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Ukrainian Regional Policy: The Path to European Integration

Polityka regionalna Ukrainy: droga do integracji europejskiej

Abstract

In the last decade, Ukraine has significantly strengthened its aspirations of integration with the European Union and implemented reforms designed to transform its political and economic system in line with EU principles and rules. One of the pillars of these changes is building a new model of regional policy. This paper discusses the evolution and status of Ukrainian regional policy in the context of the country's integration aspirations. Based on an analysis of legal regulations and casual interviews, it also indicates the desired directions of transformation aimed at creating a policy model consistent with the EU approach. According to the authors, even though some actions have already been undertaken by the Ukrainian authorities, various adjustments are still needed. Efforts in this area should focus on developing a coherent strategic planning system and building a bottom-up and partnership approach to regional policy.

Streszczenie

W ostatniej dekadzie Ukraina podjęła wiele istotnych działań związanych z dążeniem do przystąpienia do Unii Europejskiej i przeprowadziła reformy mające na celu przekształcenie systemu politycznego oraz gospodarczego zgodnie z unijnymi zasadami i regułami. Jednym z filarów tych zmian jest budowa nowego modelu polityki regionalnej. W artykule omówiono ewolucję, status i luki w ukraińskiej polityce regionalnej w kontekście aspiracji integracyjnych tego kraju. Na podstawie analizy aktów prawnych i wywiadów swobodnych wskazano również pożądane kierunki jej przeobrażeń, prowadzące do stworzenia modelu polityki zgodnego z podejściem przyjętym w Unii Europejskiej. Zdaniem autorów – mimo że pewne działania zostały już podjęte przez władze ukraińskie – wciąż są konieczne liczne modyfikacje systemu politycznego i prawnego Ukrainy, a wysiłki w tym zakresie powinny być skoncentrowane m.in. na opracowaniu spójnego systemu planowania strategicznego.

Introduction

During the last decade, integration with the European Union has become one of the principal political challenges for Ukraine. This process is also an important point of contention that has divided not only politicians, but also Ukrainian society. The events of 2013, known as the Euromaidan, were of key importance as social protests significantly contributed to the signing of an association agreement with the European Union in 2014. Since then Ukraine has launched a laborious process of reform aiming to adapt the country's political and economic system to the requirements and rules of the European Union (see, e.g., [Wolczuk \[2016\]](#), [Spiliopoulos \[2014\]](#), [Hamulczuk, Makarchuk, Sica \[2019\]](#), [Davydchuk, Mehlhausen, Priesmeyer-Tkocz \[2018\]](#)).

Ukraine's path to European integration has been rough and repeatedly interrupted. Ukraine is the second-largest country in Europe, with over 42 million inhabitants and 26 regions. Many of these regions have conflicting identities and attitudes shaped by different historical influences. The most important divisions exist between regions where European identification prevails and those with a stronger pro-Russian orientation. This problem gained an even greater importance after the resumption and escalation of the long-standing conflict between Russia and Ukraine and Russia's military invasion of Ukraine in February 2022. As a consequence of these events, the Ukrainian president on February 28, 2022 signed an official application for European Union membership. Still, despite the circumstances, the integration process cannot be immediate and requires important reforms to be carried out.

One of the key pillars of European integration is the EU's cohesion policy, which, to a large extent, is implemented at the regional level. A necessary condition for ensuring proper implementation of regional policy is a well-established division of powers, with local authorities enjoying a wide degree of autonomy to carry out their responsibilities and a transparent system of development planning and allocating funds at all levels of government while respecting European rules, including the European Charter of Local Self-Government. In a country as large as Ukraine, it is regional policy that should become a leading component of effective and efficient development policy focused on building competitiveness and economic, social, and spatial cohesion. Having a well-designed strategic planning system that defines long-term development goals, as well as mechanisms and instruments used to achieve them, is a starting point for establishing a modern institutional model of regional policy in Ukraine.

The aim of the paper is to analyse and discuss the evolution and status of regional policy implemented in Ukraine in the context of its EU integration aspirations. This refers to those elements of public policies that constitute the foundations of the current model of regional policy in the EU. The analysis includes changes in the regional policy planning system, identifies the goals and principles of its implementation, and, on this basis, identifies areas and directions of necessary reform. It also defines gaps in the Ukrainian regional policy model and highlights the key challenges in adapting it to EU requirements.

The applied research methods include (1) an analysis of the literature on the subject and (2) an analysis of legal regulations and strategic documents regulating regional policy in Ukraine. Studies based on these methods were complemented by (3) in-depth casual interviews with government officials responsible for regional policy. The interviews were conducted in Kyiv in April and May 2018 with representatives from the following Ukrainian institutions: the Ministry of Development, the Ministry of Economy, the Department of Entrepreneurship Development, the National Regional Development Fund, and the National Innovation Fund. In total, eight interviews were conducted. They had a generally structured scenario, and the scope of the issues discussed is presented in Annex. The main goal of the interviews was to deepen the understanding of the existing Ukrainian regional policy model. Information obtained in this way brought us closer to recognising and understanding the regional policy system in Ukraine, while also allowing us to identify the key gaps.

The starting point for the considerations presented in the article is the socio-economic situation of Ukraine and its regions, which was briefly described in the first part of the paper. Further, against this background,

an analysis was made of the existing model of regional policy making in Ukraine. The analysis includes elements such as:

- regional policy strategic plans (types of plans, their coherence, links, and the relationships between them),
- regional policy objectives and their evolution in the last decade,
- partnership mechanisms and participation in regional policy,
- principles of regional policy making (declared and actually applied),
- observations/conclusions about the desirable directions of transforming Ukrainian regional policy in light of the country's EU integration efforts.

The European Union's relations with Ukraine have increasingly attracted the attention of scholars from different academic backgrounds. Attention has in particular been paid to examining bilateral cooperation as part of the European Neighbourhood Policy and the process of Ukraine's adaption to and adoption of the EU's *acquis communautaire* (see, for example, [Ferreira-Pereira, Vysotskaya Guedes Vieira \[2015\]](#), [Tedstrom \[2001\]](#), [Batt \[2002\]](#), [Batt, Wolczuk \[2002\]](#), [Guicherd \[2002\]](#)). However, theoretical research on regional policy challenges is not yet well rooted in the literature on Ukraine's aspirations to join the European Union or even on the EU enlargement process in general. This research aims to fill this gap and thus bring added value to the existing literature on the subject.

Social and economic transformation of Ukraine and regional development challenges

Ukraine is the second-largest country in Europe by land area, populated by around 42 million people. In 1991, Ukraine became an independent country and launched a series of far-reaching political and economic reforms [[Grigoriev, Buryak, Golyashev, 2016](#): 256–283; [Åslund, 2005](#): 327–353; [Ferreira-Pereira, Vysotskaya Guedes Vieira, 2015](#): 143–158]. The last 25 years of laying the foundations of a free market economy and adding dynamics to the development of Ukraine can be divided into different stages, as described below.¹

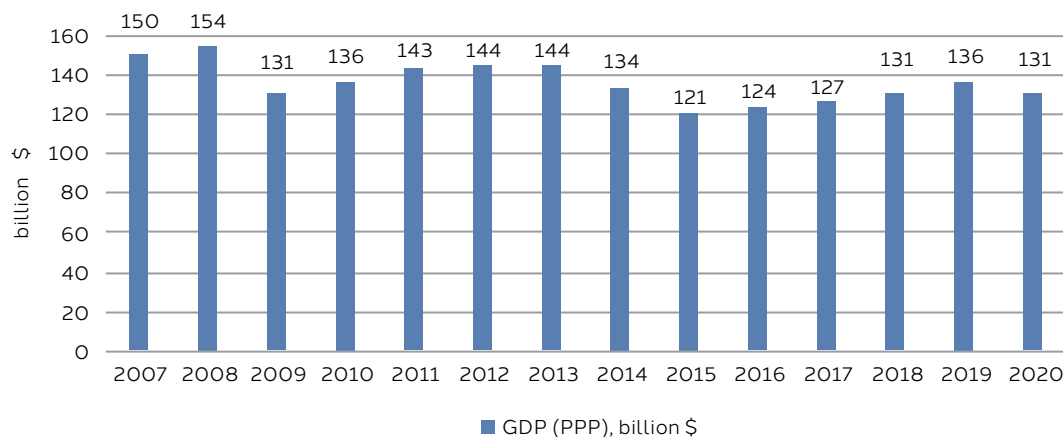
- (1) Transitional economy stage from 1991 to 1999, resulting from a change of system and the transition from communist central planning to a market economy. These changes were accompanied by a dramatic drop in the GDP, high inflation, high unemployment and a worsening standard of living. In many social groups, that prompted reluctance toward deeper reforms and a lack of social approval for the proposed directions of further transformation.
- (2) Economic growth stage from 2000 to 2007, focusing on the emergence of a free market environment and high dynamics in positive social and economic transformation. It was a stage of favourable economic processes, growing foreign investment and enhanced dynamics of privatisation. The Ukrainian economy witnessed rapid growth (including an over 5% average annual increase in gross value added), coupled with rising exports of goods (with a record 41.6% increase in 2004), and the growth of the SME sector. This growth, however, was observable mainly in big cities: Donetsk and Kharkiv in eastern Ukraine, Kyiv and Dnipropetrovsk in central Ukraine; and Poltava and Lviv in western Ukraine.
- (3) Global financial and economic crisis stage from 2008 to 2013 that hit Ukraine harder than other countries in Central and Eastern Europe. The crisis revealed the weaknesses of the Ukrainian economy and its sensitivity to external links and relationships, stressing an urgent need for an even deeper transformation. The Ukrainian economy was founded on obsolete and inefficient structures based on the mining of raw materials and low value-added manufacturing industries (e.g., steel represented more than 25% of Ukraine's total exports and industrial production). As a result, negative economic and social trends intensified, leading to a drop in Ukrainian GDP (after a decade of consecutive growth) and massive migrations

¹ Authors' own compilation based on the State Strategy for Regional Development until 2020, Ukrainian Cabinet of Ministers, Kyiv, August 2014.

[Lapshyna, Düvell, 2015: 291–310]. This was a period when negative trends were observed in all macro-economic indicators.

- (4) Internal political turmoil and conflict in eastern Ukraine, which started in 2014 in the Donetsk and Luhansk regions, two of the country's most developed regions, which in 2013 together accounted for 16% of Ukraine's GDP. These processes were triggered by pro-Russian separatist movements after Russia annexed the Autonomous Republic of Crimea. Since then, the Ukrainian economy has seen a spate of economic and social crises, the most significant of which was from 2014 to 2015. After that, a slow increase could be observed (see Figure 1). As underlined by Storonyanska, "the occupation of Crimea by Russia and military actions in some areas of Donetska and Luhanska oblasts were the main factor of regional development processes destabilization causing economic decline due to the loss of control over some part of the territory and its economic capacity" [Storonyanska et al., 2022]. The fragile political situation and armed conflict exacerbated the economic crisis in Ukraine and brought about a further drop in manufacturing output, investment outlays, exports, and real wages. Social problems intensified across the country stemming from a decreasing income of the population, growing unemployment, increasing poverty, and migration [Youngs, 2017].

Figure 1. The dynamics of GDP (PPP) in Ukraine, 2007–2020



Source: Calculated by the authors based on data from the State Statistics Service of Ukraine.

Social and economic changes taking place in the last 25 years have been criticised by the Ukrainian public as well as internationally for being too slow and poorly targeted [Natorski, 2013: 358–375; Börzel, Lebnidze, 2017: 17–35; Mierzejewski-Voznyak, 2014: 86–104; Leitch, 2017: 1142–1158]. The Ukrainian economy failed to be modernised and continues to be based predominantly on the mining of raw materials and traditional industries. The Ukrainian service sector is poorly developed, its agricultural practices are not sufficiently advanced, and the country's performance in the agriculture sector remains poor despite exceptionally good conditions for development. What's more, various social problems are intensifying, corruption is increasing, and the pace of political and systemic changes is perceived as insufficient [Teichmann, Falker, Sergi, 2020; Zaloznaya, 2018]. However, political and economic changes in Ukraine after it won independence in 1991 were more challenging than the transition of the new EU member states that joined the bloc in 2004 and afterwards. This was in particular because Ukraine was much more comprehensively integrated into the USSR than these countries. Historical influences led to a situation in which different Ukrainian regions had conflicting identities. This in particular included internal tensions between the Ukrainian- and Russian-speaking populations of the country, with the most important divide between regions where European identification prevailed and those where pro-Russian feelings dominated [Rywkin, 2014: 120].

Transformational changes in the Ukrainian economy, combined with the financial and economic crisis, sector reforms, and Russian military aggression, have in recent years hurt the financial capacity of the local

budgets and the ability of local governments to exercise their powers and implement development strategies [Voznyak et al., 2021: 138]. What's more, decelerating economic development and depopulation were accompanied by intensified regional disparities in both economic growth and human capital development. Chaotic capital flows and poor infrastructure led to a decline in the competitiveness of regional economies, making them unable to undergo structural transformation. There are significant differences between various regions in Ukraine, including in terms of their economic capacities. As a result, interregional and intraregional imbalances can be observed [Storonyanska, 2022]. As underlined by Storonyanska, the territorial distribution of economic capacity in Ukraine and the gradual exclusion of a range of areas from the country's economic space intensified what is described as the confrontation between the economic centre and the periphery, between urban and rural areas, and between budget donors and recipients [Storonyanska, 2022]. The traditional top-down sector-based regional policy pursued during the first two decades of Ukrainian independence failed to break the vicious circle of regional peripherisation and did not provide efficient tools for regional economic endurance [Rabinovych, Shelest, 2020; Lishchynskyy, 2016], and for a long time, financial subsidies were the only instrument applied to support lagging regions.

Public administration reforms launched in Ukraine between 2018 and 2020 started the process of improvement in line with European standards, including the European Charter of Local Self-Government. In 2020 a new administrative-territorial system was established, which, as underlined by Danyliuk and Dmytryshyn, "marked the completion of the creating of joint communities and the transition to an emphasis on their cooperation has started" [Danyliuk, Dmytryshyn, 2021: 20]. A new administrative division was introduced, together with the decentralisation of powers (as well as funding) and promotion of mechanisms of public participation (involving local communities and NGOs), including through participatory budgets². What is particularly important, the process of strengthening the strategic planning system in Ukraine was also launched, in particular through establishing an obligation for medium-sized and large cities to implement long-term development strategies. The decentralisation approach introduced in recent years has started to change the balance of power in public administration in line with the vision promoted by the EU. The central administration began to lose importance in favour of local government.

The implementation of the reform, however, is strongly differentiated regionally. In particular, there is a divide between the east and west of Ukraine as well as between large cities (urban communes) and rural communes. Voznyak et al. underline that this has led to an increase in local budget revenues and a strengthening of the financial self-sufficiency of the leading regions in terms of budgetary security. This, however, does not apply to regions with low socio-economic development [Voznyak et al., 2021: 145]. What's more, the west of Ukraine, in particular large cities, have already developed their own mechanisms of development policy making in line with EU requirements – or at least they can be seen as being well advanced on this path. Meanwhile, in eastern Ukraine, especially poorly urbanised areas, there was little social support for the European integration process before Russia started the war in 2022, and the adaptation to the EU vision of regional development was not widely embraced. In the eastern regions, the passive attitude of the authorities and society still prevails, negatively affecting regional policy efforts. This is combined with the acceptance of the centralised model of state management, and poor understanding of the ideas of local self-government, social participation and co-management.

Since 2014 Ukraine has been synchronising its strategic documents with the seven-year programming periods of the EU (in particular 2014–2020 and 2021–2027), trying to implement the principles and objectives of the European policy of sectoral and territorial development. The signing of an association agreement with the EU, a move ratified by the Ukrainian and the European Parliaments in 2014³, marked an important step

² These mechanisms were in particular developed in large and medium-sized cities.

³ Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part. Official Journal of the European Union L 161/3 of 29/05/2014. URL: <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2014045>.

on this path. However, despite all these efforts, Ukraine still seems to be facing the challenge of transforming itself “into a fully European country, measured by stability and prosperity, rather than just a country which is located in Europe” [Tedstrom, 2001: 33]. In this context, Ukraine’s Action Plan for the Implementation of the Association Agreement aims to support the social, economic, and territorial cohesion of the country and improve the welfare of citizens (for details, see, for example, [Wolczuk, 2008]).

Regional development policy: plans, objectives, and principles

Regional development planning at national and regional levels

Ever since Ukraine regained its independence in 1991, work has been under way to develop systemic solutions in regional policy planning and implementation. Attention was in particular paid to formulating core organisational and legal rules, as well as the foundations for executing the country’s regional policy [Lendel, 2002: 24–28]. In 2002–2005, efforts began to give shape to the structure of regional development planning in Ukraine by laying down the basic legal foundations for the process. The framework of the model for regional policy planning and implementation was then put in place and improved in subsequent years. A strong impulse for changes in this area came from the 2008–2009 crisis, which deepened the negative effects of the political transformation and revealed the weaknesses of Ukrainian regional policy. It showed deficiencies in how the regions were prepared to face contemporary challenges, including the absence of an efficient regional development management system and the need to identify new strategic priorities and conceptual solutions for regional policy.

In these early periods, regional policy was implemented mainly on the basis of a traditional top-down principle. As part of this system, it was the central government that identified the lagging regions entitled to obtain direct financial subsidies (in national documents, such regions were referred to as “priority development areas”) and specific territories where radical tax reductions and allowances were offered to stimulate the concentration of local industries, economic growth, and spill-over effects. In the national legal system, such tax havens were called “special/free economic zones.” In both cases, government decisions were susceptible to monopoly lobbying.

The set of laws adopted between 2010 and 2016 was a milestone in building the legal foundations for the system of planning and implementing regional policy.⁴

The current system for regional policy implementation in Ukraine has two dimensions: national and regional. At the national level, there are two fundamental strategic documents described below in greater detail. (1) Strategy for Sustainable Development “Ukraine 2020”

The “Ukraine 2020” strategy was adopted on 12 February 2015 as a follow-up to the 2004–2015 Strategy “On the Way to European Integration.” It identifies four strategic development directions, 62 reforms necessary to be carried out in the near future, and 21 government programmes. It is the most important legal instrument in macroeconomic policy and a reference point for other government strategies and programmes, as well as plans and strategies drawn up by local governments. The strategy is implemented through annual implementation plans adopted by Ukraine’s government (Cabinet of Ministers).

From the current perspective, the Ukraine 2020 Strategy for Sustainable Development may be seen as a list of issues relating to sustainable development and a roadmap for immediate initiatives rather than a concrete

⁴ Key laws included:

- Law on the Principles of Internal and Foreign Policy of 1 July 2010, which specifies the principles of developing internal economic and social policies. It also lays down the powers of the Parliament of Ukraine (Verkhovna Rada) and the Government of Ukraine (Cabinet of Ministers) in identifying and implementing internal and foreign policy principles;
- Law for Solving Issues Pertaining to Administrative and Territorial System of Ukraine of 24 May 2012 launched the reform of Ukraine’s territorial system;
- Law on the principles of state regional policy of February 5, 2015, which specifies the principles, priorities, objectives, and thematic areas of state regional policy, its actors and their powers as well as core normative documents and implementation methods, and rules for financing and monitoring state regional policy.

plan of action with clear criteria, division of tasks, and timing. Its weaknesses include unrealistic quantitative indicators (the validity of the strategy's quantitative forecasts is discussed by [Burik \[2018\]](#)), inconsistency with the assigned competences and procedural rules. For example, the Cabinet of Ministers was expected to report quarterly to the president on the progress, which is contrary to the principles of the parliamentary-presidential system.

In 2019, national targets and tasks to be achieved by 2030 were reflected in the National Report "Sustainable Development Goals: Ukraine"⁵. This new strategy and in particular the proposed strategic vectors of national development are in line with the 17 goals of the 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015.⁶

(2) State Strategy for Regional Development

The State Strategy for Regional Development for the 2014–2020⁷ period was adopted by the Resolution of the Cabinet of Ministers of Ukraine of 6 August 2014⁸. It is deeply rooted in the law on the principles of state regional policy and its development, and the implementation modes are laid down in the resolution. The strategy covers seven years. Its main executive instrument is the Action Plan and State Target Programmes (STP), as well as sectoral programmes and regional development programmes.

The State Strategy for Regional Development until 2020 is a strategic document drawn up in line with European standards and synchronised with the EU's financing periods. It takes into account both internal development circumstances (crisis, armed conflict) and external factors (global trends). The strategy stipulates the objectives of national regional policy and principal responsibilities of central and regional government bodies. It highlights the need for coordination between state regional policy and other sectoral state policies targeting territorial development. Its implementation is expected to enable the development of an integrated approach to shaping state regional policy, which should be exercised at the sectoral (industry), territorial (spatial), and administrative levels.

In August 2020, a new State Strategy for Regional Development was drawn up for the 2021–2027⁹ period to meet the 2030 Sustainable Development Goals in Ukraine. While the National Strategy of Regional Development 2014–2020 was aimed mainly at upgrading the institutional backgrounds for decentralisation and regional strategic planning (and it generally succeeded in this aspect), the new Strategy until 2027 is focused more on regional economic growth, interregional convergence, and cohesion.

These two strategies – the Ukraine 2020 Strategy for Sustainable Development and the State Strategy for Regional Development – supplement each other and form a set of complementary documents defining regional policy at the national level. However, development planning at this level also includes sectoral strategies and plans, which – due to the fact that the sectoral approach visibly prevails over the territorial one – play an important role and strongly influence the path of development shaped in previous decades. The system is complemented by a wide array of medium- and short-term economic and social development analyses and forecasts for the country.¹⁰ State Target Plans, which are sectoral implementation plans, are also relevant in development policy planning at the national level. These are plans developed to ensure the implementation of investment policy in areas seen as crucial for Ukraine's development. Such programmes are numerous and cover many areas, but their importance and number have significantly decreased in recent years.

⁵ Decree of the President of Ukraine No. 722/2019 on the Sustainable Development Goals in Ukraine until 2030, *Governmental Courier*, No. 188 of 2 October 2019.

⁶ Resolution adopted by the General Assembly on 25 September 2015, Transforming Our World: The 2030 Agenda for Sustainable Development (A/RES/70/1).

⁷ In 2014, political turmoil, the Revolution of Dignity, and a change of government took place in Ukraine. As a result, the previous regional strategy, intended to be valid until 2015, was not carried out until the end.

⁸ Resolution of the Cabinet of Ministers of Ukraine No. 385 of 6 August 2014 on approving the State Strategy for Regional Development until 2020, *Governmental Courier*, No. 160 of 3 September 2014. URL: <https://zakon.rada.gov.ua/laws/show/385-2014-%D0%BF#Text>.

⁹ Resolution of the Cabinet of Ministers of Ukraine No. 695 of 5 August 2020 on approving the State Strategy for Regional Development for the period 2021–2027. URL: <https://zakon.rada.gov.ua/laws/show/695-2020-%D0%BF#Text>.

¹⁰ Pursuant to Law No. 1602-III of 23 March 2000 on state forecasting and the development of programmes for the economic and social development of Ukraine, *Vidomosti*, 2000–06–23, No. 25, pp. 442–449.

However, documents adopted at the national level do not exhaust the catalogue of legal regulations that define and determine regional policy in Ukraine. Regional Development Strategies are the basic instruments for shaping this policy in regions. Their legal basis is the Law on the Principles of State Regional Policy and the Resolution of the Cabinet of Ministers of Ukraine of 11 November 2015 on approving the procedure for preparing regional development strategies and plans and measures undertaken for their implementation. Regional Development Strategies provide a comprehensive development framework for regions in the medium term. They define strategic objectives as well as ways and methods to achieve them. They are developed for a period of six years (2015–2020) and implemented through the Strategic Action Plan. Action Plans are two-stage by nature and cover the years 2015–2017 and 2018–2020 (Action Plans for the Regional Development Strategy 2027 are currently being developed as local elections took place in November 2020).

In recent years, many regions in Ukraine, while determining priorities for their regional policy, have chosen regional sustainable development as a tool for effective management of the territory. However, in most cases, defining the priorities of such a development of the region is declarative and not supported by methodological determination of regional policy guidelines [Buzko et al., 2019: 7].

In the regions, the Regional Development Strategy is complemented by sectoral plans and strategies. However, in practice regions often do not develop this type of planning documents and, as a result, the range of complementary strategic plans is limited, representing one of the significant weaknesses of regional policy in Ukraine.

Another important shortcoming of regional policy making consists of poor development and use of different forms of partnership and participation in the spirit of multilevel governance. This concerns the involvement of society as well as economic and institutional partners at both the national and regional levels. Many of the participatory activities undertaken in Ukraine are superficial, and in practice regional development planning is strictly centralised. The current consultation mechanisms on strategic plans and actions are limited to intersectoral consultations at the national level. Moreover, the involvement and participation of social and economic partners in the process of drafting regional policy is poorly embedded in the Ukrainian legal system. At the same time, poor institutional culture and inadequate public administration practices, combined with insufficient knowledge and experience in consulting and engaging stakeholders, significantly block the process of regional policy democratisation. Social dialogue, as a reflection of the practical implementation of the broader principle of good governance, is still not widely practised in Ukraine, and public participation in regional policy making is in most cases limited to the provision of information. More advanced forms are almost absent, such as active social consultations of plans or joint development of specific solutions and strategic activities with regional partners. On the one hand, regional authorities seem to see no need or reason to involve local communities, NGOs or enterprises in the process of building regional strategies. On the other, most actors (private entities) remain passive and insufficiently involved in co-managing regional development, which primarily stems from a lack of trust in public authorities and poor quality of social capital and civil society in Ukraine [Karhina et al., 2019: 5].

Finally, the current regional policy model in Ukraine to some extent grasps the territorial approach to development (place-based policy). This is a new dimension of EU regional policy implementation, introduced in the 2013–2020 programming period. It highlights not only economic and social cohesion, but also territorial cohesion.¹¹ The State Strategy for Regional Development 2027 filled previous gaps in this area, adding the spatial dimension of cohesion to its strategic targets. Moreover, regional strategies and regional action plans have been developed systematically in recent years to address the requirements of the “place-based” strategy, which can be seen as a stage in the country’s evolution towards the EU model. This evolution was cruelly interrupted by the Russian invasion.

¹¹ The new paradigm of regional policy (place-based policy) rejects the sectoral approach, the homogeneity of the region and administrative borders as policy determinants. Instead, it proposes integrated, multi-level actions focused on functional areas, based on the recognition of the diversity of territorial characteristics.

Regional policy goals in Ukraine

The Ukrainian authorities and administration have launched reforms designed to create a regional policy model aligned with the EU approach. This in particular applies to the identification of objectives and directions of development in Ukrainian regions.

Ukrainian regional policy is oriented towards building the competitiveness of regions, on the one hand, and towards territorial cohesion and reducing disparities in regional development, on the other. The main development challenges identified in the National Development Strategy 2020 include:

- improving the competitiveness of regions by creating optimum conditions for mobilising and using their endogenous potential;
- fostering territorial integration of the country by solving the problems of specific regions, in particular the Donetsk and Luhansk regions and the Autonomous Republic of Crimea;
- strengthening social and economic cohesion by reducing regional disproportions in access to basic social, municipal and administrative services, as well as transport, information, and other services;
- fostering regional integration by creating conditions conducive to cooperation between regions;
- improving management efficiency (at the national level) in regional development by creating mechanisms and instruments targeting regional development governance (decentralisation of state powers by delegating them to local-level bodies together with financial resources; improving strategic planning and carrying out planned tasks at all levels; putting in place an effective coordination mechanism for central and local executive authorities; and enabling self-government bodies to achieve sectoral priorities and goals at various territorial levels).

Table 1. Strategic goal evolution in state regional policy, 2006–2027

State Strategy for Regional Development 2006–2015*	State Strategy for Regional Development 2014–2020	State Strategy for Regional Development 2021–2027
<ol style="list-style-type: none"> 1. Improving the competitiveness of regions and fostering their resource potential; 2. Ensuring human resource development; 3. Development of cooperation among regions; 4. Creating institutional conditions for regional development. 	<ol style="list-style-type: none"> 1. Improving the competitiveness of regions; 2. Territorial integration of social, economic and spatial development; 3. Efficient governance in regional development. 	<ol style="list-style-type: none"> 1. Improving the competitiveness of regions; 2. Building a cohesive state in social, humanitarian, economic, environmental, security and spatial dimensions; 3. Efficient multilevel governance.

* Note: The Strategy 2006–2015 was not carried out until the end of its planned period due to the Revolution of Dignity, which took place in Ukraine in 2014, resulting in a sudden change of government.

Source: Authors' own compilation.

Over the past decade, Ukraine's regional policy has evolved in terms of strategic development goals. More emphasis has been placed on strengthening the multidimensional integration of regional development processes, in line with the idea of place-based policy. The need for a greater focus on the effectiveness of regional policy was also stressed. The key objectives are strengthening the competitiveness of regions and creating institutional conditions for effective and efficient planning and the implementation of regional policy. The system of objectives proposed until 2020 created a classic triad of challenges and directions of intervention within regional policy. The competitiveness-cohesion-efficiency triad is fully in line with the philosophy of regional policy carried out by EU member states. The Ukrainian State Strategy for Regional Development for the 2021–2027 period essentially continues along the lines delineated by previous programmes while adding cohesion to its priorities. The new regional policy is more focused on accelerating regional economic development and regional competitiveness based on internal potential and the creation of new jobs. New priorities in the strategy include urban areas, depressed rural areas, and in-transition mountain, coastal and border regions.

Regional policy principles in Ukraine

Ukrainian regional policy has been developed based on the idea and fundamental principles of EU regional policy. The State Strategy for Regional Development 2020 listed nine principles for regional policy planning and implementation in Ukraine. These principles define the philosophy of shaping regional policy, and they are interpreted as follows:

- constitutionality and validity – compliance with the Ukrainian constitution and laws, as well as international agreements;
- cooperation – agreeing objectives, priorities, tasks, resources, and actions with central and local executive bodies, local governments and seeking to ensure cooperation among them in developing and implementing national regional policy;
- parity – guaranteeing equal access of entities engaged in national regional policy to national funds for regional development;
- openness – transparency, ability to forecast and predict actions undertaken by government bodies and local self-government bodies in shaping and implementing national regional policy;
- subsidiarity – decentralisation of powers, delegating powers to bodies at the lowest level of governance whose actions are the most efficient;
- coordination – links and coordination of long-term development strategies, plans and programmes at the national, regional, and local levels;
- territorial cohesion – reduction of social and economic disparities between regions, ensuring spatial, political, economic, social, and humanitarian cohesion of Ukraine;
- historic continuity – considering and maintaining positive experiences in regional development;
- sustainable development – seeking to ensure the use of energy, materials, natural and other resources in an economical and efficient manner that does not burden the environment and serves the needs of the present generation without compromising the interests of future generations.

In the past, processes of change in EU regional policy related to the EU's enlargement were paralleled by changes in the regional policies of the applicant countries, including in the field of regional policy principles. Such adjustments also seem to be necessary in the case of further enlargement of the bloc, possibly to include Ukraine. In this context, it must be underlined that the current regional policy of the European Union seeks to strongly empower local authorities in managing EU funds and clearly supports locally-led development strategies. From the perspective of the aspiring countries, this implies the necessity of existence of a well-established division of powers, with local authorities enjoying a wide degree of autonomy and having an actual impact on decision-making processes. The Ukrainian legal system formally recognises the principle of subsidiarity and decentralisation of powers [*Storonyanska, Benovska, 2018*], including in regional policy, but the practical application of this principle was unsatisfactory for a long time.

The European Union pays special attention to the principle of partnership, which is one of the key principles of EU regional policy and implies that each programme is developed through a collective process involving authorities at the European, regional and local levels, in addition to social partners and civil society organisations [*Gawrich, Melnykovska, Schweickert, 2010: 1230*]. Such an approach is intended to ensure that actions undertaken in the field of regional policy are adapted to local and regional needs and priorities. The principle of partnership was, however, for a long time absent in the Ukrainian regional policy model, and public authorities seemed to see no need to involve local communities, NGOs or enterprises in the process of building regional strategies. The failure to include a wide range of stakeholders in regional development programming posed a significant challenge in the context of the country's adaptation to EU requirements.

A similar problem applies to the principle of territorialisation of regional policy, which has been visibly emphasised by the EU during the last decade. The place-based approach resulting from this principle is strongly recommended by the EU, especially in the case of large countries such as Ukraine, with strong inequalities and diversified development potential. However, regional policy in Ukraine has been highly unified

and neutral in terms of location, and to a large extent ignored the specific conditions of regional development. The Ukrainian system is also characterised by a poor orientation towards the use of endogenous development mechanisms and the use of territorial capitals. All these shortcomings are exacerbated by a clear domination of the state in this policy and its “top-down” nature.

Furthermore, it can be observed that Ukrainian regional policy has been dominated by a strong sectoral perception of regional development, which has been reinforced by a lack of well-established coordination mechanisms between sectoral and horizontal policies and between different levels of management. The deficiencies in the practical implementation of the principle of coordination, formally provided for in the 2020 State Strategy for Regional Development, intensified the lack of institutional partnership and the weakness of integration mechanisms in terms of the impact of various public entities on the programming and implementation of regional policy.

The principles formally declared in the 2020 State Strategy for Regional Development were, to a large extent, consistent with the principles of development policy pursued by European Union member states. However, many of them were just declarations and their practical application was far from perfect. This primarily applies to the principles of concentration, coordination, and cooperation of various public actors.

Finally, the last few years (2018–2021) have seen a significant acceleration in programming and implementing regional development. Although the structure of goals in the latest State Strategy for Regional Development (2021–2027) was not strongly redefined, compared to the previous period, many steps have been undertaken to strengthen the implementation of this strategy. Importantly, the principles of subsidiarity and decentralisation of powers were deepened, which is closely related to the introduction of a new administrative division at the subregional level (specifically the level of *hromadas*, or communes, and the level of *raions*, or districts) and to the strengthening of the powers and financial sources of local government communities. Moreover, stronger mechanisms were introduced for coordinating goals and plans developed at the regional and local levels. Finally, the partnership principle has been reinforced through the promotion of various instruments of public participation in regional policy making.

Towards EU system of regional policy in Ukraine

According to an evaluation based on in-depth interviews, laying down the foundations for the implementation of regional policy in Ukraine requires many systemic and substantial modifications. The conducted interviews made it possible to capture knowledge not expressed in legal documents or strategic plans concerning in particular the actual mechanisms of shaping regional policy in Ukraine. They made it possible to learn about ways of perceiving values and principles as well as the procedures for regional policy planning. Information obtained in this way shows that some basic improvements are needed to adapt the Ukrainian regional policy model to EU requirements. These include deepening the decentralisation of the country's governance in accordance with the principle of subsidiarity, in particular ensuring more autonomy in regional policy for regional and local authorities, providing a clear-cut division of responsibilities and tasks between the national administration and self-government bodies, and building partnership relations between the central government and local governments, as well as between public authorities and society. In addition to changes in the legal and systemic foundations of regional policy, it is particularly necessary to take action in the following areas: (1) Developing a coherent strategic planning system and reorienting objectives and strategic directions of regional policy

A change in the mindset is needed when it comes to the role of regional policy and its implementation that would consist of:

- a shift from seeing regional policy as a channel for the redistribution of funds to perceiving it as a policy oriented toward using the endogenous potential of all territories to accomplish national development goals;

- creating a transparent and internally coherent system of strategic plans at the national and regional levels together with a clear specification of relationships (higher and lower rank) and mutual dependencies between documents;
 - giving up short-term development plans and programmes in favour of fostering long-term regional policy planning (expanding the time horizon for key strategic plans);
 - giving up universal goals and strategic directions of actions listed in strategies in favour of seeking specific and endogenous aspects in the development of regions (looking for their own, individual development trajectories);
 - pursuing place-based policies by identifying areas of strategic intervention, specifying priority actions and addressing public intervention;
 - focusing on bridging the development gap between regions and within them and counteracting the marginalisation of the least developed areas unable to overcome their backwardness without external assistance.
- (2) Fostering regional policy by specifying clearly identified and respected principles of regional policy development

Classical principles of regional policy development should be better implemented and more respected in practice. This requirement refers in particular to:

- the principle of concentration – stressing the need to concentrate objectives and efforts on strategic actions due to limited financial and organisational resources. The principle highlights the need for prioritising and selecting activities that would be the most important for building competitiveness (regional specialisations) and ensure coherent development of Ukraine;
 - the principle of integrated approach to regional policy – emphasising the need of integrating regional resources and better coordination of activities undertaken by public authorities at different levels of governance (multi-level governance), as well as requiring stronger integration around problems (sectoral measures and regional policy) to achieve synergy and multiplier effects in regional development;
 - the principle of place-based policy – advocating the need to optimally use endogenous resources (often “dormant” and shape regional policy to meet specific needs, potentials, and challenges adequately to local and regional conditions;
 - partnership and cooperation principle – concerning the need to foster participation, co-decision and co-responsibility of public institutions and authorities at different levels of governance in the country (institutional partnership) and to ensure stronger social engagement by the participation of private entities (inhabitants, entrepreneurs, NGOs) in the development and implementation of regional policy.
- (3) Strengthening integration and coordination in regional policy planning and implementation.

The last decade has witnessed major progress made by Ukraine in putting in place institutional solutions that would ensure effective and efficient regional development management. However, activities in this area still need to be fostered. In particular, in order to strengthen the effectiveness of regional policy actions and to trigger the synergy of developmental efforts, integration and coordination potential of actions pursued by different entities that shape this policy needs to be built up through:

- the development and stabilisation of a clear institutional structure for regional policy at the national level – development of a transparent system including different public administration bodies (ministries, departments, commissions, committees, etc.) responsible for drawing up plans and documents and for implementing regional policy with a clear specification of the links between them;
- coordination of objectives and strategic directions of activities provided for in various strategic documents drawn up at the national level, as well as of actions undertaken at the national and regional levels;
- closer coordination of actions carried out by institutional partners in implementing regional policy – coordination of efforts undertaken as part of regional policy with actions by sectoral institutions;
- fostered integrated approach to regional policy planning and implementation (sectoral integration, timeline integration, spatial integration, integration of governance – multi-entity, multi-level, and inter-sectoral);

- setting up a clear and coherent system for monitoring and evaluating strategic documents and regional policy implementation (e.g., creating a system of institutions, clear procedures and criteria for project monitoring and evaluation, as well as defining the criteria and principles of a comprehensive evaluation of the impact of policy interventions on regional development).

(4) Fostering a bottom-up and partnership approach to regional policy development

Doing away with a strongly centralised model of exercising power and a *top-down* approach to developing regional policy and shifting towards strengthening *bottom-up* and multi-level governance is one of the crucial requirements for Ukraine in its aspirations to join the European Union. In this aspect, it is in particular necessary to:

- build partnership relations between the central government and local authorities and shift from a hierarchical to a partnership model (based on vertical relations);
- build territorial cooperation and in particular tighten cooperation between territorial self-government bodies and other public institutions, for example through joint implementation of individual projects (e.g., building common infrastructure, ensuring the provision of public services, and organisation of fairs and exhibitions) and to ensure the exchange of knowledge and experiences in regional policy (institutional partnership);
- engage local communities in regional policy development (at the regional and national levels) by putting in place deeper mechanisms of social consultation and participation in delineating the strategic directions of actions and ways of accomplishing them;
- increase the role of NGOs and other private entities and institutions in identifying regional development priorities and in their implementation, mobilising local and regional communities to become actively involved in development initiatives (building civil society and local partnerships).

Conclusions – towards bottom-up regional policy in Ukraine

The conducted research showed that regional policy is currently conducted in Ukraine predominantly based on a top-down conventional model resting on a system of institutions and public funds and strong hierarchical relations. The analysis of strategic documents regulating this issue in Ukraine, as well as interviews with government officials responsible for regional policy reveals that the bottom-up and community approach to development policy shaping, which is the dominant approach in the European Union, is of secondary importance. This second model, however, seems to be more promising for Ukraine, due to the scale and nature of regional needs in the country and in the context of its political reforms, which have stirred new expectations in local communities wishing to have a real impact on local and regional development. As a result, the key challenges for Ukraine's regional policy are primarily integration and coordination, partnership and shared management, and the development of an efficient and flexible regional policy-making system based on a bottom-up approach.

In the bottom-up approach, regional policy is no longer an exclusive competence of public authorities but becomes a common issue of all regional actors, who, through their behaviour and actions, have a significant influence on the direction and pace of changes. Co-governance taps the potential of regional actors, their knowledge, skills, and powers, while also mobilising private financial resources for regional development. This model of regional policy making strongly emphasises the partnership and co-responsibility of the regional community for the development of the region. Its pillar is human and social capital, not the size of financial resources.

The latest reforms that have taken place in Ukraine have led to the emergence of institutional foundations important for regional initiative development and financial autonomy. However, ensuring an efficient and effective regional policy model and adapting it to the requirements of the European Union still needs systemic and substantial improvements. The fundamental modifications include a further deepening of the

decentralisation of the country's governance system and providing a clear division of responsibilities and tasks between national administration and self-government bodies in regional policy. Moreover, Ukraine's regional policy should be based more on partnership arrangements between the state and regions, enabling an optimal use of existing resources and creating conditions for sustainable development. At the same time, it requires a close connection between sectoral and horizontal instruments and actions. Finally, it is also important to link planning activities at different levels of local government, coordinate activities between different regions, as well as between administrative entities, business environment institutions, NGOs, and private enterprises. This is possible only if the system of coordination of actions undertaken by executive authorities is strengthened at all levels, and if business and civil society representatives are involved.

Ukraine should face two further challenges in the near future in the context of its integration with the EU: ensuring proper coordination between public authorities that have an impact on regional development, and introducing multi-level vertical governance. This should help synchronise the activities of different authorities and, consequently, improve the effectiveness of public intervention and create synergy mechanisms in the regional environment. However, important reforms have already been introduced in Ukraine. This positive process was violently interrupted by an escalation of the conflict between Russia and Ukraine and Russia's military invasion in February 2022, the effects of which are still impossible to predict. However, steps taken so far with a view to decentralising public authority and their practical implementation have already contributed to strengthening local communities and their sense of connection with their small homelands.

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Annex. Areas of casual interview analysis

1. System of strategic planning of regional policy
 - Plans defining regional policy;
 - Relations and interdependencies between strategic plans;
 - Coherence of the regional policy planning system;
2. Principles and values on which regional policy is based
 - Declared principles of regional policy;
 - Respecting the principles of regional policy in practice;
 - Territorial approach to regional policy (place-based approach);
3. Objectives and mechanisms of shaping regional policy
 - Strategic goals and directions of actions under regional policy;
 - Evolution of regional policy goals in the last decade;
 - Integration of goals and actions in the field of regional policy;
 - Institutional structures for the implementation of regional policy;

4. Mechanisms of partnership and stakeholders involvement in regional policy
 - Participation of representatives of various groups of stakeholders in regional policy making;
 - Instruments of public participation;
 - Forms and channels of public consultation.