



National Construction Association of Sri Lanka

"Idikireem Medura", No. 350 A, Pannipitiya Road, Pelawatta, Battaramulla, Sri Lanka

Tel: 114 422222 , 011 2784355

Web: www.ncasl.lk E-mail: info@ncasl.lk



01.09.2025

To All Branch Chairmen,

As per the guidance of His Excellency President Anura Kumara Dissanayake, our Association was invited to the Presidential Secretariat on 30.07.2025 to discuss the views and suggestions of the construction contractors on the current issues in the construction industry.

The discussion was held under the chairmanship of the Senior Additional Secretary to the President, Mr. G. M. R. D. Aponso, during which he sought the views of our Association on the following matters.

- a. In view of the tremendous development that will come from actively maintaining the construction industry (Starting new projects and resuming suspended projects), the National Construction Association of Sri Lanka has the ability to deploy, coordinate and train construction workers as needed.
- b. Reasons for the high cost of projects, as in previous governments, and how to minimize it.
- c. On the prevailing problems in the construction industry.

The Senior Additional Secretary told the Chairman that he will convey our views to His Excellency the President and work to resolve the current issues in the construction industry.

At this meeting, our Honorable Chairman, Mr. Darrington Paul, drew the attention of the Senior Additional Secretary to the President and stated the following points.

1. He said that during the previous governments, most corruption occurred in projects implemented through unsolicited proposals, and that corruption was minimized in projects implemented through Competitive Bidding. He also pointed out that the cost of projects has increased due to the increase in the prices of raw materials, labor and equipment in the face of the severe economic downturn. However, he pointed out that the cost of projects will decrease as the value of the dollar decreases through the price fluctuation formula.
2. Our Chairman pointed out that the unfortunate situation today is that bids are being submitted for less than the engineering estimate. This made it clear how the construction industry, and the construction worker, were heading further into the abyss. Engineering estimates are prepared according to norms. It provides the relevant prices and cost estimates, including overheads and profit. Therefore, if engineering estimates are prepared correctly, the bids of bidders who submit low bids can be rejected. He also pointed out that if the correct Bill of Quantities (BOQ) is prepared according to the correct specifications, additional claims can be minimized.

If this process continues, this industry will collapse within the next 7-8 months. Furthermore, if the engineering estimates are not accurate, they should be reviewed by a third party.

The Chairman also stated that if a list of failed projects is obtained from government institutions, it will be confirmed that they were obtained by submitting low bids. Therefore, it was proposed to reject bids that were 10% higher than the engineering estimates and 15% lower.

3. He pointed out the injustice caused to small-scale contractors by the repeal of Finance Circulars 04/2016 (i, ii, iii, iv) and said that it had encouraged large-scale contractors to submit bids for small-scale projects. Another reason for this was the lack of sufficient projects, and he pointed out that due to low bids, the quality of those projects is degraded and the projects are not completed on time.
4. He also pointed out that although the budget allocated Rs. 4.5 billion for the construction industry, the flow of that money into the construction industry is delayed due to delays in preparing bid documents. He stated that the reasons for this are the shortage of engineers in government institutions and the lack of understanding of the procurement process among existing engineers. The Senior Additional Secretary pointed out that the government has already taken steps to fill the vacancies of engineers. The Chairman pointed out the harm caused by the budget allocation not flowing into the construction industry, and pointed out that private consulting firms could be used as a solution and that the time spent through the "Design & Build" method could be greatly reduced. He also pointed out that by including a maintenance period of about five years in those contracts, the completed work can be maintained to a very high standard.
5. He also pointed out that the construction industry or construction workers will not improve solely through the small-scale projects currently underway. He also pointed out that by starting large-scale projects and restarting stalled projects, construction companies can utilise the investment they have already made in machinery productive.
6. The Chairman pointed out that the accuracy of the Price Fluctuation formula was brought down to about 75% with the intervention of our Association, and that CIDA should introduce a system for price variation of MEP items.
7. The Chairman revealed that the objectives of establishing the institution will not be fulfilled if state institutions do not accept CGF guarantees and that a system should be developed to allow small-scale construction workers to easily obtain CGF guarantees. He also stated that it is not appropriate to provide guarantees to construction companies that submit bids that are much lower than the engineering estimates.
8. The SSCL pointed out that it was unfair to apply this for contracts awarded before 2020.10.01 and pointed out that it could be repaid according to the existing bidding documents. He also said that if that is not possible, circulars should be issued for that as well. The Senior Additional Secretary promised to take action for that.
9. Our Chairman pointed out that both government and private sector construction should be encouraged and said that delays in approving building plans should be prevented. It has been reported that some foreign investors have withdrawn their investments due to this fact.

Therefore, he emphasized that steps should be taken to approve the building plans within a month.

10. The Chairman also pointed out that the shortcomings in the National Procurement Guidelines published by the National Procurement Commission should be discussed and corrected by all those involved in the construction industry. The Senior Additional Secretary to the President also announced that action would be taken in this regard. The Chairman also explained the discrepancies between the Procurement Guidelines and CIDA's Standard Bidding Documents (SBDs). However, he pointed out that major frauds can occur when state institutions invite bids without following the existing procurement guidelines and standard bidding documents.
11. The procurement guidelines have raised the thresholds for contractors, but they do not take into account the impact of recent economic crises. Therefore, small-scale contractors do not have the opportunity to bid on projects for which they are eligible. Therefore, it was pointed out that when considering similar completed projects during bid evaluation, those bids are rejected by not considering the time value of the completed project. Our Chairman requested that completed projects of 70% of the value of the proposed project, as currently implemented by the Road Development Authority, be considered for similar projects.
12. The Chairman pointed out that there are shortcomings in the current system for issuing permits for sand, aggregate and soil, and stated that a system is needed for builders to obtain the quantities specified in the Bill of Quantities (BOQ) without any hassle. The Senior Additional Secretary pointed out that obtaining sea sand is a solution to the problem of sand, and that steps have already been taken for this.
13. He also requested that the bills for completed projects be paid as soon as possible, and that a circular be issued to government officials to settle the bills within 35 days of submitting the bills as stated in the standard bidding documents. He pointed out that this would minimize the losses incurred by the government due to late payment fees and that by increasing the financial strength of the builders, projects could be completed on time and with high quality.
14. The Chairman also presented information regarding the inconvenience caused to construction contractors and the huge loss of revenue to the government due to the failure to issue VAT bills from hardware stores and fuel stations. The Senior Additional Secretary agreed to look into the matter.
15. The Chairman also pointed out that the methodology for collecting VAT, income tax and other taxes should be updated. A circular was also issued to all government institutions to submit a copy of all contract awarding letters to the Department of Inland Revenue.
16. When preparing the budgets of government agencies, some items are omitted from the "Preliminary Bill" published by CIDA, and the estimated amounts used for some items are not sufficient at all. In particular, the insufficient funding estimated for the safety of site workers and the failure to provide them with the necessary safety equipment have made it difficult to recruit new workers into the construction industry. He also pointed out that masons and

carpenters at the rural level should be educated about modern technology, and that projects can also help hone their skills.

17. Furthermore, if builders delay projects through no fault of their own or do not adhere to relevant standards, they should be blacklisted and monitored by CIDA. He pointed out that the registration of construction contractors who do not do so should be cancelled, and that failure to do so would result in the same mistake being repeated.
18. The Senior Additional Secretary to the President also inquired whether there would be a shortage of our contractors in the future with the commencement of projects in Port City. In response, the Chairman informed that local construction workers are capable of any construction and that this has already been proven by the construction of expressways and high-rise buildings. It was announced that even if foreign contractors come, their subcontracts can be obtained by local contractors and that a joint venture (JV) can be established with foreign contractors.

Thank you.

Yours sincerely,

National Construction Association of Sri Lanka



Eng. R. B. M. Gunawardena
Chief Executive Officer