



Construction Sector Transparency Initiative – Ethiopia (CoST – Ethiopia)

**Assurance Report on Disclosed Project and Contract
Information of Afdera Abala Road Project**

Contract I: Hawusewa – Abala – Irebti

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Addis Ababa, Ethiopia

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1. ACKGROUND

Construction Sector Transparency (CoST) Initiative is a multi stakeholder program aimed at Improving Infrastructure through Openness and Accountability using disclosure of project and contract information as a tool. While project and contract information is disclosed by procuring entities, purpose of the assurance process is to validate the information disclosed by procuring entities and interpret it in plain language that helps stakeholders understand the main issues.

In order for transparency of information to be effective in achieving better accountability of government for the quality and efficiency of construction, stakeholders need to be able to understand the disclosed information and to identify issues of interest or potential concern. Hence the assurance process adds value to the disclosures by helping to interpret salient messages of interest to the main stakeholders through intelligible presentation and to assess credibility of the results.

This assurance report is prepared for Hawusewa-Abala-Irebt Road contract based on the memorandum of understanding signed between Ethiopian Roads Authority, the Procuring Entity (PE), and the Construction Sector Transparency (CoST) Initiative of Ethiopia.

The assurance process, as per the CoST program, is designed to have the dual function of first giving assurance that the information disclosed by PEs is valid and complete, and second of interpreting the disclosed information in plain language to detect *matters of interest or potential concern* that could be raised with the project owner. This enhanced accountability is expected to result in improved efficiency and effectiveness in the delivery of infrastructure construction.

This assurance report is, however, prepared for project and contract information collected by the assurance professional himself and not by the procuring entity. Hence validation of completeness and accuracy of disclosure is not covered by this report. The main purpose of this report is, therefore, to disclose information items collected by the assurance professional and to highlight identified areas of inefficiency, mismanagement and other causes of concern throughout the project cycle; while highlighting some information items of the project that are made available to the public through different reports and notices related to the project. The report further provides recommendation to the Multi Stakeholder Group Executive Committee (MSGEC) on key findings of the assurance process.

2. KEY FINDINGS

PROCUREMENT ISSUES ON THE DESIGN CONTRACT

- **The tender evaluation process was very slow, as it took 230 days while the bid validity period is 90 days, that doesn't ensure timely award and contract signing.**

PROCUREMENT ISSUES ON THE SUPERVISION CONTRACT

- While the practice of using EOI is acceptable procedure the criteria defined for selecting consultants should not be a barrier to new entrants. This is to suggest the PE for not allocating too much weight for experience only.

PROCUREMENT ISSUES ON THE CONSTRUCTION CONTRACT

- There was high number of bidders that decline to submit the proposal after they purchased the bid document (only 5 submitted out of 10). The PE should conduct assessment and identify the factors that discourage bidders to submit their proposal. All bidders from Ethiopia, Sudan and Korea have declined to submit while four Chinese companies and one company from turkey have submitted their proposal. The PE has however explained that this problem is not common in recent projects as they have started to include tender evaluation requirements in the bid advertisement notice.
- The required amount of bid security is 2 million birr which is very high as compared to the maximum requirement set by PPA, 100,000.00 Birr.
- There is no documentary evidence that justify how the contractor is awarded despite the letter from Chinese Embassy which stated that the contractor is officially punished by China International Contractors Association.

CONTRACT IMPLEMENTATION/CHANGES TO SCOPE

MAJOR CHANGES OF SCOPE IN THE HAWUSEWA-ABALA-IREBTI ROAD CONTRACT

Cut volume (cut to spoil) increase from 2,064,700.0 m³ to 6,900,000 m³ which is an increase by 233%

Number of Minor Drainage Structure increase from 200 to 303 which is an increase by 51.5%

Number of Major Drainage Structure increase from 3 to 12 which is an increase by 300%

EFFECT OF THE SCOPE CHANGE

Surveying error (A delay of more than 3 months for resurveying)

Cost Overrun of ETB 453,658,564.7 (which is an increase in cost by 51.8% of Original Contract Price)

Time Overrun (Increase in time by 372 calendar days above Original Contract Period)

CAUSES OF THE SCOPE CHANGE

9 BRIDGES and 103 culverts were not included in the project design and tender document

There was Surveying error in the original design

There was Quantity Estimation Error for the overall Cut volume

ACTIONS TAKEN

DA and UNICONE. The JV is Penalized by PPA for a period of Two Years debarment from participating in future projects.

RA's complaint on the poor performance of the design consultant.

CONTRACT IMPLEMENTATION/CHANGES TO CONTRACT PRACTICE

NO	CAUSES OF PRICE CHANGES	AMOUNT OF CHANGES TO CONTRACT PRICE IN BIRR
1	<u>VO. NO 1:</u> <ul style="list-style-type: none"> • Two Type A Houses changed to Type B and • Four Type A Vehicles changed to Type B. 	-(5,112,118.00) SAVING
2	<u>VO. NO 2:</u> Re-alignment of some sections made and additional drainage structures.	123,721,187.58
3	Increased quantum of work due to design review	239,430,592.22
4	Total price adjustment paid to date	418,355,749.83
5	Interest to late payment to date	11,778,627.43
TOTAL CHANGES TO CONTRACT PRICE		788,174,039.06 WHICH IS ABOVE 105% INCREASE FROM THE ORIGINAL CONTRACT PRICE

3. SUMMARY OF INFORMATION DISCLOSED

3.1 GENERAL

List of information items disclosed through this report is compiled as per the project and contract information (**PCI**) disclosure template as indicated in the DISCLOSURE STANDARD of CoST ETHIOPIA for disclosure through website. The completed standard template of disclosure is attached with this report as Annex 1.

The standard template presents the information items through the following four categories that are grouped in project and contract phases:-

A. PROJECT INFORMATION (26 Items of Disclosure)

- i. Preliminary Project Information (18 Items Of Disclosure)
- ii. Project Information At Completion (8 Items Of Disclosure)

B. PROCUREMENT AND CONTRACT INFORMATIONS (44 Items of Disclosure)

- iii. Procurement Information (30 Items Of Disclosure)
- iv. Contract Implementation & Completion (14 Items Of Disclosure)

The project referred in this assurance report is the Afdera-Abala road construction project. The project incorporates the following five contracts:-

- i. Consultancy Service for Detailed Engineering Design & Tender Document preparation of **Afdera-Abala Road Project**
- ii. Consultancy Service for Construction Supervision of Afdera-Abala Road project
Contract 1: Hawusewa-Abala-Irebt
- iii. Construction Works of Afdera-Abala Road **Contract 1: Hawusewa-Abala-Irebt**
- iv. Consultancy Service for Construction Supervision of Afdera-Abala Road project
Contract 2: Irebti-Afdera road contract
- v. Construction Works of Afdera-Abala Road **Contract 2: Irebti-Afdera road contract**

However this report is prepared only for part of the project included under **Contract 1 (Hawusewa-Abala-Irebt)**; and it doesn't include information related to the supervision and construction of the **Irebti-Afdera road contract (Contract 2)**. *Hence scope of this report is limited to the first three*

contracts listed above.

This report, therefore, could not provide full information for the AFDERA-ABALA project as the last two contracts related to the supervision and construction of the **Irebt-Afdera road contract (Contract 2)** are not included in the scope of this assurance service contracted with CoST ETHIOPIA. As a result the Annexed PCI template is partially completed for items of information required to be disclosed under the PRELIMINARY PROJECT INFORMATION group and no data is provided for items of information required to be disclosed under the PROJECT INFORMATION AT COMPLETION phase.

Summary of information disclosed in this section of the report is, therefore, presented in relation to the design, supervision and construction contracts of the **Hawusewa-Abala-Irebt road contract (Contract-1) which is part of** the AFDERA-ABALA project that spans from Hawusewa and ends at Irebti after 94.00 km.

4. DISCLOSURE OF THE AFDERA-ABALA PROJECT INFORMATION

The AFDERA ABALA PROJECT INFORMATION is disclosed under two sub groups namely preliminary project information and project information at implementation stage. List of information items disclosed under the preliminary project information sub-group are designed to provide the public with a general ***overview of the project; original cost, duration and scope of the project; socio economic benefits and undesired impacts of the project.***

On the other hand the disclosed project information at the implementation stage are designed to ***measure changes on project milestones through comparing with the original values*** indicated under the preliminary project information heading and to ***pause question on the reasons behind the changes***. Some of the issues that may be drawn from the disclosed project information includes but not limited to the following:-

i. ISSUES RELATED TO PROJECT SCOPE

- What are the current changes of project as compared to the original project scope?
- What are the reasons that caused changes of the project scope?

ii. ISSUES RELATED TO PROJECT COST

- What are changes of project cost as compared to the original project cost?
- What are the reasons that caused changes of the project cost?

iii. ISSUES RELATED TO PROJECT DURATION

- What are changes of project duration as compared to the original project duration?
- What are the reasons that caused changes of the project duration?

However for the reason discussed above under section 1.1 the above issues will be addressed partially. Effort is made to provide information for the full stretch of the AFDERA ABALA road project; otherwise changes of the project cost, duration and scope in relation to the Hawusewa-Abala-Irebtu part of the project is disclosed as discussed below.

4.1.1 PROJECT OVERVIEW

An overview of the Afdera Abala project is disclosed under the PRELIMINARY PROJECT INFORMATION heading of the PCI template attached as Annex 1. The disclosed information of Afdera Abala project represent the status of the project as of **July 1/2014**, which is the **date of disclosure** indicated at the first item of the PCI template attached as Annex 1.

The disclosed information indicates that the Afdera Abala project is **located** in Afar Regional State and traverses the three woredas known as Afdera, Irebti, and Abala as **control points of the project**. The Afdera – Abala/Sheket road provides short cut access between Tigray Region and the Eastern part of Afar region. The project road mainly traverses **flat terrains** in the region ranging from 43 percent to 55 percent of the project.

Ethiopian Roads Authority, the **owner & procuring entity**, runs the construction of Afdera Abala road project through arranging **five different contracts** that are listed under 1.1 of this report. While the design is carried out under single contract for the full stretch of the Afdera Abala road project; the other four contracts are related to supervision and construction of the two stretches namely the Hawusewa-Abala-Irebt Road contract (contract-1) that cover part of the project starting from Hawusewa (the junction on Mekelle-Quiha main road) and terminates at Irebeti; while the second contract (contract-2) covers the remaining stretch of the Afdera Abala road project starting at Irebti and ends at Afdera.

The **main components of the project** include conducting feasibility study and Environmental Impact Assessment, Detail Design and Tender Document Preparation, Supervision and Construction of the Two Contracts. Detail design and feasibility study is conducted by a consultant for the overall road stretch as a package. While another two consultants are contracted for review of the design and supervision of the construction activity for each of the road stretches. Construction of each contract is also contracted with two different contractors.

4.1.2 SCOPE OF THE HAWUSEWA-ABALA-IREBTI ROAD CONTRACT (CONTRACT-1)

The Hawusewa-Abala-Irebt Road contract involves construction of 94.00 Kilo meters (KMs) road with asphalt concrete surfacing (AC) having 7mts width and 1.5 meters un-paved

shoulder both sides in rural sections. The town section includes 3.5 meters parking lanes on either side or 1.3 meter side walk on top of rectangular side drain and 1.4 meter wide and 10cm thickness of c-15 cement concrete walk way on both sides. The upgraded road shall have DS4 standard as per Geometric manual of ERA, 2202. The original scope of this contract includes:-

- 2,064,700.0 m³ Over Cut volume (cut to spoil) ,
- Construction of 3 major drainage structures (bridges) and
- Construction of 200 minor drainage structures (culverts)

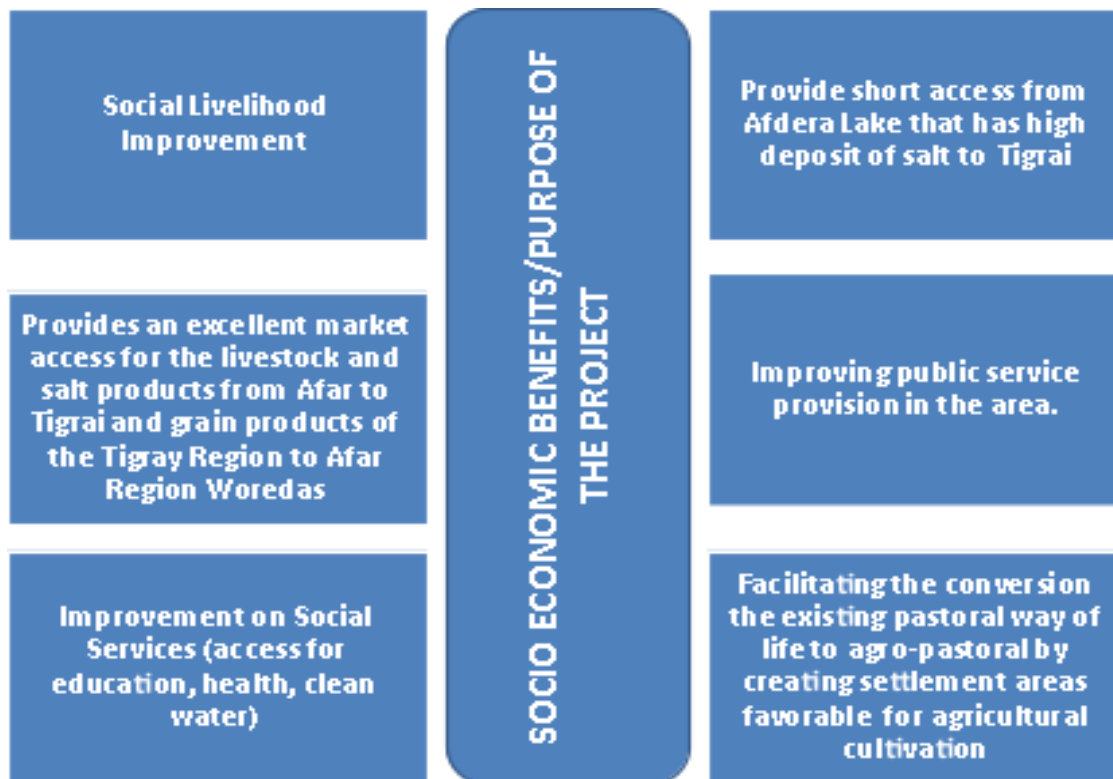
However the information disclosed for project implementation stage in the Annexed PCI template shows that there are **significant changes of scope** due to poor design and errors in quantity estimation, these problem has also affected scope of contract-2 as well. The encountered scope changes and consequence of the change for both contracts and for the overall project is shown in the below table.

EFFECT OF POOR DESIGN ON THE SCOPE, COST AND DURATION OF THE PROJECT

ITEM OF WORK	OVER CUT VOLUME (CUT TO SPOIL) IN CUBIC METER		MAJOR DRAINAGE STRUCTURE (BRIDGES) IN NUMBER		MINOR DRAINAGE STRUCTURE (CULVERTS) IN NUMBER	
	ORIGINAL QTY	QTY AFTER REVIEW	ORIGINAL QTY	QTY AFTER REVIEW		
CONTRACT 1	2,064,700.0	6,900,000	3	12	200	303
CONTRACT 2	13,101.51	484,426.38	1	18		
CHANGE OF SCOPE ON THE FULL PROJECT	<ul style="list-style-type: none"> • 5,306,624.87 M3 ADDITIONAL CUT • 26 ADDITIONAL BRIDGES • 103 ADDITIONAL CULVERTS 					
EFFECT ON COST OF THE FULL PROJECT	<ul style="list-style-type: none"> • Cost Overrun of Contract-1 by ETB 453,658,564.7 (Four Hundred fifty three million six hundred fifty eight Thousand five hundred sixty seven Birr) which is an increase in cost by 51.8% of Original Contract Price. • Cost Overrun of Contract-2 by ETB 157,544,948.30 (One Hundred fifty seven million five hundred forty four thousand nine hundred forty eight Birr) which is an increase in cost by 18.12% of Original Contract Price. • TOTAL COST OVER RUN ON THE PROJECT DUE TO SCOPE CHANGE IS THEREFOR ETB 611,203,513 					
EFFECT ON THE DURATION OF THE FULL PROJECT	<ul style="list-style-type: none"> • Time Overrun of Contract- 1 by 372 calendar days above Original Contract Period • No information on time over run of contract-2 					

4.1.3 SOCIO ECONOMIC BENEFITS (PURPOSE) OF THE PROJECT

The report on Feasibility and Environmental Impact assessment (EIA) study conducted by the HEC - HAMDA – UNICONE Joint Venture has identified the following **socio economic benefits** that can be gained from the construction of the Afdera-Abala road project:-



No assessment is conducted by the assurance professional to prove whether the above claimed socio economic benefits are realized as shown in the feasibility and EIA study document.

However it is reported by the supervision consultant of the Hawusewa - Abala - Irebti construction contract, that employment opportunity is created for local labourers, drivers, operators etc

4.1.4 UNDESIRED IMPACTS OF THE PROJECT

i. ENVIRONMENTAL IMPACTS

Despite the fact that EIA is conducted for possible impacts of the project on the Environment with mitigations measures to be taken during construction, the **Environmental** protection measures taken by the contractor is inadequate. The Environmental mitigation measures taken by the contractor executing the Hawusewa-Abala-Irebtu road contract are very poor and not properly coordinated, in spite of repeated instruction and reminders from the supervision consultant. The contractor didn't even deploy the required Environmental officer until the date of issuing this report.

Some of the mitigation measures that have to be undertaken by the contractor include but not limited to:

- ✓ Stabilizing heavy cut slopes,
- ✓ Providing drainage for protection of pavement in hilly sections
- ✓ Reinstating borrow pits and detours which are not in use
- ✓ Proper disposal of excavated material that shall not be used for road works
- ✓ Constructing irrigation water channel crossings
- ✓ Avoiding dust nuisances to town areas (Abala, Melazat and Irebtu) and around crusher plant.

ii. IMPACT ON RESIDENT'S SHELTER AND IRRIGATION LAND

As per the contractor's letter written to the PE, on 12 June 2014, more than 10 Villagers in Abala has claimed that their house is damaged due to vibration of the contractor's equipment. Three cases are already in the proceeding of the Abala court and under the process of damage assessment by an Engineer from Abala Municipal Administration.

SUBALA IRRIGATION LAND

The Abala wereda Agriculture Rural Development Office Administrator has reported for the supervision consultant that the contractor has damaged the 180 meter long Subala Irrigation farm Land, at KM 34 + 356 of the Hawusewa Abala Irebtu road located at 150 meter away from the road, due to the flood caused by the diversion made for the construction of culverts. The flood has removed the fertile soil and it has damaged the tomato farm; the administrator has requested for sustainable protection from the flood and to deposit fertile soil suitable for the farm.

iii. SAFETY

The following accident records are compiled from available reports:-

- There was an overturning of Isuzu pickup to over 15 meter deep valley at curve and slope stretch of the existing road on April 20, 2010.
- **The vehicle was overloaded with 43 laborers, there were 4 DEAD and most of them injured**

According to the consultant's investigation:-

- The vehicle was very old
- The break was not functioning properly that caused the driver to lost his control
- The driver do not have driving licence
- The contractor does not bother to follow the local law and regulations and still they are not providing proper transportation for local laborers, after the accident.

Despite the contractor's promise, during the time of the above accident, to improve the safety measure; the contractor's Health and Safety measures are still inadequate after 4 years as per the consultant's report on June 2014.

The health and safety measures taken by the contractor is very poor and not properly coordinated as per the consultant's annual report issued on June 2014, the report further indicate that the contractor's Dump truck was out of control and fell down at KM 33+ 060 on 12 June 2014 however no detail of causalities is reported. The contractor has been repeatedly advised, by the consultant, to maintain safety on detours and control the dust pollution. Some of the problems reported by the consultant include:-

- No personal protection materials like safety shoes, helmets and overalls & balaclava for the working teams
- Further the contractor is advised to fix road signage including RCC guide & sign posts to avoid risks of accidents along the completed 70 km asphalt layer

4.1.5 SOURCE OF FUNDING AND PROJECT COST

The project is fully financed by The Government of Federal Democratic Republic of **Ethiopia**. The **initial estimated budget** of the Afdera Abala project as indicated in the feasibility & EIA study report is 280,109,646 Birr. The

Though the feasibility study indicated the above estimated budget for the full Afdera Abala road project, this estimated amount is much more below the original project cost. The sum is also significant difference not only with the full project cost but also with consultancy and construction cost of contract-1 listed below:-

- original cost of consultancy service contracted for conducting feasibility study and for preparation of the detail design and tender document for the full Afdera Abala stretch which is contracted with an amount of 3,115,925.00 Birr
- original cost of construction contracted for the construction of Hawusewa-Abala-Irebtu Road contract which is 746,341,435.30 Birr including 10% contingency, provisional sums and 15% VAT.
- Original cost of consultancy service contracted for conducting design review and supervision of the Hawusewa-Abala-Irebtu Road contract construction which is ETB 11,309,330.50 and EURO 380,593.00 inclusive of VAT

5. DISCLOSURE OF PROCUREMENT AND CONTRACT INFORMATION

This section of the report covers summary of information disclosed for the procurement, contract implementation and contract closing phases of the following contracts:-

- i. Consultancy Service for Detailed Engineering Design & Tender Document preparation of **Afdera-Abala Road Project**
- ii. Consultancy Service for Construction Supervision of Afdera-Abala Road project
Contract 1: Hawusewa-Abala-Irebt
- iii. Construction Works of Afdera-Abala Road **Contract 1: Hawusewa-Abala-Irebt**

Procurement and contract information items for the above three contracts are listed in the Annexed PCI as per the requirement stipulated in the CoST ETHIOPIA DISCLOSURE STANDARD.

a) PROCUREMENT INFORMATION ITEMS

The listed procurement information items are designed to provide the public with a general ***overview of the contracts and other basic issues related to the procurement process of each contract.***

b) INFORMATION ITEMS ON CONTRACT IMPLEMENTATION AND CLOSING

On the other hand the disclosed information at contract implementation and closing stage are designed to ***measure changes on contract milestones through comparing with the original values*** indicated under the procurement information heading and to ***pose question on the reasons behind the changes***. Some of the issues that may be drawn from the disclosed contract information includes but not limited to the following:-

i. ISSUES RELATED TO CONTRACT PRICE

- What are the changes as compared to the original contract price?
- What are the reasons that caused changes of the contract price?

ii. ISSUES RELATED TO CONTRACT DURATION

- What are changes of contract duration as compared to the original contract duration?
- What are the reasons that caused changes of the contract duration?

iii. ISSUES RELATED TO CONTRACT SCOPE

- What are changes of contract scope as compared to the original contract scope?
- What are the reasons that caused changes of the contract scope?

This section of the report presents the disclosed procurement and contract information for each of the three contracts in an intelligible manner. Additional documents are collected upon request from the PE for the purpose of conducting further analysis on the performance of the procurement and the contract implementation phases.

5.1 CONSULTANCY SERVICE FOR DETAILED ENGINEERING DESIGN & TENDER DOCUMENT PREPARATION OF AFDERA-ABALA ROAD PROJECT

5.1.1 INFORMATION ON THE PROCUREMENT PROCESS

The tender evaluation report has highlighted that the total length of the Afdera Abala road project is 216 km and there is no road formation for most of the road section and a design study has been conducted by TCDS Co. The tender evaluation report further indicated that a request for Expression of Interest (EOI) was advertised on international website while there was no indication for advertisement of the EOI on local news paper. Request for proposal (RFP) was issued to **five local shortlisted consulting firms** by Ethiopian Roads Authority (ERA) through letter dated on 9 June 2005. However the tender evaluation report do not mention whether the basis of short listing was based on the evaluation result of the EOI or on the basis of the PE's preference to use Restricted method of procurement through selecting from registered suppliers list of PPA.. Following the invitation to bid Pre-proposal meeting was held on July 12, 2005 and ERA clarified to queries forwarded by representatives before the meeting and during. The minute with clarifications to queries was sent to all invited shortlisted consultants. Names of shortlisted firms are tabulated below:-

I/N	Companies invited	Country, Registration
1	Associated Engineering Consultants PLC	Ethiopia
2	DANA & Associates consulting plc	Ethiopia
3	Construction Design Share company (CDSCo)	Ethiopia
4	Highway Engineering Consultants (HEC)	Ethiopia
5	SABA Engineering plc	Ethiopia

Among the shortlisted companies who were invited , three (3) consulting firms have submitted their technical and financial proposals before the deadline date, August 16,2005 at 2.30pm in separate sealed envelopes. In addition CDSCo and HEC were each shortlisted alone but have submitted their proposal in association with Civil Works Consulting Engineers (CWCE) and in joint venture with United Consulting Engineers Plc and HAMDA Engineering respectively, as shown in the below table. At the opening session, in the presence of ERA contract award committee members (CAC) and representatives of firms, the envelopes containing the technical proposal were opened after checking the sealing and

markings and technical proposals handed over to tender evaluation committee (TAC) to be evaluated in detail.

TAC has examined the offers and after correcting arithmetic errors and filed negotiation points has determined the aggregated score of technical and financial evaluation results as tabulated below and recommends HEC-UNICONE-HAMDA for contract award negotiations for the total cost of ETB 3,195,275.00 for phase I & ETB 11,208,153 .00 for phase II. including 10% contingency and 15% VAT, CAC has endorsed the same and decided the award on 27 October 2005. As a result Contract was signed between ERA and HEC-UNICONE-HAMDA on 26th January 2006.

No	Firm name	Technical,% out of 80	Offer in Birr including VAT	Financial,% out of 20	Combined
1	Construction Design Share company (CDSCo)in association with civil works consulting engineers(CWCE)	66.7	22,530,731.00	12.8	79.5
2	HEC-UNCONONE-HAMDA JV	60.6	12,626,040 + VAT	20	80.6
3	SABA Engineering plc	62.6	17,405,455.50	13.1	75.7

5.1.1.1 ANALYSIS OF THE PROCUREMENT PROCESS AND CAUSES OF CONCERN

i. Efficiency of the procurement process (timeliness)

In examining the period between the date of bid invitation and date of contract signing, the following observation is made:-

Date	Tender Process
-	Invitation for EOI issued
-	EOI proposals submitted
09 June 2005	Short-listed consultants invited to collect RFP
09 June 2005	RFP issued
16 August 2005 @2:30 pm	RFP proposals received
16 August 2005@2:30 pm	Opening of the technical proposal
16 September 2005	Technical evaluation result approved by CAC
13 October 2005	Opening of the financial proposal
27 October 2005	Financial evaluation result approved by CAC and Awarded firm decided
26 January 2006	Contract signed
Total number of days elapsed in the tender process is 231 days	
Bid validity period is 90 days which has expired on November 14/2005	

The tender evaluation process was very slow, as it took 230 days while the bid validity period is 90 days, that doesn't ensure timely award and contract signing as shown above.

ii. HIGH PERCENTAGE OF BIDDERS DECLINING TO SUBMIT

Two bidders out of the invited five consultants have declined to submit proposals. This is 40% of the five shortlisted consultants and the PE should have assessed the reason why they decline to submit their proposal. On the other hand two consultants out of the three who submitted proposal have submitted their proposal through forming Associate and Joint Venture. The PE should, therefore, have assessed why the firms were unable to compute by themselves and review the evaluation criteria in a way to participate all of the five shortlisted bidders.

5.1.2 INFORMATION ON IMPLEMENTATION AND CLOSING OF THE CONTRACT

The contract for detailed engineering design tender document preparation and construction supervision has been signed between ERA and HEC-UNICONE-HAMDA on 26th January 2006. The contract scope is divided in two phases shown below:-

- **PHASE I:** Detailed Engineering Design & Tender Document preparation for the whole Afdera-Abala road project. This phase was agreed to be completed in 270 calendar days. The contract defines the following activities under scope of this phase:-
 - i. To carry out **field investigation, survey works and detailed engineering design** following a **preliminary feasibility study & environmental impact assessment**, and:
 - ii. As it is intended to carry out the civil works in two contracts. The consultant is expected to prepare two final and complete sets of Tender documents.
- **PHASE II:** Construction supervision for the whole Afdera-Abala road project. This phase was agreed to be completed in 42 months. The contract defines the following activities under scope of this phase:-
 - i. To ensure the road is constructed in accordance with the General and particular conditions of contract the Technical Specifications and Engineering Drawings or any amendments thereto:
 - ii. To optimize the use of available material resources, to minimize cost to the employer or to maximize the quality of the works or to expedite construction: and
 - iii. To ensure that the road is constructed within the contract price and time of completion allowed under the contract or any agreed amendments thereto.
- The first phase of this consultancy contract is fully carried out by the consultant.

5.1.2.1 ANALYSIS OF THE CONTRACT IMPLEMENTATION AND CLOSING PHASE

- The second phase of the consultancy contract is not carried out by the consultant as the construction supervision contract is contracted with another consultant selected through competitive bidding procedure.
- **No documented information was found from ERA in relation to the reason why the construction supervision component of the contract is omitted or whether termination of**

the contract is applied. Hence it was not possible to disclose any changes in scope, cost and duration, if it was encountered by the contract.

- However ERA has disclosed in its ‘**report on design accountability of firms**’ that HEC-UNICONE-HAMDA is suspended for two years from being involved in any tender. The cause of suspension is highlighted as poor design and inaccurate computation of quantities encountered in the contract signed for detailed engineering design tender document preparation and construction supervision of the Afdera Abala road project. The detail problem and the consequence of the design and quantity errors is as summarized in the table under section 3.1.2.

5.2 CONSULTANCY SERVICE FOR CONSTRUCTION SUPERVISION OF AFDERA-ABALA ROAD CONTRACT 1: HAWUSEWA-ABALA-IREBTI ROAD PROJECT

5.2.1 INFORMATION ON THE PROCUREMENT PROCESS

- An advertisement for expression of interest (EOI) was published in a news paper, Ethiopian Herald and UNDB web site on January 4, 2008 with a deadline for submission of January 21, 2008. The deadline was extended to January 28, 2008. The EOI was advertised for supervision of the following six projects:-
 - i. Afdera Abala, contract 1 : Hawusewa – Abala – Irebti
 - ii. Afdera Abala, contract 2 : Irebti - Afdera
 - iii. Endesillase – Dejena – Dansha, Contract 1: Dejena – Dedebit
 - iv. Endesillase – Dejena – Dansha, Contract 2: Dedebit - Adiremet
 - v. Endesillase – Dejena – Dansha, Contract 3: Adiremet - Dejena – Dedebit
 - vi. Welkite - Hosana
- There were 40 firms applied for the 6 projects of which 26 were interested for Afdera Abala, contract 1 : Hawusewa – Abala – Irebti.
- The allocated evaluation criteria includes
 - ✓ 65% for Experience in similar projects in the last 10 years (Minimum of 7 projects of which 6 projects in supervision of asphalt concrete)
 - ✓ 15% for firm’s professional personnel related to the service,
 - ✓ 10% for knowledge of the environment,
 - ✓ 5% for company establishment

- Request for proposal (RFP) addressed to six shortlisted consulting firms was issued by ERA and then after Pre-proposal meeting was held on December 17, 2008 and ERA clarified to queries forwarded by representatives before the meeting and during. The minute with clarifications to queries was sent to all invited shortlisted consultants.

Names of shortlisted firms are:

No	Companies
1	Sheladia associates, inc USA in JV HITCON Engineering plc
2	ICT (India) in JV with ICTE& OMEGA Consulting Engineers plc
3	Roughton international in JV with BEZA consult (Ethiopia) & Beza consult (Kenya)
4	Engis Bceom Int. LTD in association with Associated Engineering consultants
5	SNC-LAVALIN International Inc(CANADA)
6	Renardet Ingenier Conseils in ass. With SAUTI s.p.a and United consulting Engineers (UNICONE) JV

- Among the six shortlisted companies who were invited , four (4)consulting firms have submitted their technical and financial proposals before the deadline date , January 13,2009 , 2.30pm in separate sealed envelops .
- Each technical proposal was examined by TAC and points were allocated with respect to main criteria as set in the RFP and detailed criteria (break down of main criteria) set by the committee and points were allocated. The committee held a meeting and discussed their findings and discrepancies on the ratings and determined the average score.
- Depending on the average scores, the committee finally submitted evaluation report, identifying the four proposals as technically responsive.
- CAC on its meeting held January 23, 2009 discussed and endorsed the recommendation which was approved by GM, of ERA on 04 February, 2009.
- Following endorsement and subsequent approval by GM, a notice was addressed to the two firms, setting the opening of financial proposal for 12, February, 2009.The financial offer was opened and their respective prices readout as per the procedure.

- TAC has examined the offers and determined the combined scores of each firm. The result is as tabulated

No	Firm name	Technical scores, out of 80	Financial score out of 20	Combined score out of 100
1	Sheladia associates, inc USA in JV HITCON Engineering plc	74.88	16.12	91.00
2	ICT (India) in JV with ICTE& OMEGA Consulting Engineers plc	72.08	20.00	92.08
3	Roughton international in JV with BEZA consult (Ethiopia) & Beza consult (Kenya)	64.96	14.41	79.37
4	Engis Bceom Int. LTD in association with Associated Engineering consultants	64.56	10.51	75.06

- The Tender Analysis Committee had recommended contract award negotiations with ICT (India) in JV with ICTE& OMEGA Consulting Engineers plc, who got the highest score as per their evaluation result, with a total price of ETB 11,309,330.50 and EURO 380,593.00 inclusive of VAT, with list of conditions to be agreed and confirmed by the firm before award.
- CAC on its meeting held, February 17, 2009 has endorsed the report to award the contract for construction supervision of the project as recommended and the same was approved by Director Genera (ERA) on 23 February, 2009.
- Pre contract award negotiation was concluded on February 27, 2009 on points, put as condition to be clarified or agreed before award in the final evaluation report Contract agreement was signed on 20, March 2009 for the contract price of ETB 11,309,330.50 and EURO 380,593.00 incl.15%VAT for duration of 42 months of construction period and 12 months of defect liability period.

5.2.1.1 ANALYSIS OF THE PROCUREMENT PROCESS

8 firms out of 40 didn't meet the minimum 60% requirement, among these 8 firms 7 were Ethiopian Firms who failed to meet the excessive weight allocated for experience in similar projects. The pass mark to be shortlisted is 60%, while 65% is allocated for firms experience. This requirement is a clear barrier to entry of the Ethiopians into the consultancy sector. There was neither any margin of preference, provided to the Ethiopians, in the process of evaluating an Expression of Interest (EOI) unlike the public procurement requirement stipulated for evaluation of proposals submitted after the EOI. EOI is a requirement to be published for all consultancy services with an estimated value of above 300,000 Birr; hence all contracts with an ICB procedure are subjected for EOI as the estimated value of all ICB contracts is above 2,500,000 Birr. Moreover Article 22.1(c) of the public procurement directive restricts the number of consultants to be shortlisted to be not less than three and not more than seven.

Hence allocating 65% for Experience in similar projects in the last 10 years (Minimum of 7 projects of which 6 projects in supervision of asphalt concrete), is a clear barrier for local consultants as it is unlikely for them to be ranked in the top 7 international consultants. Though the public procurement directive does not propose a range of weight for the selection criteria of EOI there is proposed criteria for evaluation of proposals submitted by firms shortlisted through EOI, which is only 5-10% for experience of consultants. Allocation of 65% for experience is, therefore, too much unlike the 5-10% weight stipulated, in the public procurement directive, for evaluation of proposals; which otherwise will lead to exclusion of all local consultants to be shortlisted from all ICB contracts.

5.2.2 INFORMATION ON IMPLEMENTATION AND CLOSING OF THE CONTRACT

The contract for construction supervision has been signed between ERA and ICT (India) in JV with ICTE & OMEGA Consulting Engineers plc on 20, March 2009. The contract scope includes:

- Fulfill the role of Engineer/ Engineers representative as set out in the contract
- Conduct Design review
- Supervise construction of works on behalf of the client throughout the construction period including defect liability period, as stated in the contract agreement

5.2.2.1 ANALYSIS OF THE CONTRACT IMPLEMENTATION PHASE

- The works contract has commenced on 21st August 21, 2008 while the supervision consultant was appointed on 20, March 2009 therefore to fill the gap TCDSCo was nominated and assigned for supervising the works contract until April 03/2009 until appointment of supervision service consultant.
- The contract duration is extended by 930 days due to the delay on the construction contract
- The contract price is revised to ETB 15,911,391.00 and EURO 523,438.37 inclusive of VAT. This is due to the additional Value of Supplementary Agreement that amount ETB 724,500.00.

5.3 CONSTRUCTION WORKS OF AFDERA-ABALA ROAD CONTRACT 1: HAWUSEWA-ABALA-IREBTI

5.3.1 PROCUREMENT INFORMATION

Notice for invitation to bid for the project Afdera-Abala Road project contract 1, Hawusewa-Abala-Irebt, under ref No w/04/08, was published on Ethiopian Herald and UNDB web site on November 7 & 8, 2008 on January 25,26,27, 2008 that has also indicated the required bid bond to be furnished is 2 million birr.

Ten (10) applicants had collected the tender documents, pre-bid meeting was scheduled on february21, 2008, but no bidder has attended the meeting. Three (3) addendums and response to written queries was issued to all bidders between March 13, 2008 and March 27, 2008.

No	Contractors	Country	Response to tender
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Five (5) bidders had submitted their application and financial offers before April 8, 2008, i.e 4 Chinese firms and one firm from Turkey have submitted proposal while all firms from Ethiopia, Korea and Sudan did not submit proposal after they have purchased the bid document.

Tender analysis committee in the course of its analysis has rejected, China Gezhouba Group Company Limited (CGGC) for poor performance on ongoing projects in Ethiopia, i.e scoring 2.68% vs. 4.52% expected.

Tender analysis committee finalized its report and declares the four bidders post-qualified, thus, conditionally accepted two Chinese bidders whose performance record was unknown. ERA has requested Ethiopian embassy in china to check for their current performance on ongoing projects in China. The other two were accepted unconditionally. CAC agreed and endorsed the report on a meeting held 29, February 2008 and the same was approved by GM, ERA,

On 7, May 2008 the financial offers of post qualified bidders were opened and the offers were read out. Tender analysis committee had examined completeness of bid, checked substantial responsiveness, correction of errors and consideration of discounts & modifications, comparison with Engineers estimate. Correction on arithmetic errors was made on Engineers' Estimate by ETB 162,980.10 to a corrected amount of ETB 826,421,597.88. The following information was also compiled in relation to the Chinese contractors:-

- *A letter was received from Ethiopian Embassy in China but it was short of mentioning performance status on on-going projects of those bidders conditionally qualified as a result of post qualification evaluation.*
- *CAC has also received a letter from china embassy in Ethiopia on May 08, 2008 stating that Jiagxi Zhogmei Construction Co Ltd was punished by Chinese international Contractors association.*

TAC concluded to recommend Jiangxi Zhogmei Construction Co Ltd for pre contract award discussion and eventual award for the construction with corrected price of ETB 746,341,435.49 inc. provisional sums, contingencies and VAT as the lowest evaluated

bidder and the same was endorsed by CAC on 08 May, 2008 on condition. CAC suggested that Ethiopian embassy in china be requested to clarify the issue of punishment of the bidder as informed by Chinese embassy in Ethiopia and evaluate causes and impacts of the punishment before award. The Minutes was approved by Director General, ERA on the same date

A pre -contract award meeting was held on 4 June 2008 to clarify, confirm and agree on points identified during post qualification and financial bid evaluations. However no records are found in relation to issues of punishment raised by the Chinese embassy and evaluation of the consequences before awarding the contractor.

Letter of acceptance was issued to the contractor, Jiagxi Zhogmei Construction Co Ltd, on 13 June 2008 and a contract agreement was signed on 4, July 2008 for construction of Afedera-Abala rod project, contract 1: Hawusewa-Abala-Irebti for contract amount of ETB 746,341,435.30 including 10% contingency, specified provisional sums and 15% VAT.

5.3.1.1 ANALYSIS OF THE PROCUREMENT INFORMATION

The following issues are identified in relation to the procurement process:-

- There was high number of bidders that decline to submit the proposal after they purchased the bid document (only 5 submitted out of 10). The PE should conduct assessment and identify the factors that discourage bidders to submit their proposal. All bidders from Ethiopia, Sudan and Korea have declined to submit while four Chinese companies and one company from turkey have submitted their proposal. The PE has however explained that this problem is not common in recent projects as they have started to include tender evaluation requirements in the bid advertisement notice.
- The required amount of bid security is 2 million birr which is very high as compared to the maximum requirement set by PPA, 100,000.00 Birr.
- There is no documentary evidence that justify how the contractor is awarded despite the letter from Chinese Embassy which stated that the contractor is officially punished by China International Contractors Association.

5.3.2 INFORMATION ON CONTRACT IMPLEMENTATION

The Hawusewa-Abala-Irebtu Road contract involves construction of 90.60 Kilo meters (KMs) road with asphalt concrete surfacing (AC) having 7mts width and 1.5 meters un-paved shoulder both sides in rural sections and 19 meters in town section. The town section includes 3.5 meters parking lanes & 2.5 meters wide footpaths at both sides of traffic lane. The upgraded road shall have DS4 standard as per Geometric manual of ERA, 2202. The project is intended to be completed within 1260 calendar days with date of commencement on 21, August 2008 and date of completion on 20, June 2012.

5.3.2.1 ANALYSIS OF THE CONTRACT IMPLEMENTATION PHASE

i. CONTRACT SCOPE

The original scope of the project includes:-

- 2,064,700.0 m³ Over Cut volume (cut to spoil)
- Construction of 3 major drainage structures (bridges) and
- Construction of 200 minor drainage structures (culverts)

However due to deficiency of the original design there was changes of scope that result from the design review. Changes of the scope with their associated effect and initiating causes is shown in the below box.

MAJOR CHANGES OF SCOPE IN THE HAWUSEWA-ABALA-IREBTI ROAD CONTRACT

- Over Cut volume (cut to spoil) increase from 2,064,700.0 m³ to 6,900,000 m³ which is an increase by 234.19%
- Number of Minor Drainage Structure increase from 200 to 303 which is an increase by 51.5%
- Number of Major Drainage Structure increase from 3 to 12 which is an increase by 300%

EFFECT OF THE SCOPE CHANGE

- Surveying error (A delay of more than 3 months for resurveying)
- Cost Overrun of ETB 453,658,564.7 (which is an increase in cost by 51.8% of Original Contract Price)
- Time Overrun (Increase in time by 372 calendar days above Original Contract Period)

CAUSES OF THE SCOPE CHANGE

- 9 BRIDGES and 103 culverts were not included in the project design and tender document
- There was Surveying error in the original design
- There was Quantity Estimation Error for the overall Cut volume

ACTIONS TAKEN

- The DETAIL DESIGN have been executed by the JV of HEC, HAMDA and UNICONE. The JV is Penalized by PPA for a period of Two Years debarment from participating in tender. The action is taken following an examination of ERA's complaint on the poor performance of the design consultant.

ii. CONTRACT DURATION

The original contract duration of the Hawusewa-Abala-Irebti Road contract is 1260 calendar days. However the following extensions of time is granted with the associated reasons:-

EXTENSION OF TIME (EOT) NO	NUMBER OF CALANDAR DAYS GRANTED	REASON FOR GRANTING THE EOT	REVISED DATE OF COMPLETION AS A RESULT OF THE EOT
01	372	Variation Order 01 and Variation Order 02	
02	335	Delay due to Discrepancy of Survey Control point	
03	223	Increased quantum of work	August 20/2014

iii. CONTRACT PRICE

The AFDERA ABALA ROAD project is fully financed by The Government of Federal Democratic Republic of **Ethiopia**. The **initial estimated budget** of the Afdera Abala project as indicated in the feasibility & EIA study report is 280,109,646 Birr. However the Engineer's Estimate submitted for Contract – 1 only is ETB 826,574,577.08. The Engineer's Estimate and the estimate in the feasibility study are carried out by HEC-UNICONE-HAMDA as part of the assignment in the contract signed for consultancy service of detailed design, tender document preparation and construction supervision.

Though the estimate in feasibility studies is known to be preliminary, it is a basis for approving the project for construction and allocating project budget. Hence the gap between the two estimates should not be wide as such. The initial estimate in the feasibility study is for the full AFDERA ABALA project while the indicated Engineer's Estimate is only for part of the project spanning only 94 km, hence there should be major gap on the ESTIMATION METHODOLOGIES.

CHANGES TO CONTRACT PRICE OF THE HAWUSEWA-ABALA-IREBTI ROAD CONTRACT

The Engineer's estimate used for the purpose of the tender evaluation to the construction of Hawusewa-Abala-Irebti Road contract is 826,574,577.08. While the original contract price is 746,341,435.30 Birr including 10% contingency, provisional sums and 15% VAT, which is below the Engineer's estimate.

Despite the fact that the construction contract is awarded with price below the engineer's estimate it is not clear why the engineer's estimate for the Hawusewa Abala Irebti road contract is much higher than the estimate indicated in the feasibility study for the full stretch of the AFDERA ABALA ROAD project as discussed above.

In relation to changes of the contract price the following are observed with the associated reasons

NO	CAUSES OF PRICE CHANGES	AMOUNT OF CHANGES TO CONTRACT PRICE IN BIRR
1	<u>VO. NO 1:</u> <ul style="list-style-type: none"> • Two Type A Houses changed to Type B and • Four Type A Vehicles changed to Type B. 	-(5,112,118.00) SAVING
2	<u>VO. NO 2:</u> Re-alignment of some sections made and additional drainage structures.	123,721,187.58
3	Increased quantum of work due to design review	239,430,592.22
4	Total price adjustment paid to date	418,355,749.83
5	Interest to late payment to date	11,778,627.43
TOTAL CHANGES TO CONTRACT PRICE		788,174,039.06 WHICH IS ABOVE 105% INCREASE FROM THE ORIGINAL CONTRACT PRICE

The cause that contributes to price changes can be grouped in the following category:-

- THE VARIATION INCLUDING QUANTITY CHANGE: ETB358, 039,661.22
- Total price adjustment to date: ETB 418,355,749.83
- Interest to late payment to date: ETB 11,778,627.43

VARIATION

- The variation amount indicated above is mainly contributed by changes of scope due to poor design as discussed previously.

PRICE ADJUSTMENT

It is important to note that the major cause of the change is the price adjustment paid to the contractor. The price adjustment is computed based on the formula in the contract for changes in price for materials, labour and equipment defined in the contract. However the quotation of base price for some items such as Equipment maintenance, Bitumen and foreign labour is quoted from foreign market such as California Department of Transport. Moreover the price adjustment considers compensation of changes in price due to a change in the exchange rate of currency. Hence it is important to examine the price adjustment procedure of the procuring entity as part of the project's detail review program.

INTEREST ON LATE PAYMENT

- An amount of 11,778,627.43 Birr is paid to the contractor due to different payments delayed by the PE due to shortage of budget. The interest rate is paid with a lending interest rate of LIBOR for 1 month interest rate for the date 11 March 2008 that equals 4.3075% for EURO as indicated in the British Bankers' Association LIBOR website plus 2%.
- Hence the issue of entertaining interest rate based on foreign bank rate, for projects financed by government, should be considered in the project's detail review program.

ISSUES RELATED TO PAYMENT FOR THE CONTRACTOR

The PE has agreed with the contractor to effect every payment with 50% local currency (Birr) and the remaining 50% in foreign currency (EURO) with a rate of 14.82 Birr for 1 EURO. Hence 50% of every payment will be divided to 14.82 to convert it in to equivalent EURO and the PE will buy the computed amount of EURO with the current rate from National Bank and pay to the contractor. As a result the employer spends more Birr than the original 50% portion of the certified payment for buying foreign currency computed using the agreed exchange rate to be paid for the contractor. Hence the actual contract price is also being affected due to changes of currency as well. This factor should also be considered in awarding the contract in cases where local and foreign bidders compute together.

The process of competition between local and foreign contractors should, therefore, consider this factor in addition to the margin of preference stipulated by the public procurement directive; this can be done through using historical trend of exchange rate increment for agreed number of years. Alternatively there should be compensation of damage due to change in exchange rate for local contractors. Moreover the proportion of

effecting payment in foreign currency should be defined through considering different legislations of the country. For example it may not be logical for the foreign proportion to exceed the expected proportion of profit less the nationally defined percentage of Foreign Direct Investment (FDI).

6. RECOMMENDATION

The following issues are recommended for actions of the MSG

1. The PE was cooperative in providing documents required for this report however they didn't participate in the process of completing the disclosure template as required by the terms of reference for this service. The recommendations given in the study for mainstreaming disclosure through devising effective system in the PE is not implemented. Hence the MSG should devise mechanisms that enable the PE to sustainably disclose the project and contract information by itself.
2. Moreover no project and contract information is displayed on the website of Public Procurement Agency, which requires attention of the CoST ETHIOPIA Multi Stakeholder Group (MSG) in sensitizing PEs and the PPA for action.
3. Assessment should be conducted to review and compare the estimation methodology used during feasibility study against the one used to compute Engineer's Estimate.
4. While the practice of using EOI is acceptable procedure the criteria defined for selecting consultants should not be a barrier to new entrants. This is to suggest the PE for not allocating too much weight for experience only.
5. There should be mechanisms for monitoring compliance of procurement procedures against the public procurement requirements. One way of monitoring is through appointing an independent assessor for every project.
6. Assessment should be conducted to identify causes on high number of declining bidders as well as mechanism for detecting any possible practice of collusion when few numbers of bidders remain as qualified.
7. The PE shall devise mechanism for monitoring quality of design works so that similar changes in scope of works shall not encounter during contract implementation stage.
8. Assessment should be conducted to examine the Price adjustment procedure of the PE so that payment will not be effected for un materialized risks. The assessment should consider the appropriateness of weightage used in the price adjustment formula including the need for fixing ceiling limit of the price adjustment and the practice of compensating for changes of foreign currency.

9. Procedures of applying interest rate of foreign banks for late payment should be discussed for alternative procedure
10. The percentage of payment in foreign currency should not exceed the expected profit such as 30% and consideration should be made for deducting the FDI to be applied.
11. The practice of awarding foreign contractors with contract price that comprise significant portion of foreign currency should consider the possible effect on the actual contract price of the project (true cost) due to possible changes on exchange rate of foreign currency during the contract period. This factor should also be considered not to award foreign contractor, in cases where local and foreign bidders compute together, while the true cost of the foreign bidder exceeds the one proposed by local bidders.
12. The practice of effecting payment with foreign currency has tilted the ground play to the foreign contractors' side as there is no compensation for changes in currency to local contractors while foreign contractors are getting compensation for agreed portion, e.g 50% in case of this specific project, of the payment they are collecting.

DISCLOSURE OF PROJECT INFORMATION

PRELIMINARY PROJECT INFORMATION (18 ITEMS)	Date of disclosure	June 30, 2014
	Project owner	Ethiopian Road Authority
	Project name	Afdera-Abala Road Project
	Sector, subsector	Transport, Road
	Source for further information	Email: eramail@era.gov.et p.o.box:1770 Addis Ababa/Ethiopia
	Project Location	The project road is located in Afar Regional State and traverses the three woredas known as Afdera , Irebti , and Abala . It starts at the Hawusewa on the junction with the main road Mekelle-Quiha and ends at Afdera
	Purpose	<ul style="list-style-type: none"> • Social Livelihood Improvement • Short access from Afdera Lake that has high deposit of salt to Tigray • Provides an excellent market access for the livestock and salt products from Afar to Tigray and grain products of the Tigray Region to Afar Region Woredas • Improving food aid provision in the area. • Improvement on Social Services (access for education, health, clean water) • Facilitating the conversion the existing pastoral way of life to agro-pastoral by creating settlement areas favorable for agricultural cultivation
	Project description	The Afdera-Abala Road project involves construction of 212 km roads (94.00 Km for contract 1 and 118 Km for contract 2) with asphalt concrete surfacing (AC) having 7mts width and 1.5 meters un-paved shoulder both sides in rural sections. The town section includes 3.5 meters parking lanes on either side or 1.3 meter side walk on top of rectangular side drain and 1.4 meter wide and 10com thickness of c-15 cement concrete walk way on both sides. The upgraded road have DS4 standard. The project road mainly traverses flat

		terrains in the region ranging from 43 percent to 55 percent of the project.
Original Project Scope		<ul style="list-style-type: none"> • 2,077,801.51 m3 Over Cut volume (cut to spoil) • Construction of 4 major drainage structures (bridges) • Construction of 200 minor drainage structures (culverts)
Project Components		<ul style="list-style-type: none"> i. Consultancy Service for Detailed Engineering Design & Tender Document preparation of Afdera-Abala Road Project ii. Consultancy Service for Construction Supervision of Afdera-Abala Road project Contract 1: Hawusewa-Abala-Irebt iii. Construction Works of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebt iv. Consultancy Service for Construction Supervision of Afdera-Abala Road project Contract 2: Irebti-Afdera road contract v. Construction Works of Afdera-Abala Road Contract 2: Irebti-Afdera road contract
Environmental impact		NA
land & settlement impact		NA
Estimated budget of the project with breakdown of components		NA
Funding sources		The Government of Federal Democratic Republic of Ethiopia
Project budget approval date		NA

	Project start date (planned, actual)	NA		
	Planned/ Original duration for completing the whole project	NA		
	Planned/Original cost of the project	NA		
PROJECT INFORMATION AT COMPLETION	Cost of the project at completion	NA		
	changes of project cost with reason	NA		
	Project completion date (Revised, projected, actual)	NA		
	Actual duration for completing the whole project	NA		
	changes of project duration with reason	NA		
	Project Scope at completion	NA		
	changes of project scope with reason	<ul style="list-style-type: none"> • 5,306,624.87 M3 ADDITIONAL CUT • 26 ADDITIONAL BRIDGES • 103 ADDITIONAL CULVERTS <p>The reason for changes of scope is revision of the original design as it was found to be incomplete.</p>		
Reference to documents for disclosure upon request (reactive disclosure)				
DISCLOSURE OF PROCUREMENT & CONTRCT INFORMATION				
PHASE	ITEMS OF DISCLOSURE	DESIGN	SUPERVISION	CONSTRUCTION
P	Date of disclosure	June 30, 2014		

ROCUREMENT INFORMATION (30 ITEMS)	Contract title	Detailed Engineering Design & Tender Document preparation of Afdera-Abala Road Project	Consultancy Service for Construction Supervision of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebtu Road Project	Construction Works of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebtu Road Project
	Location	the road stretch from Afdera to Abala, which is approximately 216 KMs.	Starts at the Hawusewa on the junction with the main road Mekelle-Quiha and ends at Irebtu	
	Procuring entity	Ethiopian Road Authority		
	Source for further information	Email: eramail@era.gov.et p.o.box:1770 Addis Ababa/Ethiopia		
	Date of procurement notice	9 June, 2005	Nov 7 & 8, 2008	January 25, 26 & 27, 2008
	Floating period of the procurement notice			71 Calendar Days
	Media used for procurement notice	DNA	Ethiopian Herald	Ethiopian Herald and UNDB website
	Method of procurement	Restricted	Open Bid f	Open bid
	Type of Procurement	NCB	DNA	ICB
	Procurement procedure	Expression of Interest followed by Request For Proposal.	Expression of Interest followed by Request For Proposal.	Two Stage Evaluation
	Evaluation criteria	QCBS	QCBS	LCBS
	Type of contract & project delivery method	Lump Sum	Time Based Contract	Unit Price
	Type & Amount of bid security	DNA	DNA	2,000,000.00 ETB
	Content of any complaint lodged	None	None	None
	Engineer's estimate	NA	NA	ETB 826,574,577.08
Date of bid opening	August 16,2005	January 13,2009	April 8, 2008	
Number of bidders: Participated, rejected and declined to submit	Participated – Five Rejected – None	Participated – Six Rejected – None	Participated –Ten Rejected – None	

	Decline to Submit – Two	Decline to Submit – two	Decline to Submit – Five
Awarded firm/contracting firm	HEC-UNICONE-DANA JV	ICTE in JV with ICT & Omega	Jiangxi Zhongmei Engineering Construction Co.Ltd (JXZM)
Date of contract award		23 February, 2009	13 June 2008
Award price/original contract price	Birr 3,115,925.00 (Phase I) & Birr 11,238513.00(Phase II)	ETB 11,309,330.50 and EURO 380,593.00 inclusive of VAT	ETB 746,341,435.30 including 10% contingency, provisional sums and 15% VAT
Contract security type and amount	DNA	Professional Indemnity Policy: <ul style="list-style-type: none"> • Insurance Guarantee • ETB 1,766,250.00 	Performance Guarantee: <ul style="list-style-type: none"> • ETB 45,179,031.92 and EURO 1,987,524.40
Date of contract signing	26th January 2006	20, March 2009	4 July 2008
Contract scope	Detailed Engineering Design & Tender Document preparation (Phase I) Construction Supervision(Phase II)	Design review, and Supervision of works as per specification, drawings and terms & condition of contract	Construction of 94 kms road with asphalt concrete surfacing, 3 bridges ,200 culverts and 2,064,700 m3 cut
Description of contract & Contract components	To carry out field investigation, survey works and detailed engineering design following a preliminary feasibility & EIA study; and To prepare two final and complete sets of tender documents to call for bids, To ensure the road is constructed in accordance with the general and particular conditions of contract, the technical	To ensure the road is constructed in accordance with the general and particular conditions of contract, the technical specifications and engineering drawings or amendments thereto; To optimize the use of available material resources to minimize costs to the Employer, to maximize the quality of the works and to expedite construction; and	The project involves construction of 94.00kms road with asphalt concrete surfacing (AC) having 7mts width and 1.5 mts un-paved shoulder both sides in rural sections and 19mts in town section. The town section includes 3.5 meters parking lanes & 2.5 meters wide footpaths at both sides of traffic lane. The upgraded road shall have

		specifications and engineering drawings or amendments thereto; To optimize the use of available material resources to minimize costs to the Employer, to maximize the quality of the works and to expedite construction; and To ensure that the road is constructed within the contract price and time for completion allowed under the contract or any agreed amendments thereto.	To ensure that the road is constructed within the contract price and time for completion allowed under the contract or any agreed amendments thereto.	DS4 standard as per Geometric manual of ERA, 2002. There are also construction minor drainage structures, of varying sizes and bridges.
	Contract administration entity	Ethiopian Road Authority		ICTE in JV with ICT & Omega
	Contract duration	270 cal days (Phase I) & 42 Months (Phase II)	42 months	1260 calendar days
	Contract start date	10th Feb. 2006	April 02, 2009	21 August,2008
	Intended completion date	10th November. 2006	02 nd Oct, 2012	20 February,2012
CONTRACT IMPLEMENTATION	Contract status (ongoing (% progress), terminated, completed)	Phase I completed & Phase II is omitted	Ongoing	Ongoing 89.58%
	completion date (Revised)	November 10, 2006	December 20, 2014	December 20, 2014
	Changes to contract duration with Reason	DNA	Total time extended – 930 Cal. Days, Due to construction delay	Total time extended – 930 Cal. days, EOT 01: 372 Cal. Days Variation Order 01 and Variation Order 02 EOT 02: 335 Cal. Days Delay due to Discrepancy of Survey Control point, EOT 03: 223 Cal. Days

& COMPLETION				Increased quantum of work
	Amount of Liquidated Damage if applied (Penalty for delay)	DNA	NA, as the project is not completed	NA, as the project is not completed
	Contract price (Revised)	DNA	ETB 15,911,391.00 and EURO 523,438.37 inclusive of VAT	NA
	Changes to contract price with reason	DNA	ETB 724,500.00 - Addendum/Value of Supplementary Agreement	V.O. No.1: Amt. ETB -5,112,118.00 Two Type A Houses changed to Type B and Four Type A Vehicles changed to Type B. V.O. No.2: ETB 123,721,187.58 Because of re-alignment of some sections made, additional drainage structures, additional Bridges, change in design of 3 original Bridges and Retaining walls at selected locations. Total price adjustment to date: ETB 418,355,749.83 Interest to late payment to date: ETB 11,778,627.43 As per June 2014, Annual Progress Report of the Consultant.
	Scope at completion	DNA	NA, as the project is not completed	NA, as the project is not completed
	Changes to contract scope with reason	DNA	No change	There were the following changes due to re-alignment of some sections made as a result of design review: <ul style="list-style-type: none"> • 4,835,300 cubic meter additional cut • 9 additional bridges

				• 103 additional culverts
Total payment effected	DNA	ETB 19,149,348 EURO 454,607 till May, 2014, as per June 2014, Annual Progress Report of the Consultant	ETB 1,171,719,860 including VAT, as per June 2014, Annual Progress Report of the Consultant.	
warranty type and description	DNA	DNA	DNA	DNA
Details of Termination if applied	DNA	NA, as the project is not terminated	NA, as the project is not terminated	
Safety Measures (accident & death)	DNA	DNA	4 dead & 39 injured	
Disputed issues & Award details	DNA	DNA	DNA	

DNA – Document not available

NA – Not applicable,

PART II: POINTS OF DIFFERENCE ON ASSURANCE REPORT

(FROM THE PROCURING ENTITY)

ERA's Clarification/Response on the Final Report/ Findings of Assurance Professional

Name of Project: Afdera – Abala Road Project, Contract I: Hawusewa – Abala - Irebti

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
1.	Design Contract	➤ Tender evaluation process is slow and award was not issued during bid validity period	<ul style="list-style-type: none"> ❖ The revised report didn't include most of previous responses of ERA ❖ The AP has not reflected the PE's previous response clearly and to the required level of detail. The PE's previous responses and in this comment matrix shall be reflected/quoted in the final report as per the explanations given by the PE or the response matrix shall be attached/annexed to the final report so that the public could clearly know the PE's stand on the matters raised. 	<ul style="list-style-type: none"> ❖ we recommend to incorporate previous responses 	Our previous response
2.	Construction Works Contract	<ul style="list-style-type: none"> ➤ High number of bidders declines to submit the proposal after purchasing. The PE should conduct assessment and identify causes. ➤ There is no documentary evidence that justify how the Contractor is awarded despite the performance problem reported by Chinese Embassy 			
Additional Point raised on the revised report					
3.	Construction Works Contract	➤ While the practice of using EOI is acceptable procedure, the criteria defined for selecting consultants should not be a barrier to new entrants. This is to suggest the PE for not allocating too much weight for experience only.	<ul style="list-style-type: none"> ❖ The PE believes that experience of the consultants have indispensable effect than the other criteria because EOI assessment is a method employed to select the best firms to compete in a project according to the procurement directive; the Directive mentioned the use of EOI and recommends to prepare shortlist of best qualified bidders from the top once. However, to give opportunity for new entrant firms, ERA published EIO notice for number of projects at a time and this allows more firms, including firms having less experience to be shortlisted on some of the projects. In addition, ERA has implemented capacity building program to bring new entrants (especially established by team of professionals) to the road sector. 		Detailed response is provided under the response on Bahirdar-Zema River Bridge project
4.		<i>The amount of the price adjustment is considered as one element for the change in the original contract price.</i>	<p><i>It is recalled through a letter and particularly in our workshop meeting held at Desalegn hotel on....., we have explained the basic principles of price adjustments stipulated in the contract and agreements has also been reached to consider and correct it accordingly. However, nothing has been considered in the report.</i></p> <p><i>Thus, we believe that the report has to reflect the following basic contract</i></p>		

In No.	Contract Type	CoST Ethiopian Observation	ERA response	Remark	Reference document
			<p><i>principles of price adjustment</i></p> <p>Price Escalation: is an amount to adjust for future increase or decrease in costs of major construction inputs that are likely to occur due to the difference <i>in time starting from the signing of the contract to the completion of the project.</i></p> <p>The relevant provisions of the contract advises that, <i>any project lasting for longer than a year should contain a price adjustment clause so that the risk associated with the price fluctuation in the market could be managed in a fair and equitable basis by either of the parties.</i></p> <p>The GCC of sub-clause 70.1 also states that <i>“the amounts payable to the Contractor shall be adjusted for rises and fall (bold and underline is for emphasis) in the cost of labor and Contactor’s equipment, plant, material and other inputs to the works, by applying to such amounts determined by the formula prescribed in the contract.</i></p> <p>Thus, we would like you to note that, the expected implication of price adjustment has already been pre-defined in the contract which is to be paid according to the formula prescribed in the contract for the rise and fall of the construction inputs defined in the contract and hence we are of the opinion that <i>Price adjustment shall not be construed as one element for cost overrun against the contract price like Variation order, Change in design and etc.</i></p> <p><i>Furthermore, as explained in the aforementioned paragraph, the payment modality of our contract agreement is contract price plus price adjustment; otherwise; the meaning would be generalized cost overrun of one project starts following the first contractor’s IPC certified by the Engineer.</i></p> <p><i>Therefore, the total change to the contract price indicated in the report has to be the amount of price adjustment should be indicated separately and shall also be stated that the price adjustment is paid to the Contractor according the provisions of contract.</i></p>		
5.		<p><i>It is important to note that the major cause of the change is the price adjustment paid to the Contractor. The price adjustment is computed based on the</i></p>	<p>We would like to highlight a general remark regarding risk management on the rationale of price adjustment in the contract;</p> <ul style="list-style-type: none"> The purpose of a contract is all about allocating and managing risks between the parties to that contract by taking into account the ability 		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
		<p><i>formula in the Contractor for changes in price of material, labour, equipment maintenance, bitumen and foreign labour is quoted from foreign market such as California. Moreover, the price adjustment considers compensation of changes in price due to a change in the exchange rate of currency.</i></p> <p>Hence, it is important to examine the price adjustment procedure of the procuring entity as part of the projects detail review program.</p>	<p>of the parties to assume a particular risk. This entirely depends on each party's ability to foresee and mitigate the effect of the circumstance applicable for each risk event.</p> <ul style="list-style-type: none"> • On the basis of this fact, various risk management mechanisms have been adopted/drafted on different works Contract in order to fairly share, transfer, allocate and manage the risks between the two Contracting parties on the basis of their respective project characteristics, nature and scope in such a way that suit both parties mutual benefits. • One of the risk management mechanisms provided in the contract for the rise and fall of the cost of the construction input during the execution/implementation of the contract is applying a price adjustment formula on the interim payment based on the Contractor's price indices submitted for the respective construction materials and • Its purpose in the contract is to ensure, payment of reasonable amounts representing the actual cost of works executed at the different stages of the project would be made during the actual construction; not intended to provide special benefit to either of the parties. • To ensure the above, sub clause 70.1 of the Condition of the Particular Application of the contract states that the amount payable to the Contractor in various currencies pursuant to 60.1 of the GCC, shall be adjusted in respect of rise or fall in the cost of labour, Contractor's Equipment, Plant materials and other inputs to the works by applying the under mentioned formula 		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
			$P_n = A + b \frac{F_n}{F_o} + c \frac{B_n}{B_o} + d \frac{C_n}{C_o} + f \frac{E_n}{E_o} \text{ to } P_n = A + b \frac{F_n}{F_o} + c \frac{B_n}{B_o} + d \frac{C_n}{C_o} + f \frac{E_n}{E_o} * \frac{Z_n}{Z_o}$ <p>In view of the above general principles specified in the contract we have outlined our comments as explained herein under;</p> <p><i>In your finding you have argued the base price quotation for Equipment, Bitumen and Foreign labour from foreign market has created an impact on the cost of price adjustment amount</i></p> <ul style="list-style-type: none"> • Here it shall be noted that; the base indices/ prices for the inputs subjected to price adjustment (as indicated in the above formula) shall be quoted for the date prevailing 28 days prior the latest date of bid submission. • In this regard, the Public Procurement Directive of the Federal Democratic Republic of Ethiopia which was published on June 2010 under Sub Clause 16.42 (d) advises that the Contractor should bring/quote base prices indicator which is issued from Public Procurement and Property Administration Agency or Central Statistics Agency. • However, till now both the Public Procurement and Property Administration Agency and Central Statistics Agency does not issue price indices or indicators that suits for price adjustment purpose of construction projects. • Thus, ERA is using the second alternative stipulated under section 16.14 (d) of the abovementioned directive which states that in cases where the Public Procurement and Property Administration Agency or Central Statistics Agency is not in a position to issue current price index for the selected categories of items which the Public Body considers appropriate to allow price adjustment, he can use price information from a renowned local producer or competent foreign 		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document																											
			<p>institution. The following table depicts some of the source of price indices that are observed as source of price information in some of the surveyed projects.</p> <table border="1" data-bbox="856 354 1617 1302"> <thead> <tr> <th data-bbox="856 354 1033 545">Name of the Adjustable inputs</th> <th data-bbox="1033 354 1390 545">Source of Price information</th> <th data-bbox="1390 354 1617 545">Remark</th> </tr> </thead> <tbody> <tr> <td data-bbox="856 545 1033 639">Cement</td> <td data-bbox="1033 545 1390 639"> <ul style="list-style-type: none"> ➤ Muger Cement Factory ➤ Messobo Cement Factory </td> <td data-bbox="1390 545 1617 639">Local Producer</td> </tr> <tr> <td data-bbox="856 639 1033 704">Fuel</td> <td data-bbox="1033 639 1390 704"> <ul style="list-style-type: none"> ➤ National Oil Company (NOC) ➤ Total Ethiopia </td> <td data-bbox="1390 639 1617 704">Fuel supplier</td> </tr> <tr> <td data-bbox="856 704 1033 799">Reinforcement Bar</td> <td data-bbox="1033 704 1390 799"> <ul style="list-style-type: none"> ➤ Zequalla Steel Production Factory </td> <td data-bbox="1390 704 1617 799">Local Producer</td> </tr> <tr> <td data-bbox="856 799 1033 831"></td> <td data-bbox="1033 799 1390 831"> <ul style="list-style-type: none"> ➤ Guna Trading P.L.C. </td> <td data-bbox="1390 799 1617 831">Supplier</td> </tr> <tr> <td data-bbox="856 831 1033 925">Bitumen</td> <td data-bbox="1033 831 1390 925"> <ul style="list-style-type: none"> ➤ California Department of Transportation; California Paving Asphalt Price Index </td> <td data-bbox="1390 831 1617 925">Foreign institution</td> </tr> <tr> <td data-bbox="856 925 1033 990"></td> <td data-bbox="1033 925 1390 990"> <ul style="list-style-type: none"> ➤ National Oil Company ➤ Guna Trading P.L.C. </td> <td data-bbox="1390 925 1617 990">Supplier</td> </tr> <tr> <td data-bbox="856 990 1033 1205">Equipment and Foreign Labor</td> <td data-bbox="1033 990 1390 1205"> <ul style="list-style-type: none"> ➤ National Bureau of Statistics; China Economic Monitoring & Analysis Center </td> <td data-bbox="1390 990 1617 1205">It is used mainly in projects that are constructed by Chinese companies</td> </tr> <tr> <td data-bbox="856 1205 1033 1302"></td> <td data-bbox="1033 1205 1390 1302"> <ul style="list-style-type: none"> ➤ United states Bureau of Labor </td> <td data-bbox="1390 1205 1617 1302">Foreign institution</td> </tr> </tbody> </table> <p data-bbox="823 1373 1650 1399">Therefore, we would like to underline that, it is because of the above basic</p>	Name of the Adjustable inputs	Source of Price information	Remark	Cement	<ul style="list-style-type: none"> ➤ Muger Cement Factory ➤ Messobo Cement Factory 	Local Producer	Fuel	<ul style="list-style-type: none"> ➤ National Oil Company (NOC) ➤ Total Ethiopia 	Fuel supplier	Reinforcement Bar	<ul style="list-style-type: none"> ➤ Zequalla Steel Production Factory 	Local Producer		<ul style="list-style-type: none"> ➤ Guna Trading P.L.C. 	Supplier	Bitumen	<ul style="list-style-type: none"> ➤ California Department of Transportation; California Paving Asphalt Price Index 	Foreign institution		<ul style="list-style-type: none"> ➤ National Oil Company ➤ Guna Trading P.L.C. 	Supplier	Equipment and Foreign Labor	<ul style="list-style-type: none"> ➤ National Bureau of Statistics; China Economic Monitoring & Analysis Center 	It is used mainly in projects that are constructed by Chinese companies		<ul style="list-style-type: none"> ➤ United states Bureau of Labor 	Foreign institution		
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In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
			<p>reasons that we have adopted the aforesaid construction input of base price quotation and we request you to consider same in your report.</p> <p><i>In your finding you have argued that the consideration of currency exchange factor in the price adjustment is incorrect;</i></p> <ul style="list-style-type: none"> • We would like to draw your attention to sub clause 70.3 of the CoPA which states that “..... <i>If a price adjustment factor applied to payment made in currency other than the currency of the source of index for particular indexed input, a correction factor Zo/Zn will be applied to the respective component factor of Pn for the formula of relevant currency.</i>” <i>Zo is the number of units of currency of the country of the index, equivalent to one unit of currency of payment on the date of the base index, and Zn is the corresponding number of such currency units on the date of the current index.</i> <p>The purpose of the application of the currency correction factor <i>Zo/Zn</i> is to make similar unit of payment in case of difference/dissimilarity on the currency of payment and currency of indices so that the actual payment to be certified to the contractor reasonably reflects the true economical scale of both countries and also to avoid under/over recovery of payment.</p> <ul style="list-style-type: none"> • Moreover similar principle and practice is applied and acceptable in the international projects which are financed by World Bank, Africa Development Bank, Asian Development Bank and other international financiers. • For a better understanding we have outlined the following practical example; <ul style="list-style-type: none"> ○ The source of index for bitumen is from California which is 		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
			<p>USD</p> <ul style="list-style-type: none"> ○ The currency of payment of the foreign portion is Yuan ○ The base value of 1USD= 7.8927 CNY ○ The Current index of 1USD= 6.1538 CNY <ul style="list-style-type: none"> ● Thus applying the currency factor i.e. $P_n = \dots\dots + B_n / B_o * Z_o / Z_n + \dots\dots$ $P_n = \dots\dots + 583.7 / 100.4 * 0.1265 / 0.1625 + \dots\dots$ ● As it can be vividly noted from the above formula, the result of the ratio of Z_o / Z_n is less than one which will reduce the currency factor implication of the price adjustment amount by $0.78 \left(\frac{0.1265}{0.1625} \right)$ ● It shall also be noted that, the vice versa scenario will also occur when the strength of the currency of the payment is less than the currency of the source of the index. <p><i>Here, we would like highlight a general remark that, the above facts/scenarios of the price adjustment proviso should not be considered as a means of obtaining profit or loss by both parties; rather; it is a reasonable/actual reflection that ensures the Employer pays an amount representing the actual costs of works executed at the time of payment.</i></p> <p><i>Thus, we would like to request the comments to be corrected taking into account the aforementioned facts and principles of price adjustment provision.</i></p>		
6.		The PE has agreed with the contractor to effect every payment with 50% local currency (Birr) and the remaining 50% in foreign currency	During evaluating bidders submitted for a works contract, whether it is submitted in two or more currencies, all will be converted in to a single currency by using an exchange rate of the prevailing date 28 days		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
		<p>(EURO) with a rate of 14.82 Birr for 1 EURO. Hence 50% of every payment will be divided to 14.82 to convert it in to equivalent EURO and the PE will buy the computed amount of EURO with the current rate from National Bank and pay to the contractor. As a result the employer spends more Birr than the original 50% portion of the certified payment for buying foreign currency computed using the agreed exchanged rate to be paid for the contractor. Hence the actual contract price is also being affected due to changes of currency as well this factor should also be considered in awarding the contract in cases where local and foreign bidders compute together.</p> <p>The process of competition between local and foreign contractors should, therefore, consider this factor in addition to the margin of preference stipulated by the public procurement directive; this can be done through using historical trend of exchange rate increment for agreed number of years. Alternatively there should be compensation of damage due to change in exchange rate for local contractors. Moreover the proportion of effecting payment in foreign currency should be defined through considering different legislations of the country. For example it may not be logical for the foreign proportion to exceed the expected proportion of profit less the nationally defined percentage of Foreign</p>	<p>before submission of the bid. Therefore, at the evaluation time all bides are compared with same exchange rates whatever exchange rates are proposed by bidders and the lowest evaluated bidder is selected accordingly. At this stage, all bidder are equal for the effect of exchange rate.</p> <p>For example if a two bidders quoted exchange rate of 14.82 and 15.02 Birr for 1 EURO and if the exchange rate for the prevailing date 28 days before submission of the bid is 17.03 Birr for 1 EURO; first the total offer of the bidders' quoted in ETB is converted to the proposed currencies with the bidders' proposed currency proportion and exchange rate and recalculated to total ETB by using the exchange rate for the prevailing date 28 days before submission of the bid i.e. 17.03 Birr for 1 EURO and this brings all the bides to equal value. (this can be noted from any IBC bid evaluation report carried out by ERA)</p> <p>It is obvious that, there is an increment of exchange rate due to devaluation of Birr and ERA needs more Birr than the original ETB amount to buy foreign currency. But this doesn't mean that the contractor is obtaining more advantage than the local for the extra Birr ERA spend to by foreign currency because the Contractor is obtaining the original foreign currency amount. If the reverse happened, that means it ETB is inflated, ERA will spend less amount of ETB to buy the foreign currency but the contractor will also received same amount of foreign currency payment.</p> <p>In principle, foreign bidders are allowed to quote in foreign currency to cover their expenses in foreign currency and devaluation of ETB doesn't reflect the actual condition of the countries from which bidders' are purchasing their resources. Therefore, considering devaluation of ETB may reduce the contractor's original offer quoted in foreign currency.</p> <p>Therefore, it is not fair to consider additional preference for local bidder for</p>		

In No.	Contract Type	COST Ethiopian Observation	ERA response	Remark	Reference document
		Direct investment (FDI).	<p>devaluation of Birr. On the other hand, it is also very difficult to estimate or forecast the devaluation and consider in the bidding process.</p> <p>Here the best we to manage this issue is allowing local bidder to quote in foreign currencies to cover their imported expenses, which is currently not allowed by Country's procurement regulation but with amendment of the country procedure.</p>		
		<i>It is advised to devise a mechanism for monitoring quality of design works so that similar changes in cope of works shall not encounter during the contract implementation stage.</i>	<p>The issue of time and cost overruns due to poor quality design output has already been considered and marked as a critical area that calls for an urgent action by the Authority. Currently, we are doing lots of activities in this area and trying to establish a total design quality management system as part of ERA's modernization and transformation plan. To mention some of them;</p> <ul style="list-style-type: none"> • We have established a controlling and reviewing mechanism through a detail action plan (sample is attached) • The requirement of a detail geotechnical investigation has already been incorporated in the new design consultancy service contract • The requirement of review of critical design deliverables and design risk management by selected panel of experts has already been included in the design consultancy service. • The system of Accountability has already been started. • Ensuring of implementation of ERA's Code of Professional Conduct and Ethics and etc. 		
		It is stated that the design consultant is penalized for a period of two years by PPPA.	It is not only the design consultant, the individuals who were involved in the design has been penalized. Please ERA's website for the detail information.		

DISCLOSURE OF PROJECT INFORMATION

PRELIMINARY PROJECT INFORMATION	Date of disclosure	June 30, 2014
	Project owner	Ethiopian Road Authority
	Project name	Afdera-Abala Road Project
	Sector, sub-sector	Transport, Road
	Source for further information	Email: eramail@era.gov.et p.o.box:1770 Addis Ababa/Ethiopia
	Project Location	The project road is located in Afar Regional State and traverses the three woredas known as Afdera, Irebti, and Abala . It starts at the Hawusewa on the junction with the main road Mekelle-Quiha and ends at Afdera
	Purpose	<ul style="list-style-type: none"> • Social Livelihood Improvement • Short access from Afdera Lake that has high deposit of salt to Tigray • Provides an excellent market access for the livestock and salt products from Afar to Tigray and grain products of the Tigray Region to Afar Region Woredas • Improving food aid provision in the area. • Improvement on Social Services (access for education, health, clean water) • Facilitating the conversion the existing pastoral way of life to agro-pastoral by creating settlement areas favorable for agricultural cultivation

DISCLOSURE OF PROJECT INFORMATION

Date of disclosure		June 30, 2014
PRELIMINARY PROJECT INFORMATION	Project description	<p>The Afdera-Abala Road project involves construction of 212 km roads (94.00 Km for contract 1 and 118 Km for contract 2) with asphalt concrete surfacing (AC) having 7mts width and 1.5 meters un-paved shoulder both sides in rural sections. The town section includes 3.5 meters parking lanes on either side or 1.3 meter side walk on top of rectangular side drain and 1.4 meter wide and 10cm thickness of c-15 cement concrete walk way on both sides. The upgraded road have DS4 standard. The project road mainly traverses flat terrains in the region ranging from 43 percent to 55 percent of the project.</p>
	Original Project Scope	<ul style="list-style-type: none"> • 2,077,801.51 m3 Over Cut volume (cut to spoil) • Construction of 4 major drainage structures (bridges) • Construction of 200 minor drainage structures (culverts)

DISCLOSURE OF PROJECT INFORMATION

	Date of disclosure	June 30, 2014
PRELIMINARY PROJECT INFORMATION	Project Components	i. Consultancy Service for Detailed Engineering Design & Tender Document preparation of Afdera-Abala Road Project ii. Consultancy Service for Construction Supervision of Afdera-Abala Road project Contract 1: Hawusewa-Abala-Irebti iii. Construction Works of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebti iv. Consultancy Service for Construction Supervision of Afdera-Abala Road project Contract 2: Irebti-Afdera road contract v. Construction Works of Afdera-Abala Road Contract 2: Irebti-Afdera road contract
	Environmental impact	NA
	land & settlement impact	NA
	Estimated budget of the project with breakdown of components	NA
	Funding sources	The Government of Federal Democratic Republic of Ethiopia
	Project budget approval date	NA
Project start date (planned, actual)	NA	
Planned/ Original duration for completing the whole project	NA	

DISCLOSURE OF PROJECT INFORMATION

PRELIMINARY	Date of disclosure	June 30, 2014
	Planned/Original cost of the project	NA

PROJECT INFORMATION AT COMPLETION	Cost of the project at completion	NA
	changes of project cost with reason	NA
	Project completion date (Revised, projected, actual)	NA
	Actual duration for completing the whole project	NA
	changes of project duration with reason	NA
	Project Scope at completion	NA
	changes of project scope with reason	<ul style="list-style-type: none"> • 5,306,624.87 M3 ADDITIONAL CUT • 26 ADDITIONAL BRIDGES • 103 ADDITIONAL CULVERTS <p>The reason for changes of scope is revision of the original design as it was found to be incomplete.</p>
	Reference to documents for disclosure upon request (reactive disclosure)	[REDACTED]

DISCLOSURE OF PROCUREMENT & CONTRACT INFORMATION				
PHASE	ITEMS OF DISCLOSURE	DESIGN	SUPERVISION	CONSTRUCTION
PROCUREMENT INFORMATION	Date of disclosure	June 30, 2014		
	Contract title	Detailed Engineering Design & Tender Document preparation of Afdera-Abala Road Project	Consultancy Service for Construction Supervision of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebt Road Project	Construction Works of Afdera-Abala Road Contract 1: Hawusewa-Abala-Irebt Road Project
	Location	the road stretch from Afdera to Abala, which is approximately 216 KMs.	Starts at the Hawusewa on the junction with the main road Mekelle-Quiha and ends at Irebti	
	Procuring entity	Ethiopian Road Authority		
	Source for further information	Email: eramail@era.gov.et p.o.box:1770 Addis Ababa/Ethiopia		
	Date of procurement notice	9 June, 2005	Nov 7& 8, 2008	January 25, 26& 27, 2008
	Floating period of the procurement notice			71 Calendar Days
	Media used for procurement notice	DNA	Ethiopian Herald	Ethiopian Herald and UNDB website
	Method of procurement	Restricted	Open Bid f	Open bid
	Type of Procurement	NCB	DNA	ICB
	Procurement procedure	Expression of Interest followed by Request For Proposal.	Expression of Interest followed by Request For Proposal.	Two Stage Evaluation
	Evaluation criteria	QCBS	QCBS	LCBS

Type of contract & project delivery method	Lump Sum	Time Based Contract	Unit Price
Type & Amount of bid security	DNA	DNA	2,000,000.00 ETB
Content of any complaint lodged	None	None	None
Engineer's estimate	NA	NA	ETB 826,574,577.08
Date of bid opening	August 16,2005	January 13,2009	April 8, 2008
Number of bidders: Participated, rejected and declined to submit	Participated – Five Rejected – None Decline to Submit – Two	Participated – Six Rejected – None Decline to Submit – two	Participated –Ten Rejected – None Decline to Submit – Five
Awarded firm/contracting firm	HEC-UNICONE-DANA JV	ICTE in JV with ICT & Omega	Jiangxi Zhongmei Engineering Construction Co.Ltd (JXZM)
Date of contract award		23 February, 2009	13 June 2008
Award price/original contract price	Birr 3,115,925.00 (Phase I) & Birr 11,238513.00(Phase II)	ETB 11,309,330.50 and EURO 380,593.00 inclusive of VAT	ETB 746,341,435.30 including 10% contingency, provisional sums and 15% VAT
Contract security type and amount	DNA	Professional Indemnity Policy: • Insurance Guarantee • ETB 1,766,250.00	Performance Guarantee: • ETB 45,179,031.92 and EURO 1,987,524.40
Date of contract signing	26th January 2006	20, March 2009	4 July 2008
Contract scope	Detailed Engineering Design & Tender Document preparation (Phase I) Construction Supervision(Phase II)	Design review, and Supervision of works as per specification, drawings and terms & condition of contract	Construction of 94 kms road with asphalt concrete surfacing, 3 bridges ,200 culverts and 2,064,700 m3 cut

<p>Description of contract & Contract components</p>	<p>To carry out field investigation, survey works and detailed engineering design following a preliminary feasibility & EIA study; and To prepare two final and complete sets of tender documents to call for bids, To ensure the road is constructed in accordance with the general and particular conditions of contract, the technical specifications and engineering drawings or amendments thereto; To optimize the use of available material resources to minimize costs to the Employer, to maximize the quality of the works and to expedite construction; and To ensure that the road is constructed within the contract price and time for completion allowed under the contract or any agreed amendments thereto.</p>	<p>To ensure the road is constructed in accordance with the general and particular conditions of contract, the technical specifications and engineering drawings or amendments thereto; To optimize the use of available material resources to minimize costs to the Employer, to maximize the quality of the works and to expedite construction; and To ensure that the road is constructed within the contract price and time for completion allowed under the contract or any agreed amendments thereto.</p>	<p>The project involves construction of 94.00kms road with asphalt concrete surfacing (AC) having 7mts width and 1.5 mts un-paved shoulder both sides in rural sections and 19mts in town section. The town section includes 3.5 meters parking lanes & 2.5 meters wide footpaths at both sides of traffic lane. The upgraded road shall have DS4 standard as per Geometric manual of ERA, 2002. There are also construction minor drainage structures, of varying sizes and bridges.</p>
<p>Contract administration entity</p>	<p>Ethiopian Road Authority</p>		<p>ICTE in JV with ICT & Omega</p>

	Contract duration	270 cal days (Phase I) & 42 Months (Phase II)	42 months	1260 calendar days
	Contract start date	10th Feb. 2006	April 02, 2009	21 August,2008
	Intended completion date	10th November. 2006	02 nd Oct, 2012	20 February,2012
CONTRACT IMPLEMENTATION &	Contract status (ongoing , %, progress), terminated, completed)	Phase I completed & Phase II is omitted	Ongoing	Ongoing 89.58%
	completion date (Revised)	November 10, 2006	December 20, 2014	December 20, 2014
	Changes to contract duration with Reason	DNA	Total time extended – 930 Cal. Days, Due to construction delay	Total time extended – 930 Cal. days, EOT 01: 372 Cal. Days Variation Order 01 and Variation Order 02 EOT 02: 335 Cal. Days Delay due to Discrepancy of Survey Control point, EOT 03: 223 Cal. Days Increased quantum of work
	Amount of Liquidated Damage if applied (Penalty for delay)	DNA	NA, as the project is not completed	NA, as the project is not completed
	Contract price (Revised)	DNA	ETB 15,911,391.00 and EURO 523,438.37 inclusive of VAT	NA

COMPLETION	Changes to contract price with reason	DNA	ETB 724,500.00 - Addendum/Value of Supplementary Agreement	V.O. No.1: Amt. ETB -5,112,118.00 Two Type A Houses changed to Type B and Four Type A Vehicles changed to Type B. V.O. No.2: ETB 123,721,187.58 Because of re-alignment of some sections made, additional drainage structures, additional Bridges, change in design of 3 original Bridges and Retaining walls at selected locations. Total price adjustment to date: ETB 418,355,749.83 Interest to late payment to date: ETB 11,778,627.43 As per June 2014, Annual Progress Report of the Consultant.
	Scope at completion	DNA	NA, as the project is not completed	NA, as the project is not completed

	Changes to contract scope with reason	DNA	No change	<p>There were the following changes due to re-alignment of some sections made as a result of design review:</p> <ul style="list-style-type: none"> • 4,835,300 cubic meter additional cut • 9 additional bridges • 103 additional culverts
	Total payment effected	DNA	ETB 19,149,348 EURO 454,607 till May, 2014, as per June 2014, Annual Progress Report of the Consultant	ETB 1,171,719,860 including VAT, as per June 2014, Annual Progress Report of the Consultant.
	warranty type and description	DNA	DNA	DNA
	Details of Termination if applied	DNA	NA, as the project is not terminated	NA, as the project is not terminated
	Safety Measures (accident & death)	DNA	DNA	4 dead & 39 injured
	Disputed issues & Award details	DNA	DNA	DNA

DNA – Document not available

NA – Not applicable,

