

**GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT**

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No 8952 /F  
FIN-COD-MISC-0007-2019

Dated 18.03.2021

**OFFICE MEMORANDUM**

**Sub: Performance Security**

To ensure due performance of contract **Performance Security** is to be obtained from the successful bidder which is awarded the contract at the rate of **five to ten per cent** of the value of the contract as per para-22 of FDOM No 4939/F Dated 13.02.2012.

2. On account of slowdown in economy due to the pandemic, 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 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 per cent 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 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. 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 per cent 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. 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.

8. These instructions shall be deemed to be part of Odisha General Financial Rules.

9. Works Department shall make suitable amendment in the relevant provisions of OPWD Code.

**By Order of Governor**

**Sd/-  
Principal Secretary to Government**