



**Public  
Procurement  
Authority**  
Improving efficiency and  
transparency in the Public Service

## **TERMINATION OF CONTRACT FOR (GOODS AND WORKS)**

1

### **LEARNING OBJECTIVES**

By the end of the session, participants will be able to:

- Explain the critical factors to consider prior to making a termination for default decision.
- Describe the circumstances under which a contract can be terminated for unlawful acts
- Explain circumstances that may constitute sufficient grounds to terminate a contract for convenience
- Explain the circumstances that may compel a supplier to terminate a contract.

2

## **TERMINATION OF CONTRACT**

- A contract may be terminated prior to its conclusion and the completion of the deliveries, works or services

3

## **TERMINATION OF CONTRACT**

- When a contract is terminated, the parties are relieved from further unperformed obligations in accordance with the agreed terms and conditions.

4

## **TERMINATION OF CONTRACT**

- Various reasons, some of which are beyond the control of the Parties to the contract and others because of the failings of one party or the other.

5

## **TERMINATION OF CONTRACT**

- Both parties can initiate the process of termination, as provided by the contract conditions

6

## **TERMINATION OF CONTRACT**

### **Grounds for Termination**

A contract may be terminated under distinct processes (as indicated in the STD:

- Termination Liquidated Damages
- Termination for Default
- Termination for Corrupt or Fraudulent Practices
- Force Majeure,
- Termination for Insolvency
- Termination for Convenience

These are the conditions under which contract termination can be effected

7

### **Issues To Be Considered By Procurement Entity Before Deciding To Terminate The Contract**

- Has every possible effort been put forward, in order to assist the Supplier with resolving the non-compliance?
- Have the terms of the contract as well as the relevant legislation been examined in order to ensure the legality of terminating the contract?
- Has the Supplier justified in a convincing manner the appearance of the specific non-compliance?
- How urgent is the need for the supply of the specific product?
- Is there availability of the specific products?
- If yes how much time is required to acquire them?

8

## **Content of Termination Notice**

- Reference number and date of signature of the contract.
- Date on which termination of the contract is to be put into effect
- Reference to the term(s) based on which the contract is terminated
- Complete and precise statement of the evidence justifying the termination
- Statement to the effect that the contract being terminated may be re-announced from the beginning and that the Supplier is considered liable for the additional costs that the Purchaser will incur in order to conduct a new tender

9

## **Contingency Planning**

The contracting entity must ensure that a plan is put in place in order to:

- Mitigate any adverse consequences of termination of contract, in whatever form; and
- To complete the project without undue delay.

10

## **TERMINATION OF CONTRACT**

- Advice from the Attorney- General's dept./ the Legal dept. must be sought if the Purchaser/Employer intends to terminate the contract.