CONSTRUCTION SECTOR TRANSPARENCY INITIATIVE (UKRAINE)

VERIFICATION BRIEF
OF THE PROJECT
“STATE ROADS REPARATION IN 2016”

CoST is based on a multi-stakeholder platform of trust among:

Civil society
Government
Industry

What do we have to do today:

- The assurance team of professional and unbiased engineers.
- Detailed assurance reports.
- Report on the progress.
- Monitoring of corruption risks and inefficient management cases using the analysis of a big data.
- Research of more than 460 contracts within CoST.
- Situational reports by assurance team.
- Practical recommendations to solve the existing problems.

Our further stages:

- Coordination of actions with the Ministry of Infrastructure and Minister to improve the conditions of road works in Ukraine.
- More projects in building sector.
- Providing free access to information about reconstruction project stages within CoST.
- Improving of accountability of procurement entities.

Construction Sector Transparency Initiative
Kyiv, Ukraine
+380 44 351 6760
email: info@costukraine.org

costukraine.org

Sources of funding: the road repair in 5 oblasts

Low budget (2016): UAH 1,961 mln

Civil society
Government
Industry

Financing of road repair in 2016

Total planned budget to finance road repair is UAH 15.292 mln

Top 5 oblasts by financing

- Lviv oblast (UAH 6.132 mln)
- Donetsk oblast (UAH 6.297 mln)
- Kharkiv oblast (UAH 5.577 mln)
- Dnipropetrovsk oblast (UAH 5.321 mln)
- Poltava oblast (UAH 416.67 mln)

5 oblasts

47% of total budget for financing road repair in 2016

14% - 10% - 9% - 6% - 4% - 3%

State road repair in 2016

State road repair in 2016

- Construction of 325 km of roads (100% regional roads

- Modernization of 474 km of roads

35% - 0% - 0% - 0% - 0% - 0%
By results of tenders carried out in selected oblasts

100% CONTRACTS FOR REPAIR OF ROADS WERE AWARDED TO ONE CONTRACTOR

These oblasts include:
- Zaporizhzhia: UAH 59 min
- Zhytomyr: UAH 190 min
- Ternopil: UAH 300 min

In other oblasts the following figures are observed:
- Kharkiv (39%): UAH 37 min
- Vinnitsa (38%): UAH 71 min
- Mykolaiv (37%): UAH 87 min
- Zaporizhzhia (41%): UAH 111 min
- Zhytomyr (39%): UAH 131 min

120 tenders analyzed
38% tenders with only 2 bidders

Analytics of tender procedures by the number of bidders:

<table>
<thead>
<tr>
<th>Bidders</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>35</td>
<td>35</td>
<td>27</td>
<td>7</td>
</tr>
</tbody>
</table>

Procurement efficiency
17 oblasts analyzed

% of difference between anticipated cost and the lowest bid price depending on the number of bidders:

<table>
<thead>
<tr>
<th>Bidders</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Causes of bid rejection
120 analyzed tender procedures
52 (43%) procedures were carried out with rejection of bids

TOP 3 CAUSES OF BID REJECTIONS:

1. 39 rejections - documents failed to meet the requirements of regulatory documents requiring detailed estimates and justification of every opposition
2. 36 rejections - unsatisfactory answers to the customer requirements (Article of Procurement Law - Bidders Eligibility Criteria)
3. 16 rejections - failure to submit documents under Article "Other Eligibility Criteria" of the Procurement Law

1 km of road repair cost broken down by oblasts

Conclusions

- Lack of competition on the road repair market
- Inefficiency of use of public funds
- Lack of proper quality control
- The mismatch between the road repair type and requirements of the road evenness and hardness
- Delayed work performance