

# **Strategic Assessment of the State Strategy for Regional Development until 2027. Presentation of the results**

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Kyiv School of Economics, May 26

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# Scope of the presentation

1. Scope of the project
2. Overarching conclusions of the Strategic Assessment
3. Alignment of Context and Goals of the Strategy: Obstacles to regional development
4. Methodology of national strategy development and implementation
5. Other suggestions that can improve effectiveness of the SSRD implementation

# Scope of assistance

## Objectives

- 1 Prepare **background analysis** to inform SRDS, provide criteria for prioritization of the goals
- 2 Provide recommendations on the **process of SRDS development** (based on EU practice)
- 3 Prepare **missing parts** of the SRDS in the form of small research papers
- 4 **Assess** the quality of the draft SRDS 2021-2027 and provide recommendations to the SRDS

## Results



Background analytical  
paper for the SRDS



Policy paper/Guideline  
on best-practice  
process of SRDS  
development



Policy paper on  
Financing



SRDS Assessment  
Report with  
Recommendations

# Scope of the assessment

## Strategic assessment

- 1) To what extent is the draft SSRD analytically substantiated in terms of identifying issues and choosing solutions to regional development issues?
- 2) To what extent is the structure of the draft SSRD logical and fitting the purposes of communication with the key stakeholders and beneficiaries?
- 3) To what extent does the process of SSRD preparation takes into account the best practices of successful strategy preparation?

## Recommendations

- 1) to the structure of the SSRS
- 2) to the policies
- 3) to the governance, financing, monitoring and evaluation of the strategy
- 4) to the strategy development process

### *Documents that were assessed:*

- 1) **Draft SRDS (as of May):** [https://www.minregion.gov.ua/wp-content/uploads/2020/02/Proekt-Derzhavnoyi-strategiyi-regionalnogo-rozvitku-na-period-do-2027-roku.pdf?fbclid=IwAR1I STD\\_xB9qq2ZVZm3bfZbTEifVu8HtgS\\_nN5a7j433vt9z4FpypxBO-c](https://www.minregion.gov.ua/wp-content/uploads/2020/02/Proekt-Derzhavnoyi-strategiyi-regionalnogo-rozvitku-na-period-do-2027-roku.pdf?fbclid=IwAR1I STD_xB9qq2ZVZm3bfZbTEifVu8HtgS_nN5a7j433vt9z4FpypxBO-c)
- 2) **Analytica part of the SRDS (published on May 26):** <https://www.minregion.gov.ua/napryamki-diyalnosti/regional-dev/derzhavna-rehional-na-polityka/strategichne-planuvannya-regionalnogo-rozvitku/rozrobka-proektu-derzhavnoyi-strategiyi-regionalnogo-rozvitku-na-period-do-2027roku/analychna-chastyna-proektu-d>

# Overall assessment and what can be improved:

## Analytical substantiation

- Analytical part of the SSRD provides good context in all key spheres of regional development.
- Success of the strategy implementation would require further diagnostics of the key problems.
- Social cohesion, energy and environmental issues can be covered in subsequent policies.

## SSRD objectives, priorities, interventions

- Strategic and operational goals interlink many thematic areas/sectors. It is worth considering to break-down them by thematic areas in the operational planning/structure the operational plan by thematic areas
- Proposed priorities and interventions would benefit from better substantiation based on analysis and international/local experience
- Operational planning would require comprehensive financial planning, including planning of non-budgetary funds (co-financing)

## SSRD structure

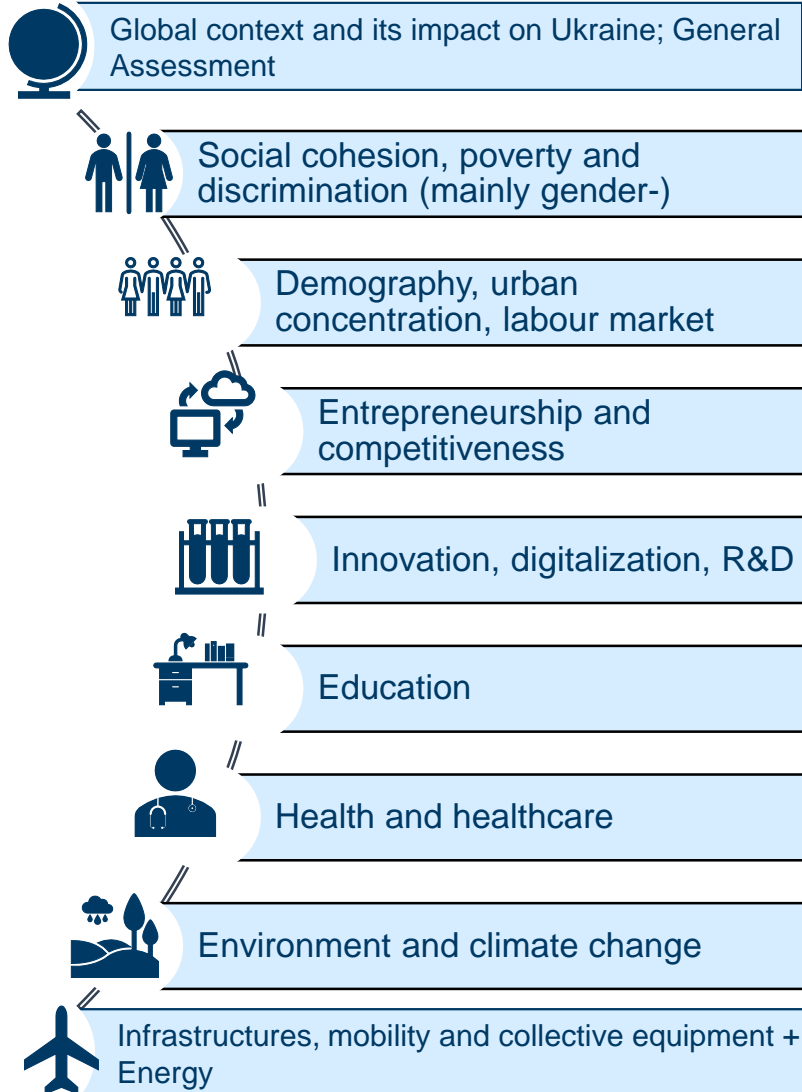
- SSRD relies on classification of the territories as its strategic approach. This classification should be reflected in the operational planning.
- Some of the elements provided by a special Resolution (#931) that were not included explicitly into the SSRD (e.g. smart specialization) – might be worth reflecting in the operational planning

## SSRD preparation process

A few components of the strategy process are worth strengthening at the operational planning and implementation stage:

1. Communication
2. Engagement of stakeholders (including horizontal coordination)
3. Reflection of the needs of the regions; shared vision with the stakeholders
4. Financial resources planning (at strategy development and execution stage)
5. Continuous analysis
6. Monitoring system, including IT infrastructure for monitoring
7. Implementation and support network

# Common understanding of the goals and obstacles to regional development



- **Weak social cohesion, in terms of trust, social capital, and gender, regional and political cleavages.** Tackling these weaknesses, determined by economic and political history of Ukraine, unfortunately, has never entered governmental policies. Yet, social cohesion policies may not only improve wellbeing of the citizens, but also reinforce the effects of measures targeting economic growth.
- **Low productivity of local economies and national economy overall.** Institutional problems and abuse of monopoly power hinder proper functioning of the banking system and development of capital markets (by ensuring property and creditor's rights protection, contract enforcement, transparency in business reporting etc). As a result, investments remain low and business abstain from adoption of new and better technologies.
- **Essential markets of the factors of production are inefficient.** Declining labour force and mismatch on the labour market, poor quality education, poor levels of health, chronic underinvestment into fixed capital and lack of business support infrastructure amplify institutional problems described above. One of the markets – namely, land market, only starts its transition to the transparent rules of operation.
- **Governance system marked by horizontal and vertical conflicts embedded into the legislation.** With such design of the governance system, a lot of effort should be put to sustain representation of community and regions' voices in regional development and to develop effective cooperation vertically and horizontally. This situation is exacerbated by low capacities (and low salaries) of public agencies, as well as by weakness of the country political system. Weak governance prevent communities and regions from attracting businesses to their administrative and geographical territories thus hindering the growth of their tax base and subsequent improvement of the public services.

# Reinforcing strategy success-factors at the operational planning and implementation stage

## Success-factors of the strategy

clearly defined leadership

extensive communication campaign

terminology is clear, notions and concepts are interrelated

the analysis is relevant

high level of involvement of a wide range of stakeholders

clearly formulated vision and goals that reflect the needs and characteristics of the regions

clear and understandable logical structure of the document.

action plan.

Financial resources are planned at the stage of objectives development; sufficient financial resources are provided for the implementation

a monitoring system that complies with the legislation has been identified.

using the lessons of implementing previous strategies

IT - infrastructure for monitoring

implementation and support network

# Observations over the course of the project to be cautious about

- The absence of hierarchy and structuring of the national strategic documents in Ukraine inevitably leads to sacrifices in the quality of the SSRD.
- Lack of legal provisions on preparation of the feasibility studies for the policies and indicative financial planning for the SSRD – makes the strategy look unsubstantiated.
- The top-down approach to development of the state regional development policies is suboptimal given limited knowledge base about the regions and local communities.
- Some issues of regional development require broad public discussion to reach a consensus defining to what degree these issues can be resolved.
- Policy frameworks that are core to state regional development – like social, territorial and environmental cohesion – and primary instruments of the regional development highlighted in the Law “On Foundations of the state regional development” are not well described in the normative acts and not reflected in the government processes
- Government data collection and analysis routines are at odds with the analysis required for SSRD.
- There is a lack of practice in use of the state regional development policy instruments – like development of agglomerations, clusters, smart specialization of the regions, restructuring of the monocities, etc, which makes SSRD difficult to implement.
- Certain sectoral reforms require capacity building at the local level because otherwise they will not be implemented and will aggravate existing territorial asymmetries.
- There is a lack of expertise on regional development in Ukraine.

# Observations over the course of the project to be cautious about

## Recommendations

## Observations

To stress priorities of the strategy

The absence of hierarchy and structure inevitably hinders the quality of the SSRD.

To stress legal provision and feasibility of policies

Lack of these steps makes the strategy look unsubstantiated.

To add more bottom-up perspective

The top-down approach to development of the state regional development policies is suboptimal given limited knowledge base about the regions and local communities.

To include space for broader public discussions

Some issues of regional development require broad public discussion to reach a consensus defining to what degree these issues can be resolved.

Shed light on policy frameworks

- Policy frameworks that are core to state regional development are not well described in the normative acts and not reflected in the government processes
- SSRD is difficult to implement due to the lack of local communities to work with relevant policy tools
- Certain sectoral reforms require capacity building at the local level

To consider improving data collection and engaging new experts

- Government data collection and analysis routines are at odds with the analysis required
- There is a lack of expertise on regional development in Ukraine.

**THANK YOU!**