



**Controller General of Defence Accounts**  
Ulan Batar Road, Palam, Delhi Cantt - 110010  
Ph No. 011 - 25665571, 25665572 , FAX No. 011- 25674779.  
(IFA WING)  
E-Mail : Cgdaifa.dad@gov.in



**No. IFA/120/PBG/1/2020**

**Dated: 04.01.2021**

**Circular No. 01 of 2021**

To

All PCsDA/PCA (FYs)/PIFAs/CsDA/CFAs (FYs)/IFAs  
(Through CGDA Website/SIFA)

Sub: Performance Security and Bid Security/Earnest Money Deposit.

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Copies of Ministry of Finance, Department of Expenditure OM Nos. F.9/4/2020-PPD dated 12 November 2020 (two OMs ) regarding Performance Security and Bid Security/Earnest Money Deposit are forwarded herewith for kind information, guidance and necessary action please.

This issues with the approval of Addl. CGDA (Finance).

(Richa Gupta)  
Dy.IFA (Fin)

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: 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.



(Kotluru Narayana Reddy)  
Deputy Secretary to the Govt. of India  
Tel: 24621305  
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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).