

**GOVERNMENT OF ANDHRA PRADESH**  
**IRRIGATION & CAD DEPARTMENT**

Memo No.23724 /Reforms-A/2008-1

Dated: 19.11.2008

**Sub:-** Mobilization advance - Levy of interest on Mobilization advance in EPC contracts beyond the Agreement period - Instructions - Issued - Reg.

**Ref:-** 1. Govt. Ms.No.94, Irrigation & /CAD (PW-COD)Dept. dt.1.7.2003.

2. Govt. Irrigation & CAD Dept. Memo. No.5217/Reforms/06,Irrigation & CAD Dept. dt.23.2.2006.

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1. As per G.O.Ms.No.94, Irrigation & CAD (PW-COD) Department dt.1-7-2003(Annexure), the contractors for works exceeding more than RS.1.00 crore of estimated cost value are permitted to avail the facility of Mobilization advance upto 10% of the value of the contract against an unconditional and irrevocable Bank Guarantee. The advanced will attract a suitable rate of interest (as per Govt. borrowing rate) and be deducted in suitable installments from the bills of the contractors.
2. The recovery of mobilization advance i.e., deduction of the advance commences in the next interim payment following that in which total of such payments to the contractor reached 10% of contract value. The deductions will be made at the rate of 20% of the amount of all the interim payment together with interest. Subsequently certain clarification were issued in this regard in Govt. Irrigation & CAD Dept. Memo. No.22500/Reforms/2008-1, dt.20.8.2008.
3. It is observed that certain agreements of the works of the EPC contracts contain a clause that no interest will be levied on Mobilization advance provided to the EPC Agency beyond the agreement period.
4. In this connection, the following instructions are issued for Strict Compliance.
  - i) The Engineer-in-Chief/ Chief Engineer are directed not to provide clause as stated at para 3 above in future agreements .
  - ii) In case, an agreement already provides a clause specifying that "No interest will be levied on Mobilization advance provide to the Agency beyond the Agreement period, the consent of the Agency/Contractor for deletion of the same from the existing agreements in force is necessary. after obtaining the same in writing for modification of clause, supplemental agreement has to be concluded.
  - iii) If the contractor does not give his consent, write off orders have to be got obtained for the loss of interest and disciplinary action taken against the officer responsible for the loss of interest.
5. This Memo is issued with the concurrence of Finance (W&P) Dept. vide their U.O. No.4403/F8(1)/08-1, dt.22-10-2008.

**RAJIV RANJAN MISHRA**  
**SECRETARY TO GOVERNMENT**