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Finishing Construction work

Level IV

Based on December, 2024 curriculum version II



Module Title: Contract Administration

Module Code: EIS FCW5 M 02 1224:

Nominal duration: 50 Hours

Prepared By: Ministry of Lobar and Skill

December, 2024

Addis Ababa Ethiopia

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ACRONYM

EIS	Ethiopian Institute of Standards
MOLS	Ministry of Labor and Skills
TVT	Technical and Vocational Training
AIA	American Institute of Architects
RIBA	Royal Institute of British Architects
FIDIC	International Federation of Consulting Engineers
ISO	International Organization for Standardization
SDGs	Sustainable Development Goals
PPE	Personal Protective Equipment
VAT	Value Added Tax
ERCA	Ethiopian Revenue and Customs Authority
ECWRA	Ethiopian Construction Works Regulatory Authority

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Introduction to Module

This module outlines the competencies required for effective contract administration. It trains learners in the management and execution of contracts, emphasizing the importance of compliance and quality assurance. The module covers techniques, principles, and skills necessary for overseeing contract processes and ensuring successful project outcomes.

It aims to develop learners' abilities to administer contracts professionally and in line with regulatory and workplace requirements. Key topics include an introduction to contract administration, methods, and principles for effectively managing contract-related tasks.

This module covers the units

- Introduction
- Contract Development and Negotiation
- Legal Requirements in Contract Administration
- Contract Performance and Monitoring
- Managing Contract Risks
- Contract Closeout and Evaluation

Learning Objective of the Module

At the end of the module the trains will be able to

- Understand legal principles and contract fundamentals.
- Draft and negotiate effective contracts.
- Ensure compliance with legal and regulatory requirements.
- Monitor contract performance using key metrics.
- Identify and mitigate risks in contracts.
- Resolve disputes through negotiation, mediation, or litigation.
- Finalize contracts and conduct post-contract evaluations.

Module Instruction

For effectively use these modules trainees are expected to follow the following module instruction:

1. Read the information written in each unit

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2. Accomplish the Self-checks at the end of each unit
3. Perform Operation Sheets which were provided at the end of units
4. Do the —LAP test|| giver at the end of each unit and
5. Read the identified reference book for Examples and exercise

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UNIT ONE: Introduction

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Overview of Legal Systems
- Fundamentals of Contract Law
- Roles and Responsibilities in Contract Administration

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Understand legal systems and their impact on contracts.
- Define key contract law concepts and their application.
- Outline roles and responsibilities in contract administration.

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Introduction to contract administration

Contract administration is a fundamental component of successful project management, ensuring that all contractual obligations are met by the involved parties. It encompasses the processes, policies, and practices required to oversee contracts from their initiation through execution, modification, and final closeout. Effective contract administration is essential for maintaining the integrity of agreements, fostering clear communication, and minimizing disputes.

At its core, contract administration bridges the gap between project objectives and contractual commitments. It involves a wide range of activities, including monitoring contractor performance, ensuring compliance with legal and regulatory requirements, managing change orders, and addressing potential risks or issues. This discipline is particularly crucial in industries like construction, engineering, and procurement, where contracts often involve multiple stakeholders, significant investments, and complex deliverables.

A successful contract administration process relies on meticulous planning, negotiation, and documentation. Administrators must maintain accurate records, enforce timelines, and ensure that quality standards are upheld. They also play a pivotal role in resolving conflicts, safeguarding financial interests, and adapting agreements to accommodate unforeseen circumstances.

Ultimately, effective contract administration contributes to the smooth execution of projects, enhances stakeholder relationships, and ensures that contractual agreements align with organizational goals and legal frameworks. By mastering this discipline, professionals can significantly improve project outcomes and foster a culture of accountability and collaboration.

- **Legal and Contractual Frameworks**

The history of legal requirements and contract administration in construction work is closely tied to the evolution of construction practices, trade regulations, and legal systems.

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- Ancient and Medieval Periods:** In early civilizations such as Mesopotamia, Egypt, and Rome, construction contracts were informal agreements, often based on mutual trust and oral commitments. The **Code of Hammurabi** (around 1750 BC) is one of the earliest known legal documents, which included laws related to construction practices and contractor responsibilities. In medieval Europe, guilds began to regulate building practices, and some rudimentary contracts emerged, focusing on building standards and wages.



Fig 1.1 Ancient and Medieval Periods contract

- Renaissance and Early Modern Period:** As construction projects became more complex during the Renaissance, formal agreements became necessary to ensure accountability and fair compensation. This period saw the development of more structured contracts, typically focusing on terms of payment, timeframes, and materials used.



Fig 1.2 Renaissance and Early Modern Period contract

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- Industrial Revolution (18th-19th Century):** The rise of industrialization led to the growth of large-scale construction projects such as railways, bridges, and factories. With this growth came the need for more sophisticated legal frameworks and standardized contracts. In the 19th century, the development of the **lump-sum contract** (a fixed price for the entire job) became a popular model, which provided greater predictability in cost estimation and time management.



Fig 1.3 Industrial Revolution (18th-19th Century) contract

- 20th Century and Beyond:** The 20th century saw the codification of construction law in many countries. Governments started enacting formal regulations and building codes to ensure safety, quality, and fair practices in construction. The establishment of organizations like the **American Institute of Architects (AIA)** in the U.S. and the **Royal Institute of British Architects (RIBA)** helped standardize contracts, with their model forms offering guidelines for various aspects of construction agreements, including dispute resolution.



Fig 1.4 20th Century and Beyond contract

Modern construction contracts now typically include terms related to project scope, risk management, payment schedules, insurance, warranties, and dispute resolution mechanisms. **Contract administration** ensures that these terms are followed throughout the construction process, with legal recourse available in case of non-compliance. Today, contracts such as the

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FIDIC (International Federation of Consulting Engineers) conditions of contract are widely used in international construction projects, covering both the construction and post-construction phases.

Legal requirements and contract administration in construction continue to evolve, addressing emerging challenges like sustainability, digital technologies, and global collaboration.

In Ethiopia, the construction industry is rapidly growing, and with it, the need for a thorough understanding of the legal and contractual frameworks that guide construction projects. These frameworks are essential to ensuring that projects are completed on time, within budget, and in compliance with legal regulations. The legal systems in Ethiopia and the importance of compliance in contracts are crucial elements that all construction professionals must understand to avoid disputes and ensure project success.



Fig 1.4 contract

1.1 Overview of Legal Systems

The legal system in Ethiopia, particularly in the construction sector, is influenced by a variety of factors, including historical precedents, international standards, and local customs. Ethiopia primarily follows a **Civil Law** system, which is crucial in regulating construction projects. This section will explore the key types of legal systems and their relevance to the construction industry.

- **Types of Legal Systems**
 - **Civil Law System:**

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Ethiopia follows a **Civil Law system**, derived from the French Napoleonic Code and influenced by various international conventions. The **Civil Code of Ethiopia** governs commercial contracts, including construction contracts, and provides detailed rules on the formation, execution, and enforcement of these agreements. In construction, this system is helpful because it offers a clear and predictable framework for managing contract obligations.

- **Application in Construction:** Civil law emphasizes codified rules, which ensure that every party involved in the contract knows their legal rights and obligations. In construction projects, such as building finishes, this might include the exact terms of payments, timelines, materials to be used, and specific deliverables.



Fig 1.5 contact in finishing work

- **Common Law System:**

While Ethiopia predominantly follows a civil law system, the **Common Law** system also plays a role, particularly in relation to international agreements and contracts with foreign companies. Common law is based on judicial precedents, meaning past court decisions guide future rulings. In construction contracts involving international firms, common law principles might govern aspects such as dispute resolution and contract interpretation.

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- ✓ **Application in Construction:** If Ethiopian construction companies are involved in contracts with foreign firms or multinational companies, understanding common law is essential. For instance, a dispute over project timelines or quality standards may refer to previous case law in the international jurisdiction.



Fig 1.6 contract agreements

➤ **Customary and Religious Law:**

Ethiopia is a diverse country with multiple ethnic groups and religions, and customary and religious laws influence local construction practices. For example, construction practices in rural areas might be governed by customary laws regarding land use or labor rights. Additionally, **Islamic law (Sharia)** may influence contracts and construction practices in regions with significant Muslim populations.

- ✓ **Application in Construction:** Customary law can impact land ownership, labor contracts, and community-based construction projects. In these cases, it is crucial to respect local traditions while ensuring the project complies with national regulations.
- **Importance of Legal Compliance in Contracts**

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Legal compliance in construction contracts is vital for a variety of reasons. Whether a project is located in an urban area like Addis Ababa or in more rural regions, ensuring that contracts comply with the law is essential to avoid costly disputes, delays, and reputational damage.

➤ **Risk Management:**

Construction projects are inherently risky, with challenges related to cost overruns, delays, and unforeseen circumstances. By ensuring compliance with legal and contractual obligations, risks can be minimized. For example, failure to comply with Ethiopian building codes could result in fines or forced delays.

- ✓ **Application in Construction:** In Ethiopia, construction professionals must adhere to local **construction laws** and **building codes** established by the Ethiopian Construction Authority. For instance, these codes dictate the types of materials allowed for certain projects, and non-compliance can result in penalties or the need for costly rework.

➤ **Ensuring Contractual Clarity and Enforcement:**

Legal compliance ensures that contracts are clear, enforceable, and respected. A well-structured construction contract in Ethiopia outlines the rights and responsibilities of each party involved, including contractors, subcontractors, suppliers, and the project owner. This clarity reduces the likelihood of misunderstandings and disputes.

- ✓ **Application in Construction:** For example, if a subcontractor is hired to perform finishing work (e.g., installing flooring or painting), the contract must clearly specify the quality standards, deadlines, and payment terms. Compliance with these terms ensures that both parties fulfill their obligations as agreed.

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Fig 1.7 Contractual Clarity and Enforcement

➤ **Protecting Rights and Interests:**

Legal compliance safeguards the rights of all parties involved in a construction contract, from the project owner to workers and subcontractors. For instance, workers' rights, including wages and safety, are protected under Ethiopian labor laws. Moreover, legal compliance protects the project owner by ensuring that contractors complete the work as specified in the contract.

- ✓ **Application in Construction:** Compliance with labor laws ensures that workers are paid fairly and provided with proper working conditions. Construction contracts in Ethiopia must also include provisions for worker safety, such as the use of personal protective equipment (PPE) and adherence to safety standards.

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Fig 1.8 Job site dress code

➤ **Minimizing Disputes and Facilitating Resolution:**

Legal compliance helps prevent disputes and provides mechanisms for resolving conflicts. In Ethiopia, if a dispute arises between contractors and project owners, legal compliance ensures that the dispute resolution process, whether through negotiation, arbitration, or litigation, is followed properly.

- ✓ **Application in Construction:** If there is a delay in finishing the construction work, Ethiopian contractors and project owners must rely on the contract's dispute resolution clause, which may include arbitration under Ethiopian law. This ensures that issues are resolved fairly and legally.

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Fig 1.9 contracts of construction finishing work

Understanding the legal and contractual frameworks in Ethiopia is essential for ensuring that construction projects, especially those involving finishing work, are completed on time, within budget, and in compliance with all regulations. Adhering to Ethiopian legal systems such as civil law, alongside international standards, ensures that contracts are enforceable, risks are managed, and all parties' rights are protected. In the context of construction finishing work, legal compliance not only minimizes disputes but also promotes the successful completion of the project, contributing to the growing construction industry in Ethiopia.

1.2 Fundamentals of Contract Law

In Ethiopia, as in many other countries, contract law is an essential part of the construction industry. It provides the framework for the creation, execution, and enforcement of agreements between parties involved in construction projects. Construction finishing work, such as finalizing interior finishes, flooring, painting, and fixtures, is often carried out under contracts that must adhere to legal principles. This section will cover the fundamental elements of a valid contract and the types of contracts used in construction finishing work, with a focus on the Ethiopian context.

- **Key Elements of a Valid Contract**

A contract is a legally binding agreement between two or more parties that creates mutual obligations enforceable by law. For a contract to be valid, it must contain certain essential elements. These elements form the foundation of Ethiopian contract law and apply to all types of construction agreements, including those related to finishing work.

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➤ **Offer:** An offer is the initial proposal made by one party to another, indicating the willingness to enter into a contract under specific terms. In the context of construction, an offer could be a contractor's proposal to carry out the finishing work on a building, such as painting, flooring, or installing fixtures.



Fig 1.10 contact offering

➤ **Acceptance:**

Acceptance occurs when the party to whom the offer is made agrees to the terms presented. It must be communicated to the offering party in a manner that clearly shows agreement to the offer. In construction projects, acceptance may take the form of a signed contract or an official written confirmation.

➤ **Consideration:**

Consideration refers to the value that each party agrees to exchange under the contract. In construction contracts, this typically involves the contractor agreeing to complete the work in exchange for payment from the project owner.

➤ **Capacity:**

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Both parties involved in the contract must have the legal capacity to enter into the agreement. In Ethiopia, this means that both the contractor and the project owner must be of legal age, mentally competent, and authorized to engage in construction-related agreements.

➤ **Intention to Create Legal Relations:**

For a contract to be enforceable, both parties must intend to create a legally binding agreement. This is usually assumed in commercial contracts, including those in the construction industry.

➤ **Legality of Object:**

The contract's purpose must be legal and not contrary to public policy or law. In Ethiopia, contracts related to construction must adhere to national building codes, safety regulations, and labor laws.

• **Types of Contracts in Construction Finishing Work**

Various types of contracts are used in construction projects, each suited to different circumstances. The choice of contract type can significantly impact the financial structure, risk distribution, and overall success of the project.

➤ **Fixed-Price Contracts:**

A fixed-price contract is one where the contractor agrees to complete the work for a predetermined price. This type of contract is often used in construction finishing work when the scope of work is clear, and the project owner wants to know exactly what the cost will be upfront.

- ✓ **Example in Construction Finishing Work:** A contractor agrees to paint the interior of a building for a fixed price, regardless of how much time or materials are required. The contractor assumes the risk of cost overruns.

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- ✓ **Advantages:** Provides the project owner with certainty about the cost; easier to budget.
- ✓ **Disadvantages:** The contractor may cut corners to stay within budget, leading to a reduction in quality.
- **Cost-Plus Contracts:**

In a cost-plus contract, the contractor is reimbursed for the actual costs incurred during the project, plus an additional fee for overhead and profit. This type of contract is common in projects where the scope of work is not fully defined at the outset, and the project owner is willing to absorb some of the cost risks.

- ✓ **Example in Construction Finishing Work:** A contractor is hired to complete flooring installation, and the project owner agrees to pay for the actual costs of materials, labor, and overhead, plus an agreed-upon percentage as profit.
- ✓ **Advantages:** More flexibility in scope changes; contractor is incentivized to complete work efficiently.
- ✓ **Disadvantages:** Potentially higher costs for the project owner; difficult to predict the final cost.
- **Unit Price Contracts:**

In unit price contracts, the contractor is paid based on the quantity of work completed. This type of contract is typically used when the scope of work can be broken down into measurable units, such as the number of square meters of flooring or wall space to be painted.

- ✓ **Example in Construction Finishing Work:** The contractor is paid per square meter for the installation of flooring, with a set price for each unit of work completed.
- ✓ **Advantages:** Provides flexibility to handle changes in scope; fair payment based on actual work completed.

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- ✓ **Disadvantages:** Can lead to disputes over the quantity of work completed; project owners may find it difficult to estimate total costs.

➤ **Time and Materials Contracts:**

A time and materials contract compensates the contractor for labor and materials used, along with a fixed markup for overhead and profit. This contract type is used when the scope of work is unclear or when frequent changes are expected.

- ✓ **Example in Construction Finishing Work:** A contractor is hired to install flooring, and the project owner agrees to pay for the labor hours and materials used, plus a markup for overhead.
- ✓ **Advantages:** Ideal for projects with uncertain scope; allows for flexibility in managing unforeseen issues.
- ✓ **Disadvantages:** Can lead to higher costs if the project takes longer than anticipated.

1.3 Roles and Responsibilities in Contract Administration

Effective contract administration is critical for ensuring that construction finishing work is completed according to plan, on time, and within budget. It involves managing the relationships between all parties involved in the contract, including the project owner, contractor, subcontractors, suppliers, and legal advisors. This section outlines the key roles and responsibilities in contract administration for construction projects in Ethiopia.

➤ **Project Owner:**

The project owner is the party who commissions the construction work and is responsible for providing the necessary resources and funding for the project. In Ethiopia, the project owner may be a government agency, private developer, or individual. The owner's responsibilities include ensuring that the project is fully funded, approving contracts, and making timely payments.

- ✓ **Responsibilities:**

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- Approve contract terms and conditions.
- Ensure that payments are made on time.
- Monitor project progress and approve changes.
- Resolve disputes if necessary.

➤ **Contractor:**

The contractor is responsible for carrying out the construction work as outlined in the contract, including finishing work. The contractor must ensure that the work is completed according to the terms of the contract, including adhering to quality standards, timelines, and budget constraints.

✓ **Responsibilities:**

- Execute the work according to the contract specifications.
- Hire and manage subcontractors and laborers.
- Ensure compliance with Ethiopian building codes and regulations.
- Submit progress reports and invoices for payment.
- Resolve any issues related to the work performed.

➤ **Subcontractors:**

Subcontractors are specialists hired by the contractor to perform specific tasks in the construction process, such as flooring installation, painting, or electrical work. They are responsible for completing their portion of the work according to the contract and reporting to the main contractor.

✓ **Responsibilities:**

- Perform work as per the subcontract agreement.
- Coordinate with the contractor regarding project timelines.
- Ensure the quality of work meets the required standards.

➤ **Suppliers:**

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Suppliers provide the materials and equipment needed for the construction project, including those required for finishing work. In Ethiopia, suppliers must ensure that they deliver materials that comply with quality standards and building codes.

✓ **Responsibilities:**

- Provide materials on time and in the required quantities.
- Ensure that the materials meet the agreed-upon quality standards.
- Coordinate with contractors and subcontractors for timely deliveries.

➤ **Legal Advisors:**

Legal advisors play a key role in contract administration by ensuring that all contracts are legally sound and enforceable. They help draft, review, and negotiate contracts, and provide legal support in case of disputes.

✓ **Responsibilities:**

- Advise on legal matters related to contracts and disputes.
- Draft and review construction contracts.
- Assist with dispute resolution, including arbitration or litigation.

➤ **Project Manager:**

The project manager oversees the overall management of the construction project, ensuring that it is completed on time, within budget

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Self-Check Questions 1

Part I: Multiple Choice Questions

Select the best answer for each question from the given options.

- Which of the following is an essential element of a valid contract?
 - Negotiation skills
 - Intention to create legal relations
 - Performance metrics
 - Change management
- Ethiopia's legal system is primarily based on:
 - Common law
 - Religious law
 - Civil law
 - Customary law
- In a construction contract, "consideration" refers to:
 - The value exchanged between parties
 - The quality standards of materials used
 - The penalties for delays
 - The dispute resolution mechanism
- Which contract type is most suitable for projects with unclear scopes?
 - Fixed-price contracts
 - Lump-sum contracts
 - Time and materials contracts
 - Unit price contracts
- What is the main responsibility of a project owner in contract administration?
 - Performing subcontracted tasks
 - Approving contract terms and payments
 - Providing legal advice
 - Delivering materials on time

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Part II: Short Answer Questions

Provide a concise and clear response to each question in the space provided.

1. Explain the significance of compliance with Ethiopian building codes in construction projects.
2. List the types of legal systems influencing construction projects in Ethiopia.
3. Define "offer" and "acceptance" in the context of contract law.
4. Briefly describe the purpose of change management in contract administration.
5. How does legal compliance minimize disputes in construction projects?

Part III: Matching Type Questions

Match the items in **Column A** with their corresponding descriptions in **Column B**.

Column A

1. Fixed-price contract
2. Risk management
3. Subcontractors
4. Dispute resolution
5. Post-contract evaluation

Column B

- a) Specialists hired to perform specific tasks under the main contractor
- b) A contract type providing predictability in cost estimation
- c) Process for addressing conflicts in contract execution
- d) Ensures that lessons learned are documented for future projects
- e) Minimizes challenges like cost overruns and unforeseen delays

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Self-check Answers

Part I: Multiple Choice Questions

1. b) Intention to create legal relations
2. c) Civil law
3. a) The value exchanged between parties
4. c) Time and materials contracts
5. b) Approving contract terms and payments

Part II: Short Answer Questions

1. Compliance with Ethiopian building codes ensures safety, quality, and adherence to legal requirements, reducing risks of penalties, delays, and disputes.
2. The types of legal systems influencing construction projects in Ethiopia are Civil Law, Common Law (for international agreements), and Customary/Religious Law.
3. Offer is a proposal made by one party to another, indicating willingness to enter a contract under specific terms. Acceptance is the agreement to those terms by the other party.
4. Change management in contract administration ensures that changes in project scope, terms, or conditions are effectively managed with minimal disruption.
5. Legal compliance minimizes disputes by clearly defining obligations, rights, and responsibilities, ensuring all parties adhere to the agreed terms.

Part III: Matching Type Questions

1. Fixed-price contract - b) A contract type providing predictability in cost estimation
2. Risk management - e) Minimizes challenges like cost overruns and unforeseen delays
3. Subcontractors - a) Specialists hired to perform specific tasks under the main contractor
4. Dispute resolution - c) Process for addressing conflicts in contract execution
5. Post-contract evaluation - d) Ensures that lessons learned are documented for future projects

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Unit Two: Contract Development and Negotiation

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Preparing and Drafting Contracts
- Negotiation Skills

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Draft and negotiate effective contracts.
- Ensure compliance with legal and regulatory requirements

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2. Introduction to Contract Development and Negotiation

In the construction industry, including the field of finishing work, proper contract development and negotiation are crucial for successful project execution. These agreements ensure that the expectations of all parties, such as project owners, contractors, subcontractors, and suppliers, are clearly defined, risks are managed, and the project's completion is achieved in a timely and cost-effective manner. This section will explore the process of preparing and drafting contracts for construction finishing work, focusing on key components, common pitfalls, and a sample contract draft.

2.1. Preparing and Drafting Contracts

Contract preparation and drafting is an essential skill in the construction industry, especially for finishing work projects like painting, tiling, flooring, and other interior works. A well-prepared contract helps mitigate risks and clarifies responsibilities, timelines, payment schedules, and other essential details. The construction industry in Ethiopia, as in many other countries, uses legally binding agreements that are governed by contract law.



Fig 2.1 Contact Documentation

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- **Components of a Construction Contract**

A construction contract generally includes several key components to ensure that it is legally binding, comprehensive, and clear. These components are necessary to protect both parties (the project owner and contractor) and to help avoid disputes during the construction process.

➤ **Title and Parties Involved:**

The contract should clearly identify the parties involved, including the names and addresses of the project owner (client) and the contractor (service provider). The contract should also specify if any subcontractors, suppliers, or consultants are involved.

- ✓ **Example:** "This contract is made between XYZ Construction Ltd. (hereafter referred to as the 'Contractor') and ABC Development Company (hereafter referred to as the 'Client')."

➤ **Scope of Work:**

The scope of work (SOW) outlines the specific tasks that the contractor is responsible for completing, such as flooring installation, painting, or carpentry work. The contract must clearly define what is included and excluded in the scope to prevent future misunderstandings.

- ✓ **Example:** "The Contractor will provide labor, materials, and supervision for the installation of floor tiles in all residential units of ABC Tower, located in Addis Ababa. The Contractor will also be responsible for the final coat of paint on all walls and ceilings."

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➤ **Contract Price and Payment Terms:**

The contract should specify the agreed-upon price for the work, including the payment schedule. This section will describe how payments are to be made, whether it's a lump sum or based on milestones or actual costs.

- ✓ **Example:** "The total contract price for the work described in the Scope of Work is ETB 500,000. Payments will be made as follows: 30% upon signing of the contract, 40% upon completion of the first phase (tiling), and 30% upon completion of the entire finishing work."

➤ **Timeline and Deadlines:**

Establishing a clear timeline is critical to ensure that work is completed on schedule. The contract should specify the start date, expected completion date, and any intermediate deadlines for specific tasks.

- ✓ **Example:** "The Contractor agrees to commence the work on [Start Date] and complete the entire project by [End Date]. Any delay beyond 14 days will result in a penalty of 1% of the total contract price for each day of delay."

➤ **Quality and Standards:**

The contract should outline the quality of materials and workmanship expected, referencing any relevant local or international standards, such as Ethiopian building codes or ISO standards.

- ✓ **Example:** "The Contractor agrees to use high-quality materials that meet the standards set forth by the Ethiopian Standards Agency. The work must comply with all applicable local building codes and regulations."

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➤ **Change Orders:**

During the course of construction, changes to the original plan may occur. A well-drafted contract should include a provision for how changes will be managed, including how changes will be documented and how costs will be handled.

- ✓ **Example:** "Any modifications to the scope of work will require a written change order, signed by both parties. The cost of the changes will be agreed upon before work begins and will be added to the total contract price."

➤ **Insurance and Liability:**

Construction contracts should specify who is responsible for insurance coverage during the course of the work. This includes liability insurance, workers' compensation, and insurance for damage to the property.

- ✓ **Example:** "The Contractor will maintain general liability insurance and workers' compensation insurance to cover any accidents or damage that may occur during the course of the work. Proof of insurance will be provided to the Client upon request."

➤ **Dispute Resolution:**

It is essential to outline how disputes will be resolved in the event of disagreements between the parties. This could involve negotiation, mediation, arbitration, or litigation, and should specify the governing law, particularly Ethiopian contract law in the case of construction projects within Ethiopia.

- ✓ **Example:** "In the event of a dispute, the parties agree to first attempt to resolve the matter through negotiation. If the dispute is not resolved within 30 days, the parties

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agree to submit the matter to arbitration under the rules of the Ethiopian Arbitration Center."

➤ **Termination Clause:**

The termination clause outlines the conditions under which the contract can be terminated before the completion of work. This could include non-performance, breach of contract, or force majeure events.

- ✓ **Example:** "Either party may terminate this agreement in the event of substantial non-performance by the other party, subject to a 30-day notice period. In the event of termination, the Contractor will be paid for all completed work up to the termination date."

• **Common Drawbacks in Contract Drafting**

While preparing and drafting construction contracts, there are several common pitfalls that contractors and project owners should be aware of to ensure the contract is enforceable and avoids future disputes.

➤ **Vague or Unclear Language:**

Ambiguity in a contract can lead to misunderstandings and disputes. It is essential that terms are defined clearly and that the scope of work is described in detail to avoid confusion.

- ✓ **Drawback Example:** A clause stating, "The Contractor will complete the work in a reasonable time" may not be specific enough. It is better to specify exact deadlines or timeframes for each phase of work.

➤ **Lack of Detail on Payment Terms:**

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A contract that does not clearly outline the payment schedule can lead to disagreements regarding when and how payments will be made. This can affect cash flow and cause delays in the project.

- ✓ **Drawback Example:** Not specifying when the payments are due and under what conditions (e.g., completion of certain milestones) can create confusion and delay payments.

➤ **Failure to Include Change Order Procedures:**

Projects can often experience changes in scope, either due to unforeseen conditions or modifications requested by the project owner. Failure to include a clear change order process can lead to disputes over cost and scope changes.

- ✓ **Pitfall Example:** Not specifying how changes will be documented or how the cost of changes will be handled may result in unexpected costs and arguments over pricing.

➤ **Neglecting Local Laws and Regulations:**

Construction projects must comply with local laws, including Ethiopian building codes, safety regulations, and labor laws. Failing to ensure that the contract incorporates these legal requirements can lead to penalties, delays, or even legal action.

- ✓ **Pitfall Example:** Not referencing compliance with Ethiopian construction standards can lead to legal issues if the work does not meet local regulations.

➤ **Ignoring Risk Management:**

Construction projects involve various risks, including site accidents, delays, and financial instability. Contracts should address risk management procedures and allocate responsibilities for insurance, warranties, and liability.

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- ✓ **Pitfall Example:** Not including insurance requirements for the project or the contractor's liability for accidents during the work could expose both parties to unnecessary risks.

➤ **Inadequate Dispute Resolution Clause:**

Disputes are inevitable in any large project, and failure to include a clear and enforceable dispute resolution process can lead to lengthy delays and costly litigation.

- ✓ **Pitfall Example:** Leaving out an arbitration or mediation process can force both parties into court, which may be costly and time-consuming.

2.1.1 Sample Construction Contract for Finishing Work in Ethiopia

Below is a draft of a construction contract for a residential finishing work project in Ethiopia, designed to reflect the key components discussed above.

CONSTRUCTION CONTRACT

This Agreement is made and entered into on this ___ day of [Month, Year], by and between:

Contractor: XYZ Construction Ltd., having its principal place of business at [Contractor's Address].

Client: ABC Development Company, having its principal place of business at [Client's Address].

Project: Residential Finishing Work for ABC Tower located at [Project Address].

➤ **Scope of Work**

The Contractor agrees to provide all labor, materials, and supervision necessary to complete the following tasks:

- ✓ **Flooring Installation:** Install [type of flooring] in all residential units of ABC Tower.
- ✓ **Interior Painting:** Apply paint to walls and ceilings in all units as specified by the Client.

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- ✓ **Final Touches:** Install baseboards, door trims, and other finishing details.

➤ **Contract Price and Payment Terms**

The total contract price is ETB 500,000. The payment will be made as follows:

- ✓ **30%** upon signing of the contract.
- ✓ **40%** upon completion of the first phase (flooring).
- ✓ **30%** upon final completion of the project.

Payments will be made upon receipt of invoice from the Contractor.

➤ **Timeline**

Work will commence on [Start Date] and be completed no later than [End Date]. The Contractor agrees to adhere to the timeline as outlined.

➤ **Quality and Standards**

All materials used will meet Ethiopian Standards Agency requirements and comply with local building codes. The work will be performed by skilled labor according to industry best practices.

➤ **Change Orders**

Any changes to the scope of work will require a written change order, signed by both parties. Any additional costs or time extensions will be agreed upon prior to the execution of changes.

➤ **Insurance and Liability**

The Contractor will maintain insurance for workers' compensation, general liability, and project-related risks. Proof of insurance will be provided upon request.

➤ **Dispute Resolution**

Any disputes that cannot be resolved through negotiation will be submitted to arbitration under the rules of the Ethiopian Arbitration Center.

➤ **Termination**

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This agreement may be terminated by either party with a 30-day written notice in the event of substantial non-performance.

Signatures:

[Client Representative] _____

[Contractor Representative] _____

This sample contract is just a starting point and should be adjusted according to the specifics of the project and legal requirements. Contractors and project owners should seek legal advice to ensure the contract fully complies with Ethiopian law and industry standards.

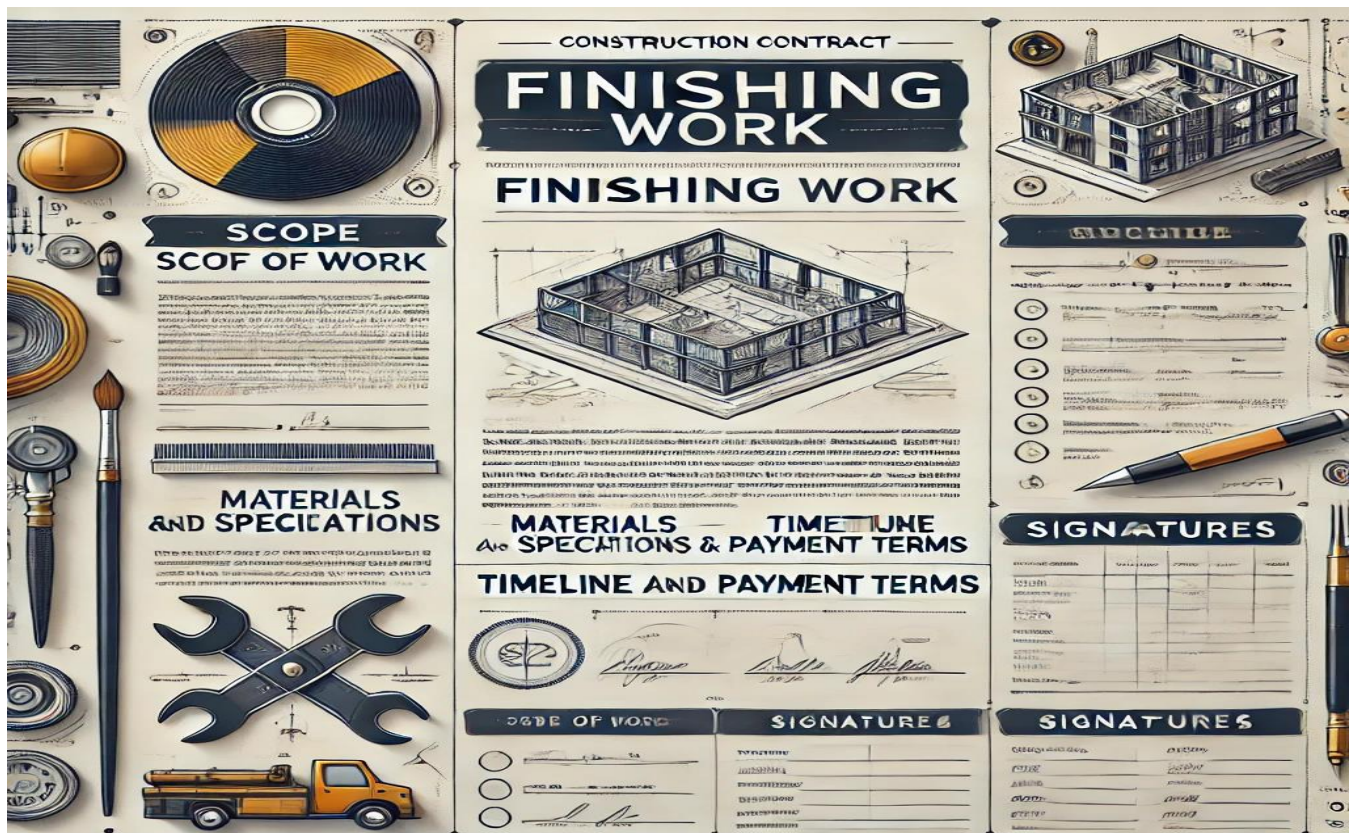


Fig 2.2 construction contract

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2.2 Negotiation Skills

In the Ethiopian construction industry, particularly in finishing work such as flooring, painting, and interior design, negotiation plays a vital role in establishing agreements between contractors, subcontractors, suppliers, and clients. Effective negotiation ensures that project objectives, timelines, and costs align with the expectations of all parties. It also helps in managing disputes and maintaining healthy professional relationships. This section explores strategies for effective negotiation and ethical considerations in contract negotiation, supplemented with examples relevant to Ethiopian construction finishing work.



Fig 2.3 Negotiation Skill

2.2.1. Strategies for Effective Negotiation

➤ Preparation and Research

Before entering any negotiation, it is essential to gather as much information as possible about the project, the other party's expectations, and industry standards. Preparation equips negotiators with the knowledge needed to confidently discuss terms and reach mutually beneficial agreements.

- ✓ **Sample:** A contractor negotiating a deal for tiling materials should research the market prices for ceramic tiles, evaluate the supplier's reputation, and understand the project's

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specific material requirements. This ensures they can negotiate a fair price and secure high-quality materials.

➤ **Understanding the Interests of All Parties**

Effective negotiation is not about winning at the expense of the other party. Instead, it involves identifying the interests of all stakeholders and finding common ground. Understanding what drives the other party's decisions helps create agreements that benefit everyone.

- ✓ **Sample:** A contractor and a subcontractor may have differing priorities—the contractor may focus on cost control, while the subcontractor emphasizes timely payments. A middle ground could involve agreeing on milestone-based payments to address both concerns.

➤ **Building Rapport and Trust**

Establishing a positive relationship with the other party is crucial in negotiations. Trust and rapport can make discussions more collaborative and less adversarial.

- ✓ **Example:** A contractor building rapport with a supplier may negotiate discounts or extended payment terms, especially if the supplier perceives the contractor as a reliable partner.

➤ **Active Listening**

Listening attentively to the other party's concerns, needs, and suggestions fosters understanding and opens the door to creative solutions.

- ✓ **Example:** During a meeting, a project owner may express concern about delays in the final coat of paint. Active listening can help the contractor address this issue by proposing adjustments in the work schedule to meet the owner's deadline.

➤ **Flexibility and Creativity**

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Being open to alternative solutions is a hallmark of effective negotiation. Flexibility allows negotiators to adapt to changing circumstances and come up with creative compromises.

- ✓ **Example:** If a contractor cannot meet a client's budget for a premium finishing product, they might propose using a mid-range alternative that maintains quality while reducing costs.

➤ **Setting Clear Objectives**

Negotiators should enter discussions with a clear understanding of their goals and priorities. This helps maintain focus and ensures that critical objectives are not overlooked during the negotiation process.

- ✓ **Example:** A contractor negotiating a subcontracting agreement for ceiling installations might prioritize clarity in timelines, material quality, and penalty clauses for delays.

➤ **Maintaining Emotional Control**

Emotions can influence negotiations, sometimes negatively. Staying calm and composed helps maintain professionalism and avoids escalating conflicts.

- ✓ **Example:** If a supplier insists on a price increase mid-project, a contractor can calmly present their case, highlighting the agreed terms and proposing a solution rather than reacting emotionally.

2.2.2. Ethical Considerations in Contract Negotiation

Ethics in negotiation is crucial to maintaining integrity and fostering long-term relationships in the construction industry. Adhering to ethical principles ensures transparency, fairness, and mutual respect among parties.

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➤ **Honesty and Transparency**

Honesty is the cornerstone of ethical negotiations. Misrepresenting facts, such as inflating project timelines or hiding material costs, can damage trust and lead to disputes.

- ✓ **Example:** A contractor should provide accurate estimates for painting work rather than underquoting to win the project, only to request additional funds later.

➤ **Fairness and Equity**

Negotiators should strive for agreements that are fair and equitable, avoiding exploitative practices. This is especially important in Ethiopia, where labor practices and fair treatment of workers are regulated.

- **Example:** A subcontractor hiring laborers for flooring installation should ensure fair wages and safe working conditions, even when negotiating tight budgets with the contractor.

➤ **Avoiding Conflicts of Interest**

Negotiators should disclose any potential conflicts of interest that could influence their decisions. Transparency about personal or financial interests prevents unethical agreements.

- ✓ **Example:** If a project manager has a personal relationship with a supplier, they should disclose this to the client and ensure that all supplier bids are evaluated objectively.

➤ **Respecting Confidentiality**

Respecting the confidentiality of information shared during negotiations is essential to maintaining trust.

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- ✓ **Example:** If a contractor learns sensitive financial details about a project owner during negotiations, they should not disclose this information to other parties.

➤ **Complying with Legal Standards**

Adherence to Ethiopian laws and regulations governing construction contracts is non-negotiable. Ensuring that agreements meet legal requirements safeguards all parties involved.

- ✓ **Example:** A contractor negotiating a deal for imported finishing materials must ensure compliance with Ethiopian import regulations and tax laws.

➤ **Avoiding Coercion or Manipulation**

Using undue pressure or manipulative tactics to gain an advantage undermines ethical standards and can lead to disputes.

- ✓ **Example:** A supplier should not coerce a contractor into accepting unfavorable payment terms by threatening to withhold essential materials.

➤ **Promoting Sustainability**

Ethical negotiation also involves considering the environmental and social impact of decisions. Sustainable practices benefit both the industry and the community.

- ✓ **Example:** A contractor negotiating with a supplier might prioritize materials with minimal environmental impact, even if they come at a slightly higher cost.

Examples of Negotiation in Ethiopian Construction Finishing Work

Example 1: Negotiating a Tiling Contract

- ✓ **Scenario:** A contractor is hiring a subcontractor to install tiles in a residential building.

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- ✓ **Strategy:** The contractor emphasizes the importance of timely completion due to an approaching deadline. The subcontractor highlights the need for regular payments to cover labor costs.
- ✓ **Outcome:** The parties agree to milestone-based payments, ensuring that funds are available as work progresses while keeping the project on schedule.

Example 2: Negotiating Supplier Agreements for Paint

- ✓ **Scenario:** A contractor requires high-quality paint for an upscale housing project but faces budget constraints.
- ✓ **Strategy:** The contractor builds rapport with a local supplier, explaining the potential for future collaborations. They propose a bulk purchase agreement in exchange for a discount.
- ✓ **Outcome:** The supplier agrees to a 10% discount and extended payment terms, enabling the contractor to stay within budget.

Example 3: Resolving Disputes Over Quality Standards

- ✓ **Scenario:** A client claims that the finishing work does not meet the agreed quality standards.
- ✓ **Strategy:** The contractor listens to the client's concerns and proposes an on-site inspection by a neutral expert to verify the claims.
- ✓ **Outcome:** The expert confirms that minor corrections are needed. The contractor agrees to redo the affected areas at no additional cost, maintaining client satisfaction.

Effective negotiation is a critical skill for success in the Ethiopian construction finishing work sector. By employing strategies such as thorough preparation, active listening, and building trust, contractors and other stakeholders can achieve mutually beneficial agreements. At the same time, adhering to ethical principles ensures that these agreements are fair, transparent, and sustainable. As the construction industry in Ethiopia continues to grow, fostering a culture of skilled and ethical negotiation will contribute to its development and the satisfaction of all involved parties.

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Self-Check Questions 2

Part I: Multiple Choice Questions

Select the best answer for each question from the given options.

1. **Which of the following is a key component of a construction contract?**
 - a) Project Price Estimate
 - b) Insurance and Liability
 - c) Verbal Agreement
 - d) Workforce Distribution

2. **What is the purpose of a scope of work in a construction contract?**
 - a) To define payment methods
 - b) To outline the responsibilities of each party
 - c) To specify dispute resolution methods
 - d) To detail the legal jurisdiction

3. **What is the standard procedure when changes are made to the original contract?**
 - a) Verbal Approval
 - b) Written Change Order
 - c) Supervisor's Approval
 - d) Resigning the Contract

4. **What negotiation strategy focuses on understanding the interests of all parties?**
 - a) Preparation and Research
 - b) Building Rapport
 - c) Flexibility and Creativity
 - d) Understanding Interests

5. **What is one common drawback in contract drafting?**
 - a) Over-detailed Payment Terms
 - b) Ambiguity in Language
 - c) Clear Change Order Procedures
 - d) Over-specific Insurance Clauses

Part II: Short Answer Questions

Provide a concise and clear response to each question in the space provided.

1. List three essential components of a construction contract.

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- What is the significance of including a dispute resolution clause in a construction contract?
- How does building trust benefit contract negotiation?
- What ethical principle ensures fair wages and safe working conditions during negotiations?
- Describe the purpose of a change order in construction contracts.

Part III: Matching Type Questions

Match the terms in Column A with their descriptions in Column B.

Column A	Column B
1. Scope of Work	a) Outlines materials and workmanship expectations
2. Insurance and Liability	b) Specifies tasks to be completed by the contractor
3. Quality and Standards	c) Determines how risks like accidents are managed
4. Change Orders	d) Covers procedures for modifying contract terms
5. Dispute Resolution	e) Defines methods for resolving disagreements

Answers:

Part I: Multiple Choice Questions

- Answer:** b) Insurance and Liability
- Answer:** b) To outline the responsibilities of each party
- Answer:** b) Written Change Order
- Answer:** d) Understanding Interests
- Answer:** b) Ambiguity in Language

Part II: Short Answer Questions

- Answer:** Scope of Work, Timeline and Deadlines, Insurance and Liability.
- Answer:** It specifies how disagreements will be resolved, reducing delays and avoiding costly litigation.
- Answer:** Building trust makes negotiations more collaborative, helping to secure better terms like discounts or extended payment options.
- Answer:** Fairness and Equity.
- Answer:** A change order documents and approves modifications to the original contract, including cost adjustments and time extensions.

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Part III: Matching Type Questions

- 1 - b) Specifies tasks to be completed by the contractor
- 2 - c) Determines how risks like accidents are managed
- 3 - a) Outlines materials and workmanship expectations
- 4 - d) Covers procedures for modifying contract terms
- 5 - e) Defines methods for resolving disagreements

Operation 1: Preparing and Drafting Contracts

Title: Preparing and Drafting Construction Contracts

Purpose: To create clear and legally binding construction contracts that outline responsibilities, timelines, and quality standards, ensuring project success.

Condition or Situation for the Operation:

This operation is performed at the project initiation stage to establish clear agreements for roles, deliverables, and expectations.

Steps in Doing the Tasks:

1. Gather Project Details:

- Collect all relevant project information, including scope, timelines, and budgets.
- Identify key stakeholders (client, contractor, subcontractors).

2. Define the Scope of Work (SOW):

- Clearly outline tasks to be performed and deliverables.
- Specify inclusions and exclusions to avoid ambiguity.

3. Draft Payment Terms:

- Establish the total contract price and payment schedule (e.g., milestones, lump sum).
- Include conditions for payment release and penalties for delays.

4. Establish Timeline and Deadlines:

- Define start and end dates, including intermediate milestones.
- Include clauses for delays and associated penalties.

5. Set Quality Standards:

- Reference relevant local or international standards (e.g., Ethiopian building codes).
- Specify materials and workmanship requirements.

6. Include Change Order Procedures:

- Define how changes to the contract will be documented and approved.
- Detail how additional costs or time extensions will be handled.

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7. Incorporate Risk Management:

- Specify insurance and liability coverage.
- Include clauses for unforeseen circumstances (force majeure).

8. Add Dispute Resolution Clauses:

- Outline negotiation, mediation, or arbitration procedures.
- Reference Ethiopian arbitration laws if applicable.

9. Finalize the Contract:

- Review and proofread the draft for clarity and accuracy.
- Obtain signatures from all parties involved.

Equipment, Tools, and Materials:

- Contract templates
- Legal reference materials
- Project specifications
- Drafting software

Quality Criteria:

- Comprehensive and clear contract
- Compliance with legal and industry standards
- Agreed-upon terms by all parties

Operation 2: Negotiating Supplier Agreements

Title: Negotiating Supplier Agreements for Construction Materials

Purpose: To procure quality materials at favorable terms while maintaining project timelines and budgets.

Condition or Situation for the Operation:

This operation is conducted during the procurement phase when sourcing critical materials like tiles, paint, or finishing products.

Steps in Doing the Tasks:

1. Conduct Market Research:

- Gather price and quality information for required materials.
- Identify and shortlist potential suppliers.

2. Prepare for Negotiation:

- Define project requirements, including quality standards and delivery timelines.
- Set a budget and determine acceptable terms for discounts or extended payments.

3. Initiate Supplier Discussions:

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- Establish contact and communicate project needs clearly.
- Discuss potential terms such as discounts, payment schedules, and delivery deadlines.
- 4. **Evaluate Offers:**
 - Compare proposals from multiple suppliers based on price, quality, and reliability.
 - Assess suppliers' ability to meet project timelines and standards.
- 5. **Negotiate Terms:**
 - Build rapport with suppliers to foster collaboration.
 - Propose mutually beneficial terms, such as bulk discounts or payment plans.
- 6. **Document Agreements:**
 - Record agreed terms, including price, delivery schedules, and penalties for delays.
 - Include quality assurance commitments and warranties.
- 7. **Finalize the Agreement:**
 - Ensure all terms are documented in a signed contract.
 - Share copies of the agreement with relevant stakeholders.

Equipment, Tools, and Materials:

- Supplier contact list
- Budget and quality specifications
- Negotiation templates

Quality Criteria:

- Agreements that meet project quality and budget requirements
- Reliable suppliers with clear terms of delivery
- Documented and enforceable agreements

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LAP Test-1	Performance Test
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Name..... **ID**.....

Date..... **Time started:** _____ **Time finished:** _____

Instructions: Given necessary templates, tools, and materials you are required to perform the following tasks within **1** hour. The project is expected from each student to do it.

Task 1: Prepare and Draft Construction Contracts

Task 1: Negotiate Supplier Agreements for Construction Materials

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UNIT THREE: Legal Requirements in Contract Administration

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Regulatory and Statutory Requirements
- Contractual Obligations and Compliance

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Identify applicable regulatory frameworks and their impact on contracts.
- Ensure compliance with relevant statutory obligations.
- Evaluate the adherence to contractual terms and conditions.
- Address instances of non-compliance effectively

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3. Legal Requirements in Contract Administration

The administration of contracts in construction finishing work is complex, requiring adherence to various legal frameworks. In Ethiopia, understanding regulatory and statutory requirements, along with international standards and treaties, ensures that construction projects comply with legal obligations, maintain quality, and avoid disputes. This document delves into the legal aspects of contract administration with examples relevant to Ethiopia's construction finishing work.

3.1. Regulatory and Statutory Requirements

3.1.1 Overview of Ethiopian Construction Regulations

Ethiopia has specific construction laws that govern the industry, ensuring safety, quality, and fairness. Key regulations include:

- **Ethiopian Building Proclamation (No. 624/2009):** Governs construction activities, including permits, safety standards, and dispute resolution mechanisms.
- **Labor Proclamation (No. 1156/2019):** Protects workers' rights, including fair wages and safe working conditions, which are critical in construction finishing tasks.
- **Environmental Protection Laws:** Address the environmental impacts of construction, such as the disposal of waste materials from finishing activities like painting or flooring.



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Fig 3.1 Ethiopian Construction Regulations

➤ **Sample:**

A contractor finishing a commercial building in Addis Ababa must secure a construction permit and adhere to safety standards. Failure to comply with the Ethiopian Building Proclamation can lead to project delays and fines.

- **Licensing and Certification Requirements**

Construction firms and subcontractors in Ethiopia must possess valid licenses for their operations. Finishing work specialists, such as painters and flooring installers, are required to meet competency certifications.

➤ **Sample:**

A contractor hiring a flooring specialist for a luxury villa ensures the specialist is certified by the Ethiopian Construction Authority to meet industry standards and avoid liabilities.

- **Safety Standards and Compliance**

Ensuring worker safety during construction finishing activities is mandatory. Compliance with safety standards, such as providing personal protective equipment (PPE) and safe working environments, is regulated by Ethiopian law.

➤ **Sample:**

A contractor working on the interior finishing of a high-rise in Addis Ababa provides scaffolding and safety harnesses to painters to comply with safety regulations.

- **Taxation and Financial Compliance**

Construction companies are required to comply with Ethiopian tax laws, including VAT on materials and income tax on project earnings. Financial transparency is crucial in contract administration. A contractor importing marble for flooring ensures VAT compliance to avoid penalties from the Ethiopian Revenue and Customs Authority.

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3.1.2 International Standards and Treaties Affecting Contracts

Globalization has brought international standards and treaties to the forefront of Ethiopian construction projects, especially in finishing work where quality and sustainability are emphasized.

- **ISO Standards in Construction**

International Organization for Standardization (ISO) standards provide guidelines for quality, safety, and environmental management in construction. Key standards include:

- **ISO 9001:** Focuses on quality management systems, ensuring consistent and high-quality finishing work.
- **ISO 14001:** Guides environmental management, helping reduce the environmental impact of construction activities.
- ✓ **Sample:** A contractor implementing ISO 9001 in a hotel renovation ensures that painting and tiling are completed to global quality standards, enhancing the project's value.

- **International Treaties and Agreements**

- **World Trade Organization (WTO) Agreements:** Influence procurement processes, ensuring fair competition for international contractors.
- **United Nations Sustainable Development Goals (SDGs):** Promote sustainable construction practices, including the use of eco-friendly finishing materials.
- ✓ **Sample:** A contractor sourcing sustainable bamboo flooring aligns with SDGs, making the project more appealing to international investors.

3.1.3 Practical Applications in Ethiopian Construction Finishing Work

Illustration 1: Regulatory Compliance in Finishing Materials

Scenario:

A contractor installs high-quality wood paneling in a luxury apartment complex in Addis Ababa.

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Steps for Compliance:

- Verify that the wood supplier complies with Ethiopian environmental laws.
- Ensure that import permits and taxes for the materials are cleared.
- Document supplier certifications for ISO 9001 compliance.

Outcome:

The project proceeds without legal issues, enhancing its market appeal.

Illustration 2: Safety Compliance in Interior Painting

Scenario:

A contractor oversees painting in a newly constructed hospital in Gondar.

Steps for Compliance:

- Provide PPE like masks and gloves to painters.
- Ensure proper ventilation to avoid harmful fumes.
- Conduct safety training on handling hazardous materials.

Outcome:

The contractor avoids workplace accidents, ensuring timely completion and regulatory compliance.

Illustration 3: Contractual Obligations in Finishing Work

Scenario:

A developer hires a contractor to install decorative ceilings in a residential project in Bahir Dar.

Steps for Compliance:

- Draft a contract specifying material types, timelines, and quality standards.
- Include penalty clauses for delays or substandard work.
- Ensure compliance with Ethiopian labor laws for subcontractors.

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Outcome:

The project meets deadlines, and all parties fulfill their obligations, avoiding disputes.

Legal compliance in contract administration is indispensable for successful construction finishing work in Ethiopia. Adhering to regulatory and statutory requirements ensures safety, quality, and sustainability, while international standards enhance project credibility. With robust contract management practices, Ethiopian contractors can compete globally and deliver projects that meet the highest standards.

3.2 Contractual Obligations and Compliance

Contractual obligations and compliance are fundamental aspects of construction finishing work in Ethiopia. Meeting legal and contractual requirements ensures that projects are completed effectively while maintaining professional integrity, safety standards, and environmental considerations. This section delves into managing compliance with legal requirements and the importance of meticulous record-keeping and documentation, using examples from Ethiopia's construction finishing industry.

3.2.1 Managing Compliance with Legal Requirements

Compliance in construction finishing projects requires contractors and stakeholders to adhere to applicable legal standards, industry regulations, and contractual commitments. Non-compliance can result in penalties, delays, or project termination.

- **Understanding Contractual Obligations**

A thorough understanding of contractual terms is critical. Contracts in finishing work outline the roles, responsibilities, and expectations of all parties involved, including payment schedules, quality benchmarks, and timelines.

- **Example** : A contractor installing decorative tiles must meet specified quality standards and deadlines outlined in the contract. Non-adherence could result in penalties or termination of the agreement.

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- **Adhering to Ethiopian Construction Regulations**

Ethiopia's construction laws mandate compliance with building codes, licensing requirements, and safety standards. Contractors must ensure their operations align with these laws to avoid legal complications.

- **Example:** During the installation of suspended ceilings, contractors must adhere to safety guidelines set by the Ethiopian Construction Works Regulatory Authority (ECWRA). This includes using fire-resistant materials in commercial projects.

- **Safety and Labor Compliance**

Ethiopian labor laws require employers to provide safe working environments and fair treatment for workers. Safety measures are especially crucial in finishing work, where tasks like painting, flooring, and ceiling installations involve physical risks.

- **Example:** Workers using scaffolding to paint high walls must have access to safety harnesses and helmets. Contractors are obligated to conduct safety training sessions to reduce workplace accidents.

- **Environmental Compliance**

Environmental regulations in Ethiopia govern waste disposal, material sourcing, and pollution control in construction projects. Adopting environmentally responsible practices aligns with these legal requirements.

- **Example:** During flooring work, waste materials like adhesives and tiles must be disposed of in designated areas, ensuring no harm to the surrounding environment.

- **Procurement and Import Regulations**

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Many finishing materials in Ethiopia are imported, requiring contractors to comply with customs and tax regulations. Accurate documentation and adherence to import laws are essential.

- **Example:** Importing high-quality parquet flooring requires compliance with Ethiopian Revenue and Customs Authority (ERCA) regulations, including payment of duties and taxes.

3.2.2 Record-Keeping and Documentation

Record-keeping is the backbone of contract administration. Proper documentation ensures transparency, facilitates compliance monitoring, and provides a basis for resolving disputes.

- **Importance of Documentation**

Maintaining accurate records supports the efficient management of construction projects. It helps track progress, ensures accountability, and serves as evidence in case of disputes.

- **Sample:** A contractor working on interior plastering should document the quantities of materials used, delivery schedules, and labor hours to ensure transparency with the client.

- **Types of Records to Maintain**

Key records in construction finishing work include:

- **Contracts and Agreements**

Formal agreements outlining roles, responsibilities, timelines, and payment terms.

- ✓ **Example:** A contract for installing ceramic tiles in a hospital should detail the tile specifications, completion date, and penalty clauses for delays.

- **Payment Records**

Documentation of all financial transactions, including receipts, invoices, and payment schedules.

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- ✓ **Example:** Payment for imported wallpaper must include proof of VAT payment to the Ethiopian tax authorities.

➤ **Material Procurement Records**

Records of purchased materials, suppliers, and delivery schedules.

- ✓ **Example:** Documentation of the purchase of premium paint ensures the contractor can verify the source and quality of materials.

➤ **Progress Reports**

Regular updates on project status, milestones achieved, and any deviations from the plan.

- ✓ **Example:** Weekly progress reports for a finishing project may include updates on painting completion rates and any challenges encountered.

➤ **Safety and Compliance Reports**

Records of safety training sessions, inspections, and compliance with labor laws.

- ✓ **Example:** Reports from a safety audit conducted during gypsum board installation show adherence to Ethiopian safety standards.

➤ **Change Orders and Approvals**

Documentation of any agreed changes to the project scope or contract terms.

- ✓ **Example:** A client requesting an upgrade from standard tiles to granite flooring should provide a signed change order detailing the additional costs.

• **Using Technology for Record-Keeping**

Digital tools simplify record-keeping and enhance accessibility. Construction management software, cloud storage, and mobile apps allow contractors to manage documentation efficiently.

- ✓ **Example:** A contractor managing multiple finishing projects can use project management software to store contracts, track expenses, and generate progress reports in real-time.

➤ **Auditing and Reviewing Records**

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Regular audits of project records ensure accuracy and compliance with legal and contractual obligations. Auditing helps identify discrepancies early and provides opportunities for corrective action.

- **Example:** A contractor conducting a quarterly review of labor records discovers overtime payments were missed for workers on a flooring project. The issue is resolved promptly, avoiding labor disputes.

Managing compliance with legal requirements and maintaining accurate records are indispensable for successful construction finishing projects in Ethiopia. Contractors who prioritize these practices ensure project efficiency, avoid legal complications, and build trust with clients and stakeholders. By adopting a proactive approach to compliance and leveraging modern tools for documentation, the Ethiopian construction industry can achieve higher standards of professionalism and quality.

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Self-Check Questions 3

Part I: Multiple Choice Questions

Select the best answer for each question from the given options.

- What does the Ethiopian Building Proclamation (No. 624/2009) primarily govern?**
 - Labor wages
 - Construction permits, safety standards, and dispute resolution
 - Tax collection in construction projects
 - Import regulations for finishing materials
- Which law protects workers' rights, including fair wages and safe working conditions?**
 - ISO 9001
 - Environmental Protection Laws
 - Ethiopian Labor Proclamation (No. 1156/2019)
 - WTO Agreements
- Which international standard focuses on environmental management in construction?**
 - ISO 9001
 - ISO 14001
 - WTO Agreements
 - SDGs
- What is a requirement for imported finishing materials in Ethiopia?**
 - Approval from local municipalities only
 - Compliance with Ethiopian tax laws, including VAT payments
 - Verbal approval from customs officials
 - No specific requirement applies
- What is the purpose of maintaining material procurement records?**
 - To verify material source and quality
 - To track project milestones
 - To document workforce training
 - To avoid environmental laws

Part II: Short Answer Questions

(Answer briefly in one or two sentences.)

- What are the key components of Ethiopian construction regulations for finishing work?
- Why is compliance with labor laws important in construction finishing tasks?
- How do ISO standards like ISO 9001 and ISO 14001 impact construction finishing work?
- What role does record-keeping play in managing compliance with Ethiopian laws?

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5. Give an example of safety compliance in Ethiopian finishing work projects.

Part III: Matching Type Questions

(Match items in Column A with the appropriate descriptions in Column B.)

Column A	Column B
1. Ethiopian Labor Proclamation	a) Ensures safe disposal of construction waste and pollution control.
2. Ethiopian Building Proclamation	b) Requires fair wages and safe working conditions for employees.
3. ISO 14001	c) Governs construction activities, permits, and safety standards.
4. Material Procurement Records	d) Documents material purchases, sources, and delivery schedules.
5. Safety Compliance	e) Providing PPE and ensuring proper scaffolding to prevent accidents.

Answers to Self-Check Questions

Part I: Multiple Choice Questions

- What does the Ethiopian Building Proclamation (No. 624/2009) primarily govern?
 - Construction permits, safety standards, and dispute resolution
- Which law protects workers' rights, including fair wages and safe working conditions?
 - Ethiopian Labor Proclamation (No. 1156/2019)
- Which international standard focuses on environmental management in construction?
 - ISO 14001
- What is a requirement for imported finishing materials in Ethiopia?
 - Compliance with Ethiopian tax laws, including VAT payments
- What is the purpose of maintaining material procurement records?
 - To verify material source and quality

Part II: Short Answer Questions

- What are the key components of Ethiopian construction regulations for finishing work?**

The key components include the Ethiopian Building Proclamation, Labor Proclamation, and Environmental Protection Laws, focusing on permits, safety, labor rights, and environmental impacts.

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2. **Why is compliance with labor laws important in construction finishing tasks?**
 Compliance ensures fair wages, safe working environments, and worker protections, reducing the risk of legal penalties and workplace accidents.
3. **How do ISO standards like ISO 9001 and ISO 14001 impact construction finishing work?**
 ISO 9001 ensures quality management, while ISO 14001 focuses on reducing environmental impacts through sustainable practices.
4. **What role does record-keeping play in managing compliance with Ethiopian laws?**
 Record-keeping ensures transparency, tracks progress, and provides evidence of compliance with contracts and regulations.
5. **Give an example of safety compliance in Ethiopian finishing work projects.**
 Providing PPE (e.g., gloves, masks, helmets) and scaffolding for painters working on high-rise interiors ensures safety compliance.

Part III: Matching Type Questions

Column A	Column B
1. Ethiopian Labor Proclamation	b) Requires fair wages and safe working conditions for employees.
2. Ethiopian Building Proclamation	c) Governs construction activities, permits, and safety standards.
3. ISO 14001	a) Ensures safe disposal of construction waste and pollution control.
4. Material Procurement Records	d) Documents material purchases, sources, and delivery schedules.
5. Safety Compliance	

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Operation 1: Ensuring Compliance with Ethiopian Construction Regulations

Title: Ensuring Compliance with Ethiopian Construction Regulations

Purpose:

To meet legal and regulatory requirements for construction finishing projects in Ethiopia, ensuring safety, quality, and adherence to environmental laws.

Condition or Situation for the Operation:

This operation is necessary during the planning and execution stages of construction finishing projects, where legal compliance is critical to avoid penalties and ensure project success.

Steps in Doing the Tasks:

1. Understand Regulatory Requirements:

- Review Ethiopian Building Proclamation (No. 624/2009) for safety and permits.
- Study Labor Proclamation (No. 1156/2019) for worker rights and safety.

2. Verify Licenses and Certifications:

- Ensure contractors and subcontractors have valid licenses.
- Confirm certification for specialists (e.g., flooring or painting experts).

3. Secure Permits:

- Obtain necessary construction and environmental permits.
- Ensure permits are up-to-date for specific finishing tasks.

4. Implement Safety Standards:

- Provide personal protective equipment (PPE) and safety training for workers.
- Conduct safety inspections regularly.

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5. Ensure Environmental Compliance:

- Properly dispose of waste materials from finishing tasks.
- Use eco-friendly materials and follow environmental guidelines.

Equipment, Tools, and Materials:

- Ethiopian legal code documents
- PPE (helmets, gloves, masks)
- Safety inspection tools
- Waste disposal containers

Quality Criteria:

- All permits and licenses are secured before starting the project.
- Safety measures are implemented effectively with zero workplace accidents.
- Compliance with environmental standards and waste management protocols.

Operation 2: Drafting and Managing Construction Contracts

Title: Drafting and Managing Construction Contracts

Purpose:

To create comprehensive contracts that define roles, timelines, and standards, ensuring project efficiency and clarity among stakeholders.

Condition or Situation for the Operation:

This operation is essential before commencing any construction project to avoid disputes and ensure all parties understand their obligations.

Steps in Doing the Tasks:

1. Define Scope of Work:

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- Clearly outline tasks, deliverables, and exclusions.
- Specify quality standards and materials to be used.

2. Establish Timelines and Milestones:

- Set start and end dates with intermediate milestones.
- Include penalties for delays and incentives for early completion.

3. Determine Payment Terms:

- Specify total contract price and payment schedules (e.g., milestone-based).
- Include terms for additional costs or scope changes.

4. Include Legal and Safety Clauses:

- Reference Ethiopian regulations for building, labor, and safety standards.
- Add clauses for liability, insurance, and dispute resolution.

5. Review and Finalize:

- Review draft with legal experts and stakeholders.
- Obtain signatures from all parties and provide copies.

Equipment, Tools, and Materials:

- Contract templates
- Ethiopian legal documents
- Drafting software or tools
- Stakeholder input documents

Quality Criteria:

- Contracts are clear, comprehensive, and legally compliant.

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- All parties sign and agree to terms before project commencement.
- Regular updates and change orders are documented during the project.

LAP Test-2	Performance Test
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Name..... ID.....

Date..... Time started: _____ Time finished: _____

Instructions: Given necessary templates, tools, and materials you are required to perform the following tasks within **1** hour. The project is expected from each student to do it.

Task 1: Ensure Compliance with Ethiopian Construction Regulations

Task 1: Manga Construction Contracts

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UNIT FOUR: Contract Performance and Monitoring

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Performance Metrics and Reporting
- Change Management

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Define and track key performance indicators (KPIs) for contracts.
- Provide detailed and accurate performance reports.
- Assess and manage changes in contract terms effectively.
- Minimize disruptions caused by change orders.

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4. Contract Performance and Monitoring

Effective performance monitoring is critical to ensuring the successful completion of construction finishing projects in Ethiopia. Contract performance and monitoring include the use of key performance indicators (KPIs) to track progress and regular reporting mechanisms to ensure alignment with contractual obligations. This document explores the components of performance metrics, the significance of reporting in construction finishing work, and practical examples from Ethiopia's industry.

4.1 Performance Metrics and Reporting

Performance metrics and reporting form the backbone of contract administration in construction projects. They provide a structured framework for evaluating the progress and quality of work while enabling stakeholders to identify and address challenges proactively.

4.1.1 Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs) are essential tools in construction projects to evaluate performance and measure success against specific objectives. They provide measurable values that enable project managers and stakeholders to assess how effectively a project is progressing toward its goals. In construction finishing work, which involves critical tasks such as painting, tiling, flooring, and installations, KPIs serve as benchmarks for evaluating productivity, efficiency, quality, and safety. Proper monitoring of these indicators ensures that finishing work meets the desired expectations within the required time, cost, and quality constraints.

The importance of KPIs in construction finishing work cannot be overstated. They help identify potential challenges early, allowing for timely corrective actions, while also promoting accountability among team members. In Ethiopia, where infrastructure and urban development are rapidly growing, establishing and monitoring KPIs can significantly improve project outcomes and ensure adherence to standards in the finishing phase of construction.

- **Common KPIs in Ethiopian Finishing Work**

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➤ **Project Schedule Adherence**

Project schedule adherence is a critical KPI in Ethiopian construction finishing work. It measures the extent to which finishing tasks, such as painting, tiling, or flooring, are completed within the planned timelines. Construction projects often face delays due to poor resource allocation, supply chain disruptions, or inefficient workforce management. By tracking schedule adherence, project managers can evaluate progress and identify activities that cause delays, implementing necessary adjustments to bring the project back on track. For example, a 90% completion rate of tasks within the schedule indicates strong time management, while lower rates require further analysis and improvement.

➤ **Cost Control**

Cost control is another vital KPI that assesses whether the project remains within the allocated budget for materials, labor, and other resources. In Ethiopian construction finishing work, cost overruns are common due to unexpected expenses, inflation, or material wastage. Monitoring cost performance ensures that the project team follows the budget constraints and identifies areas where costs can be reduced without compromising quality. For instance, a project may track budget utilization rates, comparing estimated and actual expenses. Keeping cost variances below 5% demonstrates effective cost management, whereas significant deviations require strategic interventions.

➤ **Quality Standards Compliance**

Quality standards compliance focuses on ensuring that finishing work meets the specifications and benchmarks defined in the project contract or industry standards. Quality is a non-negotiable aspect of construction, especially in finishing tasks where aesthetics, durability, and functionality are essential. Workmanship in painting, plastering, tiling, or woodwork must align with the agreed-upon standards. This KPI involves regular inspections, adherence to quality checklists, and addressing nonconformities promptly. For example, a project might measure the number of defects per finishing activity; fewer defects reflect higher compliance with quality standards.

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➤ Safety Metrics

Safety is a fundamental concern in construction projects, and safety metrics serve as key indicators to track incidents, occupational health compliance, and workforce safety training. In Ethiopian finishing works, where tasks often involve hazardous conditions, such as working at heights, exposure to chemicals, or operating equipment, safety KPIs ensure a safe working environment. Metrics such as the number of safety incidents, near misses, or participation rates in safety training programs help monitor compliance with safety protocols. Projects that achieve zero incidents or maintain high compliance rates demonstrate strong safety performance and care for workers' well-being.

➤ Material Usage Efficiency

Material usage efficiency evaluates how effectively construction materials are utilized to minimize waste and optimize costs. In finishing work, materials such as paint, tiles, cement, and adhesives are often prone to overuse or wastage due to improper planning or handling. By tracking this KPI, project managers can ensure efficient resource utilization and reduce unnecessary expenditures. For instance, comparing actual material consumption against estimated quantities helps identify inefficiencies. High efficiency in material usage not only lowers costs but also contributes to sustainable construction practices, which is increasingly relevant in Ethiopia's growing construction sector.

In Ethiopian construction finishing work, KPIs play a pivotal role in ensuring that projects achieve their objectives effectively and efficiently. By measuring aspects such as **schedule adherence, cost control, quality compliance, safety performance, and material usage efficiency**, project managers can gain valuable insights into project performance and address challenges proactively. Implementing and monitoring these KPIs fosters accountability, enhances resource management, and ensures that finishing work meets the highest standards of quality, safety, and cost efficiency. In a rapidly developing construction industry, adopting KPI-based evaluation systems will significantly contribute to the success and sustainability of projects.

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➤ **Developing and Tracking Project-Specific KPIs in Construction Finishing Work**

Key Performance Indicators (KPIs) are vital tools for measuring and monitoring progress in construction projects. While standard KPIs such as time, cost, quality, and safety apply to most projects, it is often necessary to develop **project-specific KPIs** to address the unique aspects of each undertaking. For construction finishing work, especially in the Ethiopian context, tailoring KPIs can help accommodate local challenges, priorities, and project goals. Effective tracking and reporting of these indicators further ensure successful project delivery by keeping all stakeholders informed and enabling timely corrective actions.

➤ **Developing Project-Specific KPIs**

Tailoring KPIs to the specific requirements of a finishing work project is crucial for addressing its unique objectives, challenges, and opportunities. In Ethiopia, where infrastructure and construction development are booming, projects often incorporate KPIs that reflect **local needs, sustainability goals, and community priorities**.

➤ **Key Focus Areas for Project-Specific KPIs**

✓ **Local Sourcing Efficiency**

Local sourcing of materials is a critical KPI in Ethiopia's construction finishing projects. This metric assesses how efficiently materials such as plaster, tiles, and decorative items are procured from nearby suppliers or manufacturers. By prioritizing local sourcing, projects can reduce transportation costs, support the local economy, and minimize carbon footprints. For example, tracking the percentage of materials sourced locally can help project managers measure their reliance on local markets while also adhering to budget constraints.

✓ **Compliance with Environmental Sustainability Goals**

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Environmental sustainability is an increasingly important consideration in modern construction projects. In finishing work, this involves managing waste disposal, reducing material waste, and promoting the use of environmentally friendly products. A project-specific KPI might measure the percentage of materials recycled, the volume of waste diverted from landfills, or compliance with local environmental regulations. For instance, achieving a 90% waste recycling rate can reflect strong adherence to sustainability goals, demonstrating the project's commitment to minimizing its environmental impact.

✓ **Community Impact Metrics**

For large-scale government or public infrastructure projects, community impact is a key area of focus. Project-specific KPIs may include the number of local jobs created, workforce training opportunities provided, or improvements made to surrounding infrastructure. These metrics help measure how the project benefits the local community beyond its immediate construction goals. For example, tracking the percentage of labor hired locally or the number of community training programs can highlight the project's social contributions.

By developing KPIs that address local sourcing, sustainability, and community impact, project managers ensure that finishing work aligns with both project-specific goals and broader national development priorities.

• **Tracking and Reporting KPIs**

Once project-specific KPIs have been developed, the next critical step is to establish effective systems for **tracking and reporting** these metrics. Accurate monitoring ensures that performance remains aligned with project objectives, while transparent reporting enables stakeholders to stay informed and make data-driven decisions.

➤ **Methods of Tracking KPI Performance**

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✓ **Site Inspections and Data Collection**

Regular site inspections play a crucial role in gathering data on KPI performance. Project managers and supervisors conduct on-site checks to evaluate progress, quality of work, and adherence to timelines or budgets. For example, during the finishing phase, inspections can measure material usage efficiency, monitor waste disposal practices, or verify compliance with quality standards. Collected data is recorded systematically to provide an ongoing snapshot of performance.

✓ **Tools for KPI Tracking**

Depending on the scale and complexity of the project, different tools can be used to track KPIs:

- **Manual Logs:** For smaller projects, performance data can be recorded using manual logs and checklists. While this method is cost-effective, it may require more time and effort for analysis.
- **Spreadsheets:** Tools like Microsoft Excel or Google Sheets provide an accessible way to track, analyze, and visualize KPI data. Spreadsheets are particularly useful for small to medium-sized projects, enabling project managers to input performance data, generate charts, and identify trends.
- **Project Management Software:** For larger or more complex projects, specialized software such as Primavera P6, Microsoft Project, or Procore can streamline KPI tracking and reporting. These tools allow real-time data entry, progress updates, and automated reporting, ensuring greater accuracy and efficiency.

• **Reporting KPI Performance**

Clear and consistent reporting is essential to communicate KPI performance to stakeholders, including project owners, contractors, and government agencies. Reports typically include:

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- **Summary of Progress:** A brief overview of how the project is performing against key KPIs.
- **Visual Representations:** Charts and graphs to illustrate trends, such as project schedule adherence or cost performance over time.
- **Identified Challenges:** Areas where KPIs are not being met, along with recommendations for corrective actions.
- **Achievements:** Highlights of KPIs that have been successfully met or exceeded.

Regular reporting—whether weekly, monthly, or project-specific—ensures transparency and accountability. For example, if the KPI for material usage efficiency reveals significant wastage, corrective measures such as better inventory management or workforce training can be implemented promptly.

Developing and tracking project-specific KPIs in construction finishing work is essential for delivering successful projects that meet local needs and global standards. By focusing on **local sourcing efficiency, environmental sustainability, and community impact metrics**, Ethiopian projects can achieve more meaningful and sustainable outcomes. Implementing effective tracking and reporting mechanisms ensures that KPI performance is monitored regularly, enabling project managers to address challenges and maintain alignment with project goals. As Ethiopia’s construction industry continues to grow, adopting tailored KPIs and robust monitoring systems will play a vital role in enhancing productivity, quality, and overall project success.

4.1.2 Regular Reporting and Progress Reviews

- **Importance of Reporting**

Regular reporting ensures transparency and facilitates informed decision-making among stakeholders. Reports serve as a record of project activities and provide an opportunity to address deviations from the plan.

- **Types of Reports in Finishing Projects**

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➤ **Daily Site Reports**

Document daily activities, including work completed, workforce deployment, and materials used.

- ✓ **Sample:** A daily report for plastering work notes the number of workers, square meters completed, and any delays.

➤ **Weekly Progress Reports**

Summarize accomplishments, challenges, and next steps.

- ✓ **Sample:** A weekly report for decorative ceiling installation highlights the percentage of work completed and issues like supply delays.

➤ **Monthly Reports**

Provide comprehensive insights into project performance, including financial updates and milestone achievements.

- ✓ **Sample:** A monthly report for a hotel finishing project includes cost analysis, updated schedules, and quality inspection results.

➤ **Safety Reports**

Record incidents, safety training, and compliance with safety regulations.

- ✓ **Sample:** Safety reports for floor polishing work document adherence to slip-resistant coating application protocols.

• **Progress Review Meetings**

Progress review meetings are a critical component of effective project management and serve as a structured mechanism for monitoring, evaluating, and addressing project progress and challenges. These meetings bring together key stakeholders, including contractors, clients, consultants, and other relevant parties, to ensure transparency, alignment, and accountability at every phase of the project lifecycle.

➤ **Objectives of Progress Review Meetings**

- ✓ **Monitoring Project Progress:** Regular meetings provide an opportunity to evaluate the project's performance against established timelines, milestones, and deliverables. By

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reviewing detailed progress reports, stakeholders can identify completed tasks, assess ongoing activities, and address any deviations from the project plan.

- ✓ **Addressing Challenges and Issues:** Progress meetings serve as a forum to identify and discuss project challenges, risks, and roadblocks. Issues related to resource availability, technical complications, delays, or budget constraints can be addressed collaboratively, allowing for timely decision-making and corrective actions.
- ✓ **Ensuring Stakeholder Alignment:** These meetings promote open communication and foster alignment between all parties involved—contractors, clients, consultants, and project managers. By discussing objectives, expectations, and deliverables, stakeholders can maintain a shared understanding of project goals and responsibilities.
- ✓ **Facilitating Accountability:** Regular reviews ensure that tasks are being completed as planned and team members are held accountable for their roles. Action items and responsibilities discussed during meetings are documented and tracked to ensure follow-up and completion.

➤ **Structure of Progress Review Meetings**

A well-structured progress review meeting includes the following components:

- ✓ **Preparation:** Prior to the meeting, stakeholders prepare by gathering updated project reports, schedules, and relevant documentation to provide accurate information on the status of tasks and deliverables.
- ✓ **Agenda Setting:** The meeting begins with a clear agenda outlining the topics to be discussed, including progress updates, risk management, action items, and key decisions required. This ensures that meetings remain focused and time-efficient.
- ✓ **Progress Reporting:** Each stakeholder shares updates on their respective areas of responsibility. This includes reporting on completed tasks, ongoing activities, upcoming deliverables, and any challenges encountered.

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- ✓ Discussion and Problem-Solving: Stakeholders collaborate to address critical issues, evaluate solutions, and make decisions to mitigate risks or delays. Input from all parties is encouraged to ensure a comprehensive understanding of challenges and proposed actions.
- ✓ Action Item Documentation: At the end of the meeting, key decisions, agreed-upon solutions, and action items are documented, along with assigned responsibilities and deadlines. This creates a clear roadmap for the next steps.
- ✓ Follow-Up: After the meeting, meeting minutes and action plans are shared with all stakeholders to ensure alignment and follow-through on decisions made.

By establishing structured and consistent progress review meetings, project teams can ensure the successful delivery of projects through improved coordination, accountability, and timely decision-making.

Effective performance metrics and reporting practices are crucial for the successful management of construction finishing projects in Ethiopia. By focusing on KPIs and regular reporting, stakeholders can ensure projects are completed on time, within budget, and to the required standards. Through the adoption of best practices and technology, the Ethiopian construction finishing industry can improve efficiency, transparency, and overall project outcomes.

4.2 Change Management in Construction Finishing Work in Ethiopia

Change management is an integral component of contract administration, particularly in construction finishing work. Changes can arise due to unforeseen circumstances, client preferences, or technical adjustments. Successfully handling contract modifications and documenting and approving these changes are essential for maintaining project integrity and client satisfaction. This section delves into effective strategies for managing changes in Ethiopia's construction finishing sector.

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4.2.1 Handling Contract Modifications

Contract modifications occur when there is a need to alter the terms, scope, or deliverables of an ongoing construction project. In the context of finishing work, these modifications might include changes in material specifications, design alterations, or adjustments to project timelines.

- **Types of Contract Modifications**

- **Design Changes**

Alterations to the finishing design, such as shifting from basic paint to textured finishes or decorative ceilings.

- ✓ **Illustration:** A client requests a switch from standard tiles to marble flooring mid-project.

- **Scope Changes**

Expansion or reduction in the amount of work covered under the original contract.

- ✓ **Illustration:** Adding extra rooms to a painting schedule or excluding certain areas from finishing tasks.

- **Material Substitutions**

Replacing specified materials with alternatives due to availability, cost, or preference.

- ✓ **Illustration:** Substituting imported wall panels with locally sourced alternatives to meet budget constraints.

- **Timeline Adjustments**

Extending or shortening the project duration based on delays, client requests, or resource availability.

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- ✓ **Illustration:** A contractor requests an extension due to delays in shipping finishing materials.

4.2.1 Steps in Handling Contract Modifications

Contract modifications are inevitable in project management and require a systematic process to ensure that changes are efficiently assessed, approved, and implemented without disrupting project progress.

- **Identify the Need for Change**

The process begins by recognizing the need for a contract modification. This could arise due to changes initiated by the client, contractor, or external factors such as unforeseen site conditions, regulatory updates, or design adjustments.

- **Assess the Impact**

Once the need for change is identified, the next step involves evaluating its impact on the project's critical components, including:

- **Budget:** Assessing additional costs or cost savings resulting from the change.
- **Timeline:** Analyzing potential delays or acceleration in project delivery.
- **Quality:** Evaluating whether the change affects the standards or specifications outlined in the contract.
- **Deliverables:** Ensuring that the modification aligns with the project's overall goals and objectives.

- **Develop a Change Proposal**

A detailed proposal is prepared to document the modification. This proposal typically includes:

- A clear description of the proposed change.
- Justification or rationale for the modification.

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- Cost implications, including breakdowns if necessary.
- Adjustments to project timelines and schedules.
- Any additional resources or requirements needed.

- **Obtain Stakeholder Approval**

The change proposal is presented to all relevant stakeholders, including clients, consultants, and project managers, for review and approval. Consensus must be reached to proceed with the modification, ensuring alignment and understanding among all parties.

- **Implement the Change**

Once approved, the modification is integrated into the project workflow. Careful planning and coordination are essential to minimize disruptions and ensure a smooth transition. Changes are communicated to all relevant teams and reflected in updated schedules, budgets, and documentation.

- **Monitor the Implementation**

The final step involves tracking the progress of the change to ensure it is executed as planned. Regular monitoring ensures that the modification does not introduce unforeseen issues or negatively impact the project's performance. Adjustments can be made if necessary to keep the project on track.

By following these steps, project managers can effectively manage contract modifications, ensuring that changes are handled in a structured, transparent, and efficient manner while maintaining project integrity and stakeholder confidence.

4.2.2 Documenting and Approving Changes

Documenting changes formally ensures transparency, accountability, and alignment among all stakeholders. Proper documentation serves as a record for future reference and dispute resolution.

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- **Importance of Documentation**

- **Clarity and Accountability**

Clearly documented changes prevent misunderstandings and ensure that all parties are aware of their responsibilities.

- **Legal Protection**

Accurate records protect stakeholders in case of disputes or claims.

- **Tracking and Evaluation**

Maintained records help track the implementation and evaluate the effectiveness of the changes.

- **Key Documents in Change Management**

- **Change Request Forms**

Used to formally request modifications to the project scope or deliverables.

- **Change Order Agreements**

Legal documents that amend the original contract to reflect approved changes.

- **Impact Assessment Reports**

Reports detailing the effects of proposed changes on cost, quality, and schedule.

- **Updated Project Plans**

Revised schedules, budgets, and designs incorporating approved changes.

- **Meeting Minutes**

Records of discussions and decisions related to the change.

- **Approval Process for Changes**

- **Stakeholder Communication** Discuss the proposed change with all relevant stakeholders to ensure alignment.

- **Submission and Review** Submit the change request for review, highlighting its necessity and potential impacts.

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- **Negotiation** Negotiate terms, including cost-sharing arrangements or adjustments to the project timeline.
- **Formal Approval** Obtain written approval through signed change orders or updated contracts.

Effective change management is essential for the successful execution of construction finishing projects in Ethiopia. By handling contract modifications systematically and documenting changes comprehensively, contractors can ensure project continuity, enhance client satisfaction, and maintain compliance with contractual obligations. Implementing these best practices will elevate the standards of Ethiopia's construction finishing industry.

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Self-Check Questions 4

Part I: Multiple Choice Questions

(Choose the correct answer by selecting the best option.)

- What is the primary purpose of Key Performance Indicators (KPIs) in construction finishing work?**
 - To reduce the project timeline
 - To measure and monitor project performance
 - To replace project managers
 - To eliminate the need for budgets
- Which KPI measures whether finishing tasks like tiling or painting are completed on time?**
 - Material usage efficiency
 - Quality standards compliance
 - Project schedule adherence
 - Safety metrics
- What does 'Material Usage Efficiency' assess in construction finishing work?**
 - Effective utilization of resources to minimize waste
 - The speed of material delivery
 - Quality of materials purchased
 - The environmental impact of materials used
- Which of the following tools is used to track KPI performance in smaller projects?**
 - Manual logs
 - Primavera P6
 - Procore software
 - None of the above
- How is 'Compliance with Environmental Sustainability Goals' measured in finishing work?**
 - By reducing project timelines
 - By tracking waste disposal and recycling rates
 - By increasing worker wages
 - By creating new decorative designs

Part II: Short Answer Questions

(Answer briefly in one or two sentences.)

- Why is tracking project schedule adherence critical in construction finishing work?**

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2. Explain how KPIs can help address cost overruns in Ethiopian construction finishing projects.
3. What role does safety metrics play in the successful completion of construction projects?
4. How can local sourcing efficiency benefit Ethiopian construction finishing work?
5. Why is regular reporting important for monitoring KPI performance in finishing work?

Part III: Matching Type Questions

(Match the items in **Column A** with their appropriate descriptions in **Column B**.)

Column A	Column B
1. Project Schedule Adherence	a) Ensures work aligns with defined benchmarks and specifications.
2. Cost Control	b) Evaluates waste reduction and proper material usage.
3. Quality Standards Compliance	c) Monitors task completion timelines and identifies delays.
4. Material Usage Efficiency	d) Tracks whether the project stays within the planned budget.
5. Safety Metrics	e) Measures compliance with occupational health and safety standards.

Answers to Self-Check Questions

Part I: Multiple Choice Questions

1. What is the primary purpose of Key Performance Indicators (KPIs) in construction finishing work?
b) To measure and monitor project performance
2. Which KPI measures whether finishing tasks like tiling or painting are completed on time?
c) Project schedule adherence
3. What does 'Material Usage Efficiency' assess in construction finishing work?
a) Effective utilization of resources to minimize waste
4. Which of the following tools is used to track KPI performance in smaller projects?
a) Manual logs
5. How is 'Compliance with Environmental Sustainability Goals' measured in finishing work?
b) By tracking waste disposal and recycling rates

Part II: Short Answer Questions

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1. **Why is tracking project schedule adherence critical in construction finishing work?**
 Tracking project schedule adherence ensures that tasks like tiling, painting, and flooring are completed on time, helping avoid delays that can impact project costs and stakeholder satisfaction.
2. **Explain how KPIs can help address cost overruns in Ethiopian construction finishing projects.**
 KPIs related to cost control help monitor expenses, compare actual costs with the budget, and identify areas where costs can be minimized without compromising quality.
3. **What role does safety metrics play in the successful completion of construction projects?**
 Safety metrics track incidents, compliance with safety protocols, and worker training to ensure a safe working environment and prevent accidents that can delay progress.
4. **How can local sourcing efficiency benefit Ethiopian construction finishing work?**
 Local sourcing efficiency reduces transportation costs, supports local suppliers, and minimizes environmental impacts, while ensuring timely material availability.
5. **Why is regular reporting important for monitoring KPI performance in finishing work?**
 Regular reporting provides stakeholders with accurate progress updates, highlights challenges, and ensures timely corrective actions to keep the project on track.

Part III: Matching Type Questions

Column A	Column B
1. Project Schedule Adherence	c) Monitors task completion timelines and identifies delays.
2. Cost Control	d) Tracks whether the project stays within the planned budget.
3. Quality Standards Compliance	a) Ensures work aligns with defined benchmarks and specifications.
4. Material Usage Efficiency	b) Evaluates waste reduction and proper material usage.
5. Safety Metrics	e) Measures compliance with occupational health and safety standards.

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UNIT FIVE: Managing Contract Risks

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Identify and Analyze contract Risks
- Resolve Contractual Disputes

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Identify potential risks in contract execution.
- Perform comprehensive risk assessments with mitigation strategies.
- Apply effective dispute resolution methods.
- Ensure conflicts are addressed while maintaining professional relationships.

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5. Managing Contract Risks

5.1 Identify and Analyze Contract Risks

Managing contract risks is critical for the successful completion of construction finishing projects. Risks during this phase can arise from various internal and external factors, such as resource shortages, unexpected design changes, contractual disputes, or external conditions like supply chain disruptions and inflation. Given the significant impact these risks can have on project timelines, costs, and quality, effective management strategies are essential to ensure successful project delivery. This section explores techniques for identifying and analyzing risks, along with proactive strategies to mitigate them, specifically tailored to the Ethiopian construction finishing industry.

- **Importance of Risk Management**

The finishing phase of construction is a critical stage where the final appearance and functionality of a project are determined. It is also a phase where risks are more pronounced due to tight deadlines, dependence on specialized materials, and multiple contractors working simultaneously. Poorly managed risks during this phase can:

- Delay project timelines, leading to missed deadlines and penalties.
- Increase overall costs due to rework, disputes, or inefficient resource use.
- Compromise quality, resulting in client dissatisfaction and damaged reputations.

By systematically identifying and analyzing risks, stakeholders can anticipate potential challenges and implement effective solutions, thus improving decision-making and ensuring the project stays on track.

5.1.1 Risk Assessment Techniques

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To manage risks effectively, it is crucial to apply appropriate techniques for identifying and analyzing risks. The following methods are widely used and can be tailored to address the unique challenges of Ethiopia's construction finishing sector:

- **Brainstorming with Stakeholders**

Collaborative brainstorming sessions with project stakeholders, such as project managers, contractors, suppliers, and clients, help identify a wide range of potential risks. Open discussions encourage diverse perspectives, uncovering issues that may otherwise be overlooked.

- **Illustration:** In high-end finishing projects that rely on imported decorative materials, brainstorming can uncover risks like supply chain disruptions caused by currency fluctuations, import delays, or policy changes. Solutions such as maintaining a reserve stock or sourcing alternatives locally can be explored.

- **Risk Checklists**

Standardized checklists ensure that risk identification is systematic and comprehensive. These checklists are customized to specific types of finishing projects, enabling project teams to focus on critical areas of concern.

- **Illustration:** For a tiling project, a checklist could include potential risks such as:
 - ✓ Grout material shortages due to insufficient local supply.
 - ✓ Uneven floor leveling caused by inaccurate site preparation.
 - ✓ Damage to imported tiles during transportation.

By systematically addressing each checklist item, project teams can anticipate and mitigate these risks effectively.

- **Historical Data Analysis**

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Historical data from similar past projects provide valuable insights into recurring risks and their impacts. By reviewing this information, project teams can proactively address known issues and adopt proven mitigation strategies.

- **Illustration:** Data from previous projects may reveal frequent delays in procuring custom-made window frames. Recognizing this risk allows project managers to:

- ✓ Place orders earlier in the project timeline.
- ✓ Negotiate shorter lead times with suppliers.
- ✓ Identify alternative vendors in case of delays.

- **SWOT Analysis**

SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is a strategic tool for identifying internal and external factors that may influence project outcomes. It helps uncover vulnerabilities while highlighting opportunities to improve project efficiency.

- **Example:** For a painting project, a SWOT analysis might reveal:

- ✓ **Strength:** Availability of skilled painters.
- ✓ **Weakness:** Inadequate experience of contractors with specialty paint applications.
- ✓ **Opportunity:** The use of faster-drying, eco-friendly paints to meet tight deadlines.
- ✓ **Threat:** Shortages of paint supplies due to rising transportation costs.

By leveraging strengths and addressing weaknesses, project teams can proactively manage risks while capitalizing on opportunities.

- **Risk Probability and Impact Matrix**

The risk probability and impact matrix is a practical tool for prioritizing risks based on their likelihood of occurrence and potential impact. Risks are categorized into high, medium, and low priority, enabling project teams to allocate resources effectively.

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➤ **Illustration:** In a construction finishing project:

- ✓ Material theft on-site might be rated as **high likelihood** but **low impact**, requiring basic mitigation measures like site security.
- ✓ Structural damage to ceilings during installation might be rated as **low likelihood** but **high impact**, requiring detailed quality checks and material verification.

This prioritization ensures that project teams focus on the most critical risks that could jeopardize project success.

• **Expert Consultation**

Consulting with legal, financial, or technical experts provides in-depth risk insights, particularly for complex projects involving specialized materials or advanced installation techniques. Expert advice helps in anticipating less obvious risks and ensuring compliance with contractual obligations.

- **Illustration:** An experienced structural engineer might assess the risk of ceiling installations failing due to incorrect material specifications or improper installation techniques. By addressing these risks early, the project team can avoid costly rework or safety hazards.

Managing contract risks in construction finishing projects requires a systematic and proactive approach. By identifying and analyzing risks through techniques such as brainstorming, checklists, historical data analysis, SWOT analysis, probability-impact matrices, and expert consultation, stakeholders can anticipate challenges and implement targeted mitigation strategies. Tailoring these techniques to address the specific challenges of the Ethiopian construction finishing industry, such as resource shortages, economic volatility, and labor issues, ensures that projects are completed on time, within budget, and to the required quality standards. A robust risk management framework not only minimizes potential disruptions but also enhances project outcomes and client satisfaction.

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5.1.2 Types of Contract Risks in Construction Finishing Work

In construction finishing work, various types of contract risks can impact project timelines, costs, and quality. Understanding these risks allows stakeholders to implement effective mitigation strategies and ensure project success. The key types of contract risks include:

- **Financial Risks**

Financial risks arise from inaccurate budgeting, inflation, or unforeseen cost escalations. These risks pose challenges to maintaining project profitability and could require adjustments in resource allocation. To manage financial risks effectively, project managers must establish contingency budgets, adopt early procurement strategies, and negotiate contracts that include cost escalation clauses. Fixed-price contracts and close monitoring of market prices for critical materials also help mitigate the financial burden caused by unexpected cost increases.

- **Design Risks**

Design risks occur when errors, ambiguities, or conflicts arise in project specifications, resulting in rework or delays. In the finishing phase, poor coordination between design teams, contractors, and clients often causes discrepancies between the design intent and actual site conditions. Comprehensive design reviews and pre-implementation feasibility assessments are critical in identifying potential conflicts early. Stakeholder collaboration and involving experienced professionals throughout the design and execution process further minimize the likelihood of design errors.

- **Operational Risks**

Operational risks involve inefficiencies caused by shortages of skilled labor, materials, or poor project coordination. These risks hinder productivity and can prolong project completion times. Effective resource planning, regular monitoring of schedules, and contingency measures, such as backup suppliers or subcontractors, are essential for reducing disruptions. Furthermore, investment

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in workforce training ensures the availability of skilled labor for specialized finishing tasks, while proper sequencing of activities minimizes operational inefficiencies.

- **Legal Risks**

Legal risks stem from non-compliance with contractual terms, building codes, or regulatory requirements. Failure to meet these obligations may result in penalties, delays, or legal disputes. Proper contract drafting, clear assignment of roles, and regular legal reviews help ensure compliance with regulations. Involving legal advisors early in the process safeguards the project from ambiguous contract terms or regulatory oversights, while routine audits ensure all activities align with applicable laws and standards.

- **Environmental Risks**

Environmental risks primarily affect construction activities conducted in outdoor conditions, where weather-related factors can cause unexpected disruptions. For example, adverse weather conditions can delay critical tasks, impact material quality, or necessitate costly rework. Proactive weather monitoring, flexible scheduling, and temporary protective measures, such as covers or shelters, are necessary to mitigate the impact of environmental risks. Incorporating weather contingency plans ensures minimal disruption during outdoor finishing tasks.

- **Health and Safety Risks**

Health and safety risks pertain to the potential for workplace accidents, injuries, or unsafe working conditions. These risks not only endanger workers' well-being but can also cause delays, incur medical expenses, or invite penalties for non-compliance. Implementing strict safety guidelines, conducting regular safety training, and providing appropriate personal protective equipment (PPE) are crucial for minimizing health and safety risks. Moreover, routine inspections and audits ensure adherence to occupational health and safety standards, creating a safe and productive work environment.

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5.1.3 Risk Analysis Techniques

To manage contract risks effectively in construction finishing work, project teams apply specific risk analysis techniques to identify, evaluate, and mitigate risks. The following methods are commonly used:

- **Quantitative Analysis**

Quantitative analysis involves measuring risk impacts using numerical data to estimate potential losses, delays, or additional costs. This method helps stakeholders prioritize risks based on their financial and operational significance. By applying tools such as cost-benefit analysis, probability-impact matrices, and sensitivity analysis, project managers can quantify risk exposures and develop mitigation strategies based on measurable data.

- **Qualitative Analysis**

Qualitative analysis evaluates risks based on their nature, likelihood, and severity. Instead of relying on numerical data, this technique uses descriptive assessments to categorize risks and determine their relative importance. Risk scoring, categorization, and expert judgment are integral to qualitative analysis, enabling teams to identify risks that require immediate attention. This approach provides clarity on the impact of risks and supports informed decision-making for prioritizing mitigation measures.

- **Scenario Analysis**

Scenario analysis involves simulating various risk scenarios to assess their potential impact on project performance. By examining best-case, worst-case, and most-likely outcomes, stakeholders can anticipate risk-driven disruptions and prepare proactive responses. Scenario analysis enhances risk preparedness, allowing project teams to develop contingency plans and alternative workflows to minimize the consequences of identified risks.

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- **Root Cause Analysis (RCA)**

Root cause analysis identifies the underlying causes of risks to address problems at their source. Rather than treating symptoms, RCA focuses on understanding why a risk occurred and implementing measures to prevent recurrence. The process involves defining the problem, analyzing contributing factors, and determining corrective actions. By addressing root causes, project teams can implement long-term solutions that improve overall project efficiency and reduce future risk occurrences.

Managing contract risks in construction finishing work requires a systematic approach to identifying and addressing potential challenges. Financial, design, operational, legal, environmental, and health and safety risks must be assessed and mitigated to ensure project success. By employing robust risk analysis techniques such as quantitative analysis, qualitative analysis, scenario analysis, and root cause analysis, stakeholders can proactively evaluate risk impacts, develop mitigation strategies, and maintain control over project timelines, budgets, and quality outcomes. This comprehensive approach enables construction finishing projects to be delivered efficiently, cost-effectively, and to the highest standards of quality.

5.1.3 Proactive Risk Mitigation Strategies

Proactive risk mitigation strategies focus on identifying, analyzing, and addressing potential risks early to reduce their likelihood or impact. In Ethiopian construction finishing projects, mitigating risks is critical to maintaining timelines, controlling costs, and delivering quality results. The following strategies provide effective approaches to common risks encountered in finishing projects in Ethiopia:

- **Resource Planning** Resource planning ensures the timely availability of essential materials, equipment, and skilled labor to avoid project delays. Effective resource management allows contractors to anticipate demand and prevent shortages that commonly affect finishing works such as flooring, wall finishes, or ceiling installations.

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- **Strategy:** Implement a resource schedule that aligns with the project timeline, and procure critical materials in advance to avoid delays due to supply chain disruptions or peak-season demand.

- **Training and Capacity Building** A well-trained workforce reduces the risk of rework, errors, and quality deficiencies in finishing activities such as painting, plastering, tiling, or woodwork. Training improves efficiency and ensures workers meet the desired project standards.
 - **Strategy:** Organize periodic workshops, on-site training, and skills development programs to ensure workers stay updated on industry techniques and quality standards.

- **Contingency Planning** Contingency planning involves preparing alternative solutions for high-priority risks that can significantly disrupt the project timeline or budget. Establishing backup plans ensures flexibility and readiness to respond to unexpected challenges.
 - **Strategy:** Identify critical project risks (e.g., material delays, subcontractor failures) and develop mitigation plans, such as sourcing alternative materials or suppliers.

- **Quality Assurance and Control** Quality assurance and control processes help identify defects early and ensure the finishing work meets project specifications. Regular inspections prevent costly rework and delays during the later stages of the project.
 - **Strategy:** Implement a robust inspection and testing schedule for each finishing phase (e.g., plasterwork, paint application, flooring installation).

- **Contractual Safeguards** Incorporating risk allocation clauses into contracts ensures that responsibilities and potential penalties are clearly defined among stakeholders. Proper contractual safeguards provide financial and operational protection.
 - **Strategy:** Draft contracts that include terms for handling delays, defects, or incomplete work, with provisions for penalties or compensation.

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- **Effective Communication** Clear and open communication among project stakeholders is essential for identifying and addressing risks promptly. Transparent information sharing improves collaboration and risk resolution.
 - **Strategy:** Hold regular project meetings and maintain written documentation to monitor progress, identify risks, and develop solutions.
- **Monitoring Environmental Factors** External factors, particularly weather conditions, can significantly impact construction finishing projects. Adapting to environmental conditions reduces delays and protects project quality.
 - **Strategy:** Use weather forecasts and historical data to adjust work schedules, ensuring weather-sensitive tasks are completed during favorable conditions.
- **Insurance Coverage** Insurance protects stakeholders from financial losses resulting from unforeseen risks, such as damage to materials, theft, or accidents. Proper insurance coverage improves risk resilience and project continuity.
 - **Strategy:** Secure comprehensive insurance policies for materials, equipment, and personnel involved in high-value or high-risk finishing works.

Effective risk mitigation is fundamental to the successful execution of construction finishing projects in Ethiopia. By implementing systematic risk assessment techniques and adopting proactive strategies such as resource planning, quality assurance, and contingency planning, stakeholders can reduce disruptions, control costs, and improve overall project outcomes. Strengthening risk management practices will not only enhance the reliability and quality of finishing projects but also elevate the competitiveness of Ethiopia's construction sector on a broader scale. Proactive approaches build trust among clients, contractors, and suppliers, ensuring projects are delivered efficiently and to the highest standards of excellence.

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5.2 Resolving Contractual Disputes

Construction finishing projects in Ethiopia often involve complex contractual arrangements that bring together multiple stakeholders, such as contractors, subcontractors, clients, and suppliers. Disputes are common in these projects due to factors such as project delays, work quality issues, financial disagreements, and contract modifications. Resolving these disputes effectively is essential to ensuring smooth project progress, maintaining professional relationships, and protecting financial and reputational interests. This section explores the nature of contractual disputes and provides detailed insights into resolution mechanisms, including negotiation, mediation, arbitration, and litigation.

- **Understanding Contractual Disputes**

Disputes in construction finishing projects typically stem from the following issues:

- **Payment Issues:** These involve delayed payments for completed work, underpayments, or disputes over contractually agreed fees. For example, contractors may face challenges in receiving payments from clients due to disagreements on work progress or deliverables.
- **Work Quality:** Disagreements often arise when the completed work fails to meet the standards or specifications outlined in the contract. For instance, poor plastering or painting quality may prompt disputes between clients and contractors.
- **Timeline Disruptions:** Project delays caused by material shortages, labor inefficiencies, or external factors (e.g., weather) often result in disputes, especially when they affect delivery timelines and incur additional costs.
- **Scope Changes:** Unresolved changes in project scope, such as additional tasks or modifications not clearly agreed upon, can create conflicts regarding responsibilities and payments.

Effective dispute resolution minimizes these challenges, preventing financial loss, extended project delays, and reputational damage for stakeholders in the construction finishing sector.

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• Dispute Resolution Mechanisms

The following mechanisms are commonly employed to resolve contractual disputes in construction finishing projects in Ethiopia:

➤ Negotiation

Definition: Negotiation is a direct and informal discussion between the disputing parties aimed at reaching a mutually acceptable agreement without involving third parties.

Advantages:

- ✓ Cost-effective and avoids legal expenses.
- ✓ Maintains professional relationships between stakeholders.
- ✓ Faster resolution compared to formal dispute processes.

Steps in Negotiation:

- ✓ **Identify Issues:** Clearly define the root cause of the dispute and outline the concerns of all parties.
- ✓ **Understand Interests:** Recognize the goals, expectations, and limitations of each party to find common ground.
- ✓ **Explore Options:** Brainstorm and propose potential solutions that satisfy the interests of all stakeholders.
- ✓ **Agree on Terms:** Formalize the resolution in a written agreement to prevent future conflicts over the same issue.

Negotiation works best for minor disputes or disagreements where parties aim to maintain long-term working relationships. Success depends on effective communication and the willingness of all parties to compromise.

➤ Mediation

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Definition: Mediation is a voluntary, non-binding process in which a neutral third party (mediator) facilitates discussions between disputing parties to help them reach a resolution.

Advantages:

- ✓ Mediation is confidential, preventing reputational damage.
- ✓ Preserves relationships by fostering cooperation and dialogue.
- ✓ Allows for creative solutions tailored to the specific dispute.

Steps in Mediation:

1. **Select a Mediator:** Both parties agree on an impartial mediator with expertise in construction and dispute resolution.
2. **Present Cases:** Each party presents its perspective, evidence, and desired outcome.
3. **Facilitate Discussion:** The mediator encourages constructive dialogue and helps both parties identify shared interests.
4. **Draft Agreement:** The mediator formalizes the resolution in writing, though it remains non-binding unless both parties agree otherwise.

Mediation is particularly effective in disputes involving misunderstandings or communication gaps. Its success depends on the mediator's impartiality, skill, and ability to guide parties toward a mutually acceptable solution.

➤ **Arbitration**

Definition: Arbitration is a binding dispute resolution process where an impartial arbitrator hears the arguments, reviews evidence, and makes a final decision.

Advantages:

- ✓ Faster and more cost-effective than litigation.
- ✓ Provides a binding decision, ensuring closure for both parties.

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- ✓ Allows the selection of arbitrators with technical expertise relevant to construction finishing projects.

Process of Arbitration:

- ✓ **Submission of Dispute:** Both parties agree to resolve the dispute through arbitration, often based on contractual clauses.
- ✓ **Hearing Evidence:** The arbitrator reviews contract terms, witness testimonies, and other relevant evidence.
- ✓ **Decision Issuance:** The arbitrator delivers a binding decision that both parties must adhere to.

Arbitration is suitable for complex disputes where technical expertise is required to assess construction quality, payment issues, or scope changes. While decisions are binding, parties may face limitations in appealing the outcome, making it critical to choose arbitrators carefully.

➤ Litigation

Definition: Litigation is a formal legal process where disputes are resolved in court, with a judge (or jury) delivering a binding decision.

Advantages:

- ✓ Provides a definitive resolution with the option for appeals in unresolved or unsatisfactory cases.
- ✓ Suitable for disputes involving significant legal violations, high-value claims, or severe breaches of contract.
- ✓ Court judgments are legally enforceable, ensuring compliance.

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Steps in Litigation:

- ✓ **Filing a Lawsuit:** The aggrieved party initiates legal proceedings by filing a case with the appropriate court.
- ✓ **Evidence Presentation:** Both parties present supporting documentation, witness testimonies, and expert opinions.
- ✓ **Court Decision:** A judge or jury evaluates the evidence and delivers a binding legal verdict.

• Choosing the Right Resolution Method

The choice of dispute resolution method depends on the nature of the dispute, urgency, cost implications, and the willingness of parties to cooperate. The following table summarizes the suitability of each method:

Method	Best For	Challenges
Negotiation	Minor disputes; preserving relationships	May fail if parties lack compromise skills.
Mediation	Disputes requiring creative, non-binding solutions	Depends on mediator's skill and neutrality.
Arbitration	Complex disputes requiring expert decisions	Limited ability to appeal decisions.
Litigation	Serious legal violations or high-value disputes	Expensive and time-consuming.

By carefully evaluating the dispute's complexity, cost considerations, and long-term goals, stakeholders can select the most effective resolution mechanism. Combining methods, such as attempting negotiation or mediation before arbitration or litigation, can save time, reduce costs, and preserve relationships.

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Disputes are inevitable in construction finishing projects, given their complex contractual nature and involvement of multiple stakeholders. However, effective dispute resolution mechanisms—including negotiation, mediation, arbitration, and litigation—play a pivotal role in minimizing disruptions, safeguarding relationships, and ensuring successful project outcomes. By choosing the appropriate method based on the dispute’s nature and urgency, Ethiopian construction professionals can resolve conflicts efficiently, maintain trust, and uphold industry standards. Strengthening these practices will ultimately enhance project delivery, build confidence among stakeholders, and contribute to the long-term growth and reliability of Ethiopia’s construction finishing sector.

Self-check questions 5

Part I: Multiple Choice Questions

- What is the primary purpose of risk management in construction finishing projects?**
 - Reduce construction time
 - Avoid legal disputes entirely
 - Ensure project timelines, costs, and quality are maintained
 - Eliminate all project risks
- Which risk assessment technique uses a collaborative approach involving stakeholders?**
 - Historical Data Analysis
 - Brainstorming
 - SWOT Analysis
 - Risk Probability Matrix
- What is an example of an operational risk?**
 - Material theft on-site
 - Poor coordination leading to delayed project schedules
 - Currency fluctuation causing budget increases
 - Adverse weather conditions
- What is the main advantage of negotiation in dispute resolution?**
 - It is legally binding.
 - It involves third-party decision-making.
 - It is cost-effective and preserves relationships.
 - It avoids using any written agreements.
- Which of the following strategies reduces the likelihood of rework in construction finishing?**
 - Resource Planning
 - Contingency Planning

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- c) Training and Capacity Building
- d) Insurance Coverage

Part II: Short Answer Questions

1. Define **financial risks** in construction finishing projects and provide one strategy to mitigate them.
2. What role does **historical data analysis** play in identifying risks during construction projects?
3. Briefly explain the **Risk Probability and Impact Matrix** and its importance in risk management.
4. Provide two **proactive risk mitigation strategies** and describe how they are applied in construction finishing.
5. What are the key steps involved in resolving disputes through **arbitration**?

Part III: Matching Type Questions

Match the terms in **Column A** with their correct descriptions in **Column B**.

Column A	Column B
1. SWOT Analysis	a) A formal legal process where courts resolve disputes.
2. Environmental Risks	b) Evaluates strengths, weaknesses, opportunities, and threats in a project.
3. Contingency Planning	c) Delays caused by factors like adverse weather or outdoor working conditions.
4. Litigation	d) Prepares alternative solutions for critical risks that may disrupt project progress.
5. Quality Assurance	e) Ensures that project tasks meet standards through inspections and defect identification.

Part I: Multiple Choice Questions answer

1. **What is the primary purpose of risk management in construction finishing projects?**
Answer: c) Ensure project timelines, costs, and quality are maintained
2. **Which risk assessment technique uses a collaborative approach involving stakeholders?**
Answer: b) Brainstorming
3. **What is an example of an operational risk?**
Answer: b) Poor coordination leading to delayed project schedules

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4. **What is the main advantage of negotiation in dispute resolution?**

Answer: c) It is cost-effective and preserves relationships

5. **Which of the following strategies reduces the likelihood of rework in construction finishing?**

Answer: c) Training and Capacity Building

Part II: Short Answer Questions answer

1. **Define financial risks in construction finishing projects and provide one strategy to mitigate them.**

Answer: Financial risks refer to unforeseen cost escalations, inaccurate budgeting, or inflation that may affect project profitability.

Mitigation Strategy: Establish contingency budgets and negotiate contracts with cost escalation clauses to manage unexpected expenses.

2. **What role does historical data analysis play in identifying risks during construction projects?**

Answer: Historical data analysis provides insights into recurring risks from past projects. By reviewing this data, project teams can anticipate known issues and adopt proven mitigation strategies to prevent similar problems.

3. **Briefly explain the Risk Probability and Impact Matrix and its importance in risk management.**

Answer: The Risk Probability and Impact Matrix is a tool that categorizes risks based on their likelihood of occurrence and their potential impact. It helps prioritize risks (high, medium, low), ensuring that project teams focus on the most critical issues to allocate resources effectively.

4. **Provide two proactive risk mitigation strategies and describe how they are applied in construction finishing.**

Answer:

- **Resource Planning:** Ensures timely availability of materials, equipment, and skilled labor, reducing delays due to resource shortages.

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- **Quality Assurance and Control:** Implements inspections and testing schedules to detect and address defects early, minimizing costly rework.

5. What are the key steps involved in resolving disputes through arbitration?

Answer:

- Submission of the dispute by the parties involved.
- Review of arguments, evidence, and testimonies by an impartial arbitrator.
- Issuance of a binding decision that both parties must comply with.

Part III: Matching Type Questions answer

Column A	Column B
1. SWOT Analysis	b) Evaluates strengths, weaknesses, opportunities, and threats in a project.
2. Environmental Risks	c) Delays caused by factors like adverse weather or outdoor working conditions.
3. Contingency Planning	d) Prepares alternative solutions for critical risks that may disrupt project progress.
4. Litigation	a) A formal legal process where courts resolve disputes.
5. Quality Assurance	e) Ensures that project tasks meet standards through inspections and defect identification.

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UNIT SIX: Contract Closeout and Evaluation

This unit is developed to provide you the necessary information regarding the following content coverage and topics

- Finalizing Contracts
- Post-Contract Evaluation

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Ensure all contractual obligations are fulfilled.
- Close out contracts following organizational procedures.
- Analyze the overall performance and outcomes of the contract.
- Document lessons learned for future improvement.

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Contract Closeout and Evaluation in Construction Projects

The closeout and evaluation phase is crucial for ensuring that a construction project, especially during the finishing stages, is successfully completed in line with the agreed-upon terms and conditions. This phase ensures the verification of final deliverables, financial settlements, and provides an opportunity to identify lessons that can improve future projects. It encompasses multiple critical activities, including finalizing contracts, verifying deliverables, settling financial matters, and conducting post-project evaluations. These processes are particularly important for construction projects in Ethiopia, where adherence to local standards and regulations is essential for successful completion.

6.1 Finalizing Contracts

Finalizing contracts at the close of a construction project requires careful attention to all aspects of the project's execution and the fulfillment of contractual obligations. One of the main components of this process is **deliverable verification**, which ensures that all work completed meets the specified standards outlined in the contract. In the context of construction finishing work, this involves inspecting and confirming that all interior and exterior finishes are completed according to the design specifications, including the quality and appearance of materials and finishes.

Deliverable verification is a detailed process that generally includes three key activities:

- **Inspection and Testing:** This step ensures that all work completed adheres to the design and specification requirements set forth in the contract. It involves thorough inspections, sometimes involving specialized testing, to validate that the completed work matches the expected quality and standards.
- **Documentation:** As part of the verification process, a series of final reports and checklists are prepared. These documents serve as evidence that all deliverables have been completed,

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tested, and inspected to meet the contractual standards. This paperwork provides a formal record for both the contractor and client.

- **Client Approval:** After completing inspections and ensuring compliance with all contractual requirements, the final step is to obtain formal approval from the client. This typically involves the client reviewing and signing off on the completed deliverables, acknowledging that the work is satisfactory and in accordance with the terms of the contract.

Following the completion of deliverable verification, the next step in the contract closeout process is **financial settlement and final payments**. This stage ensures that all financial obligations related to the project are resolved. It involves reviewing and settling any outstanding payments for materials, labor, subcontractors, and other services rendered throughout the project. Final payments are made based on the contract terms, which may include the release of retention funds or final balances owed to contractors and subcontractors.

The steps in financial settlement include:

- **Invoice Review:** The project manager or financial officer must carefully review all invoices submitted for accuracy. This ensures that the amounts billed align with the terms of the contract and reflect the actual work completed and materials used during the project.
- **Payment Processing:** Once invoices are reviewed and deemed accurate, payments are processed in accordance with the agreed-upon payment terms in the contract. This may include final payments for labor, materials, and any other outstanding financial obligations.
- **Settlement of Disputes:** Any discrepancies or claims raised by either the client or contractor should be addressed before the final payment is made. This may involve negotiations or mediation to ensure that both parties are satisfied with the outcome.
- **Release of Retention:** Retention funds, typically held to ensure satisfactory completion of the project, are released once all deliverables have been verified and approved. This final release signifies the completion of the project and confirms that all financial matters have been resolved.

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6.2 Post-Contract Evaluation

Post-contract evaluation is an essential component of the construction project lifecycle. It provides valuable insights that help project teams refine their approach and improve future projects. This evaluation is a systematic process that captures lessons learned and identifies best practices to enhance the overall performance of the project. It focuses on areas such as project management, communication, quality control, budgeting, and risk management. By assessing what went well and what could be improved, project teams can make data-driven decisions to optimize future project execution and minimize the likelihood of recurring issues.

The primary objective of post-contract evaluation is to provide a comprehensive review of the project, highlighting both the successes and the challenges faced throughout its duration. This phase provides stakeholders, including contractors, clients, and suppliers, with an opportunity to reflect on the project and discuss strategies to improve project delivery in the future.

- **Lessons Learned and Best Practices**

The post-contract evaluation process is an invaluable tool for capturing lessons learned and establishing best practices that can inform future projects. Lessons learned provide a basis for improving project planning, execution, and delivery. By documenting and analyzing the challenges encountered, teams can proactively address potential issues in future projects, leading to more efficient and successful outcomes.

Key elements of post-contract evaluation include:

- **Project Review Meetings:** One of the first steps in the post-contract evaluation process is organizing meetings with key stakeholders, such as contractors, clients, and suppliers. These meetings are critical for discussing both the successes and challenges faced during the project. By involving all relevant parties in the conversation, the project team can gather a diverse range of perspectives that can offer a comprehensive understanding of the

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project's performance. Discussions often include a review of project goals, timelines, budget adherence, quality standards, and any obstacles that arose during the project.

- **Documentation of Challenges:** Documenting the challenges encountered during the project is a key component of post-contract evaluation. Challenges can range from supply chain disruptions to labor shortages, regulatory hurdles, or unexpected design changes. Each challenge is thoroughly analyzed to understand how it was handled, whether the response was effective, and if the situation could have been prevented or mitigated. By tracking these challenges, construction professionals can develop strategies to manage similar issues in future projects, reducing their impact and improving overall project outcomes.
- **Client Feedback:** Gathering feedback from the client is a crucial part of the evaluation process. Client satisfaction is a critical metric in determining the overall success of a construction project. The feedback provides insights into the client's experience with the project team, the quality of the completed work, adherence to deadlines, and budget management. Understanding the client's level of satisfaction helps identify any areas of concern or dissatisfaction, providing an opportunity for the team to address these issues before they affect future projects. Additionally, positive feedback reinforces what worked well and can be used as a reference for best practices.

- **Continuous Improvement in Contract Administration**

The ultimate goal of post-contract evaluation is to foster continuous improvement in contract administration. Continuous improvement means that the lessons learned from each project are actively applied to future projects, leading to better planning, execution, and delivery. This process involves refining systems and practices to enhance efficiency, reduce risks, and increase client satisfaction.

There are several strategies that construction teams can implement to foster continuous improvement in contract administration:

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- **Process Optimization:** One of the most significant outcomes of post-contract evaluation is the opportunity to optimize internal processes. This may involve refining processes related to project scheduling, procurement, communication, and quality control. By identifying inefficiencies or bottlenecks in these processes, project teams can streamline operations and improve project delivery. For example, if delays occurred due to ineffective scheduling or communication, the team can implement new scheduling tools or communication protocols to prevent such issues in future projects.
- **Training and Development:** Investing in ongoing training and professional development is another key strategy for continuous improvement. Construction projects often require specialized knowledge in areas such as contract management, legal compliance, risk mitigation, and quality assurance. By providing training to project teams, organizations can enhance the skills of their workforce, ensuring that they are well-equipped to handle the challenges that arise during projects. In addition to technical skills, training in leadership, negotiation, and conflict resolution can further strengthen project teams and improve overall performance.
- **Benchmarking:** Benchmarking involves comparing the performance of a project against industry standards or similar projects to assess how well it performed in key areas. This can include evaluating project completion times, cost efficiency, quality standards, and safety performance. By conducting benchmarking exercises, construction teams can identify areas where they lag behind industry norms and take corrective actions to close performance gaps. Benchmarking also provides a way to measure progress over time, ensuring that improvements are made consistently across projects.
- **Technology Adoption:** The integration of technology in construction project management is a powerful tool for continuous improvement. Advanced software solutions and construction management platforms can help streamline project tracking, reporting, and communication. These technologies enable real-time monitoring of project progress, budget tracking, and document management. By adopting construction management software, project teams can improve data accuracy, reduce administrative workload, and gain greater control over project outcomes. Technology also facilitates collaboration

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between team members, clients, and suppliers, ensuring that everyone is on the same page throughout the project lifecycle.

The focus of post-contract evaluation on continuous improvement encourages the identification of inefficiencies and weak points in the project. By addressing these issues, teams can reduce the likelihood of encountering similar challenges in the future, leading to better project outcomes. As construction teams refine their practices, the result is improved performance, higher client satisfaction, and increased profitability. In a competitive industry, the ability to continuously improve can provide a significant advantage, helping teams to deliver higher-quality projects more efficiently.

In conclusion, contract closeout and post-contract evaluation are critical steps in the successful completion of construction projects. While contract closeout focuses on the finalization of deliverables, financial settlements, and ensuring compliance with the agreed terms, the post-contract evaluation phase provides an opportunity to assess the overall performance of the project and identify areas for improvement. The insights gained through the evaluation process are invaluable for continuous improvement in project management practices, communication, quality control, and budgeting.

For construction professionals in Ethiopia, conducting thorough post-contract evaluations is essential for building a reputation for quality and reliability. By systematically reviewing each project and applying the lessons learned to future work, teams can refine their approach, minimize risks, and enhance the overall efficiency of their projects. This approach not only benefits the construction teams but also fosters stronger relationships with clients and helps ensure the long-term success of the construction industry. Ultimately, post-contract evaluation and the drive for continuous improvement will pave the way for more successful and sustainable construction projects in Ethiopia and beyond.

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Self-check questions 6

Part I: Multiple Choice Questions

- What is the primary objective of contract closeout? A) Increase project costs
B) Ensure all contractual obligations are fulfilled
C) Delay project completion
D) Expand the project scope
- Which activity is NOT part of deliverable verification? A) Inspection and Testing
B) Documentation
C) Marketing the project
D) Client Approval
- What is the first step in financial settlement? A) Payment Processing
B) Invoice Review
C) Release of Retention
D) Settlement of Disputes
- Post-contract evaluation focuses on which of the following? A) Planning future projects only
B) Capturing lessons learned and identifying best practices
C) Finalizing contracts
D) Increasing project budgets
- Which of the following is a key element of post-contract evaluation? A) Ignoring client feedback
B) Documentation of challenges
C) Skipping project review meetings
D) Reducing team communication

Part II: Short Answer Questions

- Explain the importance of finalizing contracts in construction projects.
- Describe the role of client approval in the contract closeout process.
- What are the benefits of conducting a post-contract evaluation?
- List and explain two strategies for fostering continuous improvement in contract administration.
- How does documentation of challenges contribute to future project success?

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Part III: Matching Type Questions Match the following terms with their correct descriptions:

Terms	Descriptions
A) Deliverable Verification	1) Ensures compliance with contract terms.
B) Invoice Review	2) Gathering insights from project stakeholders.
C) Client Feedback	3) Analyzing project challenges for future improvement.
D) Continuous Improvement	4) Process of confirming that all work meets project standards.
E) Financial Settlement	5) Finalizing all payments and resolving financial obligations.

Part I: Multiple-Choice Questions answer

- What is the primary objective of contract closeout?
B) Ensure all contractual obligations are fulfilled
- Which activity is NOT part of deliverable verification?
C) Marketing the project
- What is the first step in financial settlement?
B) Invoice Review
- Post-contract evaluation focuses on which of the following?
B) Capturing lessons learned and identifying best practices
- Which of the following is a key element of post-contract evaluation?
B) Documentation of challenges

Part II: Short Answer Questions answer

- Explain the importance of finalizing contracts in construction projects.**
Finalizing contracts ensures that all parties have fulfilled their obligations, disputes are resolved, and financial settlements are complete. It marks the formal closure of the project, allowing resources to be reallocated efficiently.
- Describe the role of client approval in the contract closeout process.**
Client approval verifies that all deliverables meet project standards and requirements. It signifies acceptance of the work, ensuring that the contract can officially be closed.
- What are the benefits of conducting a post-contract evaluation?**
 - Identifies lessons learned for future projects
 - Improves processes and practices for efficiency
 - Helps avoid past mistakes
 - Documents best practices for project management
- List and explain two strategies for fostering continuous improvement in contract administration.**
 - Regular Performance Reviews:** Analyzing team and project performance to identify improvement areas.

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- **Training and Development:** Offering training programs to update skills and knowledge of project stakeholders.
5. **How does documentation of challenges contribute to future project success?**
 Documenting challenges provides a clear understanding of issues faced during the project, allowing teams to develop strategies to prevent or mitigate similar problems in future projects. It enhances organizational learning and continuous improvement.

Part III: Matching Type Questions Match the following terms with their correct descriptions:
answer

Terms	Descriptions
A) Deliverable Verification	4) Process of confirming that all work meets project standards.
B) Invoice Review	5) Finalizing all payments and resolving financial obligations.
C) Client Feedback	2) Gathering insights from project stakeholders.
D) Continuous Improvement	3) Analyzing project challenges for future improvement.
E) Financial Settlement	1) Ensures compliance with contract terms

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