

MOLDOVA SOCIAL INVESTMENT FUND II

FOLLOW-UP HANDBOOK

TO BE APPROVED BY THE NATIONAL COUNCIL

Chisinau, 2004

Follow up Handbook is considered to be a part of MSIF II Operational Manual.

It has been elaborated in order to facilitate the activity of MSIF Consultants, Primarias and Implementing Agencies over the whole micro-project's/grant's implementation period since the contract between Primaria, Implementing Agency and Contractor was signed and approved. It describes in details all procedures of construction works commencement, monitoring and supervision, payment for accomplished works, completion and Hand Over of micro-projects. It also describes in details actions and responsibilities of all participants to MP/Grant implementation process.

Follow up Handbook can be useful both for MSIF Officers, local consultants, and Primaria and Implementing Agency members.

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ACRONYMS

BA	Beneficiary Association
CO	Change Order
ED	Executive Director
EO	Executive Office
EC	Executive Committee
FAD	Financial Administrative Department
FDP	Facility Development Plan
FE	Follow up Engineer
FMB	Facility Management Board
IA	Implementing Agency
LC	Local Consultant
LS	Local Supervisor
MMISD	Management and Information System Department
MIS	Management Information System
MPD	Micro-project Department
MP	Micro-project
MSIF	Moldova Social investment Fund
NGO	Non-Government Organization
PC	Performance Contract
PCDD	Promotion and Community Development Department
PS	Procurement Specialist
PTA	Parents and Teachers Association
RFP	Request for Payments
RAP	Request for Advance Payment
SAW	Statement of Accomplished Works
TA	Technical Assistance
UA	Users Association

Micro-project Follow – Up

Chapter 1. Commencement of Construction Works

Each micro-project shall be considered passed to the Follow-up phase since the moment of signing the Contract between the IA and the successful Contractor. The IA will inform the successful Contractor with a Letter of Acceptance.

The construction Works commencement period will last since the date of Contract signing through the Start Day which is indicated in the Contract Data (see the NCB document).

The Letter of Acceptance will be sent by the IA to the Contractor only after the Local Supervisor (LS) has been contracted.

After the Contract is signed between the IA and the Contractor, the MSIF ED will order the assignment, on the MPD proposal, of a person responsible for the micro-project follow-up, a Follow up Engineer (FE).

1.1 Construction Works Commencement Procedure

As soon as the Contract for Works is signed between the IA and the Contractor, the FE will organize a work meeting on the site, mandatory attended by: the Implementing Agency, Contractor, Local Supervisor, Follow up Engineer. The purpose of this meeting is to transfer the micro-project site from the IA to the Contractor. The following three documents need to be completed:

- “Site Possession Agreement”
- “Community Contribution Transferal Agreement”(in kind and/or labor)
- “Site Log-Book Transfer”.

These three Agreements have to be signed by the Contractor, IA, LS, and FE. After the signing of these Agreements, the Contractor can start preparing and commencement of Construction Works.

FE and LS have to verify if the construction materials provided as community contribution exist and have the Certificate of Origin and the Quality Certificate.

The IA has to submit the data on the micro-project site, Contractor, LS, and terms of construction works execution to the representative of the Regional Construction State Inspection for filing.

Chapter 2. Supervision of Works

In order to ensure a high quality of construction works on the site, execution of works in time, problems emerging on the site, it is necessary that concurrently with commencement of works, their supervision starts.

The IA and the MSIF Executive Office (EO) shall organize supervision of construction works based on two foundations:

- local supervision;
- monitoring by the MPD FE and Follow up Sociologist (FS).

Local Supervision

Local supervision shall be carried out by the Local Supervisor (LS), contracted by the IA in accordance with the terms and conditions stated in the Framework Agreement. The Contract between the LS and

the IA will last for the duration of the micro-project implementation. The IA will hire the LS only upon the no-objection of the MPD Director who will interview the candidate.

Local Supervisor's hiring procedure is as follows:

- submission of application to the IA;
- participation in the competition;
- receiving of recommendation letter from the IA;
- interview with the MPD Director;
- signing of the Contract with IA;
- approval of the Contract by the MSIF ED.

From the moment of signing the contract with the IA, the LS can not be employed by any other organization for the duration of the Contract. The LS represents and stands for the interests of the IA and performs his/hers duties as stated in the Terms of Reference attached to this Handbook. The LS is subordinate and reports directly to the Head of the IA and the MSIF FE (Annex 18).

The LS will carry out daily supervision and will:

- control the quality of the construction works executed by the Contractor,
- verify the quality and the amount of hidden works,
- control the compliance with the MP requirements of environmental protection,
- sign the relevant operational documents,
- verify the observance of safety rules by all construction works participants,
- verify the quantity of construction materials used at the site,
- identify problems emerged on MP site and take measures to address them,

The LS supervises and is responsible for timely filling out by the Contractor of the operational documents and Site Log-book needed to hand over the site.

The LS verifies the works executed by the Contractor and collects and verifies all Statements of Accomplished Works (SAW) submitted for payment to the IA.

The LS timely identifies all managerial, technical, financial constraints that may appear at the site and take actions to settle them.

The LS daily informs the Head of the IA about the construction works progress and periodically (once a week) reports to the FISM FE. The LS notes all construction technology deviations, use of low quality materials, take adequate actions within his/hers competence and immediately reports to the Head of the IA and FE.

Site Log Book

1. The Site Log Book is the main document showing the technological consequence, terms, conditions and quality of completed construction and assembling works.
2. The register shall be kept by the person who bears responsibility for the construction of the house or the building (contractor, chief of the construction site) and entries shall be made starting from the first day of works at this particular site.
3. The title, the list of the sub-contractors and of the staff of engineers and technologists, engaged in the construction of this object, shall be perfected by the General Entrepreneur Organization.
4. Data entries regarding fulfillment of works made on a systematic basis (from start till the completion) represents the main part of the register. These include data about start and completion of the job, the way of performance.

A description of the inputs used in the construction of the building is made, it

including the axes, floors, levels, sections and rooms, where the works have been performed.

Also described here are the methods the works have been carried out, inputs used, deviations from the design (reasons are explained) and their coordination; special attention is paid to measures for earthquake and corrosive control, geodesic control, the time of accident is showed, if any, its short description with reference to minutes taken with that occasion.

5. Registers with entries about welding and concrete works, technical supervision of the construction process have an important role.
6. One is supposed to make clear entries into the register using a pen. Registers are subject to periodic checks carried out by the chief of the construction organization and the beneficiary representative. Both of them submit comments.
7. MSIF Representatives, State control, author rights control and local inspector shall write their comments and requirements in special forms of the register, making a copy of recommendations for themselves.

During the document preparation process for the intermediary hand over of the main constructions and for the inspection of disguised works a sufficient number of copies shall be made. Copies shall be made on special forms of the original book, which will be kept in the register.

It is strictly forbidden to extract pages from the Site Log Book

8. Pages from the register shall be numbered and bind together; the title page shall contain all signatures and the stamp of the construction organization that issued it.

During the process of the Provisional Hand Over of the MP, the Site Log Book shall be submitted to the Hand Over Committee and after the approval of the Hand Over Agreement shall be delivered to the beneficiary (Primaria, UA,) for permanent storage.

2.1. Follow-up Procedure

The MPD Director will be informed and provided with a copy of the Contract between the IA and the Contractor by the MSIF Procurement Specialist (PS).

Micro-project assistant, at the request of the MPD Director, will draft an Order of the ED on the appointment of a MPD engineer as a Follow up Engineer (FE) responsible for the supervision of the Micro-project during implementation.

The MPD Director will submit this order to the MSIF ED for signing. A copy of this order will be filed within the MPD.

Follow up Engineer

The Follow up Engineer appointed for the supervision will:

- get acquainted with the appointment Order,
- have one day to study the operational documents (Bill of Quantities from the Contract for Works, the budget and the drawings) of the Micro-project he/she was appointed for,
- introduce the additional data in the MIS.

Then the FE will organize the first visit on the site and will examine the actual conditions there at the date of the Site Possession Date by the Contractor (see par. 1.1). In this day the FE will instruct the LS for the first time and set up the liaison system and periodicity of reporting to the MSIF EO.

In the future the FE will visit the site on a weekly basis for the whole duration of the Works. During these visits the FE will meet with the LS, IA and community representatives to discuss any issues related to implementation of the MP and verify the following:

- Amount and quality of works executed by the Contractor;
- Compliance with the MP requirements of the environmental protection;
- Filling out of the site operational documents;
- The way the schedule of construction works is observed;
- Identify problems and bring them to the attention of the MSIF;
- Fulfilling the commitments of the IA related to community investment and sustainability of the project after the completion of works;
- Problems faced by the Contractor;
- Financial problems within the competence of the FE;
- How the LS fulfills his/hers responsibilities.

During each visit to the site, the FE will make records in the site Log-Book. The requirements set forth by the FE are a must for the LS and the Contractor. If the deviations from the quality of works or the construction technologies are major, the FE, may, upon the approval of the IA suspend the construction works.

At the same time the FE is responsible to provide the IA and the Contractor with necessary current documents related to the micro-project implementation. The checklist of documents to be maintained at the site is attached (Annex 16).

Back to the EO, the FE will inform the MPD Director about the conditions at the construction site and results of the field visit.

Besides, FE will make Weekly Follow up Reports over the whole period of MP implementation (Annex 19).

Follow up Sociologist

Besides the supervision by the FE, every MP will be possessed of the monitoring by the MPD Follow up Sociologist (FS) over the whole period of the MP implementation.

The main task and responsibility of the FS is to carefully watch, check and monitor all social aspects of the MP implementation progress.

Usually the FS will visit MP site along with the FE. Each time the FS will talk to the members of community in order to find out their opinion about all aspects of the MP implementation.

The FS will monitor the MP for several reasons:

- carefully watch and check the mood of population and beneficiary information campaign;
- verify the AI accountability and transparency;
- get information on training provided to the community, on capacity building and community development;
- assist the IA in addressing institutional issues;
- assess social impact, community participation and temporary job created;
- assist community to improve its sustainability concept and plan on the operation and maintenance of renovated facility;
- help community to make and sign with MSIF a Performance Contract for two years after the MP is completed;
- follow up the Performance Contract progress until it is completed.

Back to the office, every time, the FS will make a report to the MPD Director (Social Follow up Report, Annex 20).

Chapter 3. Change order procedure

During the execution of rehabilitation works a necessity may appear to make changes in the micro-project and its cost due to some unforeseen situations and works.

Such changes are expected to concern the amount of:

- works,
- technologies,
- materials and
- equipment.

Change orders may be approved and made only upon the mutual consent of all parties concerned. In cases when the project 's implementation is based on some technical drawings developed by a design engineering company, the proposed changes have to be coordinated with such company.

No change order is accepted unless technical justification from FE is attached.

3.1. Initiation of the Change Order Procedure

The initiative to introduce changes into the MP may belong to any participant to the micro-project implementation: IA, Contractor, MSIF.

The MP participant soliciting the change order has to submit a formal request in writing with a clear statement of origin, essence, and reasons for such change order.

a) Change Order initiated by the Implementing Agency

- In case the Change Order is initiated by the IA, it has to submit a formal letter to the EO in order to preliminary coordinate the requested modifications with LS, Contractor and the author of the blue print.
- After being filed, the request will be passed over to the MPD director who will give necessary indications to the FE responsible for the micro-project to verify the problem on the site.
- After making the necessity verifications related to modifications in the micro-project, the FE confirms the requested changes and then, the Contractor, the LS the head of the IA and the FE draft and sign the Change Order Minutes (Annex 8).
- The Minutes and the recalculated amount of works are submitted to the MSIF Estimator who develops an additional Bill of Quantities.

b) Change Order initiated by the Contractor

- If the Contractor is the initiator of the Change Order, a formal letter has to be submitted to the IA, preliminary having coordinated the problem with the LS and the author of the blue prints.
- In its turn, the IA submits a formal request to the MSIF EO.
- The further Change order procedure is the same as in the previous case.

c) Change Order initiated by the MSIF

- In this case the FE prepares and submits a statement of reasons for the necessary modifications and the coordination made with the Contractor and the IA to the MPD Director.
- The further procedure of Change Order is the same as in cases above.

3.2. The Procedure of Submitting and Approval of Change Order

Any Change Order decision initiated in accordance with the MSIF requirements has to be submitted for approval to the MSIF EC.

Any changes to be approved and carried out, the following documents have to be filled out and submitted:

- Formal request with necessary coordination;
- Minutes of the Change Order statement signed by all parties concerned;
- Additional Bill of Quantities estimated by the MSIF estimator;
- MSIF EC draft resolution (when necessary);
- The WB and NC no –objection (when necessary).

The following thresholds for change order procedures are established by the MSIF concerning the increase of cost of the Contract:

- up to 15 % of contract cost -- must be approved by the MSIF EC;
- above 15 % of contract cost -- must be approved by the MSIF EC and NB and are subject of no-objection from the World Bank.

The cost of additional works, accepted by the two parties and approved by MSIF, will be calculated on the basis of **MIS prices** that are decreased (increased) by the percentage of the decrement (increment) of the contract cost proposed by contractor in bidding documents. Calculated amount will be added to the contract cost with the exchange rate lei/USD, established by National Bank of Moldova for the day of calculation of the Change Order by the MSIF. Additional works will be given in a separate chapter of the Bill of Quantity.

After the changes have been approved:

- the FE shall submit a copy of additional approved Bill of Quantities, to the MSIF estimator for the re-calculation of the MP budget.
- Then, the estimator shall transmit the recalculated budget to the MPD Director and the MSIF Procurement Specialist (PS).
- The PS jointly with the IA and the Contractor will make necessary changes to the initial Contract.

Change Order may be effected and paid out only upon carrying out the above mentioned procedures of initiation, coordination and approval.

Chapter 4. Payments for executed works

One of the most important functions of the MSIF EO is supervision and control over the procedure of payment for the construction works executed by contractors within MP financed by the Fund.

The Contractor, LS and the IA are responsible for preparation and timely submission of documents for payment.

During the period of execution construction works, the Contractor will periodically (but not less than once a month) submit a "Statement of Accomplished Works" (SAW) to the IA for payment (Annex 6).

4.1 Statement of Accomplished Works

The Statement of Accomplished Works will include the following information:

- Total quantity of works for the MP, quantity of works before the last SAW and quantity of works since the last SAW;
- Total budgeted amount, accumulated disbursement, and the amount to be disbursed for the previous period;
- Data on Contract implementation;
- Expenditures and retained money for this SAW (see SAW Form, Annex 6).

The SAW should reflect all authorized changes effected based on the MP Change Order decision.

The LS hired by the IA will be the first to verify and sign the SAW.

- The LS jointly with the Contractor will submit the SAW to the head of the IA for signing.
- If the head of the IA has no comments to the quality of executed work he/she will sign the SAW and will submit it to the MSIF EO.
- Once the SAW is signed by the head of the IA, it may also be submitted to the MSIF Office by the Contractor.
- The MPD FE will verify the SAW and sign it. If necessary, the FE will verify the quantity and quality of executed works on site. Besides, the FE will supervise the filling in by the Contractor of the operational documents necessary for payment. For this purpose the FE will visit the site the next day after the receiving the SAW from the Contractor.
- After the verification of the SAW, the FE will introduce the data from the SAW into the MIS and will double check a copy of the SAW estimated and produced by the MIS.
- Before the payment is made, the SAW has to be reviewed and signed by the MPD and FAD Directors.

The SAW is being drafted in 5 copies for:

- the Contractor;
- the Financial Administrative Department;
- MP file;
- Implementing Agency;
- MPD Follow up Engineer for working purposes.

The FE supplies the Contractor with the SAW Forms before each period of payment.

Chapter 5. Completion of works and Micro-project Hand Over

Construction works for a micro-project shall be considered completed upon the signing and approval of a Hand Over Agreement (HOA), according to the Moldovan laws and MSIF Procedures (see Annex 9).

5.1. Hand Over Procedure Upon the Completion of Construction Works

When the quantity of works completed will correspond to the one specified in the Contract, the Contractor will inform the IA and will request the assigning of a Hand Over Committee to hand over the completed works.

The completion of works has to be confirmed in writing by the LS who has been supervising the works. The LS will confirm the necessity to summon the Hand Over Committee provided the Contractor submits all operational documents related to the completed works.

The head of the IA will draft an order of a Hand Over Committee assignment and its membership and will designate a date for the Preliminary Hand Over procedure which has to be coordinated with the FE and approved by the MSIF ED.

Preliminary Hand Over of the MP will be attended at least by five persons:

- representative of Local government;
- Head of the IA;

- MSIF representative;
- Local Supervisor;
- the representatives of the organizations or government bodies responsible for the future maintenance and operation of the infrastructure facility.

The Contractor's and the design engineering company's representatives will be invited to participate in the Hand Over Committee with the right to sign the hand over minutes or annexes to it. The Employer (IA) will ensure Preliminary Hand Over to take place within 15 calendar days since the notification by the Contractor about the completion of Works (see Completion Certificate).

According to the Moldovan laws, the Chairman of the Hand Over Committee for the social infrastructure facilities financed from the state budget will be a representative of Local Public Authorities.

In its turn, the IA will develop and submit to the Hand Over Committee the following documents:

- Coordination from the Fire Service (on a letterhead);
- Coordination from the Sanitary Service (on a letterhead);
- Coordination from the Environment Department (on a letterhead of the said Department or Regional Inspection);
- Coordination from other construction controlling bodies (on a letterhead);
- Attachment with the Hand Over Committee comments;
- Attachment with the hand over Committee statements.

The Design Company's engineer, as an author of the project, in the presence of the Hand Over Committee will state his opinion regarding *de facto* execution of construction works.

According to Moldovan laws, hand over minutes for construction, reconstruction, capital renovation of the social infrastructure facilities financed from the budget, drafted by the Hand Over Committee are approved through the decision of the Local Public Authorities within three days.

After the approval of the said minutes, the Employer (users association, Parents and teachers Association, Local Authorities) will transfer the renovated facility with all its expenditures on its own balance within seven calendar days.

The Agency responsible for further operation and maintenance of the rehabilitated infrastructure facility will keep all technical, operational, financial documents related to this MP during the entire period of the facility operation.

Since the day of Hand Over Agreement approval, the Defect Liability period starts, which will last from three months to one year depending on the MP typology.

Since this moment the Local authorities, the community and/or other local NGOs who will benefit from the renovated facilities take over the responsibility for their maintenance and operation.

5.2 Final Hand Over Procedure

The IA will conduct Final Hand Over procedure at least 15 days after the Defect Liability Period is over. The Defect Liability Period for each type of MP separately is stated in the Contract Data.

The IA will issue an order on assigning the Final Hand Over Committee. This order has to be coordinated with the FE and approved by the MSIF ED.

The Final Hand Over procedure is the same as the one for the completion of works (see par. 5.1).

The following representatives make part of the Final Hand Over Committee:

- Local Authorities representative;

- Head of the IA;
- MSIF representative;
- Local Supervisor;
- Representative of the organizations or government bodies responsible for the future maintenance and operation of the infrastructure component.

The representative of the project Design Company and the Contractor's representative have the right to sign off and also participate in the Committee's work.

Based on the recommendation of the Final Hand Over Committee, the FE jointly with the IA will approve the Final Hand Over by issuing the Certification Statement within three days after the signing of the Final Hand Over Agreement.

The date of the Final Hand Over shall be the date of informing the Contractor on behalf of the Head of the IA.

5.3 Defect Liability Period

After the Final Hand Over, the Contractor will submit to the IA the final calculation of the total amount the IA has to pay according to the Contract. After verification, payments will be made according to the procedure described in "Statement of Accomplished Works".

In case when there are discrepancies between the IA and the Contractor regarding the total amount for the final payment, the IA will consult the FE on the final amount before issuing the Payment Certificate.

After the final payments have been made based on the final calculation, the MP implementation is considered finalized.

6 First two years facility performance period

The Moldova Social Investment Fund assumes the right to supervise the renovated infrastructure facilities for the period of two years after setting it into operation.

For this period, MSIF will use performance contracting as a management tool to help communities to develop capacity on raising private money for maintenance and operation of renovated facilities.

6.1 Performance Contract signing procedure

Performance Contract (PC) will be signed between MSIF and the Chairman of the Facility's Management Board, representing the Facility, the Local Government, and the community of users, since the micro-project's implementation is completed, (Annex 21). It will be signed for a period of two years. The contract will define each side's responsibilities and the rewards to be granted to the successful facilities.

Performance Contract signing procedure is as follows:

- After the MP was completed the Facility's Management Board prepares the Facility's Development Plan.
- The MPD Follow up Sociologist will provide TA for preparing the plan.
- Community submits the Development Plan for acceptance to the MSIF Office.
- The MPD FS will be responsible for the evaluation of the Development Plan and will make a proposal for acceptance.
- Based on this MPD Director will submit the Plan to the MSIF EC meeting.

- Performance Contract can be signed only if the Facility's Development Plan is approved by the MSIF EC.
- The Facility's Management Board will be informed through the official acceptance letter signed by the ED. The draft of the letter will be prepared by the MPD FS
- The facility Development Plan will be included as a component of the Contract.

Rewards for successful facilities will be mentioned in the Contract and will become incentives for the successful achievement of benchmarks during the proposed time frame.

6.2 Performance Benchmarks

Benchmarks are the measurable and desirable results provided by the facility to a certain time. The identification of the expected results by benchmarks will be described in the facility Development Plan. The level of benchmarks achievement will indicate the program progress and will be the important measure for outcomes of program implementation.

The main benchmarks will be concerned with the amount of the financial contribution and namely by private money, quality and efficiency of services.

The FS responsible for the MP supervision, will make occasional site visits to make sure the infrastructure component is properly maintained, the operational budgets work and Users' Association carry out the Development Plan.