Increasing transparency to improve market competition and infrastructure governance in Ukraine

Ukraine has made massive strides in improving infrastructure transparency since joining CoST a decade ago. Prior to joining CoST in 2013, the Ukraine roads sector was characterised by poor governance, mismanagement and corruption with the influence of vested interests deeply entrenched. This was illustrated by a study by CoST which reported that up to 50% of the sector's budget was lost through unscrupulous financial management. More recently, the decentralization of the road sector meant that local authorities suffered from a lack of experience, untrained staff and limited sector knowledge.

Since then, Ukraine has used the four features of the CoST approach – disclosure, assurance, multi-stakeholder working and social accountability to increase market competition, support decentralization, strengthen infrastructure governance and improve the quality of construction.

Multi-stakeholder working drives local leadership

To improve its public reputation and the efficiency of its operations, the Ukraine National States Roads Authority (UAD) formally joined CoST in late 2013. A few months later, in early 2014, the 'Maidan' uprising that led to the ousting of the then President broadened demand for the reform agenda. In May 2014, UAD and CoST IS discussed how an emboldened civil society highlighted lack of trust towards roads sector institutions and was demanding increased transparency, improved governance and reduced corruption from them.

HIGHLIGHTS

- Supported reforms that led to open bidding in road sector procurement increase from **53%** in 2018 to **96%** in 2021.

- Published and analysed data on over **9000** public road contracts in 2016-2020. The published data revealed information on over **500** companies.

- Trained **582** government officials to improve infrastructure governance.

- Trained **476** civil society activists and journalists to use the published data to monitor road sector construction.

- Roads repaired in Zhytomyr, Kyiv, Kherson and more.

In July 2015 the Ministry of Infrastructure took a strong leadership role in CoST Ukraine and issued a Decree that provided a mandate for the programme. The World Bank then helped to convene a multi-stakeholder group (MSG) to oversee and lead CoST Ukraine. It also supported a training programme before stepping back and allowing the MSG and a locally appointed Secretariat to drive the CoST Ukraine forward. Read more about the start of CoST Ukraine.

In 2019, CoST Ukraine was established as an independent NGO with the MSG members appointed as trustees. This has allowed CoST Ukraine to attract financial support from USAID, the Open Government Partnership and UNDP and develop its own innovative approach to infrastructure transparency.

MEMBERS OF THE MSG

Government: UAD, Ministry of Infrastructure, Prozorro.Sale

Civil society: Centre of Political Studies and Analysis (EIDOS), "My Roads" Public Union, Transparency International Ukraine, the Business Ombudsman

Industry: Confederation of Builders, Association of International Automotive Transport Operators, European Business Association, Federation of Transport Sector Employers
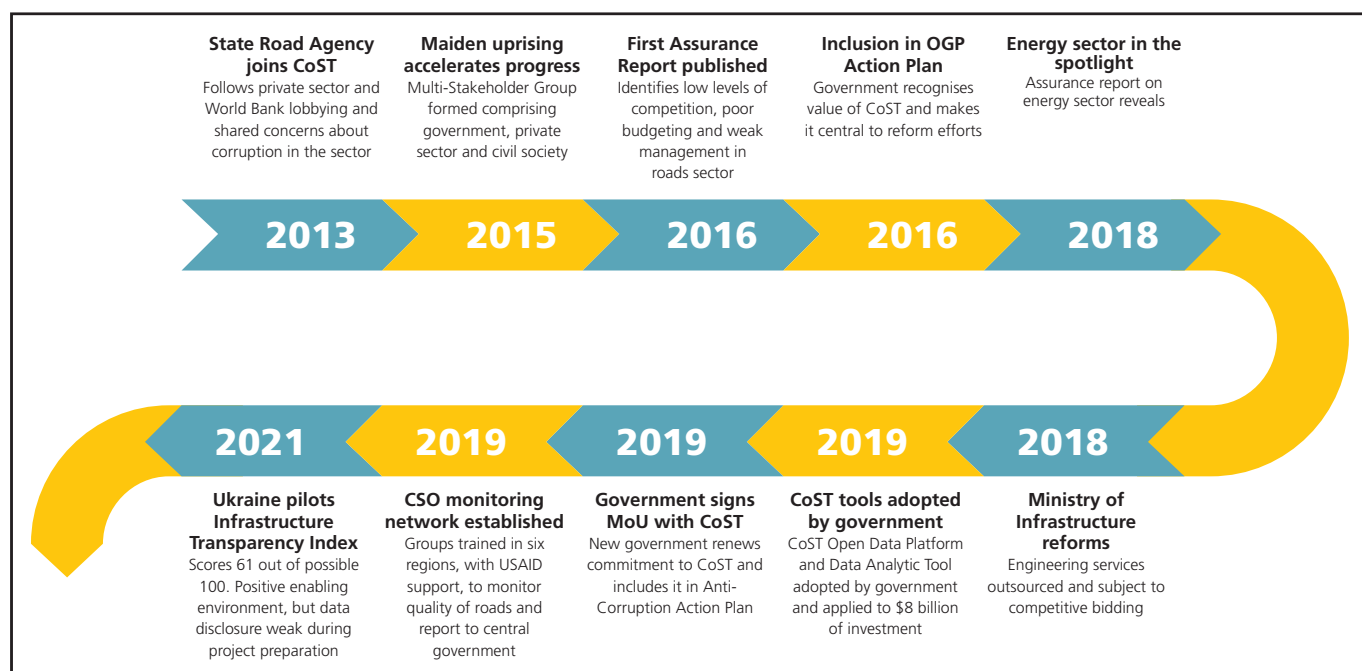

State Road Agency joins CoST
Follows private sector and World Bank lobbying and shared concerns about corruption in the sector

Maiden uprising accelerates progress
Multi-Stakeholder Group formed comprising government, private sector and civil society

First Assurance Report published
Identifies low levels of competition, poor budgeting and weak management in roads sector

Inclusion in OGP Action Plan
Government recognises value of CoST and makes it central to reform efforts

Energy sector in the spotlight
Assurance report on energy sector reveals

2013 **2015** **2016** **2016** **2018**

2021 **2019** **2019** **2019** **2018**

Ukraine pilots Infrastructure Transparency Index
Scores 61 out of possible 100. Positive enabling environment, but data disclosure weak during project preparation

CSO monitoring network established
Groups trained in six regions, with USAID support, to monitor quality of roads and report to central government

Government signs MoU with CoST
New government renews commitment to CoST and includes it in Anti-Corruption Action Plan

CoST tools adopted by government
CoST Open Data Platform and Data Analytic Tool adopted by government and applied to $8 billion of investment

Ministry of Infrastructure reforms
Engineering services outsourced and subject to competitive bidding

Figure 1: The CoST Ukraine Journey

Establishing infrastructure transparency standards

Ukraine has been a pioneer in adopting international transparency standards such as the G20-endorsed CoST Open Contracting for Infrastructure Data Standard (OC4IDS). Ukraine has integrated the OC4IDS into the Transparent Infrastructure Open Data Platform which has enabled the disclosure of machine readable, interoperable open data on over 9,000 infrastructure projects in 2016- 2020. The platform hosted data from Prozorro, a global leader in e-procurement platforms with public officials.

In 2018, CoST Ukraine won the Open Data Challenge, an initiative that supports the development of innovative and sustainable open data solutions for its Open Data platform. In September 2020, it was announced that CoST Ukraine would monitor the implementation of the Government's USD $3 billion flagship infrastructure programme

Infrastructure Transparency Initiative

''Great Construction". The Great Construction aimed to upgrade over four thousand kilometres of road in one year and included social infrastructure projects such as hospitals and schools. It was also announced that the ownership of Transparent Infrastructure would move to the Ministry of Infrastructure ensuring transparency was institutionalised into government systems.

In 2021, Ukraine was one of the first countries in the world to publish a CoST Infrastructure Transparency Index, capturing the level of transparency and citizen engagement of 30 individual procuring entities (see **figure 2** below). The results indicated that whilst the enabling environment and levels of transparency are reasonably high, improvements are needed to enable citizen participation.

CoST supports the disclosure of data at each stage of delivery. This helps to reduce corruption and ensure value for money ''
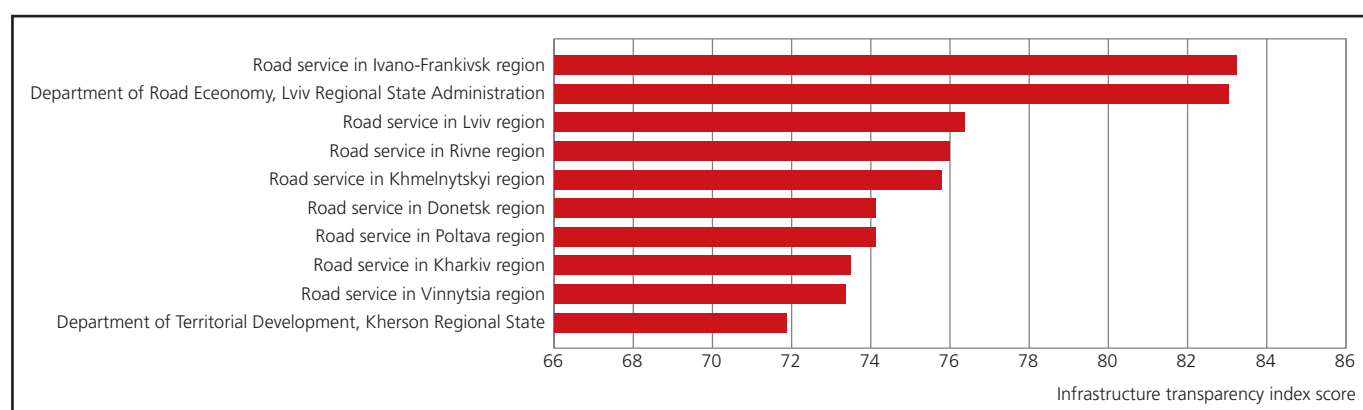
Vitaly Klitschko, Mayor of Kiev

Figure 2: Top 10 Procuring Entities in the Ukraine Infrastructure Transparency Index

From infographics to data analytics

CoST Ukraine was the first country to summarise an assurance report in the form of an infographic to help communicate key messages to stakeholders. The infographic highlighted low levels of competition in the roads sector along with a map illustrating that 47% of the 2016 road repair budget was allocated to 5 regions. The assurance process was then used to highlight issues in the energy sector – see below.

This approach led CoST Ukraine to develop interactive dashboards that would analyse data at scale by enhancing the Transparent Infrastructure Open Data Portal. The portal was developed with support from
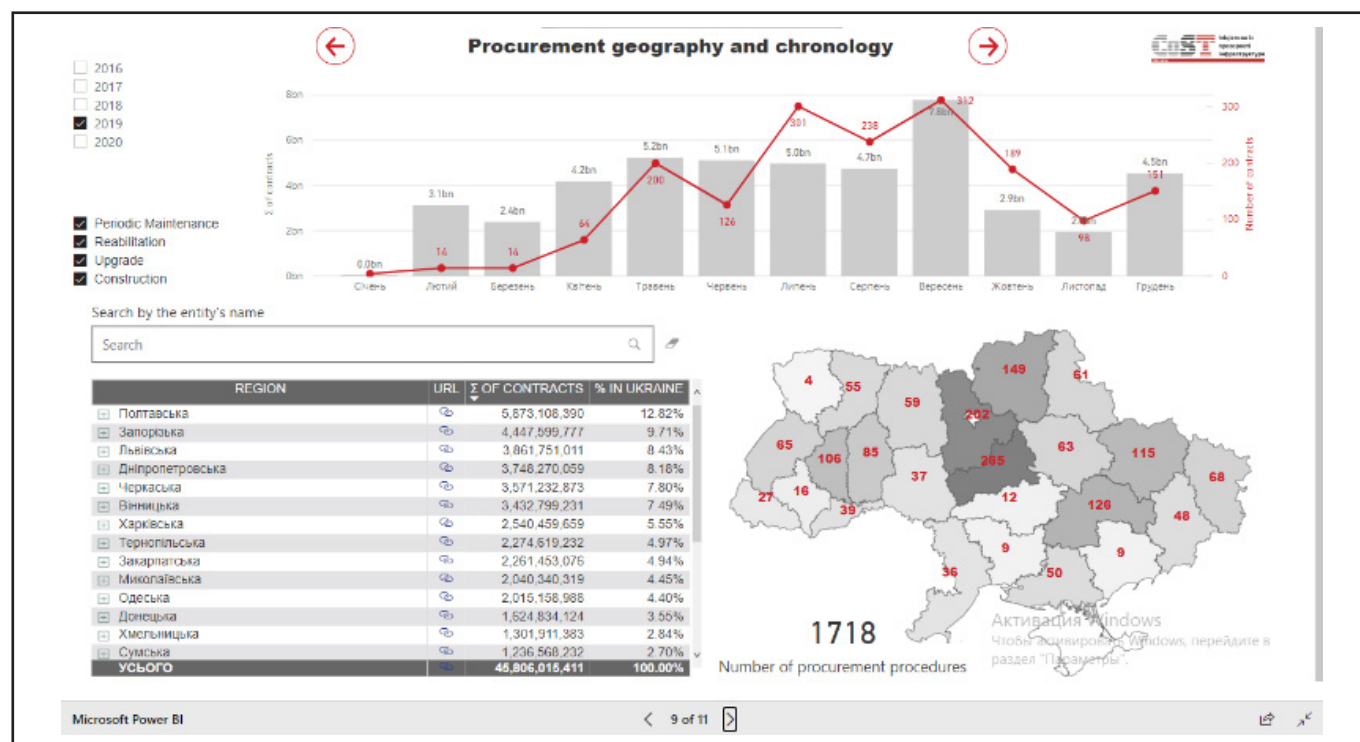
Figure 3: Distribution of road maintenance contracts in Ukraine

the Transparency and Accountability in Public Administration and Services (TAPAS) project, jointly funded by the UK and US governments. The dashboards include information on the award of contracts, the distribution of road funding across the different regions, the performance of procuring entities and contractors and the average price per 1km of road (see **figure 3**). Analysing the data raises red flags on inefficiency, competition and corruption to civil society, the media and public as highlighted below.

USING COST ASSURANCE TO INDEPENDENTLY REVIEW IFI FUNDED ROAD PROJECTS

The assurance process is an independent review and spot check of an infrastructure project carried out by technical experts, highlighting key issues of concerns and areas of good practice in a format that is accessible to the public. In Ukraine, it was initially tested on three International Finance Institution funded road projects where it proved a challenge for information to be released especially on the bidding procedures and the selection of the independent supervising engineer. The report highlighted:

- The inclusion of an outline or incomplete design in the bidding documents led to numerous contract amendments and an increase in construction costs.

- This was exacerbated by a lengthy period between design development and the start of construction.

- The supervising engineer was insufficiently independent, and its role was constrained and rather small.

- The period for evaluating bids exceeded the valid period.

- The FIDIC standard form of contract procedures were not correctly applied.

- Delayed VAT payments meant the contractor was entitled to a surcharge.

A subsequent report published in 2017 on an energy sector project indicated that the planned scope could not be achieved due to project delays and increases in the cost of construction, risking the anticipated amount of power generated.

Infrastructure
Transparency
Initiative

ROOTING OUT CORRUPTION, PROMOTING MARKET COMPETITION

In 2017, regional road sector agencies were routinely avoiding open bidding procedures by signing direct contracts with newly established companies. The companies could not provide evidence of similar project experience or ownership of the necessary equipment as required by the tender.

In 2018, CoST Ukraine published an example of this from the Ternopilska regional agency, where a 1.64 km road section was divided into 41 sections, each 40-60 meters long, with the same number of signed contracts. The company was affiliated to the head of the regional road agency.

This example was discussed by the Cabinet leading to a criminal investigation and changes to procurement practices. By 2021, the practice of avoiding open bidding had come to an end with **96%** of national and subnational construction procurement using open bidding compared to **53%** in **2018**.

In addition, the Ministry of Infrastructure responded to CoST Ukraine's assurance report by introducing the role of an independent supervising engineer into its roads sector programme with all engineering services outsourced as open tenders. The Ministry also revoked Ukravtodor's requirements that bidders had to have 5 years of experience of working in Ukraine or the EU contravening WTO rules and international procurement agreements.

Strengthening decentralisation and road sector governance

CoST Ukraine has helped to build the capacity of regional road agencies by developing technical procurement manuals with support from UNDP and USAID. The manuals unified the large amount of legislation on road construction covering all stages of the project cycle from selecting a road to the final tests and guarantees. It then trained government officials to correctly use the manuals and improve road construction management and procurement. It has also trained a network of civil society organisations (CSOs) across six regions (Cherkasy Kherson, Kyiv, Lviv, Sumy and Zhytomyr) with the support of regional coordinators to monitor the safety and quality of roads in their communities.

The 'Transparency and Accountability in Local Roads Works' project, also supported decentralisation supported by USAID's 'Support for Anti-Corruption Champion Institutions' programme, has helped to plug a gap resulting from decentralization, wherein local authorities lack the capacity to effectively prioritise road maintenance. As figure 4 demonstrates, the CSOs have identified issues concerning the quality of roads across the country which have led to positive responses from the regional road agencies and contractors.
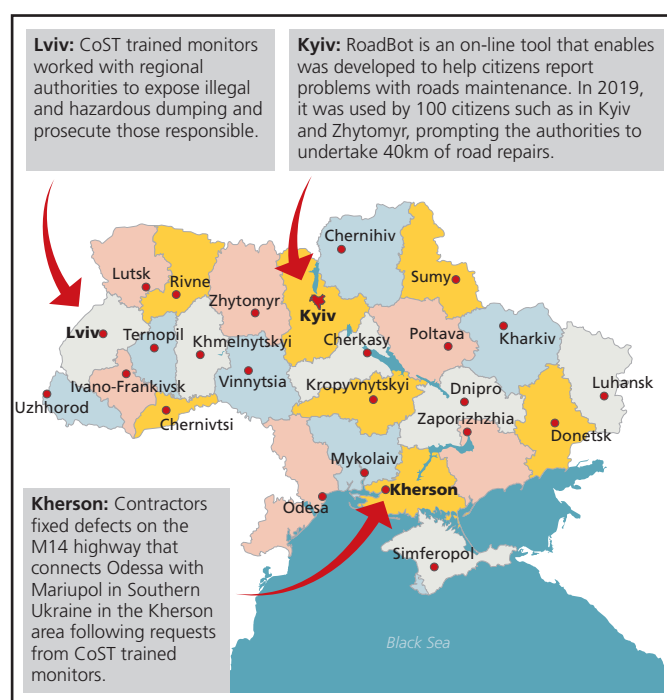

Lviv: CoST trained monitors worked with regional authorities to expose illegal and hazardous dumping and prosecute those responsible.

Kyiv: RoadBot is an on-line tool that enables was developed to help citizens report problems with roads maintenance. In 2019, it was used by 100 citizens such as in Kyiv and Zhytomyr, prompting the authorities to undertake 40km of road repairs.

Kherson: Contractors fixed defects on the M14 highway that connects Odessa with Mariupol in Southern Ukraine in the Kherson area following requests from CoST trained monitors.

Figure 4: Examples of improving the quality of roads in Ukraine

Global influence

CoST Ukraine also organised the 2nd World Road's Association (PIARC) International Conference on road sector management and anti-corruption with the support of the Ministry of Infrastructure and Kyiv City administration. The event help to promoted international good governance to the Ukraine public and private sector. CoST Ukraine was also able to support the PIARC committee on transport administration and include the CoST Infrastructure Data Standard in its guidance. Its experience was also shared at events organised by the Open Government Partnership, the European Investment Bank, the World Bank and OECD.

Lessons

This impact story is written following Russia's illegal war that has created a grave humanitarian crisis with millions of people in desperate need. Immediate post-conflict reconstruction is likely to focus on restoring essential services[1] and it will require the rapid deployment of significant resources. It is widely recognised that corruption is endemic in post-conflict societies[2] and investments in support of Ukraine's post war reconstruction will be at serious risk of corruption, mismanagement, and inefficiency. There are five lessons that we can draw from the CoST Ukraine experience that will help to reduce these risks.

- **Multi-Stakeholder working can help to build local ownership and trust between the stakeholders following a political crisis.**

- **Digital technology allows for transparency of infrastructure investments at scale creating a large body of evidence that can be analysed in real time, highlighting potential red flags for mismanagement, inefficiency and corruption.**

- **Assurance as an independent third-party review of an infrastructure project can help to highlight weaknesses in governance and recommend potential improvements practices and procedures to deliver reconstruction.**

- **Data turned into information through an independent review by professional team including civil engineers can be a catalyst for reforms that enhance sector performance.**

- **Providing citizens with the tools to monitor infrastructure projects can help to overcome some of these gaps in capacity and potentially be a preventative measure against poor construction.**

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1   Lessons Learnt Session: *Infrastructure investment in FCAS*, ICED Facility 2017
2   *Good Practice in Post-Conflict Reconstruction*, K4D, 2018