

## TABLE OF CONTENTS

LIST OF ACRONYMS.....	ii
Template for collecting Material Project Information from procuring entities .....	1
EXECUTIVE SUMMARY .....	6
1.0 INTRODUCTION AND STUDY BACKGROUND.....	8
2.0 METHODOLOGY .....	10
2.1 Selection of Projects .....	10
2.2 Data Collection .....	10
2.3 Data Verification .....	10
2.4 Data Analysis .....	10
3.0 CONCLUSIONS.....	14

## LIST OF ACRONYMS

AT	Assurance Team
CoST	Construction Sector Transparency Initiative
DFID	Department for International Development
MDF	Malawi Defence Forces
MHC	Malawi Housing Corporation
MMSG	Malawi Multi Stakeholder Group
MPI	Material Project Information
NCIC	National Construction Industry Council
NRWB	Northern Region Water Board
ODPP	Office of the Director of Public Procurement
OFID	Opec Fund for International Development
PEs	procurement Entities
RA	Roads Authority

### Template for collecting Material Project Information from procuring entities

This template has been developed to assist Multi-stakeholder Groups in collecting Material Project Information from procuring entities on projects that are included in the on-going disclosure process. The template could be available on line and the procuring entity be asked to update it on a regular basis.

Stage of project cycle	List of MPI to be disclosed	Project name: Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City  Contract No. 121U/REH/CR/LLC/08 LOT 3  Procuring Entity: Roads Authority  Client (if different)	Key Findings by Assurance Team
Project identification	Project purpose	To Improve mobility within the City of Lilongwe	
	Location	Lilongwe City	
	Intended Beneficiaries	Local businesses, commuters, and the general public	
	Specification	Malawi Standards and SATTCC	
	Feasibility study	N/A	
Funding	Financing agreement	Roads Authority and Road Fund Administration	
	Budget	N/A	
	Engineer's estimate	MK 959,101,673.78	
Tender process (contract for project supervision)	Tender procedure	National Competitive Bidding; Open Tendering; Least Cost Selection Method.	
	Number expressing interest	N/A	

Stage of project cycle	List of MPI to be disclosed	Project name: Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City  Contract No. 121U/REH/CR/LLC/08 LOT 3  Procuring Entity: Roads Authority  Client (if different)	Key Findings by Assurance Team
	Number shortlisted	N/A	
	Number submitting tender	6	
Tender process (main contract for works)	Tender procedure	National Competitive Bidding; Open Tendering	
	Number expressing interest	5	
	Number shortlisted	N/A	
	Number submitting tender	3	
	List of tenderers	<ul style="list-style-type: none"> <li>• Mota Engil Engenharia,</li> <li>• Shire Construction</li> <li>• Master Construction</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
	Tender evaluation report	Disclosed	<p>The report shows that Mota Engil was the lowest evaluated bidder. However, this contractor was also considered for 2 other contracts under the same programme. A decision was therefore made to award the contract to the second lowest evaluated bidder (Master Construction) and therefore the client wanted to reduce risk and exposure by awarding this contract to another contractor and selection was made of</p>

Stage of project cycle	List of MPI to be disclosed	Project name: Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City  Contract No. 121U/REH/CR/LLC/08 LOT 3  Procuring Entity: Roads Authority  Client (if different)	Key Findings by Assurance Team
			2nd lowest evaluated bidder. The client's IPC made this decision which was also supported by ODPP.
Contract award (project supervision)	Name of main consultant	Bua Consulting Engineers	
	Contract price	MK71,939,175.00	
	Contract scope of work	Supervision of Road Rehabilitation Works	
	Contract programme	Start: 15 June 2009;  Completion: 15 September 201	
Contract award (main contract for works)	Name of main contractor	Master Construction	
	Contract price	MK948,041,246.84	
	Contract scope of work	Rehabilitation and resealing with asphalt premix including associated drainage works	
	Contract programme	Commencement: 15 June 2009  Completion: 7 November 2010  Duration: 450 Days	

Stage of project cycle	List of MPI to be disclosed	Project name: Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City  Contract No. 121U/REH/CR/LLC/08 LOT 3  Procuring Entity: Roads Authority  Client (if different)	Key Findings by Assurance Team
Contract Execution (project supervision)	Significant changes to contract price, programme, scope with reasons	No significant changes to contract price at time of study (June 2010)	
Contract Execution (Main contract for works)	Individual significant changes to the contract which affect the price with reasons	The insurance for the works is effective from 15 June 2009 and expires on 14 September 2010 plus one year defects Liability period cover.	There will be a need for the consultant to ensure that the contractor should update this insurance to cover actual period for performance of the contract
	Individual significant changes to the contract which affect the programme, with reasons	The variations instructed thus far, have not warranted an Extension of Time.	The contractor gave early warning for delays due to fuel shortages. However, no extension of time for this delay has been granted. It is however expected that the contractor shall complete the works on time.
	Details of any re-award of main contract	N/A	
Post contract completion details (main contract for works)	Actual contract price	Not yet known	
	Total payments made	MK488,741,027.27 representing 52% of the Contract Sum for a duration of 80%.	
	Actual contract scope of work	All as per original specification with variations to increase	

Stage of project cycle	List of MPI to be disclosed	Project name: Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City  Contract No. 121U/REH/CR/LLC/08 LOT 3  Procuring Entity: Roads Authority  Client (if different)	Key Findings by Assurance Team
		the quantities of some major items. Very few new items introduced.	
	Actual contract programme	The works are 52% complete with time run of 80%.	<ul style="list-style-type: none"> <li>• The remaining works are basically overlaying and resealing. These works are done relatively fast once the preparatory works have been completed. It was therefore anticipated, at the time the research was conducted, that the works shall be completed ahead of the programmed duration.</li> <li>• Original completion date was therefore still maintained.</li> </ul>
	Project evaluation reports (on completion and on-going)	Not yet Complete	

Documents disclosed	Disclosure status
Feasibility study	N/A
Financing agreement	The Roads Authority has an Annual Plan that is agreed with the Road Fund Administration. This annual plan was not disclosed.
Specification	Disclosed
Tender evaluation report	Disclosed
Project evaluation reports	Not yet done

## EXECUTIVE SUMMARY

This report summarises the initial findings by EMC Jatula Associates; who were selected as the Assurance Team (AT) to collect data from participating procurement entities (PEs) in the CoST Initiative. The Roads Authority participated in the study whose aim is to increase transparency and accountability in the Malawi construction sector.

### Roads Authority Projects

Generally, the AT observed that the RA has a policy for maintenance contracts for variations not to exceed 15% of the original contract sum, unless there are extenuating circumstances to warrant increases above this percentage. On all RA projects studied under the CoST Initiative, therefore, increases to the contracts were within this threshold. Mostly, Extensions of Time were awarded without cost to allow contractors to complete the works. Individual project observations are summarised under each project report.

The AT collected adequate data on this project, apart from that compiled on the MPI, which is supported by detailed source documents. In this respect, Addenda, variation Orders, Bills of Quantities, payment records, specifications, and other pertinent documentation were collected and verified through the consultant and/or the contractor. The information thus collected on this project is therefore complete and accurate.

### Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City

#### Contract No. 121U/REH/CR/LLC/08 LOT 3

**Contractor:** Master Construction

**Consultant:** Bua Consulting Engineers

It is noted that the Bua Consulting Engineers' supervision contract includes a considerable number of other works contracts within the project location or zone. Hence, the contract sum is not for the supervision of only one project in Lilongwe City. Rather, the consultant was covering other works projects under the same contract which are not the subject of this Assurance Consultancy.

EMC Jatula Associates made the following observations about this project:

- This project was estimated to cost MK 959,101,673.78. However, Mota Engil who were the lowest evaluated bidder had already been considered for 2 other contracts under the same programme. The client wanted to reduce risk and exposure by awarding this contract to another contractor and therefore selection was made of second lowest evaluated bidder (Master Construction). The client's Internal Procurement Committee made this decision which was also supported by ODPP. Master was awarded the contract at MK948,041,246.84



- The duration for the contract is 12 months with 12 months Defects Liability Period. Commencement of the contract was on 15 August 2009 and completion was planned for 15 August 2010.
- The site visit showed that the contractor did not follow recommended guidelines for traffic management on a construction site. The contractor's bid includes **MK2,372,648.00** for traffic management and yet he was not implementing the required safety measures as required.
- The contractor's works have been damaged by the installation of water services after the tarmac was laid at Area 25 with a cut in the road for installation of services.
- The AT noted during the site visit that water Leaks remained unresolved whilst the contractor was compacting the sub base in Area 25; yet there was evidence of sub-surface water which may affect the integrity of the works. It is likely that potholes may develop very quickly in this area as a consequence.

The AT was given access to the Roads Authority and found no difficulties in obtaining the data. Record keeping at this institution is good.

## 1.0 INTRODUCTION AND STUDY BACKGROUND

This report covers the work carried out by EMC Jatula associates as the selected Assurance Team to collect Material Project Information (MPI) from selected Procurement Entities (PEs). It highlights all the activities carried out by the Assurance Team during the period under review and includes both achievements and constraints.

The Construction Sector Transparency (CoST) Initiative is an international multi-stakeholder programme which is designed to increase transparency and accountability in the construction sector. The programme is supported by the UK Department for International Development (DFID) and the World Bank.

Malawi was selected to undertake a pilot for this programme as one of seven countries in the world. The programme is being administered by the National Construction Industry Council (NCIC) on behalf of the Construction Sector Transparency Initiative (CoST) Malawi Multi Stakeholder Group (MMSG).

The programme aims at enhancing the accountability of Procuring Entities (PEs) and construction companies for the cost and quality of public sector construction projects. Each PE selected to provide data will do this by disclosing to the public 'Material Project Information' (MPI) at all stages of the construction project cycle, from the initial identification of the project to the final completion.

The main aim for CoST is about increasing transparency through the release of project information into the public domain. It is however recognised that the disclosure of this information may not be sufficient on its own to achieve greater accountability as some of the information is most likely to be complex and not easily understandable to the general public.

EMC Jatula Associates Consulting Engineers were therefore selected to undertake this study to ensure that the information that is released is both accurate and available in a form that can easily be understood by stakeholders. Part of our brief is to ensure that the disclosed information must be verified, analysed and interpreted by experts as an 'Assurance Team' appointed specifically for this purpose. The major role to be played by EMC Jatula Associates as the consultant on this pilot project is to act as an interpreter at all the assurance processes to help make raw data disclosures more understandable to all stakeholders.

Hence the objectives of the pilot programme to be achieved by EMC Jatula Associates are as follows: -

- To assist the MMSG to liaise with the Procuring Entities (PEs) of projects involved in the CoST initiative to ensure the publication of the relevant Material Project Information (MPI);
- To verify the accuracy and completeness of MPI disclosures on all or a subset of projects involved in the CoST initiative, as required by the MMSG;

- To analyse the disclosed and verified data on all or a subset of projects involved in the CoST initiative in order to make informed judgements about the cost and quality of the built infrastructure;
- To produce reports that are clearly understandable to the non-specialist, outlining the extent and accuracy of information released on projects involved in the CoST initiative and highlighting any causes for concern that the analysed information reveals.

## 2.0 METHODOLOGY

### 2.1 Selection of Projects

The Malawi MSG selected 3 (three) institutions which are participating as PEs to provide MPI under the CoST Initiative. The following are the institutions together with a list of the respective projects for which information has been released:

#### **Malawi Housing Corporation (MHC):**

1. MHC/01/09 - Chilumba
2. MHC/2008/03/Lilongwe

#### **Northern Region Waterboard (NRWB)**

1. NRW/W/01
2. NRW/W/01B

#### **Malawi Roads Authority (RA):**

1. 4T/PP/NR/RU/KA/09
2. 3T/RM/CR/KU/DA/MC/NS/09
3. 4T/PP/SR/BLK,MH,MHG,ZA/09
4. 102U/REHAB/SR/BTC/08 LOT 2
5. 121U/REH/CR/LLC/08 LOT 3

### 2.2 Data Collection

#### **Malawi Roads Authority (RA):**

The AT made a programme with the Central Region Roads Authority Regional office to collect data for project No. 121/REH/CR/LLC/08 Lot 3 under construction by **Master Construction** during the week starting 27<sup>th</sup> June to 3<sup>rd</sup> July 2010. The data was collected and a site visit made to determine whether the works were being constructed as per specifications.

### 2.3 Data Verification

EMC Jatula Associates were given the responsibility to collect data and verify that the MPI is both complete and accurate. The AT therefore collected as much information as possible from the three participating institutions. This report however covers one project from the Roads Authority.

### 2.4 Data Analysis

#### **Rehabilitation of Selected Paved Roads in Areas 18 & 25 in Lilongwe City**

#### **Contract No. 121U/REH/CR/LLC/08 LOT 3**

## **Contractor: Master Construction**

### **Project Details**

The purpose of the project is to improve mobility within the City of Lilongwe, specifically in Area 18 and 25 and is intended to benefit residents of these townships, business community, and the general public.

### **Funding**

The Roads Authority (RA) and Road Fund Administration (RFA) have a financing agreement for the RFA to fund RA annual programmes.

Generally these types of maintenance programmes do not require feasibility studies to be conducted. However, the client institutes engineer's estimates for planning purposes. This project was estimated to cost MK 959,101,673.78.

### **Tender procedure**

Following the initial estimates, the client floated tenders and the procedure was National Competitive Bidding and Open Tendering. This means that any qualifying entity can obtain tender documents and participate in the process without any hindrance. Five firms obtained the bid documents and only three companies submitted bids:

- Mota Engil Engenharia,
- Shire Construction
- Master Construction

### **Tender evaluation report**

The report shows that Mota Engil was the lowest evaluated bidder. However, this contractor was also considered for 2 other contracts under the same programme. A decision was therefore made to award the contract to the second lowest evaluated bidder (Master Construction) and therefore the client wanted to reduce risk and exposure by awarding this contract to another contractor and selection was made of second lowest evaluated bidder. The client's Internal Procurement Committee made this decision which was also supported by ODPP. Master Construction was therefore awarded the contract at MK948,041,246.84.

### **Contract Scope of Works**

The scope of the works is Rehabilitation, milling of existing pavement, patching, overlay, and shoulder reconditioning including associated drainage.

### **Contract programme**

The duration for the contract is 12 months with 12 months Defects Liability Period. Commencement of the contract was on 15 August 2009 and completion was planned for 15 August 2010.

### **Significant Changes to Works Contract price and Programme**

There were no significant changes to the contract price and programme as at the time of the study by the AT.

### **Supervision Contract**

The RA advertised for supervision of the works using National Competitive Bidding and Least Cost Based Selection procedure. Only six firms submitted tenders and Bua Consulting Engineers were successful and were awarded the supervision contract at a contract price of MK71,939,175.00. The duration of the contract was 12 months with a Defects Liability period of 12 months.

It is noted that this supervision contract, apart from the Rehabilitation of Selected Paved Roads in Areas 18 and 25 in Lilongwe City being constructed by Master Construction Company, encompasses a considerable number of other Works Contracts within Lilongwe City. Hence, the contract sum is not for the supervision of only one project in Lilongwe City. Rather, the consultant was covering other projects which are not the subject of this Assurance Consultancy.

### **Significant Changes to Supervision Contract price and Programme**

There were no significant changes to the contract price and programme as at the time of the study by the AT

### **Disclosures**

The RA have made all the required disclosures including Feasibility study, Financing Agreement, Specifications, and Tender Evaluation Report.

### **Site Visit**

#### **Safety**

EMC Jatula Associates conducted a site visit and observed that the works are generally being carried out according to specifications. It of great concern however that the contractor is lax in implementing safety measures. The picture below shows a sign diverting traffic to turn right. It was observed that the contractor did not follow recommended guidelines for traffic management on a construction site. The contractor's bid includes **MK2,372,648.00** for traffic management and yet he is not implementing the required safety measures as required.



#### **Coordination with Utility providers**

The contractor's works have been damaged by the installation of water services after the tarmac was laid. The picture below shows road at Area 25 with a cut in the road for installation of services.

The AT observes that had the contractor made efforts to coordinate his work with utility providers, this type of damage could have been averted.



### Un-resolved water leaks

It was observed during the site visit that Water Leaks remained unresolved whilst the contractor was compacting the sub base yet there is evidence of sub-surface water which may affect the integrity of the works. It is likely that potholes shall develop very quickly in this area as a consequence.



### 3.0 CONCLUSIONS

The AT was given access to the Roads Authority and found no difficulties in obtaining the data. Record keeping at this institution is good. Several issues of concern pertaining to management of the project and actual construction have been raised by the AT in the appropriate sections.