

THE RECOVERY SPENDING WATCHDOG

#11, July 2024

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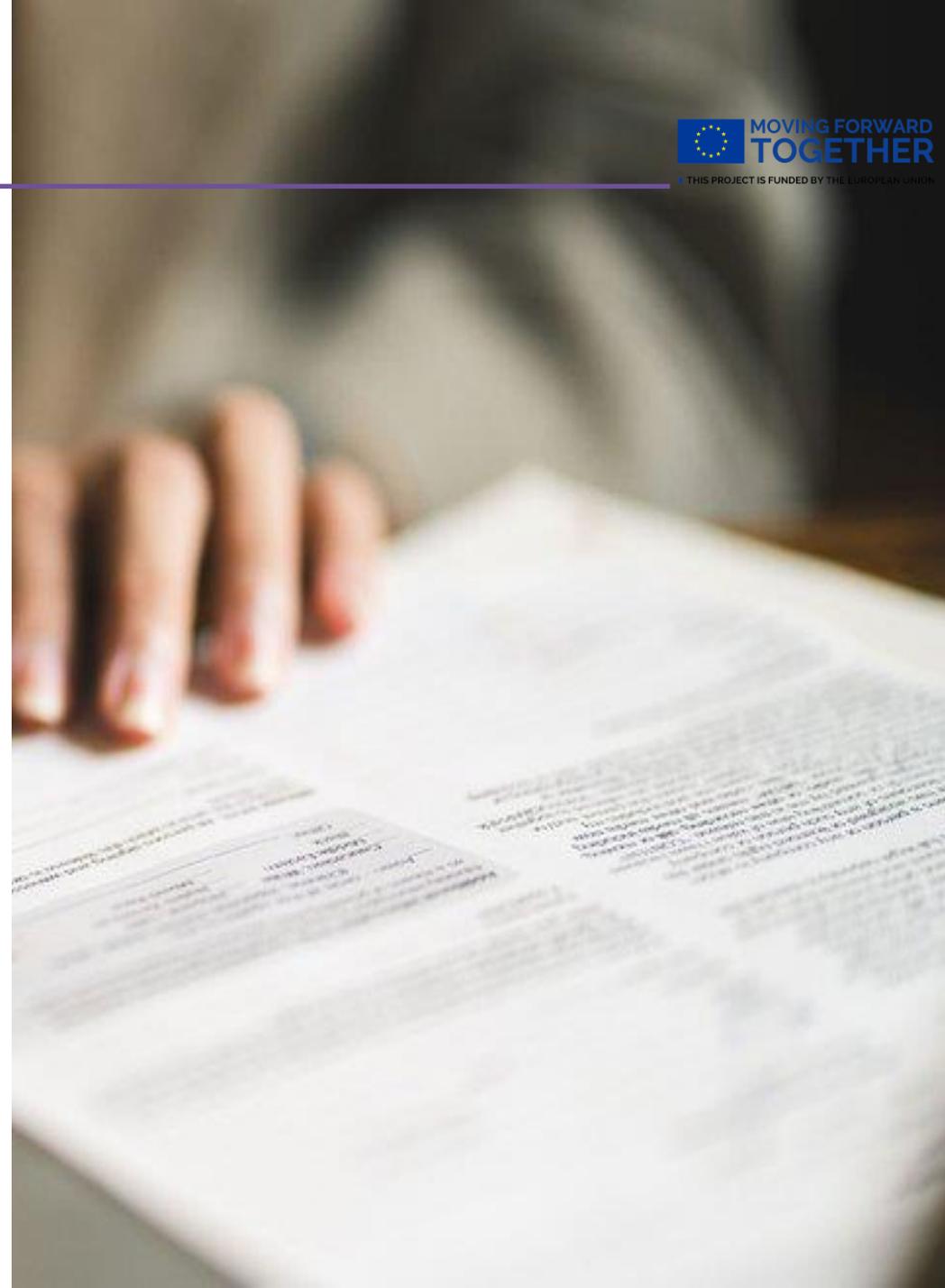


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- Reconstruction progress and funding
- Analysis of reconstruction procurement
- Investigative journalism (reconstruction in the media)
- The topic of the month: recovery in the healthcare sector
- Monitoring specific areas: water pipelines, demining



Legal regulation



Legal regulation

[Draft Law No. 11057](#) on mandatory publication of prices for construction materials was adopted as a basic law on 17 July (the draft law was registered in the Parliament on 4 March 2024)

The Ministry of Regional Development continues to work on the State Strategy for Regional Development (however, it remains unclear whether the Ministry will continue to exist as one or two ministries)

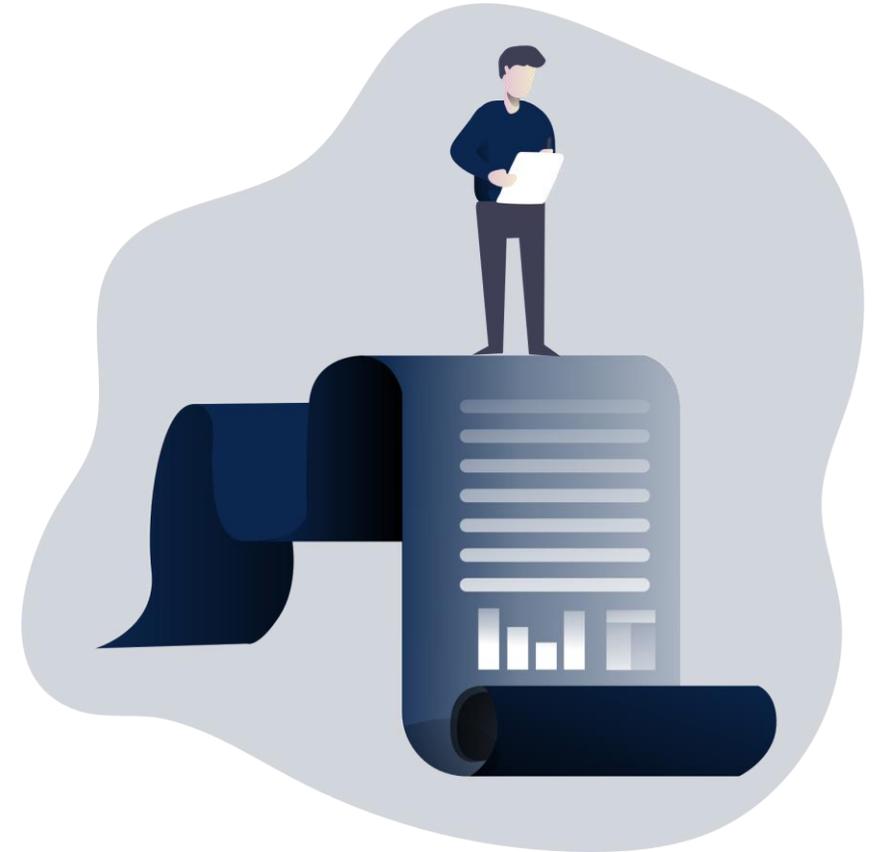
The Verkhovna Rada Committee on the Organisation of State Power, Local Self-Government, Regional Development and Urban Planning is organising public consultations on legislation in the field of recovery

Regional recovery services have approved [new procedure for organising public procurement](#), by the Agency. It covers the procurement of goods, works and services for all needs - for recovery projects, road maintenance, and internal needs: BUT the procedure has not been published - it is available on request

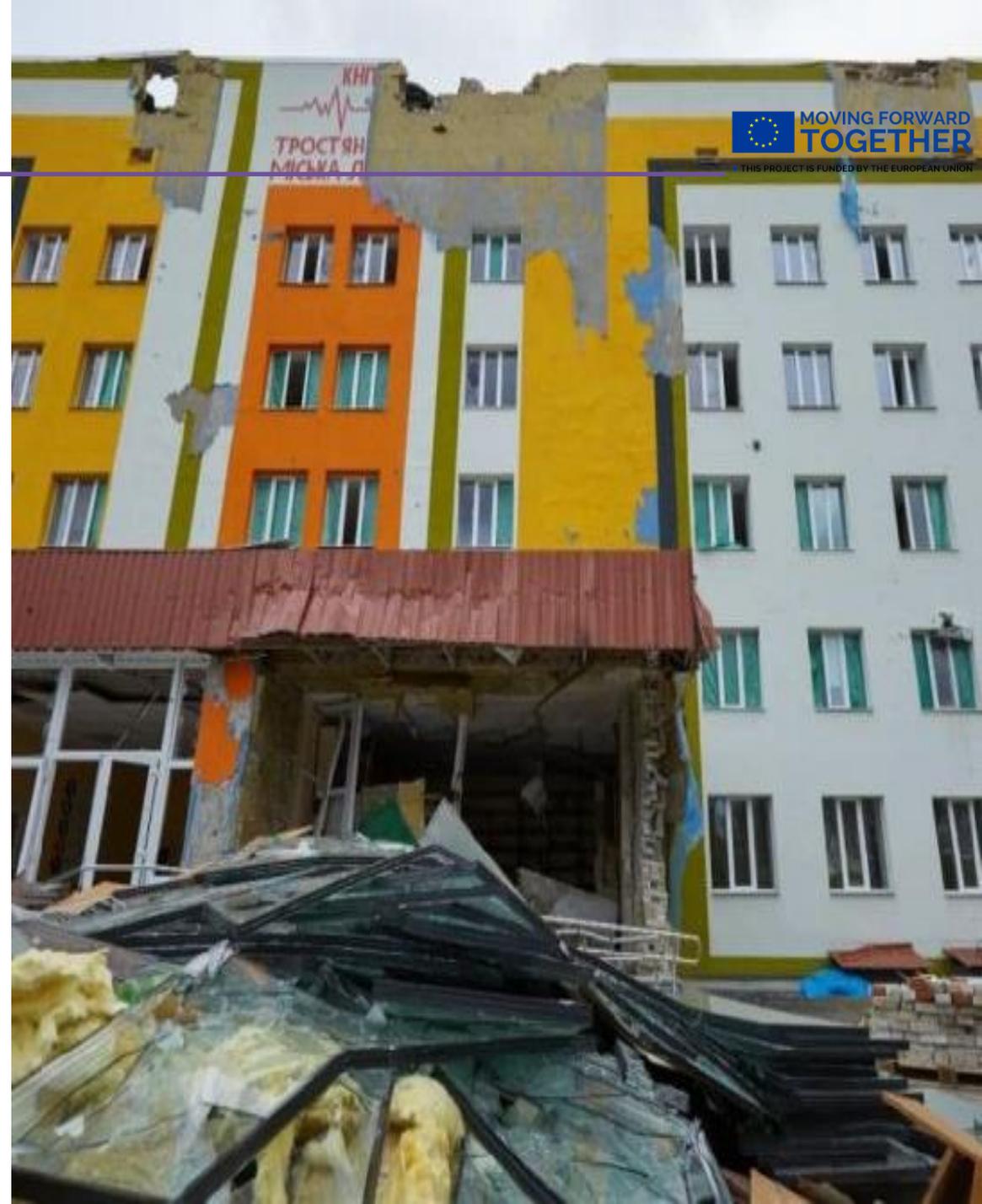
The Government has approved the [regulation](#) "On the Distribution of Subventions from the State Budget to Local Budgets for the Provision of Safe Conditions in Healthcare Facilities in 2024" - 40 facilities

pro The Government has approved the [regulation](#) to allocate UAH 6.8 billion for the eVidnovlennya programme:

- UAH 2.4 billion will be allocated for housing repairs
- UAH 4.4 billion for housing certificates



Reconstruction progress and funding



DREAM – discussions on the legislative framework are ongoing

The number of projects is growing, as well as the need for funding: however, in July it is slower than in Jun

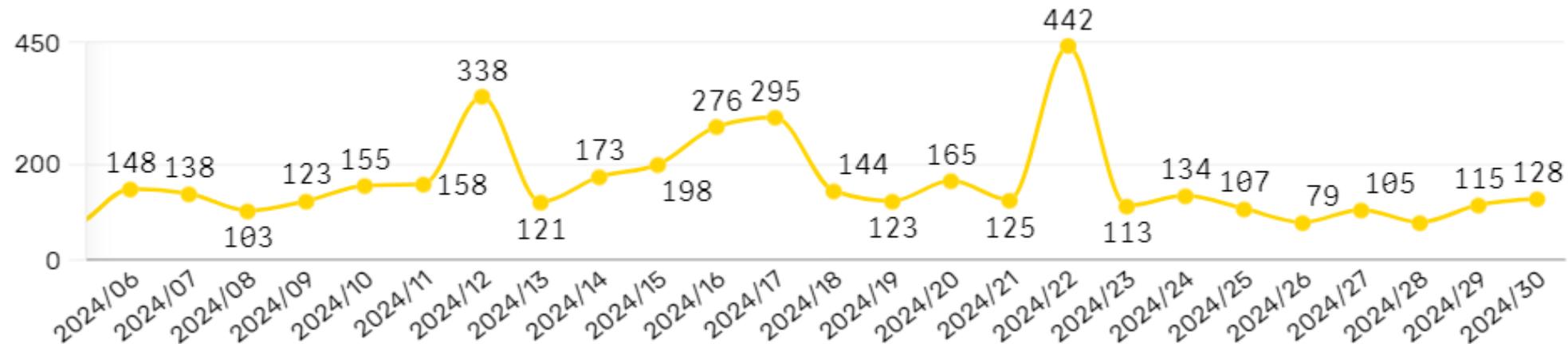
As of 30 July:

5626 projects at the stage of initiation and implementation (+433 projects per month): UAH 289 billion in funding needs (+UAH 11 billion), of which only UAH 53.7 billion (+1.7 billion) is confirmed:

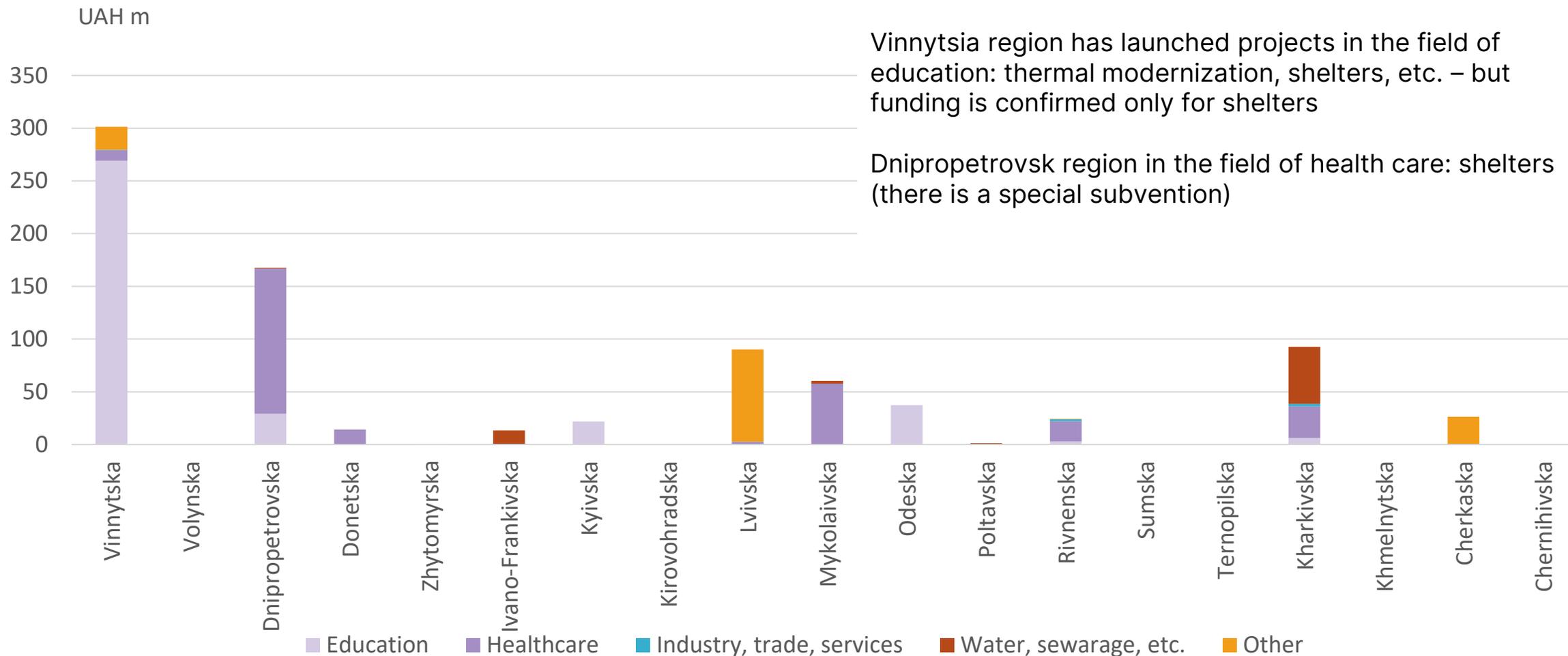
- The number of projects in progress increased to 3,264 compared to 3,083 at the end of June and 2,492 at the end of May: BUT confirmed funding increased by only UAH 1.6 billion to UAH 48.6 billion, while the need is UAH 208 billion

DREAM is likely to become a public investment management tool

Number of projects submitted to the DREAM

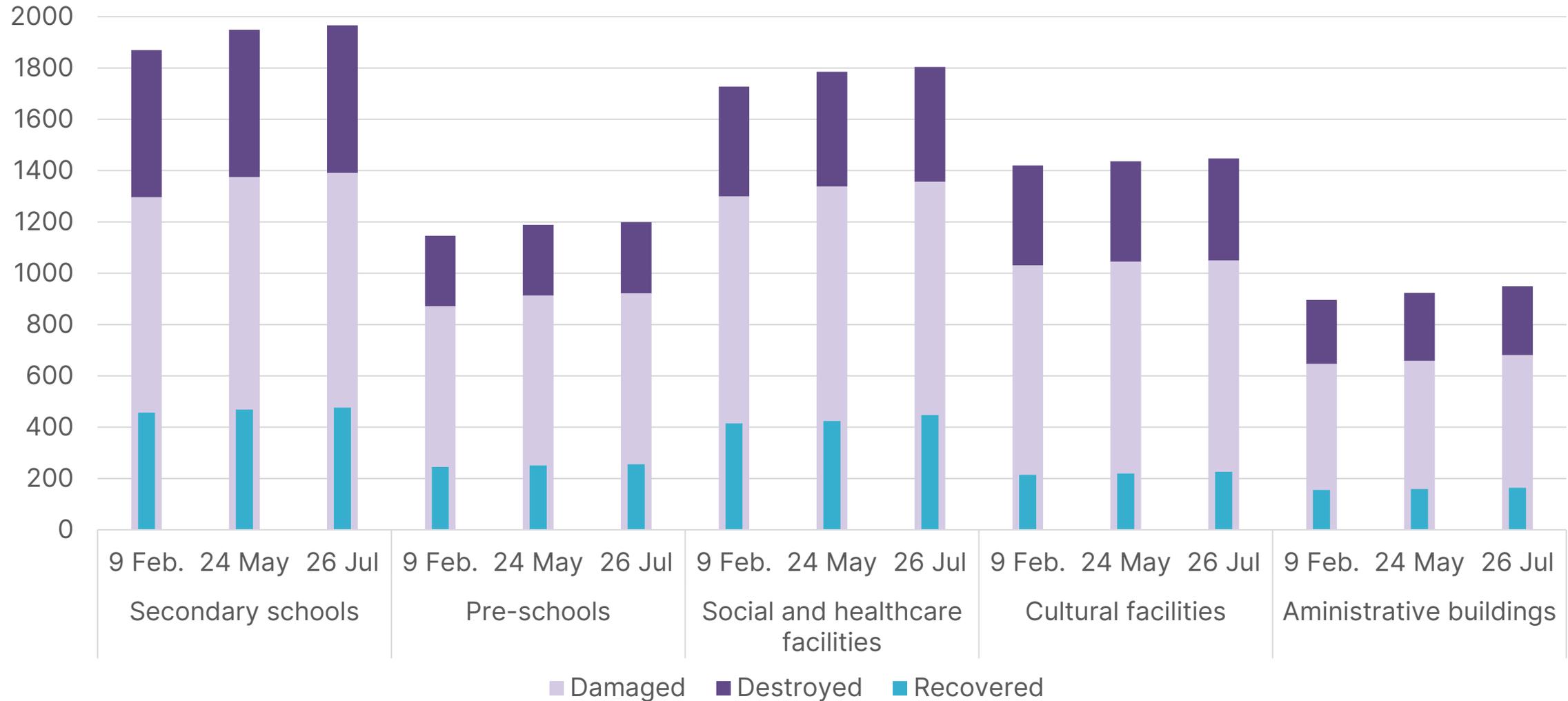


DREAM: Mykolaiv region, largest projects



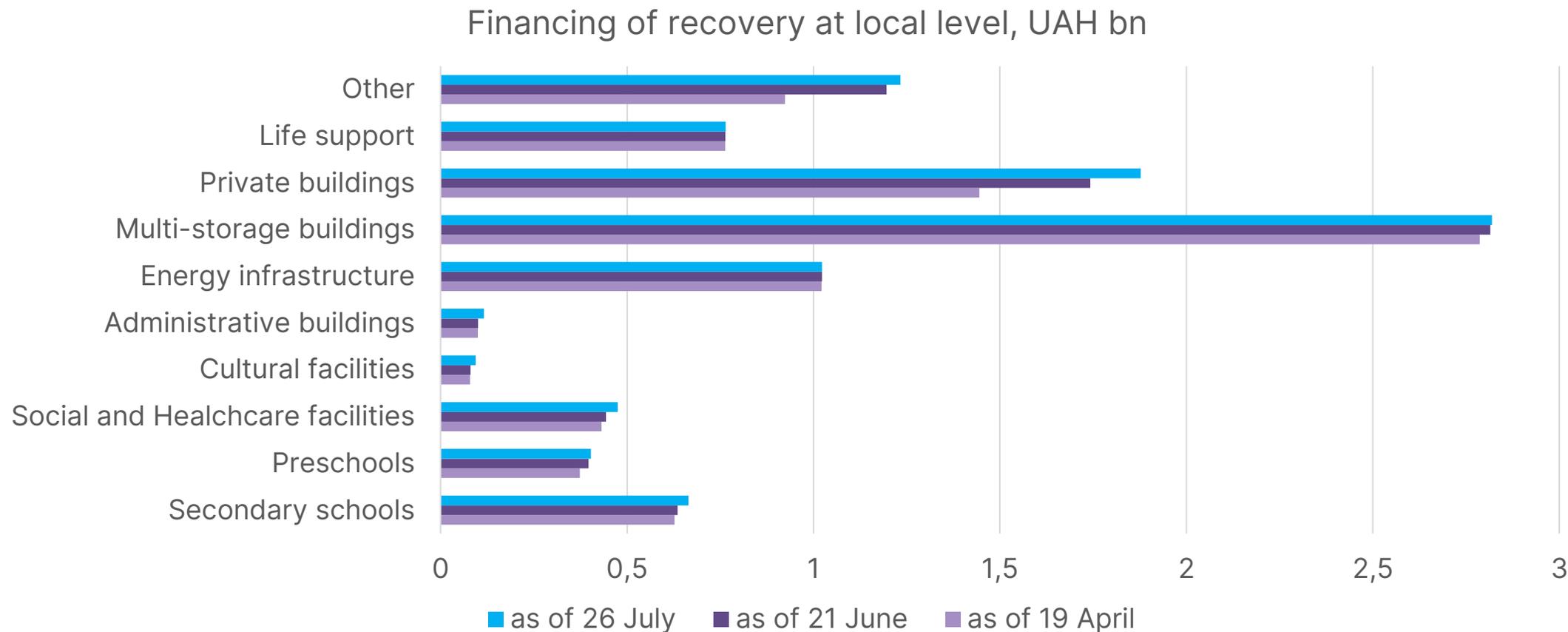
Destruction of social infrastructure continues, recovery is slow, but shelters and underground schools are being built

Destruction is significantly faster than recovery



During the month, UAH 274 million was allocated for local projects

In total, since the beginning of the full-scale invasion, spending on local recovery projects has amounted to almost UAH 9.5 billion - this does not include funding for projects implemented by the Recovery Agency and regional services
In July, funding slightly accelerated, likely due to shelter construction



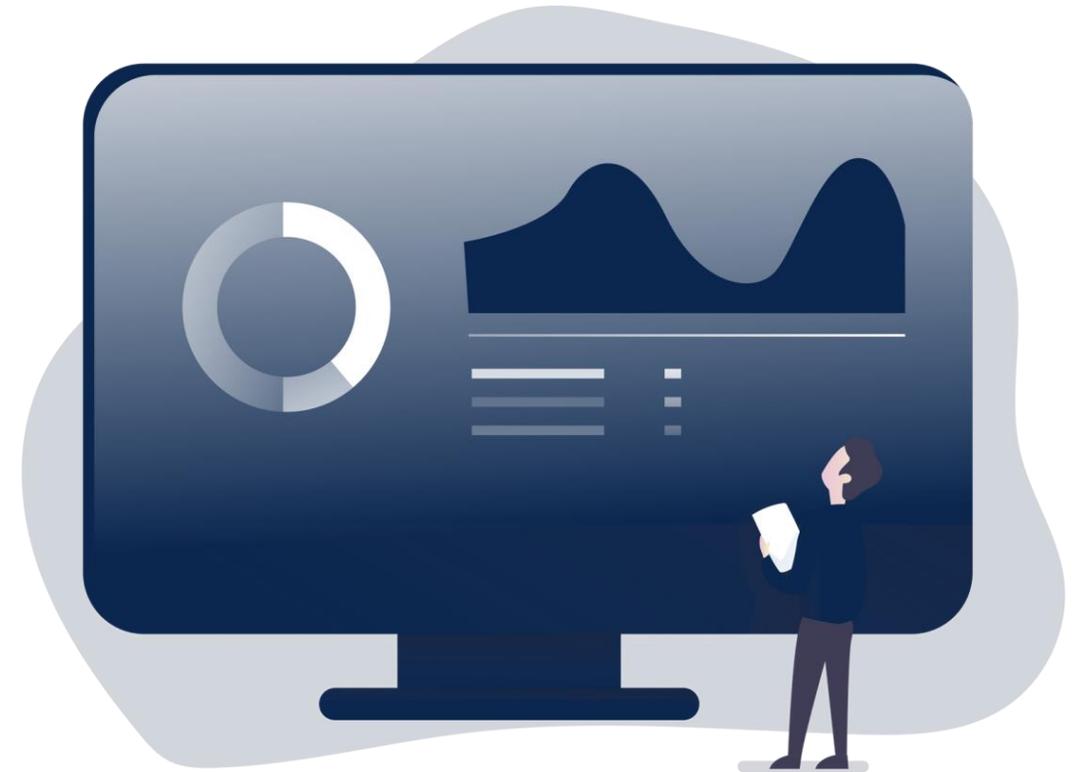
Remarks: Funding from the state and local budgets, which are performed locally (does not include funding through the Recovery Agency)
Source: Ministry of Reconstruction

Analysis of reconstruction procurement



Key procurement figures in January-June 2024*

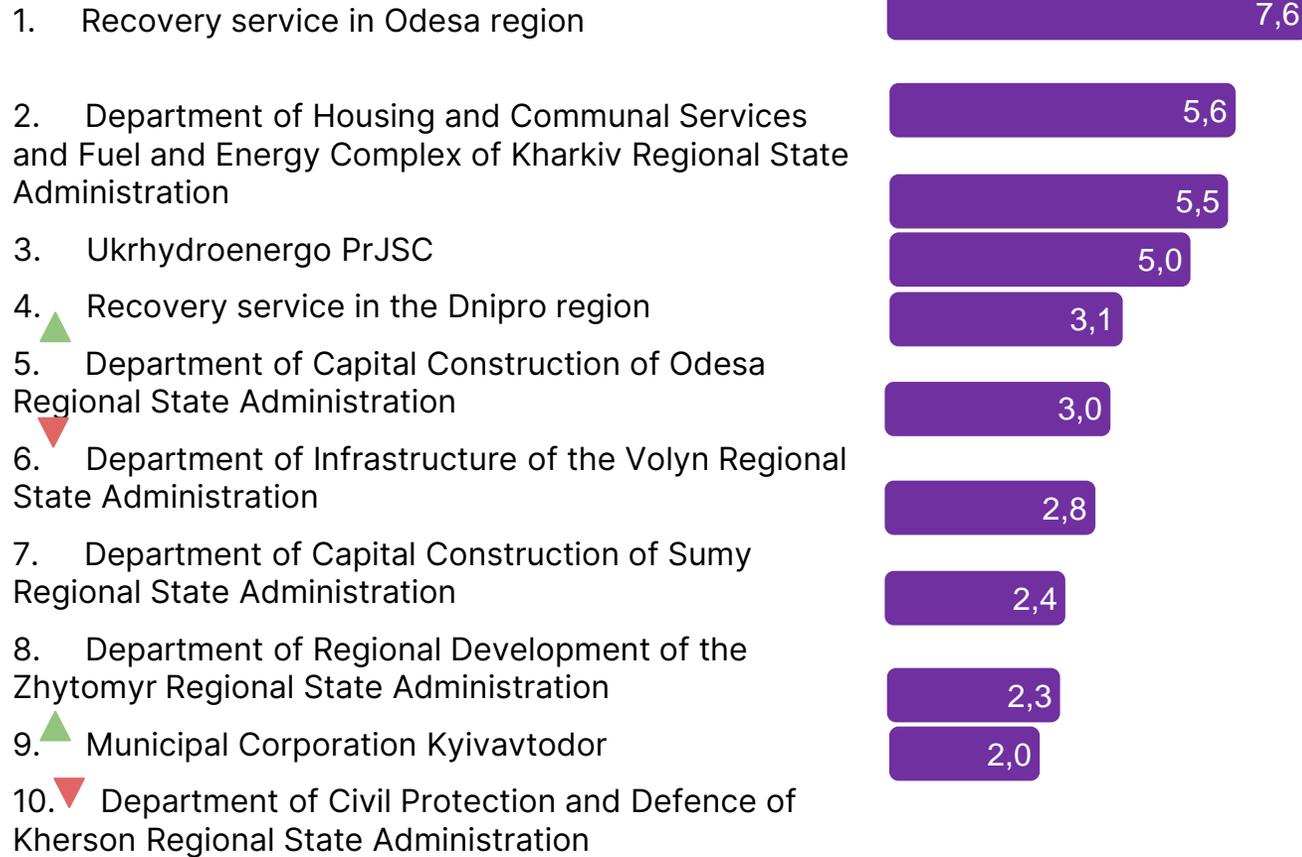
- In January-June 2024, 57.3 thousand construction procurements were announced. 92.9% of them were completed (53.2 thousand), 3.8% did not take place, 1.6% were cancelled, and 1.7% are still ongoing.
- Procurement for the first 6 months of the year totalled UAH 115.7 billion, including the current procurement amount in June - only UAH 8.7 billion, which is 2.4 times less than a month earlier.
- The e-procurement system was used for 9.5 thousand completed procurements (17.8%) totalling UAH 63.1 billion (54.5%).
- Defence procurement in January-June amounted to UAH 23.1 billion, 20% of the total construction procurement. The increase in volume was mainly due to an increase in the current value of procurements in previous months.



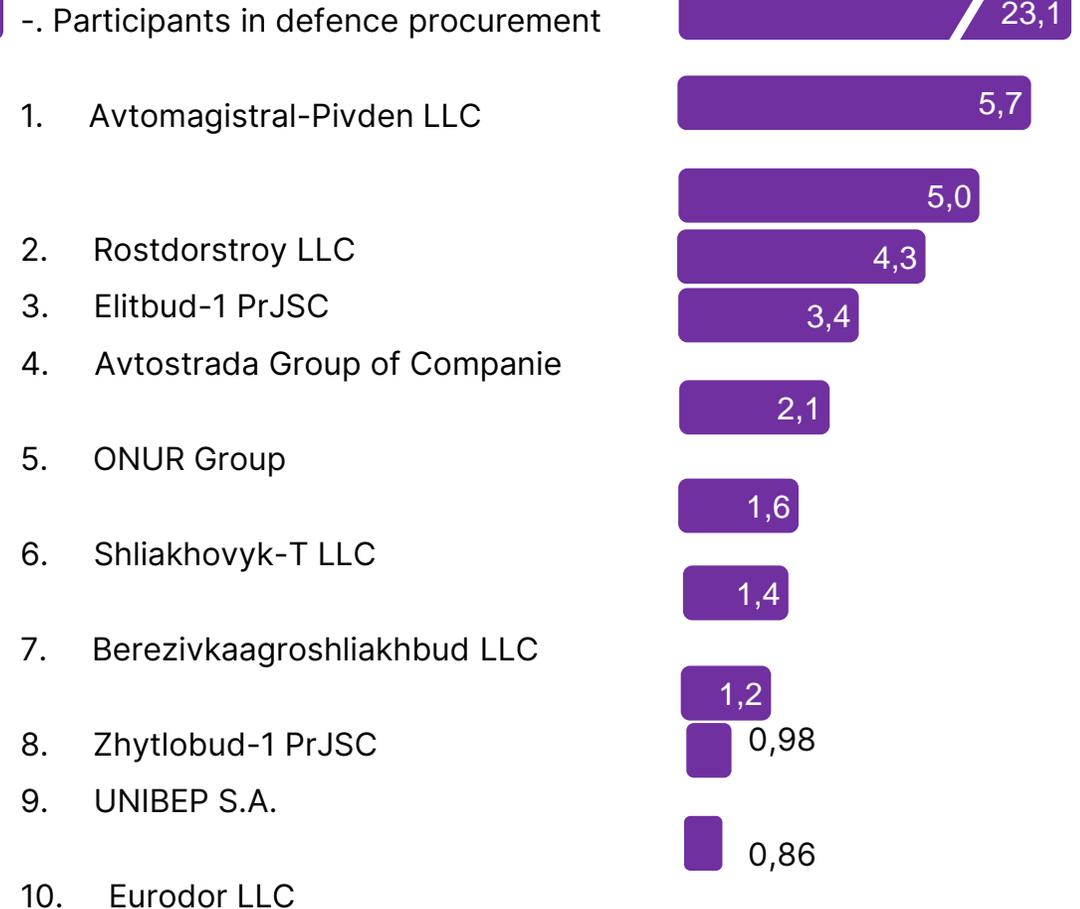
* - as of 19 July 2024

Procurement leaders - January-June 2024

Top 10 procurers (UAH billion)



Top 10 tender winners (UAH billion)



Top 10 share in all procurements



Top 10 share in all procurements



The largest construction tenders in January-June 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.	Restoration and adjustment of motorway lanes of the Metro Bridge over the Dnipro River	Kyivavtodor	ONUR Group	2,0
5.	Operational maintenance of public roads	Recovery service in Odesa region	Rostdorstroy LLC	1,5

XXX Procurement in January-May 2024

XXX Procurement June 2024

The share of competitive procurement is declining

Competition in completed procurements using the e-procurement system

No. of participants	No. and % of procurement		Value (billion) and % of procurement		Number and % of purchases in June		Amount (billion) and % of procurement in June	
1 participant	7221	76,3%	41,9	66,4%	1338	85,4%	3,7	73,8%
2 participants	1331	14,1%	10,4	16,4%	163	10,4%	1,1	22,4%
3 participants	507	5,4%	6,2	9,9%	40	2,6%	0,2	3,0%
4 participants	202	2,1%	2,7	4,2%	15	1,0%	0,02	0,3%
5 participants	100	1,1%	1,7	2,7%	4	0,2%	0,01	0,1%
6 participants	45	0,5%	0,1	0,2%	3	0,2%	0,02	0,3%
7-13 participants	52	0,5%	0,1	0,2%	4	0,2%	0,001	0,1%
Total completed procurement using the e-procurement system	9458	100,0%	63,1	100,0%	1567	100%	5,1	100,0%

- 3/4 of procurements using the electronic system remain non-competitive. Among all procurements, 96% are non-competitive. In June, these figures were even higher - 85% and 98% respectively
- The share of procurements with 3 or more tenderers among competitive procurements fell to 40% in the first half of the year, while in June it was only 29%.

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

25 July  СУСПІЛЬНЕ
In Zaporizhzhia region, two state hospitals procured at potentially higher prices– UAH 1.9 million instead of UAH 1.5-1.7 million for an ultrasound machine and UAH 3.6 million for the purchase of optical CT scan

НАШІ ГРОШІ

25 July
UAH 1.3 billion for the repair of a hospital in Kryvyi Rih was taken without competition by the sole bidder, SK Stroyinvest, the company mentioned in the investigation by Bigus.info

НАШІ ГРОШІ

12 July
In Kryvyi Rih, despite an ongoing criminal case, overpriced shelter estimates by UAH 63 million were included in budget

 ЕКОНОМІЧНА ПРАВДА

10 July
ESB prevented embezzlement of more than UAH 300 millions during the refurbishment of a maternity hospital and a pre-school in Odesa region

 ЕКОНОМІЧНА ПРАВДА

26 June
ESB prevents embezzlement of more than UAH 200 millions of local budget funds in Kyiv Oblast during tender for reconstruction of secondary school

* - for the period from 25 June to 25 July 2024

The topic of the month: recovery in the healthcare sector



Destruction and recovery in the healthcare sector

- Renewing access to healthcare is critical to people's lives
- According to the Ministry of Reconstruction, 1,643 healthcare facilities have been damaged or destroyed since the start of the full-scale war:
 - 1253 damaged up to 50%.
 - 390 are damaged by more than 50%

(this does not include the number of damaged and destroyed medical facilities on the temporary occupied territories)

- According to the Ministry of Health, medical facilities in Kharkiv, Donetsk, Mykolaiv, Kherson, Chernihiv, Kyiv, Dnipro, Zaporizhzhia and Sumy regions were most severely damaged.
- In total, 523 medical facilities have been fully restored in different regions and another 362 have been partially restored
- The largest number of medical facilities has been restored in Mykolaiv, Dnipro, Kyiv, Kharkiv and Chernihiv regions
- As of 26.07.2024, a total of UAH 475 million has been allocated for the reconstruction and restoration of healthcare and public safety facilities, according to the regional and Kyiv city military administrations



Key interested entities

 **МІНІСТЕРСТВО
ОХОРОНИ
ЗДОРОВ'Я
УКРАЇНИ**

- Healthcare policy
- Setting priorities for recovery in the health sector (in particular, the Recovery Project Office at the Ministry of Health)
- Committees to identify funding from UNITED24 funds

 **Агентство
ВІДНОВЛЕННЯ**

- Implementation of comprehensive recovery projects and specific (large) recovery projects, including the comprehensive recovery of 6 locations

**Regional
military
administrations
and
territorial
communities**

- Manage local recovery efforts:
- Initiation of restoration projects
 - Development of project design and estimate documentation (PDD)
 - Procurement
 - Organising recovery works
 - Engaging donors in the recovery process

**International
donors**

- Funding recovery projects directly or via NGOs/charities, or through the budget

NGO/CHARITIES

- Implementation of recovery projects

Sources of healthcare recovery funding

The Fund for Elimination of the Consequences of Aggression

The Ministry of Restoration allocates money from the Fund by subventions from the state budget to local authorities for the restoration of damaged infrastructure, including hospitals



United24

Funds raised on the United24 fundraising platform are used to restore destroyed medical facilities and purchase medical equipment. The latest example was Okhmatdyt, for which they raised UAH 300 million

Subventions from the state budget

The Government has allocated a special subvention of UAH 1 billion for the establishment/repair of shelters and bomb shelters in healthcare facilities

BUT: monitoring of the recovery demonstrates that recovery is not always done in accordance with barrier-free and energy-efficient principles

Local government funds

Local governments themselves allocate funds from their own budgets for major repairs or construction of damaged/destroyed ambulatory clinics, hospitals, storage facilities, etc.

Donors and CF/ NGOs

Ukrainian and international donors, NGOs and charitable foundations allocate funds or rebuild damaged/destroyed hospitals

What do donors do?



Medical equipment supply. For example, in January 2024, Japan supplied medical equipment with a total value of UAH 14 million to 25 hospitals in 6 regions of Ukraine.



Procurement of medical supplies for healthcare facilities. For example, 100%Life, together with Peace Winds Japan, has delivered medication to 52 medical institutions in the affected regions worth about \$1.5 million.



Setting up modular hospitals in the frontline and de-occupied territories. For example, Germany, with EU support, installed 6 modular hospitals in 2023-2024.



Refurbishment of hospital buildings. For example, in July 2023, the Odesa hospital building was renovated on the initiative of the Government of Ukraine, Odesa city authorities, the EU, the European Investment Bank and technical support from UNDP.

Main donors



What healthcare projects are on DREAM

- As of 25 July 2024 ,629 healthcare projects have been registered on the Dream platform, only 317 of which are in the process of implementation
- 64 projects are fully funded; the vast majority are in the Dnipro (8), Kharkiv (7), Lviv (6) and Mykolaiv, Sumy and Kyiv (5 projects in each) regions
- 36 new construction projects have the status of being implemented. The main projects are ambulatory clinics, shelters on medical facilities, and specialised clinics
- 261 projects requiring major repairs (also under implementation). The main projects are shelters, hospital buildings/departments, thermal modernisation of buildings, etc.
- The most expensive project listed on the platform is the major renovation of the Balta Multidisciplinary Hospital (Odesa Oblast), worth UAH 114.4 million. It has already been funded at 49.9% by international organisations



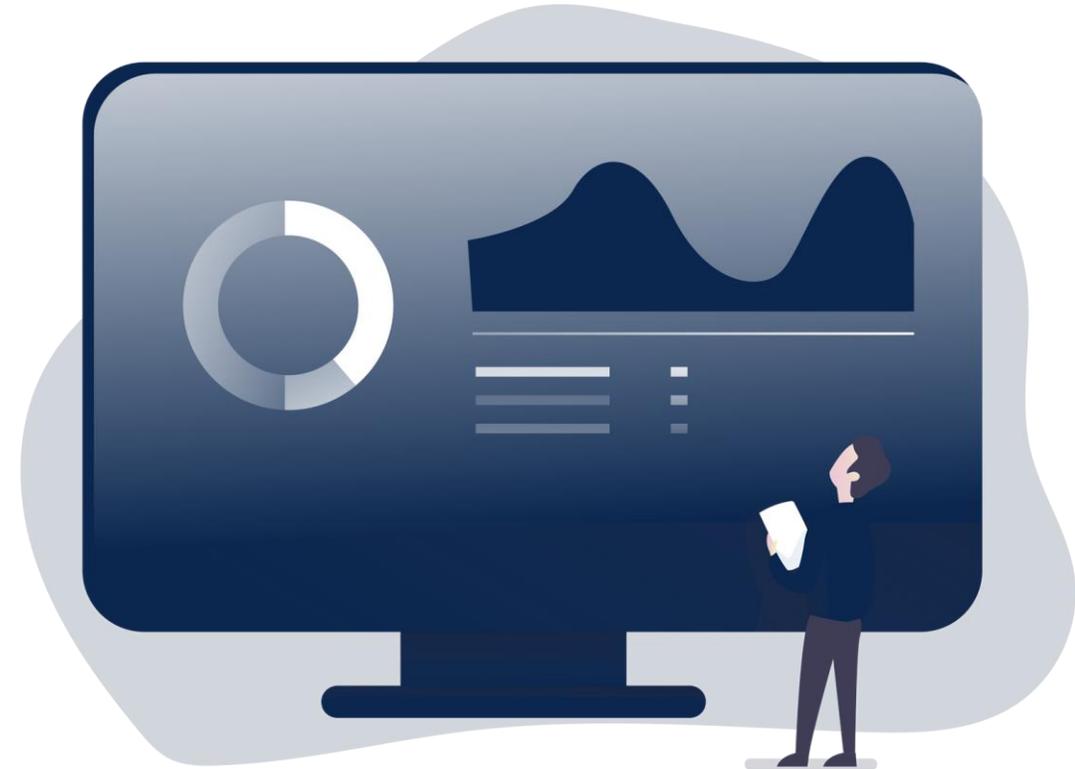
Healthcare procurement



Healthcare procurement in January-June 2024*

- In January-June 2024, 4.3 thousand medical procurements were announced. 93.2% of them were completed (4.1 thousand), 3.3% did not take place, 1.9% were cancelled, and 1.6% are still ongoing. The share of completed procurements slightly exceeds the share of completed construction procurements in general.
- The total amount of medical procurement in the first 6 months of the year totalled UAH 5.5 billion, including the current procurement amount in June - UAH 0.7 billion.
- The e-system was used for 0.6 thousand completed procurements (16%) for a total amount of UAH 4.7 billion (85%)
- In healthcare reconstruction procurements, the share of procurement value outside the e-system is three times lower than the average share in construction procurements.

* - as of 19 July 2024



Procurement leaders - January-June 2024

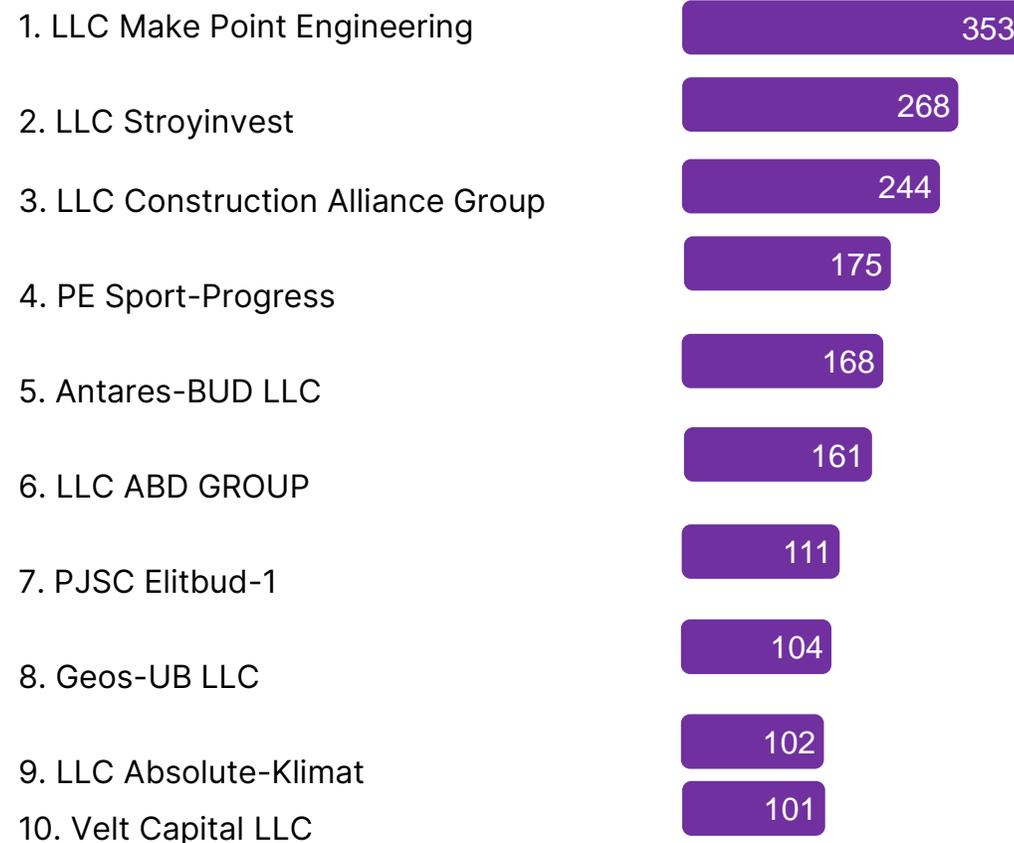
Top 10 procurers (UAH billion)



Top 10 share in all procurements



Top 10 tender winners (UAH billion)



Top 10 share in all procurements



The largest construction tenders in January-June 2024

N	Procurement subject	Organiser	Winner	Procurement value, UAH billion
1.	Reconstruction of the hospital	Department of Health Protection of Kamianske City Council	LLC Make Point Engineering	353
2.	New construction of the treatment and ward building of the hospital	Territorial medical unit of the Ministry of Internal Affairs in Khmelnytskyi region	PE Sport-Progress	175
3.	Capital repair of the new surgical building	Department of Capital Construction of the Dnipro Administration	LLC Stroyinvest	160
4.	Construction of a medical and diagnostic building	Municipal enterprise "Archbudproekt" (Khmelnytsky region)	LLC Construction Alliance Group	157
5.	Capital repair and restoration of the medical care centre	Emergency Medical Care Centre of Zhytomyr Administration	PJSC Elitbud-1	111

Less than 200 competitive procurements in six months

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

No. of participants	No. and % of procurement		Value (billion) and % of procurement		Number of disqualifications / complaints	
	No.	%	Value	%	Disqualifications	Complaints
1 participant	420	68,3%	3,1	65,3%	0	4
2 participants	114	18,5%	1,2	24,9%	46	18
3 participants	54	8,8%	0,4	8,6%	24	8
4 participants	19	3,1%	0,04	1,0%	15	3
5-10 participants	8	1,3%	0,01	0,3%	6	1
Total completed procurement using the e-procurement system	615	100,0%	4,7	100,0%	91	34

- Among 615 identified reconstruction procurements using the electronic system, 32% were competitive.
- The share of procurements with two tenderers among competitive procurements is 58.5%.
- The value of procurements with three or more tenderers is only UAH 465 million, less than 10% of the total procurement value (the average value of construction procurements is over 17%)

Points to consider when refurbishing medical facilities

What to rebuild?

- Accessibility to primary care requires rebuilding most of the institutions of this level of care: restoring access to basic services, medicines, psychological assistance
- Not all specialised care facilities should be rebuilt. Assessment of population numbers, and accessibility to larger and more capable facilities should be considered
- Decision to build or rebuild should include an analysis of the financial sustainability of the facilities (in particular, whether local authorities will be able to maintain the facility)

What are the principles of recovery?

- Human-centricity: access to quality healthcare
- Barrier-free accessibility becomes an urgent need
- Energy independence and energy efficiency: more expensive to rebuild, but cheaper and more sustainable to maintain (e.g. solar panels, inverter and batteries, individual boilers, etc.)
- Healthcare reform implementation is important to consider

What about funding?

Different sources of funding are important and necessary: we need to rebuild not only the walls, but also buy modern equipment and train medical staff to use it



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.



Demining in Ukraine (as of 23.07.2024)

- In the first half of 2024, [nearly](#) 157,000 hectares of agricultural areas were demined and returned to agricultural use. The number of certified operators is 43.
- In 10 days since the launch of the programme, Ukrainian farmers have submitted [more than 60 applications](#) for compensation for agricultural land clearance through the State Agrarian Register. In total, farmers have applied for reimbursement for the demining of 1942 agricultural sites with a total area of 9.7 thousand hectares. Most applications were received from companies in the Kherson region.
- The Ukrainian Navy is already planning [an operation on mine clearing in the Black Sea](#). It will consist of several phases:
 - Urgent phase - anchorages, approach routes, fairways; duration 5-7 months;
 - Main phase - search and destroy of mines; duration - several years.
- The United States provided new [demining equipment](#) valued \$5.8 million to the STSS to support the humanitarian demining operation.

[Inspected](#): 116.9 thousand hectares (+ 8.5 thousand hectares)

[Destroyed](#) > 178.8 thousand (+ 5.0 thousand) explosive items

[Cleared](#):



2.6 thousand km of railway



909.2 km of motorways (+4.1 km)



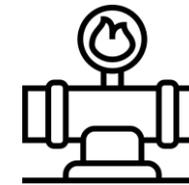
492.8 km of power lines (+3.4 km)



337.9 hectares of forests



25.5 hectares of water areas



66.9 km of gas pipelines



Thank you for your attention!

“The Recovery Spending Watchdog” project

