

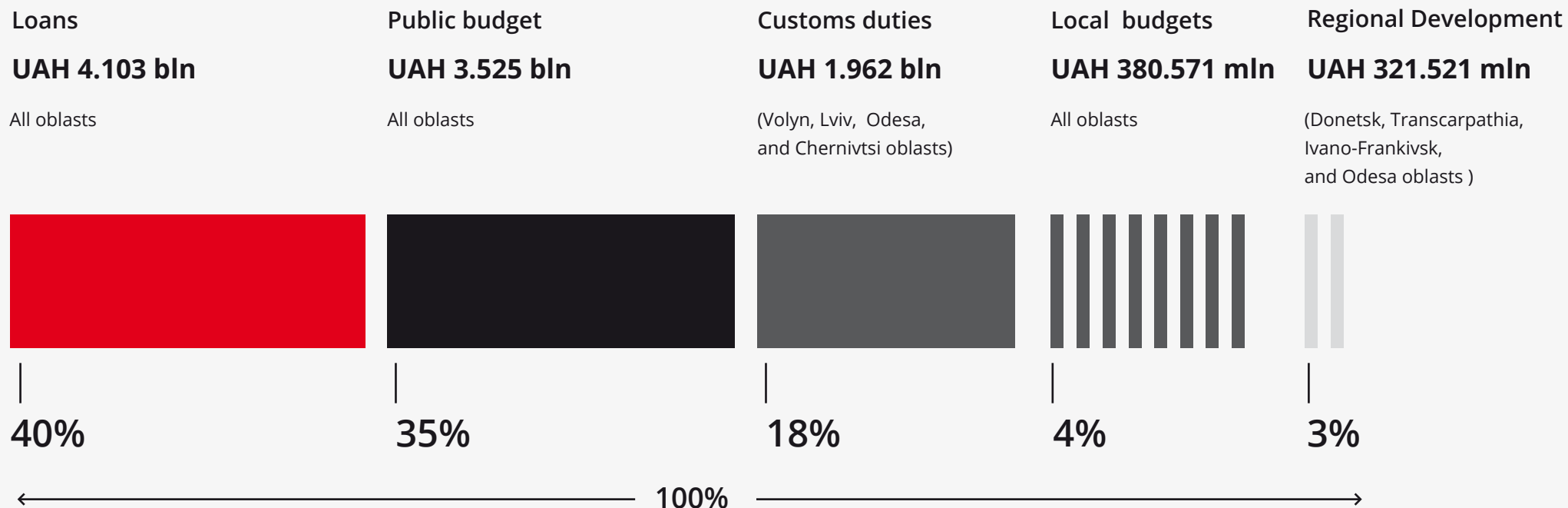
ASSURANCE REPORT PRESENTATION BY COST UKRAINE «STATE ROAD REPARATION IN 2016»

Financing of road repair in 2016

Total planned budget to finance road repair is

UAH 10.292 bln

Sources of funding:

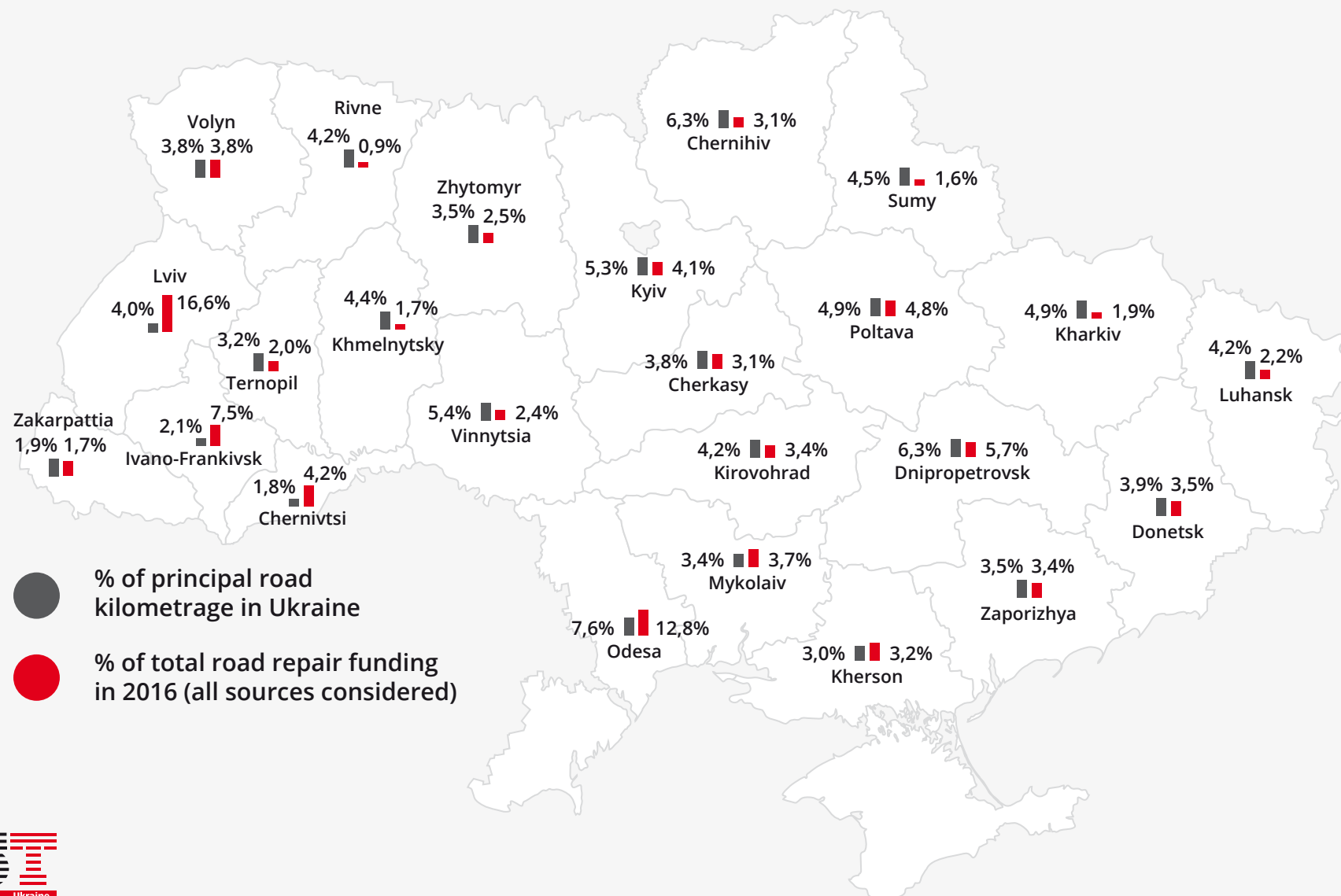


Funding broken down by oblasts

Funding is distributed between the roblasts **unevenly**

Oblast	km of principal roads	Public funding	General funding
Odesa	3561 km	€ 282.236 mln	€ 1.320 bn
Dnipropetrovsk	2990 km	€ 395.814 mln	€ 585.232 mln
Chernihiv	2961 km	€ 174.227 mln	€ 321.160 mln
Vinnytsia	2552 km	€ 85.000 mln	€ 244.682 mln
Kyiv	2484 km	€ 119.497 mln	€ 425.750 mln
Poltava	2305 km	€ 251.000 mln	€ 494.670 mln
Kharkiv	2298 km	€ 101.500 mln	€ 199.086 mln
Sumy	2106 km	€ 64.000 mln	€ 169.774 mln
Khmelnysky	2080 km	€ 104.000 mln	€ 178.609 mln
Rivne	2000 km	€ 53.600 mln	€ 91.890 mln
Kirovohrad	1996 km	€ 225.574 mln	€ 352.403 mln
Luhansk	1960 km	€ 63.200 mln	€ 228.144 mln
Lviv	1866 km	€ 252.657 mln	€ 1.703 bn
Donetsk	1848 km	€ 87.100 mln	€ 364.688 mln
Volyn	1795 km	€ 58.228 mln	€ 386.465 mln
Cherkasy	1770 km	€ 91.000 mln	€ 321.924 mln
Zhytomyr	1655 km	€ 84.027 mln	€ 260.628 mln
Zaporizhya	1628 km	€ 63.000 mln	€ 353.957 mln
Mykolaiv	1591 km	€ 100.000 mln	€ 376.979 mln
Ternopil	1485 km	€ 78.266 mln	€ 209.866 mln
Kherson	1430 km	€ 219.049 mln	€ 327.859 mln
Ivano-Frankivsk	995 km	€ 461.500 mln	€ 769.284 mln
Zakarpattia	904 km	€ 76.500 mln	€ 176.725 mln
Chernivtsi	843 km	€ 34.200 mln	€ 428.196 mln

Funding broken down by oblasts



Top 5 oblasts by financing

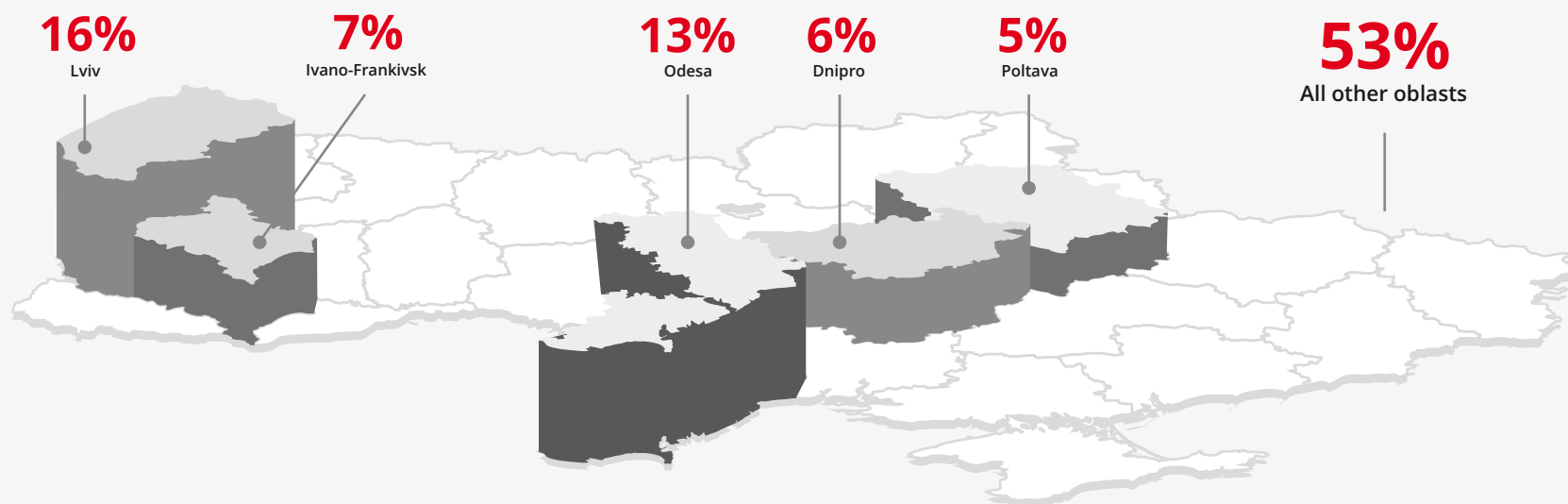


47%

UAH 4.87 bln

of total budget for financing
road repair in 2016

(including all sources and all 24 oblasts)



Comparison of funding amounts for road repair in selected oblasts:

Lviv oblast =

x19 (Rivne)

Iv.-Frankivsk oblast =

x4 (Transcarpathia)

Odesa oblast =

x4 (Chernigiv)

Dnipro oblast =

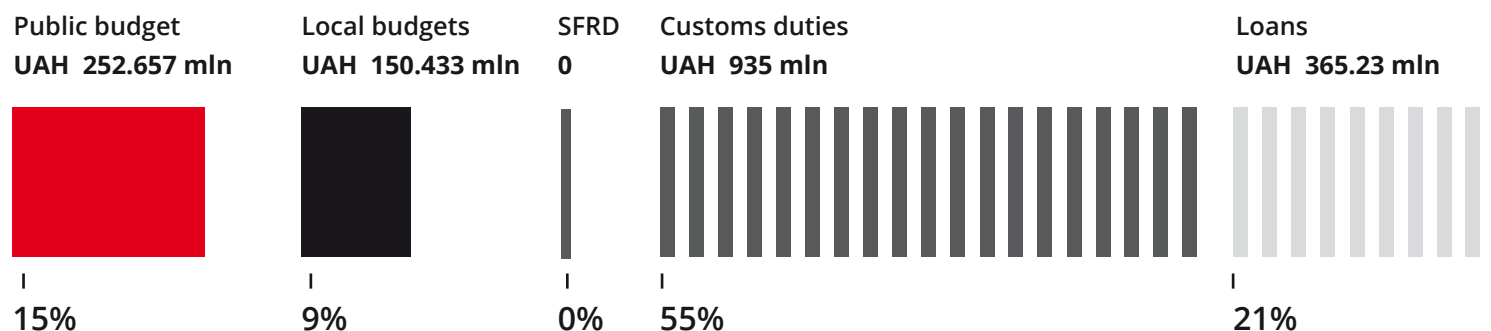
x3 (Kharkiv)

Poltava oblast =

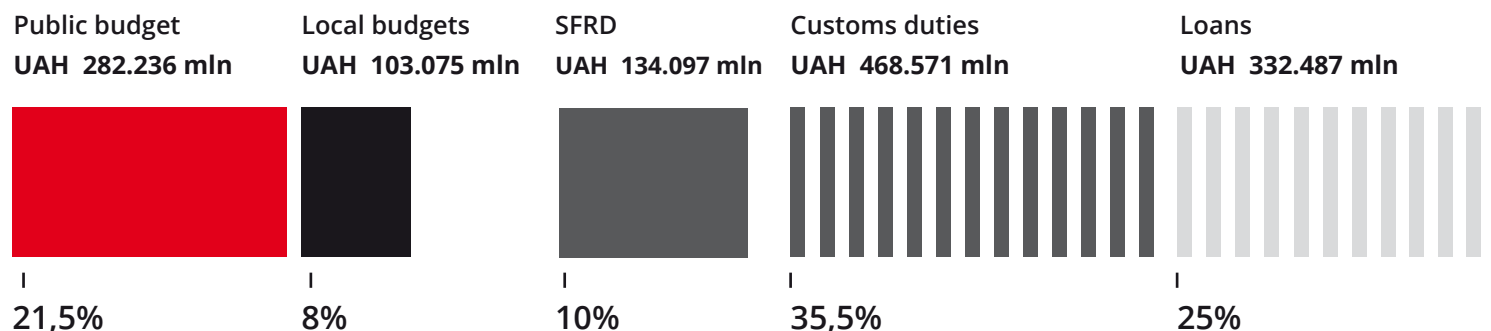
x3 (Sumy)

Sources of funding of the road repair in 2016: TOP-5 oblasts (part 1)

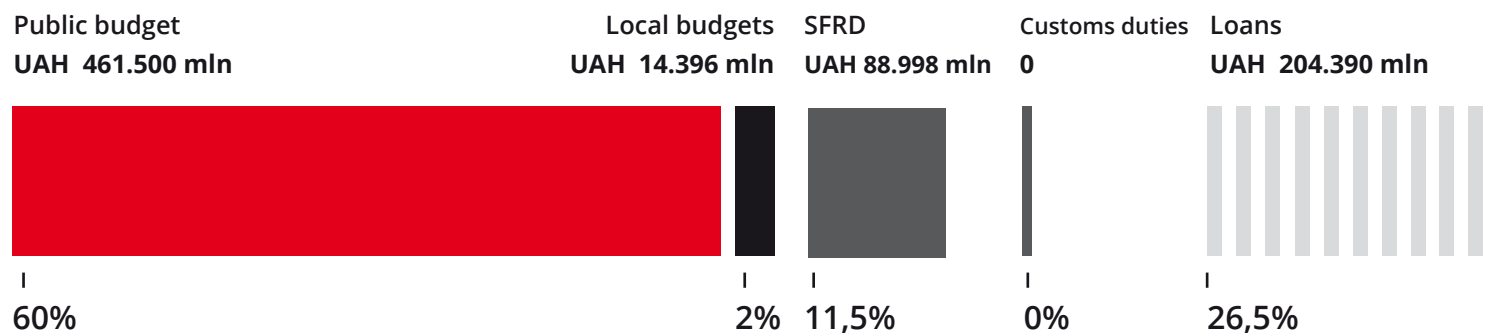
Lviv oblast (UAH 1.703 bln)



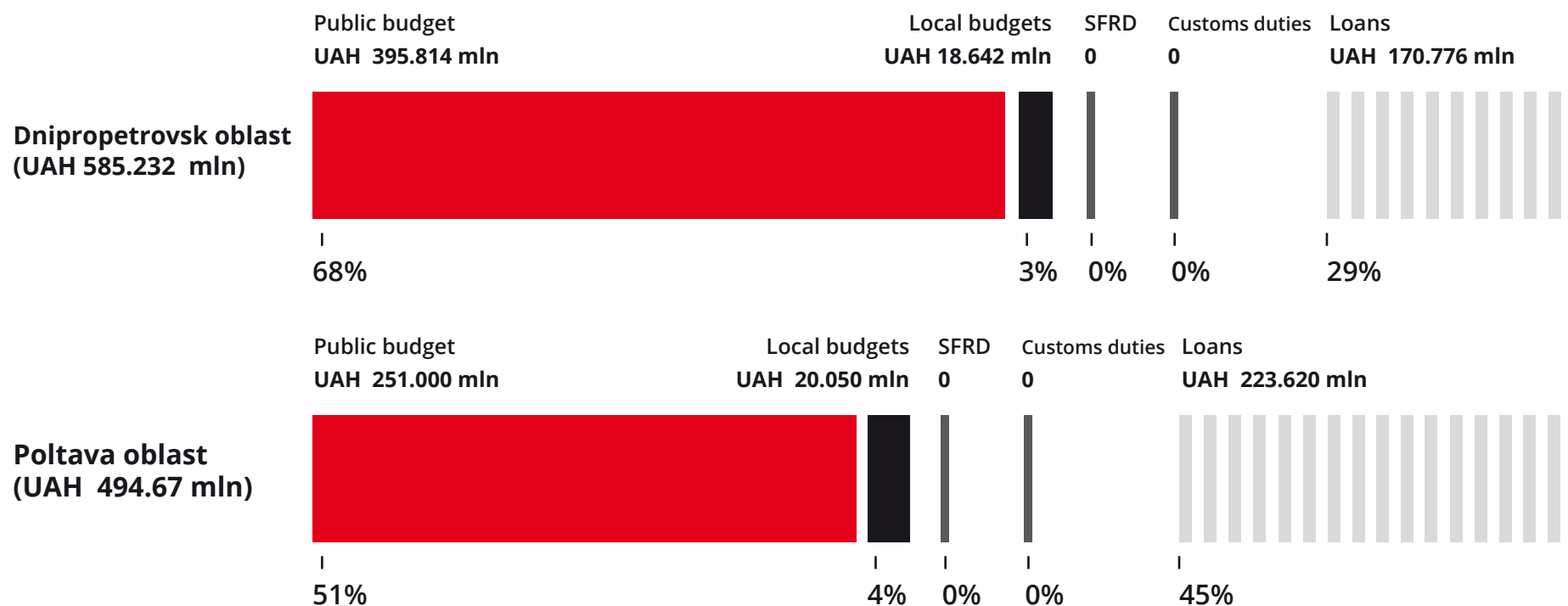
Odessa oblast (UAH 1.32 bln)



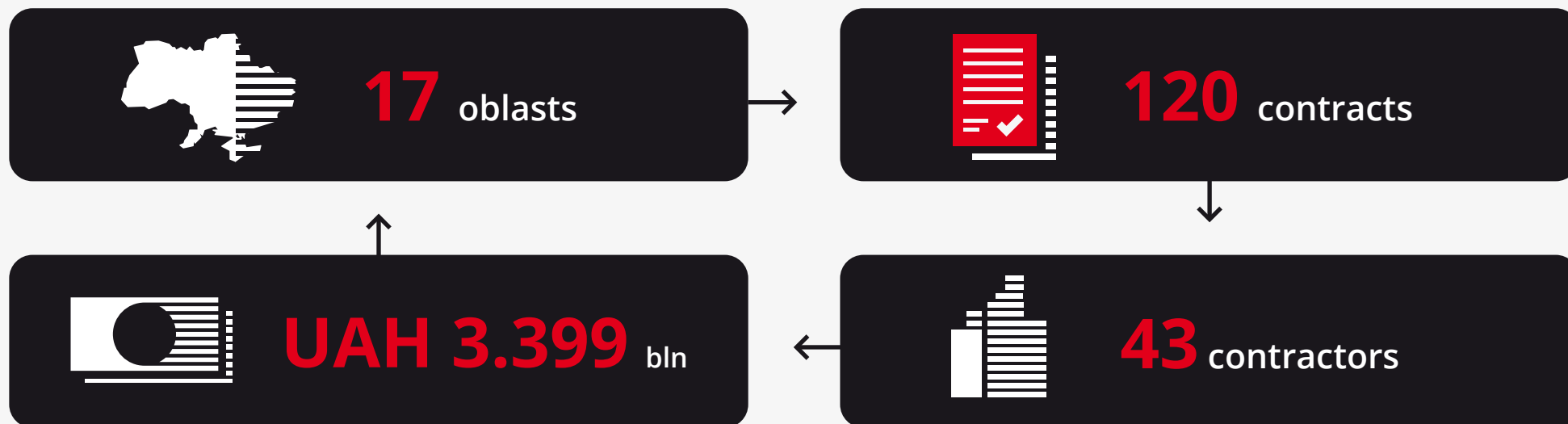
Ivano-Frankivsk oblast (UAH 769.284 mln)



Sources of funding of the road repair in 2016: TOP-5 oblasts (part 2)



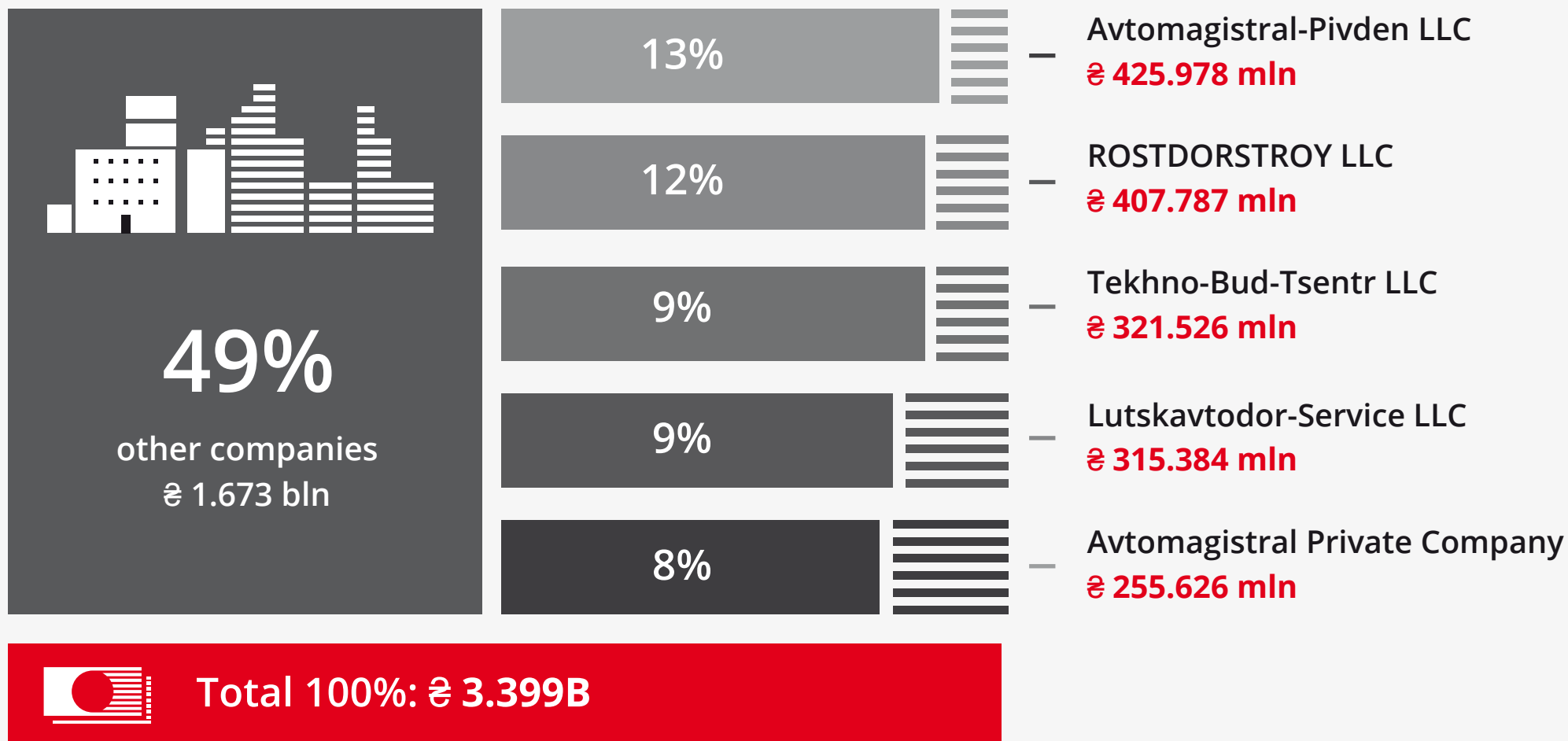
Contractors by oblasts



 **5** contractors

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

TOP 5 Contractors = 51% of total contract value



⚠ Automobile Roads of Ukraine SJSC received contracts for € 242.586 mln = 7% of total contract value.

TOP 5 CONTRACTORS: value of contracts received broken down by regions

1 Avtomagistral-Pivden LLC



Odesa Oblast (29%)*
€ 220.376 mln



Volyn Oblast (38%)*
€ 205.603 mln

2 ROSTDORSTROY LLC



Odesa Oblast (53%)*
€ 407.787 mln

3 Tekhno-Bud-Tsentr LLC



Khmelnysky Oblast (33%)*
€ 21.526 mln



Ternopil Oblast (100%)*
€ 300.000 mln

4 Lutskavtodor-Service LLC



Volyn Oblast (58%)*
€ 315.384 mln

5 Avtomagistral Private Company



Zhytomyr Oblast (100%)*
€ 189.743 mln



Vinnysia Oblast (68%)*
€ 33.356 mln



Kyiv Oblast (43%)*
€ 32.527 mln



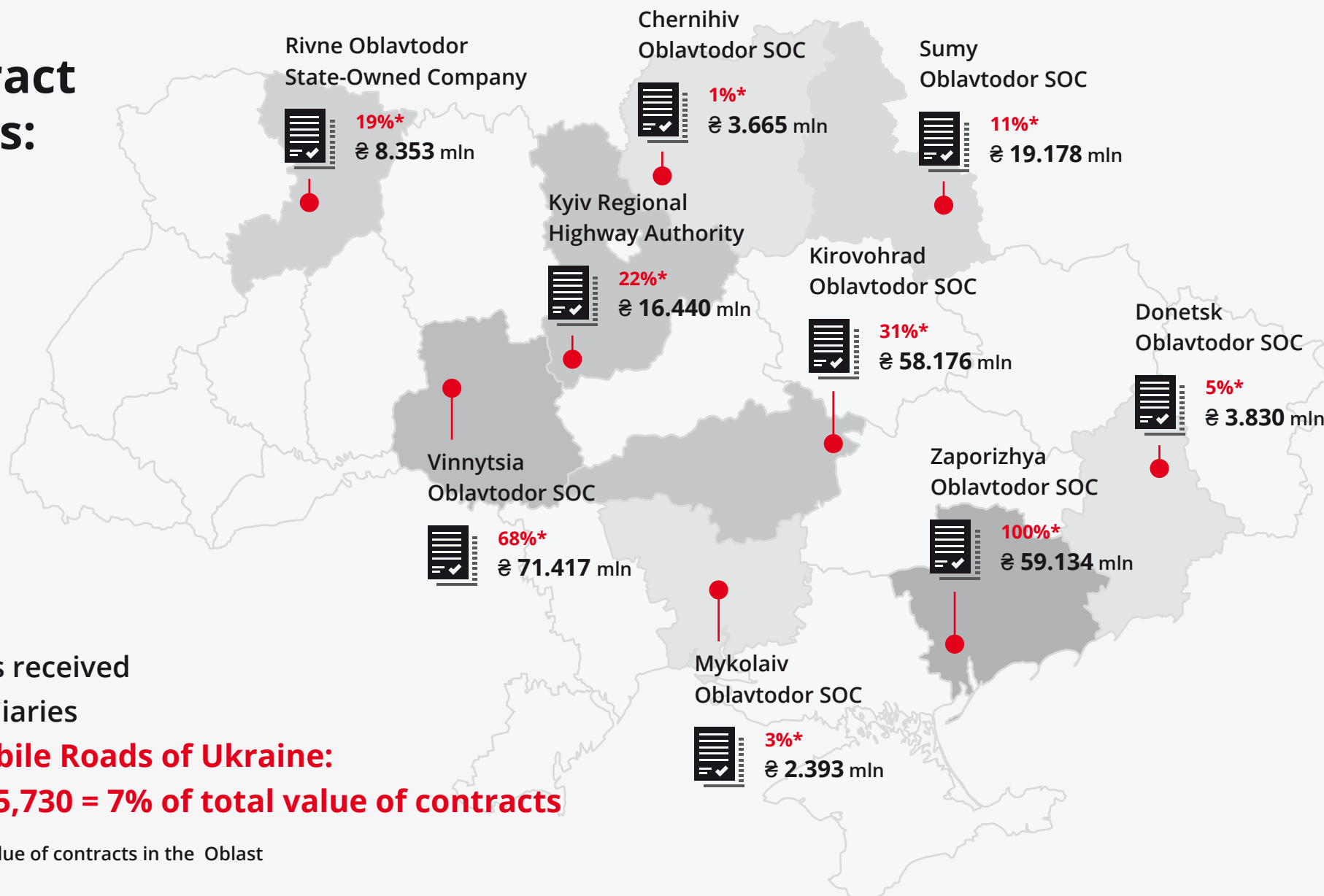
Total value of contracts: € 1.726 bln

* % of total value of contracts in the Oblast

Automobile Roads of Ukraine SJSJ:

6th biggest contractor based on contract value

Contract values:



Contracts received
by subsidiaries

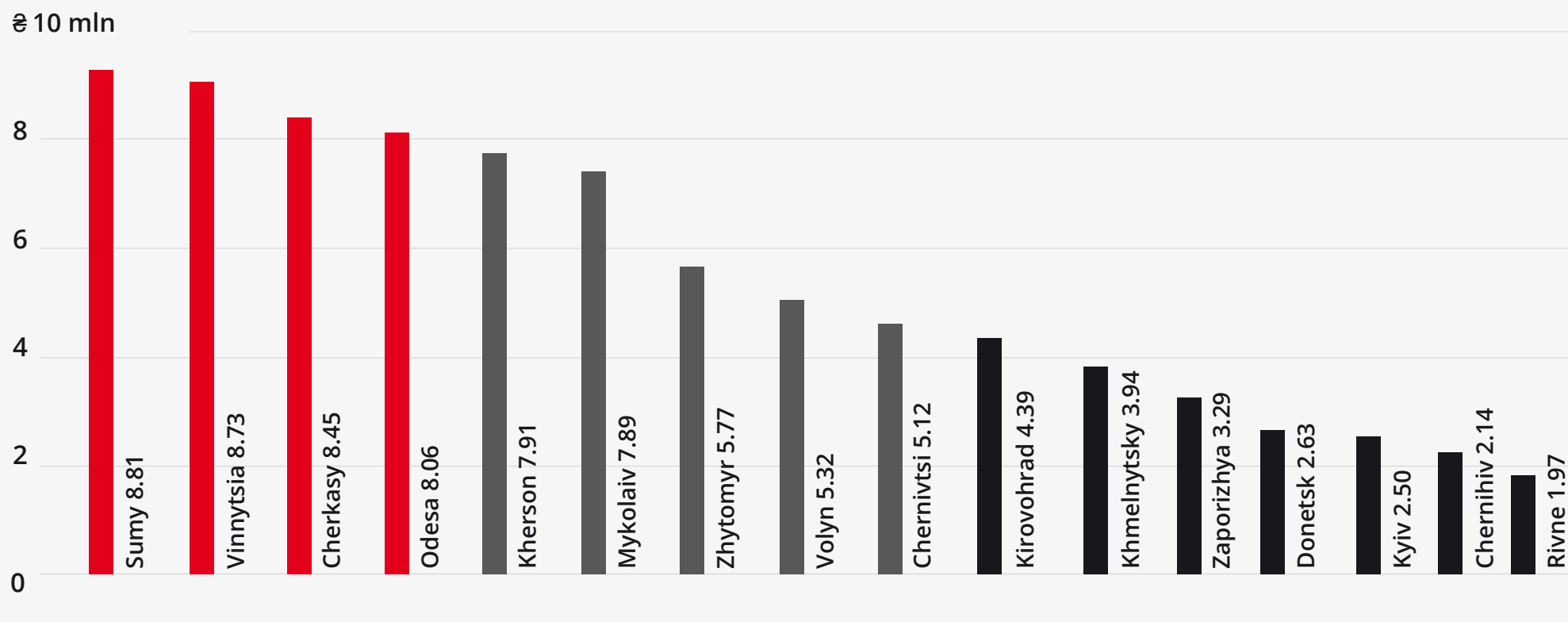
Automobile Roads of Ukraine:
₴ 242,585,730 = 7% of total value of contracts

* % of total value of contracts in the Oblast

1 km of road repair cost broken down by oblasts

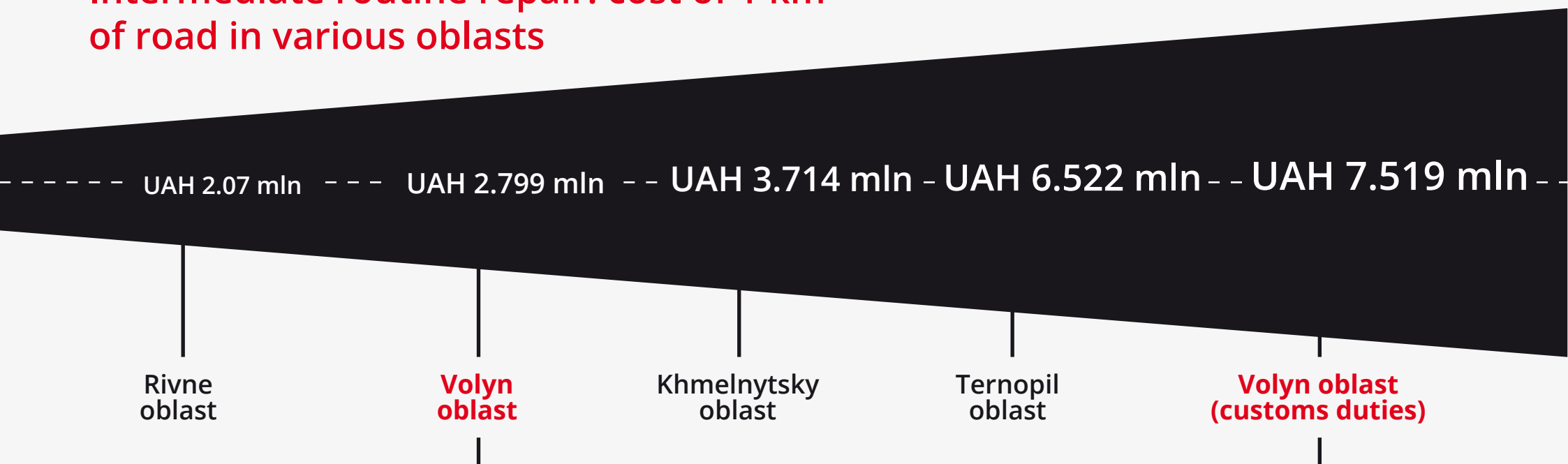
⚠ Averaged data without regard to region-specific issues.

The highest road repair cost appeared to be Sumy, Vinnytsia, and Cherkasy Oblasts; the lowest – in Rivne, Chernihiv, and Kyiv Oblasts.



Average cost of one kilometer of road repair

Intermediate routine repair: cost of 1 km of road in various oblasts



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

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

Winning bidders by oblasts

By results of tenders carried out in selected oblasts

100 % contracts

for repair of roads were awarded to one contractor

Those oblasts include:

Zaporizhia

UAH 59 mln

SE "Zaporozhye Oblavtodor"

Zhytomyr

UAH 190 mln

PP "Avtomagistral"

Ternopil

UAH 300 mln

"Techno-Bud-Center" LLC

In other oblasts the following figures are observed:

Rivne (81%)

UAH 37 mln

PJSC "Rivneavtoshlyahbud"

Vinnitsa (68%)

UAH 71 mln

SE "Vinnitsa Oblavtodor"

Mykolaiv (97%)

UAH 87 mln

"Shlyakhove Budivnytstvo"
"Altcom" LLC

Kherson (77%)

UAH 111 mln

PJSC "Brovary
Road Construction
Department 50"

Kirovohrad (69%)

UAH 131 mln

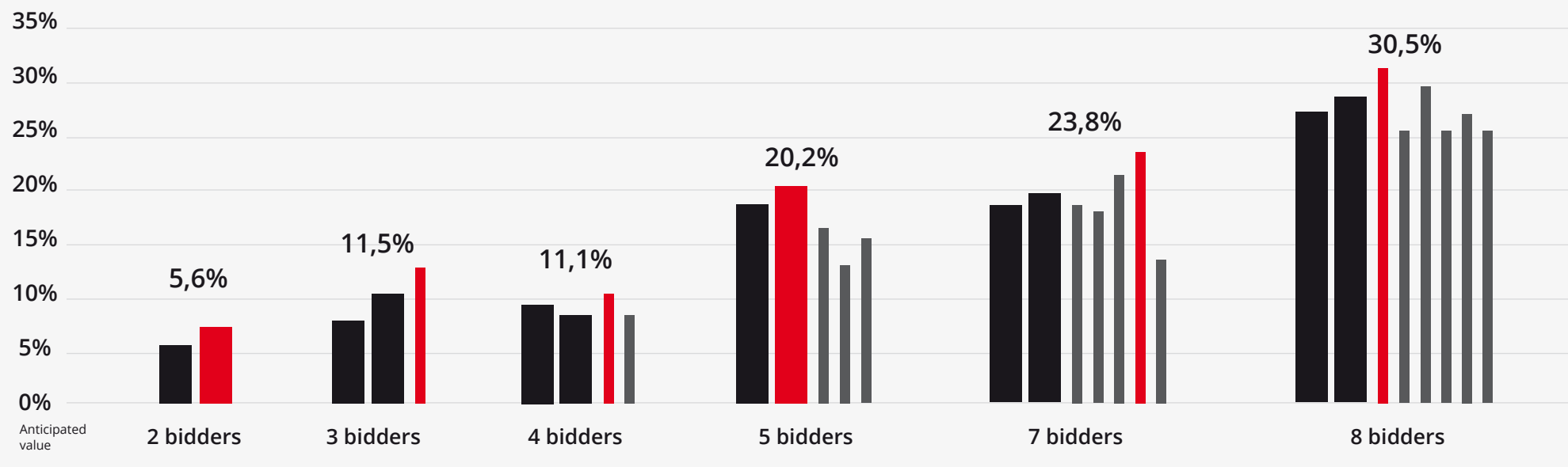
"Dor-Stroy" LLC

Procurement Efficiency

⚠ 17 oblasts analyzed

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

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

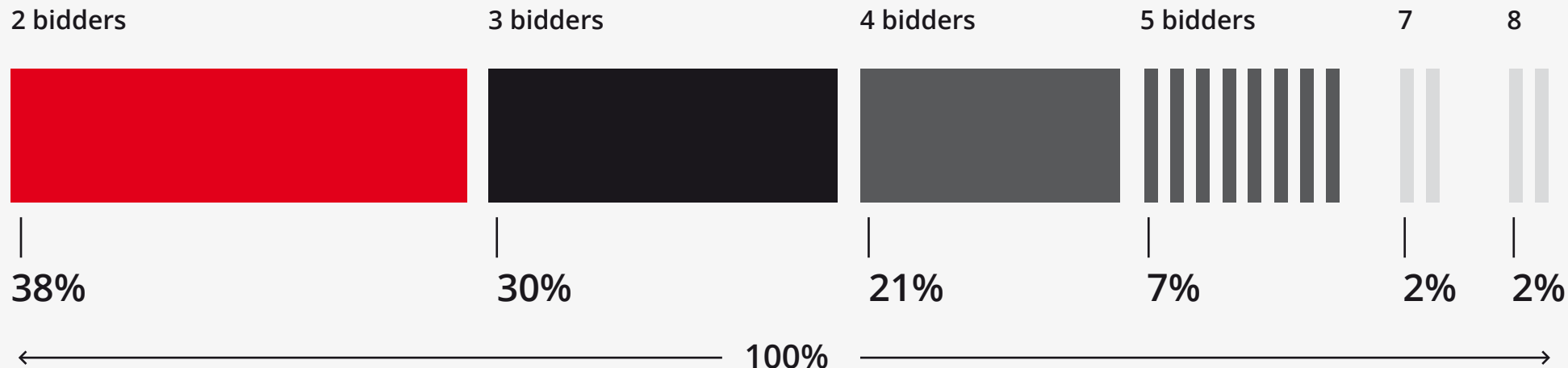


Number of bidders

120 tenders analyzed

38% tenders with only 2 bidders

Analysis of tender procedures by the number of bidders:



Causes of bid rejection

120 analyzed tender procedures

52 (43%) tenders were carried out with rejection of bids

= 72 bids rejected

TOP 3 CAUSES OF BID REJECTIONS:



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



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



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

Approval of standard forms is:



Reduction of rejected bids



Lower risk of customer manipulations



Facilitation of tendering

Regulations

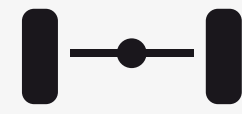
Nearly all
the roadnet was built:

30 years ago

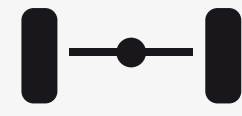


Axle design
weight used for
road construction:

Then:

 **7** tons per axle

Now:

 **11,5** tons per axle

- ⚠ By minor mid-level repair works Ukravtodor is trying to do the impossible: level road surface without estimated reinforcement.
- ⚠ Given the materials received from the State Highway Service of Ukraine: no pavement strength assessment has been carried out since 2008.

Conclusions



Lack of competition on the road repair market



Sections identified for intermediate routine repair
lack proof of safety margin. Inefficient use of public funds



Unsubstantiated distribution of funds for road repairs in oblasts



Lack of proper quality control



The mismatch between the road repair type and
requirements of the road evenness and hardness



Delayed work performance