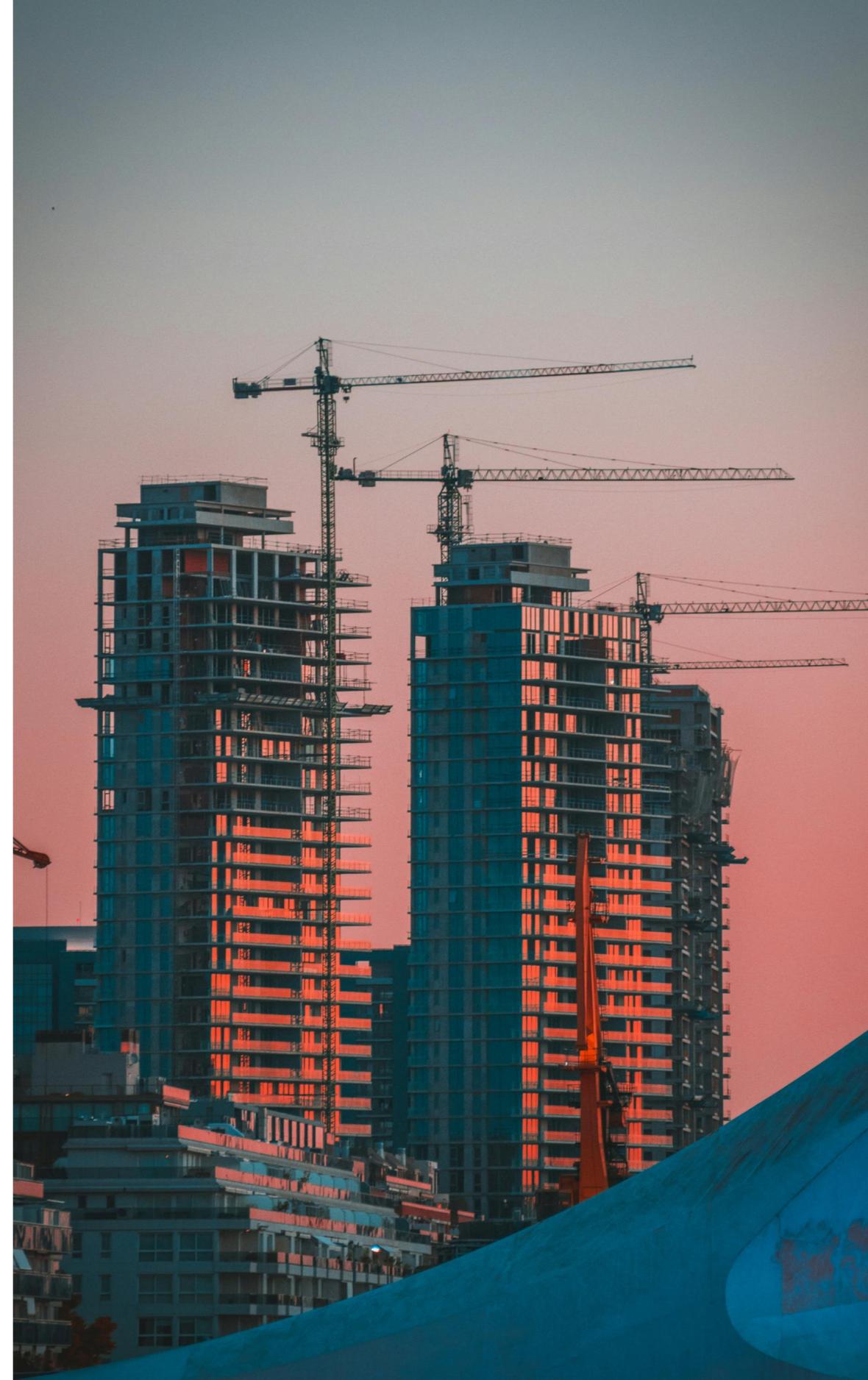




THE RECOVERY SPENDING WATCHDOG

#5, January 2024



Content

- Legal regulation
- Reconstruction progress
- Reconstruction funding
- Case monitoring: waterworks, demining
- Journalistic investigations (reconstruction in the media)



Legal regulation



Legal regulation

The reconstructed housing and compensation funds received may be deemed additional benefits for the citizens.

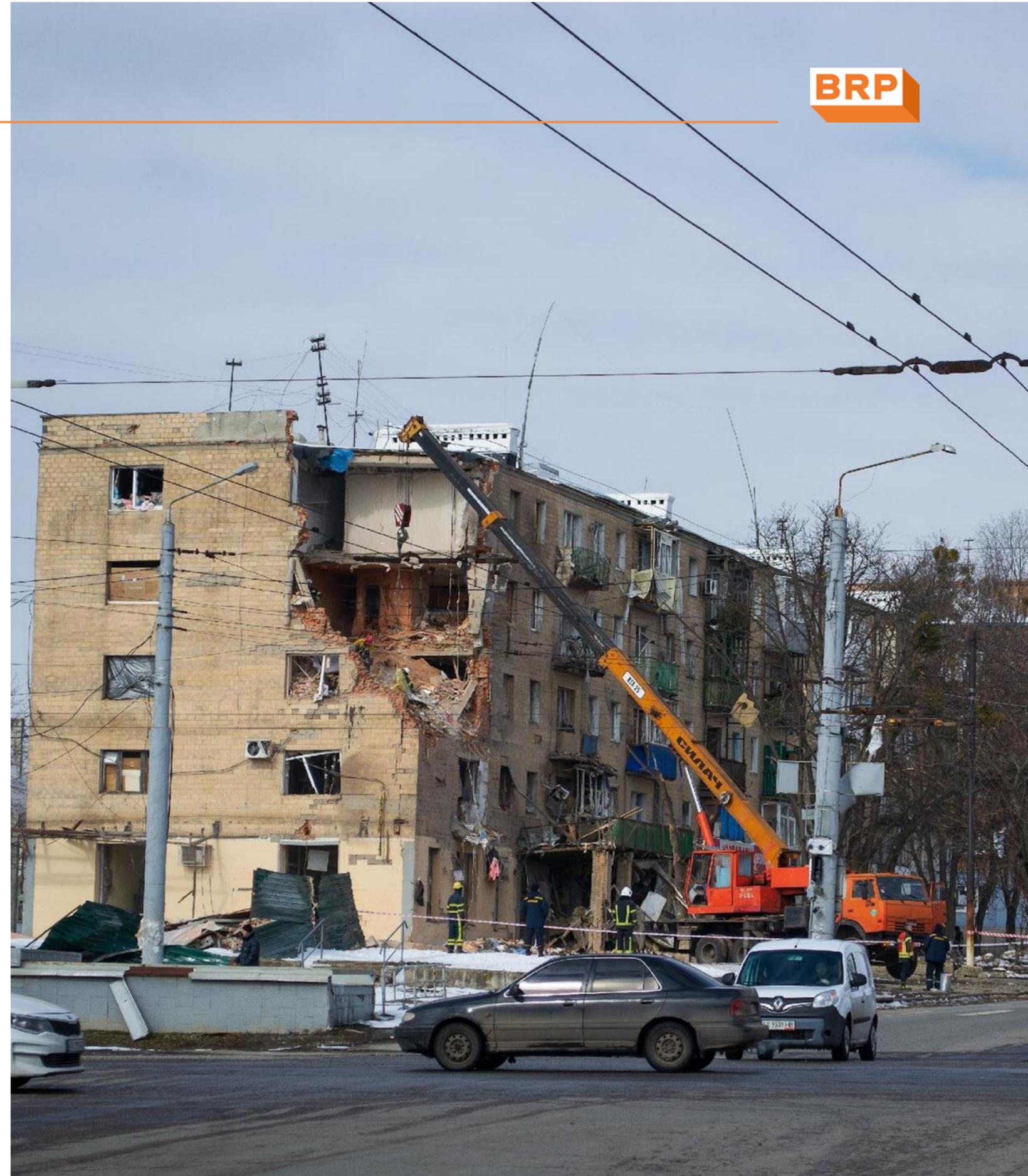
Therefore, it is worth making amendments to the Tax Code of Ukraine to exclude respective payments from additional benefits, which are the basis for individual income taxation.

The work on the draft law on restoration, which was developed by the working group established by the Ministry for Restoration, has not been completed yet. In particular, this draft law suggests making DREAM obligatory for recovery and restoration projects.

As the result DREAM continues working experimentally. Only Kyiv Oblast has initiated all projects, while others have initiated just a limited number.



Reconstruction progress



Destruction and restoration of social infrastructure are happening almost simultaneously

Healthcare



- 1497 (+23) healthcare establishments were damaged, and 195 facilities were completely destroyed
- Most of them are located in Kharkiv, Donetsk, Dnipropetrovsk, Mykolaiv, Kherson, Zaporizhzhia, Kyiv and Chernihiv Oblasts



- 451 (+10) facilities are recovered completely and 406 – in part
- The majority of them are in Mykolaiv, Dnipropetrovsk, Kyiv, Kharkiv, Chernihiv Oblasts

Education



- 3428 educational establishments were damaged, and 365 were completely destroyed

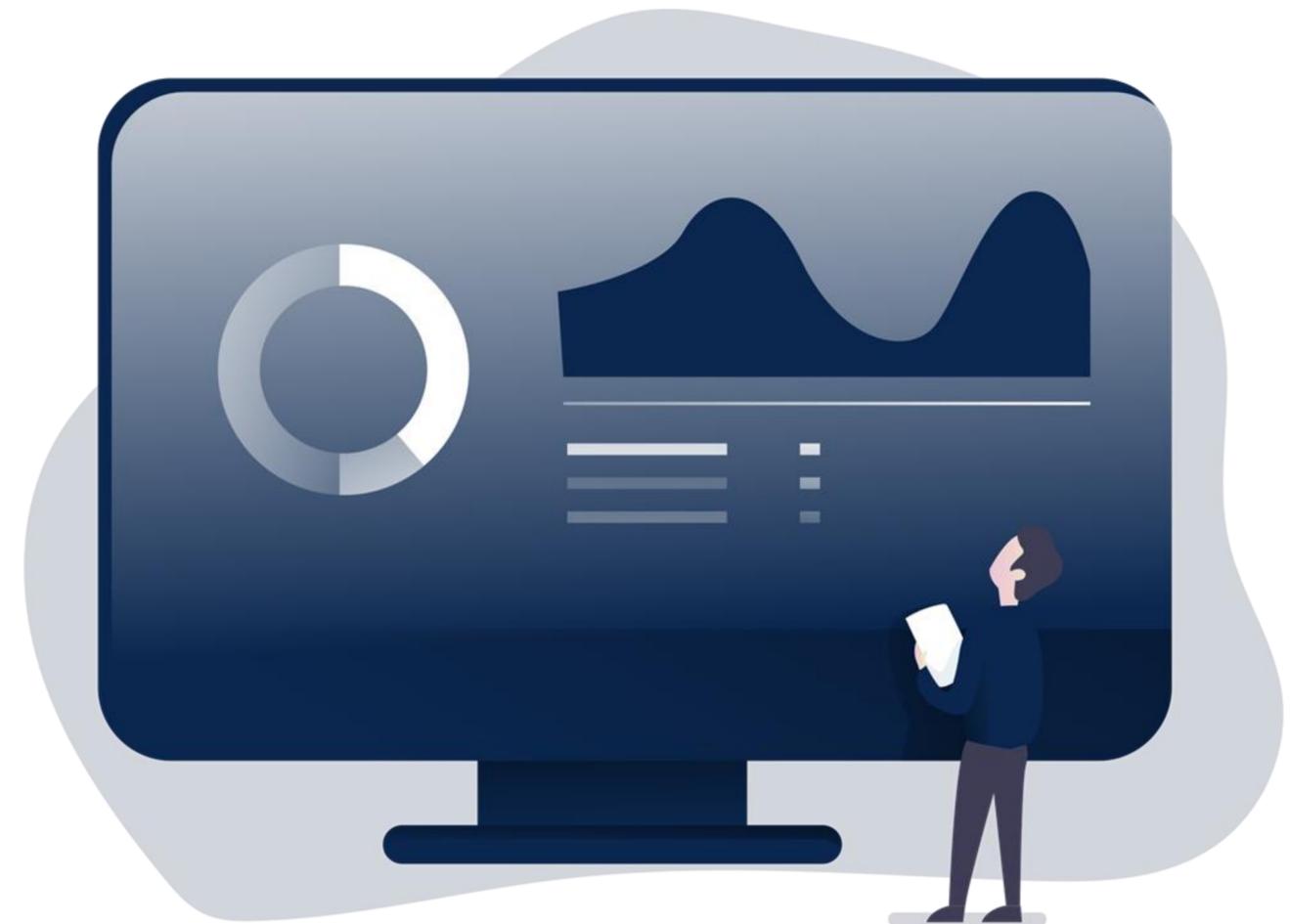


- 500 establishments are recovered

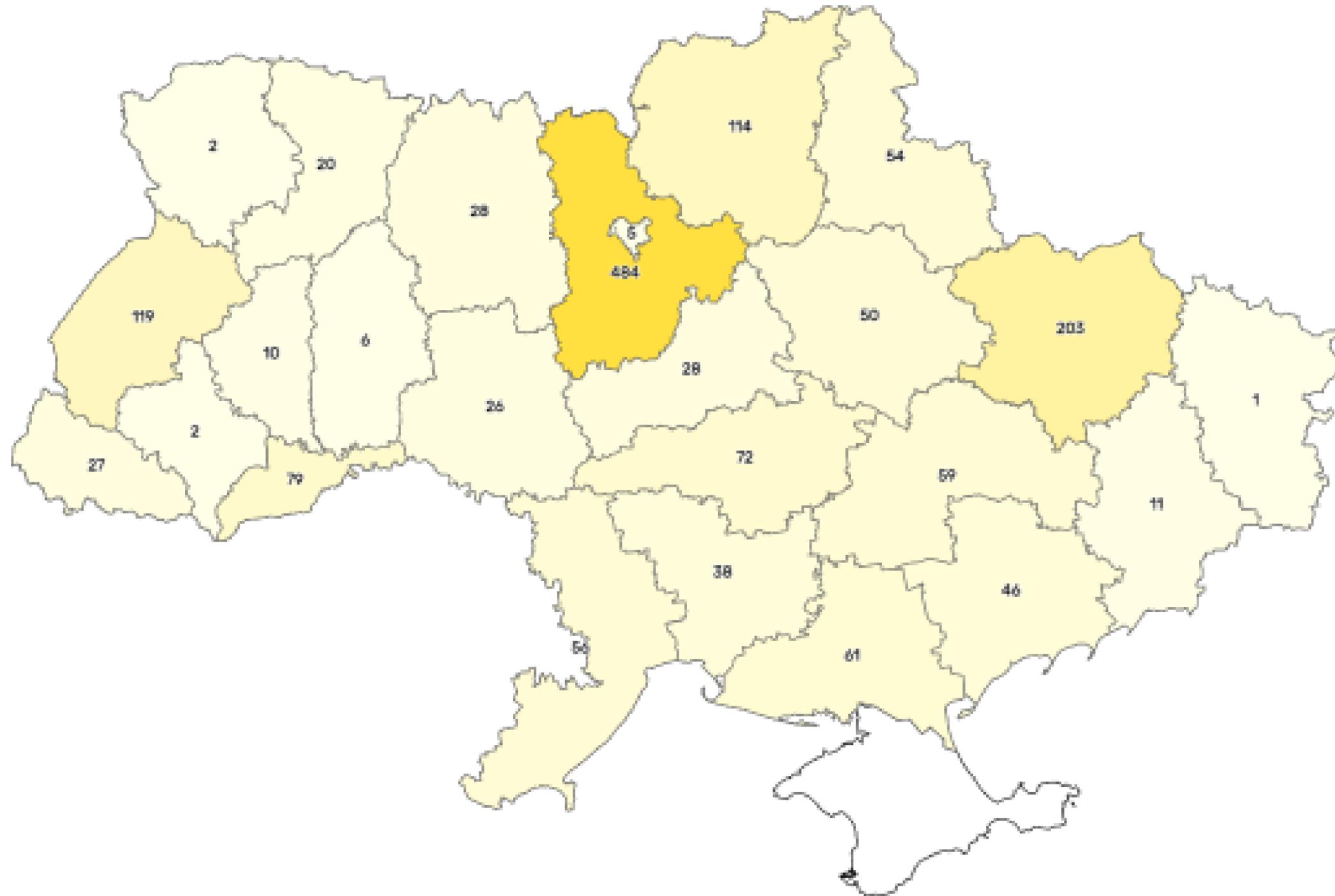
DREAM – far from all, but more projects by now

1601 (+135) projects
48.8% of projects are in progress
1310 projects of
Reconstruction/Modernisation/Repair

UAH 79.4 (+8.1) billion – need in financing
UAH 49.8 (+3.5) billion – approved
financing



DREAM – Kyiv Oblast Military Administration submitted all projects



- Kyiv Oblast submitted all projects;
- The contents of projects differs a lot by communities and elements;
- Only 38% of projects have the implementation plan, 50% show indicators.

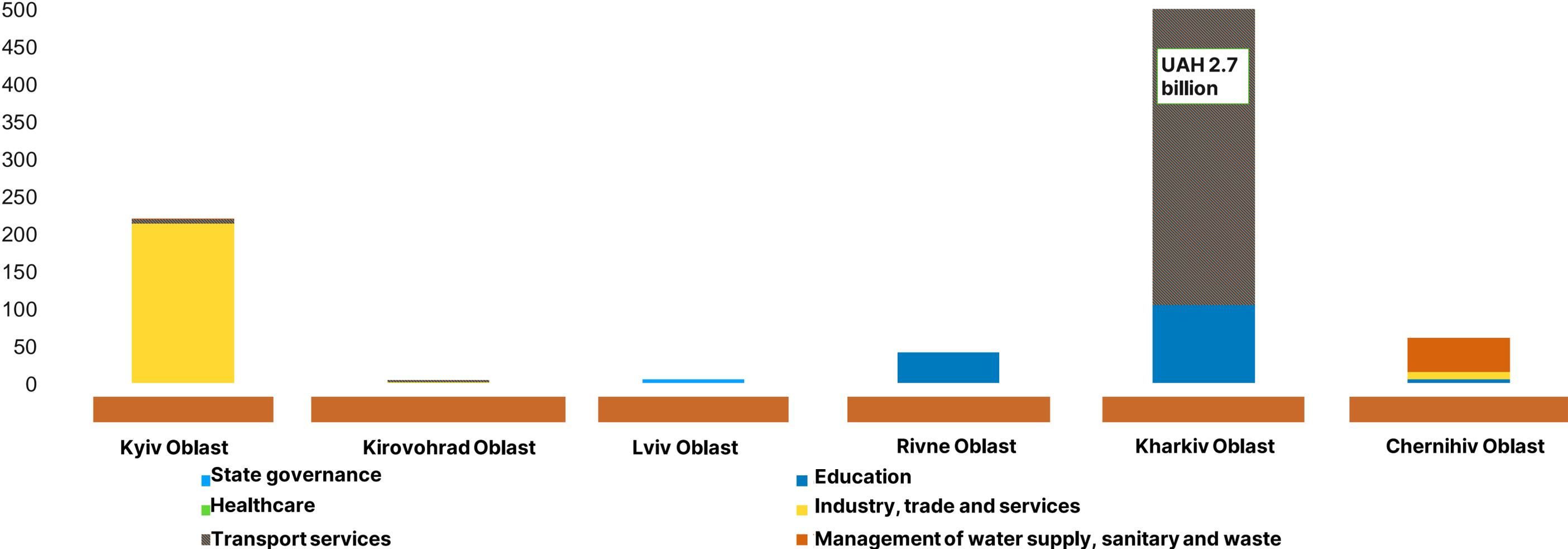
Over a month – the transport industry mainly



The key changes in the **financing** of the projects entered into DREAM:

- transport in Kharkiv Oblast at the cost of the special fund;
- housing in Kyiv Oblast at the cost of the Elimination Fund.

Approved financing of projects submitted, UAH million



Source: DREAM

Reconstruction funding



The Elimination Fund – not only competitions were during 2023



The Fund for the Elimination of the Consequences of Armed Aggression in 2023 – **UAH 61.8 billion planned:**

- three meetings of the interdepartmental working group – actually the competition for projects submitted by communities and OMA/OSA;
- non-competition allocation of funds for urgent recovery and restoration projects implemented by the Agency for Restoration:
 - **UAH 8.5 billion** for the construction of the main waterworks that will provide water to more than a million residents in communities affected by the explosion of Kakhovska HPP;
 - **UAH 3.3 billion** for the restoration of 5 settlements that were destroyed by the Russian troops – Borodianka, Trostianets, Tsyrkuny, Posad-Pokrovske and Yahidne;
 - **UAH 3.5 billion** for the restoration of 46 facilities in 9 Oblasts.
- eVidnovlennia programme.

It is important to take into account that under the Budget Code, the funds allocated from the Elimination Fund to communities were repaid to the State Budget at the end of the year.

In fact, the issue of repeated allocation of the relevant funds or refunding of previously approved projects remains open.

eVidnovlennia is picking up steam

According to the data of the Ministry for Restoration:

35 thousand Ukrainians received money on urgent and capital repairs (over UAH 3 billion)

Certificates:

95 families acquired new housing under certificates

8674 applications submitted

funds reserved for 629 certificates

23 December 2023:

Financing on providing compensation for destroyed real estate facilities increased from **UAH 2.5 billion to UAH 5.8 billion** (from the Elimination Fund)



Financing reconstruction in 2024

1. Reserve fund.
 2. Balance of funds of Fund for the Elimination of the Consequences of Armed Aggression.
 3. Funds of the international donors (loans and grants):
 - The World Bank;
 - Japan;
 - The European Investment Bank;
 - Others.
-
1. The need in increase of absorption capacity.



Analysis of restoration procurement

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Key procurement figures in 2023



- In 2023, **183 thousand procurements** were announced in the "Construction and current repair" category, of which 173 thousand were completed as of the beginning of 2024, totalling UAH 283 billion*.
- **27 thousand procurements** took place with the use of the electronic system (16%).
- The following procurement procedures were the most common in 2023:
 - basic procurement without using the electronic system (142 thousand, **82% of the amount and 39% of the procurement value**);
 - open tenders with specifications (24 thousand, 14% of the amount and 59% of the procurement value);
 - the rest six procedures accounted for 7 thousand procurements (4% of the amount and 2% of the procurement value).

* The amount excludes 12 thousand completed procurements with no estimated value as of the beginning of 2024.

For reference:

As of 2 January 2024, 173.2 thousand procurements announced in 2023 (94.7%) had the status "completed procurement". The status "no procurement" – 6.1 thousand (3.3%), the status "cancelled procurement" – 2.7 thousand (1.5%), and the other six statuses of ongoing procurements – 0.8 thousand. (0.4%). The analytics provided in this section are for completed procurements only.

Certain indicators are disguised for a part of defence procurements. In the case of disguising, the relevant indicators are not included in the total amounts.

General findings

- Construction is one of the most common tender categories. Procurements in the construction sector were announced every three minutes in 2023.
- A small number of large procurements account for a significant part of their value. Procurements over UAH 100 million constitute less than 0.2% of the total number of procurements, while they account for 46.3% of their total value.
- Clear specialisation of winners. All leading companies in terms of procurement value major in road and bridge construction.
- The most valuable procurements are made by the Agency for Restoration represented by regional offices for infrastructure restoration and development in road and waterwork construction.
- There is an abnormally high number of procurements worth UAH 180-200 thousand, which is the maximum possible procurement value that does not require the use of the electronic system.

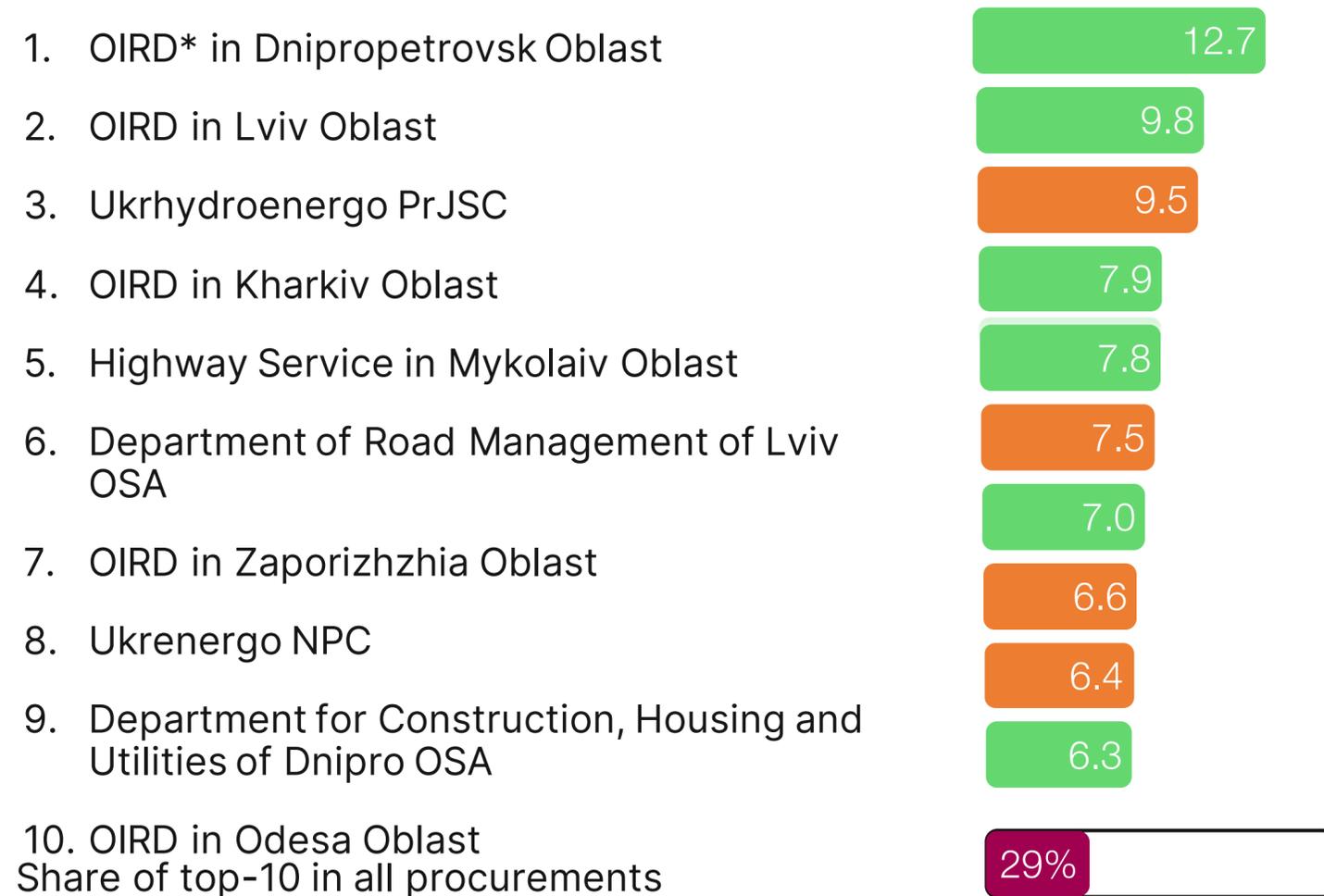
NB. All procurements of "Construction and current repair" category were included in this monitoring. Not all of them are reconstruction procurements.



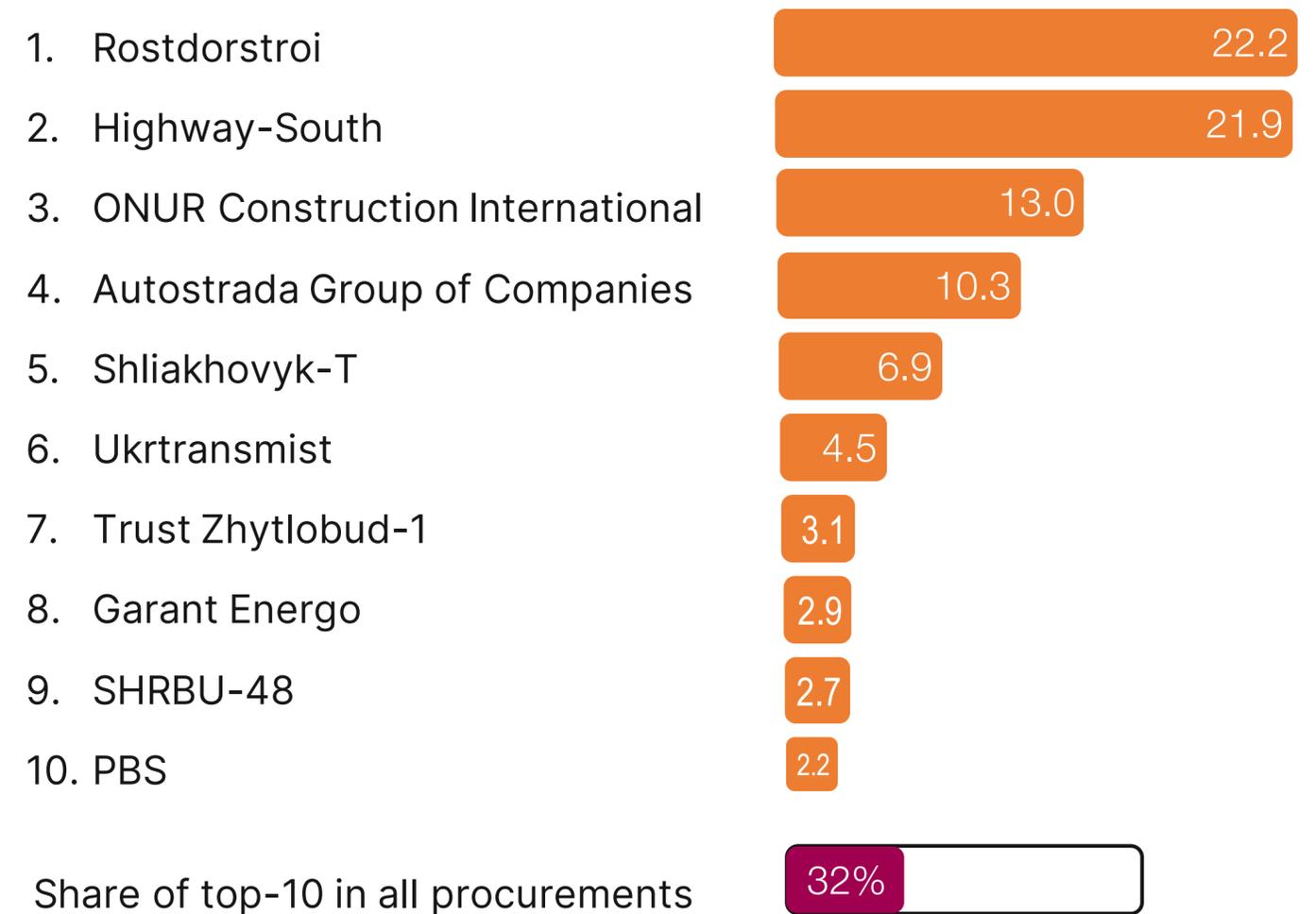
Procurement leaders – 2023



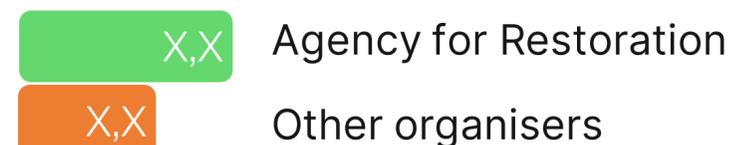
Top-10 organisers (UAH billion)



Top-10 winners (UAH billion)



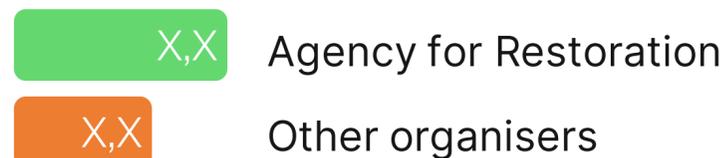
*hereinafter OIRD - regional Offices for Infrastructure Restoration and Development subordinate to the Agency for Restoration



Largest construction tenders – 2023



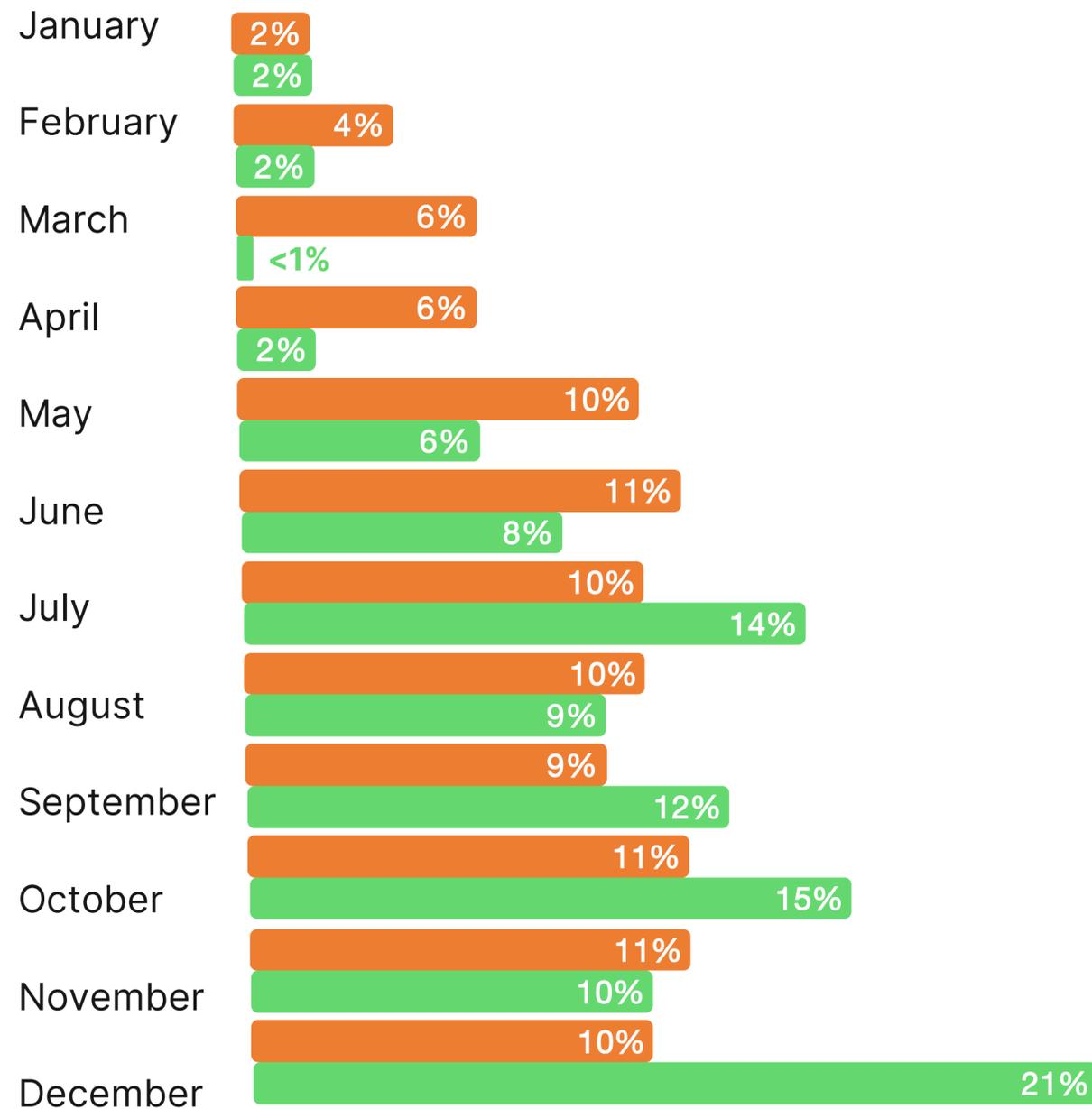
| N Procurement | Organiser | Winner | Lot value, UAH million |
|---|---|---------------------------------|------------------------|
| 1. Engineering and construction works | OIRD in Zaporizhzhia Oblast | Highway-South | 5.4 |
| 2. Engineering and construction works | OIRD in Lviv Oblast | ONUR Construction International | 5.4 |
| 3. Construction of waterworks to Kryvyi Rih | OIRD in Dnipropetrovsk Oblast | Highway-South | 5.3 |
| 4. Construction of waterworks Khortytsia-Marhanets | OIRD in Dnipropetrovsk Oblast | Autostrada Group of Companies | 5.2 |
| 5. Reconstruction of the electric power substation | OIRD in Poltava Oblast | Rostdorstroi | 2.9 |
| 6. Construction <i>(no details stated)</i> | OIRD in Odesa Oblast | Rostdorstroi | 2.5 |
| 7. Construction <i>(no details stated)</i> | OIRD in Chernihiv Oblast | Highway-South | 2.5 |
| 8. Reconstruction of the electric power substation | OIRD in Lviv Oblast | Autostrada Group of Companies | 2.3 |
| 9. Engineering and construction works | OIRD in Poltava Oblast | ONUR Construction International | 2.2 |
| 10. Reconstruction of the electric power substation | Department of Road Management of Lviv OSA | SHRBU-48 | 2.0 |
| 11. Maintenance and current repair of roads | | Shliakhovyk-T | |



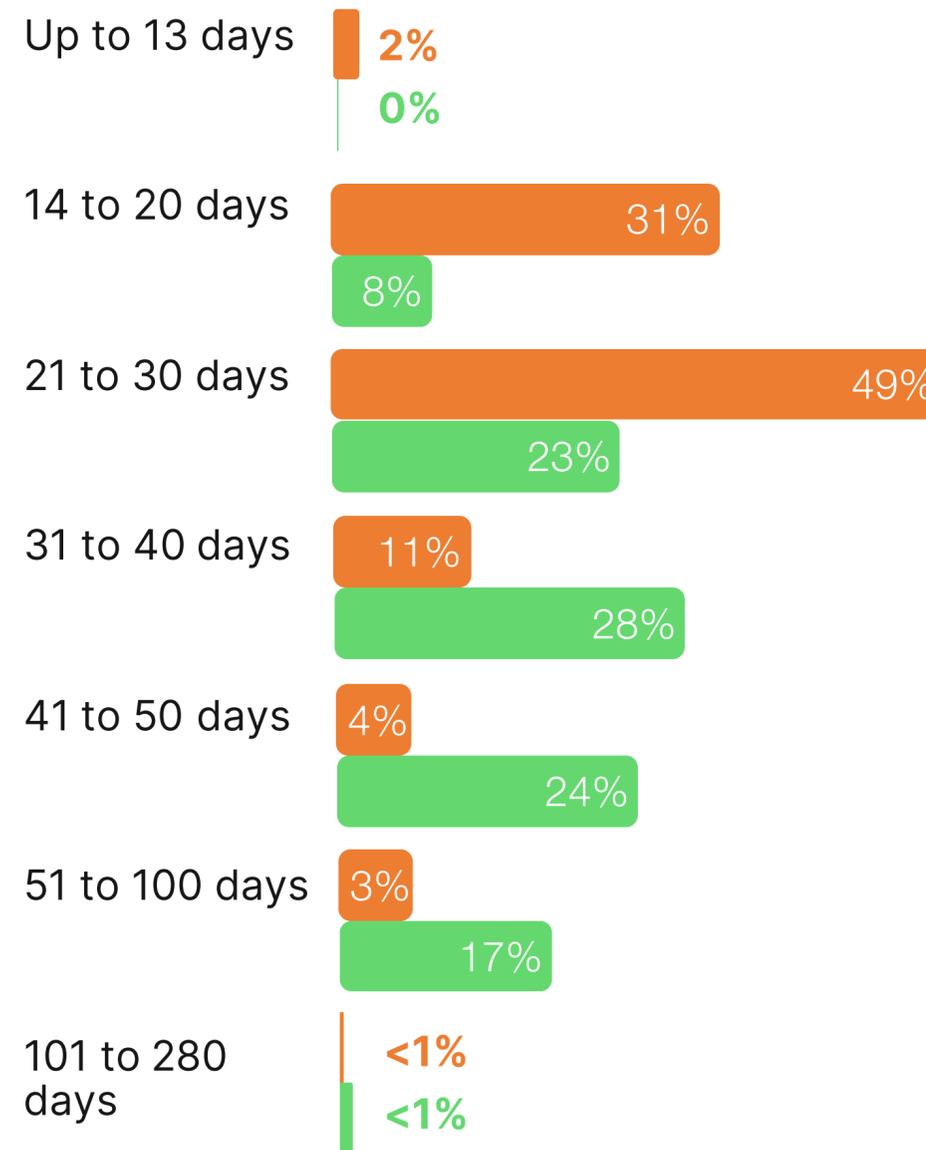
Procurements: time frame



Share of procurements announced by months



Share of procurements via the electronic system in terms of the procurement procedure duration

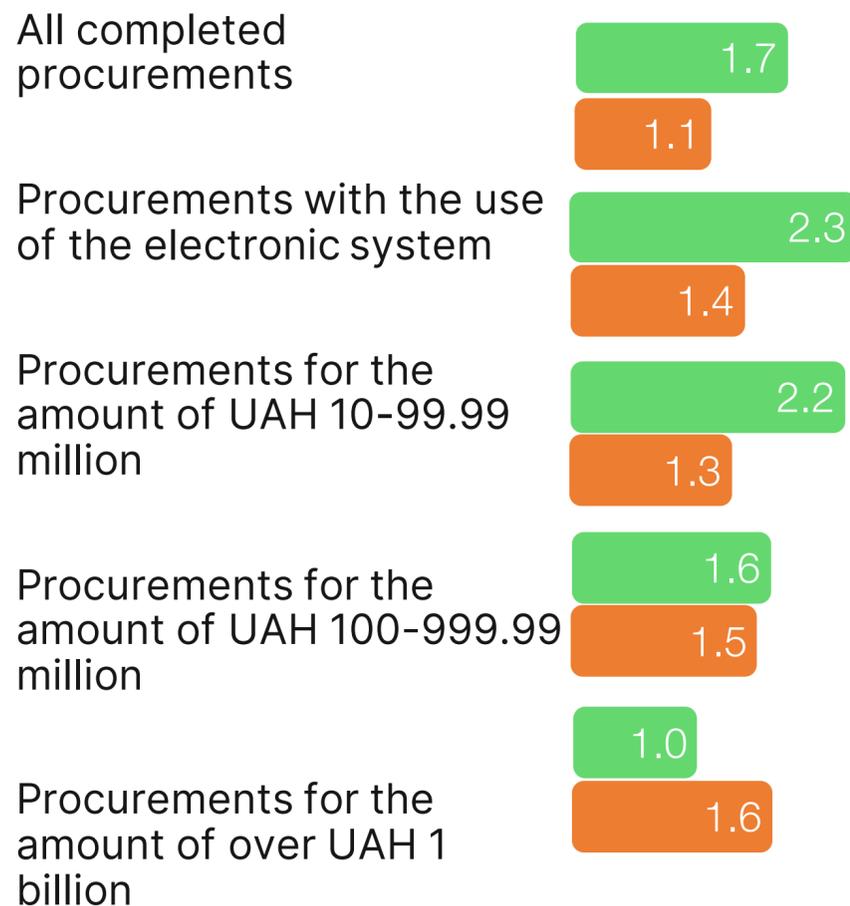


- The second six months of the year are the most active for announcement of restoration procurements.
- Out of 27.1 thousand procurements made via the electronic system, 21.6 thousand (80%) lasted from 14 to 30 days.
- Procurements of the Agency for Restoration last longer than those of other organisers, but mostly the reason for this is the higher complexity of the work and the higher value of tenders.
- The majority of procurements are announced on Thursdays (20.3%), while 1.4% of procurements are announced on Saturdays and Sundays.

Number of participants

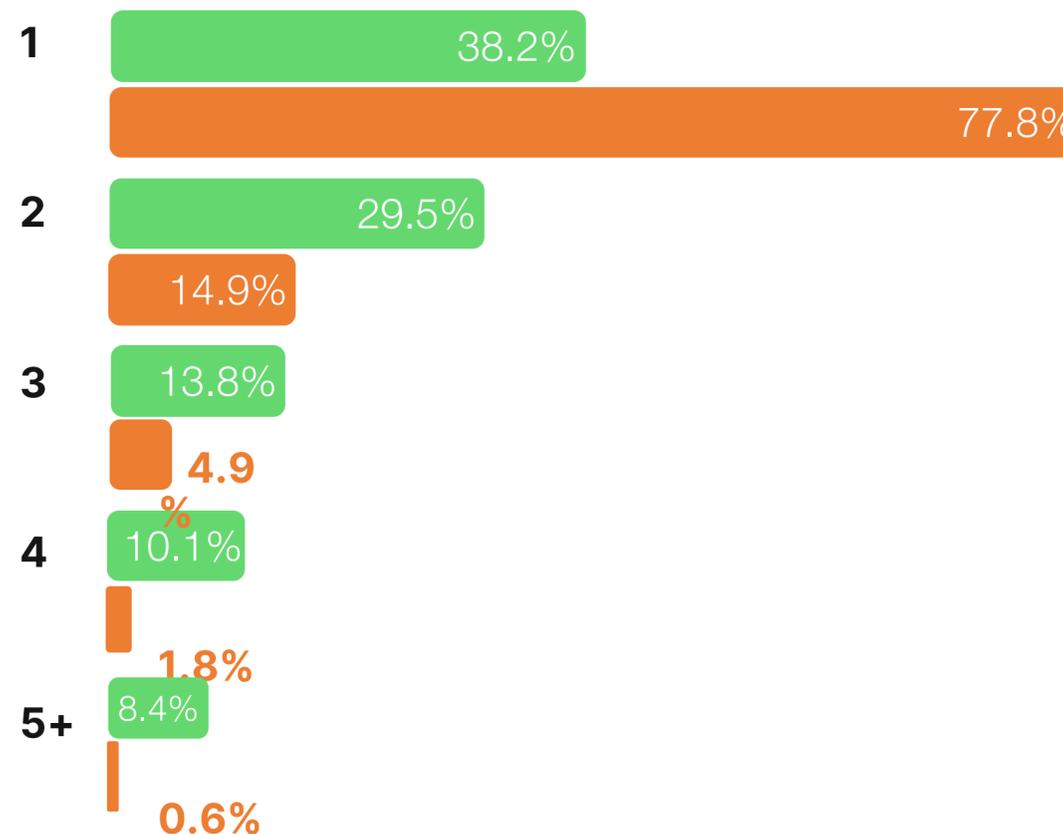


The average number of participants in completed procurements



X,X Agency for Restoration
X,X Other organisers

Number of participants*, %



* completed procurements only with the use of the electronic system and the mentioned number of participants

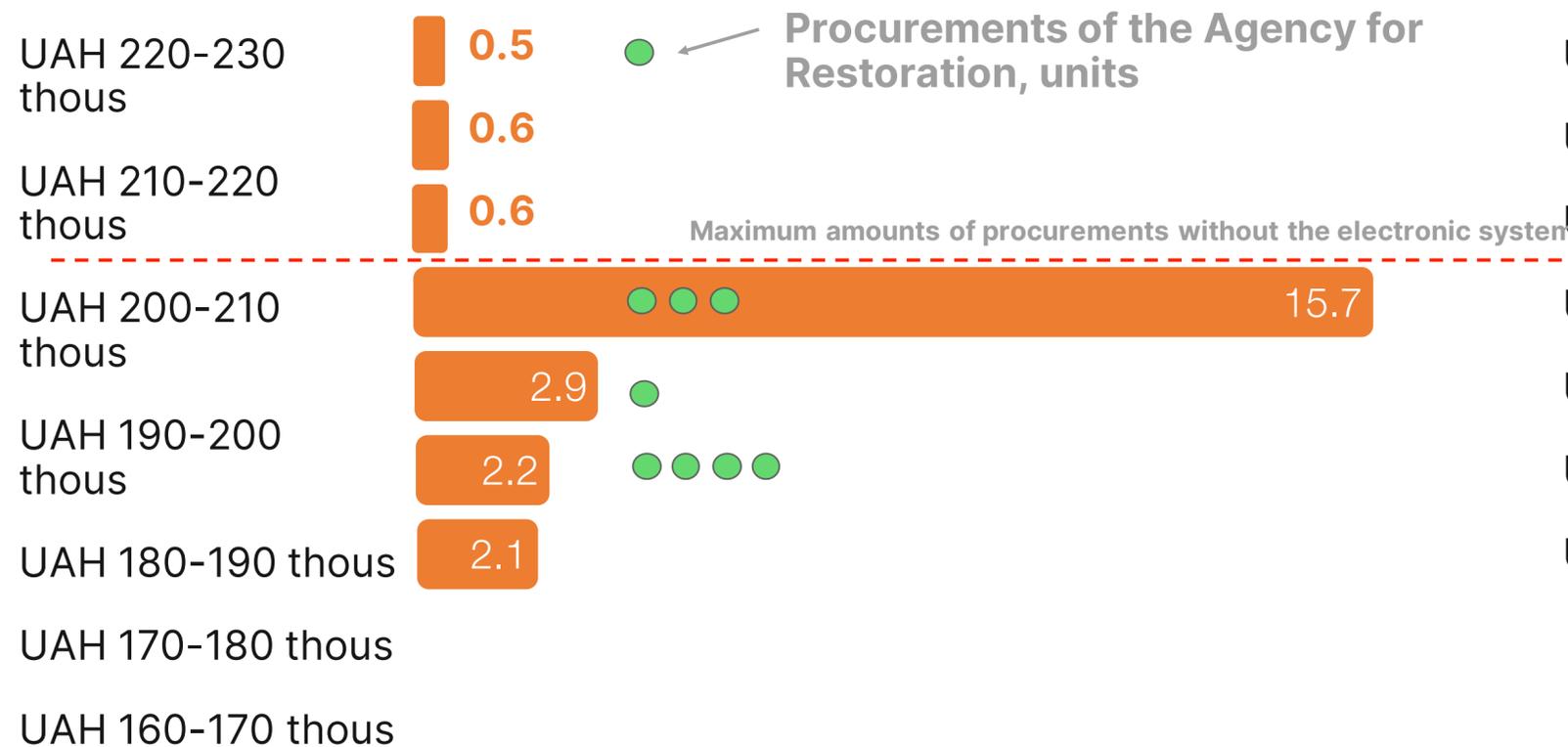
- Among all completed procurements, 96.3% took place with one participant, including 76.4% using the electronic system.
- Among the procurements of the Agency for Restoration, 67.6% took place with one participant, including 38.2% using the uniform system.
- The share of procurements with 2 or more participants of the Agency for Restoration exceeds the similar indicator for all organisers by 9 times, and for procurements with the use of the electronic system – by 2.6 times.
- Among 24 procurements for an amount of more than UAH 1 billion, 21 procurements took place with one participant, two – with 2 participants, and one – with 4 participants.
- The Agency for Restoration carried out procurements via 23 organisers for the amount of UAH 68.5 billion (24% of all construction procurements).
- Only 27 procurements with a total value of UAH 79 million had 10 or more participants.
- The maximum number of participants in one procurement was 21 in 2023.

Procurements where open bidding is avoided

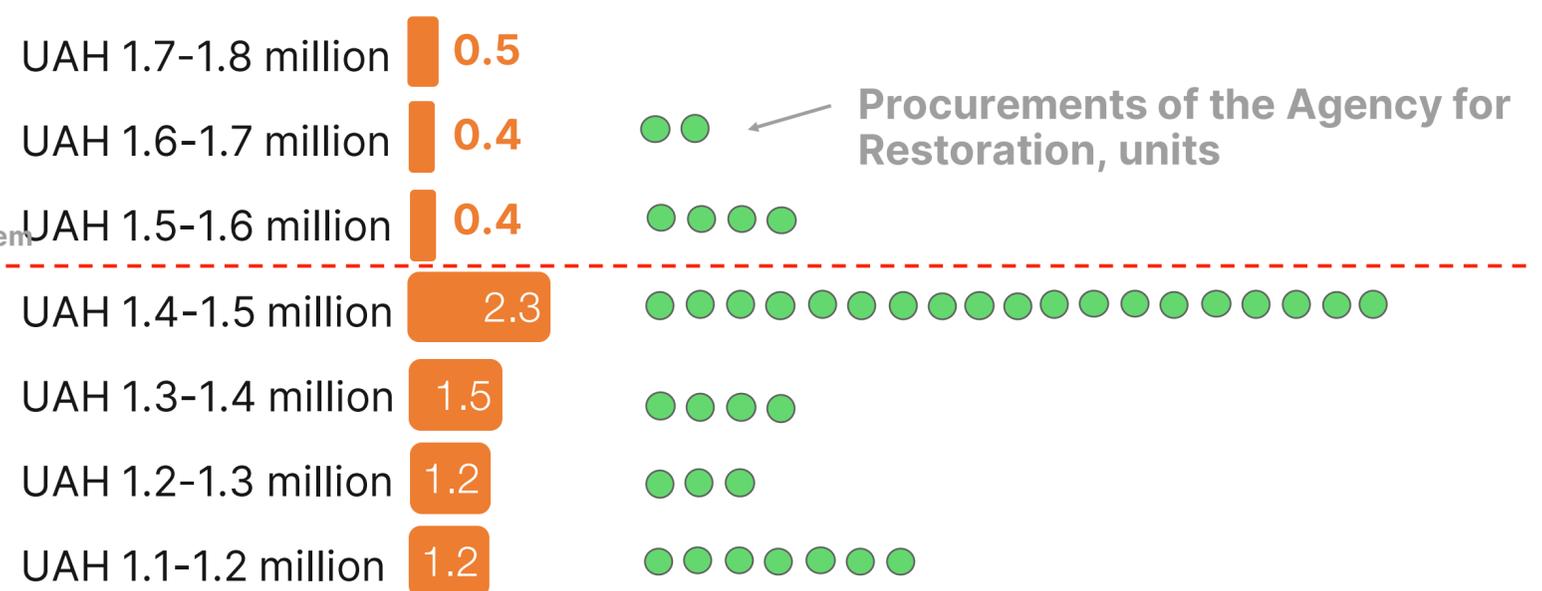


Without using the electronic system, it is allowed to procure current repair services valued up to UAH 200 thousand and works valued up to UAH 1.5 million.

Number of announced procurements in certain pricing segments, thousand.



Number of announced procurements in certain pricing segments, thousand.



Amounts up to UAH 200 thousand allow performing services on current repair without using the electronic system. As a result, 8.8% of all construction procurements were carried out for the amounts within a narrow segment of UAH 190-200 thousand. This is 27 times more than the next segment of UAH 200-210 thousand.

Out of 15.7 thousand procurements for UAH 190-200 thousand, the greater part (8.2 thousand) was within UAH 199-200 thousand.

The Agency for Restoration carried out only 4 procurements for UAH 180-200 thousand in 2023, which makes up only 1% of the total number of procurements.

Amounts up to UAH 1.5 million allow the procurement of works without using the electronic system. In the segment of UAH 1.4-1.5 million, 1.3% of all procurements were made, which is 5 times more than in the higher segments and 1.5-2 times more than in the lower segments.

Numerical extremes around the threshold of UAH 1.5 million are less expressed than around the threshold of UAH 200 thousand.

The Agency for Restoration conducted 19 procurements for UAH 1.4-1.5 million. This makes up 4.6% of all procurements of the Agency in 2023.

Procurements: additional terms



Procurement leaders

| Criterion | Leader in terms of criterion | Number of agreements | Value of agreements |
|--|--|----------------------|---------------------|
| Organiser of procurements with the largest number of agreements entered into | ME "Managing Company for Servicing the Housing Stock of the Desnianskyi District, Kyiv" | 2011 | UAH 74 million |
| Winner of the largest number of procurements | "Elevator Service" | 1369 | UAH 67 million |
| Winner of the largest number of procurements (outside Kyiv) | ME "Komunservis" of Chemerovets village council | 635 | UAH 9 million |
| Winner of the largest number of procurements (individual) | Vladyslav Kuzma | 434 | UAH 3 million |
| Winner of the largest number of procurements from one organiser | "Elevator Service" from ME "Managing Company for Servicing the Housing Stock of the Darnytskyi District, Kyiv" | 718 | UAH 6 million |

Troubled procurements

- The largest number of complaints about 1 procurement (min 10 procurements):

SE "Local highway service in Vinnytsia Oblast" – 0.8 (8 complaints/10 procurements)

- The largest number of disqualifications of a lot per 1 procurement (min 10 procurements):

"Ukrigasvydobuvannya" - 1.50 (33 disqualifications/22 procurements).

- The longest completed procurement:

Current repair of expansion joints in the house for UAH 8 thousand – 280 days.

- The largest number of procurements lasting more than 40 days.

Department for Construction, Housing and Utilities of Solomianska DSA, Kyiv city - 71 (10%).

SFE "Forests of Ukraine" - 61 (85%).

Solonkivska village council - 59 (57%).

Department of Humanitarian Policy of Dnipro city council - 59 (13%).

Journalistic investigations

Disclaimer. Please keep in mind that journalistic investigations may not take into account all possible details and may be biased in certain cases. It is recommended that you treat the information received with caution and not use it for findings without additional research and fact-checking.

Journalistic investigations for the latest month*



Top-5 media in terms of investigations about restoration



General specific features of journalistic investigations in procurements

- One of the key areas of procurements that become the subject matters of journalistic investigations is procurements for the needs of reconstruction
- A part of the defence procurements is fully or partially confidential, which makes their analysis impossible.
- Most often, the subjects matters of journalistic investigations are inflated amounts of procurements, undue fulfilment of agreements entered into, violations identified by state bodies and discovered in procurement procedures
- The uniqueness of each restoration facility complicates the analysis of construction work costs significantly
- In addition to investigations into fraudulent and suspicious procurements, the media is interested in the largest announced procurements and follows their progress.
- About one-third of the news posted on the Slidstvo.Info webpage is devoted to restoration procurements.

Top-5 news on the topic

7 December 
In Kyiv region, the State Audit Service detected violations in performing procurements for almost UAH 115 million

4 December 
Journalists found links between the new advisors to the Office of the President and the restoration tenders

15 December 
Shelter repair agreement for UAH 27 million with inflated prices was terminated after appeals of lawyers from Bihus.Info

3 January 
The National Agency on Corruption Prevention allocate UAH 15 million to remunerations for whistleblowers

5 December 
The State Audit Service has confirmed the misappropriation of UAH 21 million during the reconstruction of Hostomel, including UAH 11 million embezzled by the ex-head of administration.

* - during the period from 4 December 2023 to 3 January 2024.

Topic of the month: Use of construction waste



The law stipulates the disposal and processing of waste

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Framework Law "On Waste Management" (from July 2023):

- construction waste shall be ready for reuse and recycling;
- Local governments shall achieve target indicators: not less than 10% of household waste mass recycled before 2025.

Resolution 1073 "The Procedure for Management of Waste Generated in Connection with Damage (Destruction)":

- classification and accounting of waste;
- requirements for its management, storage and reuse;
- temporary storage of waste in specially designated places, if there are no landfills or there is not enough space for placement;
- the list of components of destruction waste (bricks, ceramics, concrete, wood, scrap metal, broken glass etc.);
- ways of reusing the waste in construction and building materials industry.



Construction waste shall be processed, not disposed

Before the full-scale invasion of russians, a part of the construction waste was sent to a processing plant in Belarus. All the rest had been accumulated at the landfills.

- Construction waste contains hazardous materials (30% of all municipal buildings have asbestos-containing materials, and the extent of using slate as the roofing material for private houses can reach 60-70%).
- Many communities resolve the problem of construction waste utilisation independently.
- Low value of construction waste disposal in Ukraine: UAH 30-150 per m³ depending on the location of the landfill (in the EU and the USA - EUR 4-150 per 1 tonne).
- Kyiv Oblast has 50 landfills for construction waste (in some countries construction landfills are prohibited).

Austin, Texas (the USA): utilisation of not less than one-half of construction waste.



In Warsaw, artificial hills were built from pieces and construction waste after World War II, and the channel of the Vistula River near the Warsaw Gdańsk railway station was strengthened.

Ukraine declares its readiness to start processing of construction waste



Israeli company GreenMix is ready to invest in a factory for the environmental processing of construction waste.

In Mykolaiv, construction waste from the destroyed buildings will be processed in order to subsequently use it in the restoration of facilities.

In Irpin, the first site in Ukraine for destruction waste is being arranged.

In Kyiv and Chernihiv region, construction waste is used for restoration.

Irpin received special-purpose equipment from Japan for the demolition and processing of construction waste.

“Kovalska” will soon start producing construction materials from processed construction waste within the framework of housing restoration in Hostomel – the Group’s CEO.

The International Company Miyamoto International will help Kyiv region to create a complex system for waste processing.

Such construction waste is not simply bulked, Vladyslav Saveniuk says, but they are used with benefit for the landfill: to strengthen slopes and to pave roads.

In Kharkiv, rubbles from destroyed buildings are dismantled with the help of the innovative complex HAMMEL.

Companies that deal with processing in Ukraine

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PROCESSING:

- **Metals:** Metinvest, ArcelorMittal Kryvyi Rih, Zaporizhzhia and Dnipro metallurgical plants.
- **Glass:** "Region-2001", "Vetropack", "UtilVtorProm".
- **Concrete:** "Tsaris", "TekhBudMekhanyka", "Agro-Industrial Group", "Tereshchenko Group of Companies", "Orga".
- **Plastic:** "Ecola", "TIS", "Region-2001", "The Good Plastic Company".
- **Bricks:** "Actis Group", "Forest Ukraine", "UtilVtorProm".
- **Wood:** state forestries.

UTILISATION OF MERCURY-CONTAINING WASTE:

- SE "Bodnarivka" (Lviv).

MANUFACTURE OF PROCESSING EQUIPMENT:

- "Hammel Ukraine" LLC.
- JV "OLNOVA".

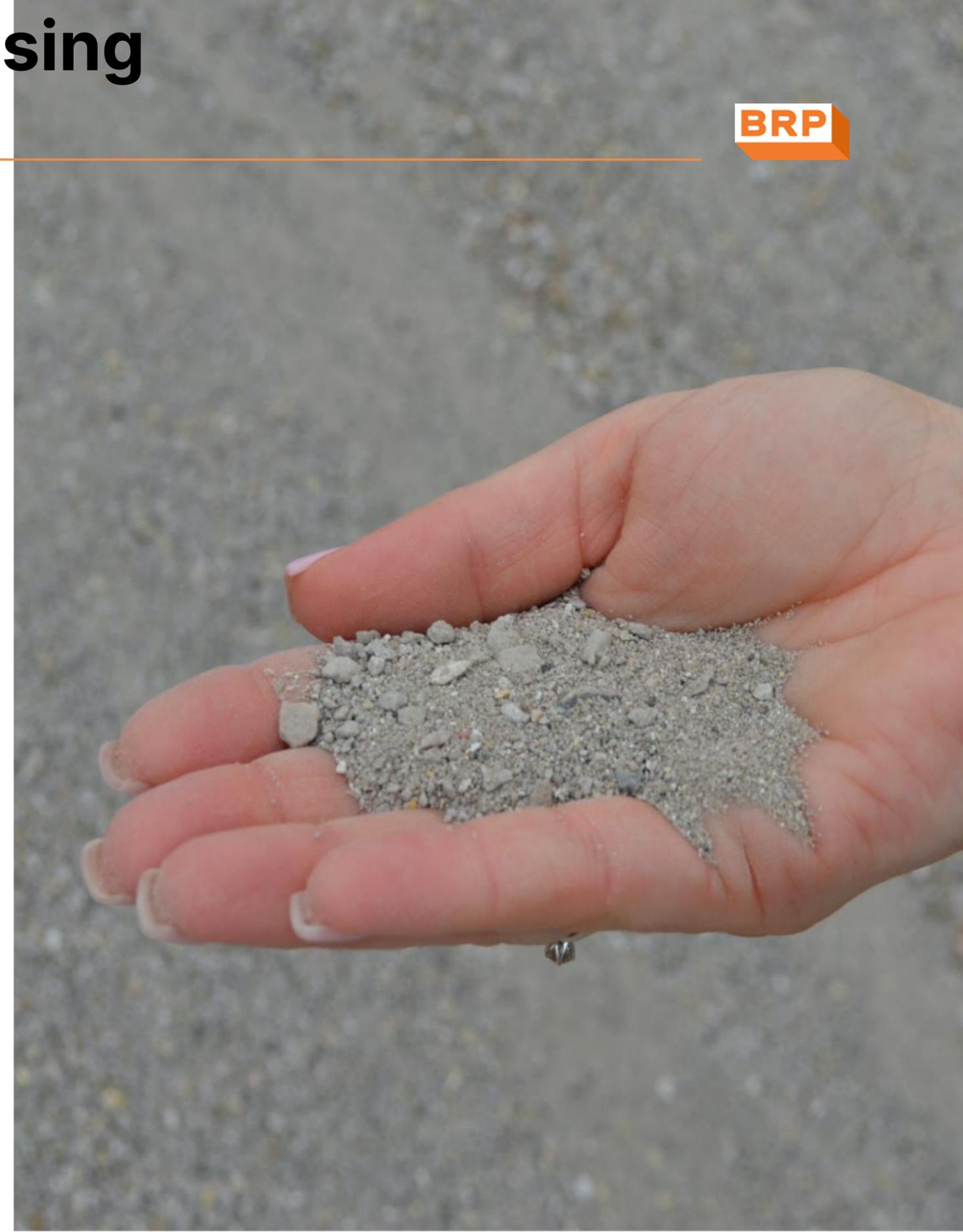


Photo: "Rubric"

What shall be done: regulation and practice

OBSERVE ENVIRONMENTAL SAFETY OF CONSTRUCTION WASTE:

- Sort hazardous materials such as asbestos (contained in slate roofs, asbestos-containing thermal insulation of heating systems, etc.).

EXAMINE THE CONSTRUCTION WASTE AND PROCESS IT:

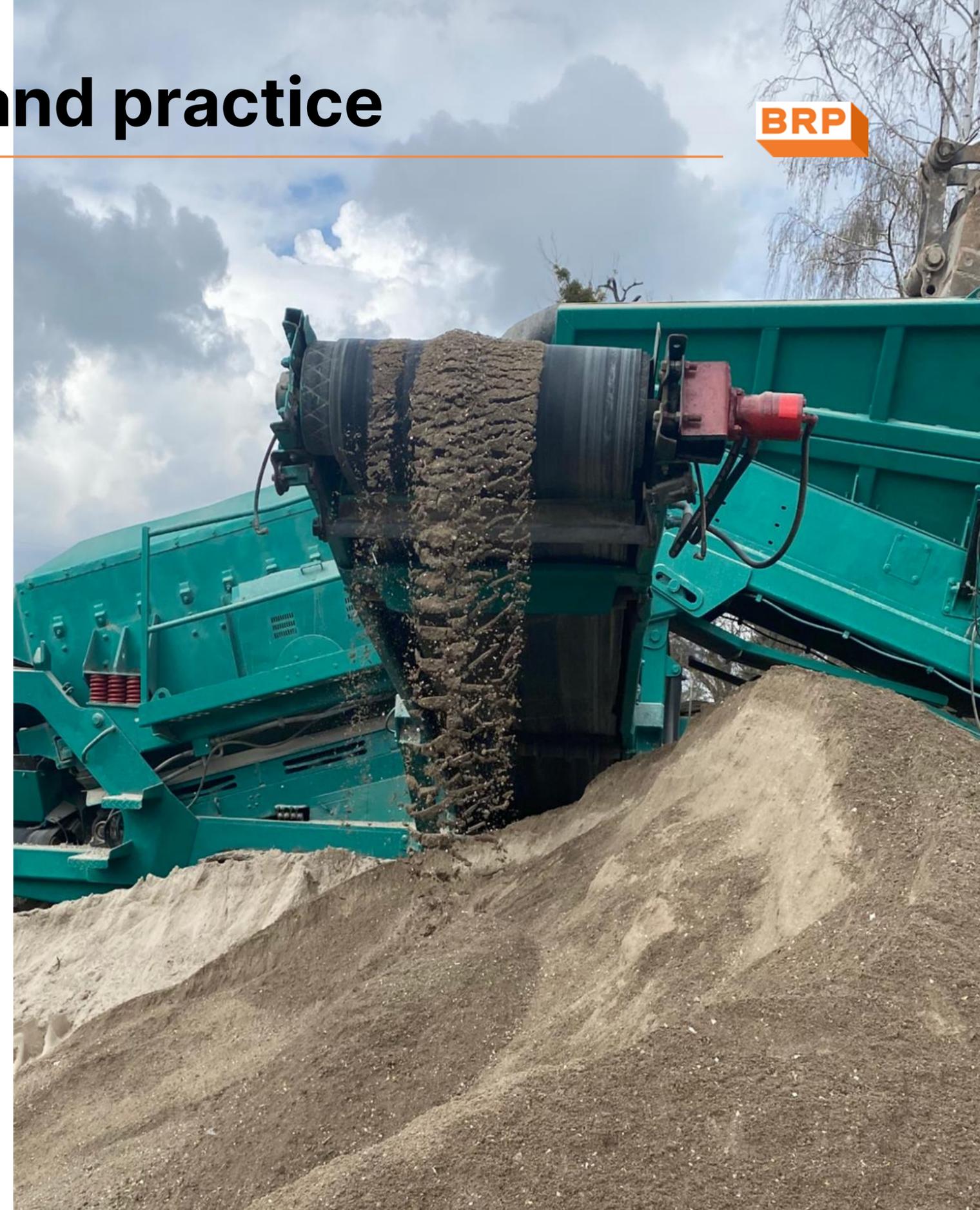
- There are laboratories in Ukraine that analyse the content of harmful substances in construction waste and finished materials (for example, the State research institute of building constructions).
- process metals, glass, concrete, plastic, bricks and wood.
- utilise mercury-containing waste.

COLLECT STATISTICS ABOUT WASTE PROCESSING:

- Recovery rate of construction and demolition waste. in eu this rate was 88% in 2018.

PAY ATTENTION TO SPECIFIC WASTE AS THE RESULT OF SHELLING:

- The problem of waste due to the shelling of former metallurgical companies is especially relevant for donetsk and luhansk oblasts.



Case monitoring

Residential stock reconstruction

*The construction of main water pipelines
Karachuniv reservoir – Kryvyi Rih – Southern
reservoir, Marhanets – Nikopol, Khortytsia
(Dniprovska WSS2) – Tomakivka*

Demining



Waterworks

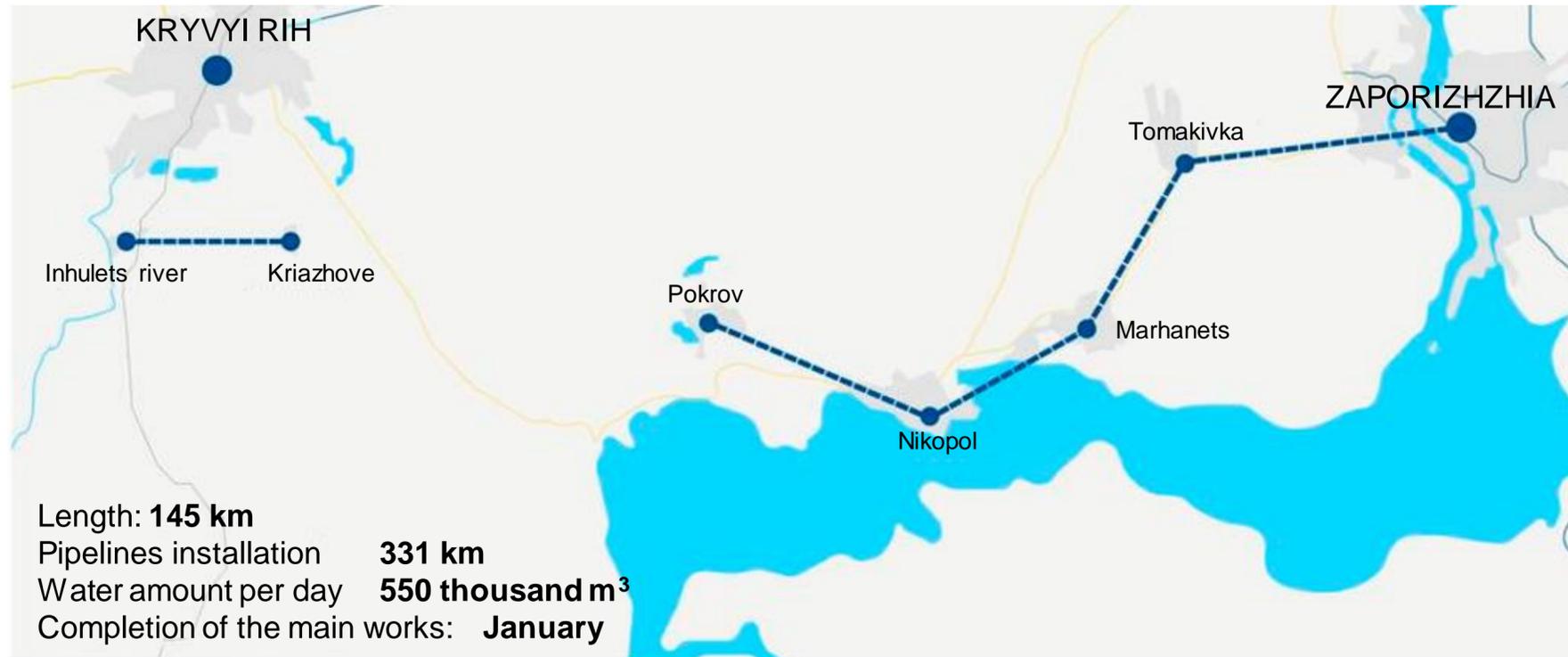
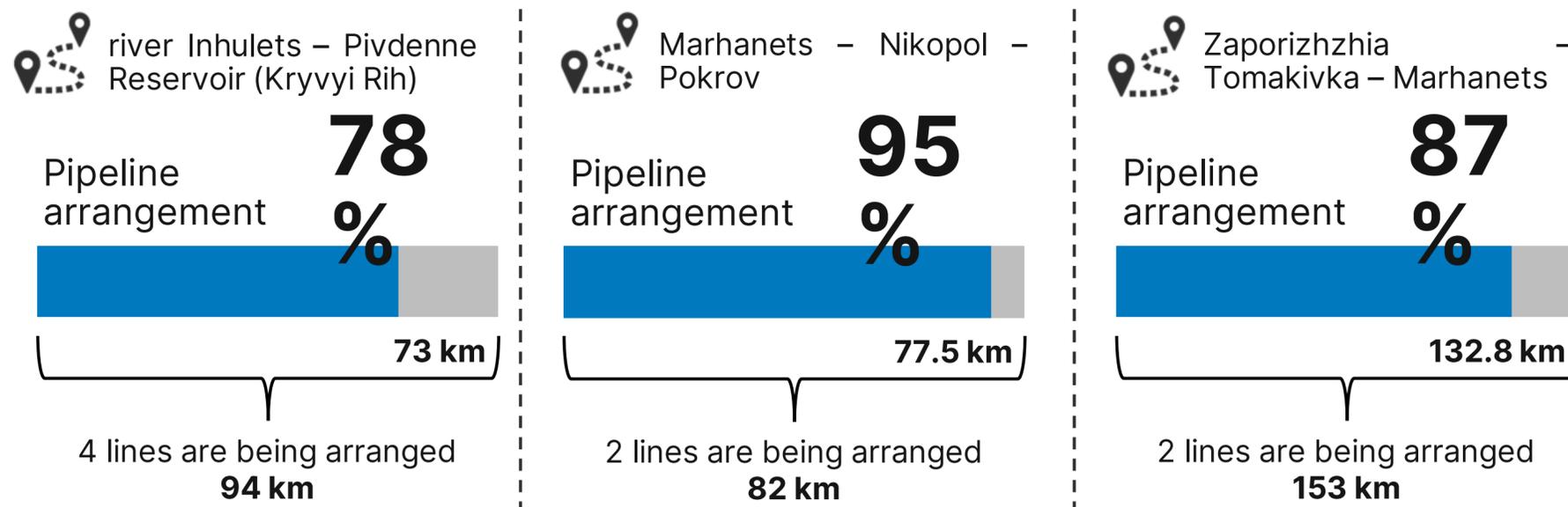


Photo from the official Facebook page of the Agency for Restoration

Works progress (as of 23 December 2023)



- **UAH 12.6 billion** is the total current estimate of construction under agreements signed with contractors following tenders (not amended).
- **UAH 8.5 billion** is the amount of funds allocated by the Cabinet of Ministers of Ukraine for the laying of waterworks in Dnipropetrovsk Oblast in 2023 (no additional funds were allocated).¹
- **UAH 8.2 billion** (63.4% of the planned amount) were paid to construction contractors in August, October, and December 2023 (in December 2023, transactions for UAH 920.3 million).²
- Construction of the main waterworks is one of the most important projects of the Agency for Restoration. Its length is 145 km (more than 300 km of the pipeline in one line). 94% are already arranged.³

² Information for the period before 15 January 2014.

³ Information as of 23 December 2023.

Demining of Ukraine (information as of 16 January 2024)

- The Ministry of Economy has developed **an experimental project on the certification of anti-mining operators and processes.**¹
- The goal of the project is to simplify and unify the certification process, to make it more understandable and accessible to anti-mining activity entities.
- Main changes:
 - Single unified certification procedure by all certification bodies;
 - Fewer documents necessary for certification;
 - Separate certificates for different processes;
 - Single effective periods of certificates (3 years – primary certificates, 5 years – extended);
 - Operator compliance monitoring under the principle: lower risks – fewer audits;
 - Introducing distinct grounds for suspension or termination of the certificate, as well as the possibility to appeal.

Examined: 652.6 thousand ha (+7.6 thousand ha)

698.6 thousand (+7.0 thousand)
explosive objects were destroyed

Cleared: ⁶



2.3. km of
railway



800.5 km
of motor
roads
(+49.4 km)



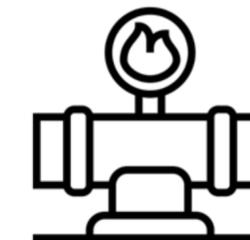
435.9 km of
electrical grids
(+100.1 km)



130.1 ha of
forests
(+1.7 ha)



21.7 ha of
water areas



36.8 km of gas
pipelines
(+1.8 km)

Demining of Ukraine (information as of 16 January 2024)

- In 2023, 18 thousand km² of de-occupied territories of Ukraine were recognized as having no threat from the point of view of mine safety. This makes up 10% from the previous evaluation. ¹
- In 2023, 115 ATCs were examined with a total area of 50 thousand km².
- Plans for 2024: ²
 - Non-technical examination of 40 thousand km² on the territory of 50 ATCs in the de-occupied Oblasts;
 - events on humanitarian demining on 239 sites with a total area of 937 ha.
- From the beginning of the year up to 15 December, 268.6 thousand ha of agricultural land had been examined from the planned 470 thousand ha. Out of them, more than 200 thousand ha were returned to service. ³
- In 2024, Swiss Company GCS will provide 60 platforms for mechanical demining under remote control. ⁴
- On 11 January 2024, Turkey, Bulgaria and Romania signed the agreement on the joint demining of the Black Sea. ⁵
- In October 2024, the international conference on humanitarian demining of Ukraine will be conducted in Geneva. ⁶

Examined: ⁶52.6 thousand ha (+7.6 thousand ha)

⁶98.6 thousand (+7.0 thousand) explosive objects were destroyed

Cleared: ⁶



2.3. km of railway



800.5 km of motor roads (+49.4 km)



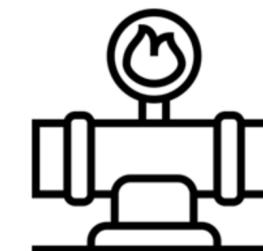
435.9 km of electrical grids (+100.1 km)



130.1 ha of forests (+1.7 ha)



21.7 ha of water areas



36.8 km of gas pipelines (+1.8 km)



THANK YOU FOR YOUR ATTENTION!

