SESSION REPORT

Please know you may design the structure of this report to better suit the session. It’s important to capture the key outcomes and solutions proposed for the future.

Session Title: Sizing Up (Re) Construction. Measuring Local-Level Recovery Integrity
Date: 21 June 2024
Time: 5:15 PM - 6:45 PM (GMT +3)

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Moderated by:
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Panellists:
- Kateryna Glazkova
  CEO
  Union of Ukrainian Entrepreneurs (СУП/SUP)

- Artūras Žarnovskis
  Programme Manager
  Central Project Management Agency of Lithuania

- Vitaliy Lukov
  Deputy Head of the Mayor
  Mykolaiv City Council, Ukraine

- Valeriya Ivanova
  Ex-Deputy Head (2023-2024)
  State Agency for Restoration and Infrastructure Development of Ukraine

- Nayaliya Lazarovych
  Investigative journalist
  Bihus.info
Share the thematic focus of the session, its purpose and corruption risks?
Amidst the ongoing war in Ukraine, it’s hard to define what a successful infusion of integrity and transparency into local level reconstruction looks like. Different actors have diverging viewing on this. Yet, national and local governments, CSOs and businesses must converge to devise measurement frameworks to gauge anti-corruption success, the panel and audience dialogue explored how to achieve this.
The event also had the practical goals, depending on the target audiences:

- **Maintain the dialog** about Ukraine’s recovery and reconstruction (primarily of critical infrastructure) and keep it on the agenda of international partners (TA: international donors, IFIs, representatives of development banks, private sector investors, foreign governments, CSOs, national and local governments)

- **Use the power of collective intelligence** and experience to brainstorm metrics (criteria, indicators, measures, approaches, frameworks) for international players (externally) and for Ukraine (internally) to measure the success, effectiveness and efficiency of recovery processes as well as reconstruction integrity (TA: international technical assistance projects, central and local government bodies)

- **Establish links between prospective partners** (including intellectual, thought-partners) to continue the dialog on this topic that can grow into other, more practical forms of cooperation, such as joint projects on reconstruction and recovery, joint conferences, round tables, side-events, research projects, grants or contracts (TA: local governments, international technical assistance projects, business, CSOs, think-tanks, individual researchers).

**Summary of panellists’ contributions & discussion points (please be as detailed as possible)**

- **Valeriia Ivanova**, SARDI Deputy Head (2023-2024)

  (prerecorded video, as she couldn´t participate personally)

The Restoration Agency was established based on two central executive bodies. These are the State Road Agency and Ukrinfraproekt (the State Agency for Infrastructure Projects of Ukraine). From the very first days, the Restoration Agency began implementing the largest and most significant infrastructure projects since the country’s independence. This was due to the full-scale war and Russian aggression against Ukraine, which forced us to protect our energy system.

The Restoration Agency has been involved in the construction of engineering structures, the protection of energy substations, and also in measures to mitigate the consequences of the destruction of the Kakhovka Hydroelectric Power Station. This included the construction of a main water pipeline intended to provide drinking water to over one and a half million people. Additionally, the Restoration Agency has been engaged in the restoration of schools, hospitals, private houses, and the comprehensive recovery and expansion of the state’s export-import capacity, including increasing the throughput capacity of border checkpoints.

Furthermore, the Restoration Agency has also been responsible for maintaining and operating over forty-five thousand kilometers of road network.
Given the significant tasks and responsibilities that the Agency has had to undertake, it has been crucial for our team to ensure transparency and accountability in the procedures related to project implementation.

In response to the first question I was asked to address at this conference, regarding the methods and assessments used to measure our effectiveness in ensuring transparency and accountability, I think it is important to discuss our procurement processes, as this is one of the most corruption-prone areas.

We had three main objectives. The first was to eliminate favoritism, ensuring that tender documentation did not contain discriminatory criteria that would discourage companies from participating in the bidding process, thereby reducing competition.

The second objective was to ensure the capability of these contractors, preventing the participation of fictitious paper companies that could not perform the work.

The third objective was to increase competition and, consequently, achieve cost savings in the procurement process. To accomplish this, we undertook two main initiatives. First, we conducted dozens of market consultations to gather information about the market, understand how to engage companies in the bidding process, identify their challenges, and understand what prevents them from participating. Based on this information, we developed standardized procurement methodologies for civil construction and for maintenance of national roads. These methodologies outlined a specific set of documents required for participation in tenders, eliminated discriminatory criteria, incorporated the practices of the Antimonopoly Committee, and ensured contract conditions that would guarantee contract execution and protect the customer.

The second important initiative was creating a system for reviewing the tender documentation of the Agency's regional offices before the announcement of the tender and providing them with recommendations to eliminate discriminatory criteria. This ensured that the tender documentation posted for bidding complied with the Law of Ukraine "On Public Procurement."

Additionally, we publish and disclose all necessary project information to facilitate market access and transparency. This included project design and estimate documentation, types and volumes of work, and prices of essential materials. All this information was published on the ProZorro electronic system, making it easier for companies to participate in and engage with these tenders.

As a result, we saw nearly a threefold increase in the number of participants compared to other restoration contractors in the country. This led to more equitable access, greater savings in the tenders, and higher competition.

An important aspect of this process was finding a way to evaluate how effectively, accountably, and inclusively we were approaching these tasks. Therefore, our criteria for measuring the effectiveness of the tenders consisted of two separate blocks. The first was the efficiency of the procurement officers and the staff of the procurement departments in the regions. The second was, of course, the results of the tenders themselves.

Regarding the procedure, timely responses to the questions of potential participants in the electronic system were one of the criteria. Another important criterion was the presence or absence of complaints to the Antimonopoly Committee. Although this is not always a relevant
criterion, it provides insight based on the outcomes of the Antimonopoly Committee's reviews. Nevertheless, it was an important criterion for us. Additionally, the efficiency of the procurement officers was evaluated based on the timely execution of procedures, avoiding delays, the number of companies participating in the tenders, and the percentage of cost savings, which resulted in a reduction in project costs.

An important aspect is the quality of the project documentation developed before implementing an infrastructure project. This requires additional specialists and the involvement of individuals who can verify the project's technical characteristics and ensure the project planner's work is accurately executed. For critical projects, we hired and asked donors to assist with the audit of project documentation and cost estimates. With the help of international partners, including USAID, we conducted a technical audit of the project and cost documentation for the water pipeline. This improved its quality and reduced the project's implementation costs.

The methods of measuring transparency in the restoration processes are, of course, more complex than just standardizing a specific stage in the implementation of restoration projects. This includes prioritization—how the country determines whether a project needs to be built at all and whether it is effective for the state to spend funds on certain infrastructure projects. It also includes auditing and rules applied to auditing the implemented projects. The independence and capability of the customer to implement these projects are crucial, whether the customer is the Restoration Agency or local government bodies. Their ability and independence are key factors in determining how transparently the restoration will be conducted.

It is also important how we can assist local authorities in implementing projects and what the Restoration Agency can leave behind to facilitate more transparent project implementation by local governments. To this end, we have a series of guidelines and documents that local governments can use when executing their projects. These include cost monitoring procedures, procurement methodologies, contract templates, and standardized requirements for establishing relationships between the customer and the contractor. These are specific norms that can be incorporated into contracts to help customers implement projects more effectively, protect the customer, and safeguard budget funds.

Another crucial aspect is that, while implementing the complex restoration projects aimed at the restoration of the whole settlements, the Restoration Agency encountered a number of challenges. We have documented these challenges and how we addressed them in a special manual. If anyone faces similar problems while implementing their projects, they will know how to act in various situations. Therefore, this set of documents will be valuable for local governments. Additionally, there are procedures available to the public: the Procedure for Internal Investigations, Risk Assessment conducted by the agency and its regional offices, and the system for minimizing these risks. I hope all this work towards building an effective compliance system within the Agency and in the regional offices will be a valuable achievement and provide good documentation that can be studied, adopted, and applied accordingly.

To summarize and not take up too much time, I know that many of you attending this panel are concerned with or involved in ensuring that the restoration processes are more transparent. As most of my colleagues will also point out, the main point is that restoration is a balance with a broader spectrum than just building infrastructure projects. It involves restoring the country's functionality, creating jobs and business strategies, attracting
investments, public-private partnerships, and many other tasks that lie ahead for Ukraine. I hope this journey will be effective.

Thank you for this workshop and for the opportunity to speak. I hope that through this dialogue, new opportunities and ideas will emerge on how to facilitate the effective restoration of Ukraine. Thank you.

- Natalya Lazarovych, Investigative Journalist at Bihus.Info

First of all, I would like to tell you about our investigations into reconstruction. Last spring, we began publishing a series of investigations about reconstruction in the Kyiv region. This was a period of rapid and chaotic rebuilding, where the government’s priority was to complete the work as quickly as possible. For example, in Borodianka we found that at many sites, the repair work that was paid hadn't actually been carried out. I want to show you a little part of our investigation about Borodianka. Recently, audit confirmed that the Borod village council installed windows for fourteen million hryvnias. It’s three hundred and forty thousand dollars.

I can highlight major indicators that suggest that the reconstruction is done without integrity:

- If a construction company provides false information about its experience and the number of its employees. And when firms are newly created and didn’t actually have the workers and equipment to the reconstruction.
- If the authorities fail to provide all the documents that we request or hide information about the reform the building’s residents.
- If the construction company has corruption ties with the local or central authorities.
- Last but not least, it’s inflated prices for construction materials and low-quality construction materials.

Question: How do choose the topics of your investigations in recovery?

We are guided by several criteria when choosing the topics of our investigations:
- First of all, the cost of recovery. We very attentively monitor sites that are allocated hundreds of millions of hryvnias.
- Another criterion is the integrity of the company that receives the money. We which new companies participate in the recovery process and check whether they have real workers and equipment, whether they are involved in criminal proceedings, and whether they have ties with the authorities.
- An equally important criterion is the impact on people’s lives in communities. Poor-quality work, delays in recovery, and embezzlement of money people who should be living or working in the restored buildings.

Question: What indicators would tell you that a given municipality is doing its best to rebuild transparently and accountably?

It is important to say that in Ukraine we have many successful reconstruction projects. I see progress in transparency that communities have made over these two years. I will tell you about a real example. We are monitoring an expensive reconstruction project in Kyiv region. It is a multi-story building, and its rebuilding will cost fifteen million dollars. We sent several written requests to the Kyiv Regional Military Administration regarding this project. And we received a very detailed response from the administration, where they reported that: the
photo reports of the progress of the reconstruction, information that they have set up a group of law enforcement and anti-corruption institutions that monitor the use of funds, the detailed information about works for the next few months. This example showed us that when local authorities want to make the reconstruction transparent, they find the resources to do this.

- Vitaliy Lukov, Deputy Head of the Mayor of Mykolaiv, Ukraine

Mykolaiv has been in constant danger since the beginning of the war and is now a little more than 40 kilometers from the front. There are thousands of damaged objects in the city. For us, restoration is a question of survival, a question of the city's future. Mykolaiv divided all objects for restoration: the city is engaged in the rapid restoration of vital objects on its own, and together with the Restoration Agency, they rebuilt large projects: water pipelines and bridges. Despite the daily shelling, we worked on the registration and effective use of aid. The Humanitarian Aid Headquarters was opened, where there was a clear distribution and accounting of all aid: from personal hygiene products to large utility equipment. One of the principles of efficiency is openness and sincerity in relations with international partners, then this is an indicator and a guarantee of continued relations.

During these two years, the city received help from more than 50 partners, with many cities we are now sister cities of Mykolaiv – the first city in Ukraine, which, with the support of the EU Anti-Corruption Initiative, developed and implemented a method of internal control over the use of humanitarian workers. All receipts and usage verification reports are available on the public website. According to the results of the inspection of the entire humanitarian agency for 2022 and 2023, no violations were found. Despite the fact that at the beginning no one had any requirements to whitewash the city, they decided to do it from the very beginning and were right.

We see integrity as the key to successful partnerships and as a result successful recovery. In 2022, Mykolaiv became a partner of the Anti-Corruption Initiative of the European Union (EUACI). Ensuring a reliable and transparent recovery requires a multi-stakeholder approach. These include 1) establishment of clear and open processes for public procurement of goods and services for infrastructure restoration; 2) implementation of effective corporate management practices in critically important utilities (water supply, central heating company, transport) 3) guaranteeing full accountability in the distribution of international aid; 4) creation of effective systems of internal audit and control to ensure responsible use of public funds and other resources, as well as increasing the effectiveness of the City Council's activities.

Since 2022, the city has managed to launch a number of successful good governance practices: 1. Implementation of a new Geoinformation System (GIS) module for recording damaged or destroyed property. According to calculations as of the end of 2022, the total estimate of losses in general reaches about 852 million euros. Over 4,000 damaged objects. Thanks to the established process, the city maintains its own Register of damages and losses in the geoinformation system. Data verification is now being completed. This is especially important during the payment of compensations for E-Recovery and other similar programs in the future. 2. Evaluation of integrity of utility enterprises. This is such a comprehensive analysis of 9 areas, among them strategic management, services, finance, compliance, procurement, corporate management, based on the results of which a risk minimization plan is created and the enterprise is transformed. Now we have already done it for KP Mykolaivvodokanal. We plan to launch a Supervisory Board and other elements of corporate governance at the
company in the coming year. The main goal is to transform the enterprise into a transparent and efficient one. 3. Implementation of internal audit. We work not only on the transparency of processes, but also on their efficiency. 4. Assessment of corruption risks. Identification and reduction of corruption risks in key areas of work of local self-government bodies. Among them: urban planning, land relations, management of immovable communal property, public procurement, socio-economic infrastructure. 5. Public anti-corruption examination. Through integrity, we are able to ensure efficient use of resources, build trust with residents and donors and partners, and as a result attract more aid, which will accelerate the city's recovery. It's good when others talk about you and evaluate you - that's why we are ready for audits and participation in international programs. Mykolaiv is ready to speak and speak about his achievements in the field of integrity and transparency and to have an objective assessment at all international venues. Mykolaiv is ready and will have the right to be a city of the European Union not only politically, but also with European standards of living and governance.

- Artūras Žarnovskis, Co-create Future of Ukraine and European Peace Facility Programme Manager at the Central Project Management Agency of Lithuania

Central Project Management Agency of Lithuania is running the Co-Create Future of Ukraine program and this Program helped with reconstruction on the ground in Ukraine already, including schools and kindergartens in Kyiv and Chernihiv oblasts. There are some projects already implemented and some lessons learned from these experience. We prepared tech documents and prepared procurements announces and implemented some contracts. We had three agreement principles: These are: 1) choosing the object 2) double check and then 3) implementation. There is no regret in restoration period but there is a big amount of the projects. And I see the issue that hundred of different types of objects are in the list to be implemented but no clear vision of big picture. Different donors have their own agenda to implement, own blacklists, but no general lists. It would be nice to have a procurement plan for a year for donors as well. There is a lack of coordination for international donors and companies. Someone or some agency should manage and coordinate all the donors aid and assistance: the general coordination and list of all the destroyed objects. It is impossible to prepare the market. Also the scope of schools, hospitals or another kind of objects with evidence to be reconstructed of built. It is clear that every village can not have the industrial park or rehabilitation center. We have to know how many objects were implemented and money spent as well as the damaged and destroyed objects because we have to know how much russia must pay. And the conversations about corruption shouldn't be excuse for investros not to work and help.

- Kateryna Glazkova, CEO, Union of Ukrainian Entrepreneurs (SUP)

Business became actively involved in meetings both for defense needs and for solving humanitarian problems. The public-private partnership took on a new form caused by the current situation. Additional funding, expert opinion, assistance in the implementation of local initiatives remain an important component of cooperation at the "business-community" level. SUP (association), which unites more than 1,200 active members, both among small and large businesses, conducts regular communication with them regarding the problems that arise during public-private partnerships.

The first step that a business takes when interacting with territorial communities is to establish trusting and transparent relationships, sign memorandums of understanding and
express its intentions to cooperate on issues of regional recovery. This step taken by the business can contribute to establishing contact with the community leadership and is the basis of further transparent relations.

The second important way in which business can determine the good intentions of local self-government bodies is a multifaceted study of their history of operation and success in the implementation of previous projects, a study of rational or, on the contrary, senseless spending of own and donor funds, the presence or absence of corruption scandals that were covered in local or state media.

Ukrainian business, which rallied so much during the war, is forced to use mechanisms for monitoring the integrity of local communities with which it plans to implement projects. However, despite this, according to the information confirmed by a close survey of SUP members, Ukrainian business is ready and eager to cooperate with territorial communities and implement projects related to the reconstruction and recovery of communities. The "green flag" is also the regularity of tenders and auctions held by local authorities, in which any business can participate. This fact shows the government's desire for development and encouraging healthy competition among businesses.

A signal for businesses is openness to communication from the territorial community and positive feedback from their colleagues and other businesses. The exchange of impressions and information can contribute to the establishment of friendly relations between "colleagues" and the creation of casual networking.

**Main outcomes of the session (include quotes/highlights and interesting questions from the floor)**

Question from the Moderator (Svitlana Kolomiyets) to Vitaliy Lukov:
How do you think this centralised coordination can be a threat to decentralisation reform and local capacity?

Vitaliy Lukov: I have an experience of working in small and big city. The aid of EUACI and Denmark help us to prepare a city masterplan by Italian bureau Onework and masterplan will be useful and we adopted the strategy for the city and now will be the another plan and objects than those were before the war. For example: one new school instead of three previous. There should be a strategy for waste management or heating factories for bordering communities for common use and not to build this at every of them.

Question from the Moderator to Nataliya Lazarovych:
I like Arturas quote: no regret in restoration period. How do you think the restoration and the corruption risks evolved during this period?

Nataliya Lazarovych: Yes after 1,5 years of reconstruction it has been changed. Now some big objects are in construction work. The tendence has changed and big and expensive objects are in work with more respective companies: not the very new established ones like it happened during first months of reconstruction and there is no overpricing up to x5 than it was.

But the problem is that the reconstruction project deadlines are moved (postponing) very frequently for the different reasons, including lack of employees, lack of vehicles of equipment and it leads for changing terms and the final prise increasing.

Also the issue is a lack of planning and strategic vision for some reconstruction objects. As the example is the reconstruction of school near the frontline and the question is if the children will attend that school due to the danger and threats.
Question from the Moderator to Kateryna Glazkova:
Business is involved in reconstruction process and what can we do and invest and to speed up the process?
Kateryna Glazkova: Of course there are some questions or conflict of interest risks, though in our association we have this discussion and we also check the reputation of the companies-members, their beneficiaries and reputation. Sometimes compliance of integrity looks scary and expensive for some companies. About the integrity of the procurement participants actors: there should be an indicator to evaluate the participant for the state procurement which can light the bad actors.
Local companies are scary that all the reconstruction projects could be implemented by international actors while international actors do not know the rules and procedures of Ukrainian market. So we need the partnership and cooperation to build this relations and start the actual work for that. If we will not involve the Ukrainian business than the restoration will be slow and can’t not be so effective and fast as it could.

Question from the audience (Tetiana Khutor) to Kateryna Glazkova:
Recently, the legal framework related to recovery was published, and international organizations and companies are interested in the legislator and the risks in the legislation – are Ukrainian businesses worried about the risks in the legislation and problems in the implementation of projects?
Kateryna Glazkova: Of course it does. In our association, we have an analytical center that constantly monitors these risks, even when we find them or other similar issues appear, we appeal to the national Agency for Corruption Prevention and other state bodies with the question of paying attention to it. It is the responsibility of each customer and executor and observers-controllers. The responsibility should be not only for business, but for everyone: the government and the public as well.

Question from the audience (Martina Bohuslavets) to Nataliya Lazarovych:
we conduct a lot of investigations about the construction and the estimates are not open, the authorities do not always show them but hide them, Mrs. Natalya, what works when they are closed or hidden, and how to get them?
Nataliya Lazarovych: We officially apply in writing to the manager of information on documents, if it is not given or refused, we ask for it again and again until it works.

Question from the audience (Martina Bohuslavets) to Vitaliy Lukov
Vitaliy, thank you for mentioning the public anti-corruption examination, and what you are doing with procurement related to the restoration of the city council?
Vitaliy Lukov: In Mykolaiv, we introduced mandatory price monitoring of basic construction materials and services. This has already resulted in significant savings and changes in estimates. By the way, we were also the first in Ukraine to introduce the publication of estimates in a machine-readable format. So that all journalists can monitor and follow this freely. We are working on updating the procurement policy in departments related to reconstruction and utilities. Our goal: increased competition, no discriminatory requirements, inferior services and a guarantee of high quality for the residents of the city.
Key recommendations for the future and concrete follow-up actions. What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?

Proper and at least medium-term **planning** of the restoration and proper **prioritization** of projects – clear procedure on how do we determine priorities – what and when

1. **Proper coordination of support** to avoid overlapping and ensure transparency and proper coordination

2. **Quality of project documentation**

3. **Procurement:**
   - Proper methodology of procurements that will lead to the proper contractors – non-discriminatory, but at the same time we need to ensure that contractors have enough experience
   - Non-discriminatory procurements
   - Cost estimates being publicly accessible
   - Open dialogue
   - Timely answers
   - Complaints

4. **Implementation of projects:**
   - Independent financial audit
   - Technical supervision of projects
   - Monitoring of market prices for materials
   - Pre-payments available and clear timeline of project implementation

5. **Governance:**
   - Corporate governance: rules and procedure in place
   - Internal controls
   - Proper internal audit
   - Corruption risks assessment
   - Human capital in place

6. **GIS-systems**, access to the information online

7. **Open dialogue** with civil society and accessibility of data for understanding (not only in terms of publishing information online, but also making it understandable)

8. **Intentions that are demonstrated**

9. **Effective state control over budget spendings** – proper infrastructure of control needs to be in place

10. **Independent and just law enforcement**
Rapporteur’s name
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Date submitted
24 June 2024

Action! This report needs to be emailed to iacc-av@transparency.org within 24 hours of the session. If you wish to update the report, please do so by 21 July. Thank you.