**AWARD OF CONTRACT NOTICE**

a) Project name: "Modernization and restructuring of the road sector"

b) Assignment: "RESTRUCTURING AND RATIONALIZATION OF CROATIAN ROADS (HC)"

c) The names of all consultants on the short list (Consultants those submitted proposals are marked in italic mode):

1. **Joint Venture:**
   "McKinsey & Company" Inc (Branch Office Zagreb), Zagreb, Croatia - leading partner
   Attorneys at Law "Šavorić & Partners" LLC, Zagreb, Croatia - partner

2. "Deloitte Savjetodavne Usluge" d.o.o., Zagreb, Croatia
   with subcontractor: i) Law Firm "Ţupić & Partners" Ltd, Croatia

3. **Joint Venture:**
   "The Boston Consulting Group", Budapest, Hungary - leading partner
   Law firm "Glinska & Mišković", Zagreb, Croatia - partner

4. **Joint Venture:**
   "A.T. Kearney" (Branch Office Zagreb), Zagreb, Croatia - leading partner
   "DRI Investment Management" Ltd, Ljubljana, Slovenia - partner
   Law office "Svilar", Zagreb, Croatia - partner

d) The overall technical scores and scores assigned for each criterion and sub-criterion to each consultant:

<table>
<thead>
<tr>
<th>Criteria/Sub-Criteria</th>
<th>Maximum Scores</th>
<th>Average Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):</td>
<td>40</td>
<td>25</td>
</tr>
<tr>
<td>Key Expert's qualifications and competence for the Assignment</td>
<td>50</td>
<td>36.3</td>
</tr>
<tr>
<td>a) Position K-1: Team Leader</td>
<td>14</td>
<td>11.3</td>
</tr>
<tr>
<td>b) Position K-2: Engineer</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>c) Position K-3: Economist</td>
<td>12</td>
<td>8.8</td>
</tr>
<tr>
<td>d) Position K-4: Legal Expert</td>
<td>12</td>
<td>9.2</td>
</tr>
<tr>
<td>Participation by nationals among proposed Key Experts</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>71.3 (not qualified)</td>
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</tbody>
</table>
2. Joint Venture:
"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner

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</tr>
</thead>
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<td>Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):</td>
<td>40</td>
<td>39</td>
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<tr>
<td>Key Expert's qualifications and competence for the Assignment</td>
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<td>45.06</td>
</tr>
<tr>
<td>a) Position K-1: Team Leader</td>
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<td>13.2</td>
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<tr>
<td>b) Position K-2: Engineer</td>
<td>12</td>
<td>11.73</td>
</tr>
<tr>
<td>c) Position K-3: Economist</td>
<td>12</td>
<td>11.33</td>
</tr>
<tr>
<td>d) Position K-4: Legal Expert</td>
<td>12</td>
<td>8.8</td>
</tr>
<tr>
<td>Participation by nationals among proposed Key Experts</td>
<td>10</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>91.8</strong></td>
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3. Joint Venture:
"A.T. Kearney" (Branch Office Zagreb), Zagreb, Croatia - leading partner
"DRI Investment Management" Ltd, Ljubljana, Slovenia - partner
Law office "Svilar", Zagreb, Croatia - partner

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<th>Average Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):</td>
<td>40</td>
<td>39.6</td>
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<tr>
<td></td>
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<tr>
<td>Key Expert's qualifications and competence for the Assignment</td>
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<td>40.53</td>
</tr>
<tr>
<td>a) Position K-1: Team Leader</td>
<td>14</td>
<td>11.93</td>
</tr>
<tr>
<td>b) Position K-2: Engineer</td>
<td>12</td>
<td>11.53</td>
</tr>
<tr>
<td>c) Position K-3: Economist</td>
<td>12</td>
<td>10.27</td>
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<tr>
<td>d) Position K-4: Legal Expert</td>
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<td>6.8</td>
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<tr>
<td>Participation by nationals among proposed Key Experts</td>
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<td>2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>82.33</strong></td>
</tr>
</tbody>
</table>

e) The prices offered by each consultant as red out and as they have been evaluated

1. Joint Venture:
"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner

Total price of the financial proposal (excluding VAT) and evaluated price: 479,842,00 EUR
2. Joint Venture:
"A.T. Kearney" (Branch Office Zagreb), Zagreb, Croatia - leading partner
"DRI Investment Management" Ltd, Ljubljana, Slovenia - partner
Law office "Svilar", Zagreb, Croatia - partner

Total price of the financial proposal (excluding VAT) and evaluated price: 838,528,60 EUR

f) The final combined scores and the final ranking of the consultants

1. Joint Venture:
"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner
Final score: 93,44 Rank: 1

2. Joint Venture:
"A.T. Kearney" (Branch Office Zagreb), Zagreb, Croatia - leading partner
"DRI Investment Management" Ltd, Ljubljana, Slovenia - partner
Law office "Svilar", Zagreb, Croatia - partner
Final score: 77,28 Rank: 2

g) The name of the successful consultant and the total price, duration and summary scope of the contract

g.I. The name of the successful consultant:
"The Boston Consulting Group", Piarista köz 2, 1052 Budapest, Hungary
(during negotiations have been negotiated and agreed that the Contract will be signed with the sole Consultant BCG instead of Joint Venture: "BCG" - Law firm "Glinska & Mišković")


g.II. The total price (including VAT): 599,802,50 EUR

g.III. Contract duration: 11 months from the commencement date


g.IV. Summary scope of the contract:

1. Objectives of the assignment

The consultancy for Restructuring and rationalization of Croatian Roads (HC) is inherently divided into two stages, which are procured independently. Stage one of the consultancy has been organized, procured and financed by HC, focusing on improvements in corporate governance and the organizational restructuring. The objective of this consultancy belongs to stage two, focused on rationalization and implementation of reorganization measures. This assignment will be implemented as a part of the MARS project, focusing on increase of HC’s operational efficiency and improvements in cost-controlling. Some of the measures and actions proposed in stage one shall be considered and further developed where appropriate in stage two of the consultancy (this assignment). However, the consultant for stage two is encouraged to present independent critical opinion on all conclusions of previous consultancies.

The detailed requirements are presented in the Scope of Services and will be subject to working consultations with HC, acting as the Client.
The main goal of the assignment is to identify areas for improvement and then develop proposals for measures that would lead to rationalizing HC operations in various areas including business planning processes, maintenance contracting and monitoring, project management and cost control and to incorporate these elements in new proposal of main company act, Rulebook on Internal Organization.

Starting point for the assignment should be analysis of legal mandate of HC, as defined by Road’s Act and its bylaws. Basic question to be answered is whether the current and/or proposed HC organisational structure enables efficient performance of all work processes performed by the company or processes that should be performed by the company according to legal regulations. Consultant will analyze current laws and bylaws that effect company’s organization and if necessary propose their adjustments. Proposals to be made by the consultant should lead towards increase in efficiency in following regulations. The results of the stage one consultancy should be considered during the development of the proposals.

The consultancy should analyse how the regional units will be managed, so that all parts of HC are monitored and evaluated against comparable performance standards and KPIs. The current practice of HC is to contract routine maintenance for the entire state roads network in single procurement. Besides separating this contracting into region based contracting, the possibilities of joint procurement of routine maintenance works for all public roads (including county and local roads governed by ŽUC) in any particular region should be examined and alternative solutions proposed.

The consultancy should evaluate results and conclusions based on experience about performance-based routine maintenance contracting (Pilot Project Performance Based Road Maintenance on State Roads in Istria) conducted by HC and determine possible impact of wider use of performance-based maintenance contracts on HC functions, especially on personnel and activities. The consultancy should also analyse procedures (methodologies) of capital investment planning and the process of application for and usage of EU funds, with attention to risk management. Certain changes in and improvements to quality management systems should also be considered and proposed.

All other business processes should be examined and improvement measures proposed, where appropriate. The consultant should propose a set of KPI’s which would enable MSTI and the HC management to monitor and evaluate the progress of restructuring.

2. Scope of consultant services

The consultant’s tasks will include, but will not be limited to:

a) Current organization/operations status
   The first task is to review current HC organization and resources, especially regarding:
   (i) business processes and operational practices,
   (ii) organizational structure, using findings/deliverables of stage one consultancy,
   (iii) HR potential, using findings/deliverables of HR consultancy,
   (iv) IT support,
   (v) procurement and contracting,
   (vi) operating costs,
   identifying areas for efficiency improvement, with respect to relevant conclusions and decisions derived from the MARS project. Attention should be paid to regional organization of HC (business units) and other institutional changes proposed or recently introduced.

b) Legal framework
   The consultancy should (i) review the legal framework and HC legal mandate and to (ii) make recommendations for re-definition (if needed) of the role of HC as the company which assists the MSTI in managing issues affecting the road sector as a whole (road data base, asset management system, planning and reporting, EU projects preparation, axle weight control, etc)

c) Road maintenance contracting
   In reviewing business processes, special attention is to be directed to road maintenance. The spectrum of options for procurement and contracting of routine and periodic maintenance of non-tolled public roads (of all categories) that were proposed in course of work of WG 9 should be assessed and recommendations proposed as appropriate. Realistic achievable measures for improvements in procurement and contracting environment are to be proposed, in accordance with actual Law on public procurement. The proposals should aim towards the widening of competition (opening the market for new contractors).

Further steps towards a wider usage of performance-based maintenance contracting should be proposed, based on the evaluation of the results of the pilot project (Pilot Project Performance Based Road Maintenance on State Roads in Istria).
d) **Capital investment planning and implementation**
Changes in the capital investment planning and implementation procedures should be proposed, focused on the improvement of working procedures, HR potentials and IT support, with special attention to the usage of EU funds. Short and medium-term measures should be proposed aiming to reduce costs and increase the operational efficiency.

e) **Detailed organizational units and work break-down structure**
Following the analysis of current operations, proposals for improvements and concept of organizational restructuring provided in stage one, consultant should develop governance of company's each organizational units and detailed work break-down structure using results of HR consultancy.

f) **Cost monitoring and control**
Reorganization and restructuring recommendations shall be followed by a set of measures which would define KPI’s, as well as cost monitoring and control procedures. Recommendations concerning the application of IT tools should be made as appropriate.

g) **Introduction of KPIs**
The consultancy should, using results of stage one consultancy, propose a set of KPIs, which would enable MSTI and HC Management to effectively monitor and evaluate HC.

h) **Action plan**
The consultancy should develop an Action plan for the implementation of HC restructuring process, showing the time and cost aspects of all proposed activities.