# Termination of government contracts for supply of goods and services and contracts for public works

31.03.2020 2 min read

**Authors**

**Ana Cândida de Mello Carvalho**

**José Guilherme Berman**

When it is no longer viable to maintain a contract for supply of goods or services, whether because of the COVID-19 public health emergency, or for another reason set out in article 78 (XII) to (XVII) of the Government Contracting Law (Law 8666/1993), the government entity can terminate the contract.

In such cases, the supplier under the terminated contract will have the right to (i) payment for the part of the contract that has been performed, (ii) damages for losses resulting from the termination, (iii) compensation for the costs of demobilization (when applicable), and (iv) return of the performance bond.

Certain events associated with the public health emergency may make continued performance of government contracts for the supply of goods and services impracticable. In such cases, the contract can be terminated, under article 78 (XII) to (XVII) of the Government Contracting Law:

- For reasons of public interest that are highly important and widely known, as determined by the highest authority within the administrative sphere to which the contracting party is subject;
- Exclusion, by the government, of works, services or purchases resulting in a change in the original value of the contract of more than 25% in the case of supply of goods and services and more than 50% for refurbishment of buildings or equipment (cf. article 65§1 of the Government Contracting Law);
- Failure by the government to make available, within the time period stipulated in the contract, the place where the works, service or supply were to be performed, the land or thing contemplated in contract, or the sources of natural materials specified in the plans under the contract;
- Duly proven events of force majeure or acts of God that prevent performance of the contract.

On termination any of these reasons (without fault on the part of the supplier), the supplier will have the right to:

1. Payment for the portion of the contract that has been performed;
2. Damages for proven losses suffered by reason of termination;
3. Compensation for demobilization costs, where applicable;
4. Return of the performance bond.

Would you like to have our content delivered directly to your inbox? Sign up here.

---

### Have a look at our content hub

*Image: rawpixel.com / Freepik*

› PROFESSIONALS

## Professionals who combine legal insight and market perspective

**Ana Cândida de Mello Carvalho**

**José Guilherme Berman**