

FINANCE CIRCULAR

MINISTRY OF FINANCE
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CIRCULAR NO: 15/2013

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FIN: 21/2/6

FROM: Permanent Secretary for Finance

TO: All Permanent Secretaries and Heads of Departments

SUBJECT: POLICY ON DETERMINATION OF PERFORMANCE BOND

1.0 Objective

- 1.1 The objective of this circular is to inform Ministries and Departments of the new *Policy on Determination of Performance Bond*.
- 1.2 This circular summarises some of the vital points that are stipulated in the Policy.

2.0 Performance Bond Definition

- 2.1 Performance bond is defined as a means of security for the due and faithful performance of the contract to be paid to any procuring agency by the contractor or supplier for any goods, services or works that is above FJD\$50,000.

3.0 Abstract – Policy on Determination of Performance Bond

3.1 Eligibility

- 3.1.1 All bidders either local or overseas are required to pay a performance bond if the contract value is above FJD\$50,000 during the period of contract.

- 3.1.3 Payment methods of performance bond are:

- Cash basis;
- Form of bank draft; and
- Telegraphic transfer.

3.5 Payments and Refunds

- 3.5.1 After seven (7) days of receiving the letter of notification, informing of the award, the contractor must pay the full percentage of the performance bond. Failure to do so, may lead to the withdrawal of the award by the Government Tender Board (GTB).
- 3.5.2 Within three (3) days of receiving the performance bond, the contract document should be signed by both parties and thereafter work shall commence.
- 3.5.3 The agency will refund the full performance bond, if the performance of the contract is satisfactory, however if the contract is not executed as required, an agency can be guided by the contract document pertaining to the percentage of the refunds.
- 3.5.4 Agencies may use the following as the recommended percentage of the two critical aspects of the performance management:
- 30% for late delivery; and
 - 70% for the quality of the product or workmanship as per assessment of the expertise.
- 3.5.5 Executing agencies must further breakdown and detail the terms and conditions of the refund percentage in the contract document.

3.6 Requirements from Procuring Agencies

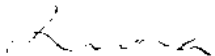
- 3.6.1 All performance bond money are to be deposited in the various Trust Fund Accounts where available, if there is none available the agency can utilise the account called the Government Supplies Trust Account in the Fiji Procurement Office provided that all information is well documented.
- 3.6.2 Fiji Procurement Office Accounts team shall be responsible for monitoring the release of funds to agencies as a means of control to ensure procuring items are delivered or projects are completed before payments are made and should correspond with the compliance and Annual Procurement Plan check.
- 3.6.3 Approval to release or refund performance bond to the contractor(s) or supplier(s) shall be vested with Director Fiji Procurement Office and all copies of contract signed between the contractor or the supplier and a procuring agency shall also be submitted to the Fiji Procurement Office.

3.7 Requirements of Bidders

- 3.7.1 The contract will have conditions that the contractor must satisfy on an ongoing basis that affects the relationship with the procuring agencies; therefore the contract will outline the progress of the project, the cost and the date of completion.
- 3.7.2 It may also contain penalties for delays or cost overruns and there will be a description of the circumstances that signal a failure of the project, which also describe the legal process that will take place if the project fails.

4.0 Conclusion

- 4.1 The above abstract summarises the policy and it is imperative that respective officers of the Ministries and Departments act in accordance with the policy
- 4.2 For any clarification on the content of this circular, please either contact **Navneet Lal** on phone **3221233** or email Navneet.lal@finance.gov.fj or **Naibuka Delana** on **3221236** or email naibuka.delana@finance.gov.fj
- 4.3 We look forward to your continued support in ensuring the successful implementation of this policy.



Akosita Drova

Acting Permanent Secretary for Finance