

THE RECOVERY SPENDING WATCHDOG

#12, August 2024

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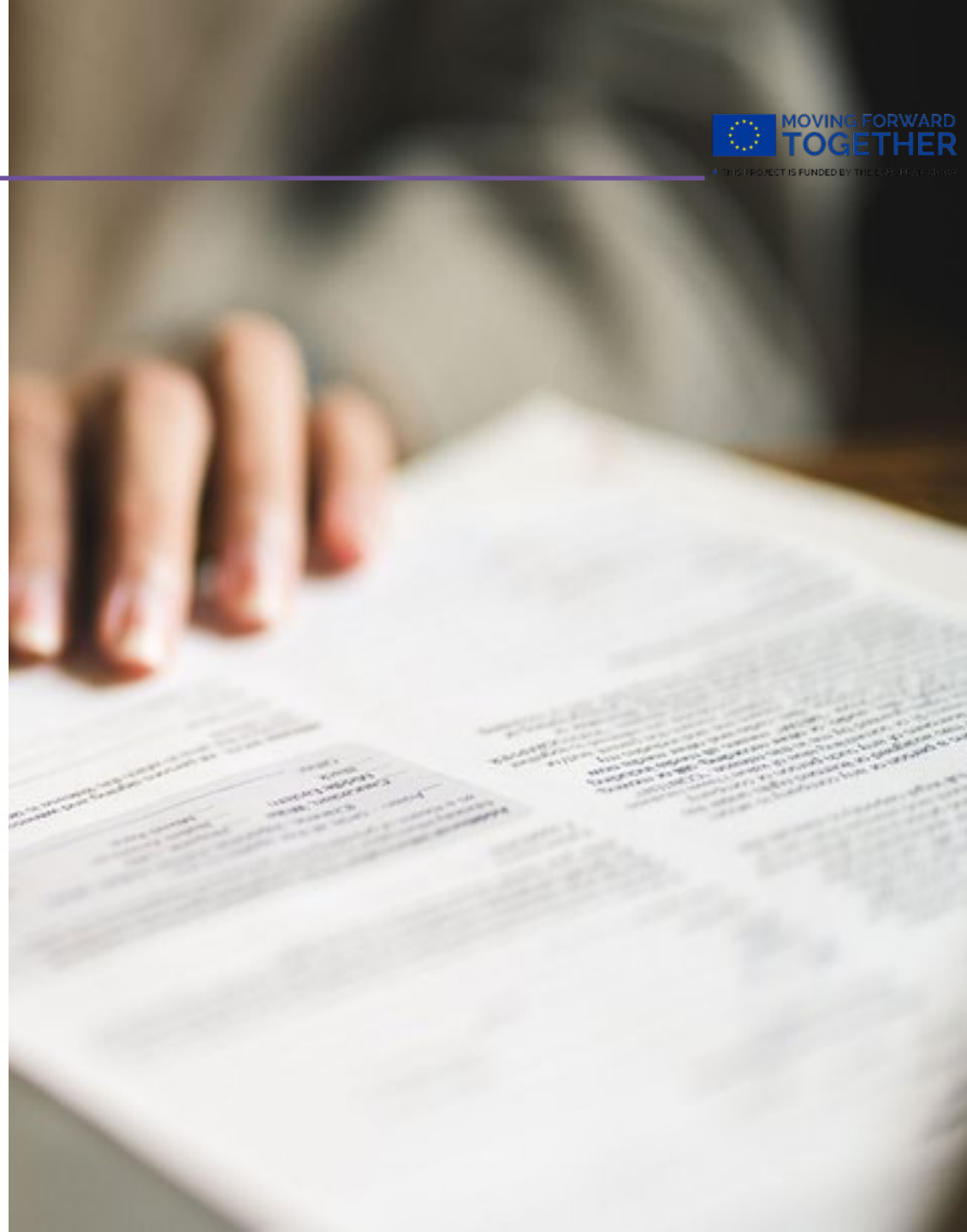


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Legal regulation



Legal regulation

Cabinet of Ministers has approved [The the draft of the new Law on Public Procurement](#). The draft law aims to ensure transparent and competitive public procurement for Ukraine's post-war recovery and fulfilment of international obligations in this area: it does not yet fully implement EU public procurement directives

Government has approved [The amendments to the State Strategy for Regional Development for 2021-2027](#), aimed to take into account current challenges and reforms: no action plan, but operational targets are set

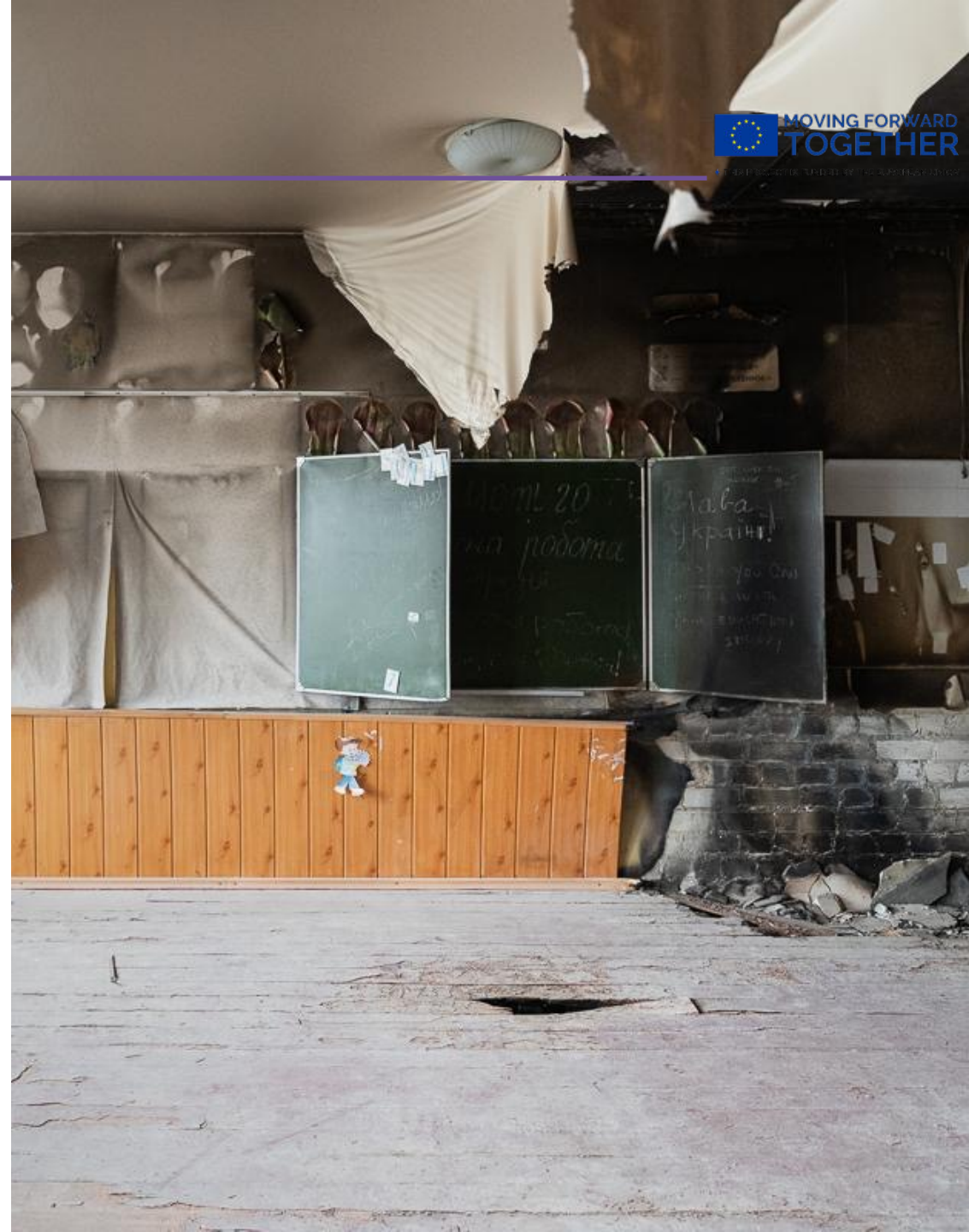
Public consultations were held on [Law On the Principles of Ukraine's recovery](#) (organised by the Verkhovna Rada Committee on Organization of State Power, Local Self-Government, Regional Development and Urban Planning): recovery planning, communities' energy independence, recovery of frontline and de-occupied regions, simplification of procedures and prioritisation of recovery objects. DREAM is a recovery platform in the draft law, while there is already talk of extending it to include public investment management.

[A memorandum on improving the energy sustainability of communities](#) by increasing the energy efficiency of buildings, developing alternative energy sources, investing in the industry, etc.) was signed during the Congress of Local and Regional Authorities

The Cabinet of Ministers has allocated [an additional UAH 5 billion for shelters in schools and technical colleges](#): the funds have been distributed among 77 educational institutions in 8 regions near the frontline and bordering Russia: 24 shelters in technical colleges and 53 in schools

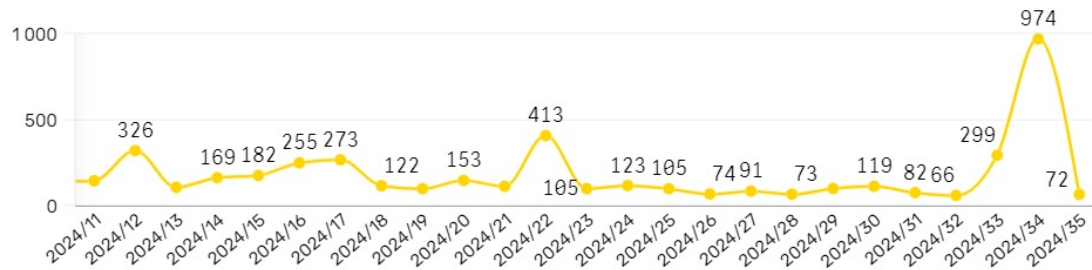


Reconstruction progress and funding



DREAM – discussions on the legislative framework are ongoing

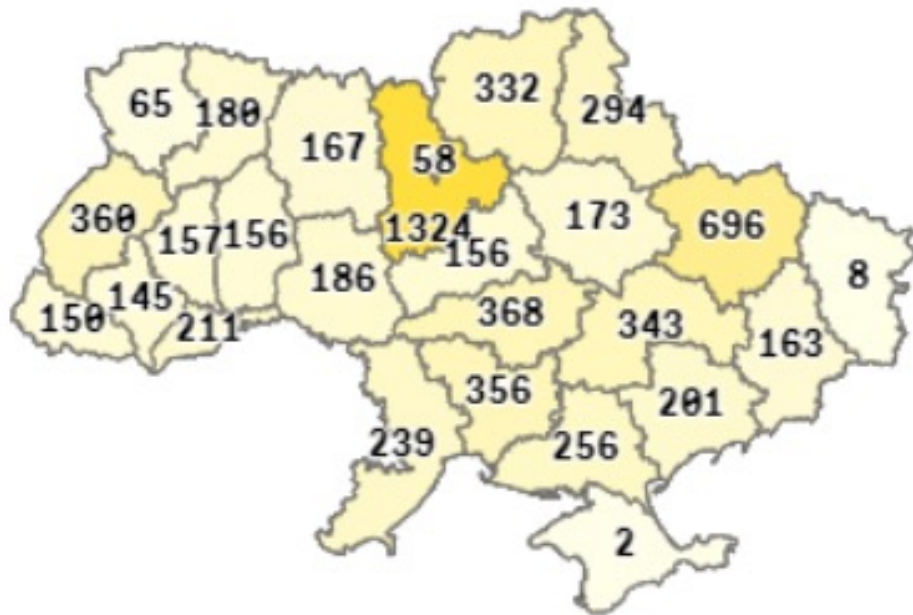
Number of construction and reconstruction projects at DREAM



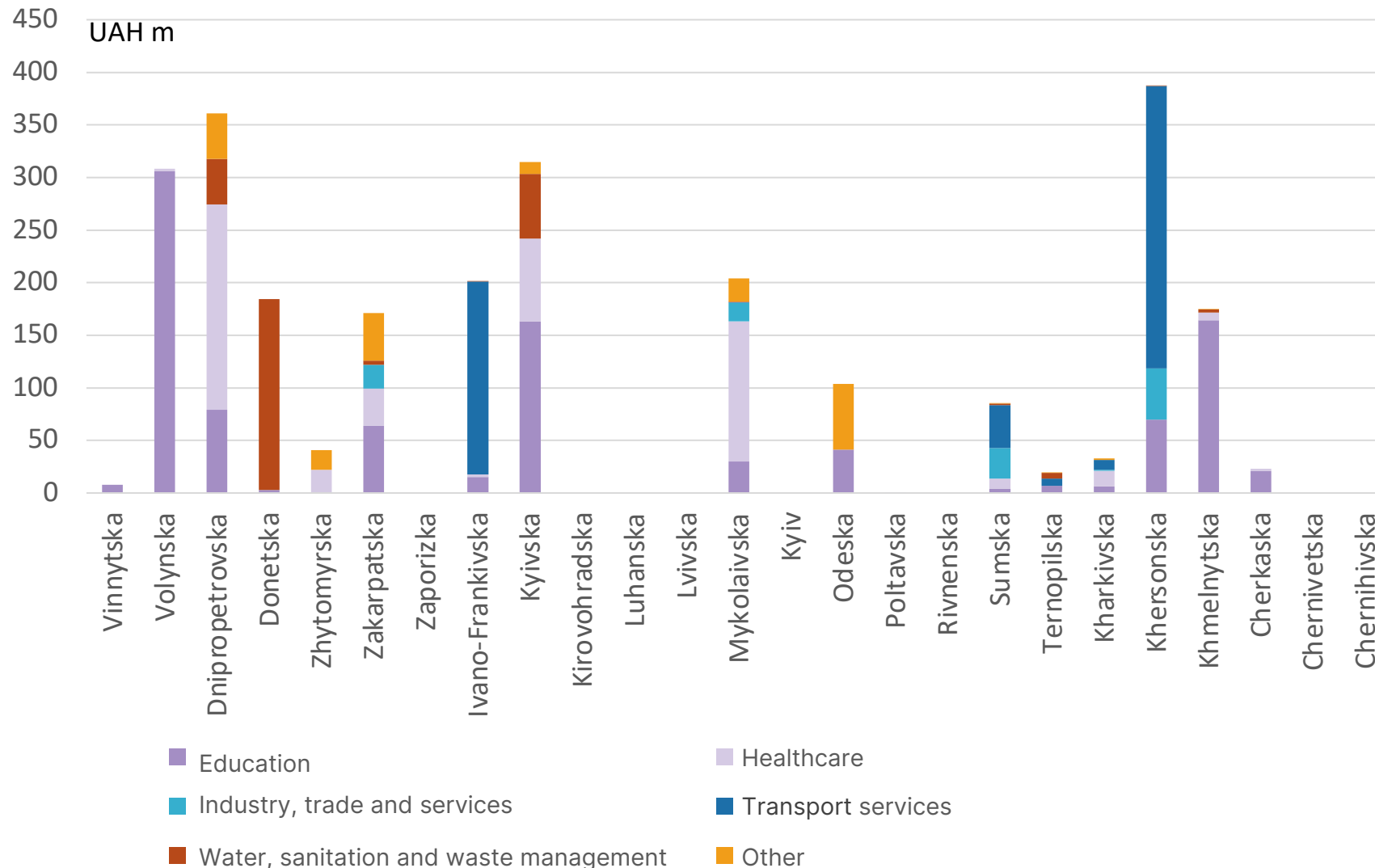
6786 projects at the stage of initiation and implementation **(+1160 projects in the last month)**

UAH 360 billion in financing needs **(+UAH 71 billion)**, of which only **UAH 56.7 billion** is confirmed **(+3 billion)**

- The number of projects under implementation increased to **3673 (+409)**
- DREAM mainly reflects new projects that have been initiated or are currently being implemented: only 9 projects have been completed, four of which are educational.
- DREAM is planned to be expanded to meet the needs of public investment management: the category of projects “Goods/Equipment” has already been added: 472 such projects are already on the portal, one third of which were registered in August



DREAM: diverse projects, uneven presentation of projects



Over the past month, local communities have submitted information on a wide range of projects to the portal, but the share of confirmed funding is low. Some of the projects are not new.

Kherson region - road repairs (funding from the Elimination Fund)

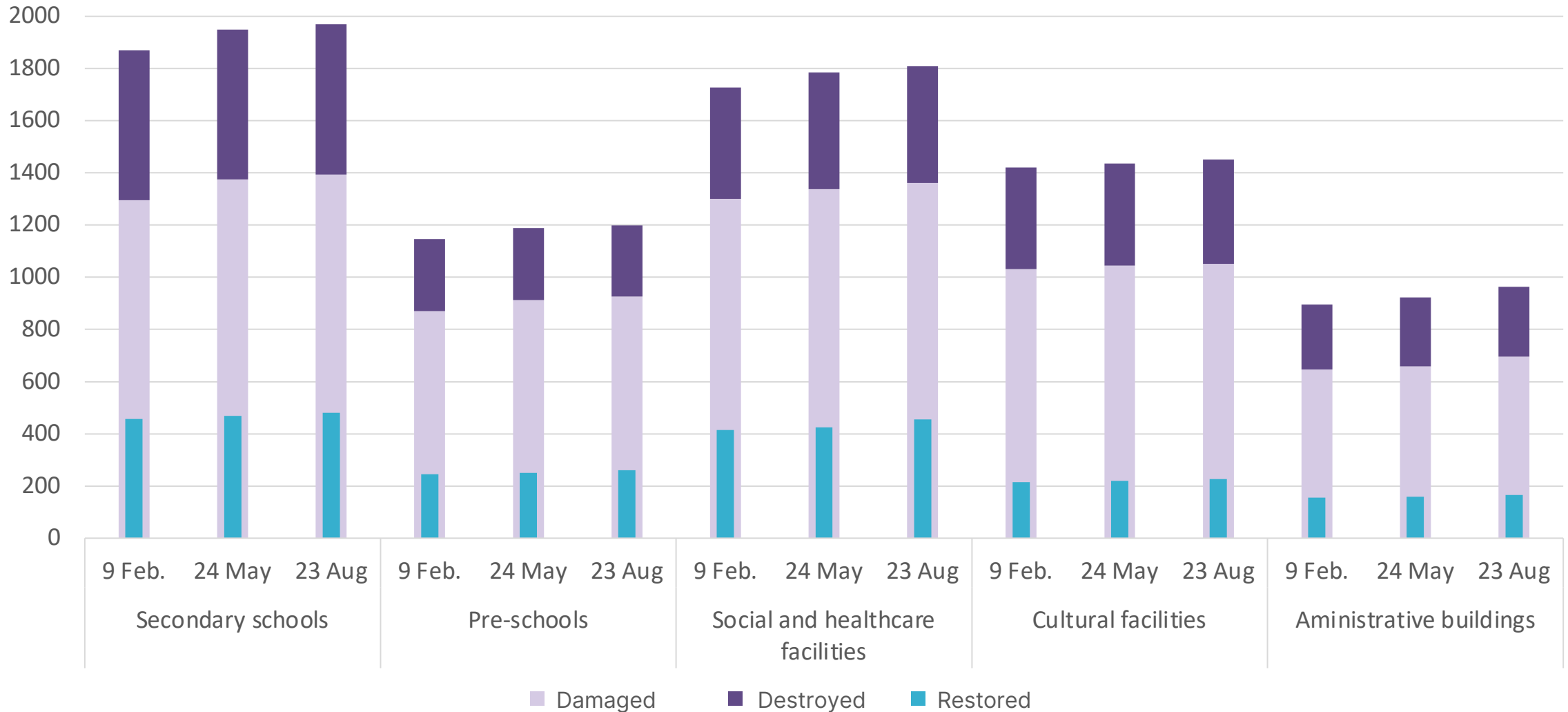
Donetsk region - rebuilding water pipes in Kramatorsk (funding from the Elimination Fund)

Education - mainly shelter projects, funded by a subvention

Healthcare - shelter and recovery

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

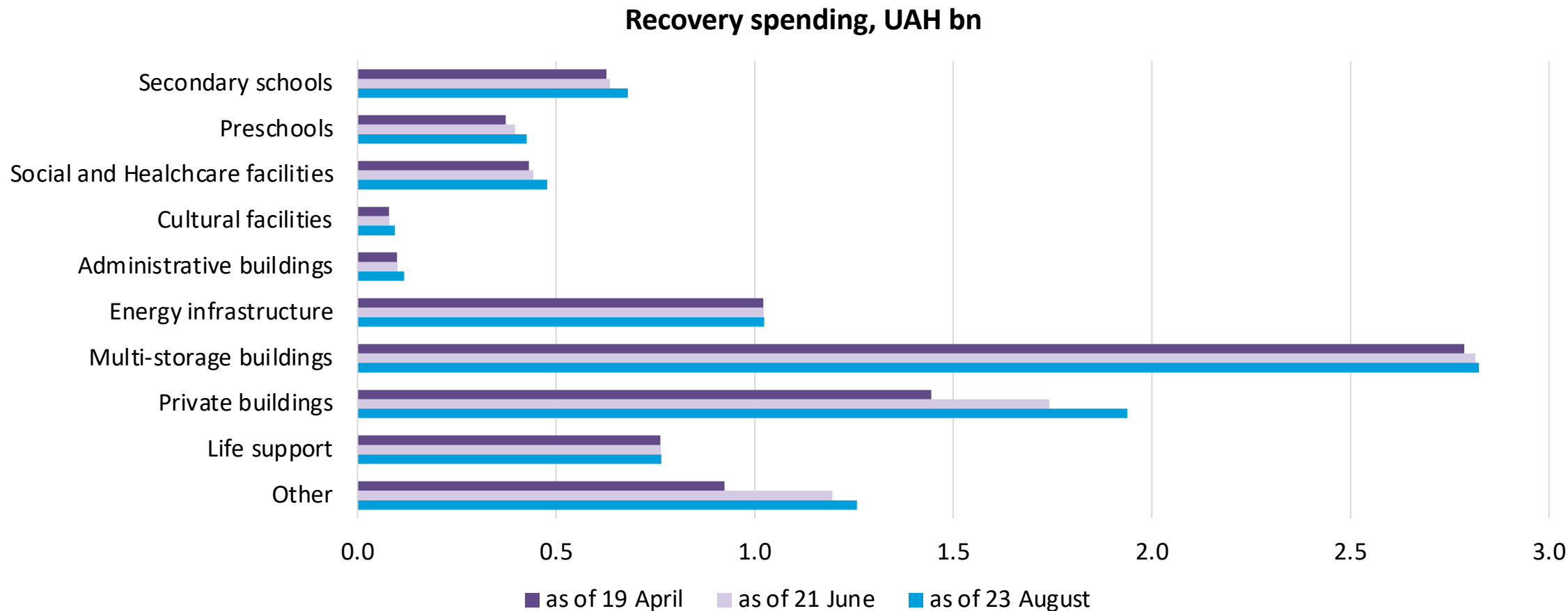
Destruction is much faster than recovery



UAH 134 million allocated for local projects over the month (last month: UAH 274 million)



Since the beginning of the full-scale invasion, spending on local recovery projects has totalled almost UAH 9.6 billion - this does not include funding for projects implemented by the Recovery Agency and regional services. Funding slowed again in August after accelerating in July.



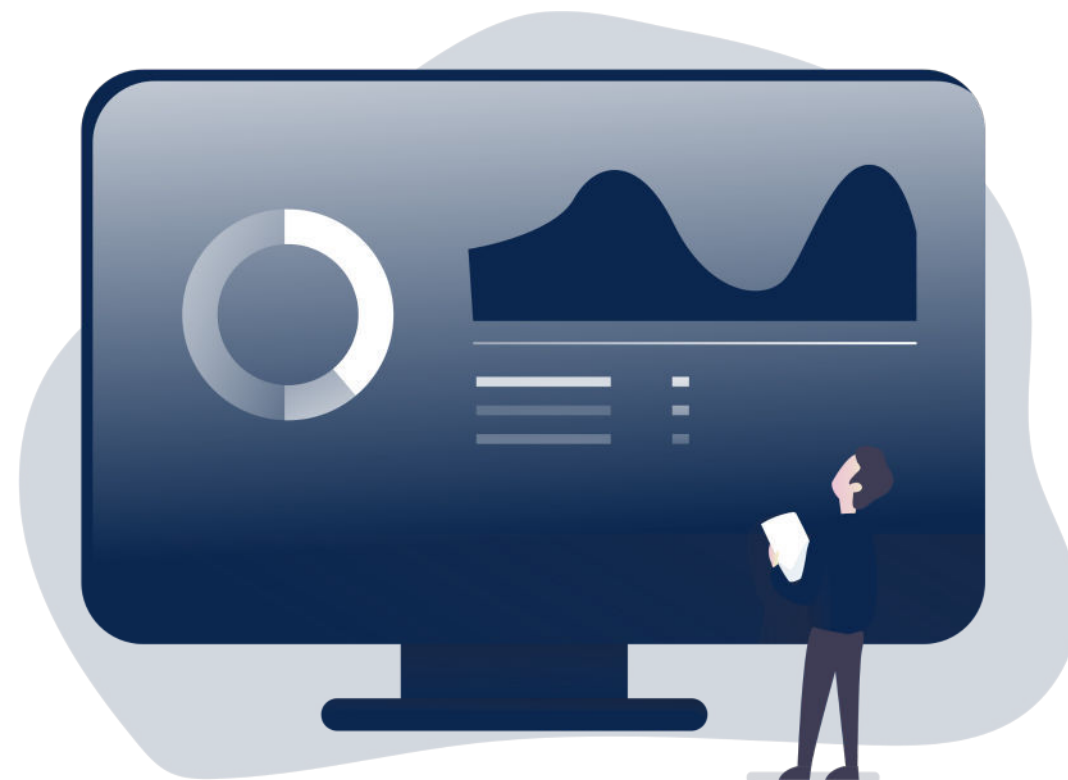
Remarks: Funding from the state and local budgets, which are performed locally (does not include funding through the Recovery Agency)
Source: Ministry of Restoration

Analysis of reconstruction procurement



Key procurement figures in January-July 2024*

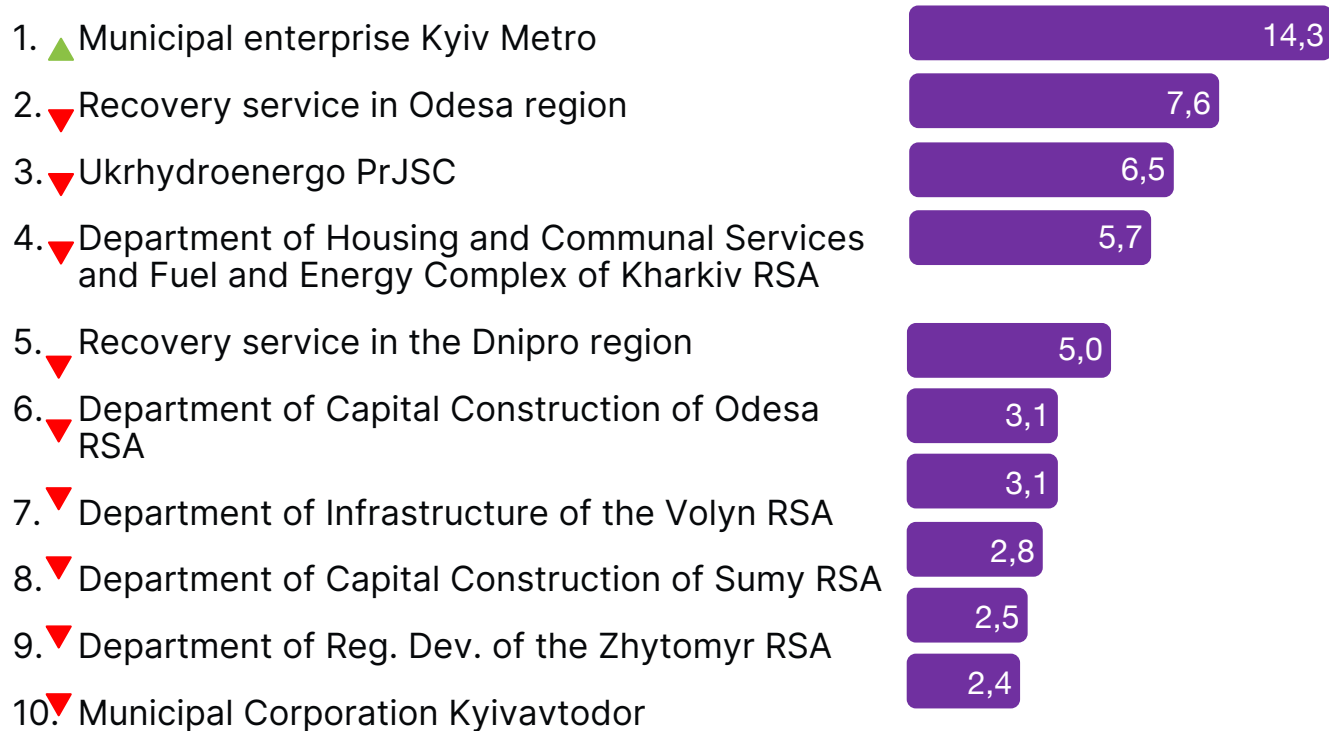
- In January-July 2024, 70 thousand construction procurements were announced. Of these, 92.7% (65 thousand) were completed, 4.1% did not take place, 1.6% were cancelled, and 1.6% are still ongoing.
- Procurement for the first 7 months of the year totalled UAH 148.5 billion, including the current procurement value in July - UAH 10.9 billion (excluding lots for which the current value has not been defined).
- The e-procurement system was used for 11.6 thousand completed procurements (16.6%) totalling UAH 91.7 billion (61.7%).
- Defence procurement in January-July amounted to UAH 21.8 billion, 15% of total construction procurement. This volume decreased by 6% during the month due to the revision of the current procurement value. The current value of defence procurement in July is only UAH 155 million.
- The tender for the construction of the Vynohradar metro station by Kyiv Metro was completed. Avtostrada Group won the 94-day tender worth UAH 13.8 billion.



* - as of 19 August 2024

Procurement leaders - January-July 2024

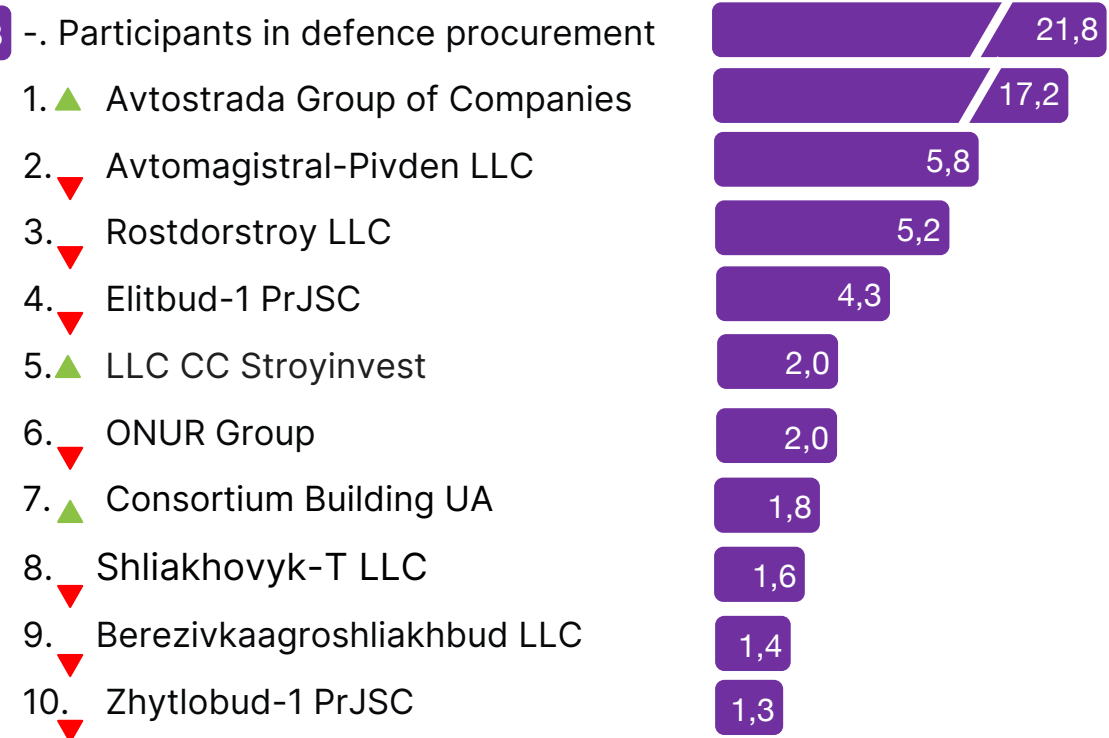
Top 10 procurers (UAH billion)



Top 10 share in all procurements



Top 10 tender winners (UAH billion)



Top 10 share in all procurements



The largest construction tenders in January-July 2024

N	Procurement subject	Organiser	Winner	Procurement value, UAH billion
1.	Construction of a metro line	Municipal enterprise Kyiv Metro	Avtostrada Group of Companies	13,8
2.	Protection construction for the Dniester PSPP by Ukrhydroenergo	Ukrhydroenergo PrJSC	Elitbud-1 PrJSC	4,2
3.	Construction of a main water supply system for Kryvyi Rih city	Recovery service in the Dnipro region	Avtomagistral-Pivden LLC	2,4
4.	Construction of the Khortytsia-Marhanets main water supply system	Recovery service in the Dnipro region	Avtostrada Group of Companies	2,1
5.	Restoration and adjustment of motorway lanes of the Metro Bridge over the Dnipro River	Kyivavtodor	ONUR Group	2,0
6.	Building a military memorial cemetery	SI National Military Memorial Cemetery		1,8
7.	Operational maintenance of public roads	Recovery service in Odesa region	Rostdorstroy LLC	1,5
XXX Procurement completed in January-June 2024				
XXX New completed procurements				

Procurement competitiveness declines sharply in July

No. of participants (billion) and % procurement in July	No. and % of procurement		Value (billion) and % of procurement		Number and % of purchases in July		Amount of	
1 participant	8952	76,9%	66,7	72,8%	1329	85,5%	5,9	88,4%
2 participants	1612	13,9%	12,1	13,2%	154	9,9%	0,5	7,7%
3 participants	611	5,2%	7,7	8,4%	53	3,4%	0,2	3,6%
4 participants	231	2,0%	3,1	3,4%	11	0,7%	0,01	0,2%
5 participants	118	1,0%	1,7	1,9%	5	0,3%	0,01	0,1%
6 participants	53	0,5%	0,2	0,2%	-	-	-	-
7-13 participants	58	0,5%	0,1	0,1%	2	0,2%	0,01	0,01%
Total completed procurement using the e-procurement system	11 635	100,0%	91,6	100,0%	1554	100%	6,6	100,0%

- 77% of purchases using the e-procurement system remain non-competitive. Among all procurements, 96% are non-competitive. In July, these figures were even higher - 85.5% and 98%, respectively.
- Three or more tenderers in completed tenders using the e-procurement system in July were present only in 4.6% of procurements, accounting for only 3.9% of the total value.

Okhmatdyt: recovery that has not yet begun (1)

Timeline of events:

- **8 July**, a Russian X-101 missile severely damaged the buildings of the Okhmatdyt Children's Hospital.
- **UAH 1.6 billion** in donations were raised to rebuild the hospital, including **UAH 378 million** by the Okhmatdyt - Healthy Childhood charity fund. The rest came from equipment supplies and targeted donations from United24, foundations, companies and foreign governments.
- The charity fund announced a competition to rebuild the hospital. The winner was a little-known LLC Bud-Technology, which offered one of the highest prices (UAH 307 million) but did not have the necessary experience in construction work and a sufficient range and quantity of construction equipment.
- After drawing attention to the controversial tender, the organisers said that it was not a tender in terms of the Law on Public Procurement.
- **2 August**, the Minister of Health of Ukraine Viktor Liashko announced the cancellation of the call for proposals and the launch of a tender under the public procurement system.
- **5 August**, the Ministry issued an order to set up a Council to monitor the reconstruction of Okhmatdyt, and Viktor Liashko said that it would consist of 15 people, including major benefactors, NGOs, representatives of the Ministry and the hospital.
- **8 August**, Viktor Lyashko met with 15 construction companies interested in rebuilding Okhmatdyt.
- **13 August**, amid heightened public interest, the founders of the Okhmatdyt - Healthy Childhood Charitable Foundation are replaced. Instead of Natalia Myruta and Olena Prymak, Oksana Sokolovska and Yevhen Solodko joined the co-founders. Due to the lack of communication from the foundation, the public accuses the new co-founders of a shady business reputation.
- **16 August**, the director of Okhmatdyt, Volodymyr Zhovnir, said that the charity foundation Okhmatdyt - Healthy Childhood had no plans to transfer the funds raised for the hospital's reconstruction. In its return, the Foundation stated that it would transfer the funds when it receives a proper request indicating the target use of the funds.

Okhmatdyt: recovery that has not yet begun (2)

Timeline of events:

- **17 August**, Volodymyr Zhovnir is suspended as director of Okhmatdyt until the completion of inspections by the National Police and the Ministry of Health. Oleksandr Urin, head of one of the hospital's departments, is appointed acting director.
- **19 August**, Ukrnafta PJSC demands that the CF Okhmatdyt - Healthy Childhood immediately return the charity aid of UAH 5 million due to the inability to provide guarantees for its intended use. At the same time, the company confirmed its intention to support Okhmatdyt after the inspections are completed.
- **26 August**, draft agreement between the Foundation and Okhmatdyt is published. The document stipulates the hospital's obligation to provide documents on the commissioning of the building (which currently does not exist). The CF noted that the refusal to sign the document would be seen as a desire of officials to get money at their uncontrolled disposal.
- **27 August**, the Council for the Restoration of Okhmatdyt decided to inspect the building, conduct an independent assessment and organise transparent and clear tender procedures.

Conclusions:

- Uncertainty around funding mechanisms for Okhmatdyt's reconstruction delays the start of reconstruction work
- Uncoordinated actions and mutual accusations amid legal uncertainty may reduce donations to other facilities in urgent need of reconstruction.
- The best possible way to resolve the current situation would be to use the funds raised for the hospital's reconstruction for their intended purpose as soon as possible. That will help to somewhat restore public trust in the donation system.
- Reconstruction projects should be transparent and submitted to the DREAM system
- If the investigation shows those who deliberately impeded the rapid restoration of Okhmatdyt, they should be brought to justice.

This presentation covers only the main events. The situation continues to evolve dynamically. As of 28 August, no final funding model for the reconstruction of Okhmatdyt has been announced.

The largest tenders for education in January-July 2024

N	Procurement subject	Organiser	Winner	Procurement value, UAH billion
1.	Construction of a school in Sofiyivska Borshchahivka village	Borshchahivska village council	PJSC Agrobudmekhanizatsiya	422
2.	Reconstruction of a school	Department of Education of Holosiivskyi District State Administration in Kyiv	I.B.K. Development LLC	329
3.	Construction of a shelter in the educational facility	Department of Education of Dniprovskyi District State Administration in Kyiv	Construction City K LLC	298
4.	Construction of a preschool in Sofiyivska Borshchahivka village	Borshchahivska village council	Urban Construction LLC	283
5.	Reconstruction of a school	Department of Education of Lviv Council	Budininvestgroup Consortium	229
6.	Construction of a shelter in a school	Department of Education of Holosiivskyi District State Administration of Kyiv	PJSC Ukratomenergobud	223
7.	Reconstruction of a school in the Arkhangelske village	Department of Territory Development of Kherson Regional State Administration	Invest-Montazhbud LLC	209

- The largest reconstruction tenders - in Kyiv and the suburbs - often involve the construction of shelters
- Tender winners do not have a monopoly - different companies are the winners of all the largest tenders
- The largest tender in the frontline regions is the reconstruction of a school in Kherson region for UAH 209 million

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

16 August НАШІ ГРОШІ
Zaporizhzhia Regional Hospital wants to repair the shelter in the food unit building at inflated prices with an overpayment of at least UAH 8 million

14 August  ЕКОНОМІЧНА ПРАВДА
In Zaporizhzhia, local authorities refuse to provide estimates for underground schools worth UAH 610 million for the second month in a row

13 August НАШІ ГРОШІ
In Pisochne (Kharkiv region), the cost of sheltering a lyceum was raised from UAH 39 to 45 million and the prices of construction materials were hidden

1-2 August НАШІ ГРОШІ  ЕКОНОМІЧНА ПРАВДА
The tender for the Okhmatdyt reconstruction was won by a company with inflated prices. The next day, the tender was cancelled, and a new one was announced on Prozorro

31 July 

The state lost UAH 4 million due to officials who purchased construction materials for the reconstruction of a dormitory for IDPs in the Dnipropetrovsk Region at three and a half times more expensive

The topic of the month: recovery in education sector



Restoring access to education: the priority

- According to the Ministry of Restoration, 3883 educational entities have been damaged or destroyed since the beginning of the full-scale war:
 - **714 higher education institutions** - of which 175 were destroyed by more than 50%, 50 were restored
 - **1970 schools of primary and secondary education**, of which 577 were destroyed by more than 50 %, 481 were restored
 - **1199 pre-school education institutions**, of which 272 were destroyed by more than 50 % - 261 have been restored

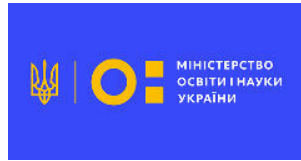
A total of UAH 1.2 billion has already been spent on the restoration of these institutions (figures do not include the number of damaged and destroyed educational institutions on the temporarily occupied territory)

According to the Ministry of Education and Science, educational institutions in Kharkiv, Donetsk, Kyiv and Kyiv, Kherson, Mykolaiv, Luhansk, Sumy and Chernihiv regions were most affected.

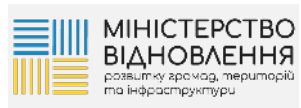
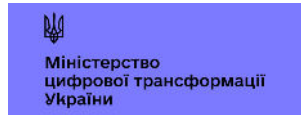
- **Restoration of access to education does not always mean restoration and reconstruction of educational institutions.**
- Some educational institutions do not work offline due to the lack of shelters: therefore, in 2024, the state budget allocated funds for a subvention for the construction of shelters
- New solutions: underground schools, educational spaces in shelters, etc.
- Equipment and supplies are needed



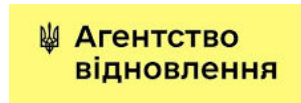
Key interested entities



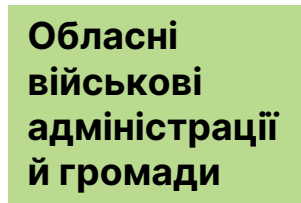
- Policy in the education sector
- Prioritising the reconstruction of educational facilities and restoring access to education (construction of shelters)
- Selection of projects to be funded by UNITED24
- Educational policy (digitalisation, transformation of schools)
- Setting criteria for restoring access to education (offline learning)



- Funding approval for the rehabilitation of educational facilities
- Development of projects (e.g., shelters in schools/kindergartens) and their implementation

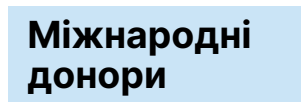


- Restoration of educational facilities on the list of institutions to be restored at the cost of The Fund for Elimination of the Consequences of Armed Aggression



Manage local recovery efforts:

- Initiating restoration projects
- development of design and estimate documentation (DE)
- conducting procurement
- organising reconstruction works
- engaging donors in reconstruction



- Financing of recovery projects directly either through NGOs/CSOs or the budget



- Implementation of recovery projects

Sources of education recovery funding

The Fund for Elimination of the Consequences of Armed Aggression

The Ministry of Restoration allocates funds from the Fund by transferring subventions from the state budget to local authorities for the restoration of damaged infrastructure, including schools and kindergartens

United24

Funds raised on the United24 fundraising platform are used to restore damaged and destroyed educational institutions and build/repair shelters, including a gymnasium in the Dnipro region, for which UAH 10 million was raised

Subventions from the state budget

The Government has allocated a special subvention of UAH 7.5 billion for the construction and refurbishment of shelters in educational institutions in 2024

BUT: monitoring of the recovery shows that the principles of barrier-free accessibility (especially for shelters) and energy efficiency are not always followed



Local government funds

Local governments allocate funds from their own budgets for major repairs or construction of damaged/destroyed kindergartens, schools, shelters/bomb shelters, etc.

Donors and CF/ NGOs

Ukrainian and international donors, NGOs and charity organisations allocate funds or rebuild damaged/destroyed schools, kindergartens or arrange shelters in educational institutions

What do donors do?



Reconstruction and development of kindergartens/schools.

Local authorities, donors and/or NGOs/CFs either restore damaged educational buildings or rebuild them from scratch. This is often done through the joint efforts of donors, local authorities, NGOs/CF



Development/repair and equipping of shelters and bomb shelters. These are often joint projects of local authorities, donors, NGOs/CFs, businesses, etc. - both in terms of co-financing and project implementation.

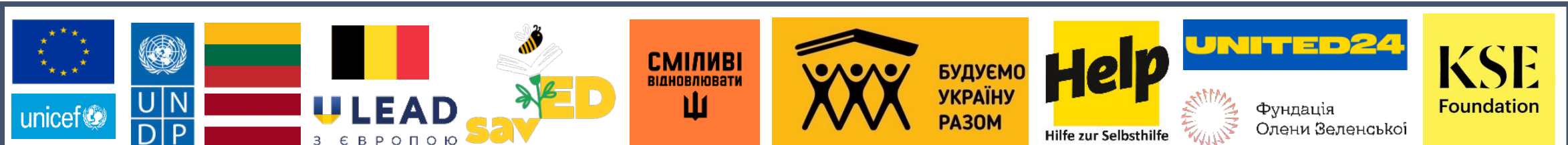


Improvement of facilities.

Some donors provide furniture and equipment to reconstructed educational facilities or upgrade canteens, gyms or other school/kindergarten facilities, including shelters.

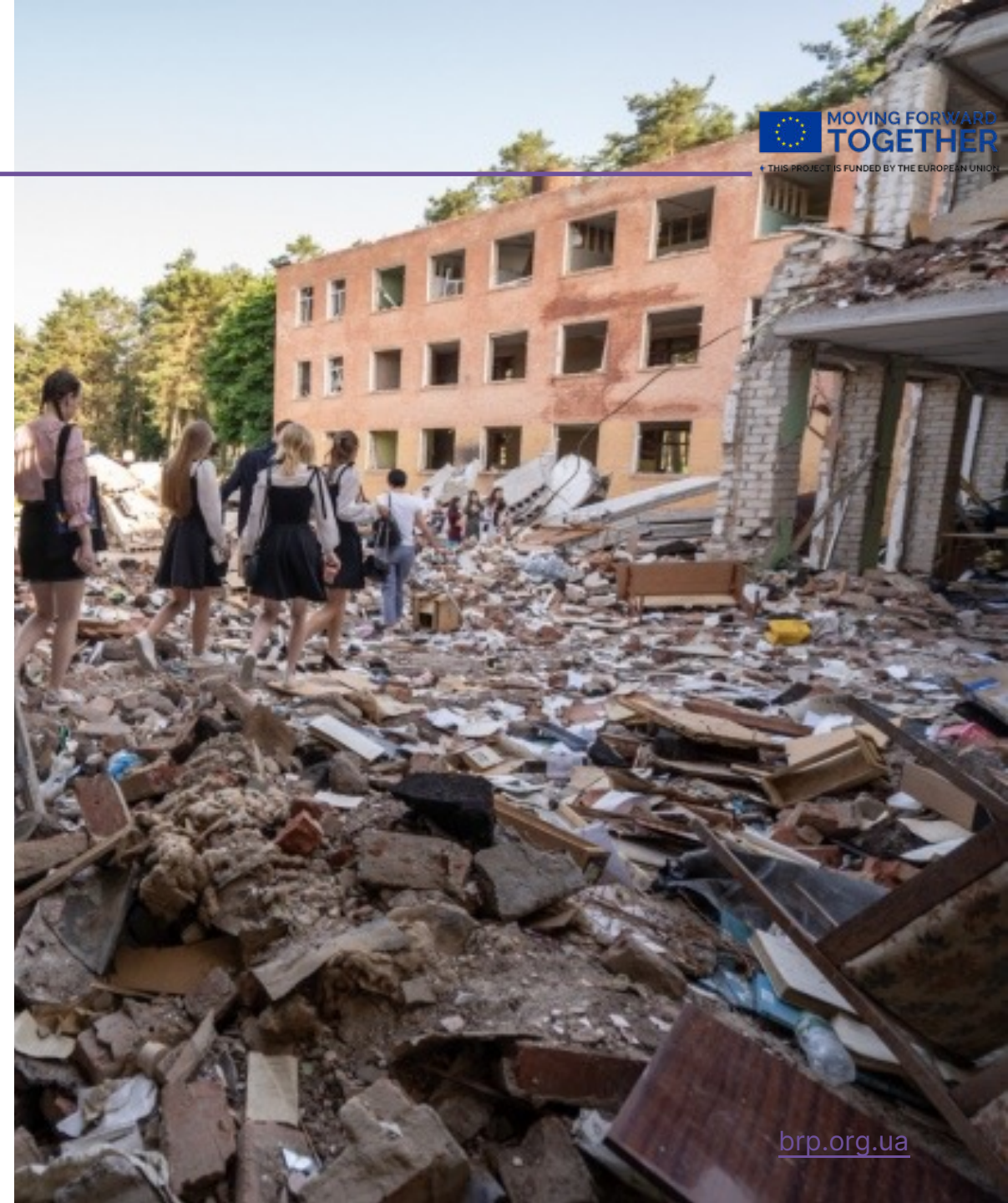


Access to education from home. To provide children with access to education, donors purchase laptops for children living in frontline areas.



What education sector projects are on DREAM

- As of 18 August 2024, **2641 education projects** were registered on the Dream platform, of which **1558 (59%) are in the process of implementation**
- **164 projects are fully funded**; the vast majority are in Chernihiv (24), Kyiv (18), Kharkiv (15), Kirovohrad, Mykolaiv and Poltava (11 each), Lviv and Odesa (10 each) regions
- **357 new construction projects** and have the status of being implemented. The main projects are **nurseries, schools, and shelters/bomb shelters**
- **1167 projects require major repairs** (also under implementation). The main projects are **buildings of schools, nurseries, professional schools, dormitories, individual buildings of educational institutions, etc.**
- **The most expensive project on the platform is the construction of a nursery in Hatne** (Kyiv region) - UAH 181.2 million. It has already been financed by 37% by international organisations and local budget funds



Points to consider when restoring educational institutions

What to rebuild?

- Access to education is not just about restoring buildings, but about the very possibility of restoring children's ability to study and communicate offline
- Therefore, it is not only about the walls of the institution, but also about the availability of shelters, modern educational materials, and psychological support
- Not all educational institutions should be rebuilt: it is important to consider of the population numbers and accessibility to hub schools/nurseries
- Before building or rebuilding, it is important to assess the financial capacity of local authorities to ensure that they will be able to maintain the institution
- **What are the principles of recovery?**
 - Human-centred: access to quality education for all children
 - Barrier-free and inclusive - urgent needs
 - Energy independence, energy efficiency, environmental friendliness: more expensive during reconstruction, but provides cheaper and more sustainable maintenance (e.g. installation of solar panels, investors and batteries, individual boilers, etc.)
 - Compliance with recent changes in education and its approximation to EU standards
 - Transparency and accountability of all stages of the restoration/reconstruction of educational facilities
- **What about funding?**
 - It is important to engage different sources of funding, as it is important to provide educational institutions with modern equipment



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](#))
- In July 24, [the government allocated an additional UAH 258 million](#) to continue the Dnipro-Ingulets water pipeline project
- **UAH 13.4 billion** (97.5% of the allocated amount) was paid to construction contractors in August, October and December 2023 and in April-July 2024
- The main water supply system consists of 3 sections with a total length of 155 km, which have already been commissioned:
 - Ingulets - Pivdenne Reservoir (Kryvyi Rih);
 - Marhanets - Nikopol - Pokrov;
 - Zaporizhzhia - Tomakivka - Marhanets
- On 12 August 2024, [the last line with a length of 26 km](#) of the Ingulets - Pivdenne Reservoir (Kryvyi Rih) water supply system was launched.



Demining in Ukraine (data as of 23.08.2024)

- UNDP [launches a project on demining using service dogs](#) - a dog can inspect an area of 1.5 thousand m² per day, while a human deminer can only inspect 20-50 m² per day
- Japan [has ordered equipment from Ukrainian companies for humanitarian demining](#), which will be handed over to the State Emergency Service.
- A Danish-Ukrainian startup is working to solve the problem of demining Ukrainian land [using robotics and neuronetworks](#).
 - This solution can reduce the cost per m² from €1-3 to 10 cents, and the time from 70 years to 12 years;
 - Dropla's neural networks are trained on data from over 300 landmines and unexploded objects;
 - Dropla deploys a 6-drone swarm simultaneously, which allows it to cover about 0.5 m² per day.
- The [second phase of the mine detection sensor trials has been completed](#), with the teams finding more than 60% of the objects (both on the surface and under the soil layer). These results will form the basis for a standard for the use of sensors in demining.
- The [government has allocated UAH 3.5 billion](#) for humanitarian demining to speed up the land return to farmers.

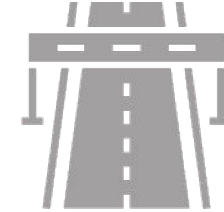
Inspected: 126.4 thousand hectares (+ 9.4 thousand hectares)

Destroyed > 185,2 thousand (+ 6.4 thousand) explosive items

Cleared:



2.6
thousand km
of railway



914.3 km
of
motorway
s (+5 km)



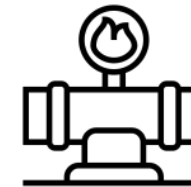
492.8 km of
power lines



337.9
hectares of
forests



25.5 hectares
of water areas



82.1 km of gas
pipelines
(+15.2 km)



Thank you for your attention!

“The Recovery Spending Watchdog” project

