

EXPLO National Manual for Projects Management

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Performance Bonds Procedure



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Performance Bonds Procedure

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Performance Bonds Procedure

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Performance Bonds Procedure

1.0 PURPOSE

This procedure outlines the requirements for obtaining, verifying, and monitoring 2nd Party Performance Securities.

2.0 SCOPE

This procedure applies to Contract activities conducted under the administration and management of the Contracts Management Department.

3.0 DEFINITIONS

Term	Definition
2nd Party	Contractor, Consultant, Engineer or Supplier who expresses interest in prequalifying for a specific package of Works or Services and upon Award becomes the entity contracted to perform such Works or Services
Laws	Government Tenders and Procurement Law issued pursuant to Royal Decree No. (M/128) dated 13/11/1440 AH and the Implementing Regulations thereof issued pursuant to the Minister of Finance's Resolution No. (1242) dated 21/3/1441 AH and as amended thereafter.
Agreement	Contract or Purchase Order (collectively "Agreement") between the Entity and a 2nd Party
Construction Contractor	The Main or Principal Contractor responsible for undertaking the Construction Works on the Project. Individual(s) or firm(s) engaged in the construction of buildings, either residences or commercial structures, as well as construction activities such as paving, highway construction, utility construction and landscape installation.
Entity	A Saudi Government organization which is responsible for the delivery of government funded infrastructure construction projects.
ITT	Invitation to Tender documents.
Project	Project to be undertaken by an Entity that consists of single or multiple Agreements with 2nd Parties to perform Works or Services as part of the execution plan to deliver such a Project. Scope of Work and/or services identified by Entity that needs to be executed
Services	Provision of technical or consulting services for design, studies, investigations (geotechnical, surveying testing), specialist advice or the like that are not the Works but necessary to support them
Site Construction Department	Department within the Project Management Company that is responsible for Construction activities/operations.
Contracts Management Department	Department within the Entity Project Management Organization (EPMO) or at corporate level authorized to conduct contracts formation and administration activities.
Site Document Control	Department within the Project Management Company that is responsible for the control of all project Documents using ECMS.
Site Engineering Department	Department within the Project Management Company that is responsible for Engineering or design activities/operations.



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Works	Construction or supply of goods, facilities or the like of permanent and temporary nature as contracted by the Entity
ECMS	Enterprise Content Management System.
EPMO	Entity Project Management Organisation.

4.0 REFERENCES

Article One Hundred (100), One Hundred and one (101), One Hundred and three (125), One Hundred and four (104), and One Hundred and five (105) of the Implementing Regulations.

5.0 ROLES & RESPONSIBILITIES

The following defines the individual roles and responsibilities associated with the management and tracking of Performance Bonds:

Individual	Role
Contracts Administrator	Available for assistance in reviewing submitted bonds to be utilized as required
Contracts Management Department	Available for assisting the Finance Department in deciding whether or not to call in the Performance Bond
Finance Department	Has overall responsibility to verify that acceptable performance securities have been obtained prior to 2nd Party mobilization
Legal Department	Available for assistance in reviewing submitted bonds to be utilized as required
Risk Management Department	Available for assistance in evaluating the 2nd Party bond submittals

6.0 PROCESS

A Performance Bond is a surety company's guarantee that the obligations that the 2nd Party undertakes pursuant to the Contract will be performed, including those that extend past final acceptance (e.g. warranty).

A Payment Bond ensures that the 2nd Party's suppliers and subcontractors are paid for the Works/Services and/or materials they supply. Bonding requirements are contained in the Contract. The Performance Bond shall be Five percent (5%) of the total Contract value. The percent value of the Performance Bond shall also be clearly stated in the Invitation to Tender documents ITT.

The amount of the Bond is based on the total Contract price at the time of Award. Accordingly, the value of the Bond must be adjusted to reflect any increase in the total Contract price resulting from processed valuations/change orders.

6.1 Receipt of Performance Bond

The 2nd Party must submit a Performance Bond that meets the contract requirements to the Entity immediately following the Contract Award. No payment will be made to the 2nd Party until they have submitted a Performance Bond which is acceptable to the Entity.

6.2 Review and Approval of Performance Bond

The Contracts Administrator shall verify that the bond conforms to the Contract requirements and that it has been issued by a company on the Entity's approved list. The Entity will also verify that the bond conforms to the Contract requirements and is valid (**Attachment 1**).



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The Entity's Risk Management group will assist in evaluating the 2nd Party bond submittals.

6.3 Renewal and expiry of Performance Bonds

The Performance Bond shall provide coverage for the contractually specified Warranty period and if due to extensions in the completion dates of the Agreement, the Contracts Administrator shall request from the 2nd Party and its surety an amended Performance Bond that aligns with the revised Completion Date. If the 2nd Party does not extend or renew the Performance Bond, the Contracts Administrator shall notify the Director of the Contracts Management Department and the Finance Manager and a decision shall be made to either call the Performance Bond before its expiry date, or retain monies from future Payment Certificates commensurate in value to the value of the Performance Bond that has not been extended, until such time as the Bond is renewed, upon which any retained monies shall be released to the 2nd Party.

6.4 Safekeeping of Performance Bonds

The original documents shall be transmitted to the Finance Department of the Entity for safe keeping in a secure and fire proof safe storage area to ensure preservation of the original documentation for the duration of the Bonds.

6.5 Returning of Performance Bonds

Upon successful fulfilment by the 2nd Party of its obligations under the Agreement, and in accordance with the provisions of the Agreement, the Contracts Administrator shall request from the Finance Department the formal release of the Performance Bonds.

The Performance Bonds shall be returned to the 2nd Party by a formal letter in registered mail or registered courier, or the 2nd Party may collect it in person by nominating an individual and granting that person an authorization to collect such Performance Bond.

The 2nd Party shall sign for the receipt of the Performance Bond and the surety notified accordingly of its return.

7.0 ATTACHMENTS

1. EPM-KD0-TP-000033 - Project Performance Guarantee and Bond Register Template



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Attachment 1 - EPM-KD0-TP-000033 - Project Performance Guarantee and Bond Register Template

PROJECT PERFORMANCE GUARANTEE AND BOND REGISTER TEMPLATE

PROJECT: [INSERT PROJECT NAME & NUMBER]

PROJECT PERFORMANCE GUARANTEE & BOND REGISTER												
Seq Number	Contract Information						Guarantee and Bond Information					
	Contract Number	Contract Administrator	Contractor	Award Date	Mobilisation Date	Completion Date	Type	Underwriter / Surety	Certificate No	Expiry Date	Value (SAR)	Extension Date
1												
2												
3												
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