

THE RECOVERY SPENDING WATCHDOG

#10, June 2024

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Legal regulation



Legal regulation

The Verkhovna Rada has approved in general [the draft law No. 4254](#) "On Public Consultations", which aims to ensure greater transparency of government bodies and involve the public in decision-making processes.

[The draft law No. 11057](#) on mandatory publication of construction materials prices was recommended by the relevant committee for approval in the first reading (the draft law was registered in the Verkhovna Rada on 4 March 2024).

It seems that the work on changing the Architecture of planning documents has stopped for now.

It is also unclear what will happen with the action plan for the implementation of the State Regional Development Strategy, which has been developed but not yet approved by the government.

The delay is due to the ongoing situation regarding the reorganization of the Ministry of Restoration: it is likely that the Ministry of Infrastructure and the Ministry of Regional Development will be created based on the old ministry, but whether this will happen and who will head these ministries is still unclear.

While the functionality of the DREAM platform may be expanded to include the management of public investments.



Reconstruction progress and funding



DREAM – remains an experiment for now

The number of projects is increasing, as well as the funding needs.

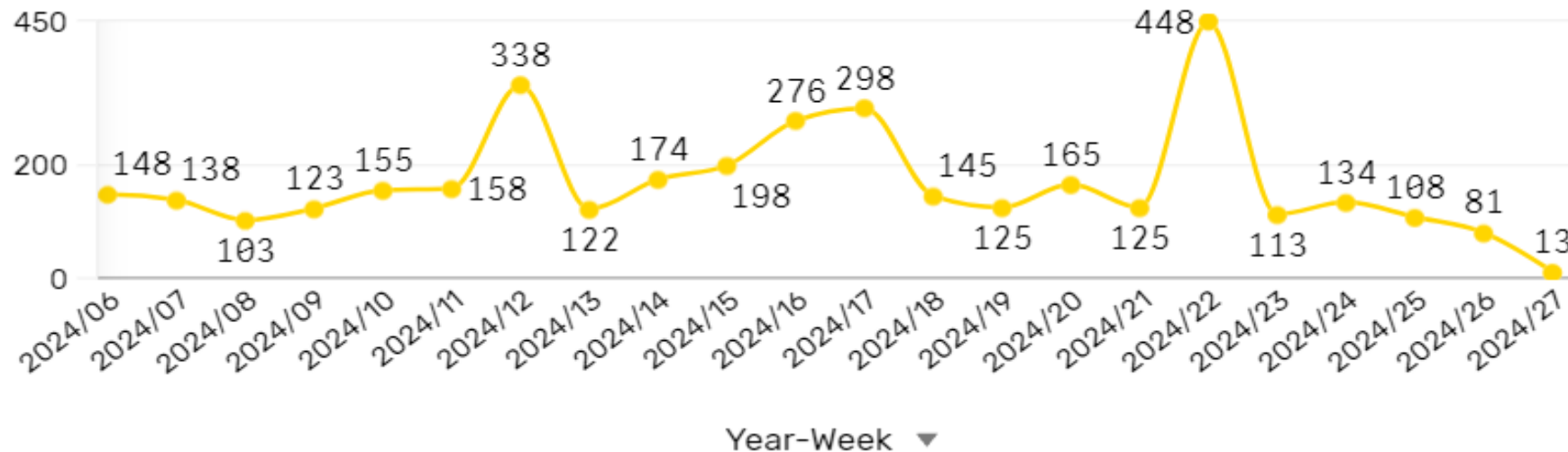
As of June 27th:

5193 projects at the stage of initiation and implementation (+809 projects per month): UAH 277 billion in funding needs (+UAH 65 billion), of which only UAH 52 billion (+3.3 billion) has been confirmed:

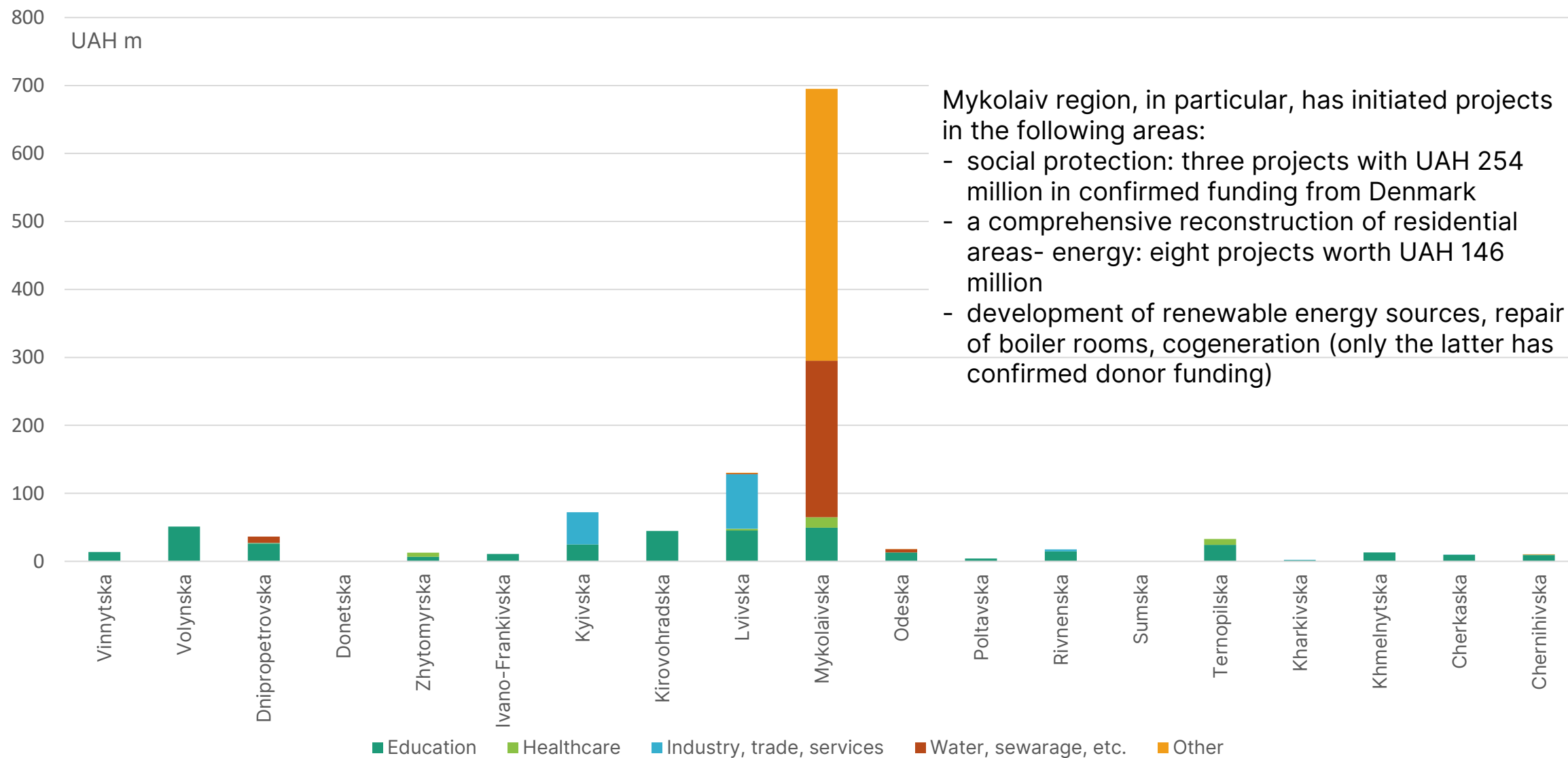
- Rapid growth in the number of projects under implementation - 3083 compared to 2492 projects a month earlier: BUT confirmed funding increased by only UAH 3 billion to UAH 47 billion, while the need is 199.7 billion

DREAM may become a public investment management tool

Number of projects submitted to the DREAM



DREAM: Mykolaiv region, major projects

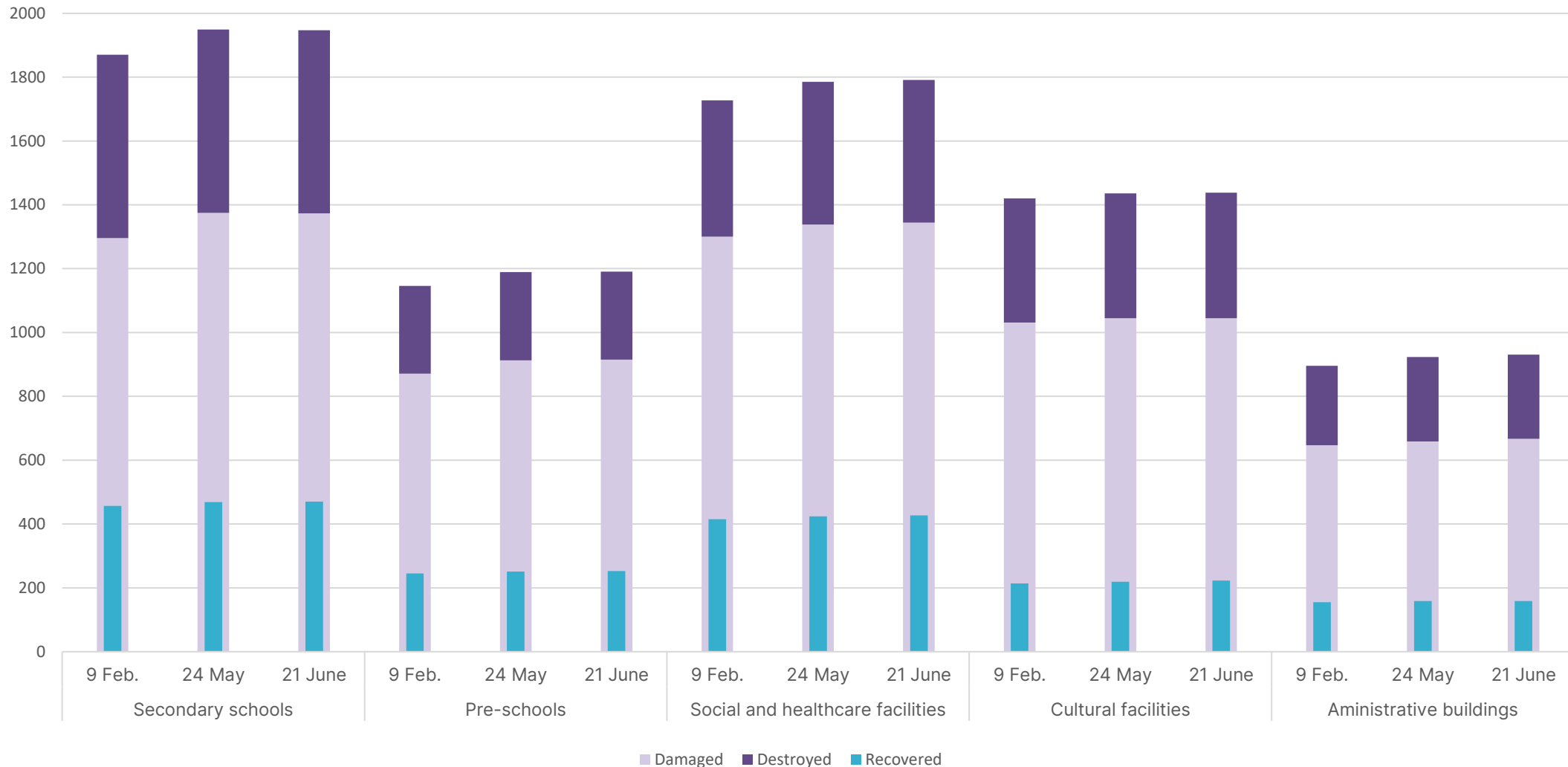


Mykolaiv region, in particular, has initiated projects in the following areas:

- social protection: three projects with UAH 254 million in confirmed funding from Denmark
- a comprehensive reconstruction of residential areas- energy: eight projects worth UAH 146 million
- development of renewable energy sources, repair of boiler rooms, cogeneration (only the latter has confirmed donor funding)

Destruction of social infrastructure continues, recovery is slow, but shelters and underground schools are being built

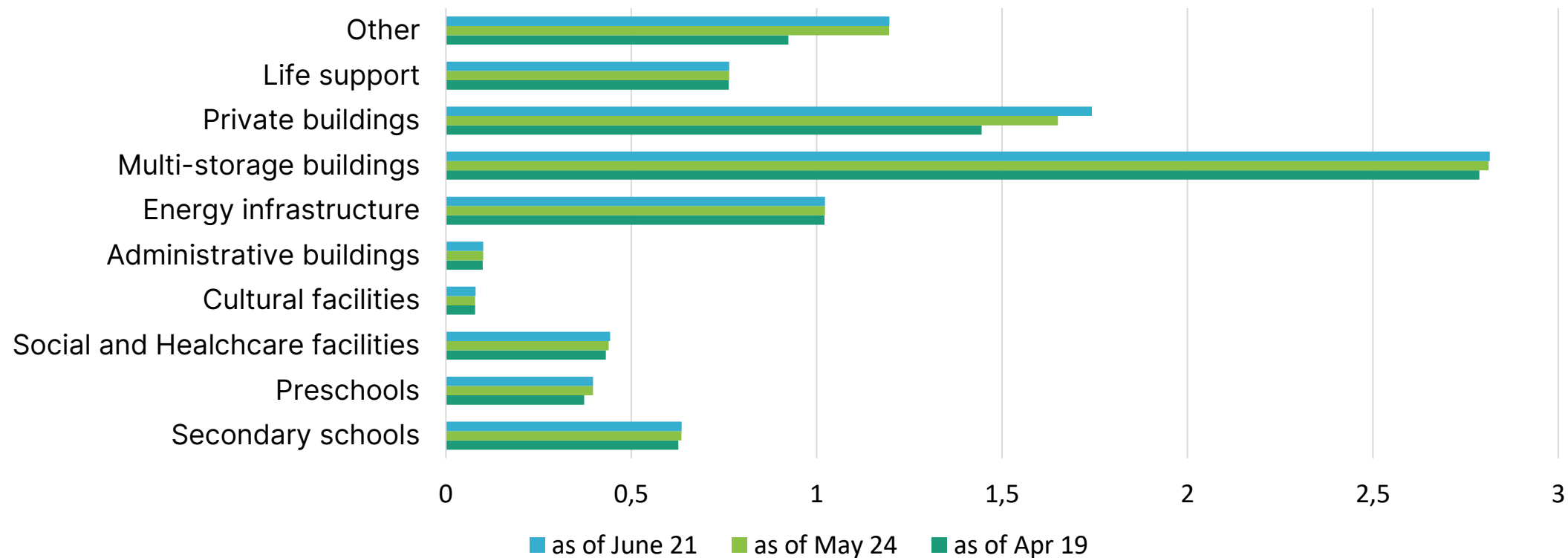
24.05.2024- 21.06.2024: completion of the restoration of three social/medical institutions, two pre-school education institutions, four cultural institutions



UAH 9.2 billion was allocated for local projects, of which only UAH 101 million was spent in the last month

Within the allocated UAH 9.2 billion: 43% came from the state budget, 29.5% from local budgets, and the rest from other sources of funding. In June, we spent twice as much money as in May. Along with that, there is funding from the European Central Bank, so we hope for a new round of funding.

Funds spent on financing recovery at local level, UAH bn



Remark: Funding from the state and local budgets, which are performed at local level (does not include funding through the Recovery Agency)

Source: Ministry of Reconstruction

eVidnovlennya

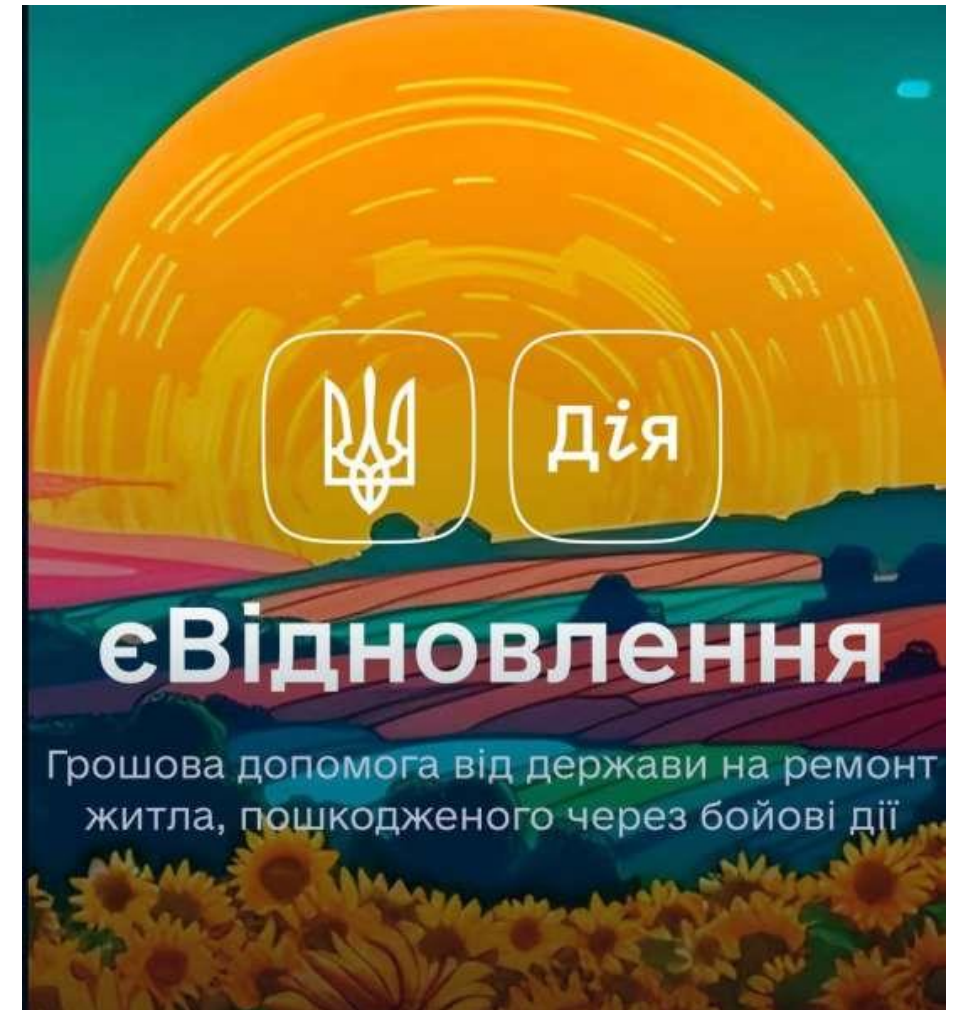
Funding for the programmes of compensation for damaged and destroyed housing eVidnovlennya was reportedly suspended in June due to lack of funds.

Meanwhile, during the URC2024 conference in Berlin, the Ukrainian government signed two crucial agreements to continue compensation payments under the programme:

- On the next tranche from the World Bank under the HOPE programme
- On financing the programme by the Council of Europe Development Bank

Thus, funding will be available.

It is essential to note that in 2023, the Recovery Programme was financed primarily by the Fund for Elimination of the Consequences of Armed Aggression, which is currently out of funds (the source of the Fund is money from Russian confiscated assets)

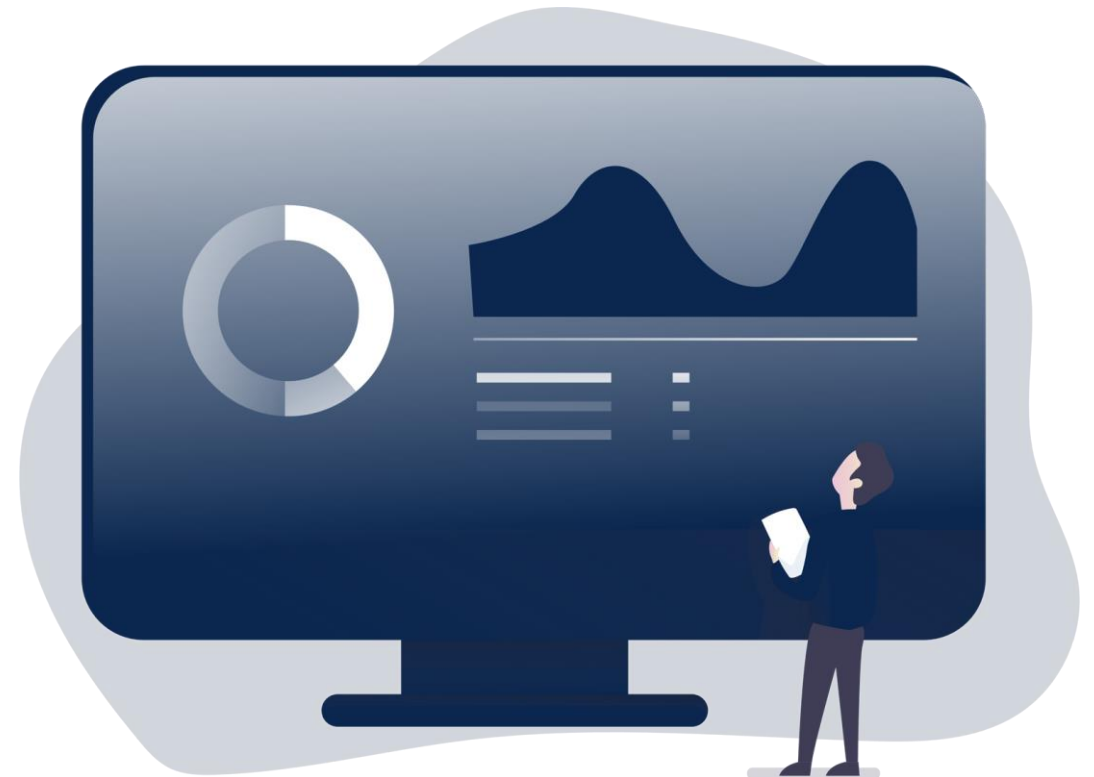


Analysis of reconstruction procurement



Key procurement figures in January-May 2024*

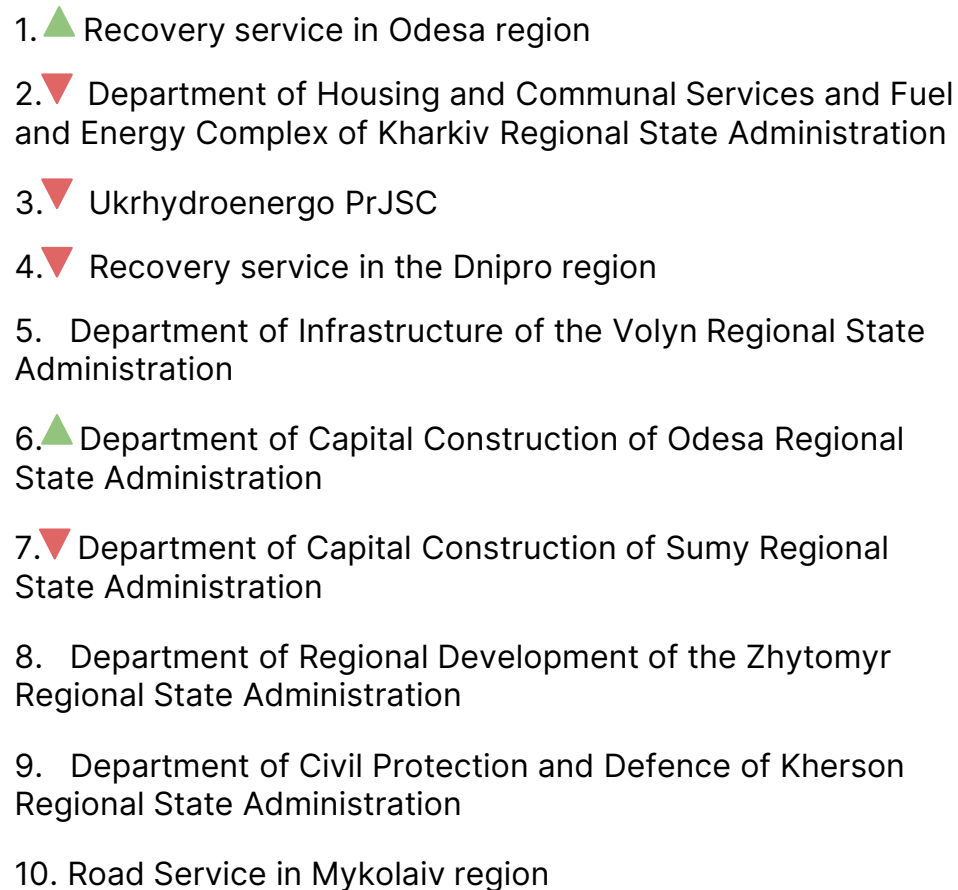
- In January-May 2024, 45 thousand construction procurements were announced. 91.9% of them were completed (41.4 thousand), 3.5% did not take place, 1.6% were cancelled, and 3.0% are still ongoing.
- The amount of completed procurements in the first 5 months of the year is UAH 96.8 billion, including the current procurement amount in May - UAH 12.1 billion.
- The e-procurement system was used for 6.8 thousand completed procurements (16.6%) for a total amount of UAH 47.6 billion (49.2%)
- Defence procurement in January-May totalled UAH 21.8 billion, which is 22.6% of the total construction procurement.
- In May, the defence procurement value decreased five times compared to April, to UAH 615 million.



* - as of 17 June 2024

Procurement leaders - January-May 2024

Top 10 procurers (UAH billion)

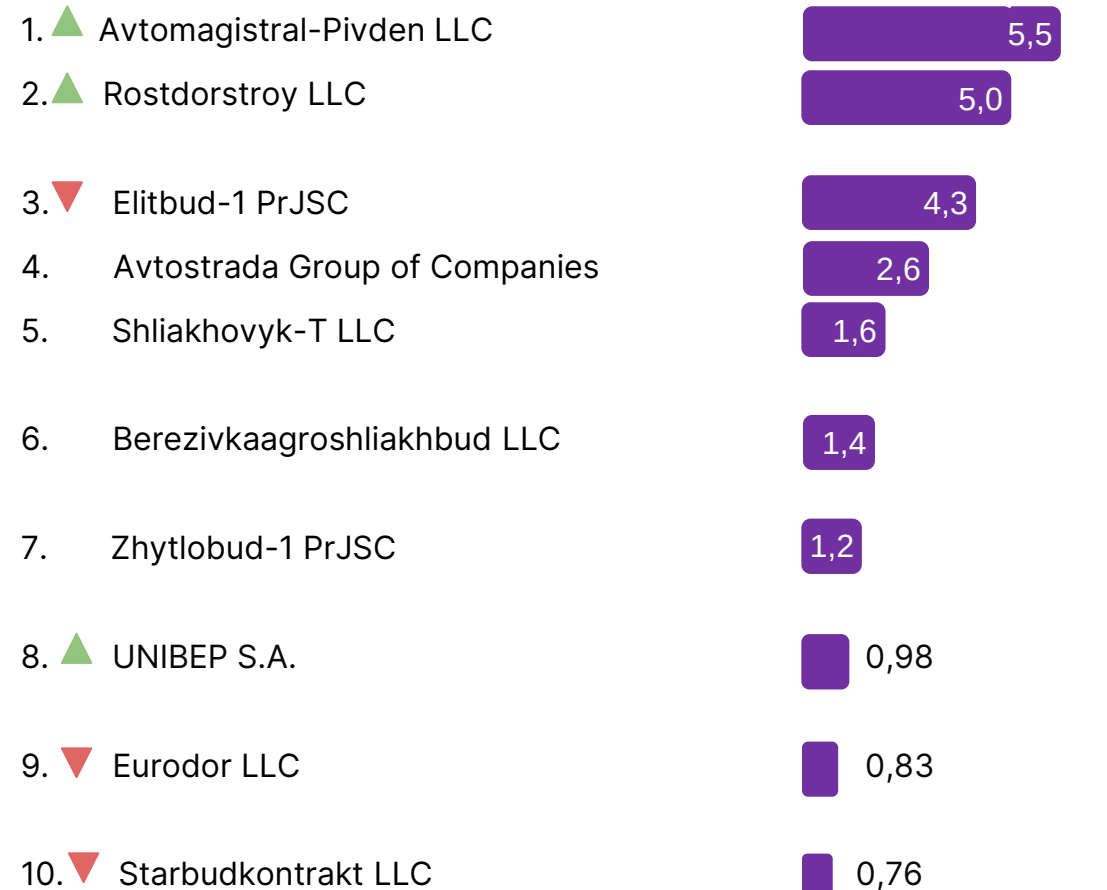


Top 10 share in all procurements

40%

Top 10 tender winners (UAH billion)

-. Participants in defence procurement

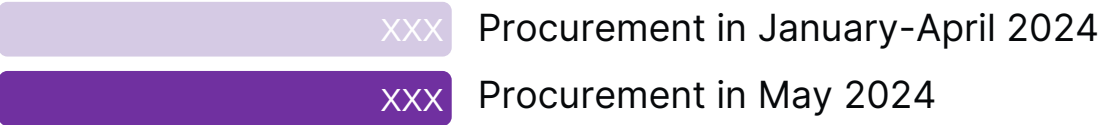


Top 10 share in all procurements

25%

Largest construction tenders in January-May 2024

N	Procurement subject	Organiser	Winner	Procurement value, UAH billion
1	Protection construction for the Dnister PSPP by Ukrhydroenergo	Ukrhydroenergo PrJSC	Elitbud-1 PrJSC	4,2
2	Construction of a main water supply system for Kryvyi Rih city	Recovery service in the Dnipro region	Avtomagistral-Pivden LLC	2,4
3	Construction of the Khortytsia-Marhanets main water supply system	Recovery service in the Dnipro region	Avtostrada Group of Companies	2,1
4	Operational maintenance of public roads	Recovery service in Odesa region	Rostdorstroy LLC	1,5
5	Operational maintenance of public roads	Department of road management of Lviv regional state administration	Shliakhovyk-T LLC	1,5



Number of complaints and lot disqualifications decreased in May

Complaints and disqualifications of lots of completed procurements using the e-procurement system

No. of participants	No. and % of procurement		Value (billion) and % of procurement		Number of disqualifications / complaints	
1 participant	5203	75,6%	30,1	59,2%	1 / 16	0 / 0
2 participants	971	14,1%	7,8	17,4%	361 / 82	48 / 0
3 participants	389	5,7%	5,4	14,0%	184 / 46	9 / 1
4 participants	156	2,3%	2,5	5,2%	84 / 29	6 / 0
5 participants	81	1,2%	1,5	3,8%	57 / 20	8 / 1
6 participants	38	0,5%	0,8	0,2%	14 / 2	0 / 0
7-13 participants	40	0,6%	0,4	0,2%	21 / 9	1 / 0
Completed	6883	100,0%	47,6	100,0%	722 / 204	72 / 2

**procurement using
the digital system in
total**

- 3/4 of procurements using the e-procurement system remain non-competitive. Among all procurements, 95.9% are non-competitive. In May, these figures were even higher - 83.3% and 98.0%, respectively.
- The number of complaints and disqualifications of lots in May decreased by 3.2 and 23 times, respectively, compared to the figures for April.
- The share of procurements with 2 tenderers among competitive procurements increased to 58%.
- The number of complaints in May was the lowest in the last 12 months.

Investigative journalism

Disclaimer. Investigative journalism may not capture all subtleties and can be biased at times. To ensure accuracy, treat the information with caution and conduct further research and fact-checking before drawing final conclusions.

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 intensified, investigations of violations related to recovery have also become more frequent.
- The most common topics covered in the media are possible procurement irregularities, criminal cases and court verdicts
- Another topic for the media is weaknesses in procurement procedures and ways to correct them. This topic has the potential for further development.
- As procurement becomes more competitive, more and more reports are being published on tenders being announced for a specific participant or rejections of "non-agreed" bids.

Top 5 news of the month by topic

24 June

Following the resignation of Kubrakov and Nayem, Big Construction's practices returned to road tenders: three road maintenance procurements in Vinnytsia region were given to Avtostrada with a 3% discount

21 June

The radiation shelter of a lyceum in Kyiv was built for UAH 41.3 million with concrete, cables and a generator delivered at twice the cost

11 June

The BES has identified risks in two tenders in Poltava region aimed at reconstructing a sports complex and a paediatric hospital department worth UAH 177 million.

10 June

Ukrhydroenergo signed contracts for the protection and restoration of hydroelectric power plants for UAH 10.4 billion, most of them without bidding

6 June

Zhytomyr law enforcers suspect head of Romanivka village council's education department of negligence for "not noticing" forgery of documents A contractor forged documents during the repair of 6 shelters for children, which resulted in overpayment of UAH 300,000.

* - for the period from 28 May to 24 June 2024

Build back better



The concept of "Rebuild better than it was"

- According to the World Bank, as of February 2024, Ukraine needs \$486 billion for reconstruction and recovery.
- The point is not to rebuild as it was, but to "Build Back Better"
- According to the report from the World Bank, building back better includes the following components:
 - ✓ Greater energy efficiency
 - ✓ Modernisation
 - ✓ Compliance with sustainability standards
 - ✓ Better functionality, including barrier-free accessibility
 - ✓ Resilience to climate change, including decarbonisation

Of course, it is also important:

- ✓ To implement EU standards
- ✓ To implement green economy



Important but difficult choice: more or better

- Funding for recovery projects is very limited and significantly less than the World Bank's report estimated for urgent financing needs in 2024
- Therefore, prioritising which facilities to rebuild is crucial
- It is equally important to determine how to rebuild and understand the components of "Build Back Better"
- Barrier-free accessibility should be provided: facilities should be accessible to people with disabilities:
- ✓ Standards are already adopted - they need to be fulfilled

Read more about barrier-free accessibility [WATCHDOG №6](#) in February 2024



Important but difficult choice: more or better

- Energy efficiency and energy independence:
 - ✓ "As it was": rebuild more now, it is cheaper today, but it will cost more to maintain and will need to be rebuilt faster
 - ✓ "Better than it was": rebuild less now, as it is more costly to rebuild, but cheaper to maintain later

For example:

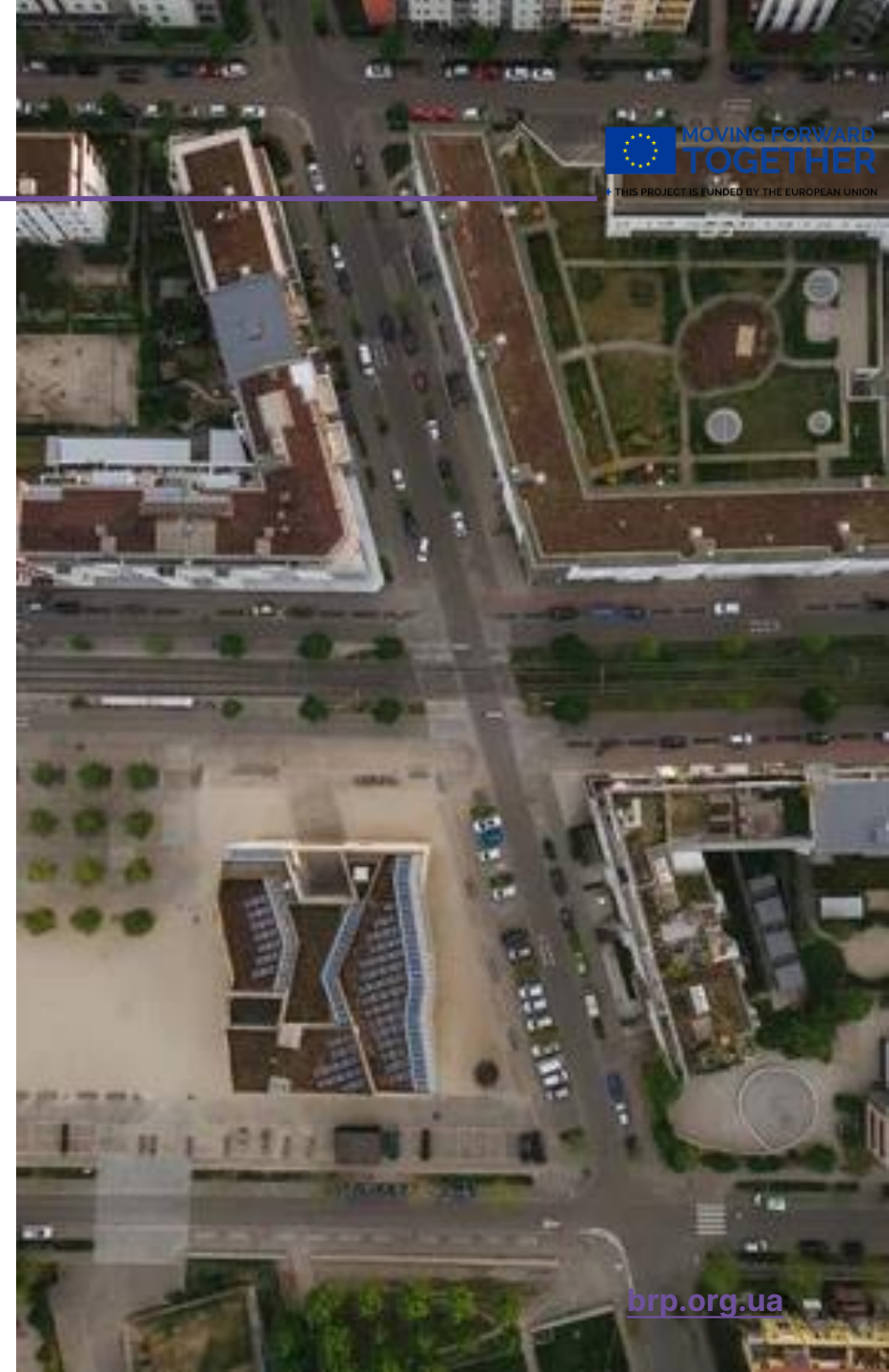
- ✓ Is it better to renovate another classroom or install a solar panel?
- ✓ Build another modular house for IDPs or install solar panels on several others?
- ✓ Should we install a heat pump or save money on it?
- ✓ Install three-chamber or single-chamber windows?

Read more about energy efficiency in [WATCHDOG №7](#)



What to do now?

- The issue is complex, since people already need access to housing, healthcare and education, and therefore speed is more important
- But this model is therefore not sustainable, as maintenance costs will be higher in the future
- Therefore, an open and accessible dialogue between different stakeholders is urgently needed
- The definition of the parameters of reconstruction should also apply to donors who assist in reconstruction
- It is important to adopt new construction standards for new housing that meet the European Nearly-zero energy and zero-emission building standards
- It is also necessary to determine the timeframe when these standards will be adopted
- Cheaper loan programmes such as "warm loans" will be important for old housing
- At the same time, thermal modernisation of educational and medical institutions is very important today. Therefore, it should be considered in the reconstruction and restoration process



Monitoring of specific areas

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

Demining



Water pipeline

- **UAH 13 billion** - is the total current construction estimate due to the contracts with contractors signed following the tenders.
- **UAH 13.7 billion** - the amount of funds allocated by the Cabinet of Ministers of Ukraine for the construction of water supply systems in Dnipro region in 2023-2024 ([on 22 March 2024, the Cabinet of Ministers of Ukraine allocated an additional UAH 5.2 billion](#)).
- **UAH 13.3 billion** (96,7 of the allocated amount) was paid to construction contractors in August, October and December 2023 and in April-June 2024.

The main water supply system comprises 3 sections with a total length of 155 km:

- Ingulets - Southern Reservoir (Kryvyi Rih): commissioned on 8 May 2024
- Marhanets - Nikopol - Pokrov: commissioned on 18 June 2024
- Zaporizhzhia - Tomakivka - Marhanets: commissioned on 18 June 2024



Demining in Ukraine (as of 24.06.2024)

- [The Ministry of Economy has launched an information portal on mine action](#) - demine.gov.ua. - It will accumulate all information on humanitarian demining and become a single window for farmers, mine action operators, donors, etc.
- [Countries participating in the Ukraine Recovery Conference](#) have allocated an additional **\$35 million to support humanitarian demining in Ukraine.**
- [In May, deminers cleared and returned 29.8 thousand hectares](#) of agricultural land to farmers, including 26.9 thousand hectares in Kherson region.
- [As of May 2024, 730 pyrotechnic groups, 3,980 sappers and 69 mechanical demining vehicles](#) were involved in Ukraine. The number of certified experts is **42**, and another **53** are in the process of certification.
- [The Verkhovna Rada adopted in the first reading](#), and as a basis draft laws providing for exemption from VAT and customs duties on the export of goods for the production and repair of mechanical demining machinery.

[Inspected](#) 108.4 thousand hectares (+10.1 thousand hectares)

[Destroyed](#) > 173.8 thousand (+ 12.5 thousand) explosive items

[Cleared:](#)



2.6 thousand km of railway (+7.1 km)



905.1 km of motorways (+9.3 km)



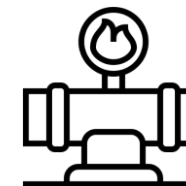
489.4 km of power lines



337.9 hectares of forests (+6.7 ha)



25.5 hectares of water areas (+0.1 ha)



66.9 km of gas pipelines (+10.0 km)



Thank you for your attention!

“The Recovery Spending Watchdog” project

