

PUBLIC PROCUREMENT 2023



Functioning of the Field and Changes to It

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[DOZORRO](#) is a project of civil society organization Transparency International Ukraine which aims to ensure fair play in public procurement.

The project team has created and administers the [dozorro.org](#) monitoring portal, as well as the [public](#) and [professional](#) BI Prozorro analytics modules.

The rest of our studies can be found in the Research section on the website of Transparency International Ukraine: bit.ly/DOZORRO-research

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INTRODUCTION

At the beginning of the full-scale invasion, the government simplified public procurement rules as much as possible and sacrificed their transparency for the sake of quick implementation. In March–August 2022, the total number of lots on Prozorro decreased 2.6 times compared to the same period in 2021. The number of competitive ones fell more than 4 times¹. However, over time, we all learned to live in the conditions of a full-scale war, adapted to new challenges, and procurement began to come back to a competitive public plane.

In October 2022, the government approved [Resolution No.1178](#), defining the features of public procurement during martial law. We still use it. Effectively, through this resolution, the Cabinet of Ministers adapted the rules of the specialized law to the features of martial law. In particular, a separate competitive procurement procedure was created: open bidding with features. It is simpler than standard open bidding, has shorter terms, and takes place even with one participant (and not at least two, as before). However, the threshold for using such a procedure in the case of the procurement of goods and services is lower: UAH 100,000 instead of UAH 200,000. Despite martial law, procurement participants can challenge procurement transactions to protect their rights, and the State Audit Service can monitor them. Similarly, the government defined the features of defense procurement in [Resolution No.1275](#).

Therefore, 2022 ended with the restoration of transparency and competition.

This report describes the course of public procurement in 2023. What were the main changes to the rules? How did the system respond? What happened to competition and transparency? It also mentions important updates in the first months of 2024 that took place while we were drafting this report.

The first part covered the changes introduced in the legislation on public procurement and technical changes to the Prozorro system. It is the rules and the electronic system that set the boundaries in which public procurement functions. Further, we described the state of competition and transparency in 2023, as well as how procurement centralization and public-private partnerships evolved. The next were the control and protection of rights in the field, i.e., the State Audit Service, the Antimonopoly Committee, and the courts. We then covered plans and legislative initiatives in the field of public procurement.

¹ [War and Prozorro: Public Procurement in the Six Months of the Full-Scale Invasion](#). Transparency International Ukraine, 2022.

SECTION 1. CHANGES IN LEGISLATION AND THE PROZORRO ELECTRONIC SYSTEM

Procurement legislation during the legal regime of martial law has been dynamic: **in 2023, amendments to Resolution No.1178**, which currently regulates the features of procurement, **were introduced 14 times**. Due to the need to find solutions to the challenges arising during martial law for the first time, the Ministry of Economy is constantly working to improve procurement legislation. As a result, the Government makes changes very often, which complicates its proper implementation and sometimes leads to unintentional formal violations of the law².

The Ministry of Economy of Ukraine continues to provide individual and summarized explanations on the application of legislation in the field of public procurement. It also holds open webinars together with SE Prozorro. In addition, in 2023, two free online courses on public procurement were prepared with the financial support of the EU-funded technical assistance project to support the reform of public procurement:

- [Public Procurement: From Theory to Practice](#)
- [Public Procurement: Management and Performance Evaluation](#)

For the most part, the Ministry of Economy is open in its work on draft changes, engaging procurement specialists, CSOs, and other stakeholders in their discussion. This approach is not yet absolute and needs to be expanded: for example, there were no public discussions or even warnings about the cancellation of three-round auctions in early 2023, public discussions of the procurement development strategy.

Let us consider the most significant changes in the legislation of 2023.

Temporary waiver of three-round electronic auctions and their resumption

On January 3, 2023, amendments to Resolution No.1178 came into force, which introduced a waiver of three-round auctions in open bidding with features. The electronic procurement system determined the most cost-effective bid at the primary/adjusted price – without the possibility to reduce it.

Three-round auctions were restored on May 19, 2023. Since then, the rules allow open bidding without the use of an electronic auction at the justified decision of the procuring entity. From May 19 to December 31, 2023, procuring entities exercised this right only in 0.6% of open bidding cases.

0.6% of open bidding was conducted without a three-round auction from May 19 to December 31, 2023

According to the results of [a study by Transparency International Ukraine](#), abandoning three-round auctions reduced the savings rate, mainly for expensive tenders. Potentially, the state could have saved at least a billion extra hryvnias in the three months we studied if multi-round auctions had not been canceled. **It is expedient to hold multi-round auctions for procurement worth more than UAH 500,000.**

² [How to Improve Monitoring](#), pp. 42-43

Changes to the list of grounds for concluding direct contracts

Government Resolution No.1178 provides that procuring entities may procure above national thresholds **by concluding a procurement contract without the use of open bidding and/or an electronic catalog** in an exhaustive list of cases.

In part, it comes from the grounds of the negotiation procedure provided for by the Law on Public Procurement. Instead, the remaining cases for procurement without competition were mainly due to the needs of wartime; primarily to ensure the non-disclosure of sensitive information and the urgency of the procurement transaction. Unlike the negotiation procedure, the intention to conclude a direct contract cannot be appealed to the Antimonopoly Committee, and therefore the market's ability to prevent unjustified cases of procurement is directly limited.

In 2023, the list of grounds for concluding direct contracts changed:

1. **A number of grounds for not holding a tender** related to the publication of sensitive and restricted information, procurement for mobilization, protection of civilians, and ensuring the functioning of critical infrastructure facilities **were excluded**.
2. The circle of procuring entities who can conclude direct contracts due to their stay in the area of military operations (hostilities) was narrowed.
3. The regulation of cases when a procuring entity concludes a direct contract due to the fact that no participant took part in the tender was improved.
4. The grounds for concluding a direct contract related to the following aspects remained unchanged or underwent **minor editorial changes**:
 - an urgent need to conduct a procurement transaction;
 - the ability to implement the contract by only one business entity (in particular due to the lack of competition in the market);
 - the need to purchase an additional volume of goods, services, works from the same supplier/contractor;
 - procurement of legal services related to the protection of the rights and interests of Ukraine;
 - procurement of services for sports events;
 - construction and repair of critical infrastructure facilities of the fuel and energy sector;
 - procurement of natural gas by a market entity that has special responsibilities to ensure the public interest.

In addition, a direct contract can be applied to purchase goods and services from UAH 100,000 to 200,000 from enterprises or organizations founded by a civil society organization of persons with disabilities that received an appropriate permit for the right to use benefits.

5. The list of grounds for concluding a direct contract is **supplemented by a number of grounds** related to:
 - protection and restoration of facilities of the electric power, nuclear industrial, coal industrial, and oil and gas complexes;
 - the lack of necessary goods in the electronic catalog for procurement by a centralized procurement organization;
 - procurement of software and means of communication and protection of technical and information infrastructure by the National Security and Defense Council;

- war risk insurance and indemnification of commercial vessels involved in the transportation of Ukrainian export goods.

The shortening of the list of these grounds can be assessed approvingly in terms of preventing corruption and covering most of the procurement transactions with competitive procedures.

When reviewing the list of grounds for not conducting competitive procedures, it is necessary to consider the **security risks** that may be posed by the disclosure of information on the procurement item and the names of suppliers (contractors) under martial law. Currently, Resolution No.1178 allows not publishing accurate information about the location of the procuring entity, supplier (contractor), the place of delivery of goods, performance of works, provision of services. However, information on the characteristics of the procurement item and information on the very fact of participation of a certain enterprise in the tender and/or the conclusion of a contract with it may pose security risks to the parties. After all, information about the addresses of procuring entities and participants is open information contained in other sources and registers, even without publication in the Prozorro system.

The described risks relate to both the disclosure of information in competitive procedures and the reporting of direct contracts. Therefore, the withdrawal of procurement from the competitive plane does not always exempt the procuring entity and the supplier (contractor) from threats to their security. To solve this problem in particular, in the State Anti-Corruption Program, it is planned to develop a draft law on the protection of classified information, which will determine the amount of information to be published in the system. The NACP discussed plans to conduct a study for this with the public.

Under martial law, semi-open competitive procedures, in which the exchange of information between the procuring entity, the participant, the appeal body, and the supervisory authorities would not be public, could help achieve a balance between security interests and competition interests for procurement containing sensitive information. At the end of 2023, the relevant standards and technical support were developed, as a result of which the Government [introduced](#) framework agreements with limited public information for the State Rear Operator (SE Defense Procurement Agency of the Ministry of Defense) and the State Service for Special Communications and Information Protection.

Enhancing the reporting requirements for direct contracts

The rules were amended to increase transparency and proper informing of citizens about procurement conducted outside Prozorro.

In particular, when reporting on direct contracts that have an amount higher than the national thresholds, the procuring entity must publish on Prozorro not only the report, but also **the contract itself and its annexes, justification** of the grounds for direct procurement transaction (without a tender).

In the event that the publication of information in the Prozorro system about the location of the procuring entity, supplier (contractor, service provider), place of delivery of goods, performance of works or provision of services poses a threat to the safety of the procuring entity and/or supplier, such information in the procurement contract may be indicated as the name of the locality.

Development of electronic catalogs

The Law on Public Procurement provided for the possibility of using an electronic catalog to select a supplier of goods at a below-threshold cost. However, Resolution No.1178 brought **the electronic catalog to the level of a full-fledged alternative to open bidding for the procurement of goods**. Procuring entities were given a choice: to buy goods worth from UAH 100,000 through open bidding with features and/or use an electronic catalog. Procuring entities have the right to use the electronic catalog for procurement at a lower cost.

[According to the State Enterprise Prozorro](#), the range of the Prozorro Market electronic catalog³ in 2023 consisted of approximately 90,000 goods from 3,000 qualified suppliers. In 2023, the legislation on procurement through the electronic catalog and technical support for such procurement gradually developed.

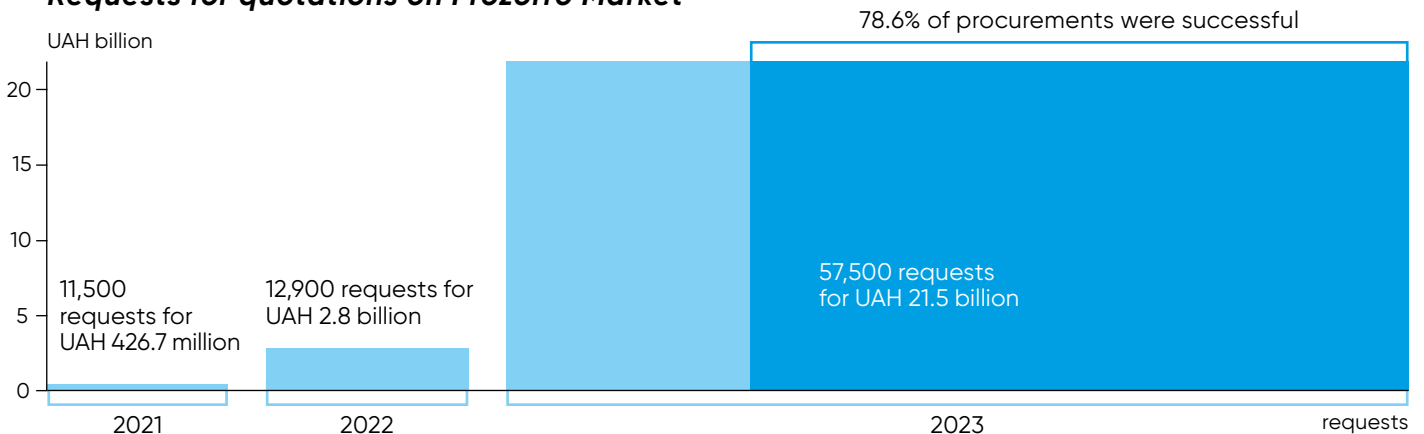
Due to changes in [the Procedure for the Formation and Use of the Electronic Catalog](#), in April 2023, the only tool for procurement in the Prozorro Market [was](#) the request for quotations. This allows procuring entities to specify the details of the order and receive a proposal with a relevant price in accordance with the specified conditions. In addition, the Government [introduced](#) a number of other clarifications and safeguards against abuse.

On July 7, the Government [obliged](#) a number of procuring entities to conduct procurement of **medicines and medical devices through the electronic catalog**. Starting from March 14, 2024, all procuring entities were obliged to buy [certain foods](#) for more than UAH 100,000 on the Prozorro Market, and not at open bidding with features.

In 2023, 6,900 procuring entities placed 57,500 requests for quotations for UAH 21.5 billion. 2,900 suppliers responded to these requests. 78.6% of procurement transactions were successful.

For comparison, in 2022, the number of requests amounted to 12,900 for UAH 2.8 billion, and in 2021, it was 11,500 for UAH 426.7 million. **Thus, in 2023, Ukrainian procuring entities began to use the Prozorro Market electronic catalog more actively, mainly due to legislative changes.**

Requests for quotations on Prozorro Market



The competition indicator in the electronic catalog for 2023 was 3.6 proposals per request. According to available in BI Prozorro data, on average, a procurement transaction in the electronic catalog lasted 10 days.

³ Hereinafter referred to as Prozorro Market or e-catalog

However, procuring entities report a shortage of necessary goods in the electronic catalog. At the same time, according to legislation, for some categories of goods (medicines and medical devices, and since March 14, food), they cannot immediately use other methods of procurement, even if the product profile they need is not available in Prozorro Market. This significantly complicates such procurement and may encourage procuring entities to break the rules and apply other procurement methods because they need to meet the needs of their institution in any case.

In general, 2023 showed the development of the electronic catalog, both in the context of the regulatory framework for its use and in the context of practice. It simplifies procurement and yields positive results. It is necessary to correct current shortcomings, such as the fact that there is no alternative to using the request for proposals from suppliers through Prozorro Market for some categories of goods, even when the necessary goods are not available in the catalog. In the future, Prozorro Market should be filled with products, the function of purchasing typical services should be added, cases of discrimination in the formation of product specifications (profiles) by administrators should be identified and eliminated, and procuring entities' feedback on difficulties in using the catalog and its technical shortcomings should be studied.

Bringing defense procurement to the public and competitive plane

In 2023, the Verkhovna Rada and the Government took a significant step to make defense procurement more public and competitive.

Thus, they introduced **mandatory reporting on defense procurement**. In late February, defense procuring entities [were obliged](#) to report to Prozorro on procurement contracts in the amount from UAH 200,000 for goods and services, from UAH 1.5 million for works within 10 working days from the date of conclusion of the contract. The law provides for exceptions for the procurement of weapons, ammunition, secret procurement.

The content of the reports was regulated in detail; in particular, it is necessary to indicate information about the procuring entity, the procurement item (name, code), prices per unit of each nomenclature item of goods (indicating the unit of measurement for goods), the price of works, services. In the case of food procurement, procuring entities must publish a file with the cost of all components of food services, including the names of products, the price per unit of each of them, the total cost, and payment terms. It is also necessary to report in the event of a change in the essential conditions of the contract.

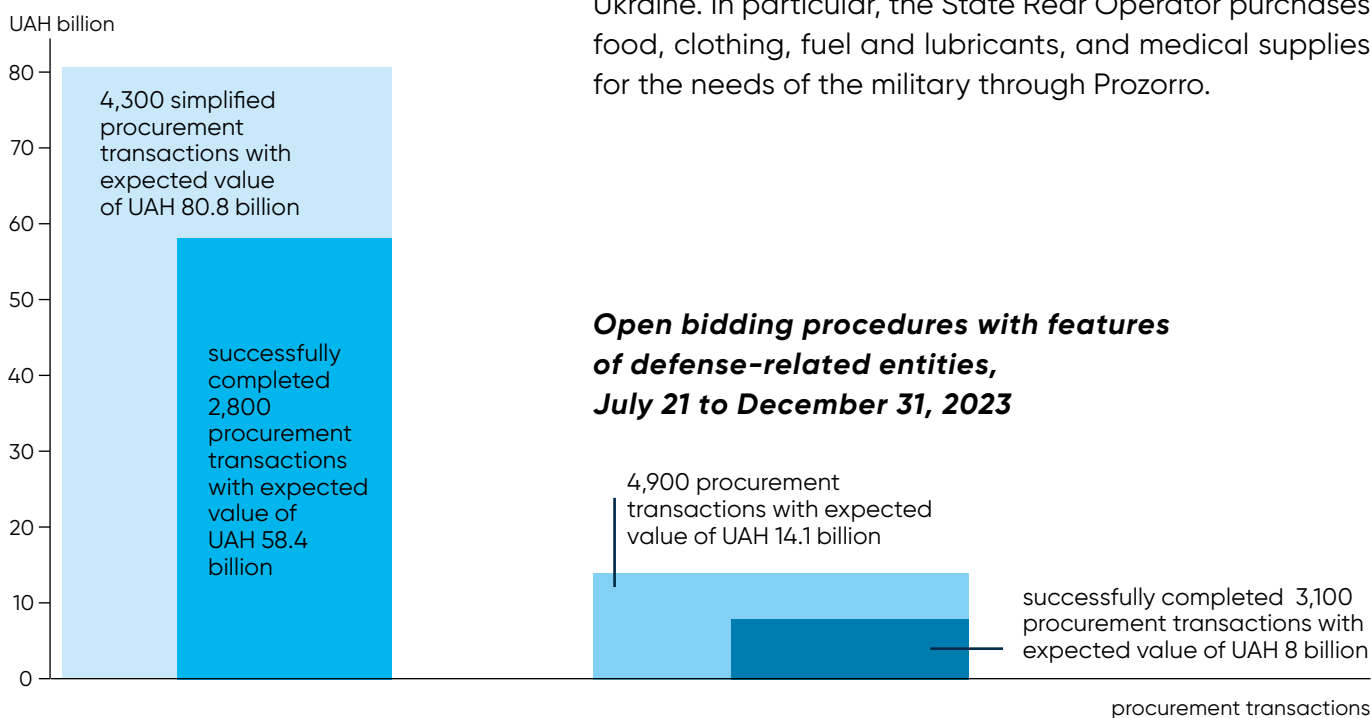
A trend towards transparency is a good thing, but this list of information is [not enough](#) to fully assess procurement.

A positive step of the Government to increase the transparency of defense procurement was the adoption of [Resolution No. 465](#) of May 9, 2023, which provided that within 90 days from the end of martial law, procuring entities will have to attach files with relevant procurement contracts, all annexes, and amendments to them to the reports. Noting the lack of information in the current reports, TI Ukraine [welcomed](#) this step. With the availability of contract texts, the public will be able to get answers to all questions that were not given by partial reports: the full cost of procurement, terms of payment, delivery, technical specifications and requirements for non-food products and services, other pricing conditions.

As for competition, as of the beginning of 2023, defense procuring entities had to conduct procurement without applying competitive procedures or simplified procurement. The exceptions were [some types](#) of clothing, shoes, and bags worth from UAH 200,000, for which framework agreements were to be concluded for defense needs. But on May 9, the Government [introduced](#) simplified procurement for defense procurement. In July 2023, they were [supplemented](#) with open bidding with features and procurement in the electronic catalog.

From May 11, 2023, to December 31, 2023, among the lots where procuring entities identified themselves as defense-related, they announced 4,300 simplified procurement transactions with an expected value of UAH 80.8 billion. Of these, 2,800 procurement transactions with an expected value of UAH 58.4 billion were successfully completed. Moreover, from July 21 to late 2023, such procuring entities announced 4,900 open bidding procedures with features with a total expected value of UAH 14.1 billion. Of these, procurement transactions under 3,100 lots with an expected value of UAH 8 billion were successfully completed.

Simplified procurement transactions of defense-related entities, May 11 to December 31, 2023



In addition, in autumn 2023, the Defense Procurement Agency was launched – the [State Rear Operator](#). It is an element of systemic changes in defense procurement and is designed to improve the quality and transparency of meeting the non-lethal needs of the Armed Forces of Ukraine. In particular, the State Rear Operator purchases food, clothing, fuel and lubricants, and medical supplies for the needs of the military through Prozorro.

Open bidding procedures with features of defense-related entities, July 21 to December 31, 2023

On February 1, 2024, the Government [introduced](#) another tool in defense procurement—a framework agreement – under which procurement will be carried out by the State Rear Operator (SE Defense Procurement Agency of the Ministry of Defense) and the State Service for Special Communications and Information Protection. This is a version of the framework agreement, where at the qualification stage, the participants’ documents, information about their production facilities, warehouses, etc., will be available only to the procuring entity, the Antimonopoly Committee, and the State Audit Service. The subsequent stage will provide information about the procurement item and the price, but not about the winner. Full reports on contracts will be made public within 30 days of the cancellation or end of martial law.

Technical development of the Prozorro electronic system

SE Prozorro worked both to implement changes related to the enforcement of changes to Resolution No.1178, and on the overall development and improvement of the functionality of the system.

In particular, the possibility of open bidding without three-round auctions was introduced, the option of choosing or refusing a three-round auction for the procuring entity was introduced, a mechanism for reporting on procurement by defense procuring entities was implemented. In February 2024, Prozorro launched a framework agreement tool for defense procurement in the system.

At the request of the Antimonopoly Committee of Ukraine and within the framework of electronization of the appeal process, the system changed the process of filing a complaint. Its launch took place in January 2024, so the impact of the new approach is currently difficult to assess. These innovations will make it difficult for complainants to file a complaint, however, during martial law, mistakes during the submission will not have an impact on the consideration of the complaint. Currently, the electronic fields that complainants need to fill in do not fully correspond to the content of the complaint, which they also send in a file format. There is no single vision of how to fill in electronic fields, so participants do it in different ways. Accordingly, the information in the electronic fields is incomplete and may not correspond to the information from the complaint file, which is also filled in by the participants so far, so the Antimonopoly Committee cannot rely on one of these types of complaints separately. This complicates the work of the Antimonopoly Committee when processing complaints.

In April 2023, the system implemented the ability to designate procurement with environmental criteria.

For international donors to be able to use Prozorro for projects that they finance in Ukraine, a special procedure based on the construction set principle was introduced in the system. It allows flexibly adjusting a procurement transaction in accordance with the rules of international organizations and donors. For example, you can accept proposals from participants in different currencies, consider them in stages, choose the winner not only according to price criteria, etc. Subsequently, the World Bank [recognized](#) the compliance of Prozorro with its standards and recommended its use for all projects implemented in Ukraine.

In December 2023, two innovations for the Prozorro Market electronic catalog were launched. Transparency International Ukraine with the support of the USAID Project Support to Anti-Corruption Support to Anti-Corruption Champion Institutions helped [implement](#) a crowdsourcing tool so that any user of the electronic procurement system could add goods to the Prozorro Market. SE Prozorro [introduced](#) a possibility to automatically generate a contract in the Prozorro Market, filled with data from the system. Procuring entities can choose to upload their own draft contract or use an electronic contract, which will include data on the procurement item, price, characteristics. However, this contract is not an electronic contract because procuring entities have to sign it outside the system, so such functionality is still not widely used. Moreover, Prozorro Market added the date of publication of information on contract implementation under request for proposals, which makes it possible to understand the duration of its implementation.

A possibility to add information on the justification of the need for procurement was introduced to improve communication with citizens. In addition, information on international non-proprietary names of medical devices was finalized, which allows for a higher quality analysis.

The update of the Prozorro web design portal is underway, as is the development of e-contracting.

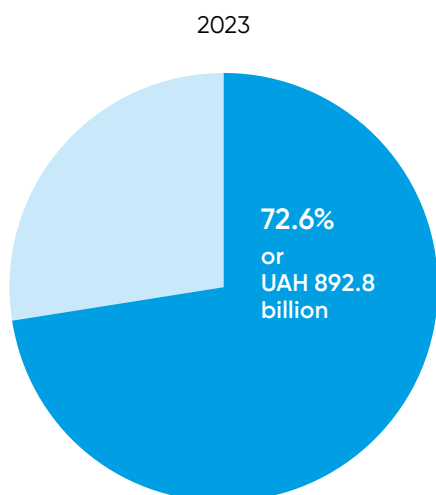
At the same time, the validation of data that procuring entities fill in the system remains a challenge. Moreover, the volume of data is constantly growing. There is also a problem with abandoned procurement transactions, which procuring entities do not cancel and do not complete; currently, in such cases, the business does not receive back the funds paid for submitting a proposal for such a transaction. In 2021-2023, the business lost [almost UAH 7 million due to this](#).

SECTION 2. COMPETITION

Despite the martial law, the current procurement legislation requires competitive procurement – open tenders with special conditions – for the purchase of goods and services worth UAH 100,000 or more, routine repairs worth UAH 200,000 or more, and works worth UAH 1.5 million or more. An alternative for procurement of goods for amounts exceeding these thresholds is an electronic catalogue.

Due to this, in 2023, procurement for **UAH 892.8 billion** was announced under competitive procedures, which is **72.6%** of the total amount. This figure grew throughout 2023. If in the 4th quarter of 2022, the share of expected value that falls on competitive procurement was 60.4%, then in the corresponding period of 2023, it was 77%. Such procurement transactions take place entirely on Prozorro, so businesses can freely take part in them, and citizens can control them.

The share of expected value that falls on competitive procurement



However, a number of exceptions remain in the wartime rules when procurement for above-threshold amount can be carried out directly, without competitive procedures. For the most part, the grounds for direct procurement are justified, while in some cases, it would still be more appropriate to apply competitive procedures or negotiation procedure.

Another challenge is **the low average number of participants in competitive procurement transactions**. Thus, in 2023, only a third of them had more than 1 participant. This is partly due to the destruction of enterprises by Russian troops, undermined logistics, the migration of people, and the occupation of territories. The active engagement of participants may be negatively affected by unattractive or discriminatory conditions of tenders, but to counteract the latter, there is a mechanism for appealing the conditions of tenders to the Antimonopoly Committee of Ukraine. Based on the results of consideration of the complaint, the appeal body may oblige the procuring entity to amend the tender documentation.

During martial law, the terms for consideration of complaints are shortened: 7 working days from the date of acceptance of the complaint for consideration (with the possibility of extension to 12 working days). Among the complaints about the tender conditions filed in 2023 and accepted for consideration, most were considered within 2 weeks. During the covered period, participants filed 3,300 complaints about the terms of tenders with an expected value of UAH 32 billion, of which 2,400 were upheld.

Since now, a tender requires at least one participant, and not two, as before, the problem of collusion between participants and fictitious competition in tenders has lost its relevance. In 2023, the AMCU decided to add [575 participants](#) to the blacklist; given the lengthy statutes of limitations, the decisions could have concerned collusion acts committed since 2018. As for collusion between the participant and the procuring entity, they are investigated by law enforcement agencies (in particular, within the framework of crimes of misappropriation, embezzlement or conversion of property, malversation, etc.).

Requirements of the local component

Starting from 2022, for a period of 10 years, the law has established requirements for the degree of localization of production. The requirements concern the list of mechanical engineering goods if their value as a procurement item is equal to or exceeds UAH 200,000. In 2023, the localization requirement increased from 10% to 15%. This level should continue to grow every year until it reaches 40%. Moreover, [there have already been statements](#) about plans to expand the list of goods that will be subject to the localization requirement.

However, the legislation provides for exemptions from localization requirements. Such requirements do not apply to procurement transactions that fall under the provisions of the Law of Ukraine on Ukraine's Accession to the Public Procurement Agreement, as well as the provisions on public procurement of other international agreements of Ukraine. Therefore, localization requirements do not apply, for example, to goods from the EU in procurement transactions that are higher than European thresholds.

Every six months, the Ministry of Economy of Ukraine [monitors](#) compliance with the requirements for the degree of localization. However, the list of data defined in the relevant procedure is extremely limited and does not allow for full assessment of the quality and effect of the implementation of localization requirements.

SECTION 3. TRANSPARENCY

Information on all public procurement worth UAH 50,000 and up to the national thresholds is only published on Prozorro. In reports on concluded contracts, procuring entities shall publish information, in particular, on the date of conclusion and number of the contract, on the supplier of goods, contractor of works or service provider, name and quantity of the item, place and term of delivery of goods, performance of works or provision of services, price and timeframes of contract fulfillment. However, the publication of the agreement itself is not required.

Procurement above national thresholds, as already mentioned, should be carried out competitively: through open bidding with features or the Prozorro Market electronic catalog. As part of these procurement transactions, procuring entities publish more detailed information, in particular tender documentation, documents of tender bids of participants, decisions of procuring entities, contracts.

These thresholds are calculated according to the annual need for procurement of the relevant categories, therefore, in fact, open bidding is also held for procurement of lower value.

During martial law, there is a right not to publish detailed information about the location of the procuring entity and the supplier (contractor), as well as the place of delivery of goods, performance of works, provision of services, to avoid threats to the security of the parties.

If the procurement already entails information with restricted access or information that poses a threat during martial law, it [may be hidden by the decision of the commission](#) on the consideration of the issues of the electronic procurement system. The commission includes representatives of the public, in particular TI Ukraine.

Therefore, the level of compliance with the principle of transparency and openness in procurement can be assessed as high.

However, a number of challenges persist, in particular:

- **Determining the expected value of a procurement transaction.** Currently, the only guide in this matter for procuring entities is the recommended [Model Methodology](#), which the Ministry of Economy approved in 2020. It is not mandatory and leaves the possibility for abuse (overpricing). There are no rules for determining the price of a direct contract, which is concluded as an exception. For approach improvement, in December 2023–January 2024, the DOZORRO project of Transparency International Ukraine, together with the project team of the Centre of Excellence in Procurement of the Kyiv School of Economics, developed [a methodology for determining the cost of a procurement transaction](#), carried out without using the electronic procurement system. Currently, we have provided it to the Ministry of Economy for processing. In addition, procuring entities [are obliged](#) to publish justifications for the technical and qualitative characteristics of the procurement item, the size of the budget allocation, and the expected value of the procurement item. However, the form of justification is arbitrary, so for the most part, it is only an additional burden on procuring entities, which does not bring real benefits for understanding how the expected value is determined.
- **Problem with monitoring the implementation of contracts.** It is difficult for the public to assess whether the contract has been implemented in a quality manner, since documents on its implementation are not made public, except for the final report.
- **Prozorro is not fully synchronized with other systems and registers**, including treasury authorities. For example, procuring entities report under contracts to three independent systems: Prozorro, Spending, Treasury Client – Treasury. Moreover, almost the same information is submitted to each system. Such duplication in 2021 alone [cost the state](#) at least 1.2 million working hours, which is equivalent to more than UAH 30 million⁴. In addition, the data collected in

⁴ Calculations are provided on pages 22–29 of the study [Three Times Less: How to Improve Reporting under Contracts](#). As part of the study, interviews with procuring entities were conducted to assess the time spent on reporting tasks and the analysis of reporting processes and datasets in different systems was carried out.

these systems are of poor quality; they do not show the real situation under contracts and are not suitable for effective use.

- Moreover, due to **the lack of synchronization of the Prozorro system with the Judicial Power portal and the Unified State Register of Court Decisions**, the procurement page does not always make it obvious whether issues related to this procurement transaction were appealed in court. To verify information about the existence of such an appeal, it is usually necessary to search for it on the web resources of the judiciary. There is no public information about criminal proceedings either.

SECTION 4. APPLICATION OF NON-PRICE CRITERIA AND LIFE CYCLE COST ESTIMATION

The use of evaluation criteria for bids other than the price is weak in Ukraine. In particular, this is impacted by shortcomings in legislation, mechanism complexity, and the need for professionalization of procuring entities.

Thus, the law on Public Procurement has not yet adjusted the formulation of possible criteria for evaluating proposals, which causes differences in the interpretation of the provision. In particular, the specialized department of the Ministry of Economy [explains](#) that the list of evaluation criteria other than price provided in the law is not exhaustive, while the Antimonopoly Committee considers it to be so. As a result, procuring entities avoided applying non-price bid evaluation criteria that are not mentioned in the law.

In addition, procuring entities lack the skills to effectively use different methods of evaluating bids. Moreover, the application of non-price criteria gives procuring entities a wide discretion of choice, and its impact can be difficult to assess. To help procuring entities, Transparency International Ukraine provides tips on the implementation of procurement transactions with [life cycle cost estimation](#) and [non-price criteria](#).

In April 2023, the Prozorro system implemented a mark of environmental criteria to indicate green procurement. In the case of setting them, they are a mandatory requirement, and not additional criteria for evaluating proposals.

SECTION 5. CENTRALIZED PROCUREMENT ORGANIZATIONS

In 2023, three new centralized procurement organizations (CPOs) were created in Ukraine: an urban one in Kharkiv, a regional one in Odesa Oblast, and a nationwide one. Now there are a total of 12 CPOs in Ukraine.

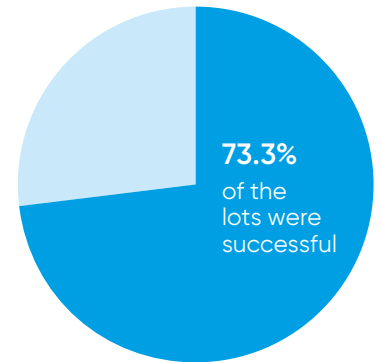
During the reporting period, they announced 2,700 lots of procurement for UAH 3 billion. As of February 14, 2024, 73.3% of the lots were successful.

The European Commission advised Ukraine to develop centralized procurement, especially at the regional and local level. However, Transparency International Ukraine warns about a number of shortcomings in the activities of CPOs in Ukraine that need to be considered and corrected before creating new CPOs, in particular:

- it is not currently possible to conclude a framework agreement for an aggregated need;
- CPOs may receive a request from the procuring entity at any time during the year, which complicates the aggregation of needs and/or significantly delays the granting of the request sent to the CPO;
- the procuring entity may receive a contract price higher than the expected cost;
- most of the procurement functions remain entrusted to the authorized person of the procuring entity and are not transferred to the CPO.

Read more about these and other problems [in the study](#).

UAH 3 billion
estimated value of
CPOs' lots in 2023



SECTION 6. PUBLIC-PRIVATE PARTNERSHIPS

The last milestone in the development of legislation in the field of public-private partnership was the reform of 2019, when the regulation of concessions and other forms of the PPP was delineated. However, the reform did not work in full: over the next 2 years, only 4 new PPP agreements were concluded. This was due to both a decrease in business activity due to the coronavirus pandemic and shortcomings in the legal regulation, for example, lengthy bureaucratic procedures because the preparation to implement projects can take from 1.5 to 2 years.

The draft law No.7508, which was supported by the Parliament in the first reading in October 2022, improved the mechanism of public-private partnerships to accelerate the restoration of destroyed infrastructure as a result of a full-scale invasion.

The project provides for a significant update of the specialized laws: on Public-Private Partnership and on Concession. Key changes include:

- clarification of PPP forms (excludes property management and joint activity agreements);
- expansion of PPP application areas (new transport infrastructure facilities, residential real estate and social infrastructure);
- expansion of the list of public partners (economic companies of the public sector of the economy are added);
- expansion of funding sources;
- simplifying and shortening procedures for the preparation of PPP projects;
- special procedure for the preparation, selection, and holding of a tender to determine a private partner for infrastructure and economic recovery projects;
- selection of private partners through updated competitive procedures in the electronic trading system.

Transparency International Ukraine [identified the risks](#) in the draft law, related to:

- general aspects of PPP implementation;
- holding a tender to determine a private partner and concluding an agreement based on its results;
- financial and property aspects of PPP implementation;
- preparation and selection of projects for the recovery of infrastructure and economy, construction of housing at a below-threshold value;
- non-disclosure of information about tenders to determine a private partner.

In addition, the project does not meet its immediate goal of accelerating the restoration of infrastructure affected by armed aggression.

TI Ukraine provided the working group engaged in the draft law development with its recommendations for improving its provisions by the second reading, some of which were welcomed. However, since autumn 2023, the consideration of the draft law has been suspended. Since then, no significant changes or legislative initiatives aimed at improving the mechanism of public-private partnership in Ukraine have been recorded.

According to the Public Procurement Reform Strategy for 2024–2026 approved on February 2, 2024, among the measures for the development of draft laws aimed at further harmonization of legislation with EU requirements, it is planned to introduce procedures for concluding concession contracts in accordance with the principles and provisions of Directive 2014/24/EU.

According to a [study by Transparency International Ukraine](#), restructuring legislation and bringing it in line with the requirements of EU directives will not be enough for the real full use of the PPP tool. The development of an effective architecture for maintaining such projects, institutional capacity, as well as reform of the judicial and law enforcement system, and the development of a system for protecting the rights of investors are necessary.

SECTION 7. CONTROL AND PROTECTION OF RIGHTS IN PUBLIC PROCUREMENT

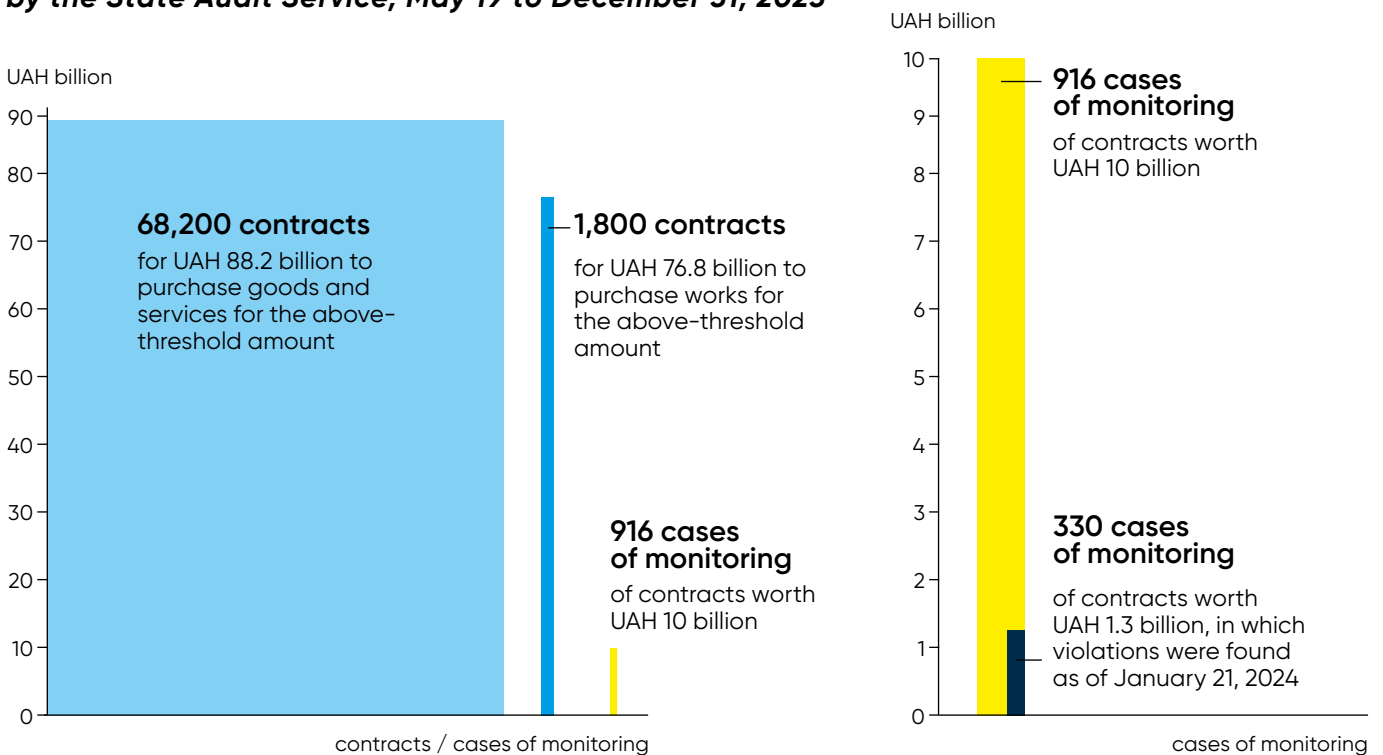
State Audit Service of Ukraine

In the context of state financial control over procurement, **procurement monitoring** holds a special place. This is a fully public, a quick (up to 15 working days) control measure in the Prozorro system designed to prevent violations. Each monitoring concerns one specific procurement, which allows focusing on the detection of violations, whose signs caused the monitoring to start. In case of elimination of the violation, the State Audit Service does not bring the procuring entity to administrative liability.

According to the [reports of the State Audit Service](#), in 2023, it conducted 12,200 procurement monitoring cases; as a result, it prevented violations, including by canceling bidding, in the amount of almost UAH 7.4 billion and terminating contracts worth about UAH 12.4 billion.

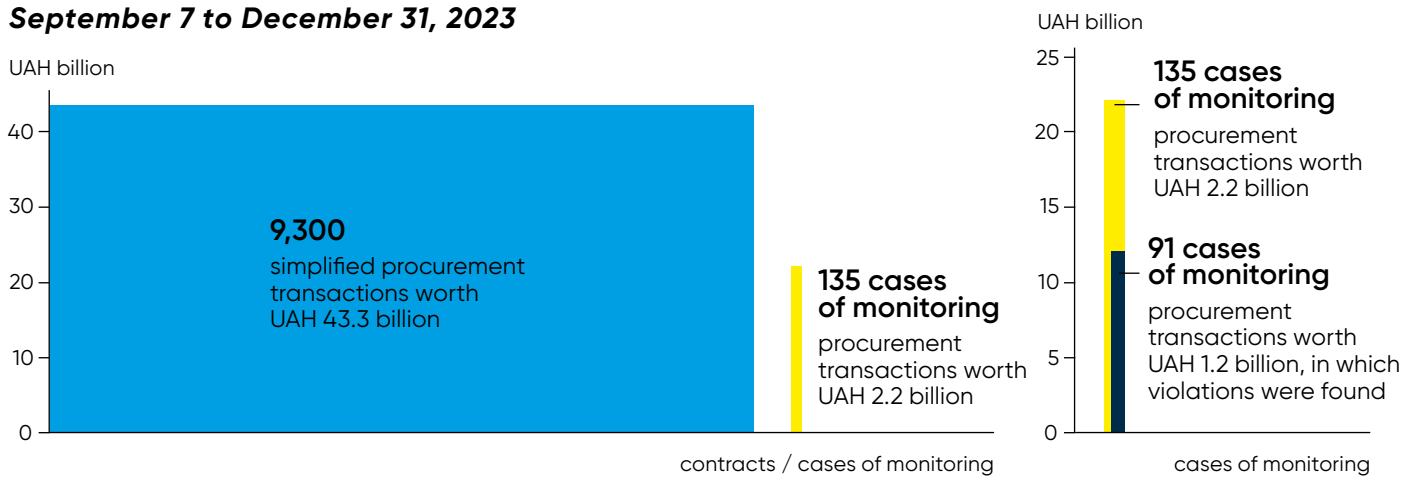
In May 2023, amendments to Resolution No.1778 came into force, giving auditors the right to monitor contracts concluded directly, without the use of an electronic procurement system. This is important because under martial law, there is a fairly wide range of grounds for concluding an agreement directly instead of conducting competitive procedures. Thus, from May 19, 2023, to December 31, 2023, procuring entities reported on the conclusion of 68,200 contracts for UAH 88.2 billion to purchase goods and services for the above-threshold amount, and 1,800 contracts for UAH 76.8 billion to purchase works for the above-threshold amount. During this time, the State Audit Service launched 916 cases of monitoring of contracts worth UAH 10 billion. As of January 21, 2024, violations were found in 330 cases relating to contracts worth UAH 1.3 billion.

Contracts concluded directly for an above-threshold amount and their monitoring by the State Audit Service, May 19 to December 31, 2023



On September 7, 2023, the State Audit Service was given an opportunity to monitor simplified procurement. Under martial law, it is carried out by procuring entities in the field of defense. Therefore, the acquisition by the state financial control bodies of the authority to monitor simplified procurement, first of all, enhances control over procurement in the field of defense. In addition, it is an opportunity to identify cases of unreasonable use of simplified procurement by procuring entities that must conduct open bidding in accordance with the current legislation. From September 7, 2023, to December 31, 2023, procuring entities announced 9,300 simplified procurement transactions worth UAH 43.3 billion. During this period, the State Audit Service began monitoring 135 procurement transactions worth UAH 2.2 billion. As of January 21, 2024, violations were found in 91 cases related to procurement for UAH 1.2 billion.

Simplified procurement transactions and their monitoring by the State Audit Service, September 7 to December 31, 2023



At the same time, Transparency International Ukraine assesses the effectiveness of procurement monitoring as weak due to a number of shortcomings. Namely:

1. Auditors start more than 70% of cases of monitoring after the conclusion of the procurement contract. It is necessary to shift the focus from post-control to preventive control.
2. There are no clear goals and priorities that are being achieved through monitoring, key performance indicators.
3. There are no grounds for partial and priority monitoring; procurement transactions are checked for compliance with all procurement legislation provisions, without exception. Often, auditors focus on minor, non-significant violations. It is necessary to provide for the focus of monitoring on the detection of significant violations.
4. Approved automatic risk indicators do not comply with the updated legislation and are not suitable for use. These are elements of the Prozorro electronic procurement system, which must constantly scan procurement procedures in automatic mode for a number of signs that indicate a high probability of violations.
5. The legislation does not provide for a list of ways to eliminate violations that the State Audit Service may require the procuring entity to do as a result of monitoring. As a result, the methods chosen are not always proportional to the materiality of the violations.
6. A monitoring does not suspend a procurement transaction, so procuring entities have the opportunity to complete it, despite the monitoring started.
7. Legislative gaps allow offenders to avoid administrative liability. In particular, this concerns the problem with the access of public auditors to the verified personal data of the persons who committed the violation.

8. Different practices of regional bodies of the State Audit Service regarding similar situations.
9. The high number of successful judicial appeals of conclusions based on the results of procurement monitoring and the contradictory nature of the judicial practice itself.

Read more about these and other problems of procurement monitoring and ways to improve it [in the report](#).

On August 11, 2023, amendments to the Criminal Code of Ukraine came into force, according to which criminal liability was introduced for obstructing the work of the State Audit Service. The positive effect to be expected from these changes is increased guarantees of admitting the body to carry out financial control measures. However, the [shortcomings](#) of these changes are inconsistency with the logic of Ukrainian legislation on the criminalization of acts, the risk of abuse, the introduction of amendments through a draft law that was not originally devoted to this problem.

In 2023, Prozorro SE **developed 11 new risk indicators**. They are publicly available and cover all competitive procurement procedures that take place in the system. A web interface has also been developed in which all stakeholders can view the results of the operation of these risk indicators: <https://risks.prozorro.gov.ua/>

So far, these risk indicators are implemented **outside the profile** of the State Audit Service in the Prozorro system, and therefore are not officially used as grounds to launch a monitoring of a procurement transaction. But they are currently being tested to improve the algorithms that can be used to detect violations with the highest probability. **Automatic risk indicators require technical improvement and legislative support.**

Antimonopoly Committee of Ukraine

The business may appeal against unfair requirements or actions of the procuring entity to **the Antimonopoly Committee** of Ukraine. It consists of two new **Commissions to consider complaints about violations of legislation in the field of public procurement**.

In 2023, as a result of the competition, **4 commissioners for the consideration of complaints** in the field of public procurement were selected. With their participation, two [complaints commissions](#) were formed and [the rules of procedure](#) were approved. At the same time, legislation stipulates that the number of commissioners should be 10, so the Antimonopoly Committee needs to select 6 more specialists at a competition. The next competition is expected to be held in June 2024.

The institution of commissioners for the consideration of complaints on violations of legislation in the field of public procurement was introduced to increase the specialization of members of the appeal body. Before the competition, the functions of the commission were performed by the Board for Consideration of Complaints on Violations of Legislation in the Field of Public Procurement, which included state commissioners of the Antimonopoly Committee of Ukraine. Simultaneously, they worked on antimonopoly investigations in their specializations, and therefore focused not only on the area of procurement appeals.

Even under martial law, the list of situations that can be appealed was not limited, compared to the pre-war period (discriminatory conditions, actions and decisions of procuring entities, cancellation). In June–December 2023, the Commission already considered more than 6,500 complaints.

For filing a complaint, [a fee is charged](#) to the budget through the Prozorro system, which, depending on the type of complaint and the expected cost of a procurement transaction, varies between UAH 2,000-170,000. The paid amount of the fee shall be returned to the complainant in case of granting the complaint and in some other cases provided for by law. In the case of most procurement transactions, appeals are affordable to economic operators from a financial perspective.

Complaint content requirements are also available for implementation. This is evidenced by the fact that of all 10,500 complaints filed in 2023, only 424 (4%) were left without consideration.

All complaints to the appeal body shall be submitted **in electronic form** through the Prozorro system. The procurement page shall publish the complaint and all related information and documents. Thanks to the publication of the decisions of the appeal body, it is possible to analyze its practice on certain issues and predict the results of the consideration of complaints.

Under martial law, shortened deadlines for filing and considering complaints are in force. In fact, the full process of the appeal takes up to two or three weeks.

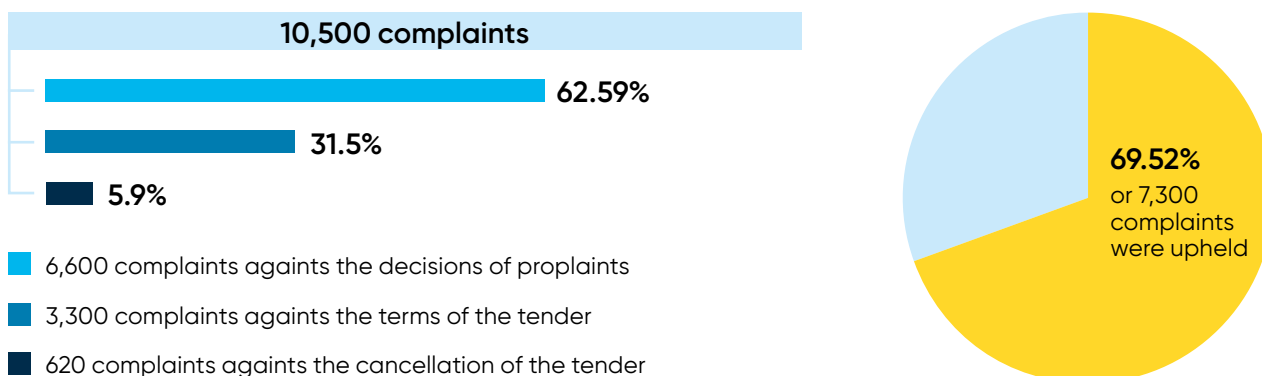
An important factor for the effectiveness of an appeal is that **it suspends the procurement transaction**. In particular, after the publication of the complaint, the Prozorro system automatically suspends the start of the electronic auction, and the procuring entity is prohibited from taking any actions and making any decisions on the procurement procedure, concluding a procurement contract.

The appeal body makes decisions based on the results of consideration of complaints **at the meeting** of the Commission. Representatives of the complainant and the procuring entity have the opportunity to participate in the meeting, including online. Meetings of the Commission are [broadcast on YouTube](#).

According to the Prozorro system, in 2023, complainants filed **10,500 complaints** in 8,500 lots under procurement transactions. Among them, 6,600 complaints were filed against the decisions of procuring entities (62.59%); 3,300 complaints were filed against the terms of the tender (31.5%); 620 complaints were filed against the cancellation of the tender (5.9%).

The majority of complaints –**7,300 (69.52%)**– were upheld.

Complaints to Antimonopoly Committee of Ukraine, 2023



Overall, the appeal procedure is a quick and effective tool for protecting the rights of participants of the tender and persons wishing to participate in it. Within a few weeks of the submission of the complaint, the appeal body decides on the merits, the process is transparent, and the tender is suspended.

Shortcomings of the appeal process can be the following:

- on some issues, it is difficult for complainants to predict the result of filing a complaint, since the practice is perceived as contradictory, and there is no summary of practice on a regular basis. For example, in 2023, [only one summary](#) was published in the practice summary section of the panel (regarding the procurement of solid fuel);
- the practice of the appeal body on some issues differs from the practice of the state financial control body;
- the fee to consider one complaint can reach UAH 170,000, which in conditions of uncertainty in the future decision is too high a risk for companies, especially if they participate in several procurement transactions at the same time
- there is no control mechanism on the part of the AMCU whether its decisions are enforced, but only the AMCU can accurately assess this.
- the opportunity to withdraw from a procurement transaction and announce a new one if the procuring entity is dissatisfied with the decision of the AMCU.

Judicial protection

Another means of protecting rights in the field of public procurement is judicial protection. Both participants and procuring entities of public procurement might need it to:

- appeal the decision of the Antimonopoly Committee (for participants and procuring entities)
- challenge the results of monitoring by the State Audit Service (for procuring entities)
- protect their rights without previously applying to the Antimonopoly Committee (for participants)
- declare the agreement invalid, including to grant the compensation claim for damages to the appealing entity as a result of violation of the requirements of the law.

Disadvantages of a judicial remedy in the field of public procurement include:

- **difficulty in enforcing court decisions** based on the results of the case consideration, since the court proceedings do not suspend the procurement procedure and can last for a significant period of time (for example, six months), and therefore, at the time of receiving a positive decision, the procurement transaction may have already been completed, and the procurement contract may have been executed;
- **lack of synchronization** between the Prozorro system and judicial information systems, as a result of which the procurement page does not display information on the status of the court case related to this procurement transaction and the decisions adopted by the court: this information must be additionally sought in the court registers;
- **lack of information on Prozorro about the appeal** against the decision of the Antimonopoly Committee. In contrast, in the event of an appeal against the monitoring result of the State Audit Service, it is mandatory to report this on the procurement page.
- **procuring entities' lack of legal specialists** to defend their rights in case of non-compliance with obligations by the supplier.

SECTION 8. PLANS FOR THE FUTURE AND LEGISLATIVE INITIATIVES IN THE FIELD

Measures in the field of public procurement planned in the State Anti-Corruption Program

In March 2023, the Cabinet of Ministers [adopted](#) the State Anti-Corruption Program (hereinafter referred to as the SAP) for 2023–2025—a detailed document on measures to prevent corruption. Mostly, the program provides for changes in legislation and technical innovations in the work of public authorities.

The SAP does not have a separate section dedicated to public procurement. But in a number of sections of the SAP, the expected strategic results and planned activities are related to procurement.

1. To improve the quality of software procurement, the Government plans to create **an “official tool to prepare and conduct public procurement in the field of informatization.”** It will allow visualizing such procurement transactions and already existing electronic communication networks and automate the calculations of the expected cost of the technical solutions being procured. The basis for the development of the tool should be a study, which is to help find out what needs procuring entities have in the field of informatization, and what functionality of the tool they require. The launch of the tool that automates procurement in the field of informatization should be expected no earlier than 2026.
2. **In the field of procurement of construction and repair works** for public and donor funds, the SAP contains a number of requirements: requirements to the publication of data on infrastructure projects, including project documentation; methods for calculating the expected cost of procurement, etc.; requirements to create a procedure for monitoring the quality of work, in particular for the restoration (modernization) of Ukraine, with the subsequent publication of the results of cases of monitoring and inspections; requirements to launch an interactive map of works, in particular for the restoration (modernization) of Ukraine.
3. In the field of medical procurement, the SAP provides for the creation of **an electronic stock management system for medicines and medical devices e-Stock**, which will contain organized data in real time on the residues of medicines and medical devices in health care facilities, their needs, use, and disposal. Medical procuring entities will be obliged to purchase medicines and medical devices through **an electronic catalog** and to delegate procurement transactions to **centralized procurement organizations**.
4. In the field of defense procurement, the SAP sets the goal of competitiveness and transparency in **conducting transactions in the electronic procurement system** with certain restrictions. It is planned to create an electronic **register of selection participants and contractors** under state contracts, as well as to inform potential suppliers about procurement plans for defense goods, works, and services. The SAP also requires a more **detailed regulation of the issue of secrecy** in the field of defense procurement, reducing this secrecy to a reasonable level. In addition, in the future, it is planned to use non-price criteria in defense procurement.

Distribution by industry [allows considering isolated problem queries](#) and offer a targeted solution. However, the SAP lacks a single comprehensive set of measures aimed at overcoming corruption in public procurement as a whole, outside the individual sectors covered by the SAP.

In 2023, there was a delay in the implementation of measures aimed at creating a digital tool for procurement in the field of informatization, partial implementation of measures in the field of construction procurement, and defense procurement. Measures for medical procurement were mostly started on time.

Legislative initiatives in the field of procurement and state financial control

In 2023, a number of draft laws related to procurement were submitted to the Verkhovna Rada:

- On determining the expected value based on certificates of the average price level from a state enterprise. TI Ukraine [urged to abandon](#) this idea, as issuing certificates of average prices in manual mode carries corruption risks, will complicate procurement, and increase their duration.
- On the introduction of [fines](#) for non-compliance with localization requirements by procuring entities.
- On permission [to raise prices](#) in contracts for construction works.
- On permission [to change the conditions](#) for the return of a security deposit to the contractors provided by them under martial law. We believe that this draft law makes sense, but it requires the introduction of anti-corruption safeguards.
- On [the suspension of payments](#) under procurement contracts if a procurement transaction contains a conclusion of the State Audit Service monitoring on significant violations, and the procuring entity has not complied with the requirements of the conclusion and has not appealed it in court. TI Ukraine [warns](#) about the shortcomings of the idea: unpredictability in contractual relations between a procuring entity and a contractor, which can lead to an increase in the bid price and loss of interest in tenders altogether; corruption risks of pressure on procuring entities, business, control bodies; subjective approaches to determining violations in the selection of a winner; the lack of legally defined ways to eliminate violations; entrusting the Treasury bodies with an unreasonably large amount of work.
- On the extension of the terms for imposing administrative penalties to prevent persons who committed violations from avoiding liability and revision of the list of violations. [TI Ukraine](#) supported the main ideas of the draft laws but pointed out the need to finalize them.
- On permission for public auditors to [collect and receive personal data](#) for conducting proceedings in cases of administrative offenses and expanding the responsibility of budget spending units for improper reporting in state information systems. It is necessary to spell out the mechanism under which the State Audit Service will receive personal data. In terms of responsibility for reporting, it is more appropriate to open data on the allocation of budget funds that the treasury bodies already have; this will allow spending units to avoid double reporting responsibilities.
- [On improving the medical procurement system](#).

Summing up, in 2023, legislative initiatives in the field of procurement and state financial control were mainly aimed at enhancing state financial control, enshrining at the level of law those rules that were still temporary (valid during martial law), as well as protecting the interests of contractors who, as a result of a full-scale invasion, lost the opportunity to complete procurement contracts.

Most of these draft laws are at the initial stage of consideration in the specialized committee of the Verkhovna Rada.

In 2023, the Ministry of Economy was developing a new version of the law on public procurement, which was not published as of the preparation of this report. At the initial stage of drafting the law, a meeting was held with the expert community and the public regarding possible innovations. However, the public was not subsequently engaged in the development or discussion of the changes. At the time of preparing the report, the working version of the draft law was not made public.

Public procurement reform strategy

On February 2, 2024, the Government [approved](#) the Public Procurement Reform Strategy for 2024–2026 and the operational plan for its implementation in 2024–2025. The strategy identifies 7 objectives:

1. Harmonization of Ukrainian legislation in the field of public procurement with the relevant EU directives.
2. Development of the institutional structure of public procurement.
3. Implementation of reconstruction projects in Ukraine.
4. Professionalization of public procurement.
5. Development of an electronic procurement system.
6. Engagement of civil society in the development of public procurement.
7. International cooperation in public procurement.

Among the tasks specified in the plan for the harmonization of Ukrainian legislation with EU directives on public procurement are the following:

- revision of the list of exceptions to the non-application of the Law during the procurement of goods, works, and services;
- introduction of a competitive procedure with negotiations, dynamic procurement systems, innovation partnership procedures, project competitions, qualification systems;
- development of non-price criteria for evaluating proposals;
- regulation of concessions.

[TI Ukraine](#) believes that the availability of the Strategy with benchmarks and timelines for public procurement reform is a positive factor in their development. However, it currently fails to cover several important issues in the field:

- the lack of transparency in the formation of the expected value and value of direct contracts;
- the lack of transparency in the implementation of contracts;
- a low level of business engagement in procurement;
- the complexity of court decisions enforcement;
- shortcomings of procurement monitoring: although the document notes how important state control in the field is, only updates of risk indicators and changes to the Code of Administrative Offenses are mentioned.

SUMMARY

During 2023, public procurement was mainly regulated by the Law on Public Procurement and Resolution No.1178, which defines the features of public procurement during martial law. In fact, the resolution adopted by the Government currently prevails over the law. This approach makes it possible to be more flexible and operational in changing the rules of public procurement during the full-scale war.

The low average number of participants in competitive procedures remains a challenge for Ukraine. Thus, in the covered period, only a third of procurement transactions under competitive procedures had more than 1 participant. **However, the average level of competition increased:** from 1.79 bids in the 4th quarter of 2022 to 2.06 in the corresponding period of 2023.

During the study period, the share of procurement costs attributable to **competitive procurement** increased. If in the 4th quarter of 2022 it was 60.4%, then in the corresponding period of 2023 it was 77%.

In Resolution No.1178, **a number of grounds were removed** from the list of cases in which procuring entities were allowed to conclude direct contracts instead of competitive procedures for procurement above national thresholds and several new ones were added.

The Government also **increased the transparency** of such procurement transactions: when reporting on them, procuring entities were obliged to publish the contract, all annexes to it, and the justification for the grounds to conduct procurement directly. It is allowed not to publish accurate location information if it poses a threat to the security of the procuring entity and/or supplier.

The Government also [approved the Strategy of Public Procurement Reform](#) for 2024–2026.

Transparency and competition in **defense procurement** have also increased. The Verkhovna Rada and the Government have introduced mandatory reporting on defense procurement worth more than the national thresholds. The law provides for exceptions for the procurement of weapons, ammunition, secret procurement. Transparency International Ukraine notes that the list of information provided in the reports [is not enough](#) to fully assess procurement. Subsequently, procurement for defense needs began to be conducted through competitive simplified procurement, open bidding with features, and procurement in the electronic catalog. To increase the efficiency and transparency of meeting the non-lethal needs of the Armed Forces of Ukraine, [the State Rear Operator](#), a defense procurement agency, was established. In particular, the Operator procures the supply of food, clothing, fuel and lubricants, and medical equipment for the needs of the military through Prozorro.

In May 2023, according to Resolution No.1178, **three-round auctions became optional:** the procuring entity may not apply them if the need is justified. By the end of 2023, procuring entities used this right in 0.6% of open bidding with features. This innovation was preceded by a period from January 3, when three-round auctions were not used at all: the system determined the most cost-effective bid based on the initial price. However, [according to](#) a study by Transparency International Ukraine, abandoning three-round auctions resulted in the reduction of the savings rate. Potentially, the state could have saved at least a billion extra hryvnias in the three months we studied if multi-round auctions had not been canceled. Accordingly, it is advisable to keep holding multi-round auctions for procurement worth more than UAH 500,000.

The development of the Prozorro Market electronic catalog continued. The Government obliged a number of procuring entities to conduct procurement of medicines and medical devices through the electronic catalog. In addition, it introduced safeguards against abuse in procurement through the electronic catalog.

As for the development of **centralized procurement**, during the covered period, 3 new centralized procurement organizations (CPOs) were created in Ukraine, now their total number is 12. However, Transparency International Ukraine warns about a number of [shortcomings and challenges](#) in the functioning of CPOs that need to be addressed before creating new ones.

Control in the sphere remains weak. One of the main control measures is procurement monitoring, which is intended to be preventive, in more than 70% of cases is carried out after the conclusion of the contract. Instead, it should be carried out before the conclusion of the contract, when the negative consequences of violations can still be prevented. **The State Audit Service** should [shift the focus](#) to significant violations in procurement. The State Audit Service has received the right to monitor direct contracts, as well as simplified procurement, currently carried out by procuring entities in the field of defense. Testing of 11 automatic risk indicators developed by SE Prozorro is also underway.

Overall, future areas for improvement in the procurement sector can be the following:

- harmonization of procurement legislation with EU legislation, its improvement;
- revision of some temporary approaches applied during the first year of martial law (such as abandoning Eurobidding, negotiation procedures, shortened deadlines for submitting bids);
- professionalization of the personnel of contracting authorities;
- attracting business to participate in public procurement;
- regulation of how the expected value are determined;
- further technical improvement of the Prozorro system, integration with other information systems and state registers, in particular treasury and court registers;
- further development and optimization of the electronic catalog;
- increasing the effectiveness of control in the field, developing, and regulating new risk indicators;
- unification of the practice of the appeal body and control bodies.

Regarding the recommendations for the coming year provided by the European Commission in its report on Ukraine in November 2023:

- **Harmonization of legislation.** Currently, the Ministry of Economy continues to work on a new version of the Law on Public Procurement, which should synchronize Ukrainian rules with European ones. In addition, the harmonization of legislation with the EU acquis is one of the goals of the public procurement reform strategy for the next three years, which was approved in February 2024. Moreover, in May 2023, the use of a three-round auction in competitive procurement was made optional. The procuring entity can refuse it if they justify the need for it.
- **Selection of Public Procurement Complaints Commissioners to the AMCU.** Four commissioners for consideration of complaints were selected to the Antimonopoly Committee. With their participation, two complaints commissions were formed, and the rules of procedure were approved. The Antimonopoly Committee is to select 6 more specialists at the competition.
- Resolution No. 1178, which regulates the features of public procurement during martial law, **reduced the list of grounds** for concluding direct contracts for procurement above the national thresholds and added several new ones.

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