

MINISTRY OF FINANCE & ECONOMIC EMPOWERMENT
PROCUREMENT POLICY OFFICE

Circular No. 21 of 2008

Ref : F/PPO/4/1

From: Director, Procurement Policy Office

To : Heads of Public Bodies

Bid Security and Bid Securing Declaration

The feedback obtained from the Central Procurement Board and other public bodies, and also from the workshop on Bid Evaluation organized by the Procurement Policy Office has revealed that there have been quite a number of cases where competitive bids have had to be rejected mainly on account of the non-conformity of Bid Securities or the Bid Securing Declarations - the Bid Securities furnished were either not of the required duration or of the exact amount or in the prescribed format, or the Bid Securing Declarations, where required, were not signed.

2. With a view to addressing the problem and minimizing the occurrence of such unfortunate situations, the Policy Office, following consultations with the State Law Office, is issuing the following directives in accordance with section 30(1) of the Act:

- (a) No bid security or bid securing declaration should be requested for procurement of small value items and, as far as possible, for procurement of regular items up to a value of Rs5m through the Request for sealed quotations or the Restricted bidding methods.
- (b) Bid Securing Declaration should be preferred in lieu of Bid Security, for national bidding, where the procurement deals mostly with regular suppliers/contractors and for routine procurements.
- (c) Bid Security shall be used for all procurement of values above Rs200m.
- (d) In exceptional cases like rental of office space, execution of specialized works etc...where the public body is likely to be dealing with one-off bidders/suppliers and that Bid Securing Declaration would not constitute sufficient security, the public body may have recourse to bid security though the value of the procurement may be less than Rs200m.

- (e) Public bodies should use their own discretion to have recourse to bid security for international bidding depending on the nature of the procurement and taking into consideration the number of potential bidders for that particular procurement; experience has shown that the request for bid security in the context of international competitive bidding, has often resulted in a considerable reduction in the number of responses.
- (f) No Bid Security or Bid Securing Declaration should be requested for quotations from sole suppliers and in Request for Proposals for Consultancy services.
- (g) Bid Security, where required, should be of a fixed amount decided by the public body representing between **0.75 to 1%** of the estimated value of the procurement, rounded to the nearest thousand rupees or to the nearest hundred of the currency of the bid. Where award is to be on the basis of individual items and bidders are allowed to submit bids for one or more items, bidders shall be required to submit a Bid Security equivalent to an amount representing **1 %** of the total quote.

3. **Bid Securing Declaration (BSD)**

- (a) Bid Securing Declaration may now be used for procurement of values up to Rs200m, subject to paragraphs 2(b) and 2(f) above.
- (b) Bidding documents have been updated to contain a clause for the submission of BSD and a new format of the BSD. The bidding documents also contain a declaration in the Bid Submission/Quotation Form to the effect that the bidder subscribes fully to the terms and conditions contained in the BSD form, where applicable. Henceforth, the signing of the said declaration form shall be a substitute to the submission of a signed BSD Form, if omitted.

**Procurement Policy Office
12 December 2008**