



CONSTRUCTION INDUSTRY DEVELOPMENT AUTHORITY (CIDA)



Directive on Application of Material Pricing Indices and Price Fluctuation Formula in MEP Contracts and use of Brand Names in BOQs related to Identified Construction Works

Gov/CIDA/Directive/102/2023
(Extension for Directive published on 01.03.2023)

Mechanical, Electrical & Plumbing (MEP) Contracts

This is further to our Directive published on 01.03.2023 on the Material Pricing, under the provisions of Construction Industry Development (CID) Act 33 of 2014.

CIDA hereby directs following practices to be adapted by respective Employers / Clients and Qualified Persons / Consultants in Contract Documents when preparing BOQs for MEP contracts or in other Civil Engineering / Building Contracts where the MEP component is significantly higher than the general levels in all Identified Construction Works (ICWs) in the application of the price escalations using the provisions of "Adjustments for changes in Cost" under CIDA Standard Bidding Documents (SBDs):

- (1) Use of Producer Price Index (PPI) of the manufacturing country for the Supply component with provision for minimum 03 currency types in imports of Materials / Equipment with appropriate CIF value schedules for any price escalations to be paid in MEP Contracts
- (2) Adaptation of the use of possible alternative manual methods such as, but not limited to, Prime Cost Rate for MEP Materials / Equipment in which the Contractor is reimbursed the fluctuations.

However, CIDA is in the process of developing indices for Materials and Equipment related to MEP items. Further, CIDA wishes to request all concerned parties engaged in, Identified Construction Work (ICW) to suggest CIDA of such other appropriate methods that could be used to meet the obligations in price variations in MEP contracts or in other Civil Engineering / Building Contracts where the MEP component is significantly high, for further interventions.

Use of Brand Names in BOQs / Specifications prepared by Qualified Persons

CIDA reiterates the use of generic descriptions for all Construction Components, Equipment and Materials avoiding the use of brand names in all Contracts/ ICWs while assisting for total cost reductions creating healthy competition among prospective suppliers.

Further, CIDA encourages the procurement of Construction Components, Equipment and Materials from CIDA registered Suppliers, Importers and Manufacturers, as the Registration process will commence soon.

As per the interpretation given in the CID Act, Identified Construction Works (ICW) means 'any construction work for public use which are exceeding in value Rupees Ten Million (Rs.10,000,000.00) or such higher price value as may be prescribed by the Minister from time to time'.

It is to be noted that, as per the Section 1(2) of the Construction Industry Development Act No.33 of 2014 (CID Act), the Construction Industry Development Act shall apply to all activities relating to the construction industry within the Democratic Socialist Republic of Sri Lanka; except otherwise provided in the CID Act.

Therefore, all the stakeholders including Qualified Persons in the construction industry, when engaging in any activity relating to construction on industry within Sri Lanka have a statutory duty to adhere to the provisions of CID Act.

Thus Directives released from time to time by CIDA, after analysing the industry trends shall be duly followed by the respective parties.

As per the section 46 of the CID Act, the use of the standard documents of CIDA (including the SBDs) has been made mandatory relating to any identified construction work in which a qualified person is engaged as a consultant or a registered contractor is engaged.

Section 56 of the CID Act states to the effect that, any contravention or failure to comply with the provisions of the CID Act, constitute an offence under the said Act.

Eng. R.H. Ruvinis
Chairman,
Construction Industry Development Authority (CIDA)

31.10.2023