

THE RECOVERY SPENDING WATCHDOG

#7, March 2024

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Legal regulation



Legal regulation

The Government has adopted the Ukraine Plan, which identifies 151 indicators within 69 reform areas, the implementation of which will allow receiving budget support from the EU for the Ukraine Facility

So far, only 151 communities from 14 oblasts are developing comprehensive recovery programmes (only Kyiv OMA has already adopted a CRP)

Where, what, how, and why to reconstruct and restore?

The Ministry for Recovery (Ministry of Communities, Territories and Infrastructure Development of Ukraine) and experts have completed the negotiation of the On-Site Planning Documents Architecture. Decisions are to follow

We are waiting for a following comprehensive draft law on recovery, which was developed by a working group created by the Ministry for Recovery.

Meanwhile, DREAM is set in the Ukraine Facility Plan

Draft law on the principles of democracy at the local government level
(No. 7283)

Provides for the communities' engagement in local decision-making: local initiatives, public hearings, general meetings, petitions for consultations

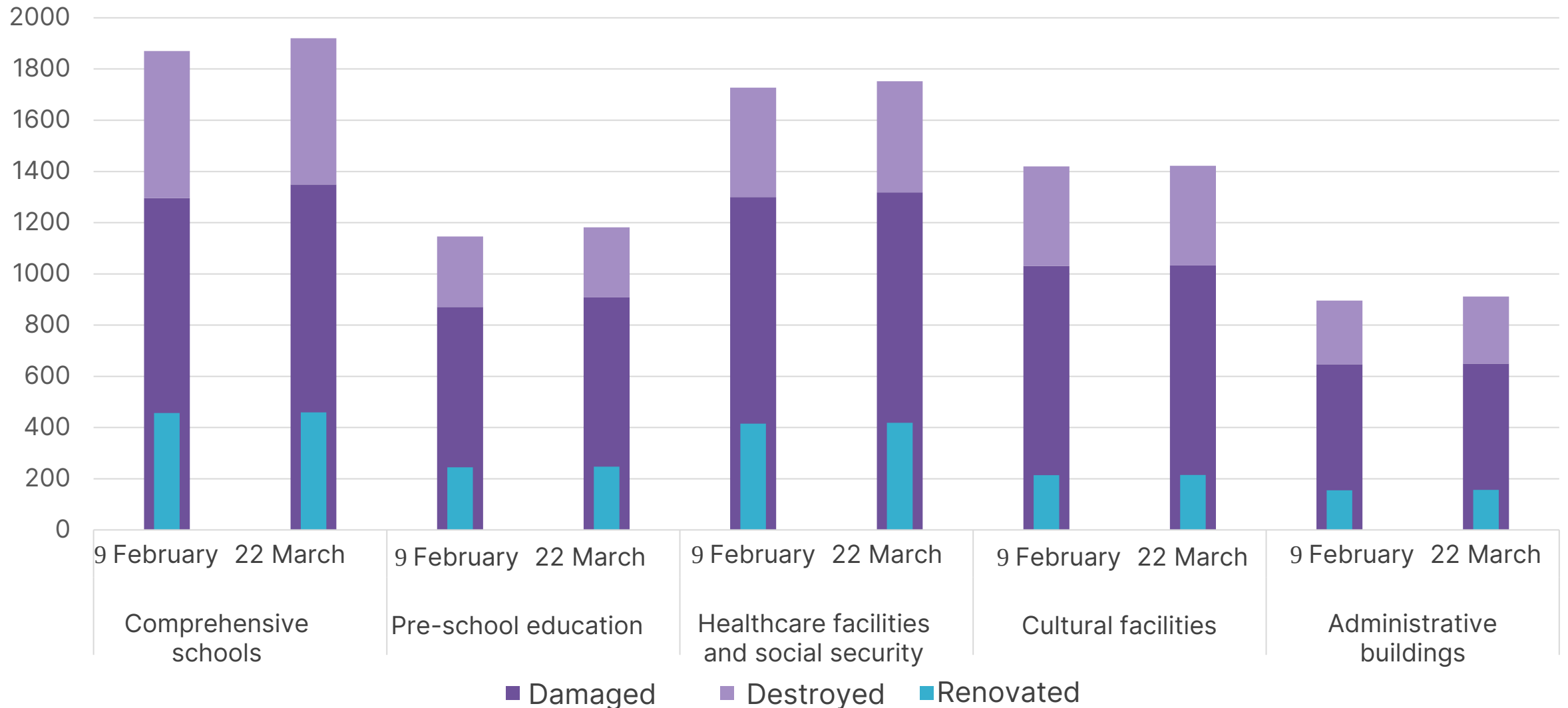


Reconstruction progress



Destruction happens faster than the restoration of social infrastructure

9 February 2024 – 22 March 2024: 4 medical and social facilities, two schools and pre-school facilities, as well as administrative buildings and one cultural facility were reconstructed



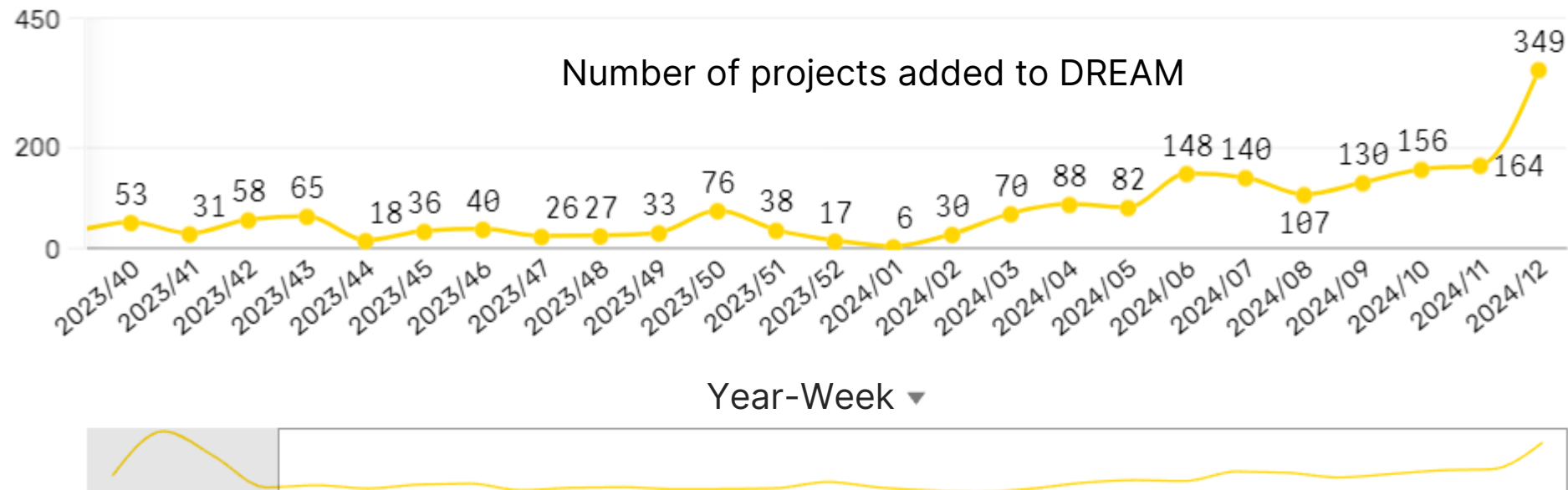
DREAM is still an experiment

The Ukraine Facility Plan includes DREAM as a digital system not only for transparency in reconstruction, but also as a tool to manage public investments

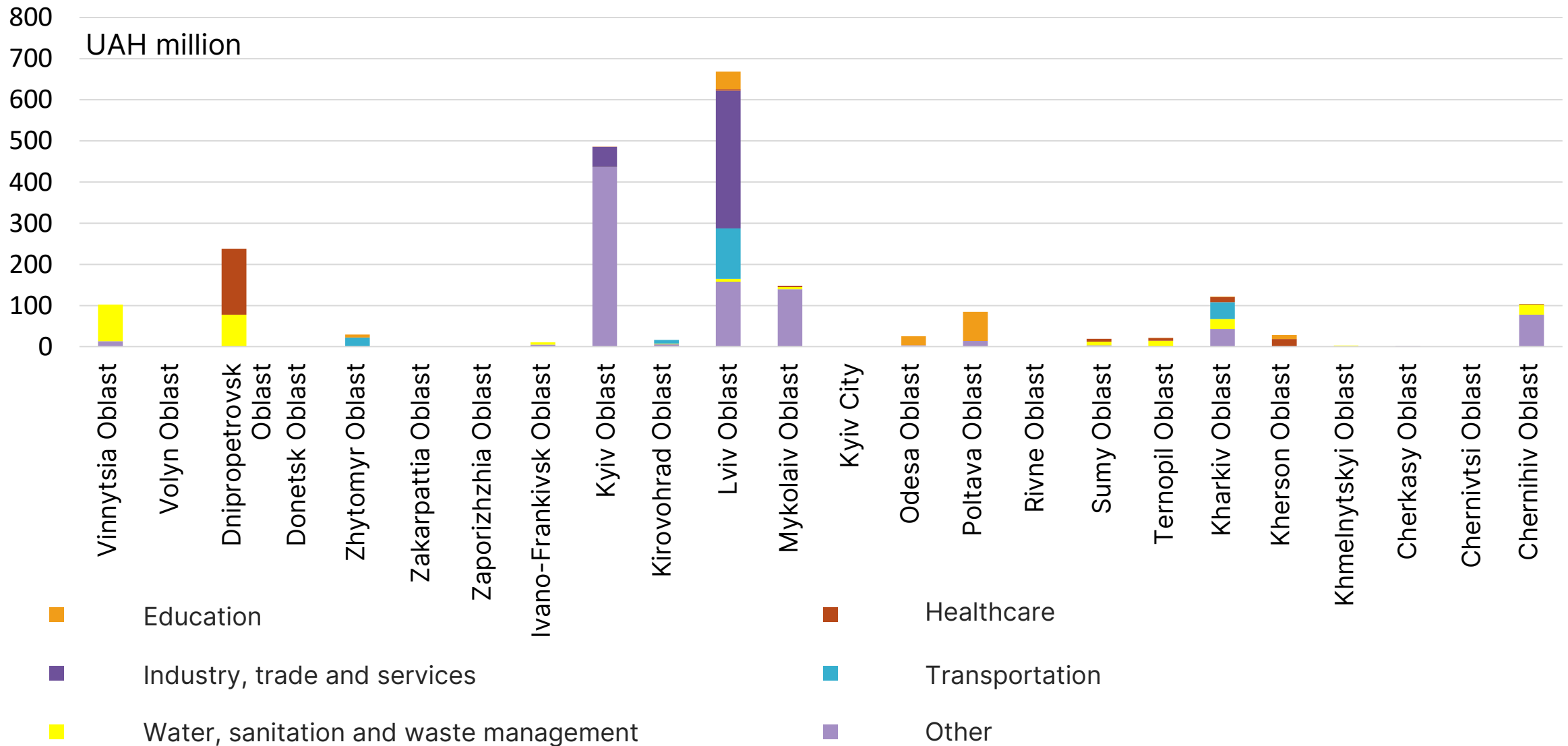
The number of projects is growing together with the need for funding

3,268 projects — UAH 165 billion in funding need — UAH 81 billion in confirmed funding:

- 1,927 projects are at the initiation stage
- 1,526 projects are being implemented: BUT — UAH 39.4 billion of confirmed funding out of required UAH 107 billion
- 404 projects have been cancelled

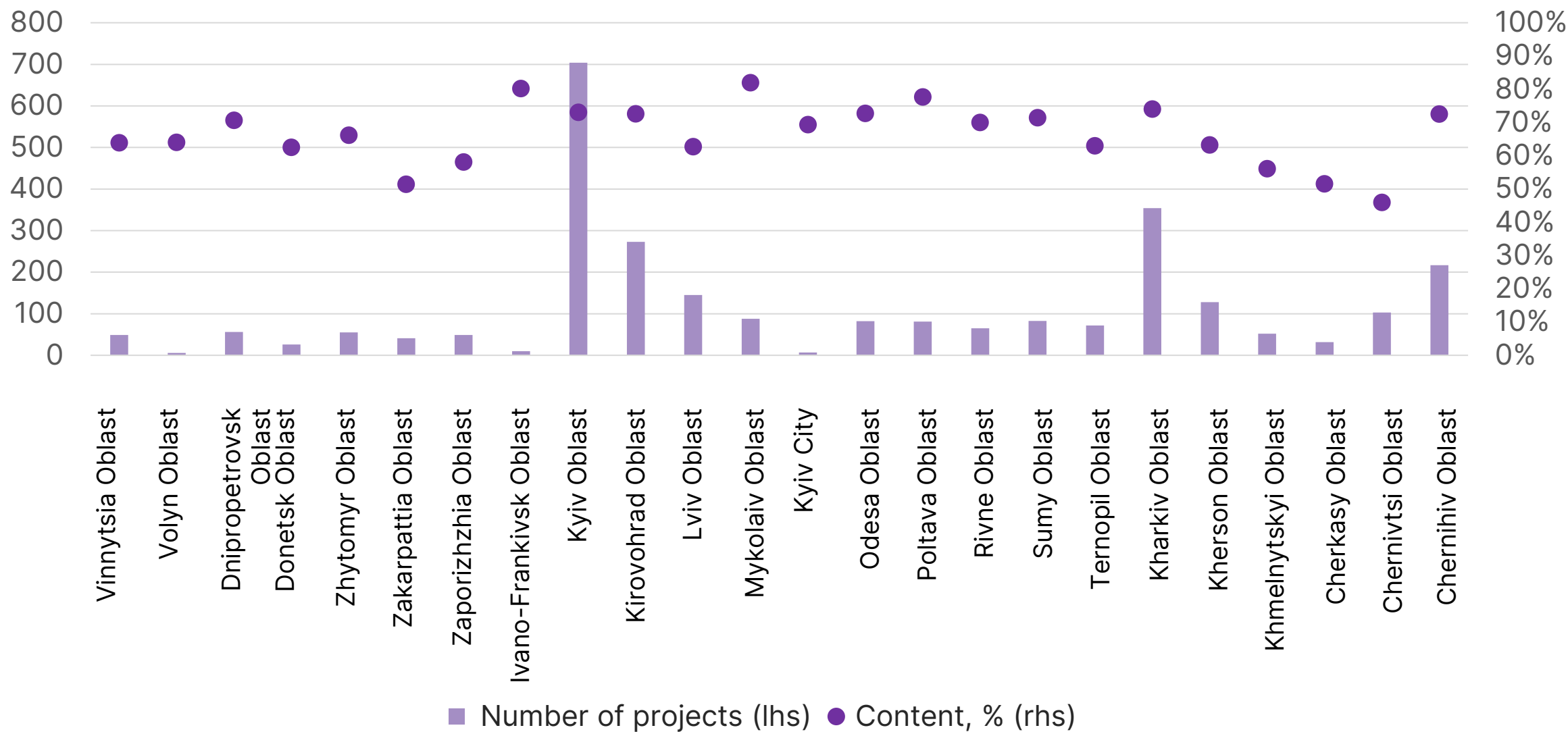


DREAM: uneven presentation of projects by oblasts



Note: data for projects submitted during the last monitoring month
 Source: DREAM

DREAM: The content of many projects (availability of the required information) remains low



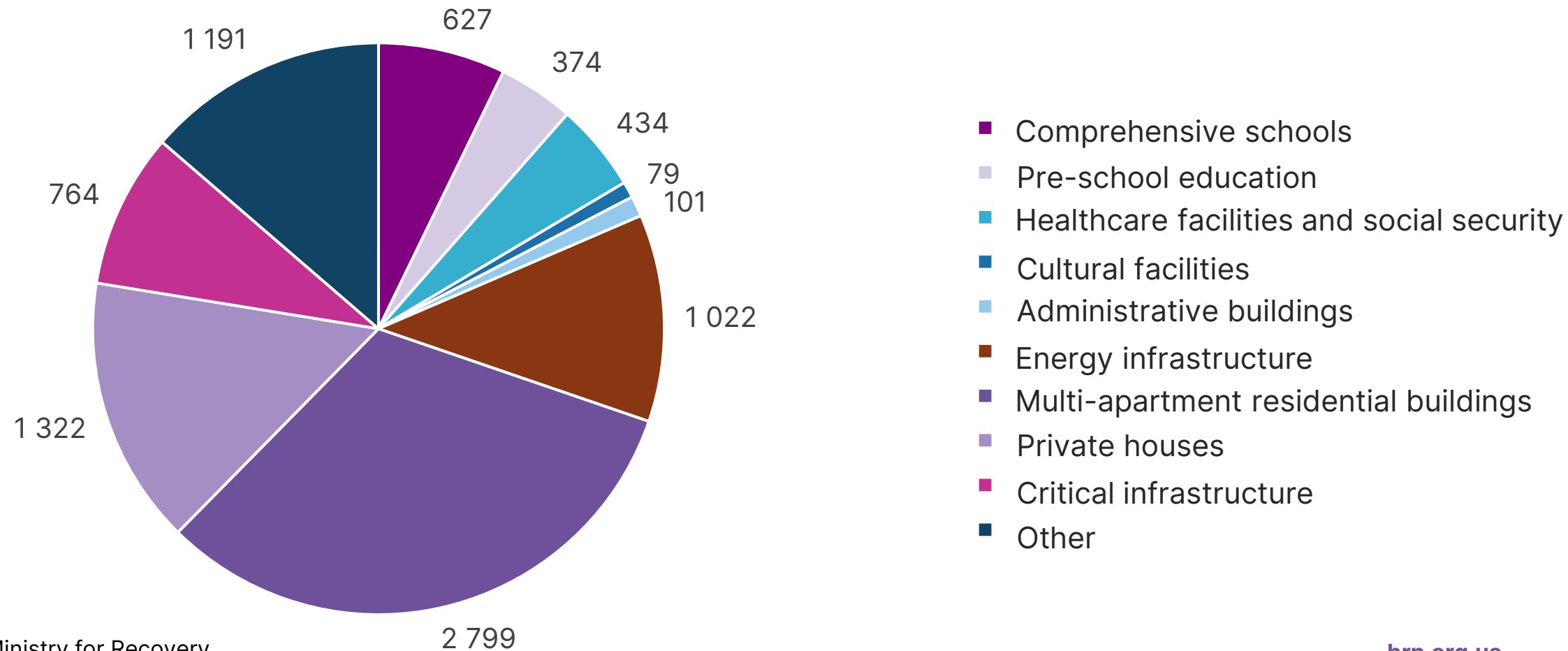
Reconstruction funding



A total of UAH 8.7 billion were allocated for the restoration of 38.8 thousand facilities, of which UAH 162 million was allocated in the last month

Actual expenditures are less than allocated funds — absorption capacity is in question

(24 February 2022 – 21 March 2024)



Liquidation Fund has already distributed all money

2023: UAH 61.8 billion planned, UAH 56.6 billion distributed

According to a separate mechanism:

- UAH 5.9 billion for eVidnovlennia
- UAH 5.8 billion for destroyed real estate
- UAH 269 million for military facilities of the Ministry of Defence
- to the State Agency for Restoration and Infrastructure Development: UAH 8.5 billion for water supply, UAH 18.9 billion for critical infrastructure, UAH 3.6 billion for comprehensive reconstruction.

Decision of the IWG (interdepartmental working group):

- UAH 9.3 billion subvention to local authorities for 336 projects — cash expenditures as of 1 January 2024 UAH 3.4 billion; 73 projects completed
- UAH 3.6 billion for 46 objects to the Agency for Restoration — cash expenditures as of 1 January 2024: UAH 418 million
- UAH 0.7 billion for the projects of the Ministry of Defence, Ministry of Veterans, Ministry of Education and Science, and Ministry of Internal Affairs

Balance as of the end of the year amounts to UAH 23.7 billion

2024: The funding is actually equal to the balance of UAH 23.7 billion, as the Fund's unused funds were returned by local authorities at the end of the budget year

The balance has been distributed as follows:

- OMA of different oblasts: 233 projects worth UAH 9.5 billion
- Agency for Restoration: 27 projects worth UAH 1.6 billion
- MES, Ministry of Veterans, Ministry of Defence and Ministry of Internal Affairs (for SES): 9 projects worth UAH 353 million
- By government decision: UAH 13.5 billion for water supply, critical infrastructure, comprehensive reconstruction of settlements

Funding from IFOs — absorption capacity remains a challenge

Results of project funding by EIB in 2023 show low absorption capacity

Budget figures for 2024 are lower than existing loan agreements, but need to be sampled

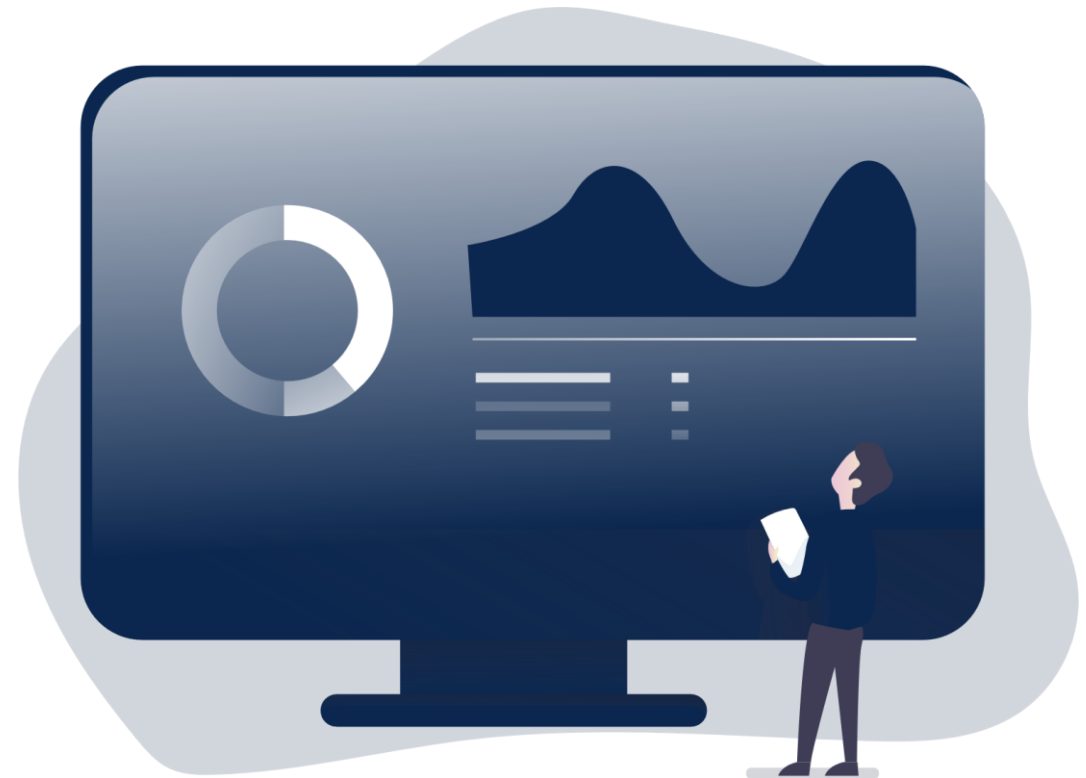
Code	Programme	Estimated for 2023, UAH billion	Cash expenditures in 2023, UAH billion	Plan for 2024, UAH billion
3111380	Ensuring the implementation of infrastructure rehabilitation projects under the Support for the Ukraine Early Recovery Programme	5.97	-	3.18
3121440	Subvention for the design, restoration, construction, improvement, furnishing, and repair of public, social, cultural heritage, housing and utility facilities, etc.	4.02	0.90	3.12
3121600	Subvention for the implementation of projects under the Emergency Loan Programme for the Reconstruction of Ukraine	1.70	0.13	2.35
3121620	Subvention for the implementation of projects under the Ukraine Recovery Programme	5.29	n/a	4.50

Analysis of reconstruction procurement



Key procurement figures in January – February 2024

- In January – February, 10.7 thousand construction procurements were announced. Of these, 9.5 thousand procurements worth UAH 18 billion were completed* (incl. UAH 13 billion in February).
- 83.3% of procurements were made without the electronic system; 12.4% of them were in the form of open tenders with special features, 2.4% were defence procurements, and the remaining 1.9% were made according to other procedures.
- Open tenders with special features accounted for 43.5% of the total value of tenders, 31.3% — for basic procurement without the electronic system, 24.9% — for defence procurement, and only 0.3% — for other procedures.
- The most expensive lots in February were defence procurement and road construction
- There were only 16 procurements worth more than UAH 100 million, accounting for 18% of the total amount; procurements worth UAH 10–100 million — accounted for another 62%; procurements under UAH 10 million — for 20% of the total amount.



Procurement leaders — January – February 2024

Top 10 organisers (UAH million)

1. Department of Housing and Utility Services and FEC (fuel and energy complex) of Kharkiv Oblast State Administration	2,983
2. Department of Capital Construction of Sumy Oblast State Administration	1,701
3. Department of Construction of Rivne Oblast State Administration	947
4. Department of Regional Development of Zhytomyr Oblast State Administration	691
5. Department of Capital Construction of Ternopil Oblast State Administration	630
6. Prykarpattiaoblenerho, JSC	535
7. Department of Urban Development of Mykolaiv Oblast State Administration	473
8. Municipal Enterprise Kharkivski Teplovi Merezhi (Kharkiv Heating Network)	430
9. Department of Infrastructure of Kryvyi Rih City Council	422
10. Recovery Service in Kharkiv Oblast	392

Top-10 share in all procurements

51%

XXX

Ranked in the top 10 in January 2024

XXX

Hit the top 10 in February 2024

Top 10 winners (UAH million)

Participants in defence procurement

1. Zhytlobud-1, PrJSC	4,452
2. Vestashliakhbud, LLC	699
3. Rostdorstroi, LLC	422
4. Zhylstroi-3, LLC	314
5. Bridge Construction Unit No. 112	288
6. Alfabud Construction Group	267
7. Ukgazenerhoservis JSC Ukrtransgaz	255
8. Tech-Incom, LLC	249
9. Novitni Enerhetychni Prohramy, LLC	240
10. Avtomahistral-Pivden, LLC	239

Top-10 share in all procurements

18%

Largest construction tenders in January – February 2024

Seq. No. Procurement Description Organiser Winner Value of Procurement, UAH million

1.	Construction of military engineering facilities and fortifications in Rivne oblast (3 procurements on 8 February for 3 different facilities)	Department of Construction and Architecture of Rivne Oblast State Administration.	Not disclosed (defence procurement)	947
2.	Current repair of municipal streets and roads in Kryvyi Rih	Department for Infrastructure Development of Kryvyi Rih City Council	Vestashliakhbud, LLC	422
3.	Construction of a bridge over Bystrytsia Solotvynska River and road interchange	Department of Capital Construction of Ivano-Frankivsk City Council	Bridge Construction Unit No. 112, LLC	267
4.	Overhaul of switchgear at plant No. 4 of TPP-5	Municipal Enterprise Kyivteploenerho	NVP Garant-energo, LLC	211
5.	Construction of a school of I-III levels in Sukhovolia, Horodok Raion, Lviv Oblast	Zymna Voda Village Council	PE VIR-Zakhidbud	188

XXX

Procurement in January 2024

XXX

Procurement in February 2024

Competitiveness of procurement remains low

Number of Participants Number and % of Procurements Amount (mln) and % of Procurements Number of Disqualifications / Complaints

1 participant	1080	79.8%	5,829	74.5%	0/0
2 participants	165	12.2%	1,328	17.0%	62/6
3 participants	48	3.5%	234	3.0%	15/0
4 participants	25	1.8%	320	4.1%	8/2
5 participants	16	1.2%	98	1.2%	4/1
6 participants	15	1.1%	14	0.2%	5/1
7–10 participants	5	0.4%	8	0.1%	0/0
TOTAL completed procurements using the electronic system	1,354	100.0%	7,828	100.0%	94/10

- Share of procurements using the electronic system — 14%
- Share of competitive procurements among procurements using the system — 20%
- Share of competitive procurements in total procurements — 3%
- Share of procurements with 2 participants among competitive procurements — 60%
- Number of lot disqualifications per 100 completed competitive procurements — 34
- Number of complaints per 100 completed competitive procurements — 4

Investigative journalism

Disclaimer. Please note that investigative journalism may not take into account all possible nuances and may be biased in certain cases. It is recommended that the information received be treated with caution and not used to make final conclusions without further research and fact-checking.

Investigative journalism over the past month*

Top 5 media by number of investigations concerning reconstruction



НАШІ ГРОШІ



General features of investigative journalism concerning procurement

- In January, disreputable media published materials aimed at compromising one of the most famous investigative journalism teams, Bihus.info. The journalists conducted their own investigation and found that employees of one of the SBU units were involved in the illegal surveillance.
- In January, there were fewer high-profile cases of abuse in procurement compared to previous periods. This is partly due to a seasonal decrease in procurement activity.
- In early 2024, journalists focused on procurement in the housing construction and repair sector.
- In addition to investigations of individual procurements, the media also published separate results for 2023.
- Some defence procurements are fully or partially classified, which makes it impossible to analyse them.

Top 5 news of the month by topic



18 March

The subway ordered the repair of tunnels for UAH 1.5 billion from a ballet dancer: Inflated Prices; secret contract.

28 February НАШІ ГРОШІ

Prices for certain materials were overpriced by 2–3 times in the reconstruction estimate totalling UAH 920 million

13 March Numerous media cite NABU as the source of the information

Seven people were served with charges for causing losses to Ukrzaliznytsia in the amount of UAH 117 million by supplying cable and wire products at inflated prices in 2021–2023.

23 February **Forbes**

NACP draws up a protocol against the Deputy Head of the Presidential Office due to the conflict of interest in the decisions that could create conditions for his brother's business success

7 March



The Prosecutor's Office found violations in the procurement of warning points for Odesa for UAH 24 million.

* – for the period from 21 February to 20 March 2024.

Energy efficiency in reconstruction



Energy efficiency: regulatory framework

Key government agencies:

- Ministry of Energy of Ukraine
- State Agency on Energy Efficiency and Energy Saving of Ukraine
- Energy Efficiency Fund
- Ministry of Communities, Territories and Infrastructure Development of Ukraine
- Ministry of Economy of Ukraine

Key laws

- [Law of Ukraine “On Energy Efficiency”](#) (establishes legal, economic and organisational framework for energy efficiency activities, ensuring the implementation of energy efficiency measures to be taken during the energy production, transportation, transmission, distribution, supply and consumption)
- [Law of Ukraine “On Introducing New Investment Opportunities, Guaranteeing Rights and Legal Interests of Entrepreneurs to Hold Large-Scale Energy Modernisation”](#)
- [Law of Ukraine “On Introduction of Amendments to the Budget Code of Ukraine On Introducing New Investment Opportunities, Guaranteeing Rights and Legal Interests of Entrepreneurs to Hold Large-Scale Energy Modernisation”](#)
- [Law of Ukraine “On Commercial Metering of Heat Energy and Water Supply”](#)

State Construction Standards:

- DBN B.2.6-31:2021 “Thermal insulation and energy efficiency of buildings”
- DBN B.1.2-11:2021 “Energy Saving and Energy Efficiency”

Energy efficiency: Current programmes

- Energy labelling and eco-design of energy-consuming products in Ukraine — creation of an energy-consuming products database and synchronisation with the EU database
- State policy in energy audit — regulation of energy audit measures, including:
 - procedure and features of energy auditors qualification;
 - energy audit procedures;
 - creating a database of extracts from energy audit reports and their independent monitoring;
 - creating an energy auditors database.
- State policy in energy management — implementation of the energy management system in state authorities, local governments, and the public sector
- Energy service market development — implementation of energy efficiency measures in the buildings of public facilities (schools, kindergartens, hospitals, universities, etc.) at the expense of investors, i.e. energy service companies (ESCOs); principles of ESCO mechanism in the housing sector (cooperation with homeowners associations)
- Highly efficient co-generation development — creating conditions for highly efficient production of heat and electricity, implementing the requirements of Directive 2012/27/EU on energy efficiency



National Action Plan until 2030 (1/2)

- [The National Energy Efficiency Action Plan for the period up to 2030](#) has been developed based on the EED Directive in cooperation with the Energy Community Secretariat and aimed at achieving the national energy efficiency goal
- The Plan is guided by the Energy efficiency first principle and the policy element of Ukraine's accession to the European Green Deal
- The National Plan will be reviewed every 3 years
- It includes horizontal measures:
 - energy efficiency commitments (0.7% of new savings annually until 2030) and alternative measures (operation of the Energy Efficiency Fund, incentives for businesses to implement energy efficiency measures, the State Targeted Energy Efficiency Programme);
 - energy audit and energy management systems at enterprises of various levels;
 - full commercial metering of heat, drinking (cold) and hot water consumption;
 - consumer information and training programmes;
 - energy services;
 - other measures, including introducing energy/greenhouse gas taxes, energy labelling and environmental design standards.



National Action Plan until 2030 (2/2)

[The National Action Plan until 2030](#) also includes:

- Energy efficiency measures in the buildings sector (housing sector) — implementing Directive 2019/31/EU, including energy certification in buildings
- Energy efficiency measures in the public (budgetary) sector and authorities: implementation of energy management and monitoring, building renovation, inclusion of energy efficiency criteria in public procurement procedures, etc.
- Energy efficiency measures in the industry — using energy service mechanisms, introduction of energy audit and energy management systems at industrial enterprises
- Energy efficiency measures in transport — optimising passenger and freight transport structure in the cities; upgrading urban transport with a predominant transition to electric transport; stimulating the private car fleet upgrade with a view to developing electric cars; and implementing Directive 2014/45/EU on periodic roadworthiness tests for motor vehicles and their trailers
- Energy efficiency at the stage of energy production and transportation — measures to support the improvement of the heat supply system efficiency, highly efficient combined heat and power production and use of waste energy potential, reduction of losses in electricity transmission and distribution networks, as well as gas distribution networks, support for efficient heating/cooling of buildings



Energy efficiency in the Ukraine Plan

Reform within the Ukraine Plan: Improved energy efficiency in public buildings and improvement of public procurement procedures taking into account energy efficiency requirements

The Reform envisages the adoption of the Long-term Strategy for the Thermal Modernisation of Buildings until 2050 and the associated Action Plan by Q2 2024. The focus will be on supporting buildings with near-zero energy consumption.

The following policies and measures should be implemented:

- Strengthening governance in territorial communities by launching and supporting the establishment of energy management systems in local self-governments and building capacity for local energy planning
- Ensuring the implementation of thermal modernisation programmes for public buildings, including the launch of IFO programmes and the introduction of an energy service mechanism
- Ensuring the implementation of thermal modernisation programmes for residential buildings, including the operation of the Energy Efficiency Fund and the State Fund for Decarbonisation and Energy Efficient Transformation
- Ensuring the transition from subsidising energy costs to supporting investments in the thermal modernisation of buildings.
- Approving requirements for energy efficient procurement in accordance with the Energy Efficiency First and Build-Back-Greener principles



Build back better: Energy efficiency (current cases)

There are already examples of energy efficiency projects during the war, but there is no unified database containing all the projects. Ongoing projects aim to save energy and, if scaled up, potentially increase Ukraine's energy independence.



Outpatient Clinic of General Practice and Family Medicine in Horentsi — heating and electricity supply system reconstructed and a solar power plant and heat pump installed at the expense of Greenpeace and several NGOs.



LISNA-1 Homeowners Association — thermal modernisation of two houses under the Enerhodim Programme of the Energy Efficiency Fund. Energy consumption was reduced by almost 50% during the heating season.



Intellect Academy School in Vorzel — the school was equipped with solar panels. Thanks to them, annual savings will amount to about UAH 80 thousand. The project was funded by donors and private companies.

Build back better: Energy efficiency is expensive

[Pavel Bilek, Ruven Stab and Dinara Saparova use the example of Bucha](#) to compare ways to renovate the damaged housing (560,000 m²) more energy-efficiently.

Their analysis uses 5 technical building models that present a representative sample of damaged buildings in Bucha.

Researchers identified 4 scenarios for the reconstruction of residential buildings. They can be divided into two types: no-change scenarios (what will happen if the housing is rebuilt according to the old principles) and investment scenarios (rebuilding in an energy-efficient way).

The high cost makes large-scale energy efficiency improvements more complicated. Communities will not be able to fund such projects alone, so it is important to attract international and donor assistance.

Comparison of housing reconstruction scenarios in Bucha

	No Change Scenarios		Investment Scenarios	
Scenarios	Low Tariffs (Low Prices)	Movement Towards Market Tariffs (Cost-covering Prices)	Minimum Energy Efficiency Requirements (Minimal Requirements)	Energy consumption at the Near Zero level (Near Zero)
Description	current tariffs in Ukraine (with a slight annual increase)	faster approximation to cost-covering tariffs	updating to class D and C standards of Ukraine's energy efficiency regulations	Class A requirements with renewable energy sources
Investments	EUR 106M	EUR 106M	EUR 214M	EUR 318M
Cost recovery	33.6 years	27 years	15.3 years	19.4 years

Main enemies of energy efficiency

In February 2024, the Green Deal Ukraine think tank presented [proposals for green recovery in Ukraine](#), focusing on industry, agriculture, construction, energy, transport, and public administration.

The housing sector is the second largest energy consumer in Ukraine (28%) and the most inefficient user of heat.

Energy-efficient renovation is not economically feasible due to the following reasons:

- Low utility rates — to increase energy rates, but do it earlier than in the Ukraine Plan, as the Roadmap will be developed only by Q2 2026
- High financial costs of Near Zero restoring — to make housing modernisation attractive for investments
- Residents of buildings cannot always come to an agreement — to promote the feasibility of energy efficiency among the population of Ukraine
- Meters are not everywhere, so the collection of energy consumption data is incomplete — to identify residents who do not have meters and install them





THANK YOU FOR YOUR ATTENTION!

