ASSURANCE REPORT
PRESENTATION BY COST UKRAINE
«STATE ROAD REPARATION IN 2016»
### Financing of road repair in 2016

**Total planned budget to finance road repair is**

**UAH 10.292 bln**

**Sources of funding:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>UAH 4.103 bln</td>
<td>40%</td>
</tr>
<tr>
<td>Public budget</td>
<td>UAH 3.525 bln</td>
<td>35%</td>
</tr>
<tr>
<td>Customs duties</td>
<td>UAH 1.962 bln</td>
<td>18%</td>
</tr>
<tr>
<td>Local budgets</td>
<td>UAH 380.571 mln</td>
<td>4%</td>
</tr>
<tr>
<td>State Fund for Regional Development</td>
<td>UAH 321.521 mln</td>
<td>3%</td>
</tr>
</tbody>
</table>

All oblasts

(Volyn, Lviv, Odesa, and Chernivtsi oblasts)

(Donetsk, Transcarpathia, Ivano-Frankivsk, and Odesa oblasts)
Funding broken down by oblasts

Funding is distributed between the oblasts **unevenly**

<table>
<thead>
<tr>
<th>Oblast</th>
<th>km of principal roads</th>
<th>Public funding</th>
<th>General funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odesa</td>
<td>3561 km</td>
<td>₴ 282.236 mln</td>
<td></td>
</tr>
<tr>
<td>Dnipropetrovsk</td>
<td>2990 km</td>
<td>₴ 395.814 mln</td>
<td>₴ 585.232 mln</td>
</tr>
<tr>
<td>Chernihiv</td>
<td>2961 km</td>
<td>₴ 174.227 mln</td>
<td>₴ 321.160 mln</td>
</tr>
<tr>
<td>Vinnytsia</td>
<td>2552 km</td>
<td>₴ 85.000 mln</td>
<td>₴ 244.682 mln</td>
</tr>
<tr>
<td>Kyiv</td>
<td>2484 km</td>
<td>₴ 119.497 mln</td>
<td>₴ 425.750 mln</td>
</tr>
<tr>
<td>Poltava</td>
<td>2305 km</td>
<td>₴ 251.000 mln</td>
<td>₴ 494.670 mln</td>
</tr>
<tr>
<td>Kharkiv</td>
<td>2298 km</td>
<td>₴ 101.500 mln</td>
<td>₴ 199.086 mln</td>
</tr>
<tr>
<td>Sumy</td>
<td>2106 km</td>
<td>₴ 64.000 mln</td>
<td>₴ 169.774 mln</td>
</tr>
<tr>
<td>Khmelnytsky</td>
<td>2080 km</td>
<td>₴ 104.000 mln</td>
<td>₴ 178.609 mln</td>
</tr>
<tr>
<td>Rivne</td>
<td>2000 km</td>
<td>₴ 53.600 mln</td>
<td>₴ 91.890 mln</td>
</tr>
<tr>
<td>Kirovohrad</td>
<td>1996 km</td>
<td>₴ 225.574 mln</td>
<td>₴ 352.403 mln</td>
</tr>
<tr>
<td>Luhansk</td>
<td>1960 km</td>
<td>₴ 63.200 mln</td>
<td>₴ 228.144 mln</td>
</tr>
<tr>
<td>Lviv</td>
<td>1866 km</td>
<td>₴ 252.657 mln</td>
<td>₴ 1.703 bn</td>
</tr>
<tr>
<td>Donetsk</td>
<td>1848 km</td>
<td>₴ 87.100 mln</td>
<td>₴ 364.688 mln</td>
</tr>
<tr>
<td>Volyn</td>
<td>1795 km</td>
<td>₴ 58.228 mln</td>
<td>₴ 386.465 mln</td>
</tr>
<tr>
<td>Cherkasy</td>
<td>1770 km</td>
<td>₴ 91.000 mln</td>
<td>₴ 321.924 mln</td>
</tr>
<tr>
<td>Zhytomyr</td>
<td>1655 km</td>
<td>₴ 84.027 mln</td>
<td>₴ 260.628 mln</td>
</tr>
<tr>
<td>Zaporizhya</td>
<td>1628 km</td>
<td>₴ 63.000 mln</td>
<td>₴ 353.957 mln</td>
</tr>
<tr>
<td>Mykolaiv</td>
<td>1591 km</td>
<td>₴ 100.000 mln</td>
<td>₴ 376.979 mln</td>
</tr>
<tr>
<td>Ternopil</td>
<td>1485 km</td>
<td>₴ 78.266 mln</td>
<td>₴ 209.866 mln</td>
</tr>
<tr>
<td>Kherson</td>
<td>1430 km</td>
<td>₴ 219.049 mln</td>
<td>₴ 327.859 mln</td>
</tr>
<tr>
<td>Ivano-Frankivsk</td>
<td>995 km</td>
<td>₴ 461.500 mln</td>
<td>₴ 769.284 mln</td>
</tr>
<tr>
<td>Zakarpattia</td>
<td>904 km</td>
<td>₴ 76.500 mln</td>
<td>₴ 176.725 mln</td>
</tr>
<tr>
<td>Chernivtsi</td>
<td>843 km</td>
<td>₴ 34.200 mln</td>
<td>₴ 428.196 mln</td>
</tr>
</tbody>
</table>
Funding broken down by oblasts

- **Odesa**: 7,6% 12,8%
- **Dnipropetrovsk**: 6,3% 5,7%
- **Chernihiv**: 6,3% 3,1%
- **Vinnytsia**: 5,4% 2,4%
- **Khmelnytsky**: 4,4% 1,7%
- **Luhansk**: 4,2% 2,2%
- **Donetsk**: 3,9% 3,5%
- **Zaporizhya**: 3,5% 3,4%
- **Rivne**: 4,2% 0,9%
- **Ternopil**: 3,2% 2,0%
- **Ivano-Frankivsk**: 2,1% 1,7%
- **Zakarpattia**: 1,9% 1,7%
- **Lviv**: 4,0% 16,6%
- **Zhytomyr**: 3,5% 2,5%
- **Volyn**: 3,8% 3,8%
- **Kharkiv**: 4,9% 1,9%
- **Sumy**: 4,5% 1,6%
- **Kiev**: 5,3% 4,1%
- **Cherkasy**: 3,8% 3,1%
- **Poltava**: 4,9% 4,8%
- **Kirovohrad**: 4,2% 3,4%
- **Dnipropetrovsk**: 6,3% 5,7%
- **Mykolaiv**: 3,4% 3,7%
- **Odesa**: 7,6% 12,8%
- **Kherson**: 3,0% 3,2%
- **Zaporizhya**: 3,5% 3,4%
- **Zhytomyr**: 3,5% 2,5%
- **Volyn**: 3,8% 3,8%
- **Kharkiv**: 4,9% 1,9%
- **Sumy**: 4,5% 1,6%

% of principal road kilometrage in Ukraine

% of total road repair funding in 2016 (all sources considered)
Top 5 oblasts by financing

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

UAH 4.87 bln

Comparison of funding amounts for road repair in selected oblasts:

- Lviv oblast = x19 (Rivne)
- Ivano-Frankivsk oblast = x4 (Transcarpathia)
- Odesa oblast = x4 (Chernigiv)
- Dnipro oblast = x3 (Kharkiv)
- Poltava oblast = x3 (Sumy)

All other oblasts = 53%
Sources of funding of the road repair in 2016: TOP-5 oblasts (part 1)

Lviv oblast (UAH 1.703 bln)

- Public budget: UAH 252.657 mln
- Local budgets: UAH 150.433 mln
- SFRD: UAH 0 mln
- Customs duties: UAH 935 mln
- Loans: UAH 365.23 mln

- 15% Public budget
- 9% Local budgets
- 0% SFRD
- 55% Customs duties
- 21% Loans

Odessa oblast (UAH 1.32 bln)

- Public budget: UAH 282.236 mln
- Local budgets: UAH 103.075 mln
- SFRD: UAH 134.097 mln
- Customs duties: UAH 468.571 mln
- Loans: UAH 332.487 mln

- 21.5% Public budget
- 8% Local budgets
- 10% SFRD
- 35.5% Customs duties
- 25% Loans

Ivano-Frankivsk oblast (UAH 769.284 mln)

- Public budget: UAH 461.500 mln
- Local budgets: UAH 14.396 mln
- SFRD: UAH 88.998 mln
- Customs duties: UAH 0 mln
- Loans: UAH 204.390 mln

- 60% Public budget
- 2% Local budgets
- 11.5% SFRD
- 0% Customs duties
- 26.5% Loans
### Sources of funding of the road repair in 2016: TOP-5 oblasts (part 2)

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Public budget (UAH)</th>
<th>Local budgets (UAH)</th>
<th>SFRD (UAH)</th>
<th>Customs duties (UAH)</th>
<th>Loans (UAH)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dnipropetrovsk oblast</strong> (UAH 585.232 mln)</td>
<td>395.814 mln</td>
<td>18.642 mln</td>
<td>0</td>
<td>0</td>
<td>170.776 mln</td>
</tr>
<tr>
<td><strong>Poltava oblast</strong> (UAH 494.67 mln)</td>
<td>251.000 mln</td>
<td>20.050 mln</td>
<td>0</td>
<td>0</td>
<td>223.620 mln</td>
</tr>
</tbody>
</table>
Contractors by oblasts

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

5 contractors have received 51% of value of 120 contracts for a total amount of UAH 1.726 bln
TOP 5 Contractors = 51% of total contract value

- Avtomagistral-Pivden LLC: ₴425.978 mln
- ROSTDORSTROY LLC: ₴407.787 mln
- Tekhno-Bud-Tsentr LLC: ₴321.526 mln
- Lutskavtodor-Service LLC: ₴315.384 mln
- Avtomagistral Private Company: ₴255.626 mln

Other companies: ₴1.673 bln

Total 100%: ₴3.399B

Automobile Roads of Ukraine SJSC received contracts for ₴242.586 mln = 7% of total contract value.
TOP 5 CONTRACTORS: value of contracts received broken down by regions

<table>
<thead>
<tr>
<th>Rank</th>
<th>Contractor</th>
<th>Oblast</th>
<th>Value (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Avtomagistral-Pivden LLC</td>
<td>Odesa Oblast</td>
<td>₴220.376</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Volyn Oblast</td>
<td>₴205.603</td>
</tr>
<tr>
<td>2</td>
<td>ROSTDORSTROY LLC</td>
<td>Odesa Oblast</td>
<td>₴407.787</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Tekhno-Bud-Tsentr LLC</td>
<td>Khmelnytsky Oblast</td>
<td>₴21.526</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ternopil Oblast</td>
<td>₴300.000</td>
</tr>
<tr>
<td>4</td>
<td>Lutskavtodor-Service LLC</td>
<td>Volyn Oblast</td>
<td>₴315.384</td>
</tr>
<tr>
<td>5</td>
<td>Avtomagistral-Pivden LLC</td>
<td>Zhytomyr Oblast</td>
<td>₴189.743</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vinnytsia Oblast</td>
<td>₴33.356</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kyiv Oblast</td>
<td>₴32.527</td>
</tr>
</tbody>
</table>

Total value of contracts: ₴1.726 bln

* % of total value of contracts in the Oblast
Automobile Roads of Ukraine SJSC: 6th biggest contractor based on contract value

**Contract values:**

- **Rivne Oblavtodor State-Owned Company**
  - 19%*
  - ₴8,353 mln
- **Kyiv Regional Highway Authority**
  - 68%*
  - ₴71,417 mln
- **Vinnytsia Oblavtodor SOC**
  - 3%*
  - ₴2,393 mln
- **Chernihiv Oblavtodor SOC**
  - 1%*
  - ₴3,665 mln
- **Mykolaiv Oblavtodor SOC**
  - 31%*
  - ₴58,176 mln
- **Zaporizhya Oblavtodor SOC**
  - 100%*
  - ₴59,134 mln
- **Sumy Oblavtodor SOC**
  - 11%*
  - ₴19,178 mln
- **Donetsk Oblavtodor SOC**
  - 5%*
  - ₴3,830 mln
- **Kirovohrad Oblavtodor SOC**
  - 3%*
  - ₴16,440 mln

**Contracts received by subsidiaries**

**Automobile Roads of Ukraine:**

₴242,585,730 = 7% of total value of contracts

* % of total value of contracts in the Oblast
1 km of road repair cost broken down by oblasts

Averaged data without regard to region-specific issues. The highest road repair cost appeared to be Sumy, Vinnytsia, and Cherkasy Oblasts; the lowest – in Rivne, Chernihiv, and Kyiv Oblasts.
Intermediate routine repair: cost of 1 km of road in various oblasts

- Rivne oblast: UAH 2.07 mln
- Volyn oblast: UAH 2.799 mln
- Khmelnytsky oblast: UAH 3.714 mln
- Ternopil oblast: UAH 6.522 mln
- Volyn oblast (customs duties): UAH 7.519 mln

⚠️ Note the substantial difference: cost of repair of 1 km of road in Volyn oblast on different sections differs almost three times. Similar situation is observed in Ternopil and Rivne oblasts.

⚠️ Different approaches and corresponding lists of works to carry out practically similar intermediate routine repairs are included already at the stage of planning.
Winning bidders by oblasts

By results of tenders carried out in selected oblasts

100 % contracts

for repair of roads were awarded to one contractor

Those oblasts include:

- **Zaporizhia**
  - UAH 59 mln
  - SE "Zaporozhye Oblavtodor"

- **Zhytomyr**
  - UAH 190 mln
  - PP "Avtomagistral"

- **Ternopil**
  - UAH 300 mln
  - "Techno-Bud-Center" LLC

In other oblasts the following figures are observed:

- **Rivne (81%)**
  - UAH 37 mln
  - PJSC "Rivneavtoshlyahbud"

- **Vinnitsa (68%)**
  - UAH 71 mln
  - SE "Vinnitsa Oblavtodor"

- **Mykolaiv (97%)**
  - UAH 87 mln
  - "Shlyakhove Budivnytstvo"
    "Altcom" LLC

- **Kherson (77%)**
  - UAH 111 mln
  - PJSC "Brovary Road Construction Department 50"

- **Kirovohrad (69%)**
  - UAH 131 mln
  - "Dor-Stroy" LLC
17 oblasts analyzed

Number of bidders affects final procurement cost. The more bidders, the lower the cost.

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

100%
Causes of bid rejection

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

= 72 bids rejected

TOP 3 CAUSES OF BID REJECTIONS:

23 rejections – estimates fail to meet the requirements of regulatory documents requiring detailed estimates and justification of every expense item.

16 rejections – submitted documents fail to meet customer requirements (Article of Procurement Law – Bidder Eligibility Criteria).

15 rejections – failure to submit documents under Article “Bidder Eligibility Criteria” of the Procurement Law.

Approval of standard forms is:

Reduction of rejected bids
Lower risk of customer manipulations
Facilitation of tendering
Nearly all the roadnet was built:

30 years ago

Axle design weight used for road construction:

Then:

Now:

By minor mid-level repair works Ukravtodor is trying to do the impossible: level road surface without estimated reinforcement.

⚠️ Given the materials received from the State Highway Service of Ukraine: no pavement strength assessment has been carried out since 2008.
Conclusions

- Lack of competition on the road repair market
- Sections identified for intermediate routine repair lack proof of safety margin. Inefficient use of public funds
- Unsubstantiated distribution of funds for road repairs in oblasts
- Lack of proper quality control
- The mismatch between the road repair type and requirements of the road evenness and hardness
- Delayed work performance