# Ukraine reconstruction and recovery monitoring: a pilot

No.1, September 2023

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# Goal of reconstruction and recovery monitoring

Goal:

- We want Ukrainians to have better access to information about reconstruction and thus contribute to more efficient spending of funds

Objectives:

- To tell about the major changes in the regulatory framework

- To analyse data received from reconstruction and recovery projects

- To identify opportunities to improve recovery and reconstruction policies or spend funds more efficiently

- To engage an active civil society in the recovery and reconstruction process

- To facilitate coordination of efforts of various players involved in the recovery and reconstruction monitoring
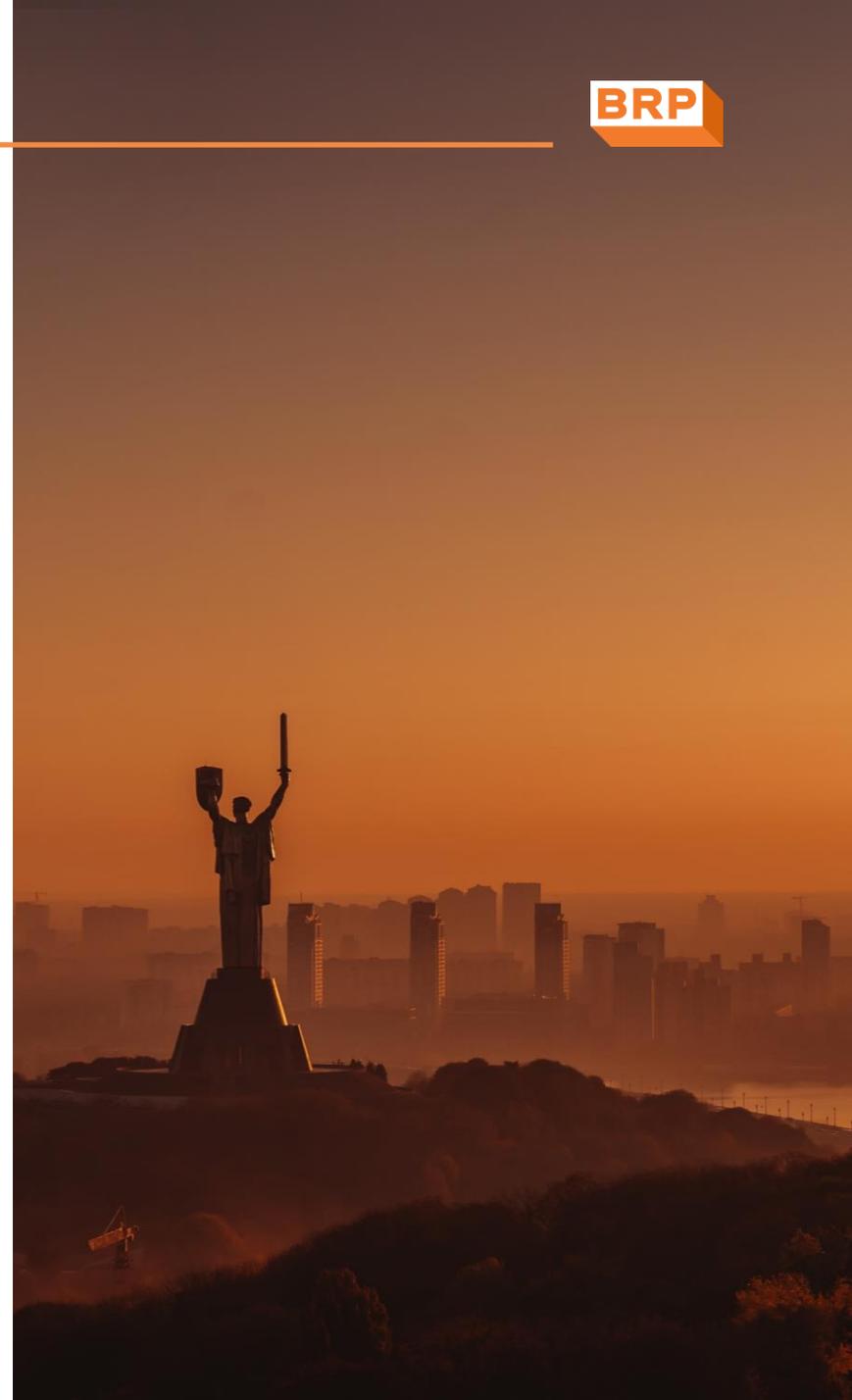
# RDNA – Rapid damage and needs assessment

According to the World Bank (February 2023):

- Ukraine's recovery and reconstruction needs have increased to USD 411 billion

- The needs for 2023 alone are USD 14 billion



*Source: RDNA2 World Bank, visualisation by the Ministry of Reconstruction*
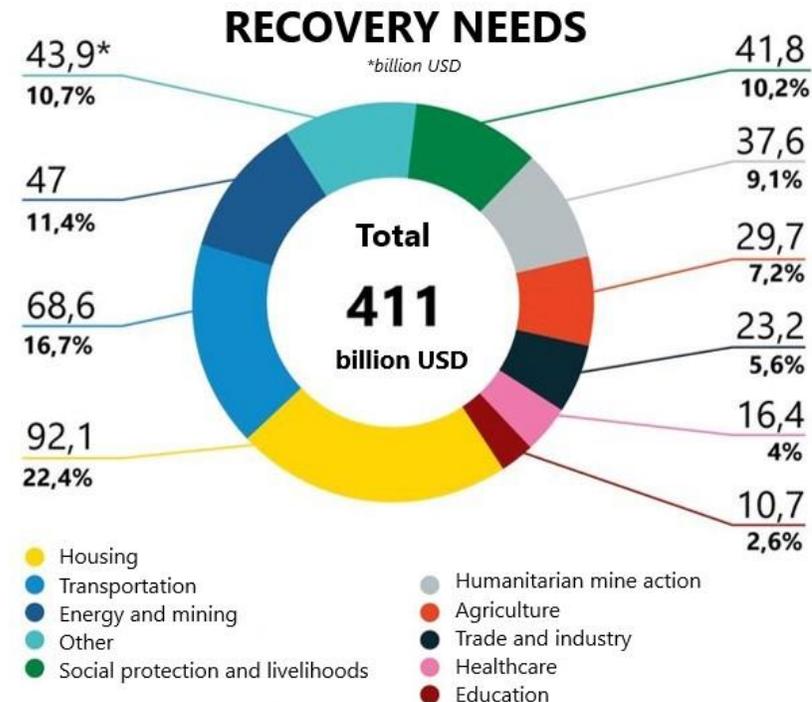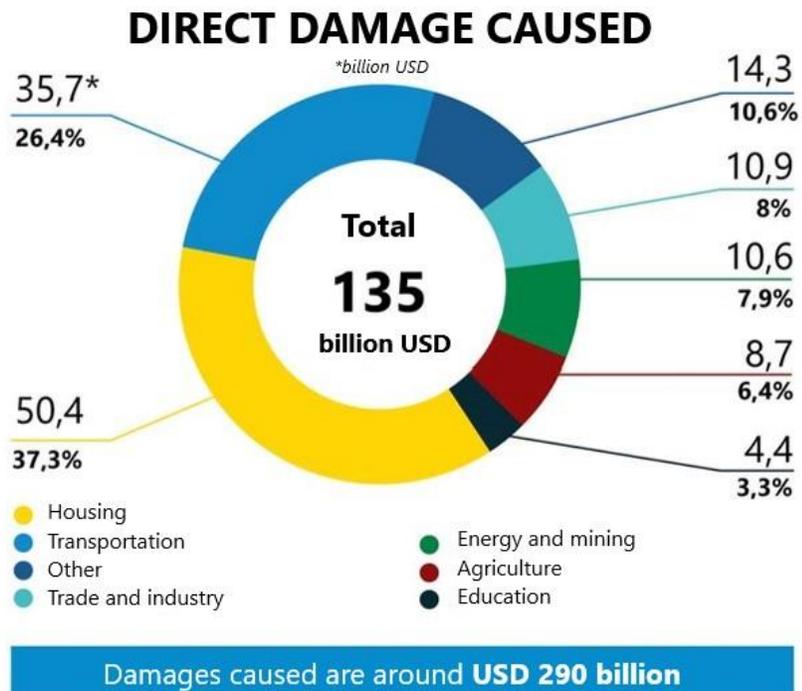
# Legislation

- The Budget Code of Ukraine in terms of funding reconstruction and recovery

- The Law of Ukraine on Compensation for Damage and Destruction of Certain Categories of Real Property as a Result of Hostilities and the Register of Damaged and Destroyed Property and the CMU resolutions implementing it

- The CMU Resolution on the Fund for the Elimination of the Consequences of Armed Aggression and related documents

- Resolutions on the procedures for preparing recovery programmes, identifying recovery areas, and so on

- Orders, decisions on the establishment of construction standards, DBN, and more

- In the near future, it will be important to have recovery plans and programmes adopted by territorial communities
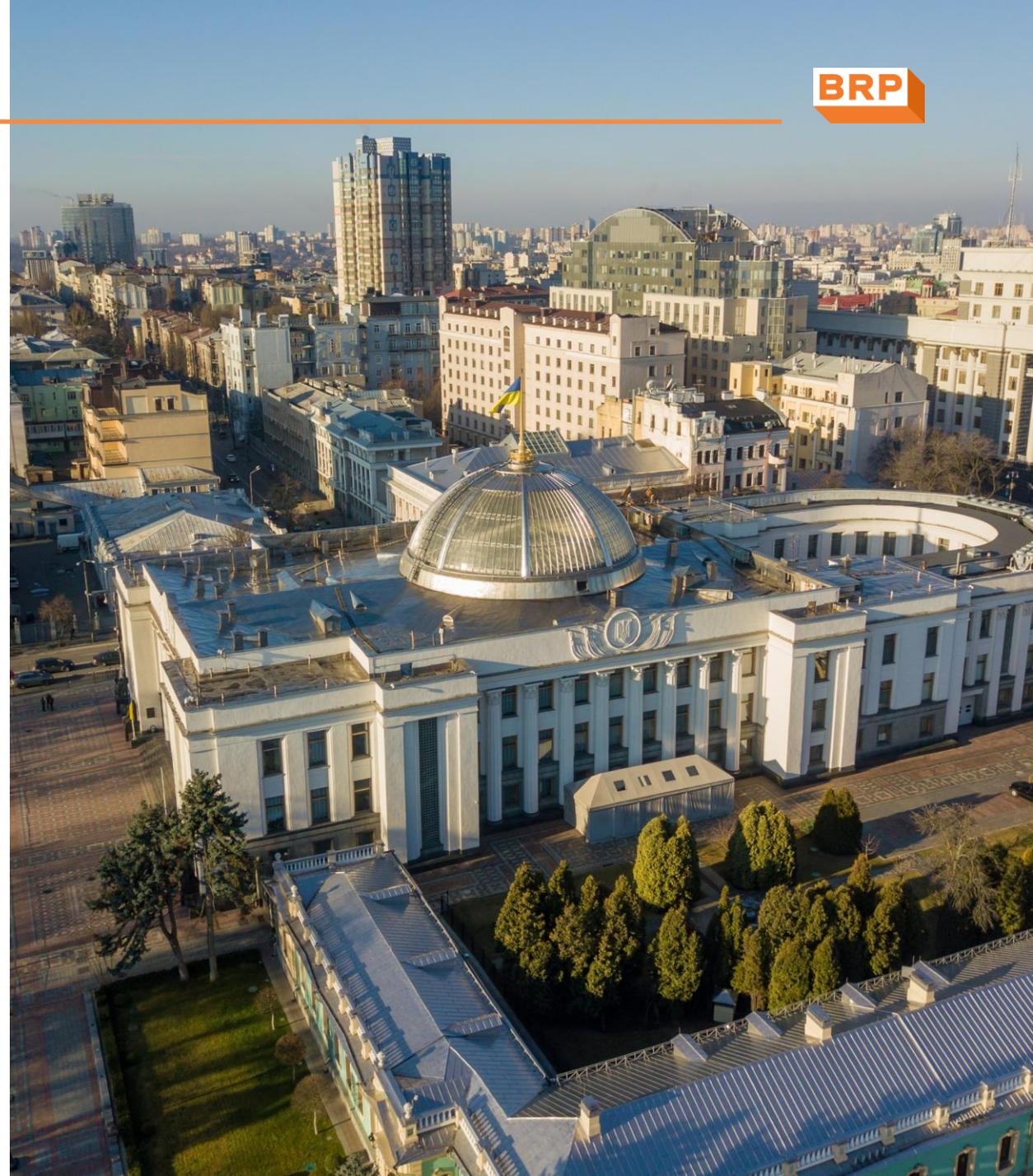
# Stakeholders

**POLICYMAKERS**

- The Parliament adopts a recovery framework and allocation of funds, adopts a budget
- The Government sets top-level reconstruction priorities and allocates funds for reconstruction
- The Ministry of Restoration is the key body responsible for the recovery and reconstruction policy

**IMPLEMENT POLICY AND PROJECTS**

- The Restoration Agency implements reconstruction projects at the central level and can act as an agent for individual local governments that are unable to fully implement projects
- Local governments initiate recovery projects, work with the government and donors, and implement recovery and reconstruction projects provided they have the capacity and funding

**MONITOR AND CONTROL**

- The State Auditing Service and the Accounting Chamber control and audit reconstruction, but in the future

**OTHER PARTICIPANTS TO THE PROCESS**

- Donors finance reconstruction through the budget, directly, through projects, or through NGOs and charitable foundations (CF)
- Damaged property owners
- NGOs and CFs implement reconstruction and recovery projects on the ground
- NGOs and civic activists participate in committees and working groups, monitor the reconstruction and recovery processes, and advise on how to improve the processes
- Businesses act as contractors (construction companies, engineers, architects, and so on)

# What are we going to monitor?

For monitoring purposes, we want to know:

- Who and how is funding the reconstruction?
- What and where is being reconstructed?
- Who and how is reconstructing?
- How efficient is it being done?
- How much has been reconstructed?

Some of these questions, especially the last ones, will only be answered in the future since there is no data available at the moment.
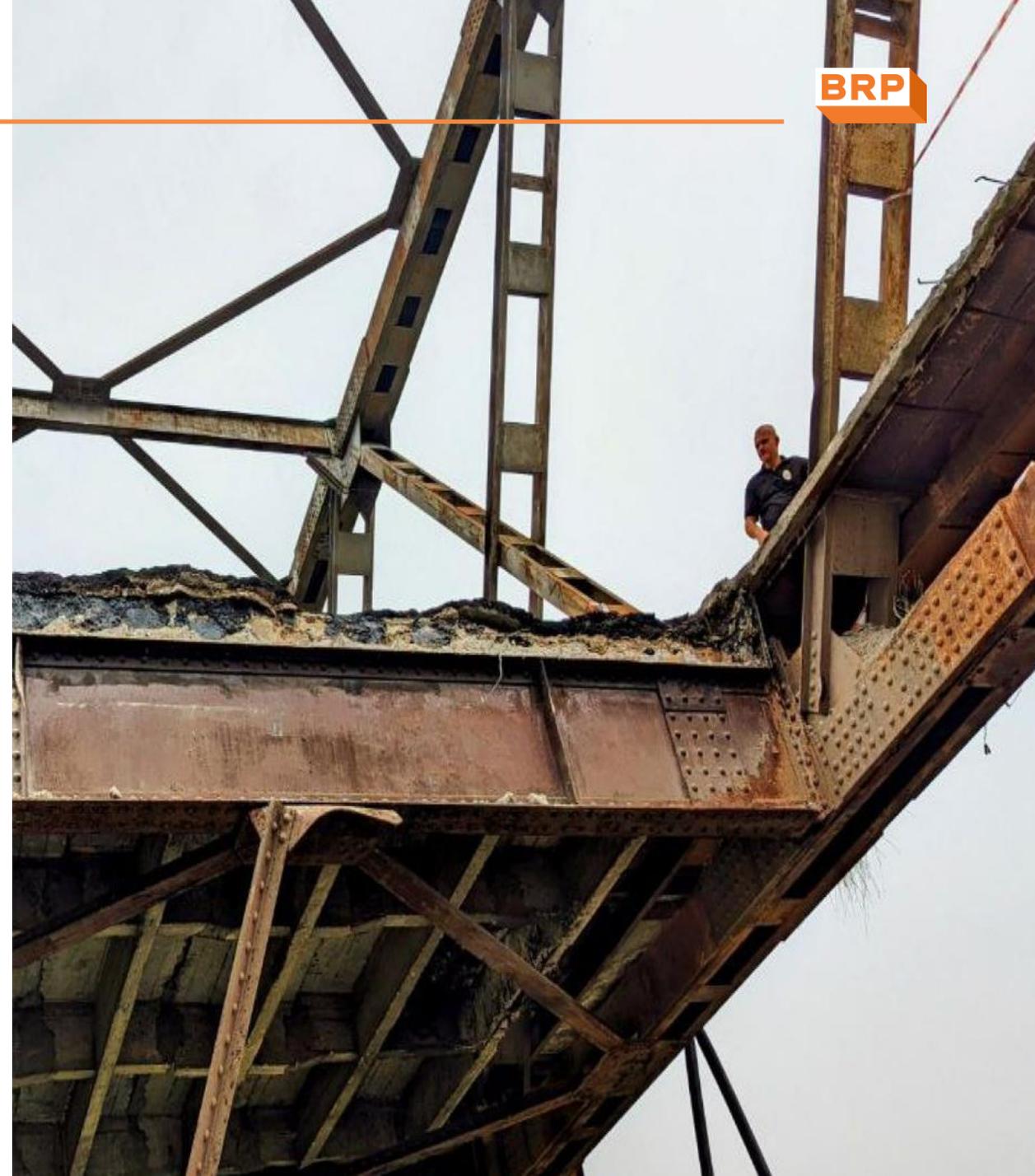
# Important data sources

Open data is essential for successful monitoring

Openness and transparency are a prerequisite for donors, businesses, and the public to trust the state and the reconstruction process.

Key data sources:

- The Budget for Citizens portal (Openbudget)
- The sIngle Web Portal For The Use Of Public Funds (Spending)
- The ProZorro e-procurement system (Prozorro)
- The Unified State Electronic System in the construction sector (e-Construction)
- DREAM – the Digital Restoration Ecosystem for Accountable Management
- Decisions adopted by local governments
- Data from local NGOs and activists, some of whom will participate in the sub-granting
- Information from other NGOs and media monitoring

# Who is funding reconstruction and recovery?

**Budgetary funding**, in particular through the Fund for the Elimination of the Consequences of Armed Aggression, which is so far the main source of funding for recovery and reconstruction

**Donors, NGOs, CFs** are another source of funding for reconstruction, but the consolidated information is not publicly available

**General data on budget funding** is mostly public:

Spending.gov.ua, the single web portal for the use of public funds, contains data on transactions of all budget spending units except those classified as 'Defence and Security' (with the Ministry of Economy, Ministry of Justice, and State Judicial Administration having completely closed access to their transactions).

Challenges:

- There is no code for identifying recovery and reconstruction expenditures, so it is difficult to identify the relevant expenditures – *recommendations for processing transactions or introducing a code should be considered*

- Expenditures are sometimes area-based, not object-based, which makes it difficult to track project expenditures. Decisions are needed, in particular, from local governments – *it should be mandatory for them to submit such decisions to the Budget for Citizens portal (Openbudget)*

# How are the tenders conducted?

**Budget funding** – public procurement using **ProZorro** – data on public procurement are available, including tender calls, concluded agreements, and complaints.

Tenders for recovery and reconstruction projects are mostly published on ProZorro. At the same time, **Dozorro**, a portal for civic control of public procurement, publishes the monitoring results

**Donors, NGOs, CFs** can use procurement platforms, but it depends on the project

Challenges:

Design and estimate documentation (DED) is incomplete or not always available, although there are positive developments: the Ministry of Restoration, the Restoration Agency, and Mykolaiv City Council have already announced the decision to publish full information on the DED – *it is important to legislate the obligation to provide information on the DED*

Not all those who wish to join the monitoring have the skills to analyse the DED – *it is important for NGOs and media to coordinate to develop a methodology for such monitoring and conduct trainings*

# What and where is being reconstructed? (1)

The source of information about projects will be the Digital Restoration Ecosystem for Accountable Management, DREAM.

The demo version of the DREAM was launched in June 2023 (https://dream.gov.ua/), and the working version of the platform is expected in October. In early August, the DREAM had over 8,000 projects and project ideas

*Challenges:*

- o low capacity of local governments to prepare high-quality design and estimate documentation,
- o lack of motivation among local governments to submit projects,
- o low interest of donors in submitting their projects to the DREAM

Therefore, we need a 'DREAM in law':

- *Enforce the mandatory use of the system for reconstruction and recovery projects carried out by state authorities and local self-government bodies. The balance holder provides information about the project.*
- *Ensure transparency and openness of information.*
- *Provide appropriate funding of DREAM in the State Budget for the year 2024*

# What and where is being reconstructed? (2)

We are going to receive information about reconsturction from regional NGOs. In a few months, we will **launch sub-granting** (the IER is responsible)

- Call for proposals for local monitoring of reconstruction projects to engage the public in reconstruction planning and monitoring

- Call for proposals for procurement monitoring

You will be able to apply after the call for proposals is opened. There will also be an opportunity to ask questions and get answers

Under the leadership of TI-Ukraine and in cooperation with a number of other RISE Ukraine member organisations, we are currently working on a methodology for civic monitoring of reconstruction and recovery that can be used by NGOs on the ground

# In more detail

- The Fund for the Elimination of the Consequences of Armed Aggression

- Construction of water pipeline

# Fund for the Elimination of the Consequences of Armed Aggression

**REGULATION**

- A budget programme of the Ministry of Restoration rather than an institutionalised fund
- So far in the State Budget Law, but should be in the Budget Code
- The CMU Resolution: Procedure for using the Fund's resources

**SOURCES OF FUNDING**

2023
- 50% of the NBU profit (35.9 billion)
- Confiscated Russian assets (~ UAH 25.8 billion)

2024
- Article 28, but without a budget line

**AREAS OF WORK**

- Urgent recovery needs (energy, water supply, and so on)
- Reconstruction projects submitted for funding to the Fund
- Compensation for damaged housing (eRecovery)

**SCHEME**

- Local governments initiate projects and submit them for funding (Regional Military/State Administrations verify the completeness of documents)
- Winners are selected according to the criteria (test mode: priority setting methodology, but the priority setting results are not taken into full consideration in reality)
- Funds are allocated through a subvention from the state budget to local budgets to implement projects (facilities, activities) aimed at eliminating the consequences of armed aggression, or the funding is provided through the Reconstruction Agency

# The Elimination Fund: decisions adopted

- In total, over UAH 53 billion has been allocated from the Fund in all areas

    o The largest project is the construction of a water pipeline after the Russians destroyed the Kakhovka dam

- CMU Resolution No. 534-r – UAH 11.4 billion for subventions to local budgets to finance projects selected by the Interagency Committee

- Three meetings of the Interagency Working Group were held (the third meeting was scheduled for 16 August):

    o 1st meeting: to allocate UAH 6.6 billion for the implementation of 157 projects

    o 2nd meeting: to allocate UAH 4.8 billion for the implementation of 133 projects

    o 3rd meeting: to allocate UAH 492 million

    *but not all allocations follow the prioritization approach*

- Compensation for damaged housing (UAH 4.4 billion has been allocated, over UAH 1 billion has already been spent)
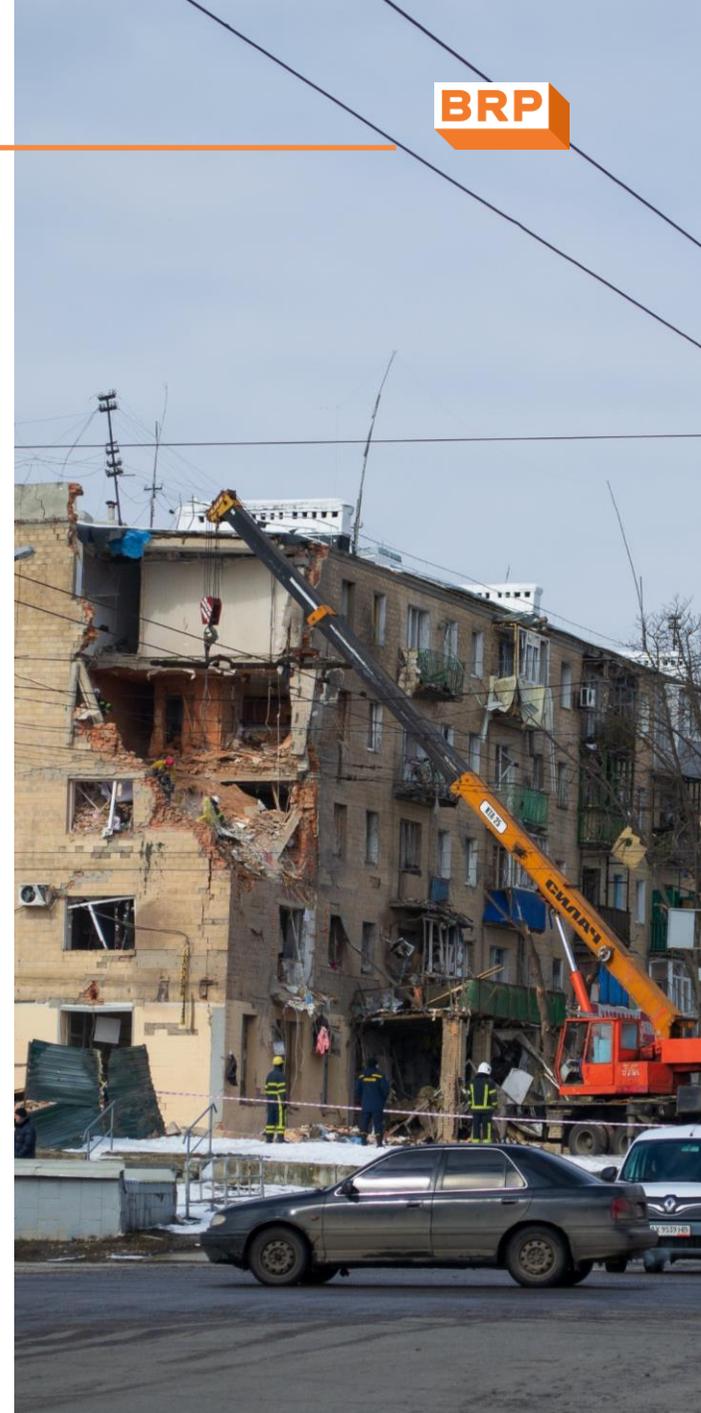
# The Elimination Fund: key results

| | Area of funding | Funding, billion UAH |
|---|---|---|
| **Emergency needs** | Energy infrastructure protection | 29,4 |
| | Water pipeline construction | 0,5 |
| | Elimination of the consequences of the Kakhovka HPP destruction | 0,3 |
| **Recovery projects in the regions** | Local budgets | 11,4 |
| | The Reconstruction Agency | 1,6 |
| | Reconstruction of the Borodianka Centre for Social and Psychological Rehabilitation | 0,2 |
| | Comprehensive reconstruction of six settlements | 1,8 |
| **Housing reconstruction** | eRecovery (compensation for damaged housing) | 4,1 |
| | Major overhauls | 4,0 |

| Type | Quantity |
|---|---|
| School | 59 |
| Preschool | 11 |
| Healthcare facility | 19 |
| Housing | 143 |
| Heat supply | 8 |
| Water supply and sewerage | 34 |
| Civil defence building | 32 |
| Security centre | 1 |
| Administration building | 2 |
| Other | 1 |

# A specific example of reconstruction

*Construction of main water pipelines Karachuny Reservoir – Kryvyi Rih – Pivdenne Reservoir, Marhanets – Nikopol, Khortytsia (Dnipro Water Supply Station 2) – Tomakivka*

# Water supply: general information

Urgent reconstruction, the need for water supply is undeniable

The project documents are drafted during implementation (because it cannot wait)

Challenge: there is little experience in implementing large-scale projects in Ukraine, and there is a lack of available pipes for such a water supply system

They are being (so far) implemented without land allocation, with no compliance with urban planning documentation, without obtaining urban planning conditions and restrictions on land development, without obtaining an expert opinion on project documentation for the construction of facilities, without obtaining the right to perform construction work, as well as without using the Unified State Electronic System in the construction sector and registration of property rights to land plots

# Water supply system (Kakhovka): funds allocated

| Resolution | Goal | Recipient | Amount, million UAH |
|---|---|---|---|
| No. 566 dated 06.06.23 as amended on 22.08.23 | Main water pipeline from the Inhulets River to the Pivdenne Reservoir to supply water to Kryvyi Rih | The Reconstruction Agency | 3,607.1 |
| | Main water pipeline Marhanets – Nikopol – Pokrov | The Reconstruction Agency | 1,340.1 |
| | Khortytsia main water pipeline (DWSS2) – Tomakivka – Marhanets | The Reconstruction Agency | 3,552.8 |
| Water supply in total | | | 8,500.0 |

# Water supply system: procurements

| Site | Construction tender | Winner | ECS tender | Winner |
|------|---------------------|--------|------------|--------|
| Inhulets – Pivdenne Reservoir | https://prozorro.gov.ua/tender/UA-2023-07-19-003985-a | Avtomahistral-Pivden, LLC* | https://prozorro.gov.ua/tender/UA-2023-07-25-002933-a | CONSORTIUM UKR&GEO SUPERVISION |
| Marhanets – Nikopol – Pokrov | https://prozorro.gov.ua/tender/UA-2023-07-19-001682-a | Rostdorstroi, LLC* | https://prozorro.gov.ua/tender/UA-2023-07-25-002933-a | VS ENGINEERING, LLC |
| Khortytsia (DWSS2) – Tomakivka – Marhanets | https://prozorro.gov.ua/tender/UA-2023-07-19-003632-a | GROUP OF COMPANIES AVTOSTRADA, LLC* | https://prozorro.gov.ua/tender/UA-2023-07-25-000379-a | Consortium 'P.K.C.-FBM ANDASA' |

# Water supply system: overall estimate

| | Funds allocated in total | Construction - expected | ECS - expected | Розподіл Distribution of financial resources | |
|---|---|---|---|---|---|
| | | | | 2023 | 2024 |
| Inhulets – Pivdenne Reservoir | 3 607,1 | 5 320,0 | 149,3 | 595,8 | 4 873,5 |
| Marhanets – Nikopol – Pokrov | 1 340,1 | 1 999,1 | 56,4 | 297,9 | 1 757,6 |
| Khortytsia (DWSS2) – Tomakivka – Marhanets | 3 552,8 | 5 300,0 | 150,1 | 595,8 | 4 854,3 |
| Total | 8 500,0 | 12 619,1 | 355,8 | 1 489,5 | 11 485,4 |

# For monitoring purposes, it is important to take into account the initiatives of NGOs/CFs engaged in reconstruction

A number of organisations are implementing reconstruction projects. They are primarily repairs and shelters, but they also include the construction of houses (including modular):

- Brave to Rebuild organises networking of such NGOs

- Several organisations: SavEd, KSE, Repair Together, Vdoma, VidnovaUA, District #1

Interviews with these organisations show that efficient recovery is possible where there is cooperation with local governments

Reconstruction is primarily funded by donors

These projects might be on BRP

# Analysis of donor funding is still limited

So far, donors have mostly implemented projects on their own or through NGOs. The collected information is still not substantial and often not detailed. Examples:

- **UN organisations** – UNDP, UNICEF: in particular, infrastructure reconstruction – USD 228 million (some data is available at https://data.uninfo.org/Home/_UkraineUNCT)
- Denmark directly finances the needs for the reconstruction and recovery of Mykolaiv: EUR 42 million for reconstruction in 2022, EUR 63.4 million out of the EUR 104 million envisaged in 2023

International donors are just starting to finance large-scale reconstruction projects, and they are funding reconstruction through budgetary assistance. Examples:

- The **World Bank** – the HOPE project, Housing Repair for People's Empowerment, – USD 800 million / initial funding of USD 232 million
- The **EIB** – the Ukraine Early Recovery Programme (EUR 200 million) + Energy Efficiency in Public Buildings in Ukraine

*It is important to create a donor platform - the coordination of donor projects, within which projects for recovery and reconstruction are funded - a regional and thematic donor map*

# Coordination of public efforts: RISE Ukraine Coalition

Efficient reconstruction and recovery require coordination of efforts of all stakeholders

- As members of the RISE Ukraine Coalition, we participate in the work of subgroups to develop effective solutions

- Together with other members of the group, we (TI Ukraine is the actual coordinator of the relevant subgroup) do the following in terms of monitoring:

  o develop a general methodology for civic monitoring,

  o assist the Ministry of Reconstruction in identifying a methodology for reconstruction priority setting,

  o monitor the reconstruction process.

- After the BRP is launched, we invite everyone to submit the results of facility reconstruction monitoring to the portal

# What are we going to do next?

- Analysis and assessment of reconstruction and recovery expenditures: who finances what, how, and why

- Geographical structure of funding recovery projects and sectoral structure of funding recovery projects

- Monitoring the application of approaches to priority setting for projects: whether the priority setting methodology is being applied

- Presentation in monthly monitoring reports

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