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BRIEF

**on Regions of Ukraine and Organization of Public
Administration**

(regional and sub-regional level)

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1. Historical aspect of the issue

Administrative and territorial structure

As of the end of formation of the Ukrainian nation and the beginning of liberation struggle for state independence (late XIX – early XX centuries), most of the territories inhabited by the Ukrainians were part of two empires: Russian and Austro-Hungarian. The territory of Ukraine in the Russian Empire was divided into nine provinces, which were subdivided into 97 counties: Kyiv; Chernihiv; Poltava; Podillia; Volyn; Kharkiv; Katerynoslav; Kherson; and Tavria.

In the Austro-Hungarian Empire, Galicia and Bukovyna were separate crown lands within the Austrian Empire, and Transcarpathia was part of the Hungarian state.

In the Ukrainian People's Republic [UPR], the law of March 6, 1918 proclaimed formation of 32 lands (four of which were outside the present territory of Ukraine), which were divided into parishes and communities. Galicia, Bukovyna, Transcarpathia, Southern Bessarabia, and Crimea were not included in the territory of the UPR at that time. Such administrative division was also enshrined in the UPR Constitution, adopted on April 28, 1918.

However, Hetman Pavlo Skoropadskyi having staged the coup d'état abolished this division and restored division of the territory of the Ukrainian state into nine provinces plus two other provinces that were outside the present territory of Ukraine.

Western Ukraine that belonged the Polish state in 1920-1939 was divided into four voivodeships – Volyn, Lviv, Ternopil, and Stanisławów – and part of Ukrainian Polissia belonged to the Brest Voivodeship. The voivodeships were divided into counties. Transcarpathia as part of Czechoslovakia was a subject of the federation, the autonomous land of Subcarpathian Rus. And Bukovyna was part of Romania.

The UkrSSR retained the division of its territory into provinces, counties, and parishes enshrining them in the 1919 Constitution of the UkrSSR. At the time of its creation, there were eight provinces, in 1921 – twelve provinces, and from 1922 to 1925 – nine provinces. In 1923, counties and parishes were replaced by larger districts and raions. In nine provinces, instead of 102 counties and 1989 parishes, 53 districts and 706 raions were formed. In 1925, provinces were abolished, and from August 1, 1925 the UkrSSR included 41 districts and the Autonomous Moldavian Soviet Socialist Republic (AMSSR). In 1930, districts were eliminated. From September 15, 1930 the UkrSSR was divided into the AMSSR, 484 raions, and 18 cities of republican subordination. At that time, Crimea did not belong to the UkrSSR.

In February 1932, five oblasts were formed, in addition to the AMSSR. This created the center-oblast-raion-local council system, which existed until the 2015-2020 reform.

The division of the UkrSSR into seven oblasts and the Moldavian Autonomous Soviet Socialist Republic (hereinafter – the MASSR) was enshrined in the 1936 Constitution of

the USSR. From September 1937, the UkrSSR consisted of 15 oblasts and the Moldavian Autonomous Soviet Socialist Republic.

In September 1939, the territory of Western Ukraine was incorporated into the UkrSSR, and in June-July 1940, Bessarabia and Northern Bukovyna were added to the UkrSSR. On June 29, 1945 on the basis of an agreement between the USSR and the Czechoslovak Republic, the territory of Transcarpathian Ukraine (Carpathian Rus) was incorporated into the UkrSSR. Kherson region was formed from the territories of other regions.

MASSR existed until August 2, 1940. After annexation of Bessarabia by the USSR, the western (Transnistrian) part of the autonomy, along with most of Bessarabia, was merged into the newly created Moldavian SSR, and the northeastern regions of the MASSR were included in Odesa Oblast.

In 1954, Crimea was transferred to the UkrSSR.

Subsequently, administrative and territorial reforms took place in the UkrSSR:

1) in 1957-1960 – with the aim of decentralization and consolidation of raions. One oblast (Drohobych) and 184 raions were abolished. Since the end of 1959, the UkrSSR had 25 oblasts;

2) in 1962 – with the aim of consolidation of raions. More than 350 raions were abolished;

3) in 1965-1966, the previous reform was canceled and raions were broken into smaller units. 224 new raions were created.

After 1966, the administrative and territorial structure did not undergo any significant changes, except for granting of the status of an autonomous republic to the Crimean oblast in 1991.

The principles of administrative territorial structure of Ukraine are enshrined in Article 133 of the 1996 Constitution of Ukraine, according to which the system of administrative territorial structure of Ukraine consists of: the Autonomous Republic of Crimea, oblasts, raions, cities, city districts, villages, and settlements. As of October 1, 2015 Ukraine had one autonomous republic, 24 oblasts, 490 raions, 460 cities (185 of which were cities with a special status, republican or oblast subordination), 111 city districts, 885 urban-type settlements, and 27, 207 villages. There were 10, 278 village councils.

From 2015 to 2020, Ukraine continued to reform its administrative territorial structure at the basic and raion levels. During the reform, 1, 469 functioning territorial communities were formed instead of more than 11, 000 local councils. And instead of 490 raions, 136 new raions were formed. At the same time, oblasts have not undergone any changes, even in the areas partially occupied by the aggressor state.

The administrative territorial structure reform was driven by the decentralization needs, inconsistency of the existing administrative territorial structure with the needs of socio-economic development of administrative territorial units and the state as a whole. The

administrative territorial structure was unbalanced, with raions varying in size and population.

The administrative territorial structure reform formed the basis for decentralization of powers and resources for their implementation from central executive authorities (hereinafter referred to as CEAs) to local self-government bodies (hereinafter referred to as LSGs).

The system of state authorities at the regional and subregional levels

Executive authorities at the subregional and regional levels are local (raion and oblast) state administrations (hereinafter referred to as LSAs) and territorial bodies of central executive authorities. These are local executive authorities that belong to the unified system of executive authorities.

The institution of local state administrations was established in February 1992 in connection with adoption of the Law of Ukraine *On Representative of the President of Ukraine*. According to this law, the President's representatives in oblasts, raions, and the cities of Kyiv and Sevastopol were heads of local state administrations and were subordinate to the President of Ukraine. LSAs in the modern sense function in accordance with the 1999 Law of Ukraine *On Local State Administrations*.

The Constitution of Ukraine calls raion and oblast councils the local self-government bodies representing common interests of territorial communities. However, in most European countries, bodies similar to our oblast councils are regional self-government bodies.

The raion and the oblast constitute a spatial basis for organization and activities of respective local executive authorities, territorial bodies of central executive authorities, and local self-government bodies.

Before the war, the territorial bodies of ministries and other central executive authorities were undergoing the optimization process, which has not been completed.

2. Key (most important) developments in the state policy sphere after the Revolution of Dignity and signing of the EU-Ukraine Association Agreement

On April 1, 2014 the Cabinet of Ministers of Ukraine approved the *Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine* by its Resolution № 333-p. According to it, the following tasks have to be addressed:

- creating an adequate territorial basis for activities of local self-government bodies and executive authorities for ensuring availability and proper quality of public services provided by such bodies, as well as the necessary resource base for this purpose;

- creating appropriate material, financial and organizational conditions for local self-government bodies' performance of their own and delegated powers;

- delineating powers in the system of local self-government bodies and executive authorities at different levels of the administrative territorial structure based on the principle of subsidiarity;

- delineating powers of executive authorities and local self-government bodies on the basis of decentralization of power;
- introducing a mechanism of state supervision of compliance of the decisions of local self-government bodies and the quality of public services with the Constitution and laws of Ukraine;
- creating conditions for maximum involvement of the population in decision-making, and promote development of forms of direct democracy;
- improve the mechanism for coordinating activities of local executive authorities.

The Concept was supposed to be implemented in two stages: the first preparatory stage in 2014, and the second stage in 2015-2017. However, in practice implementation of the Concept lagged far behind both in time and in terms of fulfilling its objectives.

In order to implement the Concept and the respective Action Plan, it was necessary to amend the Constitution of Ukraine and to develop a package of new legislation. Amendments to the Constitution were supposed to resolve the issue of establishing executive bodies in oblast and raion councils, reorganizing local state administrations into prefectural-type bodies, and providing a clear definition of an administrative territorial unit, i.e. a community. For political reasons, these changes were not adopted.

On August 6, 2014 the Government approved the State Strategy of Regional Development for the period ending 2020 by Resolution № 385. The document stipulated that establishment of territorial bodies of central executive authorities and local executive authorities, as well as their structural and functional content, should be based on the principle of subsidiarity. It was emphasized that it is important to coordinate activities of territorial bodies of central executive authorities and local executive authorities both among themselves and with local self-government bodies. The institutional model of power should provide a possibility for de-concentration and decentralization of state powers, i.e. their transfer to the local level (or vice versa) in the process of dynamic changes of regional development conditions.

During implementation of the State Strategy of Regional Development for the period ending 2020, Ukraine created a legal framework and introduced new approaches to strategic planning and regional development funding.

On January 12, 2015 the President of Ukraine approved the Sustainable Development Strategy *Ukraine – 2020*, which identified decentralization and public administration reform, as well as regional policy reform as the key reforms, which was an important step toward introduction of the European living standards in Ukraine and Ukraine becoming a world leader.

In 2014-2015, Laws of Ukraine *On Cooperation of Territorial Communities* (№ 1508-VII of June 17, 2014), *On the Principles of State Regional Policy* (№ 156-VIII of February 5, 2015), and *On Voluntary Amalgamation of Territorial Communities* (№ 157-VIII of February 5, 2015) were adopted.

The Law of Ukraine *On Voluntary Amalgamation of Territorial Communities* made it possible to start forming a functioning basic level of local self-government. In 2015-2019,

982 amalgamated territorial communities (hereinafter referred to as ATCs) were created in Ukraine. These ATCs included about 4, 500 former local councils (out of almost 12, 000)¹.

According to the Law of Ukraine *On Fundamental Principles of State Regional Policy*, the purpose of the state regional policy is to create conditions for dynamic and balanced development of Ukraine and its regions, ensure their social and economic unity, improve the living standards, and comply with the social standards guaranteed by the state for every citizen regardless of their place of residence. The law defines subjects of the state regional policy and their powers, priorities of the state regional policy, as well as the way, in which financial support and monitoring of its implementation should be carried out.

The state regional policy is defined in the following documents: State Strategy of Regional Development of Ukraine, Action Plan for Implementation of the State Strategy of Regional Development of Ukraine, regional development strategies, action plans for implementation of regional development strategies, and investment programs (projects) aimed at ensuring regional development. The state regional policy is implemented on the basis of a system of interrelated documents based on the Development Strategy of Ukraine, the General Scheme for Territorial Planning of Ukraine, as well as planning schemes at the regional and local levels.

Priorities of the state regional policy defined in the Law can also be seen as instruments regulating interaction between the state and the regions. These include:

1) formulating the regulatory framework for implementation of the state regional policy taking into account the documents of the Council of Europe and the EU. Regional development strategies should pay special attention to the environmental component;

2) facilitating the exercise of powers and authorities by local self-government bodies, creating mechanisms for representing the interests of regions at the national level, and territorial communities at the regional level; improving resource support for regional development;

3) stimulating local initiatives for efficient use the region's potential; developing and implementing programs to increase competitiveness of territories; reducing territorial differentiation in regional development; taking state measures for problem areas in the regions;

4) stimulating integration of regional 'spaces' into the single all-Ukrainian space; providing state support for inter-regional integration.

In fact, the first stage of the decentralization reform lasted from 2014 to 2019. The reform created new opportunities for development of territorial communities. Fiscal decentralization has led to a significant re-distribution of budgetary resources in favor of local self-government.

2020 was the key year for formation of the basic level of local self-government. On June 12, 2020 the Government approved a new administrative territorial structure at the basic level (1, 469 ATCs were formed). To determine the administrative territorial structure at the subregional (raion) level as the territorial basis for activities of state authorities and raion councils, the Parliament adopted Resolution № 807-IX of July 17, 2020 *On*

¹ Based on the materials of the web-site <https://decentralization.gov.ua>

Formation and Liquidation of Raions, which approved a new administrative territorial structure at the subregional level, resulting in 136 new raions in Ukraine instead of 490 (including the occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk oblasts). Furthermore, the Law of Ukraine № 907-IX *On Amendments to the Budget Code of Ukraine* of September 17, 2020 amended the Budget Code of Ukraine (hereinafter – the Code), according to which the income and expenditure sources of revenues are divided between raion budgets and local self-government budgets, and the financial base is assigned to the newly formed communities to ensure the exercise of their powers and authorities defined by law.

Thus, in accordance with the task set by the Government (in the Concept and State Strategy of Regional Development for the period ending 2020), the administrative territorial structure should consist of three levels: basic (communities), subregional (raions) and regional (oblasts and the Autonomous Republic of Crimea). In the course of reforming local self-government and administrative territorial structure, the principal attention was paid to the basic and subregional levels. As a result of the political consensus, it was decided not to reform oblasts at that stage. Still, the issue of reducing their number was discussed by experts and politicians, which fact was outlined in a number of publications on this subject.

On August 5, 2020 the Government approved the State Strategy of Regional Development for 2021-2027 by Resolution № 695. It stipulates that the state regional policy will assist each region and territorial community in ensuring efficient use of their potential, as well as advantages, resources and opportunities for development and improvement of the quality of life of people, and for the benefit of development of entire Ukraine.

The following draft laws were prepared:

- On Amending the Law of Ukraine *On Local State Administrations* and Some Other Legislative Acts of Ukraine on Reforming Territorial Organization of Executive Power in Ukraine (reg. № 4298 of October 30, 2020). In the course of preparation for the second reading in the Parliament, its content has undergone negative changes in terms of the key reform issues. In November 2021, examination of the draft law was postponed.

- On Amendments to the Law of Ukraine *On Local Self-Government in Ukraine* regarding distribution of powers of local self-government bodies in connection with change of administrative and territorial structure (reg. № 6281 of November 4, 2021, CMU, D. Shmyhal), which is being finalized by the lead committee – the Committee on Organization of State Power, Local Self-Government, Regional Development and Urban Planning;

- On Amending Certain Legislative Acts on Decentralization and Delimitation of Powers of Local Self-Government Bodies and Executive Authorities in Connection with Changes of Administrative and Territorial Structure (reg. № 6282 of November 4, 2021, CMU, D. Shmyhal), which is being finalized by the lead committee – the Committee on Organization of State Power, Local Self-Government, Regional Development and Urban Planning.

The practice of formulating and implementing the state regional policy, monitoring and evaluating its efficiency demonstrated a number of problems that needed to be addressed at the legislative level. Therefore, the Government prepared the following draft laws:

- On Amending the Law of Ukraine *On Fundamental Principles of State Regional Policy* (reg. №5323, of April 1, 2021) with the aim of comprehensive improvement of the mechanisms for implementing state regional policy, and increasing its efficiency;

- On Specific Features of Stimulating Regional Development (reg. № 5649 of June 10, 2021) to improve mechanisms for stimulating development of regions and certain types of territories, establish criteria for territories requiring special attention from the state, and apply special measures to stimulate their development based on a program-targeted approach to solving socio-economic development problems. In June 2022, the draft law was withdrawn from examination due to adoption of the new version of the Law of Ukraine *On Fundamental Principles of State Regional Policy*.

3. Key problems and challenges as of the beginning of 2022

In early 2022, there were still shortcomings in the sphere of local self-government and public administration (in particular, at the subregional and regional levels), including distribution of powers, responsibilities and resources among the elected local self-government bodies and local executive authorities (deconcentrated public authorities); administrative oversight to ensure legality of local acts; service in local self-government bodies, etc.

These problems and shortcomings of the decentralization reform are related to the following factors:

1. The Constitution of Ukraine has not been amended in the part related to decentralization.

2. There are no new laws necessary to continue the regional and subregional level reform, in particular, on the principles of administrative territorial structure, and on local self-government.

3. The legal framework for organization of public administration at the regional and subregional levels has not been updated. Local state administrations have not been transformed into prefectural-type bodies in the raions and oblasts of Ukraine with control and supervisory powers regarding activities of territorial bodies of central executive authorities and local self-government bodies. In addition to this, executive bodies of regional and district councils have not been established.

4. The reform of territorial bodies of central executive authorities has not been completed. At the sub-regional and regional level, there should be territorial subdivisions without legal entity status of other CEAs (except for ministries). There should be no territorial bodies of ministries, since the task of ministries is to formulate state policy.

5. Organization and activities of local self-government bodies and service in self-government bodies have not been reformed.

6. There are imperfections in the administrative territorial structure at the regional and subregional levels – raions have been reformed and are moderately large, while oblasts were not reformed and remain small, which creates imbalances with the regional and subregional levels being too close. In addition to this, two oblasts have too few raions, and at least three oblasts have too many.

7 Balanced development of regions and the state is not ensured. There is a need to intensify the use of state regional policy instruments to promote development of Ukraine's regions.

9. The mechanism for funding development of regions and communities, the procedure for distribution and use of the regional development fund needs to be improved in order to increase transparency and connection between strategic and budget planning.

4. Plans and actions of the state authorities in this area as of the beginning of 2022

In 2022, as in the previous years, the Constitution of Ukraine was expected to be amended to include decentralization provisions necessary to advance the reform further, and to complete it. It was planned to streamline the powers of local self-government bodies at all levels of the administrative territorial structure, as well as between local self-government bodies and local executive authorities (at the subregional and regional levels) allocating sufficient financial resources for their implementation.

It was planned that the Parliament would adopt the following laws:

1) On Administrative Territorial Structure of Ukraine (draft law №4664 of January 28, 2021);

2) new wording of the Law of Ukraine *On Local State Administrations* (draft law №4298 of October 30, 2020);

3) new wording of the Law of Ukraine *On Local Self-Government in Ukraine*;

4) On Amending Certain Legislative Acts Concerning Decentralization and Delimitation of Powers of Local Self-Government Bodies and Executive Authorities in Connection with Changes in Administrative and Territorial Structure (reg. №6282 of November 4, 2021)

5) new wording of the Law of Ukraine *On Service in Local Self-Government Bodies* (draft law № 6504 of January 5, 2022);

6) On Amending the Law of Ukraine *On Fundamental Principles of State Regional Policy* (reg. №5323 of April 1, 2021).

In Ukraine, the goals and objectives of the State Strategy for Regional Development are seen in conjunction with the reform of the administrative territorial structure, fiscal decentralization, development and stimulation of competitive economic principles, strengthening the role of local self-government, etc.

Objectives of the State Strategy of Regional Development for the period ending 2027 are to accelerate economic growth of the regions, increase their competitiveness through efficient use of internal potential, create new jobs, improve employment, and create conditions for labor migrants to return home. The State Strategy introduces new approaches to the state regional policy, namely transition to a territorially oriented development policy based on stimulating the use of the territories' own potential, providing support to certain territories characterized by specific problems of socio-economic development, high historical and cultural potential, ecological conditions, and environmental protection needs.

Strategic goal of the state regional policy is planned to be achieved on the basis of three strategic objectives: 1) formation of a cohesive state in the social, humanitarian, economic, environmental, security and spatial dimensions; 2) increase of the level of competitiveness of the regions; 3) development of effective multi-level governance.

To implement Strategic Objective 1. *Formation of a cohesive state in the social, humanitarian, economic, environmental, security and spatial dimensions*, achievement of the following operational goals is envisaged:

- stimulation of economic development centers (agglomerations, cities);
- preservation of environment and ensuring sustainable use of natural resources, strengthening the development of territories requiring state support (macro and micro level);
- formation of a single educational, informational, and cultural space throughout Ukraine.

To implement Strategic Objective 2. *Increasing the level of competitiveness of the regions*, achievement of the following operational goals is envisaged:

- development of human capital;
- increase of investment attractiveness of territories, support in attracting investment;
- promotion of introduction of innovations and growth of the technological level of the regional economy, support for innovative enterprises and start-ups;
- sustainable development of industry.

To implement Strategic Objective 3. *Development of effective multi-level governance*, achievement of the following operational goals is envisaged:

- formation of effective local self-government and public authorities at a new territorial level on the basis of the new administrative territorial structure of Ukraine;
- formation of horizontal and vertical coordination of state sectoral policies and state regional policy; development of a system of effective public investment at all levels of government;
- capacity-building of the state regional policy actors;
- guarantees of equal rights and opportunities for women and men, preventing and combating domestic violence and discrimination;
- development of an information and analytical support system, and development of management skills for decision-making based on objective data and spatial planning.

Priorities of regional development for the period ending 2027 are as follows:

- 1) development of economic, infrastructural, social and cultural connectivity and integration at the national, regional and local levels;
- 2) acceleration of economic growth in the regions and territories with low levels of socio-economic development while ensuring improvement of environment and sustainable use of natural resources;
- 3) improvement of quality and ensuring accessibility of services provided by public authorities and local self-government bodies to the population, regardless of their place of residence, in particular on the basis of digitalization;
- 4) protection of cultural heritage, preservation of the traditional character of environment in settlements.

5. Impact of war and martial law on this public policy sphere

The war affected the system of local executive authorities and their powers, as well as the further reform of territorial bodies of central executive authorities. Local state administrations were transformed into military administrations. In particular:

1. Implementation of a significant number of functions of local state administrations in the pre-war format has stopped, when functions that were performed before the war were reduced or updated. There were difficulties in implementation of the state and regional programs of socio-economic and cultural development, environmental protection programs, and in places of compact residence of indigenous peoples and national minorities – of the programs for their national and cultural development.

2. Centralization was intensified, and coordination within the system of executive authorities became more complicated, which is objectively caused by martial law and challenges in the sphere of state security and defense.

3. Funding for the exercise of powers by local executive authorities became limited, and an additional burden was placed on local budgets (expenditures related to the country's defense capability, repair of housing and community infrastructure, increased burden on the social protection system, including budget expenditures for social purposes, support for internally displaced persons, etc.) The time for completing tasks was reduced while maintaining the demand for results without losing quality. The government cut all state budget programs that were supposed to be aimed at development of communities and regions and implementation of investment projects. At the same time, revenues to local budgets decreased significantly due to the collapse of economy and decline of business activities, as well as tax preferences granted by the legislature to business entities. This resulted in an increase in local budget deficits.

4. There is a massive migration of the population. Citizens are forced to change their place of residence themselves or at the request of authorities (due to hostilities and/or humanitarian difficulties), which causes changes in the economic and social situation of several regions at the same time. In addition, population migration leads to a staff shortage both in the private sector and in the critical infrastructure sector. The number of civil servants in local executive authorities decreased (due to resignations, going abroad, staying in temporarily occupied territories, part-time employment, downtime, unpaid leave, captivity, death, etc.) This results in the loss of qualified personnel with work experience who are capable of fulfilling tasks.

5. A significant part of the country's resource potential has been lost, and investment activities in a large number of regions has been suspended. There is significant destruction of critical and social infrastructure, production facilities, residential and public facilities. The burden on infrastructure facilities in the regions with a significant influx of internally displaced persons increased.

6. Institutions and businesses are relocated from dangerous places. The organization of a safe work or study process necessitates relocation of institutions to the regions away from the front line. This situation affects the financial, economic, and social indicators of the regions.

7. Prompt humanitarian actions are needed.

8. Social infrastructure (education, health care, organization of places of residence) has to be mobilized in the event of massive internal displacement of citizens to other regions.

9. There was a dramatic change in the typology of territories. Destruction of infrastructure, communications, and production facilities led to a change in the properties

and characteristics of different territories and, accordingly, a change in the structure of settlement and economic specialization. Disproportions in the capacity and development of communities and regions have increased, depending on the level of danger, due to active hostilities, reduced economic activity, migration, etc. This determines specific characteristics of the exercise of powers by local executive authorities within each type of territory, and requires a separate approach to the exercise of executive powers on the ground. New occupied territories were added to the temporarily occupied territories that existed before the full-scale war. There are also de-occupied, frontline, rear territories, territories of the combat zone, etc.

In order to take into account the challenges faced by communities and regions in connection with the military aggression of the Russian Federation, the Parliament adopted the law that envisages changes in the key aspects of state regional policy (strategic planning, funding, institutional support and monitoring of regional development) and defines the basic principles of restoration and development of regions and communities in July 2022. The law defines different functional types of territories (recovery areas; regional growth poles; territories with special conditions for development; sustainable development territories), and it contains provisions not only to ensure development of all regions and communities, but also to restore the territories affected by aggression.

The Government also introduced the Regional Recovery and Development Plan, which is a comprehensive document for reconstruction and development of regions and communities. Its implementation will accelerate restoration of critical and social infrastructure, residential and public facilities, as well as ensure return of people who were forced to leave their homes to the region, and create favorable conditions for activities of all business entities.

The state budget establishes a Fund for Elimination of Consequences of the Armed Aggression (through reparations and confiscation of property and funds from Russia, international aid and grants) for overcoming consequences (humanitarian, social, economic) caused by the armed aggression. Funds are also provided for restoration and development of territories, while the state fund for regional development, which is the main financial instrument for development of communities and regions, continues to function.

The war and introduction of martial law suspended implementation of the decentralization reform and prevented efficient implementation of the state regional policy. However, they contributed to the development of experience of managing territories in crisis, as well as the practice of prompt administrative decision-making in various security situations and at different levels of government.

6. EU requirements and standards in this area, as well as other international documents that are mandatory for Ukraine

Having declared its European integration strategy, Ukraine has undertaken to comply with and implement generally recognized standards and principles which are currently in force in the EU.

The Treaty on the Functioning of the European Union (EU) contains a chapter on Economic, Social and Territorial Cohesion (Articles 174-178)².

“Article 174. In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.

In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions”.

EU policy in this area aims to reduce economic, social and territorial inequalities between the EU regions by supporting creation of jobs, competitiveness, economic growth, improved quality of life, and sustainable development.

European structural and investment funds help regions overcome difficulties and thus reduce the outflow of human resources, and eliminate other disadvantages they suffer from.

EU invests resources to ensure growth and creation of jobs, as well as to tackle climate change, energy dependence and social exclusion.

EU provides funding³ in this sphere through the following funds: European Regional Development Fund (ERDF); European Social Fund (ESF+); Cohesion Fund; Equitable Transformation Fund; European Maritime, Fisheries and Aquaculture Fund (EMFA); Asylum, Migration and Integration Fund; Internal Security Fund; Instrument for Financial Support for Border Management and Visa Policy.

The ERDF, ESF+, Cohesion Fund and EMFA support the following policy objectives: more competitive and smarter Europe; greener economy; more connected Europe through increased mobility; more social and inclusive Europe; Europe closer to its citizens achieved through sustainable and integrated development of all types of territories and local initiatives.

The EU Member States and the European Commission allocate budget funds based on the following principles:

- Joint management by the Commission and Member States. Measures are planned jointly. Member States are responsible for implementing actions and reimbursing

² <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012E/TXT&from=EN>

³ General provisions on funding are set forth in Regulation (EU) 2021/1060 of the European Parliament and of the Council of June 24, 2021

beneficiaries, while the Commission monitors implementation, reimburses Member States, and is ultimately responsible for the budget.

- Partnership and multi-level governance. Member States should organize and implement a comprehensive partnership including at least the following partners: regional, local, city and other public authorities; economic and social partners; relevant bodies representing civil society, such as environmental partners, non-governmental organizations and bodies promoting social inclusion, fundamental rights, rights of people with disabilities, gender equality and non-discrimination; research organizations and universities.

- Horizontal principles that ensure: respect for fundamental rights and adherence to the EU Charter of Fundamental Rights; equality between men and women, gender mainstreaming and integration of a gender perspective, as well as accessibility for people with disabilities; appropriate measures are taken to prevent any discrimination based on gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation in the design, implementation, monitoring, reporting and evaluation of programs.

It should be noted that an important prerequisite for the EU Member States to cooperate in pursuing a common regional policy is harmonization of their administrative and territorial division. There is the European NUTS classification, which has the status of a standard for territorial division of the EU states for statistical purposes.

The EU-Ukraine Association Agreement (signed in 2014) provides for a wide range of opportunities to intensify cooperation between Ukraine and the EU in the sphere of regional policy, cross-border cooperation, and rural areas. They are reflected in Article 446 of the Agreement, which is contained in Chapter 27 *Cross-border and regional cooperation* of Title V of the Agreement *Economic and Sector Cooperation*: “The Parties shall promote mutual understanding and bilateral cooperation in the field of regional policy, on methods of formulation and implementation of regional policies, including multi-level governance and partnership, with special emphasis on the development of disadvantaged areas and territorial cooperation, hereby establishing channels of communication and enhancing exchange of information between national, regional and local authorities, socio-economic actors and civil society”. Development of backward areas and territorial cooperation are identified as priority areas of cooperation. At the same time, Ukraine’s European integration policy still faces a number of serious regional challenges that hinder the integration process and reduce the ability of the central government to implement the necessary internal reforms and fulfill its commitments to the EU.

The Statute of the Committee of the Regions (1994) defines the term *region* as “an area which constitutes a geographical unity or a territorial unity characterized by continuity whose population shares common values and endeavors to preserve and develop its identity in order to stimulate cultural, economic, and social progress”.

There is no legally defined term of the *EU regional development model*. However, the EU requires that countries negotiating accession to the EU comply with Chapter 22 *Regional Policy and Coordination of Structural Instruments* of the *Acquis Communautaire*. This chapter consists mainly of implementation mechanisms and rules that do not require transposition into national law. They define the rules for planning,

approval and implementation of structural funds and cohesion funds programs reflecting the territorial organizational structure of each country. These programs are discussed and approved by the Commission, but their implementation is the responsibility of the Member States. Member States must take the EU legislation into account, have an appropriate institutional structure and adequate administrative capacity to ensure planning, implementation, monitoring and evaluation in the least costly manner in terms of management and financial control.

EU Common Regional Policy aims to ensure unity and harmonious development of the regions in the Member States based on the optimal balance of division of powers between the center and the regions, operation of legal, economic, organizational, and institutional mechanisms to overcome territorial disparities in the levels of socio-economic development of the regions.

On October 5, 2022 the Organization for Economic Cooperation and Development (hereinafter – the OECD) began negotiations on Ukraine’s accession.

The OECD is engaged in research and analysis of regional development policies in different countries. Activities of the Committee on Regional Development Policy and its subsidiary bodies during 2021-2022 are carried out in three main areas:

- support for productivity, innovation and digitalization: regional measures for recovery;
- inclusive and resilient regions, cities, and rural areas for more sustainable societies;
- effective multi-level governance and funding for more sustainable regional development and trust.

The OECD developed the following recommendation documents on regional policy development:

- 1) Recommendation of the OECD Council on Effective Public Investment Across Levels of Government⁴
- 2) Declaration on Policies for Building Better Futures for Regions, Cities and Rural Areas⁵
- 3) OECD Principles on Rural Policy⁶
- 4) OECD Principles on Urban Policy⁷
- 5) OECD Principles on Water Governance⁸

Starting 2014, Ukraine began to change its state regional policy in line with and based on the EU approaches and practices, including in the context of implementation of EU-Ukraine Association Agreement ratified by the Verkhovna Rada of Ukraine. The new paradigm of regional policy envisages a transition from an overly centralized model to a balanced partnership between central executive authorities and local authorities to

⁴ <https://www.oecd.org/cfe/regionaldevelopment/recommendation-effective-public-investment-across-levels-of-government.htm>

⁵ <https://www.oecd.org/regional/ministerial/RDPC-Ministerial-Declaration-EN.pdf>

⁶ <https://www.oecd.org/fr/regional/oecd-principles-rural-policies.htm>

⁷ <https://www.oecd.org/cfe/urban-principles.htm>

⁸ <https://www.oecd.org/governance/oecd-principles-on-water-governance.htm>

implement multi-level management of regional development. These changes are reflected in a number of regulations and strategic planning documents.

7. Relevant plans of the state authorities as of early November 2022, including Recovery Plan for Ukraine

On July 4-5, 2022 the International Conference on Ukraine's Recovery was held in Lugano, Switzerland, where the draft Recovery Plan for Ukraine was presented. As of early November 2022, the draft Recovery Plan for Ukraine has not been approved in any way.

For the purposes of this Brief, it is important to consider materials of the Working Group on Construction, Urban Development, Modernization of Cities and Regions of Ukraine in the Restoration and Stimulation of Regional Development Sphere.

The plan addressed four problems, as well as goals, expected results and objectives:

Problem 1. Rapid and significant territorially-differentiated changes in the size and gender and age composition of the population

Goal 1. Bring people back to Ukraine and to their homes. Create conditions to provide people with jobs, housing, public services, and a safe living environment. Stimulate the birth rate and provide support to families with children. Create a geographically balanced settlement system.

Problem 2. Deteriorated accessibility of different types of territories to markets and people to public service infrastructure

Goal 2. Plan, restore and develop critical, social, economic, and transport infrastructure; public facilities and public service networks using modern approaches and in accordance with the challenges, opportunities, and constraints in different types of territories

Problem 3. Rapid significant decline in local, regional, and macro-regional economies

Goal 3. Stimulate development of local, regional, and macro-regional economies based on the potential of different types of territories and taking into account the principles of green economy

Problem 4. Limited capacity of state authorities at all levels, full or partial loss of control in the territories where hostilities are taking place

Goal 4. Establish a system of multi-level governance and specialized institutions for development of territories that meets the challenges of wartime and post-war recovery and development. Ensure data-driven policy-making and decision-making

Besides, given that efficient implementation of the state regional policy also depends on completion of the decentralization reform (reform of local self-government and territorial

organization of power), it is important to consider the materials of the Working Group on Public Administration, Subgroup on Local Self-Government.

In particular, the Plan identifies the following key issues, goals, expected results and objectives:

Problem 1. Insufficient capacity of certain territorial communities and districts, which has been aggravated by the full-scale war

Goal 1. Update the administrative territorial structure in view of the current challenges faced by local self-government bodies and local executive authorities under martial law

Problem 2. Unclear delineation of powers of local self-government bodies and the state, and lack of adequate financial resources

Goal 2. Enshrine distribution of powers of local self-government bodies at all levels of the administrative territorial structure, as well as between local self-government bodies and local executive authorities, provide sufficient financial resources for their implementation

Problem 3. Insufficient professional level of local employees, low attractiveness of public service, lack of trust in the local self-government officers

Goal 3. Introduce an efficient and flexible system of training and promotion (advanced training) for personnel, create attractive and favorable working conditions in the public service, and develop its prestige