Supporting Decentralisation in Ukraine 2021-2022

Official project launch meeting
11 May, 2021
Overview

1. The OECD and Ukraine
2. Past projects and key recommendations
3. Regional development and decentralisation in Ukraine
4. Project description and timeline
The OECD and its collaboration with Ukraine

- Collaboration with Ukraine since 1991
- First **Memorandum of Understanding** signed in 2014 and prolonged with the Cabinet of Ministers until 2025
- Action Plan under MoU has three pillars:
  - I: **Anti-Corruption**
  - II: **Governance and Rule of Law**
  - III: **Investment and Business Climate**

Project “**Supporting Decentralisation in Ukraine**”

- **Forum for inter-governmental co-operation**
- Data **analysis & comparison** to predict future trends
- Establishment of **international standards** in various spheres
- **Capacity-building** and development of practical tools

**37 members countries + the European Union**
Past projects and key recommendations

2014: "OECD Territorial Review of Ukraine"

**Focus:**
- Regional development trends
- Sub-national governance system
- Local service provision

**Recommendation focus:**
- Reenforcing place-based regional development
- Strengthening co-ordination mechanisms
- Managing municipal fragmentation
- Revising financing arrangements for improved service delivery

2018: “Maintaining the Momentum of Decentralisation in Ukraine”

**Focus:**
- Regional development trends and advances, since 2014
- Multi-level governance and decentralisation reform
- Fiscal decentralisation and public investment
- Public transport (case study)

**Recommendation focus:**
- Boosting productivity and reducing inequalities
- Reinforcing regional development
- Advancing decentralisation and improving fiscal frameworks
- Optimising subnational public investment
- Improved public services delivery through more efficient management tools
Growth in Ukraine has been highly concentrated

- **Kyiv (City)** contributed close to 25% of GDP growth

- **Kyiv (City) and Kyiv Oblast** contributed to approx. 28% of GDP growth

- Together, **4 out of 24 oblasts and Kyiv (City)** contributed to approx. 50% of GDP growth

- Donbas conflict severely affected the contribution of the eastern oblasts **Donetsk and Luhansk** to national GDP growth

Source: OECD (2018), *Maintaining the Momentum of Decentralisation in Ukraine*
Recent advances and remaining challenges in multi-level governance and sub-national finance

Amalgamation is the cornerstone of Ukraine’s decentralisation reform

- Over 10,000 hromadas amalgamated into 1,470 United Territorial Communities (UTC) by 2020 (first voluntary, later mandatory).
- Results: more empowered local authorities, with higher budgets, and positive change in the quality and type of services provided.

State Strategy for Regional Development 2021-2027 adopts an integrated, place-based approach

- Combined top-down and bottom-up approach to regional development policy. To be implemented by all levels of government.
- New National Economic Strategy 2030 takes into account balanced regional development.
- Investments in both “hard” and “soft” development projects with consideration for oblasts’ problems and development potential.
- Oblasts classified into functional types (macro/micro-regions and points of economic growth).

However, ongoing challenges to effective regional development and decentralisation include:

- Significant local disparities in economic development, local service delivery, and citizen satisfaction.
- Instability in the mechanisms and criteria used for the distribution of project funding.
- Uncertainty regarding assignment of responsibilities across levels of government.
- Unsystematic use of funds by certain national and sub-national authorities.
Pillar 1: Advances in regional development

- Update on regional development trends
- In-depth look at the subnational fiscal and investment environment for regional development

Pillar 2: The factors to a successful UTC

- Comparative analysis of “leading” and “under-performing” UTCs.
- Contribution of the multi-level governance and inter-governmental relationships to local-level success
Pillar 1: Advances in regional development

- **Analytical report**
  - Report with recommendations to advance regional development performance in Ukraine
- **Capacity building**
  - Final international seminar
- **Implementation support**
  - Strengthening co-operation for regional development across sectors

Pillar 2: The factors to a successful UTC

- **Analytical report**
  - Report highlighting success factors and recommendations for lower performing UTCs.
- **Capacity building**
  - Seminar on “Assigning Responsibilities among Levels of Government” + Working paper
- **Implementation support**
  - High-level meeting to discuss findings, recommendations, and identify delivery mechanisms and actions
# Project milestones and timeline

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- **Launch**
- **Data collection**

**Pillar 1: Regional Development:**
Analysis, report, recommendations

- **Seminar on Assigning Responsibilities**
- **Final seminar**

**Pillar 2: Decentralisation:**
Analysis, report, recommendations
oe.cd/UAdecentralisation

Thank you!

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