

# Commercial Contract

## AGREEMENT TO CONSTRUCT A BUILDING ON PLOT



**Small and Medium Enterprises Development Authority**

**Ministry of Industries & Production**

**Government of Pakistan**

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**February 2008**

## 1. INTRODUCTION OF SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

1. *Creating a Conducive Environment*; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas
2. *Cluster/Sector Development*; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers
3. *Enhancing Access to Business Development Services*; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewellery, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support systems, exclusive business development facilities, training and development for SMEs and information dissemination through wide range of publications.

## **2. ROLE OF SMEDA LEGAL SERVICES CELL**

The Legal Services Cell (LSC) is a part of Business Development Division of SMEDA and plays a key role in providing an overall facilitation and support to SMEs. The LSC provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world. LSC believes that information dissemination among the SMEs on the existing regulatory environment is of paramount importance and it can play a pivotal role in their sustainable development.

In order to facilitate SMEs at the Micro Level LSC has developed user-friendly systems, which provide them detail description of the Laws, and Regulations including the process and steps required for compliance.

The purpose of this document is to provide SMEs, Service Providers, Companies and Firms with information pertaining to requisite format and content of a business to business commercial contract. Entrepreneurs interested in enhancing their understanding about the nature and form of Agreement for erection of a building on a plot can also use the document.

## **3. DISCLAIMER**

Form of this document and the contents therein are provided only for general information purpose and on an "as is" basis without any warranties of any kind. Use of this document is at the user's sole risk. SMEDA assumes no responsibility for the accuracy or completeness of this document, its form and any of the information provided therein and shall not be liable for any damages arising from its uses.

## Agreement to Construct a Building on Plot

**THIS DEED OF AGREEMENT** is made on this \_\_\_\_\_ (give date e.g. 21<sup>st</sup>) day of \_\_\_\_\_ (give month e.g. March), 200\_\_\_\_ at Lahore.

### Between

ABC (give name of the company / firm) having office at \_\_\_\_\_, Lahore (hereinafter **the Contractor**, which expression shall mean and include its successors and assigns) **of one part.**

### And

XYZ (give name of the company / firm) having office at \_\_\_\_\_ (hereinafter **the Owner**, which expression shall mean and include its successors and assigns) **of the other part.**

**WHEREAS** second party is the Owner of the plot No. \_\_\_\_\_ (hereinafter the plot) situated at \_\_\_\_\_ measuring \_\_\_\_\_ (e.g. 90 feet X 60 feet), the map of witch is attached along with this agreement.

**AND WHEREAS** the Owner is desirous of constructing a double story building at the plot in accordance with the approved drawings and design.

**AND WHEREAS** the Contractor is a builder engaged in construction of houses and building and is willing to execute the said work of erecting building.

**AND WHEREAS** approved plans, designs, drawings and elevation of the said plot have been provided to the Contractor;

### **NOW THIS DEED OF AGREEMENT WITNESSES AS UNDER:**

1. That the Contractor shall erect on the said plot a building strictly according to the designs, drawings and elevation under supervision of the architect of the Owner.
2. That the Contractor shall use the best quality material in erecting the building and shall complete the same to the satisfaction of the Owner.

3. That the Contractor shall comply with and abide by the true intent and meaning of the said specifications, plans, drawings and elevations and of this agreement.
4. That the Contractor shall finish and complete the work within \_\_\_\_\_ (**give time e.g. 5 months**) days from the date of this agreement.
5. That in case the Contractor fails to complete the work within the stipulated time, he shall be liable to a fine of Rs. \_\_\_\_\_ (give amount e.g. Rs. 000/-) per day of default.
6. That if the work is delayed because of Force Mejure i.e. labor strike or of any other reasons beyond the control of the contractor, then, the penal provision of clause 5 shall not apply.
7. That if the Contractor becomes bankrupt or is otherwise prevented from or delay is caused in execution and completion of the work by reason of negligence and or any other reason attributable to the Contractor, the owner shall give a notice in writing to the Contractor requiring him to complete or cause to be completed the work construction work within \_\_\_\_\_ days from the date of receipt of the notice.
8. In case of failure of the Contractor to resume and complete the work within the time prescribed in the notice issued pursuant to the preceding clause, the owner shall be entitled terminate the contract and to employ other contractor for completing the balance work and in that case the contractor shall be liable for a deduction of 25% from his bill for the work done by him.
9. That if the architect of the Owner at any time considers that some more workmen should be employed by the contractor, the contractor shall abide by the decision of the architect and act accordingly.
10. That in case, at any time, the architect of the Owner disapproves some material being used or to be used by the Contractor in construction of the building, the same shall be taken back by the Contractor immediately.
11. That if the architect of the Owner considers that some particular work has not been executed properly and in accordance with the drawings / plan, the Contractor shall immediately demolish that portion and erect the same again to the entire satisfaction of the architect. Provided that in such case the Contractor shall not be entitled for any additional cost.
12. That if the owner or architect considers, during the course of work, some alteration, addition or omission, it shall be intimated in writing to the

Contractor, and the Contractor shall comply with the instructions. However, all extra expenses, of whatsoever, shall be borne by the Owner.

13. That all damages caused by accident or carelessness of the workmen employed by the Contractor, or any material wasted or misused by such workmen will be to the account of the Contractor, who shall make good the same without incurring any additional cost unto the Owner.
14. That the said Contractor shall use all and every material of best quality in the construction and to the entire satisfaction of the architect and Owner.
15. All notices shall be served on any of the parties hereto through registered post/electronic media on the addresses mentioned in the title of this agreement. Any change in the address shall be immediately notified to the other side.
16. That the said Contractor shall not sub-contract for the execution of the work contracted for without prior obtaining the consent of the Owner or architect and in the best interest of the work.
17. That the owner shall pay, unto the Contractor, a sum of Rs. \_\_\_\_\_ (give amount e.g. Rs. 10,00,000) for execution and completion of the work in the following manner:

|                      |           |
|----------------------|-----------|
| Labor Charges        | Rs. _____ |
| Cost of the Material | Rs. _____ |

Payment for both the above mentioned heads shall be in installments as follows

- 1<sup>st</sup>. installment \_\_\_\_\_% at the time of execution of the contract.
- 2<sup>nd</sup> installment \_\_\_\_\_% after three months from the execution of the contract.
- 3rd and final installment \_\_\_\_\_% on architects report regarding completion of the work.

18. This agreement shall stand terminated inter alia on the following grounds:
  - a. Upon given of seven days notice in writing by either party showing its intention to terminate the agreement subject to adjustment of rights and obligations arising there under till such time; or
  - b. Upon failure of party of the second part at any time to perform its job satisfactorily, within time and or intentional or deliberate breach of any of the conditions or covenants under this agreement and upon failure to rectify such breach within seven days of the notice by the first party to rectify such breach.

Provided that termination of the agreement under this sub-clause, by the Owner shall be without prejudice to any monies paid and or due to the Owner.

- 19. If any dispute, controversy or question be raised between parties to this agreement at any time as to the construction, interpretation or compliance or non-compliance of the Agreement or as to any matter or things of whatsoever nature arising hereunder or in connection herewith shall first be settled through negotiation between the parties. Failing which the dispute shall be resolved through arbitration.

**IN WITNESS WHEREOF** we the above mentioned parties have signed sealed and delivered this deed of agreement, which shall be binding on our, successors, and legal assignees, before the following persons, on the date and place mentioned above.

**OWNER**

**CONTRACTOR**

1. Witness

2. Witness

Name.....

Name.....

Address.....

Address.....

