

# **STANDING OPERATING PROCEDURE FOR OPERATION OF JOINT ESCROW ACCOUNTS**

## **Standing Operating Procedures (SOP)**

1. The joint Escrow Account will be opened in any schedule bank of Pakistan approved by the Employer.
2. The joint Escrow Account shall be jointly operated by the employer representative Project Director (NHA) and authorized representative of the contractor, hereinafter called the contractor's Project Manager. The Mobilization Advance release in to the Escrow Account shall be made against a Bank Guarantee of 20% of the amount of the Mobilization Advance. The balance 80% will be covered by Insurance Guarantee from an Insurance Company out o NHA approved list.
3. The Employer's Representative/Project Director NHA shall be responsible to operate the account on behalf of NHA depending on the nature of the Project. The Project Manager of the Contractor will be co-signatory to the account.
4. Escrow account will be opened with the Mobilization Advance paid to the contractor after completing all other codal formalities and releases from account will be linked with following activities:

<b>Sr. #</b>	<b>Action to be completed</b>	<b>Percentage of Mobilization Advance to be released</b>
a.	Initial payment for contractor expenditure under Bank Guarantee after approval of clause 14 programme by the Engineer	20%
b.	On Mobilization of Equipment/Plant and Machinery commensurate with clause 14 programme and committed in reply to the letter of intent. The machinery will not be allowed to be shifted from project till such time the project is completed (and the machinery shall remain in the state of operation).	25%
c.	On Mobilization of Manpower commensurate with clause-14 programme and committed in reply to the letter of Intent.	15%
d.	Completion of Employer and Engineer's facilities as per provisions of the contract	10%
e.	Establishment of contractor's camp	10%
f.	Stocking of Materials for the work, Project Director to ensure valuation through Resident Engineer.	20%

5. If project is not financially well managed in 25% of the time for completion or 6 months whichever is earlier then all IPCs will also be paid into escrow account and contractor will only be allowed 10% of the IPCs for overheads till substantial completion of the project. All other payments will be made after joint verification of all bonafied expenditure on project including but not limited to:-
  - i. Procurement of construction materials, stores, equipment and machinery required for the project.

- ii. Hiring of services of any nature including skilled/unskilled labour to be employed on the project /muster rolls for payment made on this account.
  - iii. Repair and maintenance of machinery, tools, plant, vehicles etc. used on the project.
  - iv. Payment of salaries to project staff.
  - v. Any other bonafied expenditure, unforeseen, but related to the project and verified by the Project Director.
6. Payment against all IPCs of the project initiated, processed as per contract and approved for payment by Head Office NHA shall be deposited in the Escrow Account of the Project by Member (Finance) NHA, to re-coup the expenditure made during the preceding period.
  7. The cash book shall be maintained by the Contractor's Account Officer and it will be signed by both the Employer's Representative (Project Director/General manager) and Contractor's Representative.
  8. The internal Audit of the Escrow Account shall be the Co-responsibility of NHA and Contractor.
  9. The cheques shall be issued in the form of crossed cheques to payee's accounts only. However payments up to 50,000/- may be made in cash also.
  10. The Escrow Account shall operate within the provision of terms conditions and clauses of this SOP. In case of any conflict between the contractor and NHA for Escrow Account procedure, decision of Chairman, NHA under the terms and conditions of this SOP shall prevail.
  11. The Escrow Account shall be closed on substantial completion of project through an agreed instrument of closure signed by both parties. NHA will not bear any liability due to failure to close the account after substantial completion of the project.
  12. By operation of this Escrow Account the contractor is not relieved of any of his obligations under the contract agreement with respect to completion of the project on time within the amount mentioned in the contract.
  13. The role of Escrow Account is limited to ensure smooth flow of finance to the project in hand by channeling project payments for speedy execution of the project. Every Escrow Account will be specific to a project and will in no case be used for any other project.

**STANDING OPERATING PROCEDURE FOR OPERATION OF JOINT  
ESCROW ACCOUNTS FOR MATERIALS FOR KALAT QUETTA  
CHAMMAN PROJECT (ICB-II & IV)**

The following procedure shall be followed for the operation of Joint Escrow Account to be operated by General Manager (Construction) Balochistan KQC Project and Contractor's Authorized Representative:

1. The Joint Escrow Account shall be opened in any scheduled Bank of Pakistan.
2. The Account shall solely constitute money due to the contractor in form of Mobilization Advance, IPCs and EPCs.
3. Payment to and from the Account shall be processed as follows:

a. Limitation on Transaction

The amount shall only be applied for procurement of materials as stated in the contract (A maximum of 10% amount shall be paid to the contractor for establishment expenditure).

- b. The contractor's representative shall request disbursement from the Employer's Representative by listing items in appropriate grouping for materials supplies showing the total amount required for each item listed.

c. The Committee comprising of:

- i) General Manager (Construction) Balochistan KQC Project.
- ii) Dy. Director (Accounts) GM (Balochistan)
- iii) Contractor's Representative


Will review the request list and determine the requirements as appropriate to the needs of the contractor's activities on the project and authorized disbursement cheques.


- d. The disbursement cheques will be prepared for major supply items which shall be paid directly to the suppliers, and only when the committee authorizes it as per C above.
- e. Prior to process all future IPCs, the GM(Inspection) will visit the site and after having satisfied himself, he will verify the IPC.
- f. Within 21 days of release of funds from the Escrow Account, that Contractor shall provide the Employer's Representative the documentary evidence of receipt of materials by the Contractor from the supplier for the project otherwise next request for payment will not be considered. Any dispute on the validity of the evidence provided will be determined by the Employer's Representative. Any imbalance between the amount paid out of Escrow Account and material reserved will be deducted from the next IPC.

  
Member (Aided Projects) 11/01/2011

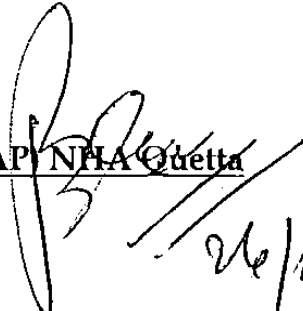
  
Member (Finance)  
/ Acting Chairman NHA

- g. The markup on balance of amount Escrow Account shall be payable to Employer.
- h. The Escrow Account shall operate within the provision of terms, conditions and clause of the contract.
- i. The cash book shall be maintained by the contractor's Accounts officer and it will be signed by both the authorized representative of Employer and Contractor.
- j. By operation of this Escrow Account, the Contractor is not relieved of any of his obligation under the Contract with respect of completion of the Project on time within the amount mentioned in the Contract.
- k. The Escrow Account shall be closed when whole project is Taken Over by the Employer.
- l. Internal Audit of the Account would be co-responsibility of the General Manager (Construction) Balochistan KQC Project.

  
Member (Aided Projects) 11/2/2011

  
Member (Finance)  
/ Acting Chairman NHA

ACCEPTED

  
GM (Bal / AP) NHA Quetta 26/2/11

  
Director MAB / REX (JV)