

HOW TO MEET EU ACCESSION REQUIREMENTS IN THE FIELD OF CHAPTER 22, REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

STRATEGIC RECOMMENDATIONS FOR IMPLEMENTATION OF STATE REGIONAL DEVELOPMENT POLICY IN UKRAINE

SUMMARY CONCEPT PAPER

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and Territories of Ukraine

U-LEAD with Europe: Local Empowerment, Accountability and Development Programme is a multi-donor action of the EU and its member states Germany, Denmark, France, Poland and Slovenia to support Ukraine on its path to strengthening local self-government. U-LEAD promotes transparent, accountable, resilient and responsive multi-level governance in Ukraine and empowers municipalities.

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INTRODUCTION

General purpose of the document

This Summary Concept Paper proposes several priority actions to be undertaken by Ukrainian Administration to build sufficient programming, coordination and institutional capacity for implementation of the European acquis in the area of regional policy and coordination of structural instruments as required under Chapter 22 and other linked EU accession negotiation areas.

Proposed recommendations were supposed to be helpful in drafting an Action Plan for implementation of SRDS 2024-2027¹ which is one of the main recommendations of the EC under Ukraine Enlargement Report 2024 concerning Chapter 22 Regional Policy and Coordination of Structural Instruments (see below for details).

The *Summary Concept Paper*, among others:

- sets proposal for implementation of key principles of EU cohesion policy,
- defines priority areas for regional policy intervention, both in territorial and sectoral dimensions,
- proposes actions to build and strengthen coordination system of policies having importance for achievement of territorial goals (in regard to programming, management and implementation), sets directions to improve the system of monitoring and evaluation, including establishment of indicators (success indicators for investment and reforms),
- advocates building effective system of institutions for managing, implementation, monitoring and control, including defining the role of sub-national authorities and Civil Society Organisations (CSOs),
- proposes actions to support capacity building for national, regional and local authorities both in regard to management as well as project implementation capacity.

It is based on the knowledge and expertise of participating experts and ***is meant for the ongoing discussion with Ukrainian Authorities about the optimal strategy for strengthening the role of decentralised regional policy in public policy making and gradual preparation of administrative capacity for EU accession negotiations under Chapter 22.***

¹ In this paper, the term the State Strategy for Regional Development (SRDS) 2024-2027 refers to the version amended by the Government of Ukraine in August 2024 for the years 2024-2027. See: [SRDS 2021-2027](#)

The proposal takes into account provisions of:

- ✓ the State Regional Development Strategy for the years 2021-2027 updated for the years 2024-2027 (SRDS)²,
- ✓ the Ukraine Plan³,
- ✓ EU enlargement reports on Ukraine 2023 and 2024⁴
- ✓ other relevant official and expert documents related to the topic.

Challenges in building an effective system of regional policy and coordination of structural instruments.

The SRDS 2024-2027 adopted by the Ukrainian Government in August 2024 is a very general document and doesn't provide a sufficient level of details to understand how identified strategic objectives of the state regional policy will be implemented, by whom and by what means. ***The Action Plan of implementation of the Strategy***, should propose realisation of more than 160 activities defined in its Annex II. However, many of those activities are non-essential from strategic regional policy making and, in medium term, their ***accomplishment will not help in bringing Ukraine closer to meet the EU accession requirements set under negotiation Chapter 22.***⁵

There is significant room for improving the draft SRDS AP, since it correlates with upgraded SRDS, and since both documents are of a rather declarative nature. This very Summary Concept Paper tries to provide some most relevant recommendations to Ukrainian Authorities for directing them towards meeting EU standards.

The *European Commission assessment* of developments in the area of regional policy in Ukraine covered by EU accession negotiation Chapter 22 in Ukraine 2024 Report is following:

² Approved by Resolution of the Cabinet of Ministers of Ukraine of [5 August 2020 No. 695](#)

³ Approved by Resolution of the Cabinet of Ministers of Ukraine of 18 March, 2024, No. 244-[p](#)

⁴ Ukraine 2024 Report, Commission Staff Working Document Accompanying the document Communication from the Commission to the European Parliament, The Council, the European Economic and Social Committee and the Committee of Regions

⁵ On 31st January 2025, the MinDevelopment has published the draft SRDS Action Plan for 2025 –2027 (Action Plan) and opened public consultations to collect proposals and comments on the draft text. The proposed actions appear relevant and logically aligned with the SRDS's objectives, as they address key areas essential for the country's sustainable recovery and development. However, their successful implementation will depend on the government's ability to secure sufficient funding, ensure effective coordination across different levels of government, and establish robust mechanisms for control and monitoring. See: [Draft SRDS Action Plan](#).

Ukraine has some level of preparation in the field of regional policy and coordination of structural instruments. Limited progress was made, with more notable progress in implementing territorial cooperation programmes (Interreg) with the Member States.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Ukraine should in particular:

- *operationalise the State Strategy of Regional Development by drafting and implementing an action plan;*
- *ensure that adequate financial support is allocated to the recovery, reconstruction and modernisation needs of sub-national authorities;*
- *strengthen the coordination framework within regional policy to ensure systematic and inclusive engagement of regional and local stakeholders, coordinated by the government.*

Those recommendations focus on short-term priorities to be accomplished by the Ukrainian government, however looking from the perspective of the EU accession the challenge is much higher and more comprehensive.

Building an effective national institutional, legal and financial system, being capable to utilise available funds under cohesion policy (or in broader terms: all structural support from the EU for Ukraine, including regional policy actions) ***requires a high political commitment*** but also implementation in following years an organised and well-coordinated set of interlinked actions going much beyond regional policy itself.

In a matter of fact, ***preparation of the well-functioning system*** to be ready to start spending money from the first day of the EU membership ***requires robust coordination system*** and monitoring of the progress of actions to be negotiated and implemented under:

- all EU accession negotiation chapters under Fundamentals (Cluster 1): democracy promotion, decentralised approaches, respect for values and civil society participation covered by the Judiciary & Fundamental Rights (23); Justice, Freedom & Security (24) chapters;
- Public Procurement (chapter 5), Statistics (chapter 18), Financial control (chapter 32);
- all chapters under Cluster 5 on resources, agriculture and cohesion covering: agriculture and rural development (chapter 11); food safety, veterinary and phytosanitary policy (chapter 12); fisheries and aquaculture (chapter 13); regional policy and coordination of structural instruments (chapter 22); financial and budgetary provisions (chapter 33).

Actions proposed in this *Summary Concept Paper* are presented in **two time horizons**:

Short term – 2024-2027

Covering the time of realisation of SRDS 2024-2027 and process of screening of the state of preparedness of Ukraine for EU accession accessed by the European Commission in 33 negotiation areas (chapters), including regional policy and coordination of structural instruments (chapter 22).

To conduct successfully subsequent negotiations with the EU, **Ukraine at the end of this period should decide about the model of regional policy making** covering among others: the system of coordination and realisation of structural policy, including the role of sub-national level, division of the country into statistical units NUTS (nomenclature of territorial units for statistics) used in the calculations of allocations for cohesion policy and for programming purposes⁶, institutional allocation of functions for management, programming, monitoring, evaluation implementation, control and audit, the plan for strengthening of administrative capacity. In defining the model of regional policy and coordination of structural instruments must be taken into account drafts of regulations for the future Multiannual Financial Framework (MFF) after 2027 to be published by the European Commission by the end of June 2025.

In this period main financing vehicle for investment at the regional and local level will be, most probably, the Ukraine Plan financed from Ukraine Facility, however some parallel actions - especially in the area of cross-border, territorial cooperation and local development should be also supported by the EU and other donors.

Medium-term – covering the time between 2028 and the accession to the EU.

In this period the system of regional policy should be gradually build and implemented according to plans agreed with the EU during accession negotiations. This includes changes of legislative basis in the area of regional policy but also alignment of the EU *Acqui* under all relevant clusters mentioned above. The institutional system of coordination, management and implementation should be gradually built and strengthen with the use of targeted building capacity actions. Potential beneficiaries should receive help in understanding of new regulations and procedures and project pipeline relevant to the scale of foreseen after accession funding, at national, oblast and municipal level should be gradually built.

⁶ The NUTS are a hierarchical system divided into 3 levels: NUTS 1: major socio-economic regions
NUTS 2: basic regions for the application of regional policies; NUTS 3: small regions for specific diagnoses; NUTS 0 level usually corresponds to the national boundaries.

CHAPTER I. Strengthening compliance of the state regional policy making with the principles of EU cohesion policy

Principles of the EU cohesion policy should be firmly incorporated into the whole system of public policies making in Ukraine, including regional policy and in particular - in implementation of SRDS 2024-2027. They should guide the process of policy programming and delivery, including realisation of programmes, project selection, appraisal and implementation.

Subsidiarity and complementarity

Regional policy implementation in Ukraine (and SRDS 2024-2027 in particular) should be based on principle of supporting further decentralisation of the state meaning that undertaken development actions are programmed and implemented close to citizens - as far as possible at municipal or regional level unless, due to the scale and expected effects, it is more effective to realise them from the national level.

In practical terms it means that implementation of the Strategy as well as Ukraine Plan should made responsible and involve local authorities in design, appraisal and implementation of strategies and projects of regional and local interest and impact. To be effective they should receive guidance and additional resources to fulfil regional policy tasks, especially those which have weaker administration capacity.

Partnership and multilevel governance

As far as possible development actions should be implemented through the system of agreements and horizontal and vertical multilevel cooperation between the government, territorial self-governments and other development partners. The state and self-governmental authorities and their respective administration should work together in partnership with business community, academia and relevant CSOs operating at national, regional and local scales. In practice it means that all stakeholders are engaged in dialogue about development needs and focused on efficiency taking part in programming, management, implementation, monitoring and evaluation of regional policy strategies, programmes and projects.

Integrated, place-based approach

The reference point for actions conducted within the framework of regional policy is a territory defined on administrative or functional basis. The subject of territorial development is to use potentials of given territory with the use of available resources in concerted actions involving community and where appropriate – the government and other public institutions and relevant stakeholders.

In practical terms application of this principle to regional policy in Ukraine, means a need for enhancing cooperation among development partners and integration of actions having impact on territories. For this an effective system of cooperation focused at national and territorial levels (oblast) on overcoming territorial deficiencies and using

development potential is a must. The lead role in conducting those activities should have relevant democratically established territorial authorities.

Territorial and thematic concentration

In line with EU cohesion policy rules, but also due to limited resources and short implementation time, regional policy measures in Ukraine should be implemented in accordance with the principle of thematic and territorial concentration; in order to achieve the greatest development effect. This means that the available financial and human resources should focus on the implementation of thematic priorities of the greatest importance for the implementation of regional development objectives of SRDS. In the first period this should be strongly related to the reconstruction of infrastructure destroyed during the war and the restoration of living conditions for the population. In the longer term, should be also related to the implementation of measures strengthening the competitiveness of territories, increasing human capital, building resilience and implementing the thematic priorities important for Ukraine and the EU, such as energy efficiency, combating climate change and digitization. In the territorial dimension, the activities should primarily concern those areas listed in the SRDS where development situation is the worst and undertaken actions would contribute to the greatest extent to use territorial potential and achievement of development goals set in relevant strategies at national, regional and local level.

Sustainability and environmental neutrality

This principle means achieving the best possible results with the least possible pressure on the environment. The actions taken as part of the implementation of the SRDS will be beneficial or neutral for climate change, will do not significantly harm environment⁷ and support **transformation of Ukraine economy towards greener, circular, zero waste economy**. As far as possible, they should also in parallel improve energy efficiency and limit use of energy.

In the context of spatial development, this means careful and planned use of the space for investment processes. In practice, regional development policy in Ukraine should be realised without excessive and increasing pressure on ecosystems and refraining from landscape degradation.

⁷ Do Not Significantly Harm (DNSH) principle was introduced by Taxonomy Regulation [\(EU\) 2020/852](#). Its sets criteria to determine whether an economic activity substantially contributes to one or more of the environmental objectives (a) climate change mitigation; (b) climate change adaptation; (c) sustainable use and protection of water and marine resources; (d) transition to a circular economy; (e) pollution prevention and control; and (f) protection and restoration of biodiversity and ecosystems. An economic activity should not qualify as environmentally sustainable if it causes more harm to the environment than the benefits it brings.

European values, equal treatment and non-discrimination

All activities under regional development policy in Ukraine should be realised in conformity with Art. 2 of the Treaty (of European Union - TEU) and in line with provisions of European Charter of Human Rights. ***The implementation system and realised projects should promote equal treatment, non-discrimination and opportunities for all citizens.*** Realisation of SRDS and Ukraine Plan and other programmes should protect against differentiation, exclusion, or limitation of the possibility of receiving subsidies or taking part in any activities on the grounds of age, disability, gender, race, sexual orientation, ethnic origin, religion or belief and other grounds. All implemented actions should take into account the issue of gender inequality assuring that the gap between women and men is narrowing.

CHAPTER II. Objectives, activities and geographical coverage

The SRDS 2024-2027 sets out **three strategic goals of the State Regional Policy of Ukraine**:

- I. forming a cohesive state in the social, humanitarian, economic, environmental, security, and spatial aspects;
- II. enhancing competitiveness of the regions;
- III. developing efficient multi-level governance.

The Strategy sets also a **long list of priorities for regional development** for the all period 2021-2027:

- (1) creating security, social and economic conditions for the return of Ukrainian citizens to the regions and territorial communities;
- (2) restoring and developing infrastructure, including the electronic communications network infrastructure, based on the principles of transparency, accountability, sustainability, inclusiveness, energy efficiency, climate change adaptation, security and resilience to security threats, and economic feasibility;
- (3) developing the institutional capacity of local self-government bodies at the regional and local levels in the areas of strategic planning, project management, digitalisation, and anti-corruption;
- (4) developing human capital, restoring entrepreneurship and economic growth based on the internal potential of the territories and regional smart specialisations;
- (5) developing multi-level governance, aligning the regional development management system with EU procedures and best practices;
- (6) involving the public in decision-making at the national, regional and local levels;
- (7) restoring the balance of ecosystems affected by the armed aggression;
- (8) building partnerships, developing inter-municipal, inter-regional and cross-border cooperation;
- (9) promoting economic development of the regions by attracting investments for the implementation of innovative projects;
- (10) restoring and developing the social service provision system at the regional and local levels.

*The large number of those priorities suggests that they are equally important and should be a basis for various activities of legislative, institutional and investment nature, however **the document doesn't show how to achieve them**. In the Annex II of the SRDS priorities for action are grouped in a slightly different manner: strategic*

objectives are divided into operational objectives and those into groups of activities and activities.

In a matter of fact those groups of activities should be regarded as the main programming and implementation system reference points. Expected results set in the Annex III refer to this programming level. They correspond also broadly to analysis of development problems in the SRDS's section "*Trends and Key Challenges in the Socio-Economic Development of the Regions*". Unfortunately, for many proposed tasks justification is either missing or insufficient.

Table 1. Strategic and operational goals and groups of activities of the SRDS 2024-2027 (according to Annex II).

Strategic objective (goal)	Operational objectives.	Groups of activities (sub-operational objectives)
I. forming a cohesive state in the social, humanitarian, economic, environmental, security, and spatial aspects;	Ensure integrated development of the territories in the interests of future generations	"Stimulate the development of the territories" "Reintegration of the de-occupied territories" "Protection and rehabilitation of the environment"
	Address the needs of the citizens in high-quality administrative and public services	"Education services" "Social services and the formation of an inclusive society" "Cultural services and the formation of national identity" "Medical services" "Digital infrastructure, administrative and other public (electronic public) services"
	Social support for Ukrainian war veterans and their families, internally relocated persons and other socially vulnerable groups	"Integration of the internally relocated persons" "War veterans and military personnel living in communities"
II. enhancing competitiveness of the regions;	Infrastructure resilient to security, social and economic challenges	"Transport infrastructure" "Comfortable Communities" "Energy Infrastructure" "Civil protection and security of citizens"
	Strong, capable and competitive regional economy	"New jobs, investment and business development" "Tourism"

III. developing efficient multi-level governance	Developing the institutional capacity of the public authorities in line with the EU best practices	"Planning and accountability tools in the regional policy" "Building the capacity of state regional policy stakeholders"
	Promote various forms of cooperation and efficient management of public investments	"Development of cooperation at the regional level" "Investment instruments of regional policy"

Source: Annex II of SRDS

In total more than 160 activities are defined under established groups of activities. As it is claimed in the document their implementation through the Action Plan should allow for operationalisation of SRDS 2024-2027. They are of various nature (legal, organisational and investment), belong to various policy fields going beyond traditional regional policy making and are not prioritised at all. Defined activities, taking into account current legal responsibilities, are to be realised by various government institutions. Considering limited time (in practice 2025-2027) and scarce resources for realisation of the Strategy this makes SRDS operationalisation very difficult. This **lack of prioritisation makes difficult to define strategic reforms**, which should be cornerstones of the new architecture of regional policy and coordination of structural instruments system in Ukraine.

Accordingly, we recommend the list of activities to be realised must be thought through: streamlined, sequenced and prioritised, the time horizon for realisation of some of them extended.

Many activities foreseen under Annex II of SRDS, especially under strategic goal 3 "Developing efficient multi-level governance" foreseen that municipalities, CSOs and business community should be involved in implementation process of SRDS 2024-2027 - however the Strategy itself doesn't give a precise information about their role and functions.

EU Facility Regulation⁸ sets the requirement that **20% of non-repayable financial support within Ukraine Facility Pillar I** should be utilised for the recovery, reconstruction and modernisation needs of Ukraine's sub-national authorities, in particular local self-government. *This could be seen as an opportunity for securing money for implementation of SRDS 2024-2027 - at least for the part which directly involves support at regional and local levels.*

Chapter 9: Decentralisation and Regional Policy of the Ukraine Plan⁹ (page 180) shows 3 thematic areas of investment to be implemented with taking into account

⁸ [Regulation \(EU\) 2024/792](#) of the European Parliament and of the Council of 29 February 2024, establishing the Ukraine Facility.

⁹ Ukraine Plan 2024 – 2027 has been submitted by the Ukraine Government in March 2024 and after positive assessment by the Commission, the Council of the EU on May 15th adopted Implementing Decision on the Plan

regional and local needs (see Table 2) and at the same time being a basis of monitoring of fulfilment of the requirement of 20%. Indicated thematic areas (human capital, energy and transport sectors) and proposed types of projects under them are defined under relevant sectoral chapters of Ukraine Plan, unveiling that only part of investment in these sectors will be really utilised to cover needs of sub-regional and local authorities. Considering the current legal competences between the central government and local authorities in those sectors (decentralisation of provision of goods and services) *only small part of realised projects is to be realised by municipalities.*

According to SRDS 2024-2027, the basis of distribution of funds to cover needs of regional and local levels should be comprehensive regional and regional strategies and plans – unfortunately it seems that under Ukraine Plan the implementation process is to be organised on a sectoral basis and national logic. This creates clearly mismatch between provisions of SRDS and proposed Ukraine Plan implementation system. The role of regional and local levels is limited to preparation of projects for which they have legal competences and fitting into pre-defined at national level 3 thematic areas and supported types of projects.

Even, if one can imagine that the requirement of 20% could be met (needs at regional and local levels in area of reconstruction of education, health care, social, energy and transport infrastructure are enormous), it is difficult to say that regional and local authorities will be really able to cover their needs arising from the particular territorial situation. First of all, the ***Ukraine Plan lacks possibility to finance various types of basic communal infrastructure*** (water delivery, sewage systems, treatment plants, waste collection and storage, communal heating etc) *what could be the first priority for municipalities if they are allowed to choose projects according to their local needs.*

paving the way to start its implementation and start of regular payments on condition of fulfilment of agreed reforms and investments.

Table 2. Thematic areas and types of projects to be financed under chapter 9 of the Ukraine Plan: Decentralisation and Regional Development

Chapter 9.	Types of projects to be financed
Investment 1. Investments for the recovery, reconstruction and modernisation needs of Ukraine's sub-national authorities	<p>a) <u>In human capital</u> to improve access to safe and quality education, including pre-school education, including shelter and safe conditions in educational institutions, new vocational education centres;</p> <p>b) <u>strengthening the healthcare sector</u> at the regional level, including infrastructure and premises for healthcare facilities;</p> <p>c) <u>restoration, development</u> (new construction, reconstruction, overhaul, restoration) of damaged/destroyed social infrastructure. <i>The relevant investments are described in the Section 2.7 'HUMAN CAPITAL' of the Ukraine Plan.</i></p> <p>d) <u>In the energy sector</u> to strengthen Ukraine's energy infrastructure, including physical protection of Ukraine's energy infrastructure facilities, energy efficiency in district heating and public sector buildings. <i>Relevant investments are described in Section 2.10 'ENERGY SECTOR' of the Ukraine Plan.;</i></p> <p>e) <u>In transport</u> for the construction, reconstruction, restoration, modernization and renewal of damaged and destroyed facilities. <i>Relevant investments are described in Section 2.11 'Transport' of the Ukraine Plan.</i></p>

Source: Ukraine Plan

Modern regional policy tends to support all territories adapting the goals and instruments of intervention to territorial potentials to be used and particular barriers to be overcome. However, in case of Ukraine taking into account the needs arising from the war caused by Russian aggression, a kind of **paradigm change in regional development policy is needed**. Accordingly, in the period 2024-2027, the implementation of regional development policy should largely be aimed at supporting those municipalities and regions that have been most affected by the consequences of the war. This applies both to areas that have been affected by infrastructure damage because of hostilities, and to those that are struggling with the consequences of the war, including the outflow of population (or influx of internally displaced persons).

This means that **the ideal solution for the years 2024-2027 would be to geographically concentrate aid to the areas most affected by the war**. Such delimitation should be done at the level of oblast rather than individual municipalities. Another possible solution is to create two or three categories of regions affected by the

war to varying degrees. Regions belonging to each category would receive different types of aid, different amounts of financial envelopes and differentiated rules (e.g. in level of co-financing). However, such approach would require detailed data, which is difficult to obtain in the current situation.

In addition to actions implemented under Ukraine Plan it is important to continue ongoing projects and programmes in the whole Ukraine under Interreg and other territorial cooperation and local development projects financed from other sources because they bring not only possibility to realise investment projects but also to gain by administration and beneficiaries direct know-how and knowledge about EU rules and procedures.

Accordingly, **support for strengthening administrative capacity** should be carried out mostly at regional (oblast) level and target those oblast authorities and municipalities most affected by the consequences of the war and specific territorial situation.

In the period after 2027, regional development policy in Ukraine should gradually cover the whole country. In addition to the main stream activities intended for the whole country or groups of regions differentiated on the basis of their level of needs arising as a consequence of the war¹⁰, it is necessary to consider the implementation of pilot programmes and projects supporting specific territorial objectives addressing areas (administrative or even functional) with specific needs: e.g. regional growth centres, mountain areas, areas requiring industrial transformations, cross-border cooperation, territorial cooperation programs modelled on integrated territorial investments and Community Local Lead Development (CLLD) instruments implemented under the EU cohesion policy.

¹⁰ Preferably in the form of a regional development program implemented at the national level, but with a large role of the regional and local level (in the form of ensuring indicative regional allocations and co-decision on the selection of projects). After EU accession the model of implementation could be further decentralised/deconcentrated (on condition that legal basis is in place and administrative capacity is build) allowing for realisation of regional programmes at oblast or NUTS II level.

CHAPTER III. Planned reforms and a need for further modification of the existing legal and institutional framework

Effective preparation for the EU membership in area of regional policy will be not possible without the implementation of a few legal and organizational measures before accession.

Those measures must ensure that the Ukraine has an efficient legal and institutional system of coordination, management and implementation of policies/structural instruments and main principles of EU cohesion policy are observed. For example, for the area of regional development policy, it is crucial to strengthen the participatory approach (participation of regional and local actors) in the implementation of development activities.

For the years 2024-2027 in the Ukraine Plan the Ukraine Government defined three major reforms related to regional policy area (Table 3).

Table 3. Reforms in regional policy implemented under the Ukraine Plan

Reforms	Objectives and growth potential	Name of the step
Reform 1. <i>Advance decentralisation reform</i>	Put in place a framework for implementation of the principles of administrative supervision of local authorities' activities set forth in the European Charter of Local Self Government. Ensuring system of coordination of the territorial bodies of the central executive authorities when implementing the state policy at the local and regional levels.	Entry into force of the legislation on reforming of territorial organisation of the executive authorities in Ukraine
	Ensure conduction of a study on the possibility of granting territorial communities the status of a legal entity for more effective internal organisation and management, strengthening their accountability and transparency in legal relations.	Endorsement and publication on the ministry's website of a study on the necessary measures to grant legal personality to territorial communities.
	Delimitation of powers between local self-government bodies of different levels and between local self-government bodies and central executive bodies based on decentralisation and subsidiarity principles.	Entry into force of the legislation to ensure a better distribution of powers between local governments and executive authorities
Reform 2. <i>Increased involvement of citizens in local level to decision making</i>	Creation of preconditions for the involving different groups of residents, including vulnerable groups, to decision making process at the local level.	Entry into force of the legislation for public consultations on public policy.

<i>processes at the local level.</i>		
<u>Reform 3.</u> Strengthen development and implementation of regional policy.	Aligning regional policy with recovery and reconstruction efforts, taking into account regional imbalances that have deepened as a result of the full-scale invasion. Creating sufficient conditions for comfortable living, self-realisation and self-development of citizens, improving their quality of life in every region of Ukraine, including the regions affected by the armed aggression of the Russian Federation.	Entry into force of the Resolution of the Cabinet of Ministers to amend the State Strategy for Regional Development for 2021-2027
	Urban planning cadastre is a tool of the Government to monitor the implementation of urban planning policy and support the adoption of operational management decisions that may relate to the territories of the whole state, its separate parts, which may cover the territories of one or more units of administrative-territorial structure; it is a tool for potential investors to make decisions on potential investment in Ukraine; it is a tool for Ukrainian citizens to have universal access to information on the planned use of territories	Entry into force of the legislation for development of urban planning at the local level

Source: Ukraine Plan pp. 192-194

All those reforms are relevant for alignment of Ukraine legislation and practice with the EU standards in the pre-accession period and could play a positive role in building capacity to successfully implement EU cohesion policy after accession. Delimitation of powers between local self-government bodies of different levels and between local self-government and central executive bodies is crucial for assuring clear division of responsibilities in realisation of structural (including regional) policy actions. Entry into force of the legislation for public consultations on public policy allowing for involvement of different groups of residents to decision making process at the local level, is crucial for promoting participatory territorial approach and realisation of one of the key values and principles of the EU and thus cohesion policy: partnership, equal rights and non-discrimination.

However, it seems that even full realisation of those reforms and associated actions (steps) will **require further legal and institutional changes in order to assure effective preparation of Ukraine for absorption of EU funds**. One has to bear in mind that the issue of building the efficient legal and institutional system for effective use of structural funds in many areas requires more intersectoral coordination and monitoring of many commitments made under other areas (e.g. public procurement,

environmental legislation, statistics, financial control, etc) but also more fundamental and radical changes to existing system and its components (institutional coordination and functions, decentralisation, programming, implementation, monitoring, evaluation and so on).

CHAPTER IV. Recommendations on strengthening the system of regional policy making

On the basis of above considerations and the work done by international experts on individual topics, **a set of recommendations** has been formulated on ***how to align the system of regional policy making in Ukraine and build the effective system of coordination between structural instruments*** for the two time horizons: short term-2024-2027 and medium term from 2028 until accession.

Recommendations fall into several **areas of actions**:

- (1) strengthening **compliance** of the state regional policy in Ukraine **with the main principles of EU cohesion policy**;
- (2) improving existing **programming framework** in order to align regional policy and territorially oriented activities into broader policy making framework, including Ukraine Plan;
- (3) improving **coordination and clear allocation of functions** to institutions for effective regional policy implementation at national and sub-national levels;
- (4) strengthening of **administrative capacity of** institutions involved in management and implementation of SRDS;
- (5) preparation of effective **monitoring and evaluation system** for the SRDS and regional policy, including the system of indicators;
- (6) implementing **territorial cooperation and territorial instruments** actions as they are key for enhancing capacity and interest of sub-national stakeholders and partners for regional policy.

Short-term horizon 2024-2027

In the short-term horizon the Government should continue to build an effective system of coordination, nominate and strengthen administrative capacity of institutions and develop further and strengthen national regional policy system through implementation of Ukraine Plan, cross-border programmes and pilot actions in limited number of geographical areas.

- (1) In relation to the issue of strengthening the ***compliance of the state regional policy in Ukraine with the main principles of EU cohesion policy*** it is recommended:
 - a) in line with **partnership principle** involving regional and local authorities in design, appraisal and implementation of strategies and projects of regional and local interest and impact, especially when it comes to realisation of Ukraine Plan and other regional and local development projects and programmes;

- b) applying principles of thematic and geographical concentration in policy design and implementation leading to concentration of funds and efforts in the most crucial from regional and local development point of view and areas the most affected by the war
- c) implementation system and all realised projects should promote equal treatment, non-discrimination and opportunities for all citizens in line with Art. 2 of the Treaty (TUE) and in line with provisions of European Charter of Human Rights;
- d) as regards environmental issues a gradual introduction of DNSH principle in assessment of investment projects realised from all possible sources.

(2) In relation to the issue of **improving existing programming framework** in order to align regional policy and territorially oriented activities into a broader policy making framework, including Ukraine Plan it is recommended:

- a) based on assessment of effectiveness and efficiency of existing system preparing integrated concept of strategic and regional programming documents used as a strategic base for programming of socio-economic and regional development actions (which could be later on a basis for changes to the Law on the Principles of State Regional Policy);
- b) to prepare overall strategy/plan (successor of Ukraine Plan) of socio-economic and territorial development of the country 2028-2034 – showing integrated approach to realisation of investment and reforms (as it will be required to receive EU funding after 2027) and to show the role of regional policy in achieving strategic goals for the socio-economic development of the country;
- c) State Regional Development Strategy 2028-2034 which should define the strategic framework and more precisely that the current operational arrangements for implementation of policy at national and regional levels;
- d) update regional development strategies (at the level of future NUTS 2 regions or oblast level) which could help in prioritisation investment at regional level and play the role of discussion and coordination forum for all regional and local stakeholders including municipalities, government and socio-economic and environment partners.
- e) in line with subsidiarity principle, it would be advisable to prepare territorial development strategies and programmes for functional (urban, rural, mountainous), macroregional and local areas initiated by relevant local authorities and development partners.
- f) as regards actual implementation of regional policy in Ukraine it could be recommended:
 - preparation of the Action Plan for implementation of SRDS should allow for prioritisation and streamlining the long list of planned activities under Annex II of SRDS. Priority should be given to

those activities which are directly connected with alignment of national regional policy with EU standards.

- procedures of implementation of Ukraine Plan 2024-2027 should allow for gradual strengthening understanding of procedures and deliver practical knowledge to regional and local actors on the use of competitive procedures for selection of projects, assessment based on expected results, visibility requirements, partnership and others.
- in the implementation of the Ukraine Facility sub-national authorities should be allowed for financing their investment needs in line with their territorial situation. It means that it should be possible to finance also projects which doesn't fall directly into 3 thematic areas defined in the Ukraine Plan but are justified by particular territorial situation identified at the level of oblast or municipality. Types of supported projects must be defined more broadly to include various types of infrastructure and non-infrastructure activities (delivery of services), which are crucial for local communities and economic life;
- all projects should meet eligibility criteria set by the Ministry in charge of regional development in line with established principles of EU regional policy;
- as far as possible in the process of appraisal of project proposals and selection of projects should be involved regional and local authorities and - depending on the type of projects – CSOs and business organisations. Selection of projects should be organised as far as possible on regional (oblast) basis however with limited but important role for central government (setting eligibility and assessment criteria, monitoring and control, etc);
- in view of the need for building comprehensive system of regional policy making in Ukraine according to EU standards and requirements of negotiation process under Chapter 22, in the period 2024-2027 should be realised also operational goal of SRDS related to strengthening of administrative capacity and implemented pilot actions promoting integrated approach financed from Ukraine Plan and other sources;
- special attention should be paid to assuring coordination of activities realised by regions and municipalities from 20% part of Ukraine Facility with sectoral actions implemented directly by line ministries and the state institutions;
- in geographical terms the support from Ukraine Facility should be concentrated in areas most affected by the war. Delimitation should be done at the level of oblast rather than individual

municipalities based on objective criteria measuring the level of damage.

(3) In relation to the issue of improving **coordination and clear allocation of functions** to institutions for effective regional policy implementation at national and sub-national levels it is recommended:

- a) to allow for effective preparation and negotiations of Chapter 22 and all interlinked issues under other negotiation chapters the role of the Minister in charge of regional development policy should be strengthened in the overall socio-economic policy design and implementation of the Ukraine Plan to assure proper taking into account territorial dimension and safeguard the role of regional and local authorities in the process;
- b) working (negotiation) group for Chapter 22 should include also representatives of regional and local authorities, as well as of civil society organisations. The Ministry for Development of Communities and Territories should have sufficient resources to organise and conduct at technical level process of negotiations.
- c) to be prepared fully for the bilateral screening of Chapter 22 in EU accession negotiations, it should be elaborated a detailed concept of the model of coordination and institutional framework for coordination of structural policies/instruments (also sectoral) and implementation of the state regional policy in the medium term, including defining the role of regional level;
- d) to prepare a concept for amending the Law “On the Principles of State Regional Policy” aiming at improving multi sectoral and multi-level (between various levels of public administration) coordination, strengthen programming base, set main elements of institutional system of regional policy in Ukraine as well as strengthen the system of monitoring and evaluation of actions related to territories;
- e) amend rules of procedure of the Commission on Regional Policy by including local level representatives, a two-pillar voting procedure, a permanent secretariat managed by the ministry and thematic working groups, for example on coordination between reconstruction and regional development and on alignment of regional policy with requirements of *Acquis* Chapter 22;
- f) continue implementation of various acts implementing on-going process of fiscal decentralisation and determination of functions between local, regional and national authorities.

(4) In relation to the issue of strengthening of **administrative capacity of institutions involved in management and implementation of SRDS** it is recommended to:

- a) prepare the plan of strengthening of institutional capacity of national, regional and local administration (modular, longer-term capacity-building plan) focusing on:
 - supporting management institutions and beneficiaries of Ukraine Plan in preparation of the system of implementation and projects according to EU rules;
 - using Cross-Border Cooperation programmes for disseminating knowledge on the EU requirements;
 - generation of good quality sufficient number of projects (project pipeline);
 - involving partners representing local authorities, CSOs, business sectors and other relevant stakeholders in the process of policy making and implementation.
 - b) addressing urgent capacity needs in high-priority areas like monitoring systems and financial reporting;
 - c) on the basis of prepared manuals conduct targeted training programs focused on improving skills in project management, financial oversight, and compliance with EU standards for key personnel in Ministry of Development of Communities and Territories, line Ministries and institutions involved in implementation of Ukraine Plan.
- (5) In relation to the need of preparation of **effective monitoring and evaluation system** for the SRDS and regional policy, including the system of indicators it is recommended to:
- a) continue the work on development of the system of monitoring and evaluation of public policies;
 - b) preparing by the Ministry of Development of Communities and Territories a performance monitoring framework for the SRDS, aligned as much as possible with the requirements of *Acquis* Chapter 22;
 - c) gradual building the comprehensive IT monitoring and control system with the use of functionalities already available DREAM system;
 - d) preparing the comprehensive development of the system of indicators to be used (and collected) in programming and monitoring of regional policy at national, regional and local level.
- (6) In relation to the issue of **territorial cooperation and territorial instruments** actions it is recommended to:
- a) in addition to actions implemented under Ukraine Plan, it is important to continue implementation of ongoing projects and programmes in the whole Ukraine under Interreg and other territorial cooperation and local development projects financed from other sources;

- b) intensifying and expanding further cross-border, interregional and inter community cooperation to allow for faster diffusion of know-how;
- c) a limited number of pilot schemes for specific geographical areas allowing for practising place based territorial approach should be implemented with the use of additional to Ukraine Plan funds.

Medium-term horizon 2027+

In the Medium-Term perspective (*between 2027 until the EU accession*) Ukraine should have the possibility to implement pre-accession programmes using some elements of approaches used under EU cohesion policy. This will boost administrative capacity of institutions involved at national and sub-national levels on condition that the system will be further used for Eu funds distribution after the EU Accession.

Knowing EU funds architecture 2027+ (draft regulations for Multiannual Financial Framework MFF 2027+ should be published for negotiations with the Member states and European Parliament by end of June 2025) and using outcomes of bilateral screening under Chapter 22, as well as other interlinked negotiation chapters, Ukraine should focus on making legal changes and increase gradually administration capacity of all concerned institutions and partners. This includes among others:

- (1) establishing *firm legal basis for conducting regional policy according to the EU standards* (including applying principles like thematic and geographical concentration, territorial approach, multiannual programming, partnership and others) this task inter alia includes:
 - a) amend the relevant normative acts to introduce obligatory territorial impact assessment of sectoral policies with high potential impact on regional development and obligatory inclusion of territorial breakdowns of outcome indicators in related sectoral policy documents and budget programmes,
 - b) amending the relevant normative acts on planning requirements for subnational level governments, in particular by removing overlaps, simplifying the content and the preparation process, and removing or limiting the hierarchical elements of the multi-level governance planning architecture,
 - c) preparing a concept and on this basis, if needed, a normative basis for upgrading the State Fund for Regional Development from a mere budget line into an arm's length government institution tasked with managing the funds allocated for regional development, including the preferential use of programme-based financial instruments.

- (2) preparing required under new Multiannual Financial Perspective programming documents, including strategies and programmes¹¹
- (3) introducing NUTS system and assure delivery of required territorial statistical data;
- (4) finalising of building and preparing the institutional system of management of structural funds at national and regional levels;
- (5) alignment of financial, audit and control systems;
- (6) aligning with Chapter 22 requirements legal provisions in interlinked areas like financial management, public procurement, statistics and all other negotiations chapters relevant for conducting territorial development with the use of cohesion policy finding.
- (7) In terms of regional policy implementation, a gradual shift in focus of investment from restoration and rebuilding to:
 - a. decreasing disparities between regions in accessibility and quality of infrastructure and essential services (strategic objective 1 of SRDS). Priority should be given to territories with the lowest level of development, concentration of development problems (like for example in case of post-industrial areas) and low levels of covering basic needs.
 - b. exploitation of diversified socio-economic territorial potentials and increasing competitiveness base of the regions and municipalities. In practical terms it means supporting development of regional and local economic base (including SMEs operating in tourism and regional/local specialisation sectors), related infrastructure and delivery of essential services, in spatial terms - focus on regional growth centres and linkages between urban and rural areas. It is important also to include under regional policy actions for human development, including skills development.
 - c. specific pilot actions should promote also realisation of EU priorities like energy efficiency, climate mitigation measures, IT development etc. but mechanism for their implementation must be carefully thought through – some types of those activities would be better to realise at national or regional levels (municipalities would not be direct beneficiaries), but since they are crucial for development prospects of municipalities implementation and appraisal of projects mechanisms must provide room for voicing local needs and views;
- (8) extension of the scope and value of activities for strengthening capacity of administration all levels of management focus on improving multilevel governance, quality of the government with special focus on municipalities (*hromadas*) and regions (*oblasts*) where the biggest gaps were identified;

¹¹ Most probably there will be a need to prepare a kind of Single Development Plan for the country with regional chapters or separate programmes;

- (9)** it should be implemented also pilot actions for promoting interregional and intermunicipal cooperation at functional level (territorial instruments) and development of specific types of functional areas mentioned in the SRDS 2024-2027.