

# CONSTRUCTION SECTOR TRANSPARENCY INITIATIVE ETHIOPIA (CoST-ETHIOPIA)

## FINAL REPORT

### PROJECT: - SEMERA - DIDIGSALA ROAD PROJECT

*Prepared by*

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*December, 2010*

<i>PROJECT NAME</i>	<i>TEAM LEADER</i>	<i>TEAM MEMBER</i>
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## LIST OF ACRONYMS / ABBREVIATIONS

AC	Asphalt Concrete
AT	Assurance Team
BOQ	Bills of Quantity
BPR	Business Process Re-Engineering
CAC	Contract Award Committee
CoST	Construction Sector Transparency Initiative
DBST	Double Surface Treatment
DDM	Deputy Director General
EIA	Environmental Impact Assessment
ERA	Ethiopian Roads Authority
ETB	Ethiopian Birr (local currency)
FDRE	Federal Democratic Republic of Ethiopia
FEACC	Federal Ethics and Anti-corruption Commission
GCC	General Conditions of Contract
GM	General Manager
Gov	Government of Ethiopia
LCB	Local competitive bidding
MPI	Material Project Information
MSG	Multi Stakeholder Group
PE	Procuring Entity
PPA	Public Procurement Agency
RE	Resident Engineer

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RFI	Request for Inspection
RFP	Request for Proposals
TAC	Tender Analysis Committee
ToR	Terms of Reference
VAT	Value Added Tax
VO	Variation Order

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## Executive Summary

### Background

The Construction Sector Transparency Initiative (CoST) is an international multi-stakeholder program designed to increase transparency and accountability in the construction sector. The aim of the CoST is to enhance the accountability of procuring bodies and construction companies for the cost and quality of public sector construction projects. This initiative is being piloted in seven countries, and Ethiopia is one of the countries.

The CoST performs its work principally through the release of project information into the public domain. However it is recognized that the disclosure of this information may not be sufficient on its own to achieve greater accountability. This is because some of the information is likely to be complex and not easily intelligible to the general public. To ensure that the information that is released is both accurate and available in a form that can easily be understood by stakeholders it may need to be verified and interpreted by experts. As a result, CoST Ethiopia has engaged an Assurance Team (AT) to collect, verify and analyse MPI (material project information) for Semera – Didgsala Road Project.

Semera – Didgsala Road Project is found in North Eastern part of Ethiopia of Afar regional state and South Eastern part of Tigray regional state. It starts at Semera, the capital of Afar regional state located at 580 Km from Addis Ababa. On the other hand, end of the overall project, Alamata is located in Tigray region situated about 600 Km far from Addis Ababa. Semera – Didigsala project (Contract – 2) is fully located in Afar regional state. It starts at Semera and traverses in north western direction and ends at Didigsala.

Ethiopia's access to ports, markets and services is among the lowest in Sub-Saharan, Africa. The purpose of the project is to enhance capacity of the country toward addressing the above mentioned problem and more over reduction of constraints such as poor road condition and

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restricted access holding back over all economic developments. Up on completion of the project, it is expected that the project road would be one of the important short cuts to the northern part of the country connecting to the sea port of Djibouti.

Though feasibility study and EIA of the project could not be found, the technical evaluation report indicates that the feasibility study and Environmental Impact Assessments, detailed engineering design and detailed tender document preparation was made by United Consulting Engineers (UNICONE) in joint venture with High way Engineers and Consultants (HEC) and HAMDA Engineering plc.

On implementation phase, construction supervision and contract administration during construction stage is carried out by Eng. Zewdie Eskender & Co. Plc. The main contract works of the project construction is being carried out by a local construction company known as SATCON Construction Plc.

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## Key Findings

- Documents containing feasibility study and EIA are not yet disclosed as it could not be found from ERA. Therefore, clear cut conclusions whether concerns are expressed in the feasibility study regarding the project could not be analysed. However, collected documents disclose that the project feasibility study and detailed engineering design together with tender document preparation were all set by United Consulting Engineers (UNICONE) in joint venture with High way Engineers and Consultants (HEC) and HAMDA Engineering PLC.
- The PE has used restricted method of procurement for both the design and contract administration & supervision service. However, the Government law of Federal Public Procurement Directive, Article 7(b), for procuring public projects states that *the total contract value of Procurement made by restricted bidding, shall not exceed birr 250,000.00*. The costs for both services exceed birr 250,000. As per Article 6(2) of the Directive it also states that *procuring entity uses a method of procurement other than open bidding, shall record a statement of the grounds and circumstances on which it relied to justify the use of that method*. AT couldn't get a recorded statement of the grounds and circumstances on which it relied to justify the use of restricted method of procurement,
- While examining the financial report for the bid of contract administration & supervision service, TAC has discovered the cost to be a little exaggerated. However, taking into account the remoteness of the project area, the current market price and the existence of no other responsive bidder to compare with, TAC accepted and preceded the evaluation. CAC has also accepted the TAC recommendation and award the bid service to the consultant.

- TAC couldn't put cost reference to compare the consultant cost proposal of the bidder whether it was exaggerated or not,

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- The bid was examined based on short listed consultants and TAC couldn't give an opportunity to other consultants to participate on the bid by advertising the service on appropriate media,
- The contemporary evaluation of the works contract by the supervision consultant (as per the monthly evaluation report no 25, June, 2010) reveals that 78.99 % of the total contract time has been elapsed so far. The contractor has planned to achieve 75.58% of the total works and has actually achieved 41.11 %.

According to the consultant report, the main factors for the delay in the progress of the work include:-

- *Mainly manpower and equipment organisation and management problem which work load output very low compared to the available resources. But starting from the handover of works from the sub-contractor and the new deployed project management staff's in the month of May, 2010 the contractor accomplished more or less around its plan which shows the contractor improved his management in manpower as well as in equipment utilization. To the reverse the actual accomplishment on the reporting month is curbed due to supply problem and caused by financial problem and shortage of water in the project.*
- *Due to shortage of the reserved water in the constructed pond around the active construction section*
- *The structure work is almost suspended except backfilling due to cement shortages.*
- *The contractor has poor financial flow and is not able to pay wages in time and also supply of construction materials is limited.*

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The contractor has described for the cause of delay due to the following reasons:

- *The contractor was not in a position to run road way surveying as it was initially planned for the mere fact that GPS monuments were up rooted by anonymous people. As a result, it was not possible to know the exact quantities of earth work in the project and hence, the contractor was not able to plan resources required for the execution of the work. The quantities of earth work which has now varied tremendously compared to the original bill of quantity of the project is known only recently when the Engineer gave a variation order on 13.10.2010.*
- *Delays in the submission of design drawings have also played a part for delay of the project.*
- *Shortage of water. Even though all the ponds so constructed were filled to the brim, the durability of their service was far below the contractor's expectation mainly for two reasons. The high rate of evaporation on the one hand, and the use of these ponds by the local pastoralists both for house hold use and to quench the trust of their camels and live stocks has accelerated the depletion rate of these ponds.*
- *Though the contractor has constructed diversion roads and conduct periodic maintenance of the same as part of his construction schedule in a move to facilitate the smooth passage of both the public and construction traffic, the consulting engineer denied of the contractor's right to get payment from such activities which is off course against the contract condition binding the parties.*

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- *The project has also faced a shortage of cement. This issue is known at a national level. In spite of the contractor's request to the engineer to write supporting letter to cement producing factories such that the engineer has done the same, there was no any improvement in the cement rationing and hence the structure works of the project had been hampered quite for a long time.*
  
- *The contractor has also experienced a substantial delay in the timely execution of the geotechnical investigation work of the project for six river bridges as a result of the engineer's position not to effect a contractually justifiable payment to the contractor in respect of 40% of profit and over head upon sums to be effected to a nominated sub contractor. It was only after a long written communication with the engineer and a sincere intervention of the client that a judgment was reached in favour of the contractor and the work was commenced by the sub contractor.*
  
- *Even though stability and status quo was maintained with an immediate intervention of the National Military Ground Force right after the occurrence of the incidence of security threats in the area which had been orchestrated by anonymous but ill-motive people by any measure has also affected the works of the project for a short while. To this same effect, the deployment of an escorting team from the defence force since the time of that event is an evident fact on the ground.*

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- As per the consultant monthly report no 25 page 11, there was no approved extension of time until June, 2010. However the contractor has forwarded his intention of claim for shortage of cement as a cause of delay in the execution of structural works. The consultant has also stated in his report that he is studying the claim for further action.
- The assurance team has noted the need for ERA to analyze the route sources of all the mentioned design problems and review the scope of design on the consultant (United Consulting Engineers (UNICONE) in joint venture with High-Way Engineers and Consultants (HEC) and HAMDA Engineering PLC) which has caused delay in the progress of the project. The assurance team has also noted the need for ERA to take action on the design consultant as per the agreement if they found to be the cause of the problem.
- Variation order No. 1, Total amount of Birr 1,984,900.00 is deducted from the contract value, for the replacement of Type ‘A’ Housing and Vehicle facilities by type ‘B’ housing and vehicles facilities for the previous of the Engineer’s.
- Further variation order is forwarded from the consultant to ERA for approval through his letter reference ZE/12810/10 dated on 13/10/2010, starting required variation due to
  - Error in volume computation due to un surveyed stretch during design
  - Additional earth work due to encountered unsuitable sub grade material
  - Additional work due to newly proposed minor drainage structure.
- The amount of variation proposed by the consultant for approval of ERA is ETB 64,793,168.68 (sixty four million seven hundred ninety three thousand one hundred sixty eight and sixty eight cents

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- The assurance team has noted the need for ERA to analyze the route sources of all the mentioned design problems and review the scope of design on the consultant (United Consulting Engineers (UNICONE) in joint venture with High Way Engineers and Consultants (HEC) and HAMDA Engineering PLC.) for all the mentioned design problems which has caused variation. The assurance team has also noted the need for ERA to take action on the design consultant as per the agreement if they found to be the cause of the problem.

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## 1. Introduction

### 1.1 Background

Public sector infrastructure projects make a major contribution to the economic growth and poverty reduction of a nation. However, mismanagement and corruption during the planning and implementation of construction projects can undermine the expected social and economic benefits.

The Construction Sector Transparency Initiative (CoST) is a multi-stakeholders initiative designed to increase transparency and accountability in the construction sector. It is funded by the Department for International Development (DFID) of the UK and the World Bank and is currently being piloted in seven countries; i.e. in Ethiopia, Malawi, the Philippines, Tanzania, the United Kingdom (UK), Vietnam, and Zambia.

The aim of the CoST initiative is to enhance the accountability of procuring bodies and construction companies for the cost and quality of public sector construction projects. It achieves this aim through the public disclosure of key project information at all stages of the construction project cycle, with specific focus on the period from the award of the main contract for construction until the final build (implementation phase).

It is, however, recognized that the disclosure of this information on its own may not be sufficient to achieve greater accountability. This is because some of the information is likely to be complex and not easily intelligible to the general public. An independent Assurance Team (AT) is therefore appointed by the Multi Stakeholder Group (MSG) who will be responsible for assessing the adequacy and reliability of the disclosed project information and audit processes, highlighting any causes for concern that the information reveals. Through periodic reporting, the Assurance Team will provide an interpretative role in helping to make data disclosures intelligible to the stakeholders

A number of projects from the building, water, and road/transport sectors have been identified by the MSG of CoST-Ethiopia following a base line study. This report is prepared for one of the

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road sector project, the Semera-Didigsala road project and it is prepared by the Assurance Team Member under the supervision of the Assurance Team Leader.

## 1.2 Objectives of the pilot programme

The National Multi-Stakeholder Group has identified four objectives for the pilot:

- To learn lessons to inform the design of CoST internationally
- To learn lessons that improves transparency internationally through the disclosure of project information.
- An enhanced understanding of construction project costs amongst public sector clients, industry and wider society
- To learn and share lessons on publicly-funded construction project governance

## 1.3 Core objectives of the assurance team

The Assurance Team will have the following core objectives:

- To collect the project information from the Procuring Entities (PEs) of CoST projects to ensure the publication of the relevant Material Project Information (MPI).
- To verify the accuracy and completeness of MPI disclosures on CoST Projects.
- To produce reports that are clearly intelligible to the non-specialist, outlining the extent and accuracy of information release for the selected CoST projects.
- To analyse disclosed and verified data in order to make informed judgements about the cost and quality of the built infrastructure on CoST Projects.

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- To produce reports that are clearly intelligible to the non-specialist, outlining the findings regarding the program, cost and quality of the infrastructure and highlighting any cause for concern that analysed information reveals on CoST Projects.

#### **1.4 Study Approach**

- 1.4.1 CoST-Ethiopia has signed a memorandum of understanding (MoU) with different sector offices to identify projects for disclosure of the Assurance Process. One of these memorandums of understanding has been signed between the Ethiopian Road Authority (ERA) and the Federal Ethics and Anticorruption Commission (FEACC), on behalf of CoST-Ethiopia.
- 1.4.2 Following the appointment of the Assurance Teams, CoST-Ethiopia has carried out its second induction on the transparency initiative on 29 July 2010 for all stakeholders. ERA has then availed some documents and draft material project information (MPI) prepared by ERA on the same day.
- 1.4.3 On 30 July 2010, FEACC had addressed an introduction letter on the appointment of Assurance Teams to ERA. However, the required documents could not be availed by ERA as the authority was implementing BPR (business process reengineering) and the staffs being overloaded by the process. For this reason, each Assurance Team was required to contact all responsible staffs from procurement and contract implementation divisions for collection of copies of the required documents. Moreover, as the photocopy machine of ERA was not functional, the Assurance Teams were required to collect documents from ERA; make photocopies outside and return the documents the same day the documents were availed
- 1.4.4 As all the required documents could not be availed sufficiently, CoST-Ethiopia held meetings with the Deputy Director General of ERA on 10 August 2010, and the next day

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(11 August 2010), including all responsible regional directors and procurement division head with the aim of coordinating the document disclosure process. Following this meeting, Technical and Financial bid evaluation report for design works, supervision works and for main contract works is availed. Moreover letter of acceptance, Contract agreement and Annual reports for main contract works is also collected.

1.4.5 A detailed schedule for documents disclosure with descriptions is tabulated below under Table 1.

1.4.6 The Assurance Team has been reviewing the information availed with a view to assessing the compliance with procurement procedures during the tendering stage; and compliance with contract administration of works and consulting services during the implementation phase.

**Table 1: Schedule of document disclosure**

Sr. No.	Description	Status	Purpose
1	Feasibility study	Not yet found	Documents dealing with overall feasibility of the project.
2	Technical bid evaluation report for design works	Obtained	Documents dealing with tendering procedures of design works mainly focusing on technical evaluation process.
3	Financial bid evaluation report for design works	Obtained	Documents dealing with tendering procedures of design works mainly focusing on financial evaluation process.
4	Contract agreement for	Not yet found	Documents dealing with details of

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	design works		contractually signed design works.
5	Final design reports	Not yet found	Documents dealing with details of finally submitted engineering designs and cost estimates.
6	Technical bid evaluation report for supervision works	Obtained	Documents dealing with tendering procedures of supervision work mainly focusing on technical evaluation process.
7	Financial bid evaluation report for supervision works	Obtained	Documents dealing with tendering procedures of supervision work mainly focusing on financial evaluation process.
8	Contract agreement for supervision works	Not yet found	Documents dealing with details of contractually signed supervision works.
9	Technical bid evaluation report for main contract works	Obtained	Documents dealing with tendering procedures of main contract work mainly focusing on technical evaluation process.
10	Financial bid evaluation report for main contract works	Obtained	Documents dealing with tendering procedures of main contract work mainly focusing on financial evaluation process.
11	Letter of acceptance	Obtained	Documents dealing with official acceptance of the contractor by PE.
12	Contract agreement for main	Obtained	Documents dealing with details of

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	contract works		contractually signed main contract works.
13	Contract agreement for main contract works	Obtained	Documents dealing with details of contractually signed main contract works.
14	Last interim payment	Not yet found	Documents dealing with status of payments effected to date and works executed to date.
15	Annual reports	Obtained	Document revealing up to date status of implementation phase.
16	Detailed variation files	Not yet found	Documents dealing with the most sensitive part of MPI, variations.
17	Detailed claim files	Not yet found	Documents dealing with the most sensitive part of MPI, time extension claims.

Documentation was then carried out to record, assess, analyse, and report findings with recommendations obtained from the study

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## 1.5 The Semera –Didigsala Road Project

1.5.1 Semera – Didigsala Road Project starts at Semera, the capital of Afar regional state located at 580 Km from Addis Ababa , it traverses through the north western direction and ends at Didigsala in Afar Region. Semera – Didigsala project (Contract – 2) is fully located in Afar Regional State while it is part of the overall project Semera-Alamata. Alamata is located in Tigray region situated about 600 Km far from Addis Ababa.

1.5.2 The purpose of the project is to enhance Ethiopia's access to ports, markets & services; it also helps to reduce constraints such as poor road condition and restricted access which holds back over all economic developments. Up on completion of the project, it is expected that the project road would be one of the important short cuts to the northern part of the country connecting to the sea port of Djibouti.

1.5.3 The total length of the project road is 113.75 Km and is designed to be constructed by 7 meters carriage width in Rural sections and additional 3.5 meters parking lane and 2.5 meters foot path on each side of the road in town section.

1.5.4 The scope of work for the project involves:-

- provision of general items
- site clearances,
- Construction of minor drainage structures which includes installation of reinforced concrete pipe culverts at 275 locations and box culverts to be constructed at 45 locations of drainage crossing the route.
- Constructions of five major structures or bridges, with a total span of varying from 40 meters up to 100 meters, are available at selected river crossings.
- Earth works which involves embankment layer of variable thickness, 30 cm thick improved sub grade layer and 15 to 30 cm thick capping layer and 20 cm thick gravel wearing surface

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- 1.5.5 Though feasibility study and EIA of the project could not be found, the technical evaluation report indicates that the feasibility study and Environmental Impact Assessments, detailed engineering design and detailed tender document preparation was made by United Consulting Engineers (UNICONE) in joint venture with High way Engineers and Consultants (HEC) and HAMDA Engineering plc.
- 1.5.6 On implementation phase, construction supervision and contract administration during construction stage is carried out by Eng. Zewdie Eskender & Co. Plc. The main contract works of the project construction is being carried out by a local construction company known as SATCON Construction Plc.

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## 2. Verification on material project information

### 2.1 Project identification and budget

As previously cited in the report, feasibility study and Environmental Impact Assessment (EIA) could not be found from ERA, which affects the Assurance Team to assessing the feasibility, cost, and benefit of the project at the initial identification during the planning stage. However, it was possible to understand from other disclosed, the project feasibility study and detailed engineering design together with tender documents were prepared by United Consulting Engineers (UNICONE) in joint venture with High way Engineers and Consultants (HEC) and HAMDA Engineering plc.

Sufficient budget for detailed engineering design together with tender document preparation was allocated by the Federal Democratic Republic of Ethiopia (FDRE). Moreover, FDRE has also allocated budget for consultancy services of project supervision and contract administration in addition to the construction of the road.

### 2.2 Procurement Procedures

#### 2.2.1 Procurement Procedures for consultancy service of Design & Supervision

Details of procedures that have been followed by ERA, the procuring entity, for selecting design & supervision consultants of this specific project are described hereunder:-

- All the work on the design and construction supervision of the project is awarded to consultants by short listing potential local consultants.
- For selection of both the design and supervision consultants, ERA has used restricted tendering procedure by inviting short listed local general or road contractors registered

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by relevant authorities, registered for VAT and renewed their licenses for the physical year. RFP has been addressed to the five short listed.

- Regarding supervision consultants, ERA has invited six short listed firms to submit their proposal on November 26, 2007. Dead line for submission of proposals was January 08, 2008 at 2:30 PM. However, dead line for the submission was postponed to January 10, 2008 at 3:00 PM for reasons which are not clearly stated on evaluation reports.
- Pre –proposal meetings were arranged at ERA’s conference rooms. Clarifications raised during the pre-proposal meeting were sent to each firm in writing with addendums.
- Tender Analysis Committee (TAC), a committee constituted from of three engineers of ERA, was organized for each contract consisting of at least three Engineers from ERA.
- Two stage Evaluation of bids was adopted for selection, as stated in the RFP, first technical proposals are evaluated with respect main criteria in RFP and breakdown of scores prepared by TAC members. Each proposal was evaluated out of 100 points and those scored above the minimum set out score in RFP shall be considered as technically responsive.
- TAC prepared evaluation reports with their recommendation and highlighted issues and present to Contract Award Committee (CAC). CAC decides on report and forward it to the director general for approval.
- Financial Offers are opened in the presence of CAC members and representatives of consultants and Evaluated by TAC as per the criteria stated in RFP and each offer scored out of 100, and finally prepares combined score which is the sum of technical score multiplied by 80% and financial score multiplied by 20%. A report is prepared and presented to CAC for endorsement.

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## 2.2.2 Procurement Procedures for Selection of contractor –works contractor

The standard procedures for selection of contractor are as shown below:-

- The tender procedure is an open tender, local competitive bidding, whereby interested contractors fulfilling administrative requirement of the notice shall buy the bid document and prepares their qualification applications and financial offer at the prescribed deadline.
- Tender evaluation committee will verify and check for substantial responsiveness of the applications to be followed with detailed examination of technical and financial status.
- The committee writes post qualification evaluation report and presents to CAC which give its deliberation ( comment & revise or forward to the GM) ,if approved a notice will be issued to responsive bidders stating the opening date of the financial proposal . The prices are then readout in the presence of their representatives and CAC committee members.
- TAC will receive copies the proposals and examine completeness and substantial responsiveness; check for errors in engineering estimate, provisional sums and considers any discounts and modifications. Finally comparing the price with engineering estimate will present its recommendation to CAC, which will revert or endorse the report, after which the report passes to GM and finally to Board of Directors.

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## ***2.3 Consultancy Service for Detailed Engineering Designs, & Tender***

### ***Document Preparation***

#### **2.3.1 Tender Process for Consultancy Service for Detailed Engineering Designs, & Tender Document Preparation**

- The following two documents were found in relation with selection of design consultant.
  - i. Technical evaluation report
  - ii. combined (financial +technical) evaluation report
- The following two documents were not disclosed in relation with the design consultant.
  - i. Contract agreement
  - ii. Final design report
- Request for proposal (RFP) were addressed to five local consulting firms by ERA (bases for selecting the local firms needs further verification) on or before May 17, 2005 2:30 PM. Pre-proposal meeting was held on April 11, 2005 at ERA conference room. ERA clarified questions raised on the meeting and sent to each firm in writing with addendum.
- As per RFP the , intended service covers the Detailed Engineering Design & Tender document preparation for Semera – Didigsala- Yalo- Alamata road project, of which Semera – Didigsala is considered as contract 2.
- Dead line for submission of proposals was on May 17, 2005 at 2:30 pm. Out of the five shortlisted companies who were invited; only three consulting firms have submitted their technical and financial proposals before the deadline date. Prior to the opening, the committee has checked the parcels for proper sealing and markings, which were found in

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order. The envelopes containing the technical proposals were opened in front of the participants. Following the opening, CAC members have signed on original technical proposals and on the sealed financial proposals. Technical proposals were handed over to tender evaluation committee (TAC) to be evaluated in detail and find out determined scores.

- Depending on the average scores, the committee has finally submitted evaluation report. It has been identified that all the three firms were found to be technically responsive with UNICONE scoring 93.8%, MCE scoring 89.5 and SABA Engineering scored 85.3.
- CAC on its meeting held June 16, 2005 has decided opening of financial proposals of all the qualified consulting firms. Minutes of meetings is attached to the evaluation report.
- Following endorsement and subsequent approval of the General Director of ERA, a notice was addressed to the three firms, setting the opening of financial proposal for 28 June, 2005. The financial offer was opened and their respective readout prices are 2,764,985.54 ETB, 2,320,090.50 and 2,692,504.40 for UNICONE, Metaferia Consulting Engineers and SABA Engineering respectively.
- While TAC has examined the financial proposals, Metaferia Consulting engineers were found to propose 20% discount if the client allows use of previous studies provided that the consultant found it meets requirements of TOR. However, TAC did not accept the conditional discount as it could totally change scope of the work, which requires alternative route selection and feasibility study.

### 2.3.2 Appointment of the Design Consultant

Having made all necessary arithmetic corrections to each firms' financial proposals, TAC has found a financial score of 100% for Metaferia Consulting Engineers, 92.2 % for UNICONE and 81.2 % for SABA Engineering. Right after the financial score, total scores has been found to be 93.4%, 91.6% and 84.4 % for UNICONE, Metaferia Consulting Engineers and

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SABA Engineering respectively. Hence UNICONE has been found to fit for the design works.

## ***2.4 Consulting Service of Construction Supervision***

### **2.4.1 Tender Process for Consulting Service of Construction Supervision**

- The following documents were provided in connection with the appointment of supervision consultant
  - i. Technical evaluation report
  - ii. Combined evaluation report
  - iii. progress report of June,2010
- The Contract agreement was not disclosed in relation with the supervision consultant.
- The same tendering procedure, as in the appointment of design consultant, was adopted for selecting construction supervision consultant.
- Six shortlisted local consulting firms were invited to submit their proposals on November 26, 2007 and a pre-proposal meeting was held on December 14, 2007. However, no any participant was found for unknown reason.
- As per RFP the , intended service covers the following scope of work:-
  - i. Ensure that the road is constructed in accordance with General and Particular conditions of the contract, technical specifications and Engineering drawings.
  - ii. Optimize the use of available material resources to minimize costs of the employer and to maximize quality of the works.

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- iii. Ensure the road is constructed with in the contract price and time for completion allowed under the contract documents or amendments thereto.
  - iv. Fulfil the role of Engineer/ Engineers representative as set out in the contract
  - v. Supervise construction of works on behalf of the client throughout the construction period including defect liability period, as stated in the contract agreement.
- Dead line for submission of their proposals was on January 08, 2008 at 2:30 PM. But for not clearly stated reasons, it was postponed to January 10, 2008. According to the technical evaluation report, though bidders were notified through addendum No. 2 dated on December 13, 2007 (incompatibility of the stated year has been noted for further verification), only two consulting firms, DANA & Associates Plc in joint venture with MH Engineering Plc and Eng. Zewdie Eskinder, have submitted their proposals.
  - As usual, the same selection procedure of quality and cost based, two stage evaluations, was adopted as described above. Thus, a technical evaluation committee was organized, comprised of minimum three engineers from ERA. After detailed technical evaluation has been completed, TAC has publicized to CAC that Eng. Zewdie Eskinder & Co PLC has been found to be responsive with a technical score of 92.1%.
  - CAC has endorsed the recommendation given by TAC to open the financial proposal of the firms stated above as technically responsive, on meeting held on January 23, 2008.
  - Following endorsement of the GM of ERA on outcomes of CAC, opening of the financial proposal was scheduled and notified to the firm that have secured minimum qualifying mark. Accordingly, on February 26, 2008, financial proposal of technically responsive firm were opened at ERA's conference hall in the presence of CAC, representative of the responsive firm. Readout price of the firm was ETB 11,916,288.50 including all local taxes. ,

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- The same TAC members received copies of the financial offers and examined the same. They have made arithmetic corrections and determined that financial & technical combined score of the bidder was 93.7%. Thus the committee recommended **Eng. Zewdie Eskindir & Co. Plc** for contract award of total price of **ETB 11,862,871.00 including all taxes.**

#### **2.4.2 Appointment of Supervision Consultant**

- CAC on its meeting held signed on March 06, 2008 endorsed recommendation of TAC and appointed Eng. Zewdie Eskinder & Co. Plc with the above quoted amount.

### ***2.5 Works contract***

#### **2.5.1 Tender Procedure for Selection of contractor –works contractor**

The following documents were obtained in connection with the appointment of contractor for the main contract works.

- Post qualification Evaluation report
  - Financial evaluation report
  - progress report of June,2010
  - Letter of acceptance
  - Contract document
- Notice for invitation to bid for the subject project was announced on Ethiopian Herald prints of dated on August 10 and 11, 2007. Pursuant to the notification, three applicant contractors have shown interest and collected tender documents before dead line for submission of application. Name of companies collected bidding documents are Alemeyehu Ketema General Contractor, Terra Construction Plc and SATCON Construction Plc.

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- Out of the above mentioned companies, only two of them, namely SATCON Construction Plc and Terra Construction PLc, have submitted their qualification documents and financial offers. Dead line for submission of the documents was on October 25, 2007.
- Pre-bid meeting was held on September 08, 2007 at 2:30 PM local time. However, only Terra Construction Plc had taken part in the meeting. Addendum No. 1 dated on October 3, 2007 and minutes of pre-bid meeting together with addendum no. 2 dated on October 15, 2007 were issued to all prospective bidders who purchased bidding documents.
- Prior to the opening, the committee has checked the parcels for proper sealing and markings, which were found in order. Dead line for submission of the bids was on October 25, 2007 at 9:00 pm.
- During the qualification process, TAC has found that one of the bidders, Terra Construction PLC, has no experience that comply with requirements of the qualification document which in turn requires at least one DS6 gravel road project. Experiences declared by the bidder were projects completed beyond the range of the last five years (before January 2002). In addition to this, experiences indicated in the qualification documents were found to be on projects which costs less than the required amount (50 Million ETB). Hence, TAC has rejected the bidder for further evaluation.
- CAC on its meeting held November 13, 2007, has decided opening of financial proposals of SATCON Construction Plc. Minutes of meetings is attached to the evaluation report.
- Following endorsement and subsequent approval of the Director General of ERA on November 29, 2010, a notice was addressed to the qualifying firm, setting the opening of financial proposal on December 6, 2007. The financial offer was opened and the readout prices was ETB 328,215,146.71

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## 2.5.2 Appointment of contractor for the works contract

TAC had examined completeness of bid, checked substantial responsiveness, correction of errors and consideration of discounts & modifications and comparison with Engineers estimate (TAC has used engineer's estimate of Serdo-Afdera upgrading road project, which was done 1.5years back on May 2006 and found to be in similar topographic & weather condition). At the end, on meetings held on December 13 & 25, 2007, CAC has recommended SATCON Construction PLC with a ceiling contract price of ETB 328,257,356.71.

## 2.6 IMPLEMENTATION

### 2.6.1 IMPLEMENTATION OF THE WORKS CONTRACT

#### General:-

- Semera – Didigsala gravel road project is found in the north eastern part of Ethiopia in the afar Regional State. It is part of the Semera-Didigsala – Yalo – Alamata Road Project. The total length of the road is 113.75km designed to be constructed by 7 meter carriage way with in rural section and additional 3.5meter parking land and 2.5 meter foot path on each side of the road in town section.
- ERA awarded the contract for the construction works to SATCON CONSTRUCTION PLC on 4<sup>th</sup> February 2008. The accepted bid price for construction of Semera-Didigsala is ETB 328,257,356.71 (Ethiopian Birr: three hundred twenty eight million two hundred fifty seven thousand three hundred fifty six and cents seventy one only), including contingency allowance of ETB 25,959,545.80 (ETB: twenty five million nine hundred fifty nine thousand five hundred forty five and cents 80 only) and VAT amount of ETB 42,837,116.91 (Forty

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two million eight hundred thirty seven thousand one hundred sixteen and cents 91 only).

- The original contract amount, ETB 328,257,356.71, shown above is corrected by
- Following the award of contract agreement is signed on February 7, 2008 to undertake the construction work. Duration of contract including mobilization period is 1066 days.
- Commencement date of the works contract was on March 5, 2008.
- The amount of advance guarantee bond submitted by the contractor is ETB 59,983,562.18 (Fifty nine million nine hundred eighty three thousand five hundred sixty two and 18 cents).
- The amount of performance bond submitted by the contractor is ETB 32,825,735.67 (Thirty two million eight hundred twenty five thousand seven hundred thirty five and sixty seven cents). The contractor has also submitted contract works insurance as per the requirement of the contract.
- All vehicles for the engineer's staff use have been provided by the contractor in compliance with the contract document.
- Laboratory equipments are delivered to the project site as per the demand of the contract. Total of 105 items are delivered from a total of 127 brands listed on the contract.
- Radios are delivered to the project site as per the demands of the contract. The contractor is recently notified to give the radio waves for the sole use of the consultant's supervisory staff.

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- The contractor has mobilized majority of equipments including of seven D8R dozers to the site.

### **Progress of work**

- The progress of work as of June 30, 2010 is 41.11 %, while the plan of work was 75.58%. The percentage of work accomplished as composed to the plan is 34.46%
- The contract time allocated for the construction of work is 842 calendar days. The elapsed time as of June 30, 2010 is 78.99%
- The Contractor has requested possession for the project site on March 17, 2008 but the project site was handed over to the contractor on April 3, 2008.
- The contractor has requested through his letter Ref. No. ST3/520-SD/7709, dated on 07.10.09, a 40% over head and profit for works of additional foundation investigation works for 5 rivers bridges. However, after delay of more than 4 months the consultant has accepted request of the contractor to include the 40% overhead and profit through his letter dated on 16.02.2010.
- The contractor has also submitted his intention of claim due to shortage of cement which caused delay in execution of structure works, through his letter ref. no. ST3/520-SD2/21/09 dated on 25/11/2009. However the consultant didn't respond for the claim to date except mentioning that the consultant is studying the claim for further action.
- Water is the scarce resource in the project area. The contractor was using ponds to reserve rain water from the upstream and intermittent rain fall of the area. However due to high rate of evaporation the ponds were dried and the contractor is forced to shift resources to the Didigsala end of the project, which in turn has caused disruptions of the construction activities.

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- The possible option advised by the consultant is to drill additional wells to get the required water resource for the construction activities.

### **Major causes of delay in the progress of the project**

- The contemporary evaluation of the works contract by the supervision consultant (as per the monthly evaluation report no 25, June, 2010) reveals that 78.99 % of the total contract time has been elapsed so far. The contractor has planned to achieve 75.58% of the total works and has actually achieved 41.11 %.

According to the consultant report, the main factors for the delay in the progress of the work include:-

- The overall contractor work accomplishment performance behind the schedule & project contract time due to mainly manpower and equipment organisation and management problem which work load output very low compared to the available resources. But starting from the handover of works from the sub-contractor and the new deployed project management staff's in the month of May, 2010 the contractor accomplished more or less around its plan which shows the contractor improved his management in manpower as well as in equipment utilization. To the reverse the actual accomplishment on the reporting month is curbed due to supply problem and caused by financial problem and shortage of water in the project.
- Due to shortage of the reserved water in the constructed pond around the active construction section all activities was stopped and the contractor starts to mobilize all available resources to the beginning of the project.
- The structure work is almost suspended except backfilling due to cement shortages.

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- The contractor has poor financial flow and is not able to pay wedges in time and also supply of construction materials is limited.

The contractor has described for the cause of delay due to the following reasons:

- The contractor was not in a position to run road way surveying as it was initially planned for the mere fact that GPS monuments were up rooted by anonymous people. As a result, it was not possible to know the exact quantities of earth work in the project and hence, the contractor was not able to plan resources required for the execution of the work. The quantities of earth work which has now varied tremendously compared to the original bill of quantity of the project is known only recently when the Engineer gave a variation order on 13.10.2010.
- Delays in the submission of design drawings have also played a part for delay of the project. This is clearly indicated in the correspondences and the contractor's concern on its subsequent effect was reflected time and again all the letters forwarded by the contractor to the responsible bodies.
- Water which is a crucial resource in road projects is quite scares in the area. To combat such a mighty challenge, the contractor did his best in the construction of artificial ponds at selected locations to harvest catchment run off during rainy seasons by inventing a sound energy and capital. Even though all the ponds so constructed were filled to the brim, the durability of their service was far below the contractor's expectation mainly for two reasons. The high rate of evaporation on the one hand, and the use of these ponds by the local pastoralists both for house hold use and to quench the trust of their camels and live stocks has accelerated the depletion rate of these ponds.
- Though the contractor has constructed diversion roads and conduct periodic maintenance of the same as part of his construction schedule in a move to facilitate the smooth passage of both the public and construction traffic, the consulting

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engineer denied of the contractor's right to get payment from such activities which is off course against the contract condition binding the parties.

- The project has also faced a server shortage of cement. This issue was known at a national level. In spite of the contractor's request to the engineer to write supporting letter to cement producing factories such that they will prioritize the project in their delivery schedule, which the engineer has done the same, there was no any improvement in the cement rationing and hence the structure works of the project had been hampered quite for a long time.
- The contractor has also experienced a substantial delay in the timely execution of the geotechnical investigation work of the project for six river bridges as a result of the engineer's position not to effect a contractually justifiable payment to the contractor in respect of 40% of profit and over head upon sums to be effected to a nominated sub contractor. It was only after a long written communication with the engineer and a sincere intervention of the client that a judgment was reached in favour of the contractor and the work was commenced by the sub contractor.
- Even though stability and status quo was maintained with an immediate intervention of the National Military Ground Force right after the occurrence of an incidence of security threats in the area which had been orchestrated by anonymous but ill-motive people by any measure has also affected the works of the project for a short while. To this same effect, the deployment of an escorting team from the defence force since the time of that event is an evident fact on the ground.

### **Status of payment for the works contract**

In addition to the advance payment with amount ETB 59,083,375.82 (fifty nine million three hundred eighty three thousand three hundred seventy five and eighty two cents) a total of ETB 117,855,944.77(one hundred seventeen million eight hundred fifty five thousand nine hundred forty four Birr and seventy seven cents) is paid to the contractor through 23 interim payment certificate till 28-10-2010.

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## Variations

- Variation order No. 1, Total amount of Birr 1,984,900.00 is deducted from the contract value, for the replacement of Type ‘A’ Housing and Vehicle facilities by type ‘B’ housing and vehicles facilities for the previous of the Engineer’s.
- Further variation order is forwarded from the consultant to ERA for approval through his letter reference ZE/12810/10 dated on 13/10/2010, starting required variation due to
  - Error in volume computation due to un surveyed stretch during design
  - Additional earth work due to encountered unsuitable sub grade material
  - Additional work due to newly proposed minor drainage structure.

The amount of variation proposed by the consultant for approval of ERA is ETB 64,793,168.68 (sixty four million seven hundred ninety three thousand one hundred sixty eight and sixty eight cents)

## Price Adjustment

- Total amount of price adjustment till the end of June 2010 is 9,827,808.82 (nine million eight hundred twenty seven thousand eight hundred eight and eighty two cents). The adjustment is made for fuel, reinforcement bar, cement and equipment as per the agreed index.

### **2.6.2 IMPLEMENTATION OF CONSTRUCTION SUPERVISION SERVICE CONTRACT**

- The supervision vision consultant has submitted professional indemnity insurance for the employer which amounts to ETB 1,000,000.00 (one million birr).
- The funding of supervision service is fully covered by the Federal Democratic republic of Ethiopia.

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- The Contract amount of the supervision contract is ETB 11,862,871.00 (eleven million eight hundred sixty two thousand eight hundred seventy one birr)

### **Status of payment for the supervision contract**

- The payment effected for the supervision service till the end of June, 2010 amounts to ETB 6,987,495.27 which is equivalent to 58.90% of the supervision contract signed.

### **Deign and specification modification activities of the supervision consultant**

The section from 152+000.083 to 184+860 has not been surveyed during the design stage of the road. The data shown in the design had been adopted from previous rural road design of the route on the assumption that they follow the same path. In addition from the design report of the consultant the data had been used just for the purpose of acquiring quantities and respective tendering.

Hence, the complete revised design data for the whole stretches is given to the contractor and drawings prepared in accordance to the given design data by the contractor are reviewed and approved by the consultant.

### **Vertical alignment Design revision**

The actual ground elevation and the designed ground elevations are checked for compliance. The vertical grade elevation of the road has been adjusted to match the actual ground conditions at the sections where variation of the actual and the designed ground elevation are encountered.

The vertical grade elevation of the road is checked for the availability of the minimum cover for the drainage culverts. Vertical alignment of the road is modified in the following sections of the road.

	<b>Station/location</b>	<b>Purpose adjustment</b>
1	190+500 to 196+500	To avoid encountered grade difference at all points and further to improve the vertical Grade and to minimize the fill quantity
2	170+200 to 191+459	Due to Designed and Actual Ground Elevation difference

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		and consideration of minimum cover for drainage culverts
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**Drainage structures design revision:**

Depending on site conditions, on flood plains and on flat sections where there is no defined drainage points, revision of culvert openings had conducted from station 107+000 to 170+000 by the consultant’s intermittent staffs.

Accordingly, a number of pipe culverts have been adjusted to the appointed locations of the drainage points. Required opening sizes and type of structures are revised along with the surveying work. A number of box culverts have been changed to reinforced pipe culverts since the hydrology/hydraulic calculations of the drainage points indicate sufficiency of pipe culverts. New proposed structures after revision and omitted structures are also indicated in the report.

One bridge at station 196+459 is changed to a box culvert with 4 openings. And one box culvert at station 183-845 is changed to a single span bridge whose design or super structure is finalized. The compiled report of the intermittent staff is forwarded for the contractor to use for the construction on site.

***2.7 Conclusion on verification of MPI***

Although the remaining lists of documents, as listed in each verification process above, are believed to be additional supportive documents for the findings of the report, we consider that

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the information provided is accurate and adequate for the purpose of this study. However due to unavailability of the feasibility study and Environmental Impact Assessment (EIA) the Assurance Team couldn't assess the feasibility, cost, and benefit of the project at the initial identification during the planning stage.

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### 3. Analysis of verified material project information.

- Documents containing feasibility study and EIA are not yet disclosed as it could not be found from ERA. Therefore, clear cut conclusions whether concerns are expressed in the feasibility study regarding the project could not be analysed. However, collected documents disclose that the project feasibility study and detailed engineering design together with tender document preparation were all set by United Consulting Engineers (UNICONE) in joint venture with High way Engineers and Consultants (HEC) and HAMDA Engineering plc.
- It has been stated on disclosed documents that the Federal Democratic Republic of Ethiopia (FDRE) has allocated sufficient budget for detailed engineering design together with tender document preparation. Moreover, FDRE has also allocated budget for payments for consultancy services held on project supervision and contract administration works. Budget for construction of main works were also allocated by the same. However document for the amount of budget originally allocated for design, supervision and execution of the main contract works couldn't be disclosed by PE. Therefore, analysis on disclosing the appropriate usage of Government Budget for the project by PE couldn't be reported.
- The PE has used restricted method of procurement for both the design and contract administration & supervision service. However, the Government law of Federal Public Procurement Directive, Article 7(b), for procuring public projects states that *the total contract value of Procurement made by restricted bidding, shall not exceed birr 250,000.00*. The costs for both services exceed birr 250,000. AT couldn't get a recorded statement of the grounds and circumstances on which it relied to justify the use of restricted method of procurement,

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- While examining the financial report for the bid of contract administration & supervision service, TAC has discovered the cost to be a little exaggerated. However, taking into account the remoteness of the project area, the current market price and the existence of no other responsive bidder to compare with, TAC accepted and preceded the evaluation. CAC has also accepted the TAC recommendation and award the bid service to the consultant.
  - TAC couldn't put cost reference to compare the consultant cost proposal of the bidder whether it was exaggerated or not,
  - The bid was examined based on short listed consultants and TAC couldn't give an opportunity to other consultants to participate on the bid by advertising the service on appropriate media,
- It has been disclosed that request for proposal (RFP) for engineering design works were addressed to five local consulting firms by ERA to submit on or before May 17, 2005 2:30 PM. Pre-proposal meeting was held on April 11, 2005 at ERA conference room. Nevertheless any substantial ground for selecting the local firms was not clearly indicated on the technical evaluation reports.
- Except the above mentioned point a procedure which did not deviate from the general procedure was not followed for procurement of design and tender document preparation works. On examination of the financial proposals, Metaferia Consulting engineers were found to propose 20% discount if the client allows use of previous studies provided that the consultant found it meets requirements of TOR. However, TAC did not accept the conditional discount for satisfactory reasons. It has been pointed out that it could totally change scope of the work, which requires alternative route selection and feasibility study.
- The same tendering procedure, as in the appointment of design consultant, was adopted for selecting construction supervision consultant.

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- Dead line for submission of their proposals was on January 08, 2008 at 2:30 PM. But for not clearly stated reasons, it was postponed to January 10, 2008. According to the technical evaluation report, though bidders were notified through addendum No. 2 dated on December 13, 2007. It is noted that year of notification through addendum No. 2 is found incompatible with the stated year of submission of proposals.
- Regarding tender procedure of the main contract works, standard and acceptable procedure has been implemented for the project main works procurement.
- Amount of to date approved variation order is to ETB 1,984,900.00. The reasons are change in specification of Vehicles and houses to be supplied to the supervision consultant i.e. Type “A” houses & vehicles are replaced by Type” B” ones, and this has brought reduction in cost to the client. As a result the contract price has reduced to ETB 329,337,896.77.
- No approval for time extension claim submitted by the contractor was reported till the release of this report.
- The contemporary evaluation of the works contract by the supervision consultant (as per the monthly evaluation report no 25, June, 2010) reveals that 78.99 % of the total contract time has been elapsed so far. The contractor has planned to achieve 75.58% of the total works and has actually achieved 41.11 %.

According to the consultant report, the main factors for the delay in the progress of the work include:-

- *Mainly manpower and equipment organisation and management problem which work load output very low compared to the available resources. But starting from the handover of works from the sub-contractor and the new deployed project management staff's in the month of May, 2010 the contractor accomplished more or less around its plan which shows the contractor improved his management in*

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*manpower as well as in equipment utilization. To the reverse the actual accomplishment on the reporting month is curbed due to supply problem and caused by financial problem and shortage o water in the project.*

- *Due to shortage of the reserved water in the constructed pond around the active construction section*
- *The structure work is almost suspended except backfilling due to cement shortages.*
- *The contractor has poor financial flow and is not able to pay wedges in time and also supply of construction materials is limited.*

The contractor has described for the cause of delay due to the following reasons:

- *The contractor was not in a position to run road way surveying as it was initially planned for the mere fact that GPS monuments were up rooted by anonymous people. As a result, it was not possible to know the exact quantities of earth work in the project and hence, the contractor was not able to plan resources required for the execution of the work. The quantities of earth work which has now varied tremendously compared to the original bill of quantity of the project is known only recently when the Engineer gave a variation order on 13.10.2010.*
- *Delays in the submission of design drawings have also played a part for delay of the project.*
- *Shortage of water. Even though all the ponds so constructed were filled to the brim, the durability of their service was far below the contractor's expectation mainly for two reasons. The high rate of evaporation on the one hand, and the use of these ponds by the local pastoralists both for house hold use and to quench the trust of their*

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*camels and live stocks has accelerated the depletion rate of these ponds.*

- *Though the contractor has constructed diversion roads and conduct periodic maintenance of the same as part of his construction schedule in a move to facilitate the smooth passage of both the public and construction traffic, the consulting engineer denied of the contractor's right to get payment from such activities which is off course against the contract condition binding the parties.*
- *The project has also faced a shortage of cement. This issue is known at a national level. In spite of the contractor's request to the engineer to write supporting letter to cement producing factories such that the engineer has done the same, there was no any improvement in the cement rationing and hence the structure works of the project had been hampered quite for a long time.*
- *The contractor has also experienced a substantial delay in the timely execution of the geotechnical investigation work of the project for six river bridges as a result of the engineer's position not to effect a contractually justifiable payment to the contractor in respect of 40% of profit and over head upon sums to be effected to a nominated sub contractor. It was only after a long written communication with the engineer and a sincere intervention of the client that a judgment was reached in favour of the contractor and the work was commenced by the sub contractor.*

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- *Even though stability and status quo was maintained with an immediate intervention of the National Military Ground Force right after the occurrence of the incidence of security threats in the area which had been orchestrated by anonymous but ill-motive people by any measure has also affected the works of the project for a short while. To this same effect, the deployment of an escorting team from the defence force since the time of that event is an evident fact on the ground.*
  
- As per the consultant monthly report no 25 page 11, there was no approved extension of time until June, 2010. However the contractor has forwarded his intention of claim for shortage of cement as a cause of delay in the execution of structural works. The consultant has also stated in his report that he is studying the claim for further action.
  
- The assurance team has noted the need for ERA to analyze the route sources of all the mentioned design problems and review the scope of design on the consultant (United Consulting Engineers (UNICONE) in joint venture with High-Way Engineers and Consultants (HEC) and HAMDA Engineering PLC) which has caused delay in the progress of the project. The assurance team has also noted the need for ERA to take action on the design consultant as per the agreement if they found to be the cause of the problem.
  
- Variation order No. 1, Total amount of Birr 1,984,900.00 is deducted from the contract value, for the replacement of Type ‘A’ Housing and Vehicle facilities by type ‘B’ housing and vehicles facilities for the previous of the Engineer’s.
  
- Further variation order is forwarded from the consultant to ERA for approval through his letter reference ZE/12810/10 dated on 13/10/2010, starting required variation due to
  - Error in volume computation due to un surveyed stretch during design

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- Additional earth work due to encountered unsuitable sub grade material
  - Additional work due to newly proposed minor drainage structure.
- The amount of variation proposed by the consultant for approval of ERA is ETB 64,793,168.68 (sixty four million seven hundred ninety three thousand one hundred sixty eight and sixty eight cents
  - The assurance team has noted the need for ERA to analyze the route sources of all the mentioned design problems and review the scope of design on the consultant (United Consulting Engineers (UNICONE) in joint venture with High Way Engineers and Consultants (HEC) and HAMDA Engineering PLC.) for all the mentioned design problems which has caused variation. The assurance team has also noted the need for ERA to take action on the design consultant as per the agreement if they found to be the cause of the problem.

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## Appendix 1 – Material Project Information

Stage in Project Cycle	Initial List of Disclosures	Additional disclosures that has to be requested	MPI Disclosed
<i>Project identification</i>	Project specification		The project is 113.75KM in length, 7m width rural section, 3.5m parking lane, 2.5m foot path
	Purpose		Ethiopia's access to ports, markets and services is among the lowest in Sub-Saharan, Africa. The purpose of the project is to enhance capacity of the country toward addressing the above mentioned problem and more over reduction of constraints such as poor road condition and restricted access holding back over all economic developments. Up on completion of the project, it is expected that the project road would be one of the important short cuts to the northern part of the country connecting to the sea port of Djibouti.
	Location		The project road starts at Alamata (located in Tigray regional state) and 600KM far from Addis Ababa. On the other hand, the project ends at Semera (Capital of the Afar Regional state) located at a distance of 570 Km distance from Addis Ababa.

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Prior disclosures in support of CoST		<input checked="" type="checkbox"/> Intended beneficiaries		Government and the general public, who will benefit from improved access to port.	
		<input checked="" type="checkbox"/> Feasibility study		Not Available	
	<b>Project funding</b>	<input checked="" type="checkbox"/> Financing agreement	<input checked="" type="checkbox"/> Budget		The budget both for consultancy service and works contract is fully allocated by <b>FDRE</b> .
			<input checked="" type="checkbox"/> Engineer's, QS or architects estimate		Not Available
	<b>Tender process for the contract for project design</b>		<input checked="" type="checkbox"/> Procurement Strategy		Design-Bid-Build
			<input checked="" type="checkbox"/> Contract Strategy /Type		Unit price based contract.
			<input checked="" type="checkbox"/> Tender procedure		Tender procedure followed was a two stage procedure whereby the first stage concerned with technical evaluation and the second one with financial evaluation.
			<input checked="" type="checkbox"/> Name of main consultant		The detailed engineering design together with tender document preparation, feasibility study, Environmental & Social impact assessment were done by United Consulting Engineers (UNICONE) in joint venture with Highway Engineers and Consultants.

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<b>Tender process (contract for project supervision)</b>			 Tender procedure	Tender procedure followed was a two stage procedure whereby the first stage concerned with technical evaluation and the second one with financial evaluation.
			 Number expressing interest	Two firms have expressed their interest by submitting their proposals.
			 Number shortlisted	Six companies were short listed. 1. Metaferia Consulting Engineers in Joint venture with Omega Cons. Eng. 2. Upham in joint Venture with Classic consult 3. DANA & Associates 4. Eng. Zewde Eskindir & Co. Plc 5. HAMDA Engineering Consult PLc 6. TOWER Consulting Plc
			 Number submitting tender	Two consulting firms have submitted their proposals. DANA & Associates PLc in joint venture with MH Engineering PLc 1. Engineer Zewde Eskindir & Co. Plc
<b>Tender process (main contract for works)</b>		 List of tenderers	 Tender procedure	Tender procedure followed was a two stage procedure whereby the first stage concerned with technical qualification evaluation and the second one with financial evaluation
		 Tender evaluation report	 Number of companies expressing	Following invitations announced on Ethiopian Herald dated on 10th and 11th, 2007, the






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			interest	<p>following three companies have shown their interest by purchasing bid documents.</p> <ol style="list-style-type: none"> <li>1. Alemayehu Ketema General Contractor.</li> <li>2. Terra Construction</li> <li>3. SATCON Construction PLc</li> </ol>
			Number shortlisted	Not applicable.
			Number submitting tender	<p>Up to the last date (October 25, 2007) for submission of qualification documents &amp; financial offers, only two companies listed here under have submitted their documents.</p> <ol style="list-style-type: none"> <li>1. SATCON Construction PLc</li> <li>2. Terra Construction</li> </ol>
<b>Contract award (contract for project supervision)</b>			Name of main consultant	Eng. Zewdie Eskindir & Co. PLc
			Contract price	The contract price for the consultancy service is 11,916,288.50 ETB
			Contract scope of work	<p>Scope of the work in the consultancy service are;</p> <p>a) To ensure the road is constructed in accordance with the General and Particular conditions of the contract, technical specifications, engineering drawings and amendments thereto.</p> <p>b) To optimize the use of available material resources to minimize cost to the employer, to maximize the quality of the works</p>

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				c) to ensure the road is constructed with in the contract price and time for completion allowed under the contract or any agreed amendments.
			Contract program	1066 CALENDER DAYS
	<b>Contract award (main contract for works)</b>	Contractor name		SATCON Construction PLC
		Contract price		328,215,146.71 ETB
		Contract scope of work		<ul style="list-style-type: none"> <li>• provision of general items</li> <li>• site clearances,</li> <li>• Construction of minor drainage structures which includes installation of reinforced concrete pipe culverts at 275 locations and box culverts to be constructed at 45 locations of drainage crossing the route.</li> <li>• Constructions of five major structures or bridges, with a total span of varying from 40 meters up to 100 meters, are available at selected river crossings.</li> <li>• Earth works which involves embankment layer of variable thickness, 30 cm thick improved sub grade layer and 15 to 30 cm</li> </ul>






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Core disclosures in support of CoST				<p>thick capping layer.</p> <ul style="list-style-type: none"> <li>20 cm thick gravel wearing surface</li> </ul>
		<p> Contract program</p>		1066 CALENDER DAYS
	<b>Contract Execution (contract for project supervision)</b>		<p> Significant changes to contract price, program, scope with reasons</p>	No any detailed information has been mentioned on the annual report of the supervisor regarding changes to the contract price and program of the supervision works.
			<p> Variation orders, claims early warnings, compensation events</p>	No any detailed information has been mentioned on the annual report of the supervisor regarding variations, claims, early warnings and compensation events of the supervision
	<b>Contract Execution (main contract for works)</b>	<p> Individual significant changes to the contract which affect the price (the threshold to be determined by the MSG) and reasons for those changes</p>	<p> Payment certificates</p>	<ol style="list-style-type: none"> <li>The financial reports of the lastly submitted quarterly report, it has been mentioned that variation order number 1, total amount of Birr 1, 984, 900.00 is deducted from the contract value for replacement of Type A housing and vehicle facilities by type B housing and vehicle facilities for provisions of the engineer.</li> <li>The contractor has requested additional cost for overhead &amp; profit for the works of additional foundation investigation works for 5 River Bridges. The amount of the contractor's claim 40% of the subcontract amount for foundation investigation work. Further variation order is forwarded from the consultant to ERA for approval through his letter reference</li> </ol>

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				<p>ZE/12810/10 dated on 13/10/2010, starting required variation due to</p> <ul style="list-style-type: none"> <li>• Error in volume computation due to un surveyed stretch during design</li> <li>• Additional earth work due to encountered unsuitable sub grade material</li> <li>• Additional work due to newly proposed minor drainage structure.</li> <li>• The amount of variation proposed by the consultant for approval of ERA is ETB 64,793,168.68 (sixty four million seven hundred ninety three thousand one hundred sixty eight and sixty eight cents</li> </ul> <p>3. Price adjustment. Total amount of price adjustment till the end of June 2010 is 9,827,808.82 (nine million eight hundred twenty seven thousand eight hundred eight and eighty two cents). The adjustment is made for fuel, reinforcement bar, cement and equipment as per the agreed index.</p>
		<p>Individual significant changes to the contract which affect the program (the threshold to be determined by the MSG) and reasons for those changes</p>		<p>As per the consultant monthly progress report no 25 page 11, there was no approved extension of time until June, 2010 however, the contractor has also forwarded his intention of claim due to shortage of cement has delayed the execution of structure works. The consultant is studying the claim for further action.</p>
		<p>Details of any re-award of main</p>		<p>Based on the available documents, no re-award of the main contract is found so far.</p>

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		contract		
	<b>Post contract completion details (main contract for works)</b>	 Actual contract price		Not applicable. The project is under construction
		 Total payments made		
		 Actual contract scope of work		
		 Actual contract program		
		 Project evaluation reports (on completion and on-going)		

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## Appendix 2 – Verification of information related to project changes (variation orders)

No	Date of issue of variation order	Reason for variation	Work required to implement the variation	Effect on cost	Effect on programme / time	Effect on quality
1.	Not found on disclosed documents	The reasons are change in specification of houses & vehicles. Vehicles and houses to be supplied to the supervision consultant	Type “A” houses & vehicles shall be replaced by Type” B” ones,	A variation amount of ETB 1,984,900.00 is ordered. Consequently, the contract price shall be reduced to ETB 329,337,896.77.	Non	Non

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### Appendix 3 - Analysis of changes of terms of contract

Variation Identifier	Effect	Scale (or Amount)	Type of Effect	Cause Category	Apparent Cause	Comment - Detail or Justification	Transparency Flag
VO no. 1	Completion Time	N = nil	No effect on project completion time	Client related	Change in specification	Generally, the provided variation has passed through transparent procedure.	
	Completion Cost	S = 0.6% < 1%	No effect on project completion time	Client related	Change in specification		
	Contract Terms		Financial terms	Client related	Change in specification		

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