FINAL REPORT

Russian Military Officer Resettlement Housing Program

Prepared for

United States Agency for International Development

Prepared by

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Russian Military Officer Resettlement Housing Program

1 General Comments

One of the outcomes of the summit meeting held in Vancouver, Canada in 1992 between the United States and Russia was an agreement by the United States to facilitate the return and demobilization of troops from the Baltic nations to Russia by providing housing for demobilized Russian officers.

In an historic undertaking, the United States and Russia initiated a Pilot Program for the construction of 450 housing units that is now nearing completion. Based on the success of the pilot project, a more ambitious Russian Military Officer Resettlement Program was designed to house 5,000 Russian demobilized officers from the Baltic nations.

To expedite implementation of the Resettlement Program, PADCO was engaged to conduct a competitive tender on behalf of USAID for the construction of 4,000 housing units. PADCO's statement of work called for providing USAID with required pre-contract technical and administrative services. As such, PADCO conducted procurement seminars in Russia on behalf of USAID and solicited and evaluated proposals from potential design-build contractors. PADCO's evaluation and recommendations were provided to USAID in Moscow and Washington, DC. This information was made available by USAID to the general construction manager contractor selected to administer the program.

PADCO has now completed its obligations under the USAID's “US$160 million” Russian Military Officer Resettlement Housing Program herein after referred to as the Housing Program. As mentioned the Housing Program called for 5,000 dwelling units, 4,000 dwelling units were to be constructed and 1,000 units were to be financed through a Voucher Program. At the beginning of July, 1994 the number of units to be constructed was reduced to 2,500 units and to maintain program targets the number of units in the Voucher Program was increased to 2,500 units. Originally PADCO's role on the Voucher Program was only to review the Pilot Project. Later PADCO's role in the voucher component was expanded beyond the pilot program. As a result, the Construction Program is discussed in Section 2 and the Voucher Program is discussed in Section 3.

2 Construction Program

2.1 General Outline of Services

PADCO's responsibilities included:

- advertising the Request for Proposal (RFP) for design-build contractors in trade journals;
- organizing and conducting pre-bid conferences for prospective contractors;
- responding to continual requests for information from prospective bidders;

- conducting preliminary meetings in oblasts to assist prospective contractors in the preparation of their proposals;
- reviewing and evaluating proposals that were initially submitted to determine proposal responsiveness;
- assisting bidders in improving their proposal responsiveness prior to the arrival of the General Construction Management Contractor (GCMC);
- assisting prospective bidders on where they may obtain information on the construction industry in Russia;
- disseminating to all bidders any USAID approved and directed amendment clarifications;
- inspecting all proposed building sites once proposals were received;
- verifying all site and construction approvals;
- conducting secondary reviews of the responsive proposals;
- making a ranking of proposals for USAID and providing transitional support to the General Construction Management Contractor (GCMC);
- assisting the General Construction Management Contractor (GCMC) in the final evaluation process as required; and
- assisting USAID with the development of Memoranda of Understandings.

2.2 Specific Tasks

2.2.1 Advertising and Pre-Bid Conferences

An advertising program was initiated to alert potential bidders to the existence of the RFP for the Housing Program. Advertisements were placed in the "Commerce Business Daily" in the United States and, with the assistance of Minstroi[1], in the "Stroitelnaya Gazeta" in Russia. The "Stroitelnaya Gazeta" is published weekly and is read by all major public and private contractors throughout Russia. This publication is used by the Russian Government to announce projects and is a good way to contact builders throughout the Russian Federation. The Russian text of the bid announcement was essentially a translation of the "Commerce Business Daily" text from the United States. Additionally some oblasts independently placed advertisements in their local publications. Pre-bid conferences were held for the purpose of describing the requirements as set forth by USAID in the RFP. Bidder conferences were held both in Washington, DC on March 9, 1994 and Moscow, Russia on March 14, 15 and 17, 1994. These conferences were held in Russia to give potential bidders in more remote areas more time to travel to Moscow. PADCO conducted the Washington conference with the participation of USAID. The Moscow

[1]At the start of the USAID RFP process, Minstroi was known as the State Committee for Architecture and Construction (Gosstroi). Later this organization was elevated to full Ministry status.

conferences were held in facilities arranged by Minstroi and attended by representatives from USAID/Moscow and Minstroi.

About three hundred potential bidders attended the Moscow conferences illustrating local interest in the program. After the bid requirements were described in detail, question and answer sessions were conducted to clarify specific issues raised by prospective bidders. Both Russian and American firms asked for lists of counterpart firms interested in joint bids. Therefore as part of the bidder's materials provided to bidders who supplied their names and addresses PADCO provided lists of both Russian and American participants in the conferences. (A list of all conference attendees is included in Exhibit 1.) A list of questions asked and responses given at the conference was kept and is part of the project record. Though a list of pre-approved geographical sites was included in the Request for Proposal, bidders from areas not listed in the RFP were permitted to enter the competition if they received approval from Minstroi. Also during the bidder's conferences, the representatives from Minstroi said they would help American bidders get approvals for new technologies as long as these innovations did not impair health and safety. However, no bidders requested this assistance so it is unclear whether Minstroi would have been able to process new technology approvals within the proposal preparation period.

2.2.2 Preliminary Meetings with Bidders

After the pre-bid conferences and before the actual date on which all proposals were due, PADCO personnel made visits to the cities and oblasts that were identified in the RFP as pre-approved areas. Minstroi was advised of the proposed PADCO itinerary and was instrumental in scheduling meetings with the interested oblasts. Typically Minstroi sent a representative along with the PADCO teams. Without the involvement of Minstroi, these initial contacts with the various oblasts would not have proceeded with the same efficiency. (See Exhibit 2 for map showing preliminary visit locations.)

The general purpose of these field visits was to meet first with the responsible city and oblast officials to describe the Housing Program in detail. After meeting privately with officials from the administration, a general meeting was held with prospective area bidders along with local officials. These meetings were informational in nature. Since not all contractors had attended the pre-bid conferences described in Section 2.2.1 above, PADCO personnel conducted a thorough briefing on the requirements of the RFP and answered questions from potential bidders.

PADCO found that Russian contractors were not familiar with competitively bid projects. Nor were they used to supplying the amount of information that is required by US Government RFPs.

The following are examples of the typical issues discussed during one of these briefing sessions:

- Contractors were not clear on the concept of a fixed price contract. They were unsure on how to estimate inflation over the duration of their projects or factor in exchange rate variations.
- There was confusion over liability for Value Added Taxes (VAT) and custom tariffs. Though the RFP indicated that VAT would not have to paid, most contractors included VAT in their

estimates. They stated that in actual practice in Russia, they were going to have to pay VAT to secure material from their suppliers and therefore could not exclude it from their bids.

- The amount of advance payments was repeatedly discussed as bidders perceived this as a hedge against inflation.
- Bidders also wanted to know under what conditions they would get their final payment.
- The administrations' questions revolved around infrastructure and beneficiary selection. If off-site infrastructure was required, they would ask the Minstroi representative if they could expect any assistance from the Federal government to augment their local budgets.
- Also the administrations wanted a say in the selection of beneficiary officers. Generally they desired to accommodate their own retired officers prior to accepting new arrivals.

When discussions were held with American companies the following additional typical issues surfaced:

- Who would be providing the land? Many bidders expected either the Russian or American governments to provide land.
- What approvals would be required?
- What were the requirements for registration and licensing?[2]
- What Russian firms were available to establish a joint venture?
- Could projects be pre-approved?
- Some companies asked if the US Government would pay required shipping costs.

Finally there were many questions about taxes. Since the situation in Russia is very fluid, bidders were advised to consult Russian tax lawyers. However they were also reminded of the clauses in the RFP stating that this project would be tax exempt.

The informational sessions in the cities and oblasts were very helpful as they gave prospective bidders as well as administration representatives the opportunity to discuss the Military Officer Resettlement Housing Program in an informal setting. Though most bidders had read the RFP, they became more comfortable with it after PADCO representatives explained the document in detail. This was important, since most bidders had no previous experience with competitive bidding.

Also during the many briefing sessions, inconsistencies in the Russian and English translations of the USAID RFP were uncovered and corrected. For example, there is no Russian equivalent to off-site infrastructure, so this term had to be explained.

After these meetings, the PADCO team would often be escorted by the representatives of the administration to some of the potential construction sites. These site visits were organized by the

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[2] As part of the pre-bid materials package, bidders were given a description of registration and licensing requirements in Russia.

administrations to offer the review team an advance look at the typical types of sites that would be proposed from their area. These site visits were observational as no judgements or critiques were offered by the PADCO team.

Concurrently with the visits to the field, PADCO personnel in Moscow responded to bidders' inquiries on a daily basis, and a log was kept for this purpose. Inquiries would be in the form of telephone calls, fax communications and bidder visits to the PADCO office. PADCO insisted that all substantive questions be made in writing and kept a log of all inquiries received in Washington DC and Moscow. There were also a substantial number of telephone calls and visits to the PADCO offices. In all cases logs of these visits were maintained and are part of the project record. PADCO personnel also maintained contact with USAID in Moscow and Washington, as well as Minstroi.

During the pre-proposal review, seventeen oblasts were visited over a period of twenty-one days by five PADCO teams. Field reports were made for each visit, and these are part of the project record.

2.2.3 Review of Proposals

All proposals by prospective bidders were due in either Washington, DC or Moscow, Russia on or before May 3, 1994. This date was extended for one day until May 4, 1994 as May 3, 1994 was an official Russian holiday. Proposals submitted in Washington, DC were sent to the Moscow PADCO office via State Department pouch for review in Moscow. (A list of all proposals received in response to the USAID Request for Proposal is included in Exhibit 3.) The review of all proposals was conducted by PADCO personnel at the PADCO office in Moscow. All proposals were reviewed for responsiveness to the USAID RFP. In addition to PADCO personnel, Minstroi was also invited to participate in the review process.

Per the USAID RFP, projects could be proposed in any of the following cities/oblasts: Nizhny Novgorod Oblast and City, Volgograd Oblast and City, Lipetsk Oblast, Tver Oblast (exclusive of Tver City), Novgorod City, Pskov Oblast, Ekaterinburg City, Cherepovets City (Vologda Oblast), Ryazan Oblast and City, Kaliningrad Oblast, Leningrad Oblast and St. Petersburg, Tula Oblast, Krasnodar Krai, Moscow Oblast (exclusive of Moscow City), Kaluga Oblast, Khabarovsk Krai, Ulan Ude City, and Barnaul City (or other cities yet to be determined by the Interministerial Committee or IMC). Minstroi included these cities and oblasts because they sent letters to Minstroi stating their willingness to accept officers from the Baltics, their readiness to provide land for construction and their intent to provide off-site infrastructure. Of the 225 proposals received, 45, or 20 percent were from areas not on the original pre-approved list.

To insure fairness in the review process, criteria were formulated and an evaluation form was prepared to guide each reviewer. (A copy of the initial evaluation form is included in Exhibit 4.)

This preliminary evaluation form followed the requirements as set forth in the USAID RFP. A form was completed for each proposal that was received[3].

Proposals from US bidders were typically in English while proposals from Russian bidders were in Russian. PADCO's Russian technical assistants read through each proposal with an American counterpart. The completed forms were then channeled through another PADCO review member who after checking the form also prepared a summary of the proposals' key features. After the initial review was completed, a select committee of PADCO's most experienced personnel along with a representative of USAID reassessed the level of responsiveness of each proposal.

The proposals were judged to be in one of three categories of responsiveness to the USAID RFP. The first category was “responsive to the Request for Proposal”. These proposals generally provided most if not all the required information requested in the RFP. A number of these proposals had significant amounts of completed construction and were around the USAID proposed cost range. If this were the case, the proposal warranted further consideration. The second category was “partially responsive to the Request for Proposal”. These proposals generally had a flaw, such as a cost above the $25,000 figure, a lack of information on the off-site infrastructure or a lack of land and/or design approvals. Such a proposal warranted further consideration only if 5,000 units were not available from the category 1 proposals. The third category was “not responsive to the Request for Proposal”. These proposals generally had no approvals in place, had excessively high costs (above $60,000/unit), had no information of infrastructure or had no cost information. These were not given further consideration. (A list of all proposals that were judged to be responsive, partially responsive and non-responsive to the Request for Proposal is also included in Exhibit 3.)

2.2.4 Selected Site Visits

Prior to the start of the second round of field trips a final bid evaluation form was prepared by the PADCO team and approved by USAID. (A copy of the final evaluation form is included in Exhibit 5.) This final evaluation form expanded on the preliminary evaluation form and was designed to permit numerical ranking later. The scoring was based on a maximum of 1000 points, 70 percent based on technical merit and professional competence and 30 percent based on cost. This percentage split was specified by USAID in the Washington Bidder's Conferences and then later incorporated into the minutes of the conferences provided to all bidders who provided names and addresses. The technical merit evaluation criteria consisted of the following: design and land approvals and permits, corporate capacity, professional competence, access to off-site infrastructure, miscellaneous site issues, status of construction, and support of the local administrations. Each criteria was individually weighted based on its contribution to the successful completion of a typical project.

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[3]These forms along with other materials provided subsequently by the bidders plus a final evaluation of the proposal are bound separately and were provided to USAID/Moscow.

The USAID RFP was specific in describing the criteria on which responses would be judged. Table 1, following on page 9, shows the evaluation criteria categories along with their weighted values which were developed by the PADCO team, and approved by USAID. The general categories as shown in the table, were:

- approvals;
- corporate strength;
- professional competence;
- off-site infrastructure;
- site & others;
- completion schedule; and
- local government support.

A description of the contents of each criteria category is as follows:

a. Approvals

This category assessed the following:

- the status of the company's legal identity (was it registered in Russia, was it licensed to construct);
- was there a company management structure enclosed;
- did the company meet the nationality requirements set forth in the RFP;
- did the company have rights to develop the land;
- what was the status of architectural and planning approvals; and
- did the company submit an environmental checklist with their proposal.

Of all these items, land reservation and status of architectural and planning approvals are the most critical to the success of a project.

The RFP included an Environmental Checklist based on one developed in the State of California. Since the RFP did not specify who should sign the checklist, its validity was questionable in the Russian context. It would have been preferable if the checklist had been signed by either a municipal or oblast official. As a result, the information contained in the Environmental Checklist was judged to be suspect and not scored very high in the total number of points awarded to proposals.

b. Corporate Strength

This category was developed to ascertain the role of the bidder and the control that the bidder would have over the construction process. For example, was the bidder also the intended contractor, or was the bidder acting as a developer who would then contract out the construction

works. If the bidder was an agent who was neither a developer nor a builder, they were given no points in this category since they would not actually perform any construction works. Some of the other questions that were evaluated were:

- What percentage of the work did the builder intend to perform with it's own forces.
- Did the bidder have existing relationships with established suppliers.
- Were the suppliers local.

c. Professional Competence

The bidder's experience in housing and its financial strength were addressed in this section. How many housing units were completed in the last two years and had the bidder completed work in the proposed city or oblast. The time to complete the proposed project was noted. The shorter the time frame the greater the likelihood that project would be successful. It was preferred that the bidder had working capital to cover any interim expenditures required rather than relying solely on USAID financing. Also would the bidder provide some form of bank guarantee so that in the event of a default, USAID could reclaim the total amount of the advance payment.

d. Off-Site Infrastructure

The availability of off-site infrastructure is absolutely critical to the success of a project. In these times of dwindling local budgets, the fewer expenditures required of the local administrations, the greater the likelihood that infrastructure will be available. The closer the off-site infrastructure, the more favorably the proposal was reviewed. Projects that had construction in place usually had off-site infrastructure either available or close by.

e. Site & others

To minimize the future general construction management contractor effort, proposals for 125 or more housing units were preferred. Smaller sites were not rejected but just not preferred. Proposals that incorporated innovative designs, energy efficiencies and transfer of Western technology were also preferred, though typical Russian designs were accepted. Joint ventures were also preferred.

f. Completion Schedule

Projects with construction in place were preferred over new construction as there is less risk with these types of projects. Such a project is more likely to be successful as there is less construction to be put in place. Also the more construction already in place, the quicker the project should be completed.

g. Local Government Support

Projects without governmental support do not succeed. The proposer had to show that the local government supported the project. Letters were required from the local government stating support as well as agreeing to furnish off-site infrastructure. In addition, the local government had to agree to accept officers who were not on local waiting lists since officers selected by the national government would be from outside the local area.

Table 1

Evaluation Criteria Form		
Criteria	Maximum Points	Percentage of Technical Total
Approvals	300	20%
Corporate Strength	120	8%
Professional Competence	190	13%
Off-Site Infrastructure	300	20%
Site & Others	50	3%
Completion Schedule (start up potential)	400	26%
Governmental Support	150	10%
Technical Total (the percentage of the actual points to the maximum times 700 is the prorated technical score in the final ranking)	1510	100%
Cost Proposal	300	100%
Final Ranking		Percent of Total
Technical Points	700	70%
Cost Points	300	30%
Total Points	1000	100%

As stated previously, the individual criteria items were weighted based on their relative importance to the probable success of a typical construction project in Russia. This “relative

importance” was based on previous PADCO hands-on experience with the Pilot Officer Resettlement Program.

The three technical areas judged to be the most critical to a successful project were: the status of approvals, the availability of off-site infrastructure and the completion schedule (start-up potential based on existing work in place). These critical areas were stressed by USAID as well. The values associated with these criteria reflect their relative value (300 points, 300 points and 400 points respectively out of the total of 1510). These criteria were readily evaluated as they are based on objective data.

The Technical criteria related to corporate strength and professional competence relied on bidder input. One of the subcategories in the professional competence criteria was a comparison of the contractor's stated short term assets and liabilities. Contractors with positive working capital, i.e., greater short term assets than liabilities, were awarded evaluation points as they were thought to be more viable than those with without working capital. A most recent balance sheet as well as the 1993 year end balance sheet was requested. A comparison of the most recent and year end balance sheets offered a glimpse of the financial health of the company and noted any particular financial trends that might bear further scrutiny. Though company balance sheets in Russia tend to be understated to avoid excessive national tax liabilities, they provide an indication of relative financial strength. Further, companies which show persistent losses are supposed to be declared bankrupt and closed down.

Site characteristics such as area of the site, number of units proposed, typical apartment gross area were reviewed but not judged to be as important to the success of a project as are the previously discussed criteria. These characteristics are under the umbrella of architectural approvals granted by the oblast authorities. If architectural approvals are in place, the project will have met Russian standards. The PADCO teams checked site conditions to insure conformance to the parameters set forth in the USAID RFP.

Local government support is critical to the success of a potential project. This was one of the important lessons of the Pilot Program. If local officials support a bidder, the entire approval process can be streamlined. If there is no support, projects are likely to fail or be seriously delayed. This criteria was ranked in several ways. First the city/oblast officials were asked if they would accept officers not on their waiting list. Then the teams asked if they would streamline any approval processes and provide any required infrastructure. Finally local administrations were asked if they supported the bidder.

Some bidders proposed projects where construction had already been started for other clients. A section in the evaluation form was developed to confirm that all rights to the site and approval to start construction had in fact been transferred from the previous client to the bidder. A “yes” or “no” response was imputed for each question in the section. Any incorrect response would trigger an “x” in the appropriate informational box at the bottom of the summary sheet of the Evaluation Criteria form (page 1). The GCMC upon reviewing a proposal evaluation form would then be

alerted to a potential problem with ownership of the site and ability to start construction. These are problems that would have to be corrected prior to the signing of a contract.

In making the evaluation of the status of approvals, if one of the members of the bidder's team held the rights to the land, full points were awarded to the proposal. However, if a third party, not part of the bidder's team held the rights to the land, the project was judged as having “letters of guarantee” only, therefore having no legal status and ranked accordingly.

Also at the bottom of the summary sheet of the Evaluation Criteria (page 1) is another informational box identified as Legal Requirements. If an “x” appeared in this box, the GCMC would be warned that there may be a problem with the bidder's legal status in Russia (see Section 1 of the Evaluation Criteria form).

The bidder's cost was weighted at 30 percent of the total points. The competitive cost ranges were determined by calculating the mean price received and then calculating standard deviations away from the mean. Though the highest points were given for lower costs per the RFP, very low cost responses were not ranked as they were determined to be unrealistic when factoring in inflation. Regardless of the stated costs, there is still a concern as to whether all contractors have actually budgeted sufficient sums to cover inflation over the life of the project. Again, the concept of a fixed price contract is still not fully understood nor followed in the Russian construction market.

PADCO teams returned to the field to visit with bidders whose proposals were deemed to be responsive to the RFP. Generally a decision was made to visit a category 2 proposal (see 2.2.3 above) if the proposal was in the same geographical area as a level 1 proposal being visited.

Prior to the second round of visits to the field, all PADCO teams were instructed on the use of the final evaluation form. Particular attention was taken with respect to Section 12 (Status of Approvals) in regards to proposals involving existing construction. Also as a result of a pre-visit meeting with USAID, PADCO was informed that the advance payment criteria had changed. PADCO was to inform all bidders that the maximum advance payment allowed by USAID would be 10 percent. During the first round of oblast visits and per the USAID RFP, the maximum allowed advance payment was stated as up to 40 percent. PADCO was instructed to inform all bidders that if this considerable reduction in the advance payment changed the basis on which they prepared their cost estimates, they would be allowed to adjust their proposed costs. However, any cost adjustment would have to be justified, i.e. to cover interest payments on loans, etc. Of the 129 proposals reviewed in the second round of site visits, 50 cost proposals were increased, or approximately 40 percent of the proposals. The last page of the evaluation form was developed to collect information on revised bids, VAT taxes included in the total cost (if any) and to get information on the expected advance payments.

For the sake of familiarity and continuity PADCO teams returned to the same oblasts/cities they had visited during the preliminary field trips. A typical visit would be scheduled as follows:

- Upon arrival, a meeting would be held at the local administration offices with city and oblast representatives and prospective bidders. PADCO representatives would inform the administration they had returned because the proposals submitted by the bidder(s) present had been responsive to the RFP. The governmental authorities were questioned for their support for the proposed project. The nature of governmental support sought included commitments for prompt approvals, approval and comfort with the bidder, acceptance of the officer selection guidelines, and the ability to provide any necessary off-site infrastructure to support the proposed project. To the extent possible, the teams met with the oblast Governor or in lieu of the Governor, with the Vice Governor responsible for construction.
- A meeting was then held at the offices of the “responsive” bidder(s). PADCO teams provided bidders with either the Russian or English version of the evaluation form. At this time issues related to company strength and professional competence were reviewed. A tour was made of the bidders office to observe the number of people, the types of office equipment available, the level of activity and the general appearance of the office. Key personnel that would be associated with the proposed project were sought out and briefly interviewed. The teams also reviewed the bidder's construction documents and if available, the off-site infrastructure plans.
- A visit was then made to the actual site. At the site, the status of any existing construction was confirmed and quantified. The status of the existing off-site infrastructure would also be confirmed by observing the actual off-site connection points and noting the distance from the existing services to the site. The surrounding area would be reviewed to see that the project blended with the local environment. Accessibility to the site was considered, i.e., availability of public transportation and road conditions. Distance to available employment opportunities was asked. The environmental check list was reviewed to see if there appeared to be any environmental problems.

A list of all second round site visits is included in Exhibit 6. A map indicating the location in Russia of all sites included in the second round is included in Exhibit 7.

2.2.5 Final Proposal Ranking

The second round of PADCO field trips involved four PADCO teams from mid May to the end of June 1994. In July, a limited number of additional sites were visited either at the request of Minstroi or if the proposal included American bidders not already visited. At the conclusion of this second round of field trips, all final evaluation forms were collected and a summary of all ranked proposals was prepared for USAID. Added to this summary but not ranked were the rest of all the proposals received in response to the RFP. (A copy of the final proposal grading report is included in Exhibit 8.) In addition to the overall master list of all proposals a shorter summary list of the top 35 proposals was prepared. This top 35 listing was intended to be used as a list of

priority proposals to be reviewed by the GCMC in its final selection process.[4] (A list of the top 35 rated proposals is included in Exhibit 9.)

2.2.6 Assistance to the General Construction Management Contractor (GCMC)

Upon arrival of the GCMC in Russia PADCO assisted USAID and the GCMC with reviewing the higher ranked proposals. After the GCMC determined which proposals would be revisited prior to the final selection, PADCO personnel provided transitional support to assist the GCMC. (A copy of the itinerary of all visits conducted in support of the GCMC is included in Exhibit 10.)

The following is a general list of the types of services PADCO provided to USAID and the General Construction Manager Contractor:

- briefed USAID and the GCMC on PADCO's final ranking of proposals;
- arranged meetings with bidders and local administrations prior to field trips;
- provided logistical support in the form of room reservations, vehicles, tickets, etc.;
- briefed the GCMC on the Russian construction industry;
- briefed the GCMC on the Russian administrative hierarchy and intergovernmental relationships;
- explained PADCO final evaluation form, its contents and use;
- reviewed the information contained in a typical Russian balance sheet and how to use the information contained;
- provided temporary translation and interpretation services;
- highlighted the main requirements of the USAID RFP;
- explained the types and forms of company registrations, land allocation and architectural and planning approvals;
- supplied copies to USAID/GCMC of all files pertaining to proposal under final consideration; and
- supplied PADCO memorandum describing “Lessons Learned” as a result of PADCO involvement in the Military Housing Pilot Program.

2.2.7 Proposal Statistics

Upon reviewing all the data from the responses received following the second round of site visits (129 proposals), certain trends became apparent. Of particular interest is the relationship between the status of construction, the average unit cost and the time to complete. Using the base data from the Completion Schedule section describing amount of construction in place (section 10) of

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[4]The RFP, however, stated that the GCMC could select any proposal received under the procurement. The PADCO ranking, therefore, was intended to serve as a guide to USAID and the GCMC.

the Final Evaluation Form (Exhibit 5) for all visits made the average unit cost and time to complete was determined for the following stages of existing completion:

- 0 percent (new construction)
- 1 percent to 25 percent complete
- 26 percent to 50 percent complete
- 51 percent to 75 percent complete
- 76 percent to 100 percent (100 percent indicating that the building shell was complete)

The following Table 2 and Figures 1 and 2 show the relationship of these three parameters. What becomes apparent is that the greater the amount of existing construction in place, the lower the average unit cost and the less time is projected to complete the project.

Table 2

Completion Status vs Unit Cost and Time to Complete		
Completion Status	Average Unit Cost Net of VAT	Time to Complete
0 % (New Construction)	$30,876	19 Months
1% to 25%	$25,675	17 Months
26% to 50%	$24,375	13 Months
51% to 75%	$23,313	13 Months
76% to 100%	$20,533	6 Months

Figure 1

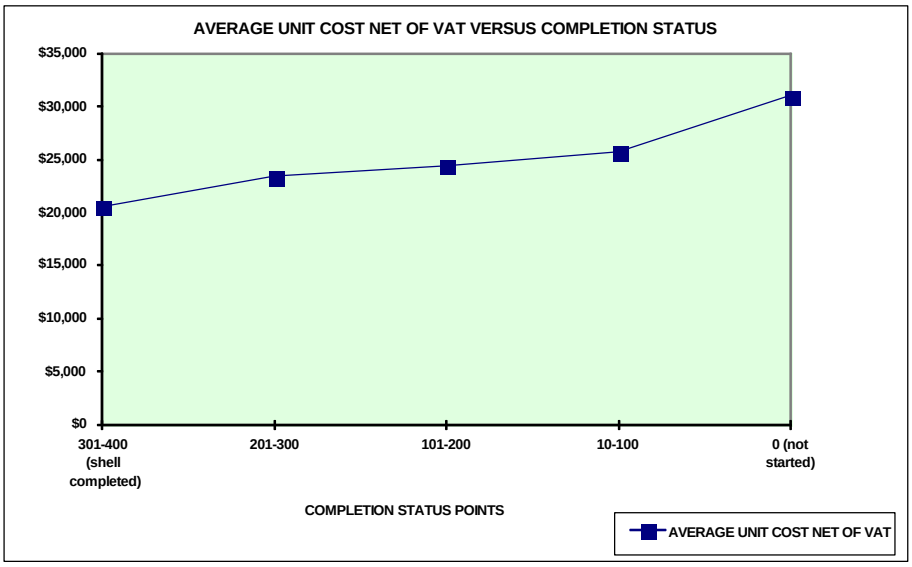
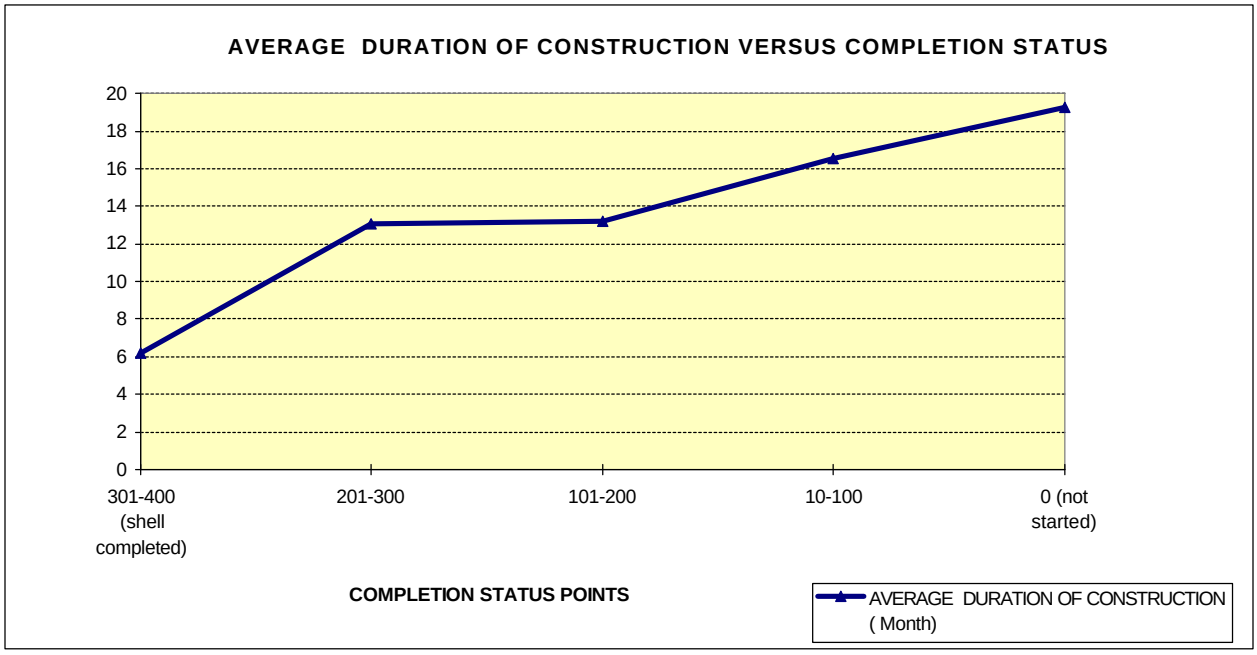


Figure 2



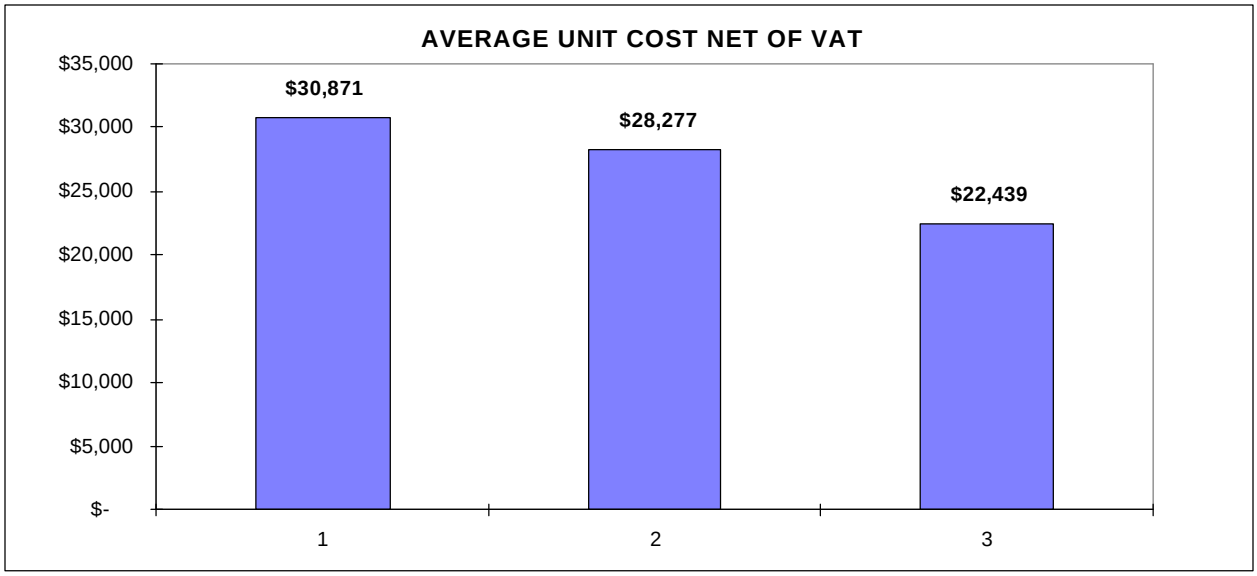
There were three distinct evaluation levels. The first was the receipt of all proposals (225 in total), the second was the evaluation of the proposals visited during the second round (129) after the unresponsive responses of the initial submission were eliminated and the third was the selection of the top 35 proposals of the second round proposals. Each level involved more responsive

proposals and this fact is reflected in Tables 3 and 4, and Figures 3 and 4. These tables and figures show that as the evaluation process proceeded, the average cost decreased.

Table 3

Average Unit Cost Net of VAT		
All 225 Submitted Proposals	129 Second Round Proposals	Top 35 Proposals
$30,871	$28,277	$22,439

Figure 3

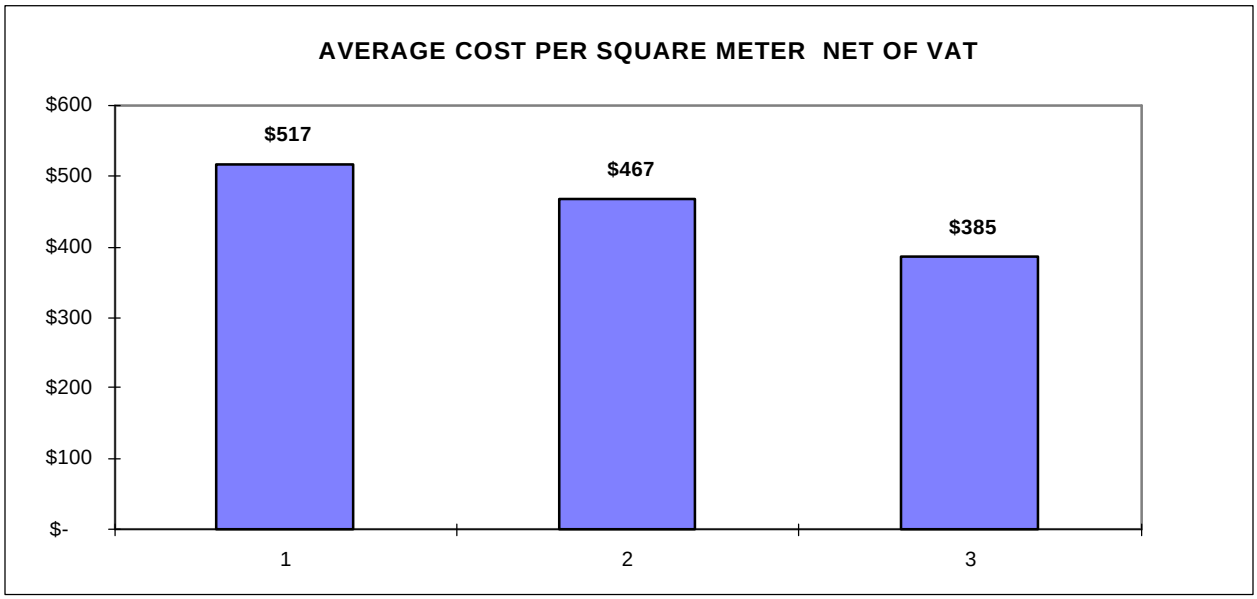


1. All submitted proposals
2. 129 evaluated proposals
3. Top 35 proposals

Table 4

Average Cost per Square Meter Net of VAT		
All 225 Submitted Proposals	129 Second Round Proposals	Top 35 Proposals
$517	$467	$385

Figure 4



1. All submitted proposals
2. 129 evaluated proposals
3. Top 35 proposals

American companies unless they were experienced in Russia faced difficult hurdles to compete due to the difficulties of approvals, land allotment, local knowledge, understanding of Russian systems and design and construction practices and local support. These issues are discussed in greater detail in the following "Lessons Learned" section 2.2.7.4 labelled as "American Companies". Nevertheless there was a concern that American companies were not excluded from the competition. A review of American-Russian joint ventures shows that Americans were able to participate even though they may have faced greater problems in putting together proposals. To assess American participation, a review was made of the number of Russian firms and number of American-Russian joint ventures evaluated at each step of the evaluation process. Table 5 shows this comparison at each of the three evaluation points.

Table 5

Number of American-Russian Joint Venture Proposals and Russian Proposals at Each Stage of Evaluation			
	Number of Proposals		
Evaluation Stage	All 225 Submitted Proposals	129 Second Round Proposals	Top 35 Proposals
American-Russian Joint Ventures	80 (36%)	50 (39%)	15 (43%)
Russian Firms	145 (64%)	79 (61%)	20 (57%)
Totals	225	129	35

Table 5 indicates that a substantial number of American-Russian Joint Ventures survived each level of evaluation. On a percentage basis, the percentage of American-Russian Joint Ventures actually increased. See Figures 5, 6 and 7 for a graphical display of the percentage split between American-Russian joint ventures and Russian firms.

Figure 5

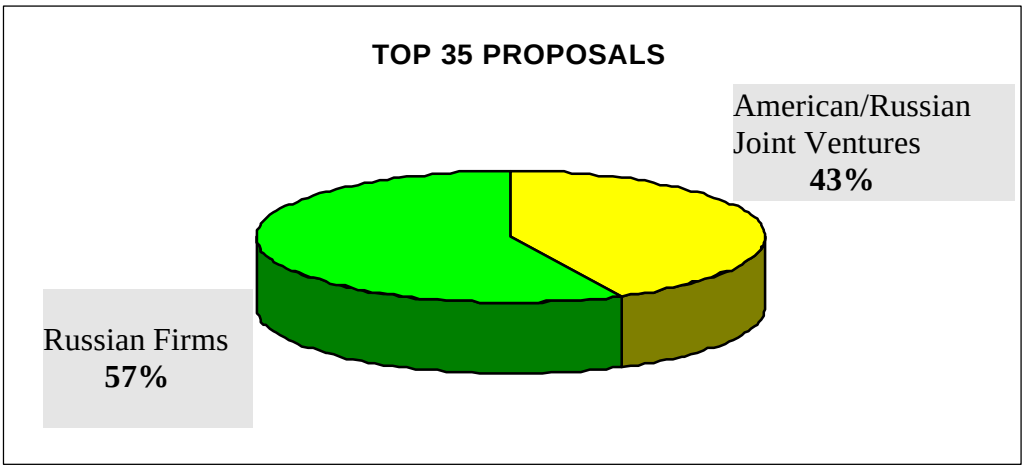


Figure 6

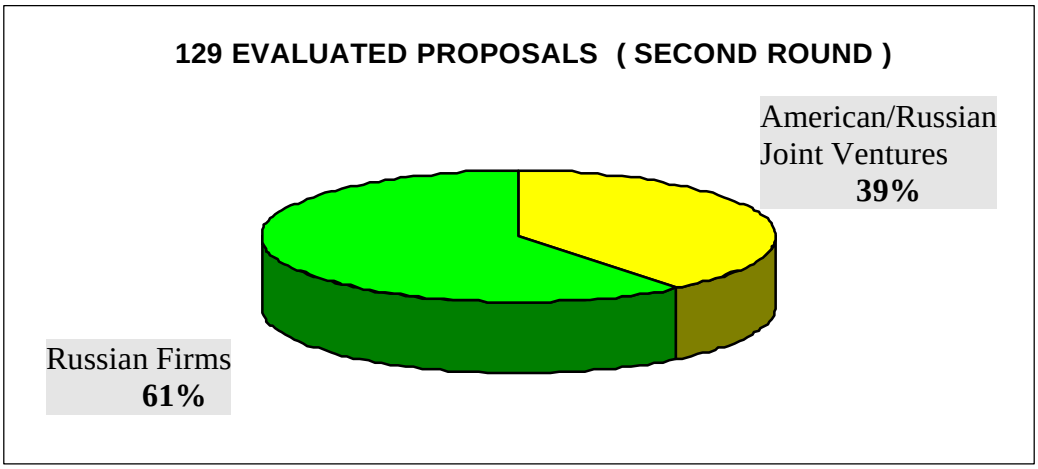
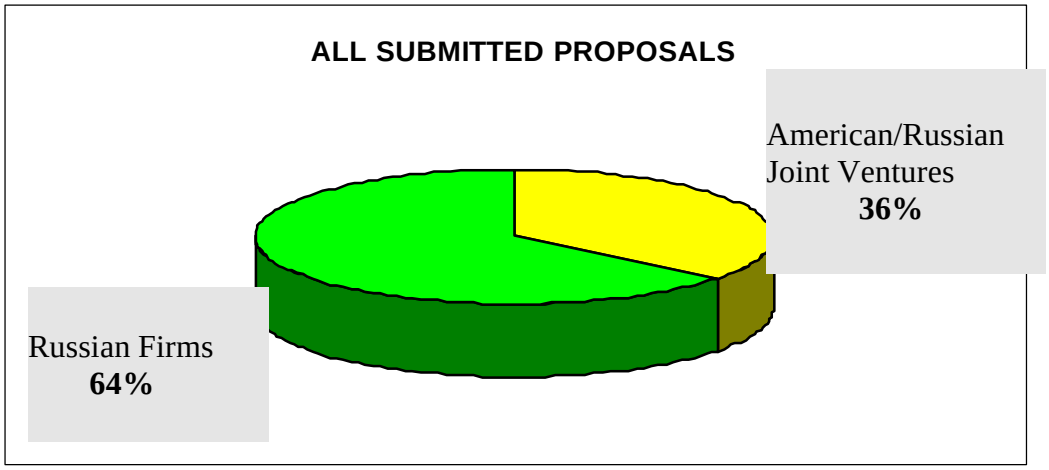


Figure 7



American-Russian joint ventures tended to propose new construction projects. Of the 71 American-Russian joint venture proposals received at the initial submittal (not counting the 9 proposals that had no information), 57 involved new construction, or 80 percent. Of the 50 proposals that survived to the second round, 36 involved new construction, or 72 percent. But of those American-Russian joint ventures that were listed in the top 35 proposals only 33 percent involved new construction. The following Table 6 shows the types of projects proposed by American-Russian joint ventures that were considered at each evaluating stage.

Table 6
American-Russian Joint Venture Responses

#	Type of Units	Status of Construction on Each Stage of Evaluation								
		All Submitted Proposals			129-Second Round Proposals			Top-35 Proposals		
		All J/V Proposals	Existing Con-struction	New Con-struction	All J/V Proposals	Existing Con-struction	New Con-struction	All J/V Proposals	Existing Con-struction	New Con-struction
1	Single Family	25	1	24	13	1	12	-	-	-
2	Low-Rise	15	4	11	14	4	10	5	4	1
3	High-Rise	27	9	18	19	9	10	10	6	4
4	Mixed Development	4	-	4	4	-	4	-	-	-
5	No Information	9	-	-	-	-	-	-	-	-
Total		80	14	57	50	14	36	15	10	5

2.2.8 Lessons Learned

Based on the PADCO experience with the Russian Military Officer Resettlement Housing Program, the following items, through hindsight, might have been done differently or should have also been initially included in the program.

a. Clarify the program objectives from the start. The program suffered from conflicting objectives that created confusion among bidders and local governments. The following illustrates the problems with objectives:

   i. Although the intent of the RFP was to construct housing within a two year period and at a fixed budget, the introduction of secondary objectives such as an encouragement to introduce new technologies created confusion. Introduction of new technologies would result in delays in getting approvals since these technologies would have to be evaluated against SNiP (Russian National Building Codes). As a result, only projects and technologies which were already approved could successfully compete in the procurement and still meet project deadlines.

   ii. There was considerable confusion throughout the process as to which cities and oblasts were eligible locations for projects. As stated earlier, Minstroi prepared an initial list of oblasts and cities agreeing to participate in the program. Later during the bidder's conferences, it was announced that other areas could be proposed if Minstroi's approval

was granted and if officers were willing to go to these places. Much later in the process, Minstroi produced another list of locations where it said that officers wanted to go that excluded some of the cities included in the initial list.

iii. Beneficiary selection criteria and procedures need to be clear from the start. Oblast support was generally contingent on the percentage of officers that could be drawn from local waiting lists. Typically they would link the percent of the total costs borne by the oblast to the percent of officers coming from local waiting lists. Thus, clearly identifying the beneficiary selection procedures at the start of the process would have allowed local administrations to budget for this program and to determine early in the process as to whether they would support the program.

iv. Clarity on Russian Federation contributions to the program would have facilitated local government support. Although various promises were made by Federation level officials, oblast level officials remained highly skeptical of this support since most oblasts had received only a fraction of promised Federation funds for officer housing in the previous fiscal year.

b. Request for Proposal Clarifications

i. Future RFP's should state that an environmental assessment, if required, be completed and signed by a representative of the administration responsible for environmental matters. The form found in the RFP indicated that the bidder was supposed to complete the form. However, bidders are not authorized to sign environmental assessments on behalf of local administrations. Furthermore, the form should be tailored for use in Russia. The environmental checklist form included in the RFP, for example, had references to environmental problems which might result in potential elimination of the major periods of California history or prehistory.

ii. The amount allowed for advance payments should be specified from the start and not modified during the bid process. Revising the advance payment amount required a number of companies to revise their price, all upward. Even those that did not, had to re-think their business plan. A change in such an important bid parameter caused considerable confusion.

iii. The RFP should state whether bidders would be allowed to bill for stored materials on-site as well as off-site. Again, knowing this allows the bidder to better develop a business plan as this issue directly impacts costs.

iv. Future RFP's should include a simple form that lists all the information that should be included with the proposal. Some bidders did not submit all the required information. This was due to a requirement being overlooked or thought not to be important. A simple checklist would remind bidders of the required submissions and therefore assist in making their proposals more responsive to the RFP.

v. Bidders proposing projects that had construction in place were confused as to whether they would be able to bill for the completed work at the onset of the project. Understanding the available cash flow has a direct impact on the proposed cost and business plan.

c. Off-Site Infrastructure

Although the RFP requested that information about the existence of off-site infrastructure, most proposals were not very clear on this issue. In future procurements, bidders should be required to provide a detailed site plan with the site boundaries clearly identified and showing all required infrastructure including the existing points of connection. Infrastructure included in the proposed costs should be clearly noted as well as that infrastructure that is excluded. For infrastructure not included in the costs, a detailed cost estimate should be included along with clear guarantees from the local administration that these services will be financed from local budgets.

d. American Companies

The complexities of construction in Russia made it difficult for American bidders to participate in the program if they had not previously established a base in the country. The proposal period was not long enough to permit a foreign company to establish a Russian company, get licensed by the Government, secure a site, establish relationships with the local administration and ensure a steady supply of materials. The planning approval process alone could take upwards of eighteen months. A great many American bids suffered from the lack of planning approvals, lack of information about infrastructure, lack of approvals for their building systems and lack of local administration support.

American firms that were already established in Russia were able to submit more successful bids since they had already established production lines. In future procurements, if the desire is to introduce new American companies to Russia, either more time should be granted to establish local relations, or the RFP should state that such relations must exist at the time of bid submittal. Bidders should not be encouraged to spend enormous amounts of money preparing proposals when in fact they will not be able to comply with the requirements of the RFP.

The RFP had conflicting objectives. On the one hand, there was a desire to incorporate American construction technology into the program. On the other hand, projects that were more likely to be at or under the targeted $25,000/unit cost and be completed in time were projects with construction in place. Projects with construction in place were typically of the standard Russian high rise design in populated areas. These projects offered limited opportunities for incorporating new technologies.

New projects incorporating American innovative technologies were typically cottage developments similar to a standard American single or garden style housing development. These projects require large tracts of land and are always situated at the fringe of a city or in the countryside. In both cases, off-site infrastructure was typically far removed from the project site.

These projects require significantly greater financial resources from the local administrations. In today's market, local administrative budgets are being severely strained to maintain existing services, much less new expenditures servicing a small select population. Though local administrations may publicly state support for this type of development, they simply cannot marshall the financial resources to fund not only the off-site infrastructure but also the required social infrastructure in a timely manner.

d. Local Support

The support of the local administration is critical to the success of any project. Local support is shown by providing land, ensuring prompt approvals, accepting new arrivals, providing social infrastructure and providing the necessary off-site infrastructure. These means of support deplete local governments available resources of land and capital. Therefore local administrations need an incentive to support a program. Future procurements should place more emphasis on incentives to the local administrations. In this case greater local support might have been obtained by increasing their percentage of officer selection or providing some assistance with off-site infrastructure.

e. Status of Construction

i. While not ruling out new construction projects, there should be an indication in a housing RFP that projects with construction in place are preferred. Hypothetically speaking, if two similar projects are proposed, one with construction in place and the other a new project, i.e., no construction in place, it is more likely that the project with construction in place will be completed in a timely manner and at a lower cost. This was borne out by the results of the Russian Military Officer Resettlement Housing Program.

   There are numerous existing housing projects in Russia that as a result of an interruption in construction financing, have either been stalled or worse, terminated. Reusing existing partially completed housing stocks would benefit both USAID and the cities in which these projects are located. USAID would benefit by having projects with the highest potential of success and the cities would benefit through reduction of unfinished buildings on their landscape. Additionally, as most of these unfinished projects have at least some off-site infrastructure installed, the city also benefits from the fact that their initial infrastructure investment is not lost.

ii. Another issue of conflicting objectives related to building standards. The RFP stated that all construction must comply with Russian SNiP building codes (National Building Codes). Justifiable variation from SNiP requirements was encouraged and could be proposed. Non-compliance to the existing Russian building code standards encouraged proposals that would offer American style building systems. In reality, however, obtaining a variance from the Russian SNiP codes, though possible, is a lengthy process at best. There are no guarantees regardless of the content of the proposed variance. Though encouraged, new systems used in the United States that are not in compliance with Russian standards may not find acceptance in Russia at this time. The irony is that if a

bidder proposed an encouraged American style system currently in non-compliance to Russian norms, that proposal would effectively be non-responsive to the RFP.

f. Other Issues

i. In both the Pilot Military Housing Program and again in the Russian Military Officer Resettlement Housing Program, the beneficiary selection criteria was not finalized until late in the bid evaluation process. This created confusion and probably made final MOU negotiations more difficult. During the bidder's conferences and subsequent PADCO field trips, the PADCO team provided local administrations with copies of the three priorities established for beneficiary selection. At that time no discussion was held on the percentages of officers that might come from local waiting lists. The final beneficiary selection criteria was only negotiated late in July when the project agreement was signed. While the complications in negotiating the various issues related to the project no doubt created the delay in finalizing beneficiary selection criteria, presenting different sets of criteria during the bid evaluation process created unnecessary confusion and in some cases may have resulted in ranking oblast participation higher than might have happened otherwise.

ii. As companies in Russia continue in the free enterprise system, the law of averages will dictate that some companies succeed while others fail. More emphasis will be placed on examining financial strength. Towards this goal, future RFP's should specifically request a copy of the most recent enterprise balance sheet and the previous years' year end report. Balance sheets are prepared quarterly in a standard form approved by the Ministry of Finance known as the “Balance of the Enterprise”, form number 1, that has been approved by the Ministry of Finance of the Russian Federation. Using the balance sheet, standard accounting indicators, such as fixed assets, current assets and liabilities, working capital and net worth can be identified. Using these indicators, additional information can be identified such as standard accounting liquidity ratios, e.g. working capital ratios (current assets/current liabilities) and acid test ratios (current assets less stocks and debtors/current liabilities). Indicators such as working capital and net worth should be compared to the proposed cost of a project. For example, if a bidder proposes a project with a high cost but has little working capital and net worth, there would be reasonable doubt concerning the bidder's ability to successfully complete the project in a timely manner. (See Exhibit 11 for a copy of the balance sheet model.)

iii. The time spent by PADCO with administrations and bidders prior to the receipt of proposals was extremely helpful to all parties. Many hours were spent explaining the why's and wherefore's of the requirements of the RFP. Issues that are widely understood in the United States, such as progress payments, retention on progress payments, submitting an original and a copy of the proposal and final acceptance required explanation. Clarifying bidder and administration confusion resulted in an improved quality of responsiveness. This type of technical assistance should be continued in support of future RFP's.

iv. In the future, the bid process should be scheduled so that contract award can be made prior to the start of the Russian building season. Typically, the prime months for construction are from May through October. While construction is done during the winter months, efficiencies are not the same, particularly when the building shell is being erected.

2.2.9 Miscellaneous Information

A series of tables are made part of this report through attached exhibits that provide various statistical analyses. The following is a list of these tables:

- Exhibit 12 is a summary by oblast/krai of the number of JV and Russian proposals received, average unit and square meter costs. Exhibit 15 covers all of the proposals originally received in response to the USAID RFP.
- Exhibit 13 is a summary by oblast/krai of the number and types of housing, i.e., cottages, low rise and high rise, originally proposed.
- Exhibit 14 by oblast/krai shows the number of proposals, average costs of different housing types, average cost per square meter, and completion status of all proposals reviewed in the second round of site visits.
- Exhibit 15 by oblast/krai notes the total number of units as well as the number of individual housing types for all proposals reviewed during the second round of site visits.
- Exhibit 16 includes general information on the top 35 proposals.
- Exhibit 17 by oblast/krai lists the average cost per unit for all proposals, average cost by housing type, average cost per square meter, average unit size and status of completion for the top 35 ranked proposal.

3 Voucher Program

3.1 Background

The overall Military Officer Resettlement Housing Program was to result in the delivery of 5,000 housing units. In concert with the 2,500 housing units that were to be constructed under the direct construction component of the Housing Program, 2,500 housing units were made part of a Voucher Program. It was assumed that it would be faster to house officers by providing them with vouchers enabling officers to purchase either new or used units already on the market.

PADCO participation in the Voucher Program occurred in two phases. On July 12, 1994, a meeting was held with USAID, Minstroi and PADCO. To initiate the Voucher Program, PADCO was directed to identify 500 housing units in six pre-selected oblasts. The 500 units were for officers who were expected to demobilize by the end of August 1994 and thus urgently needed housing outside the Baltic nations. These oblasts were:

- Moscow oblast;
- Leningrad oblast;

- Pskov oblast;
- Smolensk oblast;
- Tver oblast; and
- Yaroslav oblast.

However, prior to the start of field trips Novgorod Oblast was added to the original six since it had already been included in the 80 unit Pilot Voucher Program. As a result, the administration, representatives of local banks and contractors had some training in the Voucher Program.

Housing units were to be identified that could be ready for occupancy in August and September of 1994. This work was to be in support of and prior to the final selection of the Voucher General Contractor (VGC).

In mid-August 1994, USAID requested that PADCO extend its services to identify the remaining 2,000 housing units that might comprise the balance of the 2,500 housing unit component of the Military Housing Program. Additional oblasts were included in this second phase. This work was initiated prior to the mobilization of the VGC.

3.2 General Outline of Services

PADCO provided the following services during the 500 unit phase and 2000 unit phase of the Voucher Program.

- educate prospective bidders and oblasts on the requirements of the program;
- verify the commitment of local and oblast administrations to the program;
- develop review criteria for submitted proposals;
- confirm proposed delivery dates of proposed units;
- assess livability of general area of the proposed units;
- assess quality of proposed units;
- identify number and types of units proposed;
- review the local employment opportunities;
- assess bidder's ability to finance completion of uncompleted housing units;
- identify Russian banks capable of participating in the program;
- identify the source of initial financing of proposed units;
- identify by name and telephone number, the local officials involved with the program; and
- assist VGC in site reviews as needed.

3.3 500 Unit Voucher Program

3.3.1 Background

Minstroi organized a meeting on June 26, 1994 with oblast authorities and bidders that were interested in participating in the Voucher Program. This meeting was also attended by representatives of USAID and the Interministerial Commission (IMC). From this meeting Minstroi developed a list of many interested oblasts who agreed to submit proposals. However the proposals that were submitted to Minstroi at the meeting were largely unresponsive due to unfamiliarity with the program.

At the July 12, 1994 meeting at USAID, USAID decided to concentrate on an initial Voucher Program totalling 500 housing units. At that time there was an urgent need to house 500 officers expected to demobilize from the Baltic nations at the end of August 1994. In the interest of time and human resources, the search for these 500 housing units would be restricted to the seven oblasts listed in section 3.1 selected by Minstroi.

3.3.2 Evaluation Criteria

In the absence of a formal USAID RFP similar to that prepared for the construction component of the Military Housing Officer Resettlement Program, evaluation criteria were identified by USAID at the July 12, 1994 meeting for follow-up in the field by PADCO. The following items were to be identified in the field:

- Determine the price of the proposed units. USAID requirements were that the unit price should be $25,000 or less.
- Determine the status of construction.
- Determine the type and size of the proposed housing units. Preferred unit type should be two room and three room units. One room units should be discouraged since the typical officer had a family with one or more children and thus qualified for a larger unit under SNiP standards.
- Determine when the housing units could be occupied. Occupancy was required in August or September of 1994.
- Identify the source of the original financing of the proposed housing units. Housing units originally financed through Russian federal military housing resettlement funds were ineligible to participate in the Voucher Program.
- Determine if there was current financing to complete the housing units.
- Determine the readiness of the local administration to assist officers from the Baltics.
- Determine if the offered units could be completed on schedule.
- Identify local banks that could participate in the Voucher Program.

3.3.3 Implementation

PADCO personnel, generally together with a Minstroi representative, embarked on a series of field trips to the pre-selected oblasts to review the various proposals submitted by oblast governments. These proposals originally submitted to Minstroi were typically incomplete. Some were simply letters stating interest in the program. (A list of the oblasts/sites/number of proposed units visited for the 500 unit Voucher Program is included in Exhibit 18)

A site visit would include the following activities by the review team:

- Upon arrival in the capitol city of the oblast, a meeting would be held with a member of the oblast administration. This was typically the Vice Governor of Construction. In other areas, a meeting was held with a city administrator or in rural areas, with a member of the regional administration. The details of the program were explained. They were informed that the administration would be able to select 10 percent of the relocated officers from local waiting lists as long as the officers had come from outside Russia. A further 10 percent of the officers could also come from local waiting lists if these officers had demobilized from the Baltic nations after the Vancouver summit meeting. A few oblasts were able to benefit from both categories. The administrations were requested to supply written documentation that the proposed units were not financed by Russian federal funds. Since most oblasts had not received federal budget allocations for officer housing during the previous year, most of the projects the teams visited had been financed from either local governments or private funds. Inquiries were also made to determine what area banks were capable of participating in the Voucher Program.
- Typically a visit would then be made to the bidder's office. Some time was usually spent explaining the Voucher Program. Most bidders did not understand the concept of the program. This was equally true of the administrations. The typical misunderstandings of both the bidders and administrations is described in the next section, 3.3.4. The issue of ownership of the proposed units was addressed. It was stated that the offeror of the housing unit had to be able to convey ownership to the prospective military officer upon final sale.
- The site would be visited to inspect the offered housing units. During the site visit, notes would be taken on the number of units available, the status of existing construction, the quality of the work, the schedule for completion and the number and types of units. As most units visited were incomplete, secondary trips were made to visit units previously completed by the bidder to determine the expected level of quality.
- A trip report would be made upon return to the Moscow PADCO office to document the results of the field trip. These trip reports were then promptly delivered to USAID.

3.3.4 Typical Administration/Bidder Misunderstandings

As indicated in section 3.3.3, many questions arose regarding the program during the meetings held with the administration and bidders. There were questions common to all sites. Again as previously stated, most administrators and bidders did not understand the program, particularly the method of payment.

Bidders thought that USAID would buy the units directly and then sell them to identified military officers. Originally, bidders thought that the price per unit was specified at $25,000, regardless of size.

Bidders were usually unaware that the site review being conducted was only to determine if the offered housing units were acceptable. Once it was explained that even if the housing unit was acceptable, there was no guarantee that the unit would be selected by a retired military officer, some lost interest. Also even if the unit were acceptable and some officers were interested, there was again no guarantee that all the units would be bought by retired military officers with vouchers.

Most bidders indicated that due to the time required for acceptance, VGC approval, advertisement, officer inquiries and financial paperwork they could not guarantee that the units now offered would be available when required. Furthermore, most bidders indicated that with no purchase guarantees from USAID, if another buyer approached them with the right price, they would sell the housing units offered to USAID.

Most bidders also thought that similar to the construction program, there would be construction financing available from USAID. A number of these housing units were in buildings where construction had stopped due to a lack of construction financing so there was some concern from the bidder as to where they might obtain additional financing. Some bidders noted that if USAID would guarantee purchase of an almost completed unit, the bidder could then go to a lending agency, with the guarantee as collateral and obtain a loan to complete the purchased unit.

Bidders and administrations were also interested in knowing when the VGC would be on board.

3.3.5 Results

In pursuit of the initial 500 housing unit Voucher Program, PADCO with Minstroi visited twenty two cities in seven oblasts from July 27, 1994 to August 20, 1994. A total of 1,878 housing units were identified. (See Exhibit 19 for list of oblasts, cities and units.) Based on the results of the first round of oblasts, PADCO recommended that the 500 unit Voucher Program be initiated in Yaroslav Oblast since the local administration was willing to participate in the program, had enough units and because it was relatively close to Moscow thus simplifying communications. A pilot VGC, under contract to USAID was selected to carry out the 500 housing unit program. They were briefed by PADCO on the specifics of all proposals received and reviewed in Yaroslav Oblast. All collected documentation related to the field trips to the Yaroslav Oblast were delivered to the VGC. Also PADCO assisted the VGC in establishing contacts with the local administrations and bidders. This ended PADCO's role related to the 500 housing unit Voucher Program.

3.4 2,000 Housing Unit Voucher Program

3.4.1 Background

PADCO received a letter from USAID dated August 15, 1994 requesting PADCO to provide technical assistance for the 2,000 housing unit phase of the Russian Military Officer Resettlement Housing Program. This work was to be initiated prior to and in support of the main VGC. (See Exhibit 20 for list of field trips in support of main VGC.)

By the middle of August, 1994, Minstroi had received requests from sixteen oblasts to participate in the Voucher Program. Seven of these oblasts had already been visited during the 500 unit phase of the Voucher Program. Of the seven visited oblasts, Minstroi eliminated three. The housing units reviewed in this second phase were to be delivered by March, 1995, six months after the specified delivery date of September, 1994 for the first phase. (See Exhibit 21 for results of field trips in support of main VGC.)

At the end of August, 1994, the main VGC had been selected by USAID and its representatives had arrived in Moscow to meet with USAID and PADCO. Since the main VGC was unable to mobilize its team until mid September, PADCO was requested to continue visiting potential projects for the program.

3.4.2 Evaluation Criteria

The evaluation criteria were the same as those used in the 500 unit Voucher Program. These criteria were stated in section 3.3.2 of this report.

3.4.3 Implementation

The implementation of the field work was similar to that provided in the 500 unit Voucher Program. The implementation plan was described in section 3.3.3 of this report.

At the end of August, the Voucher General Contractor had been selected by USAID and representatives of the VGC had arrived in Moscow. PADCO accompanied representatives of the VGC and Minstroi to the city of Tambov on August 24th and 25th of 1994. After the Tambov trip, the VGC representatives left for the United States to return in the middle of September, 1994. In their absence PADCO and Minstroi representatives continued with additional field trips. However, field reports prepared as a result of the continuing field trips were delivered to the VGC to keep them appraised of all activity. Upon completion of all field trips a final summary sheet was produced by PADCO to document the information that was received. (See Exhibit 22.)

Beginning with the 500 unit Voucher Program and then the 2000 unit Voucher Program, PADCO visited fifteen oblasts and thirty-six cities. In all, three thousand and five units were identified. The oblasts visited were Volgograd, Voronezh, Tver, Novgorod, Yaroslav, Ulyanovsk, Ryazan, Kaluga, Pskov, Nizhny Novgorod, Leningrad, Moscow, Smolensk, Tambov and Tula. Three

oblasts originally considered for participation in the program were rejected by Minstroi for different reasons; Kaliningrad, Rostov and Bryansk. In Kaliningrad, Minstroi could not identify the official owner of the proposed units, nor could the units be located. Rostov was rejected because the bidder in Rostov-on-Don would only discuss the project if they could receive construction financing from USAID to complete the proposed units. In Bryansk, Minstroi rejected the proposal because the units were originally financed through the Chernobyl Resettlement Program using Russian Federal Government funds and therefore not eligible under the guidelines of the Voucher Program.

3.5 Assistance to the Voucher General Contractor

The VGC returned to Moscow in the middle of September, 1994. Upon arrival, PADCO met with personnel from the VGC on a number of occasions to review the results of the field visits that PADCO had performed in support of the Voucher Program. PADCO delivered copies of all field reports and summary evaluation sheets for use by the VGC.

In addition, PADCO provided technical assistance during field trips with VGC personnel from September 16, 1994 through September 27, 1994. During this transitional period, PADCO assisted the VGC on trips to thirteen cities in five oblasts (Tambov Oblast and City having been previously visited with the VGC during their initial stay in Russia). The five oblasts were Moscow, Tver, Leningrad, Nizhny Novgorod and Saratov. Overall, therefore, PADCO provided field technical assistance to the VGC in fourteen cities in six oblasts. (A list of oblasts visited with main VGC is included in Exhibit 23.)

PADCO provided the following assistance in support of the Voucher General Contractor:

- briefed USAID and the Voucher General Contractor on the contents of all reports filed by PADCO;
- arranged meetings with local administrations and bidders during field visits;
- briefed the Voucher General Contractor on Russian construction and business standards
- explained the roles and levels of authority of the various local and oblast representatives involved in the program;
- assisted in explaining the program to local administrations and bidders;
- provided temporary translation and interpretation services;
- gave assistance to the Voucher General Contractor to understand the exact current ownership of some of the proposed units; and
- after formally ending technical assistance to the Voucher General Contractor, remained available for consultation as needed.

3.6 Lessons Learned

a. As in the Construction counterpart program, the Voucher Program suffered from conflicting objectives that created confusion among the bidders and local governments. In making these observations, it is important to note that PADCO was not involved in other aspects of the Voucher Program such as the banking mechanisms, actual closing and titling of units, evaluation of existing previously occupied units and beneficiary selection. Thus some of the observations made below may have been covered in other aspects of the program. The following illustrates the problems with objectives:

   i. The Voucher Program was intended to be the vehicle by which units could be delivered to beneficiaries in the shortest period of time, a few months at most. However, as there was no construction financing as part of the program, many offerors with reasonable units were hamstrung by the lack of available financing.

   ii. Again, the beneficiary selection criteria and procedures need to be clear from the start. Oblast support was generally contingent on the percentage of officers that could be drawn from local waiting lists. Clearly identifying the beneficiary selection procedures at the start of the process would have allowed local administrations to commit early to support the program.

   iii. In concept, the Voucher Program had admirable goals and should be able to result in officers being able to be resettled in a short period of time. However, due to internal political decisions, i.e., which officers would be going where, the intended goal of quick resettlement may not be realized. The political decisions should have been made prior to the implementation of the program. There should have been a clearer idea of the actual number of officers committed to the various oblasts. The "official" number never seemed to be concrete. If the true numbers could have been available earlier on, trips could have been better organized and been more efficient. Trips might not have been made to certain oblasts or in other cases either more of less time might have been spent in some oblasts. This issue also relates to the construction component of the Resettlement Program.

b. The initial bidder responses received by Minstroi in July were mostly non-responsive. Most responses were either simply letters of interest or partial responses. This indicates that the program should have been better advertised and explained. A preliminary round of technical assistance provided by USAID, following bidder conferences, similar to the Construction Program, would have been helpful.

c. This program also suffered from a general lack of understanding of the mechanics of the program by most interested parties. Bidders thought that though the program they would be able to quickly sell off unsold units. Most parties thought that USAID would be the buyer of the individual units and would then transfer ownership to selected officers. The concept of USAID, through its Voucher General Contractor, acting as a realtor only, was generally not understood.

d. Bidders wanted some guarantees that they would be selected to participate in the program. They were unwilling to hold available units in the hope that an interested officer might appear. They expressed a concern that the turnover process would take considerable time, considering all the players involved from the buying side of the program. Some indicated that in the time period from the moment that a unit sale price was negotiated to the time that they received payment for the unit, the real value of the unit would increase and therefore they felt that they would have sold at an undervalued price.

e. Unit pricing was not clearly understood. The USAID stated maximum price of $25,000 was often thought of as the allowable selling price. Bidders were schooled in the concept of competitive pricing. They could offer their units at $25,000 but if another bidder from the same area had comparable units at a lesser cost, they might have priced themselves out of further consideration. Also, it was explained that different unit sizes should come at different costs. The smaller the unit the lower the cost. The $25,000 figure was not an average cost of proposed units but the maximum cost of any one unit.

f. There should also have been earlier decisions on the desirable size of the proposed units. This dovetails into the previous required political decisions that should have occurred earlier. Officers have different family sizes. Though one room units were discouraged as most officers have some family, a better idea of the numbers of two, three and four room units would have been helpful during program implementation.