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APPRAISAL REPORT ON THE DRAFT CONCEPT PAPER ON STATE REGIONAL POLICY FOR UKRAINE

The present report concerns the concept paper on “State Regional Policy” developed by the Ministry of Regional Development and Construction of Ukraine at the request of the Ukrainian Cabinet of Ministers.

The report was prepared by the DGDPA, Directorate of Democratic Institutions, of the Council of Europe, on the basis of the appraisals by Professors Paul Hildreth (United Kingdom) and Gérard Marcou (France).

1. INTRODUCTORY REMARKS : AIM AND INSTRUMENTS OF A MODERN REGIONAL POLICY

There is considerable contrast between traditional and modern regional policy. Traditional regional policies sought to overcome regional imbalances by using state aids and subsidies to encourage the location of sectors of industry to more disadvantaged parts of the economy. However, it has been shown conclusively that this approach does not work.

The ambition of modern regional policy is to seek to realise the potential of different regions and localities, and their populations.

Modern regional policy acknowledges the reality that market competition and openness to the wider world economy impacts differently on different regions and localities. As a result, it should take advantage of market-led opportunities in the regions and in the national economy. Different places offer different potential and opportunities, and face different challenges. In this context, the appropriate role of Government is to identify and address the barriers (market and government failures) that prevent regions, their localities and the people who live in them from realising their potential. This involves building the capacity of regions to develop business growth opportunities and improve the connectivity of weaker areas to opportunities within the wider economy.

Therefore, the key instruments of modern regional policy are:

- Information and intelligence - developing an evidence base that identifies the barriers that are preventing regions and localities from reaching their potential and assessing their capacity for future growth and in doing so enabling the provision of:
 - An overall state policy for the future direction for regional development.
 - A framework for the development of regional strategies.
 - Up to date and informative regional statistics.
 - Regular evaluation of progress achieved.
- Governance infrastructure – capacity to overcome government coordination and information dysfunctions by developing local and regional governance institutions that are responsive to their public and other stakeholders and have the capacity to:
 - Provide an effective performance framework between central government and regional institutions. This should establish clear communication from the Government on what it expects for regional outcomes and for regional institutions to have the capacity to report progress.

- Be effective in working in partnership with regional and local governance institutions and with the private sector and civil society.
 - Be open, transparent and accountable in decision-making.
 - Assess regional and local needs, challenges and opportunities for development.
 - Have access to resources to fulfil the powers and responsibilities delegated to them by the state.
 - Intervene at the appropriate spatial level, taking into account the principles of subsidiarity and economic principles relating to economies of scale.
 - Establish appropriate delivery vehicles (e.g. Regional Development Agencies) and instruments to implement policies and secure regional performance objectives.
- *Policy and project instruments* – Appropriate legal framework for the structures, systems and processes of an effective regional policy structure as described above.
- Policy instruments operating at appropriate spatial levels through effective institutions to enable and facilitate, for example:
 - Priority sectors for growth (e.g. agriculture, tourism, advanced manufacturing and advanced services);
 - Investment in basic and physical infrastructure (e.g. water, waste management, energy);
 - Investment in transport infrastructure to improve connectivity between and within regions;
 - Growth and start-up of micro and small and medium-sized companies;
 - Sourcing of inward investment;
 - Investing in training and education to develop labour force capacity and competitiveness.
 - Develop appropriate vehicles for the delivery of chosen policy instruments.

One crucial question is: how to get the relevant public stakeholders involved and on what basis will decisions be made as to the appropriate level for effective decentralised decision making? The answer is partly dependent on the vision of what local and regional governments are (or should be), the role they are (or should be) requested to perform and their capacity to deliver.

In the box below are four broad principles which are taken into account in the United Kingdom when developing a consistent approach that might be taken in analysing the relative strengths and weaknesses in decentralising policy interventions to different government levels across policy areas¹

- Enabling local solutions: the tailoring of economic policies to reflect the different economic challenges facing different places. However, decentralising economic policies will only bring benefits if places do face different challenges, either because the market failures which the policy seeks to address have differential impacts or if Government policies have unintended spatial impacts
- Ensuring that costs and benefits are considered across economic areas: the risk that lower government levels may not consider significant policy impacts on other jurisdictions (e.g. a region not considering the impact of a policy on another region), leading to policies which are not in the national interest or the loss of policy opportunities that could make all places better off, is a limit to decentralisation
- Exploiting economies of scale and scope: the benefits from tailored local solutions are also subject to the extent of economies of scale and scope. Higher levels of government may enjoy cost savings from large-scale delivery or have better access to specialised staff or knowledge of best practice
- Enabling effective co-ordination: reflecting the need for co-ordination both within different dimensions or service areas of a policy and between policy areas

2. THE CONCEPT PAPER : ITS STRENGTHS AND WEAKNESSES

a) General structure of the concept paper

The concept paper is divided into 8 sections:

1. General: this section points out the most vital challenges which make a new regional policy necessary and provides short definitions of regions and the “national regional policy”.
2. Objective and fundamentals of the national regional policy: this section gives a broad definition of the objective of the national regional policy and a list of principles upon which this policy has to be based, including numerous institutional principles such as the support to the development of local self-government; the role of local government is considered in a number of other

¹ Source: Department of Communities and Local Government - UK (2008)

principles, and among the “subjects” to be involved in the implementation of this policy.

3. International factors of the national regional policy: this section refers to a number of conventions and documents from the Council of Europe, and underlines the fact that Ukraine’s policy must foresee the development of crossborder and interregional cooperation.
4. Directions of the modern State regional policy: this is the most important section, since it is a kind of programme listing the priorities of the national regional policy.
5. Territorial organisation of public administration: this section constitutes the local government and administrative reform part of the regional development policy, or at least considers that the objectives of this policy have to be taken in account in the local government and administrative reform; the transfer of powers to local governments is envisaged.
6. Implementation instruments of the state regional policy: this deals mainly with the public finance, information and planning requirements of the national regional development policy; economic and personnel issues are also considered.
7. Regional development monitoring and State response: this section is mainly on indicators and the data required to build them.
8. Implementation mechanisms of the national regional policy: this section is a list of pieces of legislation to be adopted and institutions to be established; the related requirements regarding information and personnel issues are also mentioned.

b) The strengths

The concept paper identifies many of the elements that would form a comprehensive regional policy for Ukraine.

It determines a clear set of objectives for regional policy in Ukraine, recognises the underlying challenges and is clear about the framework for the administrative and governance structure for regional policy in Ukraine. It also proposes conformity to Council of Europe, European Union and other international best practice requirements and good governance principles (including: subsidiarity, decentralisation, openness, partnership and the national state’s commitment to a clear allocation of responsibilities between different tiers of government), sets out a comprehensive list of potential policy instruments for the implementation of regional policy and suggests a process for the evaluation of its effectiveness.

The experts welcome in particular several proposals on: institution and capacity building; the governance and the operational implementation of the regional development policy; cross-border co-operation (even though further improvements could be suggested).

➤ *Institution and capacity building*

The concept paper proposes streamlining the State administration in charge of the regional development policy: at the central level, the central executive body for the regional development policy, and their local branches (section 8). This implies better identifying these structures in the Ministry of the Economy, at the central level, and in the State administration of the oblast. Such a move would facilitate the specialisation and professionalisation of civil servants for regional development policy. It is suggested that questions about the institutions of the regional policy be referred to the government committee for reforms, so that the requirements of this policy be taken in account in reform plans.

The concept paper envisages an objective-oriented analysis of budget requirements of the main fund managers within the framework of the preparation of the draft national budget, with the view to concentrating financial resources for the implementation of regional development goals and programmes (section 6). This approach could help to enshrine the regional policy at the core of the budgetary decision-making process, thus avoiding using it as an adjustment variable². More generally, provisions linking the regional development policy with budgeting are quite useful, especially with the introduction of long-term budget planning, and all measures securing resources for local governments must be supported.

The following elements are also commended:

- The emphasis on the interdepartmental nature of the State regional policy, and the necessity to ensure its implementation through co-ordination and co-operation between the bodies of the executive power, local self-government bodies and civil society organisations (section 1, in fine).
- The attention to due staffing of executive authorities and local governments, to selection criteria, careers, rotation of office in various regions and targeted training of public and local officers in response to new challenges (section 8, in fine). This obviously includes regional development issues, but it would be better to specify and emphasise it.
- The recognition of the importance of monitoring the effectiveness of the regional policy (section 7), and improving the quality of data for the analysis of regional social and economic development and the system for their collection (sections 7

² Such a process, if seriously implemented, would be a better guarantee for the budgetary appropriations of the regional policy than the commitment in the present law on the stimulation of regional development to assign a given part of the budget expenditure to it.

and 8)³. Reports will have to be prepared every three years at national and at regional level on the state of regional development, with particular emphasis on: the estimate of trends, results and suggestions as regards priorities, and priority territories (section 8).

➤ *The governance and the operational implementation of the regional development policy*

The concept paper envisages the establishment of a National Council for co-operation between state authorities and local governments regarding the implementation of the State regional policy (section 8). Such a forum could be useful, provided that local governments are represented by councillors and elected mayors.

A law should provide for “compulsory consultations of the central State authorities with bodies of the executive power in the region, local governments, during the preparation and implementation of important decisions concerning the State regional policy” (section 4 in fine). Logically, this National Council should be the forum of such compulsory consultations, but this does not need to be exclusive. The experts would like to stress that, although participation of the representatives of the State executive bodies of the region is important, the representatives of local self-government should not be reduced to an insignificant minority in the Council. This would limit the scope of the consultations and the authority of their results.

It is envisaged to form co-ordination boards for the regional policy at oblast level (oblast, Crimea, cities of Kiev and Sevastopol). The experts expect that this board will include local self-government representatives, and representatives of the private sector and NGOs; however, the concept paper should be more precise on these points (which kind of functions, which kind of members?).

Section 6 also provides for developing a network of regional development institutions and giving a legislative framework to regional development agencies on the basis of public-private partnership. Section 8 provides for the foundation of the regional development agencies in each region, Crimea, Kiev and Sevastopol. Regional development agencies are now widespread in a number of countries (for example England, Romania, Turkey, Latvia, Slovakia...). They may be a useful tool in Ukraine too, where some form of regional development agency already exists⁴. However, it is necessary to evaluate the present practice before embarking on drafting legislation, and to think more in depth about the concept. In principle, regional development agencies are operational structures, vested with the function to channel funds to projects oriented to regional or local development. This raises the question of the accountability of regional

³ These are not purely technical questions, but also political ones, because the evaluation of a given situation and the appropriateness of decisions/corrective measures that will be taken are also dependent on data available.

⁴ The Ukrainian Regional Development Agencies (RDA) are non-governmental agencies (NGOS) with few delegated powers and responsibilities; they are not based on the Western European RDA model.

development agencies (to whom?) and of their governance, beyond the common idea of public-private partnership. The concept paper should be more detailed on the precise definition of their tasks and on the arrangements to secure this accountability.

➤ Cross-border co-operation

This issue is recognised as important at European level, and the European Union has developed several instruments over the years to support this kind of co-operation. The geopolitical situation and the size of Ukraine make it all the more politically sensitive.

The concept paper recognises this issue and states that the active participation of Ukraine in international projects and programmes “*will allow to substantially expanding the representation of the regions of Ukraine in the European economical and political area*” (section 3 in fine). Moreover, cross-border co-operation and co-operation within European regional structures are among the implementation instruments of the State regional policy (section 6), and are taken into account for the co-ordination/harmonisation of reforms (section 2).

However, the concept paper remains silent on the neighbourhood relationships with Russia. Whereas Ukraine is oriented towards the EU, it is also closely linked with Russia by close geographic, economic and cultural ties, and a large part of the population still speak Russian in daily life. This would not change if Ukraine were a member of the EU. On the contrary, Ukraine would bear a special responsibility regarding its border with Russia as an external border of the EU. Therefore, **a long term Ukrainian policy of interregional and cross-border cooperation should include co-operation with Russian local and regional authorities** (although political obstacles might hamper it in the short term).

c) Key areas for improvements

Whilst it is comprehensive in outlining the main elements that should be addressed within a modern regional policy framework, the concept paper requires further work in order to deliver a detailed analysis of the present situation, clarify the priorities and develop the corresponding underlying arguments.

The experts would stress, in particular, the following weaknesses:

- The concept paper does not refer at all to the existing regional development strategy and to the legal framework put in place in the last few years, although these would offer a good basis on which to build the new (further improved) concept.
- The links between regional development policy and local government reforms are not analysed throughout and this results in ambiguities regarding the direction of the reforms, both on institutional and financial aspects.

In addition, it would be appropriate to develop further a number of issues which have not been dealt with sufficiently in depth.

These drawbacks will be analysed in the following paragraphs.

3. OMISSION OF PREVIOUS WORK IN THE FIELD OF REGIONAL DEVELOPMENT POLICY

Since 2001, the Ukrainian government has been working on the design of its regional development strategy and the adoption of key legislation in this area.

In May 2001, the “*Conceptions of the State regional policy*” were approved by a decree of the president of Ukraine and, in November 2001, a bill on the stimulation of regional development was submitted to foreign experts for consultation.

A law of 7 February 2002 provided for a General Planning Scheme of the Territory of Ukraine.

In 2004, the “*National strategy of regional development of Ukraine 2004-2015*” was approved. This wide-ranging document included:

- A summary of the measures already adopted at that time to support regional development;
- A detailed economic analysis of the impact of economic transformation on economic disparities between regions and of regional disparities sector by sector, especially in basic infrastructure; and
- A sketch of the economic profile of each large geographical region of Ukraine with regard to its potential and its difficulties.

This was the basis for the definition of the main tasks of a regional development strategy and of the State priorities until 2015. The institutional aspects (and in particular the territorial reform and the European dimension of regional development) were also considered.

A law on the stimulation of regional development was adopted in autumn 2005 and entered into force on 1 January 2006. This law establishes a comprehensive framework for the regional development policy, including the adoption of a national strategy and of regional development strategies in each region; the basic principles of such strategies are set out in the law. It provides for:

- general instruments and procedures to implement regional development policies, and in particular the conclusion of agreements (угода) for regional development between central government and regional governments (Chapter 2)⁵, and
- specific instruments/measures for the development of “*deprived territories*” (Chapter 3), the procedure and indicators to determine the areas of such territories⁶ and the adoption of targeted programmes to combat the deprivation of given territories⁷.

The law presents the agreements for regional development and the programmes for combating deprivation of territories as distinct instruments for the implementation of the state policy on stimulating regional development. The second ones are a more centralised instrument. Delineated deprived territories may cover only part of a region.

A possible underlying idea for the distinction between these instruments might be that only some wealthier regions have the capacity to mobilise local resources for joint measures supporting regional development, whereas in deprived territories local governments do not have this capacity and, therefore, programmes for combating deprivation should be based on the allocation of central government resources. However, the impulse to mobilise capacities is necessary in these deprived territories, even if less can be expected. As a matter of fact, article 11 also refers to measures of local self-government bodies.

The provisions of Chapter 4 of the law, on financing and reporting, are common to both instruments. Article 12 refers explicitly to decisions on local budgets also for financing measures of programmes for combating deprivation of territories, with annual appropriations in these budgets for these measures. The State is due to devote not less

⁵ According to Chapter 2, agreements for regional development may be passed between the central government and the regional governments (including Crimea, Kyiv and Sevastopol) to carry out common priorities based on a long-term national strategy of regional development and the respective long-term regional development strategies. The purpose of these agreements would be to enforce the joint responsibility of the central, regional and local governments to foster regional development in Ukraine. Although the law does not use the word “*contract*” (договір), the agreement seems to be considered legally binding, since they have to include stipulations on the parties’ liability in case of non execution or improper execution and, according to the law, the decision of one party to denunciate the agreement before its term may be challenged before the competent courts.

⁶ The final decision classifying territories as deprived territories is taken by the Cabinet of Ministers, including “the ratio of state, regional and other financial resources allocated for the implementation of the programmes to combat deprivation” (art.9). Article 10 sets out the central government measures that can be involved in favour of deprived territories.

⁷ See article 11. The programme is defined as “a coherent document” for the implementation of all kinds of activities aimed at combating deprivation of a particular territory “where state and regional resources” are engaged. Following the Ukrainian text (інші ресурси держави і регіону), the expression “regional resources” is not to be understood as referring to regional budgets, but to all kinds of resources that can be mobilised in the region, taken in a rather geographical sense (the region as an administrative unit is область).

than 0.2% of the revenues of its budget⁸ to regional development every year. This is a global commitment covering both the funding of the agreements for regional development and the programmes for combating deprivation of territories.

On the basis of Chapter 2 of this law, the Ministry of the Economy prepared in 2005 a regional agreement model and an instruction on the procedure to elaborate and adopt such an agreement. The instruction was approved in early 2006 by the Cabinet of Ministers and was accompanied by a model of “regional development agreement”⁹. From the end of 2005, the preparation of several pilot regional development contracts had been undertaken.

Regional development agreements (угода) are mentioned once in the long section 6, (instruments of implementation of the State regional policy) of the concept paper, as a way to harmonise national and regional priorities.

However, there is apparently no other mention of the previous documents and no appraisal of their implementation. The experts wonder what has happened with:

- the *National Strategy of Regional Development 2004-2015*,
- the National Planning Scheme,
- the law of 2005 on the stimulation of regional development and the regional development agreements undertaken from the end of 2005.

For example, why does the concept paper propose (in section 4) to prepare a law on regional development, ignoring the law entered into force on 1 January 2006? It is necessary to avoid repeating what has already been done and learn from experience.

Summing up, the experts consider that it is essential to take into account previous work carried out in regional development policy and build on the evaluation of the existing strategy and the way it was implemented. They strongly recommend presenting alongside the concept paper a *policy context paper* setting out evidence for the particular economic, environmental and social challenges and opportunities for sub-national economic development in Ukraine.

4. REGIONAL POLICY AND ADMINISTRATIVE REFORMS

The concept of State Regional Policy has obvious implications for the administrative reforms and, in particular, for the local government reforms. These implications are not ignored in the document and the experts acknowledge a number of good, innovative proposals. However, the links between regional development policy and local

⁸ However, it is not specified which budget: the general part, or the whole budget, including the special part of the budget?

⁹ This procedure was devised on the basis of the French experience of State-Region plan conventions; regulations, reports on the evaluation of this experience and one contract (with the Nord-Pas-de-Calais region) were translated into Ukrainian.

government reforms are not sufficiently explored and the direction of these reforms remains to a certain extent unclear.

The reform of local government has been on the political agenda in Ukraine since 2001, and several bills have been prepared to improve the system established on the basis of the Constitution of 1996 and the Local Government Act adopted in 1997. Several draft laws on local government were submitted to the Council of Europe for advice. In particular, five bills of October 2005 on municipalities, districts, regions, the territorial structure and the local State administration gave rise to a comprehensive appraisal by the Council of Europe experts. Their report was submitted in early 2006 and presented at a colloquium in Kyiv in spring 2006. The Budget Code of 2001 laid down the basis of a local finance system more favourable to local government, although in practice it has not been fully implemented. The hesitations on the local government reforms reflected in Ukrainian politics are not entirely dissipated by the concept paper.

Several statements seem to express the intention to resume the reform process. Regions are defined as *“territorial units of the sub-national level which have regional executive authorities, representative and executive local self-governing bodies (Crimean Autonomous Republic, oblasts, Kyiv and Sevastopol cities), as well as other territorial formations, determined by the legislation for achievement of special development goals in these territories”* (section 1, in fine).

The reference to *“executive local self-governing bodies”* as distinct from the *“regional executive bodies”* suggests the intention to carry out one of the reforms contained in the 2005 bills, whereas at present the councils of regions, districts and the cities of Kyiv and Sevastopol do not elect their executive bodies, which are appointed by – and subordinated to – the central government.

Section 5 of the concept paper seems to announce a new system where: *“local governments that have their own executive bodies act at the three levels of the administrative-territorial structure”*. However, it is not clearly stated that this is the vision for the future and the text sounds somewhat ambiguous, to the extent that it could also be read as depicting the situation today, whereas this is not the case since proper self-government executive bodies exist only at the municipal level.

Section 2 refers to the *“comprehensive support of the local self-government in Ukraine”*, and to the creation of the *“conditions for local issues to be solved by territorial communities and bodies representing their common interest in accordance with the Constitution and the laws of Ukraine”*. This formulation also sounds ambiguous, as it seems in line with the present article 140 § 3 of the Constitution; the latter stipulates that regional and district councils *“represents common interest of communities of villages, settlements and cities”*, thus denying them the opportunity to be a direct expression of the region/district population as such. The constitutional bill of October 2004 was designed to amend article 140 § 3, in order to make the regional and district council a direct expression of the common interests of their inhabitants, and such a step would justify that they form their executive bodies. Does the statement in the concept paper mean that the

Ukrainian government is moving away from the constitutional amendments of 2004? Or does it mean (and should it be redrafted to clearly state) that local issues shall be solved by self-governing bodies *representing the interest of their population*?

The concept paper stands for “*a well defined allocation of power between local self-governing bodies and local bodies of the executive power*” (...місцевими органами виконавчої влади) and for a “*clear allocation of responsibilities between the national, local executive bodies and local governments in the sphere of development of territories*” (section 4). This should imply the identification of the respective roles and spheres of action, according to the distinct sphere of interests. On the other hand, the concept paper requires “*consideration by the local government of national interests when solving local and regional issues*” (section 4 in fine), while the recognition of the local/regional interests by the national level is not clearly mentioned. The concept paper only calls for the “*creation of effective mechanisms of representation at the national level of the interests of the regions and territorial communities*”, but should also call for their due consideration by the national authorities.

In Section 5, the concept paper deals with the “*redistribution of powers*” but it does not reflect properly the subsidiarity principle, as regards the transfer of functions from the State to local governments. These functions are said to be “*delegated*” (надані), rather than “*devolved*” to local governments. Furthermore, the transfer of powers is dependent on a long list of conditions, the first one being that “*it is impossible or inexpedient for the executive authorities to use these powers*”. Another condition is that “*the number of social service consumers is about the same within one level of an administrative and territorial entity*”. This would mean that the territorial entities do not reflect a living community based on social relations and able to express collective preferences, but proceed from a plan devised by the centre based on a logic of economies of scale and average costs. Even if these considerations are important, everybody knows that such a plan would not be feasible in practice, and it would be better to base the territorial reform on a more realistic approach, combining several criteria.

The experts welcome the statements according to which there should be “*just, transparent and steady apportioning of tax resources between the state, regional and local budgets*” (section 4) and “*a due level of financing*” should be ensured following the transfer of tasks to local governments (section 5). But, what does this mean exactly? The formulation employed (розподіл – apportioning, distributing, sharing) suggests that the approach would be to improve the tax-sharing system but not to concede wider tax power to local governments, although to date these are notoriously insufficient to cover the expenses of the autonomous part of local budgets (i.e. the tasks not taken into account for the purpose of the equalisation system).

In the concept of the regional policy, as reflected in the law of 2005 on stimulating regional development, there was a link between regional development policy and overcoming regional disparities in infrastructure, and hence a link with a reform of State subsidies to finance local government investments. A low level in infrastructure was taken in account in measuring disparities in order to determine the area of deprived

territories and adopt a programme for combating deprivation, and infrastructure has to be also at the core of the content of regional development agreements. In summer 2005, the Ministry of the Economy prepared a new procedure “*of provision of subventions from the State Budget of Ukraine to local budgets for social and economic development of regions*”, for approval, in early 2006, by the Cabinet of Ministers. However, the relationship between the grant procedure and the regional development agreements had still to be clearly devised, although the local basis for this was already in the Budget Code (art.105). In the present concept paper, there are statements on “*target transfers from the national budget to local budgets for solving priority issues of the regions’ steady development*” and on “*State support on a competitive basis of programmes and projects of regional and local development on the basis of joint-funding*” (section 6). However, the relationship between regional development planning and targeted financing of infrastructure projects has to be further elaborated in the concept paper.

Summing up, for the experts it is crucial to be more precise in the definition of the blueprint (vision of what the Ukrainian local and regional governments should be) and clearer about the priority areas for reform and the order in which they will be addressed.

5. SPECIFIC ISSUES WHICH NEED FURTHER CONSIDERATION

The concept paper should address the practical changes to be adopted within the legal and administrative framework to make the reform possible. Questions which remain (at least partially) unanswered include the following:

- What will be the respective responsibilities of national government, local executive bodies and local self-government bodies for regional policy?
- On what basis will decisions be made as to the appropriate level for effective decentralised decision making?
- Within the context of regional policy, what responsibilities are to be decentralised from the state to oblasts?
- What will be the respective roles and responsibilities of regional executive bodies and regional local self-governance bodies?
- What will be the role of coordination bodies for regional policy issues in the Crimea oblast, Kyiv and Sevastopol?
- How will regional bodies develop the capacity to take on greater self-governance responsibilities for regional policy?
- How is regional policy to be funded?

- Which regional body(s) will be responsible for assembling regional strategies or programmes?
- What are the expectations for developing regional strategies? How will they engage the views and experience of regional and local stakeholders?
- Will there be a relationship between regional strategies and a national perspective of regional development, and if so how will this be managed?
- Which state body will take executive leadership responsibility for regional policy in Ukraine? Is it the national council, the “central executive body” or a government department?
- How will regional bodies be accountable to central government for the achievement of regional policy objectives?
- Will a “contract” framework be adopted (e.g. France, Poland) or a more outcome/target based regime (e.g. United Kingdom)?
- Will there be published performance outcomes or targets?
- Will any effort be put into the integration of regional strategies within a national regional economic performance framework?
- From the long list of policy instruments for regional policy, which of these are priority instruments, how are they to be implemented and how are they to be funded?
- Which of the policy instruments are to remain within state responsibility and which are to be delegated to regional bodies?
- Is it also the case (as in countries within the European Union) that responsibility for the delivery of some elements of policy is delegated to a more “private sector” led organisation (e.g. for small and medium-sized business development) that has accountability to regional/state bodies?

CONCLUSIONS

Regional development has an important role to play in realising the economic and social potential of regions and localities in Ukraine and their populations, as well as contributing to strengthening democratic accountability across the country.

The concept paper provides a good foundation to build upon. It is wide-ranging, containing many of the elements that would form part of a modern regional policy. It has been prepared in the context of the challenges being faced by Ukraine in a global context.

It seeks to conform to Council of Europe, European Union and other best practice principles. However, there is more that can be done to strengthen the paper.

The concept paper makes no reference to the work carried out in the last few years in the field of regional development in Ukraine; it seems to start from scratch, despite a number of documents and pieces of legislation that should have been implemented in recent years. Therefore, it should be better related to an evaluation of these previous steps and overcome ambiguities on the kind of local and regional governments that are considered as adequate to the regional development policy.

The concept paper should not remain a catalogue of principles, objectives or proposed measures; it must develop the arguments supporting the approach and justifying the decision on the direction of the reforms. Therefore, the concept paper should be completed by an *evidence paper* and should be further developed on several points, to serve as a basis to resume the reform path concerning regional development and local government, which has been interrupted for some years now.

The priorities for reform to achieve a regional development framework are not entirely clear. There is also a range of important questions about the practical development of such a policy that are not properly addressed within the present paper, although they may form part of the internal discussions within the Government of Ukraine.

A key priority is to deliver capacity at regional and local levels to implement regional policy. However, it is not certain as to how this will be achieved within a framework that also provides clear accountabilities and partnership with central government.

The challenge of turning decentralisation reforms into effective regional outcomes cannot be underestimated. Processes for capacity building, putting in place clear lines of communication and accountability between the different levels of government and securing the active participation of appropriate stakeholders are extremely important to the success of reform.