

**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 Ukravtodor 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                                                                                                                                                                     | Ukravtodor, Automobile Road Service of Poltava              | *.xls<br>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                | Ukravtodor                                                  | *.doc,<br>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)                                                                                                                 | Ukravtodor                                                  | *.doc,<br>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>                                                                                                                                    | Ukravtodor                                                  | A4,<br>12 p.                       |                                                         | as of 30/10/2012 |
| 2.5  | <i>Contract agreement under the contract 2.1</i>                                                                                                                                                  | Ukravtodor                                                  | A4,<br>4 p.                        |                                                         | as of 04/01/2013 |
| 2.6  | <i>Contract agreement under the contract 2.2</i>                                                                                                                                                  | Ukravtodor                                                  | A4,<br>4 p.                        |                                                         | as of 04/01/2013 |
| 2.7  | Notice on contract award M-03 Kyiv—Kharkiv—Dovzhanskyi m/r Overhaul: 2.1~2.6 section                                                                                                              | Ukravtodor                                                  | *.doc,<br>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 | Ukravtodor, Automobile Road Service of Poltava, Ukrdiprodor | *.doc,<br>*.pdf, *.jpg<br>≈ 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               | Ukravtodor, Automobile Road Service of Poltava, Ukrdiprodor | *.doc,<br>*.pdf, *.jpg<br>≈ 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>                                                                                                                                              | Ukrdorinvest                                                | *.doc,<br>1 p.                     |                                                         | as of 15/07/2016 |

| Code | 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<br/>1 sheets</i>                           |                                                         | <i>as of<br/>15/04/2016</i>             |
| 2.12 | <i>Tender documentation in three parts with amendments and additions</i>                                                                     | <i>Ukravtodor,<br/>Ukrdorinvest,<br/>Ukrdiprodor</i> | <i>*.doc, *.pdf,<br/>*.xls<br/>over 1000<br/>p.</i> |                                                         | <i>as of<br/>November<br/>2012</i>      |
| 2.13 | <i>Resolution on amendments to the contract (18 pcs)</i>                                                                                     | <i>Ukravtodor</i>                                    | <i>*.pdf,<br/>≈ 36 p.</i>                           |                                                         | <i>as of<br/>December<br/>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,<br/>92 p.</i>                             |                                                         | <i>No. 31,<br/>as of<br/>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,<br/>265 p.</i>                            |                                                         | <i>No. 37,<br/>as of<br/>30/06/2016</i> |
| 2.16 | <i>Payment volume sheet No. 1 (contract 2.1)</i>                                                                                             | <i>Ukrdorinvest</i>                                  | <i>A4,<br/>1 p.</i>                                 |                                                         | <i>as of<br/>30/06/2016</i>             |
| 2.17 | <i>Payment volume sheet No. 1 (contract 2.2)</i>                                                                                             | <i>Ukrdorinvest</i>                                  | <i>A4,<br/>1 p.</i>                                 |                                                         | <i>as of<br/>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/oK3EpF">http://goo.gl/oK3EpF</a> | as of<br>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<br>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<br>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<br>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/zBERyD">http://goo.gl/zBERyD</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<br>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<br>Contract 2.2 — UAH 51,604,951.32                                       | 3.4                      |
|                           | Increase to contract duration                    | Contract 2.1 — 674 days<br>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%<br>Contract 2.2 — 81%                                                                 | 4.17                     |
|                           | Actually executed works                          | Contract 2.1 — 72%<br>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 –<br>km 323 +000 | 22.450 |  |  |
|  | 2.6 | km 329 +050 –<br>km 336 +873 | 4.200  |  |  |

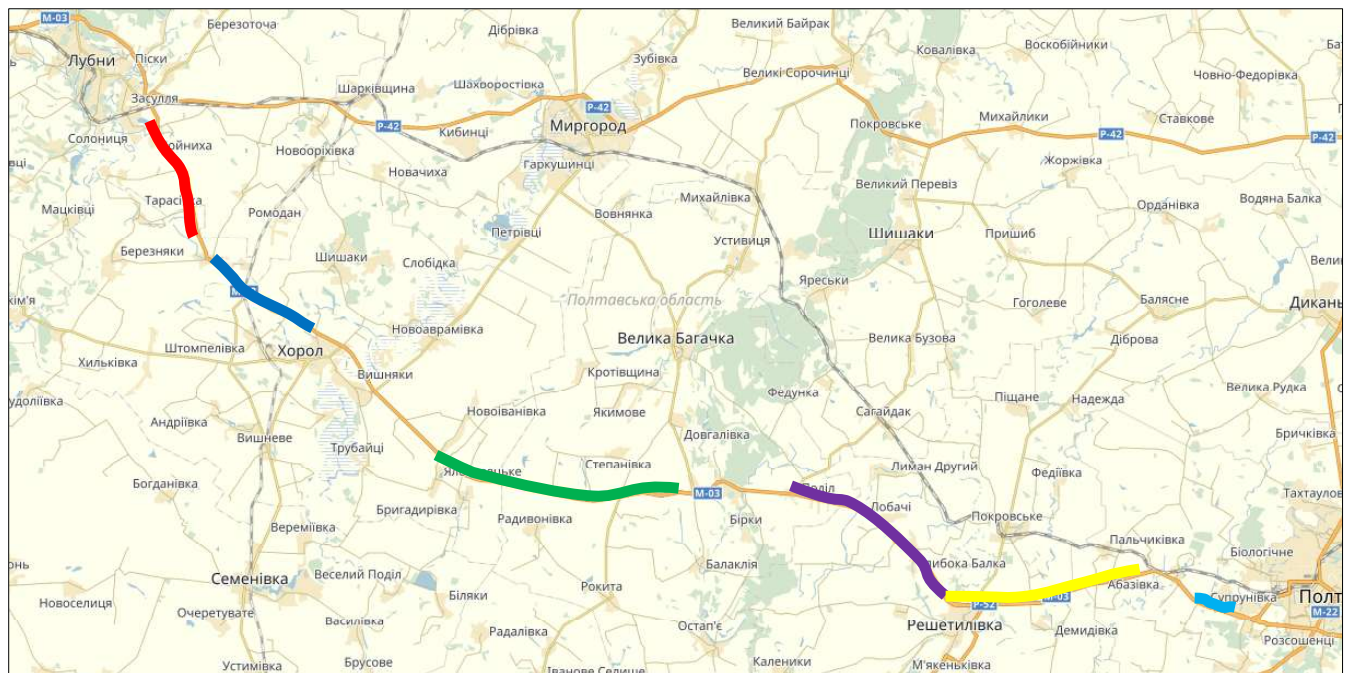
Reconstruction sections are located at Lubny, Khorolsk, Velykobagachansk, Reshetyliv and Poltava regions of Poltava Oblast territory (fig. 3.1.1).

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 4 – km 282+000 – km 300+550;
- Lot 2 – km 228+000 – km 239+317;      ■ Lot 5 – km 300+550 – km 323+000;
- Lot 3 – km 258+000 – km 275+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<br>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<br>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<br>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<br>3 structures according to additional projects                                                                                                                                                                                                                                                                                                                                                                                                                          |                                    |
| Total with respect to M-03 project |         | <b>50 structures according to project documentation, of which:</b><br>r/c pipes – 26 it.<br>metal corrugated pipe – 12 it.<br>overground pedestrian crossing – 2 it.<br>underground pedestrian crossing – 2 it.<br>cattle crossings – 3 it.<br>bridges – 4 it.<br>flyovers – 1 it.<br><b>17 structures according to additional projects, of which:</b><br>r/c pipes – 1 it.<br>overground pedestrian crossing – 6 it.<br>underground pedestrian crossing – 3 it.<br>cattle crossings – 5 it.<br>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<br>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 –<br>Additional cost – General items                                                                                                                                                                                                                        | 13,718,382.90        | 254                     | Delay in VAT part payment                      |
| Contract 2.2                                                        |                                                                                                                                                                                                                                                                                       |                      |                         |                                                |
| C2.2-1                                                              | Extension of time periods –<br>Additional cost – General items                                                                                                                                                                                                                        | 5,117,729.70         | 96                      | Delay in VAT part payment                      |
| C2.2-2                                                              | Extension of time periods –<br>Additional cost – General items                                                                                                                                                                                                                        | 8,077,609.94         | 181                     | Delay in VAT part payment                      |
| C2.2-3                                                              | Extension of time periods –<br>Additional cost – General items                                                                                                                                                                                                                        | 2,430,970.73         | 62                      | Delay in VAT part payment                      |
| C2.2-4<br>C2.2-5<br>C2.2-6<br>C2.2-7<br>C2.2-8<br>C2.2-9<br>C2.2-11 | Extension of time periods –<br>Additional cost – General items<br>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<br>Additional works. |
| C2.2-14                                                             | Extension of time periods –<br>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<br>Metrostav a.s. and<br>Doprostav a.s.                                       | The Czech Republic<br>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<br>PJSC Pivdenshliakhbud<br>Avtomagistral-Pivden LLC and<br>Avtomagistral LLC | Ukraine<br>Ukraine<br>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  |

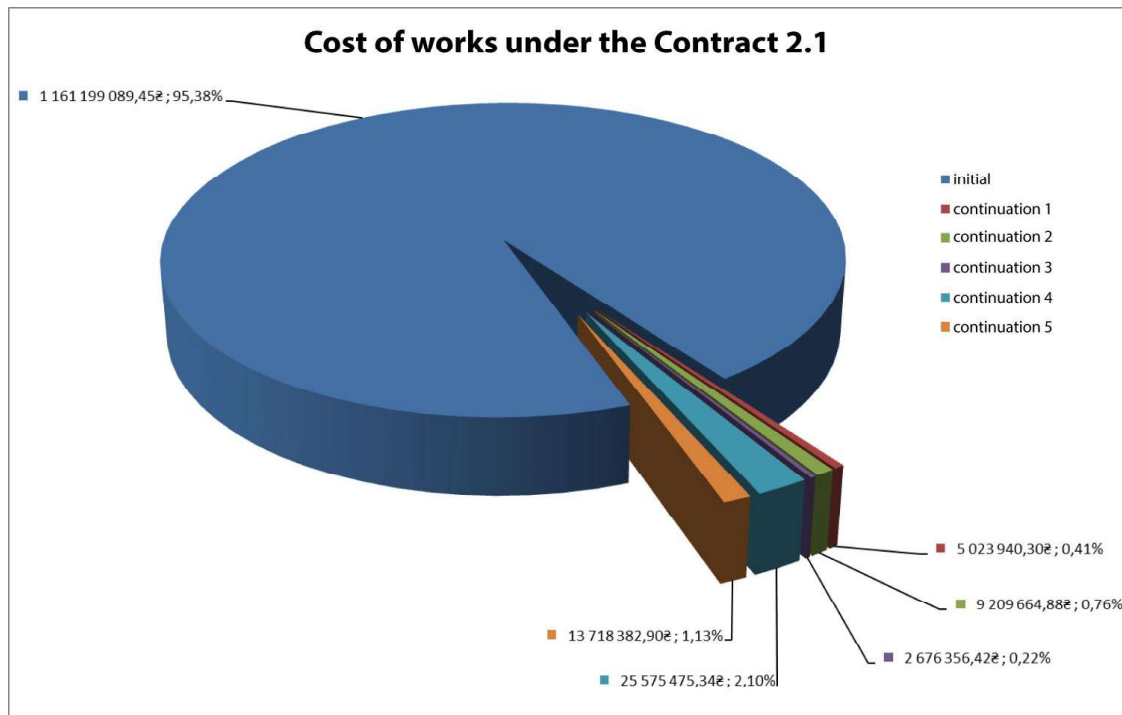
**Table 3.4.3 – Contract 2.1 work cost increase**

| 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,<br>2.2,<br>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>    |
|          |                     |                               |                             |                             |                             |                             |                             | <b>1,195,489,627.31</b> |

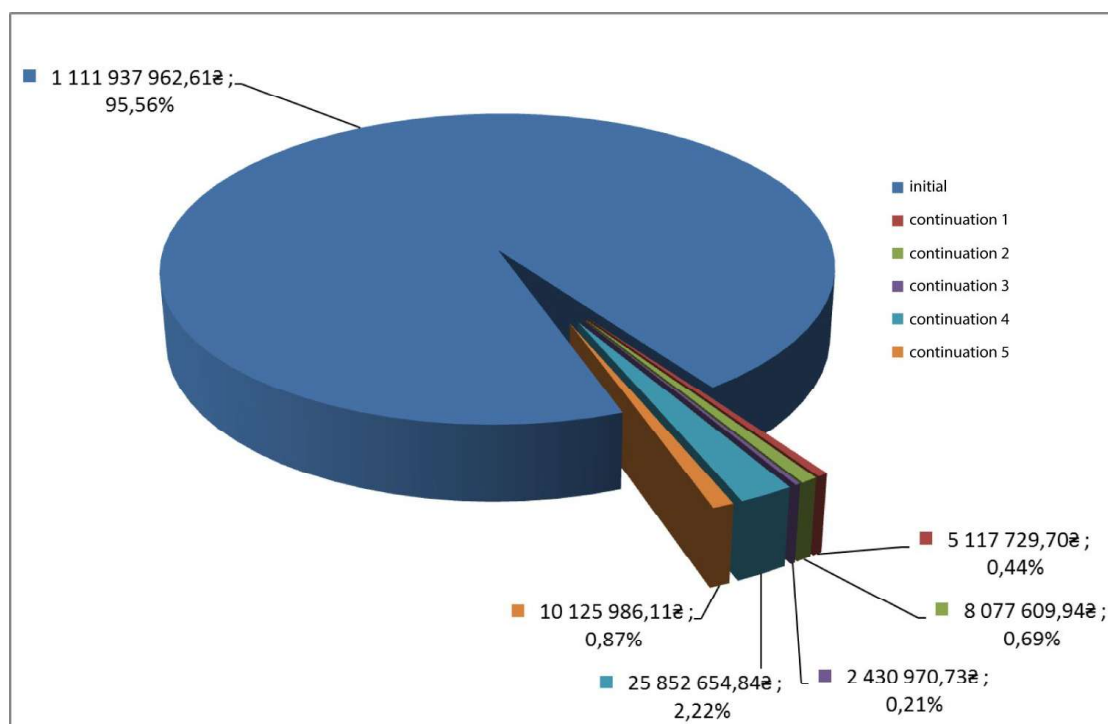
**Table 3.4.4 – M-03 Project work cost increase under the contract 2.2**

| 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 | 1,111,937,962.61                        | 5,117,729.70                | 8,077,609.94                | 2,430,970.73                | 25,852,654.84               | 10,125,986.11               | 51,604,951.32 |
|          |               |                                         |                             |                             |                             |                             |                             |               |

**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  |
| Maximum value |                 |                    |                 |                 |            | 47              | 49              | 343 |
| Minimum value |                 |                    |                 |                 |            | -103            | -98             | -46 |

**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 |
| Maximum value |                 |                    |                 |                 |            | 48              | 53              | 327 |
| Minimum value |                 |                    |                 |                 |            | -63             | -44             | -43 |

### 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.

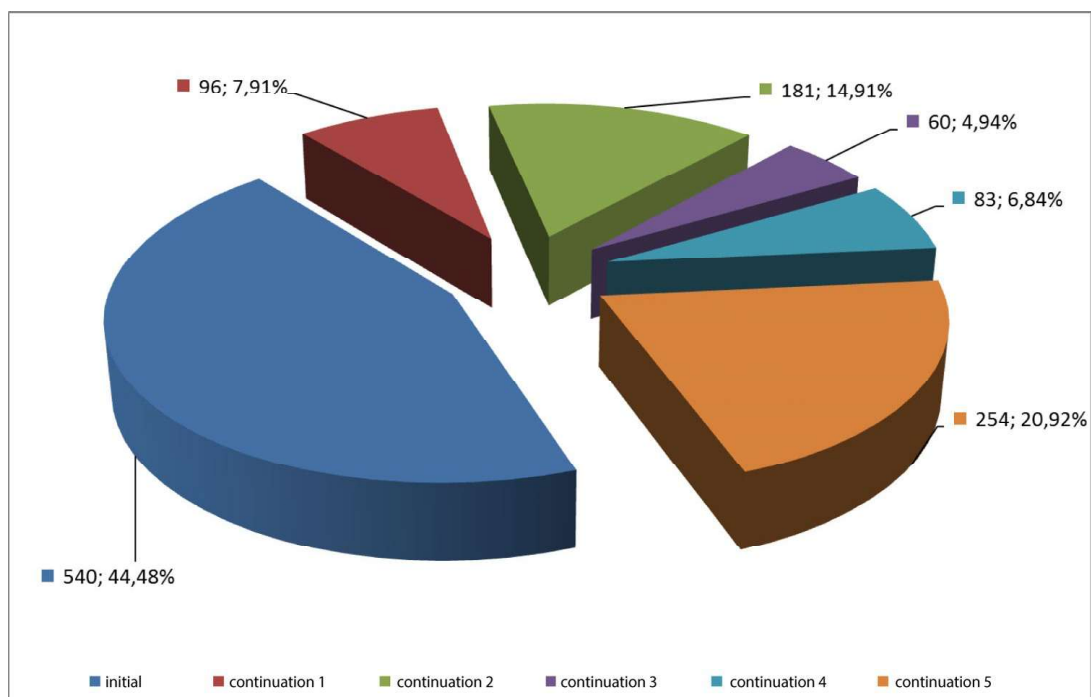
Supervision of the construction is performed by engineering consultants (see conclusions to section 4.10).

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**

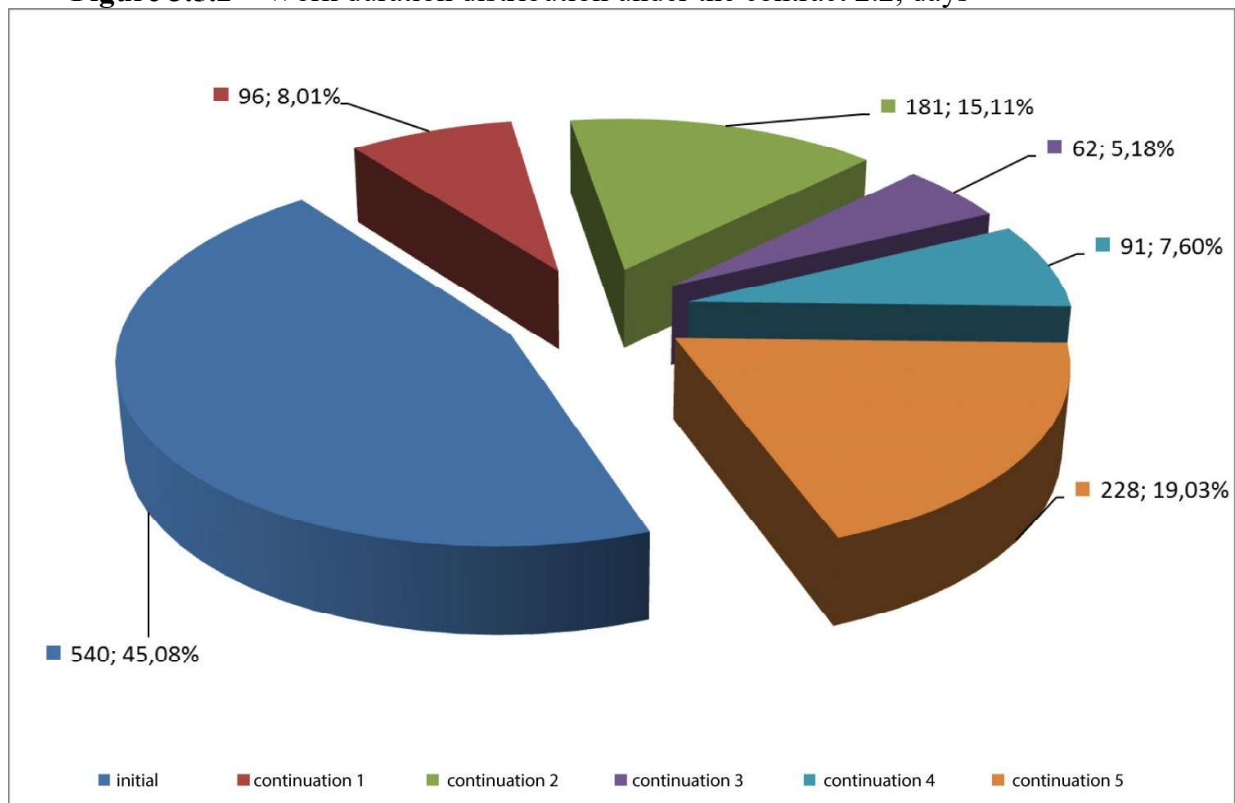
| Contract | Lots                | Under the contract conditions (initial) |            | As of                          |                                |                                |                                |                                | TOTAL                      |
|----------|---------------------|-----------------------------------------|------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
|          |                     |                                         |            | Continuation 1<br>(29/09/2014) | Continuation 2<br>(11/03/2015) | Continuation 3<br>(20/08/2015) | Continuation 4<br>(16/09/2015) | Continuation 5<br>(01/12/2015) |                            |
| 2.1      | 2.1,<br>2.2,<br>2.3 | Duration                                |            |                                |                                |                                |                                | 254                            | <b>+674</b>                |
|          |                     | Deadline                                | 26/09/2014 | till<br>31/12/2014             | till<br>30/06/2015             | till<br>29/08/2015             | till<br>20/11/2015             | till<br>31/07/2016             | <b>till<br/>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<br>(09/09/2014) | Continuation 2<br>(11/12/2014) | Continuation 3<br>(21/08/2015) | Continuation 4<br>(16/09/2015) | Continuation 5<br>(11/12/2015) |                            |
| 2.2      | 2.4,<br>2.5,<br>2.6 | Duration                                |            |                                |                                |                                |                                | +228                           | <b>+658</b>                |
|          |                     | Deadline                                | 26/09/2014 | till<br>31/12/2014             | till<br>30/06/2015             | till<br>31/08/2015             | till<br>30/11/2015             | till<br>15/07/2016             | <b>till<br/>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<br>Kyiv - Kharkiv - Dovzhansky at Lubny - Poltava<br>section, km 210+000 – 300+550; 300+550 –<br>323+000; 329+050 – 333+250 | 3 – updated<br>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<br>Conclusion 4.2.1 |
| Subordination                                     | The Ministry of Economics of Ukraine                                                                                                                                                 | 1 – confirmed                     |
| Central<br>administration’s<br>EDPNOU             | 3747062                                                                                                                                                                              | 2 – confirmed<br>Conclusion 4.2.2 |
| Project initiation<br>decision number and<br>date | The Second Loan Agreement between Ukraine and<br>the World Bank “Second Roads and Safety<br>Improvement Project” dated October 11, 2012<br>(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<br>(reference to the<br>programme) | State Target Economic Programme on general-<br>purpose motor roads development for 2013~2018<br>approved by the Ordinance of the Cabinet of<br>Ministers of Ukraine dated July 11, 2013 No. 696.             | 2 – rejected<br>Conclusion 4.3 |
| Project description                                | Transfer of motor road from II to 1-b technical<br>category. Refurbishment or upgrade of motor roads<br>and engineering structures transport performance or<br>reduction of geometrics and specifications of | 1 – confirmed                  |

|  |                                                                                                                      |  |
|--|----------------------------------------------------------------------------------------------------------------------|--|
|  | individual elements, taking into account traffic flow and axial loadings increase, to valid regulatory requirements. |  |
|--|----------------------------------------------------------------------------------------------------------------------|--|

**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<br>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<br>Conclusion 4.4.2 |
| Price (forecast)                                                    | Contract 2.1 — UAH 1,161,199,089.44<br>Contract 2.2 — UAH 1,111,937,962.61                                                                                                                              | 1 – confirmed                    |
| Project status (current) regarding progress schedule                | According to schedule                                                                                                                                                                                   | 2 – rejected<br>Conclusion 4.4.3 |
| Project status (current) regarding expired costs                    | Contract 2.1 — 85.5%<br>Contract 2.2 — 81%                                                                                                                                                              | 1 – confirmed                    |
| Completion date (forecast for current date)                         | 20/07/2016 0:00:00                                                                                                                                                                                      | 2 – rejected<br>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<br>Conclusion 4.4.4  |
| Ground and population impact                                        |                                                                                                                                                                                                         | 3 – updated<br>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<br>Conclusion 4.5.1   |
| Local budget funding sum, UAH                   |                 | 1 – confirmed                     |
| Loans from international financial institutions | USD 450,000,000 | 1 – confirmed<br>Conclusion 4.5.2 |
| Funding sum: other sources                      |                 | 3 – updated<br>Conclusion 4.5.1   |
| Currency code                                   | USD             | 1 – confirmed                     |
| Funding sum in currency                         | 450 mln         | 1 – confirmed<br>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 |
| TOTAL                                                                                                                                   |                              |                                                 | 3669.96                     | 1641.18        | 2028.78 |

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)<br>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<br>Conclusion 4.8 |
| Last issue date   |                                                                                                                                                                                                                                                                                                                                                                                      | 4 – not available<br>Conclusion 4.8 |
| Issue place       |                                                                                                                                                                                                                                                                                                                                                                                      | 4 – not available<br>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><br/>100 %</b> | <b><u>99,558.00</u><br/>50.00%</b> |

**Engineering consultant project supervision**

| Name              | Contents                                                                                                                                                     | Status                          |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Organization name | Contract 2.1 — IRD Engineering LLC;<br>Contract 2.2 — Egis International with Euro-Ukraine Consulting LLC                                                    | 1 – confirmed                   |
| EDPNOU            |                                                                                                                                                              | 1 – confirmed                   |
| Country           | Contract 2.1 — Italy<br>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);<br>Contract 2.2 — Egis International – 15, avenue du Centre, Guyancourt (France) | 1 – confirmed                   |
| Index             | Contract 2.1 — 00197 (Rome)<br>Contract 2.1 — CS 20538 20538 (Guyancourt)                                                                                    | 1 – confirmed                   |
| Full name         |                                                                                                                                                              | 3 – updated<br>Conclusion 4.7.1 |
| E-mail            | Contract 2.1 — irdeng@irdeng.com                                                                                                                             | 3 – updated<br>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;<br>Egis International – +33 1 39 41 57 57                                                            | 1 – confirmed                   |
| web               | IRD Engineering – <a href="http://www.irdeng.com">www.irdeng.com</a><br>Egis International – <a href="http://www.egis.fr">www.egis.fr</a> | 1 – confirmed                   |
| Reporting periods | Month                                                                                                                                     | 1 – confirmed                   |
| Last issue date   |                                                                                                                                           | 3 – updated<br>Conclusion 4.7.2 |
| Issue place       |                                                                                                                                           | 3 – updated<br>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;<br>Contract 2.2 — till 15/07/2016;         | 1 – confirmed |
| Contract price                        | Contract 2.1 — UAH 1,161,199,089.44<br>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<br>Conclusion 4.16.2 |
| Last contract amendments date            |                                                                                                                                                                                                                                                                                                                                                               | 2 – rejected<br>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<br>Conclusion 4.5.3 |
| Project status (current) regarding expired costs     | Contract 2.1 — 85.5%<br>Contract 2.2 — 81%                     | 1 – confirmed                     |
| Actually paid sum under the Contracts                | Contract 2.1 — 875,568,960.46<br>Contract 2.2 — 792,235,857.32 | 1 – confirmed<br>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<br>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<br>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<br>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;<br>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,<br>Rome (Italy);<br>Egis International – 15, avenue du Centre,<br>Guyancourt (France) | 1 – confirmed |

| Name      | Contents                                                                                                                                  | Status                         |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Index     | 00197 (Rome)<br>CS 20538 (Guyancourt)                                                                                                     | 1 – confirmed                  |
| Full name |                                                                                                                                           | 3 – updated<br>Conclusion 4.12 |
| E-mail    | <a href="mailto:irdeng@irdeng.com">irdeng@irdeng.com</a>                                                                                  | 3 – updated<br>Conclusion 4.12 |
| telephone | IRD Engineering – +39 06 976 11 271;<br>Egis International – +33 1 39 41 40 00                                                            | 1 – confirmed                  |
| fax       | IRD Engineering – +39 06 976 11 268;<br>Egis International – +33 1 39 41 57 57                                                            | 1 – confirmed                  |
| web       | IRD Engineering – <a href="http://www.irdeng.com">www.irdeng.com</a><br>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;<br>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,<br>km 210+000 – km 333+250 | 1 – confirmed                   |
| Last contract amendments                 |                                                                      | 2 – rejected<br>Conclusion 4.13 |
| Last contract amendments date            |                                                                      | 2 – rejected<br>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<br>Conclusions 4.5.3 and 4.14 |
| Project status (current) regarding expired costs     |            | 3 – updated<br>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><br><b>100 %</b> | <b><u>19,391,486.90</u></b><br><b>99.59%</b> |

### Project documentation – information on competition

| Name                                                                   | Contents                                                              | Status                                |
|------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------|
| Competition announcement date                                          | 13/06/2011                                                            | 1 – confirmed                         |
| Competition announcement No.                                           | 088178 (BUD)                                                          | 4 – not available<br>Conclusion 5.2.1 |
| Publication place of competition announcement                          | SPR No. 70(516)                                                       | 4 – not available<br>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<br>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<br>Conclusion 5.2.2      |
| Date                                                                   | 05/09/2011                                                            | 2 – rejected<br>Conclusion 5.2.2      |
| Issue place                                                            | No publication available                                              | 2 – rejected<br>Conclusion 5.2.2      |
| Issue date                                                             | No publication available                                              | 2 – rejected<br>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)<br>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<br>Conclusion 5.4 |
| Currency                                 | UAH                                                                                                                                                                                                                  | 1 – confirmed                       |
| Contract subject                         | Development of design and estimate documentation                                                                                                                                                                     | 4 – not available<br>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<br>Conclusion 5.4 |
| Contract execution place                 | Kyiv, Ukrdiprodor State Enterprise                                                                                                                                                                                   | 1 – confirmed                       |
| Last contract amendments                 |                                                                                                                                                                                                                      | 4 – not available<br>Conclusion 5.4 |
| Last contract amendments date            |                                                                                                                                                                                                                      | 4 – not available<br>Conclusion 5.4 |

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

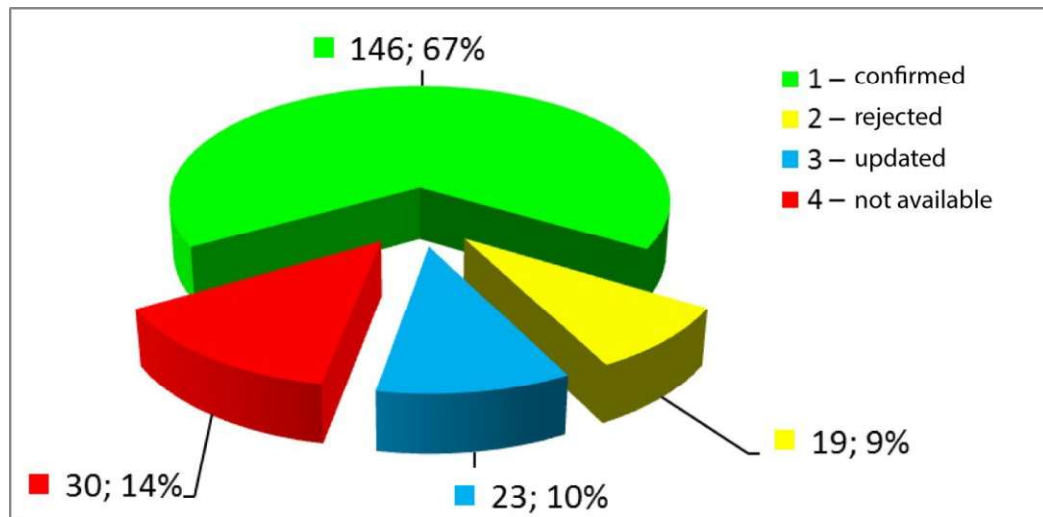
**Project documentation – contract execution**

| Name                                                 | Contents              | Status                          |
|------------------------------------------------------|-----------------------|---------------------------------|
| Work initiation date                                 | 28/07/2010            | 1 – confirmed<br>Conclusion 5.5 |
| Project status (current) regarding progress schedule | According to schedule | 1 – confirmed<br>Conclusion 5.5 |
| Project status (current) regarding expired costs     | 100                   | 3 – updated<br>Conclusion 5.5   |
| Actually paid sum under the Contracts                | 19,470,765            | 3 – updated<br>Conclusion 5.5   |
| Final cost on contract works                         | 19,470,765            | 3 – updated<br>Conclusion 5.5   |
| Actual terms of contract work completion             | 2013                  | 1 – confirmed<br>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 | 432,486,708.59 | 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 | 537,352,056.27 | 443,109,549.23 |
| 2.3 |                                                         |                |                | 509,238,677.94 |                |                | 626,596,383.65 | 644,567,186.73 | 546,269,056.65 |
| 2.4 |                                                         |                | 523,855,946.10 | 499,407,392.40 |                |                | 579,828,878.16 | 709,333,803.62 | 569,487,191.06 |
| 2.5 |                                                         |                | 507,374,006.20 | 496,794,807.33 |                |                | 591,361,377.83 | 672,497,540.18 | 594,678,911.68 |
| 2.6 |                                                         |                |                | 164,969,558.38 |                |                | 133,097,267.65 | 163,341,842.68 | 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 | 352,072,257.16 | 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 | 439,460,046.89 | 360,924,624.36 |
| 2.3 |                                                         |                |                | 416,032,231.62 |                |                | 522,163,653.04 | 528,805,988.94 | 446,890,880.54 |
| 2.4 |                                                         |                | 428,213,288.42 | 407,839,493.67 |                |                | 483,190,731.80 | 582,778,169.68 | 466,239,325.88 |
| 2.5 |                                                         |                | 414,478,338.50 | 405,662,339.44 |                |                | 492,801,148.19 | 552,081,283.48 | 487,232,426.40 |
| 2.6 |                                                         |                |                | 129,141,298.65 |                |                | 110,914,389.71 | 127,784,868.90 | 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 Pivdenshliakhbud, 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.

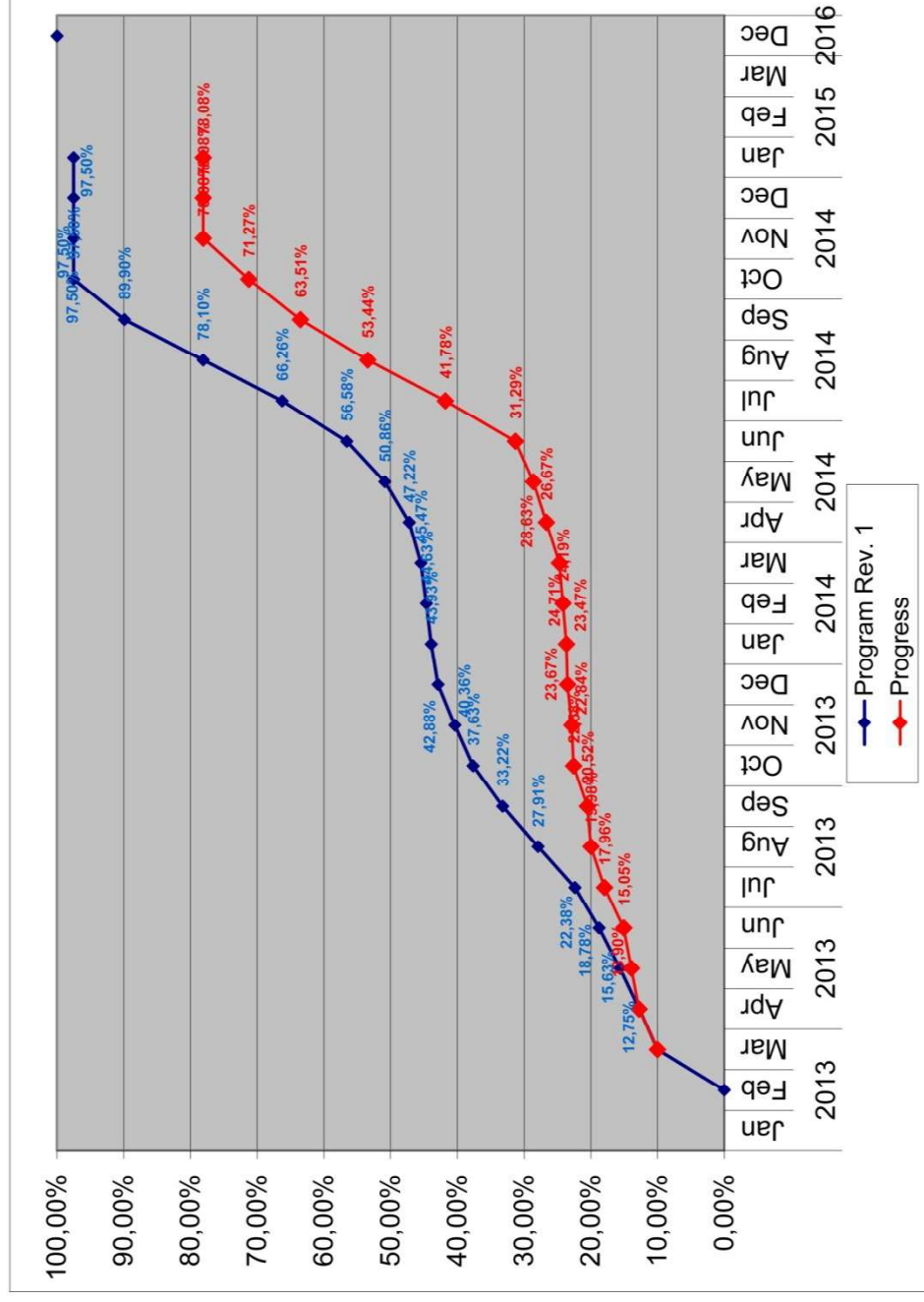
It should be noted that the complex discount on the entire scope of work for the 6 lots was offered only by Todini Costruzioni Generali S.p.A (28.6%) and ONUR Taahhut Tasimacilik (1.5%). Thus, despite the initially disclosure of the greatest cost, the proposition of Todini Costruzioni Generali S.p.A 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<br>28.6% discount | 9<br>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   |                |          |              |
|      | Feb   | 0,00%          |          |              |
|      | Mar   | 10,00%         | 10,00%   |              |
| 2013 | Apr   | 12,75%         | 12,79%   | 4,81%        |
|      | 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%       |
|      | Sep   | 33,22%         | 20,52%   | 33,15%       |
| 2013 | Oct   | 37,63%         | 22,58%   | 38,89%       |
|      | Nov   | 40,36%         | 22,84%   | 44,44%       |
|      | Dec   | 42,88%         | 23,47%   | 50,18%       |
| 2014 | Jan   | 43,93%         | 23,67%   | 55,93%       |
|      | Feb   | 44,63%         | 24,19%   | 61,11%       |
|      | Mar   | 45,47%         | 24,71%   | 66,85%       |
| 2014 | Apr   | 47,22%         | 26,67%   | 72,41%       |
|      | 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%       |
|      | Sep   | 89,90%         | 63,51%   | 100,00%      |
| 2014 | Oct   | 97,50%         | 71,27%   | 100,00%      |
|      | Nov   | 97,50%         | 78,08%   | 100,00%      |
|      | Dec   | 97,50%         | 78,08%   | 100,00%      |
| 2015 | Jan   | 97,50%         | 78,08%   | 100,00%      |
|      | Feb   |                |          |              |
|      | Mar   |                |          |              |
| 2016 | Dec   | 100,00%        |          |              |



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.

[illegible]

**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<br>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<br>(Lots 2.1~2.3) | Contract 2.1<br>(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<br>(Lots 2.1~2.3) | Contract 2.1<br>(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<br>(Lots 2.1~2.3) | Contract 2.1<br>(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<br>(Lots 2.1~2.3) | Contract 2.1<br>(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;<br>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.

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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<br>Leonid Rybitdkiy                                                                                                                                                                                                                                    |                                                                  | TODINI, contracts<br>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                     |                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                    |    |                                 |     |                                                                                                                                                                                                                                                                       |                                                                  |                                                                                                                                                                                                               |  |              |  |

|                                                       |                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  |                               |  |              |  |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------|--|-------------------------------|--|--------------|--|
| CoST Ukraine: Supervision and verification site visit |                                                                                                                | Visit details: 20/07/2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  | Andriy Vozniuk<br>Leonid Rybitdkiy |  | TODINI, contracts 2.1 and 2.2 |  | Letter No. 1 |  |
|                                                       |                                                                                                                | 1. This form is intended for record on actual observations made during site visit. Please use back part of this<br>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.<br>3. Show respect and co-operate with the Contractor, who bears responsibility for construction site safety and does not bear responsibility to make |  |                                    |  |                               |  |              |  |
| Traffic safety                                        | Is traffic organizational scheme available for the period of construction, repairs?                            | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Does traffic organizational scheme for the period of work execution look planned and managed?                  | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Are instructions from the Owner considering infringement of traffic organizational scheme available? How many? |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  | +                             |  |              |  |
|                                                       | Are safety/health means available?                                                                             | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Are safety/health means being used?                                                                            | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Is traffic management available?                                                                               | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Are risks of weather effects on cement being regulated?                                                        | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Are risks of elevated jobs being regulated?                                                                    | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Is personnel transportation safe?                                                                              | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | OTHER COMMENTS/GENERAL IMPRESSION                                                                              | Individual technical means of traffic organization are damaged or destroyed due to RTA, but were not rebuilt                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |                                    |  |                               |  |              |  |
| Environmental and occupational safety                 | Is the Action plan regarding environmental safety being executed?                                              | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Are first-aid kit and instructions regarding first aid delivery during accidents available?                    | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Were workplace accidents registered within the work execution period?                                          | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Is logbook of accident victims available?                                                                      | +                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                                    |  |                               |  |              |  |
|                                                       | Is waste management available?                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  |                               |  |              |  |
|                                                       | OTHER COMMENTS/GENERAL IMPRESSION                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  |                               |  |              |  |
| OTHER                                                 | Other issue (1)                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  |                               |  |              |  |
|                                                       | Other issue (2)                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                    |  |                               |  |              |  |

## Resident Engineer Request



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, РФП 2 (Лоти 2.4 – 2.6))**

Correspondent: Peter Moore  
Chief Resident Engineer  
E-mail: [peter.moore-int@egis.fr](mailto:peter.moore-int@egis.fr)  
Our ref: Lot 2.4 - 2.6 KSON-2915

Date: July 21, 2016

Кореспондент: Пітер Мур  
Головний резидент-інженер  
E-mail: [peter.moore-int@egis.fr](mailto:peter.moore-int@egis.fr)  
Наш вих. №: Lot 2.4 - 2.6 KSON-2915

Дата: 21 липня 2016 р.

To: State Road Agency of Ukraine (UKRAVTOODOR)  
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. Troianovs'kyi – 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, 67Б  
До уваги: п. Рафаелло Біццарро  
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Copy: TODINI Costruzioni Generali S.p.A.  
346 Soborna Street, Rivne 33024  
Fax : +380 362 64 18 95

Копія: TODINI Costruzioni Generali S.p.A.  
33024 м. Рівне, вул. Соборна, 446  
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**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 Підприємця, його субпідприємної 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  
E-mail: peter.moore-int@egis.fr

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 Укрдипродор.

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.

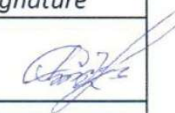
В зв'язку з вище зазначеним, і з метою правильної оцінки ситуації в подальшому, Інженер просить пояснити роль компанії COST в рамках даного Контракту, а також яку із сторін вона представляє.

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

  
3 повагою,  
Пітер Мур  
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  | Вороса Р.М.       | ДП „Чернігівродор” |    |
| 2  | Баланчук С.М.     | ДП „Чернігівродор” |    |
| 3  | Тетуха Р.О.       | ДП „Чернігівродор” |    |
| 4  | Рибичинський А.А. | ДП „Чернігівродор” |    |
| 5  | Ванюс А.Б.        | CoSt               |    |
| 6  | Садурюков А.А.    | ДП „Чернігівродор” |   |
| 7  | Сілійко Б.М.      | Егіс               |  |
| 8  | Петров П.Ф.       | Егіс               |  |
| 9  | Кієха О.          | Todini             |  |
| 10 | Жук Є.            | Todini             |  |
| 11 | Альшан Д.         | Todini             |  |
| 12 | Івроданенко К.В.  | Egis               |  |
| 13 | Слесар В.П.       | CFD                |  |
| 14 | Мозовий О.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>