

HOUSING CODE OF UKRAINIAN SSR

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As a result of **the victory of the Great October Socialist revolution** in our country, the necessary prerequisites for the resolution of one of the major social problems - satisfaction of need of workers for housing were created.

Appreciating **the Leninist ideas** of creation of **communist society** and raising the material and cultural standards of living of the people, **the Soviet State** is gradually realizing the housing development programme developed by the **Communist Party**.

The high rates of development of the state and public funds, based on the state plans, manners used by the state promoting cooperative and individual housing construction, create the necessary conditions for providing citizens' right for housing guaranteed by the **USSR Constitution** and the Constitution of the Ukrainian SSR.

An important task for the state is to ensure housing safety, increase the term of its service, increase the quality of housing. To achieve this goal, active participation is taken by public organizations and citizens.

POOR GOVERNANCE AND CORRUPTION IN UKRAINE'S DEFENCE HOUSING SYSTEM:

RISKS AND RECOMMENDATIONS

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INDEX OF ABBREVIATIONS

Main QD – Main Quartering Directorate of the Armed Forces of Ukraine

HDDMP – Head Directorate of Defence and Mobilization Planning

SE – State Enterprise

AFU – Armed Forces of Ukraine

CPCEF – Code of Program Classification of Expenditures and Financing of the National Budget

QD – Territorial Quartering Directorate and Kyiv Quartering Directorate

HMU – Housing Management Unit

MoD – Ministry of Defence of Ukraine

NAKO – Independent Defence Anti-Corruption Committee
(*Natsionalnyi Antykoruptsiinyi Komitet z pytan Oborony*)

SDB – Strategic Defence Bulletin of Ukraine

CCMD – Capital Construction Management Directorate

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EXECUTIVE SUMMARY

Problems in Ukraine's defence housing are costly to Ukraine's societal and political security. Unless changes are made to the current conditions, it could take over 600 years for the Ministry of Defence to resolve its defence housing problem and provide housing for personnel waiting for homes. Moreover, damages incurred to Ukraine's budget, as a result of inefficiencies and subjective decision-making power, run into many billions of hryvnas. From its outdated Soviet promise of providing permanent housing to its servicemen/women to its current planning system, Ukraine's approach to defence housing violates international best practices, and enriches corrupt criminal networks.

The Independent Defence Anti-Corruption Committee (NAKO), a joint initiative of Transparency International Defence & Security Program and Transparency International Ukraine, has analysed the issues of defence housing in Ukraine. It recommends the Ukrainian government develop a new defence housing strategy and adopt the necessary legislation to reform this sector. This legislation is missing from the Strategic Defence Bulletin, but is provided for by the National Security Strategy and the Concept for the Development of Ukraine's Security and Defence Sector. The strategy must account for the real needs of the military, include all relevant infrastructure to the defence housing database, and reflect the current Ukrainian real estate market. In addition, it should:

- Include defence housing and infrastructure into the Armed Forces of Ukraine capability planning and development, as its Euro-Atlantic partners do.
- Prioritise the delivery of projects over the full expenditure of budgeted funds.
- Utilise, and implement where unavailable, electronic systems including "Maino," "Zhytlo," and "proZorro" to increase transparency, accountability and efficiency in the areas of infrastructure, waiting lists and procurement processes.
- Increase the quality and delivery standards of defence housing by engaging more deeply with the public and the servicemen and women for which such housing is procured.
- Develop and implement, in line with international best practices, alternative solutions for the social protection of servicemen/women, including preferential rents, mortgages, monetary compensation and retirement packages.
- Abolish the Law Permitting New Additions to the Waiting List once alternative solutions have been found.
- Make information on procurement and side-agreements with partners in the private market open to the public.
- Eliminate the current ambiguities which lead to subjective decision-making of Capital Construction and Reconstruction planning.
- Create a healthy culture by setting new organizational values in line with competitive, democratic military-civilian systems of checks-and balances and education.

INTRODUCTION

To date, the withdrawal of the Soviet Army Western Guard from Eastern Germany (1988-1994) remains, financially and logistically, history's largest foreign military withdrawal. The Kremlin received almost 8 billion German marks for the relocation of over 300,000 Soviet servicemen/women and their families, including the construction of 36 thousand apartments on Soviet territory - the brunt of which were to be built in Ukraine¹. The Former First Director of Germany's Federal Intelligence Service, the Bundesnachrichtendienst (BND), Volker Foertsch, remarked on the scandalous corruption, and the misappropriation of funds and property set free by the withdrawal². Unfortunately, little has changed.

Ukraine's outdated defence housing system remains based on a Soviet-era obligation to provide free housing to the members of its military force. This systemic obligation contravenes international best practices and is unsustainable by the Ukrainian State. In 1991, when Ukraine gained its independence, its military comprised one of the largest forces of the Soviet Union. Today, facing a war on its Eastern front and the ramifications of Russia's illegal annexation of Crimea, the Ukrainian Ministry of Defence is also challenged by a crisis within its quartering (henceforth, defence housing) system.

The failure to modernise and reform the military housing system, combined with the introduction of contracted military service has led to an increase in the number of families on housing waiting lists. In May 2018, the Ministry of Defense reported that as of 1 January 2018, 47.1 thousand servicemen/women on the waiting list. Many have been waiting over ten years for the improved living conditions they are owed. Long waiting lists, overly complicated and non-transparent procedures governing the planning, procurement and distribution of defence housing appear to exacerbate the problem by facilitating arbitrary decision-making, the squandering of funds, and corrupt practices.

Rather than being an incentive for future conscripts, defence housing has become a source of frustration for the Ukrainian Ministry of Defence and its servicemen/women alike. For these reasons, in this report NAKO calls attention to the manner in which the Ministry of Defence of Ukraine supplies housing to the servicemen/women of the Armed Forces of Ukraine. It is the objective of this study to identify the key short comings and corruption risks of the defence housing system and to provide recommendations for its improvement. To this end, the study has been divided into 2 parts.

Part One introduces the reader to the defence housing system, its problems as well as selected corruption risks. In **Section One** the matter of defence housing waiting lists and related problems faced by service men and women are presented. **Section Two** lays out the current system of defence housing management in Ukraine. It presents the structure of Ukraine's Head Quartering Directorate of the Armed Forces (henceforth, Main Headquartering Directorate of the Armed Forces)³ and other structural units belonging to the Ministry of Defence playing a role in the defence housing system. **Section Three** presents the processes related to construction, reconstruction and renovations of military facilities and housing. Matters pertaining to the purchase of housing at the secondary market and through capital participation are presented in **Section Four**. Within each of the aforementioned sections, special attention is paid to matters pertaining to poor governance and corruption risks.

Part Two of this study contains recommendations for the improvement and reform of Ukraine's defence housing system. Particular attention is paid to the specific subject matter covered in the individual sections presented in Part One. The core of the recommendations found herein are summarized in the Conclusion, with the aim of creating a consolidated policy recommendation document for use by the Ministry of Defence of Ukraine.

¹ Dubinin Y. V. (Дубинин Ю. В.), (2005). Diplomatic Marathon (Дипломатический Марафон), Москва (Moscow): Авиарус-21. p 8. (Dubinin notes that in the long run and after much political hardball Russia received most of the total amount).

² Foertsch V. (1999). The Role of Counter Intelligence in Countering Transnational Organized Crime, in Trends in Organized Crime, Winter 1999. p 123.

³ Recognizing that Ukraine's Ministry of Defence identifies the Head Quartering Directorate as such, a more accurate translation of the Ukrainian term "Головне квартирно-експлуатаційне управління" is "Main Quartering Directorate". Thus, this term and its corresponding acronym (MQD/Main QD) will be used for the purposes of this document rather than the name "Head Quartering Directorate" as provided for by the Ministry of Defence.

Open source information and analyses of laws and procedures (strategic and operational) governing housing supply were used as a foundation for the research. The findings of this report have been drawn from information collected through expert interviews with representatives of Ukraine's Ministry of Defence MoD, servicemen/women of Ukraine's Armed Forces, national and foreign military housing specialists as well as members of Ukraine's civil society. The NAKO team would like to thank these men and women for their time and cooperation.

Importantly, this study has been limited to questions related of housing supply within the Ministry of Defence. It does not consider housing supply mechanisms related to other agencies (i.e. agencies within the Ministry of Internal Affairs, the Security Service of Ukraine or intelligence security related government agen-

cies). Whereas problems within these agencies may have similar causes, they require a separate approach. Also, defence housing is a component of Ukraine's policy of providing social security to its servicemen/women. Whereas numerous aspects of this policy require attention, this study limits itself to matters pertaining to defence housing.

The authors of the study recognize the sphere of housing maintenance of the Ministry of Defence is closely linked with the management of non-core assets of the Ministry of Defence and its land resources. However, the corruption risks and inefficiencies in these areas (non-core assets and land resources) also falls beyond the scope of this study and will be considered in future publications.

PART ONE

DEFENCE HOUSING
IN UKRAINE -

POOR GOVERNANCE
AND CORRUPTION RISKS

SECTION 1: DEFENCE HOUSING BACKLOG AND WAITING LISTS

Over 47 thousand Ukrainian families are waiting for defence housing. Most of them are on waiting lists and many have been waiting over ten years for the improved living conditions they are owed. This backlog and resulting waiting list problem are caused by the continued use of an archaic defence housing system, cumbersome bureaucracy, a lack of transparency and ingrained corrupt practices.

The starkness of the situation is poignantly reflected by a number of recent defence housing related cases. In April 2018, media sources reported on appeals made to the President of Ukraine by 35 servicemen/women. The servicemen appealing to the president for housing are mostly senior officers who remained loyal to Ukraine after Russia's illegal annexation of Crimea. Four years after their patriotic choice was made, they remain, quite literally, begging for the home that they are owed⁴. Another case pertains to a recently opened investigation by the National Anticorruption Bureau of Ukraine (NABU). It depicts how the lack of transparency and bureaucracy facilitate corruption in the MoD defence housing practices. In this particular case, military land in Kyiv is being used to construct an apartment complex. Among other questionable practices, the promised 10% quota of apartments designated for servicemen/women barely reaches 3%⁵.

Another recent defence service housing case illustrates many of the problematic elements pertaining to defence housing in Ukraine: Substandard service housing, in which servicemen/women are forced to live in appallingly unhygienic conditions; a freaky accident ending with serious injury and death; promises of NATO standards, suspicious activity

during the tendering, award and contract administration process⁶. The fatal tragedy, delays and scandals surrounding this 353, 000, 000 UAH (approx. 13,6 million USD) defence housing project in Mykolayiv's "Shyrokiy Lan" casts doubts on another defence housing project planned for 2018. The MoD of Ukraine has dedicated 2.6 billion UAH (approx. 100 million USD) promised to build Ukrainian servicemen/women a garrison of 184 buildings with living space for 23,000 servicemen/women⁷. To avoid graft, this recent defence housing project requires oversight and scrutiny.

These cases call for effective legal remedies, media and judicial attention. They are stark indicators of the dire state of Ukraine's Ministry of Defence housing supply system, and its need for good governance and reform. The system is failing the state's social security obligations towards members of Ukraine's Armed Forces. It is therefore necessary to consider what it is, within the system, that is allowing for such abuses of the rights of servicemen/women, their families as well as the Ukrainian taxpayers.

The purpose of this section is to present Ukraine's current defence housing situation in broad terms. To this end, problems pertaining to waiting lists, financing and the cumbersome registration process will be presented. With the aim of identifying solutions, a comparative analysis will be made of the approach to the defence housing by other states. Selected corruption risks and obscure procedures will also be considered to help formulate recommendations for an alternative approach to defence housing in Ukraine.

⁴"Officers who left Crimea talk about possible return after their Defence Housing needs are ignored". Available at: <http://bit.ly/2NjIKIB> (verified June 2018).

⁵"National Anti-Corruption Bureau opens Criminal Case into Schemes related to Defence Housing". Available at: <http://bit.ly/2xsgd7S> (verified September 2018).

⁶"Costs which were allocated to the building of Shyrokiy Lan Polygon are being pilfered" <http://bit.ly/2xfjOHd> (verified June 2018).

⁷"The Ministry of Defence is Planning to Construct 184 Residential Building Complexes for Contracted Servicemen". Available at: <http://bit.ly/2xjrd8i> (verified September 2018).

1.1 Background Information and Current Problems

Ukraine's current system of housing supply to military servicemen/women and their families (henceforth defence housing) is regulated by the "Housing Code of the Ukrainian SSR" and the "Law of Ukraine On Social and Legal Protection of Military Men and Members of Their Families"⁸. The basis of both of these laws was developed in Soviet times.

The housing system was designed to motivate military servicemen/women. It was well-developed and functioned in the USSR, with the centrally planned economy providing for the relatively successful resolution of defence housing issues. Today, current legislative mechanisms are disconnected from reality; creating an illusion of social protection whilst festering societal discontent. Ukraine has an open market economy; the mechanisms that worked in the planned economy can no longer function successfully. Thus, there is an acute need to reform processes in the MoD and bring them up to market economy standards.

The USSR was a military Union which spent about 20% of its GDP on defence. Today, Ukraine only spends about 5% of its GDP on the

defence and security sector. Ukraine's present priorities and modern course of development do not necessarily call for an increase of financing. Rather, they require increased efficiency in the use of existing financial resources, and the application of best international practices.

The Soviet defence housing model aimed, primarily, at increasing the number of families and children. The Handbook on Organization of Accommodation for Armed Forces of Ukraine Military Servicemen/women and Their Families⁹ explains that the size of apartment/monetary compensation for housing is calculated based on the number of family members; the more children in the family, the larger the compensation. Today's Ukraine is on a new course of development, a result of which has been the introduction of a qualitative approach to state defence, and, a regular (contracted) army. These changes require the defining of new priorities, a redefining of old ones - particularly as they pertain to the motivation of military servicemen/women through social protection.

1.2 Waiting List Dynamics

Two types of defence housing are currently available in theory (i.e. promised) to Ukrainian military servicemen/women:

- service housing (barracks, dormitories, service apartments etc.), and;
- permanent housing (provided as an apartment, monetary compensation or a land plot).

However, both are in great deficit. The waiting lists are very long and the current housing supply system is showing no significant progress in eradicating the problems. For instance, as of 1 January 2018, there were 41.7 thousand persons awaiting defence housing. 35.6 thousand (75.6%) of these are active servicemen/women; the remainder have either been put on reserve

or released from duty. More than half of the total (54.9%) is waiting for permanent housing. The remaining 21.9 thousand are awaiting service housing (Annex 1). In a follow-up review received from the Head of the Main Quartering Directorate Ministry of Defence, O.A. Halushko, additional and some modified numbers were presented. (Annex 2).

An examination of a 10-year period (2006-2016) shows no significant signs of change or improvement in the waiting list dynamics. Rather, on average, the current system has been able to satisfy the needs of no more than 5% of families on the waiting list; 1% of the total number of military servicemen/women in the AFU.

⁸The Law of Ukraine 2011-XII "On Social and Legal Protection of Military Men and Members of Their Families" of December 20, 1991.

⁹Order of the MoD N737 "On Approval of the Instruction on Organization of Supply of Residential Facilities to Military Servicemen/women of the Armed Forces of Ukraine and Their Family Members" of November 30, 2011.

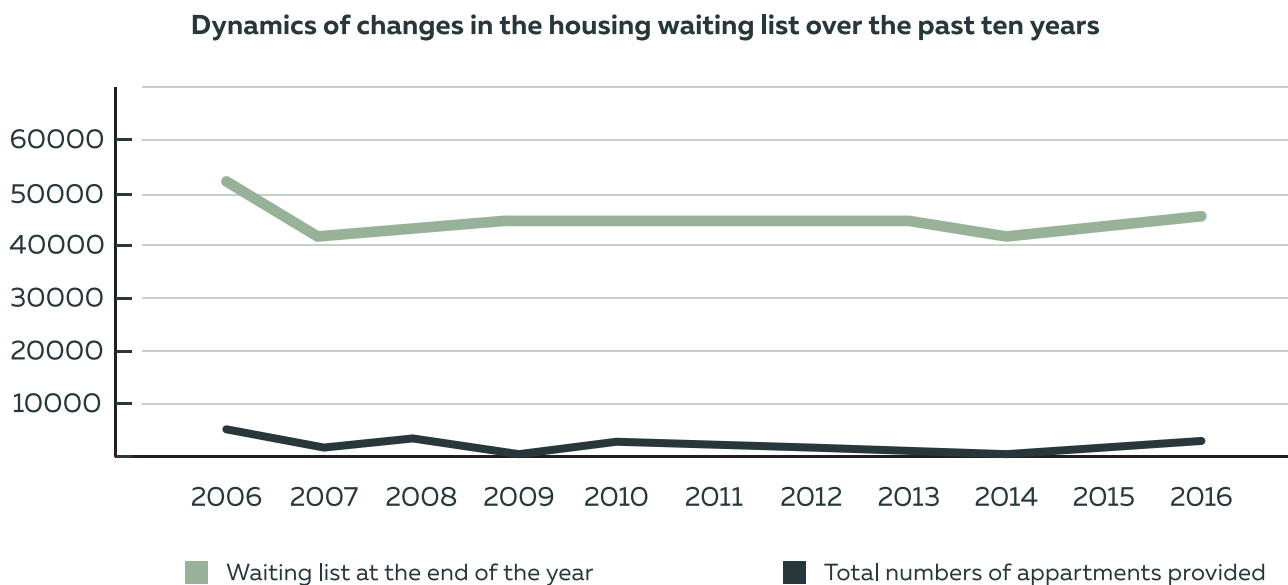


Diagram 1: Dynamics of defence housing waiting lists over a decade

It is possible to estimate the waiting list figures for 2018 by using the dynamics of its growth during the past years.

Calculation of Estimated Figures of Waiting List Dynamics:

Year:	2013	2014	2015	2016	2017	2018
Regular army military servicemen/women:						
New persons during the year	12 100	11 900	16 100	69 000	35 479	8 000*
Total at the end of the year:	83 421	93 221	10 191	166 521	20 000	200 000
Military servicemen/women on the waiting list:						
Joined the waiting list during the year:	926	2 259	1 994	2 742	12 065	6 203
Total at the end of the year:	44387	41 867	43 945	45 182	55 742	60 400
Total number of apartments provided during the year:	365	695	895	1 505	1 490	1 505

Diagram 2: Waiting list dynamics

Assumptions:

1. The number of military serviceman remains around **200,000**.
2. Average time of service is **20 years**.
3. House supply remains at the level of year 2016 and amounts to **1,505 apartments per year on average** (in 2017, 1,490 apartments were supplied).

Calculations:

Annual turnover of military servicemen: **10,000** military servicemen annually = 200 000 military servicemen during 20 years.

Percentage of new military servicemen joining the queue: **14.34%** (calculation shown in table above).

Annual increase of the queue: **1,434.78 military servicemen** = 10,000 military servicemen at a rate of 14.35%.

Every year, the queue is increased by **1,434 military servicemen** and is decreased by

1,505 military servicemen, i.e. the queue is decreased by **70 military servicemen**.

In 2017, there were 47,097 military servicemen on the queue. If the decrease rate remains the same, the queue will be closed **in 658 years**.

Thus, operating under the current system and dynamic for defence housing improvement (which is somewhere between negative and around zero), levels of financing and the set total number of contractual military servicemen/women, **it will take over 600 years to eradicate the waiting list**. The inefficiencies hold true for both service and permanent defence housing.

Alternately, if we take **25-year service time** as the basis for the same calculations, the annual turnover of military servicemen will amount to 8,000 individuals per year, annual increase of the queue will amount to 1,147 individuals, annual decrease will amount to just over 357 individuals, and the queue will be closed in 2148, i.e. in 131 years.

1.3 Financing and Resolution of Defence Housing Issues

Significant financial resources are needed for the MoD to deliver on its defence housing commitments. For instance, approximately UAH 54 billion (approx. USD 2.07 billion) would be needed to cover the needs of the estimated 46,116 families that will be on the waiting list in 2018. Additional annual expenditures would constitute about UAH 1.3 billion. However, in

today's current terms of reference and business environment, the current system does not provide for the efficient use of funds. **There is no direct correlation between the amount of financing allocated to housing supply and actual supply of housing provided to servicemen/women and their families.**

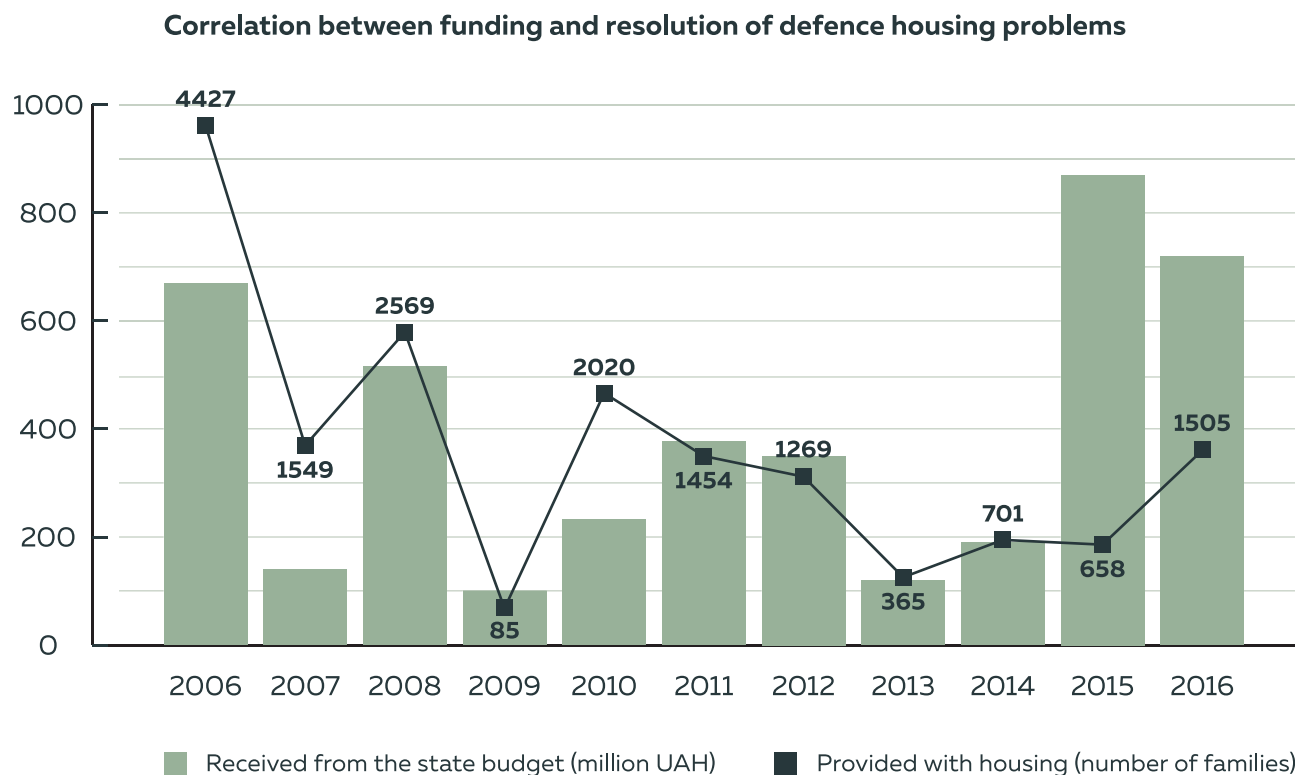


Diagram 3: Correlation between Funding and Resolution of Defence Housing Problems

While the number of contractual military servicemen/women is based on the country's objective defence needs, financing is restricted by the existing economic capacity of the country.

Thus, the analysis of the current housing supply system and waiting list should focus on its organization and regulation process.

1.4 Waiting List Registration

To register on the waiting list, servicemen/women need to collect a large set of paper documents. These documents are then delivered to MoD staff, who then need to process the files manually. This cumbersome process (see figure below), is time consuming, leads to mistakes, and enables corruption and non-transparent processes.

It is noteworthy that recent positive changes have been made to the registration process. They are directly related to the simplified "single window" document delivery process through electronic state registers. Opportunities on how this process can be optimized are considered further in this study. It is noteworthy, however, that although a simplified, electronic registration system may reduce the frustration of servicemen/women and their

families, it does nothing to address the long waiting period they must face. Moreover, the electronic system is not equally available nation-wide.

A considerable attempt to optimize the process of defence housing supply was made between 2006 and 2015, when MoD purchased and implemented the automatic software system "Zhytlo" (Housing), which is based on the SAP R3 system. However, based on data from the Main QD, not all HMUs currently have functional software and updated data in it, which makes this project a waste of taxpayers' money. The fact that the whole scope of functions of the automatic system is not used by MoD officials leads to a disproportionately large number of personnel in the Ministry for management of the waiting list.

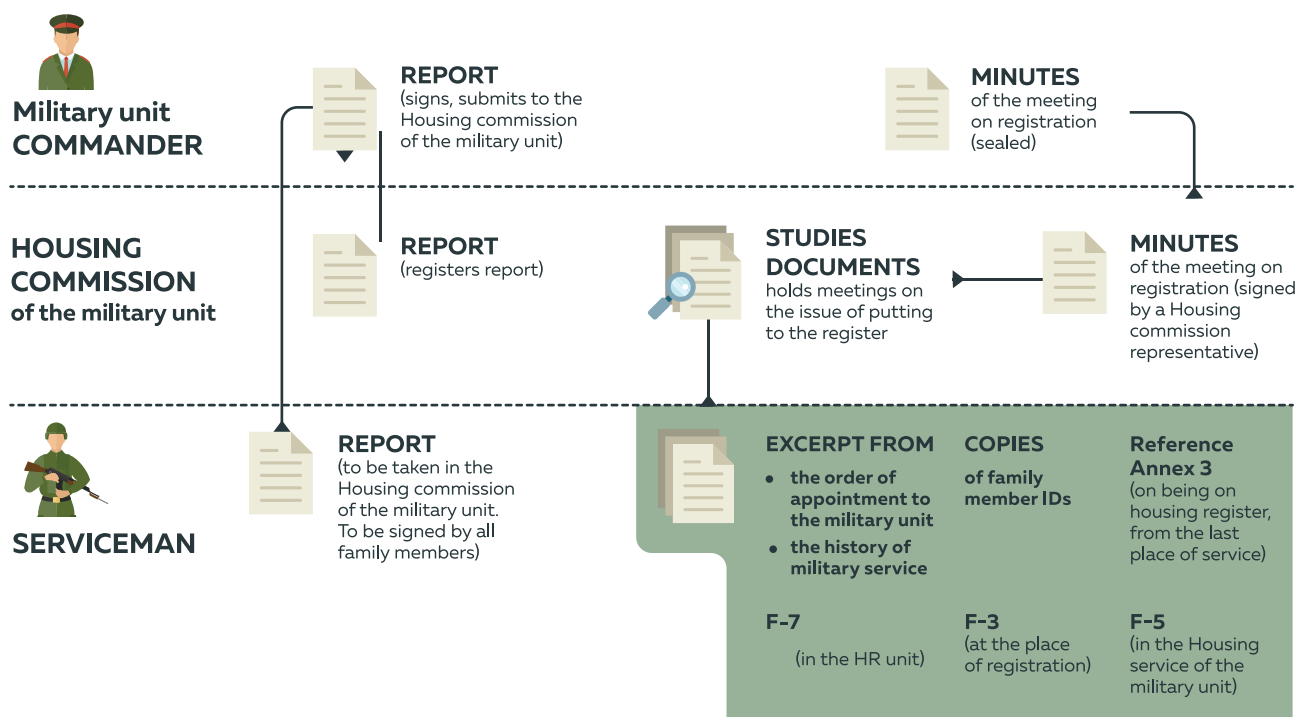


Diagram 4: Waiting list registration process

The analysis of the current system of registration of military servicemen/women on the waiting list, administration of the list and receipt of apartments attests to the fact that these organizational processes are outdated, complicated and hardly make use of modern technology. Given its dynamics and of growth of the need for housing, the current system is unable to resolve the defence housing supply issue.

As a result, the military serviceman/woman's right to receive permanent housing for themselves and their families, as prescribed by law, is not properly observed. Profound changes to the MoD's approaches and mechanisms are needed immediately to ensure the success of the Ukrainian army, and to avoid further defaulting on its social commitments.

1.5 International Practices

It is important to consider and compare how some of Ukraine's defence housing standards correspond to the practices of other countries. Below, selected countries have been divided into several groups: advanced military states, CIS states, Baltic states. Special attention is paid to the United States, United Kingdom and Russia. The USA is the absolute inter-

national leader in supply and budgeting of its military's housing, and the UK is the leader in Europe. The Russian Federation is the USSR's legal successor which continues to allocate significant funds for military servicemen/women and their families.












	<i>USA</i>	<i>UK</i>	<i>RU</i>	<i>Turkey</i>	<i>Poland</i>	<i>Ukraine</i>
Service housing			 waiting list			 waiting list
Compensation for service housing (\$ per month), country average	800 – 1000	510 – 538	85 – 490	n/a	n/a	77 – 111
Permanent housing	 no such thing	 no such thing	 waiting list stopped	 no such thing	 no waiting list	 waiting list (housing after 20 years of service)
Loan program (available at any time)	Military service person pays market interest on the loan and is exempt from payment of federal/state duties	absent	Military mortgage (after 3 years of service, the state pays off the mortgage completely while the soldier is serving)	Interest-free loans with part of the loan paid off from the military budget – from 40% (depending on the duration of service)	n/a	absent
Retirement allowance (\$), after 40 years of service (from private to general)	13 390 – 161 857	up to 170 000 (but the pension is reduced by 50%)	2 535 – 6 859	18 monthly salaries	n/a	5 363 – 14 258

Diagram 5: International practices of social security provision to servicemen/women¹⁰

International practices show that advanced countries try to transfer compensations (i.e. service housing, food, healthcare etc.) into the monetary form, for instance, by refunding rent expenses rather than providing defence housing. “Outsourcing” all extra functions greatly simplifies the system, allowing the army to

focus on its field-specific work, and maintain economic efficiency.

Advanced countries do not usually provide their military servicemen/women housing. Rather, they receive quality service housing for the duration of their service or refund of its

¹⁰ The source of information for this chart was a survey of defense attaches of various countries accredited in Kyiv between 2016 and 2017.

rent. After retiring, servicemen/women tend to receive an allowance. The state does not limit the choice as to the manner in which the allowance may be spent. It can be used to pay for the purchase of housing, new education, travel, or bonus money.

Post-Soviet states that inherited the waiting list system approach defence housing differently. Poland put a stop to the waiting list and, due to significant financing, provided compensation for apartments to all military servicemen/women on the list. Russia halted the waiting list in 2016 by an order according to which all military servicemen/women whose service started after 2005 no longer had the right to register on the waiting list. Yet, all new military servicemen/women are able to participate in a mortgage program with the aim of receiving housing: A military serviceman/woman receives a fixed amount which is indexed for each year of service – after the end of the service, he or she can purchase housing. Otherwise, a special program (compensated by the state) allows the military servant to get a mortgage for an amount ranging between USD 46,150 – 53,850 - after three years of service. Other post-Soviet countries, such as Kyrgyzstan, Kazakhstan, Uzbekistan, Moldova and Belarus use two main mechanisms: a) the possibility of receiving service housing or a land plot after an average of 20 years of service, or b) mortgage programs for housing. Still other post-Soviet countries, such as Turkmenistan and Tajikistan, maintain the defence housing waiting list system.

Whereas the worldwide trend is gradually moving away from it, Ukraine continues the practice of supplying free and permanent housing to military servicemen/women, at least

de jure. Ukraine must consider implementing alternative solutions for the implementation of social protection mechanisms for its military servicemen/women.

A retirement allowance is an example of an effective social protection method. It serves as an incentive to join the army. In the UK, military service allowance can reach up to \$170,000. For the UK Ministry of Defence, it is also a refined tool shaping career behaviour; simultaneously motivating service for the period of time required by the. It is done through a complex yet transparent calculation mechanism of retirement allowance.

Another component of advanced-country social protection is the provision of high-quality service housing. Ukraine's Ministry of Defence has a housing deficit; it does provide for the compensation of rental housing, but the compensation amount given is significantly lower than the rental market average¹¹. Those who do receive service housing from the MoD sometimes face the problem that, unlike other countries, Ukraine has no standards of service housing, and thus the quality of service housing threatens to be extremely low. With the aim of avoiding the provision of substandard living conditions, Ukraine must create a system and standard for the supply of quality service housing.

The international experience of advanced countries serve as an example of the way forward for Ukraine. Alternative monetary mechanisms for the social protection of servicemen/women must be considered as offering solutions to the Ministry of Defence of Ukraine, and Ukraine should take steps to improve the quality of service housing to meet these standards.

¹¹ The monthly, received, average is around USD 77 against a national average, monthly rent constituting USD 108 reaching USD 245 in larger cities, which case only USD 111 are compensated.

1.6 Corruption Risks and Practices in the Housing Backlog and Waiting Lists

After analysing information provided by the MoD Reforms Project Office, the survey of a Head QD staff member, and reviewing the Handbook on Organization of Accommodation for AFU Military Servicemen/women and Their Families¹², it has been determined that the main corruption risks lay hidden inside processes which are not strictly defined on the regulatory level and thus allow for subjective decision-making. The following are some key manipulations and corruption risks:

1. In the formation of the defence housing needs:
 - Military servicemen/women try to register on the waiting list for housing in big cities, especially in Kyiv. The higher desirability and market prices open considerable graft opportunities.
2. In defence housing supply:
 - The distribution of financing between regions is not formalized and is based on subjective decision-making of the Main QD management.
 - Permanent housing - The distribution of financing between housing supply mechanisms (i.e. construction/reconstruction/purchase on the secondary market/monetary compensation) is not formalized and is based on subjective decision-making of Head QD management.
 - Service housing – The distribution of financing between housing supply mechanisms (i.e. construction/reconstruction/rent/compensation for sublet etc.) is not formalized and is based on subjective decision-making of Head QD management.
 - Distribution of housing/compensation between priorities on the list (fast-tracked, priority, general waiting) is not formalized and is based on subjective decision-making by the housing committee. Moreover, the process allows the Minister to allocate apartments by personal order.

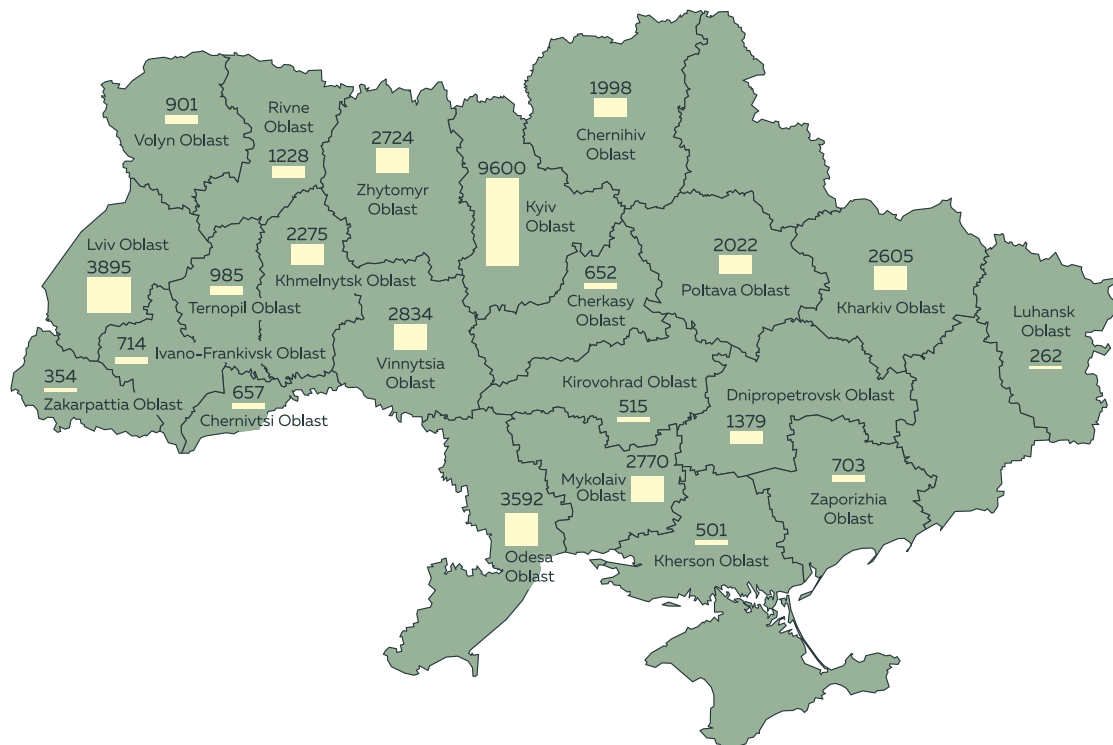


Diagram 6: Pattern of territorial distribution of defence housing need

¹² Order of the MoD N737 "On Approval of the Instruction on Organization of Supply of Residential Facilities to Military Servicemen/women of the Armed Forces of Ukraine and Their Family Members" of November 30, 2011

On average, 17-26% (on average) of the waiting lists have been dealt with through monetary compensations rather through the supply of complete apartments¹³. This effective mechanism, nevertheless leads to imbalances in the system, because military servicemen/women register on waiting lists for cities with a higher square meter price. According a letter received from the Head of the MQD (Annex 2), the Instructions for the Organization of Defence Housing for Servicemen/women, and Their Families, confirmed by Order No. 737 of the Ministry of Defence dated 30.11.2011, stipulate defence housing shall be awarded, not per requests submitted by servicemen/women but by their place of service. The aforementioned instructions stipulate it shall be determined by the place of their **final** dislocation. Notably, common servicemen/women commonly desire to receive their permanent housing in larger cities. This leads to the submission of requests

to be transferred to them as their final station of service. In turn this enables other corruptive schemes.

The lack of waiting list data transparency concerns military servicemen/women, who, with good reason, see corruption risks in decision-making processes. One socially active -serviceman even sued the Kyiv QD on October 5, 2011¹⁴. Following a review of the case, the court ruled "to oblige the Kyiv QD, within one month of the court decision coming into effect, to provide official, public, and, socially important information regarding apartment registration and results of housing distribution in Kyiv garrison between 2006 and 2011."

The fact that the current Head QD mechanism concerning both construction and distribution of housing does not work is confirmed by the 2015 audit conclusions of the Accounting Chamber:

Due to the inadequate reaction of leadership and other officials of the MoD to the recommendations provided by the Collegium of the Accounting Chamber, there has been no positive change in the system of use of budget funds allocated for construction (purchase) of housing for AFU military servicemen/women. The current system of managerial decision-making and supervision of implementation of such decisions did not enable efficient use of budget funds and actual resolution of military servicemen/women's housing problem...overdue accounts receivable in the amount of over UAH 37 million has become effectively hopeless. The comprehensive program of housing supply to military servicemen/women, approved by the directive of the Cabinet of Ministers of Ukraine of November 29, 1999 N 2166, is outdated and does not solve urgent problems of housing supply to military servicemen/women, the indicators it contains are unreal and the activities (mechanisms) for their implementation are either insufficient or absent. As the result of such actions, which carry signs of corruption, funds have been illegally transferred to a commercial structure, and the national budget suffered losses in the amount of over UAH 32 million.

¹³ for instance, in 2015, 231 out of 895 families, source: MoD White Book 2015, chapter 6

¹⁴ Kyiv District Court Case № 2a-5293/11/2670 Available at: <http://reyestr.court.gov.ua/Review/20259845> (verified September 2018).

SECTION 2: THE CURRENT DEFENCE HOUSING MANAGEMENT SYSTEM IN UKRAINE

To uncover some of the root causes of Ukraine's defence housing problem it is necessary to understand the basic structure of the Main Quartering Directorate of the Armed Forces of Ukraine (MQD) and other MoD agencies mandated to deal with defence housing. This section provides details about the MQD struc-

ture and other units within the MOD involved in maintaining housing. Namely, the MoD Finance Department, Department of Public Procurement, Internal Audit Department and Head Directorate of Defence and Mobilization Planning J-5. Special attention is paid to corruption risks and practices.

2.1 The Main Quartering Directorate and Subjugated Bodies

The Structure of Ukraine's Armed Forces Quartering Units consists of a Main Quartering Directorate (MQD), 5 Territorial Quartering Directorates (QD), Housing Management Units (HMU), and; Housing Services of Military Units¹⁵. These quartering units are arranged in a hierarchical structure. Together, they are responsible for the accounting and use of military funds and lands; technical operation of barracks, quarters and other military facilities;¹⁶ general military construction and

major renovation of military objects (CPCEF 2101120)¹⁷; capital construction work and purchase of housing (CPCEF 2101190); social issues including: accounting of individuals who have the right to housing and distribution of living quarters; budget planning, financing and control over use of funds; logistic support to the AFU, lodging and technical supervision. There are 3 levels of management and 4 levels of apartment maintenance.

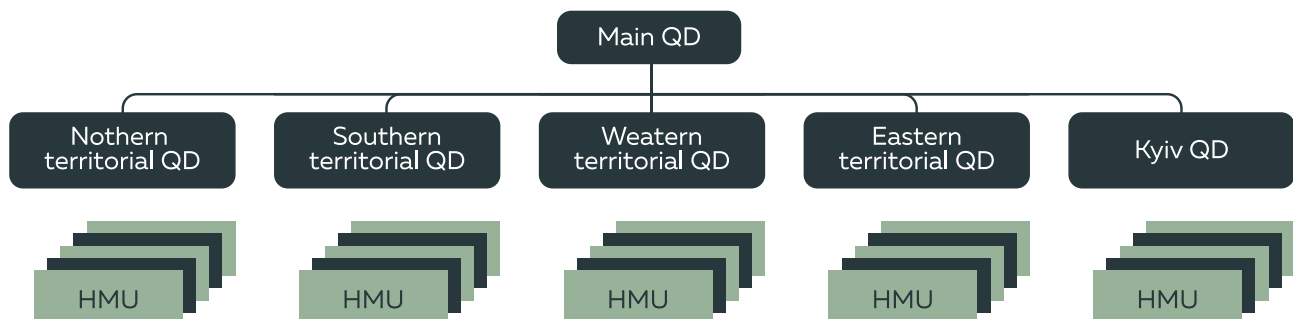


Diagram 7: Territorial structure of AFU quartering units

¹⁵ Order of the MoD «On the Approval of the Regulation on the Organization of Quartering Support of the Armed Forces of Ukraine» of July 3, 2013 N448

¹⁶ Order of the MoD «On the Approval of the Regulation on the Head Quartering Directorate of the Armed Forces of Ukraine» of August 29, 2016 N448.

¹⁷ According to the Budget Code of Ukraine, art. 40, part two, the Law on the National Budget of Ukraine shall provide detailed information on the expenditures and financing by major spending units of the national budget based on the program classification of expenditures and financing of the national budget, by groups of functional classification of expenditures and financing of the budget and individual categories of economic classification of budget expenditures and financing.

- In its turn, according to the Budget Code of Ukraine, art. 2, part 1, clauses 3 and 4, budget classification is a unified grouping of revenue, expenditures, financing of the national budget and debt according to the Ukrainian legislation and international standards; budgeting program is a set of activities aimed at the achievement of a single goal, objectives and expected results, defined and implemented by a spending unit in accordance with the functions assigned.

The Main Quartering Directorate (MQD) is responsible for the construction of military facilities, maintenance and renovation/renovation of housing in garrison towns and use of land plots. The MQD is a military management agency funded by the Armed Forces of Ukraine (AFU). It is subordinated to a) the Deputy Minister of Defence¹⁸ for matters pertaining to military, political and administrative management, and, b) The Deputy Chief of the General Staff of the Forces of Ukraine for matters pertaining to military management and AFU needs.

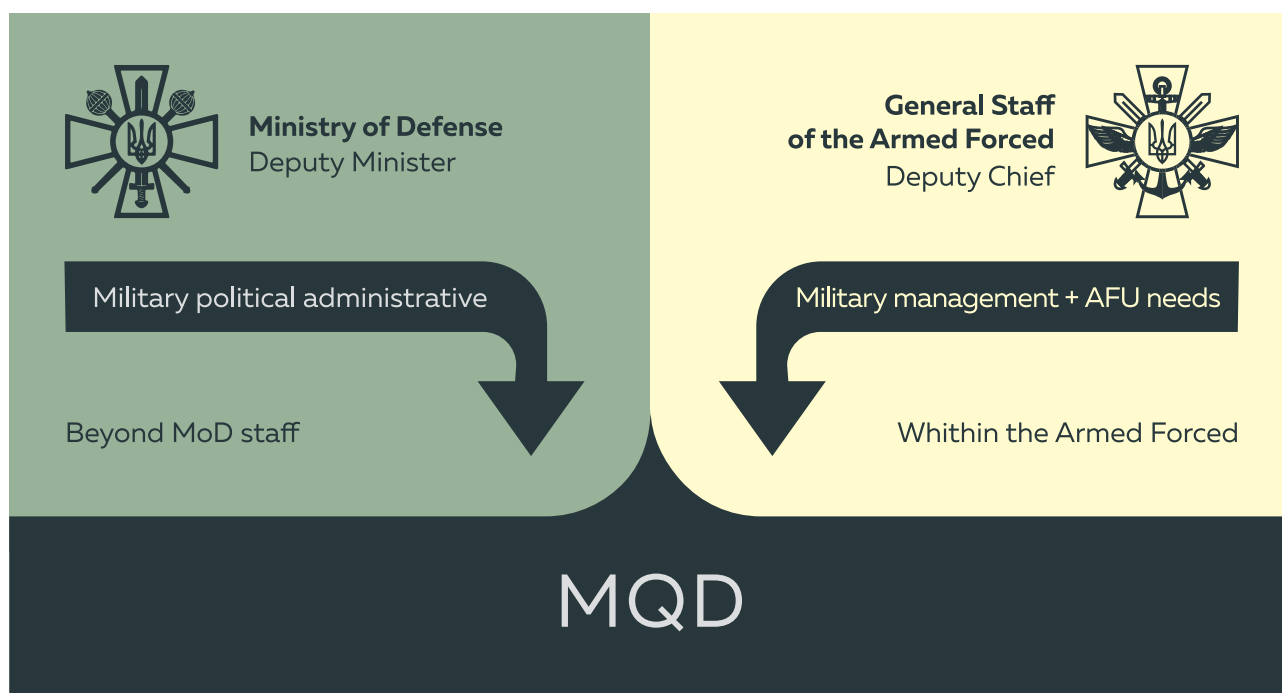


Diagram 8: MQD Subordination

It was created to:

- coordinate accommodation and barracks service;
- develop a maintenance system for barracks, quarters and other military facilities;
- provide accommodation (provision of buildings and facilities under the right of operational control and land plots under the right of permanent use);
- to maintain troops (forces) placed on high defence alert and mobilization readiness;
- implement the national policy concerning housing supply to AFU military servicemen/women, retired servicemen/women, and families with the right to receive housing from the MoD¹⁹;
- develop and co-implement budget programs (sub-programs) on the supply (purchase) of goods, works and services in the system of AFU funding²⁰.

¹⁸ Order of the MoD «On the Approval of the Regulation on the Head Quartering Directorate of the Armed Forces of Ukraine» of August 29, 2016 N448.

¹⁹ Order of the MoD «On the Approval of the Regulation on the Organization of Quartering Support of the Armed Forces of Ukraine» of July 3, 2013 N448.

²⁰ Order of the MoD «On the Approval of the Regulation on the Head Quartering Directorate of the Armed Forces of Ukraine» of August 29, 2016 N448.

Territorial Quartering Directorates (QD) is a territorial agency of the AFU subordinated to the Head QD. It is responsible for the implementation of the national military and technical policy on housing of troops (forces) located within its jurisdiction with the aim of maintaining troops (forces) in a high defence alert and mobilization readiness.

Housing Management Units (HMU) provide direct housing services to military units located within its jurisdiction. They are subordinated to the relevant QD based on territorial designation. Regarding the use of housing stock and territories of garrison towns, they are subordinated to the garrison commander.

Housing Services of Military Units HSMU responsibilities include accounting and maintenance of housing stock of garrison towns and land plots maintained by the MOD. They account for buildings, facilities and utilities owned by public companies and organizations (except for budgetary institutions) which are under the management of MoD (hereinafter – companies), and manage documentation and bookkeeping. In addition, HMUs ensure the work of central heating systems of barracks in garrison towns²¹.

Importantly, the housing and operational services of military units realize apartment maintenance of the military units in which they are created as integrated structural subdivisions.

Thus there are 3 levels of management and 4 levels of realization of apartment maintenance.

Housing services are provided to military units through one of the following two systems²²:

System I



System II (under the decision of the Minister of Defence of Ukraine)

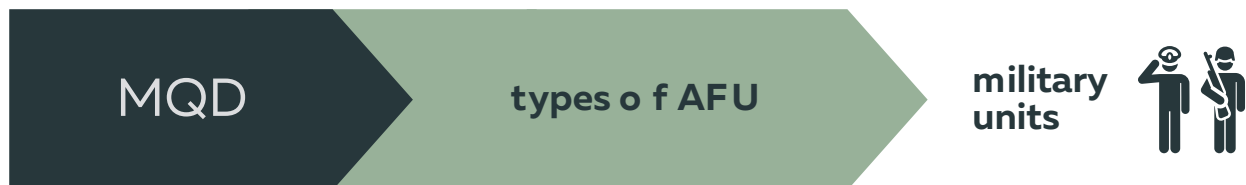


Diagram 9: Defence Housing Service Provision Systems

Although these systems may appear simple and efficient, a closer look at the structure of the MQD alone (at the beginning of 2018) reveals a time consuming, corruption-prone bureaucratic structure. The organizational chart of the HDQ Directorate below reveals that the Directorate has one director and deputies including one lead engineer. Six supporting subsections are directly subjugated to the director. This reveals a substantial amount of oversight and control delegated to the single director.

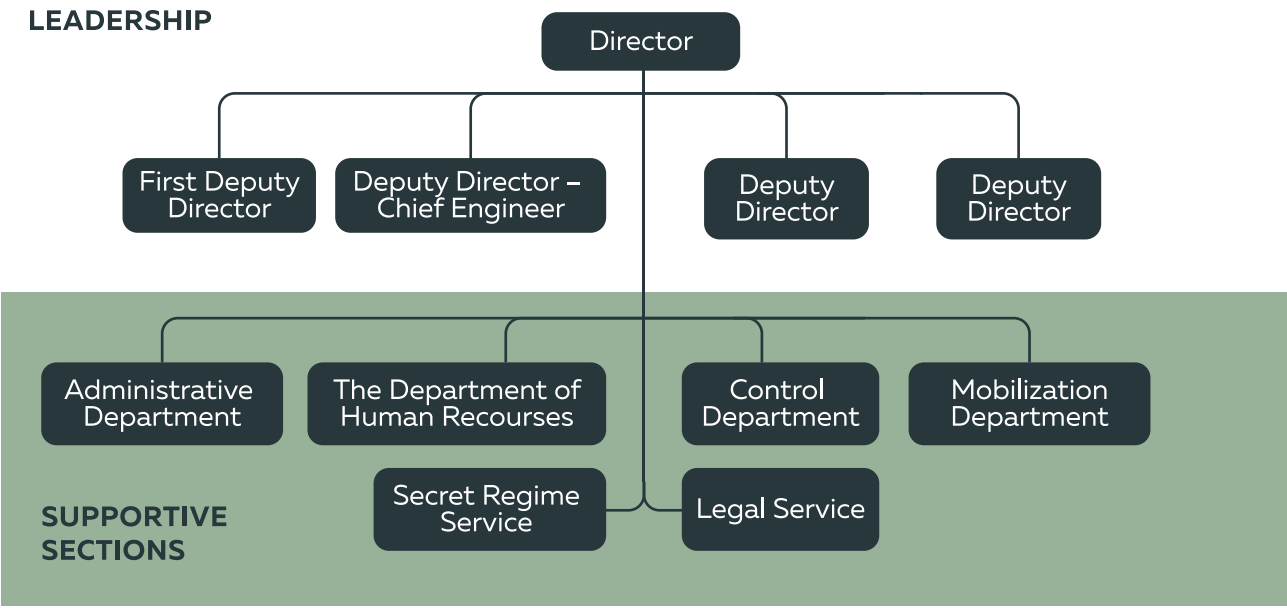


Diagram 10: MQD organizational and personnel structure

In addition to the 6 supportive sections the HDQ consists of nine, interconnected, departments; some with no subjugated departments and others with as many as four.

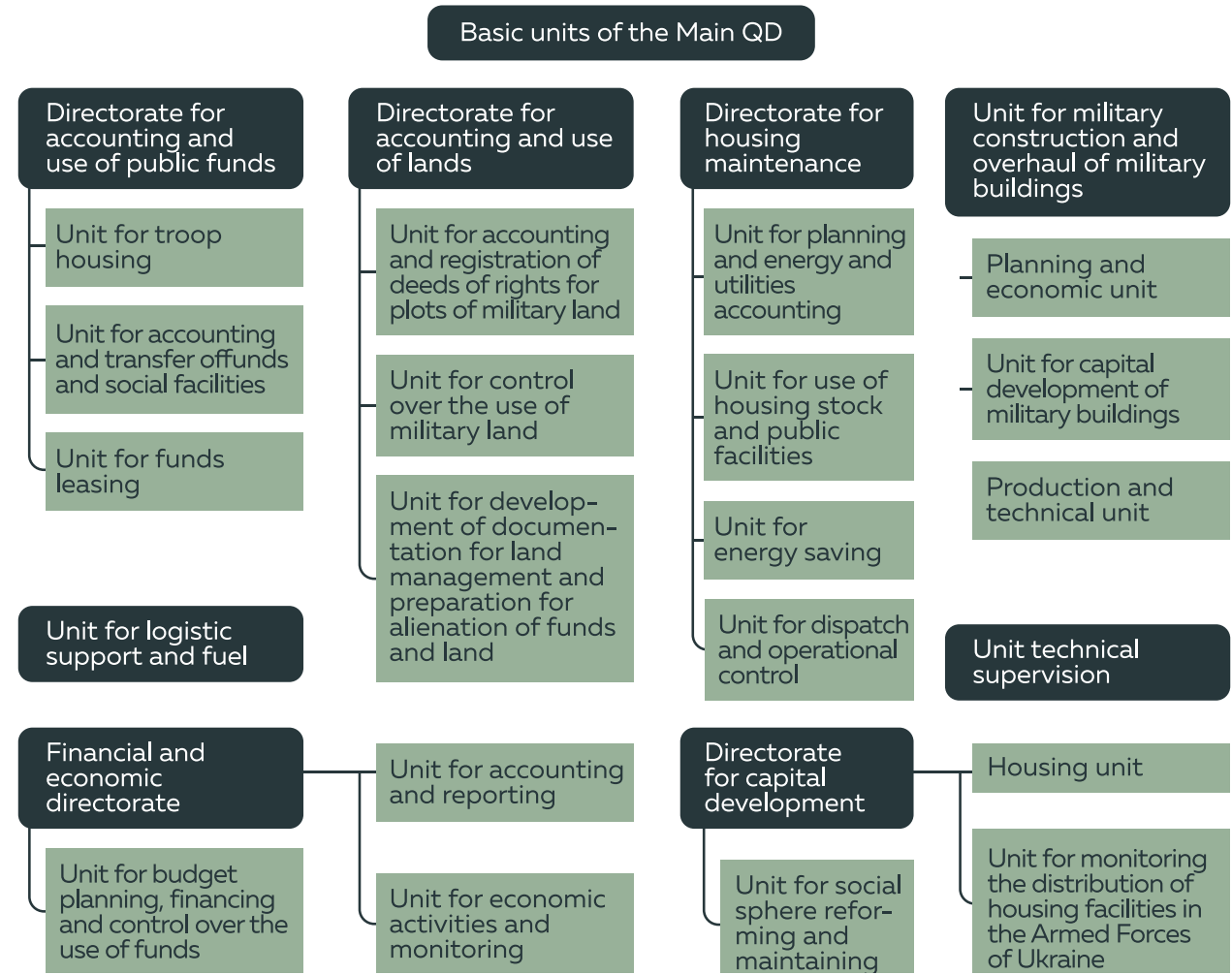


Diagram 11: Main Departments of the MQD

The charts presented above reveal a large, complex state structure. When contrasted with the severity of the defence housing deficit and enormity of the waiting list backlog it becomes evident that despite its size, the structure of the system is not efficient. Although the or-

ganizational structures and interconnectivity of the territorial QDs, HMUs and HMUSs are not presented here, it is possible to suggest the same holds true for the entire, nation-wide defence housing system.

2.2 Other Structural Units within the Ministry of Defence Involved in Defence Housing

Notably, the MQD, QDs, HMUs and HMUSs do not constitute the entire defence housing system. Four other institutions belonging to the Ministry of Defence are also mandated by law to act in matters pertaining to defence

housing in Ukraine. Namely, the Ministry of Defence Finance, Procurement and Internal Audit Departments, and, the Main Directorate of Defence Mobilization J-5. Their key functions are considered in this section.

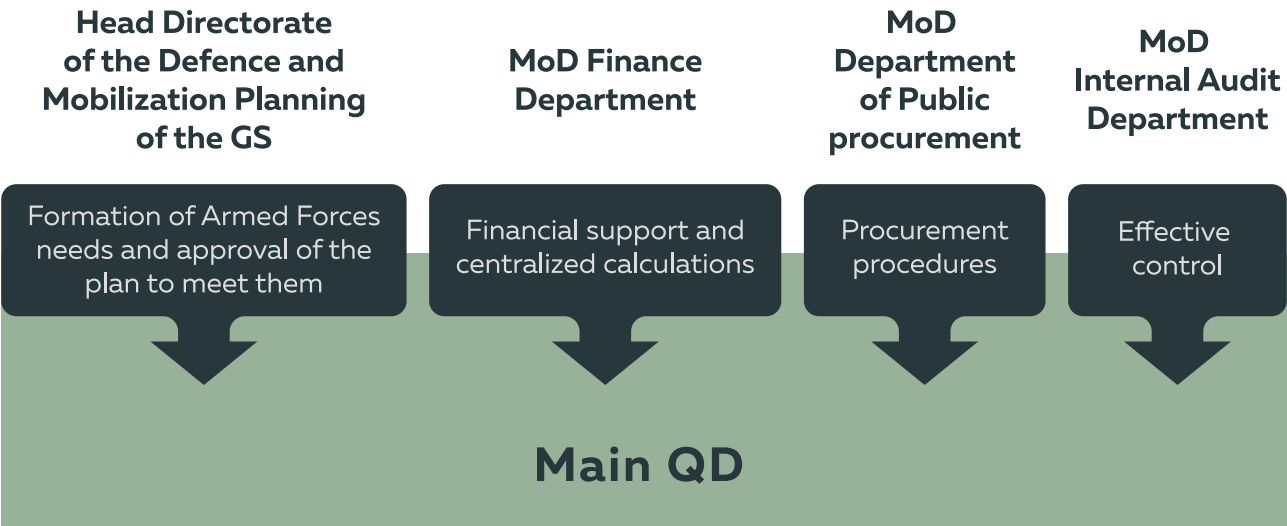


Diagram 12: MQD interaction with other structural units of the MoD and the AFU GS

2.2.1 MoD Finance Department

The Department of Finance at the Ministry of Ukraine is responsible for the implementation of the national policy on funding of the AFU. Thus, it monitors the MoD budget implementation, analyses the funding system and prepares proposals for its improvement. It takes lead in the organization of the MoD budget allocation process, the formation of the annual budgetary requests (for the current year and following two following years, and, it provides follow-up support to both the executive and legislative agencies. The Department of Finance is answerable to the MoD on financial

and budgeting reporting. Importantly, it is not only responsible for carrying out centralized calculations and financing lower level spending units, it is responsible for the timely and accurate funding of the MoD structural units, establishments, and military units within the approved scope of allocated funding.

The enormous backlog in the housing system raises questions about the effectiveness of the MOD Finance Department, and whether the necessary regulations are in place and how they are implemented.

2.2.2 MoD Department of Public Procurement

The general key tasks of the Department of Public Procurement, as provided for in the 2016 Regulation on the Department of Public Procurement and Material Resources Supply of the MoD, are to:

- **organize and runs procurements** by the Committee for Competitive Bidding to cover the AFU needs;
- **receive documentation pertaining to procurement** i.e. proposals for the annual procurement plan and amendments to it, applications and documents concerning the organization and running of procurement procedures, conclusions concerning compliance of bidding proposals of the bidding participants with technical and other requirements established by the bidding documentation (request for proposals) from MoD structural units and AFU military management units;
- **ensure operational coordination** with MoD structural units and AFU military management units regarding organization and operation of the procurement procedures;
- **publicise information concerning procurement** procedures in the media and on the Internet;
- **prepare and submit procurement procedure reports** to institutions and organizations in accordance with the public pro-

curement laws;

- **prepare and conclude agreements (contracts) for procurement** and supply of material resources, including those necessary to fulfil mobilization tasks and during the Special period (hereinafter – legal deeds) in accordance with the financial needs and funds allocated by the National Budget of Ukraine;
- **monitor the implementation of contracts;**
- **provide financial and economic support** in terms of legal deeds and accounts payable (contracts on works and services) for the supply of material resources²³.

According to the aforementioned Regulation of 2016, the specific key tasks of the MoD Department of Public Procurement, as they pertain to the Main Quartering Directorate Activity are to:

- **supply material resources in accordance with the defined needs** stipulated by General Staff of the Ukrainian Armed Forces - within the scope of funds allocated by the National Budget of Ukraine, and;
- **to organize of supply of sustainment goods and services** to the AFU during times of emergency or war...

²³ Regulation on the Department of Public Procurement and Material Resources Supply of the MoD, approved by the order of the Ministry of Defence of Ukraine of May 11, 2016 N246.

2.2.3 MoD Internal Audit Department

The Internal Audit Department of Ukraine's MoD is divided into 5 territorial subsections: Kyiv, Chernihiv, Vinnytsia, Lviv and Odesa. With the exception of Kyiv, each of the others are responsible for the respective oblasts subjugated to them, ranging from four oblasts (Vinnytsia) to 7 (Chernihiv & Lviv)²⁴.

According to the 2016 Regulation on the Internal Audit Department of the Ministry of Defence of Ukraine, the key task of the Internal Audit Department of the Ministry of Defence (as they pertain to the work and responsibilities of the Main Quartering directorate) is prevention²⁵. Its duty is to provide impartial and independent conclusions, recommendations and proposals aimed at the prevention of:

- illegal, inefficient or counterproductive use of financial and material resources by the MoD, the AFU General Staff, other subordinate units;
- mistakes and other shortcomings in the activity of the MoD, the AFU General Staff, other subordinate units.

Its role is a valuable in identifying where systemic corruption within the defence housing system and identifying areas for improvement. This has already been exemplified by the reference made the MoD Internal Audit findings regarding the waiting lists backlog in Section One.

2.2.4 Main Directorate of the Defence and Mobilization Planning J-5

The Head Directorate of the Defence Planning of the AFU General Staff is a structural unit of the AFU General Staff. Its key responsibilities toward the Main Quartering Directorate relate to:

- **defence planning** in the AFU and the development of medium- and short-term defence planning documents;
- **control over implementation** of activities related to medium- and short-term defence planning;

- **preparation of amending proposals** to the Chief of the General Staff concerning defence programs and plans;
- **improvement of proposals on budget requests and distribution of funds** connected with the General Staff and
- **provision of the information on the status of use of funds** to the Chief of the General Staff with.

2.2.5 The Housing Conditions Inspection Committee

To ensure the quality of defence housing in Ukraine, a committee must be formed by the manager of the structural unit responsible for implementation of the budget program of construction (purchase) of housing for AFU military servicemen/women. According to Art. 10 of the Rules of Procedure of the Selection Committee, this person “forms a committee to inspect the technical and quality condition of apartments in residential buildings suggested by competition participants²⁶.”

When considering the sorry state of defence housing in Ukraine, one is naturally drawn to trying to understand the cause, within the functioning and structure of this committee, that allows for such low standards of delivery. To ensure transparency of work of the inspection committee, it is suggested to develop and publish the rules of procedure for such a committee, and, to make the plans and results of work the committee, its members etc. publicly available. The committee must include representatives of the military servicemen/

²⁴ **Chernihiv:** Chernihiv, Sumy, Poltava, Kharkiv, Luhansk, Donesk, Cherkassy. **Vinnytsia:** Kyiv, Khmelnytskyi, Vinnytsia, Zhytomyr. **Lviv:** Lviv, Zakarpattia, Volyn, Rivne, Ternopil, Ivano-Frankivsk, Chernivtsy. **Odesa:** Odesa, Mykolayiv, Kropyvnytskyi, Zaporizhia, Dnipropetrovsk.

²⁵ Regulation on the Internal Audit Department of the Ministry of Defence of Ukraine, approved by the order of the Ministry of Defence of Ukraine of May 24, 2016 N275.

²⁶ MoD Order N374 «On Approval of the Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine» of June 2, 2014

women for whom the apartments are procured. Transparency and civil oversight will benefit if: representatives of the commander; members of housing committees responsible for distribution of apartments among military servicemen/women; military servicemen/women themselves, or; representatives of the public were to partake in committee membership. The functions of this committee can be assigned to a third party, independent, professional organization working in real estate. Such an assessment would be more objective than the work of an internal committee.

Technical, quantitative and qualitative requirements for the procurement of items in MoD tender documentation often include a number of requirements which narrow down the possibilities of certain market participants. For instance, Art. 13 of the tender documentation (from the MoD website) provides that buildings in which defence housing apartments are to be located must have been put into service not earlier than 2010²⁷. Similarly, reconstructed apartments are not considered.

Technical requirements also contain conditions concerning new sanitary and electronic appliances, heating devices etc. being installed in the apartment, and if the apartment was previously used by the owner, all these devices must be replaced with new ones. This standard does not guarantee that the quality of the new devices will be high or higher than those installed before. The factors that really matter are usually the manufacturer and the quality of appliances, not how new they are. The same holds true for decorative work and components of the house such as doors and windows.

One tendering procedure exists both for the procurement of apartments at the secondary market, and through capital participation (i.e. by investing in buildings under construction). The reasoning behind this singular approach is opaque, e.g. the cost of apartments in a building under construction is often significantly lower than that in a house which has been put into service. It would be logical to reform this by organizing procurement at the secondary market separately from procurement through capital participation.

2.3 Corruption Risks and Practices

The decisions of MoD officials concerning the method of meeting defence housing needs should be based on a thorough analysis of real-estate market conditions, the demand within a certain region, and cost-efficiency--but they are not.

The structure of the defence housing system includes numerous institutions and is combined with shrouds of secrecy. It is clear that the current Ukrainian defence housing system is cumbersome and out-of-date. Its porous system of checks-and-balances open avenues for poor governance and corrupt practices.

A recent case show how manipulatable the system is. Although the case presented below neither covers nor presents all corruption risks

within the system, it is indicative of how, relatively easily, the current structure can be manipulated.

Case study: An Obscure Selection within the Main Quartering Directorate (MQD)

The Head of the Main Quartering Directorate is an extremely powerful one, subjugated to the Deputy Minister of the Defence and the Deputy Chief of the General Staff. It is therefore interesting to consider a recent example of how important it is that strong mechanisms are in place to ensure the quality and integrity of its director.

On 17 August, 2016, the competition for vacant

²⁷ Competition Documentation as Confirmed by Protocol No. 1/7/4-HEP dated 21.11.2017 <http://www.mil.gov.ua/content/tenders/KD-23112017.pdf> (verified September 2018).

positions was announced by the order of the Director of the MQD²⁸. This was the position of Deputy Director of the MQD²⁹.

Curiously, the announcement was not placed on the website homepage or its special sections represented in the main menu. This complicated access for the general public to relevant information. It also made the selection process non-transparent; the announcement was de facto available only to those who knew where it can be found or people informed about the competition in advance. Moreover, in violation of the provisions held in Art. 15, 46 & 50 of the Procedure for Holding of the Competition for Public Service Positions, the MoD Reforms Project Office was not involved in the work of the selection committee and did not analyse qualification criteria set for the applicants for this high position³⁰.

On December 7, 2016, the results of the competition were published on the same website subsection announcing that Yuriy Volodymyrovych Kaiun won the competition with 4.16 points³¹. His success, however, has been marred by numerous procedural violations.

Violation of the Deadline for the Results Announcement

According to the requirements of Art. 63 of the aforementioned Procedure, the competition results must be published within 45 days from the day of publication of the announcement on the competition³². Thus, the results should have been published no later than October 10, 2016, not December 7, 2016. It was done 58 calendar days after the deadline expiration.

Lack of Proper Background Check of Candidates

In October to December, 2012, the winning candidate had been the acting director of the

Ministry of Defence State Enterprise “Cherkasy Construction and Installation Directorate”³³. This enterprise is currently being investigated for matters concerning the entity’s bankruptcy by the Cherkasy Oblast Economic Court³⁴. On October 30, 2012, Cherkasy Prosecutor’s Office on Observance of the Military Laws opened a criminal case against Mr. Kaiun³⁵ for criminal violations, namely appropriation and embezzlement while in the position of the Head of the State Enterprise of the “Cherkasy Construction and Installation Directorate”³⁶. Thus, the winning candidate is a suspect in an ongoing criminal case related to corruption in the housing sector.

After resigning from the bankrupt enterprise, and despite the criminal charges against him, the suspect was promoted. In July, 2013, to the position of Head of Podil Capital Construction Directorate of the MoD³⁷. Moreover, no proper verification of the candidate’s/suspects financial position was carried out³⁸.

Thus, the individual appointed Director of the Main QD, a unit responsible for the implementation of the defence housing budget program, which had UAH 751,022, 300 in 2017 according to CPCEF 2101190 “Construction (Purchase) of Housing for Military Servicemen/women of the Armed Forces of Ukraine,” is a person currently under criminal investigation whose:

- financial condition makes him easy to manipulate (through blackmail or graft);
- has prior experience as the head manager in organizations with negative corporate history, including embezzlement and bankruptcy;
- who was appointed based on the results of non-transparent procedure with deliberately restricted competition and violation of the deadline for the announcement of the results.

²⁸ Order of the Head of the MQD No. 220 dated 17.08.2016, available at: <http://bit.ly/2xtllc5> (verified September 2018).

²⁹ Announcement of Competition Activity, available at: <http://www.mil.gov.ua/diyalnist/nashi-konkursi/ogoloshennya/26052016-dis-01.html>. This information was published on August 26, 2016 at 3:08 PM (ID: 23269) in the Activity section, Our Competitions subsection of the MoD website

³⁰ CMU Regulation N246-2016-p «On the Approval of the Selection Procedure for Official Public Positions» of March 25, 2016

³¹ Information on Competition Results for the Vacancy at the MQD available at: <http://bit.ly/2PJB8e8> (verified September 2018)

³² CMU Regulation N246-2016-p «On the Approval of the Selection Procedure for Official Public Positions» of March 25, 2016

³³ entity code 07848615

³⁴ Case number N 01/5026/333/2011

³⁵ CP/IP № 42013250020000016 (Single register of pretrial investigations).

³⁶ Art. 191 (5) Criminal Code of Ukraine

³⁷ entity code 24980188

³⁸ Information provided by P. Kaiyuk Consulting.

This case provides evidence that the laws and regulations around defence housing are easily violated or manipulated by corrupt forces, and raises questions about the appointment process of senior positions.

The facts laid out in this exemplary case not only undermine, but sadly justify, the Ukrainian society's level of trust to the MoD. In part two of this study, a deeper look is made into the systemic problems and recommendation for solutions are provided.

SECTION 3: CONSTRUCTION, RECONSTRUCTION, MAJOR RENOVATIONS

3.1 Mechanisms for Meeting Needs

Currently, the MoD divides the mechanisms of meeting housing and infrastructure needs into two different categories:

1. Housing (service housing and private housing);
2. General military facilities (barracks, headquarters, washhouses, security control points, garages etc.) or infrastructure.

The facilities are financed from two different budget programs: The Code of Program Classification of Expenditures and Financing of the National Budget (CPCEF) 2101190, and 2101020. Although the manner in which the activities covered by the two programs is organized in different ways, each aim at meeting military servicemen' and AFU's housing and infrastructure needs.

The housing supply program "Construction (and purchase) of Housing for AFU Military Servicemen" (CPCEF 2101190) pertains to the:

- a) New construction of residential facilities;
- b) Reconstruction of general military facilities into residential facilities;
- c) Purchase of housing on the secondary market and through capital participation;
- d) Monetary compensation to military serviceman/woman for the facilities owed, and;
- e) Joint activity agreements (investment agreement).

The housing supply program CPCEF 2101020 "Support of AFU activity and training of the troops" provides the general budget for support, namely:

- a) Monetary compensation for housing sub-rental;
- b) New construction of general military facilities;

c) Reconstruction, maintenance and renovation of general military facilities, and;

d) Transfer of facilities of other executive agencies under the management of the MoD.

Importantly, capital construction and reconstruction of AFU facilities includes pre-design, design, construction, installation, assembly and commissioning works. The works are conducted in accordance with the following regulations:

- **Residential Facilities** – a list adopted by the MoD order and approved by the Ministry of Finance of Ukraine;
- **Military, Special and Social Facilities** – by plans approved by the Minister of Defence of Ukraine³⁹.

Lists of Residential Facilities and Plans for Capital Construction for the respective year are prepared by the Main Quartering Department based on the cost sheet approved by the MoD. Importantly, the MQD exercises preliminary and ongoing control over financing of capital construction (reconstruction) of the AFU facilities. However, the capital construction and reconstruction services of all AFU facilities are ordered by the MQD, together with the Territorial Capital Construction Directorates (CCD), companies and organizations of the MoD and AFU – based on authorization by the Minister of Defence of Ukraine⁴⁰. The Territorial Quartering Directorates operate in accordance with their internal regulations.

As with construction, the procurement of housing for AFU military servicemen on the secondary market and through capital participation (set out in the following Section) also takes place in accordance with the Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers⁴¹.

³⁹ Order of the MoD «On the Approval of the Regulation of the Organization of Capital Construction (Reconstruction) of AFU Facilities of Military, Special, Residential and Social, Cultural and Everyday Use» of November 3, 2015 N610.

⁴⁰ Order of the MoD «On the Approval of the Regulation of the Organization of Capital Construction (Reconstruction) of AFU Facilities of Military, Special, Residential and Social, Cultural and Everyday Use» of November 3, 2015 N610.

⁴¹ CMU Directive N147 "On Approval of the Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers" of December 26, 2011

In 2017, the amount of financing for the program of housing construction (CPCEF 2101190) constituted 751,022,300 million

UAH⁴². The manner in which these funds were to be distributed is illustrated below.

UAH		
Total:	751 022 900	
Including:		
- Construction (reconstruction of housing facilities)	299 963 800	
- Purchasing on the Secondary Market and through Capital Participation	231 558 500	
- Monetary compensation to military serviceman/woman for the facilities owed	219 500 000	

ALLOCATION OF EXPENDITURES of budgetary funds within the housing construction program

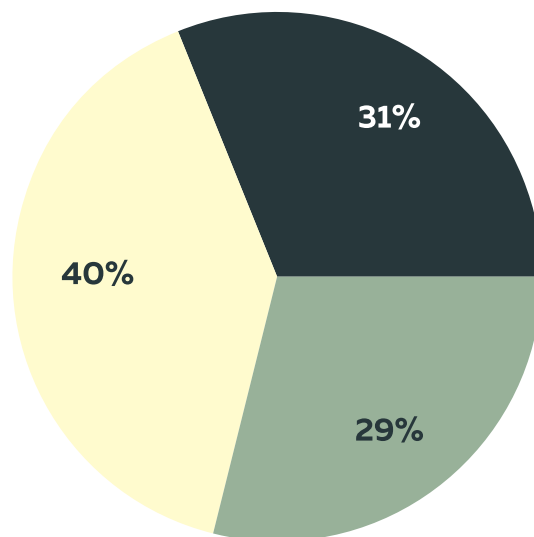


Diagram 13: Allocation of Expenditures

In 2017, capital construction and renovation of infrastructure was financed in the amount of over 3.5 billion UAH (3,523,998,400). In addition to construction and reconstruction, this budget item also covers the maintenance

of buildings and facilities which belong to the AFU and rent of housing for military servicemen. However, information on the detail of such expenditures is not available.

3.2 Tendering

Between 2016-2017, 1,330 tenders were announced, out of which, as of the date of analysis, 1,140 (88.61%) had been completed⁴³. But the level of competition in procurement is extremely concerning.

⁴² CMU Directive N214-r "On Distribution of Funds Allocated in the National Budget for Program 2101190 'Construction (Purchase) of Housing for Military Servicemen of the Armed Forces of Ukraine' for 2017" of March 29, 2017

⁴³ Annex 2

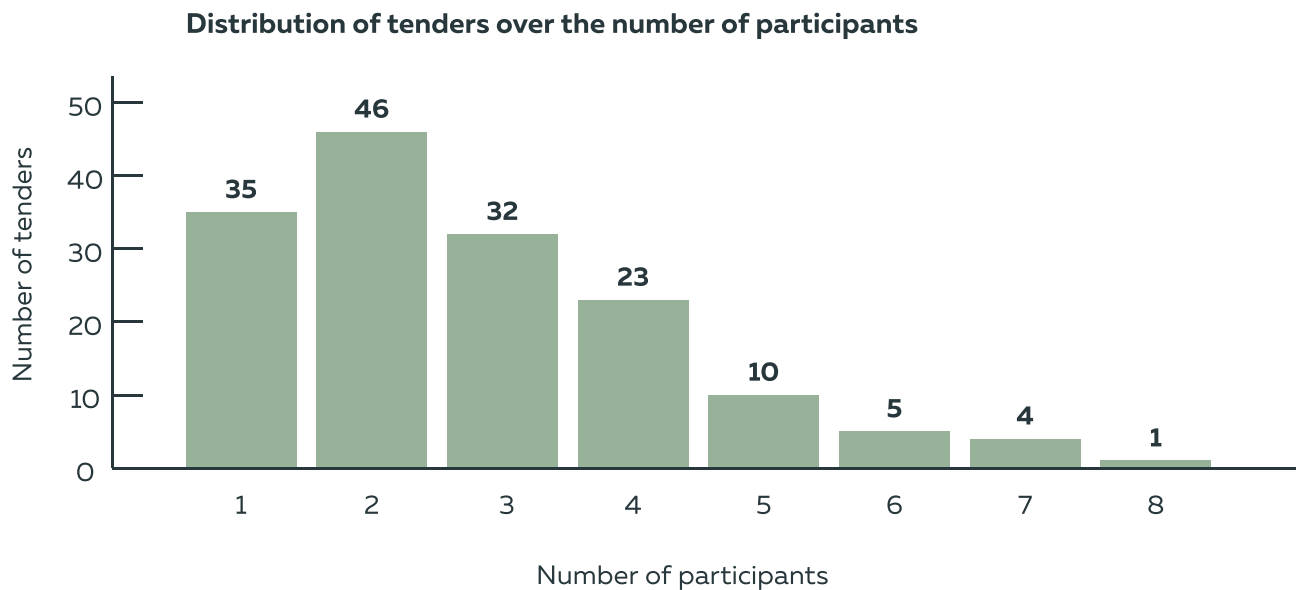


Diagram 14: Correlation of Tenders and Participants

Nearly 40% of the total value of all the agreements which were concluded through procurement procedures was distributed between 4 companies:

- TOV RIST – 15%, over 284 million UAH⁴⁴;
- TOV Construction Company ProgresTekhBud – 11%, over 205 million UAH⁴⁵;
- TOV Vinnytsia Construction Company – 9%, over 176 million UAH⁴⁶;
- TOV BK ATTIS Ukraine – 4%, over 82 million UAH⁴⁷.

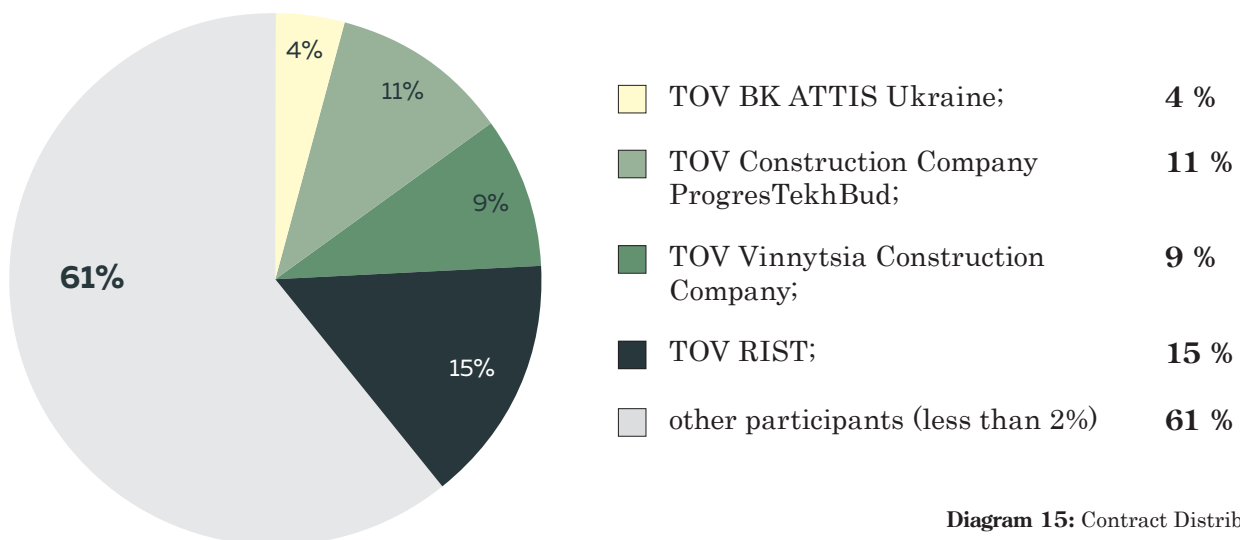


Diagram 15: Contract Distribution

As depicted in the diagram above, apart from the 4 major players, the remaining companies' share 61% of the rest, but do not constitute more than 2% of concluded agreements each.

⁴⁴ (total value UAH 284,214,446.90)

⁴⁵ (total value UAH 205,486,559.40)

⁴⁶ (total value UAH 176,279,457.80)

⁴⁷ (total value UAH 82,400,000.00)

It is necessary to analyse the competition within these procurement procedures, and identify the final beneficiaries of the aforementioned companies. Apart from unfair competition and embezzlement, another risk is related to the low level of players. When a great number of commitments ends up in “the same hands,” the risk of failing to deliver is high.

For instance, as of the date of analysis, the aforementioned companies have contractual commitments not only toward the MoD, but also to other agencies and local government bodies:

<i>Company name</i>	<i>Total value of commitments*, UAH</i>	<i>Those to MoD, UAH</i>
TOV Construction Company ProgresT-ekhBud	312 937 050.00	205 486 559.40
TOV RIST	299 275 321.99	284 214 466.90
TOV Vinnytsia Construction Company	193 138 696.49	176 279 457.80
TOV BK ATTIS Ukraine	82 400 000.00	82 400 000.00

Diagram 16: Contract and Cost Distribution

The table above only shows commitments based on procurements covered by the Ukrainian Law on Public Procurement. Unfortunately, there is no information on the agreements concluded with partners on the private market as those procurements are not governed by it. Importantly, companies which participate in public procurement are not prohibited from having contractual obligations with private companies or required to submit information about those contracts, in order to reduce the risk of conflicts of interest.

The risk of having a company fail to deliver its contractual obligations toward the MoD can be mitigated. The candidates in the tender process should be required to provide evidence of their production program history. This would provide decision-makers insight into their production capacity. Current contractual commitments (as of bidding date) should also be required. Companies which have exhausted their production capacities due to existing agreements should be considered high-risk and disqualified.

3.3 Capital Construction Planning

Construction in the AFU is subject to the Regulation on Organization of Capital Construction & Reconstruction of AFU Facilities of Military, Special, Residential, and Social

and Cultural Purpose (hereinafter – the Regulation)⁴⁸. It defines the procedures for capital construction and distribution of functions between the stakeholders in the course of plan-

⁴⁸ Order of the MoD «On Approval of the Regulation of the Organization of Capital Construction (Reconstruction) of AFU Facilities of Military, Special, Residential and Social, Cultural and Everyday Use» of November 3, 2015 N610.

ning, design, implementation and financing of capital construction.

There are programs for residential construction and the program of capital construction of general military facilities: “The List of Residential Facilities for Construction” and “The Plan of Capital construction”. The main difference lies in the structural units ordering the service.

The Regulation mostly refers to legislative and regulatory acts which regulate capital construction and budget financing⁴⁹.

The Regulation does not cover a significant number of issues at the planning stage for capital construction. In fact, it includes ambiguities pertaining to plans on:

- How prospective plans of capital construction should be developed and on what basis;
- What the project prioritization criteria should be;
- What exactly should be approved by the Deputy Minister of Defence of Ukraine, Chief of the General Staff and AFU military commanders;
- The selection process of facilities for financing in the event budget-approved expenditures are less than the anticipated capital construction plans.

The absence of clear procedures in this area enables subjective managerial decision-making, which in turn enables corruption. With the aim of determining which projects could actually be completed, put into service and delivered to military servicemen by 2017, and to identify for the MoD major pitfalls, experts from The Ministry of Defence Reforms Project Office and Main Quartering Directorate analysed all 178 residential facilities under construction (so-called “continuing construction facilities”). The analysis (Annex 3), part of which was delivered to the Deputy Minister of Defence, identified a number of problems in the current procedure and processes of capital construction, namely:

- The annual list of facilities and amounts of funding by CPCEF 2101190 is compiled subjectively;

- Projected amounts and facilities suggested by top managers of the Territorial Capital Construction Management Directorates (CCMD) for financing in the planned year are frequently disregarded by the MQD final version of the List of Residential Facilities which must be financed from the budget program CPCEF 2101190.
- There is no joint, coordinated work of territorial QDs (HMUs) and CCMDs to meet the housing needs. A significant number of facilities which were suggested by territorial HMUs to finance their reconstruction were not included in the financing plans either for 2016 or 2017.
- Every year, the List of Residential Facilities to be financed from the budget program CPCEF 2101190 is compiled based on the principle of “using the allocated funds” instead of addressing the existing housing problem (need) in every area.

Other problems not included in a letter delivered to the Deputy Minister of Defence (which contained the aforementioned analysis), but are worthy of attention, include:

- A significant number of unfinished facilities registered with the MoD, do not belong to the Ministry de facto or had been completed by other developers. Yet, the MoD continues to register them, because it had invested certain funds into their construction. In this situation, a decision has to be made to write off these expenses and remove the facilities from the list, or to start litigation to receive compensation for the damages.
- The current management system does not allow for the active implementation of this number of projects, so most facilities are “waiting until better days.”
- When MQD experts develop annual plans, they “spread” the funds planned by the national budget for a year in small amounts to numerous facilities under construction. This happens because the MQD wants to avoid having remaining unused funds at the end of the year which they would have to return to the budget, as that would

⁴⁹ For instance: in cases of procurement of design and survey works, goods and services on construction The Law of Ukraine “On Public Procurement” is applied; State Construction Standards – for design and survey and construction works; directives issued by the Cabinet of Ministers of Ukraine etc.

serve as evidence of failure to achieve the planned performance indicators. However, if a certain facility is projected to be put into service in the current year but has not yet been put into service as of the end of the year, it only entails sanctions for contractors, not the MQD.

- A low quality of management services is provided by territorial CCMDs. A cause for this may be that the procurement of these services takes is based on instructions to the territorial CCMD and not according to the standard procedure (based on the Law of Ukraine "On Public Procurement").

It is therefore recommended to create incentives that motivate MQD staff to deliver on the planned construction indicators, instead of focusing on 100% use of the budget funds. The procedure for the development of plans and establishment of priorities for every specific facility has to be formalized and open, and draft construction plans must be readily available to the public.

The project management system of capital construction facilities requires an overhaul, and the project management capabilities of CCMD personnel need to be significantly improved; the MOD should consider drawing on consultants to provide project management capability in the interim.

3.4 Contractor Agreements

According to the MoD Reforms Project Office, the tendering documentation for the procurement of capital construction works, and contractor agreements, is not transparent. Their phrasing is unclear as to what a contractor can expect in the event of non-standard situations. In some cases, the agreements allow for subjective decision-making by MoD officials. The project office has contributed to a significant number of changes made to the contractor agreements and tender documentation, which render subjective managerial decision-making by MoD officials more difficult. However, some

instances of ambiguous phrasing remain, and special features of the budgeting process and a lack of official documents establishing priorities among the projects contribute to this as well. Eliminating provisions that lead to subjective decision-making in contractor agreements would reduce corruption. Issues that cannot be regulated at the stage of entering into agreement, such as those which depend on the budgeting process or other factors, should be regulated by the MoD's internal procedures and regulations, which should, in turn be incorporated by reference into the contracts.

3.5 Participation of Military Servicemen/women

Another problem identified in the course of analysis of the legislative framework which governs capital construction is the fact that military servicemen have virtually no powers or possibilities to take managerial decisions at any stage of capital construction. The heads of military structural units don't participate in the planning of capital construction, the supervision of its implementation, nor in receipt of facilities ready for service. A result of this is that constructed facilities do not correspond to the needs of the military. A prime example of this is what happened with the

construction of Special Operations Forces headquarters. Unsuitable premises were delivered yet, none of the military commanders formally complained or refused to accept the buildings, feeling that they had better take what they were being given rather than receive nothing at all.

Military commanders should obtain rights and obligations in capital construction processes. These rights and obligations should be formulated to ensure compliance of the future facilities with their needs and requirements.

3.6 Corruption Risks and Practices

Budgeting & financial mismanagement

Using the example of a 129-apartment residential building at 97/3 Kotovskoho street in Cherkasy, the MoD Reforms Project Office calculated the efficiency of use of budget funds for defence housing. The design and survey work for the building is dated 2002. However, the facility was not financed between 2002 and 2010 – the construction only started in 2010.

In 2002, the initial projected cost (budget) for the construction of the facility was UAH 9.817 million. Within the MoD, the projected costs are linked to average housing construction costs of the regions of Ukraine. They are approved by the Ministry of Regional Development and recommended for further use as a frame of reference for public financing of construction from the public funds⁵⁰.

Since the average housing construction cost changed between 2002 and 2017, the construction cost recommended by the Ministry of Regional Development was also re-calculated many times. At the beginning of 2010, the projected cost was UAH 39.773 million, in 2014 it was UAH 55.042 million, and by 2017, it rose to UAH 62.245 million. The amount of actual, incurred expenses based on accounting information of the Central CCMD was UAH 42.205 million, plus the estimated cost of construction completion based on cost allocation for CPCEF 2101190 for 2017, which constitutes UAH 17.040 million⁵¹.

Based on these calculations, the indexed cost of the incurred charges as of the beginning of 2016 constituted UAH 90.506 million. Supposing the construction of the facility had been completed by the end of 2017 for the UAH 17.040 million allocated in the 2017 budget, the indexed cost of this facility would constitute UAH 107.546 million⁵².

The total area of apartments in this building constitutes 9,573 m². Thus, the indexed cost of construction of 1 m² of housing at the end of

2017 will constitute UAH 11,234.32/m², while the average cost recommended by the Ministry for Territorial Development, Building and Housing of Ukraine is UAH 10,213/m².

Thus, the excess expenditure per square meter constitutes UAH 1,021.32, or 10% compared to the price recommended by the Ministry of Territorial Development.

Taking into account the expenses incurred by the MoD to rent houses for military servicemen who are supposed to receive accommodation in this facility, the estimated excess expenditure will constitute UAH 9,722.23 per m², or 95%.

Unfortunately, it is not possible to calculate the expenses for managerial staff of the Main QD, since general expenses for its support are not distributed between ongoing projects (see Annex 4). To increase budget efficiency, the decisions made by the Main QD officials should be based, first and foremost, on their knowledge of the real estate market in Ukrainian regions. It is important to take into account the duration of construction of facilities in the context of the existing management system and correct the calculations taking into account the estimated changes in the consumer prices index. The calculations should also take into account indirect and overhead costs.

It is recommended that the Ministry introduce distribution of indirect costs between the ongoing projects to see the actual efficiency of the use of budget funds for capital construction.

A lack of transparency in strategy and planning enables undue influence

According to the media and information on the official MoD website, work is being done on the development of military infrastructure and housing. It includes the construction of garrison towns in Mykolaiiv and Lviv oblasts, construction of residential facilities, plans concerning construction of 91 housing blocks in 21 Ukrainian oblasts to accommodate AFU

⁵⁰ Order of the National Committee of Ukraine on Construction and Architecture N174 “On Approval of the Procedure and Implementation of Indicators of Average Housing Construction Cost by Regions of Ukraine” of September 27, 2005.

⁵¹ CMU Directive N214-r “On Distribution of Funds Allocated in the National Budget for Program 2101190 ‘Construction (Purchase) of Housing for Military Servicemen of the Armed Forces of Ukraine’ for 2017” of March 29, 2017

⁵² Significantly, this is only the absolute cost. This amount does not take into account the index of changes in consumer prices and other indirect costs. To make valid conclusions, calculations have been made to bring the cost of the incurred and projected expenses to the same date – the end of 2017, taking into account the effective inflation rate and the estimate made by the Ministry of Finance until the end of 2017.

troops etc. And yet, none of the strategic documents, which serve as the basis for implementation of these projects are available. As a result, it is unclear why these facilities are being built, why in these regions, which buildings are constructed first and why, and which ones are to be built in the future, etc. This is particularly disconcerting because 100% of decisions connected with public procurement are to be based on published national strategic documents⁵³.

This lack of public information and access to documents of a strategic level indicates that, firstly, such strategic documents and plans have not been discussed publicly and are not available to the public (if they exist in the first place). Secondly, the lack of documents allows those with delegated decision-making powers to make decisions subjectively which in turn allows for biased decisions concerning key tasks and priorities when it comes to the development of such plans and their implementation, with little oversight.

For instance, the MoD Reforms Project Office received two very different draft lists of facilities to be financed in 2017 based on the budget program "Construction (Purchase) of Housing for Military Servicemen/women of the Armed Forces of Ukraine" (CPCEF 2101190)⁵⁴. The first draft list was given to the Office before the appointment of the Deputy Chief of the Main QD responsible for this program. The second draft list was given to the Office after his appointment. These two documents not only contained *different lists of facilities*, but also *different amounts of financing for each of them*. When asked about these discrepancies, the Deputy Chief of the Main QD explained he believed the second version to be more efficient and that it would produce more apartments.

During their official meeting in May of 2017, The pertinent Deputy Minister of Defence, Shevchuk, informed the former Secretary General of NAKO that he had experienced pressure from certain Ukrainian MPs. They demanded the list of facilities to be constructed

in 2017 be rewritten to include objects located within their electoral districts. However, there is no need for construction by the MoD in those districts. Others had asked him to put buildings under construction by their affiliated construction companies on the list, etc. The MPs even threatened they would not approve the list suggested by the MoD and approved by the Cabinet of Ministers of Ukraine, which would effectively render the use of allocated budget funds by the MoD impossible. In that case, MoD would be the one under fire, publicly, and accused by the same MPs, of ineffective work.

i Recommendations The MOD should develop, publicly discuss, approve and implement a procedure regulating the development of operational programs for the construction of housing and infrastructure based on transparent approaches and principles, which would eliminate subjective prioritizing and enable publishing mechanisms to ensure public oversight. The MOD should simplify the procedure of approval of the list of facilities to be financed. For example, the Law of Ukraine provides the "allocation of funds to areas (facilities, events), including the budget program "Construction (Purchase) of Housing for Military Servicemen/women of the Armed Forces of Ukraine" (CPCEF 2101190) *is based on the decision of the Cabinet of Ministers of Ukraine which shall be approved by the Committee on Budget of the Verkhovna Rada of Ukraine*⁵⁵ Likewise, the Procedure of Use of Funds Allocated for the Construction (Purchase) of Housing for Military Servicemen/women and Persons in the Rank and File and Commanding Officers stipulates the allocation of budget funds in 2017 (2016) based on budget programs... is made by the Cabinet of Ministers *shall then be approved by the Committee on Budget of the Verkhovna Rada of Ukraine*⁵⁶.

The procedure currently requires multiple approvals and the obligation to coordinate the list with the budget committee. It effectively nullifies the responsibility of the Ministry of Defence and leads to excessive interference in its activity.

⁵³ Task 2.5.1 of the Security Development Bulletin

⁵⁴ CMU Regulation No. 214 "On the Distribution of the State Budget Funds Allocated under Program 2101190 'Construction (Purchase) of Housing for the AFU Military Servicemen in 2017' dated 29 March 2017.

⁵⁵ Task 2.5.1 of the Security Development Bulletin

⁵⁶ CMU Regulation No. 214 "On the Distribution of the State Budget Funds Allocated under Program 2101190 'Construction (Purchase) of Housing for the AFU Military Servicemen in 2017' dated 29 March 2017.

SECTION 4: PURCHASING ON THE SECONDARY MARKET AND THROUGH CAPITAL PARTICIPATION

It appears that the current structures and procedures for purchasing on the secondary market are greatly lacking coordination and transparency.

Procurement of defence housing on the secondary market and through capital participation takes place in accordance with the 'Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers' as well as the 'Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine (hereinafter – Procedure of Work)'⁵⁷.

According to the 2017 Cabinet of Ministers of Ukraine Directive "On Distribution of Funds Allocated in the National Budget for Program 2101190", the funds allocated for defence housing procurement on the secondary market and through capital participation total UAH 231,558,500⁵⁸.

The official MoD website contains information on bidding documentation and reports of the selection committee on procurement of apartments on the secondary market and through capital participation. However, there is no information regarding agreements which have

been concluded following tenders and information on the state of implementation of such agreements⁵⁹. This is a direct violation of requirements of the Law of Ukraine "On Public Procurement" Art. 2, Sec. 1, subsection 5 and Art. 10, Section 1, paragraph 11.

Despite this, using the Prozorro resource, it was possible to analyse the information concerning property procurement⁶⁰. The analysis of the 2017-2017 period shows that 176 procedures of property procurement were published on the electronic procurement system. Of these, 157 (89.2%) were procedures reporting on concluded agreements (Annex 5). Notably, the MoD does not provide this information and is not among the agencies organizing these property procurement procedures. Instead the aforementioned were reported by two territorial divisions of the Security Service of Ukraine, the Ministry of Education and Science, and the leadership is held by Poltava City Council⁶¹.

To ensure public control over the process of housing procurement at the secondary market and through capital participation, it is recommended that the MoD follow requirements of the law and publish information on concluded agreements in the system of electronic procurement ProZorro.

4.1 Corruption Risks and Practices

4.1.1 Application for the Procurement of Apartments

Various units in the MOD are responsible for completing applications to enter a competition to procure apartments. They are also responsible for monitoring the cost of one square meter of housing in the various regions of Ukraine⁶². The competitions are approved by the internal audit service and MOD legal service before being put to tender. The application, together with the monitoring results for the price of one square meter of residential housing and

the draft tendering documentation, require approval from the Internal Audit Service and MoD legal service⁶³.

However, the preparation of the aforementioned application is not regulated. There is no public discussion or guidance on how the MOD should decide where homes are procured. As a result, the decision does not take into account cost efficiency.

The lack of coordination between the respective structural unit of the General Staff (HDDMP

⁶² MoD Order N374 «On Approval of the Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine» of June 2, 2014.

⁶³ MoD Order N374 «On Approval of the Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine» of June 2, 2014.

of AFU GS), commanders of various branches/types of armed forces is problematic – the end users, servicemen and women, are not consulted. This lack of coordination, participation and transparency leads to opaque decision-making and thus enables bias and corruption.

In order to ensure transparency of the process of formation of housing procurement application, it is recommended to determine the principles and guidelines for forming such an application. There should be a single coordinating department, and approval secured from HDDMP of AFU GS and commanders of branches / types of armed forces; ideally they should also be included in forming and approving applications.

4.1.3 Tender Documentation

Tender documentation is written in such a way that a single procedure includes a large number of apartments in many regions all

'description of the procurement item or its part:

lot 1 ñ Kyiv, up to 10 apartments; lot 2 ñ Irpin, Bucha in Kyiv oblast, up to 80 apartments; lot 3 ñ village Hatne, town Chabany, Kyiv oblast, up to 50 apartments; lot 4 ñ Uman, Cherkasy oblast up to 50 apartments; lot 5 ñ Lviv, up to 20 apartments; lot 6 ñ Chernihiv, up to 20 apartments; lot 7 ñ Vasylkiv, Kyiv oblast, up to 20 apartments; lot 8 ñ Khmelnytskyi, up to 20 apartments; lot 9 ñ Novohrad-Volynskyi, Zhytomyr oblast, up to 5 apartments; lot 10 ñ Kharkiv, up to 20 apartments; lot 11 ñ village Sofiivska Borshchahivka, village Petropavlivska Borshchahivka, Kyiv-Sviatoshyn District, Kyiv oblast, up to 30 apartments; lot 12 ñ Vinnytsia, up to 5 apartments.^{64a}

4.1.4 Procurement Items - Lots

There is no transparency in formation of “lots,” i.e. the group of houses bought in a particular procurement. This should specify where and how many homes should be procured.

For instance, let us consider the announcement of the procurement listed above⁶⁵. In this procurement, there is Lot 3, which is set forth in documentation as “village Hatne and town Chabany, Kyiv oblast – 50 apartments.” It is clear that there is an intention to purchase housing south of Kyiv, however, it is not clear why these localities - why not the village of Novosilky or Khotiv, or Teremky community in Kyiv, which also meet the location requirements?

4.1.2 Apartment Procurement Plans

There is no practice of preparing annual apartment procurement plans that outline territorial distribution of procurement, the number of apartments in each region and the number of bedrooms per apartment. Such plans would contribute to engagement of the biggest possible number of participants in the process, thereby increasing the level of competition and in turn the quality of defence housing. At the time of publication, the MoD website only contains tender documentation on specific procurements, which take place several times during the year. The aggregated apartment procurement plan is absent.

over Ukraine. For example, item 4.2 of the announcement “On Holding the Competition for Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine” states:

Restriction of the tender documentation with the word “apartment” is another form of discrimination. MoD procures housing, which includes not only apartments, but also private residential houses, semi-detached houses etc.

Such specific phrasing in tender documentation restricts the rights of other owners of housing, creates a risk of corruption and may indicate the intentions of MoD officials to favour certain construction companies without justified reason.

⁶⁴ Call for Tender No 286/7/7007-HEP available at: <http://www.mil.gov.ua/content/tenders/o-23112017.pdf> (verified September 2018).

⁶⁵ Call for Tender No 286/7/7007-HEP available at: <http://www.mil.gov.ua/content/tenders/o-23112017.pdf> , and, <http://www.mil.gov.ua/content/tenders/KD-23112017.pdf>

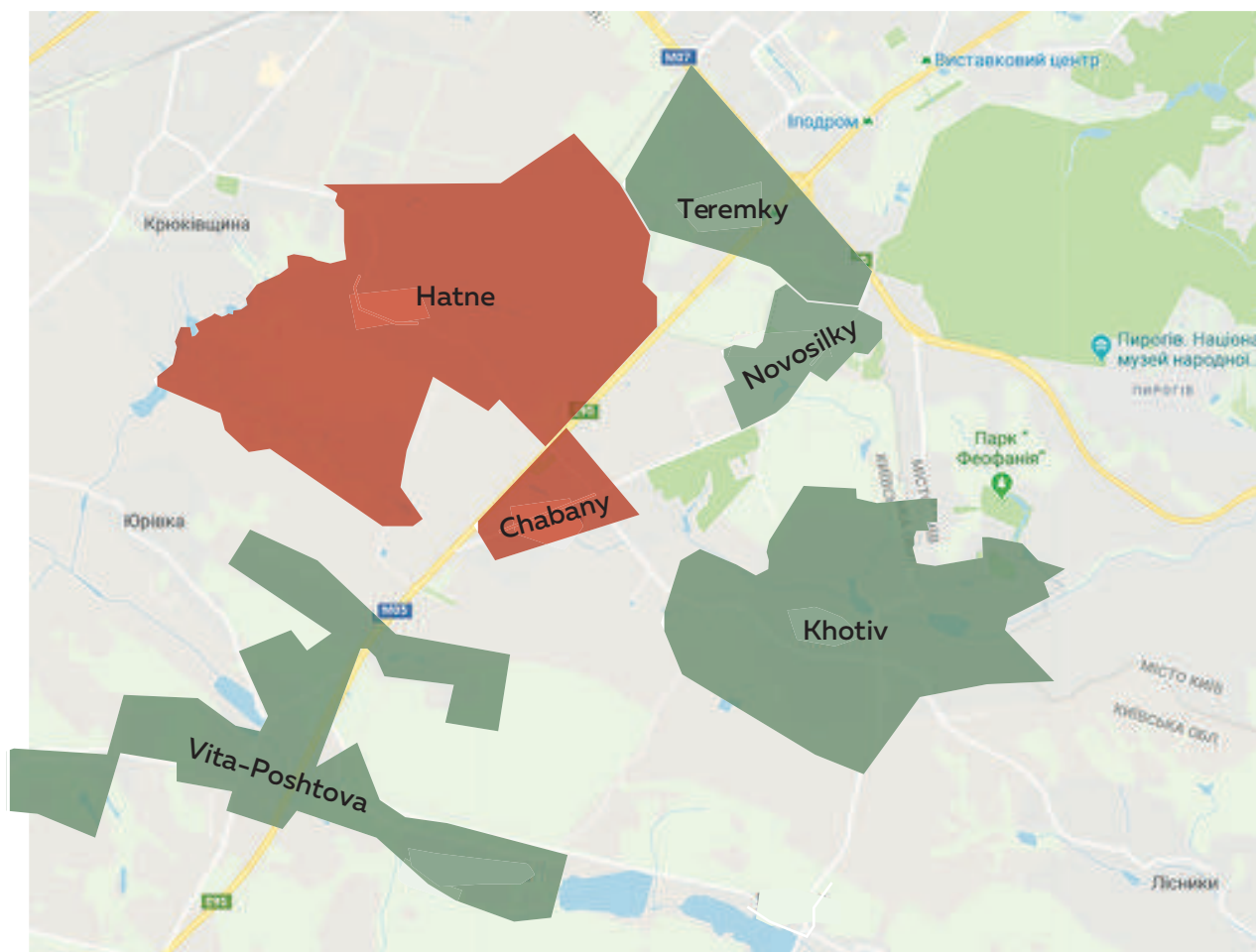


Diagram 17: Illustration of preferences of certain developers

4.1.5 Price Monitoring

The Rules of Procedure of the Selection Committee are unclear as to which methodology is to be used to monitor the price of one square meter of housing by regions of Ukraine and whether such guidance exists at all. This also poses a potential risk and may contribute to unfair assessment of the situation on the real estate market in the regions, thus becoming a corruption risk.

To ensure transparency of this process, it is recommended to publish the methodology of monitoring and generalization of data on the square meterage price by regions of Ukraine. A regular publication containing this information and results of monitoring should be introduced. The monitoring itself may be im-

plemented by third party independent expert organizations, such as NGOs or external auditors. This would further reduce the possibility of subjective assessment of the situation by MoD officials or data falsification in order to justify the decisions.

4.1.6 Selection of Winning Tenders

According to Art. 3 of the Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers and Art. 11 of the Procedure of Work of the Selection Committee⁶⁶, the winner(s) is (are) the participant(s) of the competition who submitted the lowest-cost proposal, based on which the purchasing price per square meter of housing through capital participation

⁶⁶ CMU Directive N147 "On Approval of the Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers" of December 26, 2011 and, MoD Order N374 «On Approval of the Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine» of June 2, 2014.

and on the secondary market in the regions of Ukraine is the lowest among the submitted proposals⁶⁷.

This approach does not ensure efficient use of budget funds. This has been confirmed by representatives of the MoD financial department, who prepared a rationale for determining the winner based on the lowest price of the housing item (apartment) (see Annex 6):

“The area of a 2-bedroom apartment 60 m² * UAH 15 thousand (the cost of 1 m²) = UAH

900,000. The area of a 2-bedroom apartment 75 m² * UAH 14.9 thousand (the cost of 1 m²) = UAH 1,117,500. The saving of budget funds can be about UAH 200,000 per apartment if the new version were to be applied.⁶⁸” In the first case, the price of one square meter is higher, but the price of the apartment overall is lower, thus the budget funds are used more efficiently when the cost of the item (apartment) is estimated in general, not by the price of one square meter.

⁶⁷ CMU Directive N147 “On Approval of the Procedure of Use of Funds Allocated for Construction (Purchase) of Housing for Military Servicemen and Persons in the Rank and File and Commanding Officers” of December 26, 2011 and, MoD Order N374 «On Approval of the Procedure of Work of MoD Committee on Selection of Proposals Concerning Procurement of Apartments through Capital Participation and on the Secondary Market in the Regions of Ukraine» of June 2, 2014.

⁶⁸ Information provided by P. Kaiyk Consulting.

PART TWO

RECOMMENDATIONS

The defence housing system in Ukraine is overloaded with outdated legislation and regulations, waiting list back-logs, imbedded corrupt practices and networks and is ripe for serious reform that will promote transparency and lighten the terrible burden of the obsolete system's endemic corruptive practices.

Part Two of this study presents recommendations for the reform of Ukraine's defence housing system, particularly as it pertains to the issues set out in Part 1: Defence Housing Backlog and Waiting Lists, The Defence Housing Management System, Construction, Reconstruction, Major Renovations, Purchasing on the Secondary Market and through Capital Participation.

Before presenting the recommendations, it is necessary to consider the legislative foundation upon which these defence housing processes and reforms are based. Thus, the first section of Part two presents the interstices between Ukraine's National Security Strategy, the Concept for the Development of Ukraine's Security and Defence sector, the Strategic Defence Bulletin and Defence Housing. It will become clear from the beginning that without legislatively sealing the gaps between them, defence housing reform will remain moot.

1. Guiding Documents: the National Security Strategy, Concept for Development of the Security and Defence Sector, and the Strategic Defence Bulletin

The National Security Strategy of Ukraine was approved by Presidential Decree on 25 May, 2015 (henceforth, the Strategy)⁶⁹. This strategy serves as the basis for the adoption of the Concept for the Development of the Security and Defence Sector (henceforth, the Concept)⁷⁰. In turn, the Strategic Defence Bulletin of Ukraine (henceforth, the Bulletin) was adopted in 2016 to ensure the achievement of strategic goals set forth by both the Strategy and the Concept. The Bulletin serves as a roadmap for Ukraine's defence reform up to 2020.

The Bulletin specifies manners of implementation based on the principles employed by NATO member states. Unfortunately, however, many of the activities provided for by both the **strategy and concept are not found in the Bulletin**. This creates a legislative vacuum.

Before considering specific recommendations for the reform of Ukraine's defence housing system, it is helpful to consider what is provided for in the existing guidance documents.

1.1.1 The National Security Strategy of Ukraine and Defence Housing

The Concept for the Development of the Security and Defence Sector states that two relevant activities should have taken place by the end of 2017. These activities are aimed at reforming the social support of military servicemen/women broadly, including housing. They are: "development and implementation of the Long-Term Social Policy Implementation Strategy", and, "increasing the supply of housing to military servicemen/women, law enforcement personnel and their families."⁷¹

⁶⁹ Decree of the President of Ukraine №287/2015 "On the Decision of the National Security and Defence Council of Ukraine of May 6, 2015 "On the National Security Strategy of Ukraine" of May 25, 2015.

⁷⁰ Decree of the President of Ukraine №92/2016 "On the Decision of the National Security and Defence Council of Ukraine" of March 4, 2016 "On the Concept for the Development of the Security and Defence Sector" of March 4, 2016.

⁷¹ Paragraph 4.4 of the Concept for the Development of the Security and Defence Sector.

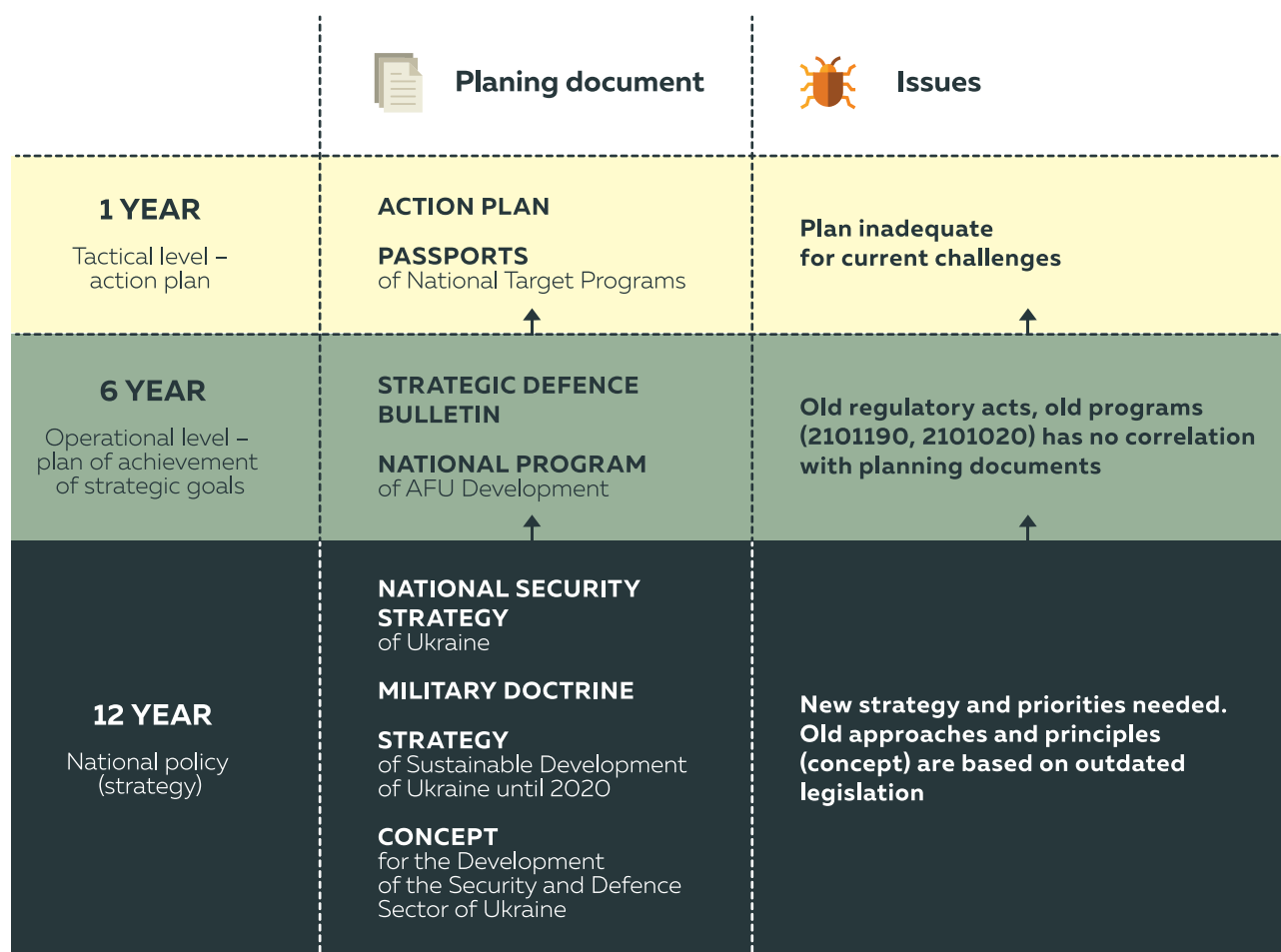


Diagram 18: Defence Housing Strategy and Legislation

The following housing-related activities were slated for completion by the end of 2020 in the Concept:

- i The restoration and development of the military infrastructure to meet the requirements of the security and defence sector (this is also provided for in The Bulletin Par. 2.7);
- i The deployment of autonomous military bases with necessary infrastructure for accommodation of military units formed at new deployment sites, including those whose purpose is ensuring continued military presence in the East of the country (this is also provided for by Bulletin Par. 2.7.2).
- i The improvement of the control mechanism over the social protection of the members of security and defence forces by public and civic institutions, achievement of the required level of social protection of the military servicemen/women;
- i The development of principles for the introduction of the Military Ombudsman for representation and protection of interests of military servicemen/women, their families and persons retired from the military service;
- i The improvement of the system of military accommodation and housing supply to the military;
- i The supply of service housing to persons currently in military service;
- i The introduction of a transparent housing distribution mechanism through publication of relevant information on the official websites of public agencies in the defence and security sector;
- i The purchase (procurement) and construction of housing, including service housing;

- i The development of mechanisms for engaging personal funds of the military servicemen/women and law enforcement staff members for the construction (purchase) of housing;*
- ii The introduction of a transparent mechanism of land plot allocation for individual construction for military servicemen/women and law enforcement staff members.*

The Concept provides clear and precise goals with a mid-term timeframe. It follows from the above that housing constitute parts of AFU capability development. It is therefore necessary to include defence housing and infrastructure to AFU capability planning and development. But none of the provisions aimed at reforming the system of social protection for military personnel were included in the Bulletin.

Today, the national programs that should be developed on the basis of the National Security Strategy and the Concept for the Development of the Security and Defence Sector have been omitted by the Strategic Defence Bulletin, and as a result do not have mechanisms for national implementation. Instead, the Ministry of Defence continues to use outdated legislation and regulatory documents for the course of planning and implementing national housing supply programs.

To ensure implementation of the national policy concerning infrastructure supply to the AFU, first of all, **it is necessary to enter the provisions of the Concept for the Development of the Security and Defence Sector into the new Security Defence Bulletin.**

1.1.2 Proposals Concerning Changes to Planning Methods

The Concept for the Development of the Security and Defence Sector provides for the use of NATO approaches, or approaches of NATO member states, to reform to the system of comprehensive support of the AFU. Currently,

there are no comprehensive NATO policies or recommendations concerning defence housing supply. The issues fall within the scope of domestic policy of NATO countries.

Importantly, however, **NATO member states consider housing and infrastructure supply in the context of capability development and social policy.** They do so to ensure the simultaneous development of all elements affecting capability formation and development.

According to Capability-Based Planning, all elements influencing capability development are developed simultaneously to ensure achievement of an effective final result. Thus, housing and infrastructure are developed together with other elements, such as personnel training, procurement and introduction of new weapons and equipment, etc. NATO member states employ a “Program Approach to Management.” The Program Approach to Management method ensures that all other aspects of capability(ies) are viewed in the context of the acquisition and development of a defined capability. For instance, the capability of a new training centre of military and tactical education requires construction of the centre and barracks for accommodation of the military, as well as a selection of instructors, who should be provided with housing, necessary social and medical infrastructure, etc. All of these elements should be developed simultaneously. This method provides mutual coordination of separate projects and works.

The same approach is used in the Recommendations for the Capability-Based Defence Planning in the MoD and AFU, and is approved by the Minister of Defence of Ukraine⁷². Moreover, they are contained in the Strategic Defence Bulletin⁷³. **Thus, infrastructure and housing can, and should, be regarded as one of the capability development areas of the AFU which employs the Program Approach to Management.**

⁷² Recommendation on Defence Planning dated 12.06.17 available at: http://www.mil.gov.ua/content/other/Recommendationson_CBP_120617.pdf (verified September 2018).

⁷³ Order of the President of Ukraine No.240/2016 regarding the decision of the National Security and Defence Council dated 20 May 2016 Regarding the Strategic Defence Bulletin <http://www.president.gov.ua/documents/2402016-20137> (verified September 2018).

1.1.3 Ukraine's Current Program-based Targeted Management Methods

Currently, unlike NATO Member States, Ukraine's Armed Forces and Ministry of Defence use a program-based, targeted management method. This method considers management within one specific area, such as housing supply (i.e. the CPCEF 2101190) **and does not take into account how individual housing supply projects affect a certain capability. The same holds true for the construction program of general military facilities.**

As stated in the Concept for the Development of the Security and Defence Sector and in the Strategic Defence Bulletin, the subject of a program (programs) at the level of the AFU or the MoD must be the development of a capability in a given structural unit. Thus, a national target program may aim at the implementation of a given task within a specific area, but **it must take into account the necessary development of capabilities of the structural unit.**

According to MoD Reforms Project Office experts, there are a number of other problems in the current planning and budgeting system⁷⁴. First, the budgeting system covers planning within a single budget year, so the MoD and the AFU General Staff develop plans for the planned budget year instead of full projects or programs. However, for complex projects, the planning horizon which would ensure quality

preparation is at least three years, since it is impossible to implement an entire project and achieve the goals within one budget year. For instance, this example has already been set by the Ministry of Finance which will be implementing a model of transition to three-year budget planning starting in 2018⁷⁵.

A second issue is timing. Actual financing of housing construction on the CPCEF 2101190 program is possible only starting from the 4th to 6th month every year. This is the time required to have the list of facilities to be financed in a budget year approved by the MoD, the Cabinet of Ministers of Ukraine and the Committee on Budget of the Verkhovna Rada of Ukraine. Under such contracts, work can only start after another two months, which is the period required for a procurement procedure. Thus, out of the 12 months of a year, only 4-6 months remain for actual financing and implementation of construction works, which renders implementation of projects of residential housing construction difficult, if not impossible.

As a result of its current planning methods, the Ministry of Defence and the General Staff do not have a comprehensive understanding of the housing problem nor do they have comprehensive ways of resolving it⁷⁶. Thus, the current program-based targeted management methods requires changes based on the capability-based planning approach, adopted by the Concept for the Development of the Security and Defence Sector⁷⁷.

⁷⁴Information provided by Consultant P. Kaiyuk.

⁷⁵"Ukraine will move to a three year economic planning system – Ministry of Finance" available at: <http://bit.ly/2D6KEqj> (verified September 2018).

⁷⁶The Project for Reforming the Systems of Housing Supply to AFU Military Servicemen/women and Their Families of the MoD Reforms Project Office, implemented according to the Memorandum of Cooperation between the MoD and PricewaterhouseCoopers of August 10, 2016 N 15682/z, made attempts to develop a general concept to resolve the issues of the waiting list for improvement of housing conditions.

⁷⁷The Project for Reforming the Systems of Housing Supply to AFU Military Servicemen/women and Their Families of the MoD Reforms Project Office attempted to develop a relevant and general concept. It was presented to the President of Ukraine, received overall positive feedback but did not result in development or approval of any executive or regulatory document.

2. Waiting lists - Recommendations to Resolve Problems and Eliminate Risks

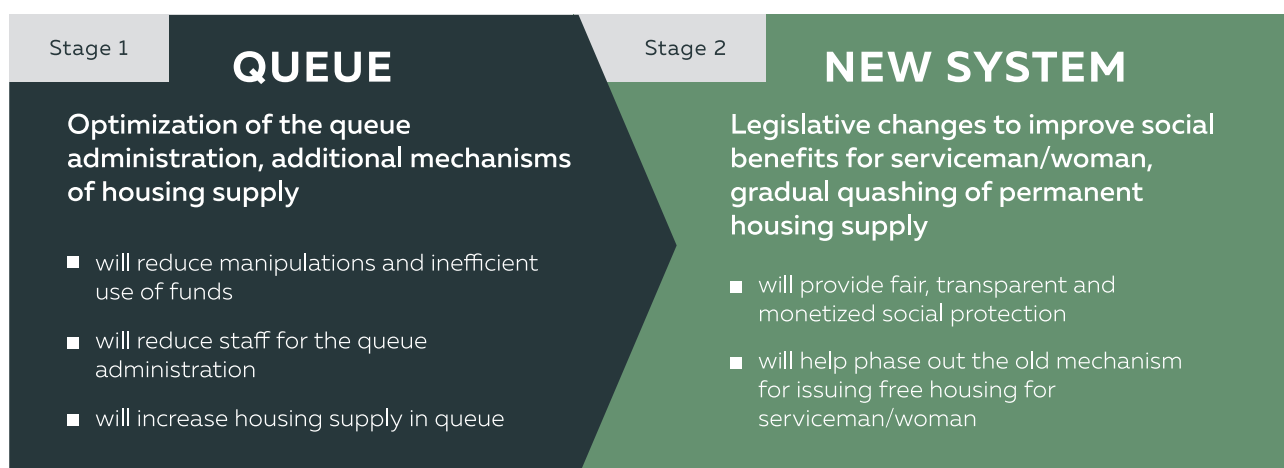
The defence housing waiting list back-log in Ukraine requires immediate attention and reform aimed at eliminating the problem. It is evident that the housing problem is a social issue which requires resolution by creating a new system of social protection of military servicemen/women based on transparent processes and best international practices. For the duration of waiting list reform, which may take up to 10 years, it is necessary to optimize the current housing supply mechanism. This section presents a four-step approach to addressing the issue. Namely:

1. Reduction of defence housing waiting list backlog through a) auditing the waiting

list; b) optimising the waiting list management by automating it, by expanding implementation of the Zhytlo and Maino systems already in place, and; c) developing alternate housing mechanisms.

2. The development of a new system of social protection for Ukraine's military servicemen/women.
3. The implementation of a transition phase for those servicemen/women within the years of reform.
4. Abolishing the law permitting new additions to the waiting list.

PRIORITY STEPS



SECONDARY STEPS

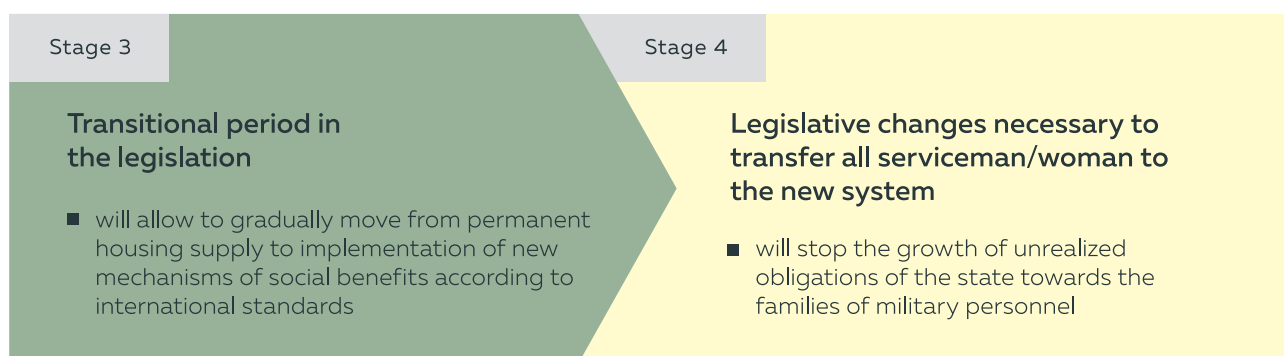


Diagram 19: Recommended phased approach to defence housing reform

The concept was presented to the President of Ukraine and defence and law enforcement leadership, received overall positive feedback from defence and law enforcement leadership, while the President of Ukraine made specific remarks and established strategic priorities. However, the review of the concept did not result in development or approval of any executive or regulatory document.

The main areas of management reform and minimization of corruption risks relate to activities aimed at reducing: a) housing need and the number of families registered on it, and; b) activities aimed at increasing housing supply.

Stage 1.1: Optimization of Waiting List Management

An effective, fair and transparent mechanism of delivery on the commitments concerning defence housing supply requires an optimization of the manner in which the waiting list is managed.

In order to reduce the number of families on the waiting list, NAKO recommends that the MOD:

1. Conduct an audit of the waiting list, in order to identify and remove those who do not have a legal reason to be on the waiting list, and to restructure the order in which the families are waiting in accordance with proven and justified priority. Added transparency will be gained through the implementation of the “Zhytlo”
2. Improve transparency by implementing the Maino-Zhytlo software. Increase effectiveness of the software by including:
 - storage of all information together with electronic copies of source documents on families registered on the waiting list (apartment cases);
 - administration of the waiting list and its history;
 - provision of all information for decision-making, reports (allocation of apartments, need analysis, preliminary audit etc.), graphic reports with key indicators;
 - automatic preliminary audit and annual audit of the waiting list based on parameters “family members” and “property owned by them”;
 - automatic export of data from Zhytlo software to the general state register of families in need of improvement of housing conditions;
 - provision of web-access to the necessary information from the waiting list to military servicemen/women taking into account protection of personal data;
 - automatic calculation of a certain method of meeting the need for housing based on the advantage of this method for the MoD: permanent construction/reconstruction/purchase on the secondary market/monetary compensation; service housing – construction/reconstruction/rent/compensation for sublet etc.;
 - automatic calculation and formation of need for service and permanent housing in the monetary and physical measurements by regions with financial planning horizon of up to 20 years, automatic distribution of need for financing by regions;
 - automatic distribution of housing among the waiting list based on universal algorithms from Maino software to families registered in Zhytlo software;
 - compilation and administration of MoD real-estate register;
 - analysis of assets. For those assets which do not comply with conditions of operational effectiveness, it is necessary to calculate whether it makes sense to reconstruct the housing for partial reduction of the waiting list;
 - land plots (main parameters as well as schemes or cadastral plans, general plans). It requires scanners and increase in the capability of server equipment;
 - facilities and buildings (main data, floor plans, layouts);

- service housing fund, integration with Zhytlo software;
- indicators of estimated and/or standard cost of real-estate, which will allow for the non-budgetary assessment of MoD potential;
- adding information on technical service, maintenance, major renovations, reconstruction and upgrade (date, cost, list of works), which will allow to plan expenses for future maintenance;
- adding information on utility use in physical and monetary measurements, which will allow for the planning energy-saving activities;
- automatic calculation of projected figures of expenditures for operation and maintenance of immovable property in terms of physical and value indicators.

Once in place, the system will allow for processes to be automated, which will significantly reduce corruption risks. It will also facilitate the maintenance of up-to-date information, access to information e.g. comprehensive reports and simple indicators for informed decision-making.

It should be noted, in reference to NAKO's recommendation that the waiting lists be audited, NAKO researchers were informed that the system does not function and is in need of updating. In its review of the preliminary draft of this document, the Head of the MQD specified that it is indeed interested in cooperating with NAKO and other partners to this end.

Stage 1.2: Introduction of Alternate Housing Supply Mechanisms

Not only is it necessary to improve already existing systems of defence housing supply, but there is a need to introduce alternative options and improvement of the existing ones. The implementation of these recommendations will speed up housing supply to a greater number of families on the waiting list **without additional expenditures of budgetary funds**. In addition to those which already exist, i.e. monetary compensation, purchase of housing on the secondary market, and, construction. The following mechanisms aim at the development of alternate approaches to improving the housing conditions of military servicemen/women:

- Develop a leasing package for military ser-

vicemen and women by collaborating with the State Mortgage Institution (SMI);

- construction of housing with the use of external loan capital;
- optimization of service housing: protect service housing needed by the MoD –from privatization by military servicemen/women;
- analyse unfinished facilities, calculate whether it will be efficient to reconstruct them into housing for service personnel;
- in lieu of defence housing, offer land not needed by the MoD to those on the waiting list.

Stage 2: The development of a new system of social protection for Ukraine's military servicemen/women

A comprehensive approach to defence capacity and capability-based planning, requires that at least some attention be paid to questions pertaining to the social protection of Ukraine's military service men and women. To date, the promise of defence housing in Ukraine remains part of the (outdated) package of social protection for servicemen. Thus, simultaneously with

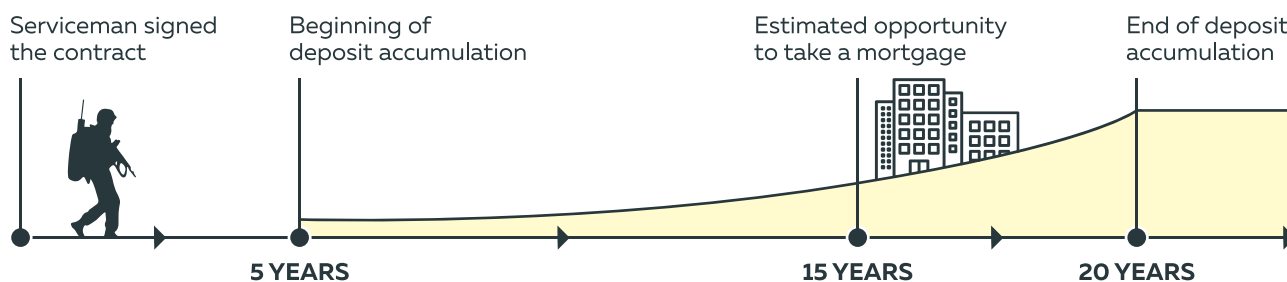
waiting list reform, it is necessary to develop a new, transparent and fair system of social protection of military servicemen/women. A new package should replace the old, inefficient mechanisms and improve housing conditions, particularly for those military servicemen/women who are only going to conclude a military contract and are not registered on the waiting list.

Based on international best practices, the following priority route of reforms is recommended. The new system of social protection of military servicemen/women must fulfil a number of strategic functions. They include the

- Replacement of the old, inefficient waiting list mechanism of waiting list for improvement of housing conditions with a new, efficient and monetary system in order to reduce corruption risks and eliminate housing activity which is not field-specific for the MoD.
- Provision of transparency, justice and concern for the wellbeing of each military servant of the regular (contract-based) army in the new social protection system without exceptions and delays.

- Introduction of a flexible human resources management and motivation tool for the MoD. The system of social protection of military servicemen/women must be regarded as an important tool for the MoD for informal psychological influence on a military servant through financial leverage to motivate him or her to serve during the period of time necessary for the state as long as he or she is useful to the defence capability of the state, to increase his or her mobility, effectiveness and loyalty.

This comprehensive approach will allow for the creation of a multifaceted systemic tool for social protection of military servicemen/women.



CONTRACT SERVICE:	severance pay
OPTIONAL:	personal account in addition to the state one, mortgage program, leasing
Permanent housing is substituted by severance pay for all contract service servicemen	
Next steps for implementation – take into account career management programs for different types of troops and categories of servicemen	

NEW CONCEPT
<ul style="list-style-type: none"> • Depends on salary, stimulates increasing of career length • On can take a mortgage on deposit and get an apartment earlier that after 20 years of service • Under low lease conditions, on can immediately get apartment

Diagram 20: Alternative monetary solutions to compensation

Stage 3: The Implementation of a Transition Period

It is envisioned that a transition period will be needed to smooth over the process of transfer from the old system to the new one. With the aim of reducing the financial burden on the MoD (caused by the temporary simultaneous activity of two programs i.e. waiting list for

housing and the new social system) and reducing social tensions among military servicemen/women during the period of transformation.

It is therefore advisable that a period of transition be offered to families on the waiting list.

who can transfer to the new system of social protection of military servicemen/women. As for the transitional period of housing supply mechanisms, funds allotted to the construction

of permanent housing should be restricted to the transition period and whilst introducing new mechanisms.

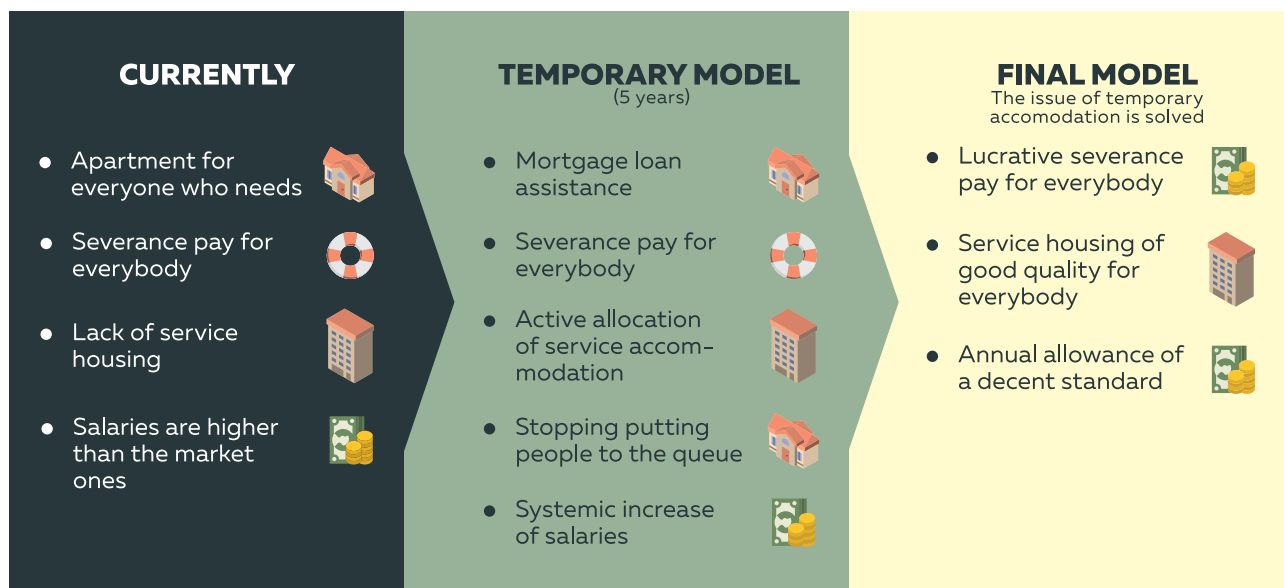


Diagram 21: A soft exit from the promise of permanent defence housing

Stage 4: Abolishing the Law Permitting New Additions to the Waiting List

As the next step for implementation of the new system of social protection of military servicemen/women, it is necessary to stop adding to commitments of the state concerning housing supply to military servicemen/women through the current waiting list mechanism. Abolishing the law which allows military servicemen/women to register on the waiting list with the MoD will lead to the following:

- Investments in housing for military servicemen/women already registered on the MoD waiting list will gradually reduce the list;
- If necessary, new military servicemen/women will be able to register on the general waiting list for improvement of housing conditions with the local authorities, since the MoD waiting list will be closed.

It is necessary to develop a Draft Law of Ukraine “On Amendments to Certain Laws of Ukraine Concerning Improvement of Social Protection of Military Servicemen/women and Their Families,” which will undertake the task of stopping the state’s legislative commitments to military servicemen/women concerning supply of free housing for permanent residence and monetization of the system of social protection of military servicemen/women and their families through creation of a new mechanism of personalized cumulative monetary retirement allowance. Moreover, the out-dated, 1983 Soviet Housing Code of the Ukrainian SSR (which affects civilians and servicemen/woman alike) must be abolished and brought up-to-date. The Ministry of Defence should co-operate with relevant Ukrainian institutional counterparts to this end.

The main provisions of the draft law would be connected with amendment of article 12 of the Law of Ukraine “On Social and Legal Protection of Military Men and Their families” to eliminate the possibility of supply of free housing for permanent residence of military servicemen/women and their families.

At the same time, it is suggested to add provisions concerning a new mechanism of personalized monetary cumulative retirement allowance to the aforementioned law.

Likewise, the draft law should provide for introduction of a mechanism for transition from the old system to monetary personalized relations “between the military servant and the state” with the possibility of voluntary transfer of military servicemen/women from the old system to the new one.

ADVANTAGES AND POSITIVE EFFECT

- It will allow to stop accumulating impossible social commitments of the state to military servicemen/women concerning free supply of apartments;
- It will reduce expenditures for maintenance of the apparatus of administration of housing supply to military servicemen/women.

ADVANTAGES AND POSITIVE IMPACT

- Each military servant (not only those who can have potential corrupt connections) will monthly feel personal material concern for his or her wellbeing and family on behalf of the state;
- an effective mechanism of military servicemen/women' career management and individual motivation will be created;
- accountability of military servicemen/women for their own everyday life will increase, instead of assigning this function to the MoD, the Government or the President, since the apartment is not given for free any more – the military servant participates in the mortgage and receipt of the apartment with his or her own funds;
- considerable financial resources will be steadily transferred to the banking sector on the long-term basis and become an additional internal source of financing of the national economy;
- in the new system, MoD will act only as a transit entity of the money between the national budget and Oshchadbank (Savings Bank) without specific administrative powers, which eliminates corruption risks and abuses.

3. Recommendations to Reform Defence Housing Management System

With regard to the aforementioned, we suggest the following ways of development (transformation) of the Head QD according to the new AFU Development Concept. Prompt and efficient reinforcement of the current system is needed as it undergoes systemic development. The nature of systemic development should ensure that it is capable of self-improvement, development and flexible to change.

It should be noted that in its review of the preliminary version of this document, the Head of the MQD asserts that due to serious budgetary constraints, the creation of additional departments or the employment of additional experts appears unlikely (Annex 2).

I. REINFORCEMENT:

1. Strategic planning:
 - Setting up a department which will support the Main QD.
 - Development of procedures and training of professionals.
 - Hiring best professionals.
2. Procurement – continue improving tender procedures and contracts.
3. Project management – implementation of the basic principles, training on project management methodology.
4. Automated housing distribution, developing Statement of work for the implementation of the automated system.

II. SYSTEMIC DEVELOPMENT:

1. Raising compensation of key staff members.
2. Creation of a “healthy” culture:
 - Setting new organizational values;
 - Open competitive selection of personnel for vacant positions;
 - Balance of military and civilian positions;
 - Education and training of personnel for the performance of new tasks.
3. Reforming the management system, operational processes and policies.
4. New mission, vision and goals of the system.
5. Reforming the Main QD structure via a series of controlled steps.
6. Reforming the management, operational processes and policies
7. Optimization of product creating processes, strategic planning, regulatory framework.
 - Introduction of project and contract management systems.
 - New programs of housing and infrastructure supply to the AFU.

3.1 Defence Housing Management System – Recommendations

1. Develop internal planning procedures in the MoD which render impossible subjective managerial decision-making at the stage of annual planning and establishing priorities for financing.
2. Change management priorities to motivate Head QD staff to meet the construction plan instead of 100% use of the national budget.
3. The planning procedure must be open to the public, plans of capital construction and priorities of each project in the plan must be published in publicly open resources.
4. Engage third party independent expert organizations in project management. CCMDs (the entities ordering the service) should participate in the procurement on the same basis as other participants.
5. In the tendering process, it is necessary to request the candidates to provide their production programs of the previous years (as frame of reference to determine the production capacity) and the current contractual commitments as of date of bidding. Companies which have exhausted their production capacities due to existing commitments must be disqualified as being at high

risk of failure to perform the contractual obligations.

6. All provisions that allow for subjective decision-making must be eliminated from contractor agreements. Issues that cannot be regulated at the stage of entering into agreement, such as those which depend on the budgeting process or other factors, should be governed by MoD's internal procedures and regulations, which should be incorporated in the contract by reference.
7. Military commanders should obtain rights and obligations in capital construction processes necessary to ensure compliance of the future facilities to their needs and requirements.
8. Decisions of Head QD officials must be based on their knowledge of the situation on the real estate market in Ukrainian regions.
9. In managerial decision-making, it is important to take into account the duration of construction of facilities in the context of the MoD management system and correct the calculations taking into account the estimated changes in the consumer prices index. The calculations must take into account indirect and overhead costs.
10. It is recommended that the Ministry introduce distribution of indirect costs between ongoing projects to see the actual efficiency of the use of budget funds for capital construction.

3.2 Construction, Reconstruction, Major Renovations - Recommendations

1. To ensure public control over housing procurement on the secondary market and through capital participation, it is recommended that the MoD should publish reports on concluded agreements in the system of electronic procurement ProZorro
2. The MoD must determine the principles and guidelines of formation of an application for housing procurement and have them (the principles) approved by HDDMP of AFU GS, commanders of branches / types of armed forces or to include these agencies in the process of formation and approval of the application. The aforementioned principles must eliminate the possibility of subjective decision-making by MoD officials.
3. The location of procured housing must be determined transparently in ways which do not restrict the rights of developers in other localities. The area of procurement can be specified by adding graphic material.
4. Lots must be determined specifically based on what apartments exactly are procured (with how many bedrooms) and on what principles the MoD determines the number of apartments procured.
5. Publish/develop the methodology of monitoring of data on the price of 1 m² of housing in regions of Ukraine. Define how exactly these data will affect managerial decision-making in terms of choice of the method to meet the need (purchase/construction/rent/other).
6. Procurement winner must be determined based on the total cost of the apartment, not the price of 1 m². It is possible to introduce a multi-criteria proposal assessment where the price takes at least 75% of the value (according to the Law of Ukraine "On Public Procurement"), with technical and economic/financial parameters having a different value.
7. The process/procedure of inspection of the technical condition of apartments must be transparent. Rules of procedure of the inspection committee, its members, plans and work results must be publicly available.
8. Technical requirements which restrict the rights of apartment owners or developers must be eliminated.

CONCLUSION

Ukraine's defence housing system is in disarray. The dynamics presented herein indicate the level of improvement in the defence housing sphere lies somewhere between negative and zero. Under the current conditions, it **could take over 600 years to eradicate the waiting list**. Alarming, widespread institutional inefficiencies pertain to the defence housing institutional structure, over and under-regulation, capital construction and investment.

Institutional inefficiencies combined with an underpaid workforce (which is not trained in democratic values and principles), huge sums of money and cronyism are components keeping the inefficient system in place and open to corruption. This holds true for both service and permanent defence housing.

Ukraine's current, program-based, targeted management methods require changes in line with the capability-based planning approach. This method is used by NATO member states. It is also contained in the Concept for the Development of the Security and Defence Sector. It is used in the Recommendations for the Capability-Based Defence Planning in the MoD and AFU, and is approved by the Minister of Defence of Ukraine⁷⁸. Moreover, it is contained in the Strategic Defence Bulletin⁷⁹. Importantly, infrastructure and housing can, and should, be regarded as one of the capability development areas of the AFU which employs the Program Approach to Management.

A major legislative problem has been identified in this report. Namely, although the resolution of defence housing problematics, as well as the need to upgrade of the system to harmonize with Euro-Atlantic standards, has formally been made public in the National Security Strategy, and is contained in the Concept for the Development of the Security and Defence Sector, the roadmap on how to do it is missing. Particularly, The Defence Strategy Bulletin, widely recognized as a roadmap to security sector reform, does not regulate key issues related to defence housing reform.

Thus, the effective promotion and implementation of recommendations to the system presented in Part Two of this document require the

development of the necessary legislative basis and regulations; inclusion in the new Bulletin.

Part One of this study presented the waiting list problematics. The current system of registration of military servicemen/women on the waiting list, administration of the list and receipt of apartments attests to the fact that these organizational processes are outdated, complicated and hardly make use of modern technology – despite its almost nation-wide availability.

With the aim of eliminating the waiting list problem, the Ministry of Defence could make more effective use of automatization systems such as the Zhytlo and Maino data programs. This would facilitate an expedited the resolution of the problem. It would also lower the number of necessary administrative personnel, give adequate oversight over real-estate belonging to the MoD, thereby raising the level of transparency and helping to close the doors to corruptive practices.

This being said however, the use of technology alone will not alleviate the problem. It was shown that despite the use of technology geared at promoting transparency and efficiency, it was still possible for an individual with an ongoing criminal investigation against him – that concerns housing – to be appointed to the Main Quartering Directorate by a 'legitimate' selection committee. Thus, technology alone cannot fully replace the system.

The problems connected to poor governance and corruption in Ukraine's defence housing system are very strongly tied to human perceptions, dignity and values and ethical standards of the system in which they work. A restructuring of organizational values and work ethics is an unmissable component to reform in Ukraine.

The structure of the Current Defence Housing Management System is cumbersome. Its system of hierarchy and lax decision-making leave too much room for subjective decision making and corruption. The system requires a restructuration which will operate in a healthier organizational culture with more checks

⁷⁸ Defence Planning Recommendations Confirmed by the Minister of Defence, dated 12.06.17 available at: http://www.mil.gov.ua/content/other/Recommendationson_CBP_120617.pdf (verified September 2018).

⁷⁹ Order of the President of Ukraine No.240/2016 regarding the decision of the National Security and Defence Council dated 20 May 2016 Regarding the Strategic Defence Bulletin <http://www.president.gov.ua/documents/2402016-20137> (verified September 2018).

and balances. This holds equally true to the other institutions within the Ministry of Defence whose work impacts defence housing.

The time is ripe for Ukraine's Ministry of Defence to introduce alternative defence-housing compensation packages to its servicemen/women. Although the current system does provide for the compensation of rental housing, the compensation amount given is significantly lower than the rental market's average⁸⁰. Those who do receive service housing from the MoD sometimes face the problem that, unlike other countries, Ukraine has no standards of service housing, and thus the quality of service housing threatens to be extremely low. With the aim of avoiding the provision of substandard living conditions, Ukraine must create a system and standard for the supply of quality service housing.

The Housing Conditions Inspection Committee carries a lot of responsibility in securing that Ukraine's servicemen/women are provided quality housing – (when and if they receive it). However, the principles of work of this committee, its members, rules, rules of procedure etc. are not publicly available. Moreover, representatives of military servicemen/women for whom such housing is procured are excluded from participating in such committees. Democratic governance, transparency, justifiability and accountability within the Ministry of Defence require knowledge of the committee's work i.e. publicity and engagement of those affected by it, i.e. servicemen/women.

The social cost and amount of money apparently being syphoned out of Ukraine's budget through corrupt and inefficient practices in Ukraine's defence housing system is staggering. Money

is flowing to the construction and acquisition of apartments which are never built. Some construction projects are taking decades and are budgetary black holes. It was shown that the lack of transparency and seeming cronyism has allowed for 4 construction companies to maintain a virtual monopoly over a system that is not delivering its promises to Ukrainian servicemen/women and taxpayers as a whole. The tendering processes must be improved to be more inclusive with the aim of increasing competition on the defence housing market.

The promise of service lodging to servicemen and woman is an important factor to Ukraine's national security. Particularly, in today's unstable times of conflicts in the Donbas. However, the promise of permanent housing outdated and is drowning the system. The failure to deliver also has negative societal and political security effects as the perception of the Ministry of Defence and government as a whole wanes in light of broken promises.

It is therefore necessary to move away from the Soviet-born system which offered permanent housing to servicemen/women. The system and market would be greatly improved if that promise were no longer made. With the aim of eliminating waiting lists and providing societal security to Ukraine's servicemen/women it is strongly recommended to introduce alternate mechanisms that would work as real incentives. Monetary compensation, modernized pension plans, facilitated mortgages are but a few keys to resolving defence housing problems in Ukraine.

The recommendations held herein are a blueprint for Ukraine's Ministry of Defence on what needs to be done to effectively reform the defence housing system in Ukraine.

⁸⁰ The monthly, received, average is around USD 77 against a national average, monthly rent constituting USD 108 reaching USD 245 in larger cities, which case only USD 111 are compensated.

ANNEXES

Annex 1

Незалежний антикорупційний комітет
з питань оборони

вулиця Січових Стрільців 37-41,
5-й поверх, м. Київ, 04053

office@ukraine.org.



Копія: Відділ по роботі з громадянами та доступу до публічної інформації Департаменту інформаційно-організаційної роботи та контролю Міністерства оборони України (На № 508/ЗПІ від 21.05.2018).

У Головному квартирно-експлуатаційному управлінні Збройних Сил України опрацьовано інформаційний запит, що надійшов до Міністерства оборони України, та інформується про наступне.

1. Яка кількість військовослужбовців Збройних Сил України станом на 01 січня 2018 року потребувала у черзі на отримання постійного житла, а яка у черзі на отримання службового?

Станом на 01.01.2018 на квартирному обліку у Збройних Силах України перебуває 47,1 тис. осіб, з них:

35,6 тис. (75,6 %) військовослужбовців дійсної служби;

11,5 тис. (24,4 %) військовослужбовців, звільнених у запас або відставку.

Потреба у житлі для забезпечення військовослужбовців, які перебувають на квартирному обліку в гарнізонах Збройних Сил України складає:

25,2 тис. (54,9 %) квартир – для забезпечення постійним житлом та

21,9 тис. (45,1 %) квартир – для забезпечення службовим житлом.

2. Чи вірним є твердження, що Міністерство оборони України фактично припинило реалізацію проектів капітального будівництва за прямої участі регіональних управлінь капітального будівництва (УКБ) Міністерства оборони України? Якщо так, то чим це підтверджується? Скільки проектів капітального будівництва було завершено з прямим залученням відповідного регіонального управління капітального будівництва Міністерства оборони України у 2015 – 2017 роках (у розрізі по роках)?

Твердження є невірним. Міністерством оборони України планувалися до реалізації проекти капітального будівництва за прямої участі УКБ відповідно до наказів Міністерства оборони України, якими затверджувалися Переліки житлових об'єктів, які передбачалося фінансувати у 2015 – 2017 роках за рахунок коштів бюджетної програми КПКВ 2101190 "Будівництво (придбання) житла для військовослужбовців Збройних Сил України", та розміщувалися на WEB-сайті Міністерства оборони України.

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У 2015 році планувалося до реалізації ряд проектів капітального будівництва (накази Міністерства оборони України, що розміщувалися на WEB-сайті Міністерства оборони України), завершено 4 проекти капітального будівництва з введенням 4 об'єктів в експлуатацію (3 об'єкта на 44 квартири в м. Миколаїв та 1 об'єкт на 10 квартир у м. Бережани Тернопільської області).

У 2016 році планувалося до реалізації ряд проектів капітального будівництва (накази Міністерства оборони України, що розміщувалися на WEB-сайті Міністерства оборони України), не завершено жодного проекту.

У 2017 році планувалося до реалізації ряд проектів капітального будівництва (накази Міністерства оборони України, що розміщувалися на WEB-сайті Міністерства оборони України), завершено два проекти з введенням об'єктів в експлуатацію (70 квартир у м. Кропивницький та 4 квартири в м. Володимир-Волинський).

У зв'язку з неритмічним бюджетним фінансуванням, специфікою (тривалістю) проведення процедури закупівлі виконання будівельно-монтажних робіт відповідно до вимог Закону України "Про публічні закупівлі" і укладення договорів на їх виконання, 26 проектів капітального будівництва за прямої участі УКБ заплановано до реалізації у 2018 році (накази Міністерства оборони України, що розміщувалися на WEB-сайті Міністерства оборони України).

3. Чи вірним є твердження, що Міністерство оборони України розпочало практику застосування типових договорів будівництва житла? Якщо так, то чим це підтверджується? Скільки договорів будівництва було укладено у період 2014-2017 роки (у розрізі по роках)? Скільки договорів (у розрізі по роках) було укладено із застосування типового договору?

Замовником капітального будівництва (реконструкції) об'єктів житлового призначення є Міністерство оборони України.

Відповідно до наказу Міністерства оборони України від 03 листопада 2015 року № 610 "Про затвердження Положення про організацію капітального будівництва (реконструкції) об'єктів Збройних Сил України військового, спеціального, житлового та соціально-культурно-побутового призначення" виконання функцій замовника капітального будівництва (реконструкції) об'єктів житлового призначення покладено на територіальні управління капітального будівництва МО України.

На підставі довіреностей Міністерства оборони України право укладення від імені Міністерства оборони України договорів для здійснення будівництва (реконструкції) об'єктів житлового призначення за бюджетною програмою КПКВ 2101190 "Будівництво (придбання) житла для військовослужбовців Збройних Сил України" покладено на територіальні управління капітального будівництва Міністерства оборони України.

Договори підряду (реконструкції) укладаються відповідно до вимог Господарського та Цивільного кодексів України та постанови Кабінету Міністрів України від 01 серпня 2005 року № 668 "Про затвердження Загальних умов укладення та виконання договорів підряду в капітальному будівництві" (зі змінами), які є обов'язковими для врахування під час укладення та виконання договорів підряду в капітальному будівництві.

У 2014 році укладено 6 договорів з реконструкції об'єктів.

У 2015 році укладено 4 договори з реконструкції та 5 з будівництва об'єктів.

У 2016 році укладено 1 договір з будівництва об'єкта.

У 2017 році укладено 5 договорів з будівництва та 1 з реконструкції об'єктів.

4. Чи вірним є твердження що здійснює закупівлю на вторинному ринку виключно із застосуванням системи публічних закупівель "Прозоро"? Який відсоток житла (у грошовому еквіваленті) був закуплений на вторинному ринку із застосуванням системи публічних закупівель "Прозоро" з моменту введення в дію Закону України "Про публічні закупівлі"?

Твердження є невірним, так як відповідно до Закону України "Про публічні закупівлі" ст.2 п.3 дія зазначеного Закону не поширюється на випадки, якщо предметом закупівлі є: придбання, оренда землі, будівель, іншого нерухомого майна або майнових прав на землю, будівлі, інше нерухоме майно.

Кабінетом Міністрів України прийнято розпорядження від 25.04.2018 № 275-р "Про продовження проведення експерименту під час придбання житла для військовослужбовців Збройних Сил України".

Наказом Міністерства оборони України від 30.10.2017 № 564 затверджений Порядок проведення експерименту під час придбання житла для військовослужбовців Збройних Сил України, що є підставою розпочати процедуру придбання квартир із застосуванням системи публічних закупівель "Прозоро".

У Міністерстві оборони України Закупівля житла на умовах пайової участі та на вторинному ринку за бюджетні кошти здійснюється на конкурсних засадах відповідно до Порядку використання коштів, передбачених у державному бюджеті на будівництво (придбання) житла для військовослужбовців, осіб рядового і начальницького складу, затвердженого постановою Кабінету Міністрів України від 16 лютого 2011 р. № 147 (зі змінами).

Конкурси проводяться відкрито, інформація про проведення конкурсів розміщується та оприлюднюється на офіційному веб-сайті Міністерства оборони України (www.mil.gov.ua, розділ "Державні закупівлі" підрозділ "Конкурсна комісія з відбору пропозицій щодо закупівлі квартир"), а також опублікована у газеті "Народна армія".

5. Чи вірним є твердження, що Міністерство оборони України розробляє альтернативні варіанти скорочення черги на житло? Якщо так, то чим це підтверджується? Які механізми або концепції напрацьовані станом на сьогодні?

Фінансування програми по забезпеченню житлом військовослужбовців Збройних Сил України та інших військових формувань і правоохоронних органів здійснювалося відповідно до Комплексної програми забезпечення житлом військовослужбовців, осіб рядового і начальницького складу, посадових осіб митної служби та членів їх сімей, затвердженої постановою Кабінету Міністрів України від 29 листопада 1999 р. № 2166, зі змінами (далі – Програма).

Термін дії Програми, у редакції постанови Кабінету Міністрів України від 15 грудня 2010 року № 1191, встановлений з 2011 по 2017 роки. Проектним офісом реформ Міністерства оборони України було запропоновано створення

“Концепції реформування забезпечення житлом військовослужбовців, осіб рядового і начальницького складу та членів їх сімей”.

У 2016 – 2017 роках у Міністерстві оборони України, за участі представників Проектного офісу реформ Міністерства оборони України було опрацьовано проект розпорядження Кабінету Міністрів України “Про схвалення Концепції реформування забезпечення житлом військовослужбовців, осіб рядового і начальницького складу та членів їх сімей” (далі – проект акта).

Крім традиційних шляхів отримання житла, у проекті акта було визначено вісім нових напрямів таких як можливість спільного фінансування булізництва житла у тому числі за програмами державно-приватного партнерства, отримання житла за рахунок лізингу, отримання від місцевих органів влади житла, за рахунок відрахувань на розвиток інфраструктури населених пунктів та інші.

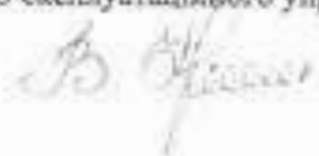
Разом з тим зазначені шляхи законами України та підзаконними актами не врегульовані, що не дає можливості провести їх фінансово-економічні розрахунки, натомість Міністерство фінансів України без надання зазначених розрахунків відмовляється погоджувати проект розпорядження.

Враховуючи зазначене, Міністерство фінансів України, Міністерство економічного розвитку і торгівлі України та Міністерство внутрішніх справ України проект акту не погодило, із посиланням на те, що за умови його схвалення передбачатиметься виконання одночасно декількох нормативно-правових актів, що мають один предмет регулювання – забезпечення житлом військовослужбовців.

Тому під час проведення узгоджувальних процедур зацікавленими ЦОВВ було погоджено позицію Міністерства економічного розвитку і торгівлі України, про те, що з метою недопущення дублювання завдань і заходів та розпорощення бюджетних коштів, проблему забезпечення житлом військовослужбовців вирішувати шляхом внесення відповідних змін та доповнень до діючої Комплексної програми забезпечення житлом військовослужбовців, осіб рядового і начальницького складу, посадових осіб митної служби та членів їх сімей.

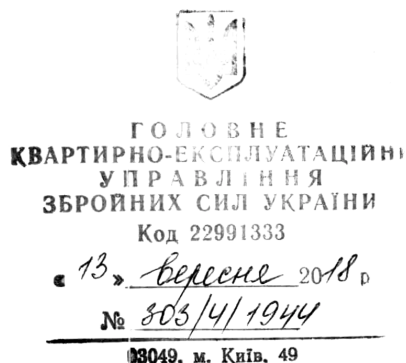
На виконання доручення Державного секретаря Міністерства оборони України від 10.01.2017 № 1773/у/151-2016 у Головному квартирно-експлуатаційному управлінні опрацьовується проект законодавчого акту щодо внесення змін до вищезгаданої Програми

Тимчасово виконуючий обов'язки
начальника Головного квартирно-експлуатаційного управління
Збройних Сил України
полковник



В.М.ГРИНЬ

Annex 2



Незалежний антикорупційний
комітет з питань оборони

вул. Січових Стрільців (уд. 34-45,
5-й поверх, м. Київ, 04013

У Головному квартирно-експлуатаційному управлінні Збройних Сил України за дорученням опрацьовано дослідження корупційних ризиків в сфері житлового забезпечення (далі – Дослідження) проведено Незалежним антикорупційним комітетом з питань оборони (далі – НАКО).

Проблема соціального захисту військовослужбовців та членів їх сімей перебуває на вістрі впродовж усієї новітньої історії Українського війська. Після розпаду СРСР в Україну почали масово повертатися наші співвітчизники з найвіддаленіших його точок. Усіх потрібно було розмістити, надати посади і при можливості житло. Черга зросла в рази.

Внаслідок цього, а також незадовільного фінансування будівництва житла, станом на 1 січня 2018 року на квартирному обліку в гарнізонах Збройних Сил України перебуває **47,1 тис.** сімей, з них у списках пільгового забезпечення житлом – **29,0 тис.** (62,5 %).

Довідково: 9,3 тис. (19,7 %) – перебувають у списках позачергового забезпечення житлом, з них 486 інвалідів війни та прирівняних до них;

21,9 тис. (46,5 %) – у списках першочергового забезпечення житлом, з них 16,1 тис. учасників бойових дій та 0,6 тис. інвалідів 1, 2 групи та тяжкохворих.

Із загальної кількості:

35,6 тис. (75,6 %) військовослужбовців дійсної служби, у тому числі **7,9 тис.** (16,8 %) військовослужбовців рядового та сержантського складу, які проходять військову службу за контрактом;

11,5 тис. (24,4 %) військовослужбовців, звільнених у запас або відставку, з них **3,8 тис.** (8,0 %) звільнені у зв'язку з реформуванням Збройних Сил України.

Потреба у житлі в гарнізонах Збройних Сил України складає:

25,4 тис. (54,9 %) квартир – для забезпечення постійним житлом та

20,9 тис. (45,1 %) квартир – для забезпечення службовим житлом.

Довідково: найбільш гостро проблема стоїть в 11-ти гарнізонах: Київському (8,6), Одеському (3,6), Вінницькому (2,6), Миколаївському (2,4), Львівському (2,4), Харківському (2), Житомирському (1,4), Хмельницькому (1,2), Васильківському (1,2), Чернігівському (1) та Рівненському (1). В цих містах зосереджена значна кількість військових частин та підрозділів.

Розуміючи важливість та соціальну значимість цього питання у Міністерстві оборони ведеться напружена та складна робота по його вирішенню у тому числі за участі представників волонтерських організацій та незалежних фахівців і радників.

Разом з тим, за результатами аналізу Дослідження змушені констатувати, що воно містить досить значні неточності, свідомо чи несвідомо і перекручені факти з посиланнями на електронні адреси які відсутні в мережі Інтернет,

висновки, які спираються не на вимоги законодавства, а виражають особисту точку зору авторів Дослідження.

Так, на стор.12 Дослідження міститься посилання за № 5, яке відсутнє в мережі Інтернет. На цій же сторінці ведеться мова про об'єкти будівництва, які не мають жодного відношення до системи забезпечення житлом, оскільки мова іде про об'єкти для розміщення військових частин і підрозділів під час навчань на полігонах.

Також невідомо із яких джерел отримано інформацію розміщену на стор.16 Дослідження про те, що для реєстрації у черзі документи військовослужбовців обробляються вручну у Міністерстві оборони України, хоча насправді ця робота проводиться виключно за місцями проходження військової служби та виключає можливість втручання в процес фахівців Міністерства оборони України.

У Дослідженні до корупційних ризиків (стор.20) віднесено наступне “Військовослужбовці намагаються ставати у чергу у великих містах особливо у Києві...”. Хоч в чинній Інструкції про організацію забезпечення військовослужбовців Збройних Сил України та членів їх сімей жилими приміщеннями, затвердженої наказом Міністерства оборони України від 30.11.2011 № 737, зареєстрованого у Міністерстві юстиції України 10.01.2012 за № 24/20337 зазначено, що військовослужбовці мають право стати не квартирний облік не за їх побажаннями, а за місцем проходження військової служби.

При цьому слід зазначити, що розділ 2.3 “Виявлені факти корупції та недоброчесності” містить інформацію про одну із посадових осіб, її призначення на посаду і не містить якихось інших фактів, щодо незаконного виділення житла чи фактів зловживання владою під час його розподілу.

На нашу думку це свідчить насамперед про прозорість процесів виділення житла та ефективність багаторівневої системи контролю за його розподілом.

Разом з тим ми зацікавлені в подальшому вдосконаленні підсистеми “Житло” і сподіваємося, що фахівці, яких зможе рекомендувати НАКО допоможуть в проведенні цієї роботи.

Аналогічно проаналізувавши частину другу Досліджень “Рекомендації” повідомляю, що деяка частина запропонованих заходів на нашу думку призведе лише до неефективного використання робочого часу під час їх проведення без видимого економічного ефекту, а значна частина із запропонованих заходів, яка може забезпечити в подальшому можливість вирішення питання забезпечення житлом військовослужбовців і членів їх сімей уже проводиться в Міністерстві оборони України

Так, запропоноване проведення аудиту черг (сторінка 51) проводиться в військових частинах і підрозділах та квартирно-експлуатаційних органах щорічно, які і передбачено керівними документами.

Заходи, передбачені етапами 1.2, 2-4 пункту 2 розділу другого Досліджень вже впроваджуються у Збройних Силах України.

За дорученням Верховного Головнокомандувача – Президента України у Міністерстві оборони України спільно з радниками із країн членів НАТО розпочата підготовка законопроекту по принциповому реформуванню системи забезпечення житлом військовослужбовців, заснованому на досвіді цих країн, орієнтовно починаючи з 01 січня 2020 року.

Законопроектом передбачено створення фонду штатно-посадового службового житла на території військових частин або в безпосередній близькості від них по **принципу “MILITARY BASE”**. Це житло закріплюється

за військовими посадами і буде використовуватися виключно за призначенням, тобто не підлягатиме передачі у приватну власність.

Після набуття вислуги на військовій службі 20 календарних років військовослужбовцю плануються виплачувати одноразову грошову допомогу на вирішення житлових питань (монетизація процесу забезпечення житлом), яка буде розраховуватися однаковою для всіх населених пунктів, незалежно від займаної посади чи військового звання.

Законопроект дасть можливість на протязі 20 років зосередити зусилля на ліквідації існуючої квартирної черги, створенню фонду штатно-посадового житла, а через 20 років – приступити до виплат грошової допомоги.

Рекомендації з реформування системи житлового забезпечення вказані у пункті 3 розділу другого Досліджень уважно вивчені, і з приводу їх впровадження слід зазначити наступне.

Стосовно підпункту I – посилення:

Головне квартирно-експлуатаційне управління Збройних Сил України є структурним підрозділом Міністерства оборони України і по суті являється організацією з чіткими завданнями та обмеженнями, які насамперед стосуються обмеженості у штатному персоналі та фонді оплати праці працівників. Тому питання щодо створення додаткових підрозділів, найму додаткових працівників на разі виглядає сумнівною.

Стосовно підпункту II – системний розвиток:

на жаль, у деяких положеннях вказаного підпункту викладені стандартні принципи формування досягнення стратегічних цілей і тактичних успіхів підприємства, яке не відноситься до бюджетних організацій, та не має зазначених вище обмежень в частині оплати праці персоналу.

Одночасно повідомляю, що в Головному квартирно-експлуатаційному управлінні ЗС України проводяться процедури по системі “PROZORRO” по закупівлі робіт з будівництва та ремонту військових об’єктів і казарм поліпшеного планування, а в поточному році в якості експерименту проводитиметься процедура закупівель квартир для військовослужбовців.

Разом з тим, Дослідження надані фахівцям в сфері будівництва і реконструкції і капітального ремонту житла для опрацювання та вивчення пропозицій щодо можливості їх запровадження у повсякденній діяльності.

Головне квартирно-експлуатаційне управління ЗС України зацікавлене у подальшій співпраці з всіма організаціями, діяльність спрямована на вирішення питань забезпечення житлом військовослужбовців та членів їх сімей і сподівається, що наведена вище інформація сприятиме подальшій спільній діяльності із НАКО.

Начальник Головного управління
полковник



О.Г.АЛУШКО