

INFORMATION BOOKLET

UPDATED STATE STRATEGY FOR REGIONAL DEVELOPMENT FOR 2021— 2027: KEY ASPECTS



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GENERAL INFORMATION



The Strategy's updated version was developed to reflect the impact of the Russian Federation's full-scale war against Ukraine, Ukraine's European integration obligations, as well as other trends in socio-economic development



THE STRATEGY CONSIDERS:



Legal framework and state planning documents aimed at achieving the Sustainable Development Goals of Ukraine until 2030



Provisions of the Ukraine Plan for the implementation of the European Commission's proposals to establish the Ukraine Fund (Ukraine Facility)



Provisions of the Roadmap for reforming of public investments management



TRENDS AND KEY CHALLENGES IN THE SOCIO-ECONOMIC DEVELOPMENT OF THE REGIONS



The reforms of multi-level governance structures that began in 2014 have given a significant boost to the development of the country and its regions

Thus, the necessary legislative framework was developed, the capacity of local self-governments was increased, and funding for regional and local development was expanded



Starting from 2022, a number of developments took place that had a major influence on the socio-economic development of the regions. Among the key ones, the following should be highlighted:

- 1 The full-scale war caused new challenges and deepened the existing threats to the socio-economic development of the regions
- 2 Ukraine's granted EU candidate status poses important tasks in implementing the full-fledged European integration

Taking into account these and other factors, **SEVEN CHALLENGES FOR THE COUNTRY'S DEVELOPMENT WERE IDENTIFIED**, which need to be solved, including within the framework of the state regional policy:



1 The armed aggression of the Russian Federation, the temporary occupation of part of Ukraine's territory and the loss of the institutional capacity of the authorities at the local level



Almost
3 800
settlements in



231
territorial
communities



11
oblasts of
Ukraine were
temporarily
occupied

The management system was destroyed, and the provision of administrative and public services was stopped in the occupied territorial communities. There were facts of collaborationism, especially among local managers in the occupied territories. One of the tools to destabilize the situation was to hold pseudo-referendums in certain territories

Upon de-occupation of the territories, the following key problems arise:



Destruction of engineering networks, social infrastructure, housing stock



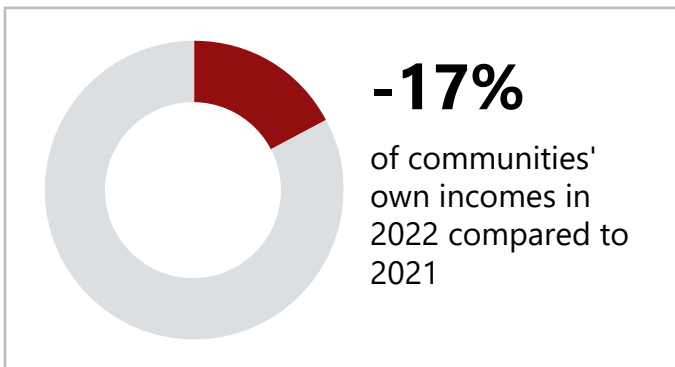
Mining of territories, destruction of road infrastructure



Decreasing in the quality and accessibility of administrative and other public services

2

Increased number of territories that need state support



During the war, the communities faced loss of property, destruction of infrastructure, loss of economic and export potential, which led to a significant increase in the number of territories in need of state support

The major factors of reduced financial capacity of communities:



Security



Relocation of enterprises and migration of the population



Withdrawal of land from economic circulation



Reduction in state support



Loss of logistics potential

3

Destruction and extensive damage to infrastructure and its non-compliance with current human needs, economy and security requirements

One of the war impacts were infrastructure problems caused by the significant extent of destruction, damage to infrastructure facilities, and their insufficient number in the territories where a significant number of IDPs were settled down

The post-war infrastructure restoration may not only mean rebuilding of destroyed and/or damaged facilities, but should be implemented based on THE "BUILD BACK BETTER" PRINCIPLE using the best available technologies and practices

DAMAGED:

1.4 mil

residential buildings*

3 282

educational institutions**

663

health care facilities**

47%

energy infrastructure facilities*

25.4 thou. km

motor roads *

863

cultural sights**

150 thou. ha

natural conservation areas**

2 862

railway infrastructure facilities**

*As of December 1, 2023

**As of March 25, 2024

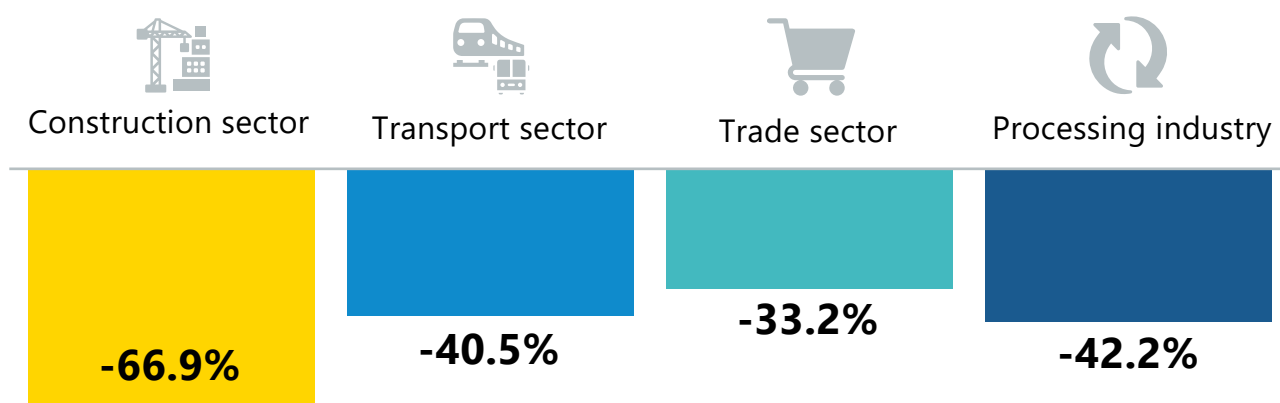


4 Sharp spatial and structural changes in the economy, loss of regions' export potential

The full-scale armed aggression of the Russian Federation resulted in a shrinkage of Ukraine's economy **BY 28.8%** in 2022 compared to 2021. At the same time, the decline is regionally differentiated and determined mainly by the safety factor

The war led to the deindustrialization of the eastern regions and structural changes in the economy of the western regions, the key factor of which was the **RELOCATION OF OVER 800 ENTERPRISES** to safer regions

THE BIGGEST DROP IN GROSS ADDED VALUE WAS EXPERIENCED IN:



➤ The agrarian sector also suffered significant losses, with the total amount of damages caused to the state agrarian sector estimated as USD 8.7 billion as of April 1, 2023. The recovery of the agricultural sector is complicated by the need for demining

➤ As a result of the war, the export potential of the front-line regions decreased, and the share of exported goods and services in Ukraine's GDP (at current prices) in 2022 **REDUCED TO 35.5%** (against 40.7% in 2021). Exports of metallurgical industry products (-62.5%), chemical industry products (-54.3%), and mineral products (-48.6%) showed the largest decline

5 Loss of human capital and acceleration of depopulation

According to forecasts, the negative dynamics of the birth rate will intensify in Ukraine, and the ongoing armed aggression of the Russian Federation will inevitably cause an increase in the mortality rate and a reduction in life expectancy.

Based on the estimates, in the coming years the number of war veterans and families of the fallen combatants may reach about **10% of the STATE'S POPULATION**

As of early June 2023:

- 5.1 mil** received the status of temporary protection in EU countries
- 1.5 mil** stayed in the Russian Federation and the Republic of Belarus
- 4.9 mil** received IDP status officially



6 Climate change and deterioration of the ecological situation as a result of hostilities on the territory of Ukraine

The hostilities led to a serious negative impact on the environment, the most extensive of which are:

- › spread of landscape and forest fires (183.2 thousand hectares of forests);
- › contamination with **EXPLOSIVE OBJECTS** (surveying is required over an area of more than 174,000 km²);
- › pollution and destruction of soils, surface water bodies and aquifers;

man-made pollution, destruction of bridges, dams and coastline.

One of the biggest disasters was the **BLOWING UP OF THE KAKHOVKA HPP DAM**, as a result of which 150 tons of oil got into the Dnipro River, and more than 80 settlements fell into the zone of flooding

7 Unpreparedness of the regional development management system for EU procedures and best practices

An important factor in successful pre-accession negotiations, effective use of funds and further accession to the EU is administrative capacity at the national, regional and local levels

KEY TASKS AND CHALLENGES FOR UKRAINE IN ADAPTATION TO EU PROCEDURES AND BEST PRACTICES:



Creation of a legal framework for the management of structural funds



Creation of tools for planning, management, monitoring and control of EU programs and projects



Strengthening the role of the central executive authority responsible for the formation of state regional policy



Introduction of multi-level management and coordination between entities involved in managing EU funds

It is also important to form capable structures and mechanisms for managing EU funds at the regional and local level, which includes the development of programming

capacity, the development of skills on competitive selection, the project evaluation and monitoring system etc.

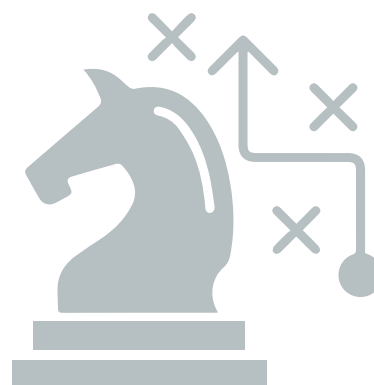


STATE REGIONAL POLICY FOR 2021-2027



The strategic purpose of the State Regional Policy for 2021-2027

is to strengthen the socio-humanitarian, economic, and spatial cohesion of Ukraine, to improve well-being and security of its citizens through infrastructure recovery and economic modernisation based on the "build back better" principle, to effectively utilise the domestic potential of the territories, and to develop a democratic, decentralised, and inclusive multi-level governance system



THE DETERMINED STRATEGIC PURPOSE IS ACHIEVED THROUGH IMPLEMENTATION:

3 strategic goals

7 operational goals

163 tasks within 20 areas

THE STRATEGY PROVIDES FOR THE FOLLOWING STRATEGIC AND OPERATIONAL GOALS:

Strategic goal 1:

Forming a united state in social, humanitarian, economic, ecological, security and spatial dimensions

- 1 Ensuring the integrated development of territories taking into account the interests of future generations
- 2 Meeting the population's need for high-quality administrative and public services
- 3 Social protection of war veterans and their families, IDPs, and other vulnerable groups

Strategic goal 2:

Increasing the competitiveness of regions

- 1 Infrastructure resistant to security, social and economic challenges
- 2 A strong, capable and competitive regional economy

Developing effective multi-level governance

- 1 Development of the institutional capacity of public authorities with due consideration of EU practices
- 2 Development of various forms of cooperation and public investment management



THE PRIORITIES OF REGIONAL DEVELOPMENT UNTIL 2027:

- › creation of secure and socio-economic conditions for the return of Ukrainian citizens to the regions and territorial communities;
- › development of multi-level governance, alignment of the regional development management system with EU procedures and best practices;
- › promoting the economic development of regions through the attraction of investments for the implementation of innovative projects;
- › development of the institutional capacity of territorial communities and regions in the areas of strategic planning, project management, digitalization, and anti-corruption;
- › involvement of citizens in decision-making at the state, regional and local levels;
- › development of human capital, recovery of entrepreneurship and economic growth based on the domestic potential of the territories;
- › development of partnerships, development of inter-municipal, inter-regional and cross-border cooperation;
- › restoration and development of infrastructure based on the principles of transparency, sustainability, inclusiveness, energy efficiency, accountability, adaptation to climate change, resistance to security threats and economic feasibility;
- › restoration and development of the system for social services provision at the regional and local level;
- › restoration of the eco-system balance affected by the armed aggression



IMPLEMENTATION MECHANISM



AUTHORITIES ENSURING IMPLEMENTATION

- › Ministries, other central executive authorities;
- › The Verkhovna Rada of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city councils;
- › The Council of Ministers of the Autonomous Republic of Crimea, regional, district, Kyiv and Sevastopol city state (military) administrations;
- › Military (military-civilian) administrations of the settlements;
- › City, settlement, village councils
- › Technical assistance projects, All-Ukrainian associations of local self-governments, public associations, legal entities and individuals (with consent)

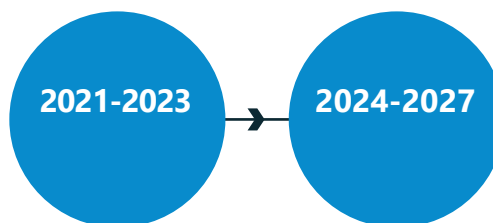
The Strategy is implemented **ON THE BASIS OF PARTNERSHIP, COORDINATION AND HARMONIZATION OF THE ACTIVITIES** of all interested authorities

FINANCIAL SUPPORT OF IMPLEMENTATION

- 1 Funds from the state budget of Ukraine (in particular, the Regional Development Fund), local budgets;
- 2 Funds received as part of aid and grant programs of the EU, foreign governments, international organizations, donor institutions;
- 3 Funds from other sources that are not prohibited by law (including private investors within investment projects using the public-private partnership mechanism)



The amount of funding for the implementation of the Strategy will be determined based on the proposals of the central executive authorities as state customers of the relevant state programs, taking into account budgetary allocations of the key spending units under the programs defined in the state budget of Ukraine for the corresponding year



Each stage includes the development and implementation of an action plan for the corresponding period, as well as programs and regional development projects, where the tasks of each strategic goal will be specified

IMPLEMENTATION MONITORING AND EVALUATION SYSTEM

The Strategy's implementation monitoring **is carried out on a yearly basis** by the Ministry of Infrastructure in accordance with the Procedure for the development of the State Strategy for the Regional Development of Ukraine and the respective implementation action plan, including the implementation monitoring of the specified Strategy and the action plan, approved **by the Resolution of the Cabinet of Ministers of Ukraine dated 04.08.2023 No. 817**



MONITORING IS CARRIED OUT THROUGH:

- ▶ tracking, measuring and analysing of deviations of actual indicators from the target (intermediate) values for the indicators of meeting goals defined by the Strategy



PERFORMANCE EVALUATION IS CARRIED OUT THROUGH:

- ▶ **the internal evaluation** of the Strategy and its action plan implementation is carried out based on the results of the first and second stages of the Strategy's implementation by evaluating the indicators, effectiveness, efficiency and impact of the Strategy's implementation and its action plan on the development of regions, territorial communities and functional types of territories;
- ▶ **the external evaluation** of the state regional policy implementation is carried out by independent organizations (experts) at the request of the Ministry of Infrastructure by means of analysing available statistical and administrative data, monitoring reports, control inspections, expert analytical assessments, and additional inspections (surveys), etc.

