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GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
FINANCE (POLICY) DEPARTMENT
4TH LEVEL, 'A WING' DELHI SECRETARIAT
I.P. ESTATE, NEW DELHI 110002
CD No:- 012678347

No. F. 20/26/2021/PD/1457-1465

Dated: 21/06/2023

ENDORSEMENT

The copy of under mentioned Office Memoranda are forwarded herewith for information and necessary action to the following: -

1. All Heads of Department, Govt. of NCT of Delhi.
2. All Pay & Accounts Officers through Principal Accounts Office, Vikas Bhawan, Govt. of NCT of Delhi.
3. All Heads of Autonomous Bodies, Govt of NCT of Delhi.
4. The Commissioner, Municipal Corporation of Delhi, Civic Centre, Minto Road, New Delhi.
5. Chairperson, NDMC, Palika Kendra, New Delhi.
6. Chief Executive Officer, Delhi Cantonment Board, Delhi.
7. CEO, Delhi Urban Shelter Improvement Board, I.P. Estate, New Delhi.
8. Sy. Analyst with the request to upload the same on Website of Finance Department and all the Departments are requested to download the same from Website of Finance Department (No hardcopy of enclosures will be dispatched to any Organisation/Deptt.)
9. Guard File.

MVK
21/06/2023
(Manoj Kumar V.M.)
Joint Secretary (Finance/Policy)

List of O.Ms forwarded

S.No.	Name of the Ministry/ Deptt.	OM. No. and date	Subject
1.	Government Of India, Ministry of Finance,	OM No.1/4/2021-PPD dated 18.05.2023.	Concurrent application of Public Procurement Policy for Micro and Small Enterprises order, 2012 and Public Procurement (Preference to make in India), order 2017
2	Department of Expenditure, Procurement Policy Division	OM No.1/6/2023-PPD dated 24.05.2023.	Proportionality in Performance Security for Multiyear Service Contracts
3		OM No.1/7/2022-PPD dated 29.05.2023.	Vivad Se Vishwas II- (Contractual Disputes)

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No.F.1/6/2023-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

513, Lok Nayak Bhawan, New Delhi,
24.05.2023.

OFFICE MEMORANDUM

Subject: Proportionality in Performance Security for multiyear service contracts.

This Department is in receipt of representation from the industry regarding amount of Performance Security (PS) amount being sought by procuring entities in case of service contracts spanning over multiple number of the years. In such cases, PS is retained by the procuring entities over the complete contract period, which may be of 5-7 years or may be more.

2. The right quantum of performance security has to strike a balance between protecting the procuring entity's interest in case of default in performance vs. avoiding increase in tendered price and /or reduced competition. If the security is low, the entity may be adversely affected if and when default occurs. If it is high, the extra financial cost of furnishing such security will be factored in by bidders when quoting prices & hence the cost may increase.

3. In this context, it is clarified that the Rule 171 (i) of the General Financial Rules (GFRs), 2017 states as follows:

To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Unlike contracts of Works and Plants, in case of contracts for goods, the need for the Performance Security depends on the market conditions and commercial practice for the particular kind of goods.

Therefore, sufficient flexibility is already available in the GFRs to design the performance security for procurement of services, both value and duration, duly considering the market conditions and commercial practice for the particular kind of service.

4. Further to above, procuring entities may consider to proportionately keep reducing performance security in proportion to the balance service period, wherever feasible.

5. Wherever, it is decided to take lower or proportionally reducing PS, tender conditions may be suitably modified for the future cases.

6. This issues with the approval of Finance Secretary.

Usha Rani
24/05/2023
(Usha Rani)

Under Secretary(Procurement Policy)
Tel.No. 23621304;Email: usha.rani64@gov.in

To
Secretaries of All Ministries/ Departments of Government of India for information and necessary action.