

REGIONAL POLICY IN UKRAINE: CHALLENGES OF TRANSITION

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Introduction

The objective of building a devolved sub-national government in Ukraine, as an inherent component of civil society in a transitional economy, involves, between developing local self-government and promoting a self-sustained Hromada (community), strong consideration for an adequate regional policy, as an instrument to address pressing social and economic challenges via joint effort of the key stakeholders. A political dimension of this goal lies in the following: the pre-, and early years of independence expectations to quickly become prosperous turned out to be too high, because a critical understanding was missing – it is not enough to have sufficient resources to ensure economic growth and decent living standards. To a substantial degree, success is conditional on how these resources are organized and managed. This objective is of increasing significance and challenge also due to the fact that regionalism has always been strong in Ukraine because of its considerably divergent historical experiences and economic development. Ukrainian regions differ substantially in their history, political traditions, language, economic development, religion, and demographic trends and even in their perceptions of Ukraine's future in relations with the West and Russia. Most observers would agree today that, without addressing the problem of regional disparities, a coherent national reform program couldn't be successfully developed. Given assumption is supported by the recent years experience of Ukraine's neighbours: e.g. the Czech Republic, Poland, and Hungary.

Even brief research into the issue proves that today Ukraine does not have a regional development policy understood as a comprehensive national strategy including legislative, institutional, and operational instruments meant to guide and support social and economic development at local and regional levels. Nor it has a reliable legal framework for producing such a policy¹:

¹ M. Chumachenko, "Samovriaduvannia i ekonomichne rehulyuvannia rozvytku regionu" (Self-government and economic regulation of the development of region), in *Region u systemi*

“Neither the Constitution of Ukraine, nor the Laws on Local State Administrations and Local Self-Government contain provisions on state regional policy.”

Ukraine does not have a law/concept on regional development policy, which is badly needed to lay down the foundations for effectively addressing social and economic problems. Such a law will be instrumental, and regional development policy will be effective, provided they are elaborated on the basis of thorough conceptual thinking demanded by modern requirements, and reconsidering traditional determinants, as well as involving new principles and values to the end of securing and strengthening the national interests and eliminating colonial legacy. Research in the field is particularly important in view of the above, and among others has to address a few key issues. Among general nature issues should be what is regional policy, why it is needed, and who are and should be the major players involved.

Unlike the Western Europe, and in recent years practically all countries of Eastern and Central Europe (CEE) where market oriented regional policies are beginning to appear in the form of new legislation, institutions and instruments, Ukraine is far from being a dynamic area of policy making and research in the field of regional development. During the first years of Ukrainian independence since 1991 the issue has been exceedingly “hot” politically², and not surprisingly, many politicians primarily due to political risks have not addressed it.³ The adoption of the Constitution of Ukraine (1996)⁴, which declared the country a unitary state, proved the possibility of political consensus among the ma-

novyh ekonomichnyh i pravovyh vidnosyn (Region in the system of new economic and legal relations), Ivano-Frankivsk, “Siversia”, 1997, page 9.

² In mid 1990s the prospects for Ukraine’s success as a sovereign nation with close to zero experience in nation building seemed quite dim. The stalemate in political and economic reforms increased political and social tensions, further widened the disparities between different regions and put at stake the very viability of the state. Many predicted that Ukraine would not be able to overcome the burden of transition and collapse as sovereign state to be reabsorbed by Russia. Some estimations by foreign observers went as far as predicting a civil war between the East and the West of the country.

³ Volodymyr Grinyov, Advisor to the President of Ukraine on Regional Policy (1994–1998) issued a book “Ukraine: How I See It” (1995) in which he argued federalism in Ukraine (similar to German Landes structure), and increasing autonomy of regions which would be practically independent of the center, as the only right way for Ukraine in its nation building. The book was severely criticized by most political forces in Ukraine and resulted in Mr. Grinyov’s political isolation as Advisor to the President.

⁴ After Leonid Kuchma had been elected President in 1994, the political tug-of-war between, on the one hand, the executive and the legislative branches, and on the other, between major political forces (pro-reform national-democratic parties versus communists and socialists who did not particularly hide their pro-Russian orientation) lead to signing in 1995 a Constitutional Accord, which stipulated the powers of the executive and legislative branches for the period till the Constitution proper would be adopted.

jor political forces, and significantly softened possible political risks for those who would dare raise the issue of regional policy.⁵

The current Ukrainian environment (negative economic growth, increasing unemployment, slow, if any, progress of reforms, social tensions resulting from all these) is far from being friendly for any research/policy making effort related to regional development, in terms of focusing on the need to design a policy which would be based on modern European philosophy of regional development.

The objective of this paper is to provide a brief analysis of those fields/sectors, which are relevant to both the understanding why there is no such policy, and what could be the prospects of developing such a policy in the mid-term future.

Lack of a coherent regional policy in Ukraine should be assessed through, first of all, the general economic situation in the country, as well as the existing regional disproportions, and the general patterns of governance, including centre-periphery relations and the issue of budget redistribution, as a key stumbling block towards self-sustained territorial Hromada (Community) and region. The below part will briefly deal with the some economic development data to illustrate the existing regional disproportions, and the way they are addressed by the Government.

Economy: regional disproportions

1997 and the first three months of 1998 were a kind of milestone in the development of Ukrainian regions. This period can be characterized by positive long awaited developments in setting up the legislation framework for local authorities and their interaction with national agencies. On the other hand, light was thrown on regional problems that impede economic growth.

Viewed against the general background, the dynamics and structural changes in the regions do not appear homogeneous. Having different initial conditions (resources, level of the development of manufacturing and its structure sector wise, availability of a stratum of businessmen with initiative, etc.) regions are looking for their own way out of the crisis. A positive change is definitely represented by a smaller number of Oblasts with a decline in indus-

⁵ It can hardly be a coincidence that for the first time in independent Ukrainian history a draft Law on Regional Economic Development Policy was submitted for the Verkhovna Rada – VR – (Ukrainian Parliament) in late summer 1996, i.e. after the adoption of the Constitution, which declared Ukraine a unitary state. The same draft law with minor changes was submitted to the VR in summer 1998: short analysis of the draft will be provided below in this paper.

trial output. The number of such Oblasts in the first quarter of 1998 was only 11, against 14 in 1997, and 24 in 1996.

However, a negative result of 1997 and 1998 is a widening gap between the industrially developed Eastern Oblasts and less developed Western Oblasts in terms of industrial output per capita. The ratio between the extremism of this index was 12:1 in 1997. The five strongest Oblasts are Dnipropetrovsk, Donetsk, Zaporizhzhya, Poltava and Luhansk. Volyn, Chernivtsi, Zakarpattia and Southern regions scored the poorest results: the Crimea and Kherson Oblasts.

Relevant to the understanding of the general regional conditions in Ukraine are such issues as privatisation and restructuring of enterprises, which is an important sphere of local authorities' activities. Among the indicators of this process are the speed of privatisation, the number of small enterprises privatised per 10,000 city dwellers, and comparative characteristics of subjects of different forms of property. Comparative analysis of the number of "Group A" privatised enterprises ("small" privatisation) per 10,000 of city dwellers reveals the most interesting trends and relationships in the regions. In particular, this index can be used to determine the activity of local government in promoting economic reform. The leaders are the western Oblasts of Ivano-Frankivsk, Lviv, Ternopil, Rivne, and Chernivtsi where respectively 20, 19, 17 and 16 enterprises per 10,000 city dwellers have been privatised since 1995. At the same time, only 6–8 enterprises per 10,000 city dwellers have been privatised in the industrially developed Eastern Oblasts, where the majority of large enterprises are concentrated: Luhansk, Kharkiv and Kherson Oblasts.

The above descriptions and figures are quite convincing in terms of proving the existence of significant (if not appalling) regional (for the purpose of this paper, differences between rural and urban areas are not considered) disproportions in Ukraine,⁶ which, in principle, should have been addressed by the Government through some kind of equalisation. But this is not the case in Ukraine. Having refused to participate in the investment process, the Government has reduced the volumes of centralised capital investment. Budget funds were directed mainly to the most developed industrial Oblasts in 1997. Four Oblasts (Donetsk, Dnipropetrovsk, Kyiv, Luhansk) and Kyiv-city received more than a half of budget investment resources, and Zakarpattia, Zaporizhzhya, Ternopil, Mykolaiv and Kherson Oblasts together – only 3.2%.⁷ A few more examples of the same nature can be cited: in 1997 the GDP per capita index for Kyiv (the

⁶ Foreigners travelling in different regions of Ukraine, might have an impression that the citizens of this country officially live in one state, but, according to their living conditions, live in different states.

⁷ Quarterly Predictions No. 3, April 1998, (*Ukrainian Economic Survey*) by International Center for Policy Studies, Kyiv.

Capital City of Ukraine) was 2.7 times higher than in Zakarpattia Oblast; one third of all foreign investments go to Kyiv Oblast which 74 (seventy four) times less than Chernihiv Oblast.⁸

Despite the fact that after the adoption of the Constitution (1996) which declared Ukraine a unitary state the issues of regionalism have lost some of their political sensitivity, and are increasingly debated in Ukraine, the current role of the Government, and its possible leverage, are still limited due, primarily, to the dilemma between efficiency and equity. Facing debt arrears to budget financed institutions and pensioners amounting to billions of dollars, being trapped by the need to pay loan interest to the international financial institutions, recently the Ukrainian Government has obviously been unable to seriously consider any substantial regional efforts: the current choice is absolutely in favour of efficiency, understood as taking care of national average indicators, rather than focusing on addressing the regional disproportions.

Centre-periphery

Additionally to the general negative influence of economic macro-factors⁹, there are a number of internal bottlenecks that strongly hamper regional development. Among them strong centralisation of power, misbalances in centre-periphery relations, and total dependence of regions on the central government in terms of access to budget allocations. All these should be assessed against the dominating mentality of paternalism, which, in Ukraine, is being replaced with more "individualistic" approach very slowly.

The Constitution of Ukraine guarantees each citizen the right to work, the right to a minimum social security, the right to 'satisfactory living standards', the right to free health protection and medical care, and the right to free education in state and self-government institutions (Articles 43, 46, 47, 48, 49, and 53 respectively). These are generous provisions typically not found in Western Constitutions and, depending on the level at which service entitlements are set, are extremely costly, particularly during the transitional period of economic reform and democratic development. However, the Ukrainian Constitution does not define at what level these services will be provided. Which categories of education and healthcare will be provided free of charge? To whom? Are polyclinics, maternity homes and dentist's part of the free healthcare system? And can people be expected to pay a proportion of the cost of healthcare through

⁸ Uriadovy Kuryer, No. 249-250, 29 December 1998.

⁹ After August 1998 Russian financial crisis the economic situation in Ukraine has significantly deteriorated with very small prospects of achieving stability in the near future.

some form of national or private insurance? Nor defines the Constitution the responsibilities of the tiers of governance for service provision.

The public expenditure constraints are forcing practitioners across the country to take difficult and unpopular decisions about which services they can afford, and which they cannot. Policy makers in national government, in particular the Verkhovna Rada (Ukrainian Parliament), have been slow, and even hesitant, to recognise this reality. Supporting legislation needs to be developed to clarify these issues. Without such guidelines, the service providers in Oblast (regional, sub-national level of governance in Ukraine), Raion (district), city and village councils remain unclear as to how the Constitution should be interpreted, and the rationale behind the executive decisions and priorities becomes increasingly more pragmatic, subjective and inconsistent. With the worsening economic situation, many large enterprises, ministerial departments and municipalities have found themselves in the situation when they had to reduce costs, and down-scale, shut down, transfer or sell their assets. In most cases, however, it is the local self-government that is expected to provide and finance the services that were once provided by enterprises and other state bodies. The majority of community citizens in Ukraine would not be able to understand something like division of responsibilities between the central government, Oblast authorities and their municipality: in most cases they will ask the Mayor why the quality of roads is poor, and kindergarten services have worsened. But the municipalities are in the worst position because they are totally dependent on Oblast Radas (Councils) which resolve annually on how much funds would be allocated to cities, villages and settlements from the Oblast budget, which, in its turn, is "given" from above: there are no legally stipulated criteria of budget allocations in Ukraine. Every Oblast Governor tries to do his best to possibly maximise his budget through directly contacting the Ministry of Finance, which is in charge of submitting the draft budget for the approval by the Verkhovna Rada. So, obviously, most influential Governors are normally the most successful in obtaining a larger piece of the national pie, which has been recent years becoming smaller and smaller.¹⁰

There are a few "peculiarities" of the budgetary system in Ukraine (additionally to the mentioned lack of budget distribution criteria from the Centre to Oblasts), which have to be taken into account in any analysis pertaining to the prospects of developing a modern regional policy in the country. First of all, the Law on the Budget System in Ukraine (1995) does not correspond to the provisions of the Constitution (1996). Constitutionally, there is nothing like Oblast Budget, whereas the Law stipulates the so-called percentage of budget alloca-

¹⁰ According to some independent sources the current Ukrainian GDP per capita is about 20% of 1990.

tions, i.e. the share of Oblast budget allocated to each administrative unit of the given Oblast (each municipality).

So, a need of something like financial equalisation (its key objective should be regarded the guarantee of the constitutional rights of citizens) is obvious as an instrument to bridge the widening gaps between “poor” and “rich” Hromadas (Communities) and regions. The issue has a historical record: it has been debated in Ukraine since its independence (1991) and even earlier¹¹ with so far zero result, not counting the increasing realisation in society (primarily, however, among experts) of the significance of the issue, and the growing effort by the key players to finally succeed in addressing the problem.

There is nothing like these in Ukraine today: neither the state minimum service provision standards, nor funds for financial equalisation, and clear cut responsibilities for central and local authorities to provide services. In fact, Soviet type budget and tax system has been retained in Ukraine.

Prospects for comprehensive regional policy in Ukraine

In the times of the so-called “socialist period” the issues of rationalisation were strongly addressed by scientific literature, with zero practical impact on the life of society: the methodology of “socialist” planning meant an exclusive priority on sectoral planning. Actually, no plan of an economic Raion (zone, district), or an administrative Oblast (Region) was a plan proper. It was just a “sum” of central ministerial intentions related to specific territory, kind of informational guide/directory. On the other hand, the Soviet Ukraine times knew some excellent territorial planning examples related to urban development, industrial and other specialised regions, but those pieces of research were of advisory nature, and in many cases were classified. So, a paradox of the situation was the availability of regional planning well developed academically/research wise, but not supported financially to be implemented into practice: central state organs were oriented exclusively to Ministries and Departments, which, under specific conditions, would occasionally allocate some funds for the development of territories. In the former USSR the territory of Ukraine was divided into three major economic zones in accordance with the All-Union territorial proportions in the sole interest of the centre, i.e., Moscow. For example, the Southern-Western Raion (Zone) covered some central parts of the country (Ukraine), including

¹¹ The first Soviet Ukraine Law on local self-government (1990) stipulated that local self-government should be supported with financial resources in accordance with certain “norms.” These norms were called “norms of budget provision per capita”. The law makers saw these norms as something that would ensure equal conditions for all municipalities, and all territories in terms of making them capable of financing social expenditures.

Capital City Kyiv, and was actually southern-western versus Moscow. The above three zones disrupted the economy system of Ukraine, and could not become effective tools for territorial planning.

When Ukraine announced its independence (1991) under conditions of growing ecological pressure, the levels of social and economic development between key regions were 3 to 1, with about 15% of the territory of the country being stricken by practically irreversible damage to the environment. The economic crisis turned into almost a collapse in 1993–1994 due to significant inconsistencies of market transformations: prices were liberalized prior to the introduction of needed institutional changes, creation of competitive market environment, and curbing monopoly. These conditions produced some destructive concepts of regional independence which could lead to territorial disintegration of Ukraine, and that threatened the vitality of both national and regional interests. The complexity of the situation prevented from developing sound basic principles of state regional policy: November 1992 national conference on regional development witnessed serious conceptual differences in approaches supported by the then President L. Kravchuk and the Verkhovna Rada (Ukrainian Parliament) Speaker I. Plyushch, resulting in a stale mate which has been lasting till very recently.

Increasing understanding of the need for such policy had been in place in Ukraine for some time, as mentioned above, primarily among academics, experts and local practitioners. And it is only very recently (summer 1998) that the Government and selected policy makers have recognized as acute, and worth attention this issue. In connection with this three related sub-topics will be dwelled upon:

- a) In what way the Government has been addressing regional problems in the absence of a comprehensive regional policy,
- b) Analysis of the draft law on economic regional development¹² submitted, for the second time, to the Verkhovna Rada (Ukrainian Parliament) in July 1998, and
- c) Regional component of “Ukraine 2010” draft Program that was developed during last year on the initiative of the President, and has recently been made public for national debate.

Lack of comprehensive regional development strategy practically zeroes the possibility of effective and efficient regional efforts on the part of the central government, which has been unable to compensate for this gap with something

¹² Currently this document is the only one available which reflects the incumbent Government’s conceptual thinking related to regional development. The “regional” section of “Ukraine 2010” draft Program actually repeats the key provisions of the draft law.

really helpful. In the absence of sectoral and regional development programs, which would be realistic and well grounded, a lot of attention has been paid to “free economic zones” as an allegedly efficient tool to attract investments to impact areas. It would not be an exaggeration to argue the idea of FEZ was sold to society as almost a panacea to every economic malfunction of recent years. In a series of sporadic efforts to address social tension problems in some parts of the country, President of Ukraine would once in a while sign a Decree on another FEZ to: calm down the heat of miners’ strikes, to solve the problem of Chernobyl nuclear power station, to contribute to the delimitation of borders with Romania and Moldova, to eliminate the aftermath of floods in Zakarpattia etc. The very first Ukrainian FEZ “Sivash” in Crimea fully demonstrated an obvious trend to create most favoured regime and tax privileges for enterprises, which are not profitable, and cannot be profitable under the currently used methods of management. Ukrainian way of setting FEZs brings back old memories (are they that old, by the way?) of the socialist epoch, when an energetic director could achieve significant privileges for his company, and managed to create an “exemplary” collective farm or a factory in socialist economic environment. One of important reasons (additionally to what we would refer to as macroeconomic factors) explaining the failure of most FEZ projects is the fact they were developed on the basis of some old, outdated regional development concepts. Under conditions of globalisation, the world economy generates new challenges/demands to regional economic environment, in which tax holidays stopped to be the dominating factor. In Ukrainian circumstances, when more than half of the national economy is in the shadow, and when the state machine is weak, emergence of numerous taxation privileges might lead to the loss of control on the part of the executive power. Foreign experience proves that taxation preferences often tend to be substantially controlled by criminal structures even in environments where law is enforced more successfully than in Ukraine. FEZ is practically the only tool, which the Government has been trying to employ to address the issue of regional development. Most experts in the field argue, the success was close to zero. The latter is not that surprising: one can hardly expect significant local breakthroughs without first institution-alising the macro environment.

The first Ukrainian attempt to do so was in the form of the mentioned above draft law “On the Concept of the State Regional Economic Policy”, which defines *state regional economic policy* as a “complex of organisational, legal, and economic measures performed by the state in the field of regional development of the country in accordance with its current and strategic objectives”. So, the presence of the word “economic” in this definition (plus the mentioned role of the state) might be misleading in terms of making a wrong impression that the proposed concept deals only with economy (as would have been the case if the

concept were based solely on old Soviet times approaches) to be regulated by the state. Fortunately, the document is definitely a step forward to a modern understanding of what should be regional policy, and this is represented in a few of its conceptually correct provisions.

Firstly, according to the draft law, the objects of the state regional economic policy are administrative units or their groupings, whereas central and local executive bodies, as well as bodies of local self-government are subjects of such policy. So, the document clearly stipulates involvement of regional actors, not limiting the doers of such policy with central government agencies.

Secondly, despite the presence of the word "economic", the draft policy is seen by policy makers as a complex approach to dealing with regional development: social sphere, ecology, inter-regional and transborder co-operation etc. are mentioned as well.

Thirdly, the draft contains an attempt to define what is an impact region, which shall be supported in accordance with the provisions of regional policy.

In parallel with introducing some conceptually new elements into what could be regional development, the draft is far from being a comprehensive approach to the topic, and includes a number of contradicting provisions. On the one hand, in place is such a goal as "balanced development of economy and stabilisation of social-economic situation", which perfectly fits into some advanced approach criteria; and on the other, "the state regional economic policy is aimed to provide the same/similar conditions for economic activities in every region", which obviously is something different than balanced development, and rather reminds of paternalistic role of the state. Regional development principles, declared in the Ukrainian draft concept are quite different¹³ from those adhered to by most CEE countries today, and prove that the choice between equity and efficiency has been made rather in favour of efficiency, with some reservations. The latter is also proved by how the draft law defines the key objective of "state regional economic policy" – "Increase in national wealth through efficiently using natural resources, scientific-technical potential of each region, and close co-operation between regions".

So, on the whole the draft concept can be described as one of the first Ukrainian steps forward programmatically against the situation of a few years

¹³ a) Legal provision for further strengthening of economic independence of regions through clear cut division of competencies between central and local bodies of executive power and bodies of local self-government, strengthening of their financial-economic basis, and increasing the level of responsibility in dealing with service provision and complex development of territories;

b) Adherence to the priorities of national significance, and harmonious unity of the development of productive forces in the regions with the objectives of social and economic development of the country on the whole.

c) Considering requirements of ecological safety when restructuring economy of regions, and placing new enterprises there.

ago with modestly good potential to be developed into a comprehensive regional policy in the mid-term, provided political environment will be friendly and supportive. As there have been recently quite a few signs of the growing understanding on the part of policy makers, the chances for such environment look much better than before. However, the author, being in general cautiously optimistic, would not dare predict how soon this might happen. What prevents from being overoptimistic is analysis of the “Ukraine 2010” Draft Program mentioned above, or to be more precise, analysis of the regional component of this program. Unfortunately, this component (named in the draft Program as “Improvement of regional structure of economy”) practically repeats the key stipulations of the already analysed draft law, and represents a mix of sectoral policies and regional development strategy proper. Worth mentioning (this is for the first time that a national Program contains this provision as an important task) is such an objective from “Ukraine 2010” as introduction of state social provision minimum standards, lack of which strongly impedes the operation of national and regional providers to meet basic needs of population under conditions of limited funding.

Ukrainian regional policy and EU integration

Having declared the integration into the EU as a long term objective¹⁴, the Ukrainian leadership has recently encountered a huge dual task of convincing the citizenship that this policy meets the national interests, and proving to the EU that Ukraine’s potential to meet the EU requirements is in place with solid prospects to be enhanced. In June 1994 Ukraine was the first former USSR country to sign Partnership and Co-operation Agreement with the EU. After the Agreement was ratified in 1998, President Leonid Kuchma issues a Decree, which approved the Strategy of Integration of Ukraine into the EU. This comprehensive document envisages nine major directions for the integration process, among which the approximation of the current Ukrainian legislation with the EU standards, and regional integration of Ukraine.

“The Partnership and Co-operation Agreement, the European Charter of Local Self-Government, other relevant legal acts of the European Union and the Council of Europe shall be the basis for regional integration. Regional integration envisages setting up and deepening of direct contacts between specific Ukrainian regions and the countries which are members and candidate

¹⁴ Associated membership in the EU was announced as a mid term goal, which has been rather persistently sought by the Government, the chances however not being very optimistic in the near future.

members to the EU, the development of these contacts in conformity with the directions specified in this Strategy to the end of gradually transferring the focus of the integration process from central bodies of executive power to regions, to bodies of local self-government, to territorial Hromadas, and finally securing a widest possible involvement of Ukrainian citizens."¹⁵

It will not be an exaggeration to include this document (the Strategy of the Integration of Ukraine into the EU) into the set of those legal Acts which have paved the way for Ukraine, as an independent, sovereign nation, to occupy its legitimate place among European states as an equal, respected partner. However, there long ways to go, and the first steps, despite a whole range of political, economic and social controversies, have to be done today. In our case, the development of EU based philosophy and criteria regional development policy in Ukraine is strongly desirable for two key reasons:

- a) If not done today, this will have to be done in the future, significantly increasing the associated costs of reshaping the corresponding legislation and adjusting the operational practices of government bodies in charge of the integration process;
- b) Whether or not Ukraine will one day succeed to join the EU, elimination of regional disproportions, as well as availability of integrated and comprehensive approach to territorial planning and development, are in the vital interests of the Ukrainian state, which currently uses purely manual techniques to fill in the gaps with success close to zero.

A key thing is that regional development policy should be seen as a conceptual activity of the state, regional and local authorities with the aim of contributing to the balanced and harmonious development of specific regions, reducing the differences in the levels of development among the individual regions and, improving the regional economic structure. The efforts to achieve a balanced development should not be understood as an attempt to secure completely equal development in all regions, which is hardly possible even under command economy, to say nothing of market economy. The objective should be to maintain proportionate, non-crisis development in the whole country as well as at the level of regions, to give equal chances to all regions and to make full use of their demographic, natural, and economic and any other potential.

In the very long run the availability of EU criteria based regional policy could bring benefits in the form of the EU structural funds. Despite Ukraine's prospects of joining the EU being rather distant, the issue should be on the agenda already today, primarily because of its purely domestic significance:

¹⁵ Sub-section 7, Section 1, "Strategy of the integration of Ukraine into the European Union", *Uriadovy Kuryer*, 18 June 1998.

whether or not (and when) Ukraine joins the EU, and thus gets access to the Structural funds, is a big question for, probably, the next generation of Ukrainian policy makers, but elaboration of a regional policy on the basis of relevant (and not contradicting with Ukrainian realities) EU principles and philosophies, will bring nothing but benefits to Ukraine in the mid term future.

Conclusions

It would be expedient to divide possible conclusions into two major parts: those related to the current status of regional development in Ukraine, plus mid term prospects of elaborating a modern concept of regional development.

The situation of today can probably be argued as very poor, i.e. there is no regional policy proper in Ukraine: the current "regional" efforts of the Government can not be successful, as they are applied in the generally unfriendly environment of exceedingly high centralisation of power, absence of a well elaborated concept on division of competencies, lack of relevant fiscal legislation and decentralisation, lack of understanding what is regional policy proper.

Prospects for elaboration of sound guiding principles of regional policy in the very near future are dim, the mid-term opportunities being, however, encouraging. In this respect, a stalemate in this process can be expected in the next few months due to the presidential run, when most key players in the field will probably be paying more attention to purely political tasks, rather than focusing on active policy making initiatives. Despite the obvious urgency of the issue, such a stalemate should probably be regarded positively, as it will provide more space and time to mature, for those advanced and innovative for Ukraine approaches which have been recently emerging and have been supported not only by experts and academics, but also a growing number of policy makers, both regional and national.

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