

THE RECOVERY SPENDING WATCHDOG

#14, October, 2024

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Legal regulation



Legal regulation and related topics

The Cabinet of Ministers of Ukraine has appointed Serhiy Sukhomlyn as the head of The Agency for Restoration and Infrastructure Development.

The President has signed [a law on mandatory disclosure of budget estimates](#): monitoring of reconstruction and recovery should become easier and more effective. However, there is a concern: since there is no sanction for failure to disclose information, there is a risk of low enforcement of the law.

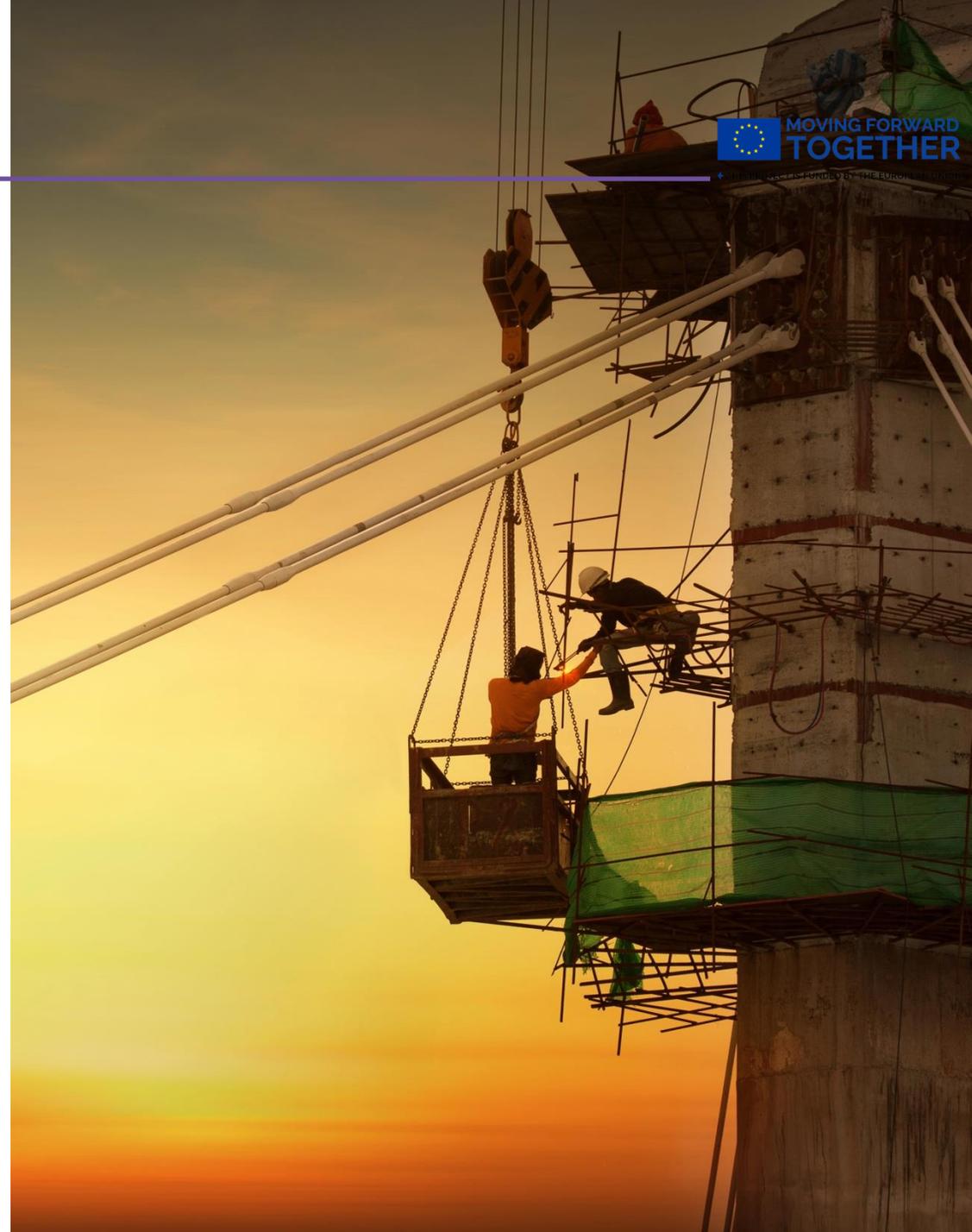
The Ministry for Development of Communities and Territories [has announced](#) that in February 2025, each region will have an approved development roadmap: these strategic documents should comply with the unified strategy of Ukraine's development and create an interconnected system.

The application process for destroyed housing compensation under the [eVidnovlennia](#) programme has been simplified: now the application can be submitted through the Centre for Administrative Services and the Diia web portal (previously only through the Diia app). The programme is still limited to compensation for destroyed housing in the de-occupied territory: discussions are underway to expand the programme to include citizens whose homes are in the temporarily occupied territories.

Ministry for Development of Communities and Territories continues to work on [housing policy](#) reform. This includes the legislative regulation of housing policy, the development of a draft law on social housing, and the development of a State Housing Strategy.

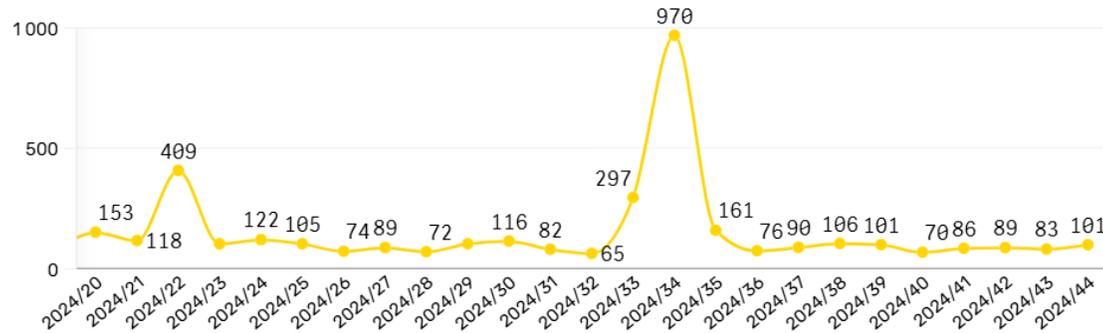


Recovery progress and funding



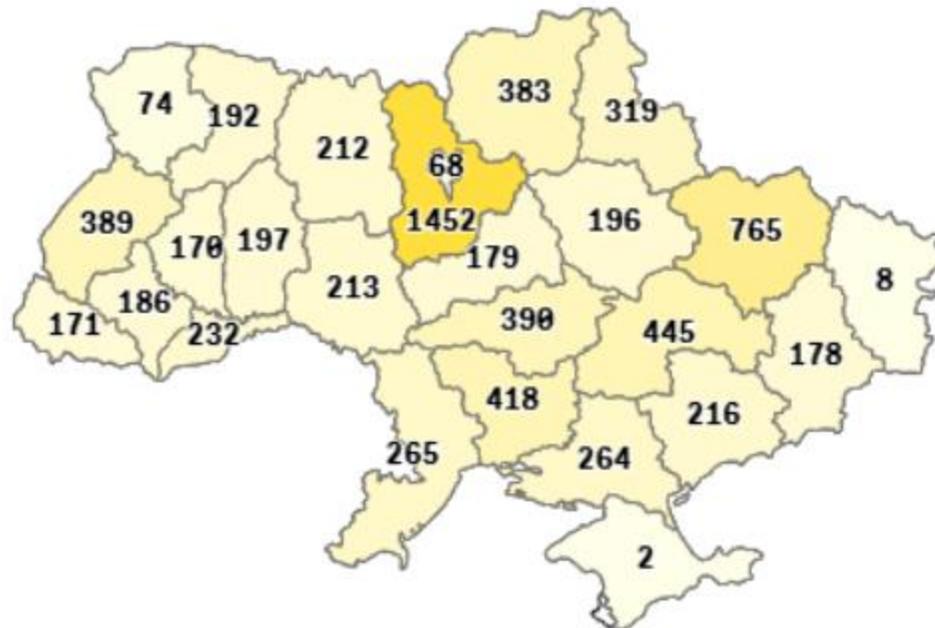
DREAM – the experiment is expected to be continued

Number of construction and reconstruction projects at DREAM



Experimental resolution of the CMU ends on 15 November: a new one is likely to follow - the law will be introduced later.

DREAM will be expanded from a reconstruction platform to a public investment management (PIM) tool. According to the IMF programme, it should be integrated with the IT systems of the Ministry of Economy and the Ministry of Finance. Today, DREAM already contains information on public investment projects, as well as the procurement of goods and equipment.

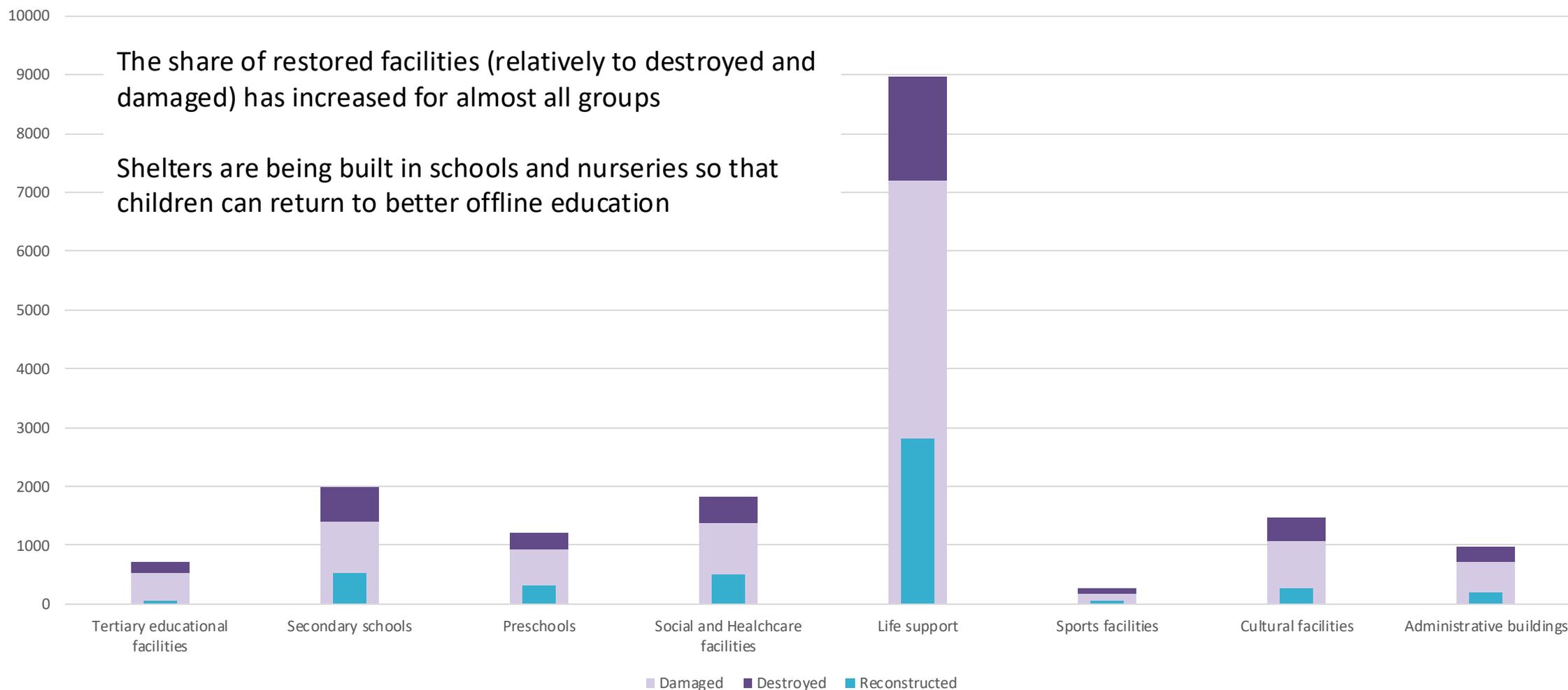


Below is the data on construction and reconstruction projects:

- **7643 projects** at the stage of initiation and implementation **7147 projects a month ago**: the registration of projects has accelerated slightly as the government transfers funding for certain projects only through DREAM
- **UAH 479 billion** of funding needs, of which only **UAH 87.2 billion** is confirmed (compared to **UAH 362.8 billion** and **UAH 60.1 billion** a month ago)
- The number of projects under implementation has increased to **4247 (3888 a month ago)**, with only 14 completed projects

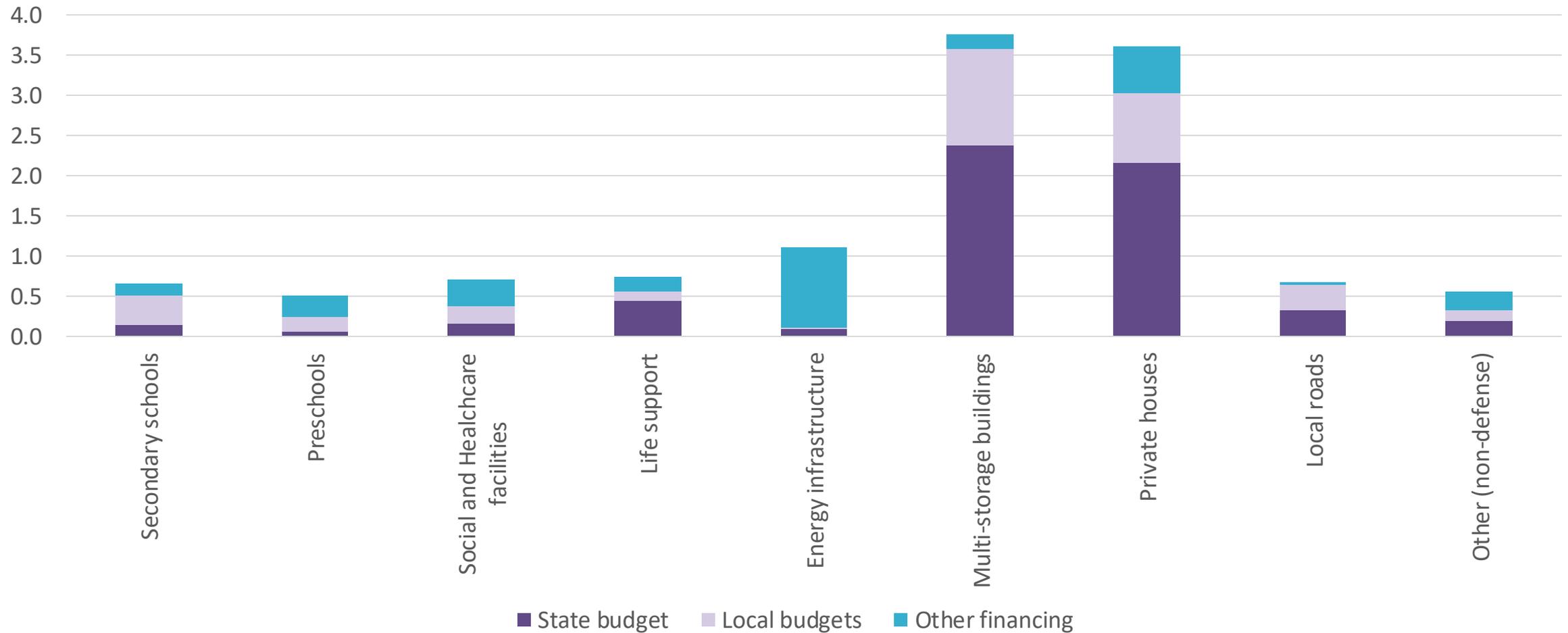
Reconstruction is still unable to match the damage - the rate of destruction has accelerated over the month, but the rate of restoration has also increased

Number of destroyed, damaged and reconstructed facilities

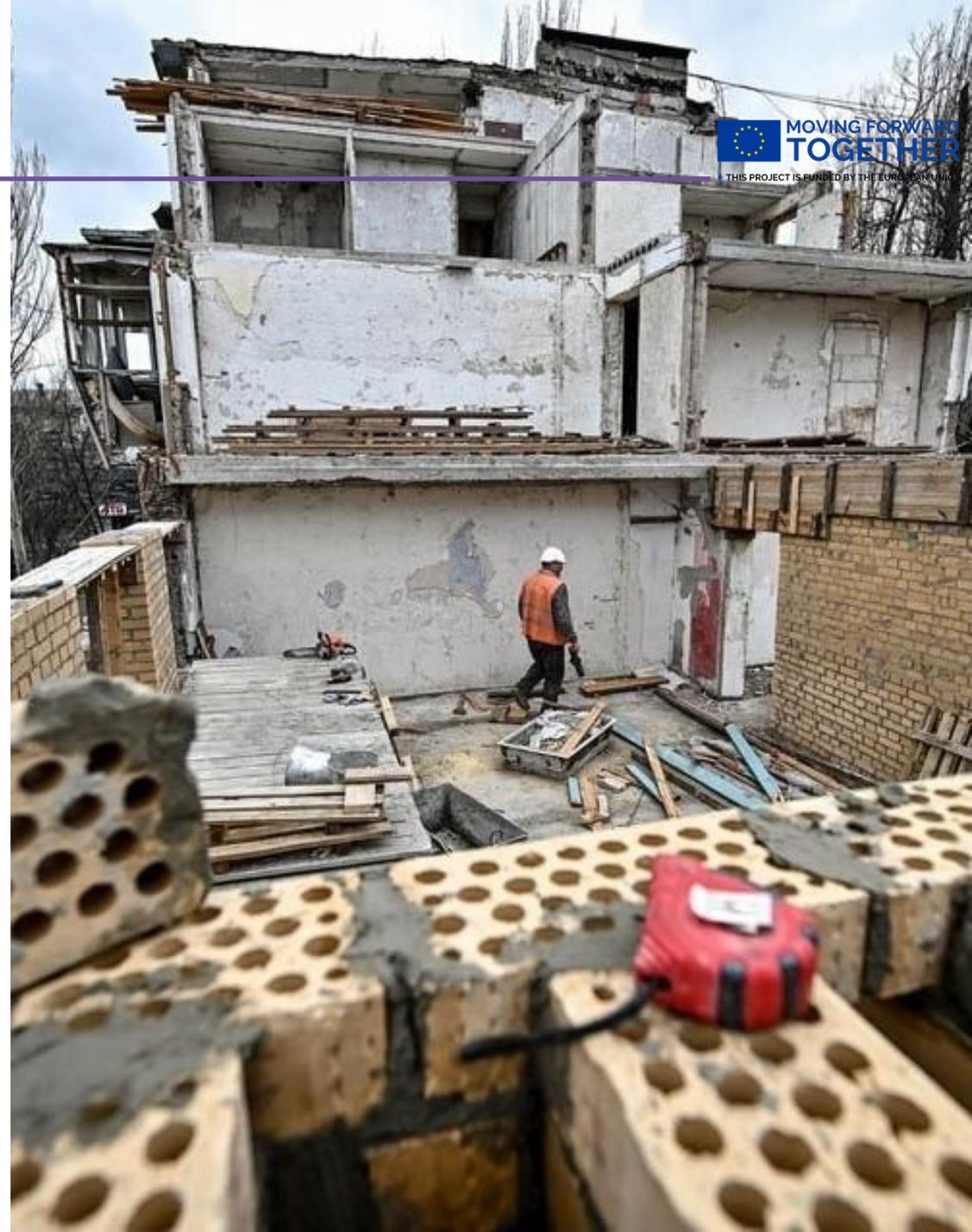


The number of fully restored facilities increased across all categories: the main sources of funding vary among the restored facilities

Financing of already fully completed reconstruction projects, Feb.24, 2022 - Nov. 1, 2024,
UAH bn



Analysis of recovery procurement



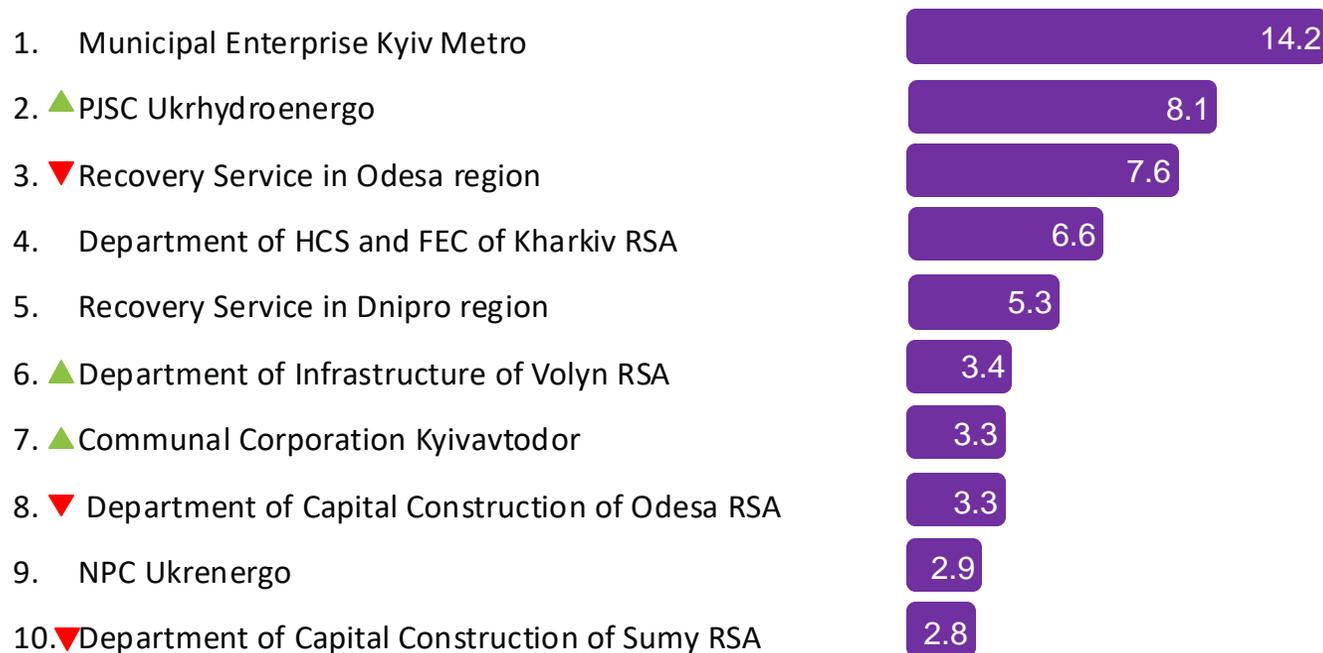
Key procurement figures in January-September 2024*

- In January-September 2024, 96 thousand construction procurements were announced. Of these, 93.4% (89.8 thousand) were completed, 4.5% did not take place, 1.7% were cancelled, and 0.4% are still ongoing.
- The total value of procurement in the first 9 months of the year is UAH 192.7 billion, including the current value of procurement in September - UAH 15.2 billion (excluding lots for which the current value has not yet been determined).
- September was the month with the highest number of completed procurements - 12.2 thousand. In the previous 5 months, 11.3-12.1 thousand procurements were made per month.
- The current value of contracts in September is UAH 15.2 billion. This amount does not include non-completed procurements in September.
- As of the end of October, 372 procurements announced in January-September are still in progress. Of these, 307 were announced in September, 45 - in August, and 20 - in previous period.
- The e-procurement system was used for 16.9 thousand completed procurements (17.6%) for a total amount of UAH 124.8 billion (64.8%).
- Defence procurements in January-September amounted to UAH 22.1 billion - 11.5% of the total construction procurement. The current value of defence procurement in September is UAH 382 million.



Procurement leaders - January-September 2024

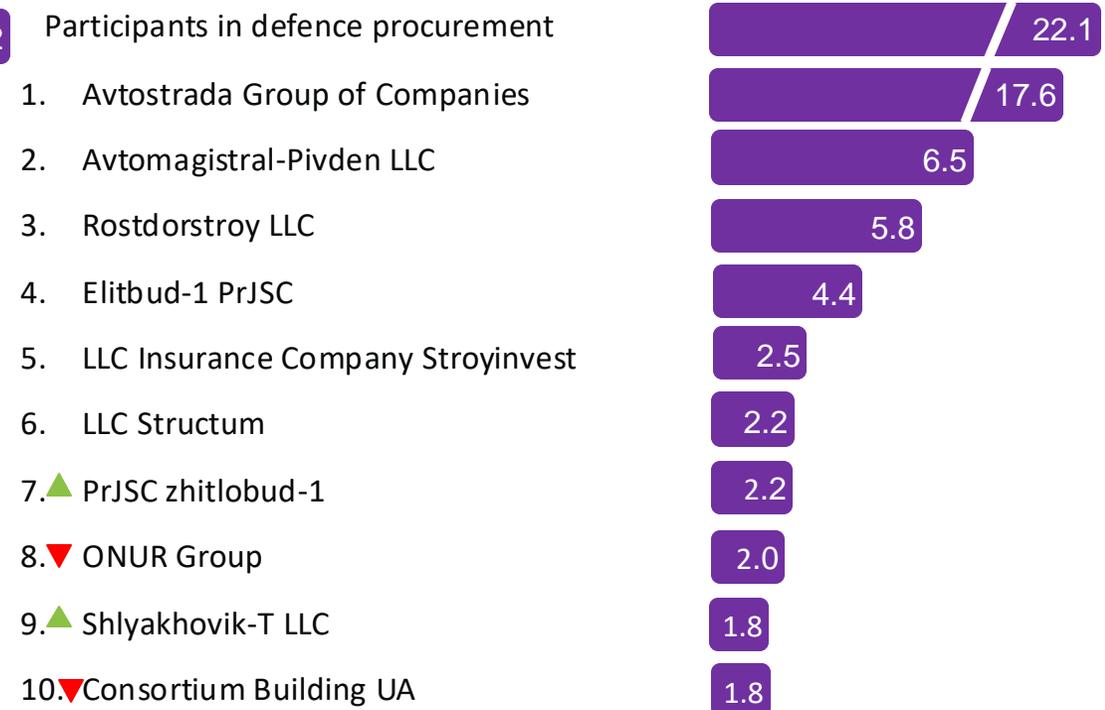
Top 10 procurers (UAH billion)



Top 10 share in all procurements



Top 10 tender winners (UAH billion)



Top 10 share in all procurements



The largest construction tenders

No.	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.	Construction for the protection of the Dniester PSPP	PJSC Ukrhydroenergo	PJSC Elitbud-1	4.2
3.	Construction of water supply pipeline for Kryvyi Rih	Recovery Service in Dnipro region	Avtomagistral-Pivden	2.4
4.	Reconstruction of the Chornobyl - Slavutych power line	NPC Ukrenergo	Structum LLC	2.2
5.	Construction of the Khortytsia-Marhanets water pipeline	Recovery service in Dnipro region	Avtostrada Group of Companies	2.1
6.	Restoration of the Metro Bridge in Kyiv	Kyivavtodor	ONUR Group	2.0
7.	Building a military memorial cemetery	National Military Memorial Cemetery	Consortium Building UA	1.8
<hr style="border-top: 1px dashed #4a4a8a;"/>				
27.	Construction of protective facilities at Kanivska HPP	Ukrhydroenergo PJSC	PrJSC Ukrstal Construction	0.54

 XXX The largest construction tenders in January - August 2024

 XXX The largest construction tender of September 2024

No completed procurement with 6+ tenderers in September

No. of participants of procurement	No. and % of procurement		Value (billion) and % in July		Number and % of purchases of procurement in Sept		Amount (billion) and %	
1 participant	13 164	77.7%	89.4	71.6%	1781	84.6%	7.1	83.9%
2 participants	2348	13.9%	18.9	15.2%	227	10.7%	1.0	11.9%
3 participants	839	5.0%	10.3	8.3%	58	2.8%	0.3	3.3%
4 participants	327	1.9%	3.7	3.0%	33	1.6%	0.07	0.8%
5 participants	141	0.8%	2.0	1.6%	6	0.3%	0.006	0.1%
6 participants	60	0.3%	0.2	0.2%	-	-	-	-
7-13 participants	61	0.4%	0.2	0.1%	-	-	-	-
Total completed procurement using the e-procurement system	16 940	100.0%	124.8	100.0%	2105	100.0%	8.5	100.0%

- Procurement competitiveness continues to decline. 77.7% of procurements using the e-procurement system remain non-competitive. Among all procurements, 95.8% are non-competitive. In September, these indicators were even higher - 84.6% and 97.3% respectively.
- As of the end of October, there were no completed procurements with 6 or more tenderers in September.
- In September, the number of disqualifications and complaints dropped to the lowest level in the last 8 months, amounting to 106 and 14 respectively.

The topic of the month: recovery funding in 2025



Funding for reconstruction in 2025 is available, but is it enough? An open question

The budget programmes that can be referred to as financing reconstruction and recovery are primarily (but not exclusively) related to the programmes of the Ministry of Development and the Recovery Agency as the SRC

- Most of the relevant programmes are financed by IFIs
- The Fund for Elimination of the Consequences of Armed Aggression should be used for eVidnovlennia: funds related to the implementation of the Law of Ukraine On Main Principles of Forcible Expropriation of Property of the Russian Federation and its Residents and the Law of Ukraine On Sanctions - funding is not defined: **effective work of ARMA is urgently needed**
- The initial draft of the State Budget envisaged partial restoration of the **State Road Fund** (25% of the sources of formation / UAH 43 billion). However, the first reading (voting for the conclusions of the Budget Committee) rejected this measure. Therefore, the roads will be built at the cost of the general fund - we are waiting for the second reading of the budget to make it clear
- Urgent reconstruction will also be financed from the Reserve Fund

The Ministry of Finance prepared a programme 'Financial support for the preparation and implementation of public investment projects' with UAH 25 billion to finance investments

Funding for recovery in 2025 depends on the distribution of funds

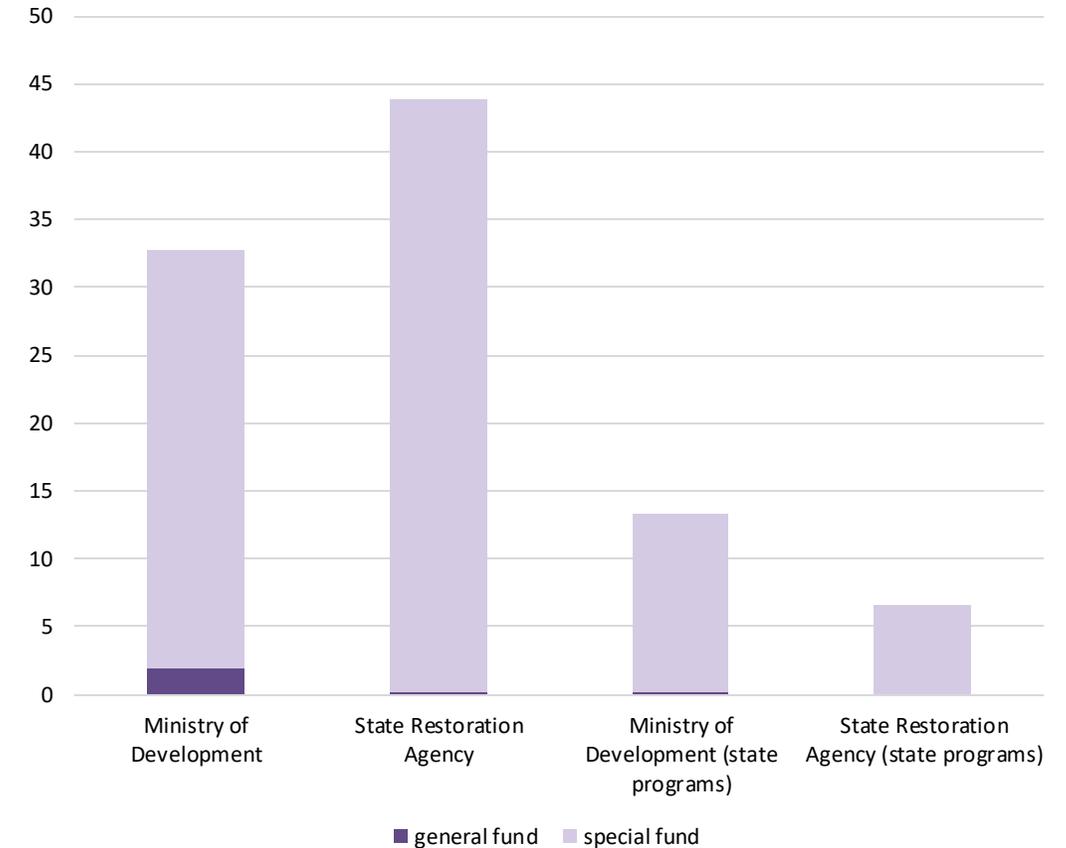
Typically, a large share of the budget items that can be classified as financing reconstruction and recovery are expenditures of the special fund of the state budget:

- Financing of programmes by international financial organisations - the actual amount of funding may differ from that specified in the budget: high dependence on the distribution of funds
- Today, there are still EIB programmes that have been restructured into reconstruction financing programmes that started almost a decade ago: complicated procedures, foreign currency loans with currency risk and low capacity
- Distribution depends on the capacity of state and local authorities to effectively spend donor funds

For example:

- World Bank HOPE Programme: funding is available in the draft State Budget for 2025, but in fact it will be more if there is a selection and no restructuring (for comparison, the plan for 2024 was UAH 83 million, but actual expenditures for 9 months of 2024 have already reached UAH 4.7 billion)

Expenditures as planned in the Draft State Budget Law for 2025



Source: Draft State Budget for 2025

* First of all, the Road Fund

Certain budget programmes for recovery and reconstruction

#	Name of the budget program	2024 (law)			2025 (project)		
		General fund	Special fund	Total	General fund	Special fund	Total
3100000	The Ministry for Communities and Territories Development	2.0	20.7	22.7	1.9	30.9	32.8
3101080	Compensation for destroyed housing (HOME)					0.5	0.5
3101140	Expanding critical Danube supply chains (RELINC)					1.4	1.4
3101450	Repairing Essential Logistics Infrastructure & Network Connectivity (RELINC)					3.4	3.4
3101550	Project implementation Housing Repair for Peoples Empowerment (HOPE)		0.1	0.1		0.1	0.1
3101570	Development of the water supply and sewerage system in Mykolaiv		0.2	0.2		0.1	0.1
3101600	Municipal infrastructure development, water supply and sewerage system development in Mykolaiv, reconstruction and development of the municipal water supply system in Chernivtsi		3.0	3.0		2.5	2.5
3101640	Municipal infrastructure development program		2.5	2.5		9.4	9.4
3110000	State Agency for Restoration and Infrastructure Development of Ukraine	23.1	12.0	35.1	0.1	43.8	43.9
3120000	The Ministry for Communities and Territories Development (general public expenditures and lending)		9.6	9.9	0.2	13.1	13.3
3121160	Subvention from the state budget to local budgets for the implementation of the project Housing Repair for Peoples Empowerment (HOPE)		0.2	0.2		0.5	0.5
3121600	Subvention from the state budget to local budgets for the implementation of projects under the Emergency Credit Program for the Restoration of Ukraine		2.3	2.3		1.6	1.6
3121680	Subvention from the state budget to local budgets for the restoration of critical infrastructure facilities under the Urban Infrastructure Development Project - 2 joint project with the International Bank for Reconstruction and Development		0.5	0.5		0.1	0.1
3121690	Subvention from the state budget to local budgets for the implementation of projects under the Ukraine Recovery Program III					1.0	1.0
3130000	State Agency for Restoration and Infrastructure Development of Ukraine (general public expenditures and lending)					6.6	6.6

Source: Draft State Budget for 2025

* First of all, the Road Fund, ** also includes a number of other targeted subventions, *** subvention for the construction and maintenance of local roads

Public investment projects: PIM reform - spending efficiency

Public investment management reform is being implemented in Ukraine. The reform is actively supported by international partners, so PIM is the subject of structural beacons in the IMF programme, support from the World Bank and part of the Ukraine Plan for the EU's Ukraine Facility.

- The changes are taking place in accordance with the Public Investment Management (PIM) Reform Roadmap and the implementation plan for 2024-2028 adopted at the meeting.
- The Strategic Investment Council coordinates the preparation of a unified portfolio of public investment projects: **the first selection of projects** has already been made, and the information is available on DREAM
 - 793 projects have been submitted: 30% at conceptual stage, 15% ready for project design, 17% ready for procurement
 - UAH 3.1 trillion of financing is needed, while the available financing is UAH 773 billion

Funding for 2025 is significantly less:

- The draft State Budget for 2025 provides for UAH 25 billion in the general fund to finance the preparation and implementation of public investment projects
- According to the Ministry of Finance, funding could exceed UAH 250 billion: this includes funding from IFIs within the special fund of the state budget and through state-owned companies, government bonds, etc.

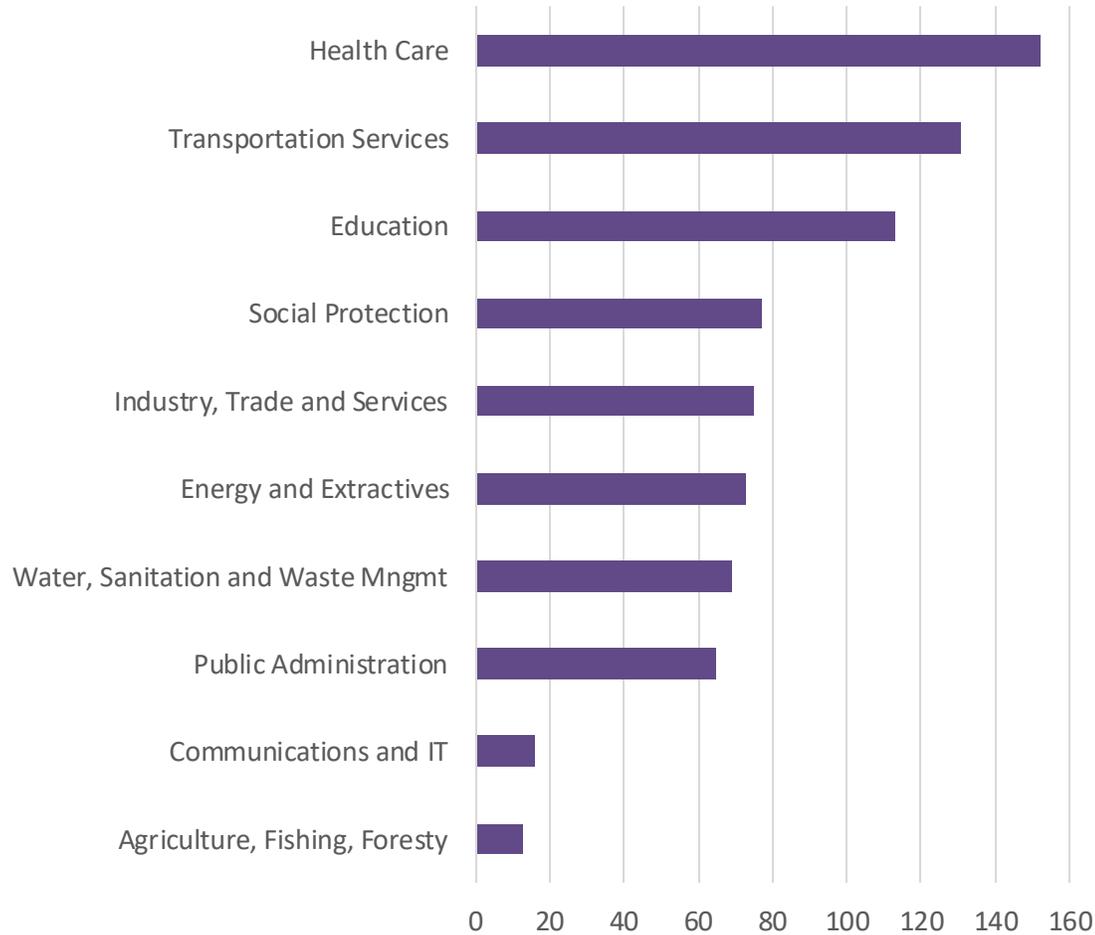
Public investment projects: PIM reform - spending efficiency

	Project budget, billion UAH	Available funding, UAH billion	Available funding. State budget, billion UAH	Available funding. Local budget, billion UAH
Water, sanitation and waste management	139.54	47.26	0.68	0.11
Public administration	103.17	34.90	5.67	0.08
Energy and extractives	1 387.61	282.00	17.57	-
Communications and IT	1.28	0.02	-	0.02
Education	196.19	24.58	1.38	1.41
Healthcare	156.00	17.07	6.02	0.87
Industry, trade and services	179.04	116.78	0.75	0.00
Agriculture, forestry, fisheries	0.77	-	-	-
Social protection	101.79	35.56	7.39	0.01
Transportation services	782.57	183.41	10.02	0.10
Other	35.88	33.04	-	-
Overall result	3 083.85	774.63	49.48	2.61

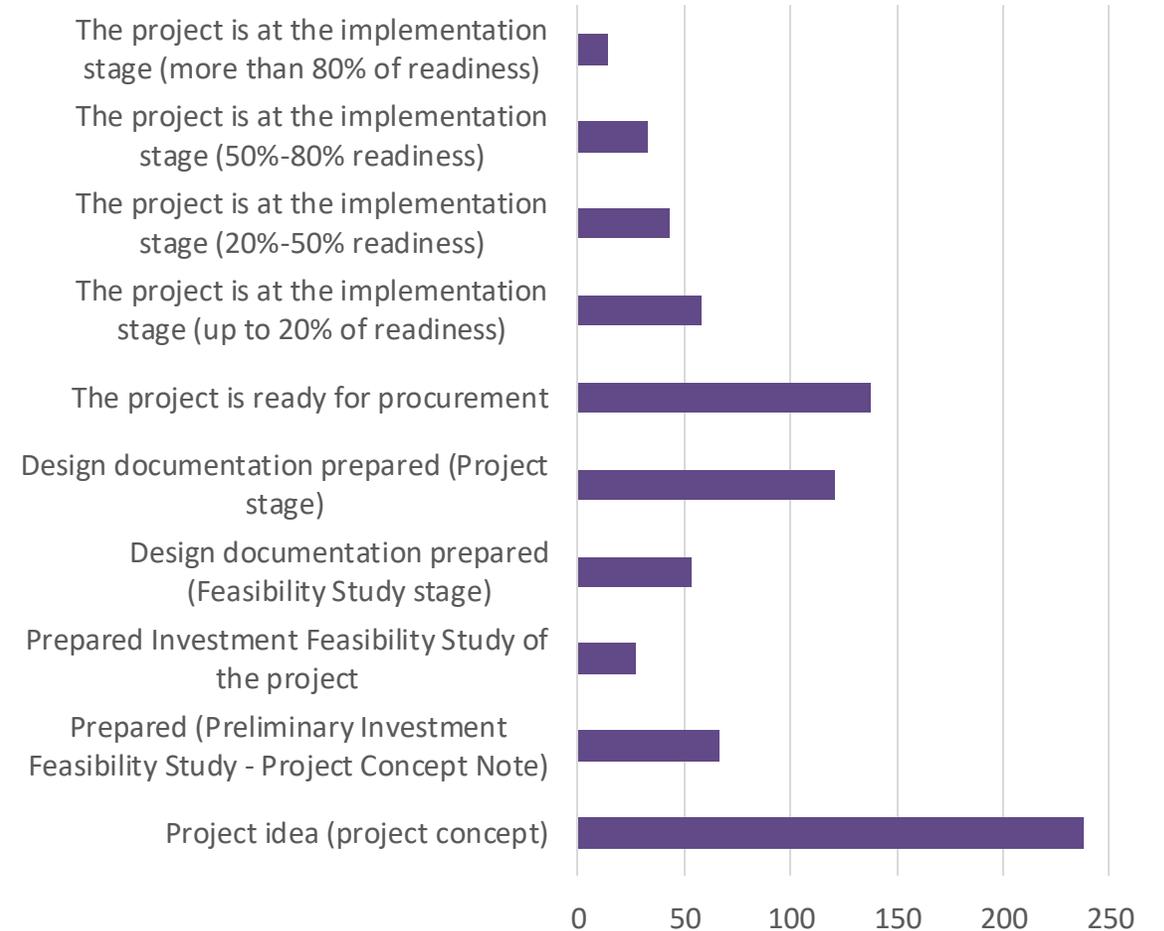
Source: DREAM
Data as of 1 November 2024

Public investment projects: across sectors, at different stages of readiness

Number of projects by sector



Number of projects by implementation stage



Prioritisation is an important focus for discussion

There is still a lack of funds, so the main task now is to prioritise

Defence and security is an absolute priority

Following this, it is urgent to come to a unified vision of what is a priority for funding

In particular, this includes funding for urgent recovery:

- Energy
- Housing - eVidnovlennia programme and other programmes
- Social infrastructure facilities
- Funding for roads is also crucial

It is also important to discuss:

- Which facilities to rebuild, which not (not all facilities need to be rebuilt, some areas may have different importance)
- Should we rebuild everything 'better than it was' (more expensive to rebuild, cheaper to maintain), 'as it was' (cheaper to rebuild, more expensive to maintain), or find a consensus somewhere in between



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 on recovery



НАШІ ГРОШІ



General features of investigative journalism on 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

31 October



AMCU catches **2 Odesa-based companies** in systematic collusion in tenders for electrical works in Mykolaiv and Odesa regions

25 October НАШІ ГРОШІ

Ten houses will be built for IDPs for **25 million from a Norwegian philanthropist**: prices of some building materials are overstated by 1.5-3 times

24 October НАШІ ГРОШІ

Construction of a shelter in Pryluky for 24 million: expensive building materials and companies with criminal records. Overpayment exceeding UAH 1 million, equivalent to 58 FPV kamikaze drones

23 October



In Zhytomyr region, a community head, a local councillor and a village council specialist **will be prosecuted on suspicion of embezzling UAH 2 million during the procurement of generators.**

27 September



Elimination of the consequences of the Kakhovka HPP explosion: **drinking water supply wells will be built for almost UAH 40 million by a company that was caught cheating** the state to win the procurement

* - for the period from 24 September to 4 November 2024

Monitoring of specific areas



Healthcare

- During the [32 months](#) of the full-scale invasion, **1,685 (+28 per month) medical facilities have been damaged and another 226 (+5 per month) have been completely destroyed** beyond repair.
- Healthcare facilities in Kharkiv, Donetsk, Mykolaiv, Kyiv, Chernihiv, Dnipro, Kherson and Zaporizhzhia regions suffered the greatest losses.
- During this period, **551 (+18 per month) healthcare facilities have been fully restored** in different regions of Ukraine and **350 (-3 per month) have been partially restored**. Most facilities have been restored in Mykolaiv, Dnipro, Kyiv, Kharkiv and Chernihiv regions.
- [The State Agency for Reconstruction has been restoring the hospital in Trostyanets](#) for a year. The main reconstruction complex is expected to be completed by the end of 2024. **The restoration is funded by the Fund for Elimination of the Consequences of Armed Aggression.**
- There are already **507 healthcare facilities (+38)** on the [DREAM platform](#) that are under implementation - new construction and major repairs.
- In [October, +52 projects](#) with a total budget of UAH 5.1 billion (**financial coverage - 0.1%**). The largest number of projects is in Kyiv (7), Chernihiv (6) and Ivano-Frankivsk (4) regions.



Education

- During the [32 months](#) of the full-scale invasion, **3,798 educational institutions have been damaged and another 365 have been completely destroyed.**
- Educational institutions in Kharkiv, Donetsk, Kyiv region and Kyiv, Kherson, Mykolaiv, Luhansk, Sumy and Chernihiv regions have suffered the most.
- During this time, **53 higher education institutions, 528 secondary schools, and 321 pre-schools have been restored** in different regions of Ukraine.
- The project [Rebuilding Schools in War-Affected Regions](#) was launched by UNDP in Ukraine with financial support from Germany. The project plans to restore classrooms and other facilities.
- Special attention will be paid to **energy efficiency** and decoration.
- The initiative will cover the following regions: **Kirovohrad, Cherkasy, Khmelnytsky, Poltava, and Lviv regions.**
- There are already **1,866 educational facilities (+166)** on the [DREAM platform](#) that are under implementation - new construction and major repairs.
- In [October, +181 projects](#) with a total budget of UAH 4.1 billion (**financial coverage - 2.0%**). The largest number of projects is in Kharkiv (31), Dnipro (24) and Kyiv (17) regions.



Demining in Ukraine (data as of 4.11.2024)

- As of October 2024, **139,000 km² of Ukraine's territory**, including 14,000 km² of water, was contaminated with explosive items. Mykolaiv, Kherson and Kharkiv regions are the most contaminated.
- The United States will allocate **\$35 million in 2025** as part of international support for humanitarian demining in Ukraine.
- The state budget for 2025 allocates **UAH 1 billion** for a programme of compensation for the demining of agricultural land, **compared to UAH 3 billion in the state budget for 2024**.
- **Ukraine's partners have shown interest in the pilot market for demining agricultural land through Prozorro auctions.**
- **71% of agricultural land** (~365,000 hectares) in **the de-occupied part of Kherson region has been cleared of mines**. As a result, the area of sown land has tripled compared to 2023.
- The Ministry of Defence **wants to involve veterans and people with disabilities in demining**. The UN is already implementing such a programme, and 4 Ukrainians have been employed by The HALO Trust.
- Nibulon **is being certified** to detonate and dispose of explosive ordnance (EOD). Thus, **their expertise will be on par with organisations such as The HALO Trust and FSD**.

Inspected: 161.6 thousand hectares (+ 23.5 thousand hectares)

Destroyed over 203.9 thousand (+11.4 thousand) explosive items

Cleared:



2.7 thousand km of railway (+ 64.9 km)



1.0 thousand km of motorways (+94.3 km)



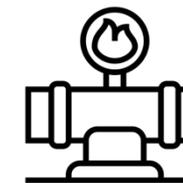
512.6 km of power lines (+19.6 km)



438.9 hectares of forests (+101 ha)



25.8 hectares of water areas



82.1 km of gas pipelines



Thank you for your attention!

“The Recovery Spending
Watchdog” project

