



Background and Purpose

Bonding is the usage of a written instrument that gives a financial guarantee from the supplier and a second party (usually a bank or bonding company) to Mercy Corps in order to ensure fulfillment of certain contractual or other requirements. A bond assures payment of a stipulated amount in case of non-performance on part of the supplier.

Tender/Bid bond: The tender bond amount should at least 5% of the total offer amount. All participating vendors/contracts must be communicated this amount through tender document and bond for same should be accepted along with tender package.

Advance payment bond: Required for all up-front and/or mobilization advance payments for standard tenders. The payment bond should not be less than the amount paid to the contractor as an advance. Both Mercy Corps and contract must agree on the percentage of advance payment in mandatory written clause in the contract. Copy of signed contract must be attached with each advance payment request. Advance payment shall only be made upon receiving of Advance Payment Bond which must be returned to the contractor upon completion of contract, along with performance bond. Advance payment should not exceed 30% of the total contract value.

Performance bond: Performance bond is required after signing contract and before contract execution starts and must be equal (20%) to the total contract value.. Performance bond must be valid for the contract period and minimum three months after the expiry of contract. The release of performance bond (and advance payment bond) is subject to receiving of final completion / satisfaction report from concerned program or department.

Warranty/maintenance bond: Contractor must submit this before final payment is made. The percentage of warranty bond should be 10% of the contract value. The expiry of warranty bond must either be for one year or two years.

The warranty bond must be issued under the name of the final owner of the project.

Risk Insurance: Mercy Corps and Jordanian law require contractor to submit an insurance against risks and hazards such as accident, death, theft, natural disaster etc. associated with any contracts or works. A bidder must provide detail of preferred insurance company which will provide risk insurance. The amount covered under risk insurance must be in line with government of Jordan provisions under the same policy.

Jordanian Insurance Federation (JIF) is authorized department for registration of insurance companies. Procurement department must always refer to the source (www.joif.org) to verify registration status before accepting insurer's company. For this purpose, tender documents should require necessary information from bidders (i.e. name of the insurer company along with complete address). Any insurer whose registration can't be vetted through JIF website will only be accepted after consultation with Senior Director of Global Procurement.

Any situation not covered under this policy will be evaluated and agreed on case-to-case basis and documented in writing. This policy has been written in line with and supplements FP3 section 8.9.

* <http://www.joif.org/>