



ජාතික ප්‍රසම්පාදන කොමිෂන් සභාව  
தேசிய கொள்வனவு ஆணைக்குழு  
**National Procurement Commission**

My No: NPC/PP/Supplements/2017/01

24th October 2017

Secretary to the President  
Secretary to the Prime Minister  
Secretary to the Cabinet of Ministers  
Secretaries to Ministries  
Chief Secretaries of Provincial Councils  
District Secretaries  
Heads of Departments  
Chairmen of all Public Corporations/ Statutory Boards/ Authorities/ Bureaus  
Heads of Government Owned Business Undertakings  
Heads of Local Government Institutions

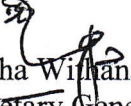
**NPC SUPPLEMENT NO - 1  
NATIONAL PROCUREMENT COMMISSION**

**Retention Money in Works Contracts**

Your kind attention is drawn to Supplement No. 29 dated 25.01.2016 to the Procurement Manual 2006 – Goods & Works issued by the Department of Public Finance.

The section under Procurement Guideline Reference 5.4.6 – Retention Money in Works Contracts of the above Supplement is hereby repealed by Supplement No.1 issued by the National Procurement Commission.

This Supplement is effective from 24.10.2017.

  
Seetha Withanarachchi,  
Secretary General,  
By Order of the National Procurement Commission.



Democratic Socialist Republic of Sri Lanka

**NPC Supplement – I**

To the

**PROCUREMENT MANUAL**

**Issue Date 24 October 2017**

**(To be used along with Procurement Guidelines 2006 –  
Goods & Works)**

**This supplement supersedes the section**

**PROCUREMENT GUIDELINE REFERENCE: 5.4.6  
(RETENTION MONEY IN WORKS CONTRACTS)**

**In Supplement – 29 dated 25.01.2016  
issued by the Department of Public Finance**

**NATIONAL PROCUREMENT COMMISSION**

**RETENTION MONEY IN WORKS CONTRACTS**

- (1) From all construction contracts, retention money shall be deducted from the payments due to the contractor to cover the period for remedying any defects. Retention money shall be deducted from the net payment due (including material at site) from interim payments before making any adjustments for price fluctuation, VAT and advance payment recovery. No retention money will be deducted from the advance payment.
  
- (2) In releasing this retention, the Employer will have the following options.
  - 2.1 – If the contractor requests the release of the retention as soon as it reaches the limit of 5%, the contractor may be allowed to replace the full amount of retention with an equivalent security in the form of an unconditional and irrevocable guarantee issued by a bank acceptable to the Employer and valid up to 28 days beyond the completion of Defects Liability Period.
  
  - 2.2 – In the alternative, the contractor may request 50% of retention to be released after taking over of the Works by the Employer and the balance 50% be released upon satisfactory completion of the Defects Liability Period.
  
  - 2.3 – The contractor may request 50% of retention to be released after taking over of the Works by the Employer and the balance 50% to be replaced by an equivalent security in the form of an unconditional and irrevocable guarantee issued by any of the following agencies and valid up to 28 days beyond the completion of Defects Liability Period:
    - (a) a bank acceptable to the Employer
    - (b) the Construction Guarantee Fund
    - (c) Insurance agencies
  
- (3) Banks acceptable to the Employer for issuance of retention guarantee shall be:
  - (i) A Commercial Bank operating in Sri Lanka.
  - (ii) A Bank based in another country but the guarantee encashable through a bank operating in Sri Lanka.

However the requirement of en-cashability of retention guarantees issued by a bank based in another country, through a bank operating in Sri Lanka is not necessary, if the entity that issues the guarantee is an Export Credit Agency of any foreign government or a reputed International Financier acceptable to the Central Bank of Sri Lanka.

- (4) The PE should note that in the event of an extension of the Defects Liability Period of the Contract, the PE would need to request an extension of this retention guarantee from the Guarantor. Such request must be in writing and must be made prior to the expiration date established in the guarantee.