Information about Ukraine Early Recovery Programme

Overcoming the consequences of the conflict in the east remains a key priority of the EU’s work in Ukraine. Ukraine’s public and communal infrastructure, including water supply systems, along with its educational and health facilities, have been degraded by decades of underinvestment, neglect and inadequate maintenance. They have been further damaged in Donetsk and Luhansk oblasts due to the ongoing conflict.

At the Ukrainian government’s request, the European Investment Bank, the long-term lending institution of the EU and the only bank owned by and representing the interests of the EU Member States, is providing financing for the Ukraine Early Recovery Programme (UERP), a multi-sector framework loan of EUR 200 million targeting early recovery investments in critical municipal infrastructure and establishments of high social importance. The main goal of the ERP is ensuring decent living conditions for internally displaced people (IDPs) and their host communities. The programme started in September 2015 under a Financial Agreement between Ukraine and the European Investment Bank signed on 22 December 2014. It is expected to be completed in 2021.

Unlike other programmes, in which the EIB typically carries out large-scale and long-term infrastructure projects, UERP is designed for specific, local and small-scale, but extremely urgent tasks. These are small-scale investments in the restoration of infrastructure and improving conditions for the supply of public utility and social services, as well as for the repair of damaged administrative buildings and social infrastructure: educational institutions, medical facilities, hostels, and other, ranging in sub-project value from EUR 20,000 to EUR 5 million.

The programme extends to the Ukrainian government-controlled areas in Donetsk and Luhansk oblasts and adjacent Kharkiv, Dnipropetrovsk and Zaporizhzhia oblasts, and to local communities in other oblasts countrywide that host significant numbers of internally displaced people, namely Kyiv Oblast (apart from the city of Kyiv), Odesa and Poltava oblasts, where more than 20,000 IDPs live, and Kherson Oblast, which hosts significant numbers of IDPs from Crimea.

For the Donetsk and Luhansk oblast sub-projects, the repayments of the EIB loan come fully from the state budget. The sub-projects in other oblasts also include a contribution from the local budget of at least 20 percent of the total cost of the works.

The Ministry for Communities and Territories Development of Ukraine is in charge of the execution of the UERP. The beneficiaries are the central state authorities, local state administrations, local government bodies, and state and municipal enterprises and establishments.

The main stages of the sub-projects implementation are as follows:

- The Ministry for Communities and Territories Development of Ukraine calls for submissions of suitable sub-projects applications that meet the programme criteria from all the target oblasts.
- The ministry screens these applications together with the EIB-provided Technical Assistance (TA) to the programme and evaluates them against the defined criteria. These sub-projects are then submitted to the EIB in separate tranches for approval, and funding under the programme via allocation requests.
- Once sub-projects are approved and if below the financial threshold of EUR 5 million, local implementers start a tender via ProZorro according to Ukraine’s legislation and special Guide to Procurement; if over the mentioned threshold this will entail international tendering.
- Once tendering is concluded, a contract is signed and the EIB’s “no objection” obtained, payments are made directly to contractors via Ukreximbank, subject to contract conditions being met and external technical supervision being satisfied, as certified by independent engineers. Monitoring of sub-projects implementation is carried out by UNDP specialists.

Current results of Ukraine Early Recovery Programme

A total of 277 sub-projects had been approved as of December 2019 with a total value of EUR 184.42 million, with 17 sub-projects currently under consideration.

Breakdown of facilities by area and amount of money allocated by the EIB for recovery:

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Total Objects</th>
<th>EIB’s loan, €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donetsk</td>
<td>150</td>
<td>€ 96,348,700,00</td>
</tr>
<tr>
<td>Luhansk</td>
<td>43</td>
<td>€ 11,477,040,00</td>
</tr>
<tr>
<td>Zaporizhzhia</td>
<td>31</td>
<td>€ 26,913,603,00</td>
</tr>
<tr>
<td>Kharkiv</td>
<td>20</td>
<td>€ 12,181,687,00</td>
</tr>
<tr>
<td>Poltava</td>
<td>9</td>
<td>€ 10,400,121,00</td>
</tr>
<tr>
<td>Dnipropetrovsk</td>
<td>7</td>
<td>€ 8,296,613,00</td>
</tr>
<tr>
<td>Odesa</td>
<td>5</td>
<td>€ 4,015,659,00</td>
</tr>
<tr>
<td>Kyiv</td>
<td>4</td>
<td>€ 13,883,831,00</td>
</tr>
<tr>
<td>Kherson</td>
<td>1</td>
<td>€ 903,066,00</td>
</tr>
</tbody>
</table>

Most of the objects to be recovered under the UERP are in the following sectors:

- **Education** – schools and kindergartens account for more than 55 percent of the objects
- **Healthcare** – hospitals and primary healthcare centres account for more than 22 percent of the objects
- **Residential** – IDP housing and hostels account for 11.5 percent of the objects
On 16 December 2016, the European Investment Bank, in partnership with Ukraine’s Ministry of Regional Development, Construction and Housing, and Communal Services, signed a Technical Assistance Cooperation Agreement to facilitate the optimal use of the Ukraine Early Recovery Loan, so that it delivers the expected results on time, and effectively improves infrastructure and the quality of life for people affected by the conflict in eastern Ukraine.

Under this agreement, the United Nations Development Programme (UNDP) via the Technical Assistance Project (TA) supports the implementation of the Ukraine Early Recovery Programme (UERP) and helps to better plan, implement and monitor recovery and peace-building related projects more effectively, including through developing the capacities of its final beneficiaries in contracting, procurement, social mitigation, and local governance. The UNDP TA Project is an important part of the UN Recovery and Peacebuilding Programme portfolio, and will lead to the comprehensive restoration of conflict-affected infrastructure, strengthening community security and social cohesion, as well as supports the economic recovery of communities and the further implementation of decentralization and healthcare reforms.

To this end, UNDP has established a regional Technical Coordination Unit and four decentralized Technical Assistance Units which serve as resource centres for final beneficiaries and local stakeholders in the nine target oblasts covered by the programme. The overall objective of the UNDP TA Project is to support the proper implementation of the UERP through providing effective on-site project monitoring, while co-currently developing the capacity of final beneficiaries. UNDP TA experts provide consultative support at all phases of the project cycle, including but not limited to planning, pre-design and design, engineering, procurement, implementation, and monitoring. There is a special focus on improving local governance, in particular with the aim of engaging communities in the decision-making process and preventing fraud and corruption. The TA Project also applies a local participatory approach in accordance with a Social Management Plan and Stakeholders Engagement Plan, fostering the engagement of different stakeholders and local communities in the UERP’s implementation.

To contribute to the UERP implementation, UNDP TA activities cover four sectors: 1. Engineering and construction: technical monitoring, design checks and recommendations on design adjustments, on-site monitoring during the construction phase, including spot checks of sub-projects, and training and consultative support on engineering and technical issues. 2. Procurement and finance: checks of Loan Fund Transfer Agreements and Tender Dossiers, unit costs analyses, price comparison and cost increasing factors analyses, checks of tender procedures and contractual documentation (where applicable), and training and consultative support on financial and procurement issues. 3. Anti-corruption: corruption risk monitoring and analysis, preparation of early corruption risk assessment reports, design of mitigation measures, development of contractors’ profiles, analysis of tendering procedures and purchasing practices, media coverage, and training in anti-corruption and fraud prevention. 4. Social management and stakeholder engagement: support for the development and implementation of Social Management Plans, including social and environmental impacts and risks analyses, fostering stakeholders and community engagement and establishing sub-project implementation working groups, monitoring compliance with EIB Environmental and Social Standards, and training in social management.

Information about the UNDP Technical Assistance Project

European Investment Bank Standards

The implementation of the UERP and EIB-funded sub-projects must be in accordance with the EIB Environmental and Social Standards and is to be ensured by the local sub-projects implementers. Compliance with the EIB standards is monitored by the final beneficiaries together with community representatives, the Ministry for Communities and Territories Development of Ukraine and UNDP TA experts.
EUROPEAN INVESTMENT BANK EARLY RECOVERY PROGRAMME

Key results as of December 2019

- **200 miln** loans for rehabilitation of municipal and social infrastructure in 9 oblasts of Ukraine during 2015-2021
- **277 sub-projects** for the repair of 270 objects with a total cost of € 184.42 miln have been approved
- **27 sub-projects** have been completed in 11 cities and towns in 4 oblasts of eastern Ukraine
- **over 59 sub-projects** are in progress

Over **4 miln** residents of 4 oblasts of Ukraine, including **600 000** IDPs and persons from other vulnerable groups, have already benefited or will soon benefit from the implementation of these sub-projects.

**EIB loan**

- **54%** Education
- **24%** Healthcare
- **9%** Residential
- **6%** Administrative and public infrastructure
- **7%** Culture

**HEALTHCARE**
hospitals, primary healthcare centers, rehabilitation centers

**EDUCATION**
kindergartens, schools, youth sport schools

**RESIDENTIAL**
residential buildings, hostels

**ADMINISTRATIVE AND PUBLIC INFRASTRUCTURE**
city council buildings, other administrative buildings, water supply and sewage treatment facilities, etc.

**CULTURE**
culture palaces, public libraries and culture houses, arts and music schools

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**HEALTHCARE**
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city council buildings, other administrative buildings, water supply and sewage treatment facilities, etc.

**CULTURE**
culture palaces, public libraries and culture houses, arts and music schools
10 steps to proper social management within UERP sub-project

1. Conduct the assessment of local community needs in the rehabilitation of communal and social infrastructure facilities, originate the idea of future sub-project.

2. Assess your capacity to implement the sub-project, gain the necessary knowledge, skills, and resources.

3. Identify the beneficiaries and main stakeholders of your future sub-project, analyze its environmental and social impacts and risks, develop the Social Management and Stakeholders Engagement Plans.

4. Discuss the idea of your sub-project with the local community, collect and consider proposals from local stakeholders during public hearings and working meetings.

5. Design your sub-project, conduct the State Expertise and submit application to the Ministry for Communities and Territories Development of Ukraine, wait for the approval, conduct tender and obtain EIB’s “No Objection”.

6. Organize consultations, build up partnerships with your key stakeholders and establish working implementing group to strengthen your capacity to implement the sub-project and maximize its positive impacts.

7. Regularly communicate about your sub-project progress, obstacles and bottlenecks to the local community and other stakeholders, ensure effective media coverage of the sub-project implementation.

8. Establish an efficient, transparent and accessible grievance mechanism to deal with stakeholders’ proposals and complaints.

9. Jointly with local community representatives conduct regular monitoring of sub-project implementation to track its progress and define compliance with EIB environmental and social standards.

10. Evaluate environmental and social impacts obtained after finishing your sub-project, report to the community and share your experience.

10 steps to successful procurement and timely financing of UERP sub-project

1. After the approval of your sub-project, receive from the Ministry for Communities and Territories Development of Ukraine (MCTD) the final template of the Loan Fund Transfer Agreement (LFTA), sign and send it to MCTD with necessary documents package.

2. Allocate funds for expenses to be financed within your local budget in accordance to LFTA: VAT (except Donetsk and Lugansk oblasts), construction design supervision, currency conversion, etc.

3. Get the latest template of Tender Dossier (TD) for UERP sub-projects, prepare and receive approval from MCTD.

4. Conduct tenders in compliance with the national legislation of Ukraine and the Guidelines “Procurement Procedure Guide: Competitive Bidding by National Procedures” (please select the correct version - for Batches 1 and 2A or Batches 3 and 4).

5. Sign a Construction works contract with the winner of the tender and inform the Contractor on the need to adhere to contract requirements and its annexes.

6. Organize the procurement of technical supervision services according to a special procedure, which is available on the MCTD website, sign a Contract.

7. Send the Construction works contract and the Contract for technical supervision to the MCTD, wait for approval from the EIB - “No Objection” - this is a green light for your sub-project.

8. Get the construction works permit, coordinate with the contractor and technical supervision the date of the construction work start, prepare and submit to the MCTD the documents for advance payment.

9. During the active phase of construction, prepare on time and carefully payment and other supporting documents, as well as send them to the MCTD for timely receipt of interim payments.

10. After completion of construction work and Building Certificate registration, prepare documents for payment of five percent of the contract price.
### 10 steps for preventing "prohibited practices" in UERP sub-projects (corruption, fraud, coercion, collusion, obstruction, money laundering)

1. Avoid creating obstacles to bidders through adjusting tender and other documentation to favour a specific, pre-determined winner and/or situations where technical requirements are intentionally made unclear and/or the project documentation is outdated.

2. Avoid unjustified disqualification of bidders and the failure to ensure the transparency of the procurement procedure by the representative of the contracting authorities, and take measures to maximize the involvement of potential contractors through using the Prozorro e-procurement system.

3. Prevent conflicts of interest if the bidder is closely linked to the members of the tender committee or when the representatives of the contracting authorities are closely linked with contractor and receive personal benefits from the supplier in the form of gifts, contracts, employment, favours, and donations to political parties or charities.

4. Prevent collusion between the representative of the contracting authorities and bidders, or between the bidders.

5. Look out for signs of fraud and signs of other "prohibited practices". These could be situations in which bidders try to falsify documents or hide information about financial encumbrances, tax debts, wage arrears, their failure to fulfil obligations under previous contracts, sanctions, court rulings against a company for a criminal offense (fraud, misappropriation, tax evasion, etc.)

6. Make an evaluation of the operational risks – get more open source information about bidders, their beneficial owners, and top management (current criminal and other proceedings related to fraud, misappropriation, tax evasion, corruption, and other offenses awaiting a court ruling, negative coverage of a bidder’s activities in open sources of information, etc.)

7. Get feedback on the work of a potential contractor from previous customers.

8. Avoid creating obstacles for the UNDP TA during anti-corruption monitoring, as well as during spot checks at the construction site.

9. Avoid potential fraud. These are situations where it is proposed to accept and pay for unnecessary, non-existent, repeated or poorly executed works, "close your eyes" to situations where the contractor delegates more than 20% of the work to subcontractors, or if the address of the construction site is different from the address specified in the contract, etc.

10. Under no circumstances be tempted to become a participant in corrupt practices. The price of corruption is not only the risk of criminal prosecution, but also the loss of taxpayers’ funds, waste of public funds, risks and dangers to citizens, and the need to spend additional public funds in future.

### 10 steps to safe and successful construction work on UERP sub-project

1. Following the signing of a Construction works contract, get the construction work permit or send notification of work commencement (for facilities of SS1 class of consequences) to the DABI of Ukraine.

2. Sign with the Contractor the Act for the construction site transfer, which contains all additional and special requirements for the work and the separation of parties’ responsibilities.

3. Check with the Technical Supervision engineer for all necessary permits for carrying out the works, regularly check for the project documentation, work logs, technical and construction design supervision logs, contractor’s staff certificates to perform the works, safety briefings logs, as well as acts of inspection of tools and equipment.

4. Appoint responsible persons and regularly check the Contractor’s compliance with safety rules, the presence of enclosures and protection of hazardous areas on the construction site, information stands, traffic schemes, warning signs, etc.

5. During the works execution, check the Contractor’s compliance with the timelines set by the work schedule, the quality of the work and the observance of technological regulations, the conformity of the materials and equipment used against envisaged by the project.

6. If you need to change the project design when performing work or have additional works not envisaged by the project, please timely authorize them with Construction Design and Technical Supervision, and make project adjustments.

7. If you need to change the project design when performing work or have additional works not envisaged by the project, please timely authorize them with Construction Design and Technical Supervision, and make project adjustments.

8. Examine the revised project documentation, get the Expertise Report.

9. If it is not possible to go through the project revision (lack of time, funding, etc.), anticipate and perform additional works within another project, for example, at the local budget cost.

10. After completion of the construction work, receive the documents on the readiness of the object for operation, put the object into operation.
USEFUL LINKS:

Ukraine Early Recovery Programme on the Ministry for Communities and Territories Development of Ukraine website (in Ukrainian)
http://www.minregion.gov.ua/napryamki-diyalnosti/international-cooperation/nadzvichayna-kreditna-programa-dlya-vidnovlennya-ukrayini/

Information about The United Nations Recovery and Peacebuilding Programme (UN RPP) on the UNDP Ukraine website
https://www.ua.undp.org/content/ukraine/uk/home/recovery-and-peacebuilding.html

The UERP Implementation Support to Final Beneficiaries project website (in Ukrainian)
https://uerp.org/

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