



Himachal Pradesh

0177-2620401 Public Works Department

e-mail: hp-shi4@nic.in

No. PW-CTR—32-20-General.Inst./2022 14689-780

Dated:- 23/8/22

To

All the Chief Engineers  
in HPPWD

All the Superintending Engineers  
in HPPWD

Subject: - Release of Performance Guarantee and Security Deposit to the  
contractors in State work contracts.

This is to inform you that the Contractors Welfare Association Himachal Pradesh (CWAHP) vide its representation dated 26.7.2022 (Copy enclosed) has represented to this office that the performance guarantee and securities are not released even after completion and handing over of the work till final bill is approved and final bills can only be approved after approval of the extra and deviate items which generally takes 6 months to 2 years or more after the completion of the works which results in blockage of working capital of contractors for prolonged period of time causing financial hardship and the same also curtails the capacity building of state contractors.

In this context, it is intimated that the clause 9 of the approved GCC for state works deals with the final payment to the contractors, which also specify the time limit for processing of the final bills of the contractors. Also the final inspection certificate as per format given in the Schedule F of the GCC are required to be issued immediately after completion of the work by the contractor to avoid delay in approval of the deviations and final payments to the contractors. This will also avoid unnecessary litigation in this regard.

Clause 1 of the GCC for state works deals with the provisions of the performance guarantee and its part(ii) provides provisions regarding validity of the Performance Guarantee and its release to the contractor after completion of the work as under:-

*'The Performance Guarantee shall be initially valid up to the stipulated date of completion plus minimum 60 days beyond that, if the same is submitted by the agency on scheduled format I as per GCC. If the same is submitted on the format II as per GCC, then the Performance Guarantee shall be valid up to the stipulated date of completion plus minimum 6 months beyond that. In case the time for completion of work gets enlarged, the contractor shall get the validity of Performance Guarantee extended to cover such enlarged time for completion of work. After recording of the completion certificate for the work by the competent authority, the performance guarantee shall be returned to the contractor, without*

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upload on  
official  
website.  
JE(CT)



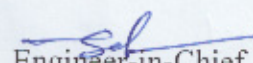
*any interest. However, in case of contracts involving maintenance of building and services/any other work after construction of same building and services/other work, then 50% of Performance Guarantee shall be retained as Security Deposit. The same shall be returned year wise proportionately.'*

The Clause 1 (v) also specify the provision of return of 80% of performance guarantee to the contractor on substantial completion of the work after recording the provisional completion certificate by the Engineer-in-Charge with the approval of the SE concerned. In case of contracts involving the maintenance of building and services/other work, 40% of Performance Guarantee shall be returned to the contractor without any interest after recording the provisional completion certificate. Further, Clause 1A of GCC for state works deals with the recovery of the security deposit in the work contracts and Clause 41 provides provision of the release of Security deposit to the contractor after completion of the work.

It is further specified that the Standing Order 1/2001-Amendment 2004 dated 27.10.2004 delegates powers to various level of officers within department for approval of extra items, substitute items and deviations in the exceptional cases where they are unavoidable.

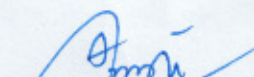
You are, therefore, requested to adhere to the provisions as provided in the relevant clauses of the contract agreement(s)/GCC and Standing Order 1/2001-Amendment 2004 dated 27.10.2004 to avoid late payments to the contractors and expedite the completion of the works.

Encl. As above

  
Engineer-in-Chief  
HPPWD Shimla-2

Copy to :-

- (i) The Principal Secretary (PW) to the Govt. HP for information.
- (ii) All the Executive Engineers (Civil) through e-mail in HPPWD for information and compliance.
- (iii) The Executive Engineer (IT) in this office with the direction to upload the same on departmental web site.
- (iv) President, Contractors Welfare Association Himachal Pradesh, (CWAHP), 4 Babu Ram Market, Chotta Shimla (HP) PIN-171002 for information.

  
Engineer-in-Chief  
HPPWD Shimla-2



# Contractors Welfare Association Himachal Pradesh (CWAHP)

(Regd. With the Registrar of Societies, Govt. Of Himachal Pradesh vide Regd. No. 994/2016)



Regd. Office : #4, Babu Ram Market, Chotta Shimla, Shimla (H.P.) PIN-171 002 INDIA

26.07.2022

To  
The Engineer In Chief,  
H.P.P.W.D.,  
Nirman Bhawan,  
Nigam Vihar, Shimla.

Sub : Request for withdrawal of Performance Guarantee in state work contracts and revision of earnest money deposit.

Sir,

Before adoption of CPWD works manual, Performance guarantee was introduced in state works by introducing condition no. 13 (i) of General Rules and directions in state SBD and later on request from us and contractors the state withdrew the performance guarantee condition for state works vide Engineer In Chief letter no. PW/CTR/32-20/Genl Inst/2015-414-513 dated 18-04-16 (Addl Chief Secretary (PW) letter no. PBW(B)C(17)/2/2012 dated 18-03-16).

Now after the adoption of CPWD works manual Performance Guarantee (for works above 100 lacs) has again been introduced.

This is causing hardship to state contractors as the great part of working capital is blocked in furnishing performance guarantee/s which could have been better utilised in expediting execution of works. This is in addition to the security of 2.5% deducted from running bills of contractors.

The performance guarantee and securities are not released even after completion and handing over of work till final bill is approved and final bills can only be approved after approvals of extra and deviate items which generally takes 6 months to 2 years or more after the completion of works.

This results in blockage of working capital of contractors for prolonged period of time causing financial hardship. It also severely curtails the capacity building of state contractors.

President :

Satish Kumar Vij

92186 72087, 82195 22782

Vice-President :

P.K. Sood

98160 77079

General Secretary :

Atul Kuthiala

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Rajesh Sumari

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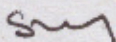


We request you to withdraw the condition of performance guarantee from state contracts.

Kindly consider and do the needful at the earliest.

Thanking you,

Yours faithfully,



President  
Himachal Pradesh  
Contractors Welfare Association

Copy To

1. Additional Chief Secretary (PW) HP - for information and necessary action

— sd —

President.