The delegation from the Directorate General for Regional Policy was welcomed by the Ukrainian Minister for Regional Development, Construction and Municipal Economy, Mr Anatoliy Blyznyuk. The Commission delegation was led by Ronald Hall, Director for Information, Communication and relations with non–EU countries. The meeting reviewed progress so far in the regional policy dialogue and discussed future priorities.

It was agreed that further issues would no doubt arise from the OECD Territorial Review which was currently under way and which was presented in outline at the seminar. Mr Hall stated that territorial development policy would be of interest to, and should actively involve, a variety of different line ministries. The completion of the OECD Territorial Review would be an opportunity to enhance the role of the Ministry of Regional Development and Construction. The Minister raised the issue of Cross Border Co-operation where the Commission had more than 20 years’ experience of both success and failure which would be of benefit to Ukraine.

At the seminar itself, Mr Hall made a presentation covering: the extent of disparities in Europe and in third countries including Ukraine, in the form of a ratio between the top 25% of the population in the regions and the lowest 25%. The data suggested that disparities in Ukraine were comparable with the EU and less than in Russia, Brazil or China. He set out the main principles of EU regional policy (concentration on the poorest regions, concentration on competitiveness, promoting good governance and an evaluation culture etc.) and described some of the issues behind the Commission's proposals for the period 2014-2020, as requested by the Ukrainian side. He showed in particular how the principles of ex-ante conditionality and thematic concentration would be applied. In questions afterwards, he expanded on the issue of decentralisation, emphasising that subsidiarity and smart specialisation required a clear sense of the appropriateness of particular actions and the level at which they are undertaken. Not every region had the capability to establish a nano-technology cluster, for example.

In response to a question as to how Member States were encouraged to comply with EU 2020 priorities, he described said the peer pressure methodology under the open method of coordination with annual reporting which had produced positive results but had inherent weaknesses. In the new period, the Commission would also be looking at a reinforced application of a performance reserve, a fund to be released only upon good quality results.

William Tompson from the OECD then brought participants up to date with the early investigations in relation to the Territorial Review and some of the reflections they had engendered. Noting that the constraints on growth that confront the leading regions are usually different from those confronting the rest, he was clear that a ‘place-based approach’ was essential. In fact, most growth occurs outside the main hubs and there is no such thing as an average region. For example, rural regions comprise some of both the fastest and slowest growing regions. Rurality is by no means synonymous with decline.
The basic regional diagnosis in the Review had begun with an analysis of the key elements of total factor productivity (investment, innovation, skills, entrepreneurship and competition) looking at their relevance for each territorial scale and the institutional context. The review had established in the case of Ukraine that key growth drivers are endogenous to the regions, as with skills for example (the proportion of the workforce with low skills appears to have a greater impact on growth than the number with tertiary qualifications, and they are less mobile.). At the same time innovation has the strongest correlation with growth. Regions growing above average show much higher innovation variables than those growing below average.

The review has also established that the relative weight of growth factors depends in part on the relative level of development of the region. Having looked at these factors and also at governance issues, interregional disparities, incomes and prices the OECD could at this stage say that the main institutional and governance challenges for Ukraine include:

- weaknesses in the broader institutional and macroeconomic environment,
- an under developed framework for regional policy,
- a budgetary process that makes medium or long term investment difficult,
- a highly centralised policy process,
- a slowness to move from the traditional approach of compensating regions for underdevelopment to making them competitive and
- clear weaknesses in administrative capacity at subnational level.

Asked what the optimal pathway for Ukrainian regions might be and what immediate things should be accomplished Mr Tompson said that in his view laws relating to regional development should be rationalised, the number of instruments reduced and that a greater degree of regional autonomy was essential. Regions should be 'smart' and focus on choices. In response to the Chairman (Deputy Minister Alipov) who requested information on harmonious sustainable development he said that there had been no discernible effects of climate change upon the economy or on policy although the relative failure of this year's harvest due to drought in Russia and Ukraine was disturbing. Green growth issues generally become more prominent as a function of wealth.

Closing the day's session Deputy Minister Alipov was of the view that not only did it do no harm to dream of harmonious development but that it was actually harmful not to do so.

Next day Mr Grzegorz Orawiec, Director of the department of Regional Policy at the Marshall’s office of Swietokrzyskie Voivodship, made two presentations. The first was on Poland’s experience of adapting its governance at the national level to the requirements of EU regional policy. This had needed a reduction in the numbers of regions (from 49 to 16) but an increase in staff numbers and costs. Special attention had been given and special finances allocated to the problems of the ‘eastern wall’ regions against the borders of Ukraine and Belarus which had lower than the national average GDP and higher unemployment. Under new laws which were brought in significant powers and responsibilities were devolved to the regions. Mr Orawiec showed how it had been
considered vital that strategies be developed at every level which complemented and reflected EU and national medium and long term strategies. He showed how Poland’s six national programmes and the sixteen regional operational programmes interacted with the separate but similar rural development programme and explained the roles of the various organisations (managing authorities, intermediate bodies, audit authorities etc) which ran them. He gave details of the human capital and human resources programmes and the specific tasks of monitoring committees before setting out the structure and function of his own regional development office. Having shown some of the impacts in the specific case of agriculture he ended by emphasising the importance of clear strategy, precise legislation, decentralisation and motivation (usually in the form of financial rewards for good progress).

Questions related to the relationship between the reduction in the number of strategy documents and the increase in staff, to which it was repeated that now the strategies were matched by funding and the extra staff matched the new responsibilities. There was a long discussion about how to avoid population loss through outward migration. Mr Orawiec said this was a key goal for his region and they looked to support education, universities, the creation of new work places and investment in new office jobs (including public sector, regional policy jobs) for example. Mr Hall mentioned that whilst the EU favoured mobility, which is implicit in the creation of the single market, it had no wish to empty regions. Hence EU regional policy was used to try to bring jobs to people.

Turning in his next presentation to the local experience of multi level governance, Mr Orawiec stressed that the regional strategy was both a statutory obligation and an essential tool for managing the development of the region. He looked particularly at the region’s preparations for the new period and its adaptations to national and EU conditionalities such as partnership agreements and territorial contracts. One of the most important ex ante conditionalities was the smart specialisation strategy which would mobilise private funds among other financial sources and create a regional innovation system. Swietokrzyskie was planning to focus on green energy, eco-agriculture, active tourism and design. For example a new entity would be created with the city of Kielce, the regional centre for innovation and technology transfer, which would be involved in networking for positive cooperation in innovation and new technologies. He gave more details of the centre’s planned functions and a proposed green energy cluster in the region and in next door Podcarpackie. The aim is for the partner regions to be net exporters of energy by 2022.

Taking the example of the city of Checiny Mr Orawiec set out in detail the changes that had been made in the local organisation in line with the new strategic approach, and some of the results (reconstruction of the ‘royal castle’, large scale tourism promotion, training and courses for the historic team and for local guides among other projects such as restructuring the town centre which had only come about because of a strategic planning attitude.) Summing up, Mr Orawiec stressed that multi level governance at the regional level depended on strategic planning, smart specialisation, networking, partnerships and good quality management at the local level. He reminded participants that resources were limited, that choices had to be made and that inevitably some people would be disappointed.

Following this presentation one question explored the relationship between territorial contracts and Regional Strategies and whether there might be conflicts (as in Ukraine). To this Mr Orawiec replied that projects had to be consistent with the overall strategy. If
strategies were coherent with each other there should be no conflict, just choices. Some participants foresaw problems where successful projects might go beyond the human resources available locally, though this was preferable to unemployment. The key factor was choice and the involvement of a wide range of parties in those choices and in the establishment of priorities.

The last presentation was about the situation in Ukraine. First Mrs Kofanova, the Director of Regional development at the Ministry of Regional Development then her deputy Mr Serhiy Sharshov, Head of Division for Administrative and Territorial Structure, described the country’s new strategy for the period 2000-2020. A bill drafted by the Ministry of Regional Development and Construction (‘Local self-government in Ukraine’) would be the principal document in managing regional development and improving territorial governance. A reform had been started to optimise central executive performance and the efficiency of public governance. Thus a number of central bodies of the executive branch had been dissolved because they had no function. Others had seen their functions changed. In this way their numbers had been reduced from 11 to 77. 69 other executive bodies in 16 ministries had been transferred closer to the citizens. The ministries now involved in macro-economic policies were the Ministry of Finance, the Ministry of Agriculture and the Ministry of Economic Development, as well as the Ministry of Regional Development. Reforms had so far been made to three of the four levels of government: central, regional (Oblast, which would control 25% of functions)) and district (Rayon). The fourth level, municipalities, including many villages with less than 1000 inhabitants had not so far been reformed.

The ministry was also promoting the delivery of services online through the internet and drafting another bill to promote cooperation, due to go before the cabinet of ministers in October. The State Fund for Regional Development was now dealt with by the Ministry of Economic Development, although many of the personnel involved were former colleagues from the Ministry of Regional Development. Since it had been in existence for less than a year it was not yet possible to pass judgement upon the fund’s effectiveness. It is an aggregate of various funds earmarked for development. In drawing up the fund regulations the ministry had based itself on EU principles, relevant strategy documents and data on population and key economic activities. In 2013 the procedure would be improved.

In response to Mr Hall’s question as to how allocations were made from the fund and what it was used for it was stated that 70% was strictly based on per capita income whilst 30% was "more flexibly" distributed. The system did need to be improved however. More attention would be given to clusters for example, especially in renewable resources, and to the issue of co-financing, which was not in existence yet. The ministry wished to encourage links between the self governing entities and universities, and cooperation between municipalities.

A question from the OECD team related to the budget system and whether it was possible to operate multiple budget streams and develop a medium term strategic vision. The answer to this was that the fund was an annual allocation, so spending and reporting had to take place in the calendar year. In this respect and in the utilisation of the funds so far the Ministry stated openly that there was room for improvement. But problems such as these were under discussion in advisory bodies such as the Council of the Regions which was reviewing performance. Steps were being taken to adopt EU style approaches to budgeting and ensure that tasks were carried out most efficiently.
Asked whether the process of drawing up the state plan, which seemed to involve a number of ministries with specific and separate responsibilities, had actually contributed to co-operation and a coherent approach between them, Mr Sharshov stated that there were rules of procedure which each of the four ministries had to follow. Co-operation was a feature of the process but responsibilities remained separately demarcated.

Summing up the seminar for the Ukrainian side Mr Ustynov (the Deputy Director for Interregional and International Cooperation) claimed that the workshop had been excellent and would be of great value to those who had attended. Ukraine faced special problems and was in particular need of the benefit of the EU's experience. He expressed gratitude for this opportunity to work with the EU and understand it better. He hoped there would be more such opportunities in future.

Responding for the Commission, Mr Hall thanked the Ukrainian side for their organisation, the EU delegation in Kiev for their support and the interpreters for their diligence. He felt that one of the main conclusions from the event was that the OECD Territorial Review in particular was a unique opportunity to focus on Ukraine's institutional capacity and strategy as well as the country's delivery of public policy. The results of the review would be a chance to raise the profile of the Ministry of Regional Development in the process of regional economic planning. They would also enhance activities associated with the European Neighbourhood Programme Initiative and the Pilot Regional Development Programmes under the Eastern Partnership.