

THE RECOVERY SPENDING WATCHDOG

#8, April 2024

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Contents

- Legal regulation
- Reconstruction progress
- Reconstruction funding
- Analysis of reconstruction procurement
- Investigative journalism (reconstruction in the media)
- The topic of the month: Residential recovery
- Monitoring of specific areas: housing, water supply, demining



Legal regulation



Legal regulation

The working group of the Ministry for Recovery has reviewed the updated [draft law](#) on recovery: comments on the draft are now being collected

The Law aims to regulate the basic legal, organisational and financial framework for the effective, transparent and accountable recovery of Ukraine, as well as the principles for the DREAM system creation and operation.

The draft law was shortened — mainly in terms of the DREAM recovery platform regulation

The Ministry for Recovery is launching housing policy reform (discussions on the [draft law](#) “On Basic Principles of Housing Policy” are ongoing), which is important given the critical need for affordable housing.

The share of social housing in Ukraine is critically low, which reduces the ability of the authorities to help IDPs.

It has been [decided](#) that all shelter construction projects for schools should be submitted through the DREAM system to receive a subvention for this.

The 2024 State Budget provides for UAH 2.5 billion for a subvention from the state budget to local budgets for the arrangement of safe conditions in the general secondary education establishments

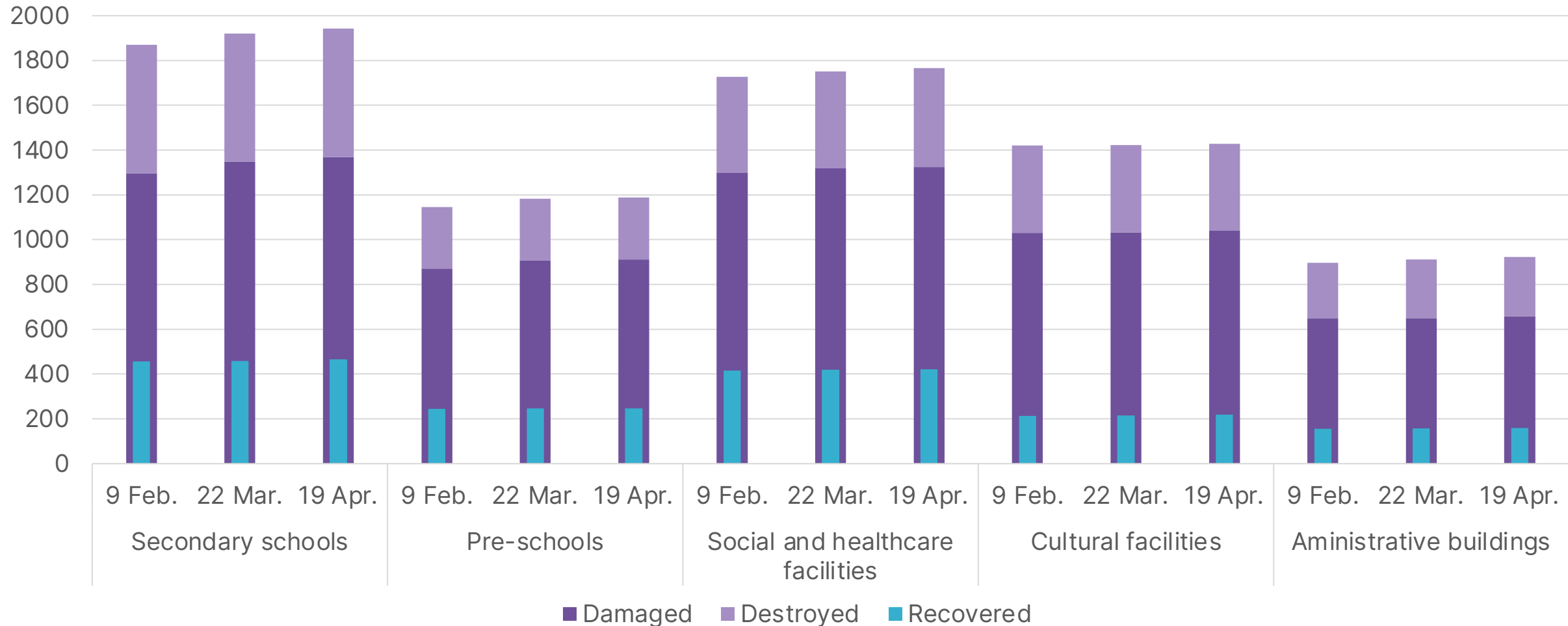


Reconstruction progress



Social infrastructure destruction is faster than recovery

22 March 2024 – 19 April 2024: seven schools, three cultural institutions, two social/medical institutions and two administrative buildings have been rebuilt or restored



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

As of 25 April:

3,740 projects (+1000 projects per month) — UAH 83.6 billion of confirmed funding (+UAH 2.6 billion) out of the required UAH 209 billion:

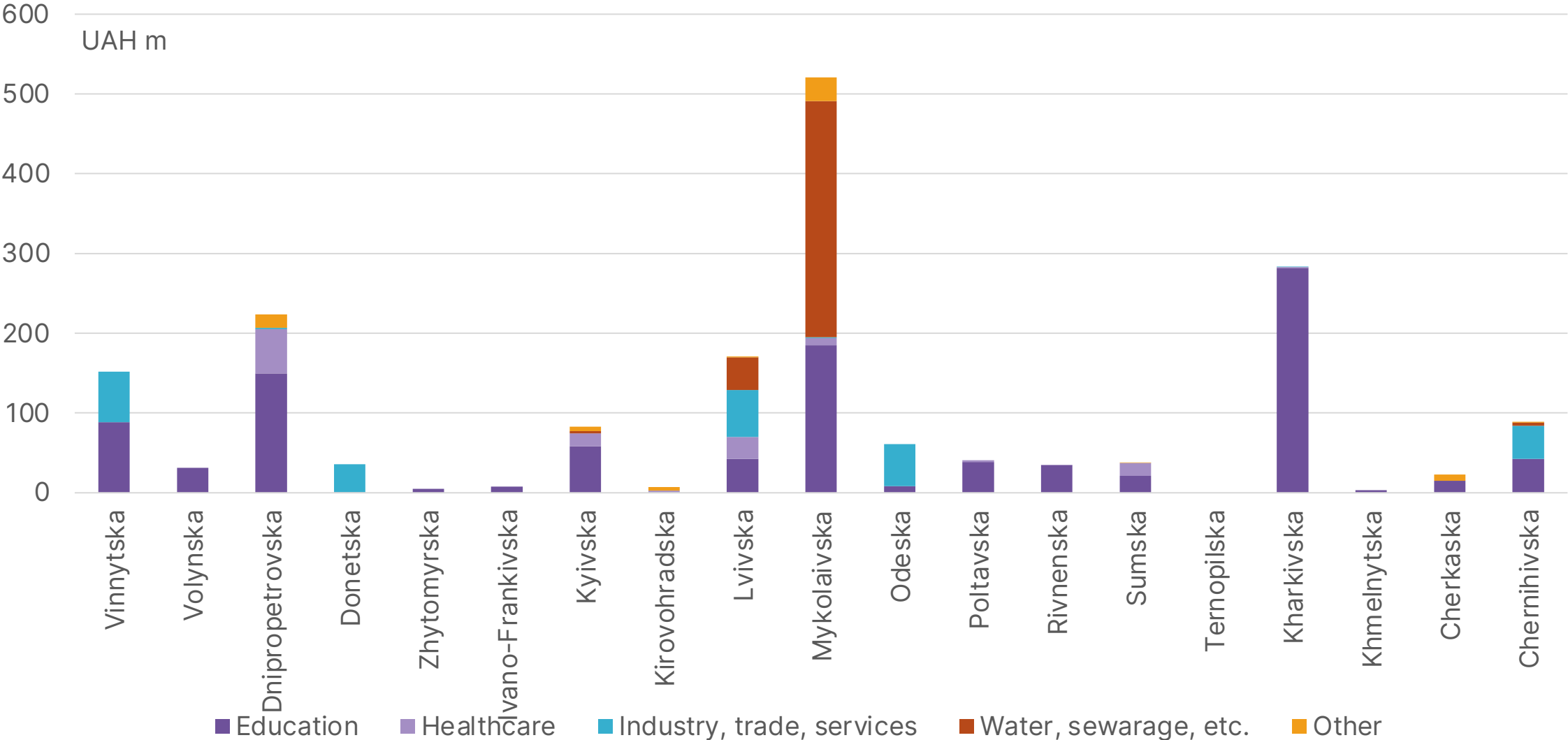
- 1,710 projects are at the initiation stage
- 2,030 projects are being implemented (+504): **BUT** — UAH 41.7 billion of confirmed funding out of the required UAH 132.4 billion
- 520 projects have been cancelled

Number of projects added to DREAM



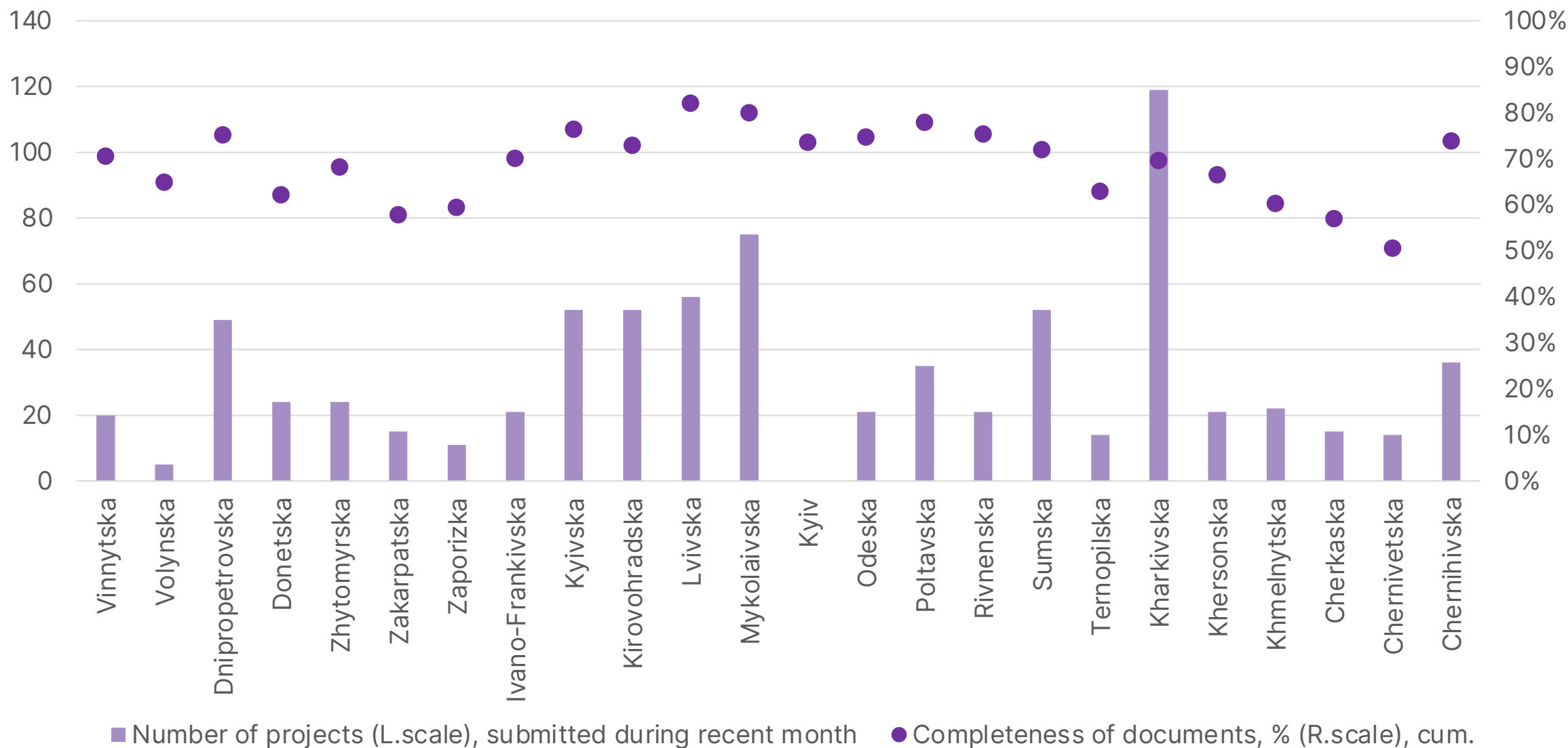
Source: DREAM

DREAM: most of the submitted projects are about access to education - shelter construction



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

DREAM: The completeness of documents for many projects (availability of the required information) remains low



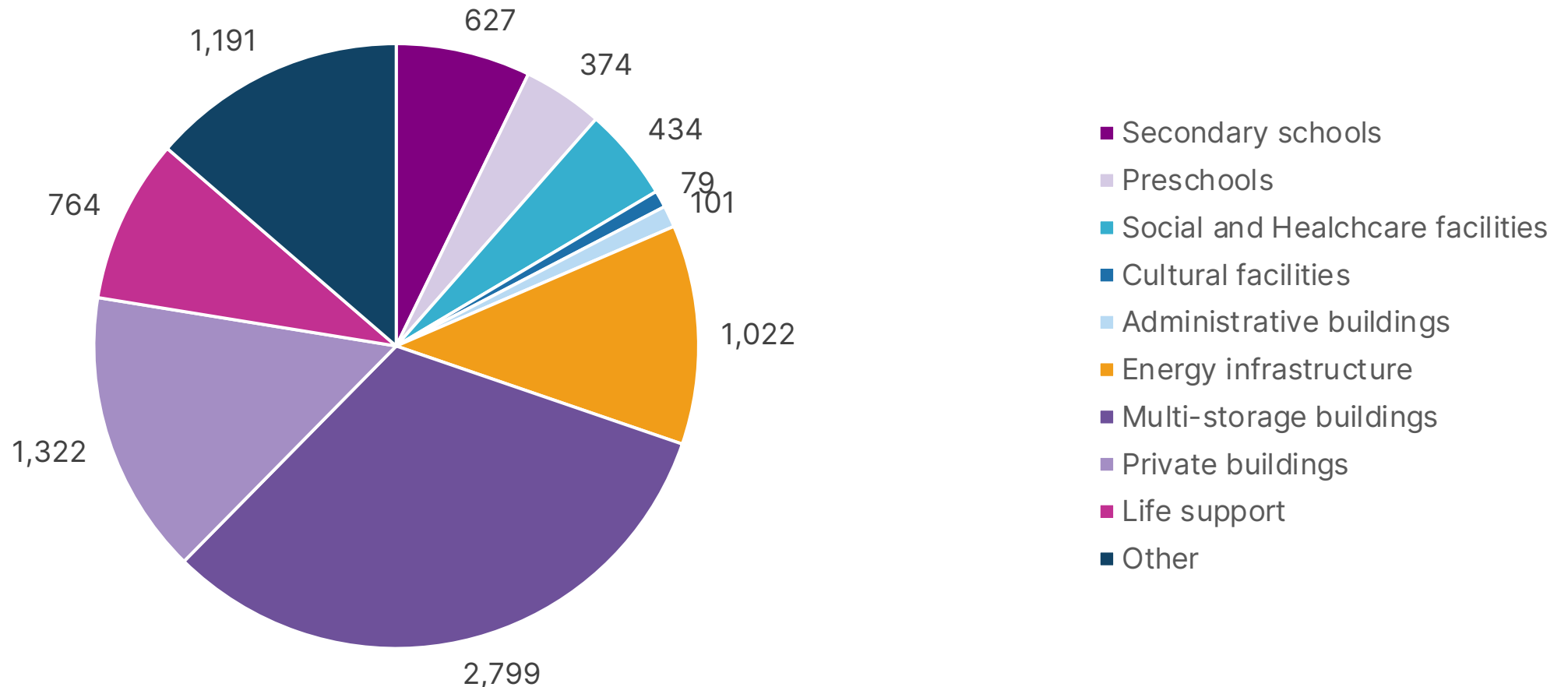
Reconstruction funding



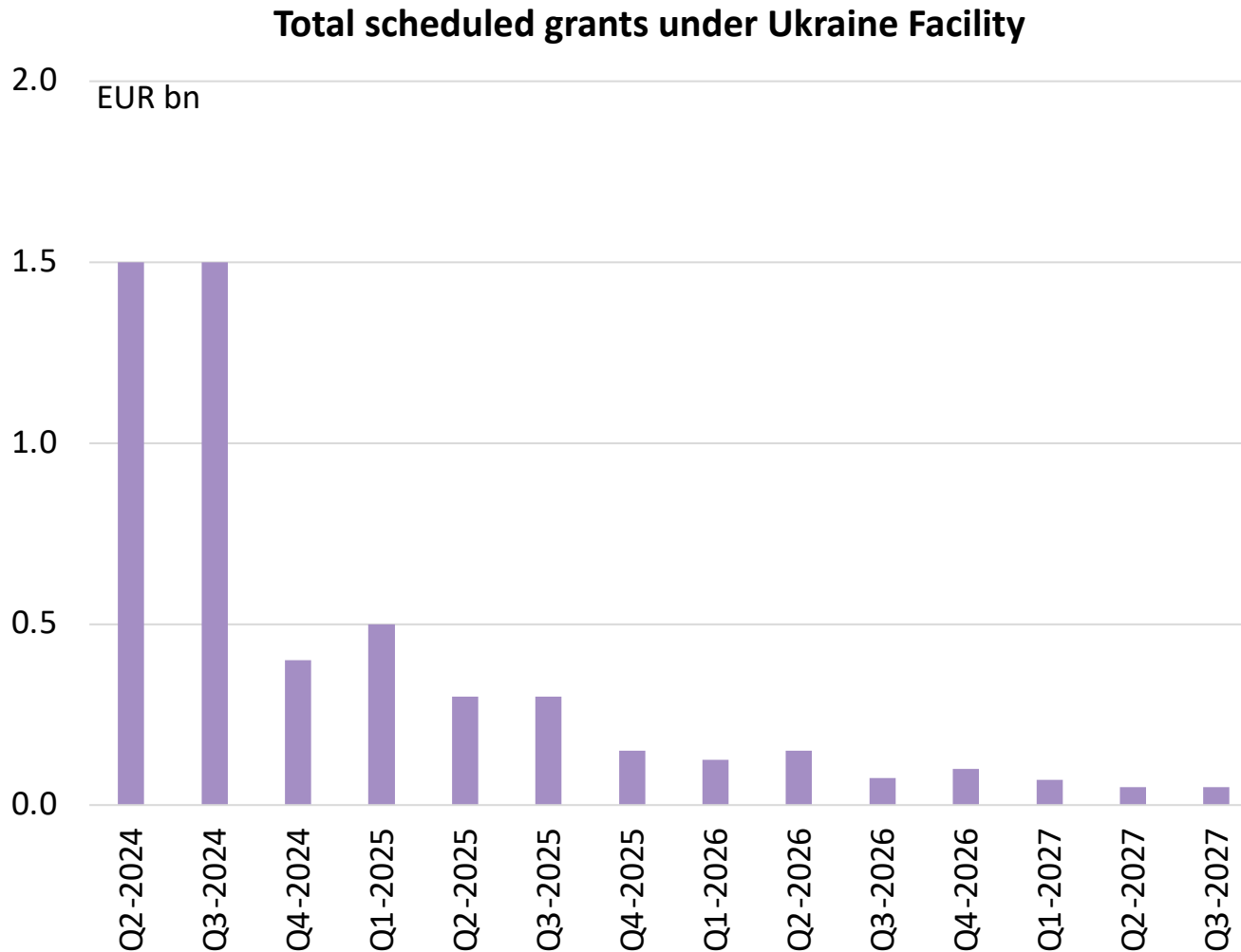
UAH 8.9 bn has been allocated for the recovery, including about UAH 200 million during the last month

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

As of 19 April from February 2022 (UAH m)



The issue to be resolved: 20% of grant support from Ukraine Facility



It is still important to increase the absorptive capacity of communities and central authorities to ensure that available IFI funds for reconstruction are used in a timely and effective manner

Ukraine Facility:

- 20% of grant funds – recovery funding at the local and regional levels – EUR 1,054 m for 2024–2027
- The mechanism for allocating funds has not yet been determined

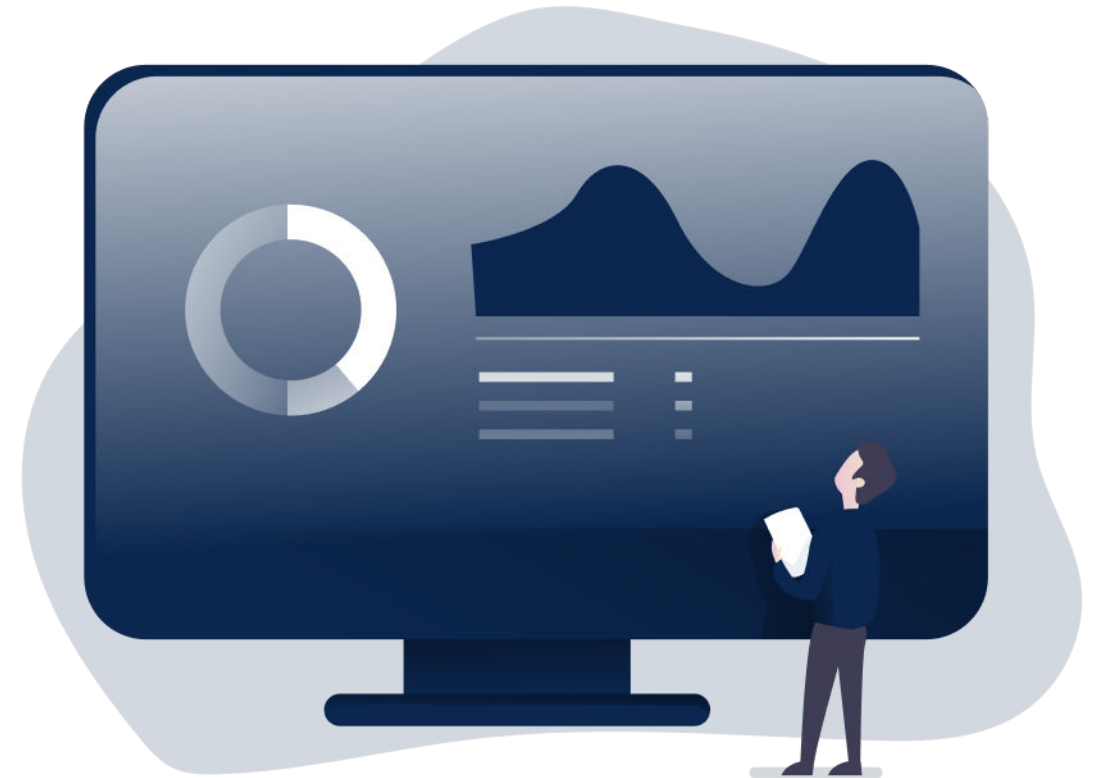
However: it is important that the mechanism is transparent and in line with the principles of recovery prioritisation

Analysis of reconstruction procurement



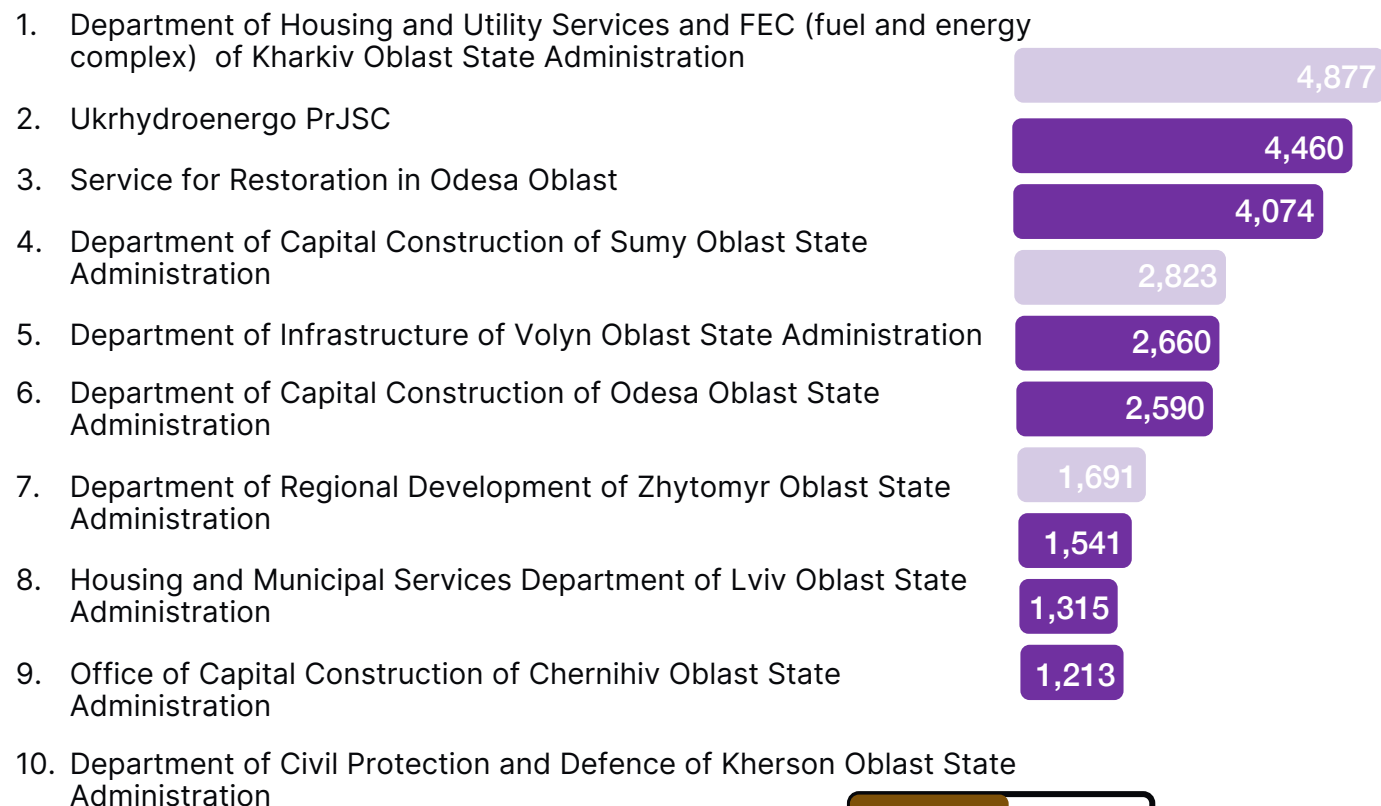
Key procurement figures in January – March 2024

- In January – March, 20.3 thousand construction procurements were announced. Of these, 91% were completed, 5% did not start or were cancelled, and 4% are still ongoing.
- The amount of completed procurements in March was UAH 29.8 billion, which is 57% of all procurements in Q1.
- Defence procurement in Q1 amounted to UAH 17.9 billion, which is 34% of the total construction procurement.
- In Q1, 84% of procurements, including 80% of basic (pre-threshold) procurements and 4% of defence procurements, were carried out without applying electronic procedures. 14% were open tenders with special features, and 2% were made under the simplified procedure.
- Open tenders accounted for 40% of the total value of contracts, 34% were defence procurement, 25% were basic procurement without the electronic system application, and other procedures made up 1%.



Procurement leaders — January – March 2024

Top 10 organisers (million UAH)



Top 10 share in all procurements

52%

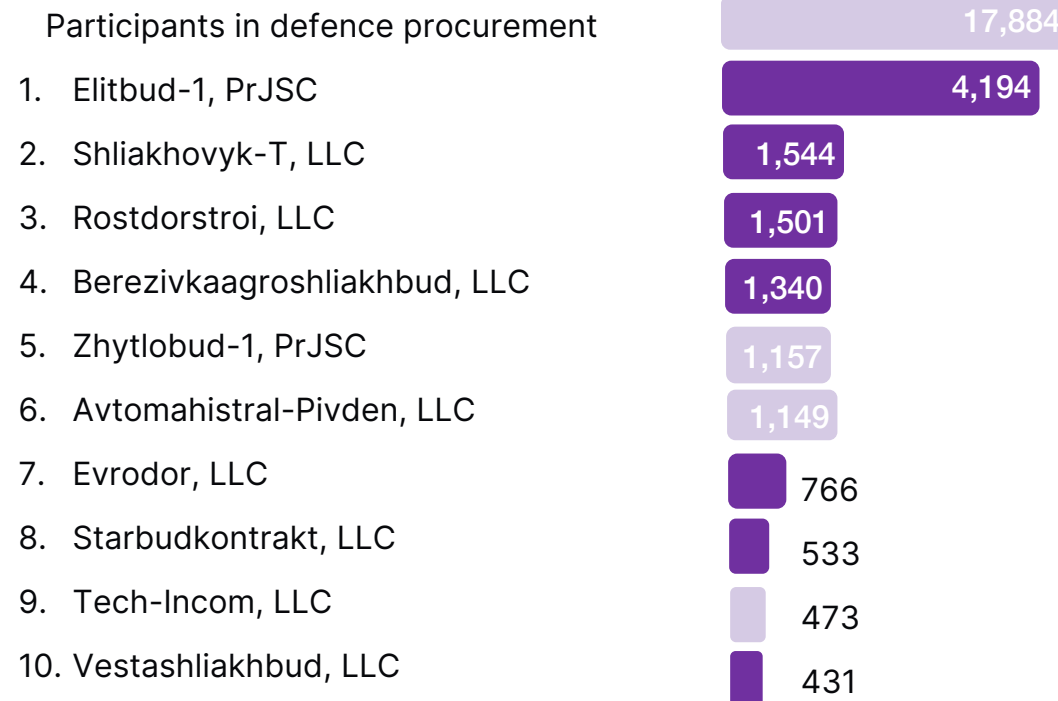


Ranked in the top 10 in January – February 2024



Hit the top 10 in March 2024

Top 10 winners (million UAH)



Top 10 share in all procurements

25%

Largest construction tenders in Q1 2024

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

1.	Construction to protect the Dnistrovska PSPP of Ukrhydroenergo, PrJSC	Ukrhydroenergo PrJSC	Elitbud-1, PrJSC	4,192
2.	Operational maintenance of public roads	Service for Restoration in Odesa Oblast	Shliakhovyk-T, LLC	1,468
3.	Operational maintenance of public roads	Service for Restoration in Odesa Oblast	Berezivkaahro-shliakhbud, LLC	1,227
4.	Operational maintenance of public roads	Service for Restoration in Odesa Oblast	Rostdorstroi, LLC	1,186
5.	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



Procurement in January – February 2024



Procurement in March 2024

Increased procurement competitiveness

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

1 participant	2,226	77.1%	11,885	55.7%	1 / 3
2 participants	359	12.4%	3,763	17.6%	134 / 23
3 participants	145	5.0%	2,819	13.2%	50 / 8
4 participants	73	2.5%	1,481	6.9%	26 / 9
5 participants	34	1.2%	1,325	6.2%	14 / 8
6 participants	25	0.9%	31	0.1%	8 / 1
7–13 participants	24	0.9%	35	0.2%	8 / 1
Total completed procurements using the electronic system	2,886	100.0%	21,339	100.0%	241 / 53

- 80% of all procurements applying the electronic system in March were non-competitive.
- At the same time, competitive procurement accounted for most of the contract value (56%)
- The share of competitive procurements in total procurements increased to 3.6%.
- The share of procurements with 2 participants among competitive procurements decreased to 54%
- The number of lot disqualifications per 100 completed competitive procurements – 36.5
- The number of complaints per 100 completed competitive procurements – 8

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

- As procurement activity has picked up, investigations into violations during reconstruction have also become more frequent.
- The most frequent topics covered in the media are possible violations in procurement, initiation of criminal cases and verdicts thereon.
- Another topic for the media is imperfections in procurement procedures and ways to correct them. This topic has the potential for further development.
- As procurements become more competitive, the number of reports about tenders being tailored for a specific participant or rejection of 'not approved' bids is increasing.

Top 5 news of the month by topic

17 April

According to Donetsk Oblast Prosecutor's Office, a bid that was by **UAH 19 mln** lower was unreasonably rejected. A contract for **UAH 499 mln** was awarded to Avtomahistral-Pivden.

11 April

Law enforcement officers in Kharkiv Oblast expose 7 people who embezzled **UAH 160 mln** intended for infrastructure restoration.

1 April **НАШІ ГРОШІ**

Open tender for the reconstruction of the cinema in Dnipro for **UAH 168 mln** was tailored to a specific winner

НАШІ ГРОШІ

20 March

How business is looking for **'gaps' in the procurement** of Derzhavnyi Operator Tylu (DOT, State Logistics Operator)

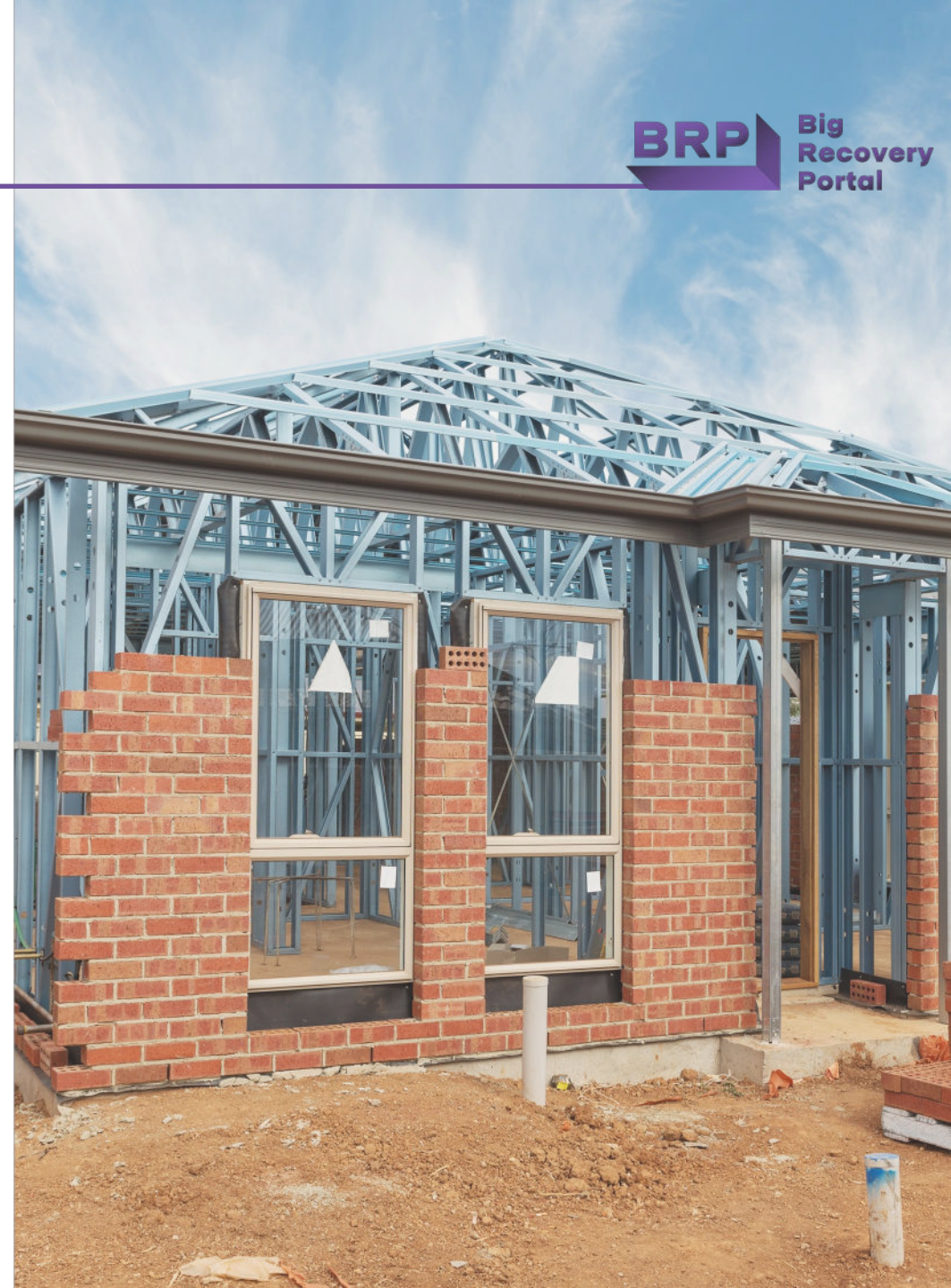
20 March



Police uncovered the embezzlement of UAH 40 million during the construction of a military camp in Lviv Oblast.

* – for the period from 20 March to 19 April 2024.

Residential recovery



Damaged housing requires huge sums of money to rebuild

20% of the housing is either damaged or destroyed

About **2 m** households are affected

As of 31 December 2023, total losses in the housing sector amounted to USD **55.9 bT**

Housing sector losses are estimated at **USD 17.4 bT**

The estimated need for housing sector recovery amounts to **USD 80.3 bT** in 2024–2033 (including USD 72.1 billion for rebuilding and construction based on the ‘reconstruct better’ principle)

The urgent need in 2024 is **USD 2.1 bT** (to compare, the financing of housing reconstruction in 2023 was USD 1 billion)



Where is the money for reconstruction coming from and who is reconstructing?

Ministry for Recovery – policymaking in the field of housing policy and reconstruction

Who is reconstructing?

- Agency for Restoration
- Local governments and Oblast Military Administrations
- Civil society organisations
- Private owners
- Private companies

Who is funding?

- State and local budgets (lower)
- Donor funds (both IFIs and individual foundations, e.g. Buffett Foundation)
- UNITED24 funds (donors)
- Funds from charitable foundations
- Private funding by homeowners



There is a lack of policy on housing reconstruction, but discussions have already started

The Ministry for Recovery is launching housing policy reform (discussions on the draft law “On the Basic Principles of Housing Policy” are ongoing), which is important given the critical need for affordable housing

The share of social housing in Ukraine is critically low, which reduces the ability of the authorities to help IDPs.

The main priorities of housing policy according to the draft law are as follows:

- 1) preventing and addressing homelessness;
- 2) creating, filling, accounting and efficiently using housing stock in order to provide people with housing;
- 3) ensuring access to various mechanisms of state support provided for by this and other Laws of Ukraine;
- 4) transparency of lease relations, ensuring the rights of tenants and landlords;
- 5) providing compensation for housing damaged and destroyed as a result of hostilities, terrorist acts, and sabotage caused by the armed aggression of the Russian Federation against Ukraine, as well as in other cases specified by this and other Laws of Ukraine;
- 6) developing, approving and implementing strategic planning and implementing the housing policy, as well as local, regional and targeted state programmes on issues related to the exercise of the right to housing;
- 7) involving the public in the formation and implementation of the housing policy;
- 8) establishing and regularly updating requirements for consumer quality of housing that meet dynamic market conditions and technologies.

Residential recovery is the state's priority

eRestoration is a compensation programme for damaged and destroyed housing

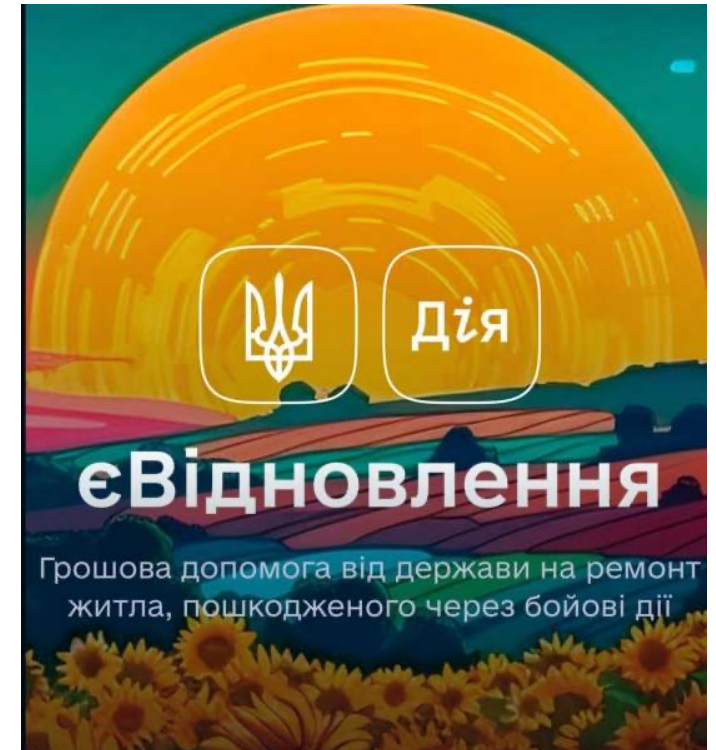
Who is it for? For owners of private housing located on the territory controlled by Ukraine, but damaged or destroyed due to the war

How? Apply through Diia or ASC; committee inspecting destruction and damage; decision to provide funds; opening an account to get the compensation; use only through a specific list of suppliers of materials and works

Who is funding? In 2023, at the expense of the Fund for Elimination of the Consequences of Armed Aggression. In 2024, at the expense of the World Bank HOPE programme

Restrictions:

- Lack of contractors in certain areas
- Does not cover occupied territories
- Housing no more than 150 sq.m for flats and 200 sq.m for private houses



The state funds the restoration and compensates for losses, but there is not enough money for everyone

Compensation for damaged housing — assistance for repairs (the programme was launched in May 2023) — as of 23 April 2024:

- The number of applications increased by almost 6 thousand to 86 thousand over the month
- Payments approved for 52.2 thousand applicants
- The total amount of payments of UAH 5.5 billion is UAH 0.6 billion higher than a month ago

In the case of certificates for compensation for completely destroyed housing (the programme was launched in January 2024):

- As of 15 February: households have used 751 housing certificates worth UAH 1.6 billion
- As of 15 March: households have used 1,310 certificates worth UAH 2.8 billion
- As of 21 March: 1,445 new housing purchases, average certificate amount of UAH 1.8 million — but 11.4 thousand applications have already been submitted
- As of 23 April: 12.8 thousand applications submitted, 5.8 thousand certificates issued — Total compensation = UAH 10 billion

UAH 15.5 billion
— total compensation from
the budget for damaged and
destroyed housing

Energy efficiency — saving funds for the future

VidnovyDIM is an Energy Efficiency Fund programme for the reconstruction of damaged housing

Who is it for? For condominiums

What does it include? Repair of utility systems (heating, water, gas, electricity, sewerage, etc.), roofs and facades, installation of windows

How? Apply to the Energy Efficiency Fund

How much? UAH 7.2–7.9 million, in two tranches (70%/30%)

Restrictions:

- Only for condominiums
- Except for settlements under occupation, at the delimitation line, or where there are no authorities



Mortgage loans as a way to afford housing

eOselia is a state programme of preferential mortgage lending aimed at providing affordable housing for certain categories of Ukrainian citizens

Certain categories — 3% per annum, up to 20 years
(effective from 1 October 2022)

- Military personnel
- Medical workers
- Educators
- Scientific and academic staff

How? Apply via Diia, get an offer from the bank, find a property, sign a loan agreement and buy/sell a property

How much? Down payment of 20%.

Restrictions:

- Only for persons aged 18–70
- A person has no their own home at all, or it is smaller than the above-mentioned area
- The property is not located in the area of hostilities or on the temporarily occupied territory
- A person is not on the sanctions lists and does not participate in other current state housing programmes

What's happening now? 9,108 loans for UAH 14 billion have been granted

Mass mortgage — 7% per annum, up to 20 years
(effective from 1 August 2023)

- War veterans and their family members
- Internally displaced persons
- Other citizens

Comprehensive recovery projects aim to return people to their communities

The government has launched comprehensive reconstruction projects in five settlements affected by the hostilities. The Agency for Restoration is responsible for the implementation of projects in the following settlements:

- Yahidne (Chernihiv Oblast),
- Borodianka (Kyiv Oblast),
- Posad-Pokrovske (Kherson Oblast),
- Tsyркuny (Kharkiv Oblast)
- Trostianets (Sumy Oblast).

Within the framework of these projects, the Agency restores residential buildings, social infrastructure, transport network, and railway stations (depending on the settlement)

What is interesting, since these are pilot projects, they allow us to develop important practices and new experiences:

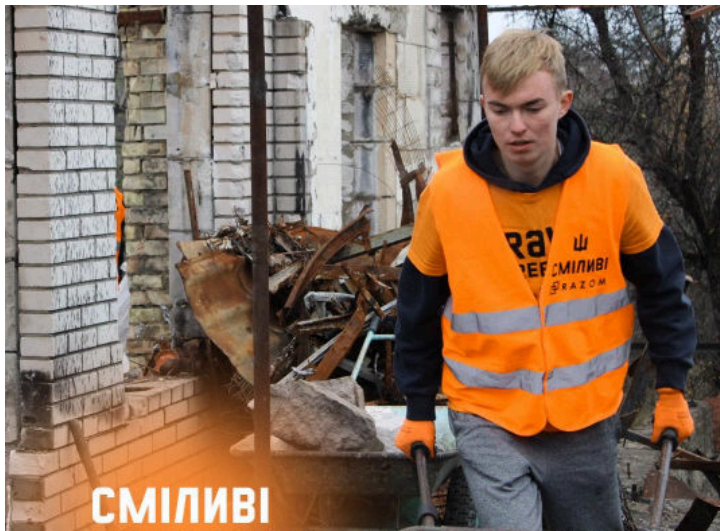
- Involving private businesses in reconstruction: [Archimatika](https://archimatika.com) developed a project to rebuild Posad-Pokrovskyi



Visualisation: [Archimatika](https://archimatika.com)

Examples of CSOs/COs/CFs that rebuild housing (1/2)

During the full-scale invasion, many NGOs/COs/CFs emerged, which began to organise clean-ups after the deoccupation of villages and towns and preserve, repair, and rebuild residential and private houses. Funding is provided by international donors, Ukrainian or foreign businesses, or individual donations.



Smilyvi Vidnovliuvaty (Courageous to Restore) (Kyiv, Chernihiv and Kharkiv Oblasts) is engaged in debris removal, preservation of damaged private and multi-storey buildings, and repairs. In 2023, they restored 5 schools in cooperation with saved CF.



Building Ukraine Together PO (9 oblasts of Ukraine) is engaged in clean-ups and restoration of social infrastructure (shelters, youth spaces, dormitories, shelters for women), private houses and flats. In 2022, they helped Repair Together with the construction of 3 houses in the village of Lukashivka.



The B50 (Kyiv Oblast) volunteer community removes debris, preserves buildings, and engages in repairs and construction. It works on 2 projects: **Pryberemo! (Let's clean up!)** (cleaning up destroyed buildings) and **Reconstruction** (repairing and arranging public spaces, primarily shelters in educational institutions).

Examples of CSOs/COs/CFs that rebuild housing (2/2)

During the full-scale invasion, many NGOs/COs/CFs emerged, which began to organise clean-ups after the deoccupation of villages and towns, repair, and rebuild residential and private houses. Funding is provided by international donors, Ukrainian or foreign businesses, or individual donations.



Repair Together (Chernihiv Oblast) public organisation has already built 7 houses from scratch and is now rebuilding 10 destroyed houses in Ivanivka community (3 villages: Lukashivka, Ivanivka, and Yahidne). For this purpose, it founded IRC (International Reconstruction Camp).



Rayon #1 (Kyiv and Chernihiv Oblasts) charitable organisation is repairing and rebuilding damaged houses. It has restored houses in Irpin (see picture), as well as Kukhari and Horenka. It also built 26 houses together with Help-Jilfe zur Selbsthilfe in Nova Basan, Novyi Bykiv, and Saryi Bykiv (Chernihiv Oblasts).



VDOMA (Kyiv Oblast) organisation is engaged in both rebuilding from scratch and repairing damaged houses. It has already restored residential buildings in Hostomel, Irpin, Horenka, and Moshchun. Their partners are Home Games, Cobblestone Freeway Foundation, PinchukArtCentre, and Kyiv Food Market.

Directions for further actions

Both policies and approaches need to be changed towards housing reconstruction, and the authorities have already started this process

- Updating housing policy: how will Ukraine rebuild housing, the role of social housing, and the development of the property market
- Resolving the issues of where, how and what to rebuild: a big discussion is ahead about how to rebuild cities, what role will be played by de-occupied cities, and how to give new life to these cities after the victory. Yet, it is urgent to understand how to rebuild everything now in areas close to the frontline.
- The matter of compensation for lost housing in the temporarily occupied territories needs to be addressed.
- Energy-efficient reconstruction: What does it mean, and what should be the standards? Europe is already planning to move to zero-emission housing, which is expensive but economically feasible for the future.
- It is important to provide funding programmes for energy efficiency in blocks of flats where there are no condominiums
- A barrier-free environment remains a challenge, not only in blocks of flats but also in flats.



Monitoring of specific areas

Housing

*Construction of main water pipelines,
Karachunivske Reservoir – Kryvyi Rih –
Pivdenne Reservoir, Marhanets – Nikopol,
Khortytsia (DWS2) – Tomakivka*

Demining



eVidnovlennia – compensation and certificates

Compensation for damaged housing – assistance for repairs (the programme was launched in May 2023) – as of 21 March:

- 45,000 households received compensation
- UAH 4.1 billion has already been transferred
- However, there are already almost 80 thousand applications.

In the case of certificates for compensation for completely destroyed housing (the programme was launched in January 2024):

- As of 15 February: households have used 751 housing certificates worth UAH 1.6 billion
- As of 15 March: households have used 1,310 certificates worth UAH 2.8 billion
- As of 21 March: 1,445 new housing purchases, average certificate amount of UAH 1.8 million — but 11.4 thousand applications have already been submitted



Water pipelines

- **UAH 13 billion** – total current construction estimate based on contracts with contractors signed following tenders.
- **UAH 13.7 billion** – the amount allocated by the Cabinet of Ministers of Ukraine to lay water pipelines in Dnipropetrovsk Oblast in 2023–2024 ([on 22 March 2024, the Cabinet of Ministers allocated an additional UAH 5.2 billion](#)).
- **UAH 8.2 billion** (63.4% of the planned amount) was paid to contractors in August, October and December 2023 (no new transactions were made in January – April 2024).
- The construction of the main water pipeline is one of the most important projects of the Agency for Restoration. Its length is 145 km (more than 300 km of single-line pipeline).
- [The pipeline construction on the Khortytsia water supply system \(DVS 2\) Tomakivka – Marhanets \(77.9 km\)](#) has already been completed



Demining of Ukraine (as of 20 April 2024)

- A Deminer Corps [was created in Ukraine](#). Units of the Ministry of Defence and the Armed Forces of Ukraine, which will perform tasks in the de-occupied territories, have joined it. 1,000 demining teams have already been formed. Demining Corps units are already operating in Mykolaiv, Kherson and Kharkiv Oblasts.
- Ukraine has already developed its [own humanitarian demining machines](#): there are two certified machines, and a third one's certification is pending
- [Canada will allocate USD 58 million](#) to implement a programme to support peace and security in Ukraine from 2024 to 2027. According to Ukraine's Ambassador to Canada, Y. Kovaliv, most of the funds will be used for humanitarian demining in Ukraine.
- International partners allocated more than USD 700 million for humanitarian demining projects in Ukraine from 2022 to 2027. Key donors include the United States, Switzerland, Norway, EU countries, Japan, the Netherlands, Germany, and others.
- Since the beginning of 2024, pyrotechnists have surveyed [over 80,000 hectares of agricultural land](#), of which about 74,000 hectares have been returned to use. According to Y. Svyrydenko, this is 'conditionally' plus 350,000 tonnes of wheat that farmers will harvest in 2024 from the fields cleared of mines and explosives.

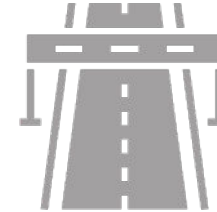
Surveyed: 81.6 thousand hectares (+ 9.1 thousand hectares)

Destroyed: > 140 thousand (+13.5 thousand) of explosive hazards

Demined:



2.5 thousand
km of railway
(+ 117.3 km)



875.7 km
of motor
roads
(+5.1 km)



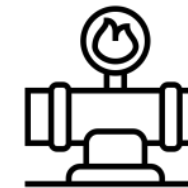
447.7 km of
power lines
(+11.8 km)



176.2
hectares of
forests
(+6.6 ha)



22.8 ha of
water areas
(+1.1 km)



49.5 km of gas
pipelines
(+5.2 km)



THANK YOU FOR YOUR ATTENTION!

