

ICPS newsletter®

TA pays off: Government issues first proper White Paper

For the first time, the Government of Ukraine has published a White Paper after serious research and discussions with stakeholders. Major reform like fiscal decentralization needs a comprehensive approach. This is the main idea behind "Fiscal Decentralization in the Context of Local Government Reform," a White Paper published in May 2006. Without other reforms, above all territorial, tax and residential services reforms, fiscal decentralization will have little positive impact. This Paper, prepared jointly by the Ministry of Economy, the National Security Council and the International Centre for Policy Studies, proposes a reform strategy aimed at raising the quality of public services. With technical assistance from the Canadian Government, best practice in public policy was used to prepare this White Paper

Ukraine has had its Verkhovna Rada elections and a new Government must now put together a new Plan of Action. This makes the publication of the White Paper on fiscal decentralization especially timely. The Government needs to promulgate its plans through high-quality public documents, which can only be developed on the basis of broad public consultations with stakeholders. The current White Paper could become the foundation for a new program on carrying out fiscal decentralization and planning a comprehensive package of reforms.

Previous attempts at fiscal decentralization were not very successful. Lack of positive impact was the result of implementing reforms based on the soviet administrative system. Under today's system, local governments have neither the administrative nor the financial capacity to provide quality services to their local population. So, unless local government is reformed, further fiscal decentralization is doomed to fail.

Improving the quality of services requires reforms in the main budget-funded sectors: education and healthcare. In the first place, service provision quality and cost standards need to be established for each type of service.

Clear steps to clear results

In addition, reforms need to follow a clear sequence in order to achieve the maximum positive impact from fiscal decentralization:

- Sector reforms in education, healthcare, residential services, and social security will determine what expenditures can be funded by local budgets based on service provision standards;
- Tax reforms, that is, the revision of local taxes and fees and the introduction of a property tax, will determine the kinds of revenues that can be divided between local budgets and the State Budget.
- Territorial reform will clearly define the system of territorial administration.
- Fiscal decentralization will divide spending powers among different levels of government and identify sources to fund the exercise of this power.

Canadian know-how, Ukrainian output

A special feature of this technical assistance project is that all project outputs were developed by the Ukrainian side. The role of the Canadian advisors was only to transfer know-how in policy analysis and the organization of consultations with stakeholders. This approach is most effective from the perspective of building capacity in the Government to apply democratic policy-making procedures.

Based on this approach to organization, Canadian TA projects are having a more tangible impact on the development of democracy in Ukraine. For one thing, their outcomes and outputs become a

part of the Government's day-to-day activity. As an example, the first project to set up policy analysis groups (PAGs) involving the Cabinet of Ministers Secretariat and other Ministries and departments helped draft a new Standard Rules of Order for the Cabinet of Ministers.

The input from Canadian specialists has also enabled Ukrainian Government workers to understand democratic processes and apply them in practice to resolve real policy issues. In late 2005, for instance, the Main Administration of the Civil Service launched a project to set up PAGs under Ukraine's central executive bodies. Because this way of organizing training and developing new skills proved effective, policy analysis groups have been extended, this time with State Budget funding.

The new project involves 80 civil servants from 10 central Ministries and departments who will study public policy procedures in their daily work. This will enable them to draft public policy papers, especially Green and White Papers dealing with specific policy issues, and methodological support for instituting democratic decision-making procedures. ■

The "Policy Analysis Group on Fiscal Decentralization" project is being implemented by the International Centre for Policy Studies (ICPS) jointly with specialists from the National Security Council (NSC) and the Ministry of Economy, with the support of the Canadian International Development Agency (CIDA), the Canadian Bureau of International Education (CBIE) and the "Policy Advice for Reforms in Ukraine" project (PAR).

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