



**ASSURANCE**

**OF**

**NATIONAL SOCIAL SECURITY FUND  
DUNGU SATELLITE VILLAGE PROJECT**

**FINAL REPORT**

**SEPTEMBER 2017**

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## **List of Abbreviations / Acronyms**

<b>CoST</b>	<b>Infrastructure Transparency Initiative</b>
<b>MSG</b>	<b>Multi Stakeholder Group</b>
<b>NSSF</b>	<b>National Social Security Fund</b>
<b>PE</b>	<b>Procurement Entity</b>
<b>DfID</b>	<b>Department for International Development</b>
<b>AT</b>	<b>Assurance Team</b>

## **1.0 Introduction**

The CoST Tanzania Multi-Stakeholder Group (MSG) appointed an Assurance Team comprising of QS Golden Kigolla and QS Mbilima Munyaga to undertake assurance of the NSSF Dungu Satellite Village Project located at Dungu Village, Dar Es Salaam.

Following is the report prepared by the experts.

### **1.1 Historical Background**

The CoST - the Infrastructure Transparency Initiative - is a global initiative working with governments, the private sector and local communities around the world to get better value for money in public infrastructure investments through increased transparency and accountability. By increasing transparency and accountability the initiative improves efficiency and reduces mismanagement, corruption and risks posed to the public from poor construction.

The initiative was formally initiated at a meeting held in London in 2007 attended by about 80 country and global institutions representatives (including Tanzania). It was formally launched in Tanzania in 2008 and is currently active in Afghanistan, Costa Rica, El Salvador, Ethiopia, Guatemala, Honduras, Malawi, Panama, Thailand, Uganda and Ukraine.

CoST Tanzania is hosted by the National Construction Council. The Initiative operations are overseen by a multi-stakeholder group (MSG) comprising representatives from government, industry and civil society elected by the Annual General Meeting. The decisions of the MSG are implemented by a small National Secretariat.

Construction is a complex process that involves many stakeholders and substantial amounts of money being exchanged through various hands, hence creating avenues for different forms of malpractices. Consequently, public sector projects have been known to be associated with increased contract prices, poor quality and severe delays resulting into non-achievement of expected value for money. The complexity of the causes and types of malpractices are such that they cannot be addressed by a single initiative.

It is with the above understanding CoST, which is a multi-stakeholder initiative has emerged with a focus of improving the value for money spent on public infrastructure projects by increasing transparency..

CoST believes in accountability by government to all citizens for public expenditure on construction projects, and are committed to encouraging high standards of transparency and accountability in all parts of the construction sector, both public and private.

Therefore, CoST's primary purpose is to help raise the standards of the transparency and accountability of publicly funded infrastructure projects, by disclosing project delivery information into the public domain.

## **Disclosure**

CoST increases transparency by disclosing data on public infrastructure projects. Data and information are disclosed at key stages throughout a project cycle, as set out in the CoST Infrastructure Data Standard (IDS). Ultimately, a national programme establishes a disclosure process for public infrastructure that is viable, sustainable and appropriate to local conditions and that can achieve a credible and substantial level of compliance.

The "Infrastructure Data Standard" (IDS), contains standard disclosure points considered ideal for the purpose of informing stakeholders about relevant aspects of the project and persuading them to actively follow up implementation of the project. The IDS contains 38 data points in the Proactive Disclosure section and 28 data points in the Reactive Disclosure section. The disclosed information released to the public domain by the PEs is termed as 'proactive disclosure' whilst the information issued on request is referred to as 'reactive disclosure'.

## **Assurance**

CoST promotes accountability through an independent review of the disclosed data. Through this assurance process, CoST validates technical data, interprets it into plain language and identifies issues of importance. This helps stakeholders to understand the main issues and acts as a basis for holding decision-makers accountable.

A list of information that is required to be disclosed is outlined in the IDS attached to this report as **annex A**.

During assurance

### **1.2 Objectives of the Assurance**

The objectives of the Assurance Team on the NSSF Dungu Satellite Village project were to undertake the following:

- (a) To collect the information from the procuring entities (PEs) through their various reports, and where necessary consultants and contractors on selected projects in order to ensure the publication of the relevant IDS as outlined in **Annex A**. Where PEs will produce the IDS, the ATs will have to ensure they are properly filled and complete.

- (b) To verify the accuracy and completeness of IDS disclosures on the selected project and produce reports as required by the MSG.
- (c) To analyse disclosed and verified data on the selected projects in order to make informed judgments about the cost, time of delivery, and quality of the built infrastructure.
- (d) To produce reports that are clearly intelligible to the non-specialist, highlighting any cause for concern the analyzed information reveals.

### **1.3 Challenges met in the assurance process**

From the onset, after going through the filled IDS provided by PE, the AT realized that the project was divided into some lots done by several contractors on site. Though from the outside look the project appeared to be one, it was divided into several contracts (thirteen to be more precise). The AT advised the MSG Assurance Task Force about the nature of the project and its implications regarding the IDS completion.

The resolution was to visit the site and see the actual happening and probably choose to deal with at least four (4) lots. On 7<sup>th</sup> June 2017, the AT and the CoST manager visited the site. From what was observed on site the CoST Manager advised that we choose and deal with only one (1) lot, which was Lot 1.

The PE was requested to revise the IDS to reflect information related to Lot 1 only. There was a delay of about seven months in getting the revised IDS which consequently affected the verification process. The CoST Manager and his team advised that the verification process be skipped and produce the final report based on what can be deduced from the submitted IDS.

## **2.0 Assurance Findings for Dungu Satellite Village**

Following are the Assurance Team findings and interpretation thereof based on the IDS as submitted by NSSF and the data collected during and after the site visit.

### **2.1 Project Background**

Dungu Satellite Village is a Residential development undertaken by National Social Security Fund with the aim of selling and generating income for the Fund. The project is located about 28 km from Kigamboni Ferry; about 25 kms are sealed while the rest is earth road that may be impassable during rains. Currently the access road to the site is in poor condition.

The development project involved the construction of 62 numbers of residential buildings planned to accommodate 439 families, ancillary buildings and including of site works, which was divided into four lots named; Lot 1, 3, 4 and 5. Available

budget for the project was TZS 100,023,584,983.61 but the total Contract Price for the works is TZS 87,023,584,983.61 (a difference of TZS 13,000,000,000).

The Residential development is undertaken by a number of Contractors as follows:

- Lot 1 – Beijing Contractors (Foreign)
- Lot 2 – Not Available
- Lot 3 – Advent Construction (Foreign)
- Lot 4 – 10 Local Contractors
- Lot 5 – CRJE (Foreign)

As stated by the PE (NSSF), the project is wholly owned and funded by the Fund, but according to other reports including the Auditor General’s Report for 2015, the project has been noted to be a Joint Venture with a private firm identified as AHEL.

It has been further established from the same sources that **Lot 2** is not located at **Dungu Farm** but at another NSSF/AHEL Joint Venture project known as **Dege Eco Village** also situated at Kigamboni.

However, the scope of the assurance assignment was limited to **Lot 1 only** which upon completion, will have 15 number of buildings divided into; 3 blocks with capacity of 6 families each, 5 blocks with a capacity of 4 families each, 6 blocks with capacity of 4 families each and 1 block with a capacity of 9 families. The buildings would accommodate 71 families in total.

## 2.2 Project Data for Lot 1

Project data for Lot 1 are summarized as follows.

Employer	:	National Social Security Fund (NSSF)
Architect	:	Ardhi University Dept of Architecture (Arch),
Quantity Surveyors	:	KAMU Cost Engineering Centre
Civil/Structural Engineer	:	Tancosult Ltd
Service Engineer	:	ML Engineering Consultancy Ltd
Contractor	:	M/S Beijing Construction Engineering Group Co. Ltd
Electrical Sub-Contractor	:	Electro-Mechanical Agencies
Sub-Contractor	:	Hitaji Company Ltd
Commencement Date	:	31 <sup>st</sup> January 2014
Original Contract Period	:	30 Months
Revised Contract Period	:	31 <sup>st</sup> December 2017
Original Completion Date	:	30 <sup>th</sup> June 2016)
Revised Completion Date	:	December 2017
Original Contract Price	:	TZS 21,453,198,002.50
Current (June 2017) Status	:	Approximately 75% complete.

## 2.3 Project Planning and Implementation

### 2.3.1 Project Identification

- a) As stated by the PE (NSSF), the project name is the **Proposed Construction of Dungu Satellite Village, Lot 1**, located at Dungu farm in Kigamboni, Dar es Salaam.
- b) The primary aim of the Fund for implementing this development was said to be to invest for income generation to the fund, improve the social life, promote local contractors, to participate in alleviating accommodation deficit in the country and to create employment opportunities to Tanzanians.

#### **AT's observations/comments**

As mandated by ACT No. 28 of 1997, section 62 and 63 the core objective of the Fund is to generate income to improve social life of its members. The other objectives are not mentioned in the Act. However, by the time of publishing this report (March 2018) there was no evidence that any of the objectives had been achieved.

### 2.3.2 Project Preparation

The Dungu Satellite Village was split into four lots namely Lot 1, 3, 4 and 5.

The Fund stated that the scope of Lot 1 project was to build residential units with the capacity of housing a total number of 71 families. 15 numbers of buildings were designed to meet that requirement.

The Fund further stated that the environmental, land and settlement impact assessment were done and the results were in favor of the project. The Feasibility study and the Land and Settlement Impact Assessment were not provided to the Assurance Team.

The source of the project funds was the NSSF's members' contributions. A budget of TZS 100,023,584,983.61 for the whole scheme was approved and set aside in financial year 2013-2014.



### **2.3.3 Lot 1 Project Procurement.**

The tendering method used was said to be the National Competitive tendering. Though the number of firms tendered was said to have been 40 but it was not clear whether the number was for the overall project or just for Lot 1.

The main contractor was not local. Local contractors have the capacity to implement the contract because the construction is not complex (2 – 3 floors basically residential).

The type of contract entered was a fixed contract and by the time of carrying out this assurance assignment the contract was still valid.

The Contract Price for Lot 1 was given as TZS 21,453,198,002.50 .

The contract scope was said to involve 15 numbers of buildings to accommodate 71 families in total, with its associated external works in a contract period of 30 months commencing on 31<sup>st</sup> January 2014 (i.e. to 31<sup>st</sup> July 2016). This has however been extended to 31<sup>st</sup> December 2017.

#### **AT's observations/comments**

The information given in the IDS is very confusing as it appears to be mixing up information of the whole project and those for Lot 1 only.

### **2.3.4 Project Completion.**

As before said that the scope of this project is limited to Lot 1 only, the status of the project by the time this assurance assignment was being carried out was 75% complete (and the PE indicated in January 2018 that it was 100% complete). Following key issues are noteworthy:

- a) No separate anticipated completion cost and dates were provided except for the overall cost of TZS 21,453,198,002.50 and a completion date of 31<sup>st</sup> December 2017 respectively.
- b) It appears that initially, a police station was incorporated in the project design, however, in the IDS provided, it was indicated that the idea of including the police station was dropped out because it cannot be sold and was thus replaced with a residential building of exactly the same price..
- c) It was reported that audit and evaluation reports were carried out as per requirements though the PE could not provide nor reveal the contents of those reports.

### **AT's observations/comments**

- (a) By the time of carrying out this assurance assignment, the project was only 75% completed when the contract duration has been exceeded by 34%. When the AT visited the site, the site was somehow inactive. Little if any was seen happening on site. External works were yet to begin.

### **2.3.5 General comment on Design and Quality of Work**

The AT inspected the works and found some design concerns as follows:

- (a) In the 9 Unit Block, the sitting and dining rooms appears to be too small to fit even one set of sofa. Likewise, the toilets pans (WCs) are too close to the service ducts such that there is no enough room to sit comfortably. The attached pictures 1 and 2 can elaborate what was observed.
- (b) In some of the buildings as shown in the attached photos number 3 and 4, the "balcony water outlet" was just over the entrance steps. It caused a situation whereby a passerby may be spilt with dirty water coming out of the first floor. This is a poor positioning of rain water outlet close to the entrance. The AT believes there were better places to locate the outlet as opposed to where they are located now.
- (c) External doors are opening inside posing fire risks to occupants.
- (d) Some units have dark central corridor which will require lights to be on 24 hours per day.
- (e) There is no consideration for disabled access – lack of ramps.

### **2.3.6 General Issues of Concerned on the Project**

- a) Local Contractors

The Fund engaged local contractors in the Dungu Farm project with an intention of empowering them though most of those contractors were found to have low capacity of undertaking work with scheduled program.

During Site visit it was revealed that some local Contractors have not completed their Contracts, have abandoned the site and no reasons were given. The quality of their works is generally unsatisfactory.

The implication is that the inclusion of the local contractor capacity building objective was not supported by the design of a capacity building framework and monitoring and evaluation framework that would have facilitated monitoring of their development process.

- b) The PE indicated that there was a change in contract scope due to the decision to change the police station in favour of the high rise building but with no change in price.

## Annex A:

### The Infrastructure Data Standard: *Core*<sup>1</sup> data points for proactive disclosure

Project phase	Project data	Contract phase	Contract data
Project Identification	Project name Project Location Purpose	Procurement	Procurement process Contract type Contract status (current) Number of firms tendering Cost estimate
Project Preparation	Project Scope (main output) Environmental impact Land and settlement impact Funding sources Project Budget Project budget approval date		Contract title Contract firm(s) Contract price Contract scope of work Contract start date and duration
Project Completion	Project status (current) Completion cost (projected) Completion date (projected) Scope at completion (projected) Reasons for project changes Reference to audit and evaluation reports	Implementation	Variation to contract price Escalation of contract price Variation to contract duration Variation to contract scope Reasons for price changes Reasons for scope and duration changes

<sup>1</sup>Core items are a simplified list of substantive items of data, excluding the items included in the full list only for identification (e.g. project owner, contact details)

## Annex B:

### The Infrastructure Data Standard: Information for reactive disclosure on request

Project information	Contract information
<b>Identification and Preparation</b> Multi-year program & Budget Project brief or Feasibility study Environmental and social impact assessment Resettlement and compensation plan Project officials and roles Financial agreement Procurement plan Project approval decision	<b>Procurement</b> Contract officials and roles Procurement method Tender documents Tender evaluation results Project design report
	<b>Contract</b> Contract agreement and conditions Registration and ownership of firms Specifications and drawings
<b>Completion</b> Implementation progress reports Budget amendment decision Project completion report Project evaluation report Technical audit reports Financial audit reports	<b>Implementation</b> List of variations, changes, amendments List of escalation approvals Quality assurance reports Disbursement records or payment certificates Contract amendments





ii) Dungu Infrastructure Data Standard for the whole Project

The Infrastructure Data Standard (IDS): Core data points for proactive disclosure

Project phase	Project data	Contract phase	Contract data
Project Identification	Project name	Procurement	Procurement process
	Project Location		NATIONAL COMPETITIVE TENDERING
Project Preparation	Purpose	Implementation	Contract type
	Project Scope (main output)		Contract status (current)
	Environmental impact		Number of firms tendering
	Land and settlement impact		Cost estimate
	Funding sources		Contract title
	Project Budget		Contract firm(s)
	Project budget approval date		Contract price
	Project status (current)		Contract scope of work
	Completion cost (projected)		Contract start date and duration
	Completion date (projected)		Variation to contract price
Scope at completion (projected)	Escalation of contract price		
Reasons for project changes	Variation to contract duration		
Reference to audit and evaluation reports	Variation to contract scope		
	Reasons for price changes	Reasons for scope and duration changes	



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