

**Democratic Socialist Republic of Sri Lanka**

**Supplement 36**

**To the**

**PROCUREMENT MANUAL**

**Issue Date: 28.10.2020**

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**To be used along with the Government Procurement Guidelines - 2006  
(Goods and Works)**

This supplement supersedes the sections

**Procurement Guideline Reference: 5.3.11  
(BID SECURITY)**

**Issued with the Concurrence of National Procurement Commission**

**By the**

**DEPARTMENT OF PUBLIC FINANCE**

## PROCUREMENT GUIDELINE REFERENCE: 5.3.11

### Bid Security

Bid security is required to assure compensation to the PE for the time and money loss if the successful bidder fails to honor his bid and enter in to a contract. Bid security is generally not be required when shopping procedure is used. The bidding document should specify the type of bid security required.

#### **Option 1**

For the above purpose, as one of the first options, the Procuring Entity may require the bidders to sign and submit a declaration in the format given in this manual, accepting that the bidder will be suspended for a specified period, from being awarded contracts by Procuring Entities as defined in the Procurement Guidelines, if the bidder fails to fulfill any of the requirements given in the declaration form. In the event of default of any of such conditions by a bidder, it shall be reported to the Department of Public Finance promptly. The Department of Public Finance shall suspend the defaulted bidder for the period of time, from being eligible for award of contracts by PEs, irrespective of the source of funding.

#### **Option 2**

As the second option, the Procuring Entity has the option of obtaining a Bid Security in the format given in this manual. The amount of the bid security should not be too high to discourage the bidders. A lump sum equivalent of 1% to 2% of the estimated amount shall be used. Such Bid Security shall be irrevocable and unconditionally en-cashable upon the first written request from the Procuring Entity. The amount of bid security should be a fixed sum. Requesting a percentage is strongly discouraged. The bid security should be valid for a sufficient period than the validity of the bid. This additional period should be about 14 days more than the time period given for the successful bidder to submit a performance security from the acceptance of the bid.

**If the requirement of the submission of a bid security is specified in the bidding document all the bidders, without any exception shall submit a bid security for the required amount and format.**

The bid securities issued by the following agencies are acceptable **provided the bid security is furnished without a critical departure to the format given in this manual with respect to the amount validity and payment of guaranteed amount upon receipt of first demand in writing.**

- A bank operating in Sri Lanka;
- A bank based in another country but the guarantee “confirmed” by a bank operating in Sri Lanka;
- Construction Guarantee Fund;
- Insurance Agencies;
- Foreign Exim Bank (Exim Bank needs to be registered in the framework of Uniform Rule of Demand Guarantee 758)

As another option for smaller value contracts or a refundable cash deposit, generally 0.5% to 1% of the estimated amount may be obtained.