



Directorate Policy Development and Programme Implementation

Procurement Policy Note #34

Pre-Financing for EU Funded Procurement

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1 Purpose

Currently, it is the prerogative of the Contracting Authority to stipulate (if required), in the Special Conditions, the percentage of Pre-Financing within the Payment Schedule, irrespective of the estimated value of Works, Services and Supply procurement.

In respect of Pre-Financing for EU-Funded Call for Tenders (CfTs), whose estimate value exceeds €100,000 (excluding VAT) and / or whose implementation is longer than four (4) weeks, through this policy guidance, it shall no longer remain an option. The Pre-Financing rates shall be set as described in the 'Policy Content and Guidelines'.

To this effect, such procurement shall have a mandatory clause for the payment of an advance payment against a pre-financing bank guarantee. This guarantee shall be retained until it is fully amortized through the achievement of a clearly indicated milestone or activity, or until the financial equivalent of works, supplies or services have been carried out/provided, and certified correct.

2 Organisational Scope

This is a Government-wide policy. It shall apply to all Ministries/Departments / Entities falling under Schedule 1, 2 and 3 of the Public Procurement Regulations.

3 Definitions

Pre-financing is a short-term advance payment to the contractor to enable him/her to finance the initial purchases or investment connected with the execution of a contract. Such advance payment is backed up by a pre-financing bank guarantee, for the same amount, from the contractor.

4 Policy Content and Guidelines

Pre-Financing for Services and Supplies Contracts

The pre-financing should be set between 40% and 60% of the value of the elements within the Contract. The percentage should be proportional to the scope and nature of the procurement, thus, clearly reflecting the tender milestones and the set targets. Therefore, the beneficiaries are expected to take this into consideration when setting the pre-financing threshold.

Pre-Financing for Works Contracts

The pre-financing should be set at 20% of the value of the elements within the Contract; such a percentage shall be increased to 30% in the case of mobilisation and materials on order.

Determining the Eligibility Component/s

The pre-financing is applicable to components which are related to the initial investment of the contract concerned. Pre-financing should not be provided on components which are of a recurrent nature such as maintenance, service level agreements and other similar actions.

5 Effective

All CFTs published as from the date of this PPN.

6 Applicability

This Procurement Policy Note applies to all approved EU-Funded CFTs, as well as for any procurement being considered for financing through EU funds, with an estimated value exceeding €100,000 (net of VAT) and / or whose implementation is longer than four (4) weeks.

7 Legislative Compliance

Laws of Malta, Subsidiary Legislation 174.04 – Public Procurement Regulations.

8 References

General Conditions for Works, Services and Supply Contracts (version 2.2)

9 Appendices

Nil

10 Other related policy notes published

Nil
