

RESEARCH SUMMARY

Assessment of corruption risks
in the construction, reconstruction
and renovation of civilian
infrastructure of Ukraine

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This is an English summary of a report issued in July 2025 by Ukraine's National Agency on Corruption Prevention and State Audit Service together with the Basel Institute on Governance. The report was funded by Switzerland.

The report analyses corruption risks in Ukraine's civil infrastructure restoration or recovery efforts. It highlights 10 key priority risks and suggests mitigation measures. The original report in Ukrainian can be found [here](#).

Introduction

The full-scale war presents numerous challenges for Ukraine's reconstruction. On the one hand, there is a severe shortage of financial and human resources, uncertainty and pressure caused by the mobilisation of workers for the armed forces. This limits competition in the market and pushes businesses involved in reconstruction into the shadow economy. On the other hand, there are shortcomings in the public administration such as the absence of a unified legislative approach to reconstruction, flawed prioritisation, vulnerable procurement mechanisms and weak oversight. These all create corruption risks and a favourable environment for abuses.

Without an adequate response, these issues may undermine trust in the reconstruction process and harm Ukraine's development prospects.

Experts from the National Agency on Corruption Prevention (NACP Ukraine), in cooperation with the State Audit Service of Ukraine and the Basel Institute on Governance (with funding from Switzerland), carried out a comprehensive analysis of corruption risks in the construction, reconstruction and renovation of civilian infrastructure as part of Ukraine's recovery. They identified the most significant corruption risks and developed practical recommendations to mitigate or eliminate them.



KEY POINTS

1 Absence of clear criteria and excessive discretion in the selection and prioritisation of projects

Currently, the procedure for selecting and prioritising projects for financing within Ukraine's recovery remains insufficiently regulated and lacks transparency. The absence of clear criteria for assessment, ranking and decision-making on including projects in the list of priorities creates room for excessive discretion by those involved and complications in verifying the justification for decisions.

As a result, this increases the risk of ineffective spending of public funds and fosters conditions for corruption, including the unjustified favouring of certain projects. The lack of transparent standards also significantly limits both governmental oversight and public accountability. This ultimately reduces trust in the system of resource allocation during

2 Absence of a comprehensive legal framework for the recovery process in relation to experimental projects

Experimental projects have become common practice in Ukraine's recovery. However, the absence of a standardised approach to selecting locations and setting priorities creates risks of subjective decision-making, which in turn may lead to corruption and inefficient use of public funds.

Experimental projects are carried out outside of standard legislative procedures, based on temporary special regulations often developed under tight deadlines and with limited background information. This reduces the transparency of the process and creates space for manipulation and misconduct by authorised institutions. The lack of a unified national recovery plan and approved regional development strategies increases these risks further, as there is no clear framework for coordinating and overseeing the implementation of experimental initiatives.

3 Weak oversight of project documentation quality

The lack of effective mechanisms for control and accountability regarding the quality of design documentation leads to the development of projects that do not meet technical, economic and regulatory requirements. The absence of oversight over design assignments allows for the inclusion of materials and technologies with limited availability, creating preconditions for collusion between designers and contracting authorities.

Due to the lack of comprehensive cost assessment and proper control over the design documentation process, as well as the limited capacity of many contracting authorities, the approval of documentation often becomes a procedural formality without substantive review. This, in turn, results in additional costs, delays and a decline in the quality of construction projects. Moreover, the lack of use of modern building information modelling (BIM) technologies hinders accurate control and monitoring, further increasing the risks of corruption and inefficient use of budget funds.



4 Lack of a well-defined legal procedure for analysing construction material prices, combined with insufficient oversight by procuring entities

The lack of a legally defined procedure for analysing prices of construction materials, combined with insufficient oversight by procuring entities and the absence of an effective accountability mechanism, creates space for price manipulation during the preparation of cost estimates. Due to the discretionary powers granted to project owners regarding data sources and the method of price analysis, there are widespread cases of inflated projected material costs. This is directly impacting the overall cost of projects.

Such practices increase the risks of abuse of authority, submission of false data, favouritism toward certain suppliers and inefficient use of public funds. This is combined with the limited institutional capacity of most procuring bodies and the absence of a unified system for monitoring average market prices. Together, these factors undermine transparency in determining the cost of recovery projects and increase the likelihood of corruption.

5 Deficiencies in the organisation of supporting services during construction projects

The unjustified pricing of supporting services in construction, along with the lack of clearly defined requirements for their content, scope and quality, creates preconditions for the inefficient use of budget funds.

Payments for technical supervision and consultant engineer services depend on their approval of the construction works by way of a signed work completion certificate. This acts as a disincentive for objective oversight. It results in a superficial approach to quality control and the acceptance of deficient work.

Insufficient detail in service descriptions and the absence of standardised requirements for their accounting enable the inclusion of excessive or fictitious volumes in cost estimates. They also allow for payment for services that were either not actually provided or did not meet established standards. All of this increases the risk of collusion between contractors and oversight personnel, concealment of deficiencies and consequent losses to the state or local budget.



6 Legal uncertainty around requirements for justifying direct contracts

The absence of clearly defined and mandatory requirements for justifying the need to conclude direct contracts during martial law creates preconditions for abuse of this procedure and non-transparent use of budget funds. Such legal uncertainty allows contracting authorities to carry out non-competitive procurement, citing urgent need without proper verification or documentary evidence.

This contributes to the risks of inflated procurement costs, unjustified selection of suppliers, reduced spending efficiency and a loss of trust in the system. In a context of limited resources and urgent need for rapid but integrity-driven reconstruction, such practices significantly increase the likelihood of corruption and misuse.

7 Unjustified qualification criteria and barriers to accessing information

The imposition by public procurement/contracting authorities of unjustifiably strict or overly detailed qualification requirements (regarding experience, availability of specialised equipment, personnel or other resources), as well as the untimely or selective disclosure of the full scope of tender documentation (including design, cost estimate and technical information) significantly reduces the level of open competition.

Participants often lack the opportunity to assess the feasibility of participation in a timely fashion. This complicates the preparation of quality proposals and creates artificial barriers for new or integrity-driven suppliers. As a result, this fosters favouritism, leads to contracts being awarded to predetermined companies and increases the risks of uneconomical, inefficient and non-transparent use of public funds.

8 Lack of effective controls over the procedure for changing substantial terms of subcontract agreements

In relation to the construction of fixed assets (such as permanent buildings and facilities) financed by public funds, the absence of effective regulation of the process for amending substantial terms of contracts creates considerable corruption risks and contributes to the inefficient use of budget funds. Legislation provides for a limited list of grounds for such amendments. However, in practice, these requirements are often ignored or interpreted arbitrarily, opening opportunities for abuse.

Specifically, in the absence of a clearly defined procedure for analysing and approving contract amendments, contractors may initiate changes that lack sufficient justification. This includes changes to contract price, cost, scope or composition of works or materials. This leads to a significant increase in project implementation costs without proper



documentary support, complicating control and accountability. Moreover, the low quality of standard contracts and the absence of detailed procedures for reviewing changes create conditions for a formalistic approach by contracting authorities.

Particular concerns relate to the lack of centralised monitoring of contract amendments and digital systems that would allow verification of the market conformity of prices for material resources. Consequently, contract changes may be approved without verifying the price's consistency with market conditions or comparable completed projects. Such an approach facilitates unjustified budget increases, lowers the quality of completed works and raises the risk of contractors evading responsibility for breaching contract terms.

9 Absence of integrated electronic system for recording payments for completed construction works

The absence of an adequate electronic system for recording construction works and payments facilitates the inclusion of unperformed or inflated works in terms of actual volumes and/or material costs for payment. It also facilitates the unjustified inclusion of VAT in payment amounts and manipulations with the sequence of payments. The use of paper-based documentation makes automated verification of work volumes and costs impossible, complicates the accounting of the actual value of projects and creates preconditions for falsifications and non-transparent decisions.

Discretion in determining the priority and sequence of payments, which is often exacerbated by delays or uneven disbursement of budget funding, allows contracting authorities to delay or accelerate settlements with specific contractors. This violates the principle of equal treatment and could be used as leverage to extract undue benefits. Combined with vague requirements for supporting documentation, this creates financial risks for the budget and reduces the attractiveness of participation in projects for integrity-driven contractors.

10 Lack of state architectural and construction supervision over the implementation of reconstruction projects

During martial law, a moratorium is in place on state architectural and construction supervision. This significantly limits the government's ability to oversee compliance with urban planning legislation and building codes. As a result, there is an increased risk of unauthorised construction and the implementation of projects that violate design documentation and technical requirements. This directly affects the safety of future infrastructure users and the quality of recovery in affected areas.

Moreover, the absence of effective oversight creates conditions for corruption, particularly in construction projects funded by the state budget or international funds. This raises concerns about the legality of public spending and undermines donor confidence. Under these circumstances, it is essential to restore effective, transparent and independent supervision at all stages of reconstruction projects even during martial law, at least in the form of risk-based or unannounced inspections.



RECOMMENDATIONS TO MITIGATE RISKS



For the Ministry for Development of Communities and Territories of Ukraine:

Develop and submit to the Cabinet of Ministers of Ukraine a draft law that will define:

- legal and organisational requirements for the process of reconstruction and recovery of Ukraine following the extensive damage caused by the armed aggression of the Russian Federation;
- clear and transparent criteria for the selection and prioritisation of projects (objects or sites, activities);
- measures for monitoring and implementing controls the reconstruction and recovery process in Ukraine;
- mandatory digitalisation of procedures related to the implementation of projects (facilities, activities) at all stages of the reconstruction and recovery process;
- unified rules for contracting, including those under the “design-build” scheme; and uniform requirements for payment processing and standardised rules for documentation (including full disclosure of all cost components) and financing of all expenses related to the objects subject to reconstruction.

Develop and approve legal acts that should include provisions for:

- implementing a standardised approach to the role of the technical supervision engineer, including a detailed list of responsibilities, a mechanism for calculating payment for each function and a clear list of supporting documents;
- and requirements for reporting by technical supervision engineers and consulting engineers, including the introduction of electronic reporting linked to geospatial data (locations) and mandatory inclusion of photographic evidence to verify the scope and quality of completed work.



For the Ministry for Development of Communities and Territories of Ukraine, State Agency for Restoration and Development of Infrastructure:

Develop and submit to the Cabinet of Ministers of Ukraine a draft law that will define:

- mandatory price monitoring to establish average market prices for material resources for the preparation of cost estimates and approval of contract prices, along with compulsory documentary evidence confirming that such monitoring has been conducted;
- unified electronic system providing real-time data on market prices for construction materials, as well as a single electronic platform for submitting primary work completion certificates during construction.

Develop and submit to the Cabinet of Ministers of Ukraine regulatory acts that provide:

- procedures for analysing current prices of material resources in construction projects funded by the state and local budgets;
- procedures for administering a unified electronic system with real-time data on market prices for construction materials;
- regular training sessions for the respective procurement specialists on methods of market price monitoring, primary data analysis and the use of electronic systems for collecting and processing price information.



For the Ministry for Development of Communities and Territories of Ukraine, Ministry of Digital Transformation of Ukraine:

- Consider completing the implementation of building information modelling (BIM) technologies in Ukraine;
- If BIM technologies are adopted, initiate training sessions, briefings and the development of methodological guidelines for procurement specialists to ensure a consistent understanding of BIM principles at all stages of reconstruction project implementation.



For the Ministry of Economy:

Develop and submit to the Cabinet of Ministers of Ukraine a draft amendment to Cabinet Resolution No. 1178 dated October 12, 2022, "On Approving the Specifics of Public Procurement of Goods, Works, and Services for Procuring Entities under the Law of Ukraine 'On Public Procurement,' During the Period of Martial Law in Ukraine and for 90 Days After Its Termination or Cancellation," which provides:

- clear and transparent grounds for conducting public procurements through contracts without open tenders and/or electronic catalogues;
- mandatory publication of the full set of documents that allow comprehensive assessment of the construction project and its cost estimates before the start of bidding, including a requirement to make these documents available in machine-readable format;
- implementation of an automated system for analysing and verifying tender documentation to ensure transparency and fair competition.



For the Ministry for Development of Communities and Territories of Ukraine, Ministry of Finance of Ukraine, State Treasury Service of Ukraine:

Ensure the adoption of Cabinet of Ministers of Ukraine legal acts that will introduce:

- an electronic system for tracking payments for completed construction works that ensures proper oversight of payments and work execution, as well as integration with the relevant electronic systems of the State Treasury Service of Ukraine;
- electronic document flow supporting automated processing by software tools to prevent falsifications and enable independent assessment of the cost of completed works.



For the Ministry for Development of Communities and Territories of Ukraine, State Inspectorate of Architecture and Urban Development of Ukraine:

Develop and submit to the Cabinet of Ministers of Ukraine a draft amendment to Resolution No. 303 dated March 13, 2022, “On the Suspension of State Supervision (Control) and State Market Inspections Measures under Martial Law,” specifically regarding:

- renewing the implementation of planned state supervision (control) activities, including state architectural and construction oversight at construction sites;
- authorising unscheduled state inspections in architecture and construction, based on decisions of the authority responsible for enforcing state policy on construction oversight.



