



THE RECOVERY SPENDING WATCHDOG

#2, October 2023



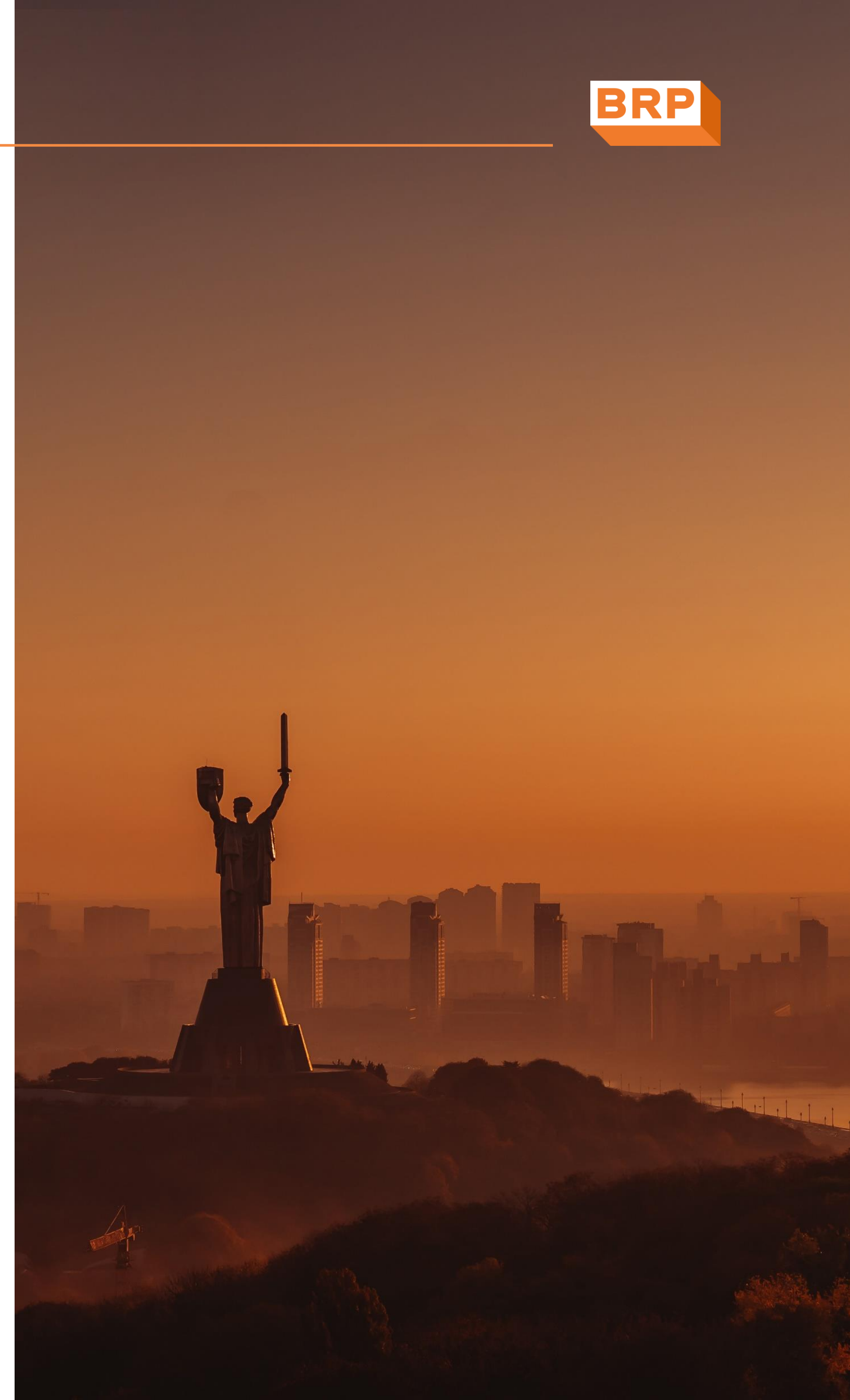
Content

- Damage assessment
- Legislation changes
- Fund for the elimination of the consequences of armed aggression
- Budget – 2024
- Donor projects
- A case study of reconstruction
- Media monitoring



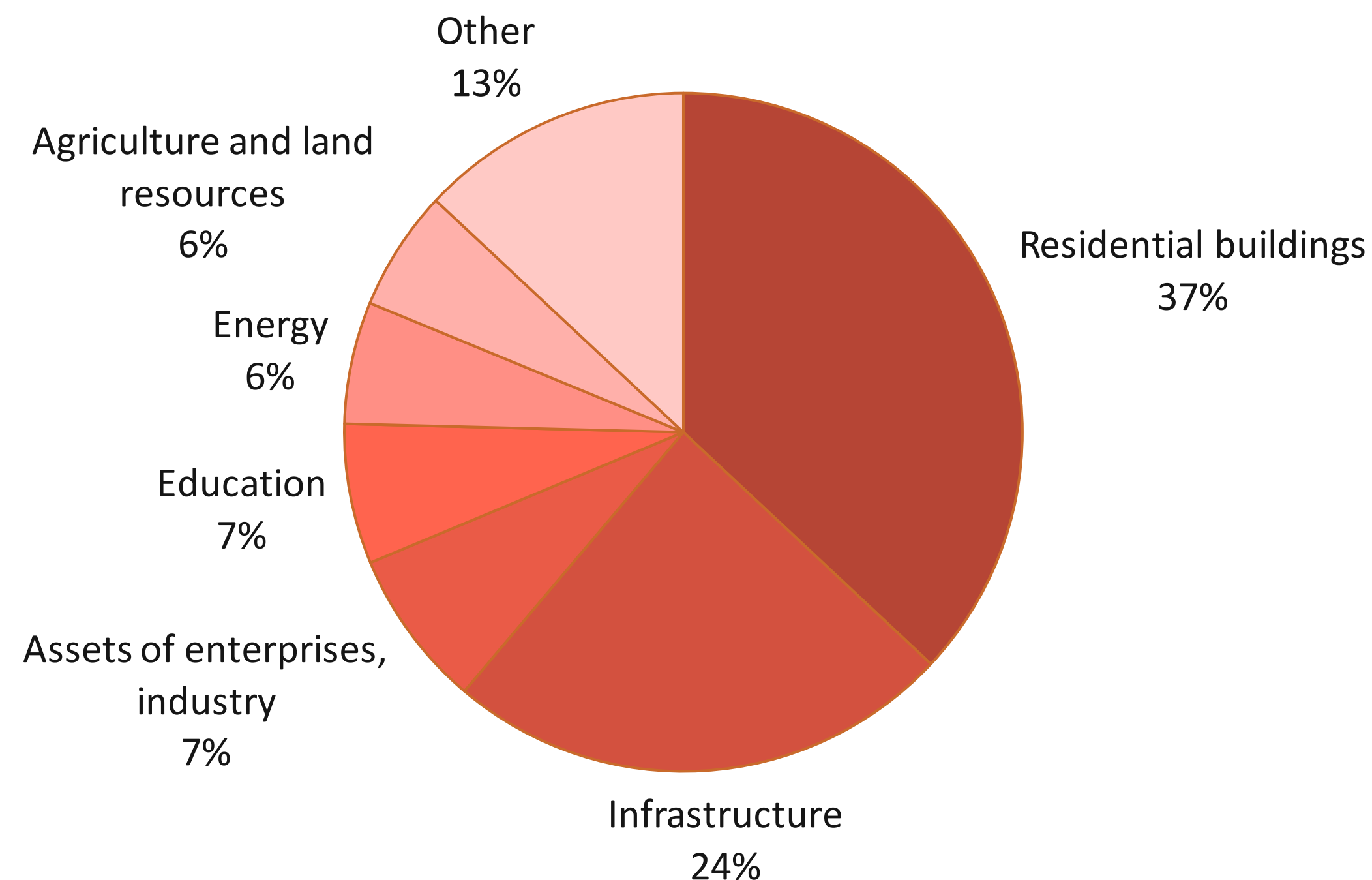
Changes in recovery legislation

- Citizens will be entitled to compensation for the repair of residential property damaged by the aggressor if already carried out reconstruction at their own expense ([draft law No. 10063](#) was adopted):
 - Submission of an application through Diia;
 - Consideration of the application by the commission;
 - Determination of the amount of payment based on the act of initial inspection of the damaged housing, which was carried out after the damage to the housing, and a checklist with the established cost of construction materials and works approved by the Cabinet of Ministers;
- Promotion of more efficient procurement - [Methodological Recommendations](#) on the formation of tender documentation and procurement of works and services related to the reconstruction of civilian infrastructure (buildings) were adopted - Recovery Agency.
- The Prioritization Methodology should be approved by the order of the Ministry of Restoration: to increase the efficiency and effectiveness of recovery spending.



Damage and destruction assessment - sectoral distribution of damage

- The total amount of direct documented damages to Ukraine's infrastructure caused by Russia's full-scale invasion is \$151.2 billion. As of September 1, 2023, this is \$0.7 billion (or 0.5%) more than at the beginning of the summer.
- Does not include losses from damaged Kakhovka Dam: USD 14 bn.



Total estimate of infrastructure damage by industries as of September 1, 2023.

	Assessment of direct losses, USD bn
Residential buildings	55,9
Infrastructure	36,6
Assets of enterprises, industry	11,4
Education	10,1
Energy	8,8
Agriculture and land resources	8,7
Forestry Fund	4,5
Transportation	3,1
Healthcare	2,9
Housing	2,7
Trade	2,6
Culture, tourism, sports	2,4
Administrative buildings	0,5
Digital infrastructure	0,5
Social sphere	0,2
Financial sector	0,04
TOTAL	151,2

The Fund for the Elimination of the Consequences of Armed Aggression: Geographical Distribution

- Information related to the Fund is published on the [website](#) of the Ministry of Restoration.
- The Ministry of Recovery has not published detailed data on the prioritization of projects approved during the third meeting of the Interagency Working Group.
- Only part of the approved projects were based on the results of the prioritization.
- There were no new reviews of the project during the month.
- The Fund is used also to finance Program of eRecovery (ukr: ЄВідновлення) – compensation to households for damaged or destroyed housing:
 - As of October 5, UAH 1.3 bn has been spent
 - As of October 11:
 - 50,4 thous. applications, 50% assessed
 - UAH 1,7 bn allocated for about 20 thous. applications
 - 100 housing certificates were issued - UAH 151 m

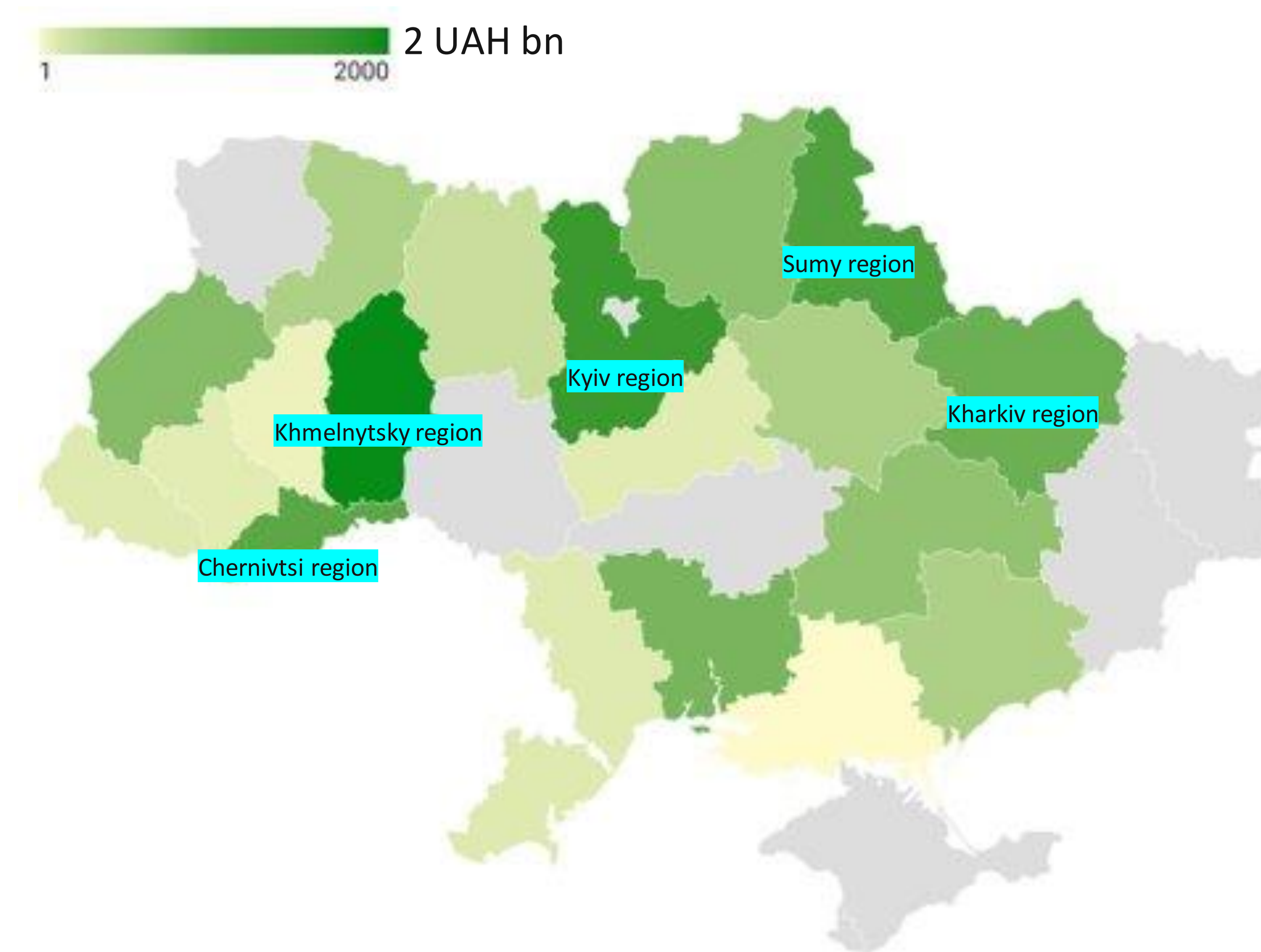
272 total number of objects

23,5 billion hryvnias total estimated cost of projects

11,5 billion hryvnias have been allocated for recovery projects from the Liquidation Fund for 2023

9% financing of projects in 2023 from local budgets and other sources

Fund: geographical distribution



Top 5 regions in 2023 by sector

- Khmelnytsky region (UAH 1.9 billion, 91% of which is healthcare)
- Kyiv region (UAH 1.6 billion, 42% of which - residential buildings)
- Sumy region (UAH 1.2 billion, 70% of which - water supply)
- Chernivtsi region (UAH 1.03 billion, 61% of which - healthcare and education)
- Kharkiv region (UAH 0.9 billion, 45% of which - residential buildings)

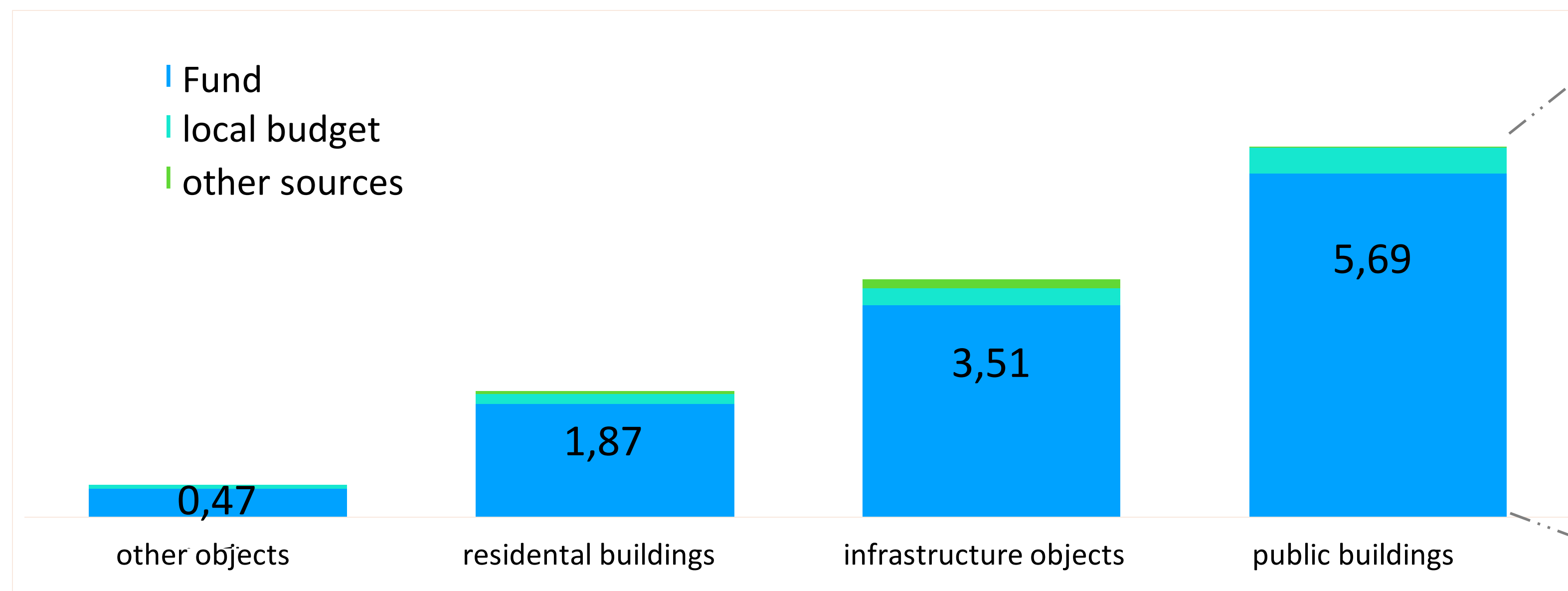
Fund: a cross-section

UAH 5.2 billion, or 45%, of the Fund's expenditures in 2023 will be allocated to education and healthcare institutions.

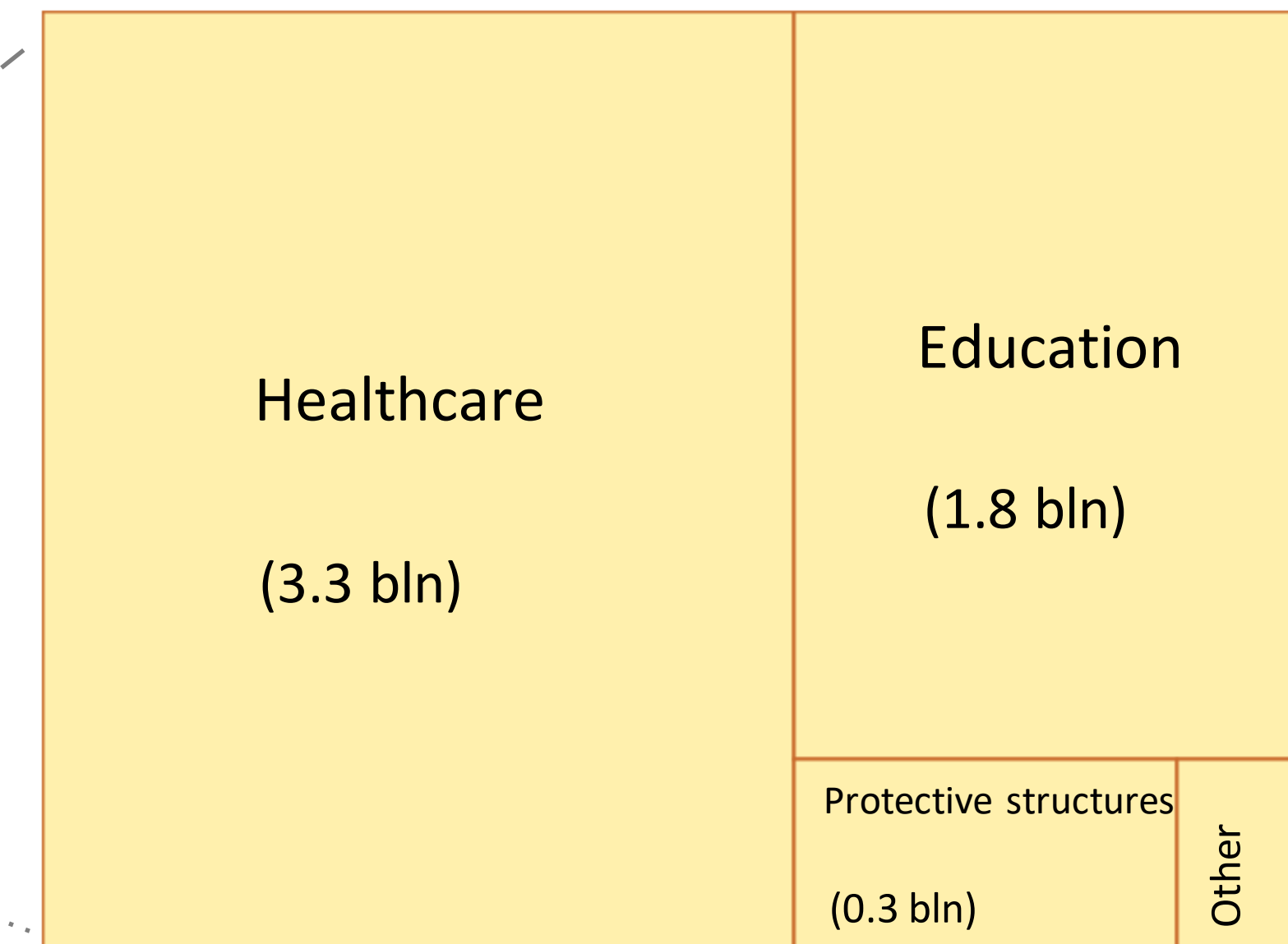
UAH 1.6 billion of the Fund's expenditures will be used to restore residential buildings, and $\approx$ UAH 0.3 billion will be used for major repairs related to IDPs and other temporary housing.

UAH 2.8 billion for water supply facilities in different regions.

Structure of recovery costs (Fund, local budget, other)



Types of public buildings (Fund)

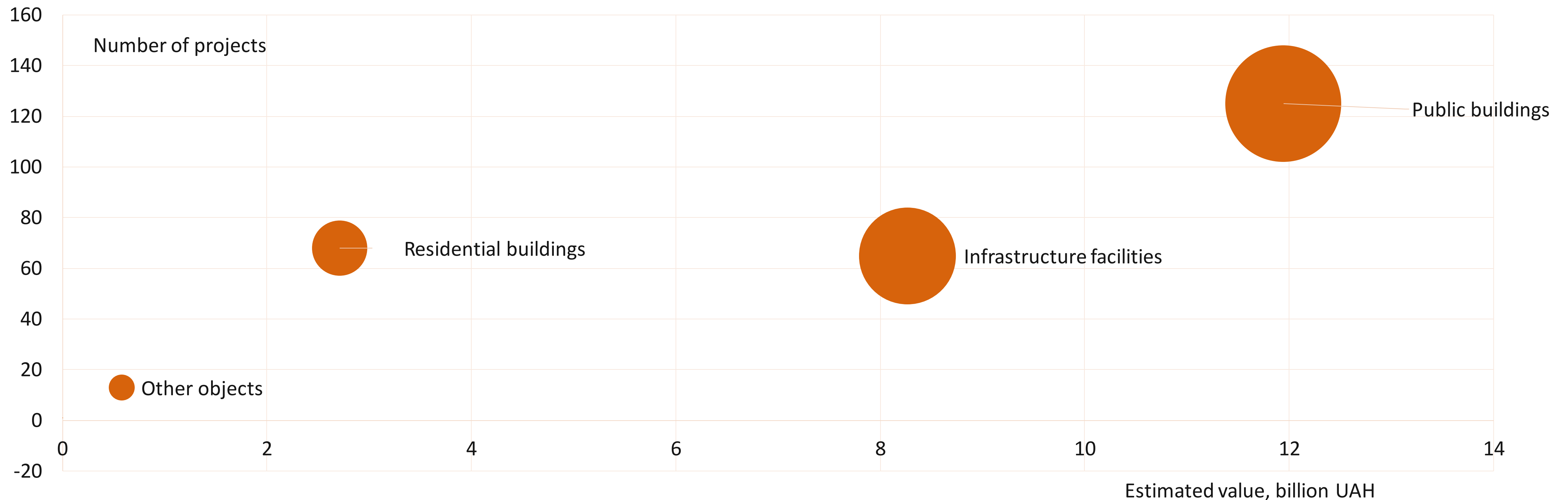


Note: only amounts allocated at 1-2 meetings of the Interagency Commission

Source: based on data from the Ministry for Restoration

Fund: priority types of objects

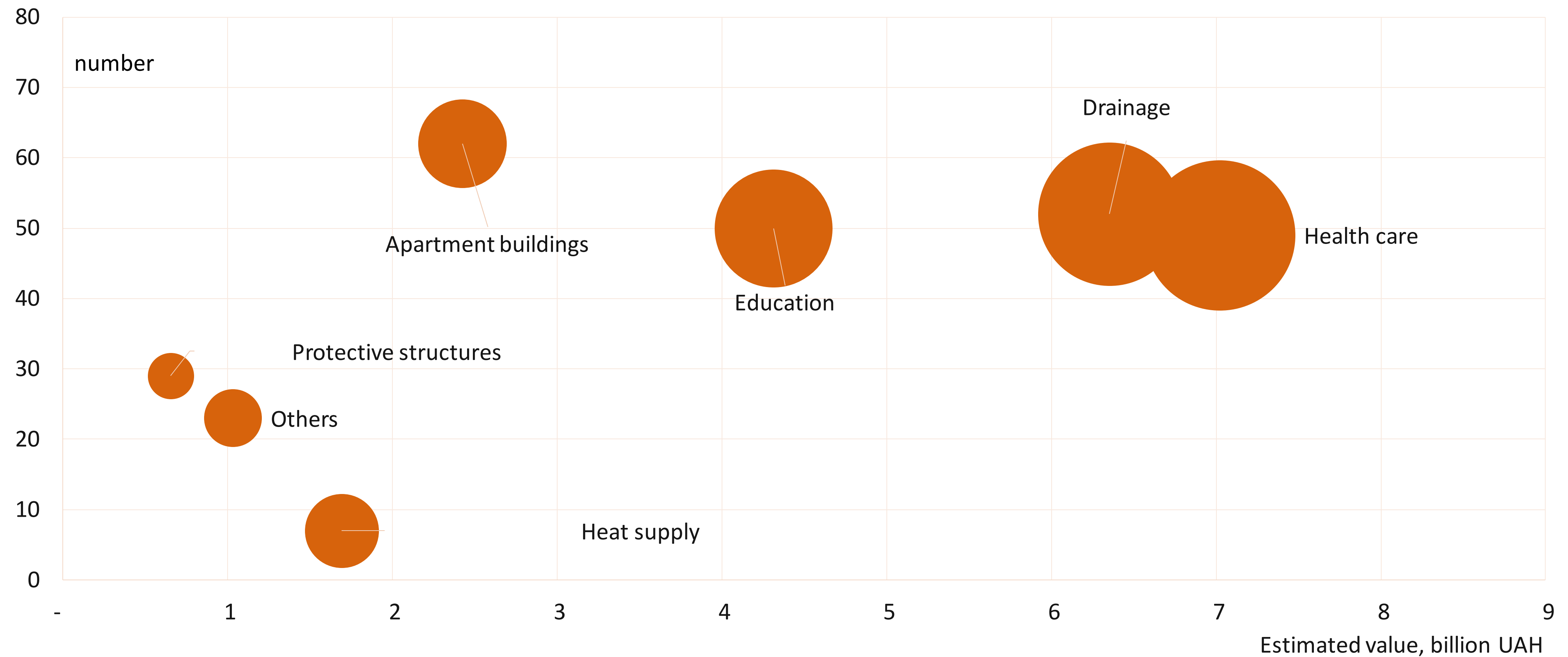
- The level of additional financing from local budgets (LB) varies by object: on average, it is about 7-8% for financing in 2023.
- Access recovery to public services and housing is among the priorities, but significantly lags behind in the amount of funding and the number of objects from public buildings.



Note: only the amounts that were allocated at 1-2 meetings of the Interdepartmental Commission

Source: based on data from the Ministry of Reconstruction

Fund: Priority projects important for providing public services to the population



Note: only the amounts that were allocated at 1-2 meetings of the Interdepartmental Commission

Source: based on data from the Ministry of Reconstruction

Fund: not always about destroyed objects

Not all objects that received funding are intended for restoration after damage or destruction, some objects date back to the Great Rebuilding period.

This is justified by the provision of public services to IDPs or the rehabilitation of the wounded.

- 60% of the total funding – projects not related to restoration and reconstruction due to damage to objects;
 - 28% of the total funding goes to reconstruction projects not related to destruction;
 - 21% of the total funding goes to new construction;
- 21% of the total funding is aimed at capital repairs due to damage;

Housing is rebuilt not only with funds from the state budget

- Financing for housing reconstruction includes various state budget programs, local budgets and donor programs: but it is not yet known how much is financed by whom.
- Reconstruction: Reconstruction Agency, local authorities, donor-funded contractors.
- Reconstruction Agency carries out both the restoration and reconstruction of individual houses (for example, in [Makariv](#) and [Zaporizhzhia](#)) and the comprehensive reconstruction of settlements.
- The list of objects for comprehensive reconstruction is defined in the CMU [resolution](#) on the implementation of a pilot project to restore settlements with funding from the Fund for the Elimination of the Consequences of Armed Aggression. In particular, the restoration work over the past week has included the village of [Posad-Pokrovs'ke](#) in the Kherson region and the village of [Yahidne](#) in Kyiv region.

A specific example of reconstruction

Construction of main water pipelines Karachunivske Reservoir - Kryvyi Rih - Pivdenne Reservoir, Marhanets - Nikopol, Khortytsia (DvS2) - Tomakivka



Water supply: construction progress as of October 2023

- **12,6 billion UAH** – the total current construction estimate according to the contracts with contractors signed as a result of tenders.
- **8,5 billion UAH** - the amount of funds allocated by the Cabinet of Ministers of Ukraine for this project in 2023.
- **164 km** of the pipeline (or 55%) was laid as of mid-September 2023.
- **The first line** of the water pipeline on the Inhulets - Pivdenne Reservoir section **was put into operation** [21 August 2023 y.](#)
- For **6 pumping stations** groundwork for the foundation at the Khortytsia-Tomakivka-Marhanets section started.
- **100%** meeting the water needs of Kryvyi Rih residents by **November 14**, according to the forecast of the State Agency for [Infrastructure](#) Recovery and Development.
- With the support of **USAID. Vzayemodiia** (ukr: Взаємодія) a **comprehensive technical audit** of the project documentation for the construction of all three sections of the water pipeline will be conducted.
- **1,3 billion UAH** according to Spending.gov.ua, was paid in favor of construction contractors in August 2023, which is 89% of the amount previously planned by the terms of the financing agreements for 2023.
- **862 billion UAH** almost UAH 30 million was allocated from the Liquidation Fund to Dnipropetrovsk and Mykolaiv oblasts for water disposal projects related to the destruction of Kakhovka HPP, **with an additional UAH 30 million** coming from local budgets.

Budget - 2024

BRP

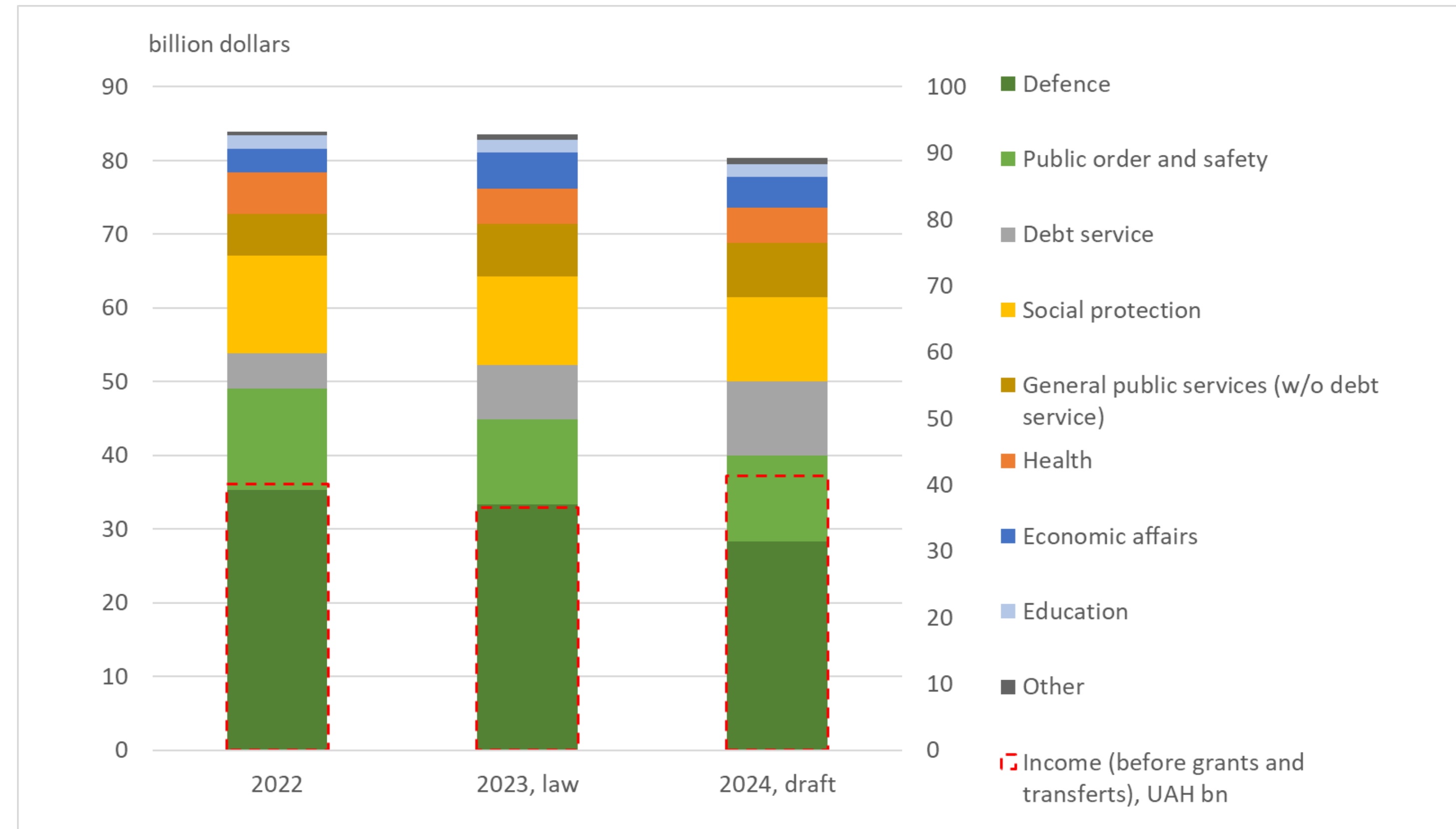


Budget 2024: fiscal gap

Draft law on the State Budget for 2024:

- Internal inflows - income and domestic borrowing - slightly exceed defense and security expenditures.
- In fact, all other expenditures should be financed from other sources.
- External financing is expected in amount up to USD 42 billion. The majority of international partners have not yet decided to provide the relevant funding.

State budget revenues and expenditures



Budget 2024: funding for reconstruction is limited

The priority of the budget is to finance security and defense.

Therefore, capital expenditures have been significantly reduced.

This also applies to funding for recovery and reconstruction. But there is still money:

- The Fund for the Elimination of the Consequences of Armed Aggression in 2024: funds from the compensation of Russian assets and balances from 2023;
- A potential source of funding for the Fund for the Elimination of the Consequences of Armed Aggression is funds from frozen/confiscated Russian assets abroad: in particular, EUR 1.5 billion in Belgium;
- Road Fund in 2024 - at the expense of balances.



Budget 2024: but there is a resource from donors

- Direct programs financed by IFI programs - in particular, UAH 3.2 billion has already been provided for in the special fund "Support for the Rapid Recovery of Ukraine";
- Selected programs funded by bilateral donors: September 2023, the [CMU](#) decided to allocate a grant from Japan in the amount of UAH 22 billion to implement the Emergency Recovery Program through a special fund of the state budget;
- The Reserve Fund - UAH 44.8 billion: emergency expenditures, as well as urgent reconstruction and recovery, but it lacks transparency;
- [United24](#) – targeted reconstruction and rehabilitation projects, in particular [Fund for the Restoration of Destroyed Property and Infrastructure](#);



Reserve Fund: Transparency Caveats

Plan for 2023 – 33 billion UAH, project for 2024 – 44.7 billion UAH

Problems:

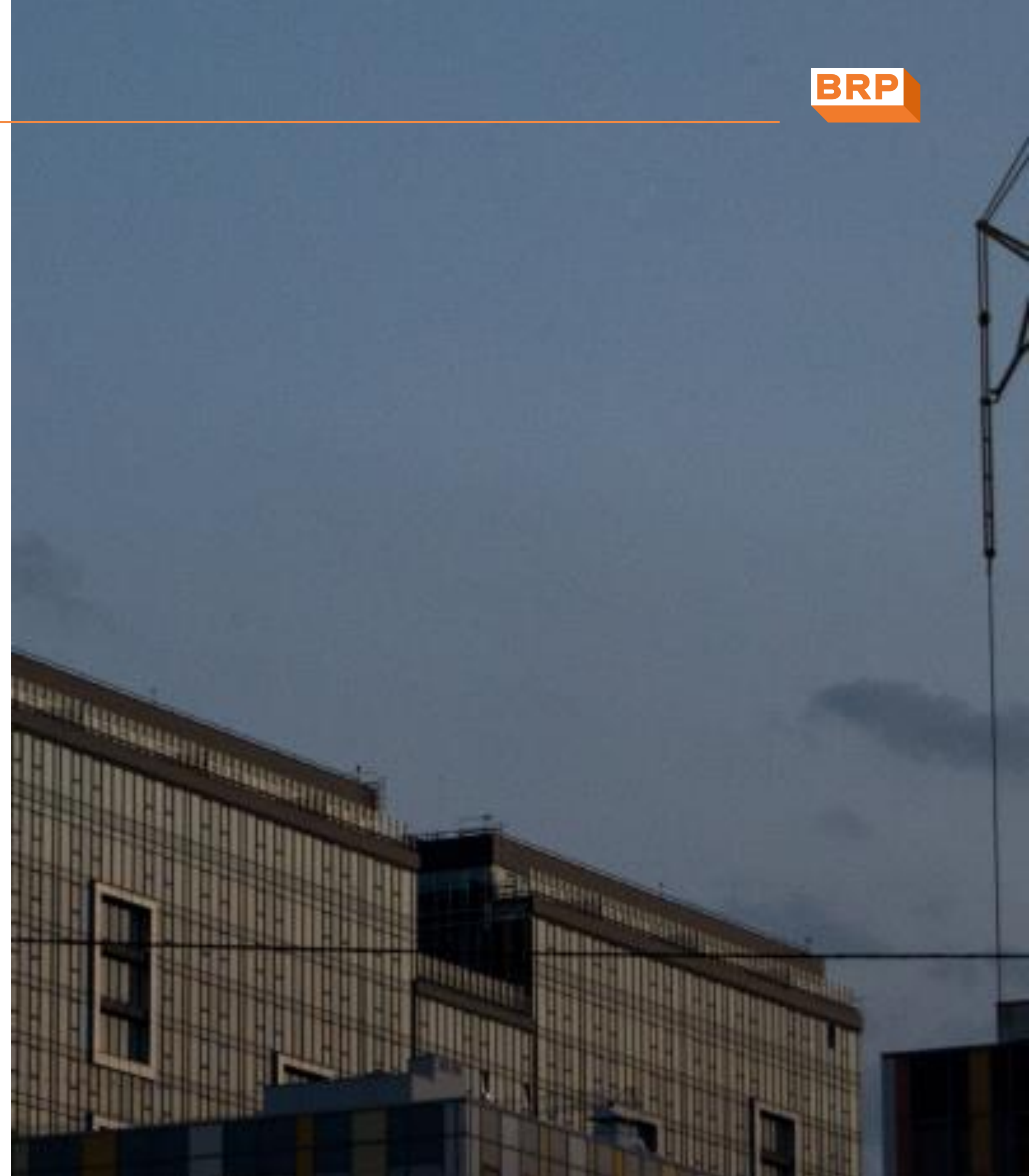
- Lack of transparency during decision-making;
- Resolutions of the CMU allocate money, but it is difficult to distinguish whether the funds go to reconstruction;
- If the funds are used for reconstruction, it is not clear for which objects;

Importantly:

- Increase transparency of the reserve fund;
- If funds go to reconstruction, projects must be in DREAM (except for security cases), prioritization must be applied;



Examples of donor-funded projects



World Bank: Start of financing

- **"Home renovation to restore people's rights and opportunities([HOPE](#))"**

Total financing: 232 million dollars. USA, from which the loan is 70 million dollars. USA, in special state budget fund for 2024 – UAH 82.8 (planning specifics) + UAH 248 million subvention.

Repair costs for people whose homes were partially damaged, including about 98,000 individual houses and 8,000 households in 160 multi-apartment residential buildings in five regions. Beneficiaries will receive compensation for repairs.

- **Restoration of critical logistics infrastructure and network connectivity (RELINC)**

Total financing: USD 585 mln. USD, initial (grant) - USD 50 million. USD 50 million, in the special fund of the state budget - UAH 16 million for key road connections (+ specific planning).

Financing the rebuilding and restoration of roads, railways, and bridges.

Implementation of reforms: introduction of anti-corruption tools, digitalization of the recovery process, and improved donor relations.



EIB: financing for reconstruction has begun

- [«Ukraine recovery programme»](#)

In the special budget fund for subventions - UAH 4.5 billion for 2024.

Financing of reconstruction projects.

[Competitive selection](#) of projects according to the procedure agreed with the EIB.

UAH 5.3 billion [approved](#) for 2023 to finance 108 community projects selected through a competitive process, plus 33 projects recommended by the Ministry for Restoration.

- [«Emergency Loan Program for the Reconstruction of Ukraine»](#)

UAH 2.3 billion in the special budget fund for subventions for 2024.

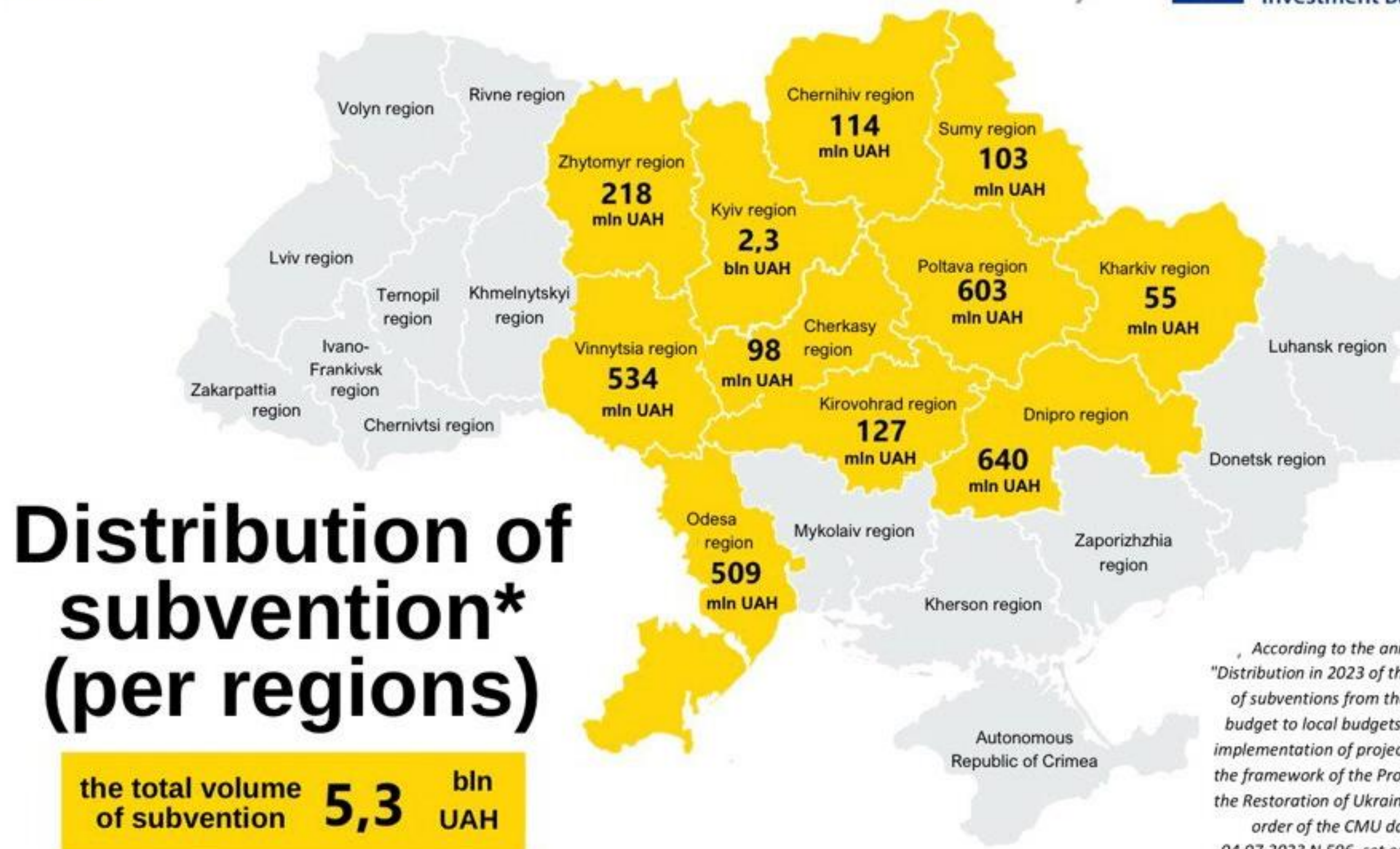
In 2023, subventions were [distributed](#) in the amount of UAH 1.7 billion.

Important:

Eligible projects must be in DREAM (some projects with [EIB](#) funding are available).

Prioritization and selection procedures should be similar for different funding sources.

EIB: financing for reconstruction has begun



Journalistic investigations

Disclaimer. Please remember that journalistic investigations may not consider all possible nuances and may be biased in some instances. It is recommended to treat the information received cautiously and to only use it to draw final conclusions with additional research and fact-checking.

Investigative journalism as a tool for of public control

SOURCES AND SUBJECT MATTER

- A screening of journalistic investigations for the last 3 months published on bihus.info, radiosvoboda.org and nashigroshi.org was conducted.
- Several investigations into reconstruction projects were covered.
- The investigations covered Kyiv, Mykolaiv, Kharkiv and Dnipro regions.

GENERAL ISSUES, THAT WERE COVERED

- **Insufficient transparency and lack of competitive tenders:** Most of the money allocated was distributed without competitive tenders, and there was a lack of competition in the bidding process.
- **Contractors with criminal proceedings and corrupt pasts.**
- **Overpayment for construction materials:** Due to inflated prices for construction materials and other equipment, the allocated funds were spent inefficiently, resulting in significant financial losses.
- **Inaccurate information:** Some companies provided inaccurate information about their experience and resources.
- **Lack of control and accounting:** Most of these problems arise from insufficient control by the authorities responsible for the distribution of money and for compliance with the law.
- **Political connections and influence:** In some cases, companies have been awarded contracts because of their connections to government officials.

THE REACTION OF THE AUTHORITIES

Some of the investigative journalism has attracted the attention of both law enforcement agencies and senior officials. This demonstrates the importance of public scrutiny, revealing facts of inefficient spending or signs of corruption and drawing the attention of government officials to the problems covered:

- The Prosecutor's Office launched an investigation against a reconstruction contractor in the Dnipropetrovs'k region for allegedly forging documents.
- The Bureau of Economic Security launched an investigation into the facts of contractor abuse in Gostomel.
- The President dismissed the head of Gostomel's Municipal Security Service amid the revelations.
- The Agency for the Restoration and Development of Infrastructure of Ukraine announced that following a journalistic investigation into possible overpricing of concrete during the reconstruction of the bridge in Izium, the prices in the contract with the contractor will be recalculated (<https://restoration.gov.ua/press/news/57366.html>).

Investigative journalism. Additional information

Disclaimer. Please remember that journalistic investigations may not consider all possible nuances and may be biased in some instances. It is recommended to treat the information received cautiously and to only use it to draw final conclusions with additional research and fact-checking.

Data sources used :

Nashi Groshi	Kim's billion-dollar vertical cut	https://nashigroshi.org/2023/10/04/mil-iardnyy-rozpyl-po-vertykali-kima/
Nashi Groshi	Top 5 of the most brazen overpricing of construction materials at tenders in Kharkiv region by KAC	https://nashigroshi.org/2023/09/27/top-5-naynakhabnishykh-zavyshchen-tsin-budmaterialiv-na-tenderakh-kharkivshchyny-vid-khats/
Bihus.Info	Hundreds of millions of hryvnias for the reconstruction of buildings and infrastructure destroyed by Russians in the Kyiv region were distributed to defendants in criminal proceedings, and companies bought on OLX, and entities whose owners or directors brought journalists to the leadership of the Kyiv Regional State Administration and the Presidential Office.	https://bihus.info/vidbudova-kyivshhyny-sotni-miljoniv-gryven-viddaly-kompaniyam-z-kryminalom-i-kuplenym-na-olx/
Bihus.Info	Prosecutor's Office checks company that won 3 tenders for UAH 20 million with fake documents	https://bihus.info/prokuratura-pereviryaye-kompaniyu-yaka-vygrala-3-tendery-na-20-mln-z-pidrobnyy-dokumentamy-yurysty-bihus-info/
Bihus.Info	Tens of millions for reconstruction were given to the firms of the man in the photo with Yermak's deputy	https://bihus.info/desyatky-miljoniv-na-vidbudovu-viddaly-firmam-lyudyny-z-fotografiyi-z-zamom-yermaka-firmy-vygadaly-spivrobitnykiv-i-pidrobyly-dokumenty/
Bihus.Info	Gostomel officials gave millions of hryvnias for reconstruction to fake entrepreneurs	https://bihus.info/gostomelski-posadovczi-viddaly-miljony-gryven-na-vidbudovu-fejkovym-pidpryyemczyam/
Nashi Groshi	In Kamianske, another 17 million was embezzled for hospital repairs at unreasonable prices	https://nashigroshi.org/2023/09/26/u-kam-ians-komu-zlyly-shche-17-mil-yoniv-na-remont-likarni-za-nesosvitennymy-tsinamy/
Nashi Groshi	The estimate for the reconstruction of the destroyed bridge in Izyum for 636 million includes concrete with expensive delivery	https://nashigroshi.org/2023/09/25/u-koshtorys-vidbudovy-zruynovanoho-mostu-v-iziumi-za-636-mln-vnesly-beton-po-vdvichi-zavyshcheniy-tsini/
Nashi Groshi	Top tenders of the week: Dnipropetrovs'k region responds to voters and Zelensky with contracts for road repairs worth 3 billion	https://nashigroshi.org/2023/09/24/top-tendery-tyzhnia-dnipropetrovshchyna-vidpovila-vybortsiam-i-zelens-komu-pidriadamy-na-remont-dorih-na-3-mil-iardy/
Nashi Groshi	How many tens of millions can be lit on the construction of housing near Bucha?	https://nashigroshi.org/2023/09/22/skil-ky-desiatkiv-mil-yoniv-mozhna-prykuryty-na-budivnytstvi-zhytla-pid-bucheiu/
Nashi Groshi	Filatov's ambulance hospital to be repaired for 20 million at very high prices	https://nashigroshi.org/2023/09/21/likarniu-shvydkoi-dopomohy-u-filatova-vidremontuiut-za-20-mil-yoniv-po-duzhe-zavyshchenykh-tsinakh/

Example: Recovery investigations are more difficult than they seem but still useful



Mustafa Nayyem разом з Андрієм Алексєєвим та ще 2. ...
29 вересня о 19:57 · 🌐

Вибачте, що так скучно, але для нас це важливо.

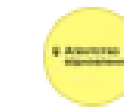
Три дні тому видання [NashiGroshi](#) оприлюднило аналіз даних [Prozorro](#) щодо можливого завищення вартості постачання бетону для реконструкції мосту у місті Ізюм.

У зв'язку з можливою помилкою або зловживанням ми з керівництвом Харківської служби відновлення прийняли рішення провести позаплановий аудит кошторису для встановлення ринкової вартості послуг у рамках контракту.



Юрій Ніколов
29 вересня о 18:51 · 🌐

Добрий вечір))) Разом з Держвідновлення розібрались як в кошторис реконструкції зруйнованого мосту в Ізюмі попав бетон по 8 000 гривень за кубометр. Виходячи з прайсів місцевих бетонозаводів ми вважали, що у цій ціні зашиті непристойні X2. Але частина зради розсіялась. Виявилось, що 25% загальної ціни - це прибуток, загальноновиробничі і адміністративні витрати, які згідно нових правил розмазані по всьому кошторису. Також більша відстань доставки. За нашими прикидками в ціні 8 000 гривень залишається 1 000 гривень, "походження" яких і будуть з'ясовувати фахівці. І я цьому надзвичайно радий, бо завдяки цій історії ми, схоже, натрапили у певну сіру зону на стику нормативок і деяких людей. І тепер є можливість це системно полікувати.



Державне агентство відновлення та розвитку інфраструктури України ✓
29 вересня о 18:10 · 🌐

Водночас, логістична складова доставки до об'єкта була порахована відповідно до усереднених показників провізної плати, затверджених Мінінфраструктури. Вона визначає, що витрати на транспортування матеріалів обчислюють за середніми показниками вартості витрат на 1 т вантажу та середньою відстанню. Наразі вартість перевезення 1 м3 на 80 км дорівнює 2870,27 грн/м3 з ПДВ.

Оскільки за статистичними даними, ринок пропонує і нижчу ціну, ніж затверджена Мінінфраструктури, Агентство прийняло рішення про перевірку та за потреби - перерахунок ціни.

Також зазначимо, що вартість, яка була надана в оприлюдненому кошторисі, включає не тільки безпосередньо будматеріал та його доставку, а й загальноновиробничі та адміністративні витрати по реалізації об'єкту. Це передбачено міжнародною системою CESMM, на яку Агентство відновлення перейшло у дорожньому будівництві. Це не впливає на вартість матеріалу, а лише включає прибуток та загальноновиробничі витрати по об'єкту не окремою складовою, а у вартість робіт та послуг.

Source :

<https://www.facebook.com/NashiGroshi/posts/pfbid0QbrmMC5mhW97NnRNBti4KJ9oBvpmsEhjWZgpTG5btS9nAft8p1sPXsNTcYCzht1KI>
<https://www.facebook.com/Mustafanayyem/posts/pfbid02PV6WSYz9uSRwZcZu7xHR6tBfSySnK7DVFqiRpEq969YiTA7KzHpBrEFy7Y2jTHBI>
<https://www.facebook.com/agency.for.restoration/posts/pfbid0346828tCfB9Hbm2kTkqCPDsXZqGZF26mSXpEs8a7uWgKMCCQAs9f6W5ejbMYVm1yXI>
<https://www.facebook.com/yuurii.nikolov/posts/pfbid032TsYUGwrUT2ijQp5cx231GzyoToGtdXEdN2Dkxq6445NgX1mwk5MYhFTZJLtrtptl>

Appendices (tables)

Liquidation fund: groups of objects

<i>million UAH</i>	Quantity	Estimated cost of the facility, UAH thousand	Financing in 2023 - Fund	Financing in 2023 - MB	Other sources of funding
Public buildings	125	11 944	5 686	417	13
Infrastructure facilities	65	8 263	3 511	277	137
Residential buildings	68	2 711	1 875	168	54
Other objects	13	578	474	64	0
Development of design and estimate documentation	1	1	1	0	0
Total	272	23 497	11 546	926	204

<i>million UAH</i>	Yes	No	Replacing the destroyed	Total
Overhaul	2400	1 240	-	3 641
New construction	101	2 397	207	2 705
Reconstruction	836	3 247	775	4 858
Restoration	259	82	-	342
Total	3597	6 967	983	11 546

Note: only amounts allocated at 1-2 meetings of the Interagency Commission

Source: based on data from the Ministry for Restoration

Liquidation fund: subgroups of objects

Row labels	Quantity	Estimated cost of the facilities, UAH thousand	Balance as of 01.01.23	Financing from the Fund	Financing from local budgets	Other sources of funding
Healthcare	49	7 023	6 603	3 411	261	
Water supply	52	6 354	5 944	2 771	133	
Education	50	4 313	3 810	1 815	141	8
Multi-apartment Residential buildings	62	2 425	2 376	1 643	146	47
Heat supply	7	1 693	1 604	549	121	137
Protective structure	29	655	645	537	32	
Military camps	3	358	321	275	46	
Dormitories	6	286	260	231	22	7
Heat	4	182	181	163	18	
The state emergency service of Ukraine	1	90	89	40		5
Social sphere	1	35	35	35		
Security Center	3	34	34	34		
Center for the provision of Administrative services	3	25	25	23	2	
Industrial park	1	20	19	15	4	
Local government	1	3	3	3		
General result	272	23 497	21 950	11 546	926	204

Note: only amounts allocated at 1-2 meetings of the Interagency Commission

Source: based on data from the Ministry for Restoration



THANK YOU FOR YOUR ATTENTION

