



Construction  
Sector  
Transparency  
Initiative



**FINAL REPORT BY THE ASSURANCE TEAM**

**ON**

**THE MATERIAL PROJECT INFORMATION PROVIDED**

**BY**

**THE BUILDINGS DEPARTMENT, MINISTRY OF WORKS  
AND SUPPLY**

**ON**

**THE REHABILITATION OF TEVETA BUILDING IN LUSAKA**

*Dr. Michael Mulenga*  
*James K. Njolomba*  
*Robert Ngulube*  
*Dr. Paul Makasa*

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## **LIST OF ACRONYMS**

AT	Assurance Team
ARE	Assistant Resident Engineer
BoQ's	Bill of Quantities
CoST	Construction Sector Transparency Initiative
ICB	International Competitive Bidding
GRZ	Government of the Republic of Zambia
MPI	Material Project Information
MSG	Multi Stakeholder Group
MWS	Ministry of Works and Supply
NCB	National Competitive Bidding
NCC	National Council for Construction
PEs	Procuring Entities
QCBS	Quality and Cost Based Selection
ZMK	Zambian Kwacha
ZPPA	Zambia Public Procurement Authority

## **1. EXECUTIVE SUMMARY**

- 1.1. The Construction Sector Transparency Initiative (CoST) is a multi-stakeholder initiative aimed at increasing transparency and accountability in the construction sector through improved disclosure of material project information.
- 1.2. CoST is being piloted in seven countries; Ethiopia, Malawi, Philippines, Tanzania, United Kingdom, Vietnam and Zambia and is supported by the Department for International Development (DfID) of the United Kingdom.
- 1.3. In Zambia, four institutions involved in infrastructure development and maintenance; Ministry of Education, Ministry of Health, Buildings Department under the Ministry of Works and Supply and Road Development Agency, were selected for the pilot study.
- 1.4. The Rehabilitation of the TEVETA Building was one of the projects selected under the Buildings Department of the Ministry of Works and Supply.
- 1.5. The Technical Education and Entrepreneurship Training Authority (TEVETA) is a statutory body established by an Act of Parliament to promote technical education and entrepreneurship in Zambia.
- 1.6. Since its establishment, the Authority had been operating from premises which were originally designed as hostel and not as offices. In the absence of funding to construct new offices for the Authority, the parent ministry, the Ministry of Science, Technology and Vocational Training decided to instead rehabilitate the building.
- 1.7. The design was undertaken by the Buildings Department at the Ministry of Works and Supply. The design is based on the Standard Method of Measurement Ver. 7 which is widely used in the construction sector.
- 1.8. The supervision of the works is also being undertaken by Buildings Department.
- 1.9. The appointment of the contractor, Build Trust Limited followed an open bidding process in accordance with the provisions of the Public Procurement Act, 2008.

- 1.10. The fixed price contract signed by the Ministry of Works and Supply and the contractor is based on the standard Form of Contract as approved by the Zambia Institute of Architects and widely used in the industry. The contract in the amount of K3,093,487,443.00 was signed on 5 June 2009 with a completion period of 34 weeks from 24 June 2009 to 31 March 2010.
- 1.11. There has been one extension of time of one month due to the difficulties the contractor faced in getting access to the offices. The other problem encountered is the delay in certifying works resulting in delayed payments.
- 1.12. The information disclosed describes fully and accurately the appointment of Build Trust Limited as contractor for the rehabilitation of the TEVETA Building.
- 1.13. The major issue of concern on this project is delayed payments.

## **2. INTRODUCTION**

### **2.1. Construction Sector Transparency Initiative**

- 2.1.1. The Construction Sector Transparency Initiative (CoST) is a multi-stakeholder initiative aimed at increasing transparency and accountability in the construction sector. CoST intends to ensure that national governments, affected stakeholders, and the wider public get what they pay for in public construction projects, by increasing transparency in the construction sector. It is expected that greater transparency, through greater disclosure of project information, will yield benefits to government, industry, civil society, and ordinary citizens.
- 2.1.2. It is, however, recognised 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. For example, there are many reasons for time and cost overruns on construction projects that may be quite legitimate and not necessarily an indication of poor governance of the procurement process.
- 2.1.3. CoST is being piloted in seven countries; Ethiopia, Malawi, Philippines, Tanzania, United Kingdom, Vietnam and Zambia and is supported by the Department for International Development.
- 2.1.4. In Zambia, the National Council for Construction, on behalf of the Construction Sector Transparency Initiative (CoST) Zambia Multi Stakeholder Group (MSG) contracted an Assurance Team in May 2010, to undertake assurance services on selected public construction projects ranging from roads to health and school infrastructure to ensure that the information released is both accurate and in a form that can easily be understood by stakeholders.
- 2.1.5. A total of 17 projects have been selected for the pilot and the Rehabilitation of the TEVETA building in Lusaka is one of them.
- 2.1.6. The Assurance Team comprises four specialists in construction working together to obtain, verify and assess material project information and provide reports. This report has been prepared by the Assurance Team in accordance with its Terms of Reference and gives the activities undertaken and its opinion on the material project information (MPI) released by the Buildings Department in the Ministry of Works and Supply on the Rehabilitation of the TEVETA Building in Lusaka.

## **2.2. Objectives of the study**

2.2.1. The Zambian pilot has four objectives:

- to learn lessons to help in the development of CoST
- to learn lessons on improving transparency through the disclosure of project information
- to gain an improved understanding of construction project costs amongst public sector clients
- to learn and share lessons on the management and control of publicly-funded construction projects.

2.2.2. The Assurance Team has been contracted to carry out the following tasks on the project:

- Collect the material project information;
- Verify the accuracy of the material project information;
- Report on the extent and accuracy of the information which has been released;
- Analyse the material project information and make informed judgements about the cost and quality of the project;
- Report on the findings regarding the cost and quality of the project and highlight any outstanding issues of concern.

## **2.3. Project Description and Location**

2.3.1. The rehabilitation project involves, but is not limited to, roofing, tiling, internal decorations, and external boundary wall of the TEVETA headquarters building.

2.3.2. The project is located on Birdcage Walk, Lusaka.

## **2.4. Approach to Pilot Study**

2.4.1. The approach taken by the Team generally involved:



- (i) Hold an initial meeting with the procuring entity to introduce the objectives of the study and submit the list of information (MPI) the entity was expected to disclose;
- (ii) Agree and identify the contact person on behalf of the procuring entity to provide the MPI and the timeframe for providing the information;
- (iii) Receive and analyse the initial information disclosed;
- (iv) Seek clarifications and further information where this was deemed necessary; and
- (v) Undertake a site visit to get an appreciation of the project and obtain clarifications, confirmations etc from the contractor and/or supervisor on issues not clear to the Team.

2.4.2. The findings were then compiled into this report.

### **3. ACTIVITIES UNDERTAKEN ON THE PROJECT**

#### **3.1. Meetings with Stakeholders**

- 3.1.1. The Assurance Team had a meeting with representatives of the Buildings Department lead by the Chief Architect at which the Assurance Team explained the objective of the study and the information that needed to be disclosed on the four projects that had been selected.
- 3.1.2. It was agreed during the meeting that the Department would provide the Team with material project information and documentation in whatever form available. A template of the material project information which needed to be disclosed was given to the Department.
- 3.1.3. It was further agreed during the meeting that the Architect in charge of the supervision of a particular project would be the contact person for any information and documentation required.
- 3.1.4. Follow-up meetings with the Project Supervisor and Procurement Unit were held in order to obtain a better understanding of the procedures followed by the Department in the development and execution of projects.

#### **3.2. Collection and Analysis of Data**

- 3.2.1. The material project information disclosed is given at Appendix I. The documents which were disclosed to the Assurance Team are listed in Appendix II.
- 3.2.2. The Team analysed the data as and when it was released by the Ministry.
- 3.2.3. Obtaining the necessary documents proved to be more difficult than initially envisaged. This was largely due to the fact that the documents were lying in various places and offices, between the Procurement Unit, the Quantity Surveyors and the Architects.

#### **3.3. Site Visit**

- 3.3.1. After the initial information had been released, the Team undertook a site visit in order to have an appreciation of the Project and also discuss issues which were not clear in the documents and/or information disclosed. The site visit was also used to get the contractor's views and opinion on the project.

3.3.2. The Team also used the site visit to collect additional/missing information and carryout a qualitative visual inspection of the works.

## **4. DATA VERIFICATION**

### **4.1. Project Identification and Budgeting**

- 4.1.1. The Ministry of Works and Supply is responsible for infrastructure development, supplies, Government transport in Zambia. Other activities falling within the ambit of the Ministry are the Road Development Agency, The National Road Fund Agency, the Hostels Board which operates a number of lodges around the Country and the Government Printing Department.
- 4.1.2. The Buildings Department is the Buildings Authority and is mandated to build and maintain government buildings including those of parastatal and statutory bodies. In the development of these construction and maintenance projects, the Department uses both internal and external resources for the design and supervision of the projects.
- 4.1.3. TEVETA is an institution created under the Technical Education, Vocational and Entrepreneurship Training Act (No.13 of 1998) read together with TEVET (Amendment) Act No. 11 of 2005. The functions of TEVETA are defined in the Act and include the following:-
- Advise the Minister on the development of quality of human resources in Zambia through technical education, vocational and entrepreneurship training;
  - Regulate and coordinate apprenticeship and trade testing facilities;
  - Provide technical consultancy to management boards and private training institutions;
  - Set minimum standards and qualifications for any occupation, skill, technology or trade for institutions in accordance with developments in industry;
  - Regulate and conduct national examinations relating to technical education, vocational and entrepreneurship training; and

- Award certificates to persons who succeed in examinations set under this Act.

4.1.4. TEVETA is therefore a critical institution in the technical development of the country.

4.1.5. TEVETA was operating from a building which was not originally designed as an office but as hostels. Therefore need arose to rehabilitate the building to improve the working environment and safety. The tender to rehabilitate the building had earlier been awarded but the contract had to be terminated due to poor performance. The project specifications were revisited and the works re-tendered.

4.1.6. The funding for the project was from the Ministry of Finance and National Planning annual budget. The budget for the was K3billion.

## **4.2. Procurement Procedures**

### **4.2.1. General Procurement Guidelines**

- 4.2.1.1. Procurement in the Ministry of Works and Supply is governed by the Public Procurement Act, 2008. In accordance with this Act, the Ministry of Works and Supply is supposed to prepare its Annual Procurement Plan based on the approved Annual Work Plan.
- 4.2.1.2. The approved Annual Procurement Plan shows the procurement method and budget for all projects to be undertaken by the Ministry. In accordance with the Public Procurement Act, 2008, the procurement method is generally determined by the estimated value of the procurement.
- 4.2.1.3. The Ministry of Works and Supply has a procurement threshold of K30billion for goods and works and K10billion for consulting services. Procurements with an estimated cost up to the threshold are authorised by the Ministry Procurement Committee. Procurements with an estimated cost higher than the threshold are authorised by the Central Tender Committee.

#### **4.2.2. Procurement of Consulting Services**

- 4.2.2.1. The Buildings Department has the capacity to undertake the design and supervision of most of its projects as it has architects, structural engineers, quantity surveyors etc. The decision whether or not to undertake a project internally is largely determined by work schedules of the relevant specialists.
- 4.2.2.2. The project was designed by the Buildings Department. The Department is also undertaking the project supervision.

#### **4.2.3. Procurement of Works Contractor**

- 4.2.3.1. The estimated cost for the works was K3,000,000,000.00 and this required that the procurement of the works be undertaken by open bidding method (National Competitive Bidding) in accordance with the Public Procurement Act, 2008.

### **4.3. Procurement Process**

#### **4.3.1. Project Design and Supervision**

- 4.3.1.1. There was no procurement for the project design and supervision as these were undertaken by the Buildings Department of the Ministry of Works and Supply.

#### **4.3.2. Works Contract**

- 4.3.2.1. The tender for the Rehabilitation of the TEVETA Building closed on 24 April 2009.
- 4.3.2.2. The tender was open to construction companies registered with the National Council for Construction and with the following qualifications:
  - Minimum monetary value of construction works in any of the last five years of K1,500,000,000.00;

- Evidence of adequate working capital, access to lines of credit and availability of other financial resources (Liquid assets) of at least 10% of tender sum;
- Undertaken works of a similar nature and size in any of the last five years;
- Contract Manager with at least five years experience; and
- Availability of stipulated minimum construction equipment.

4.3.2.3. At the time of tender closing, eight bids were received as follows;

- (i) Portmore Construction Limited;
- (ii) Dockland Construction Limited;
- (iii) Zcon Construction Company;
- (iv) Atonement Enterprises Limited;
- (v) New Era Zambia Limited;
- (vi) Jing De Zhan enterprises Limited;
- (vii) Simu Construction Limited; and
- (viii) Build Trust Limited

4.3.2.4. The bids received were evaluated in accordance with the criteria stipulated in the tender document and Build Trust Limited was the lowest evaluated bidder and awarded the contract at corrected bid price of K3,093,487,443.20 with a completion period of 34 weeks.

4.3.3. We are satisfied that the documents disclosed describe fully and accurately the appointment of Build Trust Limited as contractor for the rehabilitation of the TEVETA Building in Lusaka.

## **4.4. Project Execution**

### **4.4.1. Design and Supervision**

- 4.4.1.1. Project design was undertaken by the Buildings Department and is based on the Standard Method of Measurement Ver. 7.
- 4.4.1.2. The supervision of the works is being undertaken by the Buildings Department. The department has a lot of experience in the supervision of works.

### **4.4.2. Works**

- 4.4.2.1. The contract between the Ministry of Works and Supply and Build Trust Limited was signed on 5 June 2009 and the commencement date was 24 June 2009.
- 4.4.2.2. The contract is based on the standard Form of Tender which is commonly used in the construction industry and approved by the Zambia Institute of Architects.



## **5. DATA ANALYSIS**

### **5.1. Project Design and Supervision**

5.1.1. As earlier stated, the design for the rehabilitation of the TEVETA Building was undertaken by Buildings Department.

5.1.2. The Buildings Department has in place procedures to ensure that project costs, quality and time frame are kept within contract terms and conditions. To this effect monthly site meetings are held to monitor progress.

### **5.2. Works Contract**

5.2.1. We noted that the Buildings Department did not undertake a pre-qualification of contractors to ensure that only companies with the necessary qualifications and experience were shortlisted and invited to submit bids. This may explain why only three out of the eight bidders who submitted bids reached the commercial evaluation stage. The rest were found not to meet the necessary minimum qualifications and experience.

5.2.2. The contract signed with the contractor is based on the standard Form of Tender as approved by the Zambia Institute of Architects and in use for most if not all construction projects in Zambia.

5.2.3. Although the contract had been signed, the contractor could not take possession of the site because the Authority was still using the offices. Site possession only took place a month after contract signing.

5.2.4. There has been one extension of time granted due to difficulties which the contractor was experiencing in getting access to the site.

5.2.5. The estimate for the works was K3,000,000,000.00 therefore, the contract price of K3,093,487,443.00 is very close to the engineer's estimate.

5.2.6. Since the start of the works, there have been four certificates and as at 30 June 2010, a total of K2,316,139,286.12 had been certified and paid while K512,270,939.30 was awaiting payment.

5.2.7. Site meetings are held on a monthly basis and are used to monitor progress. The Supervisor, in addition, produces a quarterly progress report which is circulated to the various stakeholders.

### **5.3. Issues of Concern**

5.3.1. The major issue of concern is funding. This potentially could lead to increased contract price if interest on delayed payments was charged.

5.3.2. The other issue of concern was the delay in the contractor accessing the site as the owners were still using some of the offices.

## APPENDIX I: MATERIAL PROJECT INFORMATION

**Project Name: REHABILITATION OF TEVETA BUILDING, LUSAKA**

<b>1</b>	<b><i>Project Identification</i></b>	
	Project Specification	Rehabilitation of TEVETA Building
	Purpose	Rehabilitation of building to modernise and improve safety
	Location	Bird Cage Walk, Lusaka
	Intended Beneficiaries	Staff at TEVETA
	Specification	N/A
	Feasibility Study	Not undertaken
<b>2</b>	<b><i>Funding</i></b>	
	Financing Agreement	Ministry of Finance and National Planning
	Budget	K3,000,000,000.00
	Engineer's Estimate	Same as budget
<b>3</b>	<b><i>Tender Process for the Contract for Project Design</i></b>	
	Tender procedure	In-house (Buildings Department)
<b>4</b>	<b><i>Tender Process for the Contract for Project Supervision</i></b>	
	Tender procedure	In-house (Buildings Department)
<b>5</b>	<b><i>Tender Process for the Main Contract of Works</i></b>	
	Tender procedure	Open Bidding (National Competitive Bidding)
	Number expressing interest	N/A
	Number shortlisted	N/A
	Number submitting tender	8
	List of tenderers	<ul style="list-style-type: none"> <li>• Portmore Construction Limited</li> <li>• Dockland Construction Limited</li> <li>• Zcon Construction Company</li> <li>• Atonement Enterprises Limited</li> <li>• New Era Zambia Limited</li> <li>• Jing De Zha Enterprises Limited</li> <li>• Simu Construction Limited</li> <li>• Build Trust Limited</li> </ul>

	Tender evaluation report	Yes
<b>6</b>	<b><i>Details of the Contract Award: Project Design</i></b>	
	Name of main consultant	In-house (Buildings Department)
	Contract price	N/A
	Contract scope of work	N/A
	Contract programme	N/A
<b>7</b>	<b><i>Details of the Contract Award: Project Supervision</i></b>	
	Name of main consultant	In-house (Buildings Department)
	Contract price	N/A
	Contract scope of work	N/A
	Contract programme	N/A
<b>8</b>	<b><i>Details of Contract Award: Main Contract for Works</i></b>	
	Name of main contractor	Build Trust Limited
	Contract price	ZMK 3,093,487,443.20
	Contract scope of work	Replacement of roof covering and ceilings Decorative fencing Ceramic tiling Painting and decorative works
	Contract programme	34 weeks from 24 June 2009 to 31 March 2010
<b>9</b>	<b><i>Execution of the Contract: Project Supervision</i></b>	
	Significant Changes to Contract Price, Programme, Scope with Reasons	None
<b>10</b>	<b><i>Execution of Contract: Main Contract for Works</i></b>	
	Individual changes to Contract which affect the price and reason for those changes	There have been variations in terms of communication networks and electrical cabling.
	Individual changes to the contract which affect the programme and reasons for those changes	Extension of time of one month due to difficulties faced by contractor in accessing the site
	Details of any re-award of	None

	main contract	
<b>11</b>	<b><i>Post Contract Completion Details: Main Contract for Works</i></b>	
	Actual Contract Price	On-going
	Total Payments made to date	K2,316,139,286.12
	Actual contract scope of work	On-going
	Actual contract programme	On-going
	Project Evaluation Reports (on-going and on completion)	On-going

## APPENDIX II: SCHEDULE OF DOCUMENTS DISCLOSED

S/N	Description	Date released	Comment(s)
1.	Tender Evaluation Report	May 2010	
2.	4 <sup>th</sup> Quarter 2009 Progress Report	May 2010	
3.	Payment Schedules	August 2010	
4.	Contract Document	August 2010	

### **APPENDIX III: SCHEDULE OF CONTRACT CHANGES**

Not disclosed

## APPENDIX IV: PHOTO GALLERY



Plate 1 General view of rehabilitated building from the East



Plate 2 General view from the South, with new IBR roof covering



Plate 3 Electric and IT cabling works in progress



Plate 4 Decorative Fencing in progress