

Ministry of Prison Reforms, Rehabilitation, Resettlement and Hindu Religious Affairs

With regard to the concerns raised about the 65,000 housing programme for conflict affected families in the Northern and Eastern Provinces

Government of the Democratic Socialist Republic of Sri Lanka has initiated action to construct 65000 housing units for the persons affected by conflict in Northern and Eastern Provinces of Sri Lanka. According to the decision of the Cabinet it was decided to call request for proposals from International and National house builders who have the capacity to undertake construction of houses by bring concessionary financing arrangements from reputed financing institutions.

In order to facilitate the procurement arrangement the Cabinet of Ministers had appointed a Cabinet Appointed Negotiating Committee (CANC) and a Project Committee (Technical Evaluation Committee). Request for Proposals (RFP) were invited from the pre-qualified bidders for the Construction of 65,000 permanent houses under concessionary financing arrangements for resettling conflict affected families in the Northern and Eastern Provinces of Sri Lanka.

The Request for Proposal requirements included 550 square feet floor area, two bed room, one living room, kitchen and detached toilet. The requirement also provided for brick and motor type houses and other innovative models including pre-fabricated houses.

The Government had established a firm commitment for funding from reputed Funding Agency/Agencies proposed by the successful bidder for 100% financing of the whole Project. The funds available under concessionary financing arrangement by the Funding Agency will be applied towards the construction of 65,000 permanent houses for resettling conflict affected families in the Northern and Eastern Provinces.

35 companies submitted expression of interest the technical evaluation committee and the Cabinet appointed negotiation committee evaluated the expression of the interest based on the approved criteria. Accordingly 15 bidders were pre-qualified. The salient features of the housing programme as follows;

1. Fifteen (15) bidders were pre-qualified,

2. Criteria for the evaluation of EOI

Please see annexure 1

3. Eight (8) bidders submitted RFP

- 15 companies pre-qualified for the bid, after the evaluation of Expression of Interests submitted by 35 companies. Out of the 15 companies only 13 companies paid non-refundable deposit to collect RFP.
- Out of 13 companies only 8 companies have submitted RFP proposals.

4. Bid Security

The acceptable Bid security shall be Sri Lankan Rs.650 million

The Confirmed comprehensive concessionary financing facility is a firm commitment letter of offer from a prime internationally or locally recognized and credibility rated bank, financial institution or donor accepted by Government of Sri Lanka. The financing facility with package of assistance should be clearly confirmed without any ambiguity by the financing bank, institution or donor. The concessionary terms of financing arrangements should be with the form of interest, grace period, and repayment period. Any vague and ambiguous letter of financing arrangements will be disqualified. The confirmed concessionary financing arrangements are a mandatory requirement for eligibility.

5. REF documents submitted by Arcelor Mittal and EPI-OCPL Consortium in relation to the total cost of construction.

The price of the ArcelorMittal for a single unit of prefabricated house including Kitchen with pantry cupboard, gas cooker gas cylinder, sink, water tap, cooking utensils; dining room with table and four chair; living room with 3 pieces of sofa sets; coffee, table TV stand, TV, free standing fan; master bed room one double bed, two bed site tables, free standing fan; second bed room with 2 single beds two single mattress one writing table one chair, laptop computer with WIFI facility , free standing fan. house also include solar panels with light fittings with electrical connections, tube well pump 500ltr water tank and ceramic floor tile in every room toilet is Rs. 2.18 million without taxes.

The price of the EPI-OCPL Consortium for single unit of conventional house with a toilet only is Rs.1,307,306/-(without other facilities)

6. Opening of technical/financing bids

According to the Procurement Guideline the two envelop system was implemented for evaluation purposes. The RFPs should be submitted along with two envelopes whereby the first envelop should include the technical proposals and second envelop will contained financing arrangements (arrangement for concessionary financing) and financial proposal (Pricing). At the first stage only the technical proposals were opened in the presence of representatives of bidders

Financial proposal of the technically qualified bidders only opened during the evaluation only for the technically qualified two bidders.

7. Financing arrangements

EPI-OCPL has not submitted confirmed concessionary financing arrangements. ArcelorMittal Construction France has submitted a detailed financial package from HSBC with four options including Euro currency facility based funding; US dollar currency facility based funding, commercial facility in US dollar and commercial facility in rupees with diverse interest options. The HSBC is one of the largest, well recognized internationally AA Fitch bank and has strong expertise in structuring financing and providing support with evidence of recent dealings with GoSL. The company has offered EU currency based facility and US\$ based financing facility at a cost of 6 months EURIBOR + 1.34 for Euro facility and USD 6 months LIBOR + 1.74 for US\$ facility. These concessionary financing facility were offered for 85% of the funding.

8. Actual cost for proposed construction by Arcelor Mittal

Base Price per Unit	Price US\$	Price LKR
House construction civil works	10,580.00	1,520,346.00
Solar System including electrical and fittings	1,122.00	161,231.40
Toilet unit including septic tank tube and 500 lit water tank	742.00	106,625.40
Sea freight insurance and land transportation	1,300.00	186,810.00
Labour, equipment, vehicle and tooling	1,486.00	213,538.20
Habitable furniture, television, fan, gas cooker (AS CSR of their company)	0.00	0.00
Base Price	15,230.00	2,188,551.00

9. Comparative cost of construction of other bidders.

Only two companies such as Arcelor Mittal and EPI-OCPL Consortium have submitted bid security for the amount of Rs.650million and acceptable technical proposal. Subsequently only the financial proposals of those two companies have been opened for financial evaluation. The financial proposals of other 6 companies have not been opened as they have not been qualified technically. In terms of the RFP requirements and following the two envelopes tender evaluation systems.

10. Comparative cost of construction of on-going scheme to construct 10,000 houses.

Under the current government funded scheme different Ministries have implemented different housing programmes some are contributory housing programmes others are owner-driven housing programmes. There are contractor driven housing programmes. Plantation housing programme is more contractor driven housing programmes which cost Rs.1.2 million for basic houses excluding other facilities. Meeriabatta housing programme done by Sri Lankan army costed Rs.1.3 million. owner driven housing programmes under taken by the Ministry cost Rs.800,000/-. one cannot compare apple with oranges. The basic house under contracted driven process cost Rs.1.3 million. The furnished house with all facilities including solar system tube well, furniture's, TV, Gas cooker, Computer WIFI and other facilities as set out under Para 5 above.

11. The warranty period for proposed construction

During the warranty period any damages will be met by the company as per the stranded terms and conditions. However the life of the house is more than 60 years

12. Reports on the environment suitability of proposed construction

The proposed housing model is environmental friendly and the heat inside the house will be lower at least 3 degree Celsius to 5 degree Celsius as compared to the outside temperature because of the insulation technology. Anyhow given the innovative model of the technology the Cabinet of Minister has decided to construct two model houses for demonstration purposes and to test the cultural, social and environmental suitability.

13. Durability of proposed construction, the local agent and the implementation arrangements

The durability of the construction is more than 60 years. The company provided guarantee/warranty for 30 years. The local agent is yet to be informed. The 65000 houses are proposed to be implemented under four tranches, 1st tranche is 11,000 house in 1st year; 2nd tranche 18,000 houses in the 2nd year; 3rd tranche 18,000 houses in the 3rd year; 4th tranche 18,000 houses in the 4th year. The project is to be implemented through the District Secretary and Divisional Secretaries. Special monitoring evaluation and supervisor arrangements will be also established