

GOVERNMENT OF ODISHA
WORKS DEPARTMENT

No.07556900052021(Pt.)

5992

W., Dated

27-04-2021

OFFICE MEMORANDUM

Subject: Performance Security

To ensure due performance of contract **Performance Security** is to be obtained from the successful bidder who is awarded the contract as per codal provision under Rule-13 of Appendix-VIII of OPWD Code, Volume-II. As per Rule-13 of Appendix-VIII of OPWD Code, Volume-II, the contractor has to deposit 1% of the bid amount at the time of drawal of Agreement as initial security deposit. Besides, contractors of Super, Special, A and B Classes will be required to furnish Security Deposit by way of deduction from their bills at the rate of 5% of the gross amount of each bill whereas in case of C & D Class Contractors, such deduction will be made at the rate of 3% of the gross amount of each bill. As per Note-I of Para 3.5.19 of OPWD Code, Volume-I, in case of execution of work under Special Contract Agreement, an insurance policy of guarantee bond from two well known wealthy persons of probity, nominated by the contracting firm and approved by the Chief Engineer for a sum equivalent to 10% of the contract amount may be taken.

2. On account of slowdown in economy due the Pandemic COVID-19, the State Government is in receipt of many representations that 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 the contractors to bid in tenders and hence reduce competition. Requests are being received for reduction in quantum of Security Deposits in the Government contracts. Besides, Government of India have also reduced the rate of Performance Security from **five to ten per cent to three percent** of the value of the contract.

3. In view of the above, **the State Government is pleased to reduce Performance Security from existing five to ten per cent to three per cent of the value of the contract for all existing contracts.** However, the benefit of reduced Performance Security will not be given in the contracts under dispute wherein arbitration / court proceedings have been already started or are contemplated.

4. 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 the 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



