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* 1. **Loan to Wastewater Management Authority for Construction of Wastewater Infrastructure**

Prior to 2013, sewerage projects implemented by the Wastewater Management Authority (WMA) were financed by Government through grants. Since 2013, the WMA was granted loans by Government to finance the implementation of these projects. As at 30 June 2016, six loan agreements for a total amount of some Rs 3.2 billion were signed between Government of Mauritius and WMA. During financial year 2016-17, another agreement for an amount of Rs 1,055,000,000 was signed on 15 September 2016.

As at 30 June 2017, loans disbursed to the WMA since 2013 totalled Rs 2,843,625,458 as shown in Table 5-1.

*Table 5-1 Loans to and Interests and Penalties due by Wastewater Management Authority*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date of Loan Agreement** | **Amount of Loan as per Agreement**  **Rs** | **Amount Disbursed as at  30 June 2017**  **Rs** | **Loan Repayment Period** | **Interests and Penalties on Claims issued up to  30 June2017**  **Rs** |
| 06.05.2014 | 920,992,616 | 920,992,616 | Mar 2018 to Sep 2027 | 163,429,155 |
| 19.08.2014 | 307,700,000 | 307,700,000 | Mar 2019 to Sep 2028 | 42,017,728 |
| 14.11.2014 | 507,450,000 | 394,788,725 | Oct 2019 to Apr 2029 | 45,626,510 |
| 23.02.2015 | 200,000,000 | 140,170,223 | Apr 2020 to Oct 2029 | 13,561,715 |
| 25.05.2015 | 182,230,000 | 141,492,383 | Sep 2020 to Mar 2030 | 11,423,797 |
| 25.05.2015 | 1,056,000,000 | 401,909,462 | Sep 2020 to Mar 2030 | 21,083,704 |
| 15.09.2016 | 1,055,000,000 | 536,572,049 | Jun 2021 to Dec 2030 | 10,437,636 |
| **Total** | **4,229,372,616** | **2,843,625,458** |  | **307,580,245** |

*Source: Loan Agreements and Claims from the Treasury*

At paragraph 6.1.3 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, it was reported that as at 30 June 2016, though capital repayment was not yet due on any loan disbursed since 2013, interests and penalties accrued on these loans were not paid by the WMA.

During financial year 2016-17, no interest payment was effected. As at 30 June 2017, claims already issued in respect of interests and penalties due on these loans totalled some   
Rs 307.6 million as shown in Table 5-1.

***Ministry’s Reply***

Following the observations made in previous Audit Report, the Ministry of Finance and Economic Development has decided that sewerage works would henceforth be financed by way of shares and equity. WMA has been requested to start repaying its outstanding interests to Government.

* 1. **Bagatelle Dam Project**

***5.2.1******Construction Contract***

In June 2011, the contract for the “Construction Works of the Bagatelle Dam Project” was awarded to a foreign construction Contractor for the sum of Rs 3,332 million (inclusive of   
2.5 per cent discount and 10 per cent Contingencies). The commencement date was   
1 December 2011 and the original completion date was scheduled for 30 November 2014, with a time for completion of 36 months.

On 7 July 2014, Addendum 1 to the contract, which related to design changes of the spill way and the “Cut Off Wall” was signed between the Ministry and the construction contractor, bringing the revised contract value to Rs 5,654 million (inclusive of Rs 1,966 million for the Cut Off Wall), that is, an increase of some 70 per cent over the original contract amount. The completion date was extended by 31 months to 30 June 2017, with the introduction of a new key milestone, namely “Dam Ready for Impounding” at latest by 31 December 2016.

***5.2.2******Consultancy Contract***

At paragraph 6.2.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I mentioned that in February 2014, the Ministry had terminated the consultancy contract for the “Detailed Design and Construction Supervision of the Bagatelle Dam Project” with the first Consultant. A second Consultant was appointed on 25 March 2014 to take over the Consultancy Services Contract for “Lot 1 – Inception, Expert Review and Design Take Over”, and “Lot 2 – Construction Supervision” for a total amount of Rs 183.6 million.

***5.2.3******Increase in Project Value (Construction Works and Consultancy Services)***

In May 2016, Government approved an increase in the project value (for both construction works and consultancy services) from some Rs 6.4 billion to Rs 7.1 billion. The main components of the increase were as follows:

* Increase of the construction contract value from Rs 5.6 billion to Rs 6.1 billion, that is, an increase of some nine per cent as a result of increase in quantities of bill items, cost indexation exceeding the provisions in the existing contract, variation works and the provision of a Contingency Sum;
* Increase in cost of the Consultancy Services by some 23 per cent, from Rs 183.6 million to Rs 226.7 million to cover cost of increased scope of work, extension of the contract for the supervision of construction works from January to July 2017, and additional services in connection with assessment of claims submitted by the Contractor.

As at 30 June 2017, payments to the Construction Contractor and the Consultant totalled   
Rs 6,115,439,821 (including Rs 1,929,330,960 for the Cut Off Wall) and Rs 217,968,852 respectively.

***5.2.4******Additional Increase in Cost of Consultancy Services***

On 27 June 2017, the Consultant claimed additional cost of €116,495 and Rs 701,600 over and above the actual contract ceiling for additional works carried out. As at mid-November 2017, the claim was being examined by the Ministry.

***Ministry’s Reply***

The Ministry has examined the additional claim of € 116,495 and Rs 701,600 from the Consultant. The Ministry and the Consultant have agreed that total payment for the consultancy services will remain within the project value of Rs 226.7 million approved by Government, subject to prevailing Euro exchange rate at the time of payment.

***5.2.5 Claims and Disputes with the Construction Contractor***

As at 30 June 2017, the Construction Contractor had submitted 28 claims for extension of time and additional costs totalling some Rs 2.7 billion to the Ministry.

13 claims totalling Rs 359,793,734 had already been assessed by the Consultant and paid by the Ministry during the period May 2013 to June 2017.

In January 2017, judgement in respect of one claim was delivered by the Supreme Court in favour of the Ministry. The Contractor has made an appeal against the decision. The case has been fixed for merits on 25 January 2018. The Consultant has also determined amounts of   
Rs 19,836,600 and Rs 12,970,700 in respect of two other Claims. The remaining 12 claims have been rejected by the latter to which the Contractor has disagreed.

In June 2017, in an attempt to settle all the claims amicably in line with the construction contract, the Contractor proposed an amount of Rs 746,866,550 (excluding the two claims already determined by the Consultant) as a final settlement.

The Consultant has examined the proposal and was of the opinion that a total amount of   
Rs 400,166,192 could be paid to the Contractor in respect of all claims. This amount excluded the claim for which a Court decision was awaited, but inclusive of the sum of   
Rs 359,793,734 in respect of the 13 Claims already paid. His decision was communicated to the Contractor on 1 August 2017. However, the latter disagreed with the Consultant’s proposal and has again expressed the wish to settle all pending claims and disputes in an amicable manner.

The Ministry explained that as regards the amicable settlement, the advice of the Consultant on the counter proposal of the Contractor was being awaited.

***5.2.6 Dam Impounding***

Impounding of the dam started on 22 December 2016, before the milestone of   
31 December 2016 and progressed rapidly. At mid-June 2017, the reservoir was 100 per cent full.

***5.2.7 Taking over of the Bagatelle Dam Project***

The Taking Over Certificate was issued by the Consultant on 30 June 2017 subject to some minor outstanding works which should be completed during the Defects Liability Period from 1 July 2017 to 30 June 2018.

***5.2.8 Seepages from Cascade River Meanders***

On 27 May 2017, the Consultant reported that he had noticed seepages from the meanders of the Cascade River. The seepages were mainly from Meander 4 which was closest to the dam toe. Some seepages were also noticed from Meanders 2 and 3, and no seepage from Meander 1. The total seepage from the three drainage pipes installed in the Meander 4 slope was about eight litres per second at end of June 2017.

The Consultant, in his report of 30 June 2017, concluded that the dam and the Cut Off Wall were well efficient and the stability and safety of the dam, as well as the meander slopes stability were well ensured. He recommended that monitoring of the piezometric levels downstream of the dam, as well as leakages should be done as per the Operation and Maintenance Manual, and the data sent regularly to Dam Expert for analysis.

The Ministry explained that, based on the advice of the Consultant’s Dam Expert, there was no cause for concern as the seapages were being closely monitored, and the situation was under control. In addition to the advice of the Consultant’s Dam Expert, the Ministry also sought the opinion of another team of independent Experts funded by the African Development Bank. The team of Experts, including a Dam Expert, a Hydrological Expert, a Geological Expert and an Environmental Expert, also concluded that the dam was safe and that monitoring of the seepages should continue.

A site visit was carried out by my Officers on 20 September 2017. It was observed that the seepages were being closely monitored. As per explanation gathered, the total seepages from the three drainage pipes installed at Meander 4 was about six to eight litres per second.

***Ministry’s Reply***

Total seepages from Meander 4 have stabilised and close monitoring is being maintained.

***5.2.9 Construction of Bagatelle Water Treatment Plant***

At paragraph 6.2.4 of the Audit Report for the 18-month period ended 30 June 2016, mention was made that the award of the contract for the “Construction of the Bagatelle Water Treatment Plant” initiated by the Central Water Authority (CWA) in April 2013 had been considerably delayed due to challenge made by two aggrieved bidders and legal procedures initiated by one of them.

The contract had been awarded to the successful bidder by the CWA for the sum of   
Rs 1,024,194,437 on 10 November 2016. The duration of the project is 22 months and the commencement date was fixed on 2 February 2017.

***Ministry’s Reply***

Pending the commissioning of the Treatment Plant, the CWA has, since December 2017, made the following arrangements to use water from the reservoir:

* Water is released through the Terre Rouge River to supply Port Louis through the Pailles Water Treatment Plant;
* 3,000 m3 water is being chanelled daily through a newly constructed pipeline for distribution to the region of Rose Hill.
  1. **Rivière des Anguilles Dam Project**

At paragraph 6.3 of the Audit Report for the 18-month period 1 July 2015 to 30 June 2016, mention was made that the Rivière des Anguilles Dam (RAD) Project was initiated as a priority project to meet the increasing demand of water supply for domestic and irrigation purposes and the tourism sector in the southern and part of western region of Mauritius by Government.

During financial year 2016-17, no payment was effected for this project, and as at end of June 2017, actual amount spent was some Rs 174.8 million.

***5.3.1 Activities not yet Finalised***

Mention was also made that as at December 2016, some activities were yet to be finalised. As of June 2017, the same activities remained to be completed, namely:

* Finalisation of a lease agreement with the Mauritius Broadcasting Corporation (MBC) for a rock quarry of 13.4 arpents;
* Finalisation of an agreement for a rock haulage road with stakeholders;
* Land acquisition for the construction of a quarry site of some six arpents under negotiation since 2012. Notice under Section 6 of the Land Acquisition Act has already been published in the Government Gazette in its issues of 28 November and   
  12 December 2015, 30 January and 27 February 2016. On 14 August 2017, copies of the Notice under Section 6 of the Land Acquisition Act for the compulsory acquisition of the land were sent to the Ministry of Housing and Lands to be served on the owner.

The Ministry explained that the MBC and other land owners were agreeable to lease the land for the purpose of the project. The outstanding activities were not finalised as funds were previously not made available for the project. Funds have now been earmarked for the consultancy services and all land leases and land acquisition activities are expected to be finalised during the detailed design stage so that the land is available at the start of the works contract.

* + 1. ***Contract for the Design Review and Construction Supervision***

I pointed out that the contract for the Design Review and Construction Supervision of RAD Project was awarded to the same firm which was awarded the Consultancy Contract for the Bagatelle Dam Project, in March 2012. However, following problems encountered with the latter on the Bagatelle Dam Project, the consultancy contract for RAD project was terminated in August 2013. I also reported that as at end of December 2016, the bidding documents for consultancy services were being finalised by the Ministry before being sent to the Central Procurement Board (CPB) for vetting.

The Ministry explained that the procurement process could not start earlier as both the CPB and the Attorney General’s Office requested for confirmation of financing for the consultancy services. The Ministry of Finance and Economic Development confirmed funding in May 2016.

On 6 February 2017, invitation for proposals for selection of Consultant for ‘Consultancy Engineering Services for the Design Review and Construction Supervision of the Rivière des Anguilles Dam’ was launched through Open International Bidding.

On 25 July 2017, CPB informed the Ministry that as at closing date, 13 Consultancy Firms submitted proposals for the above project. After evaluation, it had approved award of the contract to a foreign company in association with a local one for the corrected amount of € 3,334,980 and Rs 30,038,100, exclusive of local taxes.

Notification under the Public Procurement Act was sent to the successful and non-successful bidders on 28 July 2017.

On 14 August 2017, an aggrieved bidder applied for review to the Independent Review Panel (IRP). Hearings were held at the IRP on 22 and 31 August 2017.

However, on 14 September 2017, IRP decided that there was no merit in the Application for Review. The Letter of Acceptance was issued to the successful bidder on 13 October 2017.

***Ministry’s Reply***

The contract was signed with the Consultant on 15 January 2018 and the commencement date was 22 January 2018 that is, seven days after signing of contract.

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