SEMINAR PROCEEDINGS

Supporting Decentralisation in Ukraine: Enhancing Public Investment across Levels of Government

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Prospekt Svobody, Lviv, Ukraine

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OECD Regional Development Policy Division

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The OECD project will run until 2018 with the aim of helping the Ukrainian authorities implement their decentralisation reforms and strengthen the institutions of public governance at national and sub-national levels across the country. It is jointly implemented by the OECD Regional Development Policy Committee and the Eurasia Competitiveness Programme, in close collaboration with the Government of Ukraine. The project is **co-financed by the European Union, and the governments of the Czech Republic, Flanders (Belgium), and Poland**.

SEMINAR PROCEEDINGS

Overview

This capacity-building seminar explored how the ***OECD Council's Recommendation on Effective Public Investment across Levels of Government*** can help Ukraine strengthen subnational finance and subnational investment practices in the context of the country's ongoing decentralisation reform. The seminar provided a platform for Ukrainian officials and policy makers from central, regional and local administrations to discuss their experiences and the challenges they face in supporting fiscal decentralisation, developing transfer systems and equalisation mechanisms, building fiscal capacities, strengthening sources of financing for local public investment, and decentralising transport infrastructure and services. It offered participants a chance to hear how municipal officials are meeting the challenges and seizing the opportunities associated with decentralisation. Each session combined the Ukrainian experience with practical input highlighting OECD experience, as well as question and answer sessions.

This seminar was the third in a series held throughout Ukraine over the course of this project. The audience included policy makers and practitioners from the public sector, think tanks, representatives of sub-national administrations, as well as relevant associations and international organisations involved in the decentralisation reform. A complete list of speakers and their titles can be found in *Annex B*.

Key findings

Framework conditions

- Framework conditions are fundamental for subnational governments (SNGs) when investing in a decentralised context. Such conditions include: adequate responsibilities and political power, stable and sufficient financial resources, local management capacity, and shared responsibility for planning, co-ordination, policy making and developing safety standards.
- SNGs could benefit from a platform for dialogue and a culture of continuous communication, both of which require development. Intergovernmental co-ordination bodies can help facilitate communication between the national and subnational levels.
- Sound and transparent financial management at all government levels can help to ensure budgetary and financial accountability, prioritise and execute investment programmes effectively, enhance transparency with citizens and other stakeholders, and ensure national fiscal stability.

Legislative stability

- There is a strong fear of reform reversal amongst newly amalgamated communities (NACs). A stable legislative environment is essential to reduce uncertainty, provide clarity on the availability of funding, and allow mayors to conduct long-term strategic planning for the development of their communities.
- The government should take steps to ensure that reform measures introduced thus far remain steady.

Expenditure and revenue issues

- Spending and revenues should be decentralised in tandem, such that the share of spending allocated to SNGs remains roughly equal to the share of taxes going to local communities.
- Local and regional governments should have the regulatory power to decide how to spend their funds, and should have some tax autonomy (through property tax, land and physical infrastructure taxes, personal income tax and corporate income tax).
- There is no optimal rate of decentralisation, but Ukraine should ensure balance in the way various

policy functions are decentralised (e.g. health, education, transport, etc.)

- There is a need to establish a well-functioning fiscal equalisation system, and to put in place essential macro-fiscal and institutional reforms, such as fiscal rules, intergovernmental budget frameworks, debt management and insolvency frameworks.
- Personal income tax is collected by the municipality where a person is employed, rather than at the place of residence. This can disadvantage rural communities where workers and their families live, leading to increased inequalities.

Investment practices and instruments

- A place-based approach to subnational public investment should be supported through investment strategies differentiated based on size, location, economic structure, and distance to the productivity frontier.
- Investments cannot be considered from a national or sector-based perspective only, and it is important to co-ordinate "hard" investments in physical infrastructure with "soft" investments in areas such as human capital and innovation.
- Sufficient co-ordination mechanisms need to be developed across levels of government, along with strong investments in subnational capacities, in order to strengthen the potential for subnational investment in Ukraine.
- Co-financing instruments should be developed to ensure that communities have sufficient fiscal capacity for local development, and multi-annual budgeting can help to develop medium and long-term investment projects.
- SNGs should have access to financial markets (debt) in order to invest.
- The current legal framework for land management doesn't allow NACs to administer and own state-owned lands outside the boundaries of populated areas. This limits the ability of local government to generate own-source revenue and to attract investment that can help develop their territory.
- Funds are being held as bank deposits and not invested into local development projects due to the difficulties in finding and executing investment projects at the local level. NACs should develop a proactive approach to attract investment and support job creation. The State Fund for Regional Development (SFRD) is a useful instrument to support investment projects, and local governments could attempt to use the available resources in a more efficient manner.
- The SFRD only covers development and capital expenditures, but funds cannot be used for other categories of expenditure, such as the purchase of educational and consulting services.

Transport and infrastructure investment

- SNGs should diversify sources of funding and strengthen subnational capacity in order to bridge the infrastructure financing gap.
- There is a need for SNGs to improve medium-term planning for infrastructure investment, adopt investment strategies that cross existing jurisdictional boundaries, and mutualise functions such as procurement and capital funding.
- It is essential to have a strategic long-term vision and to integrate transport into the evolution of countries and cities.
- The allocation of responsibilities for road construction and maintenance is a key issue that needs to be resolved in Ukraine.
- Ukraine should not choose between complete centralisation and decentralisation of transport systems. Most countries adopt a balanced approach, and there is a need to undertake in-depth analysis to understand the best way of reaching a satisfactory equilibrium in the system.
- Implementing the *OECD Principles for Effective Public Investment across Levels of Government* could help to enhance transport accessibility and improve service quality in Ukraine.

Opening remarks and introduction

The seminar was moderated by **Mr. Yuri Tretyak** and **Mr. Serhiy Maksymenko**, Advisers of Regional Development Policy and Action Team of the U-LEAD with Europe Programme. Opening remarks were delivered by **Ms. Olena Kucherenko**, Director of the Department for Regional Development, Ministry of Regional Development of Ukraine. Ms. Kucherenko underlined the importance of applying OECD standards and best practices in the ongoing decentralisation reform. **Mr. Rostislav Zemlynsky**, First Deputy Head of Lviv Regional State Administration, highlighted the importance of fiscal decentralisation as an incentive to encourage local self-government amongst newly amalgamated communities (NACs). He noted that growing local budgets, training of local personnel and increased use of the online public procurement system ProZorro has helped to attract quality contractors and improve the quality of infrastructure projects.

This was followed by an introductory statement from **Mr. Benedikt Herrmann**, First Secretary, Policy Officer for Decentralisation and Sectoral Reform, Delegation of the European Union to Ukraine. Mr. Herrmann highlighted the role of the decentralisation reform in increasing tax compliance, and in improving the efficiency and transparency of public investment. **Ms. Anna Kostrzewa-Misztal**, Head of Section for Support of CIS Markets, Department of Economic Co-operation, Ministry of Foreign Affairs of Poland, underlined the importance of drawing from Poland's experience in implementing decentralisation and anti-corruption reforms.

Ms. Dorothée Allain-Dupré, Head of the Decentralisation, Public Investment and Subnational Finance Unit, OECD Regional Development Policy Division, explained that decentralisation is not the ultimate objective; rather it is a policy tool that, if implemented correctly, can help to improve local governance and support regional development. She also outlined the focus of the seminar – to explore how the *OECD Council's Recommendation on Effective Public Investment across Levels of Government* can help Ukraine strengthen subnational finance and subnational investment practices. In general, **public investment in OECD countries is managed at the subnational level.** Sufficient **co-ordination mechanisms** need to be developed across levels of government, along with strong **investments in subnational capacities**, in order to strengthen the potential for subnational investment in Ukraine. The aim of the seminar is to provide examples of OECD countries' experiences in addressing bottlenecks to allow for more effective public investment.

Session 1: Developing a fiscal framework adapted to decentralisation objectives

The first session of the day began with a presentation on *Decentralisation: Why and How?* (*Ukrainian*) by **Mr. Hansjörg Blöchliger**, Senior Economist at the OECD Economics Department. Mr. Blöchliger explained that larger countries tend to be more decentralised than smaller countries (both in terms of area and population). The main motivations for decentralisation reforms include:

- there tends to be more investment and productive spending in decentralised countries
- educational outcomes tend to be higher
- local governments are often more effective in mobilising tax revenues
- faster rates of convergence are observed between low-income and high-income jurisdictions
- long term growth rates are higher in a decentralised environment.

Mr. Blöchliger then provided a number of guidelines on implementing decentralisation reforms. First, **spending and revenues should be decentralised in tandem,** such that the share of spending allocated to subnational governments (SNGs) remains roughly equal to the share of taxes going to local communities. The fiscal gap (difference between spending and revenues) should not be too large. Second, **local and regional governments should have the regulatory power to decide how to spend their funds**, and should have some tax autonomy (through property tax, land and physical infrastructure taxes, personal income tax and corporate income tax). Third, **there is no optimal rate of decentralisation**, but countries should aim to ensure balance in the way various policy functions are decentralised (e.g. health, education, transport, etc.) Fourth, **there is a need to establish a well-functioning fiscal equalisation system**, and to put in place essential macro-fiscal and institutional reforms, such as fiscal rules, intergovernmental budget frameworks, debt management and insolvency frameworks. And finally, **SNGs should have access to financial markets (debt) in order to invest**, and can benefit from intergovernmental co-ordination bodies to facilitate communication between the national and subnational levels.

This was followed by a presentation on *Performance of Local Budgets for 2016 and January-May 2017 under conditions of Implementation of the Reform of Inter-Budgetary Relations* by **Ms. Yulia Ostrishchenko**, Deputy Head of the Department of Local Budgets Planning, Ministry of Finance of Ukraine. Ms. Ostrishchenko outlined some of the successes of fiscal decentralisation in Ukraine, beginning in 2014 with amendments to the budget and tax codes. Since then, local governments have witnessed a significant expansion in their financial capacity and autonomy. In particular, NACs can collect 100% of customs fees, 5% of excise duties, and have observed a near 50% increase in their revenues since 2016. Personal income tax, land use fees and property tax revenues have all increased, leading to an expansion of investment resources. In 2016 capital expenditures made by NACs reached UAH 52.5 billion, compared with UAH 32.1 billion in 2015. According to the Treasury, NACs are also building up their cash reserves, with nearly UAH 60 billion deposited in the bank accounts of local governments in 2016. This allows them to set aside funds and independently resolve their own development issues. For the first time, multi-annual budgeting will be trialled for the period 2018-2020. Transferring functions to local communities will help to meet the needs of citizens more effectively.

The session concluded with an intervention from **Mr. Vasyl Abaimov**, Executive Director of the Lviv Regional Office of the Association of Ukrainian Cities. Mr. Abaimov outlined a number of challenges currently observed with the ongoing decentralisation reform. For instance, the absence of qualified personnel in NACs is a key issue, and the National Academy for Public Administration (NAPA) should work to train staff in the local authorities. The tendency of NACs to accumulate funds in their bank accounts has attracted some criticism, and the legal framework is unclear as to whether this practice should be allowed to continue. **Another issue relates to personal income tax, 60% of which is collected by the community where enterprises are registered. This can disadvantage rural communities where workers and their families live, leading to increased inequalities.** There is also a strong fear of reform reversal amongst NACs, as evidenced by the government's decision to change the rules regarding the allocation of excise taxes to NACs. Mr. Abaimov concluded by noting the importance for Ukraine to follow the principles set out in the European Charter of Local Self-Government.

During the open discussion, Mr. Herrmann emphasised the **importance of having a stable legal environment to reduce uncertainty and allow mayors to conduct long-term strategic planning for the development of their communities.** Mr. Abaimov noted that **the current legal framework for land management doesn't allow NACs to administer and own state-owned lands outside the boundaries of populated areas.** This limits the ability of local government to generate own-source revenue and to attract investment that can help develop their territory. **Mr. Michael Ralph**, Adviser to the Deputy Director General, Directorate General for Regional and Urban Policy (DG Regio), European Commission, underlined the **importance of developing co-financing instruments, ensuring that communities have sufficient fiscal capacity for local development, and using multi-annual budgeting to develop medium and long-term investment projects.** And Mr. Tretyak noted that **the State Fund for Regional Development (SFRD) only covers development and capital expenditures, but funds cannot be used for other categories of expenditure, such as the purchase of educational and consulting services.**

In response, Ms. Ostrishchenko explained that multi-annual budgeting was being trialled for the first time. The SFRD currently receives 1% of the state budget, and its allocation in the new budget is expected to increase to UAH 7.8 billion in 2018, UAH 8 billion in 2019, and UAH 8.7 billion in 2020. Mr. Blöchliger emphasised **the importance of giving local and regional policy makers the autonomy to decide how to use their own funds,** including the ability to invest these funds in a deposit account. **There is a tendency for regional development programmes to focus too much on physical capital investment, and not enough on human capital development policies such as education, the digital economy and innovation. Ms. Ieva Kalnina**, from the Swedish-Ukrainian project "Support to Decentralisation in Ukraine", noted that the interests of towns and cities will often differ from those of the rural population. It is therefore essential to establish a platform for dialogue and develop a culture of continuous communication.

Session 2: Strengthening fiscal capacity for public investment

The second session began with a presentation on *OECD Experience with Strengthening Fiscal Capacities for Subnational Public Investment* (*Ukrainian*) by **Ms. Isabelle Chatry**, Project Manager, Subnational Finance and Territorial Reforms, Decentralisation, Public Investment and Subnational Finance Unit, OECD Regional Development Policy Division. Ms. Chatry compared key indicators on the role of subnational governments (SNGs) in OECD member countries with the levels observed in Ukraine. In the OECD, SNGs accounted for 40% of expenditure and 63% of staff expenditure in 2015. In Ukraine, they accounted for 33% of expenditure and 56% of staff expenditure (this statistic is artificially inflated because SNGs are responsible for paying the salaries of teachers and workers). SNGs are key investment actors in the OECD, accounting for 59% of public investment in 2015. The corresponding figure for Ukraine is 89%, which is unusually high. Finally, SNGs accounted for 31% of tax revenue in the OECD in 2015 (18% in Ukraine), and subnational debt in the OECD reached 20% (compared with just 1% for Ukraine). These statistics give the impression that Ukraine is a highly decentralised country, particularly with regard to spending. However, **in reality most spending is deconcentrated rather than decentralised, with oblast and rayon levels acting on behalf of central bodies. Moreover, local governments still have very few own-source revenues, and continue to rely heavily on central government transfers.**

On average, SNGs account for about 40% of public investment worldwide. SNG investment in upper middle income countries is slightly higher than in high income countries, as many upper middle income countries are investing heavily in infrastructure and boosting public investment to fill the infrastructure gap. Subnational investment in Ukraine (as a share of total public investment) has fluctuated significantly in recent years, reaching 89% in 2015. It would be important to understand the reasons for the recent sharp increase, and to see if it reflects a real increase in subnational financing due to the decentralisation reform, or if it can be explained by other factors, such as a decrease in central government investment or changes in the way in which investment is accounted for.

SNGs can draw on a number of sources of funding for their investments, including gross savings, investment grants and subsidies, borrowing, and total or partial outsourcing of investment. Gross savings are typically the most important source of co-financing for subnational investment. As such, **SNGs should not be too constrained by current expenditure needs. In Ukraine this is a key issue, as staff expenditure represents a large burden on local budgets and leaves SNGs with very little flexibility and room to manoeuvre.** SNGs also need to have sufficient capacity to raise their own revenues, as capital transfers such as grants and subsidies are often insufficient and unstable. Taxes represent 30% of subnational revenues in Ukraine, which is well below the OECD average of 44%. Tariffs and fees only account for 6.3% of subnational revenues in Ukraine, and property income represents just 3.7%. These sources could be expanded to help increase financing for the maintenance and renewal of urban infrastructure. Grants and subsidies are the primary source of subnational revenue, accounting for 59.8% of the total. While this is significantly higher than the OECD average of 37.7%, most grants in Ukraine are allocated in the form of earmarked funds for education, health and social protection.

Borrowing by SNGs for investment purposes is authorised in all OECD member countries (except Chile), however, it is subject to strict rules for local authorities. **Borrowing is often restricted to investment projects, to prevent SNGs from incurring too much debt.** In 2015, subnational debt in the OECD stood at 20% of total public debt and 24% of GDP. Subnational debt often takes the form of loans, debt securities or commercial debt. In OECD member countries, bonds represent the largest share of subnational debt – 45% in 2014. **Another common way of obtaining financing for investment projects is through indirect means, such as cost-sharing among different municipalities, or outsourcing to local public companies.** The use of local public companies is quite common in the OECD. While they also exist in Ukraine, access to borrowing is restricted. Other indirect sources of financing include public-private partnerships, which should be restricted to large cities that have the capacity to manage complex projects, and other innovative financing mechanisms (e.g. revolving funds, land value capture funds, etc.)

This was followed by a presentation on *Strengthening Fiscal Capacities for Subnational Public Investment: The Case of Poland* (*Ukrainian*) by **Dr. Dawid Szesciło**, Public Administration Research Group, University of Warsaw, Poland. Dr. Szesciło presented the experience of Poland in undertaking a successful decentralisation reform. There were two waves of administrative reform: the first began in 1990, with the restoration of self-governance at the commune level, and the second took place in 1999, when the current three-tier system was established with communes (*gminas*), counties (*powiats*), and regions (*voivodeships*). The territorial structure has been mostly stable over the past two decades, with some consolidation of communes taking place.

Dr. Szesciło outlined the key characteristics of the policy framework for subnational public investment in Poland. SNGs enjoy extensive strategic and operational autonomy in the design and implementation of local development policies. Local and regional governments play an important role in promoting investment, and regions are the main counterparts for the allocation of development funds from the central government and EU. The share of public funds directed towards subnational investment varies substantially across regions, from 28% to 56%, with less developed regions attracting higher levels of public investment. In almost all regions, private investment accounts for the majority of total investment expenditure. EU funds also play an important role, making up approximately half of subnational public investment. However, the limited fiscal autonomy of SNGs is an important weakness of the current system, and the government has been largely ineffective in decentralising control over financial resources.

The current policy framework aims to ensure collaboration and consistency across levels of government, combined with extensive strategic policy autonomy at the local level, which helps to ensure non-hierarchical co-operation with the central government. While the process is mainly contractual, it doesn't eliminate the natural power imbalance between the central and local governments, particularly as the central government retains its ability to regulate, design legislation, and allocate funds. The main policy instruments at regional level are territorial contracts and regional development strategies. Territorial contracts are agreements concluded between the central government and the regional administrations specifying long-term objectives and priorities for investments with co-financing from EU funds, the state budget, and regional budgets. Regional development strategies are strategic documents adopted by the regional council, specifying long-term objectives for regional development, priority projects and financial allocations. They are accompanied by operational programmes, which enable the allocation of funding towards identified priorities. At the local level, the main policy instruments are local development strategies and multi-annual financial plans. Local development strategies specify key local challenges and development priorities, including priority areas for public investments. While local development strategies are not a formal obligation, most communes and counties have adopted one as they are an important tool for the allocation of EU funds. Multi-annual financial plans specify planned revenue, expenditure and investments over a four-year period. They allow executive bodies to incur long-term liabilities.

SNGs in Poland, as in other countries, have three major sources of income: 1) own-source revenue, which includes personal income tax (about 50% is allocated to local governments), corporate income tax (20%), local taxes specified under national legislation, revenues from economic activities (e.g. user fees), and property income; 2) block grants, which are mainly used for financing education, but also include compensatory grants to co-finance welfare services and equalising subsidies for less-developed regions; 3) earmarked grants, which are allocated by the central government and the EU to undertake specific projects at the subnational level. The structure of these three sources of revenue varies depending on the level of government. Communes have the highest total budgets, and rely heavily on own-source revenues. Regions have the smallest portion of the total budget, and counties tend to rely more on transfers. Fiscal decentralisation is limited to the level of communes.

A number of local fees and taxes have been put in place, including a real estate tax, transportation tax, visitor fees, pet fees, and parking fees. New local taxes that were recently introduced include the waste collection fee introduced in 2013 to help finance the new waste management system, and a billboard tax introduced in 2016 for the use of outdoor advertising space. The major problems relating to the current system include the **lack of autonomy of local and regional governments in setting new fees and taxes,**

unrealistic statutory limits set by the national government on the rate of each tax, a lack of adequate adjustments to local tax rates, and an anachronistic model of real estate tax not based on the market value of property.

Public-private partnerships (PPPs) play a minor role among local and regional governments in Poland. There are around 15 projects at regional level, mainly focused on broadband networks, tourism infrastructure and healthcare. At the municipal level, around 100 PPPs have been established, primarily focusing on waste management, parking, public transport and healthcare. PPPs are mostly set up in the form of concessions, based on a special law on concessions for public works and public services. Major obstacles to the development of PPPs include EU funds, which undermine the attractiveness of PPPs, a lack of analytical capacities, inadequate support from the central government, and high levels of political and legal risk.

Dr. Szesciło concluded with an overview of the major strengths and weaknesses of the fiscal capacities of SNGs in Poland. In terms of strengths, **local governments benefit from extensive strategic autonomy in the design and implementation of regional development policies, a well-established and policy and institutional framework, and strong fiscal rules safeguarding the financial stability of local and regional governments.** Looking ahead, the main challenges include limited fiscal decentralisation, narrow autonomy of SNGs for income generation, a lack of clear perspective for financing instruments after the 2014-2020 EU Financial Framework, limited use of private capital through PPPs, and constant recentralisation tendencies.

The final presentation of the session on *Strengthening the Financial Capacity of Communities: Own Resources and Public Financial Support for Local and Regional Development* was delivered by **Ms. Yanina Kazyuk**, Expert on local finance and budgets, Ukrainian Association of District and Region Councils, Co-ordinator of Fiscal Decentralization, Central Reform Office under the Ministry of Regional Development (supported by U-LEAD). Ms. Kazyuk reported on the progress achieved to date in the ongoing decentralisation reform. Following the amendments to the budget and tax codes introduced in 2014 and 2015, the budgets of NACs have increased substantially. For the first 129 NACs, own-source revenues increased three-fold, or seven-fold if state budget transfers are included. While this is an important achievement, it has also led to **challenges for local governments in efficiently managing and administering financial resources at local levels.**

An inter-budgetary transfer has allocated UAH 1 billion in infrastructure subsidies to NACs, which will help to support the delivery of better quality public services. Furthermore, 366 NACs received UAH 3.2 billion in transfers in the first 5 months of 2017. The amalgamation has helped NACs to accumulate budgetary resources at a faster rate than the national average for Ukraine, which helps them to invest in the development of their communities. On 1 June 2017, the local budgets of NACs totalled UAH 50.2 billion, of which nearly UAH 10 billion were parked in the treasury or as deposits in bank accounts. **While it's true that non-used funds are earning interest, they are not being invested into local development projects due to the difficulties in finding and executing investment projects at the local level. NACs should develop a proactive approach to attract investment and support job creation. The SFRD is a useful instrument to support investment projects, and local governments could attempt to use the available resources in a more efficient manner.** To date NACs have implemented more than 1000 projects through the SFRD. However, NACs seem to face difficulties absorbing the funds, and the target to allocate 1% of the state budget to the SFRD isn't being reached.

Questions raised during the open discussion centred on the role of property taxes in local development. Mr. Tretyak noted that **property taxes account for only 1% of subnational revenues in Ukraine**. Dr. Szesciło mentioned that the role of property tax in Poland is minor, particularly in the case of smaller municipalities. For years local governments have attempted to reform property taxes, to increase their potential for income generation. However, the central government is reluctant to promote property tax reform in the current political context, as it would increase the financial burden on citizens and they would like to avoid any potential negative consequences of the reform. As such, it remains a major untapped source of revenue for local governments in Poland. Ms. Kazyuk highlighted the importance of local taxes and fees as an opportunity for local governments to raise revenues. Dr. Szesciło explained that although property tax is still the main source of income for local budgets, the main priority for local governments is to maximise the share of personal and corporate income tax going to their budget. Municipalities get around 37-39% of personal income tax from their residents, so there is significant tax competition between large municipalities to convince people and businesses to relocate.

Session 3: Co-ordinating public investment across levels of government and policies

This session began with a presentation on *Co-ordinating Public Investment across Levels of Government (Ukrainian)* by Ms. Allain-Dupré. Research from the OECD indicates that public investment has a strong impact on growth. A 2016 study found that countries in the top 25% in terms of the level of public investment would converge to the productivity frontier about one-third faster than countries in the bottom 25%. This effect is higher in a country with a low capital stock, and lower in developed countries like Japan. Ultimately, it is total investment (public and private) and the level of the capital stock that matters for growth.

SNGs are key investment actors, accounting for nearly 60% of public investment on average in OECD countries. While the data on subnational public investment should be interpreted with caution as investment expenditures are often earmarked, it is nonetheless essential to address horizontal and vertical co-ordination challenges, and to build the capacity of SNGs to design and implement their own investment and development strategies. Despite having the funds and budgetary resources available, SNGs often fail to prioritise the right investments, or end up making bad investment decisions (e.g. cathedrals in the desert, roads to nowhere). **The OECD suggests that SNGs adopt a place-based approach to public investment – with investment strategies differentiated based on size, location, economic structure, and distance to the productivity frontier. Investments cannot be considered from a national or sector-based perspective only, and it is important to co-ordinate "hard" investments in physical infrastructure with "soft" investments in areas such as human capital and innovation.**

A survey conducted by the OECD and the European Committee of the Regions in 2015 found that most countries face similar issues in the governance of subnational investment. Challenges mainly relate to designing and planning infrastructure in a long-term perspective, co-ordinating across levels of government and jurisdictions (76% of SNGs surveyed said they lack incentives to co-operate), performance monitoring, and reducing red tape and the regulatory burden. Administrative fragmentation is particularly a challenge in a number of EU countries, with significant mismatches between administrative boundaries and functional areas. For example, the public transport system in the core centre of the city of Paris is extremely well-developed, but not well integrated with the surrounding region of Île-de-France. This is largely due to a lack of effective co-ordination between the 1 300 municipalities in the region. Municipal fragmentation has been proven to have a negative impact on the economic growth of metropolitan cities. **There is a need for SNGs to improve medium-term planning for infrastructure investment, adopt investment strategies that cross existing jurisdictional boundaries, and mutualise functions such as procurement and capital funding. In parallel, national governments should adopt national strategies for infrastructure investment that help guide strategic priorities, develop platforms for co-ordination with SNGs, set up instruments to foster joint investment or co-financing with SNGs, provide incentives for SNGs to co-operate on infrastructure development, and clarify the allocation of competences in the field of infrastructure.**

Ms. Allain-Dupré then introduced the *OECD Council's Recommendation on Effective Public Investment across Levels of Government*, and explained how it can help Ukraine to address systemic challenges for public investment in the context of the ongoing decentralisation reform. The *Recommendation* is an OECD instrument that establishes a series of 12 Principles to help governments at all levels assess the strengths and weaknesses of their public investment capacity and set priorities for improvement. The Principles group 12 recommendations into 3 pillars:

Pillar 1: Co-ordinate across governments and policy areas

1. Invest using an integrated strategy tailored to different places.

2. Adopt effective instruments for co-ordinating across national and sub-national levels of government.
3. Co-ordinate horizontally among sub-national governments to invest at the relevant scale.

Pillar 2: Strengthen capacities for public investment and promote learning across levels of government

4. Assess upfront the long-term impacts and risks of public investment.
5. Engage with stakeholders throughout the investment cycle.
6. Mobilise private actors and financing institutions to diversify sources of funding and strengthen capacities.
7. Reinforce the expertise of public officials and institutions involved in public investment.
8. Focus on results and promote learning from experience.

Pillar 3: Ensure sound framework conditions at all levels of government

9. Develop a fiscal framework adapted to the objectives pursued.
10. Require sound and transparent financial management at all levels of government.
11. Promote transparency and strategic use of public procurement at all levels of government.
12. Strive for quality and consistency in regulatory systems across levels of government.

Ms. Allain-Dupré explained that although the *Recommendation* is not legally binding, it has moral force as a statement of agreed best practice endorsed by all OECD members. Over the course of the project, the OECD will work with the Ministry of Regional Development to support the implementation of the *Recommendation* by including Ukraine in the implementation toolkit, and providing a platform to exchange data and good practices across countries. Including Ukraine in the OECD's database of indicators for multi-level governance of public investment can also help to benchmark performance against OECD member countries and identify specific areas in need of improvement. Ukraine's adherence to the Recommendation would send an important signal about its commitment to governance reform and help to anchor its decentralisation and public investment reforms.

Presenting a set of OECD preliminary findings corresponding to the decentralisation process in Ukraine, Ms. Allain-Dupré suggested that **Ukraine should work to allow amalgamations for cities of oblast significance, strengthen strategic development planning at local and regional levels, improve horizontal and vertical co-ordination among the various levels of government, clarify responsibilities assigned at different levels of government for infrastructure development, clarify the status of the Regional Development Agencies so they can be strong players in implementing regional development projects, increase local tax autonomy, and strengthen the fiscal and human capacities of SNGs to address their new responsibilities and avoid unfunded mandates.**

The second presentation of the session on *Local Authorities and Public Service Delivery in Flanders (Ukrainian)* was delivered by **Mr. Christof Delatter**, Co-ordinator, Flemish Association of Cities and Municipalities, Belgium. Mr. Delatter began by highlighting the importance of local democracy and autonomy of local authorities in Flanders. Local governments are among the biggest investors in all types of activities, and can act as a catalyst for economic activities. In Flanders, municipalities have existed as a legal entity since 1795, predating both the independence of Belgium in 1830 and the establishment of the Flemish region in 1980. In spite of large variations across 308 municipalities (Antwerpen is the largest municipality and has a population of 517 042, while Herstappe is the smallest, with a population of just 89), they all play an essential role in the everyday lives of their inhabitants.

Taxes accounted for about 49% of the income of Flemish municipalities in 2014, followed by general grants (24%), earmarked grants (14%), and other sources of income (13%). This implies that municipalities in Flanders have substantial fiscal autonomy, allowing them to exercise control over their revenues and undertake medium-term planning for their investments. The main municipal taxes in Flanders are an additional tax on income tax (36% of revenues in 2014), an additional tax on real estate tax (48%), and other local taxes (16%). Personal income tax rates are set by local authorities and applied to the residents living in the municipality (regardless of the place where the income is earned). Income tax collection is done by the federal government, while the real estate tax is jointly collected by the regional government. The result of this system is that tax capacities vary significantly from one municipality to another. To address this issue, the Flemish Municipal fund was established to provide general municipal financing, financing for special municipal functions, and compensation to municipalities for social problems and tax poverty. The fund is a general grant paid by the Flemish government. It reached EUR 2.4 billion in 2016 and is forecast to grow by 3.5% per annum.

Municipal spending is divided as follows: general financing (10%), governance (20%), mobility (9%), nature and environment (8%), security (12%), economy (1%), housing (6%), culture and sport (13%), education (9%), and care (12%). In the past, local authorities were overburdened by significant planning and reporting obligations. Recent changes to the legislation have led to the adoption of a new integrated system of policy planning, where municipalities can decide on their own mix of policy financing and reporting. The approach is based on partnership and trust in local authorities, and sectoral reporting obligations have been abolished. Municipalities are now obliged to conduct strategic planning in a six-year cycle, with plans effective until the year after elections are held. This helps to create continuity in the governance and policy-making process. Budgets are developed and approved on an annual basis, and municipalities are required to ensure that their budget is balanced at the end of the six-year long-term plan. A digital reporting system between local authorities and the Flemish government is in place, with financial reports from all municipalities available on the website of the Flemish authorities (http://lokaalbestuur.vlaanderen.be/). This has helped to foster cross-sectoral co-ordination of investment.

Responsibilities are clearly allocated among different levels of government in Flanders. A shared information platform called GIPOD was established to facilitate co-ordination of public investment, and any investment greater than 50 m^2 must be reported in the system. In addition, the government has stepped away from using earmarked grants, preferring to give local authorities more autonomy and make them accountable to their citizens. Earmarked grants represent 0.2% of all the income received by municipalities in Flanders, compared with 0.3% from property sales. Subsidies are allocated on a first come first served basis, along with legal, technical and policy support. There is no obligation to undertake the project through a public-private partnership, as these are just instruments that can be used to support project implementation.

Finally, inter-municipal co-operation (IMC) is a very important tool to improve the efficiency of public investment. There are five legal forms of IMC in Flanders. Municipalities can freely choose whether to co-operate or not, and which form the co-operation should take. IMC takes place in a range of different areas, including wastewater collection and treatment, drinking water provision, management of crematoria, distribution of gas and electricity, communications, IT support, economic development, sport infrastructure and waste management.

The session concluded with a presentation on *Lviv City: Investment Activity* by **Ms. Olga Syvak**, Head of Department of Foreign Economic Activity and Investments, Lviv City Council. Ms. Syvak provided a brief overview of the investment opportunities in Lviv City. The services, IT and tourism sectors are developing, along with the construction industry. The manufacturing industry is also growing, in particular food processing, machine building, metal and plastic processing, and furniture manufacturing. The council has developed a strategy for the IT sector, which currently employs 27 000 people and includes a total of 190 companies operating. The sector has been growing at a rate of 20% on an annual basis, and a consortium of private companies and developers are planning to finance the construction of a large IT park. The number of tourists has also been growing on an annual basis, from 900 000 in 2011 to 2.5 million in 2016. International investors have a strong presence, with Fujikura opening a new automotive plant in 2016. The city also co-operates closely with the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), which provide loans to invest in public transport, roads, heating, wastewater, biogas and local infrastructure.

Session 4: Investing in local infrastructure and services in a decentralised context

The final session of the day began with a presentation on *Transport Policy and Subnational Investment in a Decentralised Context: OECD Trends and Tools* (*Ukrainian*) by **Ms. Maria-Varinia Michalun**, Policy Analyst, Decentralisation, Public Investment and Subnational Finance Unit, OECD Regional Development Policy Division. Ms. Michalun began by providing an overview of SNG investment in the OECD. In 2015, 40% of SNG investment took place in economic affairs and transport systems. Each subsector of transport (road, rail, air, etc.) has different specificities relating to usage (goods, people) and the component (infrastructure provision, operation). In the road sector, decentralisation has been shown to improve the condition of paved roads in developed countries and unpaved roads in developing countries. Rail transport tends to be focused with a single network and operator, but can also be organised with multiple operators. Switzerland is a good example in terms of efficiency, and Germany witnessed an acceleration in regional traffic following the decentralisation of its rail service. Rail transport is successfully managed at the regional level in Europe. Ports in Europe are often regionally managed with port authorities being public (centralised or decentralised), semi-public or private. Decentralisation of ports has led to mixed results: in Europe and North America it has led to greater innovation, but in Japan it has led to overcapacity and financing has become more precarious. In the case of airports, evidence suggests that decentralisation tends to improve the airport's financial situation and management (e.g. in Canada).

Subnational public investment in transport complements other structural reforms. In particular, labour market reforms can be more beneficial as improved transport infrastructure allows workers to get to their jobs more easily. Transport infrastructure can increase the effective size of a local labour market and boost the productivity of firms and individual workers. It can also help to foster inclusiveness by reducing the cost and time of commuting. When combined with grouping of public services (e.g. in one-stop-shops), effective transport infrastructure can improve the accessibility of public services for the rural population. In recent years, there has been a transition to greater use of policy tools that involve investments instead of basic subsidies to boost regional development. Transport and infrastructure investments are a top priority, with 26 out of 30 countries surveyed for the *OECD Regional Outlook 2016* reporting use of this policy tool to achieve regional development policy objectives. Transport is also the most frequently ranked high priority for urban policy among OECD countries (21 out of 25 surveyed countries). Many countries around the world are taking efforts to improve urban sustainability through better transport networks.

Ms. Michalun explained that **subnational horizontal co-ordination is essential to encourage investment. High levels of administrative fragmentation can result in small-scale public investment projects with lower returns on public investment.** Horizontal co-ordination (*principle 3 of the OECD Principles for Effective Public Investment across Levels of Government*) can help to promote economies of scale and reduce duplication of unsustainable investments, which may arise as a result of inter-jurisdictional competition. Investing at the relevant scale implies identifying the "functional scale" for the investment under consideration, which may vary depending on the investment (school districts, hospital services, commuter rail, etc.) Horizontal co-ordination can take place in the form of joint authorities, or through co-ordinated investment strategies. However, it is important to provide relevant incentives to enhance cross-jurisdictional mergers or collaboration, to manage positive and negative spillovers among neighbouring regions, and to avoid collaboration with unaligned fiscal incentives.

In order to bridge the infrastructure financing gap, SNGs should diversify sources of funding and strengthen subnational capacity (*principle 6 of the OECD Principles for Effective Public Investment across Levels of Government*) Greater private sector participation can bring both financing and expertise, and can help to strengthen capacities of SNGs. Private actors can contribute to better *ex ante* assessments of projects, analysis of the market and credit risks, and identification of cost-effective projects. PPPs can help to mobilise financing at the subnational level, but careful consideration of the risks involved is paramount. When PPPs are used to hide bad financial health off balance sheet, they can have significant financial impact over the longer term. As such, PPPs should be treated soundly in the budget process, with proper accounting and disclosure of all costs, guarantees and other contingent liabilities. New or innovative financing arrangements such as loans, bonds, specific investment funds, tax arrangements, or market-based mechanisms can also help to address the financing gap. SNGs should use innovative financing instruments with an understanding of the capacities needed, as in some cases they could severely compromise local finances and cause risky dependence on financial markets.

Sound and transparent financial management at all government levels (*principle 10 of the OECD Principles for Effective Public Investment across Levels of Government*) **can help to ensure budgetary and financial accountability at all levels of government, prioritise and execute investment programmes effectively, enhance transparency with citizens and other stakeholders, and to ensure national fiscal stability.** The *OECD Principles of Budgetary Governance* set out good practices for budgetary and financial accountability, such as accurately costing public investment plans, reflecting them in budget strategies and allocation processes, fitting them into a medium-term framework and duly considering long-term operating and maintenance costs.

Ms. Michalun concluded by noting that **framework conditions are fundamental for SNGs when investing in a decentralised context. These include: adequate responsibilities and political power, stable and sufficient financial resources, local management capacity, and shared responsibility for planning, co-ordination, policy making and developing safety standards.** In the context of Ukraine, it is essential for policy makers to approach decentralisation in the transport sector with a view to increase productivity and inclusiveness, foster the benefits of agglomeration economies, strengthen urban-rural links, and to support urban and rural development. The government should consider using good practice mechanisms from the *OECD Council's Recommendation on Effective Public Investment across Levels of Government* to build capacity and strengthen framework conditions.

This was followed by a presentation on *Decentralisation of Governance in Transport Systems* (*Ukrainian*) by **Ms. Rosário Macário**, Professor and Researcher in Transportation, University of Lisbon, Portugal. Ms. Macário explained that while transport is often used as a political instrument (particularly during elections), **it is essential to have a strategic long-term vision and to integrate transport into the evolution of countries and cities.** In order to conduct an independent and well-informed assessment with inputs and participation from state actors, there is a need to understand who does what in Ukraine's transport sector. It is also important to understand the political, administrative and fiscal aspects underpinning the decentralisation process.

Ms. Macário then introduced the example of France, which is instructive for the impact of decentralisation in the formulation of mobility policy, public transport use and financing**. The analysis of 45 urban mobility plans in France showed that it is very important to have a decentralised process in order to combine policies on land use, housing and transport.** Some local authorities have a strong policy promoting public transport and discouraging car use. This intervention was introduced at the level of the city administration, and has led to reduced congestion and improved quality of life in the city. The outcomes of fiscal decentralisation can be observed in a sample of five European cities (Madrid, Barcelona, Paris, Milan and Stockholm) – it led to increases in public transport expenditure and improved predictability of revenues, allowing for better medium to long-term planning. On the other hand, no evidence was found of any increased willingness to tax at the local level, meaning that local fiscal autonomy does not guarantee funding stability.

Decentralisation has clear advantages in the transport sector. When implemented effectively, it contributes to alleviate decision-making bottlenecks often caused by central planning and control. It can help to reduce bureaucratic procedures and increase awareness among government officials of local needs and problems. It also helps central governments to provide better service to a larger number of local areas, and can lead to strong social outcomes. **Decentralisation in transport systems requires local technical planning and monitoring capacity, as well as strategic vision and guidance at the national level. However, Ms. Macário warned that decentralisation is not a panacea, and may not always lead to improvements in efficiency** – particularly for standardised and network-based services. Policy makers should be aware of the potential for reduced economies of scale, less control by the central government over scarce financial resources, reduced service quality resulting from weak administrative and technical capacity at local levels, and greater complexities in the co-ordination of national policies in a decentralised environment.

Ms. Macário concluded by explaining that **Ukraine should not choose between complete centralisation and decentralisation of transport systems. Most countries adopt a balanced approach, and there is a need to undertake in-depth analysis to understand the best way of reaching a satisfactory equilibrium in the system.** As is the case in many countries, the central government will likely retain policy and supervisory functions, in particular with public service obligations. Furthermore, Ukraine's transport sector will likely evolve over time in a path-dependent manner, and technical assistance may be required for the planning, financing and management of decentralised functions.

Mr. Bohdan Yuzviak, Head of Novokalyniv Amalgamated Hromada in Lviv Oblast, then delivered a presentation on *Investments in the Infrastructure Development of Novokalyniv Amalgamated Hromada*. Mr. Yuzviak described how public opinion surveys were conducted in order to decide where to invest. There was a need to balance investments across the 7 villages in the NAC, and a lack of sufficient funds from earmarked grants led them to identify own-source revenues that could be used for infrastructure investment. One of the needs was to reconstruct the local council building, which is also used for administrative services and cultural events. The infrastructure subsidy was also invested in the renewal of street lighting in two settlements, and to set up new medical service centres in the villages. Earmarked grants for preschool education have led to modernised school facilities and improved quality of life in the community.

The final presentation of the seminar on *Effectiveness of Current Government Investment Instruments: a Community View* was delivered by **Mr. Ihor Abramiuk**, Development Director, Board Member of the Association of Newly Amalgamated Communities (NACs). Mr. Abramiuk began with an overview of the association, which currently includes 85 NACs in its membership. He then went on to explain that **the allocation of responsibilities for road construction and maintenance is a key issue that needs to be resolved.** This relates closely to the issue of NACs lacking jurisdiction over land resources in their territory that can be used for spatial planning and management. For instance, Shumska NAC in Ternopil region includes more than 120 km of local highways which are under the responsibility of the regional road agency (Ternopil Oblavtodor). 90% of these roads are dilapidated and need to be renewed, but they are currently outside of the NAC's jurisdiction. Poor quality roads have an adverse impact on passenger and freight traffic, and generate higher maintenance costs for vehicles and technical equipment. Shumska NAC has asked the Ministry of Infrastructure to fix the roads, investigate the regional road agency, and transfer their responsibilities and equipment to the hromada level. **Implementation of the *OECD Principles for Effective Public Investment across Levels of Government* could help to enhance transport accessibility and improve service quality.**

Mr. Abramiuk then spoke of the infrastructure subsidy, which has provided NACs with an unprecedented level of financial resources. Procedures for obtaining the subsidy are relatively simple, and as a result a high level of absorption has been observed (94.5% in 2016). However, the subsidy only increased from UAH 1 billion in 2016 to UAH 1.5 billion in 2017, whereas the number of NACs that qualify for the subsidy increased by a much larger proportion (from 159 to 366). This implies a reduction in the average amount of the subsidy for each NAC, from UAH 6.3 million in 2016 to UAH 4.1 million. The situation is demotivating for NACs, and makes medium-term planning especially difficult. On another note, the UAH 4 billion subsidy for socio-economic development is particularly problematic, as the eligibility criteria and rules for distribution are not clearly specified in the legislation. The subsidy seems to be more of a political tool, with funds being allocated to deputies who can then decide where and how to spend them. Moreover, the distribution of this subsidy across regions is unbalanced and not anchored to the state regional policy or regional strategies. Mr. Abramiuk concluded with a warning of the impending threat of recentralisation by opponents of the ongoing reform, and the **need to put in place mechanisms to ensure that the progress achieved to date is irreversible.**

Conclusions of the seminar and closing remarks

Mr. Herrmann provided closing remarks for the seminar, noting that there is still a lot of work to do with the decentralisation reform. **The government could benefit from hands-on case studies, and should conduct internal comparisons across regions (e.g. allocation of funds from the SFRD, differences in administrative procedures and results across oblasts, etc.)** Complex regional strategies might be too far-fetched for now, and at this stage it's important to focus on needs at the local level. Ms. Michalun also delivered concluding remarks, stating that it's **positive to see how the benefits of decentralisation** have had an impact in terms of greater autonomy in decision making and local self-government. **The reforms enacted today will have a positive impact on the quality of life and well-being of citizens in the long run.** However, **a number of challenges remain**. One key recurring issue is **stability and predictability in the legislation.** NACs should know **how much funding they will receive,** and that reforms will stay in place and won't change. There is a need for **strong fiscal autonomy and increased municipal capacity** in addition to more tasks and responsibilities. Some degree of **strategic planning** is also needed, and a discussion should be held to decide at what level it will take place.

ANNEX A: AGENDA

SUPPORTING DECENTRALISATION IN UKRAINE: ENHANCING PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT Leopolis Hall Lviv, Ukraine ● Thursday, 22 June 2017	
Moderators: **Mr. Yuri Tretyak and Mr. Serhiy Maksymenko,** Advisers of Regional Development Policy and Action Team of U-LEAD with Europe Programme	
9:30-10:00	**Welcome and Opening Remarks** • **Ms. Olena Kucherenko,** Director of Department for Regional Development, Ministry of Regional Development of Ukraine • **Mr. Rostislav Zemlynsky,** First Deputy Head of Lviv Regional State Administration • **Mr. Benedikt Herrmann,** First Secretary, Policy Officer for Decentralisation and Sectoral Reform, Delegation of the European Union to Ukraine • **Ms. Anna Kostrzewa-Misztal**, Head of section for support of CIS markets, Department of Economic Co-operation, Ministry of Foreign Affairs of Poland • **Ms. Dorothée Allain-Dupré,** Head of Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD

10:00-11:15	**Session 1: Developing a fiscal framework adapted to decentralisation objectives** **Presentation of OECD experience with fiscal decentralisation framework:** • **Mr. Hansjörg Blöchliger,** Senior Economist, Economics Department, OECD **Presentation of Ukraine's experience with fiscal decentralisation:** • **Ms. Yulia Ostrishchenko,** Deputy Head of Department of Local Budgets Planning, Head of Division of Inter-Budgetary Regulation and Medium-Term Planning, Directorate of Local Budgets, Ministry of Finance of Ukraine • **Mr. Vasyl Abaimov,** Executive Director of Lviv Regional Office, Association of Ukrainian Cities **Key topics for discussion:** • Strengthening the fiscal bases of decentralisation to limit the risk of unfunded or underfunded mandates. • Finding the right balance between central government transfers, tax sharing and own-source revenues according to the assignment of responsibilities. • Implementing an appropriate system of central government transfers in a decentralised context: increasing flexibility of central government funds. • Mobilising own-source revenues: increasing revenues from local tax and from other own sources. • Establishing adequate equalisation mechanisms to favour territorial equity and economic development in a context of increased tax autonomy. • Reinforcing multi-level co-ordination in the fiscal domain through appropriate mechanisms.
11:15-11:45	***Coffee Break***

11:45-13:00	**Session 2: Strengthening fiscal capacity for public investment** **Presentation of OECD experience with strengthening fiscal capacities for subnational public investment:** • **Ms. Isabelle Chatry**, Project Manager, Subnational Finance and Territorial Reforms, Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD • **Dr. Dawid Szesciło,** Public Administration Research Group, University of Warsaw, Poland **Presentation of Ukraine's experience with strengthening fiscal capacities for subnational public investment:** • **Ms. Yanina Kazyuk,** Expert on local finance and budgets, Ukrainian Association of District and Region Councils, Co-ordinator of Fiscal Decentralization, Central Reform Office under the Ministry of Regional Development (supported by U-LEAD) **Key topics for discussion:** • The role of subnational governments in public investment. • How to develop fiscal room for manoeuvre at regional and local level to invest? Developing own fiscal capacities and finding appropriate capital transfers to finance local public investment. • Finding external resources to invest at regional and local level: developing subnational borrowing for creditworthy subnational governments. • Engaging with stakeholders throughout the investment cycle and mobilising private actors and financial institutions. • Developing multi-year investment strategies and financial planning for local development; focus on results and promote learning from experience. • Designing a sound fiscal framework guaranteeing both fiscal responsibility and flexibility: defining appropriate budget balance rules, spending rules, and prudential rules for borrowing.
13:00-14:00	***Lunch Break***

14:00-15:15	**Session 3: Co-ordinating public investment across levels of government and policies** **Presentation of OECD experience with co-ordinating public investment:** • **Ms. Dorothée Allain-Dupré,** Head of Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD • **Mr. Christof Delatter**, Co-ordinator, Flemish Association of Cities and Municipalities, Belgium **Presentation of Ukraine's experience with co-ordinating public investment at city level:** • **Ms. Olga Syvak,** Head of Department of Foreign Economic Activity and Investments, Lviv city council **Key topics for discussion:** • Invest using an integrated strategy tailored to different places • Adopt effective instruments for co-ordinating vertically and horizontally across national and subnational government levels • Co-ordinate horizontally among subnational governments to invest at the relevant scale • What financing mechanisms available for subnational governments' investment (e.g. capital transfers, co-financing, own source revenue, PPPs, etc.)
15:15-15:30	***Coffee Break***

15:30-16:45	**Session 4: Investing in local infrastructure and services in a decentralised context** **Presentation of OECD experience with infrastructure investment with a focus on transport:** • **Ms. Maria-Varinia Michalun,** Policy Analyst, Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD • **Ms. Rosário Macário,** Professor and Researcher in Transportation, Vice President of the Institute for Civil Engineering Research and Innovation for Sustainability (CERIS), Co-ordinator of the Centre for Urban and Regional Systems (CESUR), Instituto Superior Técnico (IST), University of Lisbon, Portugal **Presentation of Ukraine's experience with investing in local infrastructure public services:** • **Mr. Bohdan Yuzviak,** Head of Novokalyniv Amalgamated Hromada, Lviv Oblast • **Mr. Ihor Abramiuk,** Development Director, Board Member of the Association of Newly Amalgamated Communities (NACs) **Key topics for discussion:** • Investment needs in transport infrastructures and services in Ukraine: how greater decentralisation can help fill the gaps? • Decentralising transport infrastructure and service: how to proceed? • Promoting transparency and strategic use of public procurement at all levels of government. • How to engage with stakeholders throughout the investment cycle?
16:45-17:00	**Conclusions and Closing Remarks** • **Mr. Benedikt Herrmann,** First Secretary, Policy Officer for Decentralisation and Sectoral Reform, Delegation of the European Union to Ukraine • **Ms. Maria-Varinia Michalun,** Policy Analyst, Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD
17:00	**END OF SEMINAR**

ANNEX B: LIST OF SPEAKERS

- **Mr. Vasyl Abaimov,** Executive Director of Lviv Regional Office, Association of Ukrainian Cities
- **Mr. Ihor Abramiuk,** Development Director, Board Member of the Association of Newly Amalgamated Communities (NACs)
- **Ms. Dorothée Allain-Dupré,** Head of Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD
- **Mr. Hansjörg Blöchliger,** Senior Economist, Economics Department, OECD
- **Ms. Isabelle Chatry**, Project Manager, Subnational Finance and Territorial Reforms, Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD
- **Mr. Christof Delatter**, Co-ordinator, Flemish Association of Cities and Municipalities, Belgium
- **Mr. Benedikt Herrmann,** First Secretary, Policy Officer for Decentralisation and Sectoral Reform, Delegation of the European Union to Ukraine
- **Ms. Yanina Kazyuk,** Expert on local finance and budgets, Ukrainian Association of District and Region Councils, Co-ordinator of Fiscal Decentralization, Central Reform Office under the Ministry of Regional Development (supported by U-LEAD)
- **Ms. Anna Kostrzewa-Misztal**, Head of section for support of CIS markets, Department of Economic Co-operation, Ministry of Foreign Affairs of Poland
- **Ms. Olena Kucherenko,** Director of Department for Regional Development, Ministry of Regional Development of Ukraine
- **Ms. Rosário Macário,** Professor and Researcher in Transportation, Vice President of the Institute for Civil Engineering Research and Innovation for Sustainability (CERIS), Co-ordinator of the Centre for Urban and Regional Systems (CESUR), Instituto Superior Técnico (IST), University of Lisbon, Portugal
- **Mr. Serhiy Maksymenko,** Adviser of Regional Development Policy and Action Team of U-LEAD with Europe Programme
- **Ms. Maria-Varinia Michalun,** Policy Analyst, Decentralisation, Public Investment and Subnational Finance Unit, Regional Development Policy Division, OECD
- **Ms. Yulia Ostrishchenko,** Deputy Head of Department of Local Budgets Planning, Head of Division of Inter-Budgetary Regulation and Medium-Term Planning, Directorate of Local Budgets, Ministry of Finance of Ukraine
- **Ms. Olga Syvak,** Head of Department of Foreign Economic Activity and Investments, Lviv city council
- **Dr. Dawid Szesciło,** Public Administration Research Group, University of Warsaw, Poland
- **Mr. Yuri Tretyak,** Adviser of Regional Development Policy and Action Team of U-LEAD with Europe Programme
- **Mr. Bohdan Yuzviak,** Head of Novokalyniv Amalgamated Hromada, Lviv Oblast
- **Mr. Rostislav Zemlynsky,** First Deputy Head of Lviv Regional State Administration

ANNEX C: LIST OF PARTICIPANTS

№	Participants	Position	Organisation
	Public sector representatives:		
1.	Ms. Olena Kucherenko	Director of the Department for Regional Development	Ministry of Regional Development
2.	Mr. Ruslan Popiuk	Chief Specialist of the Sector of Interaction with Council of Europe and Co-ordination of International Technical Assistance, Department of Local Government and Territorial Organisation of Power	Ministry of Regional Development
3.	Ms. Olesya Golvazina	Department of Regional Development	Ministry of Regional Development
4.	Ms. Natalia Yarovenko	Chief Specialist on Administrative and Territorial Division, Department of Local Government and Territorial Organisation of Power	Ministry of Regional Development
5.	Mr. A. Slabinskiy		Ministry of Economic Development and Trade
6.	Ms. Yulia Ostrishchenko	Deputy Head of Department of Local Budgets Planning, Head of Division of Inter-Budgetary Regulation and Medium-Term Planning, Directorate of Local Budgets	Ministry of Finance
7.	Mr. Rostyslav Zemlynsky	First Deputy Head	Lviv Regional State Administration
8.	Ms. Olga Syvak	Head of Department of Foreign Economic Activity and Investments	Lviv City Council
9.	Mr. Olexandr Kobzarev	Director of Communal Company "City Institute"	Lviv City Council
10.	Ms. Natalia Romanchuk	Chief Specialist of Division of Business Industries	Lviv City Council
11.	Ms. Nadiia Nasikovska	Deputy Director, Department of International Co-operation and Regional Development	Vinnytska Oblast State Administration
12.	Mr. Yuriy Kresan	Department of Investment Development and European Integration	Volynska Oblast State Administration
13.	Mr. Oleksiy Psariev	Acting Director, Department of Economic Development and Trade	Dnipropetrovska Oblast State Administration
14.	Ms. Daria Zhukova	Deputy Director, Head of Division of Real Economy Sector Development , Department of Economy	Donetska Oblast State Administration
15.	Mr. V. Gradivskyi	Deputy Director, Department of Economic Development, Trade and International Co-operation	Zhytomyrska Oblast State Administration
16.	Mr. Denys Man	Deputy Director of Department of Economic Development and Trade	Zakarpatska Oblast State Administration
17.	Ms. Viktoria Samus	Deputy Director of Department of Economic Development and Trade	Zaporizhzhia Oblast State Administration
18.	Ms. Olena Okhoba	Deputy Head of Business Climate Unit, Head of Division for Business Climate Improvement, Department of Economic Development and Trade	Kyivska Oblast State Administration
19.	Ms. Nina Rakhuba	Director, Department of Economic Development and Trade	Kirovogradska Oblast State Administration
20.	Mr. Sergiy Medvedchuk	Acting Head of Department of Economic Development, Trade and Tourism	Lugansk Oblast State Administration

№	Participants	Position	Organisation
21.	Mr. Roman Fylypiv	Head of Department of Economic Policy	Lvivska Oblast State Administration
22.	Ms. Tetyana Gordiyenko	Deputy Director, Division of Regional Policy and Economic Development, Department of Economic Development and Regional Policy	Mykolaivska Oblast State Administration
23.	Ms. Inna Ishchenko	Director, Department of Economic Development, Trade and Investment Attraction	Poltavska Oblast State Administration
24.	Mr. Kostyantyn Moklyak	Director, Department of Economic Development and Trade	Rivnenska Oblast State Administration
25.	Mr. Oleksiy Oksantyuk	Deputy Director, Department of Economic Development and Trade, Head of Division of Consumer Market Development and Entrepreneurship	Shumska Administration
26.	Ms. Olga Shamayeva	Deputy Director, Division on Transportation Issues, Trade and Financial Resources, Department of Economy and International Relations	Kharkivska Oblast State Administration
27.	Ms. Oksana Buzak	Main Specialist of the Unit on Decentralisation and Regional Development, Division of Strategic Development, Department of Economic Development and Trade	Khersonska Oblast State Administration
28.	Mr. Sergiy Danylenko	Deputy Head of Department of Regional Development	Cherkaska Oblast State Administration
29.	Mr. Valentyn Dunayevskyi	Deputy Director of Department on Economic Development, Head of Division on Industrial Regulatory Policy and Entrepreneurship Development	Chernivetska State Administration
30.	Ms. Oleksandra Khomyk	Acting Director, Department of Economic Development	Chernihivska Oblast State Administration
31.	Ms. Alla Odintsova	Head of Division on Co-ordination of Regional Economic Policy, Department of Economy and Investments	Kyiv City Administration
32.	Mr. Ivan Podolian	Director	RDA Cherkaska Oblast
33.	Ms. Inna Zagnitko	Deputy Director	RDA Vinnytska Oblast
34.	Mr. Yevgen Kryvoruchko	Director	RDA Chernihivska Oblast
35.	Mr. Bohdan Yuzviak	Head	Novokalyniv Amalgamated Hromada, Lviv Oblast
36.	Ms. Iryna Kolinko	Head of International Relations, Tourism and Promotion of the City, Department of Economic and Integration Development	Ivano-Frankivsk City Council
37.	Ms. Svitlana Sidko	Head of the Economic Policy Department	Nikopol City Council, Dnipropetrovsk Oblast
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