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RECOMMENDATIONS (PART-1)

OF

REVIEW COMMITTEE TO MONITOR

THE FUNCTIONING OF CPWD

Submitted by

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&

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RECOMMENDATIONS (PART-1)

1 OBSERVATIONS :

- 1.1 The Committee has deliberated on the various factors affecting the working of CPWD and discussed several issues at length with the objective of identifying a workable solution which ensures a win-win situation for both the CPWD as an Organisation and the client departments to whom it is expected to provide essential service.
- 1.2 The Committee believes that its recommendations will have to address the fundamentals and not be confined to superficial or cosmetic changes. The Committee has segmented its recommendations as:
- 1.3 Those which can be implemented in a short span of 6 months within the existing organizational environment - Short Term recommendations
- 1.4 A few important activities which need to be initiated and carried out for about 18 months for revamping the way CPWD has been carrying out its business - Medium Term Action Plan
- 1.5 and finally the Long Term objective of CPWD and the route which may be taken to reach there - this would require major policy level prescriptions and can be implemented only with full and unstinted acceptance by Government.
- 1.6 The broad matrix of recommendations would look like this

Short Term 0 - 6 months	Medium Term 6 - 18 months	Long Term
<ul style="list-style-type: none">➤ Introduce for new Projects > Rs.10 cr. the following:	<ul style="list-style-type: none">➤ Introduce for all Projects MOU/Team Bound implementation mode	<ul style="list-style-type: none">➤ Reach Global standards of productivity in identified niches
<ul style="list-style-type: none">➤ MOU with client	<ul style="list-style-type: none">➤ Adopt performance Assessment for Project Teams	<ul style="list-style-type: none">➤ Identify and eliminate non-viable activities / functions
<ul style="list-style-type: none">➤ Unified implementation Team	<ul style="list-style-type: none">➤ Outsource maintenance contracts in consultation with Client Departments	

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- Third Party Quality Audit / Proof checking Consultants
- Develop rightsizing plans across the Organisation
- Enhanced power by delegation
- Turn Key Consultancy
- Finalise performance assessment norms for Project implementation
- Liberalise GFR 136 Regime and inform all clients

2 SHORT TERM :

- 2.1 The Short Term recommendations are expected to be implemented without major legal or structural impediments . The objective of these recommendations is to establish the do-ability and viability of new approaches and to enhance the image of CPWD vis-à-vis its presently dissatisfied clients as well as public. Enabling orders to introduce these changes can be issued at the level of DG , CPWD / Ministry.
- 2.2 The process can be begun by enhancing the delegated powers of the CPWD officers to ensure that the Project Teams set up for handling all new Projects of Rs. 10.00 crores and above will have full functional autonomy to decide on all issues concerned with Project implementation and will possess the required degree of freedom to interact with the client department in project implementation. These powers will cover all aspects of project implementation except those leading to cost escalation or time overrun, for which approval from client and/or C.P.W.D. head office will be required. It is recommended that:
- 2.3 A draft MOU be prepared within the Ministry and offered to the Client department as the first step . All Committee clearances needed for new Projects to be taken up with effect from 1st December 2002 should invariably insist on the draft MOU being made available to the client departments.

- 2.4 A simplified bid calling / evaluation procedure should be introduced in respect of the new projects and should provide for third party quality checking / proof checking consultancy, turn-key consultancy contracts and a scheme of incentives and penalties for contractor's performance in respect of time schedules.
- 2.5 The DG , CPWD should set up Project teams to be headed by an individual officer of the rank of Chief Engineer. The first task of the Team leader is to prepare a project implementation schedule in consultation with the client department and to position it at the beginning of the Project as the performance target. A performance assessment system to measure the actual performance of the team should be prepared by the Team leader and disseminated widely within the team and to the client. A special monitoring evaluation unit of the Ministry from within the Govt. or an outsource agency should put in position a system to review all such Projects periodically in order to assess the teams' performance. It should be made clear to the Team through a formal order that the performance assessment at the end of the year would be part of the annual performance of the concerned.
- 2.6 A special order for delegation of powers should be issued for all such Projects and should be specific for the need of the concerned Project.
- 2.7 A formal letter be issued from the Ministry to all client departments indicating the introduction of these measures and offering them an explicit choice with reference to GFR 136. It is not necessary for all departments to seek an exemption under GFR 136 but a formal offer would substantially reduce the present level of criticism directed against CPWD / Ministry. This can be done by revising Rule 136 as follows:
- 2.8 "All Central Works, other than the works of Railways and Defence Department, irrespective of cost, shall primarily be executed by the Central Public Works Department. Prior concurrence of the Department of the Central Government in administrative charge of Public Works shall be necessary for entrusting works to an agency other than the Central Public Works Department. Such concurrence shall be ordinarily given on the request of the concerned department within 10 working days of receiving a formal request in this regard..."
- 2.9 It is recommended that the Ministry of Urban Development and Poverty Alleviation takes up this matter for amending Rule 136 at the earliest. All works costing less than Rs. 5 crores should be automatically exempted from Rule 136 but for work of more than that specific approval should be required.

3 ENHANCEMENT OF EARNEST MONEY TO BE SUBMITTED WITH TENDER FORMS :

- 3.1 For all works costing upto Rs. 25 crores the Earnest Money should be 2% of the estimated cost put to tender. For works costing more than Rs. 25 crores the Earnest Money should be Rs. 50 lakhs plus 1% of the excess over Rs. 25 crores. EM should be deposited with each tender. Lump-sum deposit scheme for exemption from depositing EM with individual tenders should be stopped. Earnest money of unsuccessful bidders, except for first 3 valid tenders should be returned within 8 working days even without their requisition. The earnest money of remaining unsuccessful 2 bidders should be returned on acceptance of successful bid. In order to identify the first three bids, we have to do the computation for all bids. If we are able to do it in 8 days we do not need any extra time for refund of EMDs of unsuccessful bids.

4 SECURITY DEPOSIT FOR WORKS.

- 4.1 Security deposit for each work should be 5% of the tendered value. The rate of recovery should be @ 10% of the bill amount till the full SD has been recovered.

5 INTRODUCTION OF PERFORMANCE SECURITY.

- 5.1 It is recommended that the successful bidder should give a performance guarantee in the form of an irrevocable bank guarantee amounting to 5% of the contract value. This should be furnished after the letter of intent has been issued, but before the award of work.

6 MOBILISATION ADVANCE.

- 6.1 Mobilisation advance at the request of contractors may be given to them. This shall be 10% of the tender value. Advance to be given on simple interest of 10%. In an extreme case the contractor who has paid the EMD of 2% may end up accepting 10% mobilization advance and walk away. It may be necessary to insist on a BG for the difference between his EMD and mobilization advance.

7 EQUIPMENT ADVANCE.

- 7.1 In order to encourage contractors to deploy machinery to speed up works it is recommended to continue the existing provisions of giving such advances. Suitable provision for ensuring safety of such advances should be in built. In order to encourage use of better shuttering materials and techniques equipment advance should also be given for shuttering. In order to encourage use of modern machinery the concept of equipment bank should be encouraged. This recommendation is subject to confirmation from CPWD that current provision for equipment advance requires interest payment by the contractor deductible from his running bills. Corresponding provisions in the World Bank - suggested bid conditions do not have any interest component.
- 7.2 Leasing of equipment should be considered on par with purchase of equipment and would be covered by tripartite agreement with the following:
- 7.3 In case the leasing company gives certificate of agreeing to lease equipment to contractor payment should be made on same basis as provided in the contract form.
- 7.4 Advance may be paid directly to the leasing company .
- 7.5 Payment of hire charges could be given directly to the leasing company .
- 7.6 Recovery of advance to be made from first five running bills of the contractor .

8 PRICE ADJUSTMENT.

- 8.1 It is recommended that reimbursement of full escalation, for rise in prices due to statutory levies, should be made to the contractor.
- 8.2 Payment of escalation, as it exists based on WPI and CPI will however be restricted to the contract period only. No escalation will be paid for extended period even if the extension of time is granted without levy of compensation unless the work could not be executed for reasons beyond the control of contractor such as non availability of site for work or stay by the court.

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9 **FIXING MILESTONES.**

- 9.1 The existing clauses in the contract form of CPWD for keeping watch on the progress of work and grant of extension of time and levy of compensation in case of delay are recommended to be amended. The work should be divided in 3 to 4 milestones to be provided in the tender document. In case a particular milestone is not achieved, an agreed amount may be withheld to be adjusted in the final grant of EOT, which will be done at the end of the contract. In case the contractor misses one milestone but catches up on the next the withheld amount can be released. Withholding of the agreed compensation shall be automatic. For this purpose the existing clauses 5 and 2 of the standard contract form may be suitably modified.

10 **INCENTIVE / PENALTY CLAUSE.**

- 10.1 It is proposed that those contracts, which are completed earlier than the stipulated time, should be given an incentive. Accordingly introduction of an incentive clause is recommended.
- 10.2 Bonus for early completion to be payable @ 1% of the contract value per month, and computed on a per day basis, subject to an upper limit of 5% .
- 10.3 The incentive clause will have to be linked to the milestones to be fixed at the beginning of the contract.
- 10.4 There has to be a corresponding penalty clause at the rate of 1.5 times the incentive rates and computed in a similar fashion.

11 **RESCINDING THE CONTRACTS.**

- 11.1 Getting the work done at risk and cost of contractor after rescinding a contract has not been successful. It is recommended that existing conditions be modified. Wherever the contracts are rescinded the security deposit and the performance guarantee should be forfeited to the extent of 200% of the balance work, and the balance work should be got done separately. The balance work may be done independently without risk and cost of the original contractor. Further the original contractor should be debarred from tendering for the balance work.

11.2 It is also recommended that in all cases where the work is not started within 1/8th of the time the contract shall be rescinded. In big sized projects with a contract period of 2 years providing a slack of 1/4th period would mean that for the first 6 months the contractor need not start the work at all .

11.3 This will require compliance by CPWD to hand over possession of land and all statutory clearances to the contractor on the date of issue of the work order.

12 CONSTITUTION OF SUB GROUPS

12.1 The Committee decided to constitute the following sub-groups to undertake detailed analysis and to suggest improvement measures in the next 4 – 6 weeks.

Sr. No.	Sub Group	Chairman and Members	Items of focus
1.	Computerisation	Sri. A.B.Pawar (Chairman) Sri. Mahesh Chandra, ADG West Zone Sri. V.K.Sharma, Director (W) S & D. Representative of CDAC One Expert on Informatics from private sector.	<ul style="list-style-type: none"> • Development of Web Site • Making available various forms required by customers on the web site. • Management of information system through LAN/WAN
2.	Review of Manual / Codes	Sri. P.Krishnan, Former DG (W), CPWD (Chairman) Sri. S.D.Prasad, Chief Engineer	<ul style="list-style-type: none"> • Simplification of registration contractors • Simplification of procedure for granting NOC and other permissions • Making special provisions for preparation of proposals including survey & investigations • Post qualification of contractors • Devising methods to improve efficiency of work and speed up payment process

Sr. No.	Sub Group	Chairman and Members	Items of focus
3.	Administrative Reforms	Sri. P.Hota, Addl. Secretary , MUD & PA (Chairman) ADG (Border) Sri. Soundarajan , DDG	<ul style="list-style-type: none"> • Laying down timetable for processing cases • Appointment of consultants for project preparation/ Quality Audit / Proof checking. • Empowerment to Architectural wing of CPWD • Appointment of Project Monitoring Committees with involvement of clients. • Incentives to staff . • Assignment of realistic time – Target dates set at the time of sanction. • Introduction of Defect liability and penalty clauses. • Welfare measures for staff • Implementation of Quality Circle Movement. • Weeding out old records and keeping office neat.
4.	Tendering procedures	Sri. Deepak Narain, EIC Sri. D.G.Marathe Sri. D.V.Sathyanarayan	<ul style="list-style-type: none"> • Improvement /modifications in the form of contract • Use of % rate tender in place of item rate tender

Sr. No.	Sub Group	Chairman and Members	Items of focus
5.	Improving service to people	Sri. D.G.Marathe (Chairman) Sri. R.K.Singh, Dy. Secy.	<ul style="list-style-type: none"> • Educating the client depts. regarding their rights and evolving a checklist. • Improving level of maintenance by interaction with client depts.. • Appraising client depts. on regular basis about actions being taken by CPWD • Effective maintenance through contract • Introduce new/improved construction methods. • Setting up forum for redressal of grievances of contractors / residents of Government Quarters • Establishment of a Grievance Redressal Officer
6.	Training	Sri. R.C.Sinha (Chairman) Sri. H.K.L.Mehta, ADG (Training)	<ul style="list-style-type: none"> • Training to staff • IT training – use of Computer

12.2 The sub groups may examine these and other related subjects and also consult, if necessary experts in the field whether in the public or private sector. The recommendations of the sub-groups would be examined by the Committee for inclusion in its recommendation.

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