

No. 4(4)/D(Acq)/20  
Government of India  
Ministry of Defence  
Department of Defence  
[Acquisition Wing Secretariat]

South Block, New Delhi-110011  
Dated 23.02.2021

**OFFICE ORDER**

**Sub: Delegation of Powers to SHQ for contract amendment on account of reduction of PWBG from 5-10% to 3% -regarding.**

**Ref.: (i) Ministry of Finance OM No. 9/4/2020-PPD dated 12.11.2020.(Copy enclosed).**

**(ii) This office Order of even No. dated 21 Jan 2021.**

Based on the Ministry of Finance OM dated 12 Nov 2020, procedure for implementation of reduction in PWBG rates from existing 5-10% to 3% was conveyed vide reference at Sl. No. (ii) above. The Office Order of 21 Jan 2021 stipulates amendment of all eligible contracts to give effect to reduction in PWBG rates.

2. In order to avoid delay in the amending the eligible contracts and for Ease of Doing Business, SHQs may kindly effect contract amendments for all eligible Capital Acquisition Contracts (both delegated & non-delegated powers) to reduce PWBG from existing 5-10% to 3%. While putting this into effect, SHQ will segregate contracts under dispute i.e. cases wherein arbitration/court proceedings have started or contemplated and exclude them.

3. SHQs may designate an officer not below 2-star level to sign these contract amendments.

4. MoD(Fin) has been consulted.

5. This issues with the approval of DG(Acq).



(V.K. Adhana)  
Director(Acq)

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CISC	VCOAS	VCNS	DCAS	DG(ICG)
CGDA	AS & FA(Acq)			
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**Copy for information to:**

- (i) PS to RM
- (ii) DA to CDS
- (iii) SO to Defence Secretary
- (iv) PPS to Secretary (DP)
- (v) PPS to Secretary (R&D)
- (vi) PPS to DG(Acq)

**Copy to:**

~~For uploading on MoD website.~~

Dy. No. 177/DS (Gen./IT)  
Date: 23/02/21

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  
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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).