



Tacis Regional 2000 Traceca Programme

**Rehabilitation of Caucasian
Highways
Azerbaijan Georgia and Armenia**

Revised Inception Report

April 2003



This Project is funded by
the European Union



A technical Support
Project By Louis
Berger SA

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0 Report Cover Page

Project Title	Rehabilitation of Caucasian Highways Azerbaijan Georgia and Armenia	
Project Number	EUROPEAID/113179/C/SV/MULTI	
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Date of Report 21st April 2003.

Reporting Period Inception Report

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EC Delegation
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	<i>Name</i>	<i>Signature</i>	<i>Date</i>

1 PROJECT SYNOPSIS

Project Title	Rehabilitation of Caucasian Highways Azerbaijan Georgia and Armenia
Project Number	EUROPEAID/113179/C/SV/MULTI
Country	Azerbaijan Armenia Georgia

Wider Project Objectives	<p>The wider objectives are to support the Republics to catch up with their serious backlogs in road maintenance, and to cope with growing Local, and international transport. These include the following</p> <ul style="list-style-type: none"> • The improvement and provision of a better level of service for the travelling public on route corridors, • To reduce costs in road transportation, • To arrest deterioration of pavements by timely intervention, • To reduce costs for road rehabilitation and maintenance. • To strengthen the national road construction and maintenance capabilities through transfer of technology. •
Specific Project Objectives	<p>The specific project objectives are to provide consultancy services for three Beneficiaries. These all being the State departments of Roads in their respective Countries namely Azerbaijan Georgia. and Armenia</p>
	<p>Azerbaijan:</p> <p>In Azerbaijan there are four segments to the project</p> <p>a) Supervision of Construction of the WB (IDA) financed road sections under the Azerbaijan Highway Project: b) Assistance to the joint Project Implementation Unit (PIU) for the World Bank and the EBRD roads projects. c) Technical supervision of the TACIS project : construction of two bridges / Gasan Su Chay and Shemkir d) The</p> <p>Duration estimated 24 months,</p>
	<p>Georgia:</p> <p>In Georgia the main objective is the developing of a Pre-Feasibility Study for modernization of the existing Poti-Tbilisi-Red Bridge road under the standard of the international motorway passing by larger inhabited areas. Determining the deadline for road carrying capacity, based on the dynamics of traffic volume growth at sections of the existing road, and modernizations periods, technical and economic study and comparison of the modernization alternative with the alternative of construction of international motorway (to a SNiP Category I). Also an exchange of technical expertise</p> <p>Duration estimated 10 months, in conjunction with the project in Armenia</p>

Armenia:	
<p>The Project in Armenia covers the investigations, designs, preparation of contract drawings, cost estimates and Tender Documents for 3 tunnels on the road from Vanadzor to the Georgian Border Also an exchange of technical expertise</p> <p>Duration estimated 10 months in conjunction with the project in Georgia</p>	
Planned Outputs	Azerbaijan
	<p>Assistance to the PIU such that they become an experienced unit and fully conversant with the procedures of all the International Funding Institutions (IFI)</p> <p>Supervision of six contracts such that they are all finished in accordance with the International standards and within the programmed time and in accordance with the budget.</p>
	Georgia
	<p>The production of a Pre-Feasibility study for the road improvements to the Poti to Red Bridge Road. This study will identify areas of roads that require rehabilitation or reconstruction. The study will also highlight the need to protect land reserves for new road alignment. The aim being to assist the Government of Georgia to obtain funding from IFI's.</p>
	Armenia
	<p>To study the situation regarding the state of the three tunnels and make proposals for the rehabilitation and then to produce all the necessary designs, drawings and all other Tender Documents.</p>

Project Activities

The Project is set up in the form of five separate components all of which form the main basis of the proposed project activities. These are enumerated in the table below.

Project activities	Component 1	Overall Project management
	Component 2	Construction Supervision and Assistance to the Project Implementation Unit in Azerbaijan
	Segment 2.1	Review of the Contract Documents
	Segment 2.2)	Supervision of Lots 1 to 5 of Ganja Gazakh Road
	Segment 2.3	Technical assistance to the PIU
	Segment 2.4	The Technical supervision of the Tacis project "reconstruction of two bridges Gasan Su Chay and Shamkir" in Azerbaijan
	Component 3	Feasibility of study of modernisation of Poti to Tbilisi Red Bridge Road Georgia
	Component 4	Design and Preparation of Tender Documents for three Tunnels on the road from Vanadzor to the Georgian Border in Armenia
	Component 5	Training and Technology Transfer
Project Starting Date		Contract signed 27 th November 2002 Team Leader Mobilised 19 th January 2003 Resident Engineer mobilised 19 th February
Project Duration	2 Years	

2 Analysis of Project

2.1 Start Situation

The Contract was signed on 27th November 2002. Mobilisation commenced from 24th December 2002 but due to the proximity of Christmas and New Year Holidays, the Team Leader arrived in Baku on 19th January 2003 accompanied by the Project Director. A draft Inception report was produced by 21st February but after discussions with some of the beneficiaries and the TACIS monitors it was recommended that a revised report be prepared under the new guidelines. The Project Team Leader agreed this was preferable, as many unforeseen problems have arisen after the draft report was prepared.

The Director and Team Leader arranged meetings, where possible, with the main parties of the Project. Meetings were arranged in Baku with the Traceca Intergovernmental Commission (IGC) The National Secretary of Azerbaijan (IGC), the vice President of Azeravtoyol, Azerkorpu (the proposed Contractor for the two bridges), Turan Hazinedaboglu (the Turkish Contractor for Contract CW2002-1 Ganja Shemkir Road). The Project director then left for meetings in Georgia.

Azeravtoyol's president was unavailable as he was undergoing hospital treatment in Moscow until sadly he passed away on 22nd February. In his absence the Government requested that the complete Contract between Louis Berger and the EC be translated in to Azeri to comply with the rules of the Azerbaijan. After some discussions the Terms of Reference (Russian) and a copy of LBSA's Contract with the EC together with its General Conditions of were to be submitted to Azeravtoyol in Azeri.

A temporary office was offered to the Team Leader from 3rd February 2003. This office had the basic furniture and was within the premises of Azeravtoyol adjacent to the PIU office. The offices are very small and whilst sufficient for the Team leader there is insufficient space or furniture to hold routine discussions with interested parties or to accept visitors and short-term experts.

During the meeting with Azerkorpu it was discovered that the Contract between them and the EC had already been signed. A copy of the Contract was sent to the Team Leader via Azerkorpu on 3rd February 2003. A full copy arrived by the end of February.

During the inception period it was ascertained that a letter of intent was issued to Turan Hazinedaboglu but the signing of the Contract agreement, for Contract CW2002-1 Ganja Shemkir Road, was delayed until the Contract had been translated into Azeri. The first version was not of an acceptable standard and the Contract Agreement was not signed until 10th April 2003

It was ascertained that Contract CW2002-2 (now CW 2003-1-4) was split into four lots and was not due to invite Tenders until all the land problems had been resolved this is likely to be by June or even July. This will inevitably mean that the start of the Works Contracts will be delayed until after 1st October and thus an extension to the Service Contract will become inevitable. The local staff input can be programmed to suite the Works programme but there will be two Works Contracts in force this year.

In mid March the Project Team Leader made a personal visit to Tbilisi and discussed the draft Inception report with the Beneficiary and introduced himself to the other

interested parties at the EC delegation and also at the Tacis National Coordination Unit and the Traceca IGC. 2.2 The Beneficiaries

2.2 As can be seen from the Section 1 there are five components of the project and there are three beneficiaries detailed in the Terms of Reference as below.

1. The Cabinet of Ministers and the State Corporation Azeravtoyol (Roads) in Azerbaijan;
2. The Ministry of Transport and Communications State Department of Roads of Georgia;
3. The Ministry of Transport and Communications Roads Department of Armenia.

The meeting with the TACIS monitors advised the Project Team Leader that the main beneficiaries are in fact the Road Departments of each State and the Cabinet of Ministers was in fact an interested party, to be kept informed of procedures

2.3 The Five Main Components of the Project

The five main components of the project are as follows

The first component, overall management

This is the most critical component for the successful and sustainable outcome of the Project. This component covers all Scope of work specified in the TOR. Our approach to Overall Project Management is to:

Provide a strong and seasoned team of resident staff: a Project Team Leader / Project Manager* (Project Engineer) Project Engineer's Representative (or Resident Engineer) and Full time Design Engineer to control the Georgian and Armenian components of the Project.

Provide management and technical support with a Project Management Committee staffed by International experts who are senior experts in the Louis Berger Group;

Provide outstanding technical specialists to be Component/Segment Managers for each of the Tasks. As part of the Management Team, these Component/Segment Managers will help co-ordinate all International technical assistance and training to maximise the impact on achieving project results. By means of short-term experts visiting the area.

Provide line positions, with clear tasks and responsibilities to deliver, for the Local experts on our team and closely integrate them into the project. Flow charts showing some of the supervision procedures are appended in the annex.

* The term "Project Manager" should be clarified, as the overall Project Manager is Mr. Dalamangas. However these Works Contracts, that are to be supervised by the Contractor (LBSA), are executed under either the EC's or the IDA's own Conditions of Contract. In both of these forms of Contract the Engineer is defined as the "Project Manager", and in the case of the EC's it goes further and adds (Engineer as in FIDIC). For clarity the term Project Engineer will be used future instances.

The second component is

This component covers the Construction Supervision of Works Contracts and to provide technical assistance to the PIU in Azerbaijan.

It was proposed that these tasks will be accomplished using the Service Contractor's International and local Associates' experts in a coordinated manner so that during the course of the project the Service Contractor's Team will:

1. Review and Design of the Tender documents; However on arrival in Baku the Project Team Leader discovered that all the documents had been prepared under an earlier contract and have been in use to invite Tenders and the same documents are printed for the remaining Contracts. In the meantime the Project Team Leader will still study the documents and make any proposals he sees as necessary.
2. Perform Construction supervision of the Ganja-Gazakh Road (World Bank Financed). This is a clear objective and the Contractor will set up a team of European Experts and Local Experts in accordance with the Terms of Reference.
3. Assist the PIU in the implementation of the World Bank and EBRD projects; The PIU have already been set up and approved by the IDA. They have presented the Project Team Leader with a copy of the IDA guidelines for the financial management and have given assurances that they are competent at the task. However, it is a fact that the PIU is not functioning as an independent unit. They communicate under the letterhead of the President of the Azeravtoyol or by means of plain paper signed by the director for all dealings with the Project Team Leader. This is a topic that should be addressed by the funding agencies.
4. Perform Technical Supervision of the TACIS Project: "Construction of two bridges: Gasan Su Cay and Shemkir. As with item 2 above this should be clear and the same teams will supervise the Contract. There is a problem as the Project Team Leader does not have a contact with a Contracting Authority's representative and there are some contractual matters to discuss.

The third component is

This component covers the Pre-feasibility Study for modernization of Poti-Tbilisi-Red Bridge Road in Georgia. Tasks under this component will be accomplished using the Service Contractor's International and Local experts in a coordinated manner to provide solutions concerning modernization of Poti-Tbilisi-Red Bridge motorway in Georgia and to determine the effective use of attracting financing from IFI for investment in the roads rehabilitation. As it is not possible to study the existing road in the detail necessary to make a report the Contractor has decided that this and hence the Armenian segment of the Works will not start until later in the year. The State road department has requested that the consultant add the link between Poti and the other Black Sea port of Batumi. At this stage it is impossible to assess whether there will be sufficient resources to accommodate this request. However, the contractor will revise the situation after the Contracted work has been fully assessed.

The fourth component

This component covers the design and preparation of Tender Documents for three tunnels on the road from Vanadzor to the Georgian Border in Armenia. This component will be accomplished using Internationals and Local experts in a coordinated manner such that the site investigations, designs, drawings, cost estimates and the Tender documents will be developed as required by the ToR.

In the terms of reference it is indicated that the tunnels are the subject of the Contract and this is clarified in the Service Contractor's proposal. There is a section in the terms of reference that suggests other works are expected but they are really a copy of the works for a feasibility study and will not be part of this contract. As mentioned in the third component the design Engineer will be responsible for Armenia and will make all his start up meeting as soon as he starts.

The fifth component is

This component covers the Training and Technology Transfer. Training and technology transfer activities are proposed as a separate component, since the ToR indicates that the transfer of know-how from EU to Caucasian Republics is the one of the expected results of the project (paragraph 2.4 of the ToR). This activity is critical to the long-term success and sustainability of the Project thus the Service Contractor's approach is to address this as a separate component, and interfacing across all components in a very dynamic manner. All members of the Service Contractor's team will be deeply involved in training counterparts, appropriate stakeholders, and other key individuals as identified by the Project Partners. It is proposed that the following activities will bring this component to fruition:

Mobilising a Human Resources Development Specialist early on in the Project to carry out a training needs assessment of the Project Partners and stakeholders and developing a training program;

Have the training program structured so that each International expert mobilised by the Service Contractor's holds seminars and workshops to transfer the technology and the require skills to use that technology so that when the International expert departs Project Partners are fully effective in using and updating the tools developed during the Project's duration; and

Ensure that the Team Leader meets and has effective dialog with senior management of the three Road Administrations and operational-level staff to ensure that the training program is meeting the needs of Project Partners.

The Project Team Leader has proposed to hold a seminar to cover all the aspects of Civil Engineering procedures. He would like to invite not only the PIU but also representatives from all the interested parties including the monitoring team. The object would be to explain the duties of the Employer the PIU the Engineer the Contractor the Funding agency and the Project Manager. He will also like to request that the PIU in particular suggest any aspect of the transfer of technology and information that they feel they require help with. This may also include a course in the English Language.

The one day workshop should be arrange to be held in all three beneficiary's countries

2.4 Project Organisation

The project has been split into many specific tasks with explanations as to who is responsible for each task. In section three there is a progress on the main tasks to date these are summarised into broader based tasks than the definite complete tasks as defined in the contractor's proposal.

A full description of all the tasks is appended with basic comments in Appendix 1.

2.5 Problems Deficiencies Observed to Date and Solutions Thereof

2.5.1 Shamkir and Gasan Su Cay Bridges: During a start up meeting with Mr. E Ismiyev the Chairman of Azerkorpu it was discovered that the EC had already signed a Contract, in late December, for the two Bridges at Shamkir and Gasan Su Cay directly with the European Commission in Brussels. On 3rd February 2003 the Project Manager (Engineer as in FIDIC) received an electronic version of the bidding documents including the General and Special Conditions of Contract. It appeared that this situation could cause contractual misunderstandings. Therefore the Project Team Leader arranged subsequent meetings with Azeravtoyol and the Traceca representative in Baku. Unfortunately a number of problems as foreseen by the Project Team Leader have arisen. The Contractor is in constant communication with the EC's representative in Brussels. He does not have an official letter appointing the Project Team Leader as the (Project Manager Engineer as in FIDIC) or Project Engineer. Again the terms used in the EC Conditions of Contract have caused some people problems as the EC Conditions of Contract define a "Contracting Authority" in lieu of an "Employer" and the Contracting Authority's "Project Manager (Engineer as in FIDIC)" as: "to be informed". It must be noted that the Tender was prepared long before the award of the supervision contract to LBSA.

A complete set of the Contract documents was delivered to Paris from the EC Brussels on 20th February and forwarded to the Project Team Leader.

2.5.2 Meeting with Azeravtoyol During the initial period of the inception time the President of Azeravtoyol was away, and consequently could not make any decisions with respect to the component 2 of the Project. Office space was, however, granted from 3rd February and a telephone line promised on 13th February. However it was always possible for the Service Contractor's to use the telephone lines of the PIU. The Service Contractor (LBSA) provided the basic office equipment. This was in accordance with Article 4.1 of the Terms of Reference.

2.5.3 The Formation of the PIU. As the PIU was already in existence the Project Team Leader based his initial budget on the seven possible workers within the Unit. Thus the Task to review the staff and make recommendations to the IDA (and the EBRD) has in fact been completed by others. This was confirmed in discussions between the IGC and the Project Manager in the presence of the Project Team Leader. However it has been noticed that the PIU only communicate officially under the heading of the "President of Azeravtoyol" and have no autonomous means to communicate with the day-to-day routine communications. This can cause a problem to the Contractor as there was an item to provide the PIU with €20,000 of office equipment. This was taken over by means of an unheaded letter signed by the PIU Director. Local business laws that insist that the supplier keeps the original of a receipt for his legal accounting purposes and gives the purchaser a copy of the receipt further exacerbate the problem. This copy has at times been unreadable, and the supplier has refused to prepare a second original due to some local laws.

The donor and beneficiary should address both of the above problems. The PIU must have a standing, as it is effectively the Employers Representative and must have a proper role. The refusal to give a buyer a proper invoice and receipt could lead to a

refusal to reimburse the contractor. If this were to be the case then the contract could be classified as not legally possible to fulfil.

2.6 Other Problems

There will obviously be some problems that will arise but if these were known then they would not be unforeseen. However the Engineer has a vast experience of most problems that arise in the construction industry and has a proven record of solving all such problems.

Section 3: Project Planning

3.1 Project Goals

The project objectives are outlined in the Project Synopsis. In Azerbaijan the project consists mainly of the supervision of Highway Works Contracts. The goal therefore is to complete the designs and for the various Contractors to complete the Works Contracts on schedule and within the Budget. The project covers the design of tunnels in Armenia and a pre-feasibility study for a bypass and the main corridor route Red Bridge to Poti, in Georgia. In Armenia the aim is to ascertain the state of repair of three tunnels and to produce designs and Contract documents such that the Roads department of Armenia can obtain funding and arrange for reconstruction contracts.

However, there are many factors beyond the contractor's control that will have to be considered before these targets can be met. These will be discussed in the section regarding risks. For ease of following the aims of the project it is split into a number of tasks. Some of these tasks have been started during the inception period.

3.2 Project Approach

It is intended to proceed with the individual tasks as presented in the Contractors proposal. The Complete list of tasks is listed in the appendix. The design works in Georgia and Armenia are a sub-section of the main Contract and will start at a later date as their programme is only for 12 months of the total 24-month Contract. Other works have started as intended. For the purpose of the Inception reports, and as to be continued in the main reports, the tasks will be grouped into a broader context and reported as if they are main tasks and numbered differently.

3.2.1 Tasks undertaken during the inception period

Task Series 1000 Preliminary Works

Formation of the Management Committee.

The Project management committee was formed. This consisted of the President and Chief Operating Officer of Louis Berger SA Mr. F Farhi, the Project Director Mr. F Signor who is also a vice president of the company, The Project Coordinator Mr k Zukhurov, and the Team Leader Mr. G Tremlett. LBSA will also provide short-term experts and component managers for each of the major tasks of the project.

Azerbaijan Start up Meetings

During the week of 19th to 25th January the Project director and the Project Team Leader held start up meetings with the Project partners and beneficiaries in Azerbaijan. They meet with the Traceca IGC in Baku. Together with the ICG representative they meet with the Cabinet of Ministers and the vice President of Azeravtoyol. The successful Contractors for CW2002-1 and the Bridge structures were also met for preliminary discussions. Mr. Signor moved on to Tbilisi to meet the local representative of Traceca, the local highways design institute and the State department of Roads. In the meantime the Team Leader had a meeting with the Local World Bank (IDA) representative in Baku.

Meetings with Georgian Beneficiaries

The Project Team Leader visited Tbilisi on 24th and 25th March 2003 to meet with the EC delegation who advised him of all the contacts of the interested parties. During which time he visited the State Roads department and made acquaintance with Mr. T Tasliashvili as the main Beneficiary's representative. He also met Mr. Keldishvili of the Tacis coordination unit and Mr. G Gogiashvili of the Traceca IGC

Meetings with Armenian Beneficiaries

A start up meeting with the Armenian beneficiary is due to take place at a later date. This will take place when the Works start on components three and four of the project and the Highways Engineer has been mobilised. Due to the political situation there is a problem for the Project Team Leader to travel to Armenia from Baku. The route must take him through Tbilisi and he requires a Multi entry visa for transits through Georgia. This will be resolved but as the weather is not suited to really study the state of the roads from Tbilisi to Poti the Contractor has not mobilised his team for Tbilisi and Armenia. However the local experts have been identified and approved by Brussels and will be mobilised as soon as the design Engineer takes up his post.

Setting up of the Project Offices in Baku Azerbaijan.

Office of the Project Implementation Unit (PIU)

On arrival in Baku it was ascertained that the Project Implementation Unit (PIU) had been set up under another project and was functioning in accordance with rules of the IDA. (World Bank) The Contractor assumed the funding arrangements for the offices from 1st February 2003. An important task in this project is to provide the funds for the PIU to purchase office equipment and furniture. The PIU duly gave the Project Team Leader a list of quotes and recommendations for furniture and office equipment. This was approved by the Project Manager and the Contractor provided the PIU with their requests.

Offices for Contractor

Azeravtoyol provided an office space for the Project Team Leader and his secretary from 3rd February. As the offices were partially furnished and without any office equipment the Service Contractor's provided his basic equipment to enable him to provide a fully functioning base office from 10th February 2003. All in accordance with Article 4.1 of the Terms of Reference.

Works Plan

The Project Team Leader shall developed a work plan but initially has to discover the sequence of events between the preparation of the Terms of Reference and the start of his Service Contract. It was apparent that the Contract CW2002-1 had been awarded but not signed until 10th April. The Structures Contract, Reconstruction of Shemkir and Gasan Su Chay Bridges, had already been signed in December and under the Conditions of Contract that was the instruction to commence works within 30 days. As Contract CW2002-2 (now known as CW2003-1 to 4) has not called for Tenders only a small team has to be mobilised.

With any plan that involves supervision of Works performed by others, and in any schedule that involves the exchange of information, advice or the transfer of Technical expertise plans must be totally flexible, in order to suite the current situation. The Project Team Leader is an experience Engineer and accustomed to the resolution of problems.

Tasks 2100 series:

Construction supervision and assistance to the PIU

Following his arrival on 20th February the Project Resident Engineer arranged to make site visits to inspect the site of the Bridges and to investigate the General roads Contract.

The Works programmes and Contractor's working drawings were requested from the two contractors and the "redesigned" bridges were handed to the contractor for formal checking on 2nd April. The new designs were a proposal from the contractor, he has prepared larger structures and has agreed that he will produce both the bridges at the Contract Price. This is acceptable to the Project Team Leader and Azeravtoyol but the Project Team Leader has no links with the EC representative with the Contracting Authority's representative in Brussels, whereas the Works Contractor has established constant communications.

Task 2200:

Mobilisation of the Supervision Team

Following initial meetings with the PIU and the successful Works Contractors it became clear that the Resident Engineer should be mobilised quickly and he arrived on 20th February after meeting with the Project Director in Paris on 18th and 19th. Discussions were held with a sub-Contractor AYOL and the local design institute to provide the additional local staff. Azeravtoyol were adamant that they must also approve all staff who are to be employed on the Works.

Pre-Construction Advisory service

Contract Documents

The Project Team Leader has been shown the basic set of contract documents to review. The Resident Engineer arrived on 20th February and was given a set of documents to study. At first glance the specifications are a mixture of Din, GOST and others. There is also a proviso for the use of differing specifications provided they are of equal or higher standards. The PIU have assured the Team Leader that Kocks Consult had prepared the documents and that the IDA has approved the said documents. Therefore there is no requirement for a further report.

Other Preconstruction Services

The team leader had advised the PIU that meetings should be held with both the Turkish Contractor Turan Hazinedaboglu and Azerkorpu. The meetings should be recorded and form part of the Contract. The signing of Turan Hazinedaboglu's Contract

Agreement was delayed until 9th April 2003 as Azeravtoyol requested that the Contractor translate the Contract into Azeri. This is in accordance with Azeri law, but the agreement excludes all Tacis contracts.

The notice to commence Works under these Conditions of Contract is actually part of the Contract agreement and is not the duty of the Project Manager/Engineer to issue, unlike in a FIDIC Contract. Thus Azerkorpu have had their Instructions to commence.

At a meeting held on 14th February the Team Leader ascertained that Azerkorpu had already started the Works unsupervised. At that meeting Azeravtoyol issued a directive to the Contractor to change the elevation of Shemkir Bridge. It should be noted that the Client for the Bridges Contract is the EC, but they have not as then issued an instruction to the Project Team Leader to mobilise the supervision team.

Also under the prevailing Conditions of Contract both the performance Bond and the advance payment bonds are issued directly to the Employer (that is the EC for the Bridges and Azeravtoyol for the roads contracts). Azerkorpu have indicated that they are preparing the Bonds for the EC financial division and Turan Hazinedaboglu is to present bonds to Azeravtoyol after resolution of the currencies and bonds for the advance payment, and repayment, terms and also the clarification of the Contract Price

The Bridges Contract appears to require that the Contractor must complete the design of the Bridges. There is also a customary system in a CIS state that involves a state or university expert to check and approve designs. However it is still the responsibility of the Service Contractor's and a Bridge specialist is being prepared for approval from Brussels.

Further to the above paragraph the Contractor submitted substantially different designs for the bridges. These designs were clearly very expensive and unfortunately the Contractor has taken his responsibilities too far. In the author's view he has not fully understood the terms of an International Contract and followed the old rules. He does not seem to realise that the designer was responsible for the design and not the works contractor. In those days when the local constructor was responsible for the integrity of the structure he had to check (re do) the design in accordance with USSR rules. These rules still apply to Azeri contracts and as such the Contractor has assumed he had to follow these rules. The problem is exacerbated by the fact that the terms in the Conditions of Contract clearly state that the contract is subject to Law of the State of Azerbaijan. The author has suggested to the PIU that all contractors be invited to his seminar on contract procedure.

The Review of the Organization of the PIU and the clearly defined lines of responsibilities.

The Project Implementation Unit (PIU) has been set up as a section within Azeravtoyol and reported directly to the late President of the state corporation. The vice president appears to be the nominated counterpart of the Team Leader.

According to the Terms of reference the PIU should consist of four key staff. These being:

- a) A Highway Engineer, to act as the director.
- b) A financial specialist,
- c) A procurement specialist

d) A translator.

There was no previous mention made of non-key staff, such as drivers. In the Service Contractors proposal it was planned to develop and review the Job Description of each role and present that to the IDA and EBRD for their approval. As discussed above this was considered as task complete.

Review suitable management procedures and systems for the management of the PIU

The PIU has given the Team Leader a copy of the TACIS / IDA financial Management System and Financial Management Manual. This gives a detailed set of instructions of the procedures for dealing with Interim Certificates and reporting to the IDA. The PIU assured the Team Leader that this system had worked well on previous Contracts. However a one-day workshop cannot be arranged until the President can approve it. The Team Leader will arrange an extra workshop to evaluate the PIU's views before making further comments

Other assistance to the PIU covers general advice given to the Unit.

Administrative support for the PIU, in the form of salaries and payroll cost, office equipment, supplies and running costs, training, and transport

The Project Team Leader assumed the financial support as from 21st January and for the payment of salaries as from 1st February. The list of equipment was approved by the Project manager and the Equipment purchased and taken over by the PIU. Unfortunately another strange law applies as some suppliers make quotations in US dollars they only produce a receipt in local currency. Then refuse to give the readable copy to the purchaser on the basis of local law. They claim they must keep the original receipt for tax purposes and in spite of the copy being unreadable they cannot produce another receipt, as their numbers would be inconsistent. This is a point that future agreements between donors and beneficiary countries could address.

Task 2400:

Technical Supervision of the Construction of Gasan Su Chay and Shamkir Bridges

As has been noted earlier in this report this contract has been signed between the EC and the Contractor. The contract includes the instruction to start works, and that the beneficiary has instructed that one bridge be raised to accommodate acceptable gradients to and from the bridges. A redesign is underway and the Contractor who also was to provide the working drawings has agreed to complete the design in accordance with Azerbaijan standards. However as part of the Service the EC has placed the responsibility for a further verification on to the Service Contractor's. As such a CV for a Bridge specialist was submitted to Brussels for approval and it is expected that a short-term bridge expert will be in Baku during April 2003 for this task.

Review of the Design and Tender Documents.

As has already been reported above this Works Contract was prepared under another TACIS contract by the company Kocks Consult and the EC has used a set of

documents that they have been a party too. Thus the Contract is a *fait accompli* and the “documents” were sent to the Team Leader from Brussels on a CD. However the Team Leader must comment that documents that were received were in fact the Tender documents and did not contain the priced Tender or the minutes of the pre-Tender clarification meetings (if any) with Questions and Answers. Neither was there any record of post-Tender meetings. The special conditions allow for an advanced payment to the Contractor but do not specify as to how the advance payments are recovered. Having been given a copy of the priced Bill of Quantities the Team Leader noted that the item covering “all the necessary for the Engineer” was too low, whereupon the Contractor insisted that these items, in the specification, were not part of the Contract. The Team Leader has requested a copy of the complete contract documents from Brussels. This has now been delivered. The contractor is incorrect as there is no amendment to the Contract.

3.2.2 Future Planning

The plans for expanding the Project to include for the works in Georgia and Armenia will form part of the next quarterly report. Currently as that section only covers a twelve-month period the contractor decided to set up the Baku project office before adding the offices in Tbilisi and Erevan.

It must be noted Article 7.2 paragraph 1 of the Terms of Reference state that reports should be every 6 months and paragraph 2 states that reports should be quarterly. However as there is also a requirement to provide the individual beneficiaries with a monthly report and as such the Contractor proposes to produce the main reports at six monthly intervals. There is no current need to change the planning as outlined in the Terms of Reference that is part of the Contract, although this will be kept under review.

3.3 Personnel and Equipment

In accordance with Article 16.5 the Service Contractor has identified all the necessary Local Experts for the completion of the design works in Georgia and Armenia. The CV’s of all these persons has been submitted to the Project Manager for formal approval. Regarding the necessary local expert supervision staff in Azerbaijan the Project Resident Engineer and the Project Team Leader are investigating local companies and seeking suitable persons. A full set of CV’s will be forwarded to Brussels before the Construction commences on the Works Contracts. The first task on the Bridges is to check the integrity of the design of the bridges and as such a CV of the European Expert will be submitted for approval in Early March. The re-design was completed by 2nd April.

3.4 Constraints Risks and Assumptions:

- The programme for the successful completion of the service Contract relies on a number of factors that are beyond the control of the Team Leader. These items include such factors as the date of the invitation to Tender for the Lots 2 to 5, or the competency of the appointed contractors.
- The Contract for the bridges was signed before the mobilisation of the Team Leader but he was not informed officially of the start of the Contract. However steps were taken to resolve any problems.
- Contract CW2002-1 was “awarded” to Turan Hazinedaboglu but the Contract agreement was signed on 9th April 2003.

- This is for a 15-month Contract and as such delays in starting will not cause problems as the mobilisation of staff can be delayed. However, it was intended that some local staff would be involved in supervision of both the bridges and the CW2002-1.
- It was assumed that the other Contract CW2002-2 (now CW2003-1 to 4) would also be started early in the diary of this project. This seems to be awaiting approval of documents and the resolution of some problems such as land expropriation before an Invitation to Tender is issued. Thus the time required for Tender Evaluation and Award could take until September or later. This will inevitably give rise to the need to extend the time and cost of this Contract.
- If the Works cannot start before September 2003, and then assuming a 15-month construction period the Service Contractor's Contract would overrun the allotted time scale. The problem will also arise if there are any compensation events that result in an Extension of Time being granted to the Contractor.

APPENDIX 1

Appendix 1

Task Series 1000:	Task	Programme Time
Task 1001:	Forming the Management Committee	Ongoing
Task 1002	Start-up Meeting with Partner Organisations	Ongoing
Task 1003:	Establish Project Offices at Baku, Tbilisi and Erevan	Ongoing
Task 1004:	Mobilisation of Service Contractor's	Ongoing
Task 1005	Management Committee's backstopping of the Project Activities	complete

Project Component 2.1: Review of Designs and Tender Documents

Task Series 2100	Task	Timetable
Task 2101:	Review of <i>Traffic studies</i>	During Construction
Task 2102	Review of Road safety	
Task 2103	Review of the Existing road conditions	
Task 2104	Review of the Geotechnical Investigations	
Task 2105:	Review of Construction materials investigations	
Task 2106:	Review of Topographic survey	
Task 2107:	Review of detailed planning and engineering design	
Task 2108:	Review of Drainage designs	
Task 2109:	Review of Pavement design	
Task 2110:	Review of Design of road furniture, markings etc	
Task 2111:	Review of Designs Drawings	
Task 2112:	Review of Special technical specifications	
Task 2113:	Review of Quantity & cost estimates	
Task 2114:	Review of Compliance with Environmental Standards	
Task 2115:	Review of Utility Relocation	
Task Series 2100	Task	
Task 2116:	Review of Traffic Diversion/Management during construction	
Task 2117:	Review of Contract Packaging	Complete by others in accordance with IDA approval under Kocks Service Contractor

**Project Component 2.2: Construction supervision of the Ganja-Gazakh Road
(World Bank Financed)**

Task Series 2200:	Task	Programme Time
Task 2201:	Mobilisation of Supervision Team	Ongoing
Task 2202:	Pre-Construction Advisory Services	Ongoing
Task 2203:	Administer the Contracts as the “Engineer”	After Works Start
Task 2204:	Immediate Post-Mobilisation Tasks	
Task 2205:	Construction Supervision Manual	
Task 2206:	Document Control System	Ongoing
Task 2207:	Design Review by the Construction Supervision Team	Ongoing
Task 2208:	Monitor Survey and Setting-Out of the Works	
Task 2209	Review of Contractor's Quality Assurance Plan	
Task 2210:	Design and Specification Changes	
Task 2211:	Meetings and Records	
Task 2212:	Site Diaries	
Task 2213:	Project Costs Control - Measurement and Monthly Payment Certificates	
Task 2214:	Schedule Control	
Task 2215:	Maintenance of Traffic on the Existing Road	
Task 2216:	Safety	
Task 2217:	Environmental Protection	
Task 2218:	Contract Variations, Employer's and Contractor's Changes	
Task 2219:	Examine and Recommend on Claims	
Task 2220:	As-Built Drawings	
Task 2221:	Completion of the Works	
Task 2223:	Reporting for Project Component 2.2	

Project Component 2.3: Assistance to the PIU in implementation of the World Bank and EBRD projects

Task Series 2300:	Task	Programme Time
Task 2301:	Review the design and set-up of organisation and structure of the PIU, clearly defining lines of responsibilities	Ongoing
Task 2302:	Review suitable management procedures and systems for the management of the PIU	Ongoing
Task 2303:	Advise and assist the PIU in the management and implementation of the project in consideration of the managerial, financial, procurement, and reporting requirements in accordance with the Guidelines and Rules of the World Bank/IDA and of the EBRD respectively	Ongoing
Task 2304:	Advise and assist the PIU to establish and operate suitable procedures to manage the construction Contract with assistance of the supervising Service Contractor	Ongoing
Task 2305:	Advise and assist the PIU to develop and operate procedures and expertise in the financial administration of Contracts, including procedures to deal with variations and the resolution of claims and disputes with assistance of the supervising Service Contractor	The PIU is already working in accordance the rules of the IDA
Task 2306:	Liase with the supervising Service Contractor and Contractors, as may be necessary, to resolve difficulties as they arise and to ensure the smooth progress of the project	Ongoing
Task 2307:	Assist the PIU in the preparation and submission of reports in accordance with the requirements of the IDA and the EBRD, and other documentation required for the loans	Ongoing but The PIU is already working in accordance the rules of the IDA
Task 2308:	Provide assistance and liaison to the management of Azeravtoyol and the EBRD and World Bank, as may be necessary	Ongoing
Task 2309:	Provide Administrative support for the PIU, in the form of salaries and payroll cost, office equipment, supplies and running costs, training, and transport	Awaiting approval of Budget from Brussels
Task 2310:	Reporting on Project Component 2.3	Future Activity

**Project Component 2.4: Technical Supervision of the TACIS Project:
"Construction of two bridges: Gasan Su Cay and Shemkir**

Task Series 2400:	Task	Programme Time
Task 2401:	Mobilisation of the Bridge Design Engineer	Resident Engineer Started duties on 20 th February
Task 2402:	Review of the Design and Tender/Contract Documents	Ongoing
Task 2403:	Technical meeting on the Reviewed Contract Documents	Ongoing
Task 2404:	Provide the EU and Azeravtoyol with an overall performance schedule	Final duty under Works Contracts
Task 2405:	Technical Supervision of the Contract	
Task 2406:	Inspections and Control	
Task 2407:	Issue Acceptance Certificates	
Task 2408:	Prepare Financial Documents	
Task 2409:	Prepare Reports on Project Progress	

Project Component 3: Pre-feasibility Study for modernization of Poti-Tbilisi-Red Bridge Road in Georgia

Task Series 3000:	Task	Programme Time
Task 3001	Data Collection and Surveys	After April
Task 3002:	Develop Technical Specifications	
Task 3003:	Perform Environmental Assessment	
Task 3004:	Assessment of Economic Costs	
Task 3005:	Perform Economic Analysis	
Task 3006:	Determining Cost Estimates	
Task 3007:	Technical Reporting	

Project Component 4 Design and Tender Documents for three tunnels on the road from Vanadzor to the Georgian Border in Armenia

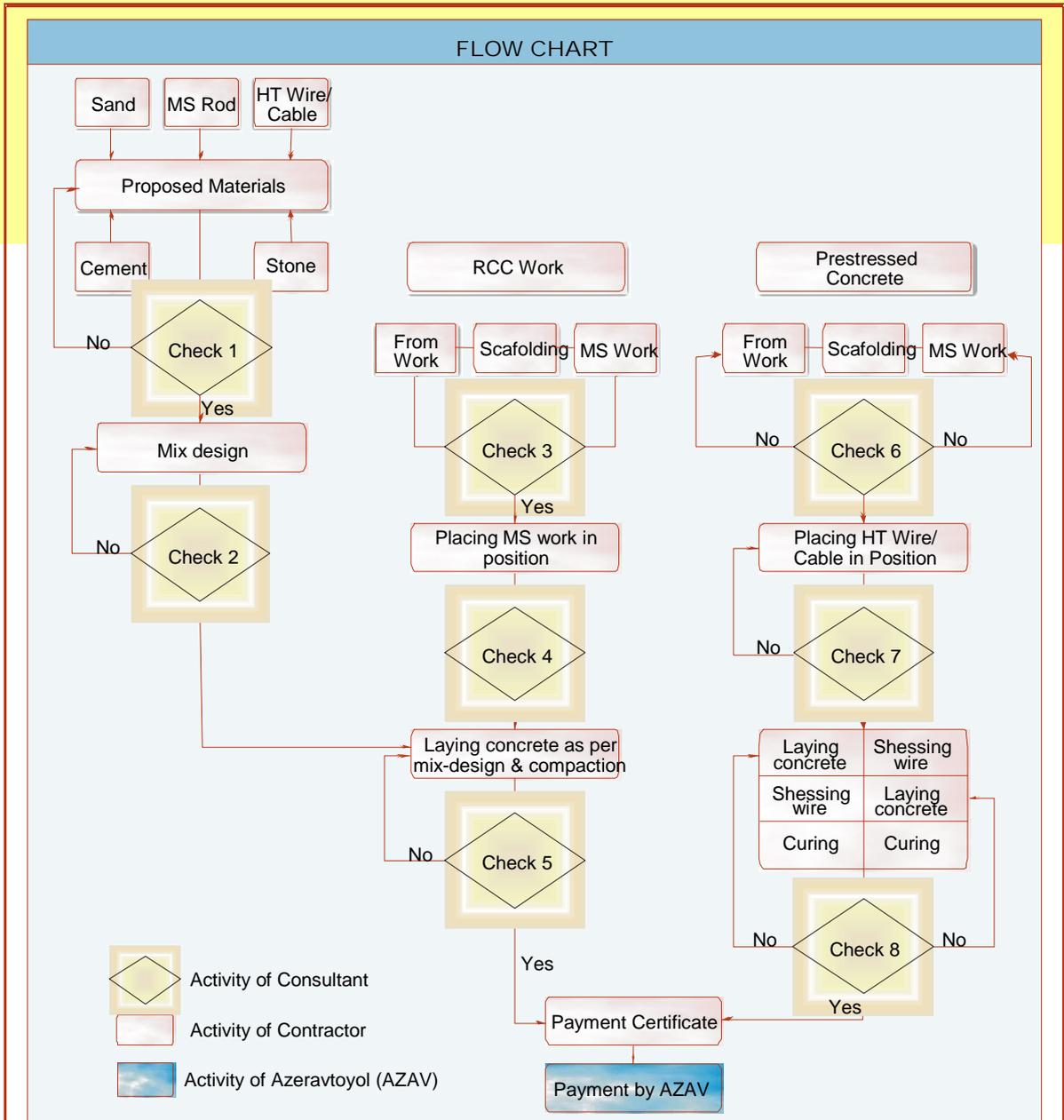
Task Series 4000:	Task	Programme Time
Task 4001:	Field Investigations	After April
Task 4002:	Design works	
Task 4003	Determination of Excavation works	
Task 4004	Technical description of Construction and Engineering Process	
Task 4005	Cost estimates	
Task 4006	Preparation of the Tender documents	
Task 4007	Reporting	

Project Component 5: Training and Technology Transfer

Task Series 5000	Task	Programme Time
Task 5001:	Mobilisation of the Human Resources Development Specialist	
Task 5002:	Development of the training program	
Task 5003:	Training Workshops for PIU members in Azerbaijan	
Task 5004:	On the Job Training	
Task Series 6000		
Task 6001:	Perform TACIS Reporting as per ToR Requirements	Ongoing

APPENDIX 2

INSPECTION AND APPROVAL OF CONCRETE WORK



EXPLANATION

Check 1

- Stone - Crushing strength, abrasion loss and other requirements
- Cement - Binding Property
- MS rod - Tensile Strength
- HT Wire - Tensile Strength, fatigue test and other tests

Check 2

- Crushing strength of Mix-design concrete sample

Check 3

- Formwork - Material quality, levels, joints of form work
- Scaffolding - pro strength, soundness of scaffolding arrangement
- MS road - dia, bending check

Check 4

- Distribution and placing of MS rods, levels, etc

Check 5

- Collect concrete sample
- Test crushing strength

Check 6

- Form work-Material quality, all levels including dvet, joints of form works
- Scaffolding - Prop strength, soundness of scaffolding arrangement
- MS rod - Dia and bending of MS Rod, Dia of HT wire
- End anchoring of HT Wire or cable

Check 7

- No of wire
- Levels of wire/ cable, when necessary

Check 8

- Collect concrete sample
- Test crushing strength of concrete
- Record stressing
- Measure deflection where necessary
- Check levels
- Check end anchoring

Inspection & Approval of Bituminous Works

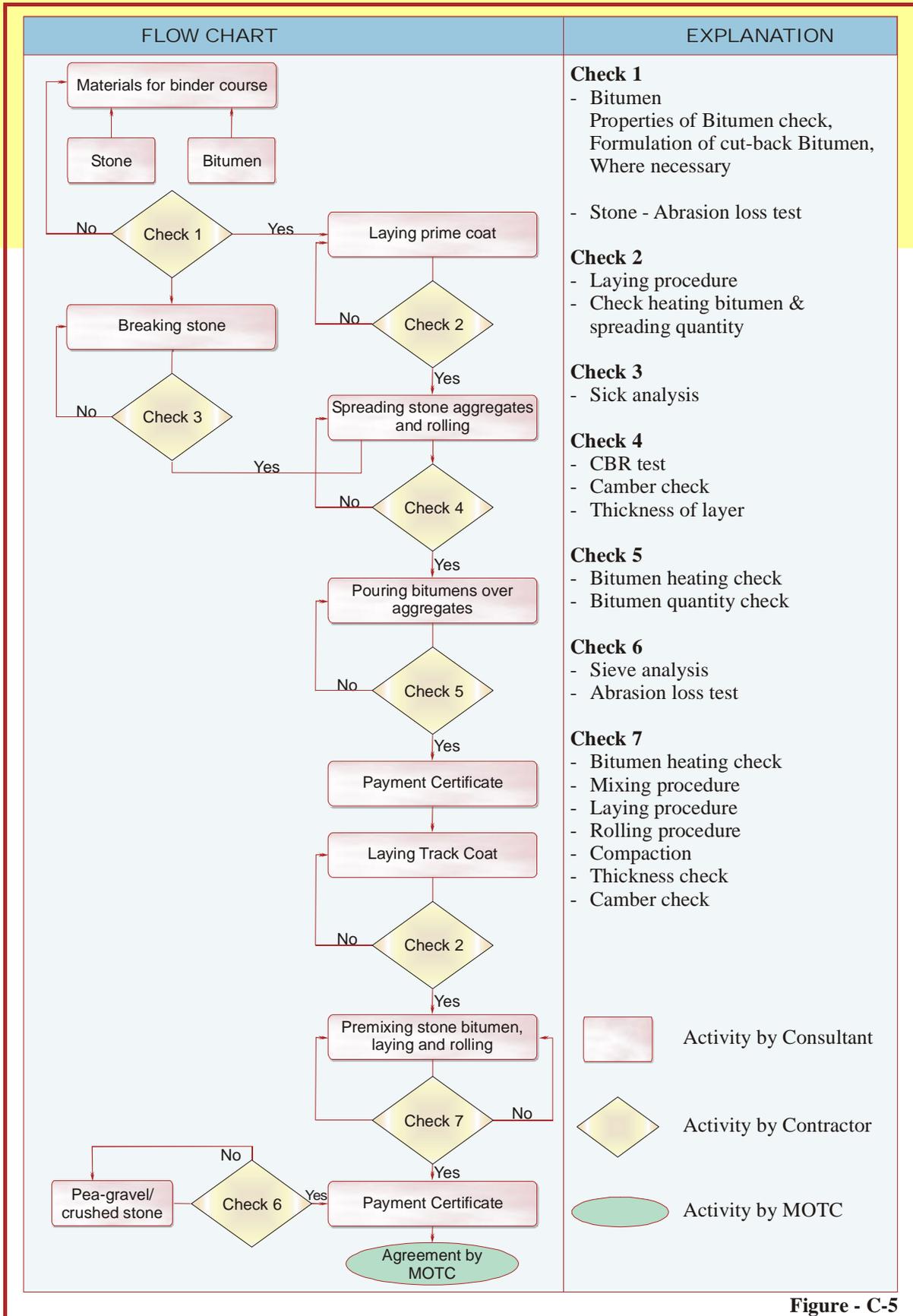


Figure - C-5

INSPECTION AND APPROVAL OF BASE COURSE AND SUBBASE

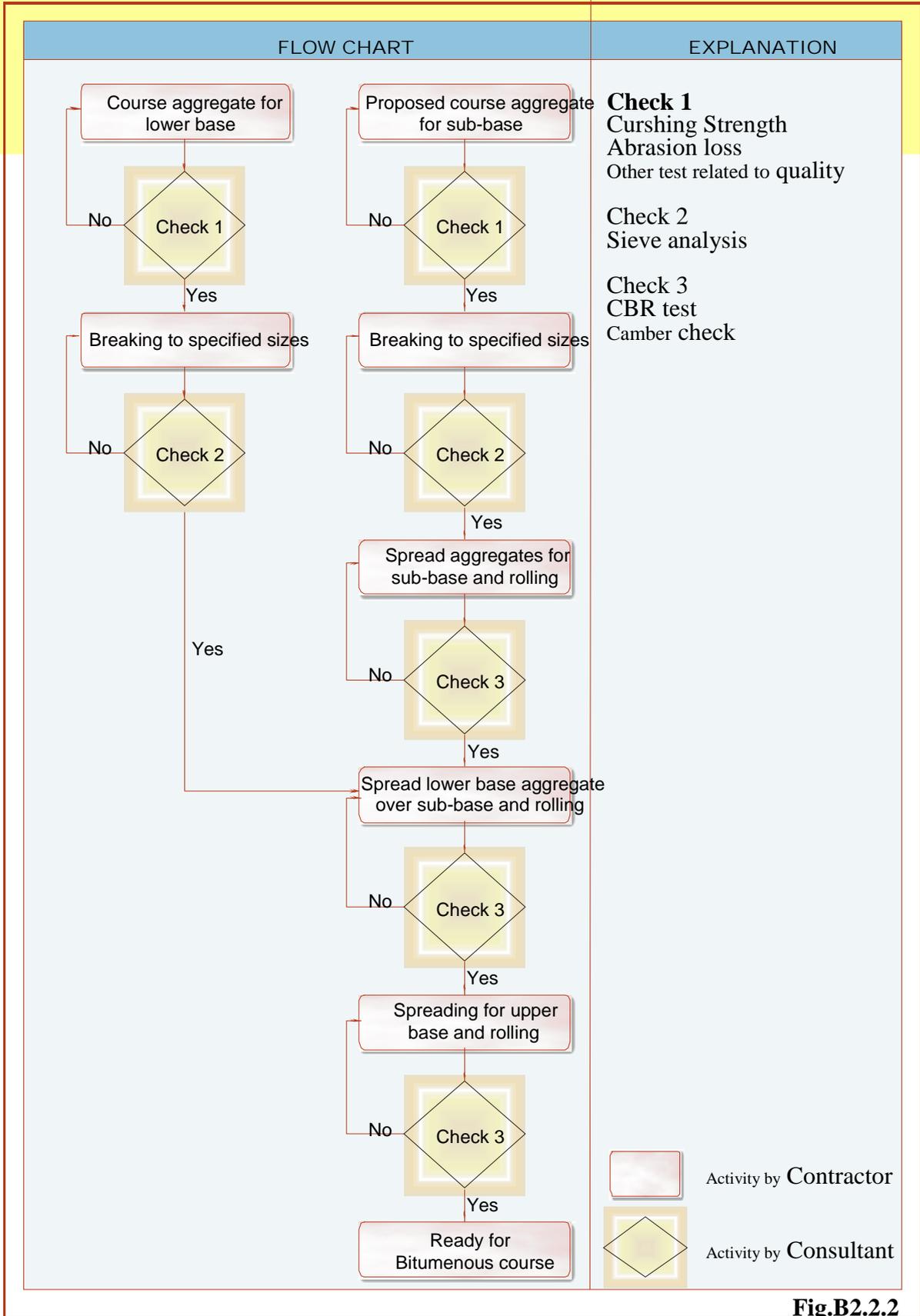


Fig.B2.2.2

FORMS

Form 1.4 OVERALL PLAN OF OPERATIONS

Project Title Rehabilitation of Caucasian Highways		Project Number Europraid/113179/C/SV/MULTI				Country Azerbaijan Georgia and Armenia			Page 1				
Planning period 1 2003 - 12 2004		Prepared on 21 Feb 2003				EC Service Contractor's Louis Berger SA							
Project Objectives: Assistance to Project Implementation Unit and Supervision of Works Contracts						Inputs							
No	Main activities	Time Frame								Personnel		Equipment Materials	Other
		2003				2004				EC Service Contractor's Man Days	Counterpart Man Days		
		1	2	3	4	1	2	3	4				
1	Overall Project management	F	F	F	F	F	F	F	F	100		PC Copier	
2	Construction Supervision and Assistance to the Project Implementation Unit in Azerbaijan											Office stationery	
2a	Review of Design and Tender Documents	FF	F							20	97		
2b	Supervision of Lots 1 to 5 of Ganja Gazakh Road in Azerbaijan	FL	FL	FL	FL	FL	FL	FL	FL	500	2420		
2c	Assistance to the PIU in implementation of the world Bank and EBRD funded projects	F	F	F	F	F	F	F	F	280		PC's Copiers	Office furniture Salary
2d	The reconstruction of two bridges Gasan Su Chay and Shemkir	FL	FL	FL	FL	FL	FL	FL	FL	100	704		
3	Feasibility of study of modernisation of Poti to Tbilisi Red Bridge Road Georgia			FL	FL	FL	FL			180	858		
4	Design and Preparation of Tender Documents for three Tunnels on the road from Vanadzor to the Georgian Border in Armenia			FL	FL	FL	FL			143	1562		
5	Training and Technology Transfer	F	F	F	F	F	F	F	F	10	462		
		Totals								1233	6,103	€20,000	€200,000

F signifies Foreign Experts and **L** signifies Local experts

1.5 Overall Output Performance Plan			
Project Title Rehabilitation of Caucasian Highways	Project Number Europraid/113179/C/SV/MULTI	Country Azerbaijan Georgia and Armenia	Page 1
Planning period 1 2003 - 12 2004	Prepared on 21st February 2003	EC Service Contractor's Louis Berger SA	
Outputs	Agreed Objective Verifiable Indicators	Constraints and Assumptions	
<p>Service Contract</p> <p>Take over the running costs of the PIU Technical assistance to PIU Set up Baku Project Office</p> <p>Other Contracts</p> <p>Mobilise Highway Engineer Set up offices in Georgia Feasibility Study Set up Office in Armenia Design of Tunnel rehabilitation</p> <p>Works Contracts</p> <p>Mobilise the resident Engineer Mobilise the site staff Supervision of the Works Contracts</p> <p>Reports</p> <p>Prepare Inception Report Prepare Quarterly Reports Prepare Monthly Works Progress Reports</p>	<p>Service Contracts</p> <p>Pay all salaries and expenses on production of invoices and receipts Advise the PIU on day to day matters Obtain project office from Azeravtoyol, furnish and equip</p> <p>Other Contracts</p> <p>Obtain and equip offices in Erevan and Tbilisi Prepare feasibility report and basic planning Design tunnels.</p> <p>Works Contracts</p> <p>Monitor all progress and prepare monthly interim certificates for payments Advise on any possible delays and overspends</p> <p>Reports</p> <p>Publish and distribute all reports.</p>	<p>Service Contracts</p> <p>Depends on the production of invoices and or receipts to prove expenditure Advice is only advice and the Service Contractor's cannot enforce his opinion Office must have basic amenities including a telephone line.</p> <p>Other Contracts</p> <p>Works Contracts</p> <p>The main Works are subject to a strict timetable for Tender and evaluation. A prompt start cannot be delayed beyond September. The Works cannot be guaranteed not to overrun due to many unforeseeable factors Economic stability of the local currencies</p>	

1.6 Plan of Operations for the Next Period

Project Title		Project Number						Country Azerbaijan Georgia and Armenia				Page 1				
Rehabilitation of Caucasian Highways		Europraid/113179/C/SV/MULTI														
		Time Frame 2003										Personnel			Other	
Months		1	2	3	4	5	6	EC Service Contractor's		Counterpart		Equipment	Salary			
No	Main Activity											Person days	Person days			
1	Overall Project management	F		F		F		F		F		20	0		€60,000	
2	Construction Supervision and Assistance to the PIU															
2a	Review of Design and Tender Documents	F		F								20				
2b	Supervision of Lots 1 to 5 of Ganja Gazakh Road in Azerbaijan			F	L	F	L	F	L	F	L	40	80			
2c	Assistance to the PIU in implementation of the world Bank and EBRD funded projects	F		F		F		F		F		42		€20,000	€17,500	
2d	The reconstruction of two bridges Gasan Su Chay and Shemkir	F	L	F	L	F	L	F	L	F	L	48	60			
3	Feasibility of study of modernisation of Poti to Tbilisi Red Bridge Road Georgia							F	L	F	L	60	205			
4	Design and Preparation of Tender Documents for three Tunnels on the road from Vanadzor to the Georgian Border in Armenia									F	L	F	L	30	300	
5	Training and Technology Transfer	F		F		F		F		F		10				
Totals												270	645			



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