

Foreword

Beginning in 2014, the Ukrainian government embarked on an overhaul of its multi-level and territorial governance structures, including through decentralisation reform. For decentralisation to work effectively, a simple transfer of responsibilities to lower levels of government is not enough. A number of other conditions must be met, starting with the sufficient and appropriate resources to fulfil new responsibilities. Resources need to be complemented by adequate capacities at the subnational level, proper co-ordination mechanisms, effective monitoring systems and a good balance in the way various policy functions are decentralised.

The Ukrainian government and its Ministry of Regional Development, Construction and Utilities requested the OECD to support the successful implementation of decentralisation reform by following up on the OECD Territorial Review of Ukraine conducted in 2013. The current work is undertaken as part of the OECD's three-pillar Action Plan for Ukraine, signed in April 2015. The Action Plan covers three pillars: i) anti-corruption; ii) governance and rule of law; and iii) investment and business climate. The second pillar on governance issues includes, among other areas, support to the decentralisation reform agenda.

This report updates and extends the OECD's prior regional economic analysis of Ukraine with development trends since the Donbas conflict, offers insight into Ukraine's territorial and decentralisation reform agenda, and explores the impact of fiscal decentralisation. The report's analysis of the structure and implementation of Ukraine's multi-level governance and decentralisation reform highlights successes, identifies areas for additional improvement, and offers recommendations for short, medium and long-term action.

The work has been undertaken as part of the programme of work of the OECD's Regional Development Policy Committee (RDPC), a leading international forum in the fields of regional, urban, and rural development policy and in multi-level governance, and served by the Centre for Entrepreneurship, SMEs, Regions and Cities. It is the result of a partnership with the OECD Global Relations Secretariat's Eurasia Division.

The RDPC has long advocated for recognising the importance of multi-level governance and place-based approaches tailored to local and regional needs. To support the RDPC's leadership in this area, the OECD created the Multi-Level Governance Studies series in 2016. This report dedicated to Ukraine and its reform experience contributes to the body of knowledge contained in this series.

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The report was coordinated and edited by Maria-Varinia Michalun, Policy Analyst, under the supervision of Dorothée Allain-Dupré, Head of the Unit for Decentralisation, Public Investment and Subnational Finance in the Economics, Statistics and Multi-level Governance Section of CFE. Chapter 1 was written by Antoine Comps and Jibrán Punthakey. Chapter 2 was written by Maria-Varinia Michalun. Chapter 3 was written by Isabelle Chatry. Chapter 4 was drafted by Jibrán Punthakey with input from Antoine Comps. The report benefited from significant contributions from Jörn Grävingsholt, Senior Researcher, German Development Institute/Deutsche Institut für Entwicklungspolitik (DIE) for Chapter 2 and Rosario Macario, Professor, CERIS, Instituto Superior Técnico, Universidade de Lisboa, Portugal for Chapter 4. Valuable research and translation was provided by Lyudmyla Tautyeva, and equally valuable comments, input and support on the report and report process were received from Luke Mackle, Gabriela Miranda, Joaquim Oliveira Martins and William Tompson (OECD). In Ukraine, operational, logistical and administrative support was provided by Mykhailo Semchuk, and interpretation and translation provided by Liudmyla Taranina.

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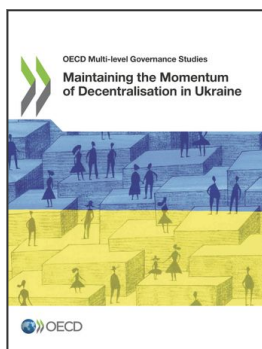
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