INFRASTRUCTURE PROJECTS

1. PROJECT LIFE CYCLE ≈ 3-7 years and more.

2. HAS FOLLOWING STAGES:
   - Planning
   - Project design
   - Contracts execution
   - Supervision

3. DEMAND HUGE INVESTMENTS.
4. SINGLE PROJECT USUALLY HAS MANY ASSOCIATED CONTRACTS:
   - Project
   - Project design contract
   - Execution
   - Supervision

5. DIFFICULT TO MONITOR

⚠️ CORRUPTION AND MISMANAGEMENT RISKS
HOW COST WORKS

1. **MULTISTAKEHOLDER WORKING – 3 SECTORS:**
   - Government
   - Business
   - Civil society

2. **THE DISCLOSURE OF DATA IS EMBEDDED INTO THE SYSTEM OF PE**
   - ex: State Road Agency of Ukraine

3. **ASSURANCE PROCESS – AN INDEPENDENT REVIEW:**
   - is carried out by **industry experts**;
   - validates data and performs information in a **plain language**;
   - **highlights issues of concern** to the public.

4. **Train media and civil society** to use disclosed data empowering them to hold decision makers to account.

5. **Use disclosure and assurance findings to engage Government to make improvements** to the project and sector in general.
## DISCLOSURE: COST IDS

### COST DISCLOSURE REQUIREMENTS COVER
PROJECT INFORMATION AND CONTRACT INFORMATION

<table>
<thead>
<tr>
<th>PROJECT PHASE</th>
<th>PROJECT DATA</th>
<th>CONTRACT PHASE</th>
<th>CONTRACT DATA</th>
</tr>
</thead>
</table>
| Project Identification (6 items) | Project owner  
Sector, subsector  
Project name  
Project Location  
Purpose  
Project description | Procurement (13 items) | Procuring entity  
Procuring entity contact details  
Procurement process  
Contract type  
Contract status (current)  
Number of firms tendering  
Cost estimate  
Contract administration entity  
Contract title  
Contract firm(s)  
Contract price  
Contract scope of work  
Contract start date and duration |
| Project Preparation (7 items)   | Project Scope (main output)  
Environmental impact  
Land and settlement impact  
Contact details  
Funding sources  
Project Budget  
Project budget approval date | Implementation (6 items) | Variation to contract price  
Escalation of contract price  
Variation to contract duration  
Variation to contract scope  
Reasons for price changes  
Reasons for scope and duration changes |
| Project Completion (6 items)    | Project status (current)  
Completion cost (projected)  
Completion date (projected)  
Scope at completion (projected)  
Reasons for project changes  
Reference to audit and evaluation reports | | |

COST IDS AND OCDS

**COST IDS** asks for project and contract information.

**OCDS** is focused on contracting process.

**COST AND OCDS IN UKRAINE:**

OCDS was implemented to monitor procurement risks through **ProZorro** – state public procurement portal of Ukraine.

CoST Ukraine built up the disclosure process for State Road Agency using OCDS to meet open data format.

**COST IDS – WHAT TO DISCLOSE.**

**OCDS – HOW TO DISCLOSE CONTRACTS.**
IN 2016 IFI FUNDED 2 ROAD PROJECTS IN UKRAINE:

**N-01 ROAD**
- Financing: EIB, EBRD
- Budget: EUR 48,9 mln
- Project design = UAH 4,45 mln
- Execution = EUR 47,7 mln
- Supervision = EUR 1,15 mln
- Length: 28,9 km

**M-03 ROAD**
- Financing: World Bank
- Budget: UAH 2,32 bln
- Project design = UAH 19,47 mln
- Execution = UAH 2,27 bln
- Supervision = UAH 28,6 mln
- Length: 84,3 km

**NUMBER OF CONTRACTS IN THE PROJECT: 3**
- Project starting date: 04 September 2009
- Expected completion date: 08 April 2017
- Actual completion date: 18 August 2017

**NUMBER OF CONTRACTS IN THE PROJECT: 4**
- Project starting date: 28 October 2010
- Expected completion date: 25 September 2014
- Actual completion date: still in progress.
M-03 PROJECT LIFE CYCLE

28.10.2010
Start of ToR development for design and budget documents

13.06.2011
Project design tender announced

14.10.2011
Ukrdiprodor State-Owned Company wins the project design tender

11.10.2012
IBRD extends a $450 million loan

16.01.2013
Construction contract is signed (Todini Construzioni Generalli S.p.A.)

30.10.2012
Disclosure of bids

21.12.2011
Tender for construction works is announced
M-03 PROJECT LIFE CYCLE

04.04.2013
Contractor receives access to the site

≈ 1.5 years

25.09.2014
Estimated date of completion under the contract

29.09.2014
5 variation orders extending completion date (for 674 days)

21.04.2017
New tender is announced to complete the construction

20 days

23.08.2016
Announcement of contract cancellation between Customer and Contractor

3 days

7 months 29 days

25.09.2014
Employer terminates the contract

1 month 25 days

Expected final completion date

03.08.2016

15.06.2017
Disclosure of bids

5 extensions

As per today: XINJIANG COMMUNICATIONS CONSTRUCTION CO. LTD. (China) has won the tender for construction completion.
CONTRACT 2.1:

Initial value (as at 04.01.2013):

UAH 1,161 billion

Rise:
by UAH 34.3 million (or 3%)

Final value (as at 11.12.2015):

UAH 1,195 billion

Initial completion period:

540 days

Prolongation:
for 674 days (or 125%)

Final completion period:

1214 days
(3 years 119 days)

CONTRACT 2.2:

Initial value (as at 04.01.2013):

UAH 1,112 billion

Rise:
by UAH 51.6 million (or 5%)

Final value (as at 11.12.2015):

UAH 1,164 billion

Initial completion period:

540 days

Prolongation:
for 658 days (or 122%)

Final completion period:

1198 days
(3 years 103 days)
N-01:

23 DOCUMENTS PROCESSED

12 (55% of total amount) have restricted access and contain most information.

M-03:

31 DOCUMENTS PROCESSED

11 (35% of total amount) have restricted access and contain over 75% of the entire information on the project. CoST assurance consultants failed to find or confirm 18% of data.
2016 STATE BUDGET ROAD PROJECTS

5 oblasts

47% of total budget for road repair in 2016 (including all sources and all 24 oblasts)

UAH 4.87 bln

Lviv 16%
Ivano-Frankivsk 7%
Odesa 13%
Dnipro 6%
Poltava 5%
All other oblasts 53%
120 tenders analyzed
38% tenders with only 2 bidders

Analysis of tender procedures by the number of bidders:

- 2 bidders: 38%
- 3 bidders: 30%
- 4 bidders: 21%
- 5 bidders: 7%
- 7 bidders: 2%
- 8 bidders: 2%
WINNING BIDDERS

- 17 oblasts
- 120 contracts
- UAH 3.399 bln
- 43 winners

5 CONTRACTORS have received 51% of value of 120 contracts for a total amount of UAH 1.726 bln.
Construction that goes outside of project design was found during on-site visit to N-01, in particular:

1. Repair of the pedestrian underpass on km 14 + 890;

2. Repair of the bridge over the river Vita on km 16 + 470.

**NO** variation orders or official notices from Employer **HAVE BEEN SUBMITTED.**
N-01 ADDITIONAL WORKS EXECUTED WITHOUT: CHANGES IN PROJECT DESIGN & PROPER VARIATIONS ORDERS

Photo by CoST assurance team taken during an on-site visit (16.08.2016)
## N-01: VAT PAYMENT DELAY

**Total VAT amount paid to the Contractor as at 30.06.2016**

<table>
<thead>
<tr>
<th>Description</th>
<th>Delay (Days)</th>
<th>Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance payment</td>
<td>91</td>
<td>1.439M</td>
</tr>
<tr>
<td>Payment certificate No.1</td>
<td>5</td>
<td>16.073</td>
</tr>
<tr>
<td>Payment certificate No.2</td>
<td>7</td>
<td>23.357</td>
</tr>
<tr>
<td>Payment certificate No.6</td>
<td>115</td>
<td>641,077</td>
</tr>
<tr>
<td>Payment certificate No.7</td>
<td>8</td>
<td>134,811</td>
</tr>
<tr>
<td>Payment certificate No.8</td>
<td>27</td>
<td>94,373</td>
</tr>
</tbody>
</table>

**Surcharge which might be due to the contractor:** UAH 2,348,764

**Engineer’s monthly report for June 2016 says that VAT payment was only delayed for advance payment and equals 91 days.**

**Actual VAT delays for the works performed as at **30.06.2016:**

- There is no information on any Contractor claims to untimely VAT payment.
- No increase of the Contract value caused by **surcharge** has been registered.
M-03: CHANGES TO THE PROJECT DESIGN

Customer approved the total of 10 VARIATION ORDERS under the M-03 Project.
KEY CONCERNS OF IFI PROJECTS:

- FIDIC rules are not duly applied.
- Long time period between project design approvement and construction start leads to numerous variation orders.
- Low degree of design documents detailing.
- Engineer’s role is undermined.
- VAT payment delays.
- Information on bidding procedures including selection of Engineer is not fully disclosed.
- Access to information is rather difficult and depends on political will.
- Bid evaluation period considerably exceeds their original validity.
HOW COST WORKS

PROZORRO ALLOWS EVERYONE TO SEE EVERYTHING IN BIDDING!

DARK ZONES IN INFRASTRUCTURE:
- Planning
- Execution
- Quality control and assurance
TENDERS VALUE IN ROAD SECTOR OFTEN CONSIDERABLY EXCEEDS THE AMOUNT OF AVAILABLE FINANCING (ACCORDING TO THE BUDGET).

CURRENT REPAIRS: **TOP 5 TENDERS**

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>CONTRACT VALIDITY TERM</th>
<th>ESTIMATED COST OF PROCUREMENT (UAH)</th>
<th>SUCCESSFUL BIDDERS</th>
<th>PROVIDED FUNDING. (SEPTEMBER 2017, UAH)</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repair and maintenance of roads in Ternopil Region</td>
<td>31.12.2017</td>
<td>1,35 bln</td>
<td>&quot;Techno-Bud-Tsentr&quot; LLC</td>
<td>724,52 mln</td>
<td>46%</td>
</tr>
<tr>
<td>Chuhuiv – Milove (km 2+635 – km 110+735) in Kharkiv Region</td>
<td>31.12.2019</td>
<td>1,14 bln</td>
<td>&quot;Avtomagistral-Pivden&quot; LLC</td>
<td>317,6 mln</td>
<td>72%</td>
</tr>
<tr>
<td>N-01 Dnipropetrovsk – Mykolaiv (section km 53 + 000 — km 137 + 424)</td>
<td>31.12.2018</td>
<td>968,06 mln</td>
<td>&quot;Avtomagistral-Pivden&quot; LLC</td>
<td>172,74 mln</td>
<td>82%</td>
</tr>
<tr>
<td>R-46 Kharkiv – Okhtyrka (km 8 + 623 - km 89+304) in Kharkiv Region</td>
<td>31.12.2019</td>
<td>847,33 mln</td>
<td>&quot;Avtomagistral-Pivden&quot; LLC</td>
<td>103 mln</td>
<td>88%</td>
</tr>
<tr>
<td>M-06 Kyiv – Chop (km 621+500 – km 690+000) in Lviv Region</td>
<td>31.12.2017</td>
<td>796,51 mln</td>
<td>&quot;Avtomagistral-Pivden&quot; LLC</td>
<td>20 mln</td>
<td>97%</td>
</tr>
</tbody>
</table>

- Debts to contractors
- Road safety issues
- Inefficiency of public spending

Limiting market competition for 1-2 years.
MAIN CONCERNS. BIDDING PROCESS (BASED ON PROZORRO DATA)

1. **NO!**
   
   SOME TENDERS ARE DIVIDED INTO VERY SMALL LOTS (2-4 KM EACH) WHICH LIMIT BIG COMPANIES TO BID.

2. **YES!**
   
   SOME TENDERS HAVE HUGE LOTS INSTEAD OF.

3. **?! *#&?!**
   
   QUALIFICATION CRITERIA ARE NOT APPROPRIATE IN SOME CASES. (REQUIRE A SYSTEMATIC APPROACH!)
MAINT CONCERNS. QUALITY ASSURANCE AND CONTROL

QUALITY ASSURANCE AND CONTROL:

1. not open procedure;
2. often executed by company owned by State Road Agency;
3. not independent;
4. not public.
THANKS FOR YOUR ATTENTION!

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