



Citation

This submission from the National Women Commission from Nepal bags the Winner award for SAPIA 2018. This case story presents the systematic introduction of construction milestones to ensure timely contract performance. With the introduction of milestones, the total contract duration is divided into three segments (two intermediate milestones and one final milestone) along with the respective tasks to be completed on each of the segments. It includes a disincentive amount if the milestone is not completed by the given date. This encourages the contractors to make timely progress within each of the segments. The innovation helps complete the project almost at its stipulated time.

Summary

In Nepal, sixty percent of public money is spent annually on infrastructure projects. However, most of these projects are not completed on time. According to a study conducted in 2004, there are many factors (client/contractor related, such as weak contractor capacity, improper use of mobilization funds, force measure, etc.) which affect timely completion of projects. In order to create conditions conducive to timely contract completion, the Public Procurement Monitoring Office (PPMO) has attempted to standardize public procurement. In addition, the Government has also introduced Construction Milestones in bidding documents. These measures have reduced project delays and created awareness among contractors regarding importance of timely completion of development projects. This obligation to achieve milestones has made contractors more concerned in the planning, scheduling and managing the contracts in a more rational manner than in the past.



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Application of Construction Milestones in Rural Road Contracts of Nepal

(This article is a summarized version of the submission entitled “Application of Construction Milestones in Rural Road Contracts of Nepal” made by Mr. Ishwar Bhatta, Procurement Specialist, National Women Commission, Kathmandu, Nepal, for the South Asia Procurement Innovation and Good Practice Awards).

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Due to the simplicity and no additional cost incurred, the concept is replicable in other regions and projects. It is a cost effective and sustainable approach

Challenge(s) Addressed

The trend of not using mobilization advance for the intended purpose is reduced by the incorporation of milestones in bidding/contract documents that divide the resources in each of the contract phases. The second challenge dealt with bidders who bid low to win a contract, receive mobilization funds and disappear. Thirdly, awarded contractors improperly use mobilization advance. Fourthly, most contractors lack capacity, including technical know-how, which also delays projects. With the introduction of milestones in contract documents, contractors are forced to have the required resources to achieve the predetermined level of task in each phase (milestone period). This widespread trend is somehow addressed by the provision of milestone concept. It reduced the misuse of mobilization advance because of liquidated damages (LD) applied at each milestone and forced contractors to adhere to the schedule.

Impacts

Introduction of milestones has exhibited advancement in project execution. The governing law of Nepal, Public Procurement Act 2007, has provision of charging liquidated damages to the contractors if they do not finish the contract within the stipulated time. But it remains silent regarding milestones and phase-wise liquidated damages, which might have encouraged contractors to receive mobilization advance and ignore timely completion. With the introduction of milestones in the total duration of project completion, the tasks are classified in each of the milestone segments. Contractors are obligated to complete the respective tasks of the segments. This has helped in timely completion of projects.



Level of Innovation/Good Practice

With the introduction of milestones, the total contract duration is divided into three segments (two intermediate milestones and one final milestone) along with the respective tasks to be completed in each of the segments. It includes a disincentive amount if the milestone is not reached by the given date. This encourages contractors to make timely progress on each of the segments.

Replicability and Sustainability

The milestone concept was introduced in 2009 after it was incorporated for the first time in the bidding documents published by the PPMO. The concept has been used in civil works contracts under many projects, including some large value contracts under the Department of Roads of Nepal. It is integrated in the Pradhan Mantri Gram Sadak Yojana (PMGSY) in India too. This innovative concept can be replicated in other contexts and countries and can be applied by the projects looking at ways to achieve the outcome on time with reduced time overrun. In the countries where contractors are less literate, less capable and technically less skilled, the concept of milestones could be incorporated in the bidding documents as done in Nepal. Hence, due to the simplicity and no additional cost incurred, the concept is replicable in other regions and projects. It is a cost effective and sustainable approach.





Lessons Learned

- Effective mechanism to convey early warnings to contractors about the achievement or otherwise of the milestones with a view to driving them along a predetermined contract path.
- With the adoption of the milestones, local contractors who used to work on an ad-hoc basis now employ technical human resources to attain the milestones.
- It has compelled contractors to follow the recognized fundamental principles of management, such as cost-time relationship, time priority, accountability, rewards, knowledge, efficiency, innovative thinking etc.

