

No.F.1/2/2023-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

264-C, North Block, New Delhi,
01.01.2024

OFFICE MEMORANDUM

Subject: - Amendment in General Financial Rules, 2017 – Rule 171(i) Performance Security Regarding.

Reference: In supersession of OM of even No. dated 29.12.2023.

Attention is invited towards Rule 171(i) of General Financial Rules, 2017 regarding Performance Security as amended vide OM No. 1/2/2023-PPD dated 03.04.2023. It has been decided to amend the Rule 171(i) of GFRs, 2017 as under:

Existing Rule	Revised Rule
Rule 171(i): 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. Performance Security should be for an amount of three to ten per cent (3-10%) of the value of the contract as specified in the bid documents. Performance Security may be furnished in the form of Insurance Surety Bonds, Account Payee Demand Draft, fixed Deposit Receipt from a Commercial bank, Bank Guarantee (including e- Bank Guarantee) from a Commercial bank or online payment in an acceptable form safeguarding the purchaser's interest in all respects.	Rule 171(i): 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. Performance Security, in respect of procurement only of Goods/ Consultancy Services/ Non Consultancy Services, should be for an amount of three to five per cent (3-5%) of the value of the contract as specified in the bid documents. Performance Security may be furnished in the form of Insurance Surety Bonds, Account Payee Demand Draft, fixed Deposit Receipt from a Commercial bank, Bank Guarantee (including e- Bank Guarantee) from a Commercial bank or online payment in an acceptable form safeguarding the purchaser's interest in all respects.

2. Accordingly, amount of Performance Security will also stand modified from existing to 3-5% at all places, including following paragraphs in the procurement manuals:

- (i) Para 6.1.2 of Manuals for Procurement of Goods,
- (ii) Para 6.2.6(iv)(a) of Manual for Procurement of Consultancy and Other Services.

3. All procuring entities are requested to issue future tenders with the performance security as stipulated above. They may also consider modifying tenders already issued and yet to open, as above, wherever feasible.

4. The amount of performance security plus security deposit/ retention money for procurement of works will continue to be 3% to 10%.

5. This OM is also available on website of Department of Expenditure; www.doe.gov.in -> Notification -> Circular -> Procurement Policy OM.

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01/01/2024
(Kanwalpreet)
Director (PPD)
Tel.23093811

email: kanwal.irss@gov.in

To,

All the Secretaries and Financial Advisors to Government of India.

Copy to:

1. Secretary, Department of Public Enterprises with a request to issue same instructions to Central Public Sector Enterprises (CPSEs).
2. Secretary, Department of Financial Services with a request to issue same instructions to Public Sector Banks (PSBs).