

REQUEST FOR PROPOSALS

TECHNICAL ASSISTANCE FOR THE

CUSTOMS TRANSIT CONTROL SYSTEM PROJECT

Submission Deadline: **3:00 PM**

LOCAL TIME

7 November 2007

Submission Place: **Superintendencia de Administración Tributaria**
7 avenida 3-73 zona 9
Torre SAT, Nivel 8
Ciudad de Guatemala
Guatemala, Centroamérica

SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO THE TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID TIME AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.

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Section 1: INTRODUCTION

The U.S. Trade and Development Agency (USTDA) has provided a grant to provide Technical Assistance on the Customs Transit Control System Project for the Superintendencia de Administración Tributaria (SAT) of Guatemala. The grant agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Technical Assistance.

1.1 BACKGROUND SUMMARY

SAT is the organization responsible for administering Guatemala's customs authority, including the customs provisions of treaties and international agreements to which Guatemala is a party. Guatemala's customs facilities process a large volume of commercial traffic that either originates within or is directed from other Central American countries. Additionally, Guatemala processes a significant volume of customs warehouse transfers and cargo inspections for partial or final distribution goods and value-added processes. SAT has primary jurisdiction of the customs procedures for these transfers. The current system has reported significant increases in the rate of international transits and returns that have not arrived at their Guatemalan or other Central American destinations. SAT has requested this Technical Assistance to develop a more efficient and secure system that allows SAT to closely monitor this commercial activity, capture all commercial transactions, and reduce losses. The overall objective of the recommended Technical Assistance is to support SAT in its desire to implement improved customs transit processes and the supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards.

SAT has demonstrated a commitment to undertake customs modernization efforts. In November 2006, representatives of the public and private sectors signed a National Customs Pact to promote transparency, fight corruption and to accompany the customs modernization process. In cooperation with the IMF, World Bank, USAID and the U.S. Customs and Border Protection Agency, SAT has been reforming their risk management processes and receiving training. Additionally, SAT has been working with the Inter-American Center for Tax Administrations (CIAT), to re-engineer the overall customs regime – excluding transit operations. The recommended Technical Assistance would help SAT reform the customs transit components of this larger effort, which would be seamlessly integrated with the work of CIAT.

Implementation of this Project is a high development priority for the Government of Guatemala as they have placed an emphasis on interconnectivity, technical modernization and e-government strategies for economic development. This Project will not only help SAT develop a world class customs transit control ICT system, but will also support Guatemala's national competitiveness goals by improving trade facilitation.

A background Definitional Mission and Desk Study Report are provided for reference in Annex 2.

1.2 OBJECTIVE

The overall objective of the recommended Technical Assistance is to support SAT in its desire to implement improved customs transit processes and the supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. The Technical Assistance includes the following:

- An assessment of the current customs transit control system operations, processes and ICT systems capabilities;
- A re-engineering of the customs transit control system processes;
- The design, development and implementation of systems for customs transit modernization;
- Recommendations for key system and process metrics to measure custom transit control quality and effectiveness;
- Recommendations for ICT systems to increase efficiency;
- Training of customs officials;
- A transition and implementation plan, including pilot testing and evaluation; and
- The implementation of the new Customs Transit Control System.

The Terms of Reference (TOR) for this Technical Assistance is attached as Annex 5.

1.3 PROPOSALS TO BE SUBMITTED

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$387,500 dollars.

1.4 CONTRACT FUNDED BY USTDA

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

Section 2: INSTRUCTIONS TO PROPOSERS

2.1 PROJECT TITLE

The project is called "Customs Transit Control System Project."

2.2 DEFINITIONS

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

2.3 DEFINITIONAL MISSION AND DESK STUDY REPORTS

USTDA sponsored a Definitional Mission and Desk Study to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. A copy of these reports is attached at Annex 2 for background information only.

2.4 EXAMINATION OF DOCUMENTS

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution, and completion of the Technical Assistance.

2.5 PROJECT FUNDING SOURCE

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$387,500 dollars.

2.6 RESPONSIBILITY FOR COSTS

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

2.7 TAXES

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

2.8 CONFIDENTIALITY

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

2.9 ECONOMY OF PROPOSALS

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

2.10 SUBSTANTIVE PROPOSALS

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

2.11 CONDITIONS REQUIRED FOR PARTICIPATION

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to 20 percent of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

2.12 LANGUAGE OF PROPOSAL

All proposal documents shall be prepared and submitted in English and Spanish.

2.13 PROPOSAL SUBMISSION REQUIREMENTS

The **Cover Letter** in the proposal must be addressed to:

Licenciada Carolina Roca
Superintendente
Superintendencia de Administración Tributaria
7 avenida 3-73 zona 9
Torre SAT, Nivel 8
Ciudad de Guatemala
Guatemala, Centroamérica

Telephone: (502) 2329-7070 ext. 1802
Fax: (502) 2362-7550

An original (1) in English and an original (1) and five (5) copies in Spanish of your proposal must be received at the above address no later than 3:00 PM LOCAL TIME, on 7 November 2007.

Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

2.14 PACKAGING

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the originals in English and Spanish and five (5) copies in Spanish should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

2.15 AUTHORIZED SIGNATURE

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

2.16 EFFECTIVE PERIOD OF PROPOSAL

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

2.17 EXCEPTIONS

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

2.18 OFFEROR QUALIFICATIONS

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Technical Assistance services similar to those required in the TOR.

2.19 RIGHT TO REJECT PROPOSALS

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

2.20 PRIME CONTRACTOR RESPONSIBILITY

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

2.21 AWARD

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

2.22 COMPLETE SERVICES

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

2.23 INVOICING AND PAYMENT

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

Section 3: PROPOSAL FORMAT AND CONTENT

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$387,500 dollars.

Offerors shall submit an original (1) in English and an original (1) and five (5) copies in Spanish of the proposal. Proposals received by fax cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

3.2 SECTION 2: COMPANY INFORMATION

3.2.1 Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number, if different from (1).

3.2.2 Offeror's Authorized Negotiator

Provide name, title, address, telephone and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

3.2.3 Negotiation Prerequisites

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Technical Assistance.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the project, either U.S. or local with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN

Describe in detail the proposed technical approach and work plan. Discuss the project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Note specifically any task activities included or excluded and which may differentiate Offeror's technical approach from others. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Technical Assistance.

Offerors may elect to propose alternative approaches and/or activities and tasks if it is felt they will provide technical, schedule, or other advantages to the Grantee. The Offeror should cite the applicability of alternative approaches/activities to achievement of project objectives and the projected advantages to be gained through their use. To assure that all proposals will be comparable and any alternatives will be evaluated against a relevant background each Offeror must provide a full response to the RFP as written before any full or partial alternative is proposed. Alternatives must be clearly identified as such.

3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of Contract,

Description of services provided,
Dollar amount of Contract, and
Status and comments

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.

Section 4: AWARD CRITERIA

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

1. Information and Communications Technology (ICT) Experience, including the following: (35 points)
 - Experience with WCO Customs Data Model Versions 2.0 and 3.0 standards, UNEDocs, ASC X12 and XML schema, and Oracle
 - Experience with system assessment, design and technical specifications
 - Experience with software systems engineering, development and software programming
 - Experience with information technology (IT) needs assessment, process re-engineering and IT systems modernization
 - Experience with the integration of various software modules and systems into working applications
 - Experience with systems development cost/benefit analysis
 - Experience with technical specifications writing and user manual documentation
 - Telecom network planning and operations experience, including disaster recovery and business continuity planning experience

2. Customs Technical Experience, including the following: (25 points)
 - Customs operations review and assessment experience
 - Customs process re-engineering experience
 - Customs organizational design experience
 - Customs transit software development and integration experience
 - Customs risk management skills and experience, including profiling and detection techniques, software systems and analytics, field (border and warehouse) and staff training capabilities
 - Customs training needs assessment, planning and delivery
 - Experience with customs regime human resources organizational design
 - Experience with customs and telecom regulatory and legal issues

3. Technical Approach and Work Plan (20 points)

4. Business and Technical Management Experience, including the following: (15 points)
 - Complex project management experience

- Facilitation and negotiation experience with public and private sector representatives
- Experience with implementation planning, systems integration, field test set-up and evaluation, system implementation and training

5. Economics and Language Experience (5 points)

- Experience with macroeconomics, engineering economics, and service/cost analysis
- Experience and ability to work in the Spanish language

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.

ANNEX 1

Licda. Carolina Roca, Superintendente, Superintendencia de Administración Tributaria (SAT), 7 avenida 3-73 zona 9, Torre SAT Nivel 9, Ciudad de Guatemala, Guatemala, Centroamérica, Tel: (502) 2329-7070 ext. 1802, Fax: (502) 2362-7550

B – Customs Transit Control System

POC Evangelina Kunene, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel: (703) 875-4357, Fax: (703) 875-4009. Customs Transit Control System Project, Guatemala. The Grantee, Superintendencia de Administración Tributaria (SAT), invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms which are qualified on the basis of experience and capability to provide Technical Assistance to Guatemala's SAT to improve its capacity to undertake customs modernization efforts.

The overall objective of the recommended Technical Assistance is to support SAT in its desire to implement improved customs transit processes and the supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards.

SAT is the organization responsible for administering Guatemala's customs authority, including the customs provisions of treaties and international agreements to which Guatemala is a party. Guatemala's customs facilities process a large volume of commercial traffic that either originates within or is directed from other Central American countries. Additionally, Guatemala processes a significant volume of customs warehouse transfers and cargo inspections for partial or final distribution goods and value-added processes. SAT has primary jurisdiction of the customs procedures for these transfers. The current system has reported significant increases in the rate of international transits and returns that have not arrived at their Guatemalan or other Central American destinations. SAT has requested this Technical Assistance to develop a more efficient and secure system that allows SAT to closely monitor this commercial activity, capture all commercial transactions, and reduce losses.

The U.S. firm selected will be paid in U.S. dollars from a \$387,500 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the Terms of Reference, and background Definitional Mission and Desk Study reports are available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. To request the RFP in PDF format, please go to: <https://www.ustda.gov/USTDA/FedBizOpps/RFP/rfpform.asp>. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax

verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English and Spanish directly to the Grantee by 3:00 PM (local time in Guatemala City, Guatemala), November 7, 2007 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

A N N E X 2

(Background Definitional Mission and Desk Study Reports)

NOTE: As the original Definitional Mission reviewed several different projects in the region, only the portions of the report relevant to the present project are included herein.



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request
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DD. For. B. Ek. G. J. J.

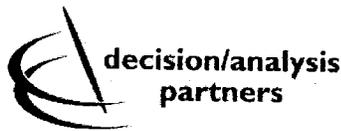
United States Trade and Development Agency

Desk Study for
Guatemala Customs Transit Control System
Project Number: 2007-51012A

Final Report

Z. Brand
2/27

Prepared by



Fairfax, Virginia

June 2007

This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report.

Mailing and Delivery Address: 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901
Phone: 703-875-4357 • Fax: 703-875-4009 • Web site: www.tda.gov • email: info@tda.gov



The U.S. Trade and Development Agency (USTDA)

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

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I EXECUTIVE SUMMARY

1.1 BACKGROUND

In early 2006 the U.S. Trade and Development Agency (USTDA) launched a Central America Free Trade Agreement (CAFTA-DR) Trade Integration Initiative under the umbrella of the Committee on Trade Capacity Building. This initiative was conducted not only in partnership with the CAFTA-DR countries, but also in close cooperation with the Office of the United States Trade Representative, Overseas Private Investment Corporation, the Export-Import Bank of the United States, Millennium Challenge Corporation, the Commerce Department and USAID.

The USTDA commissioned a Definitional Mission (DM) to identify high-priority Information Communications Technology (ICT) projects that could assist Guatemala and the region in trade capacity building. One of the projects recommended as a result of the DM was Technical Assistance to Guatemala's Superintendencia de Administración Tributaria (SAT) to modernize their Customs Transit Control System. The basic requirements underlying this proposed customs improvement project for Guatemala were also identified frequently in interviews with key leaders in government and the private sector in each of the CAFTA countries.

Since the initial recommendation of this project in July 2006, SAT has made substantial progress in their plans to modernize their overall Customs regime. In cooperation with the IMF, World Bank, USAID and the U.S. Customs and Border Protection Agency, some of the actions already initiated include:

- The formation of a National Customs Pact in November 2006 to reduce private/public corruption and modernize the national agenda for customs transparency
- Anti-corruption training and hiring practices
- Risk management processes and training
- Re-engineering recommendations for the overall Customs Regime (excluding transit operations) prepared by the Inter-American Center of Tax Administrations (CIAT)

Accordingly, SAT has requested changes to the original Terms of Reference (TOR) that were proposed in July 2006 that better reflect the progress that SAT has made and the steps still left to be taken.

1.2 OBJECTIVE

The overall objective of this Technical Assistance (TA) project for the SAT is to support the Government of Guatemala in its desire to implement customs transit processes and supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. Specific objectives include:

- Modernization of Guatemala's Customs Transit Control System, both processes and ICT systems, to better track and control international customs transits and transfer traffic both through and within Guatemala
- Harmonization and increased use of electronic data capture

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- Increased use of advance electronic information such as international transit declarations, bills of lading, operators and modes, consistent with the most current version of the WCO standard Customs Data Model
- Provision of quick release benefits and resultant productivity to businesses that meet supply chain security requirements; and improved collection of customs tax revenues
- Support of overall risk management capabilities to detect contraband and/or security threats.

1.3 RECOMMENDATION: GUATEMALA CUSTOMS TRANSIT CONTROL SYSTEM

SAT is responsible for administering Guatemala's customs authority, as well as customs-related issues specified in international agreements and treaties ratified by Guatemala.

As discussed below, Chapter 5 of CAFTA-DR addresses Customs Administration and Trade Facilitation. Clearly, a key aspect of Trade Capacity Building for CAFTA-DR partner nations calls for efficient yet secure customs procedures and border controls.

Because of its key geographical location, Guatemala processes a high volume of transit and transfer traffic through its customs facilities that originates from or is directed to other Central American countries, Mexico and Belize. Within Guatemala, there is also a significant volume of customs warehouse transfers and returns for cargo inspections, partial or final distribution of goods, and for value added processes.

The existing SAT information system controlling customs transfers of goods has reported significant increases in the rate of international transits and internal transfers and returns that have not arrived at their Guatemalan or other Central American destinations. The consequences of transit and/or transfer control failures include:

- Loss of customs revenue to Guatemala or other destination countries
- Slow, inefficient customs processes that are costly both to government and the trading community
- Undetected contraband including drugs, weapons and laundered cash crossing borders

To help correct this situation, it is recommended that the USTDA fund technical assistance (TA) for SAT in Guatemala in the amount of \$387,500. This TA will:

- Review the current Customs Transit regime, including processes and ICT system(s); and
- Design and implement a modern Customs Transit Control System aligned with SAT's goal of adopting the WCO (World Customs Organization) Framework of Standards. The expectation is to more effectively track and control shipments, thus enabling improved customs tax revenue collections while simultaneously improving transit and transfer service performance and efficiencies for the private sector.

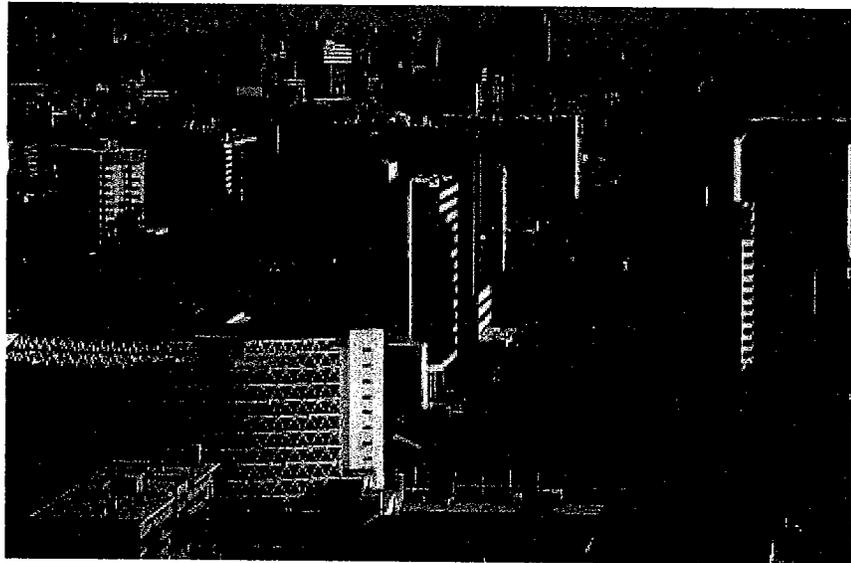
2 REGIONAL BACKGROUND

Central America is the southernmost region of North America, linked to South America at the Columbian border. It consists of the seven republics of Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. It covers 202,200 square miles or 523,698 square kilometers.

The middle portion of Central America is an active zone of volcanoes and earthquakes. It contains the Nicaragua Depression, which includes lakes Nicaragua and Managua. The economies of the countries are becoming increasingly diversified. Though agriculture is still the largest employer, technical employment is increasing as the industrial and service sectors develop.

Central America is a region that is integrating successfully into the global economy. Peace and democracy have been generally established, economies have stabilized, important market-oriented reforms have been implemented and trade and financial openness have increased substantially. However, poverty is still a significant regional problem. Economic and social progress remains constrained by weak institutions and political difficulties. Corruption is an ongoing problem. Regional cooperation and integration is still in very early stages.

The individual countries of Central America are relatively small. As a group, however, they constitute a significant market as they contain about 40 million people, which is larger than Canada. Central America accounts for about 7% of the population in Latin America and the Caribbean.



The Central American countries share history, language and have small domestic markets which depend on exports. They all have economic ties to the United States and face common policy and procedure changes required by the implementation of CAFTA-DR.

During the 1980's, Central America experienced slow economic growth due to adverse external conditions, civil wars in some of the countries and misguided economic policies. Economic growth was restored in the region in the late 1990's through macroeconomic stabilization, structural reforms, trade liberalization and the end of the armed conflicts. In 2001, the region faced slow economic growth in part because some countries were having difficulties with economic reforms and deteriorating external conditions. Lack of economy-driving

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infrastructures in the ICT, energy and transportation sectors also constrained economic growth and continues to do so.

During 2003 and 2004, Central America experienced more favorable economic conditions based on increased exports due to strong U.S demand for regional products, especially coffee. Tables 1 and 2 below provide an overview of overall regional economic indicators, as well as summary trade information between Central America and the United States.

Table 1 – Economic Indicators of CAFTA-DR Countries^{1,2}

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Dominican Republic
GDP (\$ billions)	17.5	14.7	24.0	6.8	2.7	20.5
GDP Growth (%)	5.0	2.2	2.4	1.5	2.3	-1.3
GDP Growth 1980-1990 (%) ³	3.0	0.2	0.8	2.7	-1.9	3.1
GDP Growth 1990-2002 (%) ⁴	4.9	4.3	4.0	3.1	4.3	6.0
PPP Per Capita Gross National Income ^{5**}	8,560	4,190	4,030	2,540	2,350	6,270
Inflation (%)	9.3	2.8	5.5	9.8	6.1	28.0
Current Account Balance (% of GDP)	-5.9	-4.5	-4.3	-7.6	-17.6	4.5
Pop. Below \$1 per day (%) ⁶	2.0	31.1	16.0	23.8	45.1	<2.0

¹ Year 2003 data, except where otherwise indicated

² Sources: World Bank, *World Development Indicators 2004*, pp. 14-15, 54-55 and 178-83, United Nations, *Human Development Report, 2003* and IMF website.

³ Average annual percent growth

⁴ *Ibid.*

⁵ Gross national income(GNI)converted to international dollars in purchasing power parity rates. An international dollar has the same purchasing power over the GNI as a U.S. dollar has in the United States. GNI, formerly represented as GNP by the World Bank, is a different, but similar measure as GDP. Data are for year 2002

⁶ Percentage of population living on \$1 per day or less, most recent survey year.

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Table 2 – U.S. Merchandise Trade with CAFTA-DR Countries (millions)⁷

Country	1999	2000	2001	2002	2003	2004	% Change 2003-2004	% Change 1999-2004
U.S. Exports								
Costa Rica	2,381	2,460	2,502	3,117	3,414	3,304	-3.2%	38.8%
Honduras	2,370	2,584	2,416	2,571	2,826	3,077	8.9%	29.8%
Guatemala	1,812	1,901	1,870	2,044	2,263	2,548	12.6%	40.6%
El Salvador	1,519	1,780	1,760	1,664	1,821	1,868	2.6%	23.0%
Nicaragua	374	379	443	437	502	592	17.9%	58.3%
Dominican Republic	4,100	4,473	4,398	4,250	4,205	4,343	3.3%	5.9%
Total CAFTA-DR	12,556	13,577	13,389	14,083	15,031	15,732	4.7%	25.3%
Mexico	86,909	111,349	101,296	97,470	97,412	110,775	13.7%	27.5%
LAC*	55,153	59,283	58,157	51,551	51,946	61,426	18.3%	11.4%
Latin America	142,062	170,632	159,453	149,021	149,358	172,201	15.3%	21.2%
World	695,797	781,918	729,100	693,103	724,771	817,936	12.9%	17.6%
U.S. Imports								
Costa Rica	3,968	3,539	2,886	3,142	3,364	3,333	-0.9%	-16.0%
Honduras	2,713	3,090	3,127	3,261	3,313	3,641	9.9%	34.2%
Guatemala	2,265	2,607	2,589	2,796	2,947	3,155	7.1%	39.3%
El Salvador	1,605	1,933	1,880	1,982	2,020	2,053	1.6%	27.9%
Nicaragua	495	589	604	679	770	991	28.7%	100.2%
Dominican Republic	4,287	4,383	4,183	4,169	4,455	4,528	1.6%	5.6%
Total CAFTA-DR	15,333	16,141	15,269	16,029	16,869	17,701	4.9%	15.4%
Mexico	109,721	135,926	131,338	134,616	138,060	155,843	12.9%	42.0%
LAC*	58,464	73,348	67,370	69,503	78,829	98,749	25.3%	68.9%
Latin America	168,185	209,274	198,708	204,119	216,889	254,592	17.4%	51.4%
World	1,024,618	1,218,022	1,140,999	1,161,366	1,257,121	1,469,671	16.9%	43.4%
U.S. Balance of Trade								
Costa Rica	-1,587	-1,079	-384	-25	50	-29		
Honduras	-343	-506	-711	-690	-487	-564		
Guatemala	-453	-706	-719	-752	-684	-607		
El Salvador	-86	-153	-120	-318	-199	-185		
Nicaragua	-121	-210	-161	-243	-268	-399		
Dominican Rep	-187	90	215	81	-250	-185		
Total CAFTA-DR	-2,777	-2,564	-1,880	-1,947	-1,838	-1,969		
Mexico	-22,812	-24,577	-30,042	-37,146	-40,648	-45,068		
LAC ⁸	-3,311	-14,065	-9,213	-17,952	-26,883	-37,323		
Latin America	-26,124	-38,642	-39,256	-55,098	-67,531	-82,391		
World	-328,821	-436,104	-411,899	-468,263	-532,350	-651,735		

⁷ Source: Table created by CRS from U.S. Department of Commerce data.

⁸ Latin America and the Caribbean, except Mexico.

3 GUATEMALA: CUSTOMS TRANSIT CONTROL SYSTEM

3.1 BACKGROUND

The ratification of CAFTA-DR by the U.S. Congress and the national assemblies of Nicaragua, Guatemala, El Salvador, Honduras and the Dominican Republic is a historic milestone which was achieved, to a large degree, through the unprecedented cooperation of the public sector and the business communities in Central America and the United States.

Chapter 5 of CAFTA-DR addresses Customs Administration and Trade Facilitation. A key aspect of Trade Capacity Building for CAFTA-DR partner nations includes efficient yet secure customs procedures and border controls. While security is an even more vital concern in supply chain management in the post-9/11 world, the facilitation of trade and commerce, particularly in developing nations, must be equally balanced in any customs improvement solution.

One of the most significant non-tariff barriers to trade is the continuing existence of obsolete customs processes, systems and controls that are costly, slow, non-secure, unreliable, non-transparent and often corrupt. Improved ICT systems and capabilities, enabling global standards of customs processes, are necessary not only for reliable communication of advance electronic communication of required documents, such as bills of lading and international transit declarations (DTIs) but also for accurate data capture and analyses, including risk management.



The Superintendencia de Administración Tributaria⁹ (SAT) is the organization responsible for administering Guatemala's customs authority, including the customs provisions of international agreements and treaties ratified by Guatemala. SAT also specifies standards and processes and deals directly with national and international import/export brokers and transport companies in administering customs regulations and procedures, including regional IT processes.

Guatemala is fortunate to have highly competent leadership at SAT, as well as a skilled and motivated staff. Unfortunately, SAT's obsolete IT infrastructure and certain manual processes are inhibiting its desired progress in implementing the core elements of the World Customs Organization (WCO) Framework of Standards. This includes:

- The integration of systems to provide advance electronic information on inbound, outbound and transit shipments
- The application of risk management techniques to detect contraband shipments and/or security threats
- The provision of quick release benefits to businesses that meet supply chain security standards and best practices.

SAT is one of the 166 global Customs Administrations to adopt the voluntary WCO Framework of Standards in June 2005. Some objectives of the WCO Framework are:

- Establish standards to secure and facilitate global trade
- Enable integrated supply chain management for all modes of transport

⁹ Superintendent of Tax Administration

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- Strengthen customs/business cooperation and efficiency, as well as promote seamless operations and data flow among customs administrations.

Guatemala, because of its key geographical location, processes a high volume of transit traffic originating from or directed to other Central American countries, as well as Mexico and Belize. Within Guatemala, there is also a significant volume of customs warehouse transfers and returns for cargo inspections, partial or final distribution of goods, value added processes, etc.

Table 3 shows the categories, operational transactions and corresponding values (in US\$) reported by SAT for the first three months of 2006. Figure 1 shows the number of transactions graphically.

Table 3 – Guatemala SAT: First quarter 2006 Transit Activity Report

Description	Transaction Codes	Number of Transactions	Value of Transactions (US\$)
International Transits	A	31892	283,840,207
Transfers to fiscal warehouse	B	6785	262,516,451
Transits to Customs	C	4416	64,454,940
Returns from Free Trade Zones	D	2042	42,963,184
Returns from fiscal warehouse	E	4498	20,718,752
Transfers between Free Trade Zones	F	438	19,647,814
Transfers between fiscal warehouses	G	125	1,144,479

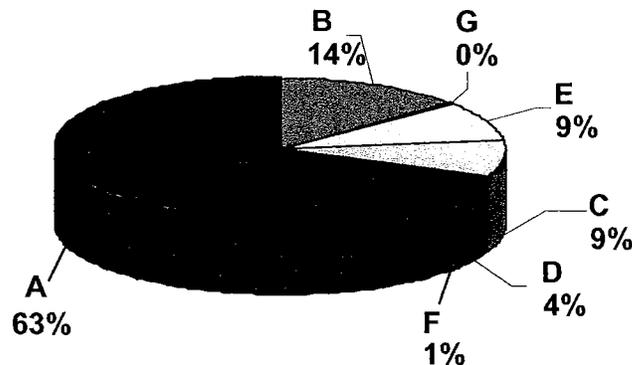


Figure 1 – Customs Transit Transactions

SAT has an existing “Customs Control Information System” that is intended to control customs transfers of goods. Recently, it has reported disturbing increases in the rate of international transits and internal transfers and returns that have not arrived at their Guatemalan or other Central American destinations. The consequences of transit and/or transfer control failures are:

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- Loss of customs revenue to Guatemala or other destination countries
- Slow and inefficient customs processes that are costly both to government and the trading community
- High likelihood of contraband goods with the following consequences:
 - Contraband in the form of illegal goods or cash smuggling poses potential security threats
 - Contraband in the form of consumer goods impacts small and medium businesses and is the basis of unfair “black market” competition, as well as tax revenue loss to governments.

Some of the reasons cited for database errors and unclosed transactions include:

- The IT system and the supporting telecom facilities are unstable and prone to error
- Structural design of the IT system lacks internal audit protocols to detect errors
- While e-government/e-commerce capabilities are increasingly utilized, there are still significant manual entries which allow for error and/or system bypass
- System design is sequential in nature, i.e. point to point, rather than point to multi-point notification of transits. In other words, the Country A to Country B process entails opening and closing of transit information. Then the process is repeated between Country B and Country C and so on.

Furthermore, there are serious control problems for transfer of goods to internal customs when a physical inspection of goods is called for by the IT system:

- The system currently selects shipments for inspection on a purely random basis; there are no risk assessment and management capabilities in the current system
- The SAT Center for Confirmation of Transfers lacks secure processes to control these operations
- There is often no advance knowledge when and why goods are arriving at customs warehouses
- Follow-up and reconciliation processes are manual and unreliable
- The back-up document (Transfer Guide) is easy to modify; system registration capabilities are lacking. Seals can easily be changed
- Analysis of non-arrivals is complicated due to the lack of audit trails. Accordingly, effective follow-up is nearly impossible. Fines and sanctions to offenders are virtually non-existent.

A database error rate of only 1% of Guatemala’s total customs transfer activity, on an annualized basis, results in a tax revenue loss of approximately \$25 million USD. The actual error rate, to be determined upon further analysis as part of the Technical Assistance project recommendation, is probably significantly higher. There is also the possibility that not all shipments even enter the database due to operations and/or ICT failures, as well as corruption in the customs processes at border crossings.

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3.2 OBJECTIVE

The overall objective of this Technical Assistance (TA) for SAT is to support the Government of Guatemala in its desire to implement customs transit processes and supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. Specific objectives include:

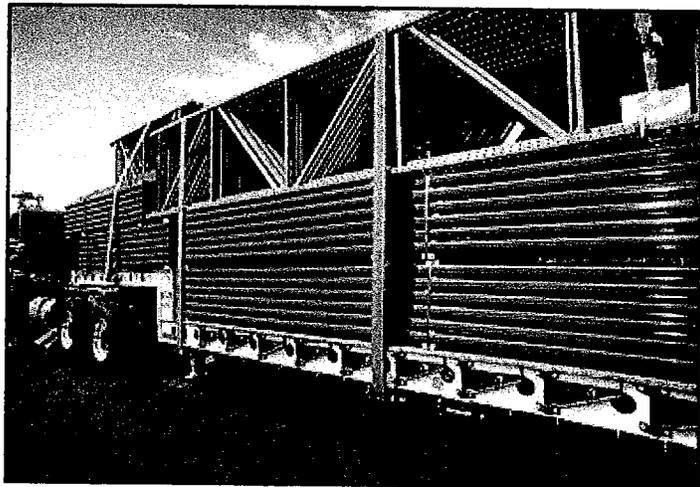
- Modernization of Guatemala's Customs Transit Control System, both processes and ICT systems, to better track and control international customs transit and transfer traffic through and within Guatemala
- Harmonization and increased use of electronic data capture
- Increased use of advance electronic information such as international transit declarations, bills of lading, operators and modes, etc., consistent with the most current version of the WCO standard Customs Data Model
- Provision of quick release benefits and resultant productivity to businesses that meet supply chain security requirements; and improved collection of customs tax revenues by SAT
- Support of overall risk management capabilities to detect contraband and/or security threats.

3.3 PROJECT DESCRIPTION

The Customs Transit Control System project is intended to result in a comprehensive strategy for modernizing SAT's custom transit control processes and IT infrastructure. This strategy will include pilot testing and general implementation of a system that will improve the security and reliability SAT's ICT network.

The TA will include:

- Review of existing system and processes; stakeholder interviews and workshops
- System design using WCO and other global customs "best practices"
- Business process re-engineering
- Design, development, documentation and implementation of software and systems
- Full integration and inter-operability with relevant SAT Customs IT systems and processes
- Relevant, accurate and timely reporting of statistical and key service indicators (KSI) of performance for SAT, other relevant government agencies, and international transit transportation carriers
- SAT personnel training



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3.4 DEVELOPMENTAL IMPACT

The modernization of SAT's Customs Transit Control System will not only include the adoption of world-class customs transit control ICT systems and processes for Guatemala, but will also serve as a model for the region. Lessons learned from SAT's modernization experience will facilitate subsequent replication in other CAFTA-DR countries and provide the basis for a regionally integrated customs transit control system.

Implementation of the CTCS supports Guatemala's National Competitiveness goals by improving both e-Government and e-Commerce capabilities in the facilitation of trade. It will provide measurable economic benefits through:

- Improved flow of legitimate traffic at the borders and internally
- Enhanced tax revenue collections
- Lower unit costs for both the government and truck transportation carriers due to increased transaction productivity
- Reduced contraband
- Improved balance between trade facilitation and border security
- Improved ability to attract international investors involved in regional and international trade that requires the import/export and transportation of goods.

3.5 INTERNAL PROJECT SPONSORSHIP

The recommended Grantee and sponsor of this TA is the SAT. Superintendent Carolina Roca is enthusiastic about the opportunity to sponsor this USTDA TA and is fully committed to insuring its success. Superintendent Roca will not only provide personal leadership and staff support, but has also recommended inclusion of relevant private sector and government stakeholders to form a high level Advisory Group to review options and achieve consensus at critical decision points. Each organization on the Advisory Group will also provide representatives at the working level to support the USTDA consultants and the core SAT Work Team.

The Advisory Group will be led by SAT Superintendent Carolina Roca, and may include key leaders from the public and private sector, for example:

- Association of International Carriers (ATI); Guatemala
- Chamber of Central American Carriers (CATRANSCA); Guatemala
- Dirección Ejecutiva de Ingresos (DEI); Honduras
- Ministry of the Economy; Guatemala
- Secretary of Economic Integration of Central America (SIECA); Guatemala
- Programa Nacional de Competitividad (PRONACOM); Guatemala.

The customs transit problems were identified by key government, NGO and private sector organizations as a most critical issue requiring careful political and regulatory decisions, as well as world-class technical solutions. In sum, there is strong and wide support for this project not only within the government but also in the private sector.

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Superintendent Roca's contact information is:

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7 Av 3-73 Zona 9
Guatemala City 01009, Guatemala
Tel: (502) 2362-7571
Fax: (502) 2362-7528
croca@sat.gob.gt

Finally, because this project is intended for possible regional replication, Superintendent Roca is pleased to invite her counterpart from Honduras, Armando Sarmiento, Director General of the Department of Revenue, (Dirección Ejecutiva de Ingresos, DEI) to participate as a member of the Advisory Group.

Honduras is a vital link in the regional customs transit processes due to the heavy volume of Central American international commercial truck traffic originating or terminating at the Port of Cortez. The majority of this commercial truck traffic transits through Honduras as part of the international trade delivery of goods to or from the region through the Port of Cortez. Executive Director Sarmiento expressed deep concern about this problem during the DM team's interview with him in Honduras. Accordingly, he desires to actively participate and contribute to Guatemala's successful strategy development and implementation of a replicable solution. Director Sarmiento's contact information is:

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Director Ejecutivo
Dirección Ejecutiva de Ingresos, Honduras
Edificio "Gabriel A. Mejía"
Costado Norte Embajada Americana
5to Piso Col. Palmira
Tegucigalpa, Honduras
Tel: (504) 238-2525
Fax: (504) 221-5593
director@dei.gob.hn

3.6 FINANCING & SUSTAINABILITY

SAT's Customs organization is a competent organization eager to improve their critical mission of customs control and trade facilitation. The requisite human capital is in place at headquarters and will likely remain there to ensure long-term project sustainability. Corruption at the borders is a concern that is being aggressively addressed through the National Customs Pact which was signed in November 2006. Improved collection of customs duties will not only provide the source of funds for project implementation, but also for ongoing operations and system maintenance to ensure long term financial sustainability of this project.

The granting of SAT's request for technical assistance will develop the relevant business, technical, transition and implementation plans, including the requisite processes and ICT software platform to modernize Guatemala's Customs Transit Control System.

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The government of Guatemala has funds available and is capable and willing to finance the initial procurement of the hardware (and software licenses, if required) to upgrade their system.

Initial SAT staff estimates for Customs Transit Control System project software and hardware expenditures and ICT infrastructure were approximately \$1.2 million USD. The *d/ap* DM team, however, believes the potential expenditures may be closer to \$2.0 million USD. The key differences in the two estimates are in the areas of:

- Expert consulting services for re-engineering of Customs Transit Control System processes and development of ICT systems
- Software development and/or licensing expenditures for import, export, transit traffic control and risk management
- ICT physical infrastructure, hardware and equipment
- Network control and management systems.

Secondary, related expenditures, including the supply chain management products described below, that are stimulated by this project are estimated to have the potential of an additional \$1 to \$3 million USD.

3.7 U.S. EXPORT POTENTIAL

Implementation of the Customs Transit Control System is expected to have a positive impact on U.S. exports in the form of:

- Enterprise architecture software (development or licenses)
- Risk Management software (development or licenses)
- Voice/data and video-over IP switches and facilities, as well as traditional circuit-based telephony network equipment, both wired and wireless
- Routers, servers and blades
- Web portal equipment
- Computers and peripheral equipment; voice-enabled PDAs
- UPS (uninterrupted power supplies), generators and back-up power equipment
- Engineering, installation and testing services
- Network control and management systems
- Network integration systems
- Customs and IT Training Services.

Indirect opportunities for U.S. exports will also be stimulated and accelerated by this project, including supply chain management products such as: bar-codes and seals, RFID (radio frequency identification) scanners, video equipment, GPS tracking systems and equipment

The potential direct and indirect cost of implementation will be more accurately determined during the TA, but will likely exceed \$4 million USD in Guatemala and \$20 million USD for regional replication and integration. The U.S. is a world leader in producing the products and services required for this project and should be very competitive in the bidding process.

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Some of the potential U.S. Suppliers of the goods and services associated with this project include:

- Software/hardware and related equipment
 - Cisco
 - Dell
 - D-Tech Micro Systems
 - GlobalReach
 - Hewlett-Packard
 - IBM
 - KGY
 - Magaya
 - Microsoft
 - SUN Microsystems
 - UNZ&Co
- Communications Equipment and Service Providers
 - 3-Com
 - AT&T (including BellSouth)
 - Cisco
 - Lucent
 - Motorola
 - Palm, Inc
 - Research in Motion (Blackberry)
 - Verizon
 - Zingo
- Professional Services (Re-engineering, Design, Integration, etc)
 - Accenture
 - AT&T Government Solutions
 - Bearing Point
 - EDS
 - EnSoftek
 - IBM
 - Intuitive Information Systems
 - Lockheed-Martin
 - OCR Services
- Supply Chain Management/RFID/GPS
 - 3M

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- 4W Solutions
- Brooks Automation
- Checkpoint Systems
- InfoLogix
- Oracle
- SAMSys Technologies
- SATO America
- SIRIT Inc.
- Symbol Technologies

3.8 FOREIGN COMPETITION

Although the U.S. is a strong competitor in the products and services required by the Guatemala Customs Transit Control System project, other countries also have strong product and service providers, particularly in the computer hardware, communications and supply chain management/RFID markets. Foreign competition comes primarily from Europe, Mexico, China, Japan and Canada from such companies as listed below in Table 4.

3.9 IMPACT ON U.S. LABOR

Implementation of the project will have a small but positive impact on U.S. Labor by providing the opportunity to sell customs-specific and ICT generic goods and services first to Guatemala, then subsequently to the region. The project will significantly increase the trade capacity infrastructure of Guatemala and will facilitate commerce for those U.S. companies involved in export/import activities in Central America requiring transit into and out of the region. Further, the project should reduce the flow of contraband consumer goods into and out of Central America, benefiting U.S. as well as Central American labor and businesses.

3.10 ENVIRONMENTAL IMPACT

The growth and modernization of Guatemala's Customs ICT system should have no negative environmental impact since border control points and warehouses, highways and access roads, telecom and IT infrastructure already exist.

3.11 RECOMMENDATION

There is wide support within the Guatemalan government and the private sector to work together to improve the SAT Customs Transit Control System. Guatemala, through the Berger Administration, seems committed to continuing on the path toward institutional transparency, accountability and anti-corruption. SAT's institutional will and leadership is demonstrated by Superintendent Roca's desire to improve the Customs Transit Control System and implement sophisticated risk management capabilities.

Table 4 – Potential Foreign Competition

COMPANY	COUNTRY	PRODUCTS
ASI	Canada	Software & professional services
Nortel	Canada	Communications equipment
Lenovo	China	Computers and related products
Nokia	Finland	Communications equipment
Alcatel	France	Communications equipment
ASK	France	Supply chain management/RFID
Sernam	France	Supply chain management/RFID
Bielomatik	Germany	Supply chain management/RFID
FEIG	Germany	Systems integration/RFID
SAS	Germany	Software & professional services
Siemens	Germany	Communications equipment
Fujitsu	Japan	Computers and related products
Hitachi	Japan	Computers and related products
ID Omega	Japan	Supply chain management/RFID
Sony	Japan	Computers and related products
Toshiba	Japan	Computers and related products
ISCEA	Mexico	Professional services
TelMex	Mexico	Communications products & services
Emergia	Spain	Communications products & services
ICNITA	Spain	Software & professional services
Ericsson	Sweden	Communications equipment
DBA Risk Mgmt	U.K.	Professional Services
Psion Teklogix	U.K.	Supply chain management/RFID

Accordingly, it is recommended that the USTDA fund SAT's request for TA to:

- Assess the current Customs Transit Control System and develop a transition and implementation plan for modernizing the current processes and system consistent with SAT's desire to adopt the WCO (World Customs Organization) Framework of Standards and the most current version of the Data Model
- Design, develop, test and implement a modern Customs Transit Control System
- Assess training needs for SAT personnel directly involved in or interfacing with the operations of the new Customs Transit Control System; develop and deliver required training

3.12 CONTRACTOR SKILLS AND EXPERIENCE SUMMARY

Regardless of the distribution of skills and experience among the project team members, the Contractor's team should have the skills and experiences described below either individually or collectively. Each of the major categories shows the breakdown of skills needed in the sub-categories thereto.

- Business and Technical Management (20%)
 - Complex Project Management
 - Political/business facilitation and negotiation skills; experience with public and private sector executives
 - Experience in Customs operations reviews, IT needs assessment, process re-engineering and IT systems modernization
 - Experience in implementation planning, systems integration, field test set-up and evaluation, system implementation and training
- Customs Technical Expertise (30%)
 - Customs operations reviews and assessments
 - Customs process re-engineering experience
 - Customs organizational design
 - Customs transit software development and integration
 - Customs risk management skills and experience, including profiling and detection techniques, software systems and analytics, field (border and warehouse) and staff training capabilities
- ICT Technical Expertise (40%)
 - Expert knowledge of WCO Customs Data Model Versions 2.0 and 3.0 standards; UNeDocs; ASC X12 and XML schema; Oracle
 - System assessment, design and technical specifications
 - Software systems engineering, development and software programming
 - Integration of various software modules and systems into working applications
 - Systems development cost/benefit analysis
 - Technical specifications writing and user manual documentation
 - Telecom network planning and operations experience; disaster recovery and business continuity planning experience
- Human Resources, Legal and Regulatory Expertise (10%)
 - Macroeconomics, engineering economics and service/cost analysis skills
 - Customs training needs assessment, planning and delivery
 - Experience in Customs regime HR organizational design
 - Customs and telecom regulatory and legal knowledge

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3.13 PROJECT COST ESTIMATE

It is estimated that the total cost of performing the study in accordance with the Terms of Reference is \$387,500. Detailed cost estimates are presented in Table 5.

Table 5 – Guatemala: Customs Transit Control System Costs

Labor (Direct Labor + Overhead + Benefits)			
<i>Task 1: Orientation & Project Organization</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	6	\$1,200	\$7,200
Customs Systems Architect/Developer	4	\$1,100	4,400
Systems Integrator	4	\$1,100	4,400
Software Developer(s)	2	\$1,000	2,000
Technical Writer	2	\$300	600
Training Specialist	2	\$300	600
Total	20		\$19,200
<i>Task 2: Existing System Review & Assessment</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	8	\$1,200	\$9,600
Customs Systems Architect/Developer	12	\$1,100	13,200
Systems Integrator	12	\$1,100	13,200
Software Developer(s)	6	\$1,000	6,000
Technical Writer	2	\$300	600
Training Specialist	4	\$300	1,200
Total	44		\$43,800
<i>Task 3: Software Design & Development</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	8	\$1,200	\$9,600
Customs Systems Architect/Developer	30	\$1,100	33,000
Systems Integrator	15	\$1,100	16,500
Software Developer(s)	30	\$1,000	30,000
Technical Writer	15	\$300	4,500
Total	98		\$93,600
<i>Task 4: Transition & Implementation Plan</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	5	\$1,200	\$6,000
Customs Systems Architect/Developer	12	\$1,100	13,200
Systems Integrator	12	\$1,100	13,200
Software Developer(s)	8	\$1,000	8,000
Technical Writer	5	\$300	1,500
Training Specialist	8	\$300	2,400
Total	50		\$44,300
<i>Task 5: Implementation, Documentation & Training</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	15	\$1,200	\$18,000
Customs Systems Architect/Developer	20	\$1,100	22,000
Systems Integrator	25	\$1,100	27,500
Software Developer(s)	12	\$1,000	12,000
Technical Writer	15	\$300	4,500
Training Specialist	25	\$300	7,500
Total	112		\$91,500
<i>Task 6: Press Release & Final Report</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	15	\$1,200	\$18,000

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Customs Systems Architect/Developer	5	\$1,100	5,500
Systems Integrator	5	\$1,100	5,500
Software Developer(s)	5	\$1,000	5,000
Technical Writer	5	\$300	1,500
Training Specialist	5	\$300	1,500
Total	40		\$37,000
<hr/>			
TOTALS for all Tasks	Person-Days		Labor Costs
	364		\$329,400
<hr/>			
TOTALS by Category	DAYS		COST
Project Director	57		\$68,400
Customs Systems Architect/Developer	83		91,300
Systems Integrator	73		80,300
Software Developer(s)	63		63,000
Technical Writer	44		13,200
Training Specialist	44		13,200
TOTALS	364		\$329,400
<hr/>			
<i>Travel</i>			COST
Air Transportation (29 round trips from U.S. to Guatemala at \$700 each)			\$20,300
Ground Transportation – U.S. (29 round trips to airport at \$100 each)			2,900
Per Diem (155 person-days at \$150 per day)			23,250
Local Transportation – Guatemala (155 days at \$30 per day)			4,650
Total			\$51,100
<hr/>			
<i>Other Direct Costs</i>			COST
Miscellaneous - telephone (voice, data, fax), Postal, DBA Ins., Medevac			\$ 7,000
Total			\$7,000
<hr/>			
Total Costs (DL + OH + G&A + ODCs)			\$387,500

4 TERMS OF REFERENCE

4.1 BACKGROUND

In early 2006 USTDA launched a CAFTA-DR Trade Integration Initiative under the umbrella of the Committee on Trade Capacity Building. This initiative was conducted not only in partnership with the CAFTA-DR countries, but also in close cooperation with the Office of the United States Trade Representative, Overseas Private Investment Corporation, the Export-Import Bank of the United States, Millennium Challenge Corporation, the Commerce Department and USAID.

The USTDA commissioned a Definitional Mission (DM) to identify high-priority Information Communications Technology (ICT) projects that could assist Guatemala and the region in trade capacity building. One of the projects recommended as a result of the DM was Technical Assistance to Guatemala's Superintendencia de Administración Tributaria (SAT) to modernize their Customs Transit Control System. The basic requirements underlying this proposed customs improvement project for Guatemala were also identified frequently in interviews with key leaders in government and the private sector in each of the CAFTA countries.

Since the initial recommendation of this project in July 2006, SAT has made substantial progress in their plans to modernize their overall Customs regime. In cooperation with the IMF, World

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Bank, USAID and the U.S. Customs and Border Protection Agency, some of the actions already initiated include:

- The formation of a National Customs Pact in November 2006 to reduce private/public corruption and modernize the national agenda for customs transparency
- Anti-corruption training and hiring practices
- Risk management processes and training
- Re-engineering recommendations for the overall Customs Regime (excluding transit operations) prepared by the Inter-American Center of Tax Administrations (CIAT)

Accordingly, SAT has requested changes to the original Terms of Reference (TOR).

4.2 OBJECTIVE

The overall objective of this Technical Assistance (TA) project for the Superintendencia de Administración Tributaria is to support the Government of Guatemala in its desire to implement customs transit processes and supporting ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. Specific objectives include:

- Modernization of Guatemala's Customs Transit Control System, both processes and ICT systems, to better track and control international customs transit and transfer traffic through and within Guatemala
- Harmonization and increased use of electronic data capture
- Increased use of advance electronic information such as international transit declarations, bills of lading, operators and modes, etc., consistent with the most current version of the WCO standard Customs Data Model
- Provision of benefits (quick release, etc.) to businesses that meet supply chain security requirements; and improved collection of customs tax revenues by SAT
- Support of overall risk management capabilities to detect contraband and/or security threats.

4.3 TASKS

A summary of tasks to be performed in this recommended TA include:

- Assessment of the current Customs Transit Control System operations, processes and ICT systems capabilities
- Customs Transit process re-engineering
- Design, development and implementation of software and systems for Customs Transit modernization to enable improved customs tax revenue collections and border security while simultaneously improving transit/transfer service performance for the private sector
- Recommendations for key system and process metrics to measure Custom Transit Control quality and effectiveness.
- Recommendations for ICT and Customs Transit-specific technologies to increase efficiency and effectiveness of Customs Transit Control.
- System and user documentation and training
- Transition and implementation planning, pilot testing and evaluation, and general implementation of the new Customs Transit Control System

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Specific tasks required to develop and implement this project are described below:

TASK 1: ORIENTATION AND PROJECT ORGANIZATION

- TASK 1.1: The Contractor shall establish an Advisory Group including SAT, SAT Superintendent Carolina Roca, and key executive stakeholders from the private and public sectors (those that signed the National Customs Pact) that are already collaborating with SAT on other Customs modernization initiatives. The Advisory Group is the key body with which to review high-level policy issues and strategies, and from which to receive approval on major strategic decisions.
- TASK 1.2: The Contractor shall establish a tactical Work Team within SAT to enable Contractor's access to critical organizations, information, resources, and with which to design, test and implement the agreed-upon Customs Transit System.
- TASK 1.3: The Contractor shall conduct "kick-off" meetings with the Advisory Group, the Work Team members and their respective stakeholders to:
- establish project strategies, policies and major task responsibilities
 - agree upon resources and information required by Contractor from SAT
 - agree upon an initial work plan of activities, major milestones, responsible parties and timetable
- TASK 1.4: The Contractor shall work with SAT to become familiar with applicable Guatemalan and regional customs transit laws, regulations, regional and international treaties.
- TASK 1.5: The Contractor shall refine the details of the work plan and timetable into an agreed-upon Project Work Plan

Task 1 Deliverables:

1. *Formation and activation of Advisory Group and SAT Work Team.*
2. *Project Work Plan.*

TASK 2: EXISTING SYSTEM REVIEW AND ASSESSMENT

The general purpose of Task 2 is to perform an assessment of the operations and ICT capabilities and limitations of the present Customs Transit Control System. This "current state" assessment will be greatly enabled by the availability of existing documentation recently prepared by the Inter-American Center of Tax Administration (CIAT). A CIAT consultancy, that was scheduled to complete in March 2007, had the assignment of re-engineering the Guatemala customs operations, and presenting a proposal to SAT to redesign the overall customs processes and systems. The CIAT recommendations, however, do not include Customs Transits. Accordingly, this USTDA TA project is expected to fill that gap and be seamlessly integrated into the overall CIAT processes and systems recommendations.

TASK 2.1: The Contractor shall review and document, at minimum:

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- The current customs transit control processes including flow charts which describe current processes and sub-processes
- Existing IT system architecture and applications
- Existing voice/data/video telecom LANs and WANs supporting the IT system
- Volumes (by transactions and value) per Customs Office (border crossing and internal) internal fiscal warehouses, electronic versus manual entries per location, and any other relevant due diligence, pre-design information
- Available performance indicators, such as, but not limited to, cycle and release times, tax revenues, unaccounted for transits, ICT system failures and impacts.

TASK 2.2: The Contractor shall conduct a headquarters operations assessment and shall also conduct field operational reviews at the following international transit and internal transfer locations: Puerto Quetzal, Santo Tomás, Pedro de Alvarado, La Ermita and Tecún Umán. These field locations collectively account for more than 75% of the international transits and internal transfers. The purpose of these operations reviews is to clearly identify operational deficiencies and inefficiencies to be remedied in subsequent Tasks 3, 4 and 5. The Contractor shall evaluate the current Transit Control processes in context of the WCO Framework of Standards and other global best practices, noting system deficiencies and recommending improvement priorities.

TASK 2.3: The Contractor shall investigate and recommend available technologies that could be used to increase the efficiency and measurable effectiveness of Customs Transit Control Systems in the region. The recommendation should include individual price points, quantities and broad-gauge estimates and priorities for Guatemala Transit Control required equipment, such as, but not limited to: IT Transit System hardware, GPS tracking systems, bar-codes and seals, RFID (radio frequency identification) scanners, closed-circuit video surveillance equipment, PDAs and other hand-held devices.

TASK 2.4: The Contractor, in collaboration with the Work Team, shall recommend key service indicators (KSI) to measure the performance of internal SAT process quality and private sector (international transit carriers) customer service.

Task 2 Deliverables:

1. *A comprehensive document containing operations review findings (current state)*
2. *A final document containing the proposed re-engineered processes and new systems to control international transits and internal transfers including key proposed changes to the current Customs Transit Control processes and systems.*
3. *Recommendations for IT and Custom Transit-specific technologies to increase efficiency and effectiveness of Customs Transit Control.*
4. *Recommendations for and agreement with SAT on reporting of key system and process metrics (KSI) and data capture sources to measure Custom Transit Control quality and effectiveness*

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TASK 3: SOFTWARE DESIGN AND DEVELOPMENT

SAT currently has a software platform (the Customs Control Information System) for the initialization, arrivals and control of international transits to and from Guatemala, including internal transfers. For internal Guatemala traffic, SAT utilizes the DUA declaration and its regimes of internal traffic and exports for authorization and control purposes. For international transits, the DTI declaration is utilized for transit throughout Central America.

TASK 3.1: The Contractor shall perform an assessment of the current IT platform and infrastructure as well as an assessment of the supporting communications and connectivity systems.

TASK 3.2: Utilizing inputs from all of Task 2 and Task 3.1, the Contractor shall design and develop a new Customs Control Information System software platform to effectively control Customs Transits. The Contractor shall ensure that the new Customs Transit software is fully compatible with the technologies chosen by SAT from the options recommended by the Contractor in Task 2.3, as well as the overall customs operations proposed and implemented by CIAT, considering each transit as an independent, yet fully integrated operation within the overall system.

TASK 3.3: The Contractor shall develop software and system testing protocol and criteria.

TASK 3.4: The Contractor shall conduct system, sub-system and volume tests to confirm user-friendliness and logic, and to establish the reliability of the new system and software before general availability and full implementation.

Task 3 Deliverables:

- 1. Documentation describing detailed system architecture and technical specifications of the software/system developed.*
- 2. Software and system testing protocol and criteria.*
- 3. Final system test results (for acceptance/approval by grantee Work Team)*

TASK 4: TRANSITION AND IMPLEMENTATION PLAN

TASK 4.1: The Contractor shall develop and deliver a detailed Transition and Implementation Plan of the new Customs Transit processes and systems taking into account all critical success factors (staffing, training needs, system “rules”, measurements of quality and effectiveness to be tracked and reported).

TASK 4.2: The Contractor shall conduct a Workshop with the Advisory Group and the Work Team and their key stakeholders to review: the re-engineered processes, systems and capabilities of the new Customs Transit Control System; and the Transition and Implementation Plan. The Contractor shall facilitate the Workshop with the goal of obtaining consensus and final approval from the Advisory Group to proceed with transition to and implementation of the new Customs Transit Control System.

TASK 4.3: The Contractor shall update the Transition and Implementation Plan, if necessary, to reflect any agreed-upon changes from the Advisory Group in Task 4.2. The Contractor will then distribute the final Plan to all parties, including SAT personnel involved in the operations of the Customs Transit Control System.

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Task 4 Deliverables:

1. *Preparation for and facilitation of the Transition and Implementation Planning Workshop, including presentation highlights and detailed supporting documentation of the proposed Transition and Implementation Plan for the new Customs Transit System, including critical success factors for implementation.*
2. *Final documentation and distribution of the Transition and Implementation Plan.*

TASK 5: DOCUMENTATION, TRAINING AND IMPLEMENTATION

The Contractor shall insure that the documentation of the new Customs Transit Control System is complete, and shall execute the Transition and Implementation Plan developed in Task 4, ensuring that the re-engineered processes and system(s) are in place and fully operational.

- TASK 5.1: The Contractor shall develop evaluation metrics by which to ensure that system objectives are met before general deployment and complete roll-out commences.
- TASK 5.2: The Contractor shall coordinate with the Work Team to implement and field-test the new processes in at least two Customs Transits locations (between two defined points) as pilot tests. SAT is responsible for providing the new technology hardware and connectivity in accordance with the Contractor recommendations from Task 2.3. Based upon results of these pilot tests the Contractor shall make necessary process/system/software adjustments to ensure optimal functioning of the Customs Transit Control System.
- TASK 5.3: The Contractor shall prepare and deliver to SAT the user and technical manuals of the new Customs Transit Control System in conformance with SAT documentation requirements standards and directives.
- TASK 5.4: The Contractor shall assess training needs for SAT personnel directly involved in or interfacing with the operations of the new Customs Transit Control System. The Contractor shall develop a training plan that includes training content by work function, and a training timetable shall be developed for review and approval by SAT.
- TASK 5.5: The Contractor shall conduct a minimum of 15 and maximum of 20 training sessions delivering the training content agreed to by SAT in Task 5.4, and in conformance with the agreed-upon timetable. The contractor shall train personnel from the SAT normative department...Intendencia de Aduanas...and field operations personnel working in customs as specified in Task 2.2 (Puerto Quetzal, Santo Tomás, Pedro de Alvarado, La Ermita and Tecún Umán). Location(s), number and job functions of personnel for training at each session shall be determined in consultation with SAT.
- TASK 5.6: The Contractor shall fully implement the new processes and systems in all International Transit and Internal Transfer points throughout Guatemala where the new Customs Transit Control System needs to be applied.

Task 5 Deliverables:



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1. *Field (pilot) testing plan and evaluation "success" criteria.*
2. *A report of the pilot test results and resultant modifications, if any, to the Customs Transit Control System.*
3. *User manual for the new systems to control Customs Transits.*
4. *Document containing the technical specifications of the new systems and software.*
5. *Training syllabus, materials and timetable.*
6. *Roll-out plan for general implementation of the Customs Transit Control System in all locations.*
7. *Roll-out completion report.*

TASK 6: PRESS RELEASE

- TASK 6.1: The Contractor shall develop a press kit and power-point presentation for a SAT-sponsored public event which would contain the main aspects, expected benefits and results of the TA.
- TASK 6.2: The Contractor shall participate with SAT in a public event which will include invitations to the Advisory Group, other SAT executives, key stakeholders, executives and officials from the Guatemalan public and private sectors, the SAT Work Team and the press. The purpose of this event will be to present the final results and expected impact of this project.

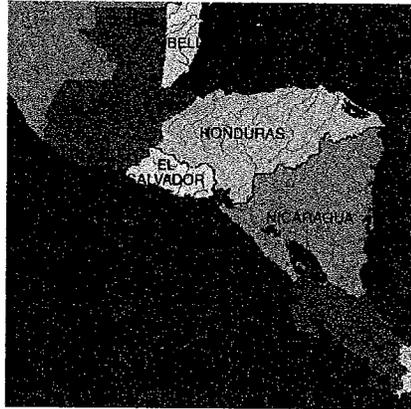
TASK 7: FINAL REPORT

- TASK 7.1: The Contractor shall prepare and deliver to SAT and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

Notes

1. *The Contractor is responsible for compliance with U.S export licensing requirements, if applicable, in the performance of the Terms of Reference.*
2. *The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.*
3. *The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work products that are developed under these Terms of Reference.*

United States Trade and Development Agency



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AUG 10 2006
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[Handwritten signature]

CAFTA-DR Trade Integration Initiative Definitional Mission

Information & Communications Technology (ICT)

Final Report

Prepared by



[Handwritten signature]
[Handwritten initials]

Fairfax, Virginia

July 2006



This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report.

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The U.S. Trade and Development Agency (USTDA)

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

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I EXECUTIVE SUMMARY

1.1 BACKGROUND

The U.S Trade and Development Agency (USTDA), in support of the US-Central America Free Trade Agreement (CAFTA-DR), has provided over \$4 million to date in response to priorities identified in CAFTA-DR countries for their national Trade Capacity Building strategies. This initial round of CAFTA-related funding commenced with a series of Definitional Missions (DMs) in late 2003 concurrent with USTDA's participation in the CAFTA-DR negotiations in support of the U.S. Trade Representative. Those initial DMs resulted in the provision of technical expertise and assistance to each of the Central American countries during 2004 and 2005, not only in Information and Communications Technology (ICT), but also in the Energy and Transportation sectors.

Since that time, the CAFTA-DR countries, to varying degrees, have continually improved their focus and expertise in defining and communicating their Trade Capacity Building strategies and priorities. These documents serve as roadmaps for identifying and evaluating additional projects for USTDA Trade Capacity Building assistance to the region.

To realize the potential benefits of CAFTA-DR, the Central American countries recognize the need for dramatically improving their individual as well as their integrated regional trade capacity infrastructures and capabilities. Accordingly, they are requesting assistance from the USTDA.

1.2 DEFINITIONAL MISSION

USTDA has launched a CAFTA-DR Trade Integration Initiative under the umbrella of the Committee on Trade Capacity Building. This initiative is being conducted not only in partnership with the CAFTA-DR countries, but also in cooperation with the Office of the United States Trade Representative, Overseas Private Investment Corporation, the Export-Import Bank of the United States, Millennium Challenge Corporation, the U.S. Department of Commerce and USAID.

In late January 2006, USTDA contracted *decision/analysis partners (d/ap)* to conduct a Definitional Mission (DM) to El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica to identify and evaluate potential ICT projects. In particular, the *d/ap* team was asked to focus on ICT projects having significant potential for trade integration and regional connectivity and/or replication.

Prior to dispatching the in-country team, pre-trip research was conducted using the Internet, relevant regional and country documents and reports, telephone interviews and conference calls. A three-person team then visited each of the countries to conduct interviews with a predetermined list of public and private organizations. The DM began in El Salvador in early February and concluded in Honduras in mid-March, 2006. As potential projects were identified, the consulting team re-visited the potential sponsor organizations. Field trips were also conducted to accomplish the following:

- Interview and tour the operations of small to medium business enterprises
- Evaluate telecom and IT infrastructure availability and capabilities in capital cities as well as the outlying regions



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- Assess end-user needs for market and trade-related information
- Determine pragmatic, realistic and cost-effective methods of providing such information.

A total of 56 interviews with approximately 115 people were conducted. A contact list is provided in Section 6 of this report. Nearly 40 ICT projects were proposed by potential sponsoring organizations in the five countries. This overwhelming enthusiasm and participation stands in sharp contrast to the team's experience in the 2003 CAFTA ICT DMs. At that time, projects had to be created by the DM project team based upon discussions of needs with participants and then recommended to potential sponsors because no projects had been planned prior to our arrival. We attribute this change to the following:

- A deeper understanding and acceptance of CAFTA-DR and its potential benefits,
- The potential of ICT projects to assist in the Trade Capacity Building process
- USTDA's reputation for performance and delivery in the initial round of sponsoring high-leverage technical assistance and feasibility studies for the region.

1.3 PROJECT EVALUATION SUMMARY & RECOMMENDATIONS

Following a detailed analysis of potential projects, the study team recommends four projects for potential funding. They are summarized below.

- Guatemala: Modernize Guatemala's Customs Transit Control System to better facilitate and control the flow of goods being transported through and within Guatemala and through Central America. This project would serve as "proof of concept" for subsequent replication and integration throughout the region.
- Costa Rica/Nicaragua: Develop and implement "e-Investment/e-Regulations" portals to facilitate regional and global investors' research and investment agreements and to improve investment protection mechanisms. Similar projects are recommended in both Costa Rica and Nicaragua.
- Nicaragua: Develop and implement a bilingual marketing portal for information exchange and to facilitate trade as a "virtual mall" for micro, small and medium-sized Nicaraguan businesses. This portal can be used as a prototype for replication in other CAFTA countries.

The potential trade capacity building and trade integration benefits to the CAFTA countries and the United States are briefly described in the following project recommendation summaries.

1.3.1 Guatemala: Customs Transit Control System

The Superintendencia de Administración Tributaria¹ (SAT) is responsible for administering Guatemala's customs authority, as well as customs-related issues specified in international agreements and treaties ratified by Guatemala.

As discussed below, Chapter 5 of CAFTA-DR addresses Customs Administration and Trade Facilitation. Clearly, a key aspect of Trade Capacity Building for CAFTA-DR partner nations calls for efficient yet secure customs procedures and border controls.

¹ Superintendent of Tax Administration

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Because of its key geographical location, Guatemala processes a high volume of transit and transfer traffic through its customs facilities that originates from or is directed to other Central American countries, Mexico and Belize. Within Guatemala, there is also a significant volume of customs warehouse transfers and returns for cargo inspections, partial or final distribution of goods, value added processes, etc.

The existing SAT information system controlling customs transfers of goods has reported significant increases in the rate of international transits and internal transfers and returns that have not arrived at their Guatemalan or other Central American destinations. The consequences of transit and/or transfer control failures include:

- Loss of customs revenue to Guatemala or other destination countries
- Slow, inefficient customs processes that are costly both to government and the trading community
- Undetected contraband including drugs, weapons and laundered cash crossing borders

To help correct this situation, it is recommended that the USTDA fund a Technical Assistance project for SAT in Guatemala in the amount of \$367,580. This project will:

- Review the current Customs Transit regime, including processes and ICT system and develop a strategic ICT plan aligned with SAT's desire and intention to adopt the WCO (World Customs Organization) Framework of Standards.
- Design customs transit processes and an ICT system to more effectively track and control shipments, thus enabling improved customs tax revenue collections while simultaneously improving transit/transfer service performance and efficiencies for the private sector.
- Define data base requirements, software and analytic tools and processes for risk management.
- Develop a high-level customs transit organization design and training plan.
- Assist SAT in preparing bid documents for the recommended Customs Transit Control System.

The potential directly attributable to and related export value of the project to U.S. companies will be researched further by the TA consultant team. However, it is anticipated that it will exceed \$5 million USD for Guatemala and \$25 million USD for subsequent regional customs transit control modernization and integration projects.

The U.S. is a world leader in the products and services required for implementation of this project. This includes circuit and IP switches, routers, servers and blades, web portal equipment, computers and peripheral equipment, voice-enabled PDAs, uninterrupted power supplies (UPS), enterprise software, risk management software, engineering, installation, test and training services and network control and management systems.

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Related opportunities for U.S. exports will also be facilitated by this project. They include:

- Supply chain management products including bar-codes readers and printers, seals, radio frequency identification (RFID) scanners, RFID tags, video equipment at border and internal customs locations and GPS tracking systems and equipment
- Telecommunications equipment for wireless and fixed line networks, Internet Protocol (IP) networks and voice/data/video over IP

1.3.2 Costa Rica / Nicaragua: e-Investments/e-Regulations Portals

In both Costa Rica and Nicaragua, there are significant difficulties in obtaining information on the regulations governing foreign investment and the various permits, licenses and other documents that must be obtained to make investments in each country. In Costa Rica, for example, there are currently over 50 steps required to start a new business. Nicaragua has similar issues.

There is also a lack of transparency in the process and uncertainty about how and to whom to appeal a negative decision. In many cases, the various government agencies responsible for enforcing regulations are not aware of information being collected by other agencies. The result is duplication of information, needless complexity and, in some cases, conflicting requirements. Uncertainty about the complexity of the process, the time needed to comply with the various requirements and the associated costs often discourages foreign investors from making planned investments.

To help resolve these problems, a bilingual Web-based portal that organizes the various regulations and processes by the type of potential investment or activity is needed. It should describe the regulation, indicate the statute or decree that it results from, describe the steps required to comply, clearly indicate the fees, time typically required for processing and how to appeal a negative decision.

The Web portal should also, at a minimum, provide downloadable forms to be used to submit the various application documents. Where feasible, it would be preferable to enable the investor to submit the information electronically, along with the electronic payment of fees.

To implement this capability, Technical Assistance of \$351,000 is requested in both Costa Rica and Nicaragua. This will result in functioning *e-Regulation/e-Investment* portals in both countries. This project will include:

- Consulting assistance for project management and technical support
- Hardware and software necessary to implement the portal
- Research into the legislation, decrees and administrative procedures associated with the regulations
- Research into the legislation governing e-Government applications and the identification of any limitations on the Technical Assistance project that result
- Research into opportunities for simplification of existing approval processes
- Translation of documents from Spanish into English
- Storage of regulations and forms on the portal

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3 GUATEMALA: CUSTOMS TRANSIT CONTROL SYSTEM

3.1 BACKGROUND

The ratification of CAFTA-DR by the U.S. Congress and the national assemblies of Nicaragua, Guatemala, El Salvador, Honduras and the Dominican Republic is a historic milestone which was achieved, to a large degree, through the unprecedented cooperation of the public sector and the business communities in Central America and the United States.

Chapter 5 of CAFTA-DR addresses Customs Administration and Trade Facilitation. A key aspect of Trade Capacity Building for CAFTA-DR partner nations includes efficient yet secure customs procedures and border controls. While security is an even more vital concern in supply chain management in the post-9/11 world, the facilitation of trade and commerce, particularly in developing nations, must be equally balanced in any customs improvement solution.

One of the most significant non-tariff barriers to trade is the continuing existence of obsolete customs processes, systems and controls that are costly, slow, non-secure, unreliable, non-transparent and often corrupt. Improved ICT systems and capabilities, enabling global standards of customs processes, are necessary not only for reliable communication of advance electronic communication of required documents, such as bills of lading, international transit declarations (DTIs) and the like, but also for accurate data capture and analyses, including risk management.



The Superintendencia de Administración Tributaria¹¹ (SAT) is the organization responsible for administering Guatemala's customs authority, including the customs provisions of international agreements and treaties ratified by Guatemala. SAT also specifies standards and processes and deals directly with national and international import/export brokers and transport companies in administering customs regulations and procedures, including regional IT processes.

Guatemala is fortunate to have highly competent leadership at SAT, as well as a skilled and motivated staff. Unfortunately, SAT's obsolete IT infrastructure and certain manual processes are inhibiting its desired progress in implementing the core elements of the World Customs Organization (WCO) Framework of Standards. This includes:

- Integrate systems to provide advance electronic information on inbound, outbound and transit shipments
- Apply risk management techniques to detect contraband shipments and/or security threats
- Provide benefits (quick release, etc.) to businesses that meet supply chain security standards and best practices.

SAT is one of the 166 global Customs Administrations to adopt the voluntary WCO Framework of Standards in June 2005. Some objectives of the WCO Framework are:

- Establish standards to secure and facilitate global trade
- Enable integrated supply chain management for all modes of transport
- Strengthen customs/business cooperation and efficiency, as well as promote seamless operations and data flow among customs administrations.

¹¹ Superintendent of Tax Administration

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Guatemala, because of its key geographical location, processes a high volume of transit traffic originating from or directed to other Central American countries, as well as Mexico and Belize. Within Guatemala, there is also a significant volume of customs warehouse transfers and returns for cargo inspections, partial or final distribution of goods, value added processes, etc.

Table 3 shows the categories, operational transactions and corresponding values (in US\$) reported by SAT for the first three months of 2006. Figure 1 shows the number of transactions graphically.

Table 3 – Guatemala SAT: First quarter 2006 Transit Activity Report

Description	Transaction Codes	Number of Transactions	Value of Transactions (US\$)
International Transits	A	31892	283,840,207
Transfers to fiscal warehouse	B	6785	262,516,451
Transits to Customs	C	4416	64,454,940
Returns from Free Trade Zones	D	2042	42,963,184
Returns from fiscal warehouse	E	4498	20,718,752
Transfers between Free Trade Zones	F	438	19,647,814
Transfers between fiscal warehouses	G	125	1,144,479

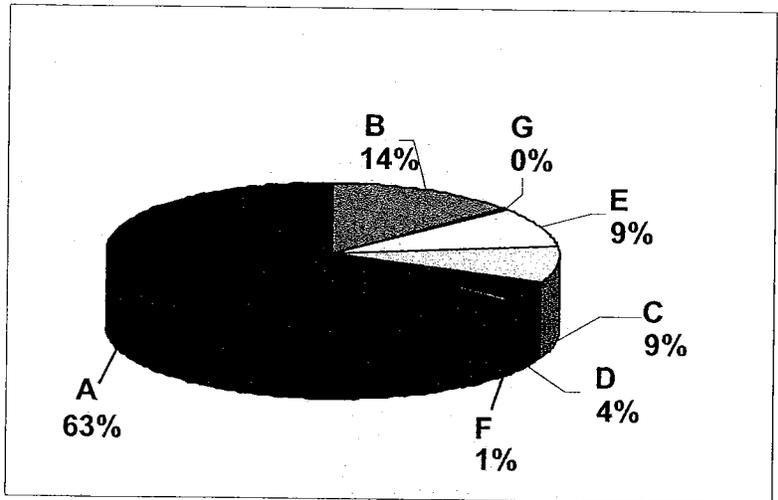


Figure 1 – Customs Transit Transactions

SAT has an existing “Customs Control Information System” that is intended to control customs transfers of goods. Recently, it has reported disturbing increases in the rate of international transits and internal transfers and returns that have not arrived at their Guatemalan or other Central American destinations. The consequences of transit and/or transfer control failures are:

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- Loss of customs revenue to Guatemala or other destination countries
- Slow, inefficient customs processes that are costly both to government and the trading community
- High likelihood of contraband goods with the following consequences:
 - Contraband in the form of illegal goods or cash smuggling poses potential security threats
 - Contraband in the form of consumer goods impacts small and medium businesses and is the basis of unfair "black market" competition, as well as tax revenue loss to governments.

Some of the reasons cited for database errors and unclosed transactions include:

- The IT system and the supporting telecom facilities are unstable and prone to error
- Structural design of the IT system lacks internal audit protocols to detect errors
- While e-government/e-commerce capabilities are increasingly utilized, there are still significant manual entries which allow for error and/or system bypass
- System design is sequential in nature, i.e. point to point, rather than point to multi-point notification of transits. In other words, the Country A to Country B process entails opening and closing of transit information. Then the process is repeated between Country B and Country C and so on.

Furthermore, there are serious control problems for transfer of goods to internal customs when a physical inspection of goods is called for by the IT system:

- The system currently selects shipments for inspection on a purely random basis; there are no risk assessment and management capabilities in the current system
- The Center for Confirmation of Transfers lacks secure processes to control these operations
- There is often no advance knowledge when and why goods are arriving at customs warehouses
- Follow-up and reconciliation processes are manual and unreliable
- The back-up document (Transfer Guide) is easy to modify; system registration capabilities are lacking. Seals can easily be changed
- Analysis of non-arrivals is complicated due to the lack of audit trails. Accordingly, effective follow-up is nearly impossible. Fines and sanctions to offenders are virtually non-existent.

A database error rate of only 1% of Guatemala's total customs transfer activity, on an annualized basis, results in a tax revenue loss of approximately \$25 million USD. The actual error rate, to be determined upon further analysis as part of the Technical Assistance project recommendation, is probably significantly higher. There is also the possibility that not all shipments even enter the database due to operations and/or ICT failures, as well as corruption in the customs processes at border crossings.

3.2 OBJECTIVE

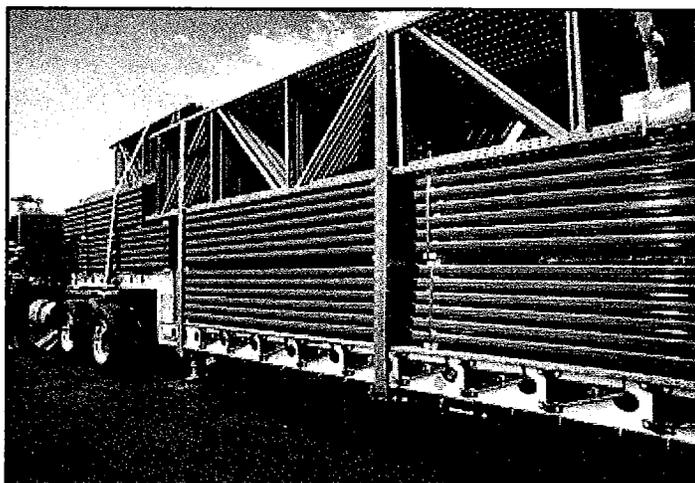
The objective of this Customs Transit Control System project is to provide technical assistance to the Superintendencia Administración Tributaria that supports the government of Guatemala in its desire to implement customs transit processes and ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. Objectives include:

- Modernize Guatemala's Customs Transit Control System, both processes and ICT systems, to better track and control international customs transit traffic through and within Guatemala
- Harmonize and increase use of electronic data capture and increase use of advance electronic information such as international transit declarations, bills of lading, operators and modes, etc., using the WCO standard Customs Data Model.
- Provide benefits (quick release, etc.) to businesses that meet supply chain security requirements
- Improve collection of customs tax revenues by SAT
- Implement risk management capabilities to detect contraband and/or security threats.

3.3 PROJECT DESCRIPTION

The Customs Transit Control System project is intended to result in a comprehensive strategy and transition implementation plan for modernizing the SAT customs transit control processes and IT infrastructure, as well as improving the security and reliability of the SAT telecom network. The tasks of the Customs Transit Control System TA will include:

- Review of existing system and processes; stakeholder interviews and workshops
- System design using WCO and other global customs "best practices" framework
- Business process re-engineering
- Technical planning options and recommendations for IT architecture (hardware and software design) and telecom network design and configuration, including business continuity
- Relevant, accurate and timely statistical and key service indicator (KSI) reporting for various stakeholders
- Economic analyses, risks and opportunities for each technical option
- Bid document preparation and bid evaluation coaching
- Risk management system implementation
- Personnel training.



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3.4 DEVELOPMENTAL IMPACT

The modernization of the existing Customs Transit Control System will not only assist Guatemala in developing and transitioning to world class customs transit control ICT systems and processes, but will also serve as a model for the region. Lessons learned from SAT's customs modernization experience will facilitate subsequent replication in other CAFTA-DR countries and provide the basis for a regionally integrated customs transit control system.

This project supports Guatemala's National Competitiveness goals by improving both e-Government and e-Commerce capabilities in the facilitation of trade. It will provide measurable economic benefits through:

- Improved flow of legitimate traffic at the borders and internally
- Enhanced tax revenue collections
- Lower unit costs for both the government and carriers due to increased transaction productivity
- Reduced contraband
- Improved balance between trade facilitation and border security
- Improved ability to attract international investors involved in regional and international trade that requires the import/export and transportation of goods.

3.5 INTERNAL PROJECT SPONSORSHIP

The recommended Grantee and sponsor of this project is SAT in Guatemala. SAT Superintendent Carolina Roca is enthusiastic about the opportunity to sponsor this USTDA Technical Assistance project and is fully committed to insuring its success. Superintendent Roca will not only provide personal leadership and staff support to this project, but has also recommended inclusion of relevant private sector and government stakeholders to form a high level Advisory Group to review options and achieve consensus at critical decision points in the project. Each organization on the Advisory Group will also provide representatives at the working level to support the USTDA consultants and the core SAT team.

The Advisory Group will be led by Carolina Roca, Superintendent, SAT Guatemala and will include key leaders from the following organizations:

- Association of International Carriers (ATI); Guatemala
- Chamber of Central American Carriers (CATRANSCA); Guatemala
- Dirección Ejecutiva de Ingresos (DEI); Honduras
- Minister of the Economy; Guatemala
- Secretary of Economic Integration of Central America (SIECA); Guatemala
- Programa Nacional de Competitividad (PRONACOM); Guatemala.

The customs transit problems were identified by key government, NGO and private sector organizations as a most critical issue requiring careful political and regulatory decisions, as well as world-class technical solutions. In sum, there is strong and wide support for this project not only within the government but also in the private sector.

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Superintendent Roca's contact information is:

Licenciada Carolina Roca
Superintendente de Administración Tributaria, Guatemala
7 Av 3-73 Zona 9
Guatemala City 01009, Guatemala
Tel: (502) 2362-7571
Fax: (502) 2362-7528
croca@sat.gob.gt

Finally, because this project is intended for possible regional replication, Superintendent Roca is pleased to invite her counterpart from Honduras, Armando Sarmiento, Director General of the Department of Revenue, (Dirección Ejecutiva de Ingresos, DEI) to participate as a member of the Advisory Group.

Honduras is a vital link in the regional customs transit processes due to the heavy volume of Central American international commercial truck traffic originating or terminating at the Port of Cortez. The majority of this commercial truck traffic transits through Honduras as part of the international trade delivery of goods to or from the region through the Port of Cortez. Executive Director Sarmiento expressed deep concern about this problem during the DM team's interview with him in Honduras. Accordingly, he desires to actively participate and contribute to Guatemala's successful strategy development and implementation of a replicable solution. Director Sarmiento's contact information is:

Armando Sarmiento
Director Ejecutivo
Dirección Ejecutiva de Ingresos, Honduras
Edificio "Gabriel A. Mejía"
Costado Norte Embajada Americana
5to Piso Col. Palmira
Tegucigalpa, Honduras
Tel: (504) 238 2525
Fax: (504) 221 5593
director@dei.gob.hn

3.6 FINANCING & SUSTAINABILITY

The Guatemalan Customs organization, under SAT, is a competent organization eager to improve their critical mission of customs control and trade facilitation. The requisite human capital is in place at headquarters and will likely remain there to ensure long-term project sustainability. Corruption at the borders is a concern to be addressed. Improved collection of customs duties will not only provide the source of funds for project implementation, but also for ongoing operations and system maintenance to ensure long term financial sustainability of this project.

The short-term needs include expert consultative assistance to review current customs transit control processes and ICT systems. In addition, assistance is also needed to develop technical, financial and implementation plans for accelerated customs process improvements, ICT system modernization, including risk management capabilities and focused training.

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Accordingly, the requested support from the USTDA for this project is to provide direct technical assistance to develop the relevant business, technical and implementation/transition plans to modernize Guatemala's Customs Transit Control System. The TA will include coordination with various donor and private investment organizations to obtain any initial external financing necessary for hardware, software and systems integration efforts.

The government of Guatemala has funds available and is capable and willing to finance the initial procurement of the hardware and software licenses required to upgrade their system. The Contractor will be asked to provide an accurate cost estimate of project implementation by late October/early November 2006 in order to ensure Government of Guatemala 2007 budget allocation to SAT for this modernization project.

Initial SAT staff estimates for Customs Transit Control System project software and hardware expenditures and ICT infrastructure were approximately \$1.2 million USD. The *d/ap* DM team, however, believes the potential expenditures will be closer to \$3 million USD. The key differences in the two estimates are in the areas of:

- Expert consulting services for re-engineering of Customs Transit Control System processes and ICT systems
- Software expenditures for import, export, transit traffic control and risk management
- ICT physical infrastructure, hardware and equipment
- Network control and management systems.

Secondary, related expenditures, including the supply chain management products described below, that are stimulated by this project are estimated to be an additional \$3 to \$5 million USD.

3.7 U.S. EXPORT POTENTIAL

Implementation of the Customs Transit Control System is expected to have a positive impact on U.S. exports in the form of:

- Enterprise architecture software
- Risk Management software
- Voice/data and video-over IP switches and facilities, as well as traditional circuit-based telephony network equipment, both wired and wireless
- Routers, servers and blades
- Web portal equipment
- Computers and peripheral equipment; voice-enabled PDAs
- UPS (uninterrupted power supplies), generators and back-up power equipment
- Engineering, installation and testing services
- Network control and management systems
- Network integration systems
- Customs and IT Training Services.

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Indirect opportunities for U.S. exports will also be stimulated and accelerated by this project, including supply chain management products such as: bar-codes and seals, RFID (radio frequency identification) scanners, video equipment, GPS tracking systems and equipment

The potential direct and indirect cost of implementation will be more accurately determined during the TA, but will likely exceed \$5 million USD in Guatemala and \$25 million USD for regional replication and integration. The U.S. is a world leader in producing the products and services required for this project and should be very competitive in the bidding process.

Some of the potential U.S. Suppliers of the goods and services associated with this project include:

- Software/hardware and related equipment
 - Cisco
 - Dell
 - D-Tech Micro Systems
 - GlobalReach
 - Hewlett-Packard
 - IBM
 - KGY
 - Magaya
 - Microsoft
 - SUN Microsystems
 - UNZ&Co
- Communications Equipment and Service Providers
 - 3-Com
 - AT&T (including BellSouth)
 - Cisco
 - Lucent
 - Motorola
 - Palm, Inc
 - Research in Motion (Blackberry)
 - Verizon
 - Zingo
- Professional Services (Re-engineering, Design, Integration, etc)
 - Accenture
 - AT&T Government Solutions
 - Bearing Point
 - EDS
 - EnSofttek

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- IBM
- Intuitive Information Systems
- Lockheed-Martin
- OCR Services

- Supply Chain Management/RFID/GPS
 - 3M
 - 4W Solutions
 - Brooks Automation
 - Checkpoint Systems
 - InfoLogix
 - Oracle
 - SAMSys Technologies
 - SATO America
 - SIRIT Inc.
 - Symbol Technologies

3.8 FOREIGN COMPETITION

Although the U.S. is a strong competitor in the products and services required by the Guatemala Customs Transit Control System project, other countries also have strong product and service providers, particularly in the computer hardware, communications and supply chain management/RFID markets. Foreign competition comes primarily from Europe, Mexico, China, Japan and Canada from such companies as listed below in Table 4.

3.9 IMPACT ON U.S. LABOR

Implementation of the project will have a small but positive impact on U.S. Labor by providing the opportunity to sell customs-specific and ICT generic goods and services first to Guatemala, then subsequently to the region. The project will significantly increase the trade capacity infrastructure of Guatemala and will facilitate commerce for those U.S. companies involved in export/import activities in Central America requiring transit into and out of the region. Further, the project should reduce the flow of contraband consumer goods into and out of Central America, benefiting U.S. as well as Central American labor and businesses.

3.10 ENVIRONMENTAL IMPACT

The growth and modernization of Guatemala's customs ICT system should have no negative environmental impact since border control points and warehouses, highways and access roads, telecom and IT infrastructure already exist. However, the technical assistance will determine and recommend telecom infrastructure growth, rehabilitation and modernization on a system-wide as well as location-specific basis to ensure available and reliable voice/data/video communications for the Customs Transit Control System. Some of the locations may require construction of equipment sites, auxiliary power and maintenance access/regress. Accordingly, the technical planning output of this project must address and evaluate potential environmental impacts of such construction requirements.

Table 4 – Potential Foreign Competition

COMPANY	COUNTRY	PRODUCTS
ASI	Canada	Software & professional services
Nortel	Canada	Communications equipment
Lenovo	China	Computers and related products
Nokia	Finland	Communications equipment
Alcatel	France	Communications equipment
ASK	France	Supply chain management/RFID
Sernam	France	Supply chain management/RFID
Bielomatik	Germany	Supply chain management/RFID
FEIG	Germany	Systems integration/RFID
SAS	Germany	Software & professional services
Siemens	Germany	Communications equipment
Fujitsu	Japan	Computers and related products
Hitachi	Japan	Computers and related products
ID Omega	Japan	Supply chain management/RFID
Sony	Japan	Computers and related products
Toshiba	Japan	Computers and related products
ISCEA	Mexico	Professional services
TelMex	Mexico	Communications products & services
Emergia	Spain	Communications products & services
ICNITA	Spain	Software & professional services
Ericsson	Sweden	Communications equipment
DBA Risk Mgmt	U.K.	Professional Services
Psion Teklogix	U.K.	Supply chain management/RFID

3.11 RECOMMENDATION

There is wide support within the Guatemalan government and the private sector to work together to improve customs transit controls thereby improving efficiencies. Guatemala, through the Berger Administration, seems committed to continuing on the path toward institutional transparency, accountability and anti-corruption. SAT's institutional will and leadership is demonstrated by Superintendent Roca's desire to improve the Customs Transit Control System and implement sophisticated risk management capabilities.

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Accordingly, it is recommended that the USTDA fund technical assistance to Guatemala's Superintendencia de Administración Tributaria to:

- Assess the current Customs Transit Control System and develop a strategic plan for modernizing the current processes and System consistent with SAT's desire to adopt the WCO (World Customs Organization) Framework of Standards and the most current version of the Data Model
- Design and support the implementation plan for modernization of the Customs Transit Control System
- Prepare bidding documents for the SAT to solicit tenders for the core Customs Transit Control System hardware, software, system integration, risk management capabilities and related training.

SAT, the Grantee and sponsor and the project team members are all motivated to support the effort and work together for the national good.

3.12 QUALIFICATIONS

The types of personnel and desirable skills and abilities required to assess and redesign the current Customs Transit Control System are described below. However, the Contractor may also be able to satisfy the requirements with a different combination of personnel and/or skills. It is desirable that the Project Director be fluent in Spanish and that the other project personnel have a working knowledge of Spanish.

- **PROJECT DIRECTOR** – The Project Director is directly accountable for fulfillment of the terms of reference of the TA and is responsible for overall Contractor leadership and project management, as well as quality assurance and client satisfaction for each individual Task. The Project Director should have strong leadership skills and extensive experience in advising and facilitating top level executives in both public and private sectors, complex project management experience and extensive experience in Customs operations and IT systems.
- **SYSTEM ENTERPRISE ARCHITECT** – The System Enterprise Architect will be the key systems designer. This individual will develop alternatives and recommendations for the new IT infrastructure, computer systems and software required to support the re-engineered processes that are planned for SAT. The architect will also, with input from stakeholders and assistance from the consulting team, develop the ICT transition/implementation plan and priorities.
- **CUSTOMS RISK MANAGEMENT SPECIALIST** – This consultant will primarily be focused on defining database requirements, software and analytic tools and processes required for effective customs risk management. The Risk Management specialist will review and assess risk management processes and IT systems needs, as well as assessing training needs for SAT personnel involved in risk management at SAT headquarters and field customs offices at border and internal locations.

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- **TELECOM NETWORK ENGINEER** – The telecom engineer will be responsible for performing an assessment of the existing telecom infrastructure supporting the customs transit regime; and for recommending a cost-effective, reliable telecom network necessary to support SAT's mission critical customs transit control system, as designed by the contractor team.
- **ECONOMIC/FINANCIAL ANALYST** – The economic/financial analyst will develop business multi-year, financial pro-forma statements that will determine the pace of implementation of the new customs transit control system, as well as its long-term financial sustainability. This person will also develop multi-year sources/uses of funds pro-forma to determine the SAT's ability to finance the modernization project internally within SAT versus obtaining initial implementation financing from external sources.
- **HUMAN RESOURCES CONSULTANT** – A human resources consultant is needed to lead the assessment of the current and recommended customs transit regime organizational design including knowledge, skills and ability requirements (KSA) for both craft and management positions at headquarters and field locations. This team member will also develop the resultant training needs assessment and training plan.

Contractor Skills and Experience Summary – Regardless of the distribution of skills and experience among the project team members, the Contractor's team should have the skills and experiences described below either individually or collectively. Each of the major categories shows the breakdown of skills needed in the sub-categories thereto.

- **Technical Management (20%)**
 - Complex Project Management
 - Experience in Customs operations reviews, IT needs assessment and implementation planning
 - Experience in implementation planning, bid document preparation and proposal evaluation methodology
- **Customs Technical Expertise (40%)**
 - Customs operations reviews and assessments
 - Customs process re-engineering experience
 - Customs organizational design
 - Customs Risk Management skills and experience, including profiling and detection techniques, software systems and analytics, field (border and warehouse) and staff training capabilities
- **ICT Technical Expertise (25%)**
 - System assessment, design, specifications, integration and transition planning
 - Expert knowledge of WCO Customs Data Model Versions 2.0 and 3.0 standards, UNEDocs, ASC X12 and XML schema
 - Systems development cost/benefit analysis
 - Telecom network planning and operations experience; disaster recovery and business continuity planning experience

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- Financial, Human Resources, Legal and Regulatory Expertise (15%)
 - Macroeconomics, engineering economics and service/cost analysis skills
 - Developing investor-quality business plans and pro-forma financials
 - Experience in Customs regime HR organizational design
 - Customs training needs assessment and planning
 - Customs and telecom regulatory and legal knowledge

3.13 PROJECT COST ESTIMATE

It is estimated that the total cost of performing the study in accordance with the Terms of Reference is \$367,580. Detailed cost estimates are presented in Table 5.

Table 5 – Guatemala: Customs Transit Control System

Labor (Direct Labor + Overhead + Benefits)

<i>Task 1: Orientation/Project Organization</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	8	\$1,200	\$9,600
System Architect	4	\$1,100	\$4,400
Risk Management Expert	4	\$1,100	\$4,400
Total	16		\$18,400
<i>Task 2: Customs Transit System Review</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	12	\$1,200	\$14,400
System Enterprise Architect	10	\$1,100	\$11,000
Risk Management Specialist	10	\$1,100	\$11,000
Telecommunications Design Engineer	8	\$1,000	\$8,000
Economic/Financial Analyst	5	\$1,000	\$5,000
Human Resources Consultant	5	\$900	\$4,500
Total	50		\$53,900
<i>Task 3: Stakeholder Objectives</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	6	\$1,200	\$7,200
System Enterprise Architect	5	\$1,100	\$5,500
Risk Management Specialist	5	\$1,100	\$5,500
Telecommunications Design Engineer	3	\$1,000	\$3,000
Economic/Financial Analyst	3	\$1,000	\$3,000
Human Resources Consultant	5	\$900	\$4,500
Total	27		\$28,700
<i>Task 4: Conceptual Design & Technical Requirements</i>	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	7	\$1,200	\$8,400
System Enterprise Architect	15	\$1,100	\$16,500
Risk Management Specialist	10	\$1,100	\$11,000
Telecommunications Design Engineer	3	\$1,000	\$3,000
Economic/Financial Analyst	2	\$1,000	\$2,000
Human Resources Consultant	3	\$900	\$2,700
Total	40		\$43,600

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<i>Task 5: Transit Process Re-engineering</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	6	\$1,200	\$7,200
System Enterprise Architect	5	\$1,100	\$5,500
Risk Management Specialist	5	\$1,100	\$5,500
Telecommunications Design Engineer	2	\$1,000	\$2,000
Economic/Financial Analyst	2	\$1,000	\$2,000
Human Resources Consultant	5	\$900	\$4,500
Total	25		\$26,700
<i>Task 6: Training Needs Assessment and Plan</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	3	\$1,200	\$3,600
System Enterprise Architect	2	\$1,100	\$2,200
Risk Management Specialist	4	\$1,100	\$4,400
Telecommunications Design Engineer		\$1,000	
Economic/Financial Analyst	1	\$1,000	\$1,000
Human Resources Consultant	10	\$900	\$9,000
Total	20		\$20,200
<i>Task 7: Economic and Financial Analysis</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	3	\$1,200	\$3,600
System Enterprise Architect	2	\$1,100	\$2,200
Risk Management Specialist	2	\$1,100	\$2,200
Telecommunications Design Engineer	2	\$1,000	\$2,000
Economic/Financial Analyst	12	\$1,000	\$12,000
Human Resources Consultant	2	\$900	\$1,800
Total	23		\$23,800
<i>Task 8: Implementation Plan</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	6	\$1,200	\$7,200
System Enterprise Architect	6	\$1,100	\$6,600
Risk Management Specialist	4	\$1,100	\$4,400
Telecommunications Design Engineer	2	\$1,000	\$2,000
Economic/Financial Analyst	2	\$1,000	\$2,000
Human Resources Consultant	2	\$900	\$1,800
Total	23		\$24,000
<i>Task 9: Bidding Documents & Strategy</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	12	\$1,200	\$14,400
System Enterprise Architect	9	\$1,100	\$9,900
Risk Management Specialist	9	\$1,100	\$9,900
Telecommunications Design Engineer		\$1,000	
Economic/Financial Analyst	3	\$1,000	\$3,000
Human Resources Consultant	3	\$900	\$2,700
Total	36		\$39,900
<i>Task 10: Risk Management Capabilities & Seminar</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	4	\$1,200	\$4,800
System Enterprise Architect	2	\$1,100	\$2,200
Risk Management Specialist	8	\$1,100	\$8,800
Telecommunications Design Engineer		\$1,000	
Economic/Financial Analyst		\$1,000	
Human Resources Consultant	2	\$900	\$1,800
Total	16		\$17,600

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<i>Task 11: Final Report</i>			
	<i>Person-Days</i>	<i>Unit Cost</i>	<i>Total Cost</i>
Project Director	5	\$1,200	\$6,000
System Enterprise Architect	2	\$1,100	\$2,200
Risk Management Specialist	2	\$1,100	\$2,200
Telecommunications Design Engineer	1	\$1,000	\$1,000
Economic/Financial Analyst	2	\$1,000	\$2,000
Human Resources Consultant	2	\$900	\$1,800
Total	14		\$15,200
<i>TOTALS for all Tasks</i>			
	<i>Person-Days</i>	<i>Labor Costs</i>	
	289	\$312,000	
<i>TOTALS by Category</i>			
	<i>DAYS</i>	<i>COST</i>	
Project Director	72	\$86,400	
System Enterprise Architect	62	\$68,200	
Risk Management Specialist	63	\$ 69,300	
Telecommunications Design Engineer	21	\$21,000	
Economic/Financial Analyst	32	\$32,000	
Human Resources Consultant	39	\$35,100	
TOTALS	289	\$312,000	
<i>Travel</i>			
		<i>COST</i>	
Air Transportation (24 round trips from U.S. to Guatemala at \$800 each)		\$19,200	
Ground Transportation – U.S. (24 round trips to airport at \$100 each)		\$2,400	
Per Diem (142 person-days at \$150 per day)		\$21,300	
Local Transportation – Guatemala (142 days at \$40 per day)		\$5,680	
Total		48,580	
<i>Other Direct Costs</i>			
		<i>COST</i>	
Miscellaneous - telephone (voice, data, fax), Postal, DBA Ins., Medevac		\$ 7,000	
Total		\$7,000	
Total Costs (DL + OH + G&A + ODCs)		\$367,580	

3.14 TERMS OF REFERENCE

3.14.1 Background

USTDA has launched a CAFTA-DR Trade Integration Initiative under the umbrella of the Committee on Trade Capacity Building. This initiative is being conducted not only in partnership with the CAFTA-DR countries, but also in close cooperation with the Office of the United States Trade Representative, Overseas Private Investment Corporation, the Export-Import Bank of the United States, Millennium Challenge Corporation, the Commerce Department and USAID.

The USTDA commissioned a Definitional Mission to identify high-priority Information Communications Technology (ICT) projects that could assist Guatemala and the region in trade capacity building. The basic requirements underlying this customs improvement project were identified most frequently in interviews with key leaders in government and the private sector alike.

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A key element for trade development in Central America is the acceleration of e-Government and e-Commerce applications and systems. Global examples abound that demonstrate the tight correlation between ICT capabilities and economic development.

Chapter 5 of CAFTA-DR addresses Customs Administration and Trade Facilitation. Clearly, a key aspect of Trade Capacity Building for CAFTA-DR partner nations calls for efficient yet secure customs transit procedures and border controls.

3.14.2 Objective

The objective of this technical assistance to the Superintendencia Administración Tributaria (SAT) is to support the Government of Guatemala in its desire to implement customs transit processes and ICT systems consistent with the core elements of the World Customs Organization (WCO) Framework of Standards. Objectives include:

- Modernization of Guatemala's Customs Transit Control System, both processes and ICT systems, to better track and control international customs transit traffic through and within Guatemala
- Harmonization and increased use of electronic data capture
- Increased use of advance electronic information such as international transit declarations, bills of lading, operators and modes, etc., using the most current version of the WCO standard Customs Data Model
- Provision of benefits (quick release, etc.) to businesses that meet supply chain security requirements; and improved collection of customs tax revenues by SAT
- Implementation of risk management capabilities to detect contraband and/or security threats.

3.14.3 Tasks

A summary of tasks to be performed include:

- Assessment of the current operations and environment and development of a strategic Customs Transit Control System ICT plan aligned with the agency's direction of adopting the WCO Framework of Standards
- Conceptual design, technical specifications and implementation (transition) planning for customs ICT processes, enterprise architecture and infrastructure to enable improved customs tax revenue collections while simultaneously improving transit/transfer service performance for the private sector
- Customs transit organizational design, training needs assessment and training plan
- Database requirements, software and analytic tools and processes for risk management; educational seminar for personnel involved in risk management
- Customs transit/transfer process re-engineering recommendations
- Telecom network design and configuration assessment and recommendations, including business continuity
- Relevant, accurate and timely statistical and key service indicator (KSI) reporting capabilities and "dashboards" for various stakeholders
- Economic analyses, risks and opportunities for each technical option

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- Bid document preparation and bid evaluation coaching
- Risk management system capabilities.

Specific tasks required to develop and implement this project are described below:

TASK 1: ORIENTATION AND PROJECT ORGANIZATION

- TASK 1.1: Conduct “kick-off” meetings with the Grantee and available Advisory Committee members to introduce the project, review objectives and initial timetables.
- TASK 1.2: Establish project strategies, policies and major task responsibilities or support requirements from the relevant groups within the client organization.
- TASK 1.3: Work with the client organization to become familiar with applicable Guatemalan and regional customs transit laws, regulations, regional/international treaties.

TASK 2: EXISTING SYSTEM REVIEW AND ASSESSMENT

The general purpose of Task 2 is to perform a detailed assessment of the “as is” operations and ICT capabilities and limitations of the present Customs Transit Control System.

TASK 2.1: The Contractor shall review and document, at minimum, the current:

- Customs transit control system processes
- Organizational responsibilities and staffing
- Existing IT system architecture and applications
- Existing voice/data/video telecom LANs and WANs supporting the IT system
- Volumes (by transactions and value) per Customs Office (border crossing and internal), internal fiscal warehouses, electronic versus manual entries per location, etc.
- Available performance indicators, such as cycle and release times, tax revenues, unaccounted for transits, ICT system failures and impacts, etc.
- Risk management techniques and results.

TASK 2.2: The Contractor shall conduct headquarters interviews and analysis and field visits to key Customs Offices for both the International Transits regime and the Internal Transfer regime. The Contractor shall conduct interviews with each of the following offices which account for more than 85% of the traffic for the respective regimes. These offices are listed in descending order of volumes:

- International Transits: La Ermita, Santo Tomas, Técun Umán, Pedro de Alvarado and Puerto Quetzal
- Internal Transfers: Santo Tomas, Puerto Barrios, Técun Umán, El Carmen and Puerto Quetzal.

TASK 2.3: The Contractor shall evaluate the current processes or system deficiencies in context of WCO Framework of Standards and other global best practices, noting recommended improvement priorities.

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TASK 2.4: The Contractor shall summarize findings in a report to be presented at the Stakeholder Workshop in Task 3, as well as used for input for system redesign in Task 4, *Conceptual Design and Technical Requirements*.

Task 2 Deliverable: Report of findings from Task #1 and Task #2.

TASK 3: STAKEHOLDER OBJECTIVES

Understanding the needs of significant users of and stakeholders in the Customs Transit Control System is essential for designing and implementing effective human and technical solutions. Accordingly, Task 3 requires additional stakeholder interviews, beyond Task 1, in order to obtain a 360 degree view of the current problems and desired goals, unconstrained objectives and priorities for Guatemala's and the region's customs transit operations.

TASK 3.1: The Contractor shall conduct interviews with the following groups:

- Public sector representatives within the relevant Guatemalan government ministries and agencies including, but not limited to, the public sector representatives on the Advisory Group including the Honduran Advisor, Señor Armando Sarmiento, Director General of the Department of Revenue, (Dirección Ejecutiva de Ingresos, DEI) and his key DEI staff members
- Private sector representatives of transport/carrier companies and associations; import/export agents dependent on customs transits and transfers
- Other donor organizations presently active in SAT, including WCO (advising on Canada's model) USAID (modernizing the SAT Call Center) and World Bank (customs process analyses, excluding transit processes). It is crucial that the contractor's efforts are complimentary, not duplicative, to other donor projects.

TASK 3.2: The Contractor shall conduct an Advisory Group Workshop to:

- Review the findings of strengths and weaknesses of the current system from Task 2
- Present summary intelligence, insights and implementation priorities gathered from the stakeholder interviews in Task 3.1
- Discuss overall development strategy and conceptual system design options
- Lead the Advisory Group to consensus on process re-engineering recommendations and system design alternatives, all of which will include risk management capabilities, to be developed in Tasks 4 and 5, respectively.

TASK 3.3: The Contractor shall prepare a summary report of the Advisory Group Workshop discussions and key decisions agreed upon.

Task 3 Deliverables:

1. *Materials (in both hardcopy and CD-ROM) for and facilitation of Advisory Group Workshop.*
2. *Report of Advisory Group Workshop Discussions and Decisions.*

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TASK 4: CUSTOMS TRANSIT PROCESS RE-ENGINEERING

TASK 4.1: Based on assessment of the current processes in Task 2 and business requirements established in Task 3, the Contractor shall produce high level re-engineered processes and flow charts describing each process, including risk management, required for the Customs Transit Control System.

TASK 4.2: The Contractor shall determine current process cycle times, error rates, Key Service Indicators (KSI) and Service Level Agreements (SLA) where available.

TASK 4.3: With SAT, the Contractor shall develop:

- Appropriate KSI's, SLA's and other measurements
- Methods/sources for data capture
- Analysis techniques
- Relevant measurement "dashboards" for various stakeholder groups.

Task 4 Deliverables:

1. *High level process flow charts and descriptions for Customs Transit Control System.*
2. *Recommended System and process measurements and data capture sources.*
3. *Example system and process performance reports for management and stakeholders.*

TASK 5: CONCEPTUAL DESIGN AND TECHNICAL REQUIREMENTS

The Contractor shall utilize the John A. Zachman "Framework for Enterprise Architecture" or equivalent methodology for this entire Project, but particularly for this Task.

TASK 5.1: Utilizing inputs from Tasks 2 through 4, the Contractor shall develop system architecture alternatives including detailed technical requirements and risk management capabilities, for the system; produce detailed system architecture maps for each option including business rules, database, software, hardware and the data/telecom network. (This Task corresponds to the Architect's View or the Model of the Information System in the Zachman Framework).

TASK 5.2: The Contractor shall develop an assessment of the telecom network's (voice/data/video) current and recommended infrastructure and capabilities which will be produced as input to the system design options and corresponding financial plan scenarios in Task 7. This plan should include recommendations for a cost-effective, reliable telecom network including disaster recovery/business continuity requirements.

Task 5 Deliverables:

1. *Document describing detailed system architecture alternatives developed in Task 5.1.*
2. *Document describing the findings and recommendations developed in Task 5.2.*

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TASK 6: ORGANIZATIONAL DESIGN AND TRAINING PLAN

- TASK 6.1: Building on the data, insights and decisions resulting from Tasks 2 through 5, the Contractor shall design a high-level customs transit regime organizational design including knowledge, skills and ability requirements (KSA) for both craft and management positions at HQ and field locations.
- TASK 6.2: Utilizing multi-year volumes of work and productivity projections, the Contractor shall develop a three-year view of staffing requirements, by type and location, including risk management requirements. The organizational design will be the underpinning of the resultant training needs assessment and training plan and should include recommended rates of pay ranges based on competitive benchmarks in Guatemala and regionally as well as intensive education on the need for ethics and integrity as a condition of employment¹².
- TASK 6.3: The Contractor in conjunction with the organizational design shall conduct a training needs assessment for Customs Transit Control System management and staff personnel. Based on the KSA and staffing requirements of Task 6.1 and 6.2, the Contractor shall develop a training plan for each functional area, estimated costs for the proposed training and identification of potential training institutions.

Task 6 Deliverables:

- 1. An organizational design report for the Customs Transit Control System regime.*
- 2. A training needs assessment and resultant training plan, with sharp focus on risk management training.*

TASK 7: ECONOMIC AND FINANCIAL ANALYSIS

- TASK 7.1: The Contractor shall estimate the incremental revenue that can be generated through improved transit controls attainable from this project's implementation.
- TASK 7.2: The Contractor shall ensure the revenue projections are affirmed by SAT, because these incremental revenues will essentially be the source of funds either for internal financing of the project implementation costs in full, or for repayment of external project financing.
- TASK 7.3: The Contractor shall develop net incremental expense estimates versus present method of operations (PMO) and capital expenditures (CapEx) for each system architecture alternative as well as from the process re-engineering and organizational design activities.
- TASK 7.4: The Contractor shall build a Microsoft Excel model with linked spreadsheets that can financially evaluate the multiple system design scenarios. Pro-forma Income Statements, Balance sheets and Sources/Uses of Funds Statements will be

¹² While it is recognized that corruption will not be halted by competitive pay rates alone, using wages as a differentiating factor may be important in building internal "esprit" in the Customs Transit organization. Specifically, pay should reflect the high value and importance of being a Customs employee, but attractive pay incentives should be implemented only with a corresponding high expectation of integrity as a condition of employment.

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generated for a minimum 5 year view to evaluate the costs/benefits of the system design alternatives. Net present value (NPV) of cumulative discounted cash flow will be the basis of comparison of design alternatives. The Contractor shall also develop a narrative explaining the model, its operation and instructions on its use.

TASK 7.5: The Contractor shall ensure that all modeling input assumptions/parameters of revenues, expenses, CapEx, discount rates are agreed upon by SAT.

TASK 7.6: The Contractor shall develop financing options for the decisions to be made regarding internal versus external financing, or a combination of both to accelerate the transition/implementation plan. If external financing is necessary or desirable, the Contractor will support SAT in presenting the financials, in the form of an investment-grade Business Plan, to organizations that have already expressed interest in this project including the IADB and the World Bank. Other potential investors include the Overseas Private Investment Corporation, the Export-Import Bank of the United States, the Millennium Challenge Corporation, etc.

Task 7 Deliverables:

1. *A complete reference table of financial and operational assumptions and sources*
2. *A Microsoft Excel Financial Model of the Customs Transit Control System for ongoing use by SAT*
3. *A document providing a narrative description of the model, its operation and instructions on its use.*
4. *Multi-year (3 year minimum) Pro-forma financial statements including Sources/Uses of Funds Statement for Guatemala Customs Transit Control System*
5. *Report of Financing options*

TASK 8: TRANSITION/IMPLEMENTATION PLAN

TASK 8.1: The Contractor shall conduct an Advisory Group Workshop and facilitate a decision regarding the desired system solution based on the modeled alternatives.

TASK 8.2: Based upon the final system design decision made in the Workshop and the supporting multi-year financial plan, the Contractor shall develop a strategic transition/implementation plan.

TASK 8.3: The Contractor shall then develop a step-by-step plan using Microsoft Project or a similar tool that will identify tasks and dependencies regarding the initial acquisition and technical deployment of the system and any subsequent phases as determined in Tasks 8.1 and 8.2.

Task 8 Deliverables:

1. *Advisory Group Workshop*
2. *Report of discussions and decisions made at Workshop*
3. *Guatemala Customs Transit Control System Strategic Transition/Implementation Plan*

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4. *Microsoft Project (or similar) Project Plan of key project tasks and dependencies for initial implementation and subsequent transition Phase to "end state" for the Customs Transit Control System*

TASK 9: BIDDING DOCUMENTS AND STRATEGY

The Contractor shall develop, together with the Grantee, a bid strategy and then prepare initial project implementation bidding documents and a full tender package for SAT that:

- Accurately reflect the technical specifications and requirements, including training, of the designed system
- Align with the latest version of the WCO Customs Data Model
- Meet the business objectives and mission of the Customs Transit Control System
- Conform to international standards of procurement and engineering
- Conform to Guatemala's procurement laws and standards.

The Contractor shall also develop bid evaluation methods and guidelines for subsequent use by SAT and the Advisory Group in selecting the winning bid.

Task 9 Deliverable:

1. *Customs Transit Control System Bid strategy*
2. *Customs Transit Control System Bid Documents for initial project implementation for issuance by Grantee*
3. *Bid evaluation methods and guidelines*

TASK 10: RISK MANAGEMENT IMPLEMENTATION AND TRAINING

This task has three major steps. Because of its importance and to ensure client and Contractor focus, Risk Management is listed as a separate task here, although some steps will be performed concurrently and integrally with previous tasks.

TASK 10.1: To be performed concurrently with Tasks 2 through 5, the Contractor shall identify database requirements, software and analytical tools and processes required for effective customs risk management.

TASK 10.2: The Contractor shall assess training needs for SAT personnel presently involved, or those that will be involved, in the new Risk Management subsystem. Training will be specified for risk management personnel at SAT headquarters and field customs offices (border and internal locations). This step will be performed concurrently with Task 6 (Organizational Design and Training Plan) and will be a distinct subset of the overall Customs Transit regime organizational and training plans.

TASK 10.3: The Contractor shall prepare and conduct a Risk Management Seminar for major stakeholders including the Advisory Group, key personnel from the Advisory Group organizations and relevant personnel in SAT that are or will be responsible for risk management. The seminar shall:

- Provide background information on the overall Customs Transit Control modernization project

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- Focus primarily on the risk management capabilities planned for Guatemala's customs transit operations
- Describe the potential benefits, roadblocks and resistance to implementing the new risk management system
- Engage the attendees in removing roadblocks and enabling successful risk management practices.

Task 10 Deliverable: Plan and conduct a Customs Transit Control System Risk Management Seminar.

TASK 11: DEVELOP AND DELIVER A FINAL REPORT

The Contractor will prepare and deliver a Draft and subsequent Final Report to the USTDA and to the Grantee. The Draft Final Report will address all issues outlined and required in the USTDA Technical Assistance RFP solicitation within the timeframe specified. The Final Report will incorporate all mutually agreed upon Draft revisions, materials and supporting documentation that demonstrate fulfillment of the contract Terms and Conditions.

Task 11 Deliverable: Project Final Report

ANNEX 3



**U.S. TRADE AND DEVELOPMENT AGENCY
Arlington, VA 22209-2131**

NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

NATIONALITY:

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.

subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

SOURCE AND ORIGIN:

1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

3) Definitions

“Source” means the country from which shipment is made.

"Origin" means the place of production, through manufacturing, assembly or otherwise.

Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.

ANNEX 4

USTDA # 07-51012B

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GRANT AGREEMENT

PF
AUG 13 2007

K.M. AM J.B. E. D.W.

This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and the Superintendencia de Administración Tributaria (SAT) of Guatemala ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$387,500 ("USTDA Grant") to fund the cost of goods and services required to provide technical assistance ("TA") on the proposed Customs Transit Control System Project ("Project") in Guatemala ("Host Country").

1 - English 2 - Spanish
Text

1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the TA ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

2. Terms of Reference

w/ attachments

The Terms of Reference for the TA ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The TA will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the TA shall also be included in the Contract.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the Contractor shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

5. USTDA as Financier

(A) USTDA Approval of Competitive Selection Procedures

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* (www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA Approval of Contractor Selection

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the Contractor to perform the TA. Upon approval of this selection by USTDA, the Grantee and the Contractor shall then enter into a contract for performance of the TA. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the TA that they were not selected.

(C) USTDA Approval of Contract Between Grantee and Contractor

The Grantee and the Contractor shall enter into a contract for performance of the TA. This contract, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract.

(D) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the

Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the contract or subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any contract or subcontract funded by the Grant Agreement, the Grant Agreement shall be controlling.

6. Disbursement Procedures

(A) USTDA Approval of Contract Required

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

(B) Contractor Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the TA by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. TA Schedule

(A) TA Completion Date

The completion date for the TA, which is January 1, 2009, is the date by which the parties estimate that the TA will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

9. USTDA Mandatory Clauses

All contracts funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

13. Cooperation Between Parties and Follow-Up

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

14. Implementation Letters

To assist the Grantee in the implementation of the TA, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

15. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the TA and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the TA and the Grant Agreement.

16. Representation of Parties

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Guatemala and the Grantee will be represented by the Superintendente de la Administración Tributaria. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

17. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Superintendente de la Administración Tributaria
Superintendencia de Administración Tributaria
Torre SAT, nivel 8
7a Avenida 3-73
Zona 9
Guatemala

Phone: 502-2362-7070
Fax: 502-2362-7550

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 117/81001
Activity No.: 2007-51012B
Reservation No.: 2007510023
Grant No.: GH2007510004

18. Termination Clause

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the TA, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

19. Non-waiver of Rights and Remedies

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

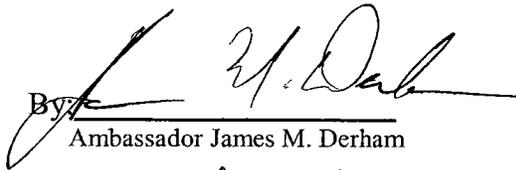
20. U.S. Technology and Equipment

By funding this TA, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

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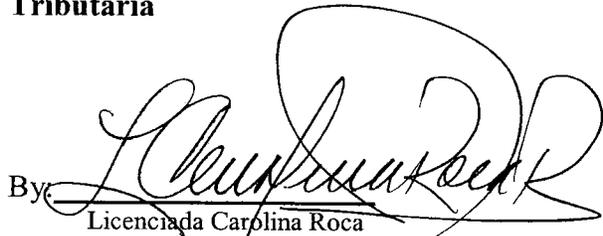
IN WITNESS WHEREOF, the Government of the United States of America and Superintendencia de Administración Tributaria, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

For the Government of the United States of America

By: 
Ambassador James M. Derham

Date: 7 August 07

For Superintendencia de Administración Tributaria

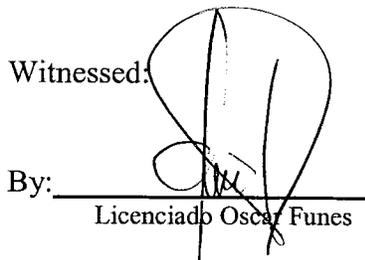
By: 
Licenciada Carolina Roca

Date: 7 Agosto 2007

Witnessed:

By: 
Patricia M. Wagner

Witnessed:

By: 
Licenciado Oscar Funes

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

Task 1: Orientation and Project Organization

In preparation for this task, SAT will have established the following:

- a) An Advisory Group including members of SAT, SAT Superintendent, and key executive stakeholders from the private and public sectors, including those that signed the National Customs Pact (Pacto de Integridad en el Sistema Aduanero Nacional) that are already collaborating with SAT on other Customs modernization initiatives. The Advisory Group will serve as a key body with whom SAT will discuss high-level policy issues and strategies that result from this technical assistance.
- b) A Work Team within SAT to enable the Contractor's access to critical organizations, information, resources, and with which to design, test and implement the Customs Transit Control System Project.

Task 1.1 The Contractor shall conduct "kick-off" meetings with the SAT Work Team members, members of the Advisory Group, and their respective stakeholders to:

- establish project strategies, policies and major task responsibilities
- agree upon resources and information required by Contractor from SAT
- agree upon an initial work plan of activities, major milestones, responsible parties and timetable

Task 1.2 The Contractor shall work with SAT to become familiar with applicable Guatemalan and regional customs transit laws, regulations, and regional and international treaties.

Task 1.3 The Contractor shall refine the details of the work plan and timetable into an agreed-upon Project Work Plan.

Task 1 Deliverables:

1. Project Work Plan.

Task 2: Existing System Review and Assessment

The Contactor shall perform an assessment of the operations and ICT capabilities and limitations of the present Customs Transit Control System. This "current state" assessment will be greatly enabled by the availability of existing documentation recently prepared by the Inter-American Center of Tax Administrations (CIAT). A CIAT consultancy, that is scheduled to be completed in 2007, had the assignment of re-engineering the Guatemala customs operations, and presenting a proposal to SAT to

redesign the overall customs processes and systems. The CIAT recommendations, however, do not include customs transits. Accordingly, this TA is expected to fill that gap and be seamlessly integrated into the overall CIAT processes and systems recommendations.

- Task 2.1 The Contractor shall review and document, at minimum:
- The current customs transit control processes including flow charts which describe current processes and sub-processes
 - Existing IT system architecture and applications
 - Existing voice/data/video telecom LANs and WANs supporting the IT system
 - Volumes (by transactions and value) per customs office (border crossing and internal) internal fiscal warehouses, electronic versus manual entries per location, any other relevant due diligence, and pre-design information
 - Available performance indicators, such as, but not limited to, cycle and release times, tax revenues, unaccounted for transits, ICT system failures and impacts.
- Task 2.2 The Contractor shall conduct a headquarters operations assessment and shall also conduct field operational reviews at the following international transit and internal transfer locations: Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán. These field locations collectively account for more than 75% of the international transits and internal transfers. The purpose of these operations reviews is to clearly identify operational deficiencies and inefficiencies to be remedied in subsequent Tasks 3, 4 and 5. The Contractor shall evaluate the current customs transit control processes in context of the World Customs Organization (WCO) Framework of Standards and other global best practices, noting system deficiencies and recommending improvement priorities.
- Task 2.3 The Contractor shall investigate and recommend available technologies that could be used to increase the efficiency and measurable effectiveness of customs transit control systems in the region. The recommendation shall include individual price points, quantities and broad-gauge estimates and priorities for Guatemala customs transit control systems required equipment, such as, but not limited to: IT Transit System hardware, GPS tracking systems, bar-codes and seals, RFID (radio frequency identification) scanners, closed-circuit video surveillance equipment, PDAs and other hand-held devices.
- Task 2.4 The Contractor, in collaboration with the Work Team, shall recommend key service indicators (KSI), process matrix and data capture sources to

measure the performance quality of internal SAT processes as well as private sector (international transit carriers) customer service quality.

Task 2 Deliverables:

1. A comprehensive document containing operations review findings (current state),
2. A comprehensive document containing the recommendations for process re-engineering including, but not limited to, new systems to control international transits and internal transfers. This includes the key recommendations for changes to the current customs transit control processes and systems.
3. A comprehensive document containing recommendations for IT and customs transit control-specific technologies to increase efficiency and effectiveness of customs transit control processes and systems.
4. A comprehensive document containing recommendations for and agreement with SAT on reporting of key service indicators (KSI), process matrix and data capture sources to measure custom transit control quality and effectiveness by SAT and the private sector.

Task 3 Software Design and Development

SAT currently has a software platform (the Customs Control Information System) for the initialization, arrivals and control of international transits to and from Guatemala, including internal transfers.

- Task 3.1 The Contractor shall perform an assessment of the current IT platform and infrastructure as well as an assessment of the supporting communications and connectivity systems.
- Task 3.2 Utilizing inputs from all of Task 2 and Task 3.1, the Contractor shall design and develop a new Customs Control Information System software platform to effectively control customs transit control systems. The Contractor shall ensure that the new customs transit control software is fully compatible with the technologies chosen by SAT from the options recommended by the Contractor in Task 2.3, as well as the overall customs operations proposed and implemented by CIAT, considering each transit as an independent, yet fully integrated operation within the overall system.
- Task 3.3 The Contractor shall develop software and system testing protocol and criteria.
- Task 3.4 The Contractor shall conduct system, sub-system and volume tests to confirm user-friendliness and logic, and to establish the reliability of the new system and software before general availability and full

implementation. The Contractor shall submit these final system test results to the Work Team for approval.

Task 3 Deliverables:

1. Documentation describing detailed system architecture and technical specifications of the software/system developed.
2. Software and system testing protocol and criteria.
3. Final system test results

Task 4 Transition and Implementation Plan

- Task 4.1 The Contractor shall develop and deliver a detailed Transition and Implementation Plan of the new customs transit control processes and systems taking into account all critical success factors (staffing, training needs, system “rules”, measurements of quality and effectiveness to be tracked and reported.)
- Task 4.2 The Contractor shall conduct a Workshop with the Advisory Group and the Work Team and their key stakeholders to review: the re-engineered processes, systems and capabilities of the new Customs Transit Control System; and the Transition and Implementation Plan. The Contractor shall facilitate the Workshop with the goal of obtaining consensus and final approval from SAT Work Team, in coordination with the Advisory Group, to proceed with transition to and implementation of the new Customs Transit Control System.
- Task 4.3 The Contractor shall update the Transition and Implementation Plan, if necessary, to reflect any agreed-upon changes from the Advisory Group in Task 4.2. The Contractor will then distribute the final Plan to all parties, including SAT personnel involved in the operations of the Customs Transit Control System.

Task 4 Deliverables:

1. Preparation for and facilitation of the Transition and Implementation Planning Workshop, including presentation highlights and detailed supporting documentation of the proposed Transition and Implementation Plan for the new Customs Transit Control System, including critical success factors for implementation.
2. Final documentation and distribution of the Transition and Implementation Plan.

Task 5 Documentation, Training and Implementation Support

- Task 5.1 The Contractor shall ensure that the documentation of the new Customs Transit Control System is complete, and shall execute the Transition and Implementation Plan developed in Task 4, ensuring that the re-engineered processes and system(s) – recommended in Task 2 - are in place and fully operational.
- Task 5.2 The Contractor shall develop evaluation metrics by which to ensure that system objectives are met before general deployment and complete roll-out commences.
- Task 5.3 The Contractor shall coordinate with the Work Team to implement and field-test the new processes in at least two international transit and internal transfer locations (e.g. Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán) as pilot tests. SAT is responsible for providing the new technology hardware and connectivity in accordance with the Contractor recommendations from Task 2.3. Based upon results of these pilot tests the Contractor shall make necessary process/system/software adjustments to ensure optimal functioning of the Customs Transit Control System.
- Task 5.4 The Contractor shall prepare and deliver to SAT the user and technical manuals of the new Customs Transit Control System in conformance with SAT documentation requirements standards and directives.
- Task 5.5 The Contractor shall assess training needs for SAT personnel directly involved in or interfacing with the operations of the new Customs Transit Control System. The Contractor shall develop a training plan that includes training content by work function, and a training timetable shall be submitted for review and approval by SAT.
- Task 5.6 The Contractor shall conduct between 15-20 training sessions delivering the training content agreed to by SAT in Task 5.5, and in conformance with the agreed-upon timetable. The contractor shall train personnel from SAT's Information and Technology department (Gerencia de Informática), the Customs Intendence, and field operations personnel working in customs as specified in Task 2.2 (Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán). Location(s), number and job functions of personnel for training at each session shall be determined in consultation with SAT.
- Task 5.7 The Contractor shall fully implement the new processes and systems, as identified in Tasks 1-4, to cover at a minimum international transits or internal transfers involving customs offices located at Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán. The Contractor shall reference Task 2.2 for this task.

Task 5 Deliverables:

1. Field (pilot) testing plan and evaluation “success” criteria.
2. A report of the pilot test results and resultant modifications, if any, to the Customs Transit Control System.
3. User manual for the new systems to control Customs Transits.
4. Document containing the technical specifications of the new systems and software.
5. Training syllabus, materials and timetable.
6. Roll-out plan for general implementation of the Customs Transit Control System in all locations.
7. Roll-out completion report.

Task 6 Public Outreach Event

SAT will organize and be responsible for scheduling a public event to highlight the results of this project. SAT will send invitations to members of the Advisory Group, other SAT executives, key stakeholders, executives and officials from the Guatemalan public and private sectors, the SAT Work Team and the press.

Task 6.1 The Contractor shall develop a press kit and power-point presentation for the SAT-sponsored public event which shall contain the main aspects, expected benefits and results of the TA. The Contractor shall participate in this event with SAT.

Task 7 Final Report

Task 7.1 The Contractor shall prepare and deliver to SAT and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference (“Final Report”). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

Notes:

1. The Contractor is responsible for compliance with U.S export licensing requirements, if applicable, in the performance of the Terms of Reference.
2. The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.

3. The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work products that are developed under these Terms of Reference.

Annex II

USTDA Mandatory Contract Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this contract acknowledge that this contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and Superintendencia de Administración Tributaria (SAT) of Guatemala ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("Contractor") to perform the technical assistance ("TA") for the Customs Transit Control System project ("Project") in Guatemala ("Host Country"). Notwithstanding any other provisions of this contract, the following USTDA mandatory contract clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA mandatory contract clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any contract or subcontract thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Contract

All contracts funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the contract has been formally approved by USTDA or until the contract conforms to modifications required by USTDA during the contract review process.

(2) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or

liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Client or USTDA.

C. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

D. Recordkeeping and Audit

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the contract term and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

G. Reporting Requirements

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the TA. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

H. Disbursement Procedures

(1) USTDA Approval of Contract

Disbursement of Grant funds will be made only after USTDA approval of this contract. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor a photocopy of an English language version of a signed contract or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

(2) Payment Schedule Requirements

A payment schedule for disbursement of Grant funds to the Contractor shall be included in this Contract. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as an advance payment; (2) all other payments, with the exception of the final payment, shall be based upon contract performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

(3) Contractor Invoice Requirements

USTDA will make all disbursements of USTDA Grant funds directly to the Contractor. The Contractor must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by USTDA to the Contractor for performance of the contract by submitting the following to USTDA:

(a) Contractor's Invoice

The Contractor's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the Contractor, as follows:

(i) For an advance payment (if any):

"As a condition for this advance payment, which is an advance against future TA costs, the Contractor certifies that it will perform all work in accordance with the terms of its Contract with the Client. To the extent that the Contractor does not comply with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA. "

(ii) For contract performance milestone payments:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the Contractor's Invoice

(i) The invoice for an advance payment must be approved in writing by the Client.

(ii) For contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client. "

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

(4) Termination

In the event that the Contract is terminated prior to completion, the Contractor will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in the event of such termination, USTDA is entitled to receive from the Contractor all USTDA Grant funds previously disbursed to the Contractor (including but not limited to advance payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

I. USTDA Final Report

(1) Definition

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

(2) Final Report Submission Requirements

The Contractor shall provide the following to USTDA:

(a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the Contractor to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) Three (3) copies of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version (provided USTDA receives a total of four (4) copies). In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

The Contractor shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses, and the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement. Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The Contractor and any subcontractor that performs work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name,

point of contact, address, telephone and fax numbers shall be included for Contractor and each subcontractor.

(d) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(e) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

J. Modifications

All changes, modifications, assignments or amendments to this contract, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

K. TA Schedule

(1) TA Completion Date

The completion date for the TA, which is January 1, 2009, is the date by which the parties estimate that the TA will have been completed.

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

L. Business Practices

The Contractor agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA. The Client agrees not to receive any such payment. The Contractor and the Client agree that each will require that any agent or representative hired to represent them in connection with the TA will comply with this paragraph and all laws which apply to activities and obligations of each party under this Contract, including but not limited to those laws and obligations dealing with improper payments as described above.

M. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
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N. Definitions

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

O. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

ANNEX 5

Annex I

Terms of Reference

Task 1: Orientation and Project Organization

In preparation for this task, SAT will have established the following:

- a) An Advisory Group including members of SAT, SAT Superintendent, and key executive stakeholders from the private and public sectors, including those that signed the National Customs Pact (Pacto de Integridad en el Sistema Aduanero Nacional) that are already collaborating with SAT on other Customs modernization initiatives. The Advisory Group will serve as a key body with whom SAT will discuss high-level policy issues and strategies that result from this technical assistance.
- b) A Work Team within SAT to enable the Contractor's access to critical organizations, information, resources, and with which to design, test and implement the Customs Transit Control System Project.

Task 1.1 The Contractor shall conduct "kick-off" meetings with the SAT Work Team members, members of the Advisory Group, and their respective stakeholders to:

- establish project strategies, policies and major task responsibilities
- agree upon resources and information required by Contractor from SAT
- agree upon an initial work plan of activities, major milestones, responsible parties and timetable

Task 1.2 The Contractor shall work with SAT to become familiar with applicable Guatemalan and regional customs transit laws, regulations, and regional and international treaties.

Task 1.3 The Contractor shall refine the details of the work plan and timetable into an agreed-upon Project Work Plan.

Task 1 Deliverables:

1. Project Work Plan.

Task 2: Existing System Review and Assessment

The Contactor shall perform an assessment of the operations and ICT capabilities and limitations of the present Customs Transit Control System. This "current state" assessment will be greatly enabled by the availability of existing documentation recently prepared by the Inter-American Center of Tax Administrations (CIAT). A CIAT consultancy, that is scheduled to be completed in 2007, had the assignment of re-engineering the Guatemala customs operations, and presenting a proposal to SAT to

redesign the overall customs processes and systems. The CIAT recommendations, however, do not include customs transits. Accordingly, this TA is expected to fill that gap and be seamlessly integrated into the overall CIAT processes and systems recommendations.

- Task 2.1 The Contractor shall review and document, at minimum:
- The current customs transit control processes including flow charts which describe current processes and sub-processes
 - Existing IT system architecture and applications
 - Existing voice/data/video telecom LANs and WANs supporting the IT system
 - Volumes (by transactions and value) per customs office (border crossing and internal) internal fiscal warehouses, electronic versus manual entries per location, any other relevant due diligence, and pre-design information
 - Available performance indicators, such as, but not limited to, cycle and release times, tax revenues, unaccounted for transits, ICT system failures and impacts.
- Task 2.2 The Contractor shall conduct a headquarters operations assessment and shall also conduct field operational reviews at the following international transit and internal transfer locations: Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán. These field locations collectively account for more than 75% of the international transits and internal transfers. The purpose of these operations reviews is to clearly identify operational deficiencies and inefficiencies to be remedied in subsequent Tasks 3, 4 and 5. The Contractor shall evaluate the current customs transit control processes in context of the World Customs Organization (WCO) Framework of Standards and other global best practices, noting system deficiencies and recommending improvement priorities.
- Task 2.3 The Contractor shall investigate and recommend available technologies that could be used to increase the efficiency and measurable effectiveness of customs transit control systems in the region. The recommendation shall include individual price points, quantities and broad-gauge estimates and priorities for Guatemala customs transit control systems required equipment, such as, but not limited to: IT Transit System hardware, GPS tracking systems, bar-codes and seals, RFID (radio frequency identification) scanners, closed-circuit video surveillance equipment, PDAs and other hand-held devices.
- Task 2.4 The Contractor, in collaboration with the Work Team, shall recommend key service indicators (KSI), process matrix and data capture sources to

measure the performance quality of internal SAT processes as well as private sector (international transit carriers) customer service quality.

Task 2 Deliverables:

1. A comprehensive document containing operations review findings (current state),
2. A comprehensive document containing the recommendations for process re-engineering including, but not limited to, new systems to control international transits and internal transfers. This includes the key recommendations for changes to the current customs transit control processes and systems.
3. A comprehensive document containing recommendations for IT and customs transit control-specific technologies to increase efficiency and effectiveness of customs transit control processes and systems.
4. A comprehensive document containing recommendations for and agreement with SAT on reporting of key service indicators (KSI), process matrix and data capture sources to measure custom transit control quality and effectiveness by SAT and the private sector.

Task 3 Software Design and Development

SAT currently has a software platform (the Customs Control Information System) for the initialization, arrivals and control of international transits to and from Guatemala, including internal transfers.

- Task 3.1 The Contractor shall perform an assessment of the current IT platform and infrastructure as well as an assessment of the supporting communications and connectivity systems.
- Task 3.2 Utilizing inputs from all of Task 2 and Task 3.1, the Contractor shall design and develop a new Customs Control Information System software platform to effectively control customs transit control systems. The Contractor shall ensure that the new customs transit control software is fully compatible with the technologies chosen by SAT from the options recommended by the Contractor in Task 2.3, as well as the overall customs operations proposed and implemented by CIAT, considering each transit as an independent, yet fully integrated operation within the overall system.
- Task 3.3 The Contractor shall develop software and system testing protocol and criteria.
- Task 3.4 The Contractor shall conduct system, sub-system and volume tests to confirm user-friendliness and logic, and to establish the reliability of the new system and software before general availability and full

implementation. The Contractor shall submit these final system test results to the Work Team for approval.

Task 3 Deliverables:

1. Documentation describing detailed system architecture and technical specifications of the software/system developed.
2. Software and system testing protocol and criteria.
3. Final system test results

Task 4 Transition and Implementation Plan

- Task 4.1 The Contractor shall develop and deliver a detailed Transition and Implementation Plan of the new customs transit control processes and systems taking into account all critical success factors (staffing, training needs, system “rules”, measurements of quality and effectiveness to be tracked and reported.)
- Task 4.2 The Contractor shall conduct a Workshop with the Advisory Group and the Work Team and their key stakeholders to review: the re-engineered processes, systems and capabilities of the new Customs Transit Control System; and the Transition and Implementation Plan. The Contractor shall facilitate the Workshop with the goal of obtaining consensus and final approval from SAT Work Team, in coordination with the Advisory Group, to proceed with transition to and implementation of the new Customs Transit Control System.
- Task 4.3 The Contractor shall update the Transition and Implementation Plan, if necessary, to reflect any agreed-upon changes from the Advisory Group in Task 4.2. The Contractor will then distribute the final Plan to all parties, including SAT personnel involved in the operations of the Customs Transit Control System.

Task 4 Deliverables:

1. Preparation for and facilitation of the Transition and Implementation Planning Workshop, including presentation highlights and detailed supporting documentation of the proposed Transition and Implementation Plan for the new Customs Transit Control System, including critical success factors for implementation.
2. Final documentation and distribution of the Transition and Implementation Plan.

Task 5 Documentation, Training and Implementation Support

- Task 5.1 The Contractor shall ensure that the documentation of the new Customs Transit Control System is complete, and shall execute the Transition and Implementation Plan developed in Task 4, ensuring that the re-engineered processes and system(s) – recommended in Task 2 - are in place and fully operational.
- Task 5.2 The Contractor shall develop evaluation metrics by which to ensure that system objectives are met before general deployment and complete roll-out commences.
- Task 5.3 The Contractor shall coordinate with the Work Team to implement and field-test the new processes in at least two international transit and internal transfer locations (e.g. Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán) as pilot tests. SAT is responsible for providing the new technology hardware and connectivity in accordance with the Contractor recommendations from Task 2.3. Based upon results of these pilot tests the Contractor shall make necessary process/system/software adjustments to ensure optimal functioning of the Customs Transit Control System.
- Task 5.4 The Contractor shall prepare and deliver to SAT the user and technical manuals of the new Customs Transit Control System in conformance with SAT documentation requirements standards and directives.
- Task 5.5 The Contractor shall assess training needs for SAT personnel directly involved in or interfacing with the operations of the new Customs Transit Control System. The Contractor shall develop a training plan that includes training content by work function, and a training timetable shall be submitted for review and approval by SAT.
- Task 5.6 The Contractor shall conduct between 15-20 training sessions delivering the training content agreed to by SAT in Task 5.5, and in conformance with the agreed-upon timetable. The contractor shall train personnel from SAT's Information and Technology department (Gerencia de Informática), the Customs Intendencia, and field operations personnel working in customs as specified in Task 2.2 (Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán). Location(s), number and job functions of personnel for training at each session shall be determined in consultation with SAT.
- Task 5.7 The Contractor shall fully implement the new processes and systems, as identified in Tasks 1-4, to cover at a minimum international transits or internal transfers involving customs offices located at Puerto Quetzal, Santo Tomás de Castilla, Pedro de Alvarado, La Ermita and Tecún Umán. The Contractor shall reference Task 2.2 for this task.

Task 5 Deliverables:

1. Field (pilot) testing plan and evaluation “success” criteria.
2. A report of the pilot test results and resultant modifications, if any, to the Customs Transit Control System.
3. User manual for the new systems to control Customs Transits.
4. Document containing the technical specifications of the new systems and software.
5. Training syllabus, materials and timetable.
6. Roll-out plan for general implementation of the Customs Transit Control System in all locations.
7. Roll-out completion report.

Task 6 Public Outreach Event

SAT will organize and be responsible for scheduling a public event to highlight the results of this project. SAT will send invitations to members of the Advisory Group, other SAT executives, key stakeholders, executives and officials from the Guatemalan public and private sectors, the SAT Work Team and the press.

Task 6.1 The Contractor shall develop a press kit and power-point presentation for the SAT-sponsored public event which shall contain the main aspects, expected benefits and results of the TA. The Contractor shall participate in this event with SAT.

Task 7 Final Report

Task 7.1 The Contractor shall prepare and deliver to SAT and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference (“Final Report”). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

Notes:

1. The Contractor is responsible for compliance with U.S export licensing requirements, if applicable, in the performance of the Terms of Reference.
2. The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.

3. The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work products that are developed under these Terms of Reference.