



Mercy Corps Pakistan Country Program
Standard Operating Procedure – Bonding Requirements
Effective Date: July 19, 2021

SOP#

MC Pakistan/001
Updated Version. July 19, 2021

From:

Operations Manager

To:

MC Staff Member

Reviewed by:

Regional Procurement & Logistics Manager
& Sr. Finance Manager MC Pakistan

Approved by:

Country Director

Purpose / Background:

This Standard Operating Procedure (SOP) is to provide procedures for bonding requirements for construction works and High value tenders for Goods and Services.

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

Scope:

This SOP applies to all construction projects (exceeding USD 20,000) and all High Value (USD 150,000 and above) Tenders for Goods & Services. This SOP will be an integral part of the "Construction Tender Packages" & "High Value Tender Packs for Goods & Services. A commitment letter on supplier/contractor letterhead to Mercy Corps Pakistan's, Bonding Requirements shall be eligibility criteria for bidders.

Policy:

Tender/ Bid Bond:

The tender/bid bond amount should be 5% (Maximum or as mentioned in tender documents) of the total offer amount in a shape of pay order or bank draft in the name of "***Mercy Corps Pakistan***". Tender/Bid bond in a shape of cross cheque or any other form shall not be acceptable. Bidders shall submit original tender/bid bond along with their tender submittals. The validity period of Tender/Bid Bond shall not be less than three months starting from the bid/proposal submission deadline. Bid bond shall be returned to all the bidders after the final selection of the winning supplier/contractor or signing of the contract.

Advance Payment Bond:

The Advance Payment Bond is required for all up-front advance payments. The payment bond shall not be less than the amount paid to the supplier/contractor as an advance. Both Mercy Corps and supplier/contract must agree on the percentage of advance payment in the mandatory written clause in the contract. An advance payment shall only be made upon receiving of Advance Payment Bond. Advance Payment Bond must be returned to the contractor upon completion of the contract, along with the performance bond. An advance payment shall not exceed 20% of the total contract value.



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Warranty/ Maintenance Bond/Performance Bond:

The winning supplier/contract shall submit Warranty/Maintenance/Performance Bond (@10% of the total value inclusive of taxes) in a shape of pay order or bank draft in the name of “**Mercy Corps Pakistan**” at the time of signing contract/Purchase Order. Mercy Corps will hold this for three months starting from the date of completion of construction work/delivery of goods/delivery of services. In-case of any breach of the Contract/P.O by Supplier/Contractor, during this period, Mercy Corps will not release the Warranty/Maintenance/Performance Bond until such breach is corrected and or reimbursement by supplier/contractor in a shape of cross cheque to Mercy Corps for any damages, including, if applicable, liquidated damages. In-case of construction contracts, Mercy Corps will release the bond after three (03) months starting from the date of announcement of satisfactory completion of works by technical/authorized staff. In-case of Goods & Services, Mercy Corps will release the bond after two (02) month starting from the date of GRN/SCR (delivery of Goods and or completion of Services).

Approved by:

Dr. Farah Naureen
Country Director