



THE RECOVERY SPENDING WATCHDOG

#4, December 2023



Contents

- Legal regulation
- Reconstruction progress
- Reconstruction funding
- Monitoring of certain areas: waterworks, demining
- Journalistic investigations (reconstruction in the media)



Legal regulation



Legal regulation

Draft law on the Accounting Chamber of Ukraine (No. 10044 of 14 September 2023 + alternatives):

active discussion has started + working group has been set up within the Budget Committee of the Verkhovna Rada of Ukraine

- It is important for the audit and control over the spending of cash funds on recovery and reconstruction
- Reform of the Accounting Chamber of Ukraine is in the USA list of important reforms and is important for the harmonisation of regulations with the EU
- Current versions of draft laws on the Accounting Chamber need finalising, but they are a good start for the discussion
- It is important that the new law stipulates the competition committee for electing new ACU members, transparent procedures for performing audits, independence of the body and a capable team of auditors
- Powers to dispose of the local budgets should be expanded



Reconstruction progress



The Ministry for Recovery reported on the results

Regional and local recovery – UAH 21.6 billion for the implementation of 834 recovery projects

- Liquidation fund: UAH 10.6 billion for 337 projects
- Subventions to communities: UAH 4 billion for 285 projects
- Programmes of the European Investment Bank: UAH 6.9 billion for 212 projects
- The projects are financed the most in Kyiv, Kharkiv and Zaporizhzhia Oblasts

Complex reconstruction: The Agency for Restoration performs reconstruction of 46 objects at the cost of the Liquidation Fund, in particular, 5 experimental villages



Healthcare(as of early December)



- 1,474 medical facility objects are damaged, and 195 objects are totally destroyed
- Most of them are located in Kharkiv, Donetsk, Dnipropetrovsk, Mykolaiv, Kherson, Zaporizhzhia, Kyiv and Chernihiv Oblasts



- 441 objects are fully restored, and 406 are restored partially
- Most of them are located in Mykolaiv, Dnipropetrovsk, Kyiv, Kharkiv, Chernihiv and Kherson Oblasts

Education (as of early November)



- 3,500 educational institutions are damaged or totally ruined



- 500 establishments are restored

The Agency for Restoration continues active transparent procurements

- In November, 50 agreements for the reconstruction of civil facilities
- In particular, major reconstruction:
 - construction of over 75 residential houses in the village of Posad-Pokrovske of Kherson Oblast
 - reconstruction of 16 apartment buildings in the village of Yahidne of Chernihiv Oblast
- In November, the Agency worked on 392 objects (residential stock and social infrastructure) in 8 regions
- To reconstruct¹ bridges in Kyiv Oblast, export lending was involved (loan from CitiBank under the United Kingdom guarantees)
- To resolve the issue with personnel for reconstruction, a “Work and Recovery” portal was set up²

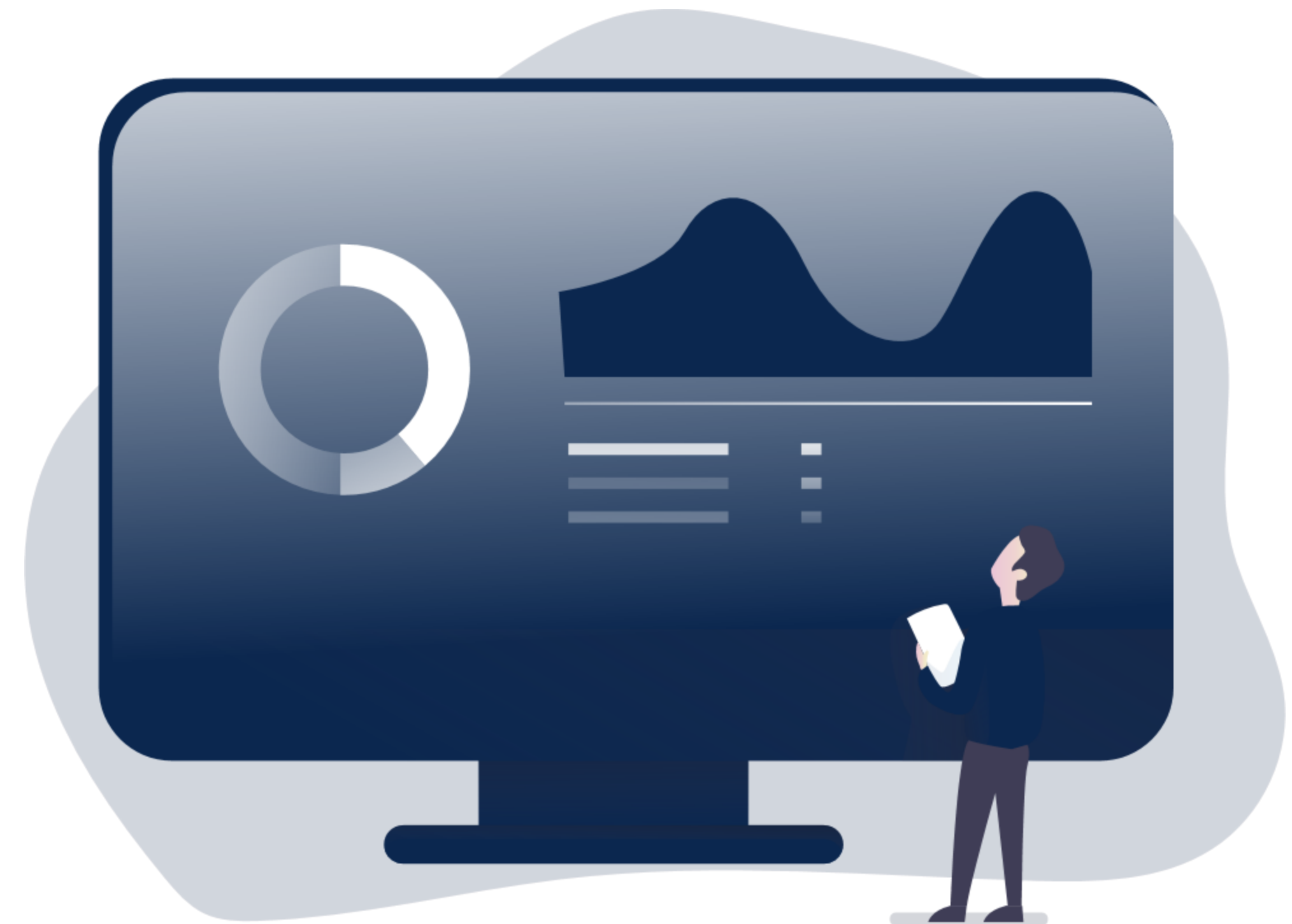
DREAM is not yet included in the law, therefore, not all projects are there so far

1,466 projects

48.3% of projects are at the
stage of fulfilment

UAH 71.3 billion is the need in funding

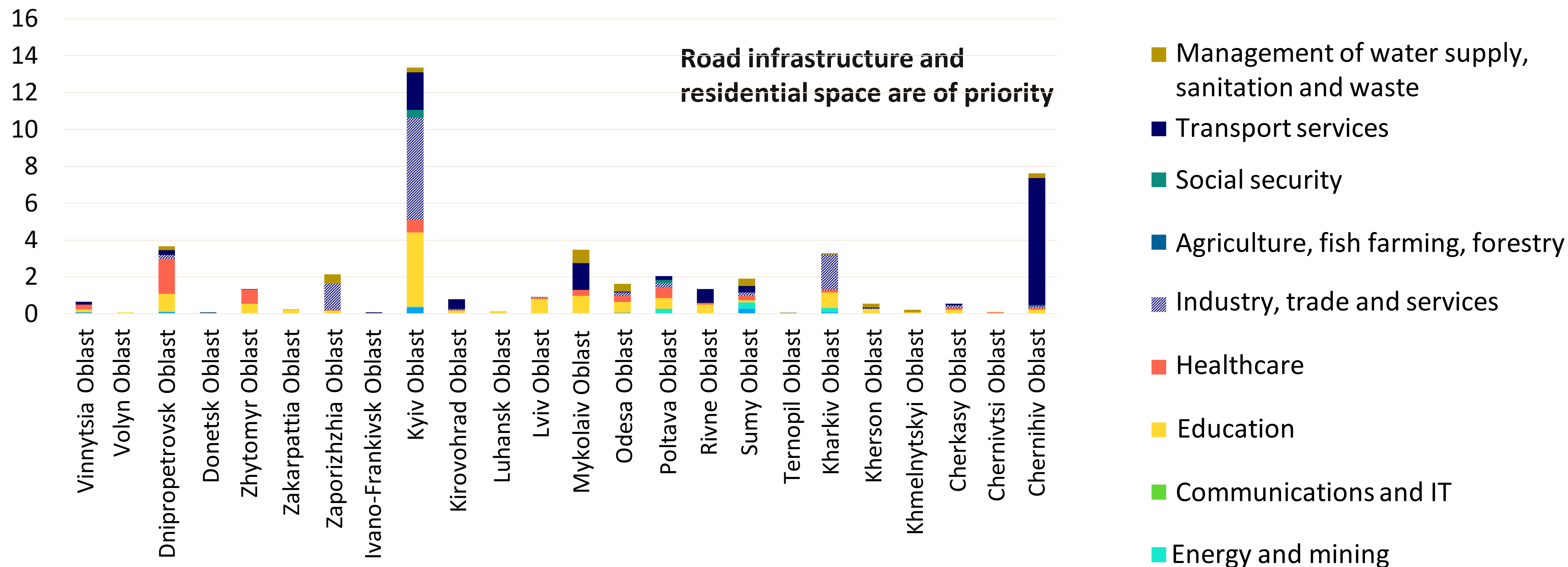
UAH 46.3 billion is
approved funding



Funding is available from various sources

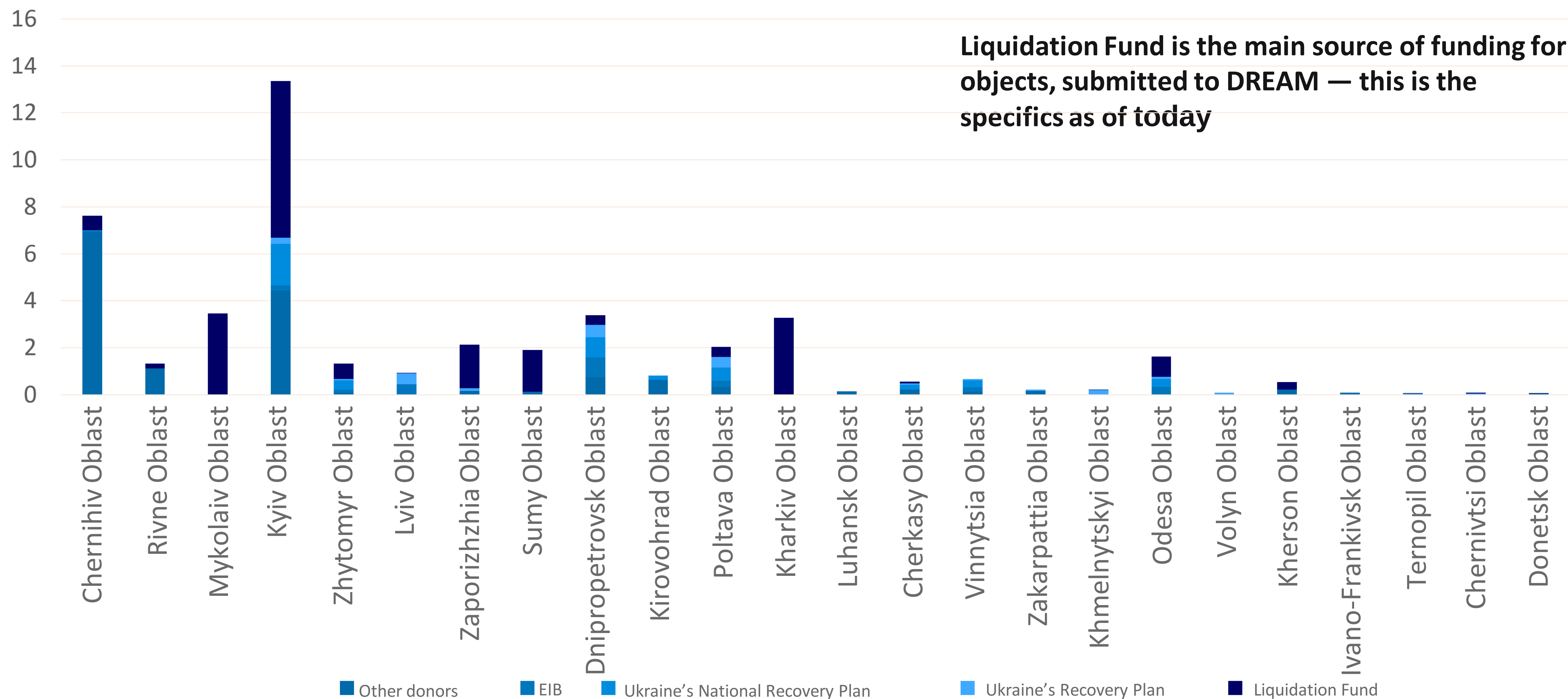
- Capable communities are likely to have easier access to funding
- Not all communities actively enter information about the projects into DREAM

Approved funding of projects submitted, UAH billion

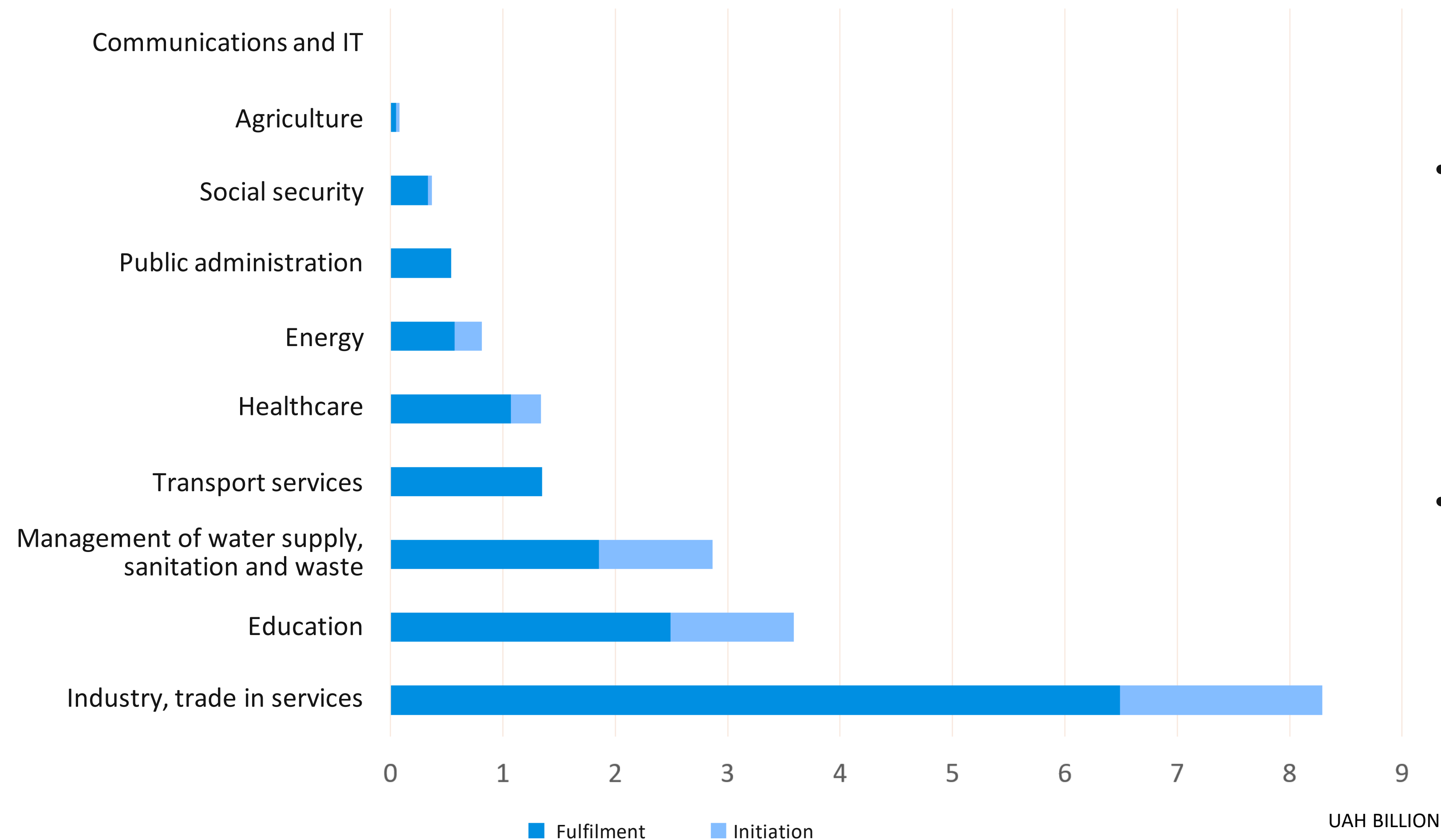


Projects funding

Approved funding of projects submitted, UAH billion



Liquidation Fund (based on DREAM)



- The most projects are focused on the reconstruction of residential stock – it is hidden to the industry sector
- It would be important to distinguish it into a separate sector

Reconstruction funding



Slow cash disbursement under MFO's lending programmes

- The Fund for the liquidation of the consequences of armed aggression still remains the main source of reconstruction and recovery funding
- Submitting projects for the selection (the fourth) by the Interdepartmental working group was announced for financing from the Fund for the liquidation of the consequences of armed aggression
- Funding at the cost of the European Investment Bank (EIB) proceeds rather moderately: *it is needed to increase absorption capacity*
- The Prime Minister of Ukraine emphasized the importance of setting up project teams within local governments



Working with data is a quest

What is behind the transactions?

- *«xxxx;xxxx;xxxx/1;Subvention from the state budget to local budgets for restoring critical infrastructure facilities within the framework of the joint project with the International Bank for the Reconstruction and Development*
- *xxxx;xxxx;xxxx/1;Subvention from the state budget to local budgets for the implementation of projects (objects, events), oriented at liquidation of the consequences of armed aggression*
- *xxxx;xxxx;xxxx/1;Subvention from the state budget to local budgets for the development, recovery, construction, modernisation, arrangement, repair of construction objects*

It is extremely important to introduce the code for “recovery and reconstruction”: both on Spending and Prozorro



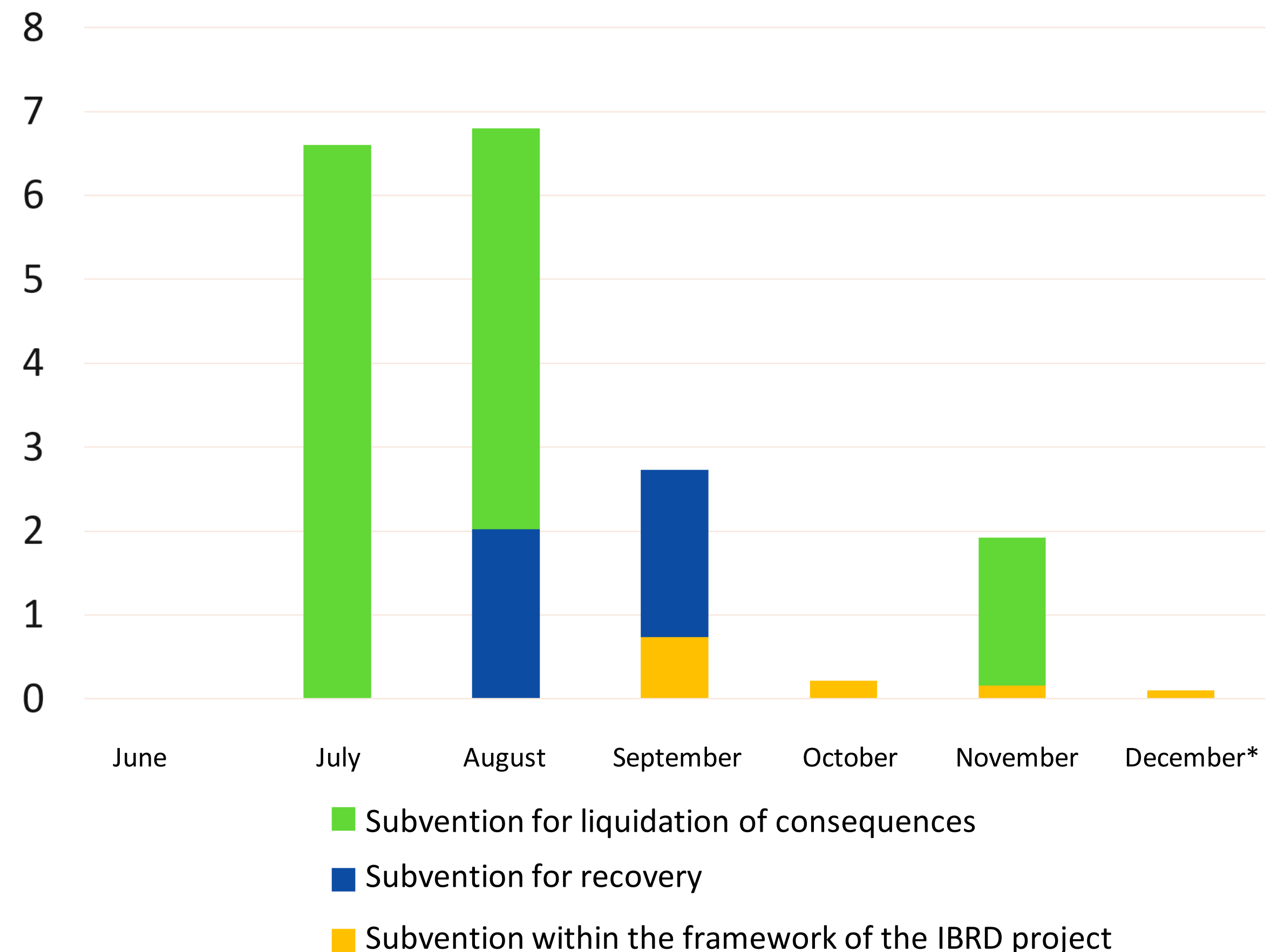
Slow cash disbursement under MFO's lending programmes

- Funding disbursement under MFO programmes takes place rather slowly

During 10 months¹ of 2023:

- 2.1% of the annual plan – Subvention for the implementation of projects within the framework of the Extraordinary Crediting Programme for Ukraine's Recovery
- 0% of the annual plan – Subvention for the implementation of projects within the framework of Ukraine's Recovery Plan
- 46% of the annual plan – Subvention from the state budget to local budgets for restoring critical infrastructure facilities within the framework of the International Bank for Reconstruction and Development Project "Urban Infrastructure Development Project – 2"

UAH billion



Source: Spending.gov.ua

Monitoring of certain areas

Residential stock reconstruction

The construction of main water pipelines Karachuniv reservoir – Kryvyi Rih – Southern reservoir, Marhanets – Nikopol, Khortytsia (Dniprovsk WSS2) – Tomakivka

Demining



Reconstruction progress: residential stock as of December



- Currently, the Register of Damaged and Destroyed Property includes 131 thousand damaged or ruined residential buildings
- 566 thousand applications about damaged or destroyed property are registered through Diia

The recovery takes place using several methods:



- The Agency for Restoration reconstructs several residential buildings, as well as carries out complex reconstruction of five villages
- Buildings are reconstructed by local governments
- Buildings are reconstructed by donors (for example, the International Organisation for Migration in Bucha, and the Red Cross funded a modular town in Chernihiv)

In addition, compensation to the population for the damaged property takes place through eVidnovlennia:

- 62.8 thousand applications for financial assistance to repair the damaged property have been submitted: the payment of UAH 3.2 billion was approved, UAH 2.0 billion was paid
- 7.2 thousand applications for compensation for the ruined property have been submitted (residential certificates): the average amount of the certificate is UAH 2.1 million, and certificates for UAH 2.4 billion were prepared

Waterworks

- **UAH12.6 billion** – general current estimate for the construction pursuant to contracts with contractors signed following tenders (unchanged)
- **UAH 8.5 billion** – the amount of funds allocated by the Cabinet of Ministers of Ukraine for laying waterworks in Dnipropetrovsk Oblast in 2023 (no additional funds were allocated)¹
- **UAH 7.3 billion** (58% of the planned) were paid in favour of construction contractors in August and October 2023 (no new transactions were made in November and December)²
- Construction of the 300-km main water pipeline “Karachuniv reservoir – Kryvyi Rih – Southern reservoir, Marhanets – Nikopol, Khortytsia (WSS2) – Tomakivka” is the largest project of the Agency for Restoration. Overall, **293 km are ready (+44 km) (89%)**³



Blown up Kakhovka HPP (6 June 2023)



Waterworks in Dnipropetrovsk Oblast (Kryvyi Rih) – the first line was launched on 21 August 2023.

² Data for 1–30 November and 1–17 December 2023

³ Data as of 17 December 2023

Demining of Ukraine (data as of 17 December 2023)

- The plan for humanitarian demining of liberated territories for 2024, which determines territories and the sequence of works, was approved¹
- CMU allocated **UAH 788 million** for demining and fortifications²
- Following the results in November, pyrotechnic subdivisions of government bodies and non-governmental operators **examined over 17 thousand ha of agricultural lands** (mostly in Kherson Oblast – 12.4 thousand ha), and since the beginning of the year – 257 thousand ha. Of them, **almost 195 ha were given back to agrarians**³
- By the end of 2023, Slovenia will provide Ukraine with **Euro 1.5 million** for humanitarian demining. The funds will be used for supplying demining specialists of the State Emergency Service of Ukraine and State Transport Special Service with PPE, equipment and machines for demining⁴

Examined:⁵ 45.3 thousand ha (+7.6 thousand ha)

Destroyed:⁵ > 91.6 thousand (+7.3 thousand) of explosive objects

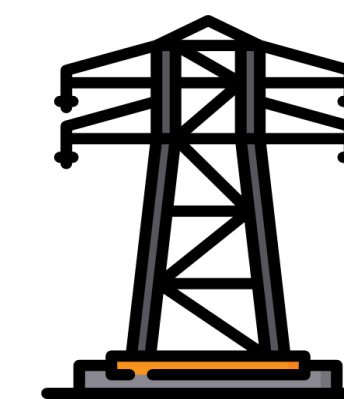
Cleared:⁵



2.3. km of railway
(+0.52 thousand km)



751.1 km of motor roads
(+42.6 km)



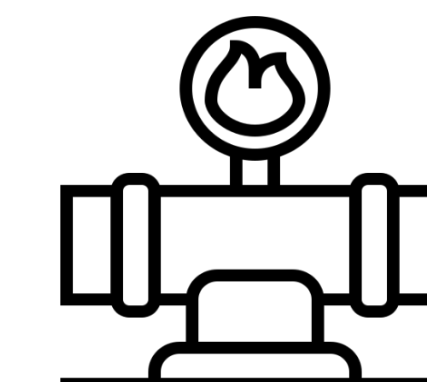
335.7 km of electric power lines
(+12.1 km)



128.4 ha of forests
(+39.9 ha)



21.7 ha of water areas
(+0.3 ha)



35 km of gas pipeline
(+0 km)

Demining of Ukraine (data as of 17 December 2023)

- Lithuania presented an updated concept of coalition for demining Ukraine. It includes elements of both humanitarian and combat demining. At the moment, 22 countries are eager to join the anti-mine coalition¹
- Humanitarian demining of forest lands – 3 ha – was carried out for the first time in Narodytskyi special forest farm in Zhytomyr Oblast. This became possible due to the conduct of a transparent, competitive auction on demining via the electronic tender system²
- Oshchadbank launched a programme, “Mine-Free Sowing Season,” for agricultural manufacturers in liberated territories and areas close to hostilities. A loan of up to UAH 150 million for the payment of services of certified operators in anti-mine activities with a rate of up to 3% per annum and a grace period of up to 12 months³

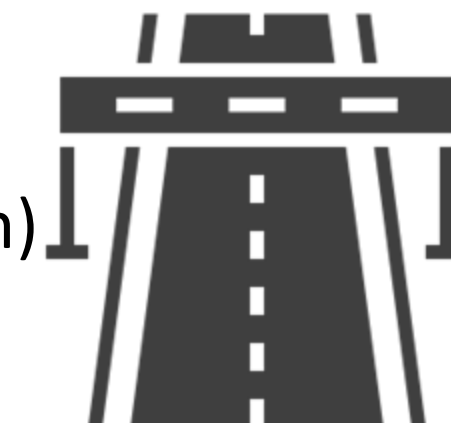
Examined:⁵ 45.3 thousand ha (+7.6 thousand ha)

Destroyed:⁵ > 91.6 thousand (+7.3 thousand) of explosive objects

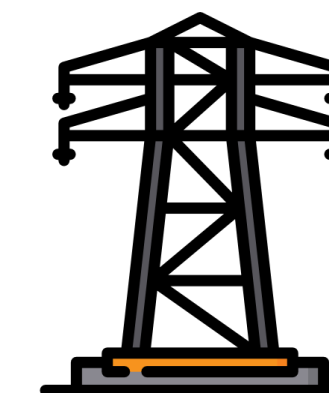
Cleared:⁵



2.3. km of railway
(+0.52 thousand km)



751.1 km of motor roads
(+42.6 km)



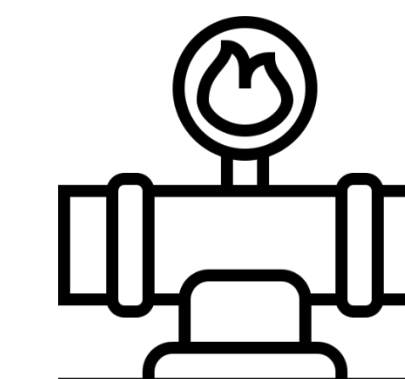
335.7 km of electric power lines
(+12.1 km)



128.4 ha of forests
(+39.9 ha)



21.7 ha of water areas
(+0.3 ha)



35 km of gas pipelines
(+0 km)

Journalistic investigations

Disclaimer. Please keep in mind that journalistic investigations may not take into account all possible details and may be biased in certain cases. It is recommended that you treat the information received with caution and not use it for final conclusions without additional research and fact-checking.

Journalistic investigations. Additional information

Data sources used: screening of journalist materials about reconstruction objects for the previous month, that have been published at the following resources: bihus.info, radiosvoboda.org, hromadske.ua and nashigroshi.org

The agreement for the repair of shelters for UAH 27 million with inflated prices was terminated after the appeal made by Bihus.Info lawyers

The state audit confirmed stealing at the reconstruction, which was reported by Bihus.Info

Journalists found links between the new advisors to the Office of the President and the reconstruction tenders

Top tenders of the week: the Ministry of Defence tendered 3.5 billion for food in the old way; according to the new rules “straw companies will be finished”

Top tenders of the week: the necessary road maintenance was ordered in Kyiv Oblast with a 25% discount because competition has increased

In the course of construction of the fence around the landfill, the entrepreneur stole almost UAH 400 thousand, – law enforcement officers

In Kyiv Oblast, the State Audit Service exposed violations in procurement for almost UAH 115 million

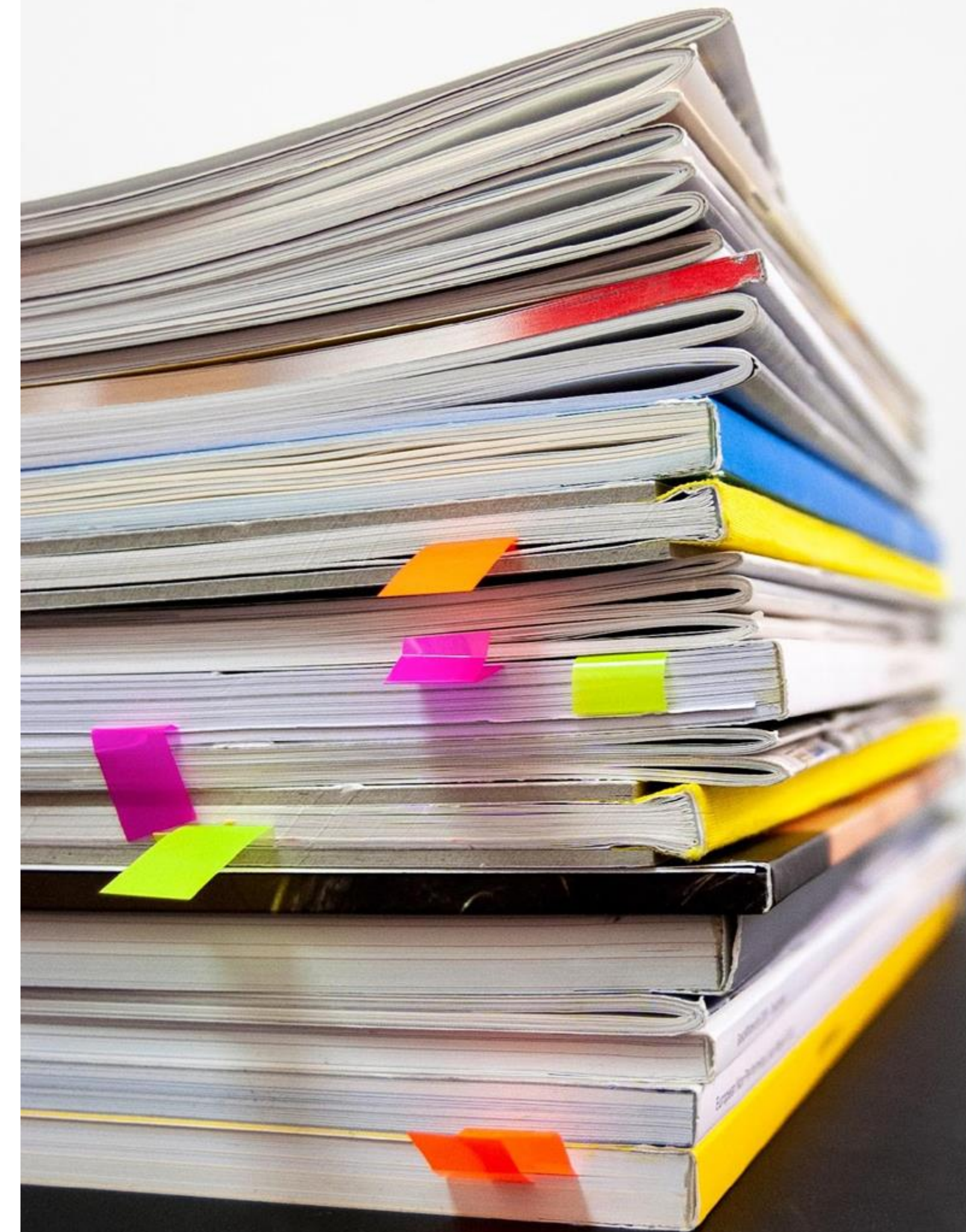
The entrepreneur in Chernihiv Oblast was found guilty of stealing budget funds in the course of repairs

The court closed the case on possible overpayment of UAH 2.6 million. The entrepreneur was not punished and keeps working.

UAH 260 thousand overpayment for household appliances and furniture: in Kharkiv Oblast, officials entered into an agreement on the construction of a shelter in the local lyceum

Theft of UAH 4.6 million during wartime: in Kyiv, law enforcement officers suspect a company of stealing state funds for road repair

Appendix



Slow cash disbursement under MFO's lending programmes

Programme	adjusted annual plan	fulfilled over the period	% of implementation
Ministry for Communities, Territories and Infrastructure Development of Ukraine (national expenditures and crediting)	31,585.30	16,799.74	53.18
Subvention from the state budget to local budgets for the development, recovery, construction, modernisation, arrangement, and repair of public construction objects, social sphere, cultural heritage, housing and municipal economy, and other objects that have an impact on public life	4,477.00	4,016.00	89.70
Subvention from the state budget to local budgets for the implementation of projects (objects, events) focused on the elimination of consequences of armed aggression	11,374.50	11,374.50	100.00
Subvention from the state budget to local budgets for the implementation of projects within the framework of an Extraordinary Crediting Programme of Ukraine's Recovery	1,703.43	35.31	2.07
Subvention from the state budget to local budgets for the implementation of projects within the framework of the Programme of Ukraine's Recovery	5,292.00	-	-
Subvention from the state budget to local budgets for restoring critical infrastructure facilities within the framework of the joint project with the International Bank for Reconstruction and Development "Urban Infrastructure Development Project – 2"	2,080.00	956.90	46.00

Slow cash disbursement under MFO's lending programmes

Programme	adjusted plan	fulfilled over 10 months	% implementation
The State Agency for Restoration and Infrastructure Development of Ukraine	108,493.10	64,484.08	59.43
Infrastructure development and recovery	17,908.00	7,034.06	39.27
Implementation of an experimental project for main waterworks construction	8,500.00	7,310.73	86.00
Construction, repair and other engineering and technical measures for the protection of critical infrastructure facilities in the fuel and energy sector of the critical infrastructure	18,875.28	12,185.33	64.55
Construction and recovery of residential and civil infrastructure facilities, public buildings and structures	3,556.02	177.65	4.99
Recovery of settlements, affected by the armed aggression of the Russian Federation	3,350.12	298.59	8.91
Ensuring the implementation of infrastructure recovery projects under the programme "Support to Ukraine's Fast Recovery"	5,970.00	-	-
Implementation of the experimental project on construction, repair and other engineering and technical measures to protect critical infrastructure facilities in the fuel and energy sector of critical infrastructure	5.00	0.38	7.68
The State Agency for Restoration and Infrastructure Development of Ukraine (general state expenditures and crediting)	16,022.99	13,045.37	81.41
Subvention from the state budget to local budgets on financial procurement of construction, reconstruction, repair and maintenance of public motor roads of local importance, streets and roads of municipal ownership in settlements	16,022.99	13,045.37	81.41



THANK YOU!

