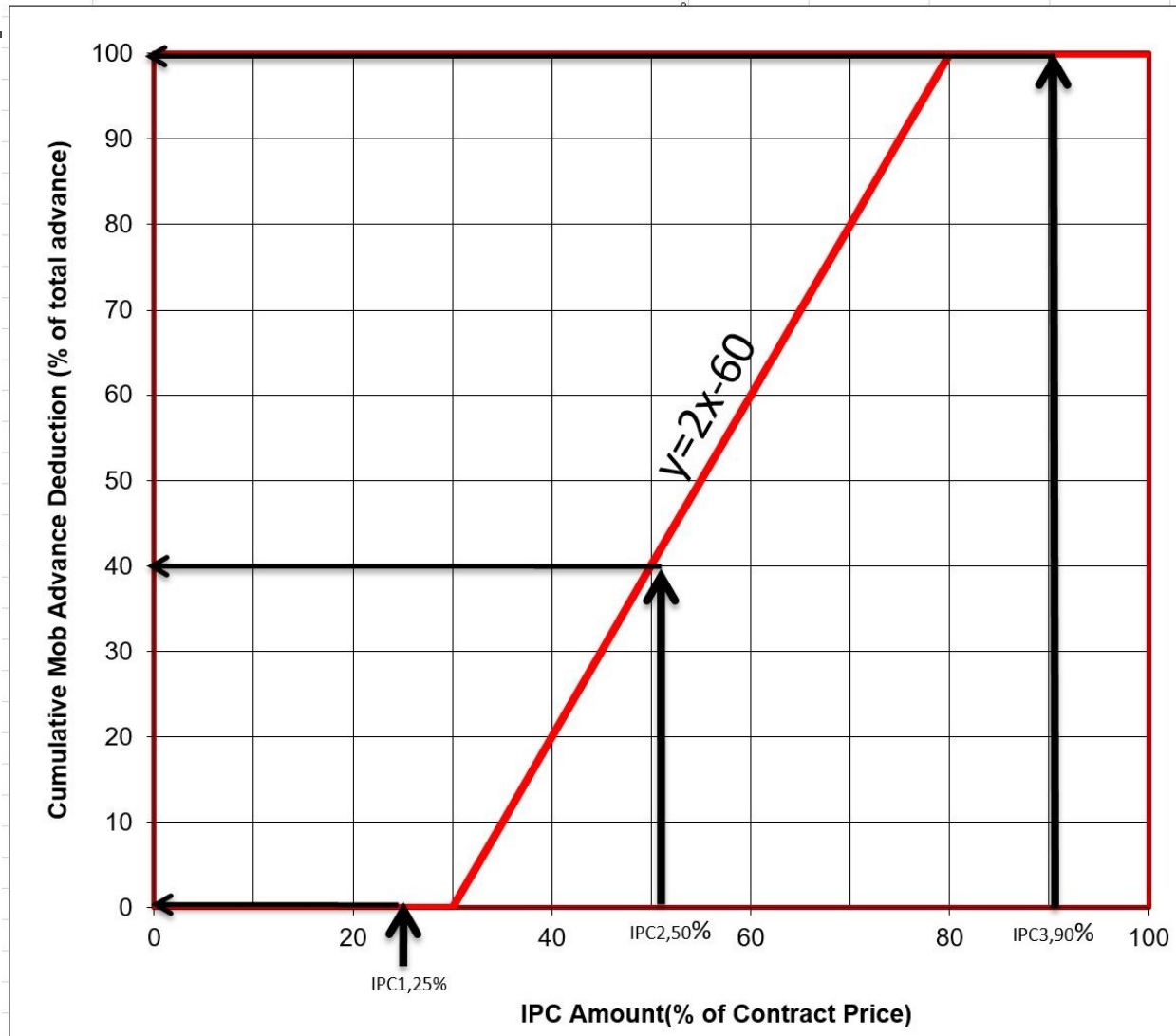


# Advance Payments

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- About 10-20% usually in two instalments
- Repayment

# Advance repayment





## IPC's

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- The Contract should provide for the period, minimum amount of interim amount to be paid to the contractor.
- Should be submitted monthly



## FPC's

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- Within the prescribed period after receiving the Performance Certificate, the Contractor shall submit, to the Engineer, draft final statement with supporting documents showing in detail in a form approved by the Engineer



# Retention Money

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- Retention money is the amount deducted, generally 5 % from interim payments for remedying the defects if any in the work.
- When the Taking-Over Certificate is issued for the Works, generally the Engineer shall certify the first half of the Retention Money for payment to the Contractor.
- Remaining half after DNP



# Adjudication

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- Every standard contract document provides for the settlement of dispute between the parties to the contract.
- Record keeping and correspondence is important



# Adjudication

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- Where notice of dissatisfaction has been given under the contract, both Parties shall attempt to settle the dispute amicably before the commencement of adjudication.





# Arbitration

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- Unless indicated otherwise in the Particular Conditions of contract, any dispute not settled amicably and in respect of which the Dispute Board (DB)“s decision (if any) has not become final and binding shall be finally settled by arbitration.



# Arbitration

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- Place
- Law
- Language



# Suspension of Work

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- The standard contract shall contain a provision to suspend the work. Though this may not happen but there might be situation when the Employer may like to suspend the work for some period due to other requirements.



# Suspension of Work

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- Typical provisions on suspension of the work are as follows:
  - Engineer or Employer can suspend work
  - Contractor to protect work during suspension period
  - No duty to instruct suspension if reason are obvious
  - Entitlement for extension, payment,



# Suspension of Work

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- No payment if suspension is due to contractor
- Long suspensions may entitle contractor as variation



# Termination

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- If either of the parties breach the contract it can be terminated.



# Cases

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- Koshi Bridge Takeover
- Milestones in STEP
- Double measurements
- Bridge Pile foundation
- Pavement failure at Tandi
- Design fault claim
- Earthwork volume variation

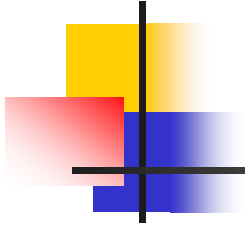


# Cases

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- Unbalanced rate for item likely to be not required/likely to be increased
- Work delayed due to increase in steel weight during workshop drawing
- Span increase(Rapti)/inclement weather
- Setting out of bridge





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THANK  
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