**GUIDANCE NOTE – CONSTRUCTION WORKS POLICY**

[**PRINCIPLES AND APPLICATIONS** 2](#_Toc41489939)

[**PROGRAMMING ARRANGEMENTS** 2](#_Toc41489940)

[National Partner Capacity Assessment 2](#_Toc41489941)

[Business Unit Capacity Assessment and Approval to undertake Works 3](#_Toc41489942)

[**CROSS-CUTTING ACTIVITIES** 3](#_Toc41489943)

[Environmental Impact Assessment (EIA) 3](#_Toc41489944)

[Social and Environmental Standards in the Procurement of Works 4](#_Toc41489945)

[Risk Management 4](#_Toc41489946)

[**WORKS STAGES** 4](#_Toc41489947)

[Initial Studies 6](#_Toc41489948)

[Feasibility Study 6](#_Toc41489949)

[Works Procurement Strategy 7](#_Toc41489950)

[Defining Technical Requirements 8](#_Toc41489951)

[Works Procurement Solicitation 9](#_Toc41489952)

[**CONTRACTING ARRANGEMENTS** 11](#_Toc41489953)

[Form of and Conditions of Contract 11](#_Toc41489954)

[Important Terms and Conditions in Contracts for Works 12](#_Toc41489955)

[Acceptance of the Works 14](#_Toc41489956)

# **PRINCIPLES AND APPLICATIONS**

This Guidance Note supplements the Construction Works policy. It provides details on how various clauses in the policy should be implemented, hence there are similar headings in the two documents.

**General Principles**

1. UNDP supports works of different types (e.g. the building health facilities, schools, rural or urban roads, water treatment plants, etc.) and of varying degrees of complexity and value. Many of these works entail activities requiring specialized expertise and pose a variety of financial, legal, social, environmental, reputational, health and safety risks and liabilities disproportionate to the value of the project. UNDP must exercise the highest level of care and diligence in managing these risks to ensure performance in accordance with the terms of the contract, and that the Works are further to and in accordance with its mandate and with the Strategic Plan, and that the Works add value to all stakeholders.
2. Indeed, few infrastructure procurement processes are simple: even with a prefabricated unit, Works are required to prepare the site and foundation and enable services (i.e., water and power) to be supplied. The complexity only increases when managing multiple vendors in different technical areas and in difficult situations where UNDP often operates and requires a specialized set of skills. Thus, the procurement of works is a complex area and should be viewed as a separate and different category of procurement.
3. UNDP involvement in Works should seek to provide a “Build Back Better” objective using the best international practices and support the strategic direction of UNDP in shifting to more eco-sustainable construction to contribute in achieving sustainable development.
4. Applicable documents include:
5. The Invitation to Bid for Construction (under development) should be utilized for the procurement of Works along with this policy.
6. Works Contract form and General Terms and Conditions for Works

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# **PROGRAMMING ARRANGEMENTS**

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## National Partner Capacity Assessment

1. An initial operation and maintenance assessment conducted as part of the feasibility study as indicated in the feasibility study section below must be included in the project document, or substantive revision where applicable, prior to signature. It should be updated once the design and specifications of Works are finalized. The assessment should outline:
   1. Estimated projections of operation, maintenance costs and staffing requirements for the initial years of operation by the national partner, covering between 3-5 years depending on the type and indicative life expectancy of the work;
   2. The national partner’s existing capacity to meet projected operation and maintenance funding and staffing requirements after the cessation of UNDP’s support; and
   3. The national partner’s training, staffing and funding needs in respect of preparedness for the assumption of operation and maintenance of Works.

## Business Unit Capacity Assessment and Approval to undertake Works

1. The policy requires the Regional Bureau to undertake an assessment of the Business Unit’s capacity, including the staffing proposal, for consideration in the approval process for works above the standard delegation of authority of $200,000. This assessment should be undertaken on a case-by-case basis in relation to the type of Works and activities being proposed, taking into consideration the scale, location, volume, risks, and complexity of the project, and that any proposed procurement approach that requires exceptional or further approval as required in this policy has been obtained (such as when Design-Build or Build-Operate-Transfer modalities or other forms of contract are to be used); the activities proposed (i.e. project management, Works management, or procurement services only), and in the case of development projects, the project implementation modality.

# **CROSS-CUTTING ACTIVITIES**

## Environmental Impact Assessment (EIA)

1. Works have a great potential for significant environmental damage. UNDP is committed to avoiding either direct or indirect damage to the natural environment and to achieving improvements in the facilities under construction.
2. Staff undertaking procurement should be familiar with ISO14000 Procedures for implementation of ‘environmental management systems and standards. The key elements of ISO 14000 include:
3. Environmental Impact Analysis will occur on a site-specific basis.
4. Due provision will be made during construction supervision for the control of waste and site effluent by the contractor.
5. Site supervision staff will be tasked to undertake the monitoring of the environmental impact analyses, and to ensure that hazardous materials on sites are identified, that sedimentation is restricted to the site and that site waste is disposed of properly.
6. Internal spaces will be designed so as to be healthy and non-toxic, based on good ventilation, sunlight sterilization, humidity and moisture control, safe material usage and appropriate water and sanitation provision.
7. Clean water sources from sustainable resources are used.
8. All the above principles should be applied to all sites at which Works are undertaken and funded by UNDP, including UN premises under a management project. Standards should be periodically reviewed and updated to meet national best practices and international standards. Architect, civil engineer, service engineers (electrical and mechanical) and other technical experts are responsible for providing appropriate advice in order to make the best decisions in terms of sustainability, lifecycle costs, energy use and relevant “Green Issues”. This is equally applicable to minor or major civil engineering Works, construction of new buildings or renovation proposals.
9. For information about the environmentally-friendly approach to the design and management of buildings within the UN system under the UN ‘Greening the Blue’ program visit <https://www.greeningtheblue.org/>.

## Social and Environmental Standards in the Procurement of Works

1. Some of the requirements to be considered include the employment of local labor, offsetting carbon footprint related to manufacturing, transportation, etc. of Works material, efficient vehicle fleet, gender inclusive policy in place, environmental quality management, usage of recyclable materials, usage of natural materials such as wood with traceable eco labels, local products/materials, design elements - rain water harvesting, provision for safe waste disposal, renewable energy sources, recycling of waste and water, etc.
2. Where the Works or associated procurement process has potential “High” level risks per UNDP’s Enterprise Risk Management Policy and pursuant to the [Social and Environmental Screening Procedure (SESP)](http://www.undp.org/content/undp/en/home/librarypage/operations1/undp-social-and-environmental-screening-procedure.html), the case must be escalated to the Regional Bureau for decision.

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## Risk Management

1. Risks involved in construction may be financial, reputational, legal, environmental and/or to key relationships. The management of risks is a key element in the procurement of Works. Appropriate consideration should also be given to the risk of natural disasters to ensure that design solutions mitigate the likely risks effectively.
2. Business Units should allocate specific risks based on an analysis of which party is best able to evaluate, control, manage, and assume the risk. Proper risk allocation provides many benefits to the project stakeholders and to the project. It will enable positive project relationships; will reduce the uncertainties caused by unfairly allocated risks and avoid higher costs and scheduling contingencies.

# **WORKS STAGES**

**General**

1. A Works project evolves through a number of activities from initiation to completion. It can be broadly divided into two stages.

|  |  |  |
| --- | --- | --- |
| **DEVELOPMENT**  **STAGE** | Initial Studies | Identification of a project with Works based on need and defined purpose. Preliminary consideration of possible solutions and alternatives on whether to undertake a feasibility study. |
| Feasibility Study | Studies to establish whether the proposed solution is viable, investment is justified and to identify the most advantageous method of implementation |
| Securing Permits, Land Ownership issues | Ensure appropriate land title / right to construct are in place and registered prior to initiating any procurement actions. |
| Social and Environmental Screening and Quality Assurance | Completion of SESP and project quality assurance.  Develop management plans, where needed |
| Project Procurement Strategy | Choice of implementation strategy/approach and contract type (traditional remeasurement or design build) |
| Defining technical requirements | Design criteria, technical and performance requirements and performance targets and where applicable detailed design drawings and specifications, BoQ to suit type of contract type. |
| **IMPLEMENTATION**  **STAGE** | Works Solicitation | Preparation of tender documentation, issuing solicitation, and receipt of bids. |
| Evaluation and Contract Award | Consists of three parts: vendor qualification, technical evaluation and financial evaluation followed by approval from the delegated procurement authority. |
| Contract Management and Supervision | Provision of and “Engineer” for administration of contract and site supervision to ensure quality, cost and timeliness. May require the involvement of specialist engineering firms and of national partners. |
| Manage Risks | Project Manager continually scans for uncertainties that may affect not only the successful completion of the Works, but also the ability of the Works to contribute effectively to the development issue it is trying to address. |
| Oversight | Project Manager and programme oversight continually assess to ensure solution is effectively addressing the development problem. Course corrections are taken if new issues arise. |
| Completion and Hand-over | Inspection to ensure Works are in accordance with contract requirements, management of the defect liability period and handover to national partners. |

1. While the main focus on procurement is during the Implementation stage in respect of the Works contract, the engagement of consulting firms or entities to undertake the studies during project development or contract management and supervision during implementation are themselves procurement actions and the requirements of POPP should be adhered to.
2. UNDP Engineers and/or the engineering firm that carried out studies and designs, can continue to assist Business Units through the procurement stage (prequalification, ITB development and evaluation) until the contract is signed, subject to meeting the requirements of POPP in respect of procurement principles.

## Initial Studies

1. The purpose of the initial studies is to enable an informed decision on whether or not to proceed with to the stage of preparation of a detailed feasibility studies of the proposed project.
2. Depending on the type and size of Works, financial resources will be required to hire consultants/engineers to establish the possible solutions, the conceptual designs of the Works (where possible) and to conduct basic site studies (where applicable) which will feed into the project design. This cost may be part of the initiation plan for the project.
3. The economic and social viability, future sustainability and the impact on the environment of the project in the context of current and foreseeable future economic and commercial conditions should also be reviewed. The responsibility for financing and managing future operation and maintenance of the project should also be considered. Preliminary assessments of major risks and the capability and availability or expected resources to manage all aspects of the implementation of the project should be examined and sourced where there are gaps identified.

## Feasibility Study

1. Feasibility studies provide the opportunity for consideration of alternative methods and options for project delivery and avoidance of cost lost from project failure down the line.
2. The aim of the feasibility studies is to provide confirmation or rejection of the justification to proceed with the implementation of the Works. Estimates of time and costs required to implement the Works will be preliminary. A feasibility study often involves both desk review and on-site preliminary surveys and investigations where necessary.
3. Feasibility study report should cover the following matters as applicable:
   1. Scope and design
   2. Location: planning and execution of geophysical studies
   3. Legal: identification of laws and regulations
   4. Preliminary cost estimates
   5. Funding: analysis of project viability
   6. Programmes and time constraints
   7. Operation and maintenance
   8. Employer involvement during implementation
   9. Risks: uncertainties that may impact the project’s ability to achieve its development objective through the proposed construction work
   10. Potential Social and Environmental impacts and sustainability

## Works Procurement Strategy

1. Engineering projects are rarely standardized: Construction projects may be classified into large, medium and small, depending on value. However, a project may be of low value yet highly complex. Each UNDP Business Unit should therefore carefully consider whether additional, more detailed guidance (complementing these guidelines) would be required from the Procurement Support Office on overall strategy and/or procurement action.
2. The size and complexity of the project may necessitate that the construction and installation of the facilities be carried out under a number of separate contracts. This is often known as contract packaging.
3. In considering the procurement approach for Works, many factors need to be taken into account including the complexity of the project, the risks involved and their allocation, the capacity of staff available, the capacity of local contractors, required phasing of completion, availability of funds and capacity building objectives.
4. Improper planning and management as well as inadequate resources in Works procurement may not only lead to poor quality but can also result in cost overruns and time delays. Some of the most common weaknesses in civil engineering and Works projects include:
5. Lack of comprehensive procurement planning and control mechanisms for Works;
6. Weak procurement processes including tendering, selection criteria, bid evaluation and establishment of contractual agreements;
7. Limited interaction between procurement and programme staff;
8. Limited understanding of the complexities of Works, and the resources (including time) needed to implement them;
9. Unclear definition of scope or statement of work and technical specifications;
10. Unclear Bill of Quantities, incorrect cost estimation and unrealistic timelines;
11. Lack of requisite technical expertise;
12. Limited understanding of contract management, supervision and monitoring of Works contracts; and
13. Delays on access to sites or authorizations received from local authorities.
14. Procurement in accordance with good practices needs suitable timelines. The sacrificing of diligence for speed due to both external and internal pressures may lead to rushed procurement practices, inevitably resulting in quality, cost and time problems and should be avoided.
15. There are different construction implementation modalities/approaches which can be pursued based on risk allocation, contract value, timeliness and other consideration.
16. In the traditional approach, the Employer (UNDP) is normally responsible for detailed design and the contractor is paid for the actual quantities of work performed based on tendered rates and prices. In this approach the fully completed design of civil engineering and Works is prepared before the tender process commences. It gives the UNDP Business Unit control over cost, quality and specifications, but may have a longer implementation time due to sequential workflow of activities.
17. In the non-traditional approach (aka Design and Build), the Employer only prepares a project brief and final outcome with the design responsibility stays with the contractor. The risk is transferred at an early stage to the contractor and implementation time may be compressed as design and construction is a single responsibility. A Design and Build procurement also requires a very clear set of Employer’s Requirements to be drafted. This is a specialized skill in itself and very different from a standard Specification. Specific procurement processes will also be needed for comparing contractors’ design proposals at the same time as their price offer
18. There are also other approaches to the procurement of Works such as Build-Operate-Transfer (BOT), Build-Operate-Own (BOO) where financing arrangements plays an integral part.

Which modality to use?

1. Most of UNDP Works engagement, which are for low or medium value Works uses the traditional approach. The non-traditional modalities and contracts are more complex and require specialized experience and adequate capacity to manage. Regardless of which approach is used, UNDP’s Social and Environmental Standards must be applied to the proposed approach prior to proceeding with approval and implementation of the work.

## Defining Technical Requirements

1. Often UNDP’s involvement is after the partner (Government or Donor) has already prepared the detailed Design, Scope of Work (SOW), Bill of Quantities (BoQ) and cost estimation documentation. In using these documents, the Business Unit should ensure that they are reviewed by UNDP or its appointed engineers to verify, validate, modify, or otherwise complete, as needed, while ensuring the responsibility of work undertaken before UNDP’s involvement is not transferred to UNDP.
2. The quality of the Design, SOW and BoQ increases the likelihood of receiving strong offers. Quality documents also help to facilitate the evaluation process, ease contract management, minimize cost overruns and delays, and lead to appropriate Works fulfilling the needs of the UNDP and other stakeholders.

Pricing and payment options

The various pricing and payment options are as follows:

1. A Re-measured Price contract contains a detailed Bill of Quantities in which an estimate of the quantities of each and every item of work prepared by UNDP is priced by the bidder. During the construction of the Works, each line item is re-measured on a regular basis and payment made for actual quantities used. The rates or prices for each element do not change, but the quantities may go up or down. It is very important, therefore, to start with an accurate BoQ to avoid unexpected increases in quantities. Measured price contracts give maximum flexibility and allow minor variations to be made in accordance with already agreed rates.
2. A Lump Sum contract is one where the Contractor bids a total price for delivery of the complete Works. Payment may then be made according to a set of agreed milestones (e.g. completion of clearly defined sections of the Works). The price is not subject to adjustment, revision or re-measurement considering the actual costs incurred or quantities of materials and labor used by the contractor, except where UNDP orders variations to the original scope of Works. A single payment may be made upon completion, or a monthly statement for payment or staggered disbursements according to milestones (i.e. the completion of sections or phases of Works). While this makes measurement and payment very simple, it also means that variations are much harder to accommodate and can lead to significant cost. Lump Sum contracts are therefore best used where the scope of the Works is straight-forward, and few changes are expected. A Lump Sum contract is NOT a Fixed Price contract.
3. A Fixed Price contract is one where the Contractor undertakes to deliver the Works within a total fixed price. This would appear to offer UNDP Business Unit a high level of project cost certainty. However, since the Contractor is taking the risk for ALL unknowns, this approach has been shown to lead to very high prices and reduced value for money: In reality a Fixed price contract would only be practical for very simple and small projects.

## Works Procurement Solicitation

1. The procurement process could be through a single stage of an open competitive process or a two-stage process with a first stage prequalification followed by a competitive bidding between the pre-qualified bidders from the first stage.
2. Pre-qualification which adds another layer and increases the overall procurement time is often used for specific high value Works where the cost of preparing a bid is high and it makes sense to ensure that bidders selected to bid have met minimum qualification and experience requirements. However, if pre-qualification is undertaken in parallel to when the design is being completed, the additional time may not be significant and conversely may add value to the process.
3. Where there are continuous and repetitive similar requirements for Works, even of low and medium value, it may make sense to undertake general pre-qualification for different sectors and value thresholds. Most countries with mature construction sector have Works contractors classified under different grades either by the authorities or by the industry itself, which a UNDP BU may refer to in a local context.
4. Direct contracting (based on a waiver of competitive bidding) for construction is governed as for any other procurement in accordance with the relevant provisions of POPP.
5. Construction may be managed through project management software, depending on the size and complexity of the projects, such as Microsoft project, Prince2 process model or more sophisticated construction planning management software.

Pre-bid conference/Site visits

1. The requirement for pre-bid conference/site visit should be determined on a case-by-case basis depending on the nature, scope and complexity of the Works. It is recommended to make a pre-bid conference and/or site visit mandatory only in the instances where, due to situations beyond UNDP’s control, the information provided in the solicitation document are not clear enough to enable the bidders to fully understand the scope of works, or it has been determined that the quality of bids would significantly improve.
2. When a pre-bid conference and/or site visit is deemed mandatory, the solicitation documents should state clearly that attendance is required at the sole expense of the prospective bidder and procedures should be established to reduce the risk of collusion among the bidders or between UNDP’s personnel and the bidders.

Handling lots within a single solicitation process

1. Often there is a need to split the award for similar Works into separable lots or smaller packages either for geographical reasons or for smaller packages to increase supplier diversity, and/or meet programme social objectives and distribute completion risks. The right to split the award between several bidders must be specified in the solicitation document. Due consideration must be given to several factors such as the transaction cost to UNDP of placing and managing several contracts as well as local capacity development.
2. Care should be taken for split awards by lots as the evaluation can be quite complex. Potential bidders are likely to bid for more than one lot to increase their chances of selection. The number of lots in a single solicitation should not be more than 3 or 4 to avoid complexity or confusion in the evaluation. The selection criteria should be clear on the maximum number of lots a bidder can be awarded, tied to a bidder’s capacity in cumulatively meeting lots(s) qualification requirements and the preferential order of selection in case a bidder is lowest priced technically responsive in several lots but either can only be selected for less lots or does not have the capacity to undertake all the lots it is lowest priced technically responsive in.
3. A Business Unit should avoid issuing different bids for similar types of Works at the same time especially if the pool of bidders is small. It would be preferable to sequence the issuance of bids. Separate bids should not be linked in terms of preference of award as they are independent processes.

Financial Evaluation

1. All priced BOQs are to be tabulated on a summary sheet against the criteria and requirements, for comparison among the bids and with the internal cost estimate (deviation and weights of each bill) to ensure that payments are not front loaded or that there is no significant variation (from internal estimate or other comparable bids) in specific unit rates that may pose a risk of price increase for increase/decrease in actual quantities. A clarification on unit rate breakdown may be requested from a bidder to clarify any concern.

# **CONTRACTING ARRANGEMENTS**

## Form of and Conditions of Contract

1. The contract which also includes UNDP General Conditions for Civil Works is the most critical component of UNDP Works that frames all aspects of the Works. The construction contract details the scope of work required and will include all necessary drawings, design details, BoQ, standards and norms and Works quality requirements and will describe how supervision and monitoring will be carried out, how the Works will be handed over, and the extent of defects liability period required. It will also detail all insurance and guarantee requirements and detail the payment terms, including any advances and how the Works will be measured and paid.
2. The contract allows vendors to know the terms and conditions of the specific agreement prior to submitting an offer, and to understand the type of contract they would be expected to sign if selected as a vendor to UNDP. Business Units must utilize UNDP Contract for Civil Works and the UNDP General Conditions of Contract for Civil Works (GTC) which must be included with the solicitation documents.
3. All the necessary information about the Works are to be included in the schedules as an integral component of the Works contract such as the price and payment information, retention, monthly statements and monthly payments as well as the forms for performance security guarantee and /or advanced payment guarantee where applicable.
4. Alternative Contract Forms. In certain cases with donors and stakeholders it may be determined that the use of forms of contracts for the construction and engineering industry issued by FIDIC (a French language acronym for “Fédération Internationale Des Ingénieurs-Conseils”, which means the International Federation of Consulting Engineers) as adapted for UNDP, may be advisable. This may only be used with the agreement of the procurement office;
5. FIDIC’s suite of documents as adapted for UNDP, (“adapted FIDIC contracts”), include cover:
   * FIDIC Short Form of Contract (Green Book) with UNDP adapted Particular Conditions
   * FIDIC Conditions of Contract for Construction (Red Book) with UNDP adapted Particular Conditions
   * FIDIC Conditions of Contract for Plant and Design Build (Yellow Book) with UNDP adapted Particular Conditions

## Important Terms and Conditions in Contracts for Works

1. While the UNDP General Terms and Conditions for Works are self-explanatory on the conditions, some specific provisions of the Contract for Civil Works are explained below.

Insurances

1. The contractor must take and maintain all the insurance and liability requirements identified in the [UNDP contract for Works](https://popp.undp.org/node/4591) and [UNDP General Conditions of Contract for Works](https://popp.undp.org/node/4586) for Works. All insurance policies must be established with an authorized insurance carrier and with terms approved by UNDP prior to the commencement of the contract.

Variation Orders

1. UNDP may issue Variation Orders after a Works contract has been awarded to instruct a contractor to vary the work from the original tender design, specifications or drawings. Variation Orders may give rise to additions or deductions from the Contract Price, which are to be evaluated in accordance with the terms set out in the Works contract and recorded.

Cost Adjustments

1. BoQ rates are not subject to adjustment for rises or falls in the cost of labor, goods, materials and other inputs to the Works, unless the Works contract specifically provides for cost adjustments. The final contract price will reflect actual quantities, as re-measured, and the application of the fixed BoQ rates. In respect of payment under a re-measured, each line item in the BoQ is re-measured on a regular basis during the Works implementation, and payment is made for the actual quantities of work and materials utilized.

## 

Monitoring and Inspections

1. Quality management is an integral part of contract management for Works and adequate provisions are to be made for the required resources in the project budget. The contract for Works, technical requirements, the General Terms and Conditions for Works and other contract documents contain specific clauses regarding the approval of plant, materials and workmanship including samples, inspection, testing, rejection, and removal of defective work which are to be upheld by Business Units in the management of Works. Technical site reports are to be prepared on a weekly basis and should be reviewed by engineer who is on UNDP contract.
2. Business Units may use satellite images/coordinates to monitor ongoing Works and ensure quality control.

Quality Control

1. Poor quality work is a significant reputational and financial risk. Quality is therefore critical throughout the program - from design to the materials and all workmanship performed.
2. UNDP is committed to ensure quality control in both design and construction phases and at the same time operates in particularly high-risk environments, such as a post–conflict situations and in Less-Developed-Countries. As a result, designs must be specifically tailored to the unusual situations and be of high technical quality in order to meet safety and serviceability needs. This often requires significant management effort to ensure the required quality of outcome.
3. All elements, both materials and workmanship must conform to the Contract Documents. The Contractor is responsible for the quality of the Works throughout the period of the contract. This requires a Quality Control System and Quality Assurance Plan that covers the personnel, methods, procedures and organization.
4. Construction may be managed through project management software, depending on the size and complexity of the projects, such as Microsoft project, Prince2 process model or more sophisticated construction planning management software.

Incident Reporting

1. Incident reporting may include but not limited to, (i) any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving project workforce); or (ii) any incident of a social nature (including without limitation any violent labour unrest or dispute with local communities); or (iii) any other incident of an environmental or social nature occurring on or nearby any site, plant, equipment or facility of UNDP (the incidents mentioned in (i) to (iii), in the following the “incidents”) which

* has, or is likely to have a material adverse effect; or
* has attracted or is likely to arouse substantial adverse attention of outside parties or to create substantial adverse media/press reports; or
* gives, or is likely to give rise to material potential liabilities.

1. Notification will comprise, in each case:
2. a specification of the nature of the Incidents and the on-site and off-site effects of such incidents and
3. details of any action the contractor proposes to take in order to remedy the effects of these incidents. The contractor keeps UNDP informed about any progress in respect of such remedial action.

Defect Liability Period (DLP)

1. A DLP is a mandatory requirement for work contracts, to enable time for any defects to become known and made good. A DLP is normally for a period of twelve (12) months starting on the date of issuance of the Certificate of Substantial Completion. Ideally, this period is enough for the Works to pass through one seasonal cycle or a full cycle of use. A different DLP period may be applicable on exceptional basis depending on the circumstances and nature of the Works (for example, when the Works are short term temporary camps or minor Works such as boundary fencing to a compound). Such a provision is to be agreed up front when UNDP is entering into a project/funding agreement with the end user. Reducing the DLP should be avoided in the interest of UNDP.
2. The DLP is to enable time for any defects to become known and made good. Throughout the DLP, Business Units must carry out regular inspection, highlighting any defect and ensuring that the contractor makes good at their own cost. If these defects are major and prohibit the use of the Works, it should be considered that the DLP for that item restarts, thus extending the total DLP and contract length. The extension of the DLP would in most cases affect the UNDP/client agreement and thus all relevant factors, necessary verifications and testing should be taken into consideration in making this decision. The defect period of any item should not be extended except for a very major issue with a likelihood of the defect recurring.

## Acceptance of the Works

1. When procuring Works, the employer’s representative should ensure that the Works are proceeding in accordance with the agreed timelines in the contract. This should be done through regular site visits or through progress or status reports from the employer’s representative responsible for administering the contract.
2. Handover is often referred to as substantial completion and Works are not always 100 percent finished and minor elements of the Works may be finished within the defect notification period but only with the approval of the employer’s representative. When UNDP issues the Certificate of Substantial Completion, it means UNDP has taken possession of the Works. The project manager should ensure that immediate handover to the beneficiary takes place at this time.
3. The issuance of the Certificate of Final Completion signifies the end of the contractor’s obligation or responsibility to UNDP and the work and it is always at the end of the Defect Liability Period. At this point the responsibility or liability for the Works is passed to UNDP until UNDP makes the final handover to the end user or beneficiary. It is also recommended that both events should take place concurrently to avoid any risks to UNDP.
4. At completion, UNDP should return the performance guarantee and make the final payment to the contractor, subject to any performance issues, and deduction of any expenditure incurred in rectification of defects on behalf of the contractor. All deductions should be agreed with the contractor in accordance with the contract conditions.