Module 2
Procurement Considerations for Borehole Drilling Works
Toolkit Orientation Table

Introduction to the Toolkit
- Definition of terms
- Background to the Toolkit
- Overview of the five modules

Module 1 UNICEF Principles for the Planning, Contracting and Management of Borehole Drilling Projects
- Clarifies stakeholder responsibilities
- Presents eight principles for the professionalization of borehole drilling
- Defines minimum standards and recommends procedures
- Explains different levels of drilling supervision

Module 2 Procurement Considerations for Borehole Drilling Works
- Defines procurement process and responsibilities
- Provides guidance for risk management
- Compares two solicitation methods: ITB and RFPs
- Highlights key considerations during the pre-contractual, contracting and contract administration phases including the evaluation of technical and financial proposals and the payment schedule

Module 3 Borehole Siting and Drilling Supervision Consultancy
- Provides template of Terms of Reference which includes:
  ▪ Description of the assignment
  ▪ Supervisor’s checklist
  ▪ Deliverables and reporting requirements
  ▪ Suggested Bill of Quantities for the consultancy services
  ▪ Completion certificate templates
- Includes template for UNICEF Agreement for Borehole Siting and Drilling Supervision Consultancy Services

Module 4 Terms of Reference for Borehole Drilling Works and Pump Supply and Installation
- Includes overview of how to select and specify handpumps and assure their quality
- Provides templates for:
  ▪ Terms of Reference for Borehole Drilling Construction and Development of the Borehole
  ▪ Terms of Reference for the Supply and Installation of Pumps
- Provides Technical Specifications for the borehole and a suggested format for the borehole completion record

Module 5 UNICEF Request for Proposal for Services for Borehole Drilling Works
- Follows the UNICEF frame of Request for Proposal for Services in VISION and advises on options and elements
- Includes template Bill of Quantities for borehole drilling works
Module 2 - Contents

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Abbreviations and Acronyms

BoQ    Bill of Quantities
CFM    Cubic foot per minute
CP     Contractual Provisions
CRC    Contract Review Committee
DTH    down-the-hole
ITB    Invitation to Bid
ITBS   invitation to Bid for Services
PDI    Pre-Delivery Inspection
RFP    Request for Proposal
RFPS   Request for Proposal of Services
ToR    Terms of Reference

Definitions

Refer to the Toolkit Introduction for definition of terms.
2.1 Introduction

The UNICEF Toolkit for Borehole Procurement and Construction (subsequently referred to as the Toolkit) has been developed to bring uniformity to practices and to guide UNICEF staff involved in borehole procurement and the supply of equipment, as well as contracting consultancy services for borehole siting and supervision. The Toolkit comprises five modules (see cover page).

Module 2 – Procurement Considerations for Borehole Drilling Works – highlights key aspects to be considered in the procurement process for borehole drilling construction. It should help UNICEF programme and supply staff in the country offices to work together in the project planning, procurement and contract management. The module defines the roles and responsibilities of UNICEF Programme and Supply staff at each stage of the procurement process as well as guidance on risk management. It specifically provides key information for the pre-contractual and contracting phases including, advice for pre-qualification of drilling contractors and a list of the key contract documents. Module 2 provides a clear comparison of the two solicitation methods likely to be used in borehole projects – ITB (invitation to bid) and RFPS (request for proposal for services) and advice on which one to use. Guidance on evaluating the technical and financial proposals is given, including suggested criteria for the evaluation assessment. The payment schedule is described in detail.

Although Module 2 provides guidance in the preparation of contract documents for boreholes that are procured and contracted by UNICEF directly, the document should also be useful for Governments and NGOs. However, Government will have to adhere to public procurement procedures, and other agencies will use other Information Technology (IT) systems for generating key documents.

It should be noted that throughout Module 2:
- Programme staff refers to WASH Programme Staff in the UNICEF Country Office
- Supply staff refers to Supply Staff in the UNICEF Country Office.

For UNICEF, the contract issued at the end of the procurement process is generated in VISION\(^1\). The preparation of accurate documents (e.g. Terms of Reference, Bill of Quantities and solicitation documents) is essential to ensure that an appropriate and good quality contract is generated. For the procurement and contracting of borehole siting, construction and supervision, it is extremely important to take into account all of the aspects highlighted in this module of the Toolkit.

The Toolkit provides flexibility so that it can fit the circumstances of a particular project. It should be noted that national laws, standards and codes are to be adhered to, unless otherwise specified. Advice and key elements (such as relevant principles) to take into consideration are highlighted in blue text boxes throughout the document (e.g. Box X).

Box X Sample box containing advice and key elements that should be taken into consideration

When commencing with an Invitation to Bid, UNICEF procurement ......

\(^1\) VISION is the Virtual Integrated System of Information, which is the Information Technology – IT – system used by UNICEF.
2.2 Procurement Process and Responsibilities

The objective of procurement is the timely acquisition of goods, services and works while addressing guiding principles. The procurement process shall be carried out within the framework of the UN Financial Rules and Regulations as well as the UNICEF Supply Manual. The procurement processes for services and goods follow the same cycle, which can be divided into a series of steps within four phases:

- Pre-contractual phase
- Contracting phase
- Contract administration phase
- Post-construction phase

Clarifying responsibilities from the outset helps everyone to know what they should be doing and when, aids timely delivery, and can enable the procurement process to run smoothly. Table 2.1 sets out the different steps for each of the above phases and the respective responsibilities of UNICEF WASH Programme and Supply staff.

Sections 2.3 and 2.4 of this module highlight specific elements that need particular attention for the acquisition of services the construction of boreholes in the pre-contractual, contracting and contract administration phases of the procurement process.

Figure 2.1  Good procurement planning is essential to ensure that high quality boreholes are constructed.

Full details on the procurement process can be obtained in the following documents:

- *UN Procurement Practitioner's Handbook, Chapter 3: Procurement Process*[^2]
- The e-course "Contracting for Services: Case Studies on Institutional Contracts" is available online[^4].

[^2]: UNICEF Internal Document available on: [https://intranet.unicef.org/Policies/DHR.nsf/6203f70108e0e1685256720005e21bfe/0df16cc9918d2fa1c1257f2b00415233?OpenDocument](https://intranet.unicef.org/Policies/DHR.nsf/6203f70108e0e1685256720005e21bfe/0df16cc9918d2fa1c1257f2b00415233?OpenDocument)


Table 2.1  Overview of procurement phases and responsibilities of UNICEF programme and supply staff

<table>
<thead>
<tr>
<th>Phase and Steps</th>
<th>WASH Programme Team</th>
<th>Supply Team</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-Contractual</strong></td>
<td>Where Request for Proposal for Services (RFPS) is the preferred method of solicitation: prepare Terms of Reference (TOR), provide evaluation criteria and Bill of Quantities (BOQ)</td>
<td>Providing advice on the contract (e.g. payment terms, contracting option, TOR templates)</td>
</tr>
<tr>
<td></td>
<td>Where Invitation to Bid (ITB) is used, prepare detailed specifications</td>
<td></td>
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<tr>
<td></td>
<td>Prepare Engineers Estimate (Confidential BoQ) and estimate siting and supervision costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Risk analysis</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contracting</strong></td>
<td>Participate in the technical evaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manage site visit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Review clarifications</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Participate in kick off meeting</td>
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<td></td>
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<tr>
<td><strong>Contract Administration</strong></td>
<td>Respect of all parts of the contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supervise the deliverables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Certify all invoices with payment terms</td>
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<tr>
<td></td>
<td>Notify provision of any extension or modification of at least three (3) months before the contract expires</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guide programme staff on contract conflict (e.g. General Terms and Conditions – GTC, Contractual Provisions – CP and Payment terms)</td>
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</tr>
<tr>
<td></td>
<td>Modify or cancel the contract to reflect changes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monitor the status of open contracts in VISION (ZMONICON)5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Post-contractual</strong></td>
<td>Performance evaluation (and inform Supply Staff)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>At the end of the contract, notify the supplier that the activities have been completed and no outstanding payments are due</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provisional handover and final handover (releasing guarantees)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Closing contracts at the instigation of the contractor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Include assessment of the final performance of the contract in VISION and copy paper on the contract file</td>
<td></td>
</tr>
</tbody>
</table>

5 VISION T-code (Transaction code in UNICEF Information Technology – IT System, VISION)
2.3 Risk Management

Risk management mitigates the impact of risks by reducing the likelihood of their occurrence and/or reducing avoidable consequences through planning, monitoring and other appropriate actions. Responses to risk include ignore, reduce, transfer and manage. It is essential to decide which party is most appropriate to manage each of the risks identified. Risks can be clustered in three main groups:

- **Environmental** – includes risks from the political environment, market environment or delivery infrastructure environment, among others.
- **Programme** – risks relating to the complexity associated with the nature of the service to be acquired, among others.
- **Implementation** – risks associated with the implementation unit capacity.

Risk management is undertaken throughout the life of a project. A risk register provides a framework in which problems that threaten the delivery of the anticipated benefits are captured. It comprises a dashboard that records identified risks, their severity, and the actions or steps to be taken. The risk register should be made visible to project stakeholders so that they can see that risks are being addressed. They may also flag risks that have not been identified and propose other options for risk mitigation.

Project Managers (programme staff) and Supply Managers (supply staff) should both use the risk register to identify, assess and manage risks down to acceptable levels and instigate actions to reduce the probability and the potential impact of specific risks. Table 2.2 sets out key questions in the risk management cycle, and Table 2.3 provides an overview of the risks to be monitored and mitigated for projects to procure and construct boreholes. Table 1.3 (Toolkit – Module 1) categorises the risk of dry boreholes and implications for siting.

Table 2.2 Key Questions to be asked in the Risk Management Cycle

<table>
<thead>
<tr>
<th>Component</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Risk Identification</td>
<td>What are the key risks and opportunities?</td>
</tr>
<tr>
<td>2. Risk Assessment</td>
<td>How does the potential impact relate to our risk tolerance? What is the likelihood of a risk event and what would the impact be?</td>
</tr>
<tr>
<td>3. Risk Prioritisation</td>
<td>What are the most critical risk issues that demand attention?</td>
</tr>
<tr>
<td>4. Taking Action</td>
<td>What is the best course of action? What are our strategies? How will we know that our mitigating actions are effective?</td>
</tr>
<tr>
<td>5. Monitoring and</td>
<td>Are action plans being implemented? Are they effective in mitigating risk? How Reporting</td>
</tr>
</tbody>
</table>
### Table 2.3  
*Risks that should be monitored and mitigated in borehole drilling projects*

Note that additional columns covering the probability, impact and Significance Level should be added to the table.

<table>
<thead>
<tr>
<th>No.</th>
<th>Risk Title</th>
<th>Description and Root Causes</th>
<th>Potential Impact of Risk</th>
<th>What the office should do to mitigate the risk</th>
</tr>
</thead>
</table>
| 1   | The whole procurement process is rejected by the local government and has to be restarted. | - Specific local regulations in relation to borehole drilling are not in place or have not been followed.  
- Roles and responsibilities of different stakeholders  
  - client, community, contractor, consultant  
  - are poorly defined.                                                                 | - Loss of reputation by the procuring entity  
- Additional costs  
- Financial risk: unexpected costs arise.  
- Delay in project completion.                                                                 | - The designated representative should be aware and abide with all specific national regulations related to procurement of boreholes including e.g. national procurement acts, national water policies, strategic frameworks on rural water supply and sanitation, statutory instruments for water well drilling.  
- The designated representative should closely follow up with governmental partners, for example by hiring a consultant specialised in borehole drilling and its procurement to support the team. |
| 2   | Shortlisted suppliers are inexperienced contractors.                      | - Imprecise criteria for evaluating the technical proposal at the pre-qualification stage.  
- Lack of capable staff to carry out the procurement process.  
- Lack of transparency in the procurement process.                                                                 | - Delays in the procurement and implementation process.  
- Contractors may have to be invited from locations distant to the project site.                                                                 | - The procurement staff should be persons qualified or trained in the procurement and management of borehole contracts.  
- The pre-qualification process should be based on evaluation of technical and financial capacities of the bidders as well as adherence to national regulations with regard to drilling permits, licensing, membership of national professional associations.  
- Solicitation should only be opened to pre-qualified contractors. |
| 3   | Proposals from bidders do not correspond to the field reality.           | - Bidders do not have sufficient time or resources for field visits to base their offer on reality. They thus offer a standard approach that does not reflect all costs and technical necessities.  
- Technical specifications are not clear enough for the bidders to propose a consistent offer. Some terms and conditions are not fully understood by the bidders.  
- Lack of or poorly conducted pre-bid meeting                                                                 | - Rejection of bids leading to rebidding and delays in the procurement process.                                                                 | - Tender documents, technical specifications and drawings should be based on the findings of the borehole siting and design process.  
- A pre-bid meeting should be held at which all the technicalities are explained to the bidders by the procurement staff.  
- Bidders should be advised to visit the project location before preparing their bids. |
<table>
<thead>
<tr>
<th>No.</th>
<th>Risk Title</th>
<th>Description and Root Causes</th>
<th>Potential Impact of Risk</th>
<th>What the office should do to mitigate the risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Inconsistent offers received.</td>
<td>Technical specifications are not clear enough for the bidders to propose a consistent offer. Some terms and conditions are not fully understood by the bidders. Lack of or poorly conducted pre-bid meeting.</td>
<td>Rejection of bids leading to rebidding and delays in the procurement process.</td>
<td>Tender documents, technical specifications and drawings should be based on the findings of the borehole siting and design process. A pre-bid meeting should be held at which all the technicalities are explained to the bidders by the procurement staff. Bidders should be advised to visit the project location before preparing their bids.</td>
</tr>
<tr>
<td>5</td>
<td>Delay in receiving goods and starting the project e.g. where UNICEF provides pumps.</td>
<td>Procurement/supply plan does not forecast time for offshore transportation and custom clearance.</td>
<td>Delay in project completion.</td>
<td>A detailed &quot;Procurement/Supply Plan&quot; with origin of goods (type of procurement: offshore or local) and average transit times should be prepared and shared between the supply team and the project manager. Sufficient time for Pre-Delivery Inspection (PDI), transport, custom clearing should be allocated.</td>
</tr>
<tr>
<td>6</td>
<td>Project cost is under budgeted.</td>
<td>Inadequate budgeting and engineer’s estimate. Inexperience or lack of training of the procurement team.</td>
<td>Cancellation of bids. Rebidding required. Delay in project implementation.</td>
<td>Procurement team should comprise trained and experienced staff. A proper engineer’s estimate should be made where every project component is identified and the cost estimated. In addition, a market survey of current drilling cost should be carried out to verify the engineer’s estimate.</td>
</tr>
<tr>
<td>7</td>
<td>The cost per borehole is too high.</td>
<td>The unit cost of a borehole is higher than the budget. Inadequate budgeting and engineer’s estimate.</td>
<td>Cancellation of bids. Rebidding required. Delay in project implementation.</td>
<td>For borehole drilling projects, a bill of quantities should be used. A proper engineer’s estimate should be made where every project component is identified and the cost estimated. In addition, a market survey of current drilling cost should be carried out to verify the engineer’s estimate.</td>
</tr>
<tr>
<td>8</td>
<td>Unacceptably high mobilisation cost.</td>
<td>Bidders probably seek a much higher mobilisation cost due to one of the following factors. Discontinuity in groundwater distribution. Great distances and travelling time between borehole sites. Conflict and insecurity in the project location.</td>
<td>Increase in overall project cost.</td>
<td>Preference should be given to multi-borehole packages in a close geographic area with similar depth and hydrogeology. In addition to facilitating the supervision, this will also facilitate the work of the contractor and allow economy of scale in an area with similar geology requiring identical drilling techniques.</td>
</tr>
<tr>
<td>No.</td>
<td>Risk Title</td>
<td>Description and Root Causes</td>
<td>Potential Impact of Risk</td>
<td>What the office should do to mitigate the risk</td>
</tr>
<tr>
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<tr>
<td></td>
<td>Risk Area: Contract Award Process</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 9   | Delays in the procurement process. | Consideration has not been given to all the steps in the procurement process, and/or the different stakeholders are not involved. | ▪ Delay in project implementation and its benefits to partner communities.  
▪ Drilling period is pushed into the rainy season and cannot go ahead due to accessibility constraints.  
▪ Time available for drilling becomes unrealistically short to complete to satisfaction. | ▪ Proper project management is required.  
▪ Consider multi-year contracts. |
| 10  | Most qualified contractors do not apply. | ▪ Bidding process is cumbersome, imprecise and time consuming for bidders.  
▪ Contract packages too small to attract serious bidders | ▪ Delay in the procurement process. | ▪ Bidding process and documents should be as simple and short as possible.  
▪ A pre-bid meeting should be organised to brief the bidders on their role.  
▪ A hydrogeologist should go through the contract documents to ensure a common understanding of all the salient points. |
| 11  | Contract is missing key elements. | ▪ Contract documents are poorly prepared and/or imprecise. | ▪ Delay in the procurement process. | ▪ A comprehensive TOR and/or BoQ form the foundation of the tendering process. |
|     | Risk Area: Contract Management |                             |                          |                                               |
| 12  | Payment is delayed. | ▪ The contractor claims the work is completed, but verification by the supervisor is delayed.  
▪ Internal processing time is lengthy.  
▪ Security does not allow supervisor to visit the site. | ▪ Contractor might decide to stop all other activities.  
▪ Drillers refuse to work with UNICEF on other projects. | ▪ Take accessibility constraints into consideration and prepare an evolving travel plan according to work advancement.  
▪ Consideration should be given to the internal payment processing time. |
| 13  | Increased cost of services, unplanned costs and dispute with the contractor for the payment of unforeseen works. | ▪ The scope of work is ambiguous, leading to various interpretations. | ▪ Stoppage of work by the contractor.  
▪ Delay in implementation. | ▪ The Terms of Reference should be clear on the deliverables.  
▪ Any change in cost of service or of goods should be validated in advance by the UNICEF Designated Representative.  
▪ As much as possible, responsibilities regarding extra works or expenses such as “dry boreholes” should be clearly identified in advance. |
<table>
<thead>
<tr>
<th>No.</th>
<th>Risk Title</th>
<th>Description and Root Causes</th>
<th>Potential Impact of Risk</th>
<th>What the office should do to mitigate the risk</th>
</tr>
</thead>
</table>
| 14  | Delay in project implementation or non-completion of works | - Lack of planning, milestone tracking.  
- Land ownership conflicts cause delays or lead to sites not being suitable.  
- Poor project management.  
- Security situation impedes movement of project staff. | - The completion of the improved water source is delayed.  
- Partner communities lose interest in the project.  
- The investments made are wasted. | - A clear and detailed project plan with milestones should be developed and validated by UNICEF. This should be provided by suppliers in the ITB/RFP submission.  
- Ensure that all procedures and responsibilities are communicated and understood by partners.  
- A clear reporting schedule should be developed.  
- Regular site visits by UNICEF staff or supervisor.  
- Regular visits to site with the relevant government staff. |
| 15  | Poor quality of work                                | - Lack of proper supervision.  
- Inexperienced or unprofessional drilling contractor. | - Badly constructed boreholes that fail before the designed lifespan.                   | - Competent drilling contractors should be selected.  
- Trained and experienced supervisors should supervise projects.  
- There should be clear TOR for supervision.  
- The work quality should be specified in the TOR. |

**Risk Area: Monitoring & Reporting**

<table>
<thead>
<tr>
<th>No.</th>
<th>Risk Title</th>
<th>Description and Root Causes</th>
<th>Potential Impact of Risk</th>
<th>What the office should do to mitigate the risk</th>
</tr>
</thead>
</table>
| 16  | Boreholes are not maintained after completion.      | - Inadequate consultation with partner communities at the planning stage.  
- Nobody accepts ownership/responsibility for the maintenance of the borehole.  
- No proper handover was done. | - The borehole/handpump malfunctions and is abandoned.  
- The community reverts to unsafe water sources.  
- The impact of the improved water source is not felt.  
- The investment is wasted. | - The community should have been trained in the operation and maintenance of the borehole.  
- The designated representative has to ensure that the driller has complied with all the requirements of the contract, that the installation is working properly and that all the data are collected and submitted.  
- A day should be set aside for handing over the completed borehole to the community and/or the client.  
- A certificate to be signed should be presented. |
| 17  | There is no post-construction monitoring            | - In many countries, post construction monitoring is the responsibility of the local government who are expected to:  
- inspect the facilities  
- check their functionality  
- check yield, water quality  
- support the communities in the maintenance.  
- If the borehole/handpump malfunctions, it may be abandoned.  
- The community will revert to unsafe water sources.  
- The impact of the improved water source is not felt.  
- The investment is wasted. | - Ideally, a budget should be allocated for this activity in the procurement planning phase.  
- The project should raise awareness of the support required among entities that could provide the support.  
- The report of the monitoring should be submitted to the designated authorities and to all relevant entities at the national level. |
2.4 Pre-contractual phase

This section provides a reminder of the international procurement principles that UNICEF is subjected to (as an organisation within the UN system) and explains the special considerations for borehole drilling construction in the pre-contractual phase with respect to the budget, risk management, selection of the solicitation method and the pre-qualification and shortlisting of suppliers (in the case of drilling construction, contractors).

2.4.1 Principles

All UN organisations shall follow the same guiding principles, which are based on the concept of stewardship:

- a) promotion of objectives of the organisation
- b) fairness, integrity and transparency through competition
- c) economy and effectiveness
- d) best value for money

2.4.2 Budget

As stated in Supply Manual, Chapter 4 (Supply Processes), Section 2 (The Supply Requisition), estimated budget for supply, freight and services need to be included in the service requisition. The creation and approval of the requisition authorises the expenditure and reserves funds for the procurement and delivery of the supplies and services.

Although this module focuses on the procurement for the drilling construction activity, the budget for a drilling project needs to also take into consideration the cost of siting and supervision, as well any oversight required. For budgeting purposes, the preparation of an accurate engineer’s estimate (confidential BoQs) for drilling construction is essential, as are realistic estimates for siting and supervision.

2.4.3 Selection of Solicitation Method

The solicitation method to be used depends on the estimated value and technical complexity of the project as follows, and is illustrated in Figure 2.2 and 2.3:

- **Request for Quotations (RFQ)**: only possible if the project value is up to USD 30,000. This method can generally not be considered for large-scale borehole drilling projects.

- **Invitation to Bid (ITB)** for goods or for services over USD 30,000 where the technical requirements can be fully specified. Use the ITB only when a relevant and updated list of prequalified contractors or implementing partners is available and when the technical requirements can be fully specified. Remember that there can be no price negotiation with an ITBS.
- **Request for Proposal (RFP)** for goods or for services, whereby the technical specifications are not fully defined and when the capacity of the supplier has not been fully assessed (i.e. no pre-qualification). An RFP enables UNICEF to conduct negotiations with suppliers, which can be used for example to fine-tune the timeline and customise to the local conditions but must not undermine the quality of the works. In the RFPS, the capacity assessment of bidders (using mandatory criteria that would be used to pre-quality bidders in an ITB) is included within the technical evaluation.

**Figure 2.2 Solicitation Methods**

For borehole drilling projects, UNICEF Offices should use the ITBS or RFPS as summarised below and in Figure 2.3, and detailed in Table 2.4.

**Figure 2.3 Solicitation Method Decision Tree**

UNICEF Offices should avoid using a blended approach for the procurement of borehole construction services as it does not properly combine technical and price factors. A blended approach between the ITBS and RFPS means that the solicitation documents are marked as RFPS but that the award is based on compliance and price alone.
Table 2.4 When to use ITB(S) and RFP(S)?

<table>
<thead>
<tr>
<th>Aspect</th>
<th>ITB (Invitation To Bid)</th>
<th>RFP (Request For Proposal)</th>
</tr>
</thead>
</table>
| **When to use it?**           | The project is fully defined with detailed specifications as well as bidder qualifications and requirements including:  
- technical specifications  
- bill of quantities  
- Project Plan (including schedule and timeline)  
- accurate cost estimate/engineers estimate available | The requirements (e.g. scope of works, technological options, complexity in terms of logistics, detailed expertise and project plan) cannot be described in the tender documents in a complete or definitive manner, so that this has to be defined by the service provider.  
Selection will not be made on compliance and price alone, but rather on the best value for money. The technical proposal submitted by the bidders, including their estimated scope of works based on their expertise and experience, can be assessed in the evaluation. All factors analysed are pre-defined in the RFP as evaluation criteria.  
Bidders are requested to use their expertise and experience to propose the best possible solutions for the project in terms of technology, local materials, work methodology, resources/equipment, team structure and project plan. |
| **Conditions**                | ITB in borehole drilling should be used in conjunction with a pre-qualification exercise, whereby companies that meet the required criteria (including registration, licences, premises, equipment and competence of the staff) have been cleared and shortlisted. Companies that fulfil the prequalification criteria are invited to submit a financial offer. | Since no pre-qualification process takes place, the checks that the bidder fulfils the mandatory criteria are essential and the technical evaluation needs to be very thorough. This should include a desk review and a check of the company’s premises and assets (equipment, machinery, tools), staff and technical resources.  
A weighting between the technical and financial parts of the evaluation needs to be given, with greater weighting allocated to the former (see evaluation section below). There may be need to define a minimum threshold to pass the technical evaluation in order to eliminate briefcase companies that do not have the equipment and sub-contract to others. |
| **Opening of Bids**           | Bids are opened publicly, or (in the case of pre-qualification) in front of the pre-qualified suppliers. | No public opening of the proposals received. Receipt of the proposals is only the first step, leading up to the award of a contract. Other steps, including the technical evaluation and cost factors, are taken before selecting the contractor for contract award. |
| **Evaluation & Award**        | The award is established on the basis of compliance (pass or fail the administrative requirements) and price alone, based on a review of the Bill of Quantities. The company with the lowest acceptable and compliant offer is therefore awarded. | The award is made to the "most responsive offer", which is a combination of the technical and financial offer. The commercial offer is based on a detailed BoQ. Two envelopes are requested and two evaluations performed:  
- technical evaluation  
- For those companies that are technically cleared, the financial envelope will be open and evaluated.  
Points from both steps will be added, and the company with the highest cumulative cost will be considered for the project. 70% (technical) and 30% (financial) is a common weighting, but the financial weighting should not be under 20% (in order to keep some control on costs) and the technical not below 50%. |
| **Negotiation**               | No negotiation allowed                                                                 | Negotiations may be undertaken with those service providers whose proposals have been evaluated and determined as meeting the mandatory and minimum requirements. The negotiation process and outcome shall be recorded in the bid file. |
| **Strengths for borehole drilling works** | Expedite process, as technical evaluation is not required. Can be used in high-value contracts. | ToR could be adjusted to respond to capacity of vendors (e.g. contract package size).  
Possibility to negotiate with bidders.  
No value restrictions. |
| **Limitations for borehole drilling works** | Requires pre-qualification of contractors. | Longer process, as technical evaluation is required. |
2.4.4 Prequalification & Shortlisting of Suppliers

The purpose of **prequalification** is to include only those bidders that are technically and financially capable to carry out the project in a satisfactory manner in the tender process. The prequalification process should eliminate “briefcase” companies which do not have the required equipment or technical competence. The purpose of **shortlisting** is to reduce the number of bidders for a project, especially a complex one. The aim of the bidding process is to maximise competition (not to maximise the number of bidders). Bidding and bids analysis are costly for the bidders and time-consuming for the analysers. Too many bidders on the shortlist may reduce the interest of some in participating in the tender, and result in interesting bidders dropping out.

![Pre-qualification of drilling contractors as potential bidders means that the registration, licences, premises, equipment and competence of the staff need to be checked.](image)

2.4.5 Pre-tender meeting

Prior to releasing the tender, it is very important to organise a pre-tender meeting, in which the details and expectations as well as questions from suppliers can be discussed and clarifications made. This is especially important in cases where the capacity of the suppliers to deal with the tender requirements is weak.

2.4.6 Key Documents

The key documents required are the Technical Specifications, Engineers Estimate (referred to in UNICEF as the confidential BoQ), Bill of Quantities (for an ITBS and RFPS), and Terms of Reference (for RFPS only). It should be noted that no parameters other than those specified in the solicitation documents can be considered during the evaluation.

The **Technical Specifications** provide guidelines for physical dimensions of the boreholes and other installations and the technology to be used in the construction and completion of the works (see Toolkit – Module 4, Annex 4.1).

The **Bill of Quantities (BoQ)** lists all the main components of the project, including estimated quantities for each line item and information on the way suppliers will be paid (see Toolkit – Module 5 – Annex 5.1).

The **Engineer’s Estimate/Confidential BoQ** is used as a benchmark for the financial evaluation. Although the estimate simply indicates the probable order of the cost of the works and provides a guide to the eventual contract sum of award, it is important for it to be as accurate as possible. It should take into account the distances and different terrains of the project locations, which can be quite variable and have cost implications. The
engineers estimate follows the format of the BoQs (see Toolkit – Module 5 – Annex 5.1). In direct tenders by UNICEF, it should be marked “confidential BoQ” and inserted into the tender box.

When opening the financial offers, the technically cleared bids will be compared to the engineer’s estimate/confidential BoQ. If they offer varies by more than 15%, the bid is at risk of being invalidated. The engineer’s estimate/confidential BoQ can also be used for negotiation.

Box 2.1   Engineer’s Estimate (referred to in UNICEF as the confidential BoQ)

Programme staff are responsible for developing and preparing, the engineer’s estimate/confidential Bill of Quantities and Terms of Reference, including the Bill of Quantities.

In the case of an RFPS, the Terms of Reference (ToRs) informs the potential bidders of the technical, financial, commercial, legal, corporate and environmental requirements of the proposal. ToRs are used in administering the contract, including ensuring the timely performance of the supplier. Box 2.1 provides a checklist of questions that can be used to check the quality of the ToR. The UNICEF Supply Section should be consulted to review the draft TOR before signature by the Deputy Representative. The Toolkit – Module 4 provides guidance on developing Terms of Reference for Borehole Drilling Works, including a template that can be amended to suit local requirements and needs.

Box 2.1   Checklist of questions to check the quality of the Terms of Reference

1. What is the purpose of the TOR? (Objective and boundaries – are they clear unambiguous, without any unexplained acronyms)
2. What is the scope of the TOR? (which part of the organisation, approval level, etc.)
3. What are the inputs for this TOR? (data, reports, samples etc.)
4. What are the outputs of this TOR? (Decisions, budget approval, deliverables, sign-off etc.)
5. What are assumptions and resources for this piece of work?
6. What are the risks?
7. Who does what? (By role, if you need to put names in there then make sure you have contingency owners as well)
8. What are the roles and responsibilities? (E.g. organisation, budget owner, technical supervisor, etc.)
9. How often does the review happen? Where and When does the meeting happen?
10. What is the Duration of the scope of work?
2.5 Contracting phase

2.5.1 Negotiations and Best and Final Offer (BAFO)

As noted in Table 2.3, negotiations are in principle\(^6\) only authorised during an RFP. In this case, upon completion of the technical evaluation, the evaluation team may decide to engage in competitive negotiations with all suppliers that have passed the threshold of the technical evaluation. The purpose of negotiations with the suppliers is to clarify ambiguities, correct obvious mistakes, point out weaknesses and deficiencies, and generally seek improvements in both the technical and financial aspects of the offers, for example, regarding lower prices, prolonged warranties, additional discounts, or shorter delivery time.

All suppliers who have attained the best rating/ranking, and provide the best value proposal(s), should be provided with information about the deficiencies in their proposal, and be asked in writing to submit a decisive and final offer by a certain deadline. This is referred to as the Best and Final Offer (BAFO).

The request to submit a BAFO should not contain any information regarding the evaluation, or any information on the chances for contract award. Price increases will not be accepted, however, suppliers may decline to alter the terms of their original proposal. Such a decision will not render them unacceptable. Upon receipt of the BAFOs from the suppliers, the evaluation committee should reconvene and include the new proposals in the technical and financial evaluation, as necessary, and should make a final comparison of the competing offers.

2.5.2 Evaluation Process and Methods for UNICEF Request for Proposal of Services (RPFS)

In the case of RFPS, after the opening of proposals, each proposal will be assessed to see whether it fulfils the mandatory criteria, then on its technical merits and subsequently on its price. UNICEF will set up an evaluation committee composed of technical staff for the technical evaluation. The conclusions from the evaluation committee will be forwarded to the Supply Unit where the financial evaluation will take place. Only proposals that have passed the mandatory criteria and reached the minimum technical score required are thus considered to be technically compliant.

The evaluation is done in 4 stages:

1. Evaluation of mandatory criteria, including administrative evaluation
2. Evaluation of technical proposal
3. Evaluation of financial proposal
4. Overall

In addition to the Technical and Financial Evaluations, UNICEF reserves the right to conduct an independent, administrative validation exercise to ensure that potential Institutions/contractors meet the minimum legal, financial and structural suitability requirements. Institutions/contractors that do not meet such requirements could be disqualified.

2.5.3 Mandatory Evaluation Stage

Mandatory criteria are assessed first, and companies failing those will be disqualified at this stage without any further technical or financial proposal review. This stage includes the administrative evaluation, as well as specific criteria for borehole drilling projects as given in Table 2.5, part A.

\(^6\) For the few exceptions, please refer to Supply Manual, Chapter 6, Section 7
2.5.4 Technical/Financial Weighting

70% (technical) and 30% (financial) is a common weighting for complex projects, where the technical aspect might be privileged. For projects where the scope is relatively standard, a bigger weighting can be given to the price, e.g. 60%/40%. The financial weighting should not be under 20% (in order to keep some control on costs), and the technical weighting should not drop to below 50%.

2.5.5 Technical Proposal

The Technical Proposal must contain complete documentation and information required for UNICEF to comprehensively evaluate each Proposal in accordance with the Evaluation Assessment Criteria contained in Table 2.5, part B. No financial/price information should be contained in the technical proposal.

In the case of a 70/30 Technical/Financial weighting, the Technical Proposal has a total possible evaluation value of 700 points. Technical Proposals receiving 490 points (i.e. 70% of 700 points) or higher will be considered technically compliant and the relevant Financial Proposal will be opened. Proposals which are not considered technically compliant and non-responsive will not be given further consideration.

2.5.5 Evaluation Assessment Criteria

Recommended evaluation assessment criteria for borehole construction projects are set out in Table 2.5. Note that the criteria should be reviewed and amended in light of the specific contract requirements. For example, if the lot size is small, this can provide an opportunity for smaller contractors to bid, and should be taken into consideration in revising the criteria.

<table>
<thead>
<tr>
<th>Evaluation Assessment Criteria</th>
<th>A</th>
<th>Mandatory Criteria</th>
<th>Yes/ No</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1</td>
<td>Is the company registered in [insert country]?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.2</td>
<td>Does the company have a license from [insert institution] to carry out drilling operations in [insert country]?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.3</td>
<td>Tax registration certificate from [insert institution]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.4</td>
<td>Certification of site(s) visit by bidders [clarify which documents are required for this]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5</td>
<td>Does the company have any pending lawsuits, (if no, attach a declaration &quot;no pending lawsuits&quot;)?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Proposals which do not fulfil the mandatory requirement will be considered non-compliant and will not qualify to move to next stage.

<table>
<thead>
<tr>
<th>B</th>
<th>Technical Proposal</th>
<th>Max. Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Overall response</td>
<td>50</td>
</tr>
<tr>
<td>1.1</td>
<td>Signed proposal form completed and attached</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Structure of the proposal following evaluation criteria structure</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Company profile/capacity</td>
<td>100</td>
</tr>
</tbody>
</table>

Company Profile assessment will include but is not limited to an assessment of the documents and other information submitted in the proposal.

---

Note that possibilities for modification to some clauses to suit particular situations are shown with notes are made in [bold italics highlighted in grey]. These criteria are mainly for multiple borehole projects for depths not exceeding 100m and machine drilled. They may have to be modified where single borehole projects or manual drilling are envisaged.
### Evaluation Assessment Criteria

| 2.1 | Company has consolidated annual financial accounts for last two years, copy of the audited financial statements for last two financial years (balance sheet and income statement). | 20 |
| 2.2 | List of major completed and on-going projects in the last two years (only list clients for whom you have drilled [insert number] or more boreholes). For each contract list: year, client name and contact details, contract number, total value of the contract, number of boreholes drilled, number of boreholes rehabilitated. | 40 |
| 2.3 | Has the company drilled boreholes or rehabilitated pump facilities for [insert client] in the last three years? For each contract list: year, project name, contract number, total value of the contract, number of boreholes drilled, number of boreholes rehabilitated. | 20 |
| 2.4 | Is the company a member of a national [or state] drilling association (list the association and provide a copy of the membership card)? | 10 |
| 2.5 | Copy of Insurance policy (legal liability insurance and insurance coverage for goods under transport). | 10 |

#### Team structure

| 3 | Team structure assessment will include but is not limited to an assessment of the documents and other information submitted in the proposal. | 250 |
| 3.1 | Organisational structure – organogram; number of employees and organisational chart. | 20 |
| 3.2 | Project leader including CVs (hydrogeologist or drilling engineer with min. of 10 years’ experience) | 45 |
| 3.3 | Team leader per site including CVs (hydrogeologist or drilling engineer with min. of 5 years’ experience) | 30 |
| 3.4 | Record keeper per site including CV (hydrogeologist or drilling engineer with min of 5 years’ experience) | 20 |
| 3.5 | Full list of other team members included in the organogram (with CVs) (sitting, drilling, pump test, civil works, pump installation) | 20 |
| 3.6 | [Qualified / trained person to undertake geophysical surveys for site location (name, qualification, years of experience and attach his or her CV).] | 20 |
| 3.7 | Hydrogeologist/geologist or trained person to prepare and interpret lithological logs, drill time logs and recommend well assembly and proper well development techniques (mention name, highest degree & years of experience). | 20 |
| 3.8 | Experienced trained drillers, to operate drilling rigs, compressors etc. (give numbers, names, qualification, and experience; attach CV of all). | 30 |
| 3.9 | Qualified/ trained mechanic to repair rigs, compressor, etc. (give names, years of experience). Attach CVs. | 30 |

#### Capacity to carry out pumping test and install pumps.

| 3.11 | Team of trained people to carry out pumping tests (list names of team members). | 20 |
| 3.12 | [Team of trained people to install pumps and construct apron (list names of team members)]. | 15 |

#### Equipment

| 4 | Equipment assessment will include but is not limited to an assessment of the documents and other information submitted in the proposal. | 200 |
| 4.1 | Number of rigs (with a capacity to drill to 100 meters at 8” diameter) within the formations indicated that are in good working conditions and owned by the company (List Make and Model). State if the equipment is owned by the company or leased/rented. | 40 |

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*If siting is not part of the marks for this item should be redistributed.*
### Evaluation Assessment Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4.2</strong> Number or compressors in good working condition owned by company (list make, model and capacity in CFM) – minimum should be 750 CFM. State if the equipment is owned by the company or leased/rented.</td>
<td>40</td>
</tr>
<tr>
<td><strong>4.3</strong> List the type, sizes and number of drill bits and hammers you have in stock. Also, include here the temporary steel casings you have, diameter and numbers. State if the equipment is owned by the company or leased/rented.</td>
<td>25</td>
</tr>
<tr>
<td><strong>4.4</strong> <a href="#">Number of mud pumps with a capacity to drill up to 100 metres. State if the equipment is owned by the company or leased/rented.</a></td>
<td>25</td>
</tr>
<tr>
<td><strong>4.5</strong> <a href="#">Equipment to undertake foam drilling (Yes/No); mention number of boreholes drilled with foam in last two years.</a></td>
<td>20</td>
</tr>
<tr>
<td><strong>Support Vehicle Capacity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>4.6.</strong> Number of heavy trucks (off-road and all-weather) in good working condition (mention capacity, registration and engine number).</td>
<td>30</td>
</tr>
<tr>
<td><strong>4.7.</strong> Number of support vehicles in good working condition (mention capacity, registration number, and engine number).</td>
<td>20</td>
</tr>
<tr>
<td><strong>Capacity to carry out development, pumping test and install pumps.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>4.8.</strong> Type of equipment and discharge capacity to undertake development, pumping test and recovery test (maximum in litres/second and minimum yield in litres/second).</td>
<td>20</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td>100</td>
</tr>
<tr>
<td><strong>5</strong> Description of implementation of work assignment.</td>
<td></td>
</tr>
<tr>
<td><strong>Work Schedule</strong></td>
<td></td>
</tr>
<tr>
<td><strong>5.1</strong> Detailed work schedule including timing for [siting and borehole design], mobilisation to base camp, mobilisation between sites and for each site the drilling, development, pumping test, [pump installation], and demobilisation; and demobilisation from base camp.</td>
<td>40</td>
</tr>
<tr>
<td><strong>Availability to Start Work Immediately.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>5.9</strong> Contractor has capacity to mobilise and start work within two weeks from the date of signing contract (mention if there are on-going works, which equipment is in use).</td>
<td>20</td>
</tr>
<tr>
<td><strong>Methods</strong></td>
<td></td>
</tr>
<tr>
<td><strong>5.8</strong> Operational methods, i.e. description of how the [siting, drilling, borehole design, development, pumping test and pump installation] will be undertaken, highlighting any differences to the Terms of Reference and innovative practices.</td>
<td>40</td>
</tr>
<tr>
<td><strong>Maximum possible technical score</strong></td>
<td>700</td>
</tr>
<tr>
<td><strong>TECHNICAL COMPLIANT SCORE TO QUALIFY:</strong></td>
<td></td>
</tr>
<tr>
<td>For the proposal to be considered technically compliant, the proposer must meet all mandatory criteria and achieve a minimum score of 490 (i.e. 70% x 700) points. Proposals which do not meet the minimum score will be considered technically non-compliant and will not qualify to move to next stage to have their financial proposal opened.</td>
<td></td>
</tr>
<tr>
<td><strong>Maximum Possible Financial Score</strong></td>
<td>300</td>
</tr>
<tr>
<td><strong>Maximum Possible Total Score</strong></td>
<td>1000</td>
</tr>
</tbody>
</table>

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* Mud pumps are not required in every situation. If it is not included the marks for this item should be redistributed.

* Foam is not required in every situation. If it is not included the marks for this item should be redistributed.
2.5.6 Financial Proposal

In the case of a 70/30 Technical/Financial weighting, the total number of points allocated for the Financial Proposal is 300. Points will be awarded on the basis of the best overall value. The Financial Evaluation will consider not only costs, but also review the items listed in the Financial Proposal Evaluation Assessment Criteria (Table 2.5). Institutions/contractors that incur tax-related expenditure in will be reimbursed such expenses at the time of payment as long as the relevant taxes are listed as a separate item on the Invoice. Presentation, details and clarity of Financial Proposals will influence the final assessment.

The formula for determining the financial score is the following:

\[
\text{Financial Score} = \left( \frac{\text{Lowest priced offered in RFPS}}{\text{Price of Contractor’s Offer}} \times 100 \right) \times 0.30
\]

2.5.5 Final Evaluation

The Final Evaluation will be the sum of the Technical and the Financial scores.

UNICEF will award the contract to the vendor whose response is of high quality and clear, and meets the goals of the project with the best overall value, composed of technical merit and price.

2.6 Contract Administration Phase – Payment Schedule

2.6.1 Retention money

Retention is money held by UNICEF as a safeguard against defects which may subsequently develop during the Defect Liability Period. The retention money acts as a guarantee for the Contractor to remedy those defects. Retention is usually set at either 5% or 10% of the value of the Works. This percentage is then deducted from all the interim payments made to the Contractor, and released/paid once the defects are corrected.

Part of the Retention Money can be substituted by an appropriate guarantee.

2.6.2 Advance Payment & Advance Payment Guarantee

Advanced payments expose UNICEF to risk as the Contractor could fail to fulfil its obligation. UNICEF authorising officers should, wherever possible, avoid including advanced payments in a contract or agreement. However, an advance payment can be used in an environment where contractors have insufficient cash flow or access to funds / working capital to initiate the Works. For more details, refer to the UNICEF Supply Division Guidance entitled “Bonds and bank guarantees in Construction Contracts”\(^\text{11}\).

The Financial Circular 33 (Authorization of Advances or Progress Payments for Goods or Services) issued by the Division of Financial and Administrative Management (DFAM) states that the Comptroller sets limits on the authority given to UNICEF offices to make advances or progress payments. When these limits are exceeded, offices must contact the Comptroller for approval. Advance payments may be authorised for goods and

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\(^\text{11}\) Available for download on:
It can also be accessed under Tools and Resources for Construction on
https://intranet.unicef.org/Denmark/danhomepage.nsf/0/22249BDA46BC53C3C1258076003DE3D1
services by “contracting authorities12” for amounts not exceeding 30% of the total contract value or $40,000 or, if advance payments are in line with ‘industry standards’, for amounts up to 100% of the total contract value or $70,000.

The UNICEF Financial and Administrative Policy 513 states that if the amount of the advance for purchase of goods or services is greater than US$10,000, it is standard practice to ask for an unconditional guarantee, usually issued by a bank14 on behalf of the supplier and in favour of UNICEF, to guarantee either delivery according to the contract, or to refund the advance to UNICEF in case of default by the supplier. Any charges for this guarantee must be borne by the supplier. Waiver of this requirement can be requested from the Deputy Director, Division of Financial and Administrative Management (DFAM) with appropriate justification. If approved, the decision will be provided via email. The email approval should be attached to the Purchase Order in VISION.

The contractor shall furnish, no later than five (5) working days following the effective date of the contract, at its own expense, an Advance Payment Guarantee in the form set forth in Annex 2.1, and with such surety or sureties as shall be approved by UNICEF.

2.6.3 Performance Guarantee

The contract must be accompanied by an unconditional Performance Guarantee, cashable on demand of e.g. [5% (five per cent)] of the total cost of the services. The Performance Guarantee may be in the form of a bank guarantee in [currency] issued by a bank located in [country] and acceptable to UNICEF.

The Performance Guarantee shall remain valid for 30 days after the expected Substantial Completion of the works according to the draft timeline. If for any reason the works are delayed, the contractor shall have to submit a new Performance Guarantee valid 30 day after the revised Substantial Completion of the works. This new Performance Guarantee shall have to be submitted at least two months before the expiring date of the original Performance Guarantee.

If the contract allows for taking over of sections or separable parts of the works, the Performance Guarantee shall be valid until the issuance of the last Certificate of Substantial Completion.

The Performance Guarantee shall be released upon issuance of the Substantial Completion Certificate and completion of the Defect Liability Period. Upon request of the Contractor, the financial institution may agree to progressively reduce the guaranteed amount by the amount of interim payments repaid to UNICEF. As evidence, all interim payments certifications from UNICEF shall therefore be submitted to the financial institution.

UNICEF shall have the right to claim payment on the Performance Guarantee in the event that the contractor does not comply with contractual commitment and deliverables.

A sample Performance Guarantee form is provided in the Toolkit Module 2 - Annex 2.2.

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12 “contracting authority” – designated positions at Headquarters and Field Offices that are authorised to enter into contractual arrangement with suppliers.

13 UNICEF Financial and Administrative Policy 5: Cash Disbursements Supplement 2 – Prepayments, Advances, Deposits and Progress Payments

14 “This depends on the country context and fiscal space environment whereby reputable banks are not allowed to issue bank guarantee. In such instances, such guarantee can be obtained by internationally rated Financial institutions i.e. AA+ /AAA rated institutions.”
2.6.4 Interest on Guarantees

UNICEF shall not pay any interest on guarantees.

2.6.4 Milestones and Triggers for Payments

Triggers for payment are set out in the contract. In the case of RFPS, these need to be in line with TOR and payment schedule offered by the vendor. Before finalising the contract with the detailed payment schedule, it is good practice to check that the awarded company will have sufficient cash flow to complete the works. Table 2.6 shows the two options to trigger payments, and Table 2.7 sets out an example of milestones for drilling contracts. On small drilling projects, there are usually 3 milestones associated with payment: mobilisation, handing over and end of defects liability period. On larger projects with 50 or more boreholes, there could be provision for monthly or quarterly payment for boreholes completed in that timeline. The retention money is only paid once the Final Completion Certificate has been issued.

Table 2.6 Options to Trigger Payments

<table>
<thead>
<tr>
<th>Option 1: With Advance Payment Guarantee</th>
<th>Option 2: Without Advance Payment Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment 1: Advance payment (max 30%)</td>
<td>Payment 1: milestone 1/ accomplishment of xx %</td>
</tr>
<tr>
<td>Payment 2: milestone 2/ accomplishment of xx %</td>
<td>Payment 2: milestone 2/ accomplishment of xx %</td>
</tr>
<tr>
<td>Payment X: milestone X/ accomplishment of xx %</td>
<td>Payment X: milestone X/ accomplishment of xx %</td>
</tr>
<tr>
<td>Final payment: ONLY upon completion of defect liability period</td>
<td>Final payment: ONLY upon completion of defect liability period</td>
</tr>
</tbody>
</table>

Table 2.7 Example of Milestones for Borehole Drilling Contract

<table>
<thead>
<tr>
<th>Milestone No</th>
<th>Milestone Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mobilisation</td>
</tr>
<tr>
<td>2.</td>
<td>Monthly/Quarterly payment as agreed*</td>
</tr>
<tr>
<td>3.</td>
<td>Successful handing over</td>
</tr>
<tr>
<td>4.</td>
<td>End of defects liability period and certificate of completion issued</td>
</tr>
</tbody>
</table>

2.6.6 Default by Contractor

In case of default on the part of the contractor in performing any part of the works or in carrying out an instruction issued by the client within a reasonable time, the client will follow relevant contractual clauses (e.g. issue notes, instructions, liquidated damages, contract termination) and eventually shall be entitled to contract employ and pay other persons to carry out the same. Costs consequent thereon or incidental thereto shall be deducted by the client from any monies due or to become due to the contractor.

If the contract is terminated, the Contractor shall issue a certificate for the value of work done and materials ordered less advance payment received up to the date of the issue of the certificate and less the percentage to apply to the value of the work not completed.
Annexes – Toolkit Module 2

Annex 2.1 Advance Payment Guarantee Form

Advance Payment Guarantee

(BANK GUARANTEE)

To: ____________________________________________ (Name of Employer)

________________________________________________ (Address of Employer)

WHEREAS _________________ (name and address of Contractor) (hereinafter called “[XX]”) has undertaken in pursuance of Contract No. _______ dated ___________ to execute _________________ (name of Contract and brief description of works) (hereinafter called “the Contract”).

AND WHEREAS it has been stipulated by you in the said Contract that the Contractor shall furnish a Bank Guarantee by a recognised bank for the sum specified therein as security for compliance with its obligations in accordance with the Contract.

AND WHEREAS we have agreed to give the Contractor such a Bank Guarantee;

NOW THEREFORE we hereby affirm that we are the Guarantor and responsible to you on behalf of the Contractor up to a total of ___________________ [amount of guarantee] _________________________ [in words], such sum being payable, and we undertake to pay you, upon your first written demand and without cavil or argument, any sum or sums within the limits of ____________________ [amount of guarantee] as aforesaid without your needing to prove or to show grounds for your demand for the sum specified therein.

We hereby waive the necessity of your demanding the said debt from the Contractor before presenting us with the demand. We further agree that no change or addition to or other modification of the terms of the contract or of the Works to be performed there under or of any of the Contract documents which may be made between you and [XX] shall in any way release us from any liability under the guarantee, and we hereby waive notice of any such change, addition or modification.

This guarantee shall be valid until the date of issue of the Certificate of Substantial Completion. No change on content or validity of this Bank Guarantee shall be undertaken by the bank without UNICEF permission.

Signature and Seal of the Guarantor _________________________

Name of Bank ___________________________________________

Address ________________________________________________

Date ___________________________________________________
Annex 2.2 Performance Guarantee Form

Performance Guarantee

(BANK GUARANTEE)

To: ____________________________________________ (Name of Employer)

_______________________________________________ (Address of Employer)

WHEREAS ______________________________ (name and address of Contractor) (hereinafter called “[XX]”) has undertaken in pursuance of Contract No. _______ dated ___________ to execute ____________________________ (name of Contract and brief description of works) (hereinafter called “the Contract”).

AND WHEREAS it has been stipulated by you in the said Contract that the Contractor shall furnish a Bank Guarantee by a recognised bank for the sum specified therein as security for compliance with its obligations in accordance with the Contract.

AND WHEREAS we have agreed to give the Contractor such a Bank Guarantee;

NOW THEREFORE we hereby affirm that we are the Guarantor and responsible to you on behalf of the Contractor up to a total of ___________________ [amount of guarantee] _________________________ [in words], such sum being payable, and we undertake to pay you, upon your first written demand and without cavil or argument, any sum or sums within the limits of ____________________ [amount of guarantee] as aforesaid without your needing to prove or to show grounds for your demand for the sum specified therein.

We hereby waive the necessity of your demanding the said debt from the Contractor before presenting us with the demand. We further agree that no change or addition to or other modification of the terms of the contract or of the Works to be performed there under or of any of the Contract documents which may be made between you and [XX] shall in any way release us from any liability under the guarantee, and we hereby waive notice of any such change, addition or modification.

This guarantee shall be valid until the date of issue of the Certificate of Substantial Completion. No change on content or validity of this Bank Guarantee shall be undertaken by the bank without UNICEF permission.

Signature and Seal of the Guarantor _________________________

Name of Bank ___________________________________________

Address ________________________________________________

Date _________________________________________________