

आईएसओ 9001:2015

प्रशासन विभाग मुख्यालय  
इंटर ऑफिस मेमो

प्रेषक: क्रमर अली कार्यकारी निदेशक (प्रशासन) मुख्यालय	प्राप्तकर्ता : सभी क्षेत्रीय प्रमुख कार्यकारी निदेशक (एच एस एम आई) कार्यकारी निदेशक (सी एंड सी ) कार्यकारी निदेशक (आई टी) मुख्यालय में सभी प्रोक्योरमेंट डिपार्टमेंट
--	---

09 दिसम्बर, 2020

विषय: व्यय विभाग, वित्त मंत्रालय, भारत सरकार के कार्यालय ज्ञापन (i) निष्पादन प्रतिभूति, (ii) असामान्य रूप से कम बोलियों (एएलबी) के मामले में अतिरिक्त निष्पादन प्रतिभूति और (iii) बोली प्रतिभूति /बयाना राशि जमा - खरीद के संबंध में।

उपरोक्त के संबंध में कृपया भारी उद्योग एवं लोक उद्यम मंत्रालय, भारत सरकार का दिनांक 19 नवम्बर, 2020 का कार्यालय ज्ञापन संलग्न करें, जिसमें दिनांक 12 नवम्बर, 2020 के 03 कार्यालय ज्ञापन संलग्न हैं, जिनमें क्रमशः अधिप्राप्ति नीति, प्रभाग 512, लोक नायक भवन, नई दिल्ली, व्यय विभाग, वित्त मंत्रालय, भारत सरकार, से प्राप्त 07 पृष्ठ हैं, जो स्वतः स्पष्ट हैं।

जानकारी एवं सख्त अनुपालन हेतु।

क्रमर अली  
कार्यकारी निदेशक (प्रशासन)

संलग्न: उपरोक्तानुसार



ISO 9001:2015

**Administration Wing, Head Office**

**INTER OFFICE MEMO**


<b>From:</b> कमर अली कार्यकारी निदेशक प्रशासन मुख्यालय	<b>To:</b> All Regional Heads ED (HSMI) ED (C&C) ED (IT) All Procurement Departments at Head Office
---	---

9<sup>th</sup> December, 2020

**Sub:** Govt. of India, Ministry of Finance, Department of Expenditure OMs regarding (i) Performance Security, (ii) Additional Performance Security in case of Abnormally Low Bids (ALBs) and (iii) Bid Security/Earnest Money Deposit - Procurement regarding.

With regard to the above kindly find attached herewith Office Memorandum dated 19.11.2020 of Govt. of India, Ministry of Heavy Industries & Public Enterprises enclosing 03 Office Memorandum all dated 12.11.2020 containing 07 pages as received from Government of India Ministry of Finance Department of Expenditure Procurement Policy Division 512, Lok Nayak Bhawan, New Delhi, respectively which are self explanatory.

For information and strict compliance.

  
कमर अली  
कार्यकारी निदेशक (प्रशासन)

संलग्न: उपरोक्तानुसार

No. DPE/7(4)/2017-Fin.(Part-I)  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises  
\*\*\*\*\*

Public Enterprises Bhawan  
Block No.14, CGO Complex  
New Delhi - 110003

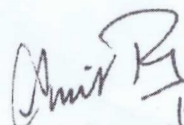
Date: November, 2020  
19/11

OFFICE MEMORANDUM

**Sub.: D/o Expenditure OM No.9/4/2020-PPD dated 12.11.2020 on Additional Performance Security in case of Abnormally Low Bids, Bid Security /Earnest Money Deposit and Performance Security-regarding**

The undersigned is directed to enclose Department of Expenditure's (DoE) OM on the following matters for information and compliance by CPSEs:

- (i) Reduction in Performance Security from existing 5-10% to 3% of the value of the contract. (DoE OM No.9/4/2020-PPD dated 12.11.2020)
  - (ii) No provisions regarding Bid Security should be kept in the Bid Documents in future and only provisions for Bid Security Declaration should be kept in the Bid Documents. (DoE OM No.9/4/2020-PPD dated 12.11.2020)
  - (iii) No provision should be kept in the Bid Documents regarding Additional Security Deposit/ Bank Guarantee (BG) in case of Abnormally Low Bids. (DoE OM No.9/4/2020-PPD dated 12.11.2020)
2. All the administrative Ministries/ Departments of CPSEs are requested to ensure compliance of the directions issued by DoE by CPSEs under their administrative control.
  3. This issues with the approval of competent authority.

  
(Amit Rastogi)  
Director  
Tel.24362061

Encl.: (DoE's 3 OM No. 9/4/2020-PPD dated 12.11.2020)

To

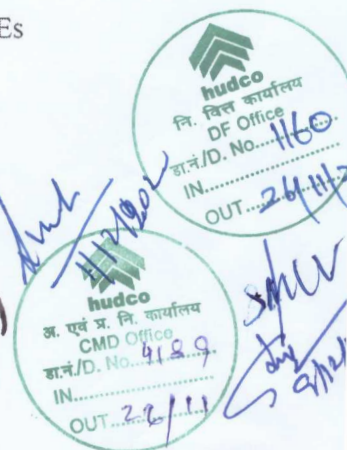
- i) All the Secretaries to the Administrative Ministries/Departments of CPSEs
- ii) Chief Executives of CPSEs

Copy for information to:

Secretary, D/o Expenditure, North Block, New Delhi

DCP OFFICE	
Diary No.	3054
Date In	26/11/20
Date Out	

*Handwritten notes:*  
DCP  
DF  
ED(Adm)  
Intranet  
26/11/2020  
25/11





No. F.9/4/2020-PPD  
Government of India  
Ministry of Finance  
Department of Expenditure  
Procurement Policy Division

512, Lok Nayak Bhawan, New Delhi  
Dated the 12<sup>th</sup> November 2020

**OFFICE MEMORANDUM**

**Subject: Performance Security.**

As per Rule 171 of General Financial Rules (GFRs) 2017, Performance Security is to be obtained from the successful bidder awarded the contract for an amount of five to ten percent of the value of the contract to ensure due performance of the contract. Similar provisions also exist in the Manual for Procurement of Works 2019 and Manual for Procurement of Consultancy & other Services 2017 issued by this Department.

2. The Government is in receipt of many representations that on account of slowdown in economy due to the pandemic, there is acute financial crunch among many commercial entities and contractors, which in turn is affecting timely execution of the contracts. It has also been represented that this may affect the ability of contractors to bid in tenders and hence reduce competition. Requests are being received for reduction in quantum of Security Deposits in the Government contracts.

3. In view of all above, it is decided to reduce **Performance Security from existing 5-10% to 3% of the value of the contract** for all existing contracts. However, the benefit of the reduced Performance Security will not be given in the contracts under dispute wherein arbitration/ court proceedings have been already started or are contemplated.

4. Further, all tenders/ contracts issued/ concluded till 31.12.2021 should also have the provision of reduced Performance Security.

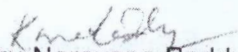
5. In all contracts where Performance Security has been reduced to 3% in view of above stipulations, the reduced percentage of Performance Security shall continue for the entire duration of the contract and there should be no subsequent increase of Performance Security even beyond 31.12.2021.

Similarly, in all contracts entered into with the reduced percentage of Performance Security of 3%, there will be no subsequent increase in Performance Security even beyond 31.12.2021.

6. Wherever, there is compelling circumstances to ask for Performance Security in excess of three percent as stipulated above, the same should be done only with the approval of the next higher authority to the authority competent to finalise the

particular tender, or the Secretary of the Ministry/ Department, whichever is lower. Specific reasons justifying the exception shall be recorded.

7. These instructions will be applicable for all kinds of procurements viz. Goods, Consultancy, Works, non-consulting Services etc and are issued under Rule 6(1) of the GFRs 2017.

  
(Kotluru Narayana Reddy)

Deputy Secretary to the Govt. of India

Tel: 24621305

Email: kn.reddy@gov.in

To,

All the Secretaries and Financial Advisers to Government of India

Copy to: Secretary, Department of Public Enterprises with a request to issue the same instructions to Central Public Sector Undertakings (CPSUs).



No. F.9/4/2020-PPD  
Government of India  
Ministry of Finance  
Department of Expenditure  
Procurement Policy Division

512, Lok Nayak Bhawan, New Delhi  
Dated the 12<sup>th</sup> November 2020

**OFFICE MEMORANDUM**

**Subject: Additional Performance Security in case of Abnormally Low Bids (ALBs).**

The Government is in receipt of many representations that on account of slowdown in economy due to the pandemic, there is acute financial crunch among many commercial entities and contractors, which in turn is affecting timely execution of the contracts. It has also been represented that this may affect the ability of contractors to bid in tenders and hence reduce competition. Requests are being received for reduction in quantum of Security Deposits in the Government contracts.

2. In this context, it is noted that Additional Performance Security in case of Abnormally Low Bids (ALBs) is being taken from the contractors by various Ministries/ Departments though there is no provision for the same in General Financial Rules (GFRs) 2017 or the Manuals for Procurement issued by this Department.


3. As per para 7.5.7 of the Manual for Procurement of Goods 2017 issued by this Department, an *Abnormally Low Bid* is one in which the bid price, in combination with other elements of the Bid, appears so low that it raises material concerns as to the capability of the bidder to perform the contract at the offered price. Procuring Entity may in such cases seek written clarifications from the bidder, including detailed price analyses of its bid price in relation to scope, schedule, allocation of risks and responsibilities, and any other requirements of the bids document. If, after evaluating the price analyses, Procuring Entity determines that the bidder has substantially failed to demonstrate its capability to deliver the contract at the offered price, the Procuring Entity may reject the bid/ proposal. However, it would not be advisable to fix a normative percentage below the estimated cost, which would be automatically be considered as an abnormally low bid. Due care should be taken while formulating the specifications at the time of preparation of bid document so as to have a safeguard against the submission of abnormally low bid from the bidder.

4. In view of above, it is reiterated that no provisions should be kept in the Bid Documents regarding Additional Security Deposit/ Bank Guarantee (BG) in case of Abnormally Low Bids.

5. Wherever, there are compelling circumstances to ask for Additional Security Deposit/ Bank Guarantee (BG) in case of ALBs, the same should be taken only with

the approval of the next higher authority to the authority competent to finalise the particular tender, or the Secretary of the Ministry/ Department, whichever is lower.

6. These instructions will be applicable for all kinds of procurements viz. Goods, Consultancy, Works, non-consulting Services etc.

  
(Kotluru Narayana Reddy)  
Deputy Secretary to the Govt. of India  
Tel: 24621305  
Email: kn.reddy@gov.in

To,

All the Secretaries and Financial Advisers to Government of India

Copy to: Secretary, Department of Public Enterprises with a request to issue the same instructions to Central Public Sector Undertakings (CPSUs).



No. F.9/4/2020-PPD  
Government of India  
Ministry of Finance  
Department of Expenditure  
Procurement Policy Division

512, Lok Nayak Bhawan, New Delhi  
Dated the 12<sup>th</sup> November 2020

**OFFICE MEMORANDUM**

**Subject: Bid Security/ Earnest Money Deposit.**

The Government is in receipt of many representations that on account of slowdown in economy due to the pandemic, there is acute financial crunch among many commercial entities and contractors, which in turn is affecting timely execution of the contracts. It has also been represented that this may affect the ability of contractors to bid in tenders and hence reduce competition. Requests are being received for reduction in quantum of Security Deposits in the Government contracts.

2. As per Rule 170 of General Financial Rules (GFRs) 2017, Micro and Small Enterprises (MSEs) and the firms registered with concerned Ministries/ Departments are exempted from submission of Bid Security. Further, in lieu of Bid Security, Ministries/ Departments may ask bidders to sign "Bid Security Declaration" accepting that if they withdraw or modify their bids during period of validity etc., they will be suspended for the time specified in the tender documents. Similar provisions also exist in the Manuals for Procurement of Works 2019 and Manual for Procurement of Consultancy & other Services 2017.

3. In this context it is noted that Bid Security (also known as Earnest Money Deposit) is still being taken from the contractors by the various Ministries/ Departments, though the relaxations have already been provided in General Financial Rules (GFRs) 2017.

4. In view of above, it is reiterated that notwithstanding anything contained in Rule 171 of GFRs 2017 or any other Rule or any provision contained in the Procurement Manuals, **no provisions regarding Bid Security should be kept in the Bid Documents in future and only provision for Bid Security Declaration should be kept in the Bid Documents.**

5. Wherever, there are compelling circumstances to ask for Bid Security, the same should be done only with the approval of the next higher authority to the authority competent to finalise the particular tender or the Secretary of the Ministry/ Department, whichever is lower.

6. The above instructions will be applicable for all the tenders issued till 31.12.2021.



7. These instructions will be applicable for all kinds of procurements viz. Goods, Consultancy, Works, non-consulting Services etc and are issued under Rule 6(1) of the GFRs 2017.

*K. Narayana Reddy*

(Kotluru Narayana Reddy)  
Deputy Secretary to the Govt. of India  
Tel: 24621305  
Email: kn.reddy@gov.in

To,

All the Secretaries and Financial Advisers to Government of India

Copy to: Secretary, Department of Public Enterprises with a request to issue the same instructions to Central Public Sector Undertakings (CPSUs).