

**ASSURANCE REPORT:**

*Capital Repair on M-03 Road*

*Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava section*

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## SUMMARY

The beginning of the project M-03, in fact, was laid back in 2005 by Resolution on the State Programme on general-purpose motor roads development for 2007~2011. Feasibility study was commissioned to Ukrdiprodor. After passing a comprehensive state examination (expert – Ukrderzhbudekspertiza State Enterprise), this feasibility study formed the basis for the development of the project “Capital repair on M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road” and “M-03 Kyiv—Kharkiv—Dovzhanskyi overhaul” approved on August 7, 2013 by the corresponding Ordinances of the Cabinet of Ministers.

Design and survey work on the section of M-03 motor road began in October 2011 by Ukrdiprodor. Moreover, in November-December 2011 statements about the environmental consequences of intent and reconstruction projects/overhaul, and the announcement on public procurement regarding the selection of the contractor and consulting engineer were published. In October 2012, Ukraine was able to attract credit funds from the World Bank in the amount of 450 million dollars to perform work on a second project “Road Sector Development Project”, namely the overhaul of Kyiv—Kharkiv—Dovzhanskyi M-03 motor road at Lubny—Poltava section (km 210 + 000 - km 333 + 250). The project has three components, the first of which (in the amount of USD 394.2 million) covering the rehabilitation of M-03 motor road.

On January 4, 2013, the Engineers from Technical Supervision department of IRD Engineering and Egis International initiated works. It should be noted that at the time of the report preparation, assurance team members were unable to get information about the number of companies that have expressed interest to execute technical supervision of the M-03 Project.

On January 16, 2013, the Contractor has received official notification of contract award and, supported by consulting engineers, on March 6, 2013 he began the preparatory work, and since April 4, 2013, gained access to the road section. Works on M-03 Project were divided into 6 areas (sections), combined into two contracts (2.1 and 2.2) – for three sections in each.

Given sections of problems that arose during the performance, deficiencies in the design documents, recriminations and complaints, which can be found later in the report, originally set at September 25, 2014 work terms have undergone five sequels and the original 540 days increased more than twice (674 and 658 days respectively to 2.1 and 2.2 of the Contract). However, the cost has increased by 2.87% and 4.43% respectively to 2.1 and 2.2 of the Contract.

In 2014, the circumstances in Ukraine attributable to force majeure (Revolution of dignity, annexation of Crimea, fighting in the east of Ukraine) in combination with late payment amounts for IPC and VAT resulted in a low rate of work (engineers noted that moment in their reports since the second half of 2014 when testing updates to the program of work, on which the Contractor was provided with related recommendations). In 2015, the situation is somewhat improved, but systematic failure of contractual obligations by the Contractor in 2016 made Ukravtodor on August 3, 2016 to direct notice of intent to the Contractor to terminate the contract on the ground that the company Todini was not actually perform work at the site for over 9 months. Moreover, on August 23, 2016 the Contracts for M-03 Project were breached.

Readiness of the road sections 2.1 and 2.2 for the Contracts are presented in table 0.1.

**Table 0.1** – Works progress status at the moment of notice on the Contract breach

Cost item	Progress %	
	contract 2.1	Contract 2.2
Road pavement	73%	90%
Excavation works	96%	97%
Engineering structures	81%	82%
Road furniture	23%	45%
Preparation works	100%	100%
<b>General % of works progress as of 09/11/2016</b>	<b>72%</b>	<b>78%</b>
<b>General % of payment as of 09/11/2016</b>	<b>85.5%</b>	<b>81%</b>

**Current road condition poses the following risks:**

- **carry-over construction of engineering structures** causes narrowing of the carriageway in these areas and, consequently, decrease of roadway capacity and the need for additional maneuvers may adversely affect the safety of road users; unfinished earthworks and at least one unsettled layer coverage in these areas leads to soaked subgrade;
- **unfinished road improvement**, especially regarding the placement of technical means of traffic affects road safety adversely.

**Granting access to data**

CoST team operations within assurance reports preparation is based on the following documents:

- Construction Sector Transparency Initiative Multi-Stakeholder Group operations statute (<http://goo.gl/1JPg2h>);
- Memorandum on mutual understanding between CoST Initiative International Secretariat, the Ministry of Infrastructure of Ukraine, the State Road Agency of Ukraine (Ukravtodor) and Transparency International Ukraine dated October 20, 2015 (<http://goo.gl/QIOTrl>);
- Order of Ukravtorod dated June 23, 2016 No 178 “On granting access to information and regarding access to construction sites for CoST National Secretariat in Ukraine”;
- Separate surety for Ukravtodor dated July 6, 2016 No. 170-ОД “On granting access to requested documents and correspondent deals conclusion on non-disclosure” regarding requirements of chapter 46 of the Civil Code of Ukraine (<https://goo.gl/mWf9U6>), the Law of Ukraine “On public funds application transparency” (<https://goo.gl/q5J0TQ>), the Ordinance of the Cabinet of Ministers of Ukraine “On list of records, which do not pose commercial confidentiality” (<https://goo.gl/H6PFVE>).

## Construction site visit

Within assurance report preparation on July 20, 2016, the assurance team members visited the construction site.

The purpose of visit was to learn about progress on construction sites for comparison with disclosed data within CoST and project information.

As works on construction sites were mostly suspended, visit time was synchronized with time of meetings on issues of project works, in offices of Engineers on technical supervision with a participation of the Contractor representatives (TODINI Costruzioni Generali S.p.A.), its subcontracting organization – designer (Ukrdiprodor State Enterprise), the Owner (Automobile Road Service of Poltava Oblast) and the Engineer (IRD Engineering – Khorol, 10 AM; Egis Ukraine – Poltava, 3 PM).

In between and after meetings personal knowledges between assurance team members and representatives of the Engineer, the Contractor, the Owner and the Designer were made. Responding to a question received, assurance team members provide additional clarification regarding the purpose of CoST operation, methods of data collection and disclosure, etc.

Due to the presence at the above-mentioned meetings, assurance team members were able to participate in the discussion of issues and learn the ways of their solution.

The main current problems disclosed at the meetings were:

- The need for carrying out work without the tender documentation (transfer utilities that were unavailable during the preparation of the reconstruction project, but arose prior to execution);
- erosion on slopes and flooding;
- designing and arrangement of sewage facilities for rain water on bridges (according to regulatory legal acts of Ukraine, arrangement of such facilities is beyond doubt, but Ukrdiprodor State Enterprise should have submitted clear instructions and justifications till 28/08/2016);
- response to public response and deputies' requests execution, for example, <http://goo.gl/DxSRSE>;
- damage to the roadside infrastructure due to construction works;
- design and installation of additional underground and overground pedestrian crossings, local passages beyond the tender documentation, including at the request of local communities;
- design and installation of street lighting (selection of types of lighting that will be used in the working documents);
- disputes between the Contractor and the Designer on individual design decisions, such as choosing the types of lamps;
- trees compensatory planting (the Consulting Engineer noticed several discrepancies between planned and actual condition of planting);
- land acquisition in the field of building structures beyond the tender documentation;
- archaeological excavations within construction sites (<http://goo.gl/FrD8io> and p. 284~285 in <http://goo.gl/r5GttM>);
- arrangement of noise fencing; kickoff site and feasibility check.

## INFORMATION SOURCES

Table 2.1 – List of processed documents

Code	Name	Data Source	Format and volume	Hyperlink	Notes
2.1	Reports of procuring entities	Ukravtdor, Automobile Road Service of Poltava	*.xls 7 sheets	<a href="http://goo.gl/LxUFMN">http://goo.gl/LxUFMN</a>	as of 11/08/2016
2.2	Special announcement on procurement. Invitation to preliminary qualification. Second Road Safety Improvement Project in Ukraine: M-03 Kyiv—Kharkiv—Dovzhanskyi motor road overhaul	Ukravtdor	*.doc, 2 p.	<a href="http://goo.gl/VTIRxU">http://goo.gl/VTIRxU</a>	as of 21/12/2011
2.3	Invitation for interest expression (Consultant services – SELECTION OF COMPANIES)	Ukravtdor	*.doc, 2 p.	<a href="http://goo.gl/YZYrCR">http://goo.gl/YZYrCR</a>	as of 21/12/2011
2.4	<i>Minutes of meeting (tender proposals disclosure record)</i>	<i>Ukravtdor</i>	<i>A4, 12 p.</i>		<i>as of 30/10/2012</i>
2.5	<i>Contract agreement under the contract 2.1</i>	<i>Ukravtdor</i>	<i>A4, 4 p.</i>		<i>as of 04/01/2013</i>
2.6	<i>Contract agreement under the contract 2.2</i>	<i>Ukravtdor</i>	<i>A4, 4 p.</i>		<i>as of 04/01/2013</i>
2.7	Notice on contract award M-03 Kyiv—Kharkiv—Dovzhanskyi m/r Overhaul: 2.1~2.6 section	Ukravtdor	*.doc, 6 p.	<a href="http://goo.gl/34n2ep">http://goo.gl/34n2ep</a>	as of 16/01/2013
2.8	Application on ecological consequences and application on intentions of reconstruction project of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at 210+000 - km 300+550, km 323+000 - km 329+050	Ukravtdor, Automobile Road Service of Poltava, Ukrdiproder	*.doc, *.pdf, *.jpg ≈ 162 p.	<a href="http://goo.gl/W3gcJf">http://goo.gl/W3gcJf</a>	as of 25/11/2011
2.9	Application on ecological consequences and application on intentions of reconstruction project of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at km 333+800 - km 347+280 section	Ukravtdor, Automobile Road Service of Poltava, Ukrdiproder	*.doc, *.pdf, *.jpg ≈ 134 p.	<a href="http://goo.gl/oa4Axm">http://goo.gl/oa4Axm</a>	as of 25/11/2011
2.10	<i>Information on flow of funds under MBRD, EBRD</i>	<i>Ukrdorinvest</i>	<i>*.doc, 1 p.</i>		<i>as of 15/07/2016</i>

Cod e	Name	Data Source	Format and volume	Hyperlink	Notes
	<i>and EIB projects</i>				
2.11	<i>Information regarding unpaid payment certificates of contractors under Kyiv—Kharkiv—Dovzhanskyi motor road repairs project</i>	<i>Ukrdorinvest</i>	<i>*.xls 1 sheets</i>		<i>as of 15/04/2016</i>
2.12	<i>Tender documentation in three parts with amendments and additions</i>	<i>Ukravtodor. Ukrdorinvest, Ukrdiprodor</i>	<i>*.doc, *.pdf, *.xls over 1000 p.</i>		<i>as of November 2012</i>
2.13	<i>Resolution on amendments to the contract (18 pcs)</i>	<i>Ukravtodor</i>	<i>*.pdf, ≈ 36 p.</i>		<i>as of December 2015</i>
2.14	<i>Quarterly report of the Engineer on execution of the work under the contract No. 2.1.</i>	<i>Ukravtodor</i>	<i>*.doc, 92 p.</i>		<i>No. 31, as of 31/12/2015</i>
2.15	<i>Monthly report of the Engineer on execution of the work under the contract No. 2.2.</i>	<i>Ukravtodor</i>	<i>*.pdf, 265 p.</i>		<i>No. 37, as of 30/06/2016</i>
2.16	<i>Payment volume sheet No. 1 (contract 2.1)</i>	<i>Ukrdorinvest</i>	<i>A4, 1 p.</i>		<i>as of 30/06/2016</i>
2.17	<i>Payment volume sheet No. 1 (contract 2.2)</i>	<i>Ukrdorinvest</i>	<i>A4, 1 p.</i>		<i>as of 30/06/2016</i>
2.18	State Target Economic Programme on general-purpose motor roads development for 2013~2018.	The Cabinet of Ministers of Ukraine		<a href="http://goo.gl/oK3FpF">http://goo.gl/oK3FpF</a>	as of 11/07/2013
2.19	The strategy of State Target Economic Programme on general-purpose motor roads development for 2013~2018.	The Cabinet of Ministers of Ukraine		<a href="http://goo.gl/rGyoej">http://goo.gl/rGyoej</a>	as of 03/09/2012
2.20	State Programme on general-purpose motor roads development for 2007~2011.	The Cabinet of Ministers of Ukraine		<a href="http://goo.gl/6qGkaH">http://goo.gl/6qGkaH</a>	as of 19/06/2010
2.21	The Law of Ukraine on the condemnation of the communist and national socialist (Nazi) regimes and prohibition of propaganda of their symbols	the Verkhovna Rada of Ukraine		<a href="http://goo.gl/T0WGq8">http://goo.gl/T0WGq8</a>	as of 08/08/2015

Code	Name	Data Source	Format and volume	Hyperlink	Notes
2.22	Announcement on planned procurement No. 088178, bulletin 70 (516) dated 13/06/2011; construction, reconstruction and overhaul design and survey works on Poltava transport network sites	State procurement reporter		<a href="https://goo.gl/HWq6rk">https://goo.gl/HWq6rk</a>	access to information is possible after registration on portal
2.23	Announcement on acceptance of bidding proposal or price proposal No. 168498, bulletin 113 (559) dated 21/09/2011; construction, reconstruction and overhaul design and survey works on Poltava transport network sites (7 sections)	State procurement reporter		<a href="https://goo.gl/kxtb8N">https://goo.gl/kxtb8N</a>	access to information is possible after registration on portal
2.24	Announcement on bidding results No. 184082, bulletin 123 (569) dated 14/10/2011; construction, reconstruction and overhaul design and survey works on Poltava transport network sites (7 sections)	State procurement reporter		<a href="https://goo.gl/8CKxOe">https://goo.gl/8CKxOe</a>	access to information is possible after registration on portal
2.25	Guidelines Procurement under IBRD Loans and IDA Credits.	The Ministry of Economics of Ukraine		<a href="http://goo.gl/rO8kp1">http://goo.gl/rO8kp1</a>	as of 01/10/2006
2.26	EBRD – Supervision of Works for N01 Road Rehabilitation.	Tenders Electronic Daily		<a href="http://goo.gl/xT6ggg">http://goo.gl/xT6ggg</a>	as of 17/10/2012
2.27	Procurement Policies and Rules for Products and Services Financed by the European Bank for Reconstruction and Development	the Verkhovna Rada of Ukraine		<a href="http://goo.gl/xzgyNV">http://goo.gl/xzgyNV</a>	as of 01/08/2000
2.28	VAT budget remuneration pattern	The Ministry of Finance	*.pdf, 2 p.	<a href="http://goo.gl/Ih1GVj">http://goo.gl/Ih1GVj</a>	
2.29	Instruction regarding form filling of announcement on two-level bidding	the Verkhovna Rada of Ukraine		<a href="http://goo.gl/zBERvD">http://goo.gl/zBERvD</a>	valid till 01/01/2017

Code	Name	Data Source	Format and volume	Hyperlink	Notes
	procedure execution				
2.30	The Ordinance on approval of “M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at 210 + 000 - km 300 + 550, km 323+ 000 - km 329 + 050, Poltava Oblast” project	The Cabinet of Ministers of Ukraine		<a href="https://goo.gl/dQFOUu">https://goo.gl/dQFOUu</a>	as of 07/08/2013
2.31	The Ordinance on approval of “M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at km 300 + 550, km 336+ 873 - km 340 + 961- km 344 + 817, Poltava Oblast” project	The Cabinet of Ministers of Ukraine		<a href="https://goo.gl/x0vvG6">https://goo.gl/x0vvG6</a>	as of 07/08/2013



**ABOUT M-03 PROJECT**
**Summary**
**Table 3.1.1 – M-03 Project summary**

Project stage	Project information, which needs to be disclosed	Designation	Reference in this report
Project Identification	Project name	M-03 Kyiv—Kharkiv—Dovzhanskyi motor road at Lubny—Poltava section reconstruction project	3.2, 4.1
	Procuring entity	Ukravtodor	4.2
	Purpose	Improvement of roadway capacity, traffic, population and environmental safety.	3.2
	Expectant beneficiaries	General public	3.2
	Specifications	6 sections of motor road with total length of 84,299 km with engineering structures, utility systems, etc.	3.2
Funding	Budget	Initial budget in the amount UAH 2,273,137,052.06 (as of 04/01/2013) has increased to UAH 2,380,945,823.22 (as of 23/08/2016)	3.4
Tender process (project official, project supervision (incl. financial))	Procedure	Designated purpose	
	Official	Ukrdorinvest	
Tender process (the contractor)	Tender procedure	International procurement	4.4
	Amount of interests	9	table 3.3.1
	List of firms tendering	GD Granit AD Skopje; Metrostav a.s. and Doprostav a.s. Joint Venture; Road Building Altcom LLC; Gulsan Insaat; KCC Engineering & Construction Co.; PJSC Pivdenschliakhbud, Avtomagistral-Pivden LLC and Avtomagistral LLC Joint Venture; JSC Azerkorpu; Todini Costruzioni Generali S.p.A.; ONUR Taahhut Tasimacilik	table 3.3.1
	Number of firms admitted for tendering	9	table 3.3.1
	Successful bidder	Todini Costruzioni Generali S.p.A.	3.3
Tender process (project works)	Tender procedure	Two-level bidding	5.1
	The designer	Ukrdiprodor	5.3
	Design supervision	Ukrdiprodor	4.8
Tender process	Tender procedure	International procurement	4.20

Project stage	Project information, which needs to be disclosed	Designation	Reference in this report
(engineering supervision)	The consultant	IRD Engineering LLC; Egis International with Euro-Ukraine Consulting LLC	4.10, 4.22
Contract	Contract firm	Todini Costruzioni Generali S.p.A.	3.3
	Work volume	Technical specifications, bills of quantities, etc. according to tender documentation	
	Cost (w/ VAT)	Contract 2.1 — UAH 1,161,199,089.44 Contract 2.2 — UAH 1,111,937,962.61	3.4
Contract	Implementation period	540 days	3.5
	Warranty obligations	730 days	3.5
Contract execution	Contract amendments	Arrangement of additional structures for traffic safety and drainage, utility systems displacement	table 3.2.4
	Cost increase (w/o VAT)	Contract 2.1 — UAH 56,203,819.84 Contract 2.2 — UAH 51,604,951.32	3.4
	Increase to contract duration	Contract 2.1 — 674 days Contract 2.2 — 658 days	3.5
	Payment certificates	Payment certificates are submitted monthly (payment in terms of VAT return is performed with delay mostly)	3.4
	Actually paid amounts	Contract 2.1 — 85.5% Contract 2.2 — 81%	4.17
	Actually executed works	Contract 2.1 — 72% Contract 2.2 — 78%	
	Actual status	The contract is not being implemented due to breach on 23/08/2016	4.17

### General information

M-03 project is performed based on the State Economic Programme on general-purpose motor roads development for 2007~2011.

According to documents, M-03 Project works distribution is executed (table 3.2.1) under two contracts, each of which is divided into 3 sections.

**Table 3.2.1 – M-03 Project work sites distribution**

Contracts	Lots	Sections	Length, km		
			under sections	under contracts	TOTAL
2.1	2.1	km 210 +000 – km 220 +782	10.782	39.099	84.299
	2.2	km 228 +000 – km 239 +317	11.317		
	2.3	km 258 +000 – km 275 +000	17.000		
2.2	2.4	km 282 +000 – km 300 +550	18.550	45.200	

	2.5	km 300 +550 – km 323 +000	22.450	
	2.6	km 329 +050 – km 336 +873	4.200	

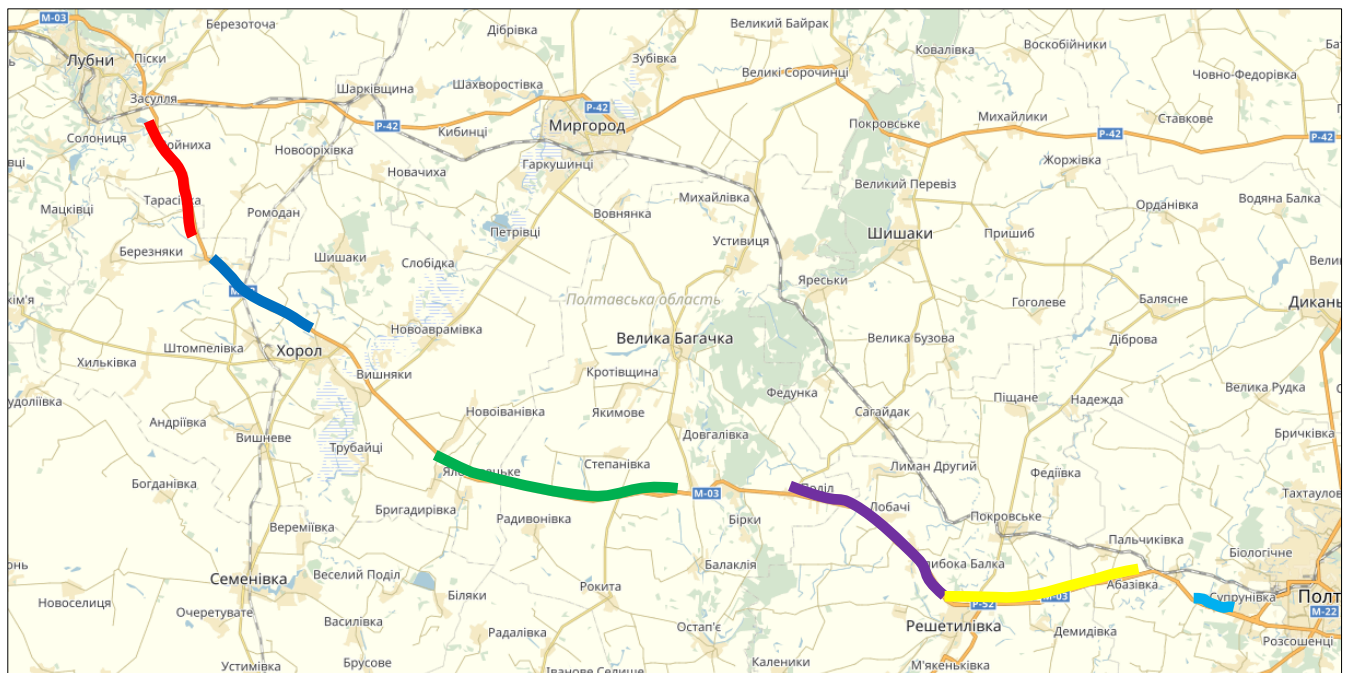
Reconstruction sections are located at Lubny, Khorolsk, Velykobagachansk, Reshetyliv and Poltava regions of Poltava Oblast territory (fig. 3.1.1).

The necessity of motor road reconstruction is based on poor technical status of traffic-bearing surface and engineering structures influencing negatively on traffic safety and not allowing to provide its proper transport performance.

Construction works can be considered as standard. During the construction, new technologies were not applied. Most of road goes through level terrain.

According to TEJ explanatory note, significant rutting and unevenness are observed at the existing road surface, highlighting the necessity of repairs execution.

The reconstruction will positively effect on transport infrastructure at international, countrywide, regional and local levels. Planned operations will provide the improvement of traffic, population and environmental safety.



**Figure 3.1.1 – Work sites layout**

- Lot 1 – km 210+000 – km 220+782;
- Lot 2 – km 228+000 – km 239+317;
- Lot 3 – km 258+000 – km 275+000;
- Lot 4 – km 282+000 – km 300+550;
- Lot 5 – km 300+550 – km 323+000;
- Lot 6 – km 329+050 – km 336+873.

List of works on M-03 Project provides for expansion of roadway up to 4 pathways, change of the existing road pavement, construction of new loop roads around agglomeration, reconstruction and construction of new interchanges, bridges, pipes, roadsides, traffic-bearing surface side-slopes, etc. (table 3.2.2~3.2.4).

**Table 3.2.2 – Main categories of works provided by M-03 Project.**

Members hip	Name	Provided by the contract under lot					
		2.1	2.2	2.3	2.4	2.5	2.6
1	Local minor modifications of axial arrangement lay of existing road	✓	✓	✓			
2	Local re-levelling of the existing longitudinal section: radius increase of concave and convex curves	✓	✓	✓	✓	✓	✓
3	Expansion of the existing road from technical category II to technical category 1-b	✓	✓	✓	✓		
4	Local limited re-levelling of the existing road				✓	✓	✓
5	Conduit of reinforcing layer (shaping course) on existing road surface	✓	✓	✓	✓	✓	✓
6	Arrangement of top layers of road pavement	✓	✓	✓	✓	✓	✓
7	Arrangement of roadsides at bus stops and the stops	✓	✓	✓	✓	✓	✓
8	Arrangement of lightening, where necessary	✓	✓	✓	✓	✓	✓
9	Protection and isolation of utility systems, where necessary	✓	✓	✓	✓	✓	✓
10	Repairs and installation of surface drainage system (channels, gutters, etc.)	✓	✓	✓	✓	✓	✓
11	Repairs and expansion of existing culverts	✓	✓	✓	✓	✓	✓
12	Mounting of metal corrugated pipes	✓	✓				
13	Installation of safety fencing	✓	✓	✓	✓	✓	✓
14	Installation of road signs	✓	✓	✓	✓	✓	✓
15	Arrangement of road surface marking	✓	✓	✓	✓	✓	✓

**Table 3.2.3 – Individual plan indicators provided by M-03 Project.**

Members hip	Name	Units	Total	incl. under lots					
				2.1	2.2	2.3	2.4	2.5	2.6
1	Deforestation	pcs	40,969	8,650	6,133	15,593	9,460	175	958
2	Maple transplanting	pcs	11,488	2,163	1,533	3,896	3,896	-	-
3	Oak transplanting	pcs	11,489	2,163	1,534	3,896	3,896	-	-
4	Poplar transplanting	pcs	11,487	2,163	1,533	3,895	3,896	-	-
5	Birch transplanting	pcs	11,486	2,161	1,534	3,896	3,895	-	-
6	Excavation works	m <sup>3</sup>	4,914,034	838,074	711,698	1,262,435	1,219,581	378,567	503,679
7	Regrassing	m <sup>2</sup>	2,021,676	239,779	252,747	403,594	229,779	386,171	509,606
8	Geotextiles for asphalt concrete reinforcement	m <sup>2</sup>	426,773	34,069	30,994	-	-	342,720	18,990
9	Shaping of existing surface	m <sup>2</sup>	928,882	60,168	76,763	146,035	189,943	339,351	116,622
10	Curbs	m	47,473	10,581	2,156	11,944	7,538	14,644	610

Membership	Name	Units	Total	incl. under lots					
				2.1	2.2	2.3	2.4	2.5	2.6
11	Road signs	pcs	2,790	327	684	507	552	563	157
12	Road signs of individual design	pcs	230	21	33	77	4	86	9
13	Road surface marking	m	632,829	80,007	88,899	118,139	132,308	126,376	87,100
14	One-way metal safety fence	m	133,650	8,566	22,384	19,883	51,948	20,698	10,171
15	Two-way metal safety fence	m	35,514	9,028	2,204	1,732	864	21,686	
16	Guide posts	pcs	2,513	395	645	261	96	551	565

**Table 3.2.4 – M-03 Project engineering structures**

Membership	Place	Name	According to project documentation
1	209+993	R/c pipe, d = 1.58 m	project
2	211+134	Bridge across Voinikha River	project
3	213+613	Metal corrugated pipe, d = 2 × 1.58 m	project
4	217+226	Metal corrugated pipe, d = 2.6 × 1.75 m	project
5	217+831	Metal corrugated pipe, d = 2.2 × 1.75 m	project
6	220+357	Metal corrugated pipe, MP150	project
7	228+160	Flyover	project
Total under lot 2.1		7 structures	
8	229+550	Metal corrugated pipe, d = 1.57 m	project
9	229+900	Metal corrugated pipe, d = 1.57 m	project
10	230+615	Metal corrugated pipe, d = 1.57 m	project
11	231+370	Metal corrugated pipe, d = 1.57 m	project
12	232+350	Underground pedestrian crossing	additionally
13	233+310	Metal corrugated pipe, d = 1.57 m	project
14	236+400	Metal corrugated pipe, d = 2 × 1.57 m	project
15	238+191	Metal corrugated pipe, d = 2 × 1.57 m	project
16	238+570	Underground pedestrian crossing	project
Total under lot 2.2		9 structures according to project documentation 1 structure according to additional projects	
17	262+396	Metal corrugated pipe, d = 1.57 m	project
18	264+970	R/c pipe, d = 1.5 m	project
19	266+183	Cattle crossing, 8 x 2.5 m	project

Membership	Place	Name	According to project documentation
20	266+447	Bridge	project
21	271+002	R/c pipe, d = 1.5 m	project
22	271+457	R/c pipe, d = 1.5 m	project
23	273+150	Cattle crossing, 8 x 2.5 m	project
24	273+386	R/c pipe, d = 2 x 1.5 m	project
25	274+777	R/c pipe, d = 1.5 m	project
Total under lot 2.3		9 structures	
26	282+741	Cattle crossing, 6 x 2.5 m	additionally
27	285+100	R/c pipe, d = 3 x 1.5 m	project
28	285+159	Cattle crossing – bridge, 4 x 2.5 m	additionally
29	286+300	Overground pedestrian crossing	additionally
30	286+312	Overground pedestrian crossing	project
31	286+680	R/c pipe, d = 1.3 m	project
32	287+550	Cattle crossing, 6 x 2.5 m	additionally
33	288+240	R/c pipe, d = 1.0 m	project
34	288+621	Underground pedestrian crossing	project
35	288+794	Underway flyover, 8 x 5.5 m	additionally
36	292+150	R/c pipe, d = 3 x 1.5 m	project
37	292+179	R/c pipe, d = 4.2 x 2.5 m	additionally
38	293+940	R/c pipe, d = 1.0 m	project
39	293+943	Underground pedestrian crossing	project
40	294+800	Overground pedestrian crossing	additionally
41	296+125	R/c pipe, d = 1.0 m	project
42	296+700	R/c pipe, d = 2 x 1.5 m	project
43	298+800	Cattle crossing, 6 x 2.5 m	additionally
44	298+930	R/c pipe, d = 2 x 1.25 m	project
45	299+250	Underground pedestrian crossing, 4.2 m x 2.5 m	additionally
Total under lot 2.4		11 structures according to project documentation 9 structures according to additional projects	
46	300+943	R/c pipe, d = 1.5 m	project
47	302+457	R/c pipe, d = 1.5 m	project
48	303+834	R/c pipe, d = 1.5 m	project
49	305+051	Underway flyover, 8.0 x 5.5 m	additionally

Membership	Place	Name	According to project documentation
50	305+944	Bridge across Govtva Gruzka River	project
51	306+585	Cattle crossing, 6.0 x 2.5 m	project
52	306+816	Overground pedestrian crossing	additionally
53	308+793	R/c pipe, d = 1.5 m	project
54	312+060	R/c pipe, d = 1.5 m	project
55	314+091	Bridge across Govtva Olkhova River	project
56	318+829	Cattle crossing	additionally
57	318+829	R/c pipe, d = 2 x 5.5 m	project
58	319+859	Overground pedestrian crossing	additionally
59	321+383	R/c pipe, d = 2 x 5.5 m	project
60	322+593	R/c pipe, d = 1.5 m	project
Total under lot 2.5		11 structures according to project documentation 4 structures according to additional projects	
61	329+428	R/c pipe, d = 1.25 m	project
62	329+887	Overground pedestrian crossing	additionally
63	330+590	R/c pipe, d = 1.25 m	project
64	331+942	R/c pipe, d = 1.25 m	project
65	332+294	Underground pedestrian crossing, 4.0 m x 2.5 m	additionally
66	332+730	R/c pipe, d = 1.25 m	project
67	332+820	Underground pedestrian crossing, 5.0 m x 2.5 m	additionally
Total under lot 2.6		4 structures according to project documentation 3 structures according to additional projects	
Total with respect to M-03 project		<b>50 structures according to project documentation, of which:</b> r/c pipes – 26 it. metal corrugated pipe – 12 it. overground pedestrian crossing – 2 it. underground pedestrian crossing – 2 it. cattle crossings – 3 it. bridges – 4 it. flyovers – 1 it. <b>17 structures according to additional projects, of which:</b> r/c pipes – 1 it. overground pedestrian crossing – 6 it. underground pedestrian crossing – 3 it. cattle crossings – 5 it. underway flyovers – 2 it.	

Considering additional work volumes, the Contractor submitted a variety of claims to the Owner (table 3.2.5) regarding work terms continuation and the correspondent increase of funding. Part of claims was rejected or disposed by the Engineer Service, but in general, the Owner



confirmed under M-03 Project **10 ordinances regarding cost change and work completion terms** (table 3.2.6).

Graphic presentation of initial terms and costs and further changes ratio is specified in table 3.4.3~3.4.4, 3.5.1~3.5.2 and in fig. 3.4.1~3.4.2, 3.5.1~3.5.2.

**Table 3.2.5** — Claims presented by the Contractor

Claim subject	Quantity, pcs	
	Contract 2.1	Contract 2.2
Pre-payment for mobilization	1	1
Delay with drawings or instructions submission	6	3
Delay with right-of-way coordinates submission	-	2
Delay with standards and regulations submission	-	1
Engineering networks. Delay with technical specifications submission	1	1
Delay with the Engineer instructions submission Noise fencing	-	2
Delay with granting access to section	4	-
Delay in granting the certificate on trees cutting down	-	1
Adjustments related to changes in legislation	2	1
Delay in VAT part payment from IPC sum	2	1
Delay in payment for work performed on IPC	13	1
Recovery of customs duties and VAT on importation of equipment	1	1
Notification of inability to perform work on the site	1	-
The ban on the use of asbestos pipes	1	-
Overmoistened sections	3	-
Difficulties with the purchase and delivery of bitumen	1	-
Electricity turn-off	1	-
The limitations associated with weather conditions	1	-
Reinforcement on crossing tracks	1	-
Unforeseen physical conditions	1	-
The delay caused by the activities of the authorities considering mining by the Contractor	1	-
<b>TOTAL</b>	<b>41</b>	<b>15</b>

**Table 3.2.6** – Ordinance regarding period extension and cost change

Ordinance No.	Ordinance subject	Additional cost, UAH	Additional period, days	Reason
Contract 2.1				
C2.1-1	Extension of time periods – Additional cost – General items	5,023,940.09	96	Delay in VAT part payment
C2.1-2	Extension of time periods – Additional cost – General items	9,209,664.88	181	Delay in VAT part payment
C2.1-3	Extension of time periods – Additional cost – General items	2,676,356.42	60	Delay in VAT part payment
C2.1-4, C2.1-5, C2.1-7	Extension of time periods – Additional cost – General items Part 3 “Engineering structures” transport tunnel at km 228+160, underground pedestrian crossing at	25,575,475.34	83	Delay in VAT part payment



Ordinance No.	Ordinance subject	Additional cost, UAH	Additional period, days	Reason
	km 232+317			
C2.1-8	Extension of time periods – Additional cost – General items	13,718,382.90	254	Delay in VAT part payment
<b>Contract 2.2</b>				
C2.2-1	Extension of time periods – Additional cost – General items	5,117,729.70	96	Delay in VAT part payment
C2.2-2	Extension of time periods – Additional cost – General items	8,077,609.94	181	Delay in VAT part payment
C2.2-3	Extension of time periods – Additional cost – General items	2,430,970.73	62	Delay in VAT part payment
C2.2-4 C2.2-5 C2.2-6 C2.2-7 C2.2-8 C2.2-9 C2.2-11	Extension of time periods – Additional cost – General items Part 3 “Engineering structures” bridge at km 285+159, cattle crossing at km 287+550, flyover at km 288 + 794, cattle crossing at km 318+828, crossing at km 329+887, crossing at km 332+294, crossing at km 332+820	25,852,654.84	91	Delay in VAT part payment Additional works.
C2.2-14	Extension of time periods – Additional cost – General items	10,125,986.11	228	Delay in VAT part payment

### *Summary*

It should be noted that ultimately all claims of the Contractor were resolved in working order, and Ordinances regarding the period extension and cost increase (table 3.2.6) were based on the delay in IPC payment and VAT compensation (table 3.4.5 – 3.4.6).

Approval of the Contractor with the justification of the Ordinance meant the elimination of all past claims.

### *The procedure of claims submission*

It should be noted that under Section 20 of the General requirements of the Contract, if the Contractor believes he has the right to extend the term of works and/or additional cost, he should provide the Engineer service (4.22) with notice describing the events and circumstances that were the cause of the claim within **28 days** from the date when the Contractor knew or should have known of such events or circumstances.

If the Contractor does not express claims within **28 days**, the Owner is released from liability in connection with this claim.

Over the next **14 days** (total **42 days** after the onset of the events preceding the claims), the Contractor directs the detailed complaint with the rising cost justification and period extension to the Engineer Service.

The Contractor is entitled to a refund or period extension only for that part of the claim, which he justified.

The Engineer Service has **42 days** to approve or reject claims.

If within **42 days** the Engineer does not respond, either party may consider a claim rejected and appeal to the Council to resolve the dispute.

### *Remarks of the Engineer considering the Contractor’s claims*

Several times the Contractor gave notices without providing further justification for these

notices, or vice versa – the Engineer received several claims, notes for which he did not receive. Consequently, the claims were invalid.

Since the Contract, all claim notices and claims themselves submitted by the Contractor had inconsistencies in their names and numbering.

This situation made it impossible to analyse documents, since the lack of consistency between the two procedural stages (notice of claim and justification) and improper execution gave the Engineer the right to reject such submissions. Almost the majority of notices on claims were not consistently complemented by the claims, as well as most of the claims were not timely complemented by notices to them.

The Engineer received several letters explaining the reasons for filing claims and long explanations of claim nature and what was not necessary, since the Engineer and the Owner know what happened on site. At the same time, the Contractor has not provided a document that was required several times to correct the discrepancies in the names of notices on claims and the actual claims themselves.

In other words, each of the notice on claim had a different name than provided justification for this claim. Thus, between the two documents the link was lost, making them invalid. At the request of the Engineer on granting summary table, which would establish a link between response messages and claims, was not yet received, which significantly complicated the process of responding to the claim.

#### **Contract firm**

9 of 12 participants from 8 countries, 2 of which – from joint ventures were admitted to bidding on the Contractor selection (table 3.3.1).

**Table 3.3.1 — Bidders**

Application No.	Participant	Country of origin
1	GD Granit AD Skopje	The Republic of Macedonia
2	Joint Venture Metrostav a.s. and Doprostav a.s.	The Czech Republic The Slovak Republic
3	Road Building Altcom LLC	Ukraine
4	Gulsan Insaat	The Republic of Turkey
5	KCC Engineering & Construction Co.	The Republic of Korea
6	Joint Venture PJSC Pivdenshliakhbud Avtomagistral-Pivden LLC and Avtomagistral LLC	Ukraine Ukraine Ukraine
7	JSC Azerkorpu	The Republic of Azerbaijan
8	Todini Costruzioni Generali S.p.A.	Italy
9	ONUR Taahhut Tasimacilik	The Republic of Turkey

Tender proposals analysis is specified in annexes.

The Contractor selected Todini Costruzioni Generali S.p.A. Total contract cost equals to UAH 2,273,137,052.06 (table 3.4.1).

#### **Project funding**

Individual financial indicators of M-03 Project execution are specified in section 3.4. It should be noted that VAT is compensated to the Contractor by the Owner at the expense of public funds.

**Table 3.4.1 – M-03 Project work cost**

Contract	Lot	Cost, UAH	incl.		
			net cost of a proposal with 28.6% discount	VAT for net cost of a proposal	reserved sum
2.1	2.1	311,631,356.85	251,359,464.04	50,271,892.81	10,000,000.00
	2.2	386,505,209.80	313,754,341.50	62,750,868.30	10,000,000.00
	2.3	463,062,522.80	377,552,102.33	75,510,420.47	10,000,000.00
Total under the contract 2.1		1,161,199,089.45	942,665,907.87	188,533,181.58	30,000,000.00
2.2	2.4	509,476,948.58	416,230,790.48	83,246,158.10	10,000,000.00
	2.5	482,999,097.12	394,165,914.27	78,833,182.85	10,000,000.00
	2.6	119,461,916.91	91,218,264.09	18,243,652.82	10,000,000.00
Total under the contract 2.2		1,111,937,962.61	901,614,968.84	180,322,993.77	30,000,000.00
<b>TOTAL</b>		<b>2,273,137,052.06</b>	<b>1,844,280,876.71</b>	<b>368,856,175.35</b>	<b>60,000,000.00</b>

**Table 3.4.2 – M-03 Project construction costs distribution**

Membership	Cost item	In % from cost within the contract	
		2.1	2.2
1	General items	8.4	8.5
2	Road works	73.1	74.5
3	Utilities	10.2	10.1
4	Engineering structures	5.2	4.2
5	Reserved sums	3.1	2.7
Total		100	100

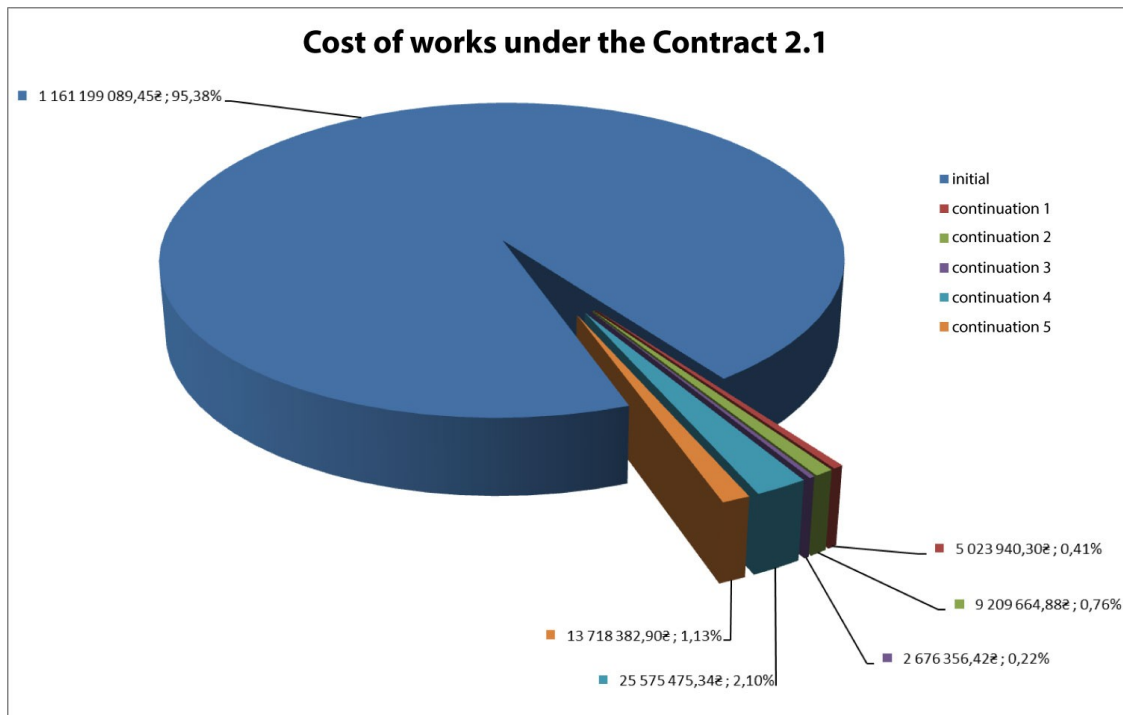
**Table 3.4.3 – Contract 2.1 work cost increase**

Contract	Lots	Under the contract conditions	As of					Increase
			Continuation 1 (29/09/2014)	Continuation 2 (11/03/2015)	Continuation 3 (20/08/2015)	Continuation 4 (16/09/2015)	Continuation 5 (01/12/2015)	Total
2.1	2.1, 2.2, 2.3	<b>1,161,199,089.45</b>	5,023,940.30	9,209,664.88	2,676,356.42	25,575,475.34	13,718,382.90	<b>56,203,819.85</b>

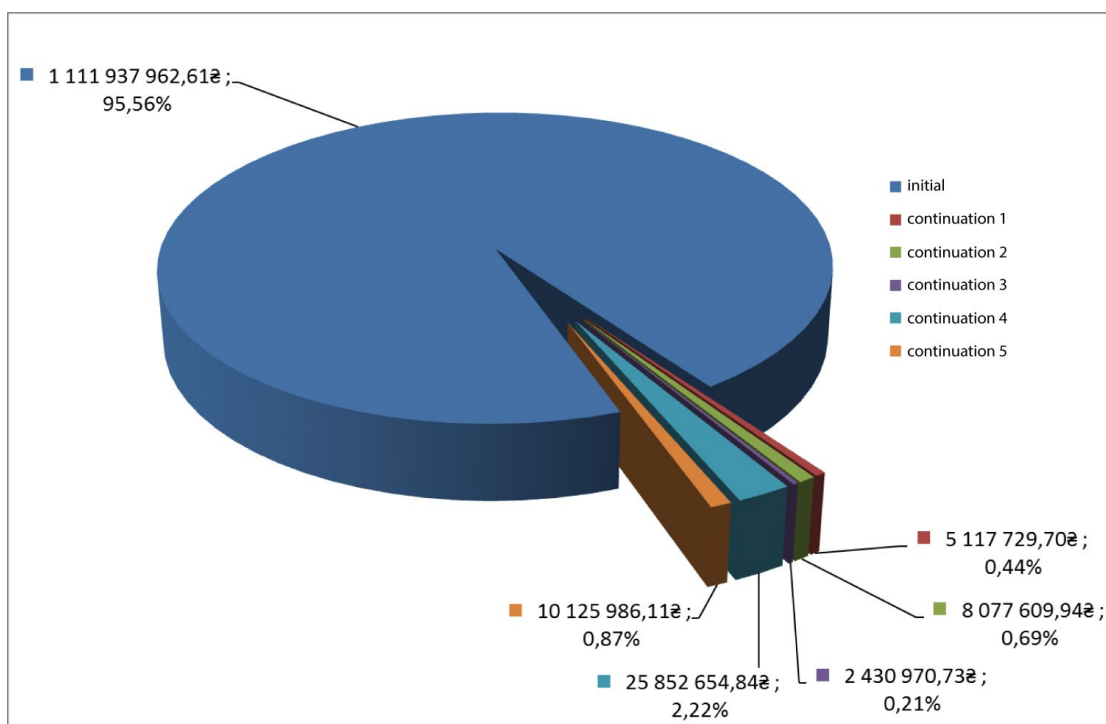
**Table 3.4.4 – M-03 Project work cost increase under the contract 2.2**

Contract	Lots	Under the contract conditions (initial)	As of					Increase
			Continuation 1 (09/09/2014)	Continuation 2 (11/12/2014)	Continuation 3 (21/08/2015)	Continuation 4 (16/09/2015)	Continuation 5 (11/12/2015)	Total
2.2	2.4, 2.5, 2.6	<b>1,111,937,962.61</b>	5,117,729.70	8,077,609.94	2,430,970.73	25,852,654.84	10,125,986.11	<b>51,604,951.32</b>

**Figure 3.4.1 – M-03 Project work cost distribution under the contract 2.1, UAH**



**Figure 3.4.2 – M-03 Project work cost distribution under the contract 2.2, UAH**



Since the payment was made timely only for 3 times (table 3.4.5 – table 3.4.6), and the average delay in VAT refunds was 122 days (from 2 to 343 days of delay), the Contractor in accordance with the Contract it. 16.1 “The Contractor’s right to suspend or reduce the pace of work and receipt of appropriate extension of work completion and additional funds” applied regarding adjustment, including monetary compensation (including the National Bank of Ukraine discount rate and the delay number of days).

**Table 3.4.5 – IPC payment under the contract 2.1**

IPC No.	Date of receipt	Payment end period	Payment date			Delay, days		
			USD-constituent	EUR-constituent	VAT	USD-constituent	EUR-constituent	VAT
Pre-payment	06/02/2013	20/03/2013	12/03/2013	15/03/2013	08/05/2013	-8	-5	49
1	17/05/2013	26/07/2013	19/06/2013	24/06/2013	14/08/2013	-37	-32	19
2	12/06/2013	21/08/2013	20/08/2013	23/08/2013	05/09/2013	-1	2	15
3	24/07/2013	02/10/2013	30/08/2013	04/09/2013	10/09/2014	-33	-28	343
4	19/08/2013	28/10/2013	03/10/2013	08/10/2013	10/09/2014	-25	-20	317
5	26/09/2013	05/12/2013	29/10/2013	01/11/2013	10/09/2014	-37	-34	279
6	17/10/2013	26/12/2013	19/11/2013	22/11/2013	10/09/2014	-37	-34	258
7	27/11/2013	05/02/2014	18/12/2013	23/12/2013	10/09/2014	-49	-44	217
8	25/03/2014	03/06/2014	12/05/2014	15/05/2014	10/09/2014	-22	-19	99
9	17/04/2014	26/06/2014	16/06/2014	18/06/2014	10/09/2014	-10	-8	76
10	10/06/2014	19/08/2014	15/07/2014	18/07/2014	11/09/2014	-35	-32	23
11	11/07/2014	19/09/2014	08/06/2014	13/06/2014	11/09/2014	-103	-98	-8
12	18/08/2014	27/10/2014	11/09/2014	16/09/2014	11/09/2014	-46	-41	-46
13	02/10/2014	11/12/2014	30/10/2014	04/11/2014	13/06/2015	-42	-37	184
14	04/11/2014	13/01/2015	04/12/2014	09/12/2014	19/06/2015	-40	-35	157
15	05/03/2015	14/05/2015	08/04/2015	13/04/2015	22/05/2015	-36	-31	8
16	13/05/2015	22/07/2015	24/06/2015	26/06/2015	22/09/2015	-28	-26	62
17	06/08/2015	15/10/2015	15/09/2015	17/09/2015	07/12/2015	-30	-28	53
18	21/08/2015	30/10/2015	25/09/2015	29/09/2015	07/12/2015	-35	-31	38
19	16/09/2015	25/11/2015	06/11/2015	12/11/2015	07/12/2015	-19	-13	12
20	04/11/2015	13/01/2016	17/12/2015	22/12/2015	25/12/2015	-27	-22	-19
21	16/12/2015	24/02/2016	11/04/2016	13/04/2016	13/04/2016	47	49	49
<b>Maximum value</b>						<b>47</b>	<b>49</b>	<b>343</b>
<b>Minimum value</b>						<b>-103</b>	<b>-98</b>	<b>-46</b>

**Table 3.4.6 – IPC payment under the contract 2.2**

IPC No.	Date of receipt	Payment end period	Payment date			Delay, days		
			USD-constituent	EUR-constituent	VAT	USD-constituent	EUR-constituent	VAT
Pre-payment	06/02/2013	20/03/2013	12/03/2013	15/03/2013	08/05/2013	-8	-5	49
1	13/05/2013	22/07/2013	19/06/2013	24/06/2013	23/08/2013	-33	-28	32
2	26/06/2013	04/09/2013	20/08/2013	23/08/2013	06/09/2013	-15	-12	2
3	09/08/2013	18/10/2013	03/09/2013	06/09/2013	10/09/2014	-45	-42	327
4	28/08/2013	06/11/2013	03/10/2013	08/10/2013	10/09/2014	-34	-29	308
5	23/09/2013	02/12/2013	29/10/2013	01/11/2013	10/09/2014	-34	-31	282
6	16/10/2013	25/12/2013	18/11/2013	21/11/2013	10/09/2014	-37	-34	259
7	27/11/2013	05/02/2014	18/12/2013	23/12/2013	10/09/2014	-49	-44	217
8	03/03/2014	12/05/2014	12/05/2014	14/05/2014	10/09/2014	0	2	121
9	16/05/2014	25/07/2014	16/06/2014	18/06/2014	10/09/2014	-39	-37	47
10	16/06/2014	25/08/2014	15/07/2014	18/07/2014	11/09/2014	-41	-38	17
11	11/07/2014	19/09/2014	08/08/2014	13/08/2014	11/09/2014	-42	-37	-8
12	15/08/2014	24/10/2014	11/09/2014	16/09/2014	11/09/2014	-43	-38	-43
13	02/10/2014	11/12/2014	30/10/2014	04/11/2014	17/06/2015	-42	-37	188
14	03/11/2014	12/01/2015	04/12/2014	08/12/2014	19/06/2015	-39	-35	158
15	19/02/2015	19/02/2015	08/04/2015	13/04/2015	22/09/2015	48	53	215

IPC No.	Date of receipt	Payment end period	Payment date			Delay, days		
			USD-constituent	EUR-constituent	VAT	USD-constituent	EUR-constituent	VAT
16	20/04/2015	29/06/2015	24/06/2015	26/06/2015	22/09/2015	-5	-3	85
17	17/06/2015	26/08/2015	11/09/2015	16/09/2015	22/09/2015	16	21	27
16	18/08/2015	27/10/2015	25/08/2015	29/09/2015	07/12/2015	-63	-28	41
19	09/09/2015	18/11/2015	06/11/2015	12/11/2015	07/12/2015	-12	-6	19
20	03/11/2015	12/01/2016	17/12/2015	22/12/2015	25/12/2015	-26	-21	-18
<b>Maximum value</b>						<b>48</b>	<b>53</b>	<b>327</b>
<b>Minimum value</b>						<b>-63</b>	<b>-44</b>	<b>-43</b>

### Project terms

Under the contractual arrangements, works on M-03 Project started on April 4, 2013 and should last 540 days followed by 730 days warranty period.

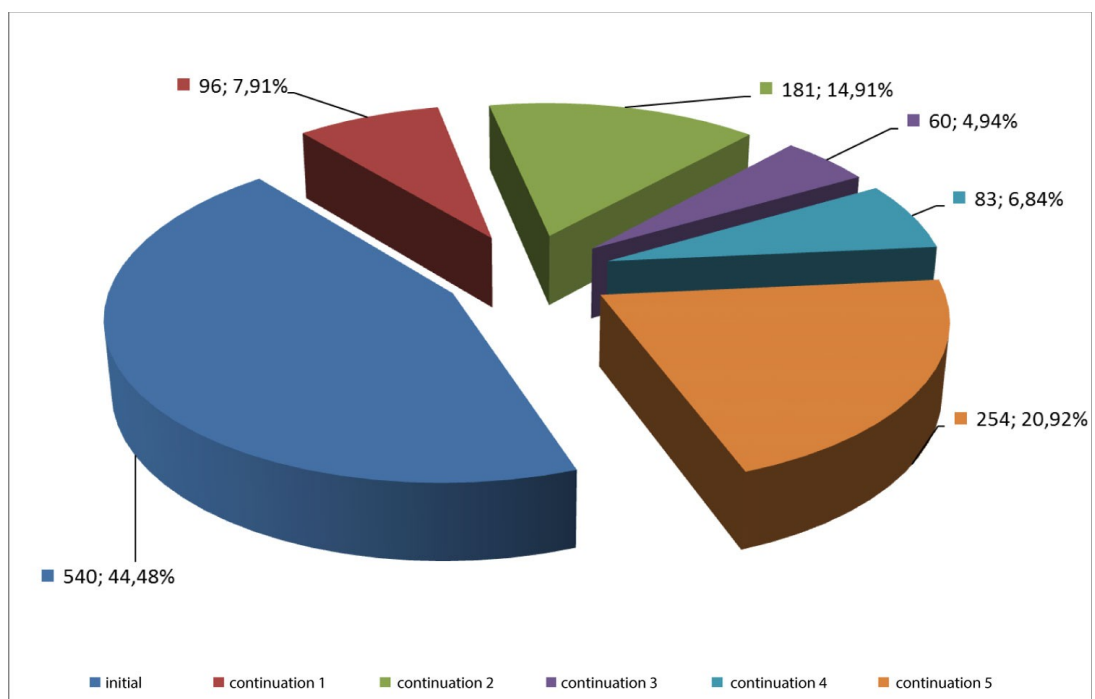
Supervision of the construction is performed by engineering consultants (see conclusions to section 4.10).

As a result of reasons specified in the report, reconstruction period continued for 5 times (table 3.5.1 – table 3.5.2).

**Table 3.5.1 – Work completion period change under the contract 2.1**

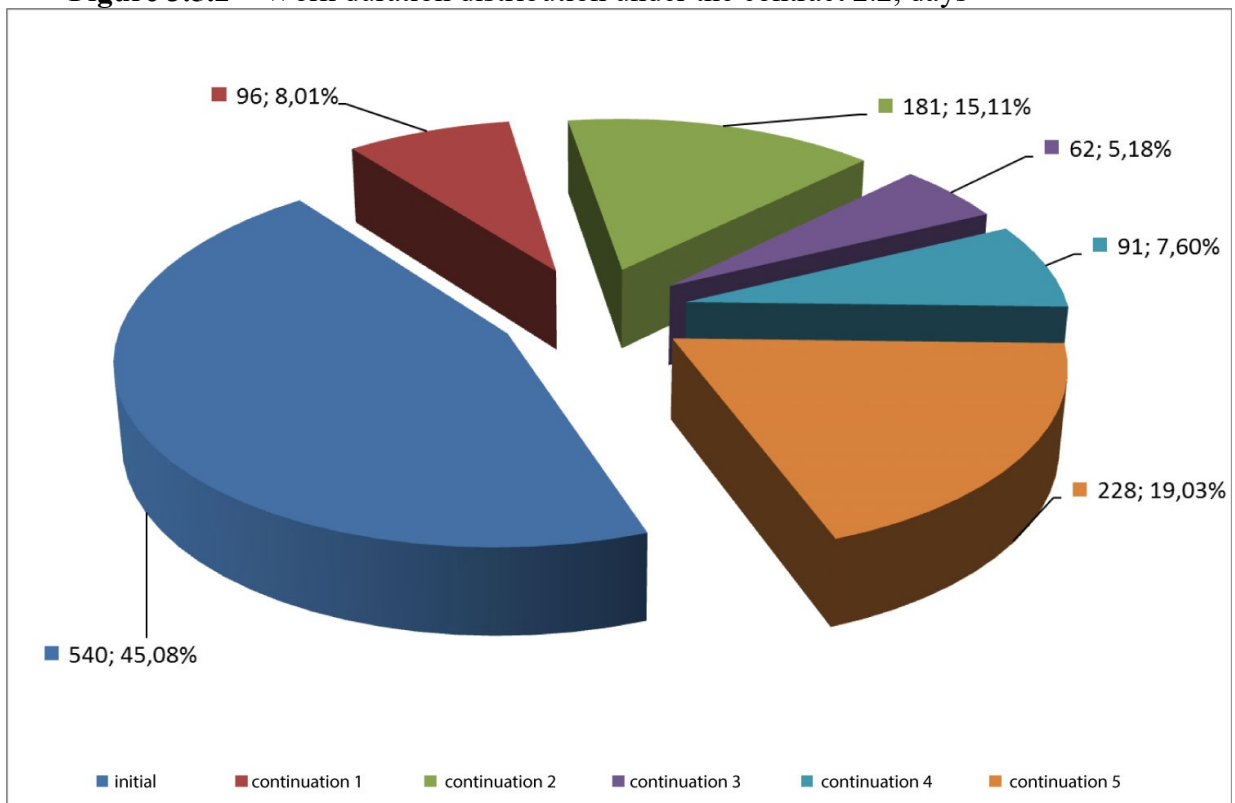
Contract	Lots	Under the contract conditions (initial)		As of					TOTAL
				Continuation 1 (29/09/2014)	Continuation 2 (11/03/2015)	Continuation 3 (20/08/2015)	Continuation 4 (16/09/2015)	Continuation 5 (01/12/2015)	
2.1	2.1, 2.2, 2.3	Duration						254	<b>+674</b>
		Deadline	26/09/2014	till 31/12/2014	till 30/06/2015	till 29/08/2015	till 20/11/2015	till 31/07/2016	<b>till 31/07/2016</b>

**Figure 3.5.1 – Work duration distribution under the contract 2.1, days**



**Table 3.5.2 – Work completion period change under the contract 2.2**

Contract	Lots	Under the contract conditions (initial)		As of					TOTAL
				Continuation 1 (09/09/2014)	Continuation 2 (11/12/2014)	Continuation 3 (21/08/2015)	Continuation 4 (16/09/2015)	Continuation 5 (11/12/2015)	
2.2	2.4, 2.5, 2.6	Duration						+228	<b>+658</b>
		Deadline	26/09/2014	till 31/12/2014	till 30/06/2015	till 31/08/2015	till 30/11/2015	till 15/07/2016	<b>till 15/07/2016</b>

**Figure 3.5.2 – Work duration distribution under the contract 2.2, days**


It should be noted that the main causes of delay in M-03 Project execution are:

- **differences between project documentation and the actual situation on the road;**

For example, the need for transferring of high pressure gas pipeline on km 210+211, which **in conjunction with delay of working drawings approval with the competent authorities** made it impossible to perform any work in the area where the pipeline was supposed to be transferred up to December 28, 2015 (6.2).

- **an additional amount of work not covered by the tender documentation** (table 3.2.4);
- **unstable geopolitical situation** and economic situation in the country and **consequently the delay in payment of IPC and VAT refunds** (table 3.2.5);



**PROACTIVE DISCLOSURE**
**Project name**

Name	Contents	Status
Project name	Capital Repair on M-03 Road Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava section, km 210+000 – 300+550; 300+550 – 323+000; 329+050 – 333+250	3 – updated Conclusion 4.1

**Conclusion 4.1:** The documents [2.2~4.7] describes the project name or “Reconstruction of Kyiv—Kharkiv—Dovzhanskyi M-03 motor road” or detailing of sections.

**Project Owner**

Name	Contents	Status
Owner’s name	The State Agency of Automobile Roads of Ukraine	1 – confirmed
Owner’s EDPNOU	25898491	2 – confirmed Conclusion 4.2.1
Subordination	The Ministry of Economics of Ukraine	1 – confirmed
Central administration’s EDPNOU	3747062	2 – confirmed Conclusion 4.2.2
Project initiation decision number and date	The Second Loan Agreement between Ukraine and the World Bank “Second Roads and Safety Improvement Project” dated October 11, 2012 (entered into force on December 24, 2012)	1 – confirmed

**Conclusions 4.2:**

4.2.1. According to portal <https://usr.minjust.gov.ua/ua/freesearch> the Owner EDPNOU code (25898491) specified belongs to Automobile Road Service of Poltava. Thus, the name of the Owner should be put in the wording “The State Road Agency of Ukraine via Motor Road Service of Poltava Oblast” or EDPNOU code should be replaced to 37641918.

4.2.2. According to portal <https://usr.minjust.gov.ua/ua/freesearch>, the Ministry of Infrastructure EDPNOU code should be 37472062.

**Project description**

Name	Contents	Status
Road significance	international	1 – confirmed
Project mission (reference to the programme)	State Target Economic Programme on general- purpose motor roads development for 2013~2018 approved by the Ordinance of the Cabinet of Ministers of Ukraine dated July 11, 2013 No. 696.	2 – rejected Conclusion 4.3
Project description	Transfer of motor road from II to 1-b technical category. Refurbishment or upgrade of motor roads and engineering structures transport performance or reduction of geometrics and specifications of	1 – confirmed



	individual elements, taking into account traffic flow and axial loadings increase, to valid regulatory requirements.	
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**Conclusion 4.3:** As justification for the project the State target economic program, which effective date is later than the date of the documents relating to the tender and announcement of successful bidders, is given. Thus, it is necessary to refer to earlier documents, as it is done in the Environmental Impact Statement.

### Project subject

Name	Contents	Status
Road length	85.796 km	2 – rejected Conclusion 4.4.1
Work type	Reconstruction	1 – confirmed
Road category	1-b	1 – confirmed
Forecast data of work completion according to programme or estimate	20/07/2016	2 – rejected Conclusion 4.4.2
Price (forecast)	Contract 2.1 — UAH 1,161,199,089.44 Contract 2.2 — UAH 1,111,937,962.61	1 – confirmed
Project status (current) regarding progress schedule	According to schedule	2 – rejected Conclusion 4.4.3
Project status (current) regarding expired costs	Contract 2.1 — 85.5% Contract 2.2 — 81%	1 – confirmed
Completion date (forecast for current date)	20/07/2016 0:00:00	2 – rejected Conclusion 4.4.3
Work volume	Arrangement of engineering structures (flyover, underground and overground crossings, bus stops, cattle crossings, noise fencing, meteorological stations) and arrangement of top layer of road surface	1 – confirmed
Environmental impact		3 – updated Conclusion 4.4.4
Ground and population impact		3 – updated Conclusion 4.4.4

### Conclusions 4.4:

4.4.1. According to documents, the length of the road under the project is 84.229 km (table 3.2.1).

4.4.2. According to the document, for each of the contracts work completion period was continued for 5 times and is 31/07/2016 and 07/15/2016 respectively.

4.4.3. On August 3, 2016, the Owner sent the Contractor the notice No. 3573/2/9-13-2016/10 on intent to terminate the contract. Duration of response – 14 days. On August 22, 2016, the time for a possibility to withdraw the Owner's claims expired. On August 23, 2016, the Contract

between the Contractor and the Owner was terminated (<http://goo.gl/jCFoZh>). As of the date of updating the report, the interest for consultants service for the contract completion was declared.

4.4.4. The impact on the environment, land and population in the relevant statements is generally recognized as positive:

- certified environmental acceptability of the planned operations;
- additional measures to reduce the environmental impacts are not required, except planned in the project documentation;
- rejection of proposed operation in the future will increase the burden on the environment, compared with the levels expected after the reconstruction of M-03 a/r in areas of currently existing road that runs through residential settlements on influenced area;
- social consequences of planned operations are acceptable.

### Funding

Name	Contents	Status
Government budget funding sum, UAH		3 – updated Conclusion 4.5.1
Local budget funding sum, UAH		1 – confirmed
Loans from international financial institutions	USD 450,000,000	1 – confirmed Conclusion 4.5.2
Funding sum: other sources		3 – updated Conclusion 4.5.1
Currency code	USD	1 – confirmed
Funding sum in currency	450 mln	1 – confirmed Conclusion 4.5.2

### Conclusions 4.5:

4.7.1. According to the resolution on the upcoming years, the M-03 Project (2013~2014) the following funding was provided (table 4.5.1):

**Table 4.5.1** – M-03 Project volumes and sources of work funding

Action name	Main spender of budget funds	Funding sources	Projected funding, mln, UAH	incl. by years	
				2013	2014
Construction and reconstruction of Kyiv—Kharkiv—Dovzhanskyi M-03 motor road (towards Rostov-on-Don) (Donetsk, Poltava, Kharkiv Oblasts)	Ukravtodor	state budget	417.79	13.12	404.67
		loan funds (including co-financing in 2013)	396.80	313.80	83.00
		funds from international financial institutions	2855.37	1314.26	1541.11
<b>TOTAL</b>			<b>3669.96</b>	<b>1641.18</b>	<b>2028.78</b>

4.5.2. Project funding is performed based on No. 81950, The Second Loan Agreement between Ukraine and the World Bank “Second Roads and Safety Improvement Project” dated October 11, 2012 (entered into force on December 24, 2012). The total loan amount – USD 450.0 mln.

### Project design supervision

Name	Contents	Status
Organization name	State Enterprise — Ukrainian State Institute of Road Installations Design Ukrdiprodor (Ukrdiprodor State Enterprise)	1 – confirmed
EDPNOU	5416892	1 – confirmed
Country	Ukraine	1 – confirmed
Region	Kyiv	1 – confirmed
District		1 – confirmed
Address	. Kyiv, 39/1, Povitroflotskyi ave.	1 – confirmed
Index	03680	1 – confirmed
Full name	Hladun Serhii Anatoliiovych (director) Balanchuk Serhii Mykolaiovych (Project Chief Engineer)	1 – confirmed
E-mail	<a href="mailto:okt@diprodor.com">okt@diprodor.com</a>	1 – confirmed
telephone	(044) 249-84-83	1 – confirmed
fax	(044) 249-84-68	1 – confirmed
web	<a href="http://diprodor.com/index_ua.html">http://diprodor.com/index_ua.html</a>	1 – confirmed
Reporting periods		4 – not available Conclusion 4.8
Last issue date		4 – not available Conclusion 4.8
Issue place		4 – not available Conclusion 4.8
Name	Design supervision on reconstruction of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at Lubny—Poltava section, km 210+000 - 220+782; 228+000 - +239+317; km 258+000 – km 275+000, km 282+000 - km 300+550. Design supervision on overhaul of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at Lubny—Poltava section, km 300 + +550 - km 323 + +000, km 329+ +050 - km 333 + +250.	1 – confirmed
Number	No. 80-10/AH/2; № 82-10/AH/1	1 – confirmed
Date	28/09/2015 0:00:00	1 – confirmed

**Conclusion 4.6:** All data are represented correctly. No data on the frequency of reporting and publishing supervision are available.

**Table 4.6.1 – Information on design supervision contracts**

Contract No.	Subject	Work initiation date	Work completion date	Cost, UAH	Paid, UAH
The Owner – Automobile Road Service of Poltava, the Executor – Ukrdiprodor					
82-10/AH/1	Design supervision on overhaul of M-03 Kyiv—Kharkiv—Dovzhanskyi m/r at Lubny—Poltava section, km 300+550 - km 323+000, km 329+050 - km 333+250	28/09/2015	31/12/2016	72,072.00	36,036.00
80-10/AH/2	Design supervision on reconstruction of M-03 Kyiv—Kharkiv—Dovzhanskyi m/r at Lubny—Poltava section, km 210+000 - km 220+782, km 228+000 - km 239+317, km 258+000 – km 275+000, km 282+000 – km 300+550	28/09/2015	31/12/2016	127,044.00	63,522.00
<b>TOTAL</b>				<b><u>199,116.00</u></b> <b>100 %</b>	<b><u>99,558.00</u></b> <b>50.00%</b>

**Engineering consultant project supervision**

Name	Contents	Status
Organization name	Contract 2.1 — IRD Engineering LLC; Contract 2.2 — Egis International with Euro-Ukraine Consulting LLC	1 – confirmed
EDPNOU		1 – confirmed
Country	Contract 2.1 — Italy Contract 2.2 — France	1 – confirmed
Region		1 – confirmed
District		1 – confirmed
Address	Contract 2.1 — IRD Engineering – 51, rue Via Michele Mercati, Rome (Italy); Contract 2.2 — Egis International – 15, avenue du Centre, Guyancourt (France)	1 – confirmed
Index	Contract 2.1 — 00197 (Rome) Contract 2.1 — CS 20538 20538 (Guyancourt)	1 – confirmed
Full name		3 – updated Conclusion 4.7.1
E-mail	Contract 2.1 — irdeng@irdeng.com	3 – updated Conclusion 4.7.1
telephone	IRD Engineering – +39 06 976 11 271;	1 – confirmed

Name	Contents	Status
	Egis International – +33 1 39 41 40 00	
fax	IRD Engineering – +39 06 976 11 268; Egis International – +33 1 39 41 57 57	1 – confirmed
web	IRD Engineering – <a href="http://www.irdeng.com">www.irdeng.com</a> Egis International – <a href="http://www.egis.fr">www.egis.fr</a>	1 – confirmed
Reporting periods	Month	1 – confirmed
Last issue date		3 – updated Conclusion 4.7.2
Issue place		3 – updated Conclusion 4.7.2
Name	Supervision of the execution of construction works.	1 – confirmed
Number	No. P 127 156	1 – confirmed
Date	12/09/2012	1 – confirmed

#### Conclusions 4.7:

4.7.1. According to reports, the Chief Resident Engineers on supervision of the project are: from IRD Engineering – Findli M. Niderli, from Egis International – Peter Moore ([Peter.MOORE-int@egis.fr](mailto:Peter.MOORE-int@egis.fr)).

4.7.2. Last published in Ukraine for stakeholders on the draft reports are: from IRD Engineering - Quarterly Report No. 31 for October-December 2015; by Egis International - Thirty-seventh monthly report of the Engineer dated 30/06/2016.

4.7.3 Under the terms of the contract, the consultant engineer should carry out technical supervision over construction and ensure the availability of qualified and experienced staff to organize proper organization of labour and coordination to effectively implement the provision of these services.

The Consulting Engineer provides technical supervision for the work, examines and approves materials, prepares an order for additional work, prepares certificates of acceptance and transfer and evaluates the quality of work performed. The Consulting Engineer is a representative of the Owner and without his consent cannot perform additional work that could lead to delays or deadlines or to raise additional funds.

As of the date of this report, for example, under the contract 2.2 the Contractor has provided nearly 50 reports on identified problems. The Engineer submitted the relevant requests to the Owner, but the response was obtained only on 2 cases.

The Consulting Engineer controls the execution of the contract in terms of compliance with contractual items in relation to the quality and volume of work. The Consulting Engineer carries out the necessary measurements and controls the quality of work. The Consulting Engineer coordinates all technical solutions including improvement of the project, if necessary.

#### The Contract — information on the contract

Name	Contents	Status
Work period according to the contract	Contract 2.1 — till 30/07/2016; Contract 2.2 — till 15/07/2016;	1 – confirmed
Contract price	Contract 2.1 — UAH 1,161,199,089.44 Contract 2.2 — UAH 1,111,937,962.61	1 – confirmed
Currency	UAH	3 – updated

Name	Contents	Status
		Conclusion 4.13
Contract subject	Kyiv—Kharkiv—Dovzhanskyi M-03 Automobile Road Over-haul on km 210+000 – km 333+250	1 – confirmed
Detailed description of contract subject	The contract provides for arrangement of new road pavement, repairs and construction of engineering structures, construction and repairs of multi-level interchanges, installation of new road fencing, road signs, meteorological stations, arrangement of noise fencing, outside lighting within agglomeration and accident black spots, road marking, etc.	1 – confirmed
Contract execution place	Kyiv—Kharkiv—Dovzhanskyi M-03, km 210+000 – km 333+250	1 – confirmed
Last contract amendments		2 – rejected Conclusion 4.16.2
Last contract amendments date		2 – rejected Conclusion 4.16.2

#### Conclusions 4.8:

4.8.1. The contract cost is set in Ukrainian national currency – hryvnia (UAH). Payments under the contract, except VAT (in UAH at the National Bank of Ukraine on the day of payment) are paid in proportion of 60% USD/40% EUR at a fixed exchange rate (1 USD = 7.9930 UAH; 1 EUR = 10.3677). The cost of the M-03 Project is shown in table 3.3.1

4.8.2. Recent changes to contracts agreed by the Owner, dated 15/05/2015 and 11/12/2015 respectively.

#### The Contract — the execution of the contract

Name	Contents	Status
Declaration date	17/09/2013 0:00:00	1 – confirmed
Project status (current) regarding progress schedule	Suspended	1 – confirmed Conclusion 4.5.3
Project status (current) regarding expired costs	Contract 2.1 — 85.5% Contract 2.2 — 81%	1 – confirmed
Actually paid sum under the Contracts	Contract 2.1 — 875,568,960.46 Contract 2.2 — 792,235,857.32	1 – confirmed Conclusion 4.9.1
Final cost on contract works	2,380,945,823.22	1 – confirmed
Actual terms of contract work completion	2016	2 – rejected Conclusion 4.5.3

#### Conclusions 4.9:

4.9.1. Actually paid sum (table 8.4 ~ 8.5) under the contracts of UAH 875,568,960.46 and UAH 792,235,857.32 respectively, in addition to VAT – USD 175,113 792.09 and USD 158,447,171.46.

**Supervision — information on competition/reason for announcement**

Name	Contents	Status
Competition announcement date	20/12/2011	1 – confirmed
Competition announcement No.	329556-2012	2 – rejected Conclusion 4.20.1
Publication place of competition announcement	<a href="http://ukravtodor.gov.ua">http://ukravtodor.gov.ua</a> ; <a href="http://www.worldbank.org">http://www.worldbank.org</a>	1 – confirmed
Qualifying criteria for bidding participation	Experience on technical supervision in similar projects	1 – confirmed
No. of the document approving competition proposals evaluation method.		1 – confirmed Conclusion 4.20.2
Name of the document approving competition proposals evaluation method	Guidelines Procurement under IBRD Loans and IDA Credits.	1 – confirmed

**Conclusions 4.10:**

4.10.1. Announcement No.on competition corresponds to another road.

4.10.2. Invitation for expression of interest does not contain numbers.

**Supervision — record on evaluation disclosure of competition proposals**

Name	Contents	Status
Number		4 – not available
Date		4 – not available
Issue place	No publication available	4 – not available
Issue date		4 – not available

**Conclusion 4.11:** Confirmation or disposition (6.1) failed, since the assurance team members were not provided with relevant data (as of the date of the report, see. addition).

**Supervision — selected organization/successful bidder**

Name	Contents	Status
Organization name	Contract 2.1 — IRD Engineering LLC; Contract 2.2 — Egis International with Euro-Ukraine Consulting LLC	1 – confirmed
EDPNOU		1 – confirmed
Country	Italy, France	1 – confirmed
Region		1 – confirmed
District		1 – confirmed
Address	IRD Engineering – 51, rue Via Michele Mercati, Rome (Italy); Egis International – 15, avenue du Centre, Guyancourt (France)	1 – confirmed

Name	Contents	Status
Index	00197 (Rome) CS 20538 (Guyancourt)	1 – confirmed
Full name		3 – updated Conclusion 4.12
E-mail	<a href="mailto:irdeng@irdeng.com">irdeng@irdeng.com</a>	3 – updated Conclusion 4.12
telephone	IRD Engineering – +39 06 976 11 271; Egis International – +33 1 39 41 40 00	1 – confirmed
fax	IRD Engineering – +39 06 976 11 268; Egis International – +33 1 39 41 57 57	1 – confirmed
web	IRD Engineering – <a href="http://www.irdeng.com">www.irdeng.com</a> Egis International – <a href="http://www.egis.fr">www.egis.fr</a>	1 – confirmed

**Conclusion 4.12:** According to reports [2.14, 2.15], the Chief Resident Engineers on supervision of the project are: from IRD Engineering – Findli M. Niderli, from Egis International – Peter Moore ([Peter.MOORE-int@egis.fr](mailto:Peter.MOORE-int@egis.fr)).

#### Supervision — information on the contract

Name	Contents	Status
Work period according to the contract	Contract 2.1 — till 30/07/2016; Contract 2.2 — till 15/07/2016;	1 – confirmed
Contract price		4 – not available
Currency		4 – not available
Contract subject		4 – not available
Detailed description of contract subject		4 – not available
Contract execution place	Kyiv—Kharkiv—Dovzhanskyi M-03 motor road, km 210+000 – km 333+250	1 – confirmed
Last contract amendments		2 – rejected Conclusion 4.13
Last contract amendments date		2 – rejected Conclusion 4.13

**Conclusion 4.13:** Recent changes to contracts agreed by the Owner, dated 15/05/2015 and 11/12/2015 respectively (3.3~3.5).

#### Supervision — the execution of the contract

Name	Contents	Status
Work initiation date	04/01/2013	1 – confirmed
Project status (current) regarding progress schedule		3 – updated Conclusions 4.5.3 and 4.14
Project status (current) regarding expired costs		3 – updated Conclusions 4.5.3 and 4.14
Actually paid sum		3 – updated



Name	Contents	Status
under the Contracts		Conclusions 4.5.3 and 4.14
Final cost on contract works		3 – updated Conclusions 4.5.3 and 4.14
Actual terms of contract work completion		3 – updated Conclusions 4.5.3 and 4.14

**Conclusions 4.14:** As of the date of this report, amendments to the contract expiration date 11/30/2016 are signed.

## REACTIVE DISCLOSURE

### Project documentation – the Contract

Name	Contents	Status
Contract type	Project	1 – confirmed
Contract number	80-10, 115-11	1 – confirmed
By work type	Reconstruction	1 – confirmed
Price type	Dynamic	4 – not available Conclusion 5.1.1
Contract form	According to the Order of the Cabinet of Ministers dated 01/08/2005 No. 668 “On approval of the General Conditions of concluding and executing contracts in capital construction”	1 – confirmed
Procurement type		3 – updated Conclusion 5.1.2
Contract status	Completed	4 – not available
Status description		4 – not available

### Conclusions 5.1:

5.1.1. No mentions on dynamic price is available in bidding documents.

5.1.2. According to the tender documents, procurement was carried out by two-stage bidding procedure.

**Table 5.1.1** – Information on project work contracts

Contract No.	Subject	Work initiation date	Work completion date	Cost, UAH	Paid, UAH
The Owner – Automobile Road Service of Poltava, the Executor – Ukrdiprodor					
80-10	The development design and estimate documentation for reconstruction of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at Lubny—Poltava section, km 210 + 000 - km 300 + 550, km 323+ 000 - km 329 +	28/07/2010	31/12/2011	15,124,750.80	15,124,750.80

Contract No.	Subject	Work initiation date	Work completion date	Cost, UAH	Paid, UAH
	050, Poltava Oblast				
115-11	Design and survey work on construction, reconstruction and overhaul of transport networks of Poltava Oblast. Lot No. 02 Reconstruction of M-03 Kyiv—Kharkiv—Dovzhanskyi state motor road at Lubny—Poltava section (additional volumes)	10/10/2011	31/12/2013	4,346,013.74	4,266,736.10
<b>TOTAL</b>				<b><u>19,470,764.54</u></b> 100 %	<b><u>19,391,486.90</u></b> 99.59%

### Project documentation – information on competition

Name	Contents	Status
Competition announcement date	13/06/2011	1 – confirmed
Competition announcement No.	088178 (BUD)	4 – not available Conclusion 5.2.1
Publication place of competition announcement	SPR No. 70(516)	4 – not available Conclusion 5.2.1
Qualifying criteria for bidding participation	According to the Article of the Law of Ukraine “On state procurement”	1 – confirmed
No. of the document approving competition proposals evaluation method.	Dated 03/06/2011	4 – not available Conclusion 5.2.1
Name of the document approving competition proposals evaluation method	Bidding documentation	1 – confirmed
Competition proposals disclosure record number	04-05-2011	2 – rejected Conclusion 5.2.2
Date	05/09/2011	2 – rejected Conclusion 5.2.2
Issue place	No publication available	2 – rejected Conclusion 5.2.2
Issue date	No publication available	2 – rejected Conclusion 5.2.2

### Conclusions 5.2:

5.2.1 In the disclosed data, links to the tender documents on procurement conducted in 2011 (Lot 2) are specified. No data on major procurement made in 2010 are available.

5.2.2. Results of open procedures and two-stage bidding for 2011 are set out in the report.

**Project documentation – successful bidder**

Name	Contents	Status
Organization name	State Enterprise — Ukrainian State Institute of Road Installations Design Ukrdiprodor (Ukrdiprodor State Enterprise)	1 – confirmed
EDPNOU	5416892	1 – confirmed
Country	Ukraine	1 – confirmed
Region	Kyiv	1 – confirmed
District		1 – confirmed
Address	Kyiv, 39/1, Povitroflotskyi ave.	1 – confirmed
Index	03680	1 – confirmed
Full name	Hladun Serhii Anatoliiovych (director) Balanchuk Serhii Mykolaiovych (Project Chief Engineer)	1 – confirmed
e-mail	<a href="mailto:okt@diprodor.com">okt@diprodor.com</a>	1 – confirmed
telephone	(044) 249-84-83	1 – confirmed
fax	(044) 249-84-68	1 – confirmed
web	<a href="http://diprodor.com/index_ua.html">http://diprodor.com/index_ua.html</a>	1 – confirmed

**Conclusion 5.3:** All data are represented correctly.

In the procurement of 2011 (Lot 2) 2 members participated: Ukrdiprodor and JSC Kyivsoyuzshlyahproekt. Ukrdiprodor won, because the cost of its proposal (USD 4,346,013.74) was less than the competitor proposal (USD 7,018,466.00).

**Project documentation — information on the contract**

Name	Contents	Status
Work period according to the contract	2010-2013	1 – confirmed
Contract price	19,470,765	4 – not available Conclusion 5.4
Currency	UAH	1 – confirmed
Contract subject	Development of design and estimate documentation	4 – not available Conclusion 5.4
Detailed description of contract subject	The development of design and estimate documentation for reconstruction of M-03 Kyiv – Kharkiv – Dovzhanskyi state motor road at Lubny – Poltava section, km 210+000 - 300+550; 300+550 - 323+000; 329+050 - 333+250	4 – not available Conclusion 5.4
Contract execution place	Kyiv, Ukrdiprodor State Enterprise	1 – confirmed
Last contract amendments		4 – not available Conclusion 5.4
Last contract amendments date		4 – not available Conclusion 5.4

**Conclusion 5.4:** Confirmation or disposition (6.1) failed, since the assurance team members were not provided with relevant data

**Project documentation – contract execution**

Name	Contents	Status
Work initiation date	28/07/2010	1 – confirmed Conclusion 5.5
Project status (current) regarding progress schedule	According to schedule	1 – confirmed Conclusion 5.5
Project status (current) regarding expired costs	100	3 – updated Conclusion 5.5
Actually paid sum under the Contracts	19,470,765	3 – updated Conclusion 5.5
Final cost on contract works	19,470,765	3 – updated Conclusion 5.5
Actual terms of contract work completion	2013	1 – confirmed Conclusion 5.5

**Conclusion 5.5:** All data are confirmed (table 5.1.1).

## CONCLUSIONS

1. During assurance report compilation, 31 documents were processed by consultants (source). 11 of documents (35% of the total amount) have limited access and contain over 75% of information on M-03 Project. During proactive and reactive disclosure, 218 informational indicators were processed (fig. 6.1), on which 30 conclusions were submitted. (4.1~4.24, 5.1~5.5).

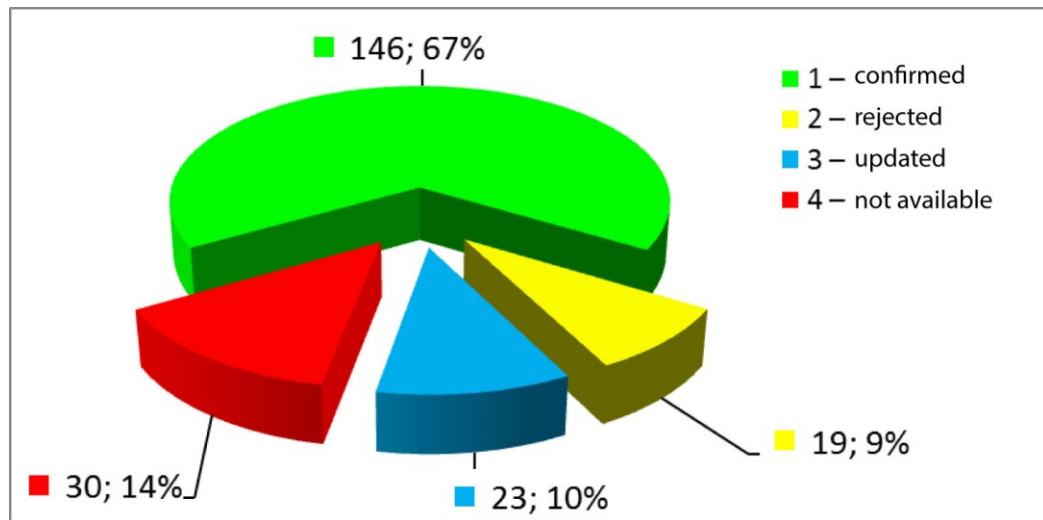


Figure 6.1 – Disclosure information distribution

No considerable differences in disclosed data were identified, although certain non-conformity was specified in conclusions (4.1~4.24, 5.1~5.5).

However, the risk of differences or inconsistencies in design documentation was obvious following the requirement for conformity with not only valid international recommendations regarding procurement, but with correspondent national laws and regulations as well.

It should be noted that just 18% of data on M-03 Project failed to be found or received, mostly due to the fact that not every M-03 Project interested party was ready to completely disclose data mentioned in Memorandum (1.4), or does not keep relevant record on it (project works, design supervision, etc.). The reasons offered for non-disclosure included concerns about confidentiality, lack of clarity over credentials for disclosure, as well as non-availability of documentation.

2. Analysis of the causes of delays sometimes points to critical gaps in the control maintenance process, repair and reconstruction of roads in the structure of Ukravtodor. That lack of clear and understandable guidelines for action in typical situations or solving common problems, the overwhelming focus on solving local challenges without analysis of possible future impact on the strategic level leads to the detachment (separation, isolation) of information flows and design, maintenance and reconstruction processes. In the context of the M-03 Project, this led to a number of differences between the drafts of tender documentation and the actual situation on the construction site, namely the increase in the number of installations (telecommunications cables, power lines, pipelines, etc.) caused by the development of roadside service facilities. Such differences, as, for example, the transfer of high pressure gas pipeline on km 210+211, provided the Contractor with the right to identify claims with the requirement to extend the deadlines and compensate the additional costs. The situation was complicated by the fact that the owner of the pipeline (JSC “Ukrtransgaz”) – a monopoly that did not allow anyone to carry out work on gas pipeline (<https://goo.gl/N8oPcr>) and refused to work without full advance payment, closing all lines of credit with the Contractor (3.2).

3. All claims of the Contractor were resolved in working order, and Ordinances regarding the period extension and cost increase (table 3.2.6) were based on a single good reason that it was difficult to disprove – the delay in IPC payment and VAT compensation (table 3.4.5~3.4.6).

## PROPOSALS

1. Recommend Ukravtodor and the Ministry of Infrastructure to publish on their official websites information disclosed by procuring entities within CoST projects, and assurance reports prepared for pilot CoST projects.

2. Recommend the Owner to conduct monitoring on equality of roadway, as the results of assurance team members visit to the construction site, there was a suspicion that the top layer of pavement is not able to prove to the normative equality. There may be a need for an additional levelling layer arrangement.

3. Recommend Ukravtodor and the Ministry of Infrastructure to develop guidelines for public debates on applied design solutions at various stages of design and construction (a lot of extra work arises from ignorance of the local population during the design and the consequent rapid increase in the number of complaints and suggestions directly during construction).

Terms of reference for the design should contain clear requirements for future construction projects. Not less attention should be paid to the social and environmental impact of road. Before designing such sites as M-03, it is necessary to develop a feasibility study with a wide publication of public decisions. Only a broad discussion and approval of the project at public hearings of basic design solutions in the form of advanced technical design task can take into account the needs of the population and therefore provide different design solutions.

4. Recommend Ukravtodor to work out and adopt a common policy regarding the adoption of certain design decisions on road safety and environmental impact. Under terms of reference for the design overhaul of M-03, nothing was said about the elevated and underground pedestrian crossings and in accordance with the regulations in force at the time of drafting, they could not be foreseen. Nevertheless, the recommendations of IFI pay special attention to road safety and road impact on the environment. To reduce changes in project documentation and in accordance with the construction process it is necessary to discuss all the recommendations made by IFI, and consider them in amendments to existing regulations.

5. Recommend Ukravtodor to amend the existing regulations (e.g. DBN V.2.3-4: 2015) a definition of “rehabilitation”, the lack of which today complicates the implementation of projects financed by credit from international financial institutions, as well as between their own rehabilitation and overhaul (as specified in the tender and construction documents for the project) often there is a difference in the works scope, which affects the cost.

6. Disclosed data outline several friction points related to procurement efficiency. Particularly:

*accuracy of documents submitted at the bid stage.* During execution of the work, limitations in accuracy of the documentation submitted by bid participants became obvious.

*price variations of the contracts.* In particular, it is normal for construction contracts to require changes in the contract price, because some changes in the scope of work will become apparent only in the course of the project, where basic road and soil conditions become apparent. The essential factors include delay between project creation and the works directly, as well as lack of details to this project.

*delay in payments to the Contractor.* Under the contract, payment to the Contractor for the works is to be carried out within 30 days of confirmation by the Engineer of the IPC. In practice, the maximum delay reached 342 days. As a result, the Contractor has a right to require additional

payments. In addition, the Contractor cash flow will be negatively affected, contributing to the risk of time delays and disputes. Particular problems have arisen because of delays in payment to the Contractor of VAT and import duties.

*Disputes.* Differences and related charges are normal in any large project. Within FIDIC contracts: To make independent decisions on such issues is a role of the Engineer or a party is entitled to refer cases to the College on disputes or beyond to arbitration. Differences over delays to the project and related issues on this project stirred so much that the Owner informed about the termination of the contract with the Executor.

*Engineer role.* In accordance with FIDIC contracts, payments to the Executor is performed because of the approval of the Engineer. The practice of this project also requires the Contractor to sign the IPC. Similarly, according to FIDIC standards approach, the Engineer independently represents completion of work, while in the context of Ukraine requirement is considered normal when completion of works must be approved by a special commission.

7. The fact that at first several parties did not feel comfortable with data disclosure according to the Disclosure Standard is conceivable considering its deviation from the previous practice. After the intervention of the Ministry of Infrastructure, the level of disclosure was surprisingly high under these conditions. To this end, MSG (which rely on points of view of every stakeholder) is recommended to treat the Disclosure Standard project considering the experience accumulated during the first round of assurance reports. Any further when this review will be performed, it is recommended that the reference to disclosure practice according to CoST Ukraine standards should be introduced by Ukrdorinvest State Enterprise into standard tender documentation on projects funded by IFI.

8. During assurance procedure, assurance team members have access to large amount of data including information on current pending questions. To this end, it is recommended that the technical specification standard for the assurance process itself should specify that assurance reports are not intended for writing of current comments regarding issues (such as individual demands), which are yet in progress and being 100% legally resolved within the correspondent contracting procedures.

9. Documentation duplication. The requirement to project documentation, specifically, the requirement to be agreed both with international practice as it is specified in FIDIC contracts, and with national practice, results in obvious risk of wasted efforts, as well as possible inconsistencies. To this end, it is recommended to pay attention to the approach correction and apply it to prevent any unnecessary duplication.

10. The World Bank Guidelines Procurement and the associated evaluation method, as well as FIDIC contract form compose together a pattern established for road projects implementation in the environment marked by market competition, exact and efficient regulations, as well as confidence in the Engineer independence and expertise. In the context of Ukraine, these principles are interpreted and applied in such a manner that it is necessary to provide some additional guarantees, integrated into national approach, for the evaluation of work cost and the associated approvals. As a result, there is a hazard of the Engineer status “weakening”, clarity “blurring” regarding the correspondent regulations and the possibility of reporting relationship confusion. To this end, it is recommended to pay attention to approach review itself, which would provide for prevention of such risks or its mitigation.



### Tender proposals disclosure report

For the convenience, participants bids are set out in tabular form with the grouping of lots. The cost of each of the proposals is marked by colour from the cheapest gradient through the middle to most expensive.

**In bold type** proposals of successful bidder are highlighted – Todini Costruzioni Generali S.p.A.

Disclosed overall cost of the proposals are presented in table 8.1. The net cost of the proposals, namely costs excluding VAT and sums of provision are shown in table 8.2.

Numbering of tenders under the table 3.3.1.

**Table 8.1** – Total proposals cost (red-out), UAH

Lot	Bids by number of a participant in accordance with 4.15								
	1	2	3	4	5	6	7	8	9
2.1	420,403,910.80	499,840,570.00	345,798,028.49	409,900,434.86		323,074,300.37	360,951,626.87	<b>432,486,708.59</b>	373,788,513.90
2.2	512,585,058.40		407,247,572.34	465,185,526.42	432,333,994.00		467,750,204.44	<b>537,352,056.27</b>	443,109,549.23
2.3				509,238,677.94			626,596,383.65	<b>644,567,186.73</b>	546,269,056.65
2.4			523,855,946.10	499,407,392.40			579,828,878.16	<b>709,333,803.62</b>	569,487,191.06
2.5			507,374,006.20	496,794,807.33			591,361,377.83	<b>672,497,540.18</b>	594,678,911.68
2.6				164,969,558.38			133,097,267.65	<b>163,341,842.68</b>	134,293,359.11

**Table 8.2** – Net proposals cost (red-out), UAH

Lot	Bids by number of a participant in accordance with 4.15								
	1	2	3	4	5	6	7	8	9
2.1	342,003,259.00	408,200,475.00	279,831,690.41	333,250,362.38		260,895,250.31	300,793,022.39	<b>352,072,257.16</b>	303,157,094.92
2.2	418,820,882.00		331,039,643.62	371,821,272.02	351,944,995.00		397,291,837.03	<b>439,460,046.89</b>	360,924,624.36
2.3				416,032,231.62			522,163,653.04	<b>528,805,988.94</b>	446,890,880.54
2.4			428,213,288.42	407,839,493.67			483,190,731.80	<b>582,778,169.68</b>	466,239,325.88
2.5			414,478,338.50	405,662,339.44			492,801,148.19	<b>552,081,283.48</b>	487,232,426.40
2.6				129,141,298.65			110,914,389.71	<b>127,784,868.90</b>	103,577,799.26



Each of the bidders could make available discounts for winning a certain combination of lots. Proposals from 5 companies (GD Granit AD Skopje, Metrostav a.s. and Doprostav a.s. Joint Venture; Road Building Altcom LLC; Gulsan Insaat; KCC Engineering & Construction Co.; PJSC Pivdenschliakhbud, Avtomagistral-Pivden LLC and Avtomagistral LLC Joint Venture) did not provide for discounts. From Gulsan Insaat 8 combinations of discounts from 10.9% to 21.10% were offered. From JSC Azerkorpu 32 combination of discounts from 10% to 12% were offered. From Todini Costruzioni Generali S.p.A 15 combinations of discounts from 10.7% to 28.6% were offered. From ONUR Taahhut Tasimacilik 4 combinations of discount from 1.5% to 3% were offered.

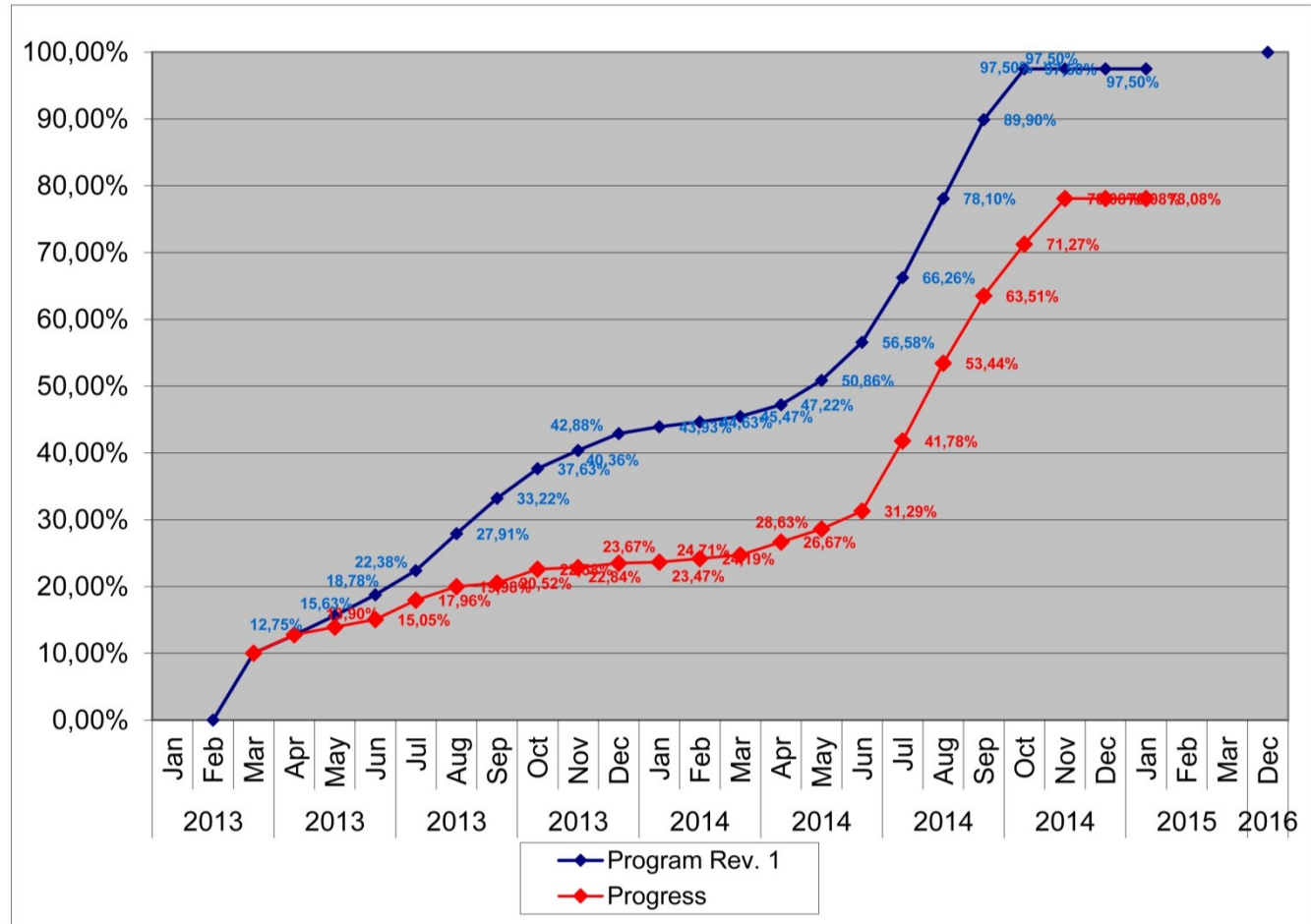
It should be noted that the complex discount on the entire scope of work for the 6 lots was offered only by Todini Costruzioni Generali S.p.A (28.6%) and ONUR Taahhut Tasimacilik (1.5%). Thus, despite the initially disclosure of the greatest cost, the proposition of Todini Costruzioni Generali S.p.A with discount offered was the lowest (table 8.3).

**Table 8.3** – Estimated net cost of proposals, UAH

Lot	Bids by number of a participant in accordance with 4.15								
	1	2	3	4	5	6	7	8 28.6% discount	9 1.5% discount
2.1	342,547,925.81	409,960,310.47	279,804,673.91	328,022,205.48		262,704,714.03	300,709,864.86	251,359,658.01	298,048,543.61
2.2	440,299,520.93		331,039,532.91	365,999,636.27	351,945,778.86		397,291,837.03	313,754,583.60	354,842,622.71
2.3				409,518,385.48			521,945,428.57	377,552,393.67	439,360,247.02
2.4			427,304,239.32	401,453,921.87			483,190,731.76	416,231,111.69	458,382,648.41
2.5			414,502,360.00	399,280,944.18			492,801,149.19	394,166,218.39	479,021,990.69
2.6				127,119,324.23			110,914,389.71	91,218,334.49	101,832,392.30

### M-03 Project implementation diagrams

Year	Month	Program Rev. 1	Progress	Time Elapsed	
2013	Jan				ACTUAL
	Feb	0,00%			
	Mar	10,00%	10,00%		
2013	Apr	12,75%	12,79%	4,81%	ACTUAL
	May	15,63%	13,90%	10,56%	
	Jun	18,78%	15,05%	16,11%	
2013	Jul	22,38%	17,96%	21,85%	
	Aug	27,91%	19,98%	27,59%	
2013	Sep	33,22%	20,52%	33,15%	
2013	Oct	37,63%	22,58%	38,89%	ACTUAL
	Nov	40,36%	22,84%	44,44%	
	Dec	42,88%	23,47%	50,18%	
2014	Jan	43,93%	23,67%	55,93%	ACTUAL
	Feb	44,63%	24,19%	61,11%	
	Mar	45,47%	24,71%	66,85%	
2014	Apr	47,22%	26,67%	72,41%	PROJECTED
	May	50,86%	28,63%	77,96%	
	Jun	56,58%	31,29%	83,70%	
2014	Jul	66,26%	41,78%	89,44%	
	Aug	78,10%	53,44%	95,19%	
2014	Sep	89,90%	63,51%	100,00%	
2014	Oct	97,50%	71,27%	100,00%	PROJECTED
	Nov	97,50%	78,08%	100,00%	
	Dec	97,50%	78,08%	100,00%	
2015	Jan	97,50%	78,08%	100,00%	PROJECTED
	Feb				
	Mar				
2016	Dec	100,00%			PROJECTED



**Note :** the percentage of progress shown in the table is obtained dividing the amount of work executed by the total Contract Amount  
The 10% calculated in March 2013 is the advance payment.

Figure 8.2.1 – M-03 Project implementation diagram under the 2.1 as of February 2015

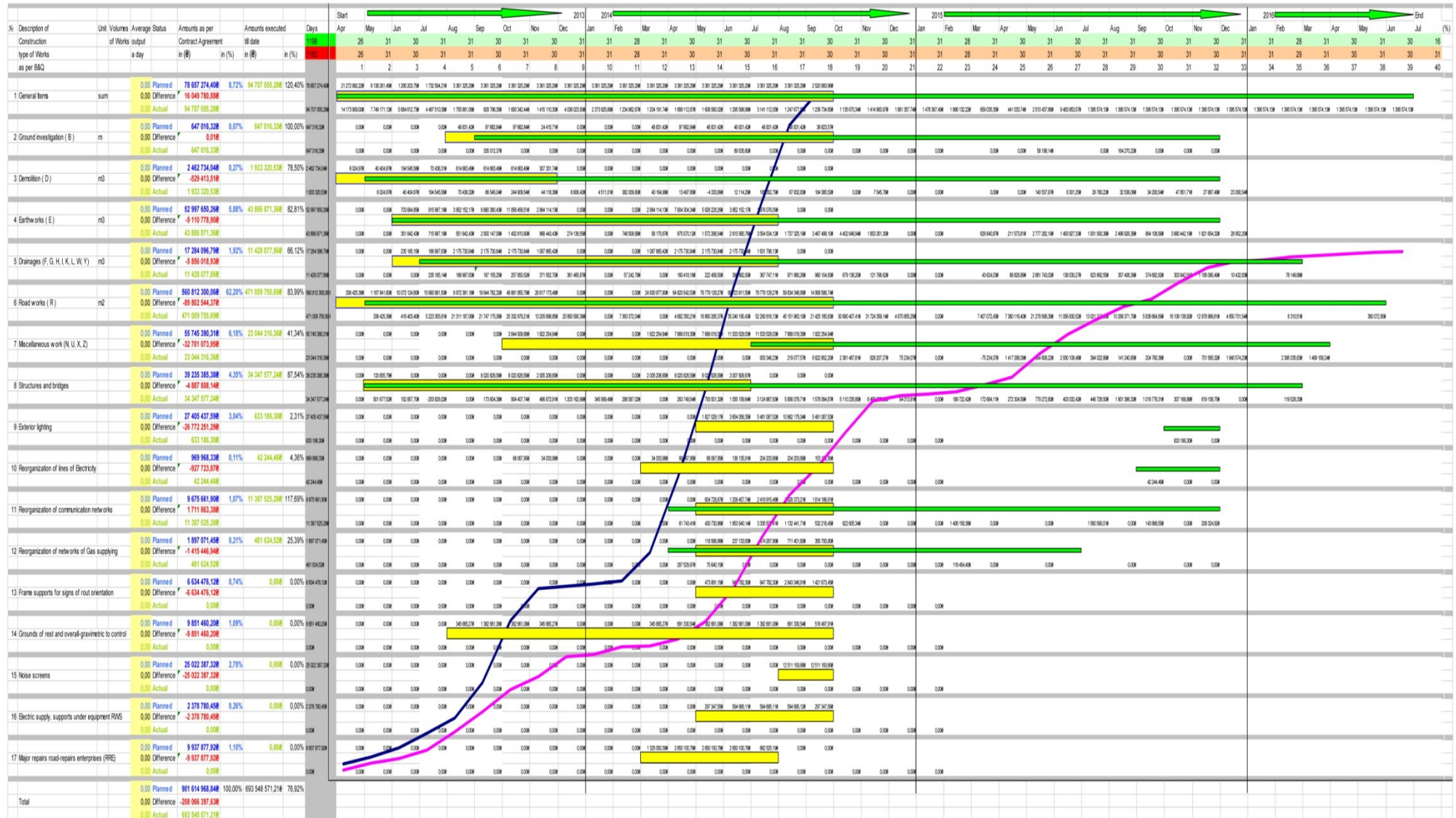


Figure 8.2.2 – M-03 Project implementation diagram under the 2.2 as of June 2016

## ADDITION TO ASSURANCE REPORT

## REPORT:

*Capital Repair on M-03 Road Kyiv - Kharkiv -  
Dovzhansky at Lubny - Poltava section*
**Foreword.**

On January 17, 2017 Ukrdorinvest granted access to the reports (4 pcs on 135 sheets of A4) and notices (2 pcs on two sheets of A4), which allow to get acquainted with the process of selection of consulting engineers, criteria and indicators that influenced the decisions.

Based on received information, supplement of individual sections of assurance report became possible.

**Supervision — record on evaluation disclosure of competition proposals**

Name	Contents	Status
Number		1 – confirmed
Date	05/07/2012	3 – updated Conclusions 4.21
Issue place	No publication available	4 – not available
Issue date		4 – not available

**Conclusion:** Reports on the evaluation of bids dated July 5, 2012.

Companies that have expressed interest in providing services to supervise the implementation of the M-03 Project

Membership	Company name and country of origin	Contract 2.1 (Lots 2.1~2.3)	Contract 2.1 (Lots 2.1~2.3)
1	SAI Consulting Engineers Pvt. Ltd. In association with MAYGER LLC (India, Ukraine)	+	+
2	TPF Ukraine + TPF Engineering + TPF Poland + SN-BHOBE (Ukraine, Belgium, Poland, India)	+	+
3	Techniplan International Consulting (Italy)	+	+
4	MSV International Inc. (USA)	+	+
5	IRD Engineering S.r.l. (Italy)	+	+
6	Dohwa Engineering Co., Ltd (South Korea)	+	+
7	MGGP S.A. (Poland)	+	+
8	Temeslu International Engineering Services Inc. (Turkey)	+	+
9	Safege Consulting Engineers (France)	+	+
10	JV Development Business & Roughton International Ltd. (the United Kingdom)	+	+
11	Egis International (France) in association with Euro-Ukraine Consulting (Ukraine)	+	+
12	Mott McDonald (the United Kingdom)	+	
13	High-Point Rendel (the United Kingdom)	+	
14	FE “SGS Ukraine” (Ukraine)	+	
15	Gentek Consult Ltd. (Turkey)		+

Membership	Company name and country of origin	Contract 2.1 (Lots 2.1~2.3)	Contract 2.1 (Lots 2.1~2.3)
	<b>Total</b>	<b>14</b>	<b>12</b>

Companies, which got into the shortlist

Membership	Company name and country of origin	Contract 2.1 (Lots 2.1~2.3)	Contract 2.1 (Lots 2.1~2.3)
1	MSV International Inc. (USA)		+
2	IRD Engineering S.r.l. (Italy)	+	+
3	Dohwa Engineering Co., Ltd (South Korea)	+	+
4	Temeslu International Engineering Services Inc. (Turkey)	+	+
5	JV Development Business & Roughton International Ltd. (the United Kingdom)	+	+
6	Egis International (France) in association with Euro-Ukraine Consulting (Ukraine)	+	+
7	High-Point Rendel (the United Kingdom)	+	
	<b>Total</b>	<b>6</b>	<b>6</b>

Qualification list of companies (pass mark – 75)

Membership	Company name and country of origin	Contract 2.1 (Lots 2.1~2.3)	Contract 2.1 (Lots 2.1~2.3)
1	MSV International Inc. (USA)		
2	IRD Engineering S.r.l. (Italy)	88.48	
3	Dohwa Engineering Co., Ltd (South Korea)	69.57	
4	Temeslu International Engineering Services Inc. (Turkey)	78.87	
5	JV Development Business & Roughton International Ltd. (the United Kingdom)	75.72	
6	Egis International (France) in association with Euro-Ukraine Consulting (Ukraine)	78.79	
7	High-Point Rendel (the United Kingdom)	84.36	

**Note:** Qualification evaluations of successful bidders are highlighted in green colour.

### Supervision — information on the contract

Name	Contents	Status
Work period according to the contract	Contract 2.1 — till 30/07/2016; Contract 2.2 — till 15/07/2016;	1 – confirmed
Contract price		3 – updated
Currency		3 – updated
Contract subject		3 – updated
Detailed description of contract subject		4 – not available
Contract execution	Kyiv—Kharkiv—Dovzhanskyi M-03 motor road,	1 – confirmed

Name	Contents	Status
place	km 210+000 – km 333+250	
Last contract amendments		2 – rejected
Last contract amendments date		2 – rejected

**Conclusions:**

Recent changes to contracts agreed by the Owner, dated 15/05/2015 and 11/12/2015 respectively (3.3~3.5).

The cost of contracts on a reported contract award dated 21/08/2012 is set at: Contract 2.1 – EUR 1.483 million; 2.2 Contract – EUR 1,273,215.

01135, Kyiv-135,  
Peremogy ave. 14, office 2312  
Tel/fax(044) 206-98-97  
E-mail: [costukraine@gmail.com](mailto:costukraine@gmail.com)  
Web: <http://costukraine.org>

## REPORT

### **On construction site visit dated July 20, 2016**

Within assurance report preparation under the project:

Capital Repair on M-03 Road Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava section t

Head of Assurance Team

A. B. Vozniuk

Consultant of Assurance Team

L. L. Rybitskyi

Kyiv 2016



## INTRODUCTION

The visit was performed within assurance report preparation under the project: Capital Repair on M-03 Road Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava section.

The purpose of visit was to learn about progress on construction sites for comparison with disclosed data within CoST and project information.

As works on construction sites were mostly suspended, visit time was synchronized with time of meetings on issues of project works, in offices of Engineers on technical supervision with a participation of the Contractor representatives (TODINI Costruzioni Generali S.p.A.), its subcontracting organization – designer (Ukrdiprodor State Enterprise), the Owner (Automobile Road Service of Poltava Oblast) and the Engineer (IRD Engineering – Khorol, 10 AM; Egis Ukraine – Poltava, 3 PM).

### About the project

Project name: Capital Repair on M-03 Road Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava section.

Project summary total equals to USD 450.0 mln .

Project Completion: December 31, 2016...

The project provides for:

- reconstruction of about 108 km of Kyiv—Kharkiv—Dovzhanskyi motor road in Poltava Oblast;
- Construction work for the reconstruction and strengthening of the existing road;
- Expansion of some sections from two to four lanes;
- Construction of three bypass roads around settlements.

As part of CoST Initiative, disclosure of the following contracts is provided:

#### *Contract No. 2.1*

Lot 2.1 (km 210+000 – km 220+782);

Lot 2.2 (km 228+000 – km 239+317);

Lot 2.3 (km 258+000 – km 275+000).

Total: 39,099 km.

Contract firm: Todini Costruzioni Generali S.p.A.

Date of contract signing: 04/01/2013

Contract sum: UAH 1,161,199,089.45

Technical supervision Engineer: IRD Engineering.

Contract completion period: 31/07/2016

#### *Contract No. 2.2*

Lot 2.4 (km 282+000 – km 300+550).

Lot 2.5 (km 300+550 – km 323+000).

Lot 2.6 (km 329+050 – km 333+250).

Total: 45.2 km.

Contract firm: Todini Costruzioni Generali S.p.A.

Date of contract signing: 04/01/2013

Contract sum: UAH 1,111,937,962.61

Technical supervision Engineer: Egis International.

Contract completion period: 15/07/2016



## Received results

### Overcoming of the contradictions in establishing cooperation

In between and after meetings personal knowledges between assurance team members and representatives of the Engineer, the Contractor, the Owner and the Designer were made. Responding to a question received, assurance team provided additional clarification regarding the purpose of CoST operation, methods of data collection and disclosure, etc.

Despite this, the Deputy Resident Engineer Shcherbachenko K.V. prepared a request for assurance team visit and further clarification provision. (Fig. 2, Annexes).

**Ref:** Project No BCE 120188T/Egis-Ukravtodor, Sep 12<sup>th</sup>2012  
**Subject:** Meetings Attended by Persons Representing Parties Other Than Contract Stakeholders  
**Тема:** Присутність на нарадах осіб, які не є представниками сторін Контракту

**Figure 2** – Request of the resident Engineer

In a separate meeting in Automobile Road Service of Poltava Oblast, the Owner represented by Deputy Head of the construction Sliusar Vladymyr Petrovych assured in the assurance team members in full facilitating the provision of the necessary data or visits to the site.

#### **Introduction to the problems at the “first hand”.**

Due to the presence at the above-mentioned meetings, assurance team members were able to participate in the discussion of issues and learn the ways of their solution.

The main current problems disclosed at the meetings were:

- The need for carrying out work without the tender documentation (transfer utilities that were unavailable during the preparation of the reconstruction project, but arose prior to execution);
- erosion on slopes and flooding (fig. 3~4);
- designing and arrangement of sewage facilities for rain water on bridges (according to regulatory legal acts of Ukraine, arrangement of such facilities is beyond doubt, but Ukrdiprodor State Enterprise should submitted clear instructions and justifications till 28/08/2016);
- response to public response and deputies’ requests execution, for example, <http://goo.gl/DxSRSE>;
- damage to the roadside infrastructure due to construction works;
- design and installation of additional underground and overground pedestrian crossings, local passages beyond the tender documentation, including at the request of local communities;
- design and installation of street lighting (selection of types of lighting that will be used in the working documents);
- disputes between the Contractor and the Designer on individual design decisions, such as choosing the types of lamps;
- trees compensatory planting (the Consulting Engineer noticed several discrepancies between planned and actual condition of planting);
- land acquisition in the field of building structures beyond the tender documentation;
- archaeological excavations within construction sites (<http://goo.gl/FrD8io> and p. 284~285 in <http://goo.gl/r5GttM>);
- arrangement of noise fencing; kickoff site and feasibility check.

## The comparison of the data with the actual situation on construction sites

Given the limitations of time, due to the remoteness of construction sites and meetings of Kyiv as well as each other, assurance team members were able to make a detailed review only on certain problem areas listed above.



**Figure 3** – Washaways in Podil village, km 288+794



**Figure 4** – Erosions, km 311





**Figure 5** – Road pavement structure in Podil village, km 288+794



**Figure 6** – Road pavement structure at km 258+000



**Figure 7** – Carry-over construction of overground pedestrian crossing at km 329+887 (progress  $\approx$  60%, works are suspended)



**Figure 8** – Construction equipment on construction site



## Checklist

CoST Ukraine: Supervision and verification site visit		Visit details:		20/07/2016	Andriy Vozniuk Leonid Rybitdkiy		TODINI, contracts 2.1 and 2.2	Letter No. 1	
NOTES for use of this	1. This form is intended for record on actual observations made during site visit. Please use back part of this								
	2. Visit purpose is not to make technical conclusion, but identify, understand and record any obvious clear inconsistencies between the facts, which are observed, and officially documented protocols, used sizes, specifications, rules or associated work processes.								
	3. Show respect and co-operate with the Contractor, who bears responsibility for construction site safety and does not bear responsibility to make								
Topic	Criteria	Yes	No	N/A or no information submitted	n/a	CoST verifier comment	Answer of the contractor (if any)		
Construction physical processes	Is it easy to identify works location?	+				All evidence of initiation and completion of repair works are available			
	Is it easy to identify physical process?	+				Quite few lots are executed for 100%			
	Do main parameters meet the contract?	+				Work execution terms are delayed	Unpaid IPC		
	OTHER COMMENTS/GENERAL IMPRESSION	Works are not being executed for quite a perceptible time, construction terms do not meet work plans							
Construction general processes	Do works continue?		+			Project solutions are being agreed and operational maintenance of automobile road is being performed			
	Does the Contractor perform works on construction site?		+			Except operational maintenance of automobile road			
	Does the Contractor have work execution project, and is it approved with the Owner?	+				Execution project is available, and it is agreed with the Owner, but neither side holds to it			
	Is the Engineer on technical supervision present at the construction site?	+				According to workers of Automobile Road Service in Poltava Oblast, the Resident Engineer controls all processes at construction site during work execution			
	Do works look planned and managed?		+			Works are stopped in full			
	Does execution technological process adhere to planned works?		+			Works are stopped in full			
	Is document flow being kept?	+				Overall document flow is kept between the Resident Engineer and the Contractor	Overall document flow is controlled between the Resident Engineer and the Contractor, and if there is no answer for any question, requests are duplicated. It is clearly described in the Engineers' reports.		
	OTHER COMMENTS/GENERAL IMPRESSION	There are quite a few questions for construction terms, as according to work execution schedule, repair works should be completed, but there are many incomplete works, and there are even untouched works in individual locations						Detention of funding prevents timely execution of contract terms	
Quality control	Is appointed contractor undoubtedly reliable?	+							
	Is general thoroughness available?	+							
	Are delivery logs available?	+							
	Are materials stored well and safe?	+							
	Is the contractor satisfied with construction materials?	+	+			Asphalt concrete is transported for a distance approximately 100 km, and during transportation it loses temperature uniformity, and pavers do not use storage hoppers, which could mix a mixture additionally. As a result, coating quality has defects and is uneven	Although coating is not even enough, it meets all norms provided in the contract		
	Is incoming quality control being performed, and upon which indications?					+			
	Is operational control being performed? Upon which indications?					+			
	Is acceptance control of executed works quality being performed? Upon which indications?					+			
	Are the Owner's laboratory test protocols available?	+							
	Are instructions on works suspension due to low quality of its' execution from the Owner available?					+			
OTHER COMMENTS/GENERAL IMPRESSION									



## Resident Engineer Request

   
егіс Україна

Project office  
Office14, 45/2 Pushkinska Str.  
Kyiv 01004 UKRAINE  
Tel/fax: +380442340251 or 380442466448

**Consulting Services for the Supervision of Civil Works on the section of M03 Kyiv – Kharkiv - Dovzhansky Road (Phase I, RFP 2 (Lots 2.4 – 2.6))**  
**Надання консультативних послуг з нагляду за будівельними роботами на ділянці М03 Київ – Харків – Довжанський (Фаза I, RFP 2 (Лоти 2.4 – 2.6))**

Correspondent: Peter Moore  
Chief Resident Engineer  
E-mail: peter.moore-int@egis.fr  
Our ref: Lot 2.4 - 2.6 KSOH-2915

Date: July 21, 2016

Кореспондент: Пітер Мур  
Головний резидент-інженер  
E-mail: peter.moore-int@egis.fr  
Наш вих. №: Lot 2.4 - 2.6 KSOH-2915

Дата: 21 липня 2016 р.

To: State Road Agency of Ukraine (UKRAVTODOR)  
Att: Mr. Ievhenii Barakh – Acting Head  
Tel/Fax: +38044 287-24-05;  
+38044 287-42-18

Адресат: Державне агентство автомобільних доріг України (УКРАВТОДОР)  
До уваги: п. Євгенія Бараха – т.в.о. Голови  
Тел./Факс +38044 287-24-05;  
+38044 287-42-18

Copy: SE Ukrdorinvest  
Att: Mr. O.V. Koretsky- Acting Director  
Tel/Fax: +380 287-73-51;  
+380 287-53-36

Копія: ДП УКРДОРІНВЕСТ  
До уваги: О.В. Корецького – в.о. Директора  
Тел./Факс +380 287-73-51;  
+380 287-53-36

Copy: Poltava Road Service  
Att.: V.V. Troianov's'kyu – Director  
Tel./Fax: +3805322-2-05-46;  
+380 532-56-40-41

Копія: Служба автомобільних доріг у Полтавській області  
До уваги: Трояновського В.В. - Начальника  
Тел./Факс +3805322-2-05-46;  
+380 532-56-40-41

Copy: TODINI Costruzioni Generali S.p.A.  
67B, Pokrovskaya Street,  
Poltava, 36029  
Att: Mr. Raffaello Bizzarro  
Email : [Todini.poltava.ua@gmail.com](mailto:Todini.poltava.ua@gmail.com)  
Tel/Fax: +38(0532)564374

Копія: TODINI Costruzioni Generali S.p.A.  
36029, м Полтава, вул. Покровська, 676  
До уваги: п. Рафаелло Біццарро  
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Copy: TODINI Costruzioni Generali S.p.A.  
446 Soborna Street, Rivne 33024  
Fax : +380 362 64 18 95

Копія: TODINI Costruzioni Generali S.p.A.  
33024 м. Рівне, вул. Соборна, 446  
Факс: +380 362 64 18 95

**Ref:** Project No BCE 120188T/Egis-Ukravtodor, Sep 12<sup>th</sup>2012  
**Subject:** Meetings Attended by Persons Representing Parties Other Than Contract Stakeholders  
**Тема:** Присутність на нарадах осіб, які не є представниками сторін Контракту

Dear Sirs,

We would herewith like to inform you that on 20<sup>th</sup> July 2016 in the Engineer's office in Poltava there was held a meeting attended by the Contractor, their subcontracted organization SE Ukrdiprodor, Poltava Road Service and the Engineer to discuss

Шановні панове,

20 липня 2016 року в офісі Інженера в Полтаві відбулася нарада за участю представників Підрядника, його субпідрядної організації ДП Укрдипродор, Служби автомобільних доріг в Полтавській області та Інженера, присвячена



the outstanding design issues.

At the beginning of the meeting, upon filling the attendance list for the Engineer (attached), it turned out that the noted meeting was attended by the representative of COST company which is not a party to the Contract. Mr A. B. Vozniuk informed the meeting that he had received a respective invitation from Poltava Road Service. As Mr V.P. Sliusar, the PRS Deputy Head, joined the meeting later, the Engineer was not able to get the confirmation of the given fact.

The Contractor's representatives confirmed that they were not notified that Mr A. B. Vozniuk does not work for SE Ukrdiprodor taking into account the fact that he arrived at the meeting with their subcontractor.


Under these circumstances, and the fact that the meeting was convened to discuss only technical aspects of the design process, the Engineer gave his "no-objection" as for Mr A. B. Vozniuk's presence. At the same time the attendees were notified that any documentation related to the Contract is owned by the Employer and the Contractor, and therefore cannot be disclosed to the third parties without their agreement. The same requirement relates to any other information which is subject to CI 1.12 of GCC.

Given the above, and for the purpose of being able to properly assess the similar situations in future, the Engineer seeks clarifications regarding the role of COST company under this particular Contract, and would like to be aware of the party it represents.

We would also be obliged in the context of the above to receive formal notification in writing of any further involvements of the third parties including the scope and type of information which can be disclosed to them.

Prepared by:  
Konstantin Shcherbachenko  
Deputy Resident Engineer, Lot 2.5

Yours faithfully

  
Peter Moore  
Chief Resident Engineer  
Lots 2.4 - 2.6  
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проблемам виконання проектних робіт.

На початку наради, після того, як Інженер отримав лист з переліком присутніх осіб (додається), виявилось, що на нараді присутній представник компанії COST, яка не є стороною Контракту. Пан Вознюк А. Б. повідомив, що потрапив на нараду за запрошенням Служби автомобільних доріг в Полтавській області. Так як заступник Служби п. Слюсар В. П. не зміг прийняти участь з самого початку, Інженер не зміг отримати підтвердження.

Представники Підрядника, в свою чергу, повідомили що не були проінформовані, що п. Вознюк, який приїхав разом з представниками їх субпідрядника, не є працівником ДП Укрдїпродор.


Зважаючи на обставини і на те, що нарада була присвячена суто технічним питанням та процесу проектування, Інженер дозволив присутність п. Вознюка. Разом з тим, всіх присутніх було проінформовано, що будь-яка документація в рамках Контракту є власністю Замовника та Підрядника, і не може надаватись без їх згоди третім сторонам, так само, як і будь-яка інша інформація, яка підлягає положенням статті 1.12 ЗУК.

В зв'язку з вище зазначеним, і з метою правильної оцінки ситуації в подальшому, Інженер просить пояснити роль компанії COST в рамках даного Контракту, а також яку із сторін вона представляє.

Також просимо в подальшому, при можливості, своєчасно та в письмовій формі повідомляти про залучення третіх сторін та про обсяг і тип інформації, яка може бути їм повідомлена.

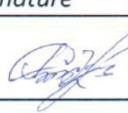













Підготував:  
Костянтин Щербаченко  
Заступник інженера-резидента, Лот 2.5

З повагою,

  
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Головний інженер-резидент  
Лоти 2.4 - 2.6  
E-mail: peter.moore-int@egis.fr



**List of attendees for Design Meeting. Date: 20/07/16**

	Name	Employed by	Signature
1	Сорока Р.М.	ДП „Тернопіль”	
2	Баланчук С.М.	ДП „Чернівець”	
3	Тетюха Ф.О.	ДП „Чернівець”	
4	Рабчанський А.А.	ДП „Чернівець”	
5	Ванюк А.Б.	CoSt	
6	Садруков А.А.	ДП „Чернівець”	
7	Сілійко Б.М.	Enric	
8	Петров П.Ц.	Enric	
9	Кієха О.	Todini	
10	Жук Є.	Todini	
11	Альшан Д.	Todini	
12	Шарданенко К.Б.	Egis	
13	Слесар В.П.	CFD	
14	Могровий В.В.	Egis	
15			
16			

## Conclusions

Despite the distance from Kyiv construction sites, meetings and appropriate restrictions in time, virtually all tasks assigned to the visit have been met, and the information will be processed and subsequently used for the preparation of the assurance report.

The need in repeated visits was specified according to the results of assurance report project review by MSG members.

**Annexes to the report are available through the link:**

<https://drive.google.com/open?id=0B1DZp64zpgLbdGhtSEtNMUU1SnM>