

PRIMER on

CIAP DOCUMENT 102

**UNIFORM GENERAL
CONDITIONS OF CONTRACT
FOR PRIVATE
CONSTRUCTION**



Philippine Domestic Construction Board
Construction Industry Authority of the Philippines
Department of Trade and Industry

FOREWORD

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 “**CIAP 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
- Confederation of Filipino Consulting Organizations, Inc. (COFILCO).

The Philippine Domestic Construction Board (PDCB) and the Philippine Overseas Construction Board (POCB), two of the implementing arms of the CIAP, have, likewise, submitted their inputs in the formulation of CIAP Document 102 to support their recommendation for CIAP to bolster the acceptance and use of the said document in private construction.

The first edition of CIAP Document 102 was published on 15 October 1997. The revised version was issued on 29 June 2004 to incorporate prevailing best practices and the changes that evolved in the construction industry over the years.

In 2017, DTI Undersecretary Atty. Ruth B. Castelo, in accord with PDCB’s recommendation for CIAP to boost its efforts in promoting the use of CIAP Document 102 and enhance its marketability especially to small contractors, approved the formulation and publication of a Primer to increase the public’s awareness about the existence and importance of CIAP Document 102 in promoting fair contractual relationships in the construction industry.

Through this Primer, the PDCB hopes to inform the public and all sectors concerned of the existence of CIAP Document 102 whose provisions reflect usages and customs in the Philippine construction industry, as reference and guide in the interpretation of contract provisions and fill the omission of stipulations which are ordinarily established.

What is CIAP 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 criteria to be used by parties in a construction Contract, or reference to the Contract to address deficiencies and/or any ambiguity.

The CIAP Document 102 will contribute to the enhancement of fair contractual relationships in the construction industry.

What is a Construction Contract?

A typical Construction Contract consists of an Agreement, General Conditions, Drawings, Specifications, and other documents.

Contract is used to describe the combination of two (2) sets of documents: the Agreement and the Contract Documents.

Agreement is used to describe the agreement signed by the Owner and the Contractor, excluding the Contract Documents.

Contract Documents are attached to the Agreement identified therein as Contract Documents, including all additions, deletions and modifications which generally include the following: Special Provisions or Conditions; General Conditions; Specifications; Drawings; and other Bid Documents.

Special Provisions or Conditions are instructions which are issued prior to bidding to supplement and/or modify the Drawings, Specifications and/or General Conditions of the Contract.

Specifications are the written or printed description of the work to be done describing qualities of the material to be used, the equipment to be installed and the mode of construction.

Drawings are graphical presentations of the Work, including supplementary details and shop drawings.

General Conditions of Contract pertain to the roles, rights and obligations of the contracting parties, and the rules and procedures by which the parties and everyone concerned will be able to meet their obligations and perform the Works covered under the Contract.

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 Site 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 the Owner; Art. 12 Royalties and Patents; Art. 13 Manufacturer's 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
(Art. 16 Protection of Work and Owner's Property; Art. 17 Protection of Adjacent Property and Existing Utilities; Art. 18 Protection of Life, Work and Property During an Emergency)
- Section VI. Labor, Work and Payments
(Art. 19 Labor; Art. 20 Work; Art. 21 Time of Completion of Work; Art. 22 Payments)
- Section VII. Contractor-Separate Contractor-Subcontractors Relationship
(Art. 23 Separate Contracts with Other Contractors; Art. 24 Contractor-Separate Contractors Relations; Art. 25 Sub-Contracts)
- Section VIII. Suspension of Work and Termination of Contract
(Art. 26 Contractor's Rights to Suspend Work or Terminate Contract; Art. 27 Owner's Right to Suspend the Work; Art. 28 Owner's Right to Terminate Contract; Art. 29 Owner's Right to proceed with the Work After Reduction in Contractor's Scope of Work, Partial Takeover from Contractor)
- Section IX. Responsibilities and Liabilities of Contractor and of Owner
(Art. 30 Contractor's Responsibility for Accidents and Damages; Art. 31 Contractor's Insurance and Bonds; Art. 32 Owner's Responsibilities and Liabilities; Art. 33 Liens, Disputes and Arbitration)
- Section X. Owner's Representative
- Section XI. Schedule of Time Limits

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?

Section II (*Laws, Regulations, Site Conditions, Permits and Taxes*) stipulates compliance with all Laws in so far as they are binding upon or affect the parties to the Contract.

The Owner, with the Contractor's assistance, shall secure and pay all construction permits and licenses necessary for the execution of the Work.

The Contractor shall secure the Final Occupancy Permit but he shall not be responsible to the Owner if, without his fault, the license is not issued or there was delay in its issuance. The Contractor shall pay all taxes as required by Laws pertinent to the construction of the project.

Who is in charge of the safety and sanitation in the work premises?

Pursuant to Section IV & VI, the Contractor is in charge of the safety and sanitation at the work site during and upon completion of work.

Who has the obligation to protect the Work and the Owner's property from damage?

Section V (*Protection of Work and Property*) provides that it is the obligation of the Contractor to protect the work and the Owner's property from damage.

Who is responsible for accidents in the work premises?

Section IX, Article 30 (*Contractor's Responsibility for Accidents and Damages*) states that the Contractor shall be primarily responsible for all safety measures in executing the Work.

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. Accident Insurance for Workers
3. Contractor's Fire Insurance
4. Contractor's Performance and Payment Bonds
5. Contractor's Guarantee Bond
6. Contractor's Guarantee-Warranty

Is the Owner required to obtain insurance?

Article 32.02 states that the Owner may opt to obtain an insurance that will protect him from his contingent liability.

Is the Subcontractor also required to obtain bonds and insurance?

Article 33.03 provides that the Subcontract must require the Subcontractor to obtain the same bonds and insurance coverage as are required of the Contractor.

What is the difference in the contractual relationship between the Owner and "Separate Contractor" and between the Contractor and the "Subcontractor"?

The Owner shall provide for the coordination of the work performed by the Separate Contractor with the Work of the Contractor.

The Contractor is fully responsible to the Owner for the acts and omissions of his Subcontractors.

Is there a contractual relationship between the Owner and the Subcontractor?

The consent of the Owner to the Contractor's engagement of a Subcontractor shall not create any contractual relation between the Subcontractor and the Owner.

Is it required to appoint an Owner's representative?

Section X, Article 34 (*Owner's Representative*) provides for the appointment of the representative of the Owner, and the extent and limitation of the authority granted to the representative.

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

Article 32 (*Owner's Responsibilities and Liabilities*) 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 **all** materials and equipment must conform to all Laws that are in force and applicable during the period of construction, and that the Contractor shall bear all damages by reason of any delay in the Work arising from failure to comply with such Laws.

What constitutes Change Order and adjustment of contract price?

Section VI, Article 20 (*Work*) describes the circumstances that are covered by a Change Order and that warrant adjustment in contract price and, if necessary, corresponding adjustment in completion time.

What are the conditions for the release of payment to the Contractor?

Art. 22.01 provides that the Contractor shall submit to the Owner the Breakdown of Work and Corresponding Value of the Contract Amount showing the value assigned to each part of the Work.

What is Progress Payment?

The Contractor may submit periodically but not more than once each month a Request for Payment for work done.

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 CIAP 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?

After release of final payment and acceptance by the Owner of the Work, the Contractor is still liable for any defect in the Work, if:

1. the defect is hidden;
2. the Owner's acceptance of the Work was made with reservations to specific portion of the Work;
3. inferior work or work which does not comply with the Drawings and Specifications and is apparent upon inspection by the Owner within one year from final payment; and
4. hidden defect discovered within the warranty period or within one year from posting of the Guarantee Bond.

The Contractor is likewise liable for damages if the edifice falls, within fifteen years from completion of the structure, on account of defects in the construction or the use of materials of inferior quality or due to any violation of the terms of the Contract as provided in Article 1723 of the Civil Code of the Philippines.

When shall the Owner release the retention money?

The amount retained by the Owner under the provision of the Contract shall be released not later than the expiration of the “Period of Making Good of Known Defects”.

What does “Period of Making Good of Known Defects” mean?

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 unpaid claims of Subcontractors and/or suppliers, is the Owner obliged to pay such claims?

Section IX, Article 33.01 provides that, as a condition to final payment and/or release of the retention, the Contractor shall release the Work from any legal liens.

Can the Owner take possession of and use any completed portion of the Work prior to overall completion?

Section VI, Article 20.10 (*Use of Completed Portions of Work*) provides that the Owner may take possession of and use any completed or partially completed portion of the Work prior to overall completion, and shall issue a Certificate of Completion for such portion taken over and release retention as required by the Contract.

What is substantial completion?

Section VI, Article 20.11 (*Substantial Completion and its Effect*) provides that there is substantial completion when the Contractor completes ninety five percent (95%) of the Work.

What is a punch list?

Punch list, as defined under Article 20.11 C (a), is the list of defects found or discovered on the completed work and which should be received by the Contractor not later than 30 days from date of substantial completion.

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 under the Contract [Section XI (*Schedule of Time Limits*)].

What circumstances necessitate an extension of time?

Article 21.04 (Extension of Time) provides that the Contractor shall be entitled to an equitable adjustment of completion time subject to certain conditions.

Article 21.04 (D) states that delay in the payment of any progress billing shall automatically extend the Completion Time by a period equal to the delay.

What is the penalty for delay?

Article 21.05 provides that upon failure of the Contractor to complete the Work within the Completion Time, the Contractor shall pay the Owner liquidated damages in the amount stipulated in the Contract as indemnity, but shall not exceed ten percent (10%) of the total contract price [Art. 29.06 (3)].

In case of disagreements in the interpretation and implementation of the contract conditions, how can CIAP help resolve such disputes?

Section IX, Article 33.04 provides that in case of disagreements, the parties may engage the services of an adjudicator to resolve their disputes, and that if either of the party disagrees with the resolution of the adjudicator, the parties may submit such disputes to arbitration.

One of the implementing arms of the CIAP, the **Construction Industry Arbitration Commission (CIAC)**, is tasked to provide alternative dispute resolution facilities for the speedy and equitable settlement of claims and disputes arising from, or connected with, construction contracts in the Philippines. CIAC offers mediation and arbitration as ways of reconciling differences between disputants with the help of people who are familiar/knowledgeable with the construction industry.

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 or more unofficial 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 CIAC facilities?

If a dispute arises, a party may initiate the mediation by delivering a written Request for Mediation to the other party in accordance with the CIAC Mediation Rules, or if mediation fails, a Request for Arbitration in accordance with the CIAC Rules of Procedure Governing Construction Arbitration.

Are there recommended dispute resolution clauses?

For parties entering into a Contract who wish to have future disputes referred to mediation and/or arbitration, the following dispute resolution clauses may be included:

Mediation and Arbitration (by CIAC):

Any dispute or differences arising out of or in connection with this contract shall be referred to the Construction Industry Arbitration Commission (CIAC) for settlement, first through mediation under its Mediation Rules; or failing which, by arbitration under its Rules of Procedure Governing Construction Arbitration by [indicate number; one or three] arbitrator(s). The appointment of mediator or arbitrator/s shall be made in accordance with such Rules. The place of mediation or arbitration shall be [indicate place].

Purely Arbitration (by CIAC):

Any dispute arising out of or in connection with this contract, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration under the Rules of Procedure Governing Construction Arbitration promulgated by the Construction Industry Arbitration Commission, by [indicate number: one or three] arbitrator(s) to be appointed in accordance with such Rules. The place of arbitration shall be [indicate place].

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

Any dispute or differences arising out or in connection with this contract shall be settled by negotiation within a non-extendible period of 30 days from written demand by either party. If such negotiation should fail, the same shall be referred to the Construction Industry Arbitration Commission (CIAC) for settlement; first, through mediation under its Mediation Rules within a non-extendible period of 48 days; or failing which, by arbitration under its Rules of Procedure Governing Construction Arbitration by [indicate number: one or three] arbitrator(s). The appointment of mediator or arbitrator/s shall be made in accordance with such Rules promulgated by the CIAC. The place of mediation or arbitration shall be [indicate place].

What are the issues that can be submitted for mediation or arbitration?

The jurisdiction of the CIAC may include, but is not limited to, the following:

- violation of specifications for materials and workmanship;
- violation of the terms of agreement;
- interpretation and/or application of contractual provisions;
- commencement time and delays;
- maintenance and defects;
- changes in contract cost
- payment default of employer or contractor; and
- amount of damages and penalties.

SECTION XI
SCHEDULE OF TIME LIMITS

The Contractor shall perform his work subject to certain Time Limits. This indexed section, as based on the entire General Conditions, is provided for in order to facilitate the execution of his work.

No. & Title	Time Limit	Reference Article No.
1. CONTRACT TIME 1.1 Contract Time Reckoning 1.2 Request for Time	The Contractor shall commence the Work within seven (7) days from receipt of Notice to Proceed (NTP) unless NTP provides for a later date To be filed within fifteen (15) days from occurrence of event which caused delay (par. B)	21.02 21.04
2. CONTRACT SUM 2.1 Breakdown of Work & Corresponding Value 2.2 Claim for Extra Cost	To be submitted within fifteen days from receipt of the Notice to Proceed Notice to be given to Owner within fifteen (15) days (1) after receipt of instruction involving extra cost, or (2) after recognition of delay due to Owner's fault	22.01 20.08
3. PROGRESS/FINAL PAYMENT 3.1 Owner's Action on Payment Request 3.2 Owner's Action on Final Payment Request 3.3 Delayed Payment 3.4 Release of Retention	To be made within thirty (30) days after receipt of request for payment To act within thirty (30) days from receipt of the request for payment Delay in payment of the amount due shall entitle the Contractor to interest from due date based on the thirty (30) day loan rate of the Land Bank of the Philippines To be released not later than sixty (60) days from substantial completion upon posting of Contractor's Guarantee Bond.	22.05 22.05 22.11
4. SUBSTANTIAL COMPLETION and its EFFECTS	Substantial Completion is attained if the Contractor completes ninety-five percent (95%) of the works; or the	20.11

No. & Title	Time Limit	Reference Article No.
	<p>(5) Violates in any substantial way any provisions of the Contract Documents;</p> <p>(6) Repeatedly delays prosecution of work per agreed Construction Schedule and/or PERT/CPM plus any time extension duly granted the Contractor.</p>	
8. DISPUTES	<p>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.</p> <p>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.</p>	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

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