

# NEWSLETTER

## UKRAINE

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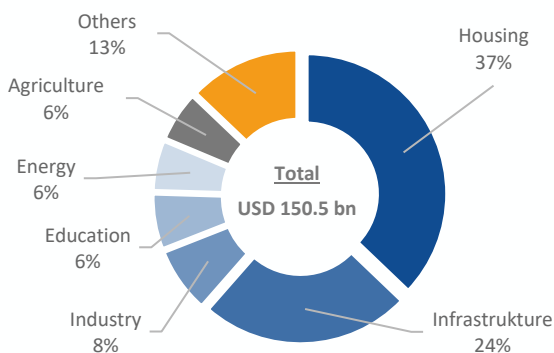
### A 'DREAM' for reconstruction

It has been more than 17 months since Russia launched its full-scale invasion of Ukraine, escalating the war it started in 2014. The hostilities have taken a massive toll on human and economic resources, with thousands of people killed, millions of people internally displaced or forced to flee to other countries, and thousands of humanitarian infrastructure objects destroyed. While the war is ongoing, the focus shall be kept on survival. But is also the time to develop comprehensive approaches for Ukraine's reconstruction as the effort is and will be tremendous. After Ukraine established the Agency for Restoration, a new digital solution for reconstruction project implementation was presented during the London URC Conference 2023, named DREAM. This system integrates different state IT platforms and aims to provide a transparent and easily accessible project application and implementation platform for Ukraine's main stakeholders: the Ukrainian people, its civil society, local administration, state government, and international partners.

#### Reconstruction costs increase day by day

Recent estimates by the Ukrainian government and international partner institutions (RDNA2) put the cost of reconstruction at USD 411 bn by February 2023, including USD 135 bn of direct damage assessment. Since then, however, direct damage estimates have increased by another USD 15 bn until June.

#### Direct damage estimate



Source: Kyiv School of Economics, Jun-23.

Specifically, more than 168,000 residential buildings and more than 4,000 education facilities were damaged or destroyed, underlining the humanitarian component of reconstruction considerations.

#### Challenges for reconstruction

As the reconstruction costs are extraordinarily large, it is crucial to channel reconstruction efforts based on clear rules and principles, including the following:

- Ongoing financial support to sustain the Ukrainian economy during the war
- Aligning recovery efforts with international standards
- Ensuring that reconstruction efforts are owned and coordinated by Ukrainian people at the national, regional, and local level
- Promoting transparency and accountability throughout the process

Furthermore, this process is not just an opportunity to repair but also to renew following the 'build back better' concept. With tens of thousands of projects to be run simultaneously, given the damages, the large-scale reconstruction of Ukraine with all its complexity cannot be handled by a single 'brick' institution with a 'paper' bureaucracy. Managing and aligning financial sources and developing capacities to absorb the reconstruction needs presents a distinct challenge.

#### The DREAM: main targets

The Ministry for Restoration, jointly with the State Agency for Restoration, Open Contracting Partnership, Transparency International Ukraine, the Better Regulation Delivery Office, and key NGOs at the RISE Ukraine Coalition have developed a new digital solution to list the reconstruction projects: "[DREAM](#)". DREAM is an acronym for Digital Restoration Ecosystem for Accountable Management, a system that will integrate key statistical datasets and publish data on reconstruction projects to be coordinated with efficiency, transparency, and accountability from state digital registers and systems, local communities to build trust between the authorities, citizens, businesses, and financial institutions. By the end of 2023, it will integrate the following nine state IT solutions that allow digitizing the entire reconstruction cycle.

- (1) Register of Damaged and Destroyed Property
- (2) GIS - Geoinformation system for regional development (under development)
- (3) Single Electronic System in the Construction Sector (e-Construction)
- (4) Diia - A single portal for public services
- (5) Sectoral Infrastructure Reconstruction Management System
- (6) Prozorro - Electronic public procurement system
- (7) eContracting (under development)
- (8) Spending.gov.ua - Single web portal for the use of public funds
- (9) Unified state register of legal entities

DREAM tracks a project from its creation until implementation. In this way, donors, civil society, government, communities, and businesses can track all procurement transactions related to a particular project through a single platform, enabling more efficient coordination among them.

### How does DREAM work?

Each DREAM project has its own ID that allows any user to see what stage it has reached. To give an example: a community in the Kharkiv region wants to build a new school to replace the one destroyed by Russian shelling. So, DREAM allows all stakeholders to monitor all key steps in the reconstruction process as they are all made public.

- 1) The local authority creates a new project ID, uploads details about the school and connects it with the corresponding object in the Register of Damaged and Destroyed Property
- 2) Then, the authority develops the project documentation, including cost estimates
- 3) Once the project is assessed according to prioritisation criteria jointly developed by the World Bank and the Ukrainian government, it can be tracked through the full implementation pipeline
- 4) Donors evaluate the cost estimate and coordinate the project with each other. After the selection of a donor, a public tender is created in Prozorro
- 5) An implementation party is selected based on the public tender and the rebuilding of the school starts
- 6) All stakeholders: the Ukrainian population, local civil society, local authorities, state government, the donor and the implementation party can monitor all these steps until the school is rebuilt

DREAM is envisioned to have monitoring and control features, including tools for public participation (eDem) such as public hearings or feedback on project implementation. Starting in 2024, community residents will have the opportunity to vote for projects they support or initiate their ideas for implementation. This public hearing module is integrated into DREAM and is a crucial component in the decision-making process. Business intelligence module, dashboards, and open data tools allow anyone in the world to view projects planned for implementation and track their implementation on every stage.

### The current role

Although DREAM was just introduced at the London Conference in June, there are thousands of projects already uploaded to the ecosystem financed by international financial institutions and donors – the European Investment Bank, World Bank, and USAID. Using DREAM

is also obligatory for all local authorities looking for financing from the State Fund for Liquidation of the Consequences of Russian Aggression. As of August 16, 290 regional and local projects received UAH 11.3 bn (ca. USD 300 m) from this Fund to be implemented within 2024. With all the projects being publicly displayed, the ecosystem allows for the interests of investors and donor organizations to be matched with the needs of regions and communities.

### Outlook

All key tools and features of DREAM will be developed and implemented over the remainder of 2023, including the dashboards and tools for donors, and public API. Some of the additional solutions like the risk-management system and eDem functionality are scheduled for 2024. This will make it a complex and large-scale system for reconstruction and investment management. All in all, DREAM provides a key transparent ecosystem to achieve the dream of a modern, strong, and prosperous European Ukraine.

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**Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus\*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.**

*\*Advisory activities in Belarus are currently suspended.*

### Editors

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