

PD-AAA-222-A

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5p.

LOAN COMPLETION REVIEW AND REPORT

{ 612-0153.1  
690-0028  
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Identification

A.I.D. Loan Number : 612-H-002 and 002A

Name of Project : Malawi Lakeshore Road

Amount of Loan : \$ 7.0 million  
\$ 1.2 million  
\$ 8.2 million - Total

Date of Authorization : June 07, 1968  
June 27, 1972 (amendment)

Date Loan Agreement Signed : July 17, 1968  
August 25, 1972 (amendment)

Terminal Date of Disbursement : December 31, 1974

1335  
821  
701B

Total Disbursement as of December 1974 - US\$ 7,910,000.00

April 10, 1975

#### A. Description

The purpose of this loan is set forth in the loan paper and Loan Agreement.

The project consists of the provision of materials and services required for the construction of approximately 126 miles of secondary highway and structures in the Lakeshore area of Malawi. The route consists of two sections: the longer section extends northwards from a junction with the Zambia-Lilongwe Highway near Balaka for a distance of 90 miles, to the town of Salima. The short 36-mile section extends eastwards from the junction with the north south section near the Mwa Mission to the junction of the Monkey Bay-Fort Johnson Highway on the shore of Lake Malawi. Design details include the construction of the highway embankment, a six-inch gravel surface and a single bituminous surface treatment. Eleven two-lane bridges and several major culvert structures, as well as minor drainage appurtenances are also included in the project.

The technical services and goods financed under this project included contracts with US firms to manage and supervise the construction by both Malawi Public Works personnel and supplementary US construction expertise. The loan was financed for the procurement of US construction equipment, spare parts and required construction materials.

#### B. Covenants

The covenants included in the loan authorization and Loan Agreement are as follows:

A review of all the covenants included in the loan authorization and Loan Agreement was made and it is determined that all covenants have been met except for one specific reporting requirement as stated in Section C of this report.

#### Special Covenant

Section 5.01 of the Loan Agreement required the borrower to submit a program for the construction of an adequate system of feeder roads connecting the project (established at 90 miles, at the construction rate of 15 miles per year) and all to be completed within 18 months after the completion of the project.

During the period 1968 to 1972, some 35 miles of feeder roads were completed. The Government now has a program of construction of feeder roads underway, being financed by the German Government, in our project area. It is estimated that this program will build in excess of 90 miles of feeder roads.

C. Reporting Requirements

The normal reporting requirements were not met during the actual construction phase of the project. These consist of:

- a. monthly reports - prepared by TAMS
- b. quarterly project reports - prepared by TAMS
- c. end of construction (gravel surface) report  
- prepared by TAMS
- d. special report dated June 1974 by Gordon  
Manley and John R Westley
- e. final audit reports of the project dated  
June 14, 1974.

Implementation Letter No 7 dated July 23, 1973, requested GOM to submit an annual audit of equipment supplied under the loan and a roads audit report for the project, i.e. traffic, maintenance, miles of feeder roads construction, agriculture development in the area, impact on fisheries and tourism. GOM stated that they did supply reports in 1973 and 1974. REDSO does not have these reports on file. REDSO has requested additional copies from GOM.

D. Summary of Engineering and Construction Sections

This summary was the first exposure of REDSO to the use of the contract management technique. Due to the high bid prices, AID/GOM agreed on a force account construction operations using a consultant firm for engineering and inspection requirements and a construction management team for the construction supervision. This proved to be successful, within limits, for the completion of the gravel surfaced phase of the road. Details and analysis are contained in the Manley/Westley Report.

E. Spare Parts Procurement

During the last phase of the project, financing in the amount of US\$210,000.00 was provided for the purchase of spare parts and procurement fees for the AID-financed project construction equipment. This provided a stock of spare parts to maintain the equipment during the asphalt surfacing phase of the construction. This phase (1972 to 1974) was done by GOM Roads Department, using GOM personnel totally, including supervision and engineering control.

F. Financial Status

Amount of Loan US\$ 8,200,000.00

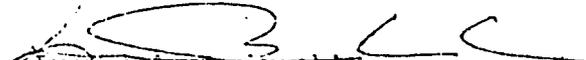
1. Engineering & Construction Management Services (estimated) .. .. .	..	US\$	2,000,000.00
2. Equipment Procurement (estimated)	..		4,000,000.00
3. Local Cost Support (estimated)	..		1,700,000.00
4. Spare Parts Procurement	..		210,000.00
Sub-Total.. .. .	..	US\$	7,910,000.00
Deobligation (estimated)	..	US\$	290,000.00

G. Monitoring Responsibilities

FEOSO will issue the final portion of an Implementation Letter for the Loan Termination. All AID monitoring responsibilities will terminate with the Implementation Letter.

REDSO Project Committee Staff conducting the review and preparing the report:

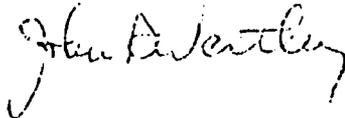
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