

The Construction Industry Authority of the Philippines (CIAP) is an attached agency of the Department of Trade and Industry (DTI) which was created under Presidential Decree No. 1746, as amended by Executive Order Nos. 679 and 768, to promote, accelerate, and regulate the growth and development of the construction industry. Under the said law, the CIAP is mandated, among others, to recommend and encourage the adoption of equitable and realistic contract conditions for construction.

In line with such mandate, the CIAP established the **Uniform General Conditions of Contract** for **Private Construction** or the "**CAP Document 102**". It was formulated by a Committee composed of representatives from various professional organizations namely:

- Council of Engineering Consultants of the Philippines (CECOPHIL);
- Construction Project Management Association of the Philippines (CPMAP);
- Chamber of Real Estate and Builders Association (CREBA)
- International Federation of Building and Wood Workers (IFBWW);
- Philippine Constructors Association, Inc. (PCA);
- Philippine Chamber of Commerce, Inc. (PCCI);
- Philippine Institute of Construction Arbitrators (now Philippine Institute of Construction Arbitrators and Mediators or PICAM);
- Philippine Institute of Civil Engineers (PICE);
- Subdivision and Housing Developers Association of the Philippines (SHDA);
- United Architects of the Philippines (UAP);
- Society of Philippine Accredited Consultants (SPAC); and the
- Conf

What is **CAP** Document 102?

CIAP Document 102 or the "Uniform General Conditions of Contract for Private Construction" contains terms and conditions ordinarily established in construction contracts. It is intended for use in contracts for private construction in the Philippines.

What is the intent of CIAP Document 102?

CIAP Document 102 was formulated to provide the procedures, guidelines, and

CIAP Document 102 contains these conditions which are generally applicable for all types of construction contracts, to wit:

Section I. Definitions and Documents

(Art. 1 Definitions; Art. 2 Execution, Correlation, Meaning of Terms and Intent of Documents; Art. 3 Drawings and Specifications; Art. 4 Detail Drawings and Instructions; Art. 5 Shop Drawings)

Section II. Laws, Regulations, Site Conditions, Permits & Taxes

(Art. 6 Laws and Ste Conditions; Art. 7 Permits, Taxes and Surveys)

Section III. Equipment and Materials (Art. 8 General; Art. 9 Equipment; Art. 10 Materials, Fixtures, Appliances, and Fittings Furnished by the Contractor; Art. 11 Materials, Equipment, Fixtures, Appliances and Fittings Furnished by

Directions)

Section IV. Premises and Temporary Structures

(Art. 14 Use of Premises; Art. 15 Temporary Structures and Facilities) Section V. Protection of Work and Property

of Adjacent Property and Existing Utilities; Art. 18 Protection of Life,

What is the importance of clear contract terms and harmonized contract documents?

Many disputes in construction arise from inconsistent and ambiguous contract terms and conditions which lead to varied interpretations and conflict between the contracting parties. To avoid disputes that may affect the completion of the Work and strain the relationship of the parties, it is important that contract documents objectively reflect the agreement and true intent of the parties.

Section I (**Definitions and Documents**) provides the definitions of the terms used and the execution, correlation, and intent of contract documents, as well as the rules to be followed in case of conflict or discrepancy.

What are the obligations of the contracting parties when it comes to permits and licenses, and payment of taxes?

What are the bonds and guarantees required of the Contractor?

Section IX, Article 31 (Contractor's Insurance and Bonds), enumerates the insurance, bonds, and guarantees required of the contractor, to wit:

- 1. Contractor's Liability Insurance (Contractor, Subcontractors and Owner)
- 2.

Is the Owner required to make advance payment to the Contractor?

Article 32 () provides that the Owner shall pay the Contractor an advance payment, which shall be used for mobilization, purchase of materials, and shall be recouped **pro rata** in the progress billings.

Can the Contractor commence with the Work even without the consent of the Owner?

Article 21.01 (Notice to Proceed, when required) states that premature commencement of construction shall be at the Contractor's risk, and the Owner gives the Contractor express or implied authority to do so.

How can the Owner ensure the quality and efficient execution of the Work?

Section VI (Labor, Work and Payments) provides that the Owner shall at all times have access to the Work and shall provide sufficient number of inspectors while Work is in progress to ensure quality.

Is substitution of materials and equipment allowed?

Section III (Equipment and Materials) provides that

5

Each request for progress payment shall be computed from the work completed on all items listed in the Breakdown of Work and Corresponding Value, less a retention of 10% of the progress payment to the Contractor.

What is Retention Money?

Progress payments are subject to retention of ten percent (10%). The purpose of retention is to cover uncorrected discovered defects and third party liabilities. (Not in CAP Doc. 102)

What are the documents to be submitted by the Contractor to the Owner before final payment?

- 1. Certificate of Final Building Occupancy;
- 2. Certificate of Final Inspection of electrical, telephone, sanitary, mechanical, water, gas, safety and other utilities;
- 3. Original and three (3) sets of prints of "As-Built Drawings" of electrical, sanitary, gas, telephone, and mechanical works;
- 4. Three (3) copies of Directory of Panel Boards and list of circuits;
- 5. Three (3) copies of Instructions and Manual for operating and maintaining of fixtures and equipment;
- 6. Three (3) copies of Keying Schedule; and
- 7. Release of liens arising under the Contract (Sworn Statement or Indemnity Bond).

Does the release of final payment relieve the Contractor of liability for any defect in the Work?

The Contractor is ise liable for damage e edifice falls, w ifteen defects in the co ction o e structure, on accou from completion use of materials ferior quality or due ny violation of erms of Contract as provi Article 1723 of the Ci de of the Philippi release the retention When shall the C ey?

The amount retained by the Owner under the provision of the **const**act shall be released not later than the expiration of the "Period of Making Good of Known Defects".

The expression "Period of Making Good of Known Defects" shall mean a period of not more than thirty (30) calendar days, calculated from the date of receipt by the Contractor of the last item in the punch list.

If after release to the Contractor of final payment or retention there are still

What are the grounds for the suspension of the Work or termination of the Contract?

Section 8 (Suspension of Work and Termination of Contract) illustrates the conditions by which the Contractor or the Owner may suspend the Work or terminate the Contract.

Are there prescribed periods within which the contracting parties shall perform their respective obligations under the Contract?

CIAP Document 102 provides the prescribed time limits for the execution of the contract conditions in order to facilitate the performance of the Works covered

What is Mediation?

Mediation, as defined under Section 6 of the CIAC Mediation Rules, shall mean a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.

What is Arbitration?

Arbitration is defined as the investigation and determination of matters of differences between contending parties by one of more unonliked persons, called arbitrators or referees, chosen by the parties. It is intended to avoid the formalities, the delay, the expense and vexation of ordinary litigation.

How can interested parties avail of CIAL PLAN TIME TIME TO THE TO

By negotiation among the parties (w/ time frame), Mediation and Arbitration (by CIAC):

SECTION XI

Time Limit

Reference Article No.

Owner approves the Contractor's billing for completing at least 95% of the works unless the

No. & Title		Reference Article No.
	 (5) Violates in any substantial way any provisions of the Contract Documents; (6) Repeatedly delays prosecution of work per agreed Construction Schedule and/or PERT/CPM plus any time extension duly granted the Contractor. 	
8. DISPUTES	The Owner or his representative shall act within a period of fifteen (15) days on all matters under the Contract requiring the Owner's approval, acceptance or decision. If the Contractor disagrees with the determination by the Owner or his representative, the same shall be submitted to an adjudicator to be jointly engaged by the parties within 15 days before the commencement of the work. If either party disagrees with the resolution of the adjudicator, such shall be deemed a dispute that may be submitted to arbitration.	33.04 & 33.05
9. GUARANTEE BOND 9.1 Contractor's Guarantee Bond	To be furnished the Owner upon release of retention and shall be effective for a period of one year commencing from the date of acceptance as a guarantee that all materials and workmanship installed are of good quality.	31.05

Copies of this Primer, CIAP Document 102, the CIAC Mediation Rules and Rules of Procedure Governing Construction Arbitration, are available at the CIAP website at www.ciap.dti.gov.ph

The PDCB Board:

Atty. Ramon P. Ereñeta, Jr. Chairman

Members:

Engr. Rogelio C. Lombos Engr. Liberito V. Espiritu Engr. Anthony L. Fernandez Atty. Romeo S. Lagman (resigned)

Philippine Domestic Construction Board

5th Floor, Executive Building Center, 369 Sen. Gil J. Puyat Ave. cor. Makati Ave., Makati City Telephone No.: (632) 897-0791; Telefax No.: (632) 896-1801 Email: pdcb@dti.gov.ph Website: ciap.dti.gov.ph