

Proposed Construction Industry Manifesto

Sectorial Policy	Statistics / Analytics	Strategies	Activities
<p>Construction Economics.</p> <p>Increase contribution, productivity and efficiency.</p>	<p>Contribution to GDP Average 8%, Employment around 1 million. Enterprises and SME’s of about 6000. Long value chain. Construction is essential for economic development and for other industries functioning. Substantial imports dependency.</p> <p>Say GoSL and retired GoSL personnel sharing approx. 400 billion per annum while being allegedly inefficient and corrupt.</p> <p>Say 1500 professionals in private sector is left with 150 billion per annum.</p> <p><i>Means many practices / entrepreneurs got no projects as large firms dominate. Only option for young entrepreneurs is migration.</i></p> <p>This contribute to youth unrest.</p>	<ul style="list-style-type: none"> ● Improve productivity with new technologies. ● Improve efficiency by transforming to more factory or off site based industry. ● Above will help for sustainability, attracting labour, improving quality. ● Reduce imports and integrate in to global value chains and value added products. ● Promote exports through specializations. ● Adjust serious distribution disparity. ● Approve PPP system and facilitate tripartite agreements with banks. ● Establish development / project finance bank for construction industry. ● Establish Real Estate Investment Trust under Colombo Stock Exchange 	<ol style="list-style-type: none"> 1. Promote digitalization and arrange required regulations. 2. Provide research and development support through existing institutions. 3. Train on off site construction and modularization technologies. 4. Promote value added industries to produce finished components. 5. Bringing other industries’ value addition processes such as milling, making finished good, value added exports (eg. agriculture), promoting niche markets (tourism), making Sri Lanka an international education hub etc. to have more demand for construction. 6. Provide first home / apartment to youth with low interest (7%) bank loan and repayment period of 25 years. <p>KPI</p> <ul style="list-style-type: none"> ● Achieve BIM level 2 in 2021 ● Complete 4 urgent researches in 2020 and 20 per annum. ● Reduce imports by 10%. ● Reduce brain drain by 20% and adjust distribution. ● Establish construction / project finance bank, REIT in CSE. ● Improve demand for construction by 15%

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<p>Construction Industry.</p>	<p>It isn't an inclusive industry. Use as secondary sector by various ministries / Depts. Key economic principles should be applied centrally for better share in GDP.</p>	<ul style="list-style-type: none"> • Establish a separate ministry for "Construction and Built Environments" 	<ol style="list-style-type: none"> 1. Appoint a separate minister 2. Construction Industry Development Authority (CIDA) shall be reformed. <p>KPI Increase GDP contribution by 15% in 2021 against 2020.</p>
<p>Development Management.</p> <p>Screaming of proposed building / public facilities projects submitted for cabinet approval.</p> <p>Planning approvals.</p>	<p>No proper research findings but it is the common public knowledge that there is splurging on unnecessary and costly projects, and build facilities are idling as duplicated without sharing, incurring recurrent maintenance cost.</p> <p>Planning approval take longer periods, 6 months to one year.</p>	<p>Do a survey of available build public facilities into categories of each province. (Lecture halls, auditoriums, conference halls, schools, training centres etc)</p> <p>Initiate online planning approval making Architect / Qualified Person who signed liable for compliance.</p>	<ol style="list-style-type: none"> 1. Prepare build facilities / biannual asset register by each institution. 2. Audit independently proposed budget against cost norms. 3. Check for sustainability and energy use. 4. Submit project proposal for approval with above report. 5. Appoint high level advisory committee for construction. 6. Develop data base. 7. Initial planning approval PPC early and balance approvals in 28 days subject to any environment sensitive projects. 8. If no facilities available for local authorities (above 5 storeyed) for online procedure UDA to approve. <p>KPI</p> <ul style="list-style-type: none"> • Reduce duplication of facilities to 0%, • Reduce energy use by 15%. • Reduce overall cost by 10%. (100b) • Produce data analysis in one year. • Provide PPC in 7 days from 2021 • Provide approvals in 28 days from 2021

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<p>Project procurement.</p> <p>Distribution, public and private participation, entrepreneurship, knowledge management.</p>	<p>60% are infrastructure, 40% are buildings.</p> <p><u>Consultancy Services</u></p> <ul style="list-style-type: none"> • Considerable portion by GoSL inhouse (Universities, RDA, NWSDB, SEC, CECB, SD&CC, CEB, Irrigation Dept etc.) 400 professionals sharing 40% and some are loss making and / or with tardiness. • Large projects by Foreign Consultants. 45% • For private sector and young entrepreneurs what is left is about 15% for 1500 professionals. Making Jobless • Passing out University graduates per year related to construction from national and private universities, 3500. <p><u>Construction Works</u></p> <ul style="list-style-type: none"> • By foreigners. Say 35% share • Local private, over 5000 entrepreneurs, 1 m employees, say 45% share. • Local public, approx. 25 institutions, approx. 50,000 technical employees, 20% share. 	<p>Do a research to find;</p> <ul style="list-style-type: none"> • Distribution of works and services. • Promote private sector entrepreneurship. • Find loss making GoSL institutions. • Find excess staff in above. • Repetitive awards of consultancies to same parties. <p>Further;</p> <ul style="list-style-type: none"> • Provide fair opportunities to educated youth and private sector. • Create opportunity for retired GoSL personnel to share knowledge in training and education. • Create technical auditing section in Auditor General Dept for construction sector. 	<ol style="list-style-type: none"> 1. Make sure fair distribution of works and services. <table border="1" data-bbox="1417 316 1989 475"> <thead> <tr> <th>Activity</th> <th>Private</th> <th>Foreign</th> <th>Public</th> </tr> </thead> <tbody> <tr> <td>Construction</td> <td>60%</td> <td>25%</td> <td>15%</td> </tr> <tr> <td>Consultancy</td> <td>60%</td> <td>30%</td> <td>10%</td> </tr> <tr> <td>R & D</td> <td>20%</td> <td>20%</td> <td>60%</td> </tr> </tbody> </table> 2. Make laws for JV arrangements with foreign parties for technology transfer. 3. Do independent audits on loss making GoSL entities and find solutions. 4. Start new study courses in universities and avoid oversupply of non-employable graduates. 5. Promote entrepreneurship. 6. Promote construction service export in coordination with foreign embassies. <p>KPI</p> <ul style="list-style-type: none"> • Achieve agreed works and services distribution. • Ensure no loss making GoSL institutions in construction industry maintained with tax money. • Increase construction service export by 15%. • Ensure 90% employability rate of graduates related to construction industry. 	Activity	Private	Foreign	Public	Construction	60%	25%	15%	Consultancy	60%	30%	10%	R & D	20%	20%	60%
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<p>Contract Documentation and terms.</p>	<p>As per the research findings documentation errors contribute to;</p> <ul style="list-style-type: none"> • Majority of disputes. • Substantial amounts of contractual claims. • Projects delays. • Losses to the contracting parties. <p>Contract terms are not suitable for local trade customs. Some are unfair terms.</p> <p>CIDA has four contract forms for only two types of procurement systems (Remeasure and Design & Build). Industry require many other types.</p> <p>The available form also faced copyright / intellectual property law issues. In other countries it ranges from 10 to 60.</p>	<ul style="list-style-type: none"> • While the bidding process is in progress team of experts to do a high-level review of documents for consistency and compliance. • Expand Unfair Contract Terms Act. 26 of 1997 and enact required new laws. • Revise current four bidding documents of CIDA and develop other required contract forms. • Do not insist government procurement and contract terms on private sector. • Regulate private sector with conducive laws as in other countries without limiting freedom to contract. • Contract administrator shall be an independent Qualified Person. • Shall not allow party who has more bargaining power to exploit the other. 	<ol style="list-style-type: none"> 1. Independent review of documents by experts. 2. Dispute avoidance practice development. 3. Minimise claims. 4. Issue circular to release contractors' retention on a bank security. 5. Consider payment certificate as a bankable payment security. 6. Certify an on account against interim payment applications and pay same in 14 days. Measurement and other checking shall be done before next certification. 7. Use only CIDA registered contractors and consultants. (qualified persons) <p>KPI</p> <ul style="list-style-type: none"> • Reduce disputes by 75% • Reduce claims by 80% • Reduce bankruptcy by 20% • Revise existing Standard Bidding Documents and develop other required contract forms by end 2021. • All contracts from 2021 to have qualified independent contract administrator. • Provide CIDA with adequate human resources. • Bring new laws by end 2021.

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<p>Procurement System transparency.</p> <p>Defeat corrupt practices</p>	<p><u>In remeasurement contracts</u> Large amount of variations take place during implementation.</p> <p>Contactors are not paid for variations until higher level approval in government projects.</p> <p>Quantity increases, BOQ errors, Design changes are main causes.</p> <p>Quantity increases of high rate items may be due to corrupt practice starting from bidding time. Where a favourable party knows subsequent increase of quantities and items to be omitted and manipulate bid price accordingly.</p> <p><u>Design and Build</u> What is required cannot be defined from a text document. What is built and what is intended has substantial gaps. Every contractor has to spend for design during bidding. Subsequent changes to bidding concept / scope are seen.</p>	<ul style="list-style-type: none"> • Monitoring of changed quantities • Auditing of variation account independently • Cost overrun responsibility shall be given to respective heads of institutions. • Should be audited by technical auditing process • Design and build contracts conceptual design and price break down structure should be included in bid document, as a part of “Employers Requirement” • Only detailing of designs to be done by the bidders. • Subsequent changes, during implementation should be audited. 	<ol style="list-style-type: none"> 1. Formulate technical auditing method for effective use of public funds. 2. Regularise change management process. 3. Basic and conceptual design with pricing structure to be included in the bid documents. 4. Contractors should be paid for instructed variations without keeping them on hold for long periods. <p>KPI</p> <ul style="list-style-type: none"> • Reduce cost overrun by 10% • Contribute to reduction in corruption index by 10 points. • Audit 50% of final accounts of awarded contracts • Reduce changes to quantities of individual items below 5%. • Reduce item omissions to 5% of value of each work trade • Reduce items additions to 5% of value of each trade • Reduce overall changes to bid conditions, scope and content to below 2%

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<p>Resource Management.</p>	<ul style="list-style-type: none"> • Use of imported finished goods about 40% of total value. • Use of value-added products about 20%. • Local materials 15%. • Labour average 25%. • Sand requirement 22m m3. River basins provide 10 m m3. About 2m m3 from crushed rock. Current sea sand mining is 4 m m3. <p>(above are for buildings in water supply imports are more, roads local materials are more, and less labour)</p>	<ul style="list-style-type: none"> • Encourage innovations • Technology transfer • Promote sea sand • Planned replantation for timber. • Use recycled materials • Reduce waste • Mechanize and digitalize • Identify mining locations 	<ol style="list-style-type: none"> 1. Incentive for innovations and new industries. 2. Construction waste sorting to be done. 3. Provide dumping yards and for waste recycle plants in each district of Colombo. 4. Provide sea sand from already identified 16 locations including Oluvil. 5. GSMB has surveyed 16 districts by June 2020 and shall provide allowed locations for borrow pits and quarries without further licencing requirements. <p>KPI</p> <ul style="list-style-type: none"> • Increase sea sand to 8m m3 by end 2021 • 5% of construction inputs to be from recycled materials.
<p>Human Resource Management / Labour</p>	<p>There are about 400,000 internally migratory direct construction workers.</p> <p>Youth reluctant to join the industry due to lack of social status and protection.</p> <p>Large majority of labour on piece work rate basis. (hire and fire)</p>	<ul style="list-style-type: none"> • Conducive labour laws for development shall be implemented. • Formulate social protection program for construction workers as per already proposed methods and with any required revisions. Most probably a specific Social Security Scheme for employees of the industry based on their job scope and engagement time durations. 	<ol style="list-style-type: none"> 1. Labour law reformation. 2. Lunch workers social protection program. 3. Training of workers. 4. Train site health officers. 5. Designate locations / lands for labour accommodations. 6. Rehabilitate drug addicts and alcoholics. <p>KPI</p> <ul style="list-style-type: none"> • Construction labour survey by mid 2021 • Social protection program by end 2021 • Make industry 10% less labour intensive.