

THE RECOVERY SPENDING WATCHDOG

#9, May 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: Procurement monitoring of specific sectors: housing, water supply, demining



Legal regulation



Legal regulation

Minister of Infrastructure and part of the team dismissed: uncertainty on the outcome of several draft laws (including on the principles of recovery)

It appears unclear whether infrastructure and regional policy responsibilities will be separated, or a single ministry will remain.

[The Cabinet of Ministers decision](#) on providing purchase subventions for the equipment, creation, and modernisation of canteens (catering units) in general secondary education institutions should be made through DREAM.

Mandatory provision of project design and estimate documentation as well as technical documentation, co-financing from the local budget, and projects by the end of the year

[Draft law No. 11057](#) on mandatory publication of construction materials prices has not yet been discussed by the relevant parliamentary committee (the draft law was registered in the Parliament on 4 March 2024)

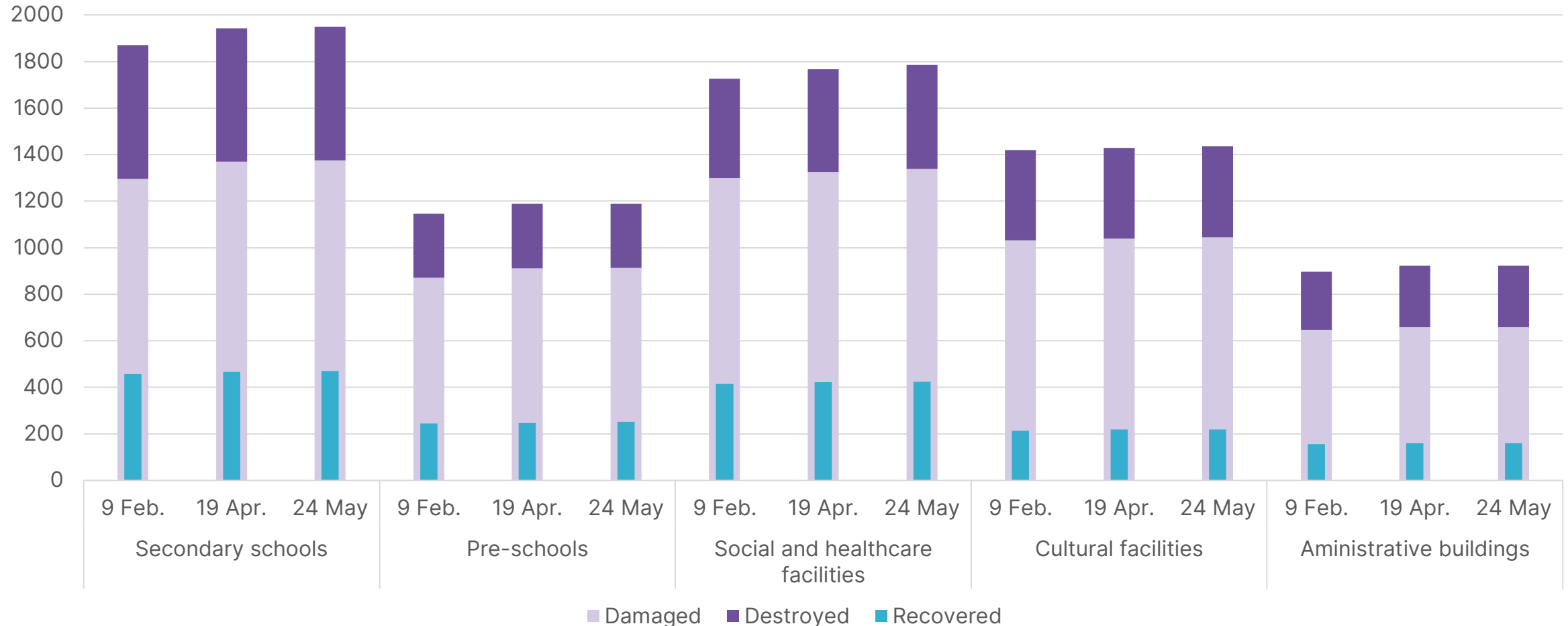


Reconstruction progress



Social infrastructure destruction continues, recovery has slowed

19.04.2024- 24.05.2024: reconstruction of three secondary schools, four pre-schools and three social/medical institutions completed



DREAM – remains an experiment for now

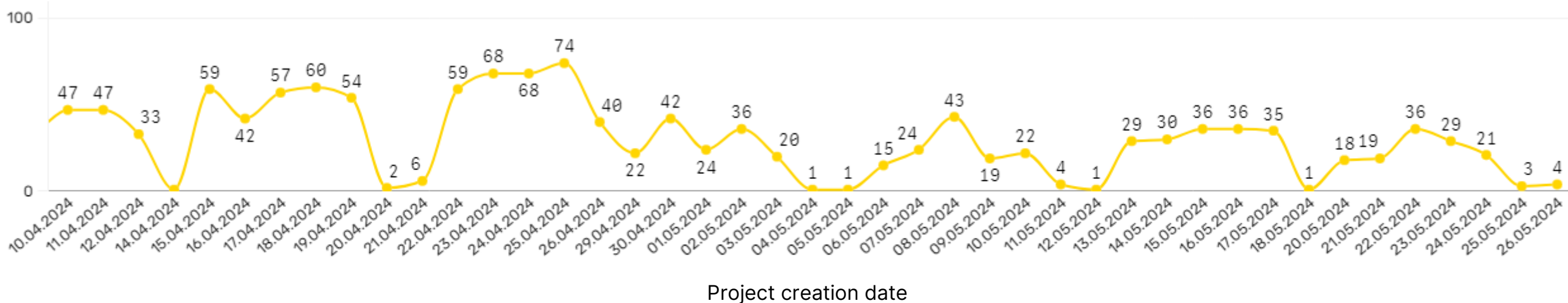
The number of projects is increasing, as well as the funding needs

As of 27th May:

4384 projects at the stage of initiation and implementation (+644 projects per month): UAH 212 billion in funding needs (+3 billion), of which only UAH 48.7 billion has been confirmed:

- 1892 projects at the initiation stage (+ 182 projects)
- 2492 projects are being implemented (+262): BUT - UAH 43.9 billion of confirmed funding is available for them with a need of UAH 166 billion
- 575 projects cancelled (+55)

Number of projects submitted to the DREAM

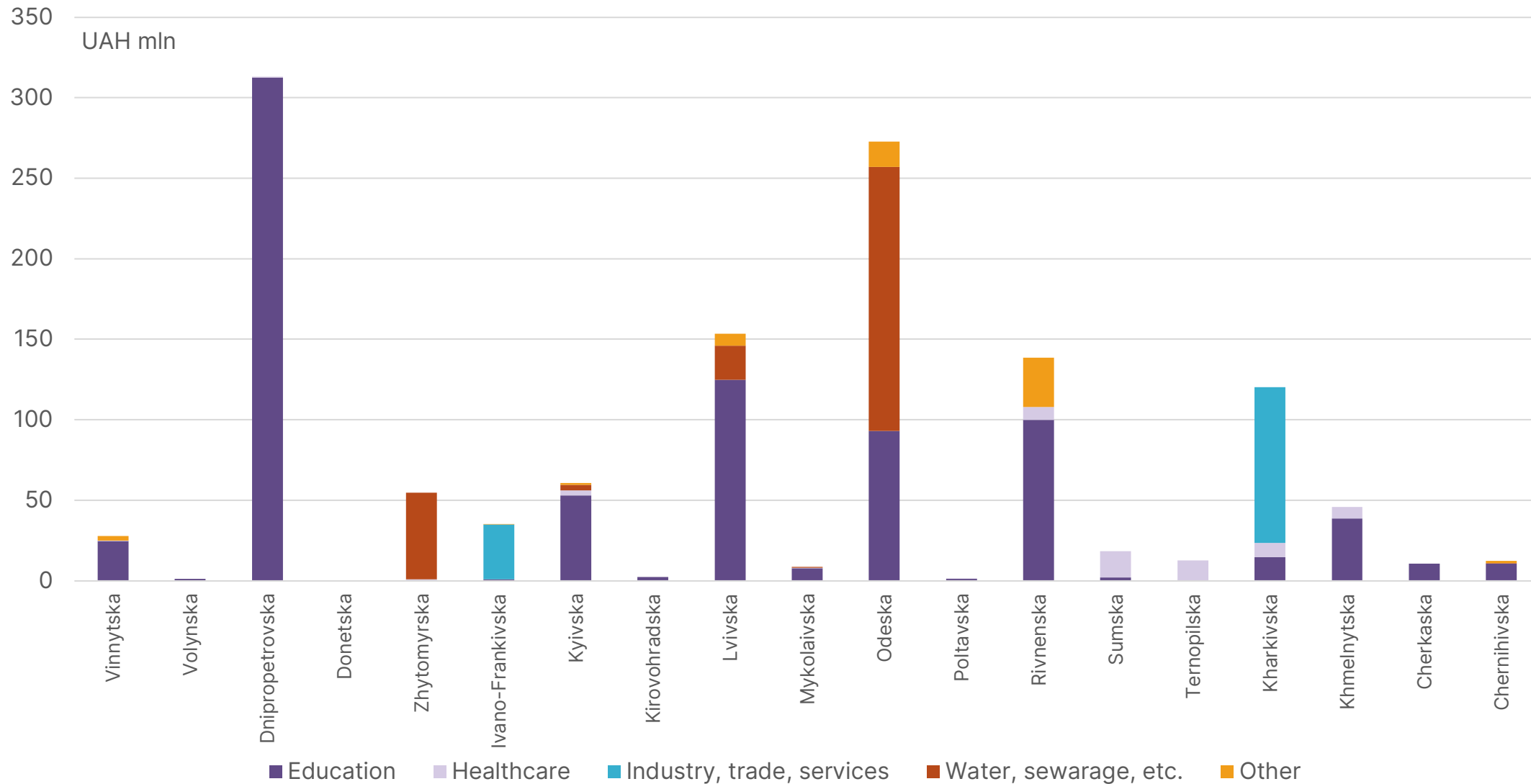


Project creation date



Source: DREAM

DREAM: the majority of submitted projects are aimed at access to education: building of air-raid shelters

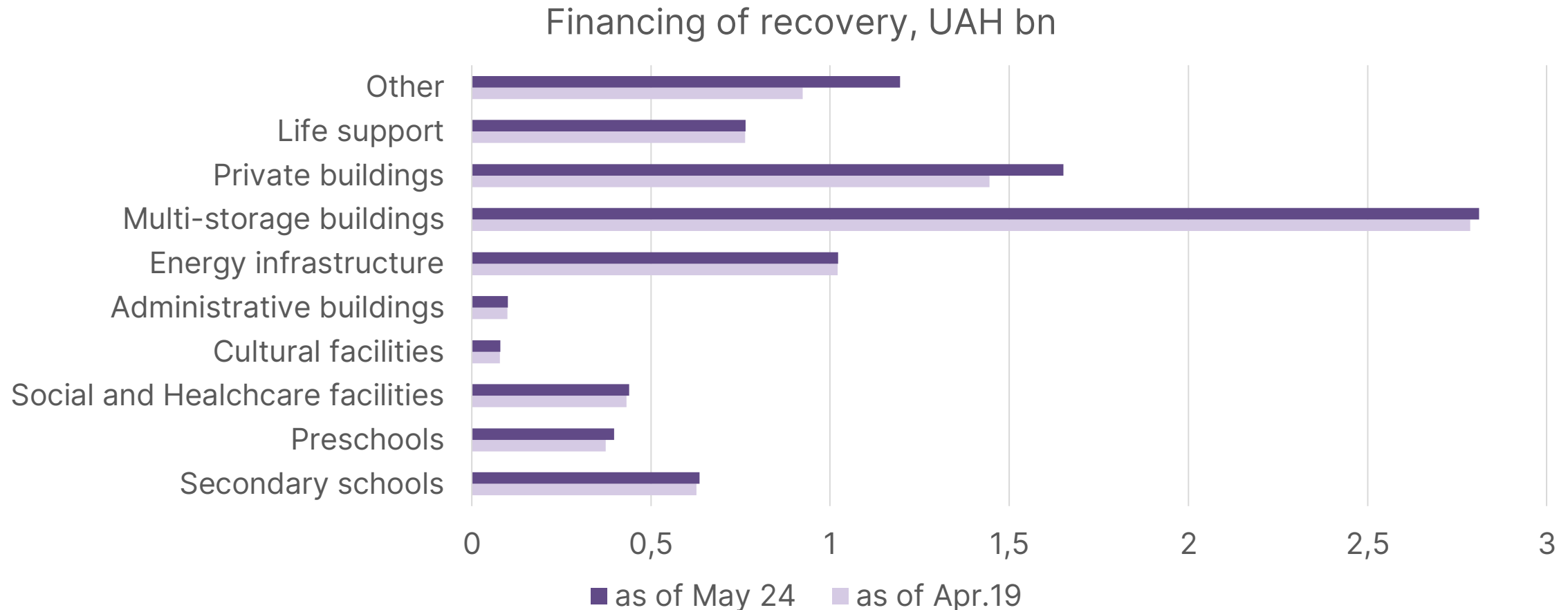


Remark: data for projects submitted during the last month of monitoring

Source: DREAM

UAH 9.1 billion was allocated for local projects, about UAH 272 million was spent in the last month

Actual expenditures are less than the allocated funds - absorption capacity is questionable



Remark: financing by the state and local budgets, which are performed locally (does not include financing through the Recovery)

Source: Ministry of Recovery

eVidnovlennya program – one year of performance

315,000 objects were added to the register of damaged and destroyed property (although the register itself remains undisclosed)

Compensation:

88.5 thousand people applied for compensation to rebuild damaged housing: the largest number of applications came from Kharkiv, Kyiv, Donetsk, Mykolaiv and Kherson regions

54.5 families received compensation for housing restoration

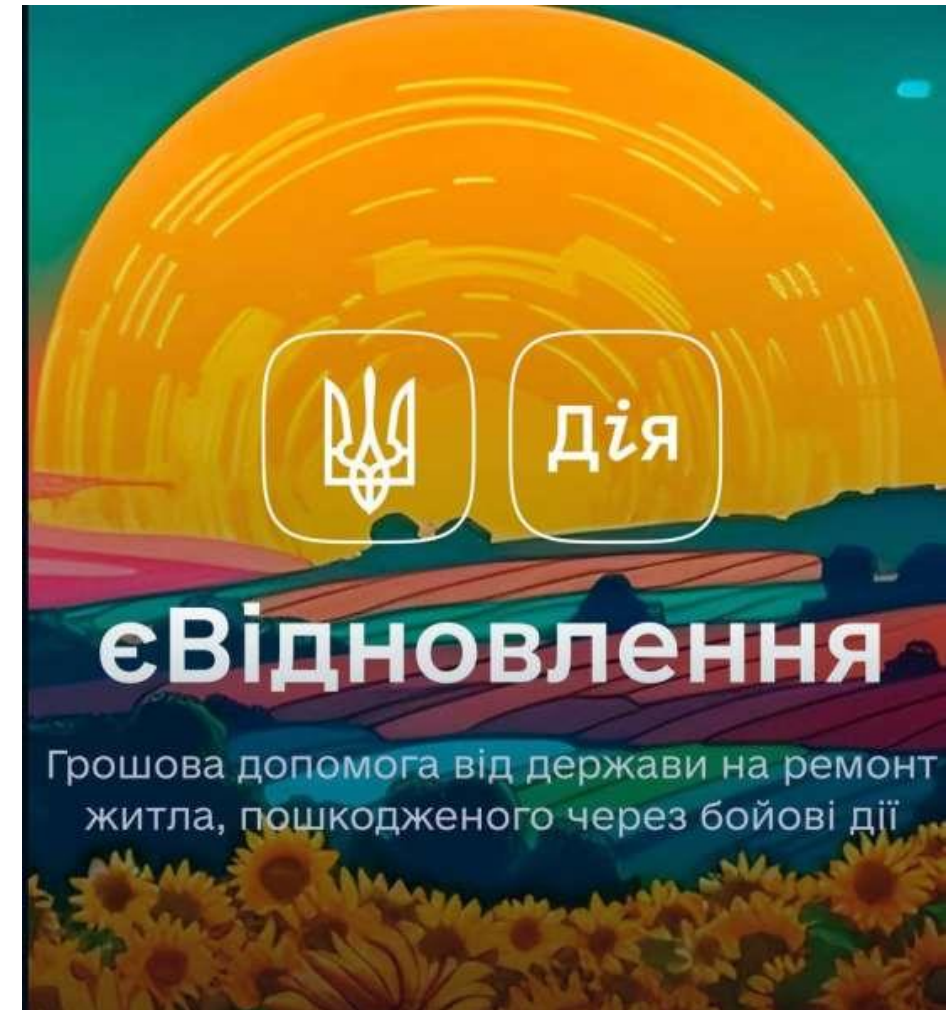
UAH 5.8 billion paid for damaged housing

Certificates :

13.4 thousand people applied for a housing certificate (to buy property to replace destroyed ones), with the largest number of applications coming from Kharkiv, Kyiv, Donetsk, Mykolaiv and Chernihiv regions

6.4 thousand families received certificates, of which 2.8 thousand families became owners of new housing

UAH 5.6 billion was received by Ukrainians to purchase housing, the average amount of the certificate was UAH 1.7 million



Public procurement



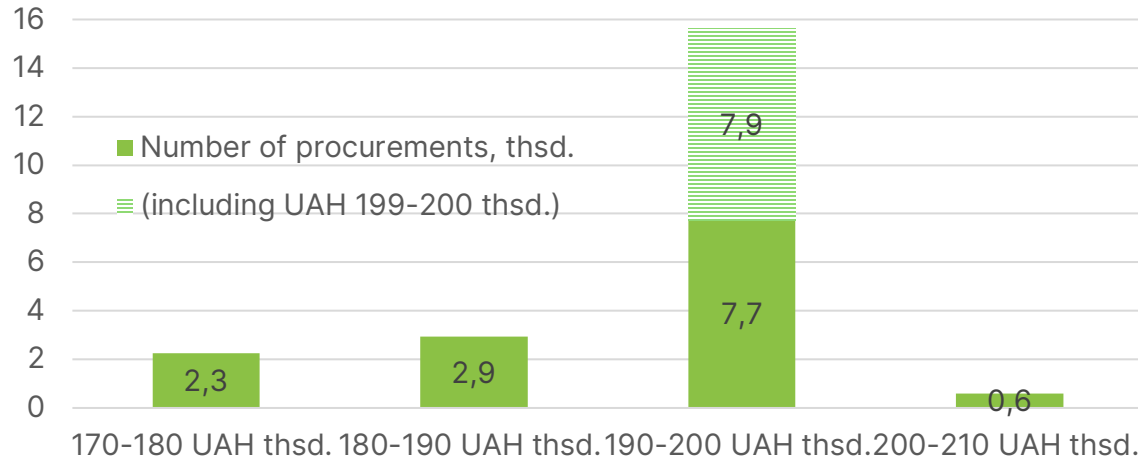
Key procurement figures

- Numerous regulations: 12 laws and more than a dozen bylaws that were changed dozens of times
- Lack of transparency in construction procurement budgets
- Limited opportunities for monitoring recovery procurement
- Numerous below-threshold public procurement
- Limited competition: extremely low number of tenderers
- Seasonality of procurement, including economically unjustified procurement

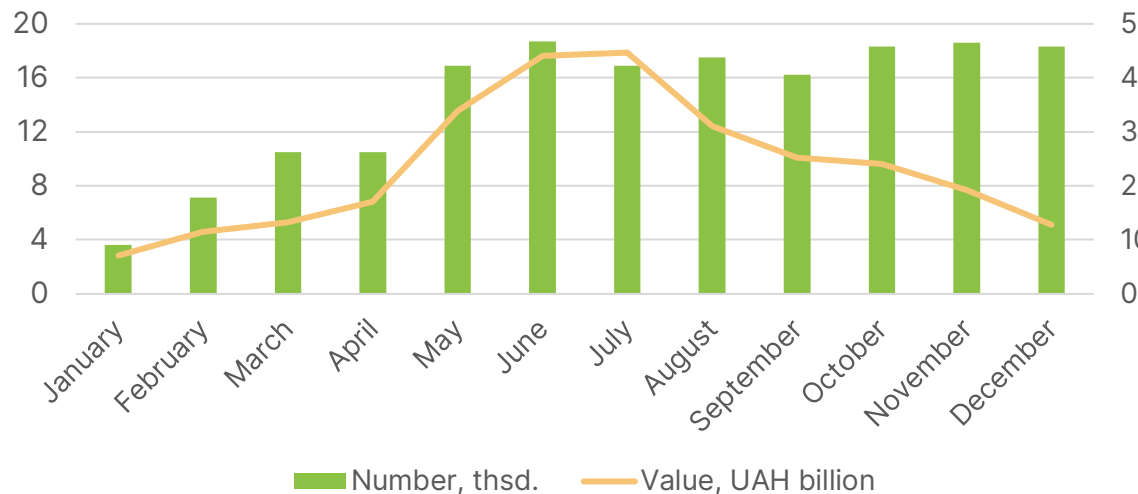


Key procurement figures

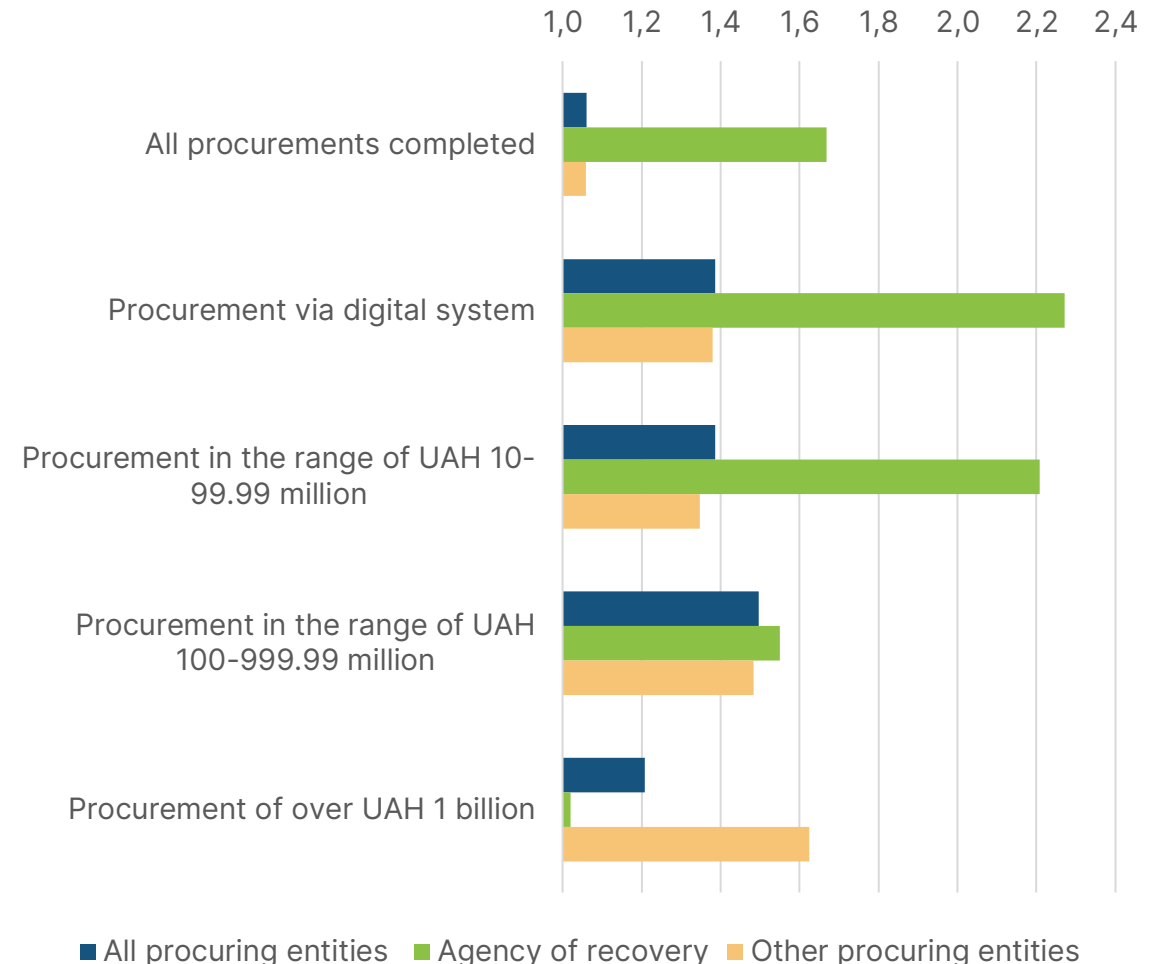
Number of procurements in certain price ranges



Breakdown of procurements completed in 2023 by month



Average number of tenderers in completed procurements



Key recommendations: policies

- Publish estimates for construction procurement (draft law No. 11057, 'Transparent Construction').
- Implement mechanisms to prevent breakdown of procurement in to maintain the below-threshold value
- Develop and implement changes to government policies to mitigate the number of procurements with elements of false value
- Investigate the reasons why potential tenderers refuse to participate in procurement procedures.
- Leave recovery procurement to the Recovery Agency until it becomes more competitive, and do not transfer these functions to the Centralised Procurement Organisation yet.
- Develop mechanisms to eliminate calendar obstacles to procurement.
- Introduce a risk-based approach to procurement monitoring by the State Audit Service of Ukraine
- Provide access to data on tax arrears of companies participating in public procurement.



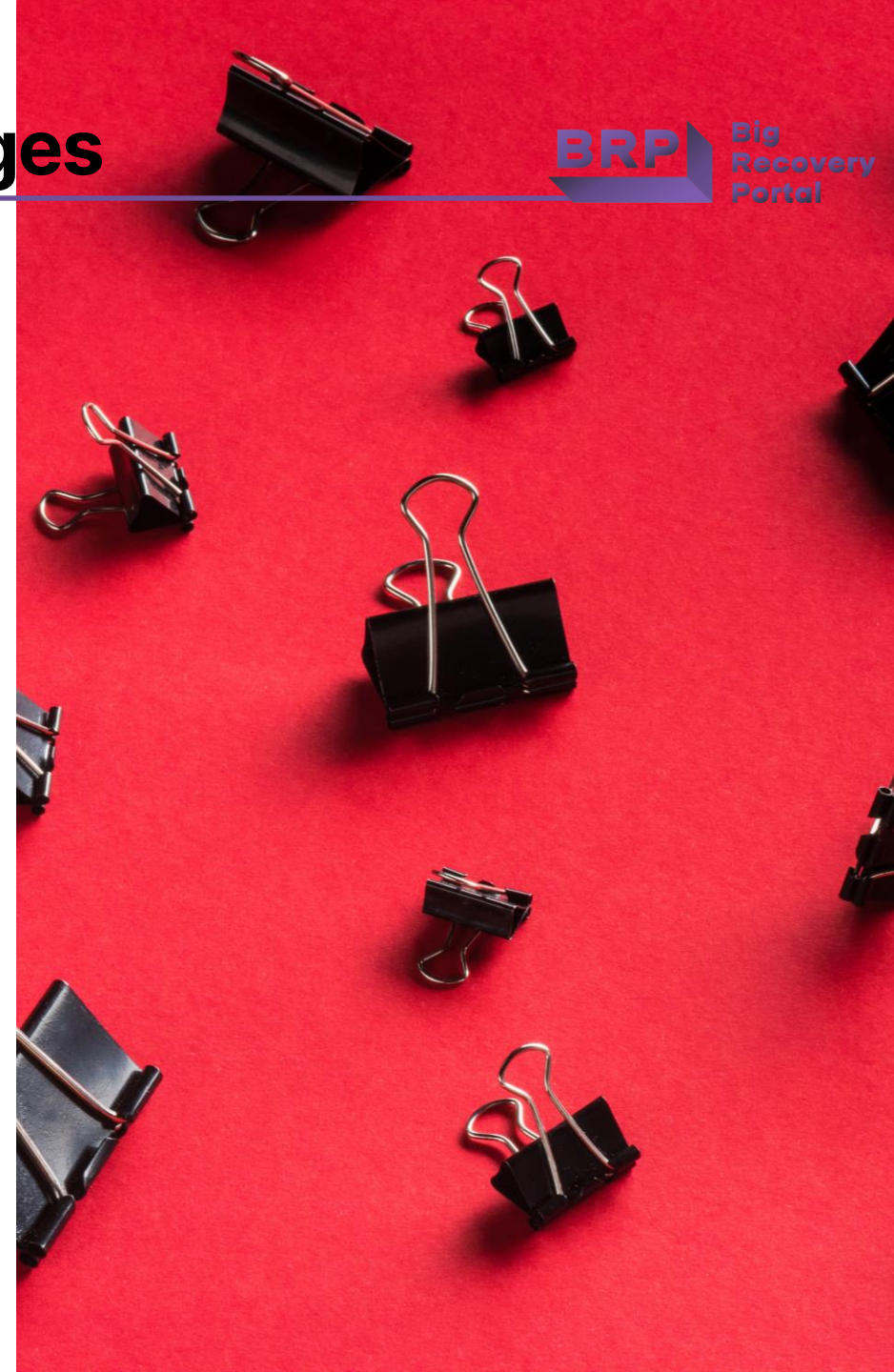
Key recommendations: research

- Investigate procurements with signs of false value to maintain the below-threshold amount.
- To investigate the reasons prompting procurement breakdowns, identify administrative barriers that can be simplified or abolished and prevent procuring entities from conducting a full-fledged procurement.
- Investigate the reasons why certain companies win all or almost all of the tenders they participate in.
- Research the reasons why announcements of procurements are complicated in the first months of the year and suggest solutions to ensure continuity of procurement.



Key recommendations: technical changes

- Implement an additional procurement identifier in the e-procurement system identifying procurement as belonging to the recovery and reconstruction sector.
- To organise the of procurement codes, allowing to
 - a) group procurement of similar goods, works and services under the same codes
 - b) apply a single practice of detailing CPV codes for all procurements.
- Provide publication of tender documents in machine-readable form.
- Harmonise the terminology for responses and explanations to submitted appeals according to the requirements of the Code of Ukraine on Administrative Offences.

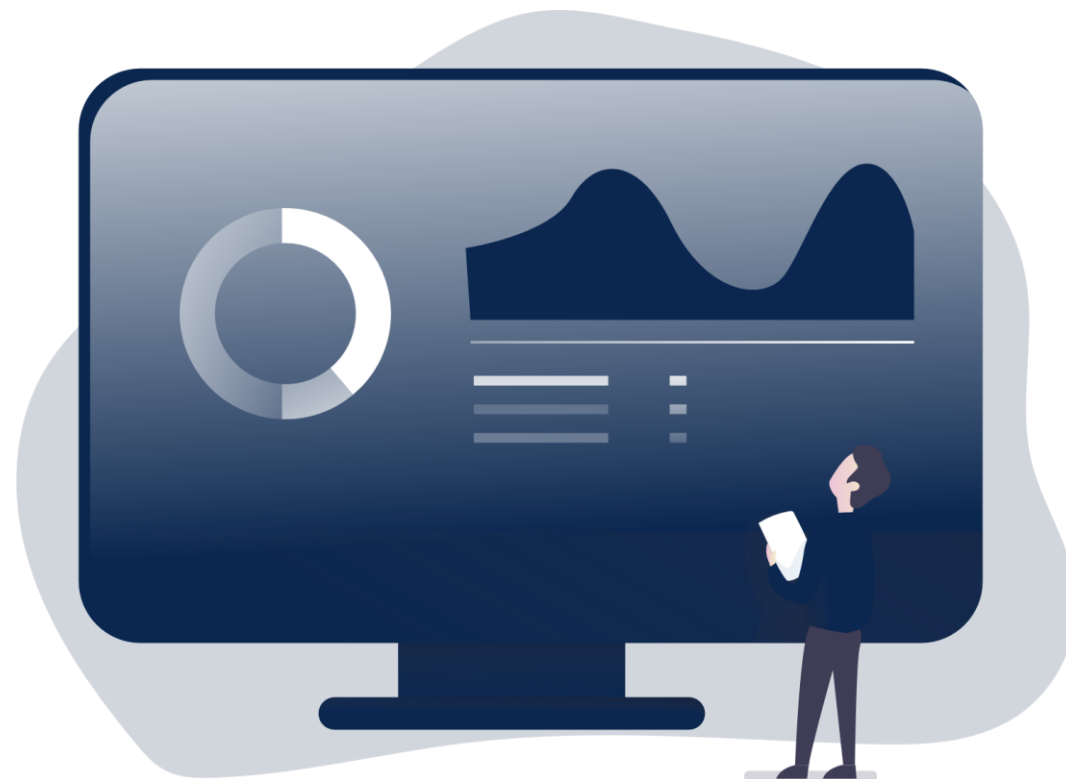


Analysis of reconstruction procurement



Key procurement figures in January-April 2024*

- In January-April 2024, 32.3 thousand construction procurements were announced. Of these, 92.7% (30 thousand) were completed, 3.7% did not take place, 1.6% were cancelled, and 2.0% are still ongoing.
- Procurement for the first 4 months of the year totalled UAH 78.2 billion, including the current procurement amount in April - UAH 18.4 billion.
- The e-procurement system was used for 5.2 thousand completed procurements (17%) for a total amount of UAH 36.6 billion (47%)
- Defence procurements in January-April totalled UAH 21.4 billion, or 27% of the total construction procurement.



Procurement leaders - January-April 2024

Top 10 procurers (UAH billion)

1. Department of Housing and Communal Services and Fuel and Energy Complex of Kharkiv Regional State Administration 5,3
2. Ukrhydroenergo PrJSC 4,9
3. Recovery service in the Dnipro region 4,4
4. Recovery service in Odesa region 4,1
5. Department of Infrastructure of the Volyn Regional State Administration 3,1
6. Department of Capital Construction of Sumy Regional State Administration 3,0
7. Department of Capital Construction of Odesa Regional State Administration 2,9
8. Department of Regional Development of the Zhytomyr Regional State Administration 2,4
9. Department of Civil Protection and Defence of Kherson Regional State Administration 2,0
10. Road Service in Mykolaiv region 1,6

Top 10 share in all procurements

43%

XXX

We were in the top 10 in January-March 2024

XXX

Entered the top 10 in April 2024

Top 10 tender winners (UAH billion)

- . Participants in defence procurement 21,4
1. Elitbud-1 PrJSC 4,3
2. Avtomagistral-Pivden LLC 3,5
3. Rostdorstroy LLC 2,9
4. Avtostrada Group of Companies 2,1
5. Shlyakhovik-T LLC 1,5
6. Berezivkaagroshlyakhbud LLC 1,4
7. Zhitlobud-1 PrJSC 1,2
8. Eurodor LLC 0,79
9. Starbudkontrakt LLC 0,74
10. 'Vinnytsia Oblavtodor' SE 0,64

Top 10 share in all procurements

24%

Largest construction tenders in JanuaryApril 2024

N	Procurement subject	Organiser	Winner	Procurement value, UAH billion
1	Protection construction for the Dniester 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	Department of road management of Lviv regional state administration	Shlyakhovik-T LLC	1,5
5	Operational maintenance of public roads	Recovery service in Odesa region	Berezivkaagroshlyakhbud LLC	1,2



XXX

Procurements in January-March
2024



XXX

Procurements in April 2024

More lot complaints and disqualifications in April

No. of participants	No. and % of procurement		Value (billion) and % of procurement		Number of disqualifications / complaints
1 participant	3900	75,5%	21,7	59,2%	1 / 12
2 participants	709	13,7%	6,4	17,4%	254 / 50
3 participants	302	5,8%	5,1	14,0%	142 / 24
4 participants	124	2,4%	1,9	5,2%	63 / 18
5 participants	58	1,1%	1,4	3,8%	34 / 13
6 participants	37	0,7%	0,1	0,2%	14 / 3
7-13 participants	37	0,7%	0,1	0,2%	19 / 8
Completed procurement using the digital system in total	5172	100,0%	36,6	100,0%	527 / 128

- 3/4 of procurements using the digital system remain non-competitive. Among all procurements, 95.8% are non-competitive. In April, these figures were 79% and 96.9% respectively.
- The number of complaints and disqualifications of lots in April exceeded the same figures for January-March combined.
- The share of procurements with 2 tenderers among competitive procurements increased to 56%.
- The number of lot disqualifications per 100 completed competitive procurements was 42.
- The number of complaints per 100 completed competitive procurements is 10.

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 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

27 May НАШІ ГРОШІ
'Servant of the People' contracted UAH 422 million for the construction of a school in Sofiyivska Borshchahivka **without competition**, as no one came to the tender



22 May
Communal services **failed to spend UAH 186 million** for the conversion of a non-residential building into a public building in Kyiv region



21 May
In Borodianka, a company - BCREMSERVICE LLC - wanted to repair **a fictional shelter** for children on the territory of a gymnasium for **UAH 4.3 million**
НАШІ ГРОШІ

9 May
The rehabilitation centre for the servicemen in Uzhhorod will be reconstructed **at a cost that is 1.5-2 times higher than the actual price**. UAH 133.7 million has been allocated for the project



19 March
Avtomagistral-Pivden LLC, building a water supply system to Kryvyi Rih, has been sued. The Service for Infrastructure Recovery and Development in Dnipro Oblast, who contracted the construction, found violations and wants to **charge the contractor UAH 9.1 million**

* - for the period from 19 April to 27 May 2024.

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 13.2 billion (96.6% of the allocated amount)** was paid to construction contractors in August, October and December 2023 and in April-May 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:** 90% ready
- **Zaporizhzhia - Tomakivka - Marhanets:** 99% ready



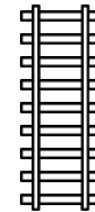
Demining in Ukraine (as of 25.05.2024)

- Ukraine and Croatia signed [a memorandum on demining assistance](#):
 - exchange of experience in humanitarian demining
 - cooperation in innovative projects in the technology of explosive ordnance detection
 - joint training programmes and initiatives to improve the skills of humanitarian demining specialists
 - The Cabinet of Ministers has changed the rules for using funds from the state budget [to cover the costs of demining agricultural land](#). From now on, agricultural producers will receive compensation for demining their land at their own expense
- Company can now start commercial production of the MV-4 model. This machine is resistant to landmines and unexploded ordnance. It can clear an area of up to 1,500 m² in an hour.

Inspected: 98.3 thousand hectares (+ 16.6 thousand hectares)

Destroyed > over 161 thousand (+20.9 thousand) explosive item

Cleared:



2.6 thousand
km of
railways
(+ 50.9 km)



895.8 km
of
motorway
s

(+20.1 km)



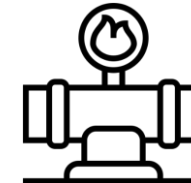
489.4 km of
power lines
(+41.8 km)



331.2
hectares of
forests
(+155 ha)



25.4 hectares
of water areas
(+2.6 km)



56.9 km of gas
pipelines
(+7.5 km)



THANK YOU FOR YOUR ATTENTION



* THIS PROJECT IS FUNDED BY THE EUROPEAN UNION

