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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 (net of 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.

2 Organisational Scope

This is a Government-wide policy. It shall apply to all Ministries/Departments/Entities falling under Schedule 1 of the Public Procurement Regulations 2016 and Public Procurement (Amendment) Regulations 2017.

3 Definitions

Pre-financing is a short-term advance payment to the contractor to enable him 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 ideally be set between 40% and 60% of the contract award. 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 ideally be set at 20% of the contract award; such a percentage shall be increased to 30% in the case of mobilisation and materials on order.

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

Public Procurement Regulations 2016 and Public Procurement (Amendment) Regulations 2017.

8 References

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

9 Appendices

Nil

10 Other related policy notes published

Nil