

7 ■ Technology acquisition process

7.1 Basic Guidelines

The introduction of technology in Customs processes proved to be essential to enhance the efficiency of its own work as well as to facilitate trade. Nevertheless, modern systems are not magic machines which can totally replace good, traditional techniques. They are just an additional tool, and are only as good as the way they are used.

The success of a modernization program is highly related to a proper preliminary needs assessment, careful technology specification, adequate capacity building policy and a proper purchasing process.

1. Needs assessment

Obviously, it is essential to carefully review the actual situation and consider the needs for technology introduction:

- describe the actual process of Customs operation and identify needs/improvements.
- set objectives and main drivers for the new concept
- describe new services/functions to be provided
- describe expected improvements for both Trade and Administration
- indicate any other reason justifying the acquisition
- evaluate reactions to change from both Trade and Administration
- consider technical and organizational risks to change

A preliminary report must be presented to management for strategic decision on project start. This report should present an analysis of the above-mentioned items, as well as an idea of budget and schedule.

2. Technology and solutions available

Once the concept is defined and approved at Management level, the Customs Administration must look for the solutions available on the market.

Industry is proposing various alternatives which must be considered and selected before starting the specification work.

To save time and effort, some Administrations do not spend too much time evaluating and specifying their needs in detail. They launch tenders with open specifications (only defining their needs), enabling all vendors to provide a quotation. This complicates the tenders' analysis and obliges the Administration to make a decision during the tendering process, before it is really convinced that its needs will be met.

Today, most of the technology is accessible and already in use in other countries. It is therefore possible for Administrations to make decisions about this with the help of bilateral cooperation, consultancy assistance, etc.. An important item to be taken into account is the obsolescence of the technology as well as the expected new developments forecast for the near future. A preliminary review of the market must be undertaken and presented to Management for selection of the technological concepts.

3. Project definition

With a clear view of the project objectives and technology concept selected, the scope of the project has to be further studied and defined.

The following items have to be defined in a Project Document:

- Executive Summary presenting general information on the project as well as its main goals and characteristics
- Detailed presentation of the project
- Type of technology to be used
- Customs process to be modernized/reformed
- Map of deployment
- Schedule of implementation
- Budget and financing solutions
- Procurement strategy
- Ownership strategy and external assistance needs
- Operation mode of the systems acquired
- Organizational change to be implemented
- Customs Administration subsequent capacity building needs
- Impact on Customs Administration Human Resources
- Impact on Trade and Stakeholders
- Project Management Organization within Customs Administration
- Possible external co-operation from other members and international agencies
- Possible partnership with private sector for acquisition, operation and financing

4. Technology specification

Once the initial choice of the type of the technology is made, it is necessary to draw up a detailed technical specification which will adapt it to the identified needs and constraints.

This work usually requires the assistance of specialized experts who can quickly understand the situation and propose the adapted solution. Experts can be drawn from among Customs colleagues or independent consultants.

The technical specification of the systems to be acquired must be as detailed as possible but also open to alternatives/options that may be offered by manufacturers.

The specification must not only describe the equipment required but also the support needed from the vendor for documentation, training, commissioning, maintaining, up-grading of the systems to be installed.

To ensure that all systems offered are comparable, the performance of the equipment and its measurement procedure must be also clearly described.

The specification will also state the requested time frame for the delivery, installation, commissioning, training... of the systems.

5. Project organization

From the moment Management decides to go ahead with the modernization program, a Project Management Team has to be organized and established. The Project Manager must be clearly identified and introduced to all internal and external stakeholders.

His mission must be defined and objectives specified. He will have to use project management software and report on project progress on a regular basis. The important milestones of the project are to be set up and approved by Management;

To assist the Project Manager, it may be necessary to appoint officers in charge of some specific part of the technical and/or commercial aspects of the program. Additional expertise may be sourced outside the Administration from independent and neutral specialized organizations and companies. Foreign co-operation with Customs colleagues is quite useful to benefit from previous experience.

6. Purchasing process

Every country has its own procurement procedure but some common guidelines can be established in order to ensure that the procurement process is transparent, fair and comprehensive.

The Request For Proposal (RFP)

Whether the procurement approach is through a formal tendering process or a negotiating mode, the following documents must form the basis of the quotation to be made by vendors:

Technical Request for Proposal

- Detailed technical specifications
- Alternative/Options requests
- Minimum Performance expected from the systems
- Performance Test Procedure
- Maintenance Procedure and requirements

Commercial Request For Proposal

- Schedule of prices and delivery
- Schedule of prices for maintenance for one year and subsequent years
- Request for list of references of the bidder and of the systems offered
- Conditions of eligibility
- Request for Guarantees (Bid bond)
- Format of Contract, including format for guarantees to be issued by the contractor (performance bond, advance payment bond, Guarantee bond...)

Rules and procedures of the RFP

The RFP must also present the rules and procedures of the acquisition process and define the following:

- **Proposal documents**
 - Content and format of bidding documents
 - Schedules to be filled
 - Clarification of bidding documents
 - Pre-bid meeting
 - Amendment of bidding document
- **Preparation of Proposals**
 - Language
 - Documents comprising the Proposal
 - Currency
 - Bid security
 - Period of validity of the Proposal
 - Signing of the Proposal
- **Submission of the Proposal**
 - Sealing and marking
 - Deadline for submission
 - Late Proposals
 - Modification and withdrawal of Proposals

- **Proposal opening and Evaluation**
 - Opening of Proposal
 - Clarification of Proposal
 - Preliminary examination of Proposals
 - Conversion to single currency
 - Technical evaluation
 - Commercial evaluation
 - Domestic preference
 - Contacting the Customer
- **Award of Contract**
 - Post qualification
 - Award criteria
 - Notification of Award
 - Signing of Contract agreement
 - Performance securities

The Proposal

The proposals submitted must include at least the following documents:

Technical proposal

- **Bid Form**
- Executive summary showing vendor understanding of the request
- Technical offer as per the requested format
- Clause by clause approval of the Technical Specification, including appropriate comments showing capacity to fulfill each requirement
- Alternatives/option to the requested technical specification
- Preventive and corrective program, including MTTBF and MTTR as well as the service organization which will be put in place in the country.
- Validated performance test results
- Company presentation

Commercial proposal

- Commercial offer as per the requested format
- Schedules of prices and delivery
- Schedules of prices for preventive and corrective maintenance
- Demonstration of eligibility
- List of references together with evidence (end user certificates, customer certificates)
- Financial guarantees (bid bond)
- Contract clause by clause approval/comments

Technical evaluation (criteria, table of calculation)

The offers must be evaluated using a table of evaluation which takes the following items into account:

- Overall completeness and compliance with the Technical Specification
- Company accumulated experience and background in the field
- Minimum acceptable standards (including compliance with national and international standards such as ISO, WHO)
- Achievement of performance criteria by the systems offered
- Time to deliver and commission
- Availability of the system for the duration of one year
- Responsiveness to preventive and corrective maintenance needs
- Organization to service the equipment on site
- Availability of spare parts in the long term
- Training facilities and organization
- Capacity to assist the Administration in its capacity building needs related to the equipments use

7. Guidelines for a Contract

The following items are to be included in a contract:

- Contract and Interpretation
 - Definitions of key words
 - Relationship between the parties
 - Language
 - Notices
 - Governing law
 - Settlement of disputes
- Subject Matter of the Contract
 - Scope of the Contract
 - Time of commencement
 - Time of completion
 - Contractor's responsibilities
 - Employer's responsibilities
- Payment
 - Contract price
 - Currency
 - Terms of payment
 - Mode of payment
 - Securities
 - Taxes and duties
- Intellectual property
 - Copyright
 - Confidential information

- Execution of the Scope of the Contract

- Work program
- Schedule of delivery
- Subcontracting
- Design and engineering
- Procurement
- Installation
- Specific regulations/law to install
- Factory test and inspection
- On-Site acceptance Test
- Final completion certificates

- Guarantees and liabilities

- Completion time guarantee
- Penalty in case of late delivery
- Penalty in case of late maintenance
- Performance bond
- Warranty guarantee
- Patent indemnity

- Risk distribution

- Transfer of ownership
- Care of facilities
- Loss & Damage to property
- Accident or injury to workers
- Insurance
- Force Majeure

- Change in Contract elements

- Extension of Time for completion
- Termination
- Assignment

The following documents may be annexed to the Contract:

- Detailed Technical Specification approved by the vendor
- Drawings and any other technical document defining, in detail, the scope of work of the Contract
- Detailed maintenance and warranty program
- Factory test acceptance procedure
- On-site acceptance test procedure
- Price Schedules
- Security bond

7.2 CASE STUDY:

The following case study is related to the Zambian Revenue Authority (ZRA) project to purchase scanners to strengthen its border control.

It's a quite good example which shows the full process from preliminary analysis of the situation until purchasing.

The following documents highlight the process described in this compendium:

- The preliminary evaluation report
- The bidding document which comprises the instructions to bidders as well as the contract draft.

To avoid disclosing confidential information and to reduce the volume of pages, the initial document has been considerably reduced so as to show only the main aspects of the process.

“The Preliminary Evaluation Report”

Scanner Project Preliminary Evaluation Report

ZRA is considering installing Non Intrusive Inspection (NII) systems at the borders of the country to better control and facilitate its foreign trade. With a view to initiating a technology deployment, ZRA has asked the WCO to add this specific item to the agenda of the Diagnostic Mission undertaken as part of the implementation of the SAFE Framework of Standard.

1. Purpose of the evaluation mission

- To analyse current border control efficiency
- To consider the need for scanners
- To review the preparatory work done by ZRA
- To envisage the way forward

2. Analysis of border control efficiency

- On: Imports
- Exports
- Transit
- Effect on Trade, and
- Conclusion.

3. The need for scanners

- The use of scanners would definitely help to improve the situation:.....
- With the use of scanners, ZRA would ensure its mandate better:.....
- Nevertheless, the following items must be taken into account:.....
- ZRA should go forward with the deployment of scanners through an appropriate approach.....

4. Review of the preparatory work done by ZRA and recommendations to finalise the project preparation

(text)

5. The Way Forward

5.1 Program definition

The first action is to create a Scanner Project Team. This team is responsible for the preparation and implementation of the Scanner Program

Very shortly, the Team must propose a Scanner Program for approval from the ZRA Authorities. To this end, a document should be prepared that defines:

A. Map of scanner deployment and its Schedule.

Establish a map of scanner deployment according to priorities and flow rates of each entry point. It defines, for each point of installation, the type of system to be installed and the expected date of operation start

B. Budget and Procurement strategy

Determine a budget for the investment as well as for the recurrent costs of operation and maintenance. Besides providing the various costs and their financing solutions, it will also define the expected involvement of the manufacturer in maintaining ZRA scanner infrastructure in the medium/long term. Taking into account budget constraints and PPP possibilities, the document will propose various alternative procurement methods.

C. Description of the type of scanners to be used

Describe the most appropriate scanners for the type of trucks and goods to be inspected at each entry point.

D. Operation and Maintenance outsourcing strategy

Propose a redistribution of the job functions involved in scanner operation among ZRA and third parties. Identify the need for maintenance support and suggest solutions

E. ZRA dedicated Human Resources strategy

Define needs of ZRA scanner operators' resources and propose adapted HR organization.

F. ZRA capacity building needs

Identify ZRA capacity building needs for scanner operation and sustainability

G. Stakeholder participation and contribution

Propose possible partnership with private sector to implement the program.

5.2 Program preparation

Before the tender is launched, the following items must be prepared.

Technical

- Sites analysis and definition of the preparatory works
- Detailed technical specification of the various types of system requested.
- List of ZRA needs for infrastructure, ICT and tools
- Outsourcing strategy for operation and maintenance

Administrative

Prepare the tender process. This includes the technical documentation, the minimum qualifying terms required in order to participate, and the contractual conditions.

Stakeholders

Consider involvement of Trade and other stakeholders in financing the program through levying of a fee. Trade seems willing to contribute to the cost of the scanner program as long as its implementation decreases the constraints and costs involved in crossing the border today. Transparent management of the fees collected will be demanded.

Organization

Propose a dedicated Scanner Workforce within Customs Services.

This will define the quantity of personnel, job descriptions, personnel profiles, selection criteria, management organization, etc...

6. Tentative Schedule

1	Creation of the SCANNER PROJECT TEAM & Organisation of the preparatory work	xxx
2	SCANNER PROGRAM document	xxx
4	SCANNER PROGRAM preparation	xxx
5	Tender launch	xxx
6	Offer submitted	xxx
7	Offer analyses and attribution	xxx
8	Negotiation and signing of Contract	xxx
10	Site preparatory works	xxx
11	Officer selection and training	xxx
12	Scanner commissioning	xxx

“The Bidding document”

Zambia National Tender Board



Government of The Republic of Zambia

Bidding document

TB/ORD/0.../07

Tender for the supply, delivery, installation, commissioning, operation and maintenance of container scanners

Zambia Revenue Authority.

Funding Agency: Zambia Revenue Authority

Zambia National Tender Board
Red Cross House
Los Angeles Boulevard, LUSAKA

August 2007

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Can be obtained by contacting the WCO at: Capacity.building@wcoomd.org

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Section I. Invitation for Bids

TB/ORD/0.../07: Tender for the supply, delivery, installation and commissioning of container scanners

- 1 The Zambia National Tender Board on behalf of the Zambia Revenue Authority invites sealed bids from eligible Bidders for the supply, delivery, installation, operation and commissioning of container scanners as follows:

S/N	Item Description	Quantity	Delivery Period
	Mobile scanners	xx	xx Weeks

- 2 Bidders must quote for all the quantities to be treated as substantially responsive. Bids not offering full quantities shall be considered non responsive and shall be rejected.
- 3 Interested eligible Bidders may obtain further information from the Zambia National Tender Board and inspect the bidding documents at the address given below from 08:00 to 13:00 hrs and from 14:00 to 17:00 hours.
- 4 A complete set of bidding documents in English may be purchased by interested Bidders from the Zambia National Tender Board at the address given below upon payment of a non-refundable fee of ZMK1,000,000.00 or its equivalent in any freely convertible currency at the prevailing exchange rate in cash or by bank certified cheque.
- 5 Bids should be sent clearly marked "Tender for the Supply, Delivery, Installation and Commissioning of Container Scanners – Zambia Revenue Authority" and addressed to the Director General, Zambia National Tender Board and must be received not later than Friday..... 2007 at 14:00 hours local time.
- 6 Sealed bids must be deposited in the Tender Box at the Zambia National Tender Board Offices, 2nd Floor, Red Cross House, Corner Los Angeles Boulevard and Kumoyo Rd, Longacres, Lusaka on or before Friday, 2007 at 14:00hrs local time. All bids must be accompanied by a Bid Security of not less than two (2%) percent of the Bid Sum duly signed by the Guarantor(s). Late bids will be rejected. Bids will be opened soon after closing in the Conference Room on the 2nd Floor, Red Cross House in the presence of Bidders' representatives who choose to attend.

Mr. D. Kapitolo
 Director General
 Zambia National Tender Board
 Red Cross House,
 Corner of Los Angeles Boulevard and Kumoyo Rd
 Longacres
 P.O. Box 31009,
 Lusaka, Zambia.

Section II – Instructions to bidders

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 - 3.1
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 - 4.1
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 - 4.3

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 - 5.1
 - 5.2
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 - 6.1
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 - 7.1
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 - 8.1
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 - 9.1
 - 9.2
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 - 10.1
 - 10.2
 - 10.3

11 Requirements for technical tests & commissioning

11.1

11.2

11.3

12 Standards and quality

12.1

12.2

12.3

B Operation and Maintenance

During the first 12 months after the completion of the facilities, the Contractor will provide full service to the scanners as follows:

- 1 System operation.
- 2 Preventive Maintenance
- 3 Corrective Maintenance
- 4 Penalties
- 5 Assistance with system integration

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7	Form of Operational Acceptance Certificate.....	.XX

1.1 Bid Form

Date: _____
IFB N°: _____

[Name of Contract]

To: [Name and address of Client]

Ladies and/or Gentlemen,

Having examined the bidding documents, including Addenda Nos. [insert numbers], the receipt of which is hereby acknowledged, we, the undersigned, offer to design, manufacture, test, deliver, install, commission, operate and maintain the facilities under the above-named Contract in full conformity with the said bidding documents for the sum of: [amount of foreign currency in words], [amount in figures], and [amount of local currency in words], [amount in figures] or other such sums as may be determined in accordance with the terms and conditions of the Contract. The above amounts are in accordance with the Price Schedules attached hereto and are made part of this bid.

We undertake, if our bid is accepted, to commence the facilities and to achieve completion within the respective times stated in the bidding documents.

If our bid is accepted, we undertake to provide an advance payment security and a performance security in the form, in the amounts and within the times specified in the bidding documents.

We agree to abide by this bid, which consists of this letter and Attachments 1 through [number] hereto, for a period of 90 days from the date fixed for submission of bids as stipulated in the bidding documents, and it shall remain binding upon us and may be accepted by you at any time before the expiration of that period.

Until a formal contract is prepared and executed between us, this bid, together with your written acceptance thereof and your notification of award shall constitute a binding contract between us.

We understand that you are not bound to accept the lowest or any bid you may receive.

Dated this _____ day of _____ 20 _____

[signature]

In the capacity of _____
[position]

Duly authorized to sign this bid for and on behalf of _____
[name of Bidder]

1.2 Price Schedule

Preamble

General 1 The Price Schedules are divided into separate Schedules as follows:

Schedule No. 1	Plant and Equipment (including Mandatory Spare Parts) supplied from Abroad
Schedule No. 2	Plant and Equipment (including Mandatory Spare Parts) supplied from within the Client's Country
Schedule No. 3	Local Transportation
Schedule No. 4	Installation Services
Schedule No. 5	Grand Summary
Schedule No. 6	Recommended Spare Parts

Add any other Schedules as appropriate

2 The Schedules do not generally give a full description of the plant and equipment to be supplied and the services to be performed under each item. Bidders shall be deemed to have read the Technical Specifications and other sections of the bidding documents and reviewed the Drawings to ascertain the full scope of the requirements included in each item prior to filling in the rates and prices. The entered rates and prices shall be deemed to include for the full scope as aforesaid, including overheads and profit.

3 If Bidders are unclear or uncertain as to the scope of any item, they shall seek clarification in accordance with the Instructions to Bidders in the bidding documents prior to submitting their bid.

Pricing 4 Prices shall be filled in indelible ink, and any alterations necessary due to errors, etc., shall be initialed by the Bidder.

5 Bid prices shall be quoted in the manner indicated and in the currencies specified in the Instructions to Bidders in the bidding documents.

Prices given in the Schedules against each item shall be for the scope covered by that item as detailed in the Technical Specifications, Drawings or elsewhere in the bidding documents.

6 Where there are discrepancies between the total of the amounts given under the column for the price breakdown and the amount given under the Total Price, the former shall prevail and the latter will be corrected accordingly.

Where there are discrepancies between the total of the amounts of Schedule Nos. 1 to 4 and the amount given in Schedule No. 5 (Grand Summary), the former shall prevail and the latter will be corrected accordingly.

Where there are discrepancies between amounts stated in figures and amounts stated in words, the amounts stated in words shall prevail.

7 Payments will be made to the Contractor in the currency or currencies indicated under each respective item.

8 Items left blank will be deemed to have been included in other items. The TOTAL for each Schedule and the TOTAL of the Grand Summary shall be deemed to be the total price for executing the facilities and sections thereof in complete accordance with the Contract, whether or not each individual item has been priced.

9 When requested by the Client for the purposes of making payments or part payments, valuing variations or evaluating claims, or for such other purposes as the Client may reasonably require, the Contractor shall provide the Client with a breakdown of any composite or lump sum items included in the Schedules.

Schedules of Rates and Prices

Schedule No. 1. Plant, Equipment, and Mandatory Spare Parts Supplied from Abroad

Item	Description	Code	Qty.	Unit Price	Total Price
				CIP	
			(1)	(2)	(1) x (2)
Total (to Schedule No. 5 Grand Summary)					

Code	Country

Name of Bidder _____

Signature of Bidder _____

Schedule No. 2. Local Transportation, Insurance and Other Incidental Services

Item	Description	Qty.	Unit Price ¹	Total Price ¹
			Local Currency Portion	
		(1)	(2)	(1) x (2)
Total (to Schedule No. 5 Grand Summary)				

Code	Country

Name of Bidder _____

Signature of Bidder _____

Note: This Schedule will only cover items in Schedule No.2. Since the named place of destination is the project site, the transportation costs for Schedule No. 1 items are covered under CIP and therefore should not be stated here.

Schedule No. 3. Installation, Commissioning and Training Services

Item	Description	Qty.	Unit Price		Total Price	
			Foreign Currency Portion	Local Currency Portion	Foreign	Local
		(1)	(2)	(3)	(1) x (2)	(1) x (3)
Total (to Schedule No. 5 Grand Summary)						

Name of Bidder
Signature of Bidder

Schedule No. 4. Maintenance and operation services for 1 year (including Mandatory Spare Parts)

Item	Description	Qty.	Unit Price		Total Price	
			Foreign Currency Portion	Local Currency Portion	Foreign	Local
		(1)	(2)	(3)	(1) x (2)	(1) x (3)
Total (to Schedule No. 5 Grand Summary)						

Name of Bidder
Signature of Bidder

Schedule No. 5. Grand Summary

Item	Description	Total Price	
		Foreign	Local
	Total Schedule No. 1.		
	Total Schedule No. 2.		
	Total Schedule No. 3.		
	Total Schedule No. 4.		
TOTAL (to Bid Form)			

Name of Bidder
Signature of Bidder

Schedule No. 6. Recommended Spare Parts

Item	Description	Qty.	Unit Price		Total Price
			CIP (foreign parts)	EXW (local parts)	
		(1)	(2)	(3)	(1) x (2) or(3)

Name of Bidder
Signature of Bidder

Schedule No. 7. Technical Options

Item	Description	Qty.	Unit Price		Total Price
			CIP (foreign parts)	EXW (local parts)	
		(1)	(2)	(3)	(1) x (2) or(3)

Name of Bidder
Signature of Bidder

2. Form of Bid Security (Bank Guarantee)

[Bank's name and address of issuing Branch or Office]

Beneficiary: _____ [Name and address of Client]

Date: _____

BID GUARANTEE No.: _____

We have been informed that [name of the Bidder] (hereinafter called "the Bidder") has submitted to you its bid dated (hereinafter called "the Bid") for the execution of [name of contract] under Invitation for Bids No. [IFB number] ("the IFB").

Furthermore, we understand that, according to your conditions, bids must be supported by a bid guarantee.

At the request of the Bidder, we [name of Bank] hereby irrevocably undertake to pay you any sum or sums not exceeding in total an amount of [amount in figures] ([amount in words]) upon receipt by us of your first demand in writing accompanied by a written statement stating that the Bidder is in breach of its obligation(s) under the bid conditions, because the Bidder:

- (a) has withdrawn its Bid during the period of bid validity specified by the Bidder in the Bid Form; or
- (b) having been notified of the acceptance of its bid by the Client during the period of bid validity, (i) fails or refuses to execute the Contract Form, if required, or (ii) fails or refuses to furnish the performance security, in accordance with the Instructions to Bidders.

This guarantee will expire:

- (a) if the Bidder is the successful bidder, upon our receipt of copies of the Contract signed by the Bidder and the performance security issued to you upon the instruction of the Bidder; or
- (b) if the Bidder is not the successful bidder, upon:
 - (1) our receipt of a copy of your notification to the Bidder of the name of the successful bidder; or
 - (2) twenty-eight days after the expiration of the Bidder's Bid;
Whichever is earlier.

Consequently, any demand for payment under this guarantee must be received by us at the office on or before that date.

This guarantee is subject to the Uniform Rules for Demand Guarantees, ICC Publication No. 458.

[signature(s)]

3. Form of Contract Agreement

THIS CONTRACT AGREEMENT is made the _____ day of _____, 20_____.

BETWEEN

(1) [Name of Client], a statutory body established under the Zambia Revenue Authority Act Chapter 321 of the Laws of Zambia and having its principal place of business at Revenue House, Kabwe Roundabout, Lusaka (hereinafter called "the Client"), and (2) [name of Contractor], a corporation incorporated under the Laws of [country of Contractor] and having its principal place of business at [address of Contractor] (hereinafter called "the Contractor").

WHEREAS the Client desires to engage the Contractor to design, manufacture, test, deliver, install, complete and commission certain facilities, viz. [list of facilities] ("the facilities") and the Contractor has agreed to such engagement upon and subject to the terms and conditions hereinafter appearing.

NOW IT IS HEREBY AGREED as follows:

Article 1. Contract Documents

1.1 Contract Documents

The following documents shall constitute the Contract between the Client and the Contractor, and each shall be read and construed as an integral part of the Contract:

- (a) This Contract and the Appendixes attached hereto;
- (b) Bid and Price Schedules submitted by the Contractor;
- (c) Special Conditions of Contract;
- (d) General Conditions of Contract;
- (e) Technical Specifications and Drawings;
- (f) Procedures (as listed); and
- (g) Any other documents.

1.2 Order of Precedence

In the event of any ambiguity or conflict between the Contract Documents listed above, the order of precedence shall be the order in which the Contract Documents are listed in Article 1.1 (Contract Documents) above.

1.3 Definitions (Reference GCC Clause 1)

Capitalized words and phrases used herein shall have the same meanings as are ascribed to them in the General Conditions of Contract.

Article 2. Contract Price and Terms of Payment

2.1 Contract Price (Reference GCC Clause 11)

The Client hereby agrees to pay to the Contractor the contract price in consideration of the performance, by the Contractor, of its obligations hereunder. The contract price shall be the aggregate of: [amount of foreign currency in words], [amount in figures] as specified in Price Schedule No. 5 (Grand Summary), and [amount of local currency in words], [amount in figures], or such other sums as may be determined in accordance with the terms and conditions of this Contract.

2.2 Terms of Payment (Reference GCC Clause 12)

The terms and procedures of payment according to which the Client will reimburse the Contractor shall be as follows:
For Schedule No. 1 and Schedule No. 2

- (1) Ninety (90%) of the cost for Schedule 1 and Schedule 2 shall be paid through an irrevocable confirmed letter of credit opened in favour of the Contractor in a bank in its country, upon submission of the following documents:
 - Three (3No.) Originals and two (2No.) copies of the Contractor's invoice showing Goods' description, quantity, unit price, and total amount;
 - Original and two (2No.) copies of the negotiable, clean, on-board bill of lading marked "freight prepaid" and two (2No.) copies of the non negotiable bill of lading;
 - Two(2No.) copies of the packing list identifying the contents of each package;
 - Insurance certificate;
 - Manufacturer's or Contractor's warranty certificate; and
 - A Factory Operational Acceptance Certificate.
- (2) Ten (10%) percent of the cost for Schedule 1 and Schedule 2 shall be paid within thirty (30) days of receipt of the Goods upon submission of claim supported by the acceptance certificate issued by the Client.

For Schedule No. 3

- (1) Ninety percent of the cost shall be paid prior to commencement of the installation, commissioning and training upon presentation of a claim by the Supplier.
- (2) Ten percent of the cost shall be paid within thirty days of completion of installation, commissioning and training upon presentation of a claim supported by the completion certificate.

For Schedule No. 4

Payments shall be made within 30 days of presentation of an invoice after the services have been provided. In the event that the Contractor demands an advance payment, it shall not exceed 10% of the cost and shall only apply to Schedules Nos. 1 to 3. The Contractor shall be required to provide an advance payment guarantee to the sum of the advance payment being claimed.

Article 3. Effective Date for Determining Time of Completion

3.1 Effective Date (Reference GCC Clause 1)

The time of completion of the facilities shall be determined from the date when all of the following conditions have been fulfilled:

- (a) this Contract has been duly executed for and on behalf of the Client and the Contractor;
- (b) the Contractor has submitted to the Client the performance security and the advance payment guarantee;
- (c) the Client has paid the Contractor the advance payment; and
- (d) the Contractor has been advised that the documentary credit referred to in Article 2.2 above has been issued in its favour.

Each Party shall use its best efforts to fulfill the above conditions for which it is responsible as soon as practicable.

3.2

If the conditions listed under 3.1 are not fulfilled within two (2) months from the date of this Contract notification because of reasons not attributable to the Contractor, the Parties shall discuss and agree on an equitable adjustment to the contract price and the time for completion and/or other relevant conditions of the Contract.

Article 4. Appendices

4.1

The Appendices listed in the attached List of Appendices shall be deemed to form an integral part of this Contract.

4.2

Reference in the Contract to any Appendix shall mean the Appendices attached hereto, and the Contract shall be read and construed accordingly.

IN WITNESS WHEREOF the Client and the Contractor have caused this Agreement to be duly executed by their duly authorized representatives the day and year first above written.

Signed by, for and on behalf of the Client

[Signature]

[Title]

in the presence of _____

Signed by, for and on behalf of the Contractor

[Signature]

[Title]

in the presence of _____

4. Performance Security Guarantee

_____ [Bank's Name, and Address of Issuing Branch or Office]

Beneficiary: _____ [Name and Address of Client]

Date: _____

PERFORMANCE GUARANTEE No.: _____

We have been informed that [name of Contractor] (hereinafter called "the Contractor") has entered into Contract No. [reference number of the contract] dated _____ with you, for the execution of [name of contract and brief description of Facilities] (hereinafter called "the Contract").

Furthermore, we understand that, according to the conditions of the Contract, a performance guarantee is required.

At the request of the Contractor, we [name of Bank] hereby irrevocably undertake to pay you any sum or sums not exceeding in total an amount of [amount in figures] (____) [amount in words]¹, upon receipt by us of your first demand in writing accompanied by a written statement stating that the Contractor is in breach of its obligation(s) under the Contract, without your needing to prove or to show grounds for your demand or the sum specified therein.

This guarantee shall be reduced by half upon our receipt of:

- (a) a copy of the Operational Acceptance Certificate; or
- (b) a registered letter from the Contractor:
 - (i) attaching a copy of its notice requesting issuance of the Operational Acceptance Certificate; and
 - (ii) stating that the Project Manager has failed to issue such a Certificate within the time required or provide in writing justifiable reasons why such a Certificate has not been issued, so that Operational Acceptance is deemed to have occurred.

This guarantee shall expire no later than the earlier of:

- (a) twelve months after our receipt of either (a) or (b) above; or
- (b) eighteen months after our receipt of:
 - (1) a copy of the Completion Certificate; or
 - (2) a registered letter from the Contractor, attaching a copy of the notice to the Project Manager that the facilities are ready for commissioning, and stating that fourteen days have elapsed from the receipt of such notice (or seven days have elapsed if the notice was a repeat notice) and the Project Manager has failed to issue a Completion Certificate or inform the Contractor in writing of any defects or deficiencies; or
 - (3) a registered letter from the Contractor stating that no Completion Certificate has been issued but that the Client is making use of the facilities; or
- (c) the _____ day of _____, 20 _____.

Consequently, any demand for payment under this guarantee must be received by us at this office on or before that date. This guarantee is subject to the Uniform Rules for Demand Guarantees, ICC Publication No. 458, except that subparagraph (ii) of Sub-article 20(a) is hereby excluded.

[signature(s)]

¹The Guarantor shall insert an amount representing the percentage of the Contract Price specified in the Contract and denominated either in the currency(ies) of the Contract or a freely convertible currency acceptable to the Employer.

5. Bank Guarantee Form for Advance Payment

[Bank's Name, and Address of Issuing Branch or Office]

Beneficiary: [Name and Address of Client]

Date: _____

ADVANCE PAYMENT GUARANTEE No.: _____

We have been informed that [name of Contractor] (hereinafter called "the Contractor") has entered into Contract No. [reference number of the contract] dated [date] with you, for the execution of [name of contract and brief description of Facilities] (hereinafter called "the Contract").

Furthermore, we understand that, according to the conditions of the Contract, an advance payment in the sum [amount in figures] (____) [amount in words] is to be made against an advance payment guarantee.

At the request of the Contractor, we [name of Bank] hereby irrevocably undertake to pay you any sum or sums not exceeding in total an amount of [amount in figures] (____) [amount in words] upon receipt by us of your first demand in writing accompanied by a written statement stating that the Contractor is in breach of its obligation under the Contract because the Contractor used the advance payment for purposes other than towards the execution of the works.

It is a condition for any claim and payment under this guarantee to be made that the advance payment referred to above must have been received by the Contractor via his or her account number _____ at [name and address of Bank].

The maximum amount of this guarantee shall be progressively reduced in proportion to the value of each part-shipment or part-delivery of plant and equipment to the site, as indicated in copies of the relevant shipping and delivery documents that shall be presented to us. This guarantee shall expire, at the latest, upon our receipt of documentation indicating full repayment by the Contractor of the amount of the advance payment, or on the _____ day of _____, 2 _____, whichever is earlier. Consequently, any demand for payment under this guarantee must be received by us at this office on or before that date.

This guarantee is subject to the Uniform Rules for Demand Guarantees, ICC Publication No. 458.

[signature(s)]

6. Form of Completion Certificate

Date: _____

Loan/Credit No: _____

IFB No: _____

[Name of Contract]

To: [Name and address of Contractor]

Dear Ladies and/or Gentlemen,

Pursuant to GCC Clause 24 (Completion of the Facilities) of the General Conditions of the Contract entered into between yourselves and the Client dated [date], relating to the [brief description of the Facilities], we hereby notify you that the following part(s) of the facilities was (were) complete on the date specified below, and that, in accordance with the terms of the Contract, the Client hereby takes over the said part(s) of the facilities, together with the responsibility for care and custody and the risk of loss thereof on the date mentioned below.

1. Description of the facilities or part thereof: [description]
2. Date of completion: [date]

However, you are required to complete the outstanding items listed in the attachment hereto as soon as practicable.

This letter does not relieve you of your obligation to complete the execution of the facilities in accordance with the Contract nor of your obligations during the Defect Liability Period.

Very truly yours,

Title
(Project Manager)

7. Form of Operational Acceptance Certificate

Date: _____

Loan/Credit No: _____

IFB No: _____

[Name of Contract]

To: [Name and address of Contractor]

Dear Ladies and/or Gentlemen,

Pursuant to GCC Sub-Clause 25.3 (Operational Acceptance) of the General Conditions of the Contract entered into between yourselves and the Client dated [date], relating to the [brief description of the facilities], we hereby notify you that the Functional Guarantees of the following part(s) of the facilities were satisfactorily attained on the date specified below.

1. Description of the facilities or part thereof: [description]
2. Date of Operational Acceptance: [date]

This letter does not relieve you of your obligation to complete the execution of the facilities in accordance with the Contract nor of your obligations during the Defect Liability Period.

Very truly yours,

Title

(Project Manager)

