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Public procurements in Ukraine's recovery: opportunities and challenges

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Authors: CES team

- Since 2014, Ukraine has made significant progress in reforming its procurement system, moving all procurements into electronic format in Prozorro, ensuring data openness and online monitoring. However, a special procurement procedure was established during martial law to simplify and expedite procurement, including for security and defence needs, with few positive consequences during the full-scale invasion, but, at the same time, creating a number of problems for quality procurements.
- Prozorro data clearly illustrate these problems: procurement is unevenly distributed throughout the year, with one-third occurring in the fourth quarter. Procurement varies across regions: frontline regions, despite suffering greater damage, are purchasing less, which exacerbates regional disparities. Competition remains low: sub-threshold procurements and single-bidder procurements continue to predominate, and procurement estimates are mostly closed. Procurement for recovery is not specifically identified in the available data. In addition, there are no clear links between DREAM, as a government digital system for public investment projects, and their actual implementation.
- According to RDNA5, significant damage in Ukraine led to the extremely high recovery needs, reaching \$588 billion (or 2,7 times of 2025 GDP). Although the war is ongoing, efforts to rebuild the energy sector, schools, hospitals, and other infrastructure are continuing in order to support the country's resilience. An analysis of construction procurement data indicates that reconstruction is lagging far behind the scale of the destruction, given the limited resources available (in 2023–2025, the volume of construction procurement amounted to approximately UAH 300 billion per year, or ~\$7–8 billion, or about 3% of 2025 GDP).
- **Strategic planning, object prioritisation, stable funding, further streamlining of procurement and control procedures under EU rules, and increased competition will allow Ukraine to be rebuilt more cheaply, more efficiently, and with higher quality. Greater availability and openness of procurement data, specifically on reconstruction, will enable society to oversee this process.**

Public procurement reform has made the process transparent

- **After the launch of Prozorro, the reform shifted toward infrastructure development:** in 2016, Ukraine also joined the WTO Agreement on Government Procurement, opening access to international procurement markets for businesses and launched Prozorro Market for standard purchases. In 2020, the rules were updated to make bids more flexible and strengthen competition control.
- **During the war, Prozorro operates with different levels of disclosure:** civilian procurement is conducted through open tenders with special rules, Prozorro Market, or direct contracts in defined cases. In defence procurement, for non-armed procurement, the procuring entity, the subject of procurement, and the unit price are disclosed, while the supplier, quantities, and delivery location may remain unpublished; procurement of weapons, military equipment, and ammunition remains non-public during martial law.

Pilot launch of Prozorro

An electronic procurement system was launched, providing the infrastructure for submitting proposals online.

Development of monitoring and analytics

BI tools and DOZORRO were launched to analyze open data, identify risks, and support public oversight.

Return of transparency in part of the defense procurement

Prozorro began disclosing information on non-armed defense procurement that had previously been conducted under the special wartime procedure.

2014 2015 2016 2017 2022 2023 2026

Start of the reform

The Law “On Public Procurement” was adopted, expanding the scope of public information, reducing exemptions, and strengthening public oversight.

The Law “On Public Procurement” enters into force

All procurement was transferred to an electronic format, ensuring data openness and online monitoring.

Special procurement procedure during the Martial law

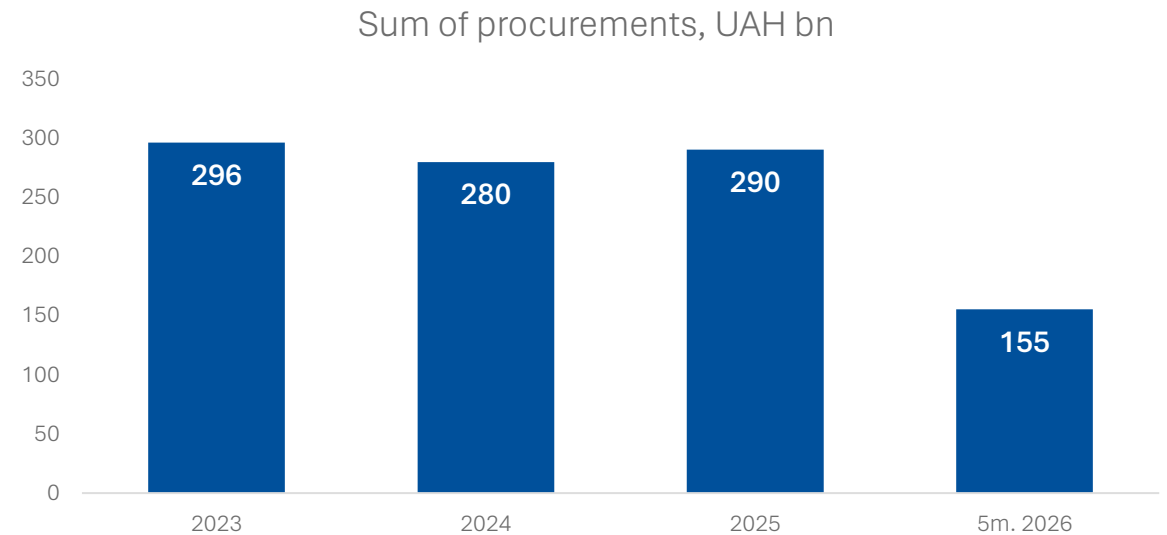
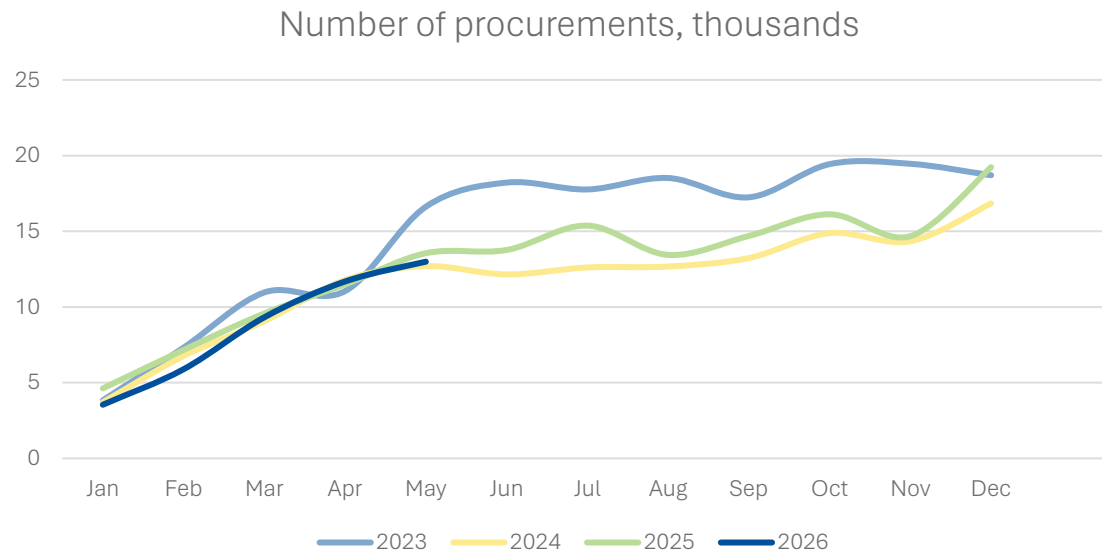
The government introduced simplified procurement rules and, later, established a special procedure for conducting procurement through Prozorro.

Further EU harmonization through the Law №11520

The law expands SME access through lotting, enables alternative bids, modernize recurring purchase tools, and regulates subcontracting.

Prozorro data: procurement* traditionally concentrated in the end of the year

- In 2023–2025, the volume of construction procurement amounted to approximately UAH 300 billion per year, or 3-4% of GDP.
- In terms of both the number of contracts and the total value, one-third of procurement occurs in the fourth quarter, which is related to the limitations of strategic planning in budgeting. In addition, at the start of 2026, procurement was lower than in 2025 due to cost-saving measures in the state and local budgets amid uncertainty regarding the receipt of international funding, and certain delays in launching new projects under public investment management rules.
- Among the largest procurements over the years were road repairs and maintenance in various regions, a new water pipeline construction in the South of the country to restore water supply after the destruction of the Kahovka dam, restoration of educational and medical facilities, and protection of energy infrastructure.



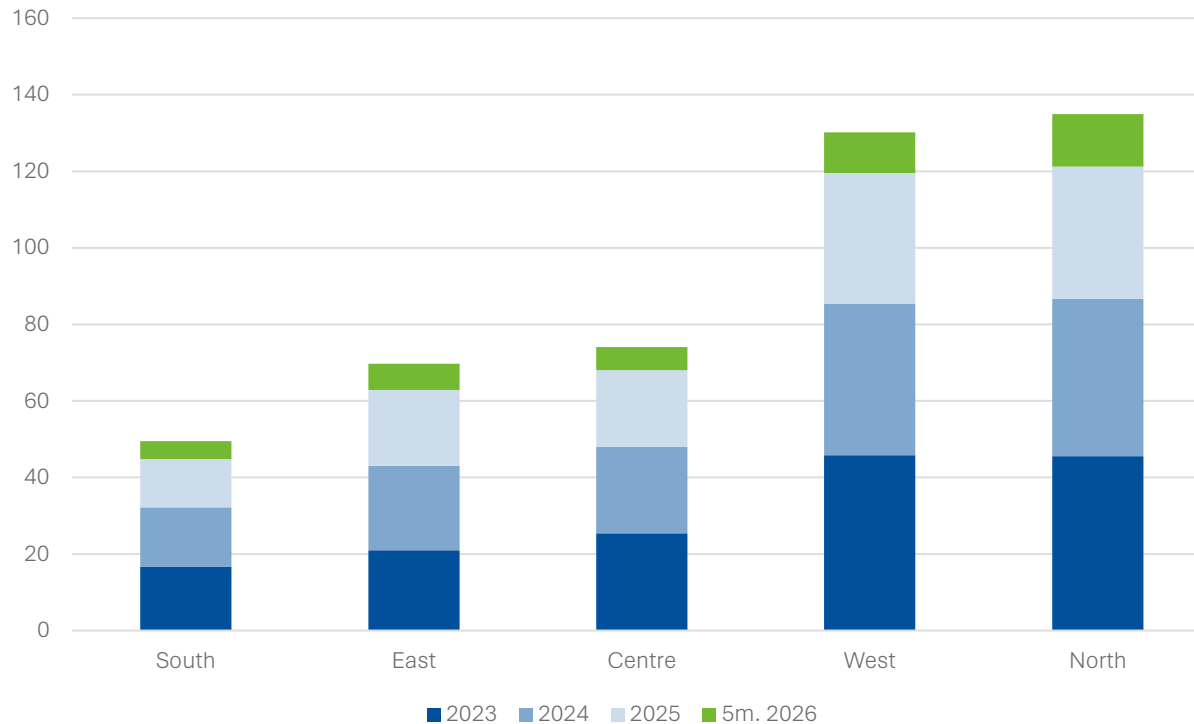
Sources: Bi Prozorro, CES calculations and visualisation.

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*Procurement for recovery is not specifically identified in the available data; therefore, procurement for construction work and maintenance serves as a proxy.

Prozorro data: procurements* in frontline regions are virtually non-existent

Number of construction procurement projects by macroregion**, thousands



Sources: Bi Prozorro, CES calculations and visualisation.

** South: Autonomous Republic of Crimea, Zaporizhzhia, Mykolaiv, Odesa and Kherson oblasts

North: Zhytomyr, Kyiv (including the city of Kyiv), Sumy and Chernihiv oblasts

West: Volyn, Zakarpattia, Ivano-Frankivsk, Lviv, Rivne, Ternopil, Khmelnytskyi and Chernivtsi oblasts

East: Dnipropetrovsk, Donetsk, Luhansk and Kharkiv oblasts

Centre: Vinnytsia, Kirovohrad, Poltava and Cherkasy oblasts

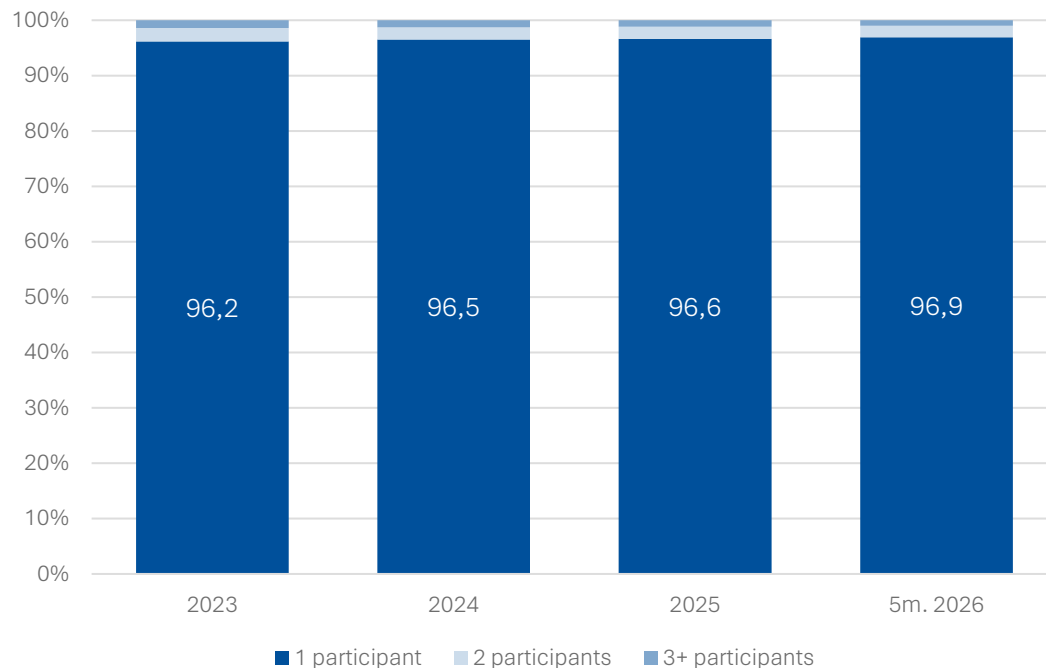
- Since 2023, Kyiv and the Kyiv region have seen the highest volume of construction procurement, but this does not mean that reconstruction is complete. The Vinnytsia, Dnipropetrovsk, Kharkiv, and Odesa regions are also among the leaders. Overall, the northern and western regions have dominated procurement activity in recent years due to the war's effects.
- Frontline regions, despite suffering more extensive damage, have fewer financial and security resources available for immediate reconstruction. In frontline regions, procurement is concentrated in a small number of individual projects, such as the construction of a radiation shelter for an educational institution in the city of Zaporizhzhia, funded by the Ukraine Facility, or housing for IDPs. These regions also have less institutional capacity to develop public investment projects.

*procurement for construction and current repairs

Prozorro data: competition in procurement* remains low...

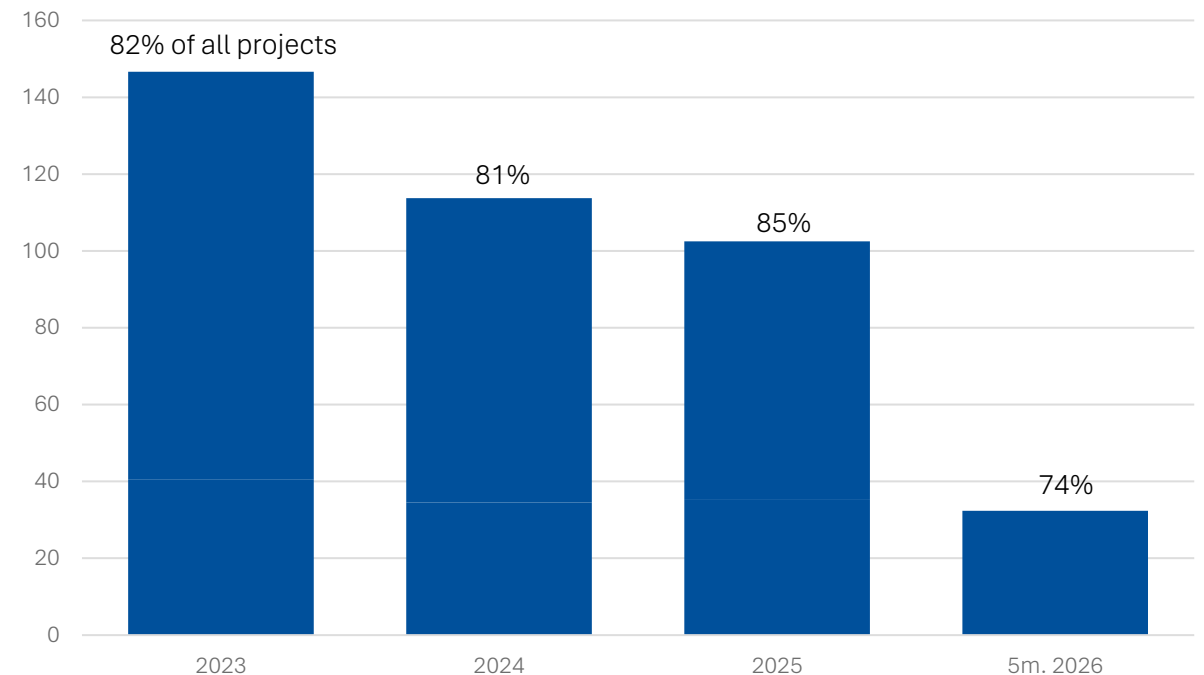
- For all three years, single-bidder procurements have predominated, while the level of competition in procurements has gradually declined. At the same time, the share of procurements below the threshold is decreasing.
- The use of the electronic system improves competition: in January–May 2026, the share of completed construction procurements involving a single participant accounted for 96.9% of the number of procurements and 85.3% of the total procurement value.

Competitiveness among completed procurement



Sources: Bi Prozorro, CES calculations and visualisation.

Number of pre-threshold projects, thousands



Sources: Bi Prozorro, CES calculations and visualisation.

*procurement for construction and current repairs

...while high competition significantly improves prices

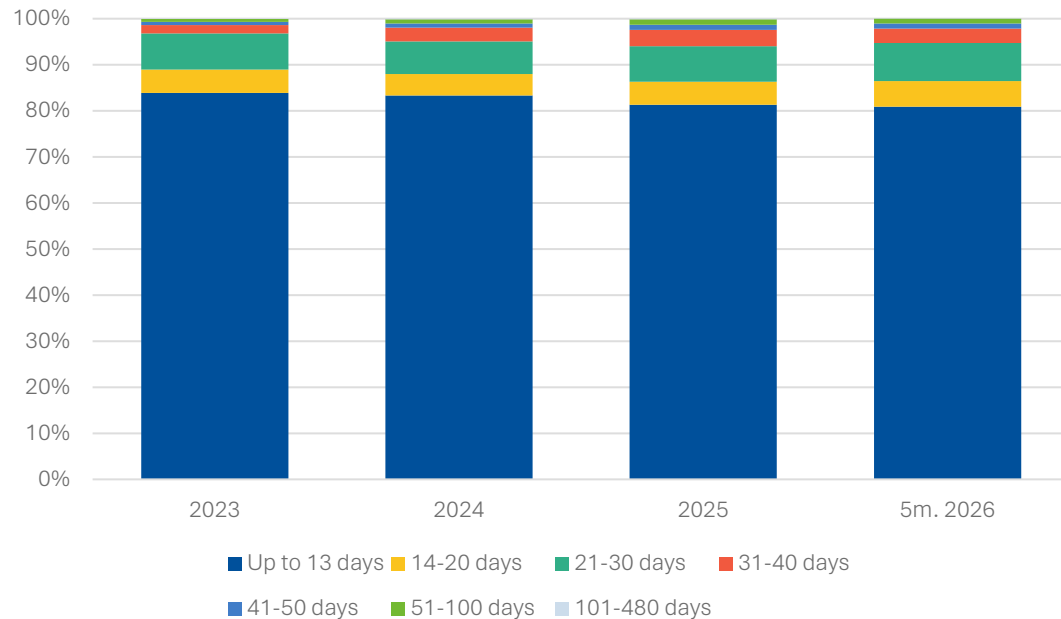
No	Contents of procurement	Organiser	Contractor	Value, UAH bn (expected/current)	Participants
2023:	Arrangement of sites and access roads at deposits in Kharkiv, Dnipropetrovsk and Poltava regions	Ukrgezvydobuvannya JSC	Lehman-Beton Ltd.	47,9 / 42,8 (-11%)	10
2024:	Reconstruction of the Novovolynsk substation, Volyn region	Ukrenerho PJSC	Energygroup Ltd.	24,4 / 22,2 (-9%)	9
2025:	New construction of gas turbine plants for electricity generation	Gas Transmission System Operator of Ukraine Ltd.	Sodi Kom Ltd.	94,0 / 63,0 (-33%)	9
2026:	Construction of sites and access roads for well drilling at the fields of the Gas Production Division 'Lvivgasvydobuvannya'	Ukrgezvydobuvannya JSC	Premium Active Ltd.	31,9 / 22,0 (-31%)	11

*procurement for construction and current repairs

Prozorro data: Most procurements* are processed fairly quickly

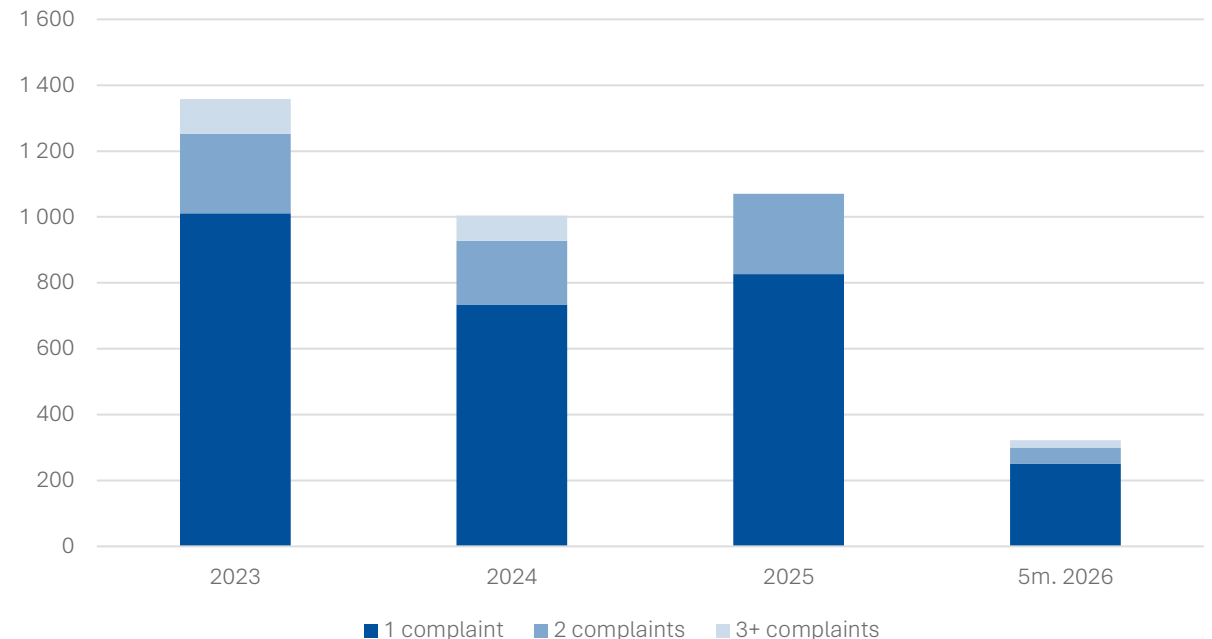
- In 2023–2024, about 80% of procurement processes lasted less than two weeks, and only 6% lasted longer than 50 days. In 2025, the duration of procurement processes increased slightly—the share of those lasting more than 50 days rose to 10%. Whilst this is insufficient to ensure a high level of competition in the tenders, the reduced procurement timeframe is in line with the simplified procedure in place during the period of martial law.
- Only 1% of procurements are contested, and this percentage has remained stable over the past three years

Tender duration



Sources: Bi Prozorro, CES calculations and visualisation.

Number of complaints



Sources: Bi Prozorro, CES calculations and visualisation.

DREAM lacks integration with the current status of the project's implementation with Prozorro and has a number of other issues



Financial justification is often focused on cost estimation rather than investment viability

The current Ministry of Finance methodology does not require a classic NPV calculation. Available data often did not show lifecycle cash flows, revenues, OPEX coverage, debt service capacity or long-term fiscal pressure on municipal budgets. By contrast, EU investment appraisal guidance is based on financial analysis that includes lifecycle revenues and costs and calculates financial NPV.



Cost estimates were difficult to validate against the proposed scope

The requested financing was not supported by a clear breakdown, technical volumes or evidence explaining how the budget was calculated. Projects may receive a positive expert assessment of compliance with the Ministry of Finance's methodological recommendations, while the underlying calculations or supporting justification are not attached or accessible for independent verification.



DREAM often contained a lot of general project information, but limited decision-useful technical data

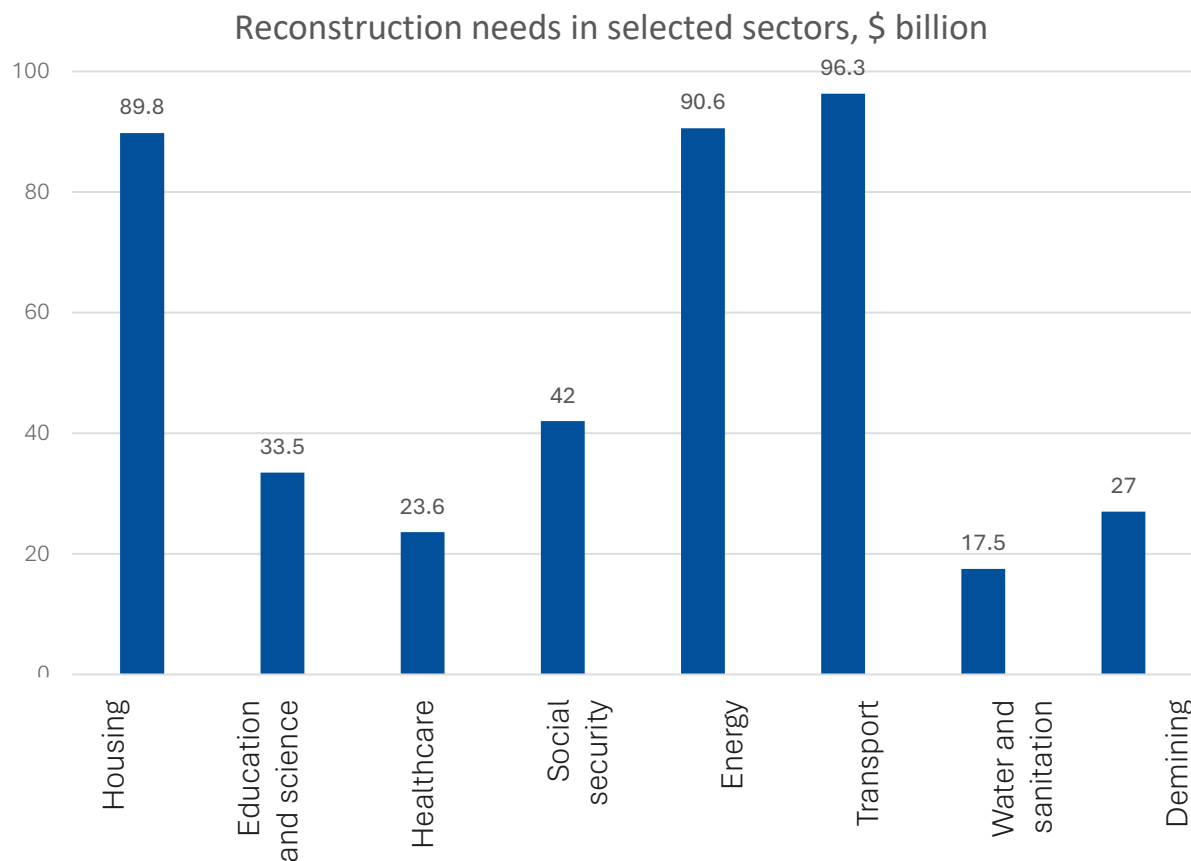
Project descriptions were frequently broad and descriptive, lacking the technical documentation needed to assess the underlying problem, justify the proposed scope of works, or verify whether the selected solution was practical and proportionate. In several projects with a relatively high reported maturity level, the attached materials still lacked drawings, with only a few cost estimates and several expert conclusions. This suggests that the reported maturity level does not always correspond to the actual depth of project preparation. For projects reported as 75–95% ready, the expected level of technical documentation should be significantly higher.



Environmental relevance was often described qualitatively rather than supported by measurable indicators

Most projects described expected environmental benefits only in general terms, without calculations of emission reductions, reduced discharges, energy savings, waste-generation impacts, biodiversity effects, or key equipment parameters. Environmental impact assessment documentation was also often missing, which limited the ability to verify environmental relevance and potential risks.

The funds allocated for reconstruction essentially lower than reconstruction needs



Source: [RDNA5](#).

- According to an RDNA5 estimate, the consequences of Russia's full-scale war against Ukraine for Ukraine's population, economy, and infrastructure continue to mount.
- Overall, from February 24, 2022, to December 31, 2025, taking into account the "Build Back Better" effect, reached \$588 billion for the period 2026–2035.
- However, restoration is significantly lagging behind the destruction, partly due to a lack of funding. Overall, construction procurements have reached \$20 billion over three years. At the same time, this is significantly less than the funding needs estimated in RDNA5 (\$189 billion for restoring housing, education, healthcare and social infrastructure).
- Despite the risks of new destruction and further losses, restoration processes are gradually improving, including under public control. 46% of damaged medical facilities and 28% of educational institutions have been restored as of end-2025, and over \$1 billion has been allocated for housing destruction compensation.

In 2026, \$15 billion will be needed to fund reconstruction, but only 40% has been secured

Priority Areas, Needs, and Funding Coverage in 2026

Priority Areas for Recovery	Number of Projects	Need, \$ million	Confirmed Funding, \$ million
Water Supply and Sanitation	14	169	42
Energy and Mining	58	4891	1607
Housing	6	2570	394
Education and science	11	1275	405
Healthcare	23	502	455
Emergency response and civil protection	3	43	11
Social security	6	1557	1141
Transport	55	2656	890
Management of explosive substances	3	44	7
Multisectoral projects	16	1538	811
Total	195	15245	5765

- Funding for priority projects in 2026 is estimated at \$15.3 billion (~7% of 2025 GDP), which is slightly higher than the consolidated budget's capital expenditures in 2025 (nearly \$11 billion). Of this amount, \$11.3 billion is allocated to public investment projects and programs, and another \$4 billion to non-investment programs.
- Budget funding and confirmed partner funding will cover approximately \$5.8 billion; the total funding gap is approximately \$9.5 billion, which is more than 60% of priority needs for 2026.
- The level of needs coverage varies significantly: 91% in healthcare, 33% each in transportation and energy, 9% in housing, and only 1% in heat supply.

Up to 40% of the funds needed for reconstruction could be covered by the private sector

- According to RDNA5, since 2022, the Ukrainian government, the private sector, and international partners have allocated \$20.3 billion for reconstruction (however, this represents only 3.5% of total needs).
- The funds were primarily allocated to:
 - housing repairs (\$6.2 billion),
 - educational institutions (\$2.4 billion),
 - healthcare facilities (\$0.6 billion),
 - transportation infrastructure (\$2.1 billion),
 - trade and industry (\$5.5 billion),
 - agriculture (\$1.5 billion).
- According to RDNA5 estimates, up to 40% of the demand over the next 10 years could be met by the private sector. Key prerequisites for maximizing private investment:
 - A favorable and predictable investment climate to stimulate domestic investment and attract foreign investors (rule of law and anti-corruption efforts, a legal framework for public-private partnerships, digitalization of business regulation, management of state-owned enterprises, increased competition, and reduction of the shadow economy);
 - Expanding and diversifying sources of domestic and foreign private capital (insurance, financing, guarantees);
 - Growing the private sector through strategic public investment projects, public services, well-designed incentive systems, and business support programs.

Effective, transparent and competitive procurement system – the cornerstone of recovery

- **Reconstruction is a key component of the country's resilience despite high security risks.** To ensure that the state rebuilds more cheaply, efficiently, and with higher quality, it is necessary to
 - Strategic planning of reconstruction – prioritising facilities with regard to local community interests, stable and even financing, and ensuring continuity of procurement;
 - Improving procurement procedures and oversight, conducting procurements through professional purchasing bodies, adopting a risk-based monitoring approach, and unifying classifiers and terminology;
 - Increasing competition in procurement, including opening cost estimates.
- **Recovery project planning must be based on the Public Investment Management reform,** meaning that the projects selected from the list submitted by communities are indeed priorities, have sufficient maturity and readiness for implementation, and align with sectoral and strategic priorities.
- **DREAM was chosen as a key digital tool for monitoring the medium-term plan for priority public investments.** The platform must organise data on projects, their status, and the implementation process. DREAM lays the groundwork for more transparent monitoring and future alignment with EU reporting standards. At the same time, this does not yet constitute full integration with the European SFC2021 system. Risks remain due to incomplete integration with the Treasury, Prozorro and other government IT systems.
- **The Law 11520 comprehensively updates public procurement rules, expands the range of tools for competitive procedures, enhances transparency, and brings the system closer to EU standards.** The document significantly expands opportunities for Ukrainian companies – especially SME to participate in procurement. This is a step toward compliance with Directive 2014/24/EU and standards for transparent reconstruction. However, exceptions and direct contracts for certain categories of procurement, particularly in the context of war and the implementation of reconstruction projects, remain in place. The law will take effect in 2027.



Thank you.

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