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ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHO DZONG



MoF/PPPD-08/2009/2010/ 111

March  
April, 1<sup>st</sup>, 2010

NOTIFICATION

**Subject: Amendment 3 to the Procurement Rules and Regulations (PRR) 2009**

The Ministry of Finance is pleased to inform that the following amendments have been made to the PRR 2009.

**Chapter V- The Bidding Process and Documents and Chapter VI- Award of Contract and Elements of Contract**

1. The Defects liability period for Class D Contracts has been revised to a minimum of 6 months. However for Class C and above the defects liability period prescribed in the PRR 2009 and SBD (Works) 2009 will apply. Therefore the relevant clauses in the PRR 2009 and SBD (works) 2009 has been amended as follows:

- a. **PRR 2009 Clause 5.11.1:** *A Procuring Agency shall provide for retaining a part of the amounts due to a contractor till the end of the Defects Liability period which shall be a minimum of twelve (12) months. In the case of works up to Nu. two (2) million, the defects Liability period shall be a minimum of six (6) months. The procuring agency may prescribe a realistic defects liability period based on the type and complexity of the project which is defined in the bidding documents and the contract agreement.*
- b. **PRR 2009 Clause 6.3.4.1 (e):** *Provisions relating to a guarantee of the quality of workmanship and materials for a stipulated period beyond the completion of*





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*the contract and a requirement for the contractor or supplier to make good at his own expense, any defects that may arise during the warranty period. The warranty period or the defects liability period for all new civil construction works shall not be for less than a period of 12 months depending on the nature of works from the date of taking over the completed works or any section of it; however the defects liability period for works up to Nu. two (2 ) million shall not be less than a period of 6 months;*

**c. SBD (Works) 2009 Section VI Special Conditions of Contract GCC 35.1:**

*[The Defects Liability Period is usually 12 to 24 months. In the case of works up to Nu. two (2) million the defects liability period should be minimum of 6 months].*

2. Secured Advance in the case of fabrication works has been permitted. The clauses in the PRR 2009 and the SBD (Works) 2009 has been amended as follows:

**a. PRR 2009 Clause 5.1.12.3:** *A Procuring Agency may provide for payment of Secured advances to the contractor against the construction materials brought in the site by the contractor for incorporating in the works. In case of fabrication works off site, secured advance may be paid to the contractor after the site inspection is carried out by the client at the cost of the contractor, submission of proof of payment (work order) and submission of supply order.*

**b. SBD (Works) 2009 Section V General Conditions of Contract 50.2 (d):** *The amount of the secured advance shall not be more than seventy five percent*





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*(75%) of the cost of materials delivered at the site of works which shall be supported by the original invoices/bills from the suppliers. All materials imported from other countries shall be supported by Bhutan Sales Tax Receipts or Customs Clearance. In case of fabrication works off site, secured advance may be paid to the contractor after the site inspection is carried out by the client at the cost of the contractor, submission of proof of payment (work order) and submission of supply order.*

3. A maximum limit of 10% of the Contract Price has been kept for payment upon termination. The relevant clauses in the SBD (Works) 2009 has been amended as follows:

a. PRR 2009 an additional Clause 6.3.7.2 has been added as: *The method for Payment upon termination shall be prescribed in the contract. The percentage to be applied to the value of work not completed at the time of termination shall usually be twenty (20%) percent subject to a maximum limit of ten (10%) percent of the initial Contract Price.*

b. SBD (Works) 2009 Section VI Special Conditions of Contract GCC 60.1: *The percentage to apply to the value of the work not completed, representing the Employer's additional cost for completing the Works, is [insert percentage, usually 20% up to a maximum of 10% of the initial Contract Price].*

4. The word **average** has been removed from the clause 4.5 (a) and the factor of 1.5 in calculating the bid capacity has been increased to 2 and the relevant clauses in the SDB have been amended as follows.



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- a. **SBD (Works) 2009 Section I Instruction to Bidders 4.5 (a):** *highest annual value of construction work over the period specified in the BDS of at least the amount specified in the BDS [maximum value of construction works in any one year during the last 3 – 5 years].*
- b. **SBD (Works) 2009 Section I Instruction to Bidders 4.8:** *Bidders who meet the minimum qualifying criteria will be qualified only if their available bid capacity for construction work is equal to or more than the total bid value. The available bid capacity will be calculated as under:*

*Assessed Available bid Capacity =  $(A * N * 2 - B)$  [this formula will be used until the introduction of point based system of evaluation]*

Where,

A= maximum value of civil engineering works executed in any one calendar year during the last five years (updated to the current price level by adding five percent (5%) per year)

N= Number of years prescribed for completion of the works for which bids are invited (period up to 6 months to be half-year and more than 6 months as 1 year).

B= Value, at the current price level ,of existing commitments and on-going works to be completed during the period of the completion of works for which bids are invited.

5. **Annual Turnover and Bid Capacity** is not required for works up to Nu. 5 million.



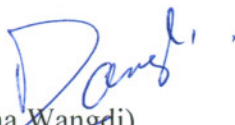


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The Sample Evaluation Report PRR-3 in the PRR 2009 has also been revised to incorporate the above changes. The revised Sample Evaluation Report PRR-3 is available on the Ministry of Finance Website at [www.mof.gov.bt](http://www.mof.gov.bt)

The above amendments to the Procurement Rules and Regulations 2009 will come into effect from April 15, 2010.

  
(Nima Wangdi)  
**Director General**

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7. The Hon'ble Chief Justice, Royal Court of Justice, Thimphu
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15. The Secretary General, Construction Association of Bhutan, Thimphu