

COST UKRAINE

ROAD SECTOR PERFORMANCE MONITORING

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National Secretariat Director

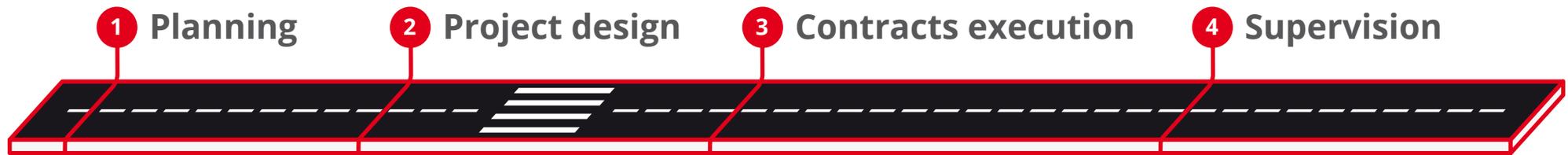


2017

INFRASTRUCTURE PROJECTS

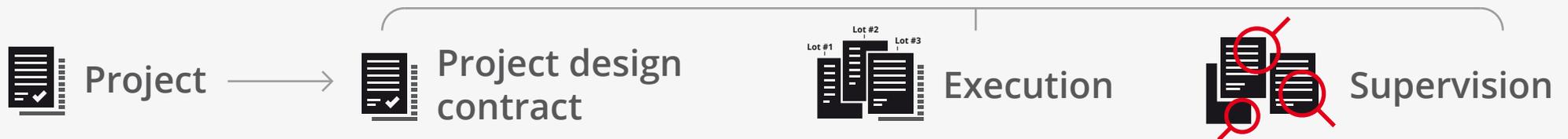
1 **PROJECT LIFE CYCLE** ≈ 3-7 years and more.

2 **HAS FOLLOWING STAGES:**



3 **DEMAND HUGE INVESTMENTS.**

4 **SINGLE PROJECT USUALLY HAS **MANY** ASSOCIATED CONTRACTS:**



5 **DIFFICULT TO MONITOR**



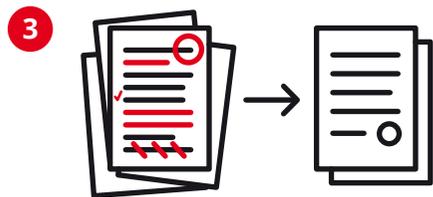
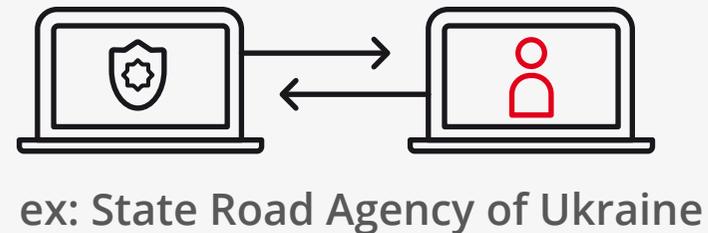
CORRUPTION AND MISMANAGEMENT RISKS

HOW COST WORKS

1 MULTISTAKEHOLDER WORKING - 3 SECTORS:



2 THE DISCLOSURE OF DATA IS EMBEDDED INTO THE SYSTEM OF PE



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.



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



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

PROJECT PHASE	PROJECT DATA	CONTRACT PHASE	CONTRACT DATA
Project Identification <i>(6 items)</i>	Project owner Sector, subsector Project name Project Location Purpose Project description	Procurement <i>(13 items)</i>	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 <i>(7 items)</i>	Project Scope (main output) Environmental impact Land and settlement impact Contact details Funding sources Project Budget Project budget approval date		
Project Completion <i>(6 items)</i>	Project status (current) Completion cost (projected) Completion date (projected) Scope at completion (projected) Reasons for project changes Reference to audit and evaluation reports		Implementation <i>(6 items)</i>

COST IDS AND OCDS

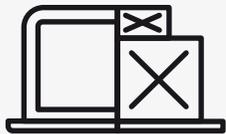


COST IDS ASKS FOR PROJECT AND CONTRACT INFORMATION.



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

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

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: 4

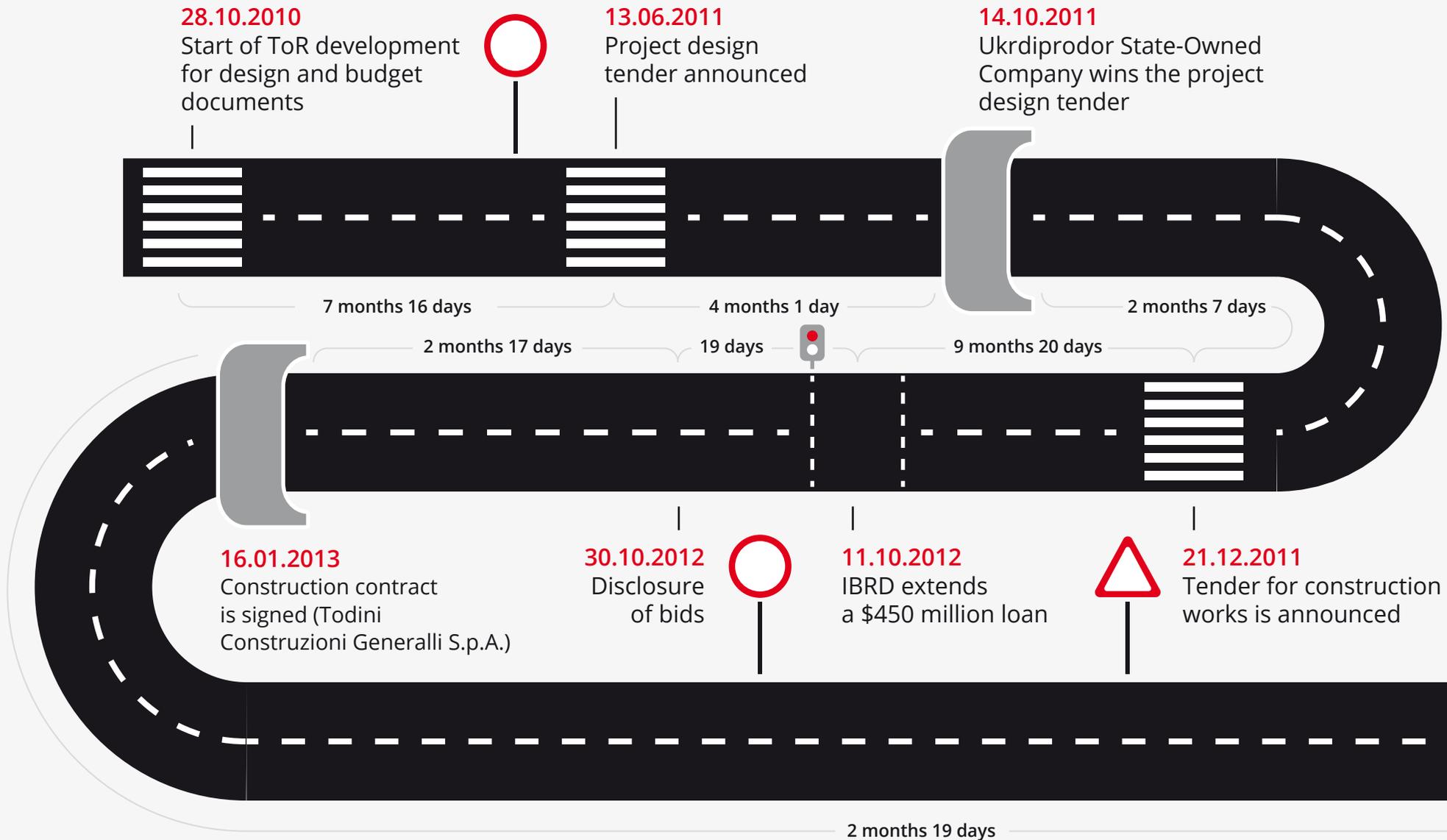
Project starting date: 28 October 2010

Expected completion date: 25 September 2014

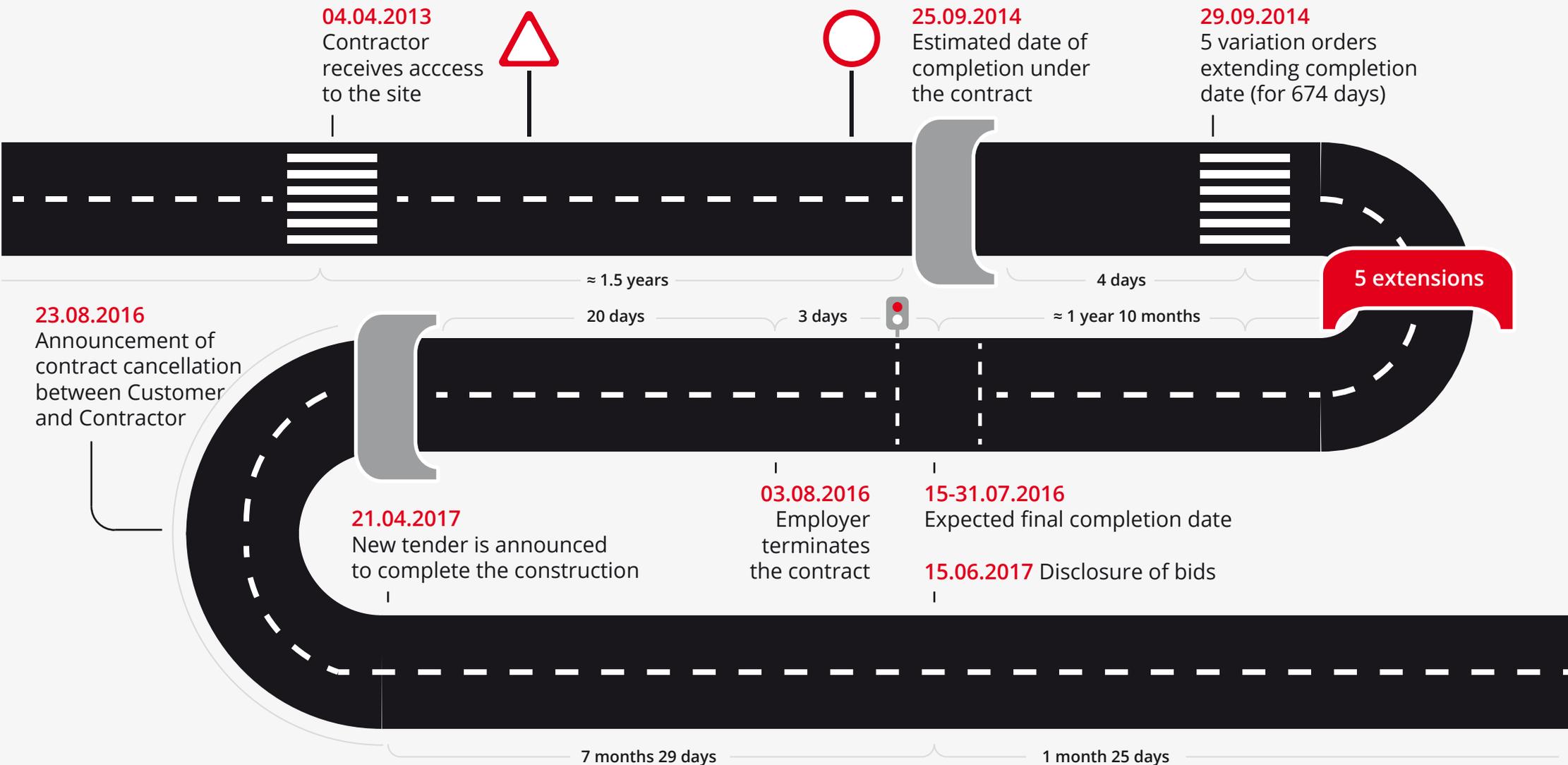
Actual completion date: still in progress.



M-03 PROJECT LIFE CYCLE



M-03 PROJECT LIFE CYCLE



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

VARIATION ORDERS M-03



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)**

DOCUMENTS PROCCEEDED BY ASSURANCE TEAM

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

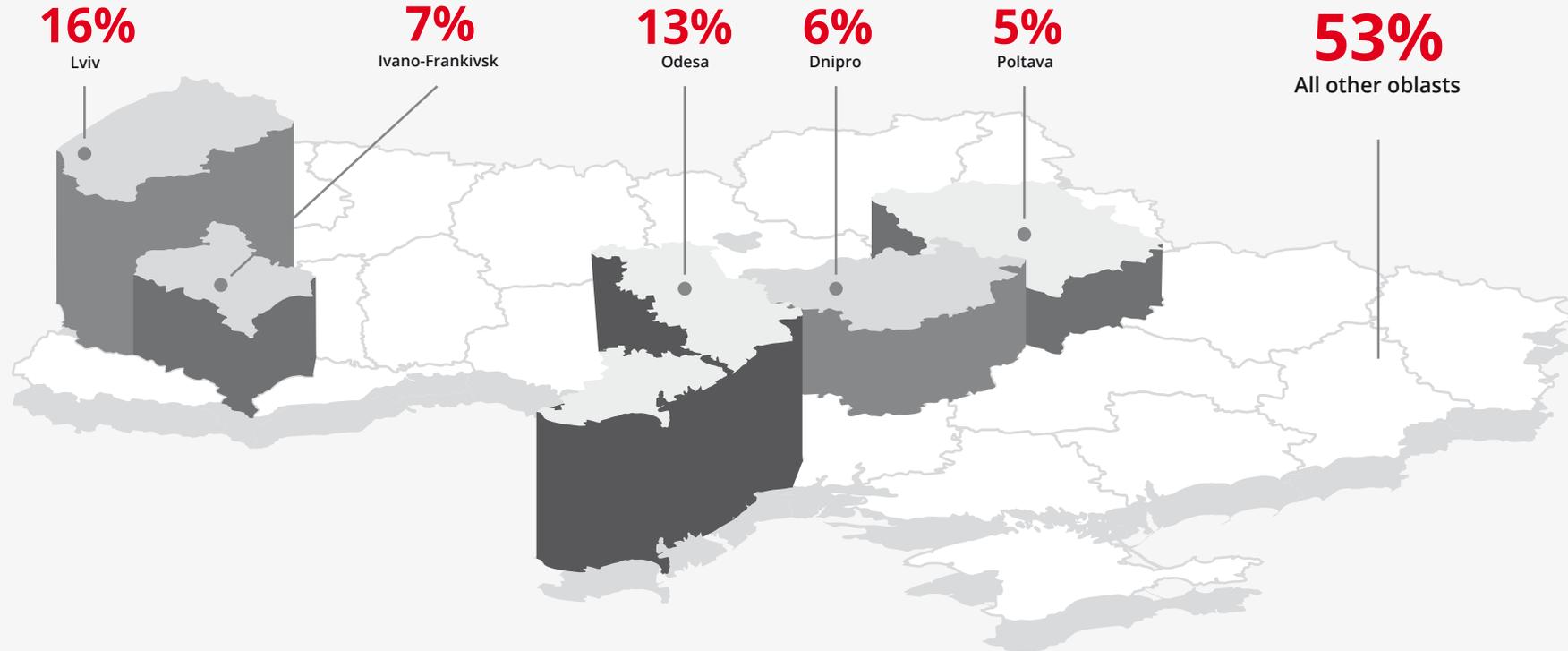


47%

of total budget for road repair in 2016

UAH 4.87 bln

(including all sources and all 24 oblasts)

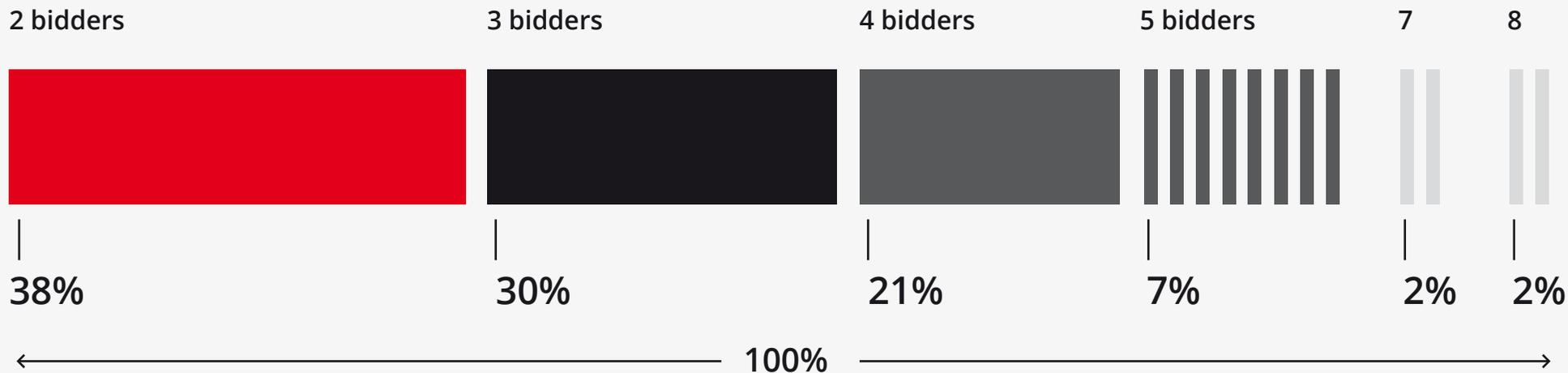


NUMBER OF BIDDERS

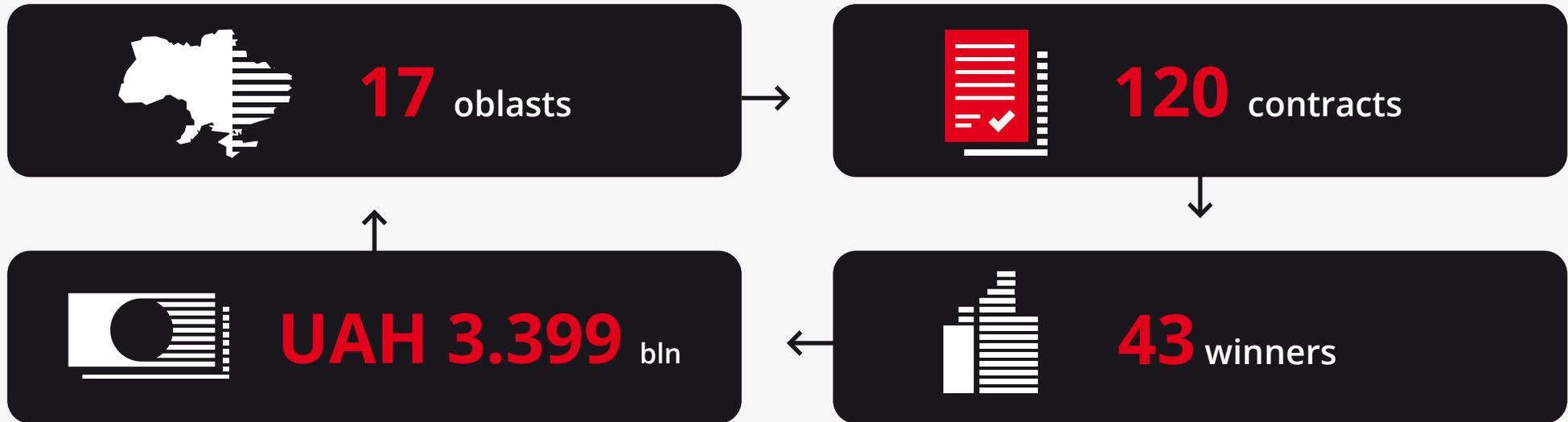
120 tenders analyzed

38% tenders with only 2 bidders

Analysis of tender procedures by the number of bidders:



WINNING BIDDERS



5 CONTRACTORS

have received 51% of value of 120 contracts
for a total amount of UAH **1.726 bln**

COST FINDINGS ON IFI FUNDED PROJECTS



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



UAH 81.6M

⚠ 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**:

Advance payment	91 days delay	surcharge: 1.439M
Payment certificate No.1	5 days delay	surcharge: 16.073
Payment certificate No.2	7 days delay	surcharge: 23,357
Payment certificate No.6	115 days delay	surcharge: 641,077
Payment certificate No.7	8 days delay	surcharge: 134,811
Payment certificate No.8	27 days delay	surcharge: 94,373
Surcharge which might be due to the contractor:		UAH 2 ,348,764

⚠ 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

50
engineering
structures
based on design
documents



Pedestrian
overpasses

2



Cattle
crossings

3



Pedestrian
underpasses

2



Flyovers

1



Reinforced
concrete
pipes

26



Corrugated
metal pipes

12



Bridges

4

17
additional
engineering structures
based on variation
orders

6

5

3

2

1



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 approval 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.

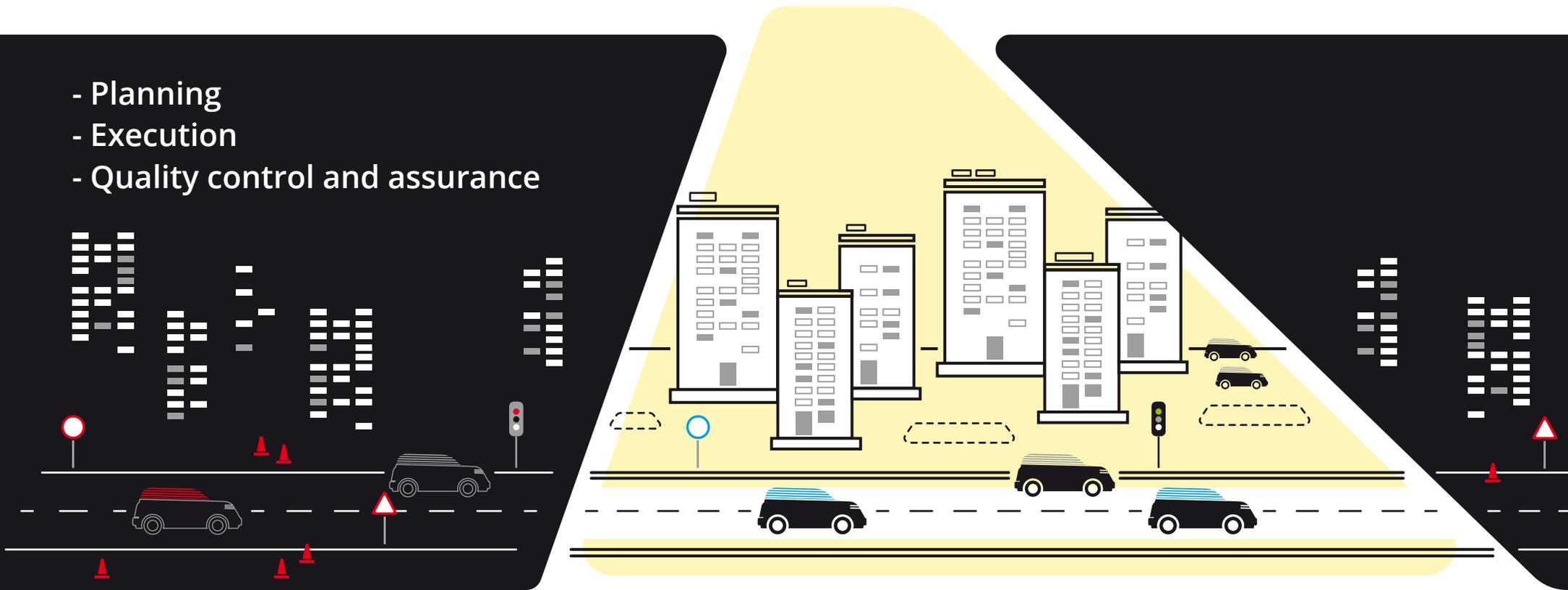
HOW COST WORKS



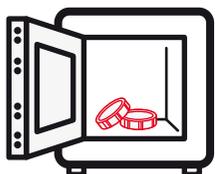
**PROZORRO ALLOWS
EVERYONE TO SEE EVERYTHING IN BIDDING!**

DARK ZONES IN INFRASTRUCTURE:

- Planning
- Execution
- Quality control and assurance



MAIN CONCERNS 2017. PLANNING



TENDERS VALUE IN ROAD SECTOR OFTEN CONSIDERABLY EXCEEDS THE AMOUNT OF AVAILABLE FINANCING (ACCORDING TO THE BUDGET).

CURRENT REPAIRS: **TOP 5** TENDERS

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



- 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)

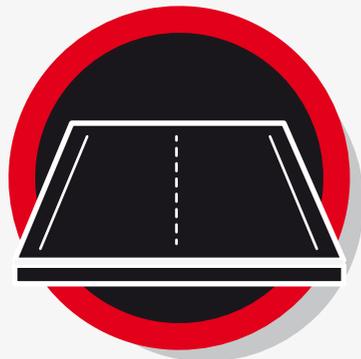
1  **SOME TENDERS ARE DIVIDED INTO VERY SMALL LOTS (2-4 KM EACH) WHICH LIMIT BIG COMPANIES TO BID.**

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

3  **QUALIFICATION CRITERIA ARE NOT APPROPRIATE IN SOME CASES. (REQUIRE A SYSTEMATIC APPROACH!)**

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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2017