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Prospects for Strengthening Regional Governance in Ukraine in the context of Initiated Reforms – Analytical Report

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Introduction

Governance is the form of power used to manage the economic and social resources of a country or a separate territory for the sake of its development. Essentially, the final goal of good governance is human development. At the same time, UNDP identifies a good governance system as a system that distributes and manages the public resources of a certain territory according to the population's needs. Its unique characteristics include citizen involvement in the governance process, transparency, subordination to citizens, and compliance with the principles of effectiveness and equality.

According to UNDP research, the main governance problems in Ukraine are the low quality of public services rendered by power authorities and the insufficient level of interaction between state institutions on the one hand and civil society organizations and citizens on the other hand. Among the main reasons for the ineffective use of public resources is the absence of an effective local self-governance system, poor relations between the different branches and levels of power, and the lack of channels through which civil society can influence the governance process.

Decentralization of power authorities has become an important socio-political tendency in the second half of the 20th century. Such tendencies include the creation of so-called "regional structures" that are positioned higher than local authorities and cover the largest territory of all intermediate levels of government. The regionalization process has led to the search for a territorial and institutional framework that is more appropriate than the centralized state in terms of stimulating territorial development so citizens' needs are fulfilled. It has become clear that cooperation between all interested parties that represent different sectors and wider public access to information are the necessary prerequisites for the development of any sized territory. These are the main points of the current philosophy of regional and local governance.

While evaluating lessons learned and prospects for economic and administrative transformation in Ukraine in the spring of 2004, domestic and German experts, like their UN counterparts, noted that it was impossible to achieve successful economic and administrative transformation in a centralized power system. A pre-requisite for success is legislated self-governance at the village, settlement and city level as well as at the district and oblast levels. Many countries' experiences with democratization and public participation in political life certify that any state apparatus, which is highly removed from the interests of the individual, will not be able to take into account local peculiarities and other specific conditions of each community. Thus, to achieve more effective regional administration in Ukraine, the role of regional and local self-governance and of public organizations that represent the specific interests of communities and regions, should increase.¹

Last year, representatives of the Foundation for Local Self-Government in Ukraine also stated that the present condition of local and regional development could be characterized above all by the absence of an acting guarantee system for the functions and liabilities undertaken by local self-government bodies and for the provision of materials, financing, personnel and other resources. The state still does not fulfil its obligation to create conditions for local self-governance and civil society development.

The objective need for and society's expectations of administrative reforms at the regional and local levels have led to the new Ukrainian leadership to make administrative and governance issues priorities. Thus, during the election campaign of President Victor Yushchenko, he mentioned his plan entitled "Ten Steps Towards the People." Applicable aspects of this plan include the following:

- To precisely define the functions of renewed power structures. The state will not interfere with people's lives when they are able to cope better without it;
- To extend the rights of and to strengthen the financial basis for efficient self-governance at the city, village and settlement levels;
- To support citizens' initiatives and their active participation in the resolution of state problems.

The "Towards the People" Action Program of the Cabinet of Ministries (approved by the Regulations of the Cabinet of Ministers and the Verkhovna Rada on 4 February 2005) states that "the government is tasked with providing local authorities with adequate instruments to influence regional development. With this purpose, the coordination of strategic aims and priorities of state and regional development, the decentralization and division of power among state authorities regarding the provision of public services, and the implementation of transparent control mechanisms, including civil ones, are planned for at every level of the government.

Another priority is administrative reform – the priorities of which include the demarcation of authorities between central and local power bodies, transparency in all activities, and dialogue

¹ Economic and administrative transformation: recommendations for Ukraine on its way to Europe. Issued under the support of Konrad Adenauer Stiftung: Committee on State Construction and Local Self-Governance Issues under the Verkhovna Rada of Ukraine, National Association of Regional Development Agencies, Representation of Konrad Adenauer Foundation in Ukraine – K.: Millenium, 2004. – P. 10.

between government members and the public on issues of state policy implementation in certain fields.

In the All-Ukrainian Meeting of Local Self-Government Representatives' resolution of 26 April 2005, among the requirements for strengthening the legal, financial and economic basis for local self-governance is an appeal to the central power bodies "to universally assist in the process of democratizing public life and creating civil society in Ukraine, including the creation of conditions through which citizen participation in administration will influence the efficiency of the activities of state power bodies and local self-governance bodies."

The prospects for the initiation of decentralization reforms in 2005 are good. The Project on Regional Governance and Development can use resources to strengthen the capacity of regional power bodies to influence the regional development process through interaction with civil society organizations and to influence the content of normative and legal acts. At the same time, the current work on changing the legislation that determines the authorities of local and regional governments and on administrative and territorial reform creates additional difficulties for project planning, as the functions of key partners and beneficiaries will likely change.

Methodology and Main Results of the Analysis

The **main objectives** of this analytical paper are 1) to research the current system of regional governance in Ukraine and the main reform tendencies during the first half of 2005 (i.e. after the presidential elections) and 2) to identify critical issues in the institutional environment of regional governance, which are likely to have tangible solutions, either in the short-term or long-term, given the reformist tendencies of the new government of Ukraine.

The **specific subject of the research** is the legal, political, financial, institutional and human elements of the system of regional government that has been in place since the middle of 2005, particularly those aspects related to public involvement in this process.

To accomplish the above objective, a thorough analysis of a set of concrete issues was undertaken:

- *to analyze the normative and legal basis for the management framework at the regional level in Ukraine;*
- *to assess the potential influence of administrative-territorial reform (a draft of which has been developed by the Cabinet of Ministers of Ukraine) on the process of regional governance;*
- *to characterize the legal mechanisms of public influence on regional government issues and public involvement in the process of regional governance;*
- *to identify state authorities at the national level, which have influence on the development of regional governance policy in Ukraine, and to characterize their responsibilities;*
- *to describe the current system of financial and budgetary support for the regions as well as the prospects for reforming this system;*
- *to define critical issues in the implementation of modern strategic planning practices for territorial development, particularly those involving the representatives of various social groups;*
- *to characterize the institutional capacity level of Ukrainian authorities acting at the regional level; and*
- *to analyze completed and effective international technical assistance projects aimed at improving the methods and forms of community and regional government and governance in Ukraine.*

Major **informational sources** for this report include:

- normative and legal acts, which have either direct or indirect influence on the functioning of the regional governance system of Ukraine;
- draft laws or other normative and legal acts, developed either by Members of Parliament of Ukraine or experts in the field of local self-governance, particularly those by the Foundation for Local Self-Government in Ukraine;
- Decisions, resolutions, and recommendations concerning the changes in legal, institutional, financial and material support for local self-governance, adopted at the so-called "Municipal Hearings," which took place in April 2005;
- Strategies for providing assistance and reports of international organizations, operating in Ukraine in the field of public administration, local self-governance and civil society strengthening;
- Development strategies and reports of Ukrainian NGOs, which play an active role in citizen involvement in the regional government process;
- Statistical data;
- Individual meetings with representatives of Zakarpattya oblast state administration (local executive power body) and Zakarpattya oblast council (a body representing the shared interests of oblast territorial communities); and
- Analytical works by Ukrainian researchers, experts, and non-governmental analytical centres on local self-government issues, regional governance in Ukraine and the opportunities for citizen involvement in these processes.

The results of this research enable us to draw these main conclusions, which will be discussed in more detail at the end of this report:

- Existence of a set of critical issues concerning the efficient functioning of the regional governance system in Ukraine, which could be solved in the short- or medium-term;
- To change the forms and methods of regional governance in Ukraine, the following activities are necessary:

- Changing the normative and legal basis for and principles of governance and government at the regional level;
- Reforming the institutional structure of state authorities at the national level of Ukraine;
- Changing the system of training and professional development for civil servants at the regional level, particularly regarding issues of communication technologies, strategic regional development planning, etc.;
- Developing and approving models of public and business involvement in the regional development process in Ukraine;
- Creating organizational structures for regional governance (for instance, advisory committees, working groups at regional council commissions, etc.);
- Concluding cooperation agreements regarding the process of regional planning and development and implementing other expedient forms of cooperation between regional authorities and non-governmental development institutions;
- Developing plans for improving the institutional capacity of regional authorities in Ukraine; and
- Developing and having oblast councils approve integrated strategies for regional development and action plans, which include the broad participation of all stakeholders and other representatives of organized civil society, etc.

Chapter 1.

Major Regional Governance Issues and Relevant Reforms in Ukraine – An Analysis of the Current Status of Regional Authorities and Potential Reform Models

Issue 1.1.

The need to either reform or add a normative and legal basis that determines the functions of local self-governance, interaction between state powers and local self-governance bodies, and forms of state influence on the regional development process.

The current legislation of Ukraine, which defines the grounds for and different aspects of local self-governance and the influence of power bodies on local and regional development, is based on a power organization model and is determined by the Constitution of Ukraine (1996 p.). This model is not effective from the point of view of encouraging territorial development and it does not comply with the principles of democratic local and regional governance, defined, in particular, by the European Charter of Local Self-Governance.

The current model encompasses:

- the Implementation of local self-governance only at low territorial levels (i.e. built-up areas such as the village, settlement, and city) and a centralized system of direct state administration at the regional level (district, oblast);
- power dualism at the regional level (“district, oblast rada” – “district, oblast local state administration”), at which local self-government bodies and local state administrations function simultaneously and have similar functions in the field of social and economic development; however, their authorities are not precisely differentiated;
- uncertainty in the administrative coverage of local self-governance bodies because territorial borders of communities are not fixed.

As of June 2005, ***the most important normative and legal acts that regulate the activities of local state and local self-governance bodies and their influences on local and regional development*** are as follows:

- Law of Ukraine "On Local State Administrations" (1999)
- Law of Ukraine "On State Forecasting and Development of Programs on Economic and Social Development of Ukraine" (2000)
- Law of Ukraine "On Peoples' Self-Organization Bodies" (2001)
- "Budget Code of Ukraine" (2001)
- Law of Ukraine "On the General Territory Planning Scheme of Ukraine " (2002)
- Regulation of the Cabinet of Ministers of Ukraine "On the provisions for implementing the Law of Ukraine "On the General Territory Planning Scheme of Ukraine " (2002)
- Decree of the President of Ukraine "On State Regional Policy Concept" (2001)
- Decree of the President of Ukraine "On State Support to Local Self-Governance Development in Ukraine" (2001)
- Regulation of the Cabinet of Ministers of Ukraine "On Approval of the Concept of the Amendment to the Laws of Ukraine "On Local Self-Governance in Ukraine" and "On Local State Administrations" (2001)
- Program of legislative provision of local self-governance development, approved by Decree of the Cabinet of Ministers of Ukraine (2002)
- Law of Ukraine "On State Target Programs" (2004)
- Regulation of the Verkhovna Rada of Ukraine "On Pre-Approval of a Draft Law Amending the Constitution of Ukraine" (№ 3207-1) (8 of December 2004)

The absence of a complex, systematic approach to local self-governance development legislation was the fundamental drawback of the legislative process until 2002. However, even the Concept of the Program on Legislative Provision for Local Self-Governance Development, approved in 2002 by the Cabinet of Ministers, established a model of legislation development that was based on the philosophy of severe reclamation of the activities of self-government bodies, in terms of reserving executive power for local self-government, the great scope of delegated authorities, and the absence of opportunities to freely determine administrative structures, etc.

Today, work on developing many draft laws or their consideration in the Verkhovna Rada of Ukraine is still in progress. The most important and relevant to the project needs are as follows:

Draft Laws of Ukraine:

- Draft of the Code of Laws on Local Self-Governance in Ukraine (draft is being developed)
- "On Territorial System of Ukraine" (draft law is in revision stage)
- "On Local Self-Governance in Ukraine" (new edition) (draft law was adopted in the first reading, registr. № 0941)
- "On Local Taxes and Fees" (draft law was adopted in the first reading, registr. № 2286/II)
- "On Right to Communal Property and Administration of Communal Right Objects" (draft law was adopted in the first reading, registr. №0952)
- "On Referendums of Autonomous Republic of Crimea, local referendums and other forms of direct will of territorial community" (with proposals of the President of Ukraine for the second reading, registr. № 0938)
- "On Amendment to the Law of Ukraine "On Local State Administrations" (draft law is pending in the Verkhovna Rada of Ukraine, registr. № 3142)
- "On Delegation of Authorities of Executive Power and Self-Government Bodies" (draft law is being developed)
- "On Carrying out of an Experiment on Local Self-Governance Development" (draft law is being developed)
- "On the Grounds of Regional Development Stimulation" (draft law is pending in the Verkhovna Rada of Ukraine, registr. № 3324)
- "On Uniting of Territorial Communities" (draft law was adopted as a base by VRU in the first reading on 16.11.2000)
- "On Demarcation of State and Communal Lands" (draft law was adopted in the first reading)
- "On Territorial Community" (draft law is being developed)
- "On the Procedure for Conducting Citizens' General Meetings subject to their residence" (draft law is being developed)
- "On Territorial Planning" (draft law is being developed)
- "On Territorial Financial Levelling" (draft law is being developed)

It should be mentioned that during 2003-2004, experts from the Foundation for Local Self-Government in Ukraine developed a series of additional or alternative legislative proposals on reforming the administration and governance system at the local and regional levels, including:

- Project of State Strategy of Local and Regional Development Administration (reforming local executive bodies and local self-governance system)
- Legislative proposals on the appropriateness of the development and adoption of:
- Law of Ukraine "On General Grounds and Principles of Territorial Organization of Executive Power and Local Self-Governance in Ukraine";
 - Law of Ukraine "On Grounds of Material and Financial Provision of Local Self-Governance in Ukraine";
 - Law of Ukraine "On District Executive Power and Local Self-Governance Organization";
 - Law of Ukraine "On Oblast Executive Power and Local Self-Governance Organization".

In 2005, the need for complex legislative and administrative reform at the local and regional levels was supported not only by the new leadership (i.e. the President and Cabinet of Ministers), but also by municipal communities and experts. The content of conclusive resolutions, approved at the All-Ukrainian conference on **"Local Self-Governance in the context of constitutional and democratic reforms in Ukraine"** certifies this support (14 of April 2005, Kyiv, Ukrainian Association of Local and Regional Authorities, UNDP Municipal Program on Sustainable development in Ukraine and 10th All-Ukrainian Municipal Hearings on 16-19 of March 2005, Sudak).

At the Municipal Hearings, it was recommended to approve draft law 3207-1 on an Amendment to the Constitution of Ukraine, which would assist in coordinating norms with the European Charter of Local Self-Governance in terms of the establishment of executive bodies in district and oblast radas and the provision of quality administrative and public services. In addition, the need to implement normative notions, such as "settlement", "community", and "region", in Ukrainian legislation was emphasized.

During the All-Ukrainian Meeting of Local Self-Governance Representatives (26 April 2005), it was determined that there is an urgent need to approve the Laws of Ukraine on All-Ukrainian and local referendums, on territorial system of Ukraine, on local Self-Governance in Ukraine (new edition), on local new administrations (new edition), on communal privacy, on local taxes and fees, on amendments to Budgets, on Land Codes, and on amendments to taxation legislation, etc.

Conclusions: Thus, the Project on Regional Governance and Development could become engaged in the renewal of the legislative basis of power at the local and regional levels by consulting with representatives of target government structures that participate in organizing discussions of draft laws at the regional level.

Issue 1.2. The need to create legal instruments for citizen engagement in administration at the district and oblast levels and to improve the existing ones at the local level.

Based on the experience of municipalities, different forms of citizen participation in the resolution of significant local problems are well established. Such problems include issues of social, economic and cultural development of territorial communities, the most important of which were fixed in the Constitution of Ukraine and in the Law of Ukraine "On Local Self-Governance in Ukraine". These forms include local referendums, local initiatives, peoples' self-organization bodies, citizen meetings subject to residency, public hearings, etc.

The ability of the public to influence the process of local and regional development by interacting with key power bodies is determined by the following main normative and legal acts:

- Law of Ukraine "On the Appeal of Citizens" (1996)
- Law of Ukraine "On Peoples' Self-Organization Bodies" (11 July 2001)

Citizen self-organization bodies possess significant opportunities to be engaged in the resolution of economic development issues. These organizations are tasked with the following:

- 1) Creation of conditions for citizen participation in the resolution of significant local problems under the framework of the Constitution and the laws of Ukraine;
- 2) Satisfaction of social, cultural, everyday and other needs of people by assisting in the provision of relevant services;
- 3) Participation in the social, economic and cultural development of a specific territory and other local programs.

Peoples' self-organization bodies unite citizens according to residency and represent all citizens of a specific territory. In fact, citizens' "membership" in these bodies is automatic.

At the district and oblast levels, the public, which desires to influence the policies of relevant power bodies, does not have this legal instrument. Its influence is limited to participating in **commissions and other advisory and consultative boards established by power bodies**. However, these structures and their membership are formed, as a rule, on the initiative of representatives of power bodies, and are consequently limited in their activities.

Accordingly, it is necessary to develop or revise the normative and legal basis of public control and public initiatives at the regional/district level. **Associations of local self-government bodies** must be provided with more legal opportunities to conduct activities that represent the common interests of local communities and citizens at the sub-national and national levels. Even in 2003, experts from the Association of Cities and Communities of Ukraine and Verkhovna Rada Deputies developed a draft law:

- "On Associations and other voluntary organizations of local self-development bodies".

Conclusions: Thus, there is an acute need for the regional development process in Ukraine to enlarge the legal basis for citizen engagement and for citizens to declare their will to the government at the local level and to establish a relevant legal basis for this at the oblast level. The project could give consultative and organizational assistance, conduct questionnaires of representatives of local authorities and public organizations on the possible philosophy of these documents, and organize discussions of them.

Issue 2.

The need to improve the institutional basis of the national policy on regional development.

Up to 2000 in Ukraine, there was no central executive power body responsible for regional development. In accordance with the Ukrainian Presidential Decree of October 23, 2000, the **Ministry of Economy and European Integration** was tasked with increasing participation in the formation of state regional policy and with the organization of work connected with its implementation.

As of now, the coordination of local self-government bodies' activities is performed by:

- The Supreme Council Committee on State Construction and Local Self-government Issues;
- Department of the Secretariat of the Cabinet of Ministers of Ukraine on Issues of Interaction with Local Power Bodies;
- Ukraine President Secretariat Main Service of Administrative and Legal Policy;
- Ukraine President Secretariat Main Service of Regional and Personnel Policy;
- National Council for State Construction, Local Self-government and Regional Development (Advisory and Consultative Body) (The provisions on National Council functions are not published yet);
- Interdepartmental Commission on Local Self-government Issues attached to the Cabinet of Ministers of Ukraine (Advisory and Consultative Body);
- Coordination and Advisory Council on Local Self-government Issues attached to the Supreme Council Speaker of Ukraine; and
- Fund for Contributing to Local Self-government Development of Ukraine.

Note: More detailed information on the functions of the Ministry of Economy, the Department of the Secretariat of the Cabinet of Ministers of Ukraine on Issues of Interaction with Local Power Bodies, and the National Council for State Construction, Local Self-government and Regional Development will be provided in the section below.

Currently, **a united body that could solve the local and regional development problems in Ukraine in an integrated way** is not available in Ukraine. Such a state body would be able to implement the local self-government and regional development provided for in the current legislation, to forecast the development of events in connection with the adoption of new laws, and to assess the legal basis and render corresponding recommendations for the practical realization of local self-government development projects and programs.

Activities to establish such a state structure were initialized on March 11, 2004, when the Interdepartmental Commission for Local Self-government, which is attached to the Cabinet of Ministers, committed the Minister of the Cabinet of Ministers of Ukraine to make proposals on how to establish a state committee on regional policy and local self-government issues.

At that time, the Fund for Contributing to Local Self-government Development designed a project to establish the **National Agency on Regional and Local Development attached to the President of Ukraine**, which continues to be a subject of discussion after the presidential elections.

Actually, Fund experts consider the National Agency to be the successor to the Fund and it will additionally assume the function of coordinating regional managerial bodies, local self-government bodies and their associations' activities. The Agency on Local Self-government Issues attached to the President of Ukraine (hereinafter referred to as the Agency) is the successor to the Fund for Contributing to Local Self-government Development in Ukraine and fulfills the functions of a national, state scientific and advisory, consultative, as well as supplementary and coordination body concerning local self-government development issues. In other words, the establishment of an institute beyond the executive government system was proposed. The main argument in support of this plan is that local managerial elite will likely be dissatisfied with the establishment of a central executive power body that would influence the local and regional development process, given the declared policy of management decentralization.

A similar ideology was presented in the Conception of Effective Local Self-government in Ukraine, formulated in 2003 by a commission headed by a member of the Supreme Council Committee on State Construction, A. Matvienko (since the spring of 2005, he has been the Premier Minister of the Autonomous Republic of Crimea). However, in contrast to the National Agency (the project of the Fund for Contributing to Local Self-government), it was proposed to include representatives of the Supreme Council, central state executive power bodies dealing with local self-government and local development issues (at the level of deputy heads), and the main associations of local and regional powers in the **Committee on Local Self-government and Local Development**.

At the beginning of 2005, the Fund for Contributing to Local Self-government, in the concept proposal for implementing administrative reform in Ukraine, proposed to establish a civil Ministry of

Internal Affairs, according to European standards, whose main functions would be the formulation and implementation of internal policies of the state. Within the framework of this body, it was proposed **to establish a special department on local and regional development issues** with state agency status. This department would be responsible for formulating and implementing state regional policy, rendering legal, organizational, material and technical assistance to local self-government bodies, improving the qualifications of local self-government bodies' officials, and interacting with local self-government bodies and the government.

In the resolution of the 10th All-Ukrainian Municipal Hearings (March 16-19, 2005), the formation of the Fund for Contributing to Local Self-government Development was supported extensively as was the need for the following:

- **The establishment of the National Council on Territorial Reform, Local Self-Government Issues attached to the President of Ukraine** (Note: the ideas of municipalities were partially realized on April 26, 2005, when the National Council for State Construction, Local Self-government and Regional Development Issues was established);
- **The expansion of the authorities of the Fund for Contributing to Local Self-government;**
- The step-by-step **reformation of the Ministry of Internal Affairs** into a European-style central executive power body, to which responsibility for internal policy performance will belong.

Conclusions: The project can assist in the administrative reform process of central power bodies by providing consultations on the possible functions of the state body that is engaged in coordinating local and regional development issues. Holding a round table for the representatives of state structures, which are engaged in formulating and implementing state regional policy and the policy of interaction with local self-government bodies, would be expedient.

Issue 3.

The need for the most efficient implementation model of administrative and regional reform and decentralization of power in general to influence the local and regional development process.

As early as the mid 1990s, it became obvious to politicians and experts that the administrative and territorial arrangement system in Ukraine, which was formed in the 1930s, did not allow for the establishment of territorial communities, which would have sufficient material and financial resources, territory, and citizens to efficiently fulfill the tasks and authorities of local self-government and delegated authorities. In 1997, measures to implement the Concept of Administrative Reform of Ukraine were approved by Decree of the President of Ukraine. However, in spite of the development of a series of conceptual documents and draft laws, during subsequent years, only partial reformation of the central executive power bodies occurred and intended changes toward decentralization at the territorial level practically did not take place.

This fact was noted in recommendation 102 and resolution 123, which were approved at the eighth session of the **Congress of Local and Regional Power of Europe** in November 2001, in Strasbourg. Specific documents of the Congress recommended that Ukraine pay attention in particular to the need “for good, balanced, and functioning self-government at all levels in the country; a clear understanding and distribution of the corresponding authorities; and the law and Constitution to differentiate local self-government from regional self-government, and the latter from local power bodies”.

The analytical and draft law activity was considerably intensified before the presidential election of 2004, when the Ministry of Justice summarized expert proposals on how to improve the power organization structure at the local and regional levels, and the Cabinet of Ministers established the corresponding Interdepartmental Group to complete these proposals and the law.

A reform ideology was proposed in 2004 (and in 2005 it was transferred to the new power) by the Fund for Contributing to Local Self-government Development. In particular, this ideology concerned:

Implementation of administrative reforms at the local and regional level of state power organizations:

- the demarcation of functions and authorities between local executive power bodies and local self-government bodies, as well as between local self-government bodies of various levels;
- the resolution of territorial development strategic planning problems;
- the establishment of inter-sector cooperation between local power bodies, non-governmental organizations, and business structures; and
- the improvement of the status of local self-government bodies at the regional level and local state administrations.

Implementation of administrative and territorial arrangement reform:

- the improvement of the administrative and territorial arrangement system;
- the determination of the status of administrative and territorial units and the criteria for judging their capacity and provision of self-government;
- the determination of the borders of administrative and territorial units;
- the fulfillment of a land cadastre works complex; and
- the design and adoption of the Law of Ukraine “On the Procedure for Solving Administrative and Territorial Arrangement Issues”.

In **2005**, power decentralization became one of the priorities of the new leadership, in particular of the Cabinet of Ministers. This priority is demonstrated by the establishment of the **position of Vice-president for Administrative and Territorial Reform Issues**, which is occupied by Roman Bezsmertny:

- on February 17, 2005, the intention was declared to enact **reforms** (including, if necessary, any additional laws, except for the draft law 3207-1 which includes constitutional changes) **to the 2006 Parliamentary election process, including plans to liquidate the district state administrations and the provision of regional state administrations with prefecture functions;**
- in April, 2005 the **draft law “On the Territorial Arrangement of Ukraine”**, which is the basis for the three-level model of administrative and territorial reform, was presented. The three levels are the community – not less than 5 thousand, the district – not less than 70 thousand, and the region – not less than 750 thousand people. Additionally, there are “town-districts” (not less than 70 thousand) and “town-regions” (not less than 750 thousand);
- on May 1, 2005, the working sub-groups for the design or completion of existing **draft laws concerning self-government bodies of various levels** (community, district and region) were established. Discussions on these are planned for July 1, 2005.

At the same time, there is a great risk of a **deficit of time** to implement reforms before the spring of 2006:

- according to declarations by Supreme Council Deputies and Speaker V. Lytvyn, Parliament will have no time to consider the draft law on self-government reformation (3207-1) by the end of the current session, as the Constitutional Court has not made a decision on this draft law;
- on June 1, 2005 the Committee on State Construction and Local Self-government Issues recommended that the Cabinet of Ministers complete the chosen territorial arrangement model, taking into consideration the comments and proposals of the People's Deputies of Ukraine, the government, self-government bodies, their officials, territorial communities and public representatives.

Municipal communities and experts approved the intentions of executive officers to implement administrative and territorial reform and power decentralization. The resolutions of the All-Ukrainian Conference on "Local Self-government in the Context of Constitutional and Democratic Reforms in Ukraine" (April 14, 2005), the 10th All-Ukrainian Municipal Hearings (March 16-19, 2005), and the All-Ukrainian Meeting of Local Self-government Representatives (April 25, 2005) indicated this approval and **the demand**:

- **To establish basic administrative and territorial units – communities** that adhere to the principles of local self-government and clearly demarcate the borders of all communities.
- **To establish a three-level territorial management system** – including the community, district (town-districts), and region (Autonomous Republic of Crimea, regions, town-regions).
- To design **clear criteria for the optimization of district and regional divisions** in Ukraine, taking into consideration geographic, historic and other factors.
- To renew **full-fledged local self-government at the regional (region) and sub-regional (district) levels**, which will provide for the establishment of executive bodies in regional and district councils with a change in the tasks and functions of regional state administrations and with the removal of social, economic and cultural development issues from their set of responsibilities.
- **To liquidate the district state administrations** (a variant: to reorganize the district state administration into executive bodies of district councils) with their functions and authorities transferred to district councils.
- **To establish a clear demarcation of the authorities and responsibilities** assigned to the various kinds and territorial levels of public power (vertically) and to the local self-government of the community, regional and district councils and their executive bodies (horizontally).
- To establish efficient **mechanisms for the protection of national, regional and local interests** at all territorial levels of public power organizations. To increase the role of **associations and other voluntary unions of local self-government bodies** in the representation and protection of the rights and interests of territorial communities. To provide local self-government associations and unions with the status of an advisory and consultative body in order to provide them with the responsibility for and right to prior consideration of draft laws and normative and legal acts of the Government concerning local self-government interests.
- To form the necessary **organizational, legal, material and financial grounds to establish independent communities**.
- To perform by the end of 2005, a **state and legal experiment** on increasing the participation of communities with the purpose of designing objective criteria, action algorithms and mechanisms for public discussion.

At the same time, during public discussion of administrative and territorial reforms and the draft law "On the Territorial Arrangement of Ukraine", experts and local power bodies' representatives expressed **a series of warnings**, in particular, concerning:

- The absence of a philosophy of administrative and territorial reform implementation on the part of the new leadership;
- The impossibility of implementing reforms before the parliamentary elections of 2006, as stated by Vice-president R. Bezsmertny;
- The need for legislation to accompany reforms, in particular, those concerning the distribution of authorities between the various levels and forms of state power and financial and material provisions for local self-government in Ukraine;
- The high probability of conflicts occurring during the implementation of any administrative and territorial changes between the power bodies of various levels;
- The need to find methods to stimulate the voluntary integration of territorial communities;
- The demand to take into consideration the opinions of citizens during the expansion of communities, districts, etc.;
- The value of the implementation of reforms and the search for corresponding financial means;

- The need to set clear criteria for the establishment of communities on the basis of an assessment of their potential (natural, land, intellectual, personnel, material and technical).

Conclusions: For Ukraine, at this initial stage of the administrative and territorial reform implementation process, the key issues are those of the state power authorities at the local and regional levels (see the previous urgent issue) and the need for objective criteria to assess communities and districts. The project can contribute to the organization of the discussion of alternate reform models in the pilot regions.

Issue 4.

The discrepancy between local self-government functions and their financial and economic support (as of June 2005)

The legal basis for the financial and economic support of local self-government bodies, besides the basic law, is determined by the **Budget Code of 2001**.

The budget reform of 2001 provided positive features in the financial relations between the various levels of power, as the budget system is based on several main principles:

- balance – when the authorization for budget expenses corresponds to receipt volumes;
- the independence of the State Budget of Ukraine and local budgets, which is ensured by fixing income sources, and by the right of power bodies to determine the use of funds, in accordance with the legislation of Ukraine;
- subsidiarity, which consists of the distribution of types of expenses between the state budget and local budgets, as well as between local budgets;
- the ability of local power bodies to plan development budgets so that capital investments can be made;
- the distribution of the volume of inter-budgetary transfers is determined by a formula that is based on several objective criteria.

However, in spite of the positive innovations in the budget reform of 2001, **local power bodies, in particular regional and district councils, have had considerable difficulty in providing financing for territorial development**, and in particular:

- the volume of receipts from income taxes on citizens and enterprises depends on the market, and consequently makes planning difficult;
- the wide use of transfers prevents the stimulus of economic development activity and the increase in budget receipts;
- the volume of transfers can at any time become subject to changes in accordance with the decisions of central power bodies;
- the districts and regions that are not full-fledged subjects of local self-government (according to the current provisions of the Constitution) have no funding sources of their own.

Therefore, the problem with establishing the material and financial basis for local self-government at all levels is found in the applications of power by central political bodies and in expert discussions during the consideration of the form of decentralization in Ukraine.

The **“Towards the People” Program of the Cabinet of Ministers** clearly demarcates the functions of the central, regional and local power bodies and the mechanisms for providing social services; adjusts the basis for determining the procedures for establishing communal property rights; manages communal properties, including those of territorial communities; and reforms inter-budgetary relations.

At the conferences and hearings of **local self-government representatives and experts** concerning regional development issues, proposals were made to:

- clearly determine the legislative level of the list of delegated and self-government authorities that are the responsibility of local self-government bodies.
- provide state financing for all authorities delegated by the executive government to local self-governments.
- strengthen and expand the income base of local budgets.
- establish an efficient, stable system of financial support for the investment activities of local self-governments and for the stable provision of resources from the state budget for regional investment development and in accordance with program purposes and methods.
- improve the formula for distributing equalization transfers between the state budget and local budgets.
- determine the status of communal property.
- establish the legal basis for supporting and implementing mutual financing of projects and programs formulated at the local level. As a variant, reforms to inter-budgetary transfers could include a system of block grants that provide for the support and financing of initiatives and programs on local, stable development.
- Implement self-sufficient income sources for district and regional budgets.

Conclusions: The project must monitor changes in the legislation regulating the income of local self-government bodies and inter-budgetary relations and, together with the power bodies of the pilot regions, design financial provision methods for development strategies and operational programs in the regions.

Issue 5.

The need to perform state and legal experiments on local self-government development and stimulate the local and regional development process.

The need to approve legal and managerial models to reform the power bodies at the local level and the administrative arrangement was already evident at the end of the 1990s, when “***Irpen's Experiment***” began. In 2001, the use of new approaches to local self-government was regulated by the Law of Ukraine “On State and Legal Experiment of local self-government development in the town of Irpen and the villages of Bucha, Vorzel, Gostomel, and Kotsyubynske in Kyiv region”.

The purpose of the experiment was the following:

- efficient study of other self-government forms on the basis of the local self-government bodies of Irpen district;
- improvement of the management system, and in particular, the management of territorial communal property; expansion of the income base of local budgets; the efficient use of local financial and material resources; and the intensification of business activities;
- engagement of establishments, institutions of the state, and other property forms to assist in the resolution of the social and economic problems of the town and villages, as provided for by law.

Among ***the main indicators*** of the success of the state and legal experiment are:

- increase in the role of local councils in the resolution of social and economic development problems;
- resolution of the procedural problems in the transfer of communal property to other property forms, which are key to satisfying the needs of these territorial communities;
- strengthening personnel, improving the qualifications of management and material production officials, and improving up-to-date managerial technologies;
- promotion of production development;
- efficient use of the provisions allowed by law to collect local taxes and fees;
- guarantee of regular receipts, from all sources provided by law, for the budgets of the town and villages;
- attraction of self-organization bodies of the public to participate in the resolution of the problems of the development of the town and villages.

Conclusion:

The experiment is being conducted during the period of 2001 – 2006. Therefore, the results can be used to implement local and regional management system and administrative and territorial reforms. In the context of the Project on Regional Governance and Development, the data received from the experiment on the enlargement of communities in the Kyiv region should be used and assistance should be rendered to the power bodies of the pilot regions when initiating and implementing additional experiments.

Issue 6.

The need to complete the territorial strategic development process and increase local power bodies' abilities to enact this process with the participation of the public.

The legislative and normative base of the planning process of the development of territories and regions in Ukraine includes:

- Law of Ukraine "On State Forecasting and Design of Programs of Economic and Social Development of Ukraine" (2000)
- Law of Ukraine "On General Scheme of Ukraine Territory Planning" (2002)
- Resolution of The Cabinet of Ministry of Ukraine "On Provision of Realization of Law of Ukraine "On General Scheme of Ukrainian Territorial Planning" (2002)
- Decree of President of Ukraine "On Concept of State Regional Policy" (2001)
- Law of Ukraine "On State Purpose-oriented Programs" (2004)

The Ministry of Economy designs the general structure of program documents for economic and social development and makes methodical recommendations on their design. This Ministry also is responsible for organizational and methodical government and coordinates the design process for forecasting and the economic and social development programs of the Autonomous Republic of Crimea, the regions, districts and large cities for medium- and short-term periods respectively.

In 2003, the Ministry of Economy designed **methodical recommendations concerning short- and long-term strategies for regional development.**

At the same time, as a set of experts noted, the criteria and parameters necessary for the resolution of regional problems are not clearly defined in the program documents. During the design of medium- and short-term forecasts, the list of forecast indices is annually clarified but united methodical approaches to forecasting the social and economic development of the regions are absent. This is connected with the imperfection of the state mechanism for regional forecasting.

In the territorial development process and therefore the planning of relations between the state and the corresponding local power bodies, a series of **needs and problems** arise:

- The need to establish a contractual basis for determining the actions of central and local executive power bodies and local self-government bodies to stimulate regional development, in particular in depressive territories (**Note:** the corresponding draft law, as specified in previous sections, is under consideration by the Supreme Council of Ukraine).
- The need to improve the regional development strategic programming system, the design of regional development strategies and the methods for designing regional development strategies.

Experts and a set of politicians (in particular in the Concept of Efficient Local Self-government in Ukraine, planned under the leadership of A. Matvienko) proposed to approach the problem of territorial development by establishing a mechanism to attract many participants to the development process. It is proposed to draft and adopt laws:

- On the strategic planning of the country's development as a united process beginning from the level of the territorial community and ending with the national government. This law will provide for the mandatory participation of various social sectors and will regulate the general principles, formulation, financing and implementation of state, regional and local programs to attract private investments.
- That actually encourage charitable and sponsorship activities in the non-business sphere (education, science and culture) and make it possible to establish development funds for communities and agencies at the local and regional level, thereby allowing for the accumulation of financial and intellectual resources to be used to solve complicated local development issues through the use of innovative technologies.

Besides, there is **the problem of the low institutional ability of local power bodies** to use new technologies for territorial development planning. These include, in particular:

- the deficit of knowledge and practical skills in the use of strategic planning for the development of communities and territories;
- the absence of strategic government skills;
- the absence of designed approaches and technologies;
- the inability to attract to the process of strategic development planning groups such as non-governmental organizations that are engaged in development issues, representatives of the business sector, and public, purpose-oriented groups;

- the absence of an inventory of the institutional potential of the territory, which can be used in the development planning process;
- the lack of an institutional basis for attracting the public to the strategic planning process (through advisory councils, committees and commission meetings of corresponding councils), as well as a corresponding normative basis, which was specified in previous sections; and
- the lack of experience and efficient approaches for attracting funds from business structures, international donors and foreign investors to improve the performance of territorial development strategies and operational programs.

In this context, the experience of the DFID (UK) project “**Economic and Social Development of Lviv Region**”, which is described below, would be useful to examine.

Conclusions: At the national level, the project should participate in the completion of the State Strategy on Regional Development, likely by creating development methods for designing regional strategies. At the regional level, the project should be involved in the approval of a draft method, the design of recommendations for Ministry of Economy on this basis, and the design of a model for attracting public attention to the strategic planning process.

Issue 7.

The need to improve the institutional ability of local power bodies and to improve the professional managerial level of officials and deputies.

The institutional ability of local power bodies to influence the development process for communities and territories depends considerably on the professional level of government and municipal officials and on the knowledge and managerial skills of the deputies of local, district and regional councils. In particular, these factors are important in implementing administrative and territorial reforms and the decentralization of power, which will begin as a whole in 2005.

Improving the managerial system at the local and regional level, particularly the transition to a government process that encourages public participation, requires the establishment of permanent mechanisms for improving the professional and managerial qualifications of the officials of local self-government bodies, communal institutions and other establishments. A system of professional development for officials in the municipal and regional management sphere should be flexible and adaptable to any new tasks that may arise due to municipal reforms and the permanent renewal of the normative and legal basis for local self-government.

In May 2004, in the ***“Proposal for the Conceptual Basis for the Organization of Power at the Local and Regional Levels”***, which was developed by the Ministry of Justice and submitted to the Cabinet of Ministers of Ukraine, the following demands were specified:

- the establishment of a competitive environment in the service market for municipal education. The establishment of a communal education system at the district and regional levels;
- a guarantee of real independence for local self-government bodies in terms of participating in purpose-oriented trainings that provide officials with the ability to choose independently educational institutions and trainings and programs;
- the stable financing of a training system for retraining and improving the qualifications of officials at the expense of mandatory, purpose-oriented deductions from the local self-government budgets; and
- the implementation of a permanent mechanism to fulfill local self-government bodies' need for purpose-oriented training, retraining and qualifications improvement for officials, which would allow training programs to be adapted to practical needs.

The establishment of a new system for training government officers, so called communal education, is an urgent issue that should be solved in 2005 – 2006 because, according to Roman Bessmertry's calculations, after administrative and territorial reform is implemented, the total number of employees and governmental officials in local self-government bodies will increase six-fold (May 27, 2005, Lugansk). This increase will largely be the result of the expansion of executive councils.

In addition, in the ***“Towards the People” Program of Activity of the Cabinet of Ministers***, the necessity of “implementing innovative technologies in municipal government and of improving the system of training, retraining and improving the qualifications of government officials and executive officers of the local self-government” was noted.

Proposals regarding the development of the professional municipal sphere were also published during the ***10th All-Ukrainian Municipal Hearings (March 2005)***. These included, in particular, the need:

- to provide for the professional training needs of executive officials of local self-government bodies (to consume not less than 3 % of the expenses of the local budget). The use of funds to improve the qualifications of executive officials of local self-government bodies and deputies of local councils should be decided on competitive grounds;
- to provide scientific, informational and methodical local and regional development on the basis of open tenders for state orders for scientific research and designs;
- to establish a democratic and transparent system for promoting municipal officials and improving their legal and social protection;
- to establish a system to stimulate the desire of young people to work for local self-government bodies; and
- to promote the further development of international cooperation in the sphere of training, retraining and improving the qualifications of local self-government officials.

Besides, in terms of the need to implement a democratic governance system at the local and regional levels, cooperation with representatives of public, professional, business and scientific associations and institutions is necessary to receive many opinions on the need to ***conduct mutual thematic educational training programs for representatives of power bodies together with representatives of organized public and business structures***, particularly with specialists from regional development agencies.

Conclusions: The philosophy of the project includes the idea that the institutional ability of power bodies is a key resource in regional development. Therefore, the design, approval and expansion of up-to-date training and professional development methods for governmental officials (specifically, their competence in providing efficient and democratic government) will contribute to the realization of the projects' goals. The preparation of instructors in strategic planning can be performed at the national level with the participation of the Ministry of Economy. The implementation of trainings "at the work place" as well as mutual educational programs for officials, deputies and representatives of non-governmental organizations is key.

Issue 8.

Overcoming the existing hindrances and implementing efficient technologies for involving citizens in the local and regional government process.

According to research conducted by the World Bank (“Civil Society in Ukraine” (2003)), **the main hindrances to cooperation between non-governmental organizations and power bodies** are the following:

- the absence of legal mechanisms of public control over the activities of power bodies;
- the deficit of published information on the activities of power bodies or the channels for their distribution;
- the lack of desire on the part of representatives of power structures to cooperate with the organized public; and
- the passivity as a whole of the non-governmental sector in Ukraine in terms of pressuring or interacting with power bodies and the existence of negative stereotypes of the potential for cooperation between the government and non-governmental organizations.

We can add the following:

- the low level of public confidence, including the organized public (even after the “Orange Revolution”), in local power bodies;
- the high level of corruption in the power structures; and
- the low level of public knowledge of their rights in relation to the power bodies and of the technical skills needed to present their interests.

In terms of **interaction with businesses**, the necessity of this for territorial development is doubtful due to:

- the high level of corrupt relations between power bodies and businesses;
- the mutual negative stereotypes of each other;
- the low level of social responsibility on the considerable part of businessmen and women;
- the absence of business resources in power bodies to implement engagement strategies to realize territorial development programs and strategies.

At the level of local communities, there are a series of laws (the Laws of Ukraine “On Local Self-government” and “On Citizens’ Self-organization Bodies”) that provide efficient methods for the public to influence local council policies and solutions (i.e. local referendums, local initiatives, public self-government bodies, citizen meetings, and public hearings). However, as specified above, **at the local and regional levels, there is no real self-government and there are considerably fewer approved efficient channels for the public to influence the policy of state power bodies.**

At the same time, efficient regional government is not possible without **institutional cooperation**, which uses resources belonging to relevant and interested organizations and establishes cooperative structures between the government and other sectors, to meet the region’s needs.

The Concept of Efficient Local Self-government in Ukraine (2003, prepared by an expert group under the leadership of A. Matvienko) made **recommendations on the establishment of efficient dialogue between the public, self-government, and power bodies of various governmental levels, including:**

1. Granting associated representatives of local self-government and non-business organizations with the status of “government partners” during the formulation of state policies, meaning power bodies are obligated:
 - to inform non-governmental organizations and/or self-government bodies of decisions and drafts and to conduct consultations concerning the substance of issues (this mechanism is planned to be made mandatory for the budget, strategic planning and investment);
 - to conduct mandatory public examinations of draft laws;
 - to hold mandatory, regular consultations between the government and local self-government bodies on the priorities of state policy on local self-government and regional development; and
 - to continue the tradition of signing contracts between the government and local power associations to ensure mutual participation in the realization of key tasks.
2. Stimulating various forms of direct participation of the public, non-state organizations and professional associations in the preparation, realization and control over decisions at the local level. For this, it is necessary to adopt a national legislative norm that would oblige community leaders to inform and involve the public in finding solutions to local issues. Additional mandatory forms of participation, except for those regulated by legislation, should include:
 - a norm establishing the involvement of associated representatives of local self-government in power bodies;

- public hearings on the budget and strategic development plan issues;
 - reports by elected executive officers and deputies;
 - periodically informing the public of plans, etc.; and
 - public advisory councils attached to power bodies.
3. Formulating legislative guarantees of public participation in management; adopting a law that makes it mandatory for power bodies to inform citizens; and establishing laws on concrete mechanisms for public participation in the budget process and strategic planning.

In 2005, the establishment of **Regional Waiting Rooms for the President of Ukraine** (by Decree of the President of Ukraine on June 10, 2005) can be considered a first step towards establishing a system of dialogue and interaction between citizens, power bodies at the regional level, and the Secretariat of the President. Their main tasks are to ensure the realization of the constitutional right of citizens to make proposals to power bodies to protect their legal rights and interests and to assist citizens in solving issues brought to the attention of managerial bodies.

A quite **wide spectrum of the possible relationships between power bodies and the public** (for the most part, at the level of the local community) were proposed at the meeting of “the municipalities” in the spring of 2005. These include, in particular:

- the adoption of the law “On associations and other voluntary unions of local self-government bodies” to increase the role of associations and other voluntary unions of local self-government bodies in the representation and protection of the rights and interests of territorial communities.
- the establishment of contractual relations at all levels, including the conclusion of partnership and cooperation contracts between power bodies, local self-government bodies, public organizations, and business structures.
- the establishment of public participation mechanisms in the design and realization of socially important programs at the local level and in monitoring their fulfillment.
- the requirement to conduct mandatory public and professional examinations of draft normative and legal acts and national and regional programs of social, economic and cultural development and to monitor their realization.
- the exchange of innovative uses for and experiences with managerial technologies for local and regional government.

The issue of the search for **new institutional forms of cooperation in the process of local and regional development** can be considered the basis for the recommendations of the Program of Inter-sectoral Cooperation on Issues of Resource Provision for Local and Regional Development, which was designed by the Fund for Contributing to Local Development.

This Program proposes the following **types of interaction between power, public and business structures**:

- the establishment of joint venture companies, organizations, offices, and resource exchanges, etc;
- the conclusion of bilateral and multilateral administrative, civil and other (including international) contracts and agreements to provide a resource supply for local and regional development;
- the establishment of mutual funds, public organizations and other unions of natural and legal persons.

The experience of implementing state regional policy since 2001 demonstrates that the establishment of a network of non-state, regional and local development institutions is necessary. Such institutions would increase the role and responsibilities of territorial communities, private businessmen and women and every citizen in developing the territory and would provide these groups with real participation and influence in resolving important regional and local development problems. A network of **Regional Development Agencies** that includes representatives of state, public, and private interests could be such a non-state institution. The existing Regional Development Agencies in Ukraine could be considered as a potential basis for improving regional development infrastructure. Regional Development Agencies aim to improve the conditions and use of innovative technologies, to improve the investment friendliness of regions, to expand national and foreign investment in regional development, to improve trainings and retrainings for regional development specialists, and to coordinate regional development technical assistance programs.

There are no sufficient **mechanisms for establishing efficient interaction between power bodies, including local and regional ones, and public experts, particularly independent analytical centres**. The main reason for this deficit is the absence of an established demand for expert services by power institutions. The state currently does not show any interest in gathering expert evaluation of the design of strategic and significant projects.

As the research results of the Oleksandr Razumkov Centre (2003) demonstrate, analytical centres are not willing to provide power bodies of various levels with workable solutions, to make

concrete proposals on how to improve the government (except for the critics of managerial activities), or to provide these proposals in language that gives them practical policy applications.

There is also the problem of establishing a mechanism for the objective execution of state tenders for analytical research.

Conclusions: The project can participate in the design of a model for establishing public influence on the formulation of policy at the regional level, in the dissemination of information on the decisions of power bodies to the public, in the establishment of “inter-sectoral” structures within power bodies with the status of advisory and consultative bodies, and in rendering assistance on applicable normative and legal acts.

Chapter 2.

Key Organizations Dealing with Regional Development Issues Acting at the National Level

It was noted already in the previous section that the problem of the current state policy for the support of local and regional development is the absence of a clear institutional system for decision-making and the lack of united coordination and managerial divisions.

At the same time, it is possible to mark out **a set of central power bodies or national advisory and consultative structures** that can influence state policy on local self-government and regional management (Note: their responsibilities will be described in detail in the next section of the report). These include:

- Ministry of Economy of Ukraine
- Department of the Secretariat of the Cabinet of Ministers of Ukraine on Issues of Interaction with Local Power Bodies
- Department of Administrative Reform of the Secretariat of the President of Ukraine
- National Council for State Construction, Local Self-government and Regional Development (Advisory and Consultative Body)
- Interdepartmental Commission on Local Self-government Issues attached to the Cabinet of Ministers of Ukraine
- Fund for Contributing to Local Self-government Development of Ukraine.

In addition, many **Self-Government Associations** are active in local government. A series of the local self-government associations exist in Ukraine and their establishment is regulated by the Law of Ukraine "On Local Self-government". These include:

- Association of Ukrainian Cities and Communities (up to 2003 – Association of Ukrainian Cities)
- Association of Local and Regional Powers of Ukraine
- Association of Economic Development of the Local Communities of Kharkiv Region
- Association of Village, Settlement and Municipal Councils of Ukraine
- Association of Democratic Development of Ukraine
- Association of District Councils in Towns
- Association of Miners' Towns of Donbass
- Association of Towns of Poltava Region
- Association of Towns of Khmelnytsky Region
- Association of Towns of Ternopil Region
- Association of Towns of Lugansk Region
- Cherkasy Partnership for Contributing to Local Self-government of Ukraine
- Association of Local Self-government Bodies of the Autonomous Republic of Crimea
- Association of Territorial Self-governmental Communities of Lviv Region
- Association of Towns of Kyiv Region
- Congress of Local and Regional Powers of Ukraine.

The Association of Ukrainian Cities and Communities can be considered to be the most active as over 350 cities are members. AUCC aims to represent and protect city interests through the Supreme Council, the Cabinet of Ministers and other central power bodies; to formulate proposals on alterations to the legislative basis for local self-government and management (i.e. "lobbying"); and to render technical assistance and municipal personnel training to member cities of the Association.

The Association of Ukrainian Cities and Communities, the Ukrainian Association of Local and Regional Powers of Ukraine, and the Association of the Village, Settlement and Municipal Councils of Ukraine are all members of the Congress of Local and Regional Powers of Ukraine.

The non-state actor with greatest resource potential in the sphere of regional development and government is the **National Association of Regional Development Agencies in Ukraine**.

The National Association of Regional Development Agencies in Ukraine (NARDA) has existed officially since July 2001. **The purpose** of this organization is to contribute to the establishment of an institutional basis and other beneficial preconditions for systematically implementing state regional policy, dynamic balanced territorial development, coordination of member activities, and harmonious mutual coordination of state and local interests through the establishment and support of efficient interaction between the centre and the regions.

NARDA tasks include:

- the coordination of actions by NARDA (or its separate members) with central and local executive power bodies and local self-government bodies to design and implement territorial programs and projects;

- the establishment and support of corporate standards for NARDA members' activities;
- the gathering of resources for NARDA and its members' development; and
- the provision of information and best practices for NARDA members.

The process of establishing an up-to-date, democratic and efficient system of regional government in Ukraine is supported by the projects and programs of many international donors.

The following international donors support the process of regional and local development in Ukraine:

1. Agencies of and Participants in the UN System and Bretton Woods Agreement

The United Nations' Program of Assistance to Ukraine (September 2001) determined that contributing to **management reforms** was one of the priorities of the UN system agencies. Specifically, they would focus on:

1. **the formulation of policies for involving citizens** – increasing the possibilities for establishing partnership relations between the government and civil society organizations to contribute to citizen participation in managerial decision making and civil policy formulation) – *World Bank, UN Development Programs*; and
2. **the decentralization and strengthening of management at the local level** – contributing to the formulation and realization of public sector policies, transparency, the subordination of state administration bodies, decentralization, and strengthened local management) – *World Bank, UN Development Programs*.

Programs and Projects in the Category of "Formulation of Policies for Involving Citizens"

UN Development Programs:

- Information and communication technologies program (an Internet portal for civil society);
- Support program for academic institutions and non-state organizations to study and analyze state policy; and
- Support programs for the government to organize public forums with the purpose of discussing political initiatives.

World Bank (together with the Canadian International Development Agency):

- ***People's Voice Project (November 2004 – June 2007)***

The general **goal of the People's Voice Project** is the implementation of mechanisms and procedures directed towards increasing the public role in the construction of efficient, responsible and open government at the local level in Ukraine.

The second stage of the project is a continuation of the first stage, which was completed in June 2003. The main goal of the first stage consisted of supporting four Ukrainian towns (Ivano-Frankivsk, Ternopil, Chuguiv and Kup'yansk) in the process of improving management by supporting local reform initiatives, by supervising the quality of state services provided, and by establishing coalitions of public organizations.

During the second stage, the materials and experience gained in the first stage will be used and the project geography will be expanded. Besides the provision of support to non-state organizations in the realization of local initiatives and in monitoring services provided, the project will try to cooperate more efficiently with local government to increase its ability to provide quality services to the local population. Alchevsk, Makiivka, Komsomolsk, Chernigiv, Lutsk, and Kolomyia were selected as the project cities.

Project activities will consist of **three key areas**:

- Support for local non-state organizations in monitoring services provided at the municipal level in establishing measures to involve the public (public hearings, research, etc.);
- Provision of comprehensive training for representatives of local power bodies with the purpose of implementing innovative managerial methods based on taking public opinion into consideration, through express-polls, public hearings and public advisory committees.
- Monitoring and researching local self-government problems.

Expected results:

- the formation of a united approach to the methodology of developing efficient municipal policy and local initiatives;
- the holding of regular discussions at public forums and hearings to determine the public's position on urgent local development issues and taking this position into consideration when formulating local policy;

- the familiarization of city residents with their rights and important decisions made by local power bodies;
- more efficient activities of local power bodies in terms of formulating policy and local programs with public participation;
- the expansion of residents' ability to access information on the activities of local power bodies and to submit complaints and requests (through citizen service centres, "the united window", etc.); and
- the establishment of partnership relations between the public and local power bodies to improve the quality of services provided to the public.

Programs and Projects in the Category of "Decentralization and Strengthening of Management at the Local Level"

World Bank:

- Establishment and support of the Fund of Social Investments (support for poor communities);
- Municipal Development Fund (strengthening the ability of local state administration bodies in the sphere of financing and service provision management).

UN Development Programs, within the framework of the program entitled "*Integrity in Action: Government Program*", use the approach of uniting activities at the national and local levels. Specifically, they support:

- the formulation of efficient legislation that provides for the further delegation of authorities to the regional and local levels and the strengthening of the abilities of state administration bodies;
- pilot projects in terms of the best practices of local government and the stimulation of partnerships at the local level between managerial bodies, private sector and civil society organizations.

The purpose of these projects is to strengthen the institutional ability of local partners, representing the public or private sector, with the purpose of designing plans for stable development. Municipal Support Units, which were established within the framework of these projects, aim to mobilize the public, non-state organizations, scientists, and local business and to stimulate the establishment of public institutions whose purpose is to contribute to local government and the stable development of communities. Local activists are trained and start-up capital is provided to realize community development projects.

2. US Agency for International Development (USAID)

In the USAID assistance strategy for Ukraine, published in October 2004, the main priorities are contributing to ***economic restructuring*** and ***democracy and government development***.

Economic Restructuring

The budget reform program falls under this priority and consists of the following tasks:

- improve the methodology for forming budgets and indices;
- increase transparency in budget making and fund dispensing;
- establish a programmatic approach to the formation of budgets at the local level; and
- increase the efficiency of transfers between the budgets of various government levels.

Democracy and Government

Among the programs that fall under this priority is the "***Municipal Development and Local Self-government***" program, which was inherited from the previous USAID strategy (1998 – 2003).

The program goal is to improve ability of local self-government to provide quality public services, to implement a transparent financial planning and management system, and to interact with the public and involve it in the process of decision-making.

During 1998-2003, the following ***kinds of activity*** were relevant to the project on Regional Government and Development:

- the establishment of partnerships between Ukrainian and American communities, which resulted in the establishment of five regional training centres on municipal government and the implementation of up-to-date methods for involving citizens in the management process (i.e. public hearings and advisory committees) and in the development of

- strategic development plans for the cities) – *the Community Partnership Project, which was administrated by the U.S.-Ukraine Foundation;*
- the training of municipal officials in economic development, financial government, public service provision, and citizen engagement – *the project was administrated by RTI International;*
- the strengthening of the ability of the Association of Ukrainian Cities (since 2003, the Association of Ukrainian Cities and Communities) to protect and promote the interests of cities through the establishment and equipping of regional representatives – *the project was administrated by RTI International;*
- the rendering of assistance to local self-government bodies on budget management and the training of officials on budget formulas and programs and on purpose-oriented approaches to budget planning – *the project was administrated by RTI International;*
- the rendering of assistance to the Supreme Council of Ukraine on budget legislation adoption - *the project was administrated by RTI International.*

In the **Framework for USAID Assistance in Ukraine, FY2003 – 2007**, the following strategic task are relevant to the project on Regional Governance and Development:

Increase in the efficiency and transparency of the work of power bodies and their responsibility to citizens

This task provides assistance to the Parliament to achieve a more efficient balance between the legislative and executive powers, as well as assistance in strengthening local self-government bodies.

The **“Increase in the Independence and Responsibility of Local Self-government” Program** falls under the framework of this priority as do programs contributing to the activities of the Supreme Council, particularly its relations with the executive government branch. Under this framework, **the following activities** are performed:

- The improvement of the communal government system, particularly communal services;
- The increase in the transparency of local self-government bodies’ activities; and
- The increase in the administrative and financial independence of local self-government bodies.

Activities at the local level will be accompanied by support for initiatives in the Supreme Council of Ukraine regarding the adoption of legislation contributing to the financial and economic autonomy of local self-governments.

The following projects fall under this category:

The Project of Support for Local Budget Reform is directed towards improving the efficiency of the budget process at the local level through technical assistance, including:

- to local power bodies in regions selected on a competitive basis (Khmelnitsky, Lviv and Poltava) on improvements to local budget management according to the provisions of the new Budget Code of Ukraine (up to the middle of 2004). Support is provided on the use of program and purpose-oriented methods for preparing budgets; on the formulation, assessment, monitoring, consideration and analysis of budgets; on the increase in budget transparency and public active involvement in the budget process; on medium-term expense forecasting; and on capital budgeting;
- to leading Ukrainian organizations (Fiscal Analysis Group) on the design of transparent and efficient procedures for distributing budgets at the district level according to the demands of the Budget Code of Ukraine (including October 2003); and
- to local self-government heads and specialists responsible for the formulation and implementation of local budgets through national trainings (June – July 2003).

In particular, the project run by the American organization RTI International (2005 – 2008) will **train municipal officials from 130 communities across Ukraine on budget management, budget formulas and programs, and purpose-oriented approaches to budget planning**. Activities at the local and regional levels will be accompanied by law making activities to alter the taxation and financial legislation of Ukraine.

The **“Ukraine Local Economic Development”** project aims to contribute to the development of public organizations that cooperate with local self-government bodies and to provide services to assist in the design and implementation of economic development strategies and other local initiatives. In May 2005, the Ivano-Frankivsk regional training office (RTO) began its work, which consists of hosting practical trainings and providing certain skills and abilities through the transfer of knowledge from leading specialists in the Czech Republic, the USA and Ukraine.

3. UK Department for International Development (DFID)

In DFID's 2001 – 2005 strategy for Ukraine, contributing to the formation of **transparent democratic government** was determined to be a priority that is supported by the public, independent mass media and the state. With this purpose, assistance will be rendered in order to strengthen civil society organizations so they are able to interact with governmental bodies and exert control over their activities; to contribute to an increase in transparency in power bodies, particularly at the regional level; and to establish community development organizations.

DFID adheres to the philosophy that it is necessary to integrate activities at the national level, where legislation and governmental decisions are formulated, with work in the selected regions (Lviv and Donbass regions), where state policy is used practically and therefore can be corrected due to improved information channels and the promotion of regional interests.

DFID's main strategic tasks in Ukraine include the following:

Formation of a Strong and Stable Economy

The "**Economic and Social Development of Lviv Region**" project (September 2003 – August 2007) falls under the framework of this priority and the main purpose of this project is the formulation and implementation of regional development strategies. This project makes it possible to approve mechanisms for implementing state regional development strategies at the regional level with the support of the Ministry of Economy of Ukraine in designing regional development strategies and concluding regional development contracts.

The following **kinds of activity** are performed within the framework of the project:

- **Regional Development Strategy Design:**

Strategy formulation is considered part of the training process. The project will render assistance and transfer know-how both on strategy formulation issues and their practical implementation as well as on the implementation of organizational changes.

Among the expected **results** are the following:

- strategies that are ready for presentation to and approval by the Lviv regional council and for submission to the Ministry of Economy for approval;
- structures and processes for participation by all interested parties in planning;
- texts and methods for strategy design will be transferred to the Ministry of Economy as reference material for other regions of Ukraine.

- **Strategic Management:**

The purpose of this component is to implement development strategies in the daily activities and management processes of the Lviv regional state administration and in its connections with the external environment. Therefore, measures within the framework of this component will concentrate on implementing regional development strategies in operational programs and other components important for strategy realization.

The expected **results** are as follows:

- about three operational programs will allow their operational planning process to be designed and will perform an efficiency assessment;
- budget formulation procedures will be tested for their practical use and approved by the Lviv Regional State Administration;
- regional contracts will be designed and tested as a possible model of state support for the regional development process.

- **Investment Environment in the Region:**

The purpose of this project component is to assist the Lviv Regional State Administration and two pilot district administrations with improving their institutional environments, which will contribute to increasing external and internal investments in the regional economy.

The expected **results** are as follows:

- inventory and assessment of the available institutions and mechanisms for investment promotion and business development support;
- formulation and realization of regional programs to remove the hindrances to investment activity and dynamic business promotion;
- strengthened market infrastructure to increase investment activity and business development (at the level of the region and two pilot districts):
 - opening of two local development agencies;
 - opening of EuroInfoCentre;
 - more "beneficial" services provided by banks for small and medium enterprises.

- **Increase the Capacity of the Lviv Regional Power Bodies:**

The purpose of this project component is to implement training programs for the personnel of power bodies at the regional and district levels concerning various regional development problems. These training measures will provide key players in regional development not only with new knowledge, but also with the ability to discuss and influence the decision-making process and implementation of regional development strategies.

Among the expected **results** are the following:

- preparation and distribution of training manuals on regional development problems;
- conducting training for representatives of the Lviv State Administration on strategy formulation and strategic management; and
- conducting training for 10 local experts from the pilot regions on strategic planning.

Establishment of an Open and Transparent Society and Efficient State Administration at the Regional and National Levels

Under the framework of this priority, the **“Economic and Social Revival of the Donbass”** project (March 2002 – April 2004) is tasked with the following:

- increase the ability of the Donetsk and Lugansk regional power bodies and other regional development structures to formulate and implement stable development strategies;
- contribute to the establishment of institutional conditions stimulating economic growth in the both regions;
- formulate and improve the social development and revival models used in the Donbass; and
- contribute to the formation of an activist political culture among the public of the region.

4. European Commission – TACIS Program

“Assistance to Regional Development in Ukraine” Project

The implementation period: July 2004 – December 2006

The main beneficiaries of the project:

The national level: Ministry of Economy of Ukraine.

The regional level: regional state administrations and regional and local councils of Volyn, Vinnytsya and Cherkasy regions.

The general purpose of the project: To stimulate economic growth through the formulation and realization of transparent and efficient regional policy.

The Concrete Project Objectives that are Relevant to the Project on “Regional Government and Development in Ukraine”:

- increase the ability of the national, regional and local power bodies to formulate and realize regional development policies;
- increase the economic competitive advantage of the selected pilot regions;
- improve cooperation in the regional development sphere between interested parties, including the national and local power bodies, self-government bodies, the private sector and civil society;
- modify the general regional development structure in Ukraine so it adheres to advanced European practices.

Expected Project Results:

Objective #1 – increase the ability of the national, regional and local power bodies to formulate and realize regional development policies

- **improve the legislative basis:**
 - clearly demarcate the authorities of executive power bodies and local self-government bodies in terms of administrative and social service provision;
 - formulate/analyze the program of activities used to implement the State Strategy of Regional Development for 2005 – 2008 as well as the draft laws “On State Regional Policy” and “On Stimulation of Regional Development” and conduct public discussions on these programs and laws.
- **train the necessary number of experts to provide further regional development:**
 - train state and municipal officials and local experts engaged in regional strategic planning and community development.

Objective #2 – increase the economic competitive advantage of the selected pilot regions:

- increase the quality of public services;
- implement efficient measures to involve civil society in the decision-making process and strategic planning;

- design regional development strategies, involve all interested parties in the planning process, and make their implementation transparent;
- disseminate experiences and lessons learned in the pilot regions in a manual for use by the other regions.

Objective #3 – improve cooperation in the regional development sphere between interested parties, including the national and local power bodies, self-government bodies, the private sector and civil society:

- implement educational measures to distribute information about regional development to the public;
- establish committees on economic and social issues in the pilot regions to involve civil society in advisory and consultative bodies at the regional state administrations.

Objective #4 – modify the general regional development structure in Ukraine so it adheres to advanced European practices:

- The improvement of regional planning mechanisms (through the formulation of instructions on a transparent and efficient assessment of regional needs, procedures for budget making, social and economic programs, and mechanisms for determining regional priorities);
- The improvement of regional policy analysis and formulation methods on the basis of resources (adequate information, information sources, and data collection, analysis and assessment).

The Project “Toloka” – Development of Initiatives and Realization of Communities; Local Self-government Rights Provided for by Law in Ukraine

The implementation period: July 2002 – current

The project partners:

- The Counterpart Creative Center (Kyiv)
- The Civil Society Institute (Kyiv)
- The Committee of Electors of Ukraine (Kyiv)

The project purpose: To establish beneficial conditions for territorial communities to execute their rights, guaranteed by the Law of Ukraine “On Local Self-government in Ukraine”, through the design and approval of local normative acts and reforms to the current laws and by-laws that regulate the activities of local council deputies.

The main tasks of the project relevant to the project on “Regional Governance and Development in Ukraine” include:

- ***The design of a plan of action in pilot communities (8 communities)***, which would allow local council deputies, local activists, non-governmental organizations and public bodies to participate more actively and play a more significant role in the community's development.
- ***The provision of mechanisms*** to local council deputies, local activists, non-governmental organizations and local public bodies ***that would allow them to design and use in practice local by-laws***, which will contribute to ability of territorial communities to enforce their rights guaranteed by the Law “On Local Self-government in Ukraine”. By-laws will cover the following issues:
 - local initiatives
 - public hearings
 - local budget creation
 - meetings of community representatives at the local level
 - public organizations at the local level
 - local social partnership programs.
- ***The collection of data on factors that impede the realization of the Law “On Local Self-government in Ukraine” and the preparation and public discussion of necessary alterations to this law plus lobbying for these alterations at the Supreme Council of Ukraine.***
- ***The provision of assistance in the establishment and work of public organizations*** so these organizations can practically use democratic management strategies and can influence the development and implementation of democratic management strategies within the community.
- ***The provision of organizational development, training and advisory assistance*** to local deputies, local community leaders, and local non-governmental organizations on the practical implementation of the rights of territorial communities guaranteed by the Law “On Local Self-government in Ukraine”.

Institutions Building Partnership Program for Civil Society and Local Initiatives (IBPP)

The Program Purpose: To support institutional development at the local level through the establishment of cooperative partnerships between non-governmental professional organizations and local and regional power bodies.

Program Priorities include:

- state administration reform (provision of public services, financial management, and personnel management); and
- municipal management (town/regional planning and strategic development).

Among the projects that were supported by IBPP during 2004 – 2005, many coincide with the priorities of the Project on “Regional Governance and Development in Ukraine”. These include:

The “Polish and Ukrainian Cooperation on Local and Regional Development” project:

The implementation period: December 2003 – December 2005

Ukrainian partner: The Public Centre on “Business Initiatives” (Ivano-Frankivsk)

The Project Purpose: To strengthen democratic and market changes in Ukraine through experience exchanges and Polish knowledge transfer to improve the design of social and economic development programs at the local and regional levels and to contribute to small and medium businesses and the activities of non-governmental organizations in Ukraine.

The “Tripartite Partnership” Project in Support of Ukrainian Self-government and Territorial Communities in Social and Economic Development, using the “Cooperation Triangle” Model:

The implementation period: December 2003 – December 2005

Ukrainian partner: Pylyp Orlyk Institute of Democracy (Kyiv), Public Centre on “Business Initiatives” (Ivano-Frankivsk).

The Project Purpose: To establish inter-sectoral cooperation at the local community level in order to formulate and implement local development strategies.

5. The Mutual Cooperation Program between the European Commission and the European Council for Strengthening Democratic Stability in Ukraine

The Program Purpose: (approved in 2002): to render assistance to Ukraine in the fulfillment of obligations undertaken upon acceptance into the European Council and to contribute to the democratization of Ukrainian society.

The main components of the program include strengthening the rule of law and local democracy.

The coordinator of this component is the Fund for Contributing to Local Self-government Development in Ukraine.

The purpose of the “Strengthening Local Democracy” component is: To render assistance in the development of the local self-government sphere in Ukraine. In particular, the following **tasks** are planned:

- improvement of the legislative basis for local self-government and the administrative and territorial arrangement systems;
- tax legislation development;
- improvement of inter-budgetary relations; and
- preparation for the 2006 local elections.

Description of Key Tasks:

1) “Development of Local Self-government Legal Basis”

- Providing a comprehensive expert evaluation of the draft laws of Ukraine “On Local Self-government in Ukraine” (new version), “On the Delegation of Authorities of Executive Power Bodies, Autonomous Republic of Crimea Bodies and Local Self-government Bodies”, “Conceptual Factors of the Local Executive Bodies, Autonomous Republic of Crimea Bodies and Local Self-government Bodies” and Administrative and Territorial Arrangements.

2) “Tax Legislation Development as an Instrument of Financial Decentralization”

- Providing a comprehensive expert evaluation of the draft laws on land tax, the tax on buildings and structures (real-estate tax), local taxes and charges, and income tax on individuals.

3) “Improvement of Inter-budgetary Relations”

- Providing an expert evaluation of the proposed alterations and amendments to the distribution formula for inter-budgetary transfers from the state budget to local budgets

and of the design of distribution methods for investment subsidies from the state to local budgets.

- Conducting pilot projects to implement the new model for local taxation and charges and communal property management (in the towns of Slavutych, Komsomolsk, Berdyansk, and Sudak).

6. International Renaissance Foundation

Programs for Development of Civil Society in Ukraine

The implementation period: since 2004

The Program Purpose: To strengthen the ability of civil society organizations to actively self-organize and to efficiently protect the rights and interests of citizens; and to contribute to “third-sector” organizations, which are involved in issues that are key to modern Ukrainian society.

Program priorities include:

- provision of assistance in strengthening the expert and analytical ability of civil society institutions and their efficient interaction with the government and local self-government bodies.

The tasks that fall under this priority and will be conducted in 2004 – 2005 include:

- conducting a “public audit” of the efficiency of the activities of the government, municipal bodies and executive officials;
- expanding the use of European cooperation methods for coalitions between the “third sector” and power bodies.

Within the framework of the Programs for Development of Civil Society in Ukraine, in May 2005, the International Renaissance Foundation (together with the Eurasia Foundation) announced a competition for non-governmental organizations entitled “**Vox Populi: Public Dialogue for Solutions to Local Community Issues**”.

The Purpose of the Competition: To contribute to the design of stable models for representatives of non-governmental organizations, local self-government bodies, political parties, citizens and business to influence the decision-making process of power bodies at the regional and local levels.

The Tasks of the Competition: To propose innovative approaches to gathering recommendations from independent experts and citizens on the administrative reform process at the regional and local levels in Ukraine.

The program contains the following relevant **priority directions:**

- use the recommendations of independent experts and citizens to establish mechanisms for monitoring and use “feedback” to resolve urgent problems brought to the attention of local and regional communities. Such mechanisms could include public centres, forums, informational centres or independent analytical support.
- conduct regular meetings with the participation of the mass media, non-governmental organizations, political parties, local self-government representatives, and experts, etc. to draw up recommendations on local policy formulation.
- establish the conditions for conducting trainings and expanding information dissemination through the publication of the results of the activities and achievements of public councils, public centres, forums, and informational and analytical clubs.

The supported projects implementation period: September 2005 – June 2006.

7. “Eurasia” Foundation

Government and Local Self-government Bodies Reform Program

The Program Purpose: To increase the efficiency, flexibility and responsibility of local governments.

The **main tasks** of the program include the following:

- **Improve the qualifications of government officials** – professional training, independent public analysis of policies at the local level, establishment of cooperation between government officials and independent analysts in terms of drawing-up projects to resolve local social and economic development problems;
- **Improve the financial management of local power bodies** – attract alternate contractors for providing communal services, increase the quality of political and economic analysis, plan local budgets on the basis of up-to-date approaches;

- **Establish the legal conditions to increase the efficiency of local power bodies** – establish the legislative basis for contributing to increased efficiency and transparency in local government activities; increased public participation in political and managerial decision-making; and increased citizen supervision of the activities of power bodies.

Under the framework of this priority, in March 2005, a project of the Centre for Political and Legal Reforms (Kyiv) was supported by the competition for public organizations entitled “**Vox Populi: Public Dialogue for Solutions to Local Community Issues**”. Activities included gathering public expert evaluation of draft laws, organizing public discussions and assessing government initiatives. Additionally, experts will participate in parliamentary hearings on power decentralization (October 2005) and European experts will assess draft laws with the purpose of determining their level of conformity with EC standards.

Conclusions:

The Mutual Cooperation Program between the European Commission and the European Council for Strengthening Democratic Stability in Ukraine aims to provide amendments to the legislative basis for local self-government in Ukraine and to demarcate the authorities of local power bodies and local self-government bodies. Under the framework of the “**Vox Populi**” **Program of the Eurasia Foundation and the International Renaissance Foundation**, the Centre for Political and Legal Reforms will render assistance to the Government and the Supreme Council of Ukraine and the Project “**Assistance to Regional Development in Ukraine**” (**European Commission – TACIS**) will improve the normative and legal basis for the implementation of state regional policy. Therefore, the project on “Regional Governance and Development” should determine clearly its involvement in the legislative reform process in Ukraine. Our recommendations include:

- Avoid excessive replication of tasks and activities with the “**Assistance to Regional Development in Ukraine**” project. One of the tasks of this project is to rejuvenate the regional government system in Ukraine (by optimizing relations between the power bodies at various levels; by involving the public in the regional development process; and by establishing integrated development strategies). The main beneficiary of the project at the national level is also the Ministry of Economy of Ukraine and at the regional level are the power bodies of the pilot regions. However, this TACIS project will be completed in December 2006 and therefore, the Project on “Regional Governance and Development” can complete the implementation of those relevant tasks and measures that were not fulfilled in time and efficiently. The risk of this is quite high as, in our opinion, the project is too widely focused and the desired results are very ambitious.
- Study the achieved results and lessons and coordinate certain current activities with the **DFID Project “Economic and Social Development of Lviv Region”** since it is also tasked with designing integrated regional strategies (by using strategic planning principles and public engagement) and with strengthening the institutional ability of regional and district power bodies by conducting trainings and providing expert consultations to officials and interested public representatives. Besides, the Ministry of Economy is the partner of the British project and on the basis of the “Lviv Experience,” the Ministry plans to approve and correct the methods for formulating regional development strategies and regional contracts.
- Interact with the **Project “Toloka” (European Commission, TACIS)** when formulating amendments to legislation and normative and legal acts concerning the legal and financial grounds for the existence of local self-government at the basic level and when involving citizens in management at the local level (town, settlement, or village). Besides, it would be expedient to study their experience with establishing and implementing trainings and consultation programs for local council deputies, municipal officials, and representatives of non-governmental organizations involved in local government processes. The experience of this project can be extrapolated (with legal and functional peculiarities taken into account) to the district and regional level. The **TACIS IBPP** project supports similar local projects.
- Use the current results of the **People’s Voice Project (World Bank – KAMP)** which began in November 2004 to assist in establishing public control over the actions of the government at the local level, in developing the form of trainings for representatives of local bodies, and in taking into account public opinion of management processes. The majority of projects conducted by the **UN Development Program** have an excellent methodology for involving public bodies in management by intensifying and establishing institutional public integration mechanisms, on the one hand, and by increasing the level of democratization and institutional ability of the local government to work with and involve the public, on the other hand.
- The strategic approach to reforming the government system in Ukraine that is being used by the US Agency for International Development (USAID) would be useful to the RGD project,

especially when formulating and improving drafts of local and regional level normative and legal acts that are designed within the central power bodies. Another useful method for strengthening the institutional ability of local bodies is the operative training of officials on new managerial methods, which ensure amendments to the normative and legal basis for government administration and local self-government are taken into consideration. This approach was used in the “Support of Local Budgets” project.

Chapter 3. **Distribution of Authorities and Responsibilities and Relations between State Authorities that Influence Project Planning**

As indicated in the previous section of the report, there is no *united body at the national level that could comprehensively solve the local and regional development problems in Ukraine*. Such a state body could implement the local self-government and regional development strategies laid out in the current legislation; forecast the development of events in connection with newly adopted laws; and assess the legal basis for and provide recommendations on the practical implementation of local self-government development projects and programs.

At the same time, there are certain ***national government institutions that have managerial, coordinative or advisory influence on the formulation of regional policy, as well as local and regional development policy. They are:***

Ministry of Economy of Ukraine

One of the main tasks of the Ministry of Economy of Ukraine is to participate in the formulation of state regional policy and to organize work connected with its implementation. The ***Department for Regional Development*** is responsible for the implementation of this priority. The main purpose of this department is to formulate proposals and to implement state policy on the creation of conditions for regional and local development, the intensification of regional resource potential and the strengthening of regional compatibility.

Department tasks include the following:

- design the main basis for the state strategy on regional development; implement, within its assigned authorities, state policy on regional development and local self-government; and coordinate the activities of the central and local executive bodies in this sphere;
- analyze the status and tendencies of regional economic and social development; and formulate proposals to improve the efficiency of development stimulation mechanisms;
- contribute to the creation of the proper conditions for local executive bodies, local self-government bodies and territorial communities to implement the rights and authorities determined by the Constitution and laws of Ukraine; formulate, within its authorities, drafts of normative and legal acts on regional policy and local self-government; and make proposals and recommendations on local self-government development and the resolution of urgent problems in this sphere;
- design and implement, within its authorities, measures to solve the issues of the optimization of the structure of local executive bodies, the interaction of central and local executive bodies as well as local self-government bodies, the improvement of management mechanisms for territorial communities' communal property and mutual property objects, the establishment of economically self-sufficient territorial communities, the strengthening of these communities' material and financial base, and the integrated social and economic development of inhabited areas.

Department of the Secretariat of the Cabinet of Ministers of Ukraine on Issues of Interaction with Local Power Bodies

The main tasks of this department include the following:

- control and analyze the central executive power bodies' work in terms of the provision of organizational, methodical and other practical assistance to local power bodies in the implementation of governmental policy in applicable fields;
- monitor and analyze the organization of local executive power bodies in terms of the implementation of state regional and personnel policy;
- organize the Interdepartmental Commission on Local Self-government Issues attached to the Cabinet of Ministers of Ukraine, the Commission on Administrative and Territorial Arrangement Issues and other advisory bodies in terms of their work on local executive power bodies and self-government bodies issues, which are established by the Cabinet of Ministers of Ukraine;
- coordinate the work on improving the normative and legal basis for regulating the activities of local executive power bodies and local self-government bodies.

Department of Administrative Reform acts within the framework of the Secretariat of the Cabinet of Ministers of Ukraine.

Secretariat of President of Ukraine

The Main Services of Administrative and Legal Policy and Regional and Personnel Policy are established within the structure of the Secretariat of the President of Ukraine, which was approved on March 24, 2005.

National Council for State Construction, Local Self-government and Regional Development

This council was established by the Decree of the President of Ukraine of April 26, 2005 as an advisory and consultative body. The main tasks of the National Council are 1) to formulate and make proposals on determining the priorities and mechanisms of state policy on state creation, local self-government and regional development, integrated implementation of administrative reforms, administrative and territorial reform, and local self-government reform; 2) to develop civil society, direct democracy forms, and an improved system of interaction between government bodies, local self-government bodies, their associations and other unions, public organizations, and business structures; 3) to ensure the activities of power bodies are transparent and citizens and their unions are involved in the formulation of nationally and locally significant decision-making; and 4) to assess efficiency.

Foundation for Local Self-government of Ukraine

Since 1996, the Foundation has been the central state scientific and methodical, advisory and coordinative institution on local self-government development.

The Foundation undertakes the following activities:

- scientific and applied designs;
- advisory, scientific, methodical, informational, analytical, and educational activities;
- coordination of the work of associations and unions of local self-government in Ukraine;
- establishment and development of international contacts;
- organization of the Ukrainian delegation's participation in the Congress of Local and Regional Powers of Europe.

In particular, the Foundation directly participated in the formulation of the draft of the Constitution of Ukraine (specifically the sections concerning territorial power organization in Ukraine), the draft of the Law of Ukraine "On Local Self-government in Ukraine", and the draft of the Concept of Administrative Reform. Foundation experts participated in the formulation of draft laws on the local state administration, on the capital of Ukraine – the hero city Kyiv, on communal property rights, on local taxes and charges, on public organizations, on service in local self-government bodies, on the state and legal experiment in the town of Irpen and the settlements of Bucha, Vorzel, Gostomel, and Kotsyubynske in Kyiv region, and many others.

Additionally, the Foundation prepared the draft of the "State Strategy on Local and Regional Development Management" and the corresponding draft laws, which in December 2003 were discussed by representatives of local self-government bodies, executive power bodies, the municipal public, and scientists from all regions at a public hearing that took place in the cities of Dnipropetrovsk, Donetsk, Kyiv, and Lviv.

According to law, the **Ministry of Economy and European Integration** is entrusted with formulating the general structure of program documents on economic and social development, methodical recommendations on their formulation, and the implementation of up-to-date technologies for forecasting social and economic processes. Besides, this Ministry has organizational and methodical control over and coordination of the design process for economic and social development forecasts and programs of the Autonomous Republic of Crimea, regions, districts and big towns over the medium- and short term respectively.

Therefore, the guiding role of the government in the organization and provision of program and forecast documents is determined by law. At the same time, the criteria and parameters, which are necessary for presentation of regional problems in program documents, have not been determined clearly. When medium- and short-term forecasts are being drafted annually, the list of forecast indices is clarified. Additionally, united methodical approaches to regional social and economic development forecasting are absent.

The **regional state administrations** are responsible for implementing state policy at the **regional level** (according to the Law of Ukraine "On Local State Administrations"). **The regional representatives of central executive power bodies** are responsible for implementing the field and departmental strategy.

According to the Law of Ukraine "On Local Self-government", **the district and regional councils** are local self-government bodies representing the mutual interests of the territorial communities of villages, settlements and towns. They have the following authorities in terms of the territorial development process:

- approval of social and economic programs, as well as cultural development programs of the district or region;
- approval of district or regional budgets;
- distribution of funds transferred from the state budget as equipment and subsidies for district budgets, local budgets of towns of regional significance, villages, settlements, and towns of district significance;

- solutions to issues regarding the management of mutual property of territorial communities of villages, settlements, towns, and districts in towns that are managed by district and regional councils; and
- decision-making on administrative and territorial arrangement issues within the limits and in the order determined by law.

However, according to the laws mentioned above, district and regional state administrations have the real authority and resources to formulate and implement program documents and strategic solutions regarding the development of districts and regions.

In connection with the administrative and territorial reform planned for 2005, through which a new distribution of authorities between district and regional councils and their corresponding administrations (or possibly the elimination of the district state administrations) will take place, there is **uncertainty as to the future distribution of power at the regional (district) levels**. This uncertainty should be taken into account during the planning of the project on "Regional Governance and Development". In particular, RGD should consider:

- Which new authorities could be given to the regional council in terms of regional governance and development?
- Which functions will be left to the regional state administrations?
- Which management system will be formed at the district level, and what will be the structure of relations between the district and regional self-government?
- Will self-government bodies at all levels (community, district, and region) have sufficient authorities and resources to execute the functions entrusted to them? Particularly, will there be efficient development of territories on the basis of democratic government?
- Which system will be selected for the relations (normative and regulative, financial and economic) between central power bodies and regional power bodies?
- Will non-governmental organizations and other public institutions have a greater ability to influence activities of power bodies after the implementation of administrative and territorial reforms?

Chapter 4.

System of Financial and Budget Relations in Ukraine

The efficient functioning of the territorial development management system depends, not so much on the authorities entrusted to local self-government bodies, but on the availability of material, human, financial and other resources necessary to complete the tasks entrusted to them.

As of the middle of 2005, the Budget Code approved in 2001 still determines the funding basis for local self-government bodies and inter-budgetary relations. **The main positive achievement in the sphere of inter-budgetary relations made by the Budget Code** is the implementation of a system for calculating transfers, which includes the following provisions:

- transfers do not depend on the actual use of local budget revenues and expenditures in the next budget year;
- local budgets do not require additional funds from the state budget as each receives a specific and independent part of the total funds with which to fulfill its tasks, thereby achieving the partial financing of poorly developed regions;
- transfers do not deprive local self-government bodies with the ability to use stimuli for reducing expenditures and increasing revenues;
- governments can use additional funds to fill local budgets, save resources, and implement social programs;
- subsidy payment mechanisms were modified.

However, in spite of these innovations, the existing **financial resources of local budgets** do not allow local self-governments to independently support communal housing and facilities or to cover the expenses of local social programs (without state support). Administrative and territorial divisions have an unequal tax base and tax potential, which is the consequence of the irregularity in territorial arrangements and natural and resource potential.

Central executive power bodies and the government determine the direction of regional development mainly through resource allocation. There are two main kinds of fund transfers that are under the control of the government: firstly, the transfer destination, which was mentioned above, and secondly, the financing of investments at the regional level. State investment injections in the social and economic development of regions depend on the factors and priorities of the state regional policy. To ensure the fair and expedient allocation of funds from the state budget at the regional level, the Law "On Stimulating Factors for Regional Development", a draft of which is under the consideration by the Supreme Council of Ukraine, must be adopted as soon as possible.

The plans for reforming the financial and economic provisions for local self-government in Ukraine and inter-budgetary relations were considered in the previous section of the report.

Conclusions

Needs to Enhance the Capacity of Target Authorities and Other Beneficiaries that can be fulfilled by the Project on Regional Governance and Development

Short-term Needs to Strengthen the Ability of Power Bodies and Other Beneficiaries that can be fulfilled by the Project on Regional Governance and Development

The national level (the Ministry of Economy, other relevant power bodies, and non-governmental organizations are partners of the project):

- drawing-up plans to increase the institutional ability of the national partners of the project;
- determining the project needs, the mechanisms for coordinating the activities of representatives of national power bodies, and the advisory and consultative state structures for discussing the normative and legal reforms to the regional government system;
- providing assistance in developing legislation on the authorities of regional and district councils, particularly in terms of their ability to influence the territorial development process and on the reformed authorities of local state administrations;
- monitoring the performance of state experiments in Kyiv region with the purpose of studying the efficiency of activities of local power bodies given the changes in legal conditions; initiating experiments on reforming local self-government in the pilot regions with the purpose of finding and developing new models and technologies for local and regional development;
- providing assistance in developing economic, financial, demographic and other criteria for forming efficient territorial communities and districts, ensuring the fulfillment of the authorities of local self-government;
- participating in the completion of strategic regional development methods and state strategies for regional development;
- providing assistance to the parliamentary hearings on the “Decentralization of Power in Ukraine” (October 12, 2005);
- executing polls of representatives of national power bodies on their ideas for efficient regional government models and interactions between the state and territorial self-government bodies;
- conducting “round table” discussions with national partners, project experts, and other relevant specialists on up-to-date, democratic regional governance methods and their potential use in Ukraine.

The regional level (regional state administrations and regional councils of the pilot regions and other partners):

- collecting and analyzing data on the social and economic as well as other resource potential of the pilot regions;
- analyzing the status and potential of regional institutions, especially the form of interaction between regional power bodies and organizations representing the interests of the public and businesses, academic and independent analytical centres, local development agencies, and other development institutes. Special attention should be paid to involving citizens in regional planning;
- analyzing current training and professional development programs for government officials, municipal officials, council deputies, and “third sector” representatives;
- studying prior experiences with implementing international assistance programs, including the improvement of interactions between power bodies and the public in the local and regional development process in the pilot regions;
- assessing the needs of local state administrations and regional self-government bodies and formulating the methodology for drawing-up training and advisory support plans which take into consideration the unique character of each region;
- initializing experiments on new models of interaction between local power bodies and the public;
- determining necessary amendments to the normative and legal statutes in Ukraine to improve the mechanisms for engaging the public in regional government.

Long-term Needs to Strengthen the Ability of Power Bodies and Other Beneficiaries that can be fulfilled by the Project on Regional Governance and Development

The national level (the Ministry of Economy, other relevant power bodies, and non-governmental organizations are partners of the project):

- providing assistance to the process of determining the new authorities of central power bodies in terms of the implementation of regional policy in the administrative reform process;
- providing assistance in the formulation of normative and legal proposals on how to improve the financial and economic development of regions and the allocation of state financial resources at the regional level;
- participating in the development of a binding procedure for conducting preliminary consultations on draft decisions of state power bodies with representatives of associations of local self-government bodies, independent analytical centres, and other relevant structures;
- participating in the formulation of other normative and legal acts that would determine the binding forms of public engagement in the formulation of policy at the regional level;
- making normative proposals on the training system for government officials, who work in local power bodies;
- organizing professional training for instructors in the sphere of strategic planning and regional development;
- providing assistance in the development of informational strategies for the national policy in support of regional/local development.

The regional level (regional state administrations and regional councils of the pilot regions and other partners):

- working-out plans for increasing the institutional ability of regional partners and for training and providing technical support to key players in each region;
- providing assistance on the initialization of the plans mentioned above, particularly on the basis for a training and advisory program on stimulating local/regional development for officials, deputies, and representatives of development institutes;
- developing efficient mechanisms for interactions between regional and central power bodies in terms of local and regional development on the basis of proposals developed in the regions and in the centre;
- contributing to the organization of public discussions on relevant draft laws or drafts of normative and legal acts in the pilot regions;
- approving new managerial technologies in local and regional development (if possible – within the framework of the state and legal experiment);
- developing and adopting normative and legal acts of regional significance that contribute to engaging the public in the formulation of policy and in territorial development planning;
- forming organizational structures in regional governments (for example, consultative committees, working groups at regional council commissions, and others);
- concluding agreements between regional power bodies and non-governmental development institutes (APP) to cooperate in the region planning and development process and in the implementation of other expedient cooperation forms;
- approving regional, territorial and community development strategic plans with the participation of the organized public;
- having regional councils develop and approve regional integrated development strategies and plans of action with the wide participation of project participants and other representatives of the organized public;
- developing a model of public control over managerial (administrative) services provided by power bodies;
- printing and distributing training and methodical materials on strategic management, strategic planning, program and purpose-oriented approaches to budget making, and other regional development issues;
- establishing an efficient system of access to official documents on regional development at the regional/local level;
- collecting, analyzing and distributing to regional governments information in various forms on best practices and experiences regarding such issues as strategic planning, public engagement in policy formulation, the establishment of a beneficial business environment, and others.

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