

THE POWER OF DECENTRALIZATION

UKRAINE HUMAN DEVELOPMENT REPORT 2003



**UNITED NATIONS
DEVELOPMENT PROGRAMME
KYIV, UKRAINE**

FOREWORD

Human Development — a Strategic Direction for State Policy

The difficult period of Ukraine's progression towards conditions of a contemporary market economy is coming to an end. The economy has started to recover after a decade of stagnation, and many of the problems associated with the complex processes of macroeconomic stabilization and resumption of economic growth have been solved. At the same time, a strengthened civil society poses new challenges and demands greater attention in terms of human development provision.

One of the important problems, which Ukraine's leadership faces today, is to translate its achievements of sustainable economic growth into improving the welfare and standard of living of the Ukrainian population at every level of society. The Millennium Development Goals (MDGs), which Ukraine, along with 189 other countries, signed in 2000, are becoming major policy directions and include: establishing an accessible healthcare system, promoting continuous life-long education, improving the living environment, housing and communal services, as well as protecting the environment for future generations and preventing the spread of TB, HIV/AIDS and other contagious diseases.



The Verkhovna Rada of Ukraine considers legislative provision for achieving these goals to be one of its top priorities. In fact, each draft law is first assessed from the point of view of how its adoption will affect the social health of Ukrainian citizens and improve conditions for their self-realization.

The creation of conditions conducive for harmonious human development is an ambitious goal that requires considerable effort and cooperation between our society and leaders if success is to be achieved. Past experience has shown that changes for the better in this sphere as well as in matters of state building generally, can only be attained through establishing order and mutual understanding within society. In this regard, a great deal of attention is being paid to improving cooperation between the Verkhovna Rada of Ukraine and local authorities.

Ukrainian citizens' conscious participation in the formation and adoption of development policies designed to meet social needs at the highest possible level, is a crucial prerequisite for success. The preparation of the National Human Development Report plays an important role in this sense, because it insists on the involvement of representatives from all branches of power, together with the public and the scientific community in discussing the most important issues.

The National Human Development Report on Ukraine for 2003 continues the public discussion on ways to involve the wider community at local levels of governance. The report outlines possible directions for balanced human development under current conditions and proposes options for achieving this through establishing a balance between centralized and decentralized approaches to political decision-making when drawing up state policy that will meet the expectations of the Ukrainian population.

My sincere gratitude goes to all who took part in preparing this report and their contribution to continuing the public dialogue between our society and its leaders.

A handwritten signature in blue ink, reading "Volodymyr Lytvyn". The signature is stylized and fluid, with a long horizontal stroke extending to the right.

Volodymyr Lytvyn

Speaker of the Verkhovna Rada of Ukraine

FOREWORD

At the beginning of the new millennium, human development is becoming a strategic goal for national policy. A life that benefits people has come to form the cornerstone of the Millennium Development Goals (MDGs) that Ukraine, as a UN member state, committed itself to fulfill at the 2000 Millennium Summit. The Cabinet of Ministers of Ukraine has endeavored to incorporate into its Action Programme admirable universal human priorities that address the issues of constitutional human rights, free individual development and living in a healthy environment.

In fact, the state building process, creation of a democratic society and development of a market economy are nearing completion. The time has come to take steps that will facilitate the development of human beings who are able to function in a variable market environment.

The creation of conditions for sustainable human growth envisages the formation of an accessible healthcare system, further improvement of continuous education, better living conditions, efficient housing and utilities services, as well as the development of a business-friendly climate, which will provide people with new jobs and economic guarantees. In order for these areas of services to be able to meet the needs of a democratic market society they require essential reform. In the course of transformation it is vital to retain the best components of the old system and to create an environment conducive to human development in new conditions of tough competition and an unsteady labor market.

By involving, in the political decision-making process, the most up-to-date ideas, knowledge and technologies, that are continuously generated by a mobile market environment, this complex objective can be fulfilled. The decentralization of planning processes, together with the elaboration, approval and application of decisions concerning the creation of conditions for comprehensive and harmonious human development are instrumental in this.

This year's UNDP report focuses on an opportunities and limitations analysis of decentralization for human development. It also highlights the areas of balanced human development and proposes modalities for its fulfillment by providing a balance of centralized and decentralized approaches to political decision-making.

Decentralization will help to facilitate human development for two reasons. Firstly, residents of a particular community will create an environment most conducive to their development. They will do it directly or through their participation in local self-government, making an impact on the choice of methods effective for a given region. Secondly, participation in governance will shape the type of person that is capable of analyzing matters, taking decisions and bearing responsibility for his or her actions and development.

The human development report is designed to facilitate a dialogue between the executive branch, business community, academia and the public. The dialogue will lead the Government to take specific actions with the object of advancing the building of a cohesive society that works for the benefit of general human development and the Ukrainian people as a whole.

I extend my heartfelt gratitude to everyone who has participated in the preparation of the report. I wish you all every success in your creative endeavors.



A handwritten signature in blue ink, which appears to read 'Yanukovich'. The signature is fluid and stylized, with a long, sweeping underline.

Victor Yanukovich
Prime Minister of Ukraine

FOREWORD

The previous National Human Development Report for Ukraine – NHDR 2001 – started a series of UNDP reports devoted to the analysis of the causal links between good governance and human development. The NHDR 2001 focused on the participation of civil society in decision-making as an essential tool for improving the quality of governance and, in so doing, accelerating human development. Flowing on from this earlier effort, the National Human Development Report 2003 assesses the role of decentralization in fostering human development in Ukraine. Decentralization increases participation in decision-making by bringing government and citizens closer together on decisions that ultimately affect people's lives. Choices that are made in a decentralized fashion are thus more likely to be based on local conditions as well as more responsive to people's needs.

In parallel to the NHDR 2003, UNDP's global Human Development Report has focused on the Millennium Development Goals (MDGs), which 189 countries (including Ukraine) have committed to achieve by 2015. This rich global report analyses, among other things, the lessons of political reform and social action needed to achieve these MDGs. Decentralization is seen as an important and powerful tool to achieve these Goals, since it can lead to faster response to people's needs, reduced corruption and improved quality of basic services.

The NHDR 2003 underlines that decentralization is not a panacea in itself. Rather, a careful balance should be sought between centralized and decentralized approaches in order to ensure the best possible services for citizens and the optimal use of limited resources. This all important balancing of centralized and decentralized services requires careful analysis and the widest possible inclusion of both civil servants and citizens to ensure that informed democratic choices are made.

We are pleased to see that many stakeholders in their consideration of development choices and in strategic planning are utilizing both national and global human development reports as reference material and analytical tools. Moreover, we are increasingly seeing local governments and civil society working together for the renewal of their communities. For example, on recent trips to Chornobyl-affected communities we have seen citizens and their local authorities prioritizing their needs and joining their financial resources to realize practical needs such as a renovated school or an improved market. The NHDR 2003 highlights these success stories of decentralization and democracy in action. It also highlights opportunities where further progress can be made.

We remain optimistic about Ukraine's ability to move towards the highest possible human development standards and to fully realize the benefits of its "European choice". Our hope is that this NHDR on decentralization might make a contribution towards realising this path.

We thank our many partners who were involved in the preparation of the report. We wish success to the readers who, through their personal efforts and institutional contributions, can turn these concepts into pragmatic action for a prosperous Ukraine.



A handwritten signature in blue ink, which appears to read "Douglas Gardner". The signature is fluid and cursive.

Douglas Gardner

UN Resident Coordinator
UNDP Resident Representative

UKRAINE: MILLENNIUM DEVELOPMENT GOALS SIGNED BY UKRAINE AT THE UN MILLENNIUM SUMMIT

GOALS TO BE ACHIEVED BY 2015

- **Goal 1:** Eradicate extreme poverty and hunger
- **Goal 2:** Achieve universal primary education
- **Goal 3:** Promote gender equality and empower women
- **Goal 4:** Reduce child mortality
- **Goal 5:** Improve maternal health
- **Goal 6:** Combat HIV/AIDS
- **Goal 7:** Ensure environmental sustainability
- **Goal 8:** Develop a global partnership for development

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LIST OF ABBREVIATIONS

AUC	Association of Ukrainian Cities
bn	billion
BCU	Budget Code of Ukraine
CGE	Combined Gross Enrollment
CSO	Civil Society Organization
CPI	Consumer Price Index
DOTS	Directly Observed Treatment Short Course
EBRD	European Bank of Reconstruction and Development
eop	End of period
EU	European Union
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GNFS	Goods and Non-Factor Services
GNI	Gross National Income
GOU	Government of Ukraine
HDI	Human Development Index
UAH	Ukrainian hryvnya
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immuno-Deficiency Syndrome
IER	Institute for Economic Research and Policy Consulting in Ukraine
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
IT	Informational Technology
IR	Institute of Reform
koe	kilos of oil equivalent
LTIR	Long-term interest rates
MBA	Master of Business Administration
MDG	Millennium Development Goals
mn	million
NBU	National Bank of Ukraine
NHDR	National Human Development Report
NIS	Newly Independent States
OECD	Organization for Economic Co-operation and Development
PPP	Purchasing Power Parity
SIDA	Swiss International Development Agency
SSC	State Statistics Committee of Ukraine
TB	Tuberculosis
thou	1,000
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USD	United States Dollar
VA	Value Added
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

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BASIC FACTS ABOUT UKRAINE, 2001

Land area (mn ga) 60.4

POPULATION

Population (mn) at the end of the year* 48.2
 Urban (%)* 66.9
 Female (%)* 53.8
 Population growth (1,000 people)* -796.0
 Natural growth rate (%)* -1.6
 Population density per sq km (people)* 80.0
 Age distribution (%)
 Under 16 18.2
 Working age 58.0
 Above working age 23.8

HEALTH

Average life expectancy at birth (years) 67.9
 Male ...
 Female ...
 Under-five children mortality rate (per 1,000 live births)* 14.4
 Number of physicians (per 10,000 people) 46.8

ECONOMY

GDP per capita (current USD) 760.0
 GDP per capita, PPP (international dollars)** 4,224.1
 GNI per capita, Atlas method (current USD)** 720.0
 Real GDP growth 9.1
 Nominal GDP (bn. UAH) 201.9
 Consolidated government deficit (% of GDP) 0.3
 Exports (% of GDP) 56.1
 Imports (% of GDP) -54.4
 Total external public debt service (% of GNFS exports)*** 5.9
 Annual inflation (year to year, December 2001) 6.1
 Budget expenditures (% of GDP) 27.5
 Social protection 4.1
 Education 4.7
 Health 3.1
 Defense 1.5
 Unemployment (mn people)
 Registered 1.0
 ILO methodology 2.5
 Unemployment rate (%)
 Registered 3.7
 ILO methodology 11.1
 Employment by sector (%)
 Industry 18.2
 Agriculture 11.0
 Other sectors and types of economic activity 70.8

ETHNIC DISTRIBUTION (%)

Ukrainians 77.8
 Russians 17.3
 Others 4.9

HUMAN DEVELOPMENT INDEX

HDI, 2001: rank / total number of countries 75/175

Source: State Statistics Committee of Ukraine

* According to the results of Ukrainian-wide population census as of 5 December 2001

** World Bank data

*** IMF data, including Government and NBU debt after rescheduling

EXECUTIVE SUMMARY

Report for 2003 focuses on the issue of decentralization and how this can promote many aspects of human development.

The Ukraine Human Development Report for 2003 focuses on the issue of decentralization and how this can promote many aspects of human development. It follows from the previous report, which concentrated, on how citizen participation can be utilized to improve people's lives and the methods of empowering citizens to participate in decision-making at every level of government. These two reports provide a natural continuation in addressing the issues of governance and human development, which has been the focus of many UNDP efforts in Ukraine over the past decade.

The following chapters address many important issues that encompass the decentralization efforts from central to local level of governments. The report highlights the numerous successes that have been achieved in many of the sectors addressed in the report. These include the increase in local authorities to deliver important services, define their own community priorities and needs, develop additional financial resources, and mobilize the Community Service Organizations (CSOs), the private sector, and international donor community. The important sectors impacting human development that are thoroughly discussed include education, health, environment, housing, and community services. In each of these sectors there are important assessments, evaluations, and policy recommendations made to further the development of decentralized solutions to the problems identified.

A very important feature of this report is that throughout each of its chapters there are success stories highlighting how local communities, with the support of local councils, the private sector, CSOs and other stakeholders, are taking the initiative in solving the problems of education, health, housing, transportation and environment that confront them. These stories

demonstrate that decentralization can provide the framework to enable local governments and the private sector to solve the critical problems facing Ukraine that are identified in its Millennium Development Goals (MDGs). They also demonstrate that developing a civic society based on trust and cooperation is an important feature of the governance issue that is needed for Ukraine to continue on its transition path to a democratic and free market system.

This executive summary provides a brief look at the successes, challenges and solutions that have been identified by the many participants who provided the knowledge and intellect to make this report possible. Their contribution is gratefully appreciated.

Chapter 1 provides us with the situation of human development in Ukraine through the Human Development Index (HDI) and the MDGs. The HDI has undergone significant changes over the past decade with a sharp decline in the early 1990s, but turning around between 1995 and 2000 and recovering to the previous levels. However, for the decade, Ukraine slipped from 45th position to 80th position out of 173 countries on the human development scale. The most important causes of this decline are the problems associated with income levels and life expectancy. Per capita income dropped by 42% between 1992 and 2000 and life expectancy declined from 70.5 years in 1990 to 67.9 years in 2000.

In addition to the decline at the overall national level there is also data indicating that regional differences are also widening in the areas measured by the HDI. There are significant variations in education, living conditions, environmental, and labor market situations. These variations are also supported by a recent World Bank study, which looked at the economic indicator of Value Added (VA) and determined that these regional variations are due to differences in physical capital and labor resources.

...success stories... demonstrate that decentralization can... solve the critical problems facing Ukraine...

The solution to this human development decline lies in Ukraine achieving its MDGs that have been identified in the following areas:

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV/AIDS, malaria and other diseases;
- Ensure environmental sustainability;
- Develop a global partnership for development.

Each of these areas is addressed in Chapter 1 and further discussion and development of the policy options and recommendations follow in the other chapters of this report.

The main focus of this report, decentralization, is addressed in Chapter 2 with an examination of the progress, challenges and potential solutions that can be employed to make decentralization successful. The contribution to human development that decentralization can make by providing local decision-making capacity is emphasized. The development of civic society and its contributions to human and economic development is clearly substantiated over the past quarter century.

Ukraine has made progress in promoting a decentralized local government system through Constitutional provisions, laws, and, more recently, the Budget Code of Ukraine (BCU). The progress toward compliance with the European Charter on Local Self-Government has provided the guiding set of principles for this development. The approach of EU integration should provide a further stimulus for the development of a decentralized local government system with the requisite capacities and resources.

While much has been accomplished, there is still a formidable array of challenges facing the development of an adequate level of decentralization that will promote human development and the MDGs. These include the following:

- Further development of the legal framework and more complete compliance with the European Charter on Local Self-Government;
- Addressing the proper functional assignments to be given to the local governments;
- Resolving the dilemma of the large number of local government units with the requirements for delivering services that meet some economy of scale criteria;
- Increasing the financial resources of the local governments to an adequate level for local budget decision-making;
- Furthering the fiscal decentralization progress made by the enactment of the Budget Code to include additional local government units and creating more transparency in the intergovernmental transfers to these levels.

The empowerment of local governments and the community service organizations provides the means by which local decision-making will impact human development at the most critical level of the lives of the citizens of Ukraine in the next decade. The need for increasing and accelerating the decentralization efforts is emphasized as being critical for Ukraine to meet its MDGs in the coming years.

The education and health sectors are discussed in Chapter 3. Education and health constitute two of the three indicators of the HDI. Ukraine needs to make substantial progress in adopting the education and healthcare systems to meet the needs of a democratic and market economy system. Decentralization, as illustrated in this chapter, can play a significant role in accomplishing the modernization of these sectors. The linkage of education and health to poverty conditions is well known and this linkage is evi-

...discussion and development of the policy options and recommendations follow in... chapters of this report.

...increasing and accelerating the decentralization efforts is critical for Ukraine to meet its MDGs in the coming years.

Decentralization... could stimulate additional financing... and create a more stimulating environment... in the education field.

...local citizens and councils are willing to support financially better healthcare in their communities.

CSOs, along with the public sector, can play a strong role in providing advice, support and funding to improve the housing conditions.

dent in Ukraine as well. This chapter deals with this linkage and provides policy recommendations for alleviating the problems in both sectors.

In the education sector, there are serious problems in all areas of education, from pre-school, primary and secondary, vocational and higher education systems. The National Doctrine for Education Development in Ukraine in the 21st Century (2001) has been developed to provide a comprehensive strategy for solving the problems of the education system in Ukraine.

Decentralization can contribute to this by providing more local authority in making decisions on the delivery of education services. This could stimulate additional financing at the local level and create a more stimulating environment for recruiting teachers and other professionals needed in the education field.

The Budget Code has provided an important dimension to the development of financing local education. The system of financing at the regions (oblasts), districts (rayons), towns, and cities of regional subordination has become more transparent due to the provisions of the Budget Code. The system is now based on a formula and has eliminated much of the bargaining and negotiation that existed previously.

The quality of healthcare is perceived as the worst social service delivered, with the possible exception of hot water. Though the situation is considered very poor from the individual citizen perspective, some steps have been taken to overcome the problems arising from the previous system. The greatest problem of paying the wage arrears of the healthcare sector workers has been eliminated. The Budget Code has also improved the financing of healthcare at the local levels by direct transfers to cities rather than through the regional (oblast) administrations, which often distorted the allocations based on political and ad hoc considerations.

The financing of healthcare through several different channels is vitally needed to promote better service delivery. The willingness of people to pay for good healthcare is demonstrated by survey

results. The perception that private healthcare institutions provide better services than public institutions indicates that more needs to be done to provide the financing that will enable healthcare patients to receive these services. The survey conducted for this report indicated that approximately 50% of the respondents would pay 5-10% of their incomes for better medical services from paid sources. The stories presented in this section indicate that local citizens and councils are willing to support financially better healthcare in their communities. There is also need for greater education to reduce the number of illnesses such as TB, HIV/AIDS and other contagious diseases.

Living conditions, such as housing, energy, water, sewage, pollution and transportation, are the main areas that are detailed in Chapter 4. Communal service is the term used to describe these basic services that provide the essential conditions of our living environment. According to the current regulatory framework the operations of the communal enterprises and the use of these assets lays with the city, town and district (rayon) councils. The situation in these sectors is reviewed in the chapter and summarized in the following.

Housing has emerged as one of the most critical problems confronting Ukraine in improving its living conditions. New housing construction has been a particularly significant problem in Ukraine with supply not meeting the increasing demand for housing. The public sector has not met the challenges of providing an adequate level of housing, particularly for low-income groups. One of the main problems is the complexity of the building regulations and registration procedures. The solution is not only more realistic regulations, but also utilizing the private sector with market forces to overcome this problem. The report indicates that CSOs, along with the public sector, can play a strong role in providing advice, support and funding to improve the housing conditions.

The EU has placed energy efficiency as a high priority in the new millennium. This is another area where Ukraine must estab-

lish policies and undertake programmes to be more in compliance with EU standards. Several actions need to be taken to promote this situation. First, market forces that will force conservation through pricing mechanisms need to be initiated. Additionally, greater education of citizens concerning energy conservation and cost recovery of energy pricing is needed at local levels. Decentralization, with its emphasis on local authorities, can play an important role in alleviating the problems associated with energy consumption in Ukraine.

Potable water is one of the most serious problems facing local government. Even though water connection is available in highly urbanized areas, there is a serious problem in rural areas where only 35% have connection to water systems. However, the water supplier is changing even in urbanized areas. Private systems of water service delivery are emerging in many cities, and some people are resorting to accessing boreholes where they are unable to afford the local tariffs for services. Solutions exist for overcoming these problems and the report details that the establishment of private sector partnerships with public authorities provides several solutions. The key to all of these solutions is greater citizen awareness of the water problem to encourage citizen's willingness to pay for these services. There are good examples of how this has succeeded in cities such as Cherkasy, Khmelnytsky, Lutsk and Zhytomyr where groups representing city government, water authorities, and civil society were established to solve serious water problems.

The disposal of piped sewage presents some significant financial problems for local governments. This is particularly the case with smaller units of government. The best approach in these cases is for community organizations and local authorities to undertake partnership programmes to promote waste disposal. The decentralized public-private partnership is the most workable solution to these problems of constructing and maintaining sewage systems.

Solid and hazardous waste disposal at landfill sites presents even more critical

pollution and environmental problems for solving through decentralized actions. As the report indicates, more than 80% of the existing landfills and waste dumps do not meet sanitary requirements. There are a large amount of wage arrears for workers in this sector, as well as obsolete equipment that has not been properly maintained. The work of the NGO sector, along with local governments, waste services and private enterprises can make an important contribution to making people more aware of the problems created by this hazardous waste disposal.

The increase in privately owned automobiles has produced a serious pollution problem. Solutions for this include the greater use of public transportation and better coordination of transportation and land use policies that will enable transportation and pollution problems to be greatly diminished. Presently, the use of privately operated mini-buses (marshrutkas) has been an innovative solution in some situations. More needs to be done at the local level in terms of regulations on pollution emission from vehicles at this level, as well as strong support from the central level. Also, industrial emission levels for certain industries need to be implemented and enforced at the central level in order to avoid a situation where polluting industries change their locations to more lenient environmentally regulated regions or localities.

The preceding chapters dealt directly with the sectoral problems in education, health, communal services, transportation and environmental problems. In these sections the need for decentralized approaches to solving these problems was emphasized as well as the areas where central and local governments play a crucial role in designing, developing and delivering services to meet human development needs. Chapter 5 takes this analysis further by looking more specifically at how the cooperation of central and local governments can be achieved in several areas and develops an Action Programme for Human Development identifying specific actions that can be taken by both central and local levels of government.

Establishment of private sector partnerships with public authorities provides several solutions.

...central government must further develop a national legal framework.

The important actions that can be taken at central government level include further clarification of the legal, financial, and territorial divisions for local governments.

The chapter focuses on some of the issues that need to be addressed in order that local governments have the legal as well as fiscal capacity to meet the requirements placed on them. Three areas were identified in which central government must further develop a national legal framework. These are: (a) laws establishing the administrative structure of local governments in terms of both geographic divisions and operational problems; (b) laws establishing an adequate fiscal capacity and revenue base for local governments; and (c) additions to the existing laws establishing the system of inter-governmental fiscal relations. Improvements are still needed in the Budget Code to expand its coverage to additional levels of local government units and more transparency in the allocation process.

Chapter 5 further develops an Action Programme for Human Development. It identifies four challenges that face Ukraine if it is to meet the MDGs. These are identified as:

- Local governments utilizing citizen participation and innovative service delivery methods to support local human development needs;
- An education system that prepares all people for a rewarding life of working and learning;
- A healthcare system, accessible to all, that frees people from preventable illness and helps assure good health;
- Housing and community services that assure everyone the right to decent housing.

The chapter provides specific actions that can be taken at the local and national levels to enhance the human development possibilities of citizens. These actions are addressed in the areas of healthcare, education, housing and community services, and involve citizens in the decision-making process and service delivery.

The important actions that can be taken at central government level include further clarification of the legal, financial, and territorial divisions for local governments. These include further development of the laws on local government finance, taxes and community property. One of the key areas for additional action by the central government is improvement to the Budget Code to stabilize the transfer formulas and allocations to the local governments.

Central government can also play an important role in supporting healthcare, education, and building a climate for business investment to support the achievement of the MDGs identified earlier.

This chapter presents an ambitious, but achievable, programme that requires the full support of the public and private sectors, and the further development of community service organizations that are contributing so much to the present human development of the people of Ukraine.

INTRODUCTION

This 2003 National Human Development Report (NHDR), like the previous one, focuses on good governance as a tool for accelerating human development. The previous report examined participation as an instrument for accelerating human development, looking in particular at questions, such as: "What is participation and how can the participation of civil society in governance accelerate human development?" One of the key conclusions from the last report was that participation empowers people and CSOs within which they work to become strong partners with government in the delivery of human development services.

This year's report takes the analysis one step further, looking not only at the empowerment of people and civil society organizations, but also at the empowerment of local government through decentralization. Decentralization can be looked at from several dimensions — political, administrative, financial and economic. These dimensions are detailed in Chapter 2 and the remaining chapters look at decentralization possibilities in the human development sectors examined; including education, health, housing and community services, and the environment. Decentralization, in each of these dimensions, not only involves the delivery of public services, but also where the decisions will be made on what services will be delivered. So, there is a close and direct connection between where the decision is made and who participates in making the decision.

Why is decentralization important to human development? This question will be discussed in each chapter, but the connection can be summarized as follows. Decentralization increases opportunities for civil society to participate in the governance of hospitals, schools and other institutions important to human development. When decisions regarding healthcare are made at the center, civil society at the local level has little opportunity or incentive to participate. But when, decision-making is decentralized

to the local level, this encourages people to participate because they can have a direct impact on decisions that affect them and their families.

But why is this participation important? Put simply, it helps generate additional resources for human development programmes, and it helps assure that resources are used as efficiently as possible in accordance with local realities and priorities. Along with this participation, there is also a need to develop the institutional and organizational capacities of local governments, NGOs, and CSOs to provide this efficient delivery of programmes.

Resource mobilization and efficient resource utilization is particularly important for Ukraine as a transition country because of two major challenges.

First, Ukraine inherited Soviet-style hospitals, schools, and other systems for human development that cannot operate efficiently in a market-based democratic society. By world standards, in fact, they did not work efficiently even under the old system. Consequently, new ways must be found to use resources more efficiently. Getting people involved in setting priorities for resource use and in identifying more efficient ways to use scarce resources is therefore very important.

Second, although Ukraine has enjoyed considerable economic growth since 2000, a decade of economic decline left the country with sharply reduced financial resources compared to what was available during the Soviet era. Consequently, any mechanism such as participation that makes it possible to mobilize additional financial and non-financial resources can make a major contribution to accelerating the pace of human development. Since decentralization enhances participation by empowering authorities and citizens at the local level to take care of their own problems, decentralization is an important tool for human development.

However, as indicated in this report, decentralization is not the sole panacea for solving all human development problems. Some programmes are best delivered by central government rather than by local governments. This issue is dis-

cussed in the report, but generally speaking, full decentralization is not appropriate when:

- a) Decisions made at the local level could adversely affect people in other localities; and
- b) Efficient service delivery requires a scale of operation that is not possible at the local level.

However, the utilization of many innovative service delivery methods, as identified in this report, such as alternative service delivery by the private sector, NGOs and CSOs, inter-municipal cooperation and other approaches can preserve the principle of decentralization as an effective policy for central and local governments to pursue.

Environmental protection is a common example of the first case where full decentralization may not be practical. A city may decide to dump its raw waste into the river because that is the cheapest way for the city to provide sanitation. However, such an action would adversely affect

people downstream, to say the least, so a higher level of government commonly needs to make or at least approve decisions related to environmental quality.

Advanced cancer treatment or cardiac care is an example of the second case where economies of scale require more centralized control. Facilities with highly specialized equipment and surgeons are required to deliver such healthcare, and the smallest communities cannot fully utilize the capacity of such facilities, making the cost of treatment extremely high. When decentralized facilities cannot realize the necessary economies of scale, the service should be delivered at a higher level of government.

Aside from these two situations, tremendous scope exists for decentralizing the delivery of services important to human development — especially in countries, which in the past were over-centralized. This report examines the potential and limits of decentralization in Ukraine as a mechanism for accelerating the pace of human development.

STRUCTURE OF THE REPORT

Chapter 1 – Human Development Trends in Ukraine

This chapter provides a snapshot picture of the current status of human development from the perspectives of the Human Development Index (HDI) and the Millennium Development Goals (MDGs). Trends in an internationally comparable HDI are presented for Ukraine as a whole, and a special regional HDI, calculated according to the specifics of Ukraine, is provided for each region (oblast). Analysis based on the MDGs indicates Ukraine's performance in areas such as poverty reduction, life expectancy, and other indicators used to measure progress towards the MDG targets.

Chapter 2 – Benefiting People Through Decentralization – The Power of Local Decision-Making

This chapter expands on the background presented above regarding the links between human development and decentralization. It also provides a more detailed discussion of the various interpretations given to the term "decentralization" and examines Ukraine's progress during the past decade in moving from a highly centralized to a more decentralized system of governance.

Chapter 3 – Decentralization and People's Development

The physical and social environment in which people live has a major impact on their quality of life. Programmes at the local level in areas such as housing and communal services can greatly improve the way people live, especially at lower income levels. This chapter looks at ways in which local communities, with the support and participation of civil society can implement programmes that improve people's living environment even when budgetary resources are scarce.

Chapter 4 – Decentralization and People's Living Environment

The physical and social environment in which people live has a major impact on their quality of life. Programmes at the local level in areas such as housing and communal services can greatly improve the way people live, especially at lower income levels. This chapter looks at ways in which local communities, with the support and participation of civil society can implement programmes that improve people's living environment even when budgetary resources are scarce.

Chapter 5 – Moving Forward Through Decentralization – An Action Programme for Human Development

Based on the preceding analysis, this chapter summarizes a programme of action designed to accelerate the pace of human development and the realization of Ukraine's MDGs. The programme distinguishes between areas of action for central and for local levels of government.

PREPARATION OF THE REPORT

This report is itself a model of participation. The Advisory Committee for the 2001 NHDR, a group representing a broad range of national and international stakeholders, reviewed several alternative topics for the present report. Some seminars were held with an even broader group of stakeholders including government agencies, NGOs and donor organizations. A strong consensus emerged in favor of the current topic – decentralization.

A draft outline was developed for the report, and on this basis, a list of the research papers needed for the NHDR was developed. The background policy papers addressed six areas:

1. Role of Governance in Small and Medium Size Enterprise Development – Regional Aspects;
2. Budget Sector Analysis;
3. Decentralization – Legal Background;
4. Decentralization in the Healthcare Sector in Ukraine;
5. Decentralization in Education in Ukraine; and
6. Survey of the Cities of Ukraine.

After extensive discussions with various NGOs, think-tanks and individual experts, teams were chosen to prepare the papers. These were reviewed with the authors, and public seminars were held to discuss the findings. Seminars were held for each of these research topics, where representatives of the Government, NGOs, and donor organizations provided additional opinions and recommendations. Finally, the Advisory Board made final comments concerning the contents of the report.

In addition to these research papers, a sociological survey Decentralization and Human Development – People's Perceptions of the Quality of Governance and Social Services Delivery was conducted to investigate public opinion on issues related to decentralization and human development. This survey was conducted in all Ukrainian regions (oblasts) and is representative for the whole country and seven consolidated Ukrainian regions. It provides a perspective on how Ukrainians feel about many of the political, social and economic issues addressed in this report. The results of the survey for the questions of most interest are provided in Annex 4 and are referred to throughout the report.

A full list of contributors and study teams are shown on the acknowledgements page. Our sincere thanks go to all who made this effort so successful.

HUMAN DEVELOPMENT TRENDS IN UKRAINE



After attaining independence in 1991, Ukraine went through a very difficult decade during which economic output declined dramatically, as did living standards. Since 2000, however, the economy has been growing, bringing higher living standards for most Ukrainians — but not for all. Using the analytical framework of the Human Development Index (HDI)¹ and the Millennium Development Goals (MDGs), this chapter traces the key parameters of these developments in Ukraine on national and regional levels.

1.1 HUMAN DEVELOPMENT IN UKRAINE: THE PICTURE MAY BE IMPROVING

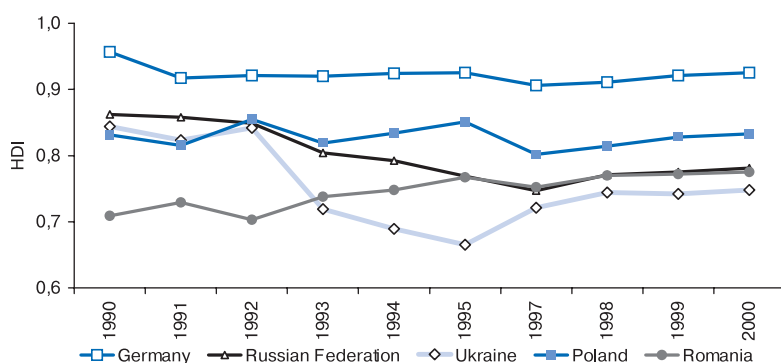
Human Development Index — National

Human development in Ukraine deteriorated sharply during the first part of the 1990s, but began to improve in the second half according to the HDI (Figure 1.1 and Box 1.1). Between 1990, which reflected human development in Ukraine

years, moving up by 12%. For the decade as a whole, Ukraine shifted from forty-fifth to eightieth position out of 173 countries on the human development scale.

Transition obviously contributed to the sharp decline in Ukraine's human development, but this is not a sufficient explanation. For example, Romania and Poland, which were behind Ukraine at the beginning of the transition period in terms of human development, managed to improve their situations during the past decade and by 1993 had surpassed Ukraine. Russia's HDI also decreased during this period, but not by as much as in Ukraine. What are the major factors that contributed to such a sharp decline in Ukraine's HDI? A look at the components of the HDI — life expectancy, education, and income helps explain what happened.

Figure 1.1 HDI in selected countries, 1990 – 2000



Source: UNDP, Global Human Development Report, different issues.

For the decade as a whole, Ukraine shifted from forty-fifth to eightieth position out of 173 countries on the human development scale.

from Soviet times, and 1995, Ukraine's HDI decreased by about 21%. From 1995 to 2000, however, the index recovered about half the ground lost in the first five

Life Expectancy

Life expectancy at birth decreased from 70.5 to 67.9 years between 1990 and 2000. In general, life expectancy depends

Box 1.1 The Human Development Index

The Human Development Index (HDI), which was developed by the UNDP, provides a rough measure of overall human development. The key components of the HDI are life expectancy, education (literacy and school enrollment) and welfare (per capita incomes). The major advantage of this measure is its simplicity and use of data that are readily accessible in most countries thus facilitating comparisons across countries. The major disadvantage of the HDI is that it does not take into account many of the factors that are relevant to human development.

¹ The Ukraine Human Development Report for 2001 provides a detailed explanation of the methodology for calculating the HDI for Ukraine.

on mode of life (45-55%), environmental conditions (17-20%), heredity (15-20%) and healthcare (8-10%)² (V. Frolkis, 1999).

In Ukraine, adverse developments in each of these areas contributed to the country's extraordinary decline in life expectancy. Even before independence, a healthy lifestyle was not given high priority in Ukraine: heavy smoking and drinking were common; diet was often heavy with fats and sugars; and regular exercise was not widely practiced. With the economic collapse that followed independence, problems got worse. Drug use rose sharply. Environmental conditions actually improved for the most part after independence as many of the old heavily polluting factories were financially inefficient and had to stop their operation. The Chernobyl disaster of 1986 was another factor, but does not seem to have had a major impact on long term death rates. As to heredity and health, the former obviously does not explain the post-1991 deterioration, but sharp declines in the financing and, thus, quality of healthcare were quite important (see Chapter 3). Lower incomes also meant more nutritional problems, which further weakened the health of the Ukrainian population.

Education

The education attainment component is comprised of two parts: the adult literacy rate and the combined gross enrollment rate (CGE). Ukraine has performed quite well in both of these areas. Although primary school enrollment has decreased slightly, the overall CGE increased from 74% in 1992 to 77% in 2000. The adult

literacy rate is traditionally very high in Ukraine — 99%. However, the growing number of homeless children who are not in school threatens this excellent record, and the state should ensure that homeless children complete primary school.

Incomes

The sharp decline in economic output noted above is the main factor explaining Ukraine's sharp decrease in HDI since independence. In purchasing power parity (PPP)³ terms, per capita incomes dropped by 42% (from USD 5,921 to USD 3,429) between 1992 and 2000. Since 2000, Ukraine has been experiencing economic growth, but it will take years before the 1990 level of GDP per person is restored⁴.

MDG Information

The HDI gives a snapshot of where Ukraine stands today in terms of basic human development indicators. A much more comprehensive analysis of the current situation — and of prospects for the future — is possible using the MDGs for Ukraine. The Millennium Declaration that was signed by the UN member states in September 2000 launched these goals on a global basis for all countries. The MDGs are a commitment to develop long-term policies that will help the most vulnerable groups in society and the most vulnerable societies in the world. The global MDGs focus on eight major goals:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;

...sharp decline in economic output noted above is the main factor explaining Ukraine's sharp decrease in HDI since independence.

Appeal by the participants of the All-Ukrainian Youth Summit "Ukraine — Millennium Development Goals" 26th-28th October 2002

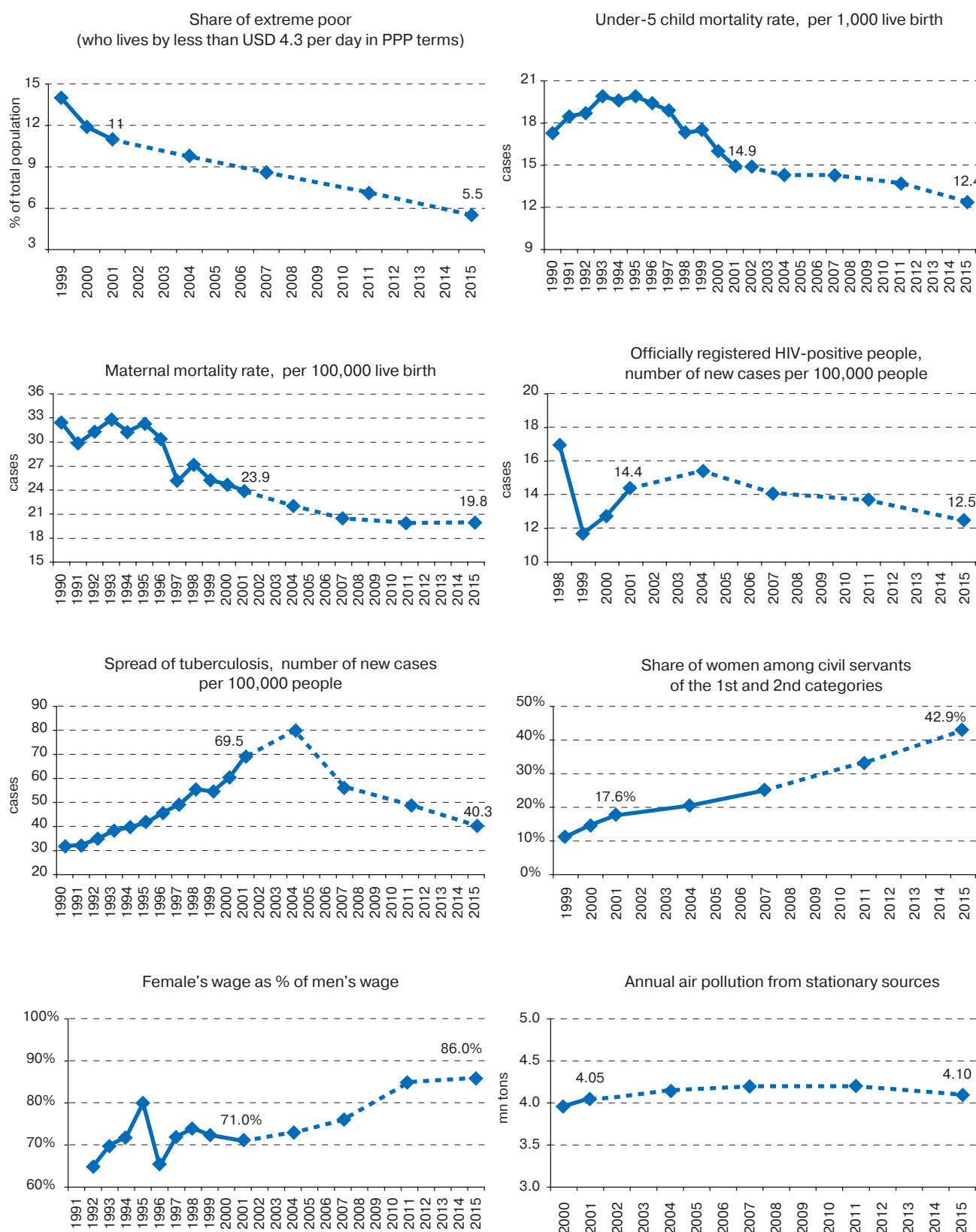
"The achievement of these Goals is abstract and far away when one person — the President — only signs it [i.e. the Millennium Declaration] in the name of all the people. But it becomes real and attainable when it is the business of every single citizen. And it has to be our business, for it is to Ukrainian youth that the future of achieving these Goals will belong."

² In brackets — the weights of each of the factors.

³ Purchasing power parity adjusts incomes converted from local currency to dollars to reflect the actual cost of purchasing a standard basket of consumer goods. PPP incomes are generally higher than market incomes in transition countries because of their low cost of living in dollar terms, especially in those countries with significant trade barriers or weak exports.

⁴ Given that a major share of 1990 GDP was diverted to military-industrial consumption and provided no benefit to the average person, living conditions may return to pre-transition levels well before per capita GDP levels do.

Figure 1.2 Assessing Ukraine's progress towards attaining its goals for the new millennium



4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria and other diseases;
7. Ensure environmental sustainability;
8. Develop a global partnership for development.

How is Ukraine doing in terms of each of these goals?

Eradicate extreme poverty and hunger

This goal calls for countries, between 1990 and 2015, to halve the share of people living on less than one dollar per day in PPP terms.

Presently in Ukraine, less than 1% of the population lives on less than USD 1 per day. In fact, surviving in Ukraine, especially in the winter, would be very hard at this level of income given the requirements posed by the country's climate for better shelter, warmer clothing, and a higher caloric intake than is needed in the more temperate and tropical climates for which the USD 1 per day level was originally proposed.

Extreme poverty in Ukraine is therefore defined as less than USD 4.3 per day, the same as for other transition countries. Both targets are set in 1985 purchasing power prices and are adjusted to current prices and PPP levels when calculating the actual performance. On this basis, Ukraine is setting a target that is much more ambitious than the original one "to reduce by half, between 2001 and 2015, the proportion of people whose income is less than USD 4.3 per day in PPP terms".

In 2001 by this measure, 11% of the country's population was suffering from extreme poverty (Figure 1.2). These were primarily families with three and more children. Families with three or more children account for 18% of the poor (5% of the total population). Families with four or more children account for 8% of the poor (1.6% of the total population). Families with non-working adults account for 56% of extreme poor (one third of the total population). Their number increased 1.2 times in 2001 compared with the previous

year. Extreme poverty risk varies also with place of residence. It is the highest for the rural population, which accounts for 42% of the poor (32% in total population) and lowest for residents of big cities, primarily, of the capital (households survey data).

Achieving the Ukrainian target depends on economic growth and on transforming this growth into general well being, especially for those living in extreme poverty. Given that Ukraine decreased the number of people living in extreme poverty from 14% to 11% in 1999-2001 (Figure 1.2), a period in which it experienced economic growth for the first time in 10 years, economic growth clearly can benefit all people of Ukraine including the poor. Much more needs to be done, however, to assure that Ukraine's economic and social strategies maximize the efficient use of labor, generating the greatest possible number of productive jobs, and that social support programmes are improved to protect the very poor. If this is done, Ukraine should be able to achieve its target of reducing by half the share of people living on less than USD 4.3 per day.

On the other hand, the share of the poorest quintile in national consumption has deteriorated during 1999 — 2001, as has the poverty gap ratio. According to a household survey, the share of the poorest quintile in national consumption has decreased from 13.9% to 13.3%, and the poverty gap ratio has increased from 23% to 25%. This highlights the importance of implementing policies at national and regional levels to assure pro-poor economic and social strategies that assure a more equitable distribution of national income.

In line with reducing the depth of poverty in Ukraine, the government has set another target "to reduce by one third, between 2001 and 2015, the proportion of the population, whose consumption is below the national poverty line." This target was first incorporated in the government's *Strategy for Poverty Alleviation* for 2001-2009 the document where the national poverty line was defined for the first time.

...Ukraine should be able to achieve its target of reducing by half the share of people living on less than USD 4.3 per day.

...the more important education issues are improving access in rural areas to quality secondary education and the overall quality of education.

Another target set by global MDGs is "to halve, between 1990 and 2015, the proportion of people who suffer from hunger." The major indicator for this goal is the prevalence of underweight children less than five years old. According to a survey conducted jointly by UNICEF and the State Statistics Committee of Ukraine (SSC) in 1999, only 3% of children in Ukraine under-five years had insufficient weight. This figure is comparable with the 1-2% rate in the United States and much lower than the 47-49% rate in South Asia (World Bank, 2002). Based on this, and keeping in mind that there is no evidence that people in Ukraine are dying because of hunger, the Government of Ukraine has decided that this target is not a pressing issue for the country.

Achieve universal primary education

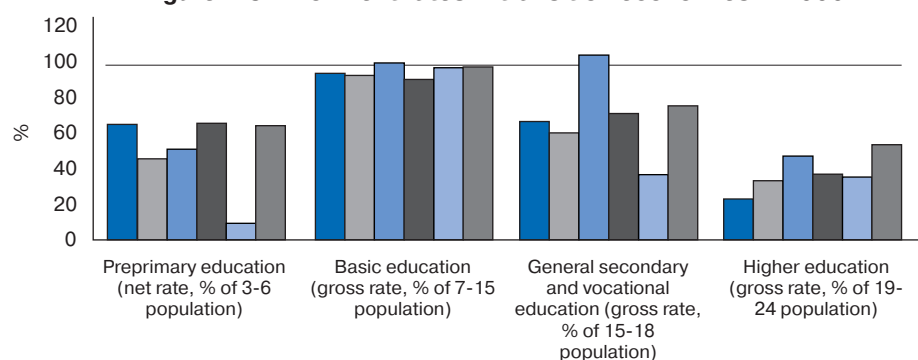
The global target is "to ensure that, by 2015, children everywhere ...will be able to complete a full course of primary schooling." This target is not meaningful in Ukraine. First of all, as one can see from Figure 1.3, basic education enrollment (including primary) in Ukraine is high. Although it has decreased slightly since 1990, it is still more than 90%. Second, basic secondary education is mandatory, free of charge, and guaranteed by the Constitution of Ukraine.

slightly behind, especially compared with Latvia or Poland, but has been growing over the years (Figure 1.3). Between 1990 and 2000, pre-primary education enrollment decreased substantially and, as discussed in Chapter 3, special policy actions may be needed to improve this indicator. The initial socialization of children that takes place at the ages of 3 to 6 provides the basis for success in further education and in developing a well-balanced personality.

For Ukraine, the more important education issues are improving access in rural areas to quality secondary education and the overall quality of education. In rural schools, one fifth of the subjects are taught by teachers who are not specialized in the particular subject (often pensioners or older students), and over 3,000 individuals teaching these children have no pedagogic education at all. Rural schools are poorly equipped with computers and education supplies.

Consequently, rural children rarely get the kind of education offered in modern urban secondary schools. These problems limit the competitiveness of rural school graduates when they try to join higher education institutions, and they limit the skills of adults who remain in the rural areas. Concern also exists in Ukraine about the overall quality of the national education

Figure 1.3 Enrollment rates in transition economies in 2000



Source: UNICEF, 2002.

■ Ukraine'90 ■ Ukraine ■ Poland ■ Russia ■ Kyrgyz Republic ■ Latvia

General secondary enrollment and vocational school enrollment are on about the same level as in other transition economies. Higher education enrollment is

system (Chapter 3). The curricula at most levels have still not been fully revised to meet the needs of a market-based economy. The school system is fragmented

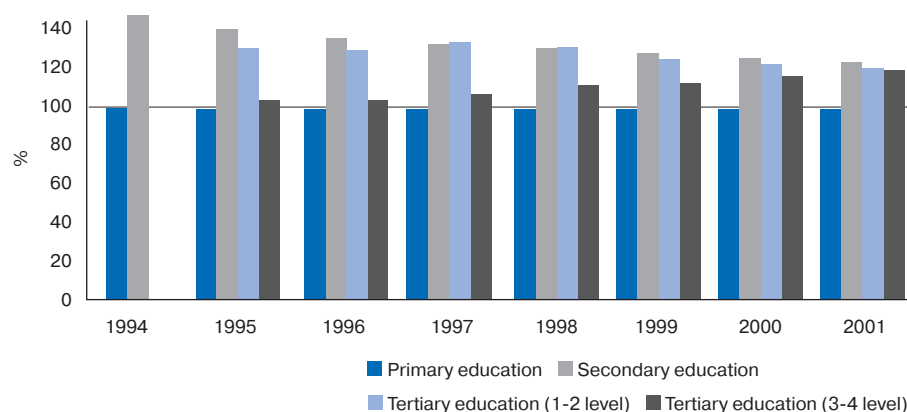
and inefficient (especially in the rural areas and in higher education), and the opportunities for lifetime learning for Ukrainian adults are limited.

Based on these realities of the Ukrainian education sector, Ukraine set two targets within the MDGs for education:

- Increase education enrollment during the 2001-2015 period; and
- Increase the quality of education.

we have to adopt a policy to promote enrollment of males to secondary and tertiary institutions. The reason for the current disparity lies in the structure of the population: the national ratio of females to males is 115:100. Bearing in mind all these facts, we can conclude that according to indicators of gender ratio among students Ukraine has already achieved the target on education enrollment. However, we cannot say that there are no gender problems in Ukrainian society. For example, since independence,

Figure 1.4 Ratio of girls to boys in Ukrainian educational institutions



Source: State Statistics Committee of Ukraine.

Promote gender equality and empower women

The concept of gender equality stipulates that women and men enjoy equal status, possibilities to exercise all human rights, and opportunities to contribute to national, political, economic and social development of their country and to benefit from results of these activities.

According to global MDGs the target for this goal is "to eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels of education no later than 2015."

As one can see from Figure 1.4, there is no significant problem with gender inequality at any level of education in Ukraine. In fact, there are more girls than boys at all levels of education, except primary. However, this does not mean that

the share of women in the Verkhovna Rada of Ukraine has consistently been less than 9%. The share of women among top ranking civil servants (First -Second category) accounted for only 15% in 2000, while the average monthly salary of women was only 71% of the average monthly salary of men in 2000. We, therefore, conclude that the major gender problems in Ukraine are equality in the spheres of politics and economics. As a result, Ukraine should set three targets for this goal:

- To assure, by 2015, at least a 30-70% balance of each gender at top levels of representing and executive power; and
- To decrease by half, between 2001 and 2015, the gap between men's and women's incomes.

Solid arguments can be made for all the targets. Ukraine has signed the

...there is no significant problem with gender inequality at any level of education in Ukraine.

Ukraine is already close to the practical limit of reducing child mortality.

Convention on the elimination of all forms of violence against women. Thereby, it undertook the commitment to observe its provisions on the whole territory of Ukraine. At the same time, problems must be recognized. Taking into account that at the local level women are more in power (more than 50% of deputies of local councils, mainly in rural areas, are women), one can conclude that with decentralization more and more responsibilities will be taken by women, which would partially solve the problem.

Ukraine is a democratic country where people are elected and not appointed to governing bodies such as the Verkhovna Rada of Ukraine. The government, however, could propose to amend the law on election to ensure gender balance in party lists for elections. However, under the current election system, half of the seats are elected on a direct majority vote, so balancing the party list can only assure a 25% representation of women.

Consequently, the government cannot achieve a gender balance target in the same way that it can approve the budgets and programmes needed to achieve a target such as access to clean drinking water in the homes of rural residents. The government can, and should, influence the outcome of elections only indirectly — through public education campaigns, for example.

As to the second target, it will be hard to monitor. Official wage statistics do not

fully reflect the large shadow economy and thus miss a major share of wage income flowing to both women and men. Also, identifying "equal work" can be difficult. The actual wages paid in government offices for specific types of jobs, along with information on the share of men and women holding jobs at each level could, however, provide at reasonable indicator of wage equity.

Reduce child mortality

The target is "to reduce by two-thirds, between 1990 and 2015, the under-five mortality rate." The status of child mortality in Ukraine is fairly good compared with other countries in the world (Figure 1.5). Given that even the most developed countries do not achieve zero mortality rates, there are clearly limits on the extent to which Ukraine can expect to reduce its own rate. Also, the closer the country is to current limits, the more difficult it is to reduce the rate further.

Ukraine is already close to the practical limit of reducing child mortality. The global target would mean that Ukraine should reduce its under — five mortality rate from 17.3 (1990 datum) to 5.8 per 1,000 live births. Only Japan, Scandinavian countries, Austria and Australia have lower child mortality rates.

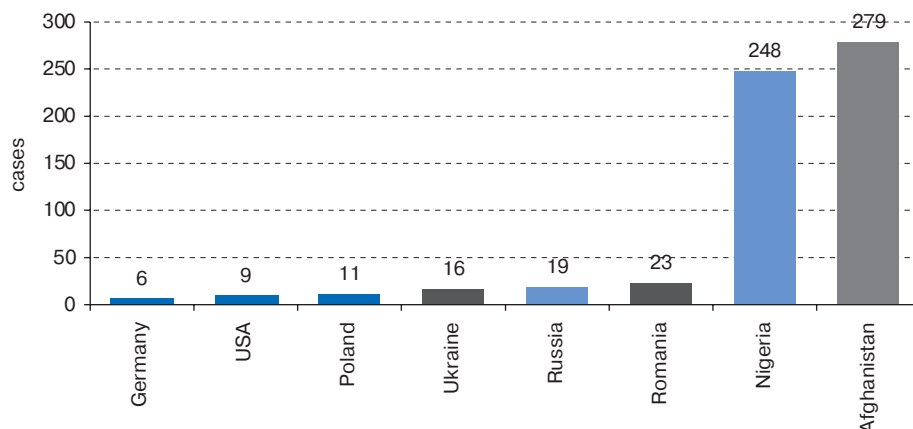
It is therefore unrealistic to expect Ukraine to achieve this target. Ukraine has therefore reformulated this target as follows:

Box 1.2 Gender disaggregated results of 2002 election campaign

Out of 450 deputies that form the Verkhovna Rada of Ukraine men constitute 94.9% and women 5.1% after the 2002 elections. The ratio between women and men elected by party list is 1:14. Furthermore, out of the eight women elected in single mandate constituencies, seven women were elected with the support of the For a United Ukraine election bloc while the Communist Party of Ukraine supported one woman. These figures reveal gender policy conducted by political parties. The ratio between women and men nominated as deputies has essential regional differences. This ratio in Donetsk Region is — 1:3; in Kirovohrad Region — 1:2.7; while in Lviv Region it is 1:14, in Transcarpathian Region it is 1:12 and in Vinnytsya Region it is 1:9.65.

According to the results of impact monitoring of the "OLGA" programme (UNDP and SIDA funded programme on gender partnership of women and men in politics) the number of women elected to various level of councils increased by 15-16% in western regions of Ukraine and even doubled in some districts of Luhansk Region.

Prepared by the Equal Opportunity Project, UNDP

Figure 1.5 Global under-5 mortality rates per 1,000 live births in 2000

Source: World Bank, 2002

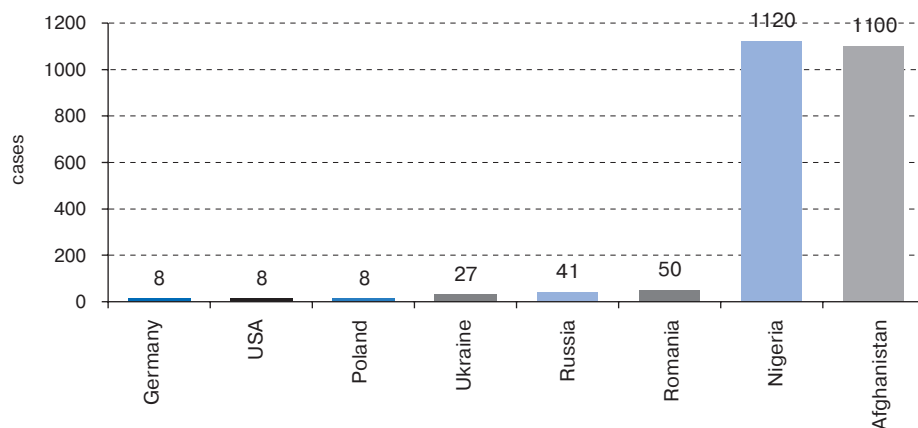
"to reduce by 17% the under-five mortality rate between 2001 and 2015" (Figure 1.2).

Improve maternal health

The global MDG target here is "to reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio." As with child mortality, Ukraine's maternal mortality problems are minor compared to other countries in the world (Figure 1.6). Therefore, as with child mortality, the global target for Ukraine is too ambitious. Ukraine would have to decrease maternal mortality to the lowest level in the world. To make the target realistic, Ukraine has re-formulated it, committing itself to "to reduce by 17% maternal mortality, between 2001 and 2015 (Figure 1.2).

Although the proportion of births attended by skilled health personnel in Ukraine is almost 100%, maternal deaths in Ukraine are higher than they should be in part because of the relatively high number of abortions done outside healthcare entities by unskilled personnel. As a key element in its effort to reduce maternal death, Ukraine should monitor another indicator — the abortion ratio.

Early child bearing also increases the risk for mothers and children. In Ukraine, the adolescent fertility rate for women aged 15-19 reached 43 births per 1,000 in 2000. This is high compared with Central European Countries such as Poland (21), the Czech Republic (23), and Slovenia (10) — and also compared to European Union (EU) countries such as Germany (13), Sweden (11), and Spain (9) —

Figure 1.6 Global maternal mortality rates per 100,000 live births in 2000

Source: World Bank, 2002

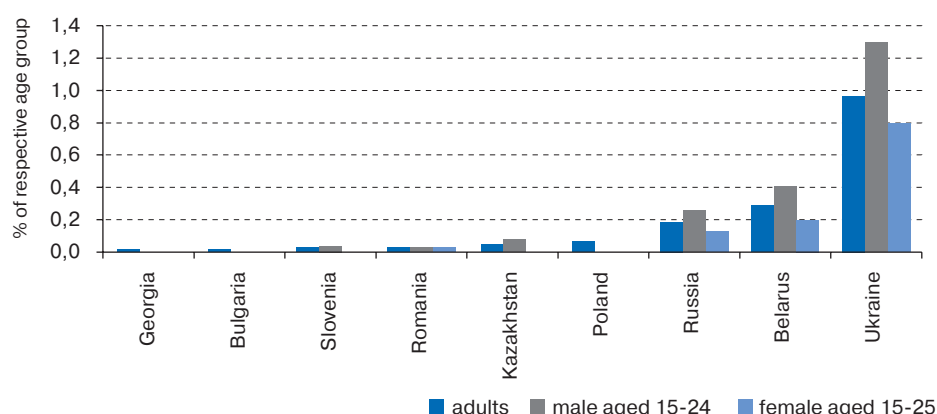
(World Bank, 2002). Improving this indicator is also very important for reducing maternal mortality in Ukraine.

Union (EU) countries such as Germany (13), Sweden (11), and Spain (9) — (World Bank, 2002). Improving this indicator is also very important for reducing maternal mortality in Ukraine.

importantly, the speed with which this disease is spreading. That is why the Ukrainian version of the HIV/AIDS target is "to decrease the expansion rate of new HIV/AIDS infections by 13% between 2001 and 2015."

Although malaria is included in this global MDG, the disease is not an issue for

Figure 1.7 Global HIV prevalence rates in 1999



Source: World Bank, 2002.

The great concern now is not only the number of HIV-infected but even more importantly, the speed with which this disease is spreading.

Combat HIV/AIDS, malaria and other diseases

Amidst the dramatic political and socio-economic transition in Ukraine, the number of people infected by HIV/AIDS continues to rise. According to data from the Ukrainian Centre for AIDS Prevention, about 48,000 people have been officially registered with HIV as of July 2002. Those infected live primarily in the highly industrialized regions and corridors of transport such as Donetsk, Dnipropetrovsk, Odessa, Mykolayiv and the Autonomous Republic of Crimea. However, the number of people officially registered is believed to be just the tip of the iceberg. According to national and international experts, there may be as many as 400,000 people living with HIV/AIDS in Ukraine. With almost 1% of the adult population infected, Ukraine is at the epicenter of HIV in Central and Eastern Europe and in the NIS (Figure 1.7).

The great concern now is not only the number of HIV-infected but even more

importantly, the speed with which this disease is spreading. That is why the Ukrainian version of the HIV/AIDS target is "to decrease the expansion rate of new HIV/AIDS infections by 13% between 2001 and 2015."

Ukraine. The number of first time registered cases has been negligible and dropping over time: 136 in 1993 and 109 in 2001 (SSC). Rather than setting a target for this minor problem, Ukraine will focus its attention on much more pressing issues such as HIV/AIDS and TB. During the past 11 years, the TB prevalence rate has doubled and the TB death rate increased 2.8 times. Today in Ukraine, TB is the leading cause of death from infectious diseases. In recent years it has accounted for 70 — 90% of all deaths of men from infectious disease and 40 — 70% of such deaths of women. The Ukrainian Center for Social Reforms estimates that the TB death rate will be nearly 40 cases per 100,000 persons in 2007, and may approach 50 cases per 100,000 by 2015, the end of the MDG period. Without major control efforts, the death rate from TB will only be exceeded by the death rate from HIV/AIDS.

Active TB is a social disease that spreads more rapidly among those with lower

standards of living, particularly those with poor nutrition. Timely diagnosis is critical to controlling TB. This requires preventive medical check-ups, especially for the most vulnerable groups. A relatively recent new diagnostic technique, known as Directly Observed Treatment Short Course (DOTS), has proven highly effective in other countries, making it possible to spot TB cases early and to reduce treatment costs. This strategy, as a pilot project, has been launched in Donetsk Region, and plans call for spreading it to other regions of Ukraine. Efforts such as this are essential to reaching Ukraine's MDG for TB, which calls for Ukraine "to reduce by 42% the spread of tuberculosis between 2001 and 2015" (Figure 1.2).

Ensure environmental sustainability

The environment is an important factor reducing the quality of life for people in Ukraine. The Ukrainian Center of Social Reforms estimates that only 15% of the country's territory can be categorized as "environmentally or conventionally clean." Another 15% is categorized as "mildly contaminated areas," while "contaminated territories" account for the rest (70%). Within the latter, 1.7% is classified as an ecological disaster — the land most directly affected by the Chernobyl accident as well as land in some of the most industrially polluted regions.

The Chernobyl disaster created especially difficult environmental, social and economic problems for Ukraine. Between 1990 and 2001, over 35,000 people were resettled from the contaminated zone under mandatory resettlement, and another 31,000 moved on a voluntary basis from areas that had suffered from the Chernobyl disaster. At the beginning of 2001, about 2.3 million individuals (4.7% of Ukraine's people) still lived in the territories with radioactive contamination, creating significant human and economic development as well as environmental challenges.

The lack of permanent access to clean drinking water appears to be another major environmental and health issue in Ukraine. Unfortunately, data from different sources provide dramatically different pictures regarding the situation.

According to a 1999 joint survey by UNICEF and the SSC, 98% of the country's population had permanent access to safe drinking water (94% in rural area and 100% in towns). In the same year, however, 12-15% of the water samples analyzed failed to meet the government's norms on chemical composition for safe drinking water, and 5-8% of samples⁵ failed for bacteriological contamination. Thus, even in areas where people had round-the-clock access to water, safe water was still a problem. The urgency of this problem is highlighted by the results of our own sociological survey. Only 64% of those surveyed had running water in their homes — a figure that fell to only 9% in the villages. Even worse, of those surveyed that had a water supply, 67% rated the quality low or very low. As discussed further in Chapter 4, this problem needs to be addressed, and reasonably aggressive targets should be set for the MDGs for Ukraine.

Reducing ambient air pollution is the top priority task for areas in Ukraine that are highly urbanized and overloaded with heavy industry. In 2000, nearly 10 tons of pollutants poured into the atmosphere for every square kilometer of Ukraine's territory. Although economic decline during the past decade decreased pollution from stationary sources, automobiles are increasing air pollution, especially in cities. Big towns such as Kryviy Rig and Mariupol in the eastern part of Ukraine lead in the volume of airborne pollutants. Critical situations can also be observed in small and medium size towns such as Burshtyn in Ivano-Frankivsk Region and Dobrotvir in Lviv Region where major energy and chemical factories are located.

Though some progress has been made since the Soviet era, energy efficiency in

The Chernobyl disaster created especially difficult environmental, social and economic problems for Ukraine.

⁵ National Natural Environment Condition Report: Ukraine in 1999.

The importance of the EU target is obvious. Ukraine is a European state. Europe's standards of living and human development is a model for Ukraine.

Ukraine is still very low. In Ukraine in 1999, the GDP per unit of energy consumed (kilos of oil equivalent — koe) was only USD 1.20 in PPP terms, compared to USD 3-7 per koe in OECD countries and USD 2-4 per koe in the majority of Asian and African countries (World Bank, 2002). The figures for Ukraine would look somewhat better if the full output of the shadow economy was included, but the picture of low energy efficiency would remain.

Bearing in mind its environmental problems as well as global MDG priorities, Ukraine sets for itself the following environmental targets:

- To increase the share of population which has access to safe drinking water by 12% during the 2001-2015 period.
- To stabilize air pollution from both stationary and movable sources by 2015 (Figure 1.2).
- To expand a network of natural reserves and national parks to 10.4% of total area of Ukraine.

Develop a global partnership for development

While the first seven goals are designed to reduce all forms of poverty, the last goal — global partnership — is designed to help achieve the first seven. In Ukraine, two global partnership goals are particularly important — World Trade Organization (WTO) accession by 2004 and EU accession either as a full or associated member by 2015.

There are several reasons why WTO accession is crucial for Ukraine. First, membership in the WTO will help Ukraine to make its economy more competitive, which means more jobs and higher standards of living. Some fear that the Ukrainian economy is weak and cannot compete with other WTO members, but a competitive exchange rate can resolve these problems by making exports competitive in dollar terms and imports expensive in hryvnya terms. Also, the WTO framework contains specific mechanisms for protecting domestic producers on a

transitional basis. In addition, as soon as a consensus on the inevitability of WTO accession is reached among Ukrainian society, tremendous efforts will be made to strengthen market institutions and enterprises in Ukraine.

Second, almost all influential political forces in Ukraine trumpet their commitment to the European choice. Ukraine can further demonstrate that fundamental choice by becoming a member of the WTO. Accession is effectively a prerequisite for achieving Ukraine's more ambitious goal — EU membership.

Third, according to the presidential Order on the Programme of Measures for Completing Ukraine's Accession to the WTO that was issued in 2002:

"The multilateral trade system is a reliable safeguard for the protection of exporters' interests in the markets of WTO member states. The existence of such a system is in the interest of the governments of both developed and developing countries that are pursuing sustainable market-oriented policies by opening their markets."

The importance of the EU target is obvious. Ukraine is a European state. Europe's standards of living and human development is a model for Ukraine. The question is whether or not Ukraine will have a chance to become at least an associate member of the EU by 2015. The Maastricht treaty set very transparent economic criteria for achieving this target. Comparing Ukraine's performance in 2001 (the latest available data) with the previous three years (see Table 1.1) we can conclude that these criteria can be reached by 2015. Ukraine has already achieved price stability, budget deficit control, and public debt sustainability. Exchange rate fluctuations are very modest. Furthermore, interest rates will decline as the business climate improves; this will lower risk premiums, increase deposits in commercial banks that can be given out as loans, and increase the inflows of foreign investment and repatriated Ukrainian capital.

In addition to these economic criteria, a country seeking to join the EU should

attain other qualitative criteria such as development of democracy, rule of law, civil society, and independence of the mass media. Global researchers rank countries in terms of these indicators. Unfortunately, Ukraine comes in well

behind its neighbors to the west according to most of these rankings. Government efforts are urgently needed to create more favorable conditions for the development of civil society organizations, the mass media, and businesses.

Table 1.1 Maastricht criteria and development of Ukraine

Criterion	EU requirement	Ukraine (1998-2000)	Ukraine (2001)
Price stability	Inflation should not exceed 1.5 p.p. of the average inflation of 3 EU states with the lowest inflation (3-3.5%)	CPI (eop): 20.0% – 25.8%	CPI (eop): 6.1% (for 2002: 0.6%)
Stability of exchange rate	Currencies are not allowed to fluctuate more than 2.25% on an upper and lower boundary	EUR (eop): About 40% annually	EUR (eop): -7.8%
Budget deficit	Budget deficit may not exceed 3% GDP	Deficit: 1.8% on average	Deficit: 1.9%
Public debt	Public cumulative debt should not exceed 60% of GDP	51.8% on average	37.4%
Long-term interest rates (LTIR)	LTIR must not exceed by more than 2 p.p. of the average LTIR of the 3 EU members with the lowest interest rate (9.8%)	Credit interest rate: 43-33%	Credit interest rate: 26%

1.2 REGIONAL PATTERNS OF HUMAN DEVELOPMENT

Over the last several years, the pattern of human development of Ukraine's regions (oblasts) has been uneven. Some regions performed better in education or health-care, while others moved ahead more quickly in terms of economic output. National trends in the regional develop-

ment and their possible causes are the focus of the remainder of this chapter. And these regional trends and problems provide the basis for the remainder of the report, which focuses on the issue of decentralization and human development.

Regional HDI Patterns: Developing — Unevenly

In addition to being more detailed, the regional index should be tailored to the reality of the specific country in terms of both issues and data availability.

The Human Development Index discussed in the first part of this chapter allows us to compare levels and trends of human development across countries and time. However, comparatively few indicators are used in the international measure, limiting the usefulness of the global HDI for regional analysis within a given country.

A more refined and realistic view of the similarities and differences among such regions is needed to identify causal factors and possible policy solutions. In addition to being more detailed, the regional index should be tailored to the reality of the specific country in terms of both issues and data availability. The last NHDR introduced such a methodology for Ukraine. This year's report expands the use of this methodology, thereby strengthening the foundations for the analysis in this report on decentralization in Ukraine.

The methodology used here for computing regional HDIs for Ukraine was developed by the Ukrainian Council on Studying Productive Forces and by the SSC with support from the UNDP. In addition to providing a more complete picture of human development in Ukraine, this index, by drawing on a broader range of sub-indicators, reduces the risk of over- or underesti-

mation because of mistakes in individual indexes⁶.

The regional HDI for Ukraine consists of nine individually weighted components. The highest weights go to education, living conditions, and material well being of the population, reflecting in general terms the key components of the global HDI. Less weight is given in Ukraine's regional HDI to factors such as labor markets, demographic trends, health-care, social conditions, the environmental situation and financing human development because factor analysis indicates that they play a lesser role in determining people's overall welfare and level of human development.

Let us now look at the levels and trends in the human development of the different regions (oblasts) that can be observed over the last few years⁷.

Not surprisingly, the regional HDI for Ukraine consistently puts Kyiv City ("Kyiv")⁸ in first place in terms of overall regional human development rankings. For the last three years, Kyiv has left all other regions far behind in terms of education, living conditions, demographics, labor market development, and the material well being of the population. Interestingly, however, Kyiv's overall social conditions (for example, inci-

⁶ For a detailed description of this methodology, see Appendix 4 of UNDP (2002c), and in UNDP (2002e).

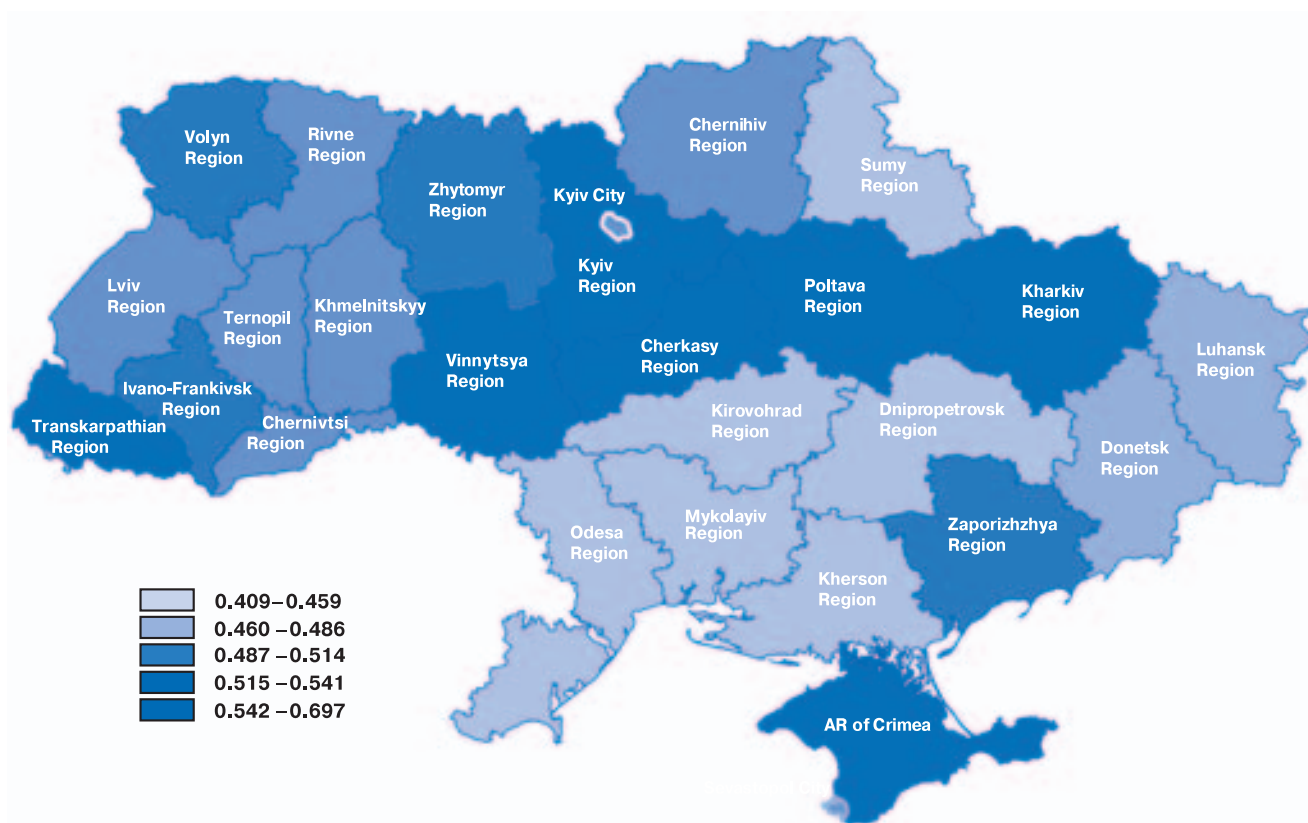
⁷ A table providing regional HDIs for 1999-2001 and a table ranking of all components of regional HDIs are provided in Annex 3.

⁸ For simplicity, the regional-level city of Kyiv will be referred to in this report simply as "Kyiv", while the region surrounding it will be referred to as Kyiv Region. All references to other locations in this section refer to regions. No city-specific analysis is given here except for Kyiv and Sevastopol, which are included because of their regional (oblast) status.

dence of tuberculosis, instability of marriages, number of babies born out of wedlock) and its environmental situation are among the worst in the country (23rd and 27th place respectively). Nonetheless, the positive sides of human development in Kyiv, especially its overall level of per capita incomes, are so substantial that they outweigh

Kyiv City. The first one is performing on average better than other regions in almost all spheres of human development. In particular, the high position of Poltava Region was achieved because of its high education achievement, high life expectancy and people's good health, favorable environmental situation as well as the relatively high materi-

MAP 1.1 UKRAINE: Human Development Index by region, 2001



the negative influence of these two factors, putting Kyiv at the top of human development among regions with the highest value of regional HDI.

For the purpose of presenting a clearer picture of regional development, we will consider Kyiv City as an outlier — it is a capital city, not a normal region — and we will focus our discussion instead on other Ukrainian regions. In terms of overall rankings, Poltava Region and the Autonomous Republic of Crimea follow

al well being of the population. At the same time, the mostly favorable situation on the labor market, good provision of communal services and sound support of social programmes explain the high human development in AR Crimea from the local government.

At the other end of the scale are Donetsk Region and Luhansk Region, which significantly lagged behind the majority of regions on a number of human development indicators during

Analysis of the components of regional HDI indicates that the level of education highly correlates with good performance in the other variables used in calculating the regional HDIs.

the last three years, a reflection of low life expectancy, very low levels of secondary school enrollment, and high rates of pollution. Interestingly, all these factors, which reflect the "social side" of human development, are so significant that, notwithstanding high per capita average income, Donetsk Region has an exceptionally low level of human development among the regions of Ukraine.

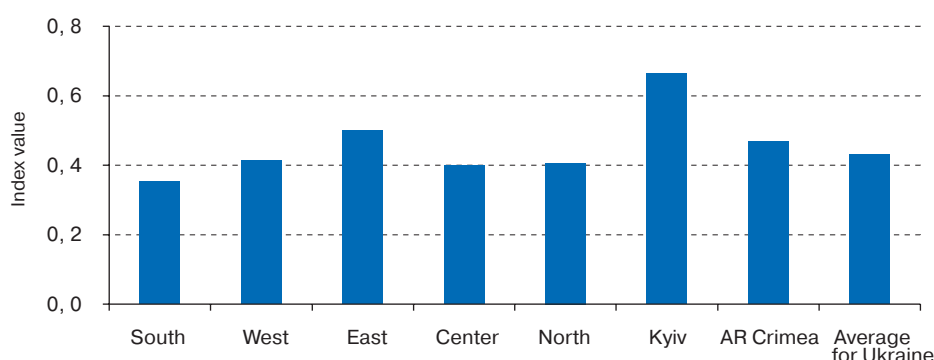
Analysis of the components of regional HDI indicates that the level of education highly correlates with good performance in the other variables used in calculating the regional HDIs. The cities of Kyiv and Sevastopol take a lead in education because of the high levels of children enrolled in their schools, the long average periods of education in these cities

and Donetsk Region have low levels of basic and upper secondary education enrollment. Another important component of regional HDI is the healthcare index. The worst situation is observed in Sevastopol City, mostly because of poor child vaccination rates. Vinnytsya Region consistently occupies top positions on the healthcare index mostly because of high rates of child vaccinations and the highest index of relative health (96% compared to 44% in Sevastopol).

Material well-being, which reflects the incomes and expenditures of the population, plays an important role in human development. The regions where people get higher incomes are mostly in the eastern part of Ukraine — Zaporizhzhya,

...difference in material well-being between the best and worst regions (generally the eastern and southern parts of the country respectively) is much smaller than the difference between Kyiv and the average for Ukraine.

Figure 1.8 Variation in material well being of the population across regions of Ukraine in 2001



Source: State Statistics Committee, own calculations.

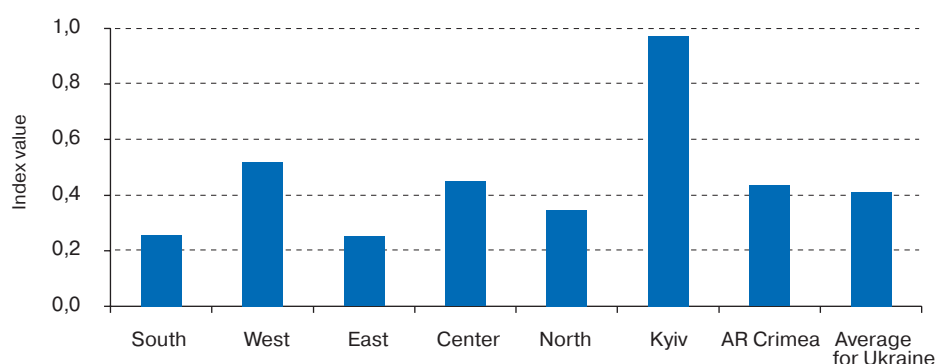
(over 11 years), and their top-ranking share of people with a higher education (nearly 40%). The regions of Cherkasy, Kharkiv and Poltava also have consistently good indicators for education. Regions such as the regions of Ivano-Frankivsk, Luhansk, Donetsk and Transcarpathia show the worst education performance. The reasons for such poor performance vary by region. For example, Transcarpathian Region and Ivano-Frankivsk Region have low pre-primary enrollment rates, low student numbers and low shares of people with a higher education, while Luhansk Region

Donetsk, and Dnipropetrovsk regions. These heavily industrialized regions generate the highest amounts of value added per capita in the country. Looking at a more aggregated picture of income distribution across Ukrainian regions shows that the difference in material well-being between the best and worst regions (generally the eastern and southern parts of the country respectively) is much smaller than the difference between Kyiv and the average for Ukraine. In fact, except for Kyiv, the distribution of incomes across Ukraine is relatively smooth (Figure 1.8).

Another point is worth noting. As one can see from Figures 1.9 and 1.10, the demographic situation (which reflects life expectancy, mortality and migration of population) is noticeably better in Kyiv than in other Ukrainian regions. In contrast, the environmental situation is much better across all regions (except

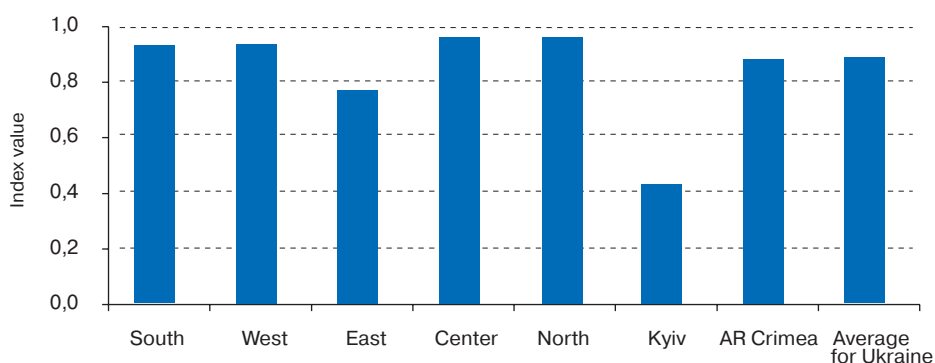
care of their health. Another explanation may be that high incomes enable Kyiv citizens to spend more money on health services, which consequently contributes to better health. In any event, these unexpected results are worth examining further for policy implications.

Figure 1.9 Variation in demographic situation across regions of Ukraine in 2001



Source: State Statistics Committee, own calculations.

Figure 1.10 Variation in environmental situation across regions of Ukraine in 2001



Source: State Statistics Committee, own calculations.

eastern ones) and is considerably worse in Kyiv. Consequently, the question arises as to why the environmental pollution in Kyiv does not appear to have as adverse an impact as might be expected on people's health and therefore life expectancy? Perhaps Kyiv's significantly higher education level plays a certain role here — more educated people know more about maintaining a healthy lifestyle and about how to take better

The performance of some regions was relatively stable (or perhaps stagnant) between 1999 and 2001. Yet others were making significant progress. For example, the Autonomous Republic of Crimea has made a significant "break-through" in its human development, moving from sixteenth to second place over the period. An explanation of such a significant progress lies in the fact that Crimea, being a recreation area,

attracts a lot of tourists mostly from CIS countries. Over the last few years the number of tourists has risen due to the increase in monetary incomes of the population of neighboring countries, in particular the Russian Federation, where the increase constituted about 30% in 2000 and 2001 compared to the previous year. These factors have contributed to the growth of employment and incomes of the population, as well as to the increase of the local budget revenues. Unfortunately, deterioration in human development was observed in

some regions. For example, for the period of 1999-2001, Ivano-Frankivsk Region and Ternopil Region were moving backwards in terms of their human development index. Both showed a worsening in labor market development, mostly due to an increase in unemployment. This should be an alarm signal for policy-makers, which indicates the poor economic performance of these regions and points to the necessity to introduce serious measures aimed at the recovery of economic activity in such regions.

An Economic Perspective on Regional Development

...efforts at the local level to improve social services such as education, health, social protection, housing, and communal services clearly have a direct impact on people's lives and generate higher levels of human development.

Clearly some regions of Ukraine are doing much better than others in terms of human development. The ranking shown above based on regional HDI were determined largely by social factors such as education, health and labor. This section looks at the same regional variations in performance from a somewhat different angle — the economic factors that best explain the wide variations in human development among regions. Understanding the economic factors will facilitate understanding the social factors because services critical to human development such as the levels of education, health, and social protection often depend heavily on economic performance.

Official statistics suggest that economic activity varies significantly across regions; moreover, the magnitude of regional disparities has increased over time. Value added (VA) is probably the best indicator available of total economic activity by region in Ukraine. Variations in per capita VA across regions were examined in a recent World Bank study, which tried to explain why some regions are doing much better than others (World Bank, 2001). The results suggest that 80% of differences in the per capita VA by regions are explained by physical capital and labor. Of these, capital stock appears to be almost three times as important as labor

endowment. Investment in capital stock of a region results in a substantial increase in VA per capita of the region, while higher labor participation and employment rates have a substantially lower influence on regional growth. From another perspective, as investments are put into place, the relatively lower dependence of output on employment than on investments means that, on average, growth does not just bring more low-paying jobs, but actually results in increases in income per worker.

Approximately 20% of the variance across regions is not explained by increases in either investment or employment. This residual can be attributed instead to the efficiency with which resources are allocated, the level of technology and production efficiency, and other factors such as the quality of management and marketing. All of these suggest that actions such as maintaining a good investment climate, promoting flexible labor markets, and encouraging technological innovation can contribute to improved productivity in regions. This, together with the normal tendency towards convergence over time if economic policies are good, would help reduce regional disparities and raise standards of living.

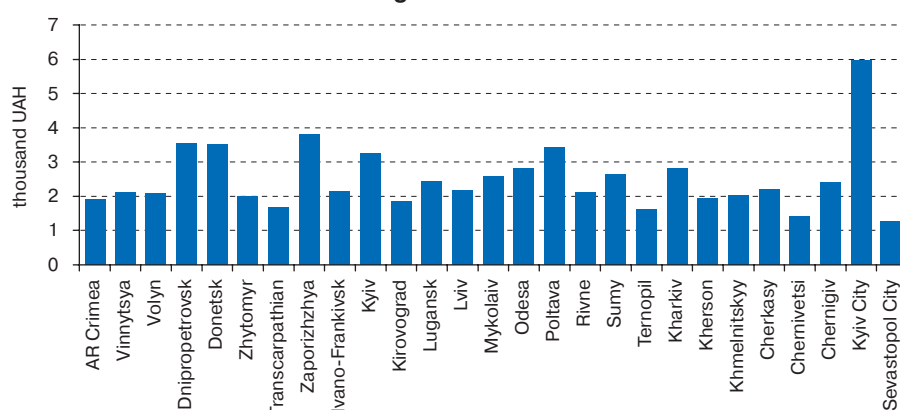
The NHDR team has also tested the correlation between regional differences in

aggregate measures of human development and other explanatory factors such as education, health, social programmes, and life expectancy. The analysis reveals positive and significant correlations of material well-being and living conditions of the population on the one hand and, on the other, levels of budget support for social programmes, measured as a composite index of amounts of budget spending per person and the percentage of total local budget spending. Better social support programmes at the local level thus clearly improve overall human development indicators, showing that local governments can contribute significantly to human development with programmes that reduce income inequality, and with programmes that improve the quality of communal and infrastructure services delivered to people in the region. Another interesting observation that

emerges from the analysis is that the financing of human development is significantly and inversely correlated with "negative" social conditions in the regions — conditions such as unemployment, crime rates, wage and pension arrears and instability of marriages. In other words, good financing for human development is correlated with reduced social problems.

In conclusion, regardless of how one looks at the problem, efforts at the local level to improve social services such as education, health, social protection, housing, and communal services clearly have a direct impact on people's lives and generate higher levels of human development. The remainder of this report examines ways in which the performance of local authorities can be improved, paying particular attention to the potential of decentralization as a means to this end.

Figure 1.11 Variations in value added per capita across regions of Ukraine in 2000



Source: UNDP (2002g)

BENEFITING PEOPLE THROUGH DECENTRALIZATION — THE POWER OF LOCAL DECISION-MAKING



Many countries with rich natural resources have a large portion of their populations living in misery. Other countries with more limited natural resources have been able to achieve a high level of economic and human development. What are the reasons for this difference? It is believed by many experts who have studied this issue that it often lies in the quality of institutions and governance, and these are closely tied to the level of local government decision-making and to the levels of participation. Evidence for this assertion is supported by the work of Robert Putnam who investigated the differences in governing authority and civic participation in Italy in his well known text, *Making Democracy Work: Civic Traditions in Modern Italy* (1993).

Is Ukraine building a civic society? The following example in Box 2.1 and other examples throughout this report indicate a positive answer to this question. This is a very encouraging development and the support of the national and local governments with the international donor community has strengthened the community-based organizations, which are the lifeblood of a civic society. The evidence indicates that countries are most likely to achieve economic and social development when all citizens' rights are protected and they are empowered to work together for the common good. Therefore, we can positively state

Box 2.1 Building civic society in Ukraine: participatory self-governance in Nedanchichi

The 14 August 2002 witnessed a turning point in the community of Nedanchichi in the Chernobyl affected area. It was on this day when the community members realized that participatory self-governance is a powerful tool with which they can improve their lives and the lives of their children.

This story begins in June 2002, when community members took the future into their own hands and started to use their own resources to make progress in the community. This proved Nedanchichi's commitment to be involved in the new community self-governance component of the UNDP Chernobyl Programme, which addresses the ecological, social and economic consequences of the 1986 nuclear accident in the surrounding region.

On 23 June 2002, a meeting of community members in Nedanchichi showed unanimous support for the creation of a community organization and resulted in the election of an organization head, treasurer and secretary. Additionally, all 151 people present approved a monthly membership fee of UAH 2 per family to show their support for the initiative. An additional 172 families out of a total of 240 in the community joined the organization.

The community identified two main pilot projects, which were of priority importance for the community members: the restoration of potable water supply and renovation of the school workshop building. The water supply system had not been functional for the last seven years, because its transformer had been stolen; while the old school workshop building, and in particular the roof, was in a derelict condition.

The community signed an agreement with the UNDP, which identified the contribution of each party, including the UNDP, local authorities and the local community, in the implementation of the priority projects. Community members also worked without expecting payment for their duties, as they felt a special responsibility as owners and initiators of the projects. In total, approximately 80 people took part in the renovation of the school workshop building and water supply system, working during the daytime and guarding construction materials through the night.

The result was very positive: after only seven weeks the town had potable water and a completely renewed school workshop building. On 14 August 2002, the official completion of the two pilot projects was recognized, and now, members of the thriving community of Nedanchichi were energetically discussing future plans and future projects. This included the opening of a new bank account with monthly fees continuing to be collected until savings allow for the purchase of a small harvester.

Through this inspiring project, the community of Nedanchichi has directly experienced the creation of a new system of social values, based on a renewal of trust amongst the community members and a strong belief in cooperation between the community members and local authorities. This approach was based on the involvement of the community in developing their own institution for the governance of the development. The community will register their organization under the label Renaissance, a term which befits the energy seen in the revival and growth of the community of Nedanchichi.

Prepared by Edem Bakhshish and Glen Wright

that people are a country's most valuable resource. Whenever people work together for the common good, success is almost a certainty. By the term "good institutions" we are simply describing all the elements that create a society where civic organizations and governmental structures through cooperation provide for the welfare of all citizens. After nearly a decade of democratic and economic reforms in Ukraine much of the former system has disappeared. While the social and economic guarantees provided a basic foundation for human development in the former system, and are now missed by many, there are few who would wish to return to this system which imposed fear and tyranny from the central level of government. Most Ukrainians are grateful that independence has offered a chance for Ukraine to develop its own institutions — institutions based on the belief that the key to prosperity and human dignity lies not in decisions by a small group of politically powerful individuals, but in empowering every human being through community organizations and institutions to contribute to the best of his or her ability in an environment of democracy, mutual respect and freedom. This section examines actions needed at the central and local levels in Ukraine to establish the community and governmental capacities that will make this dream a reality.

...we can positively state that people are a country's most valuable resource.

Box 2.2 Concepts of decentralization

While distinguishing among the different types of decentralization is useful for highlighting its many dimensions and the need for coordination, these concepts overlap considerably. Political, administrative, fiscal, and market decentralization can appear in different forms and combinations across countries, within countries, and even within sectors. Precise definitions are less important than ensuring a comprehensive approach.

Political decentralization aims to give citizens and their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens or their representatives more influence in formulating and implementing policies.

Administrative decentralization has three major forms — deconcentration, delegation, and devolution — each with different characteristics.

Deconcentration, the redistribution of decision making authority and financial and management responsibilities among different levels of the central government, is often considered the weakest form of decentralization and is used most frequently in unitary states.

Through *delegation* central governments transfer responsibility for decision making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, or special project implementation units.

Devolution is the *transfer of authority for decision-making*, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibility for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. It is this type of administrative decentralization that underlies most political decentralization.

Financial decentralization. Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have adequate revenues — raised locally or transferred from the central government — as well as the authority to make expenditure decisions. Fiscal decentralization can take many forms, including: (a) self-financing or cost recovery through user charges; (b) co-financing or co-production, in which users participate in providing services and infrastructure through monetary or labor contributions; (c) expansion of local revenues through property or sales taxes or indirect charges; (d) intergovernmental transfers, and (e) authorization of municipal borrowing.

Economic or market decentralization. The most complete forms of decentralization from a government's perspective are privatization and deregulation; they shift responsibility for functions from the public to the private sector. They allow functions that had been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other nongovernmental organizations.

Source: World Bank, 1999

2.1 DECENTRALIZATION CONCEPTS

Decentralization has many aspects to its characteristics and impact on the lives of people. As shown in Box 2.2, each type of decentralization has different characteristics and policy implications. However, it is vitally important to understand what we hope to achieve by implementing decentralization measures. We should examine this from both the political, as well as the human resource development benefits of decentralization.

The Ukraine Human Development Report 2001 — the Power of Participation — rightly pointed out "the decentralization of power from the central government to the local communities is an absolutely essential part of the transition to creating a modern, democratic society in Ukraine with appropriate checks and balances, and this can only take place if people at the local level are empowered to partici-

pate actively in the process of governance." (UNDP, NHDR 2001, page 54.)

This report identifies areas where administrative, fiscal, and economic or market decentralization is possible and recommended to continue the progress Ukraine has made over the past decade toward a decentralized system of government and a market economy. We examine in detail the situation with regard to fiscal decentralization and intergovernmental transfers and the progress made in the adoption of the Budget Code. Additionally, later chapters examine in the various sectors, education, health, communal services the opportunities to use economic and market decentralization methods, such as private sector delivery, public-private partnerships and other innovative financing and service delivery methods.

2.2 DECENTRALIZATION: A TOOL FOR ACCELERATING HUMAN DEVELOPMENT

Decentralization accelerates human development by providing an opportunity for citizens to solve problems that are more specific to their local situation.

Decentralization accelerates human development by providing an opportunity for citizens to solve problems that are more specific to their local situation. When you multiply this capacity across many different political, economic and social units, there is a multitude of innovations that can rapidly develop and eventually others will adopt the best of these. A centralized system, by forcing only one rigid solution, constrains this innovative problem solving capacity and eventually the iron rules of the central government do not address the particular problems that are most directly facing people at the local level. The system will ultimately decay and the people will not be able to achieve the levels of human development to sustain their economic and social needs.

As mentioned above, the 2001 NHDR for Ukraine — The Power of Participation — explored in detail the connection between good governance and participation. It

concluded that participation improves governance because participation creates strong partners in civil society who can help government deliver the services needed for human development more effectively and efficiently. Civil society participation also assures a higher level of transparency and accountability.

Furthermore, participation builds support and ownership for change. Involving people in the process of change builds understanding of why change is needed and support for the changes. Such "ownership" of change by civil society has proven essential to success in the development efforts around the world. The examples provided in Boxes 2.1 and 2.3, as well as in other chapters of this report, demonstrate how important this local ownership or project development and implementation are in promoting human development. Participation at the local level is particularly important to human development because of two factors. First, when

people get involved in service delivery problems of education, health, housing and other services at the local level, they have a deep commitment and are often willing to contribute their time and money to improve these services. Second, people at the local level know what their highest priorities are, and by working with local officials, they can help assure that scarce resources are focused on these high priority areas, thus maximizing efficiency.

Some of the actions that national and local governments can take to create an environment of citizen participation and local ownership were identified in the 2001 NHDR. These include:

- Opening up opportunities for participation in governance such as public hearings on budget and strategic plans;
- Making information on government programmes available so that civil society organizations can participate effectively;
- Creating and encouraging civil society organizations by contracting with them to conduct surveys, research studies and public information campaigns; and
- Creating a transparent, equitable, and legal environment for non-profit organizations.

Currently, local authorities in cities all over Ukraine, such as Lviv, Kamianetz-

Podilsky, Berdiansk and Kharkiv, are creating an environment that fosters effective participation at the local level.

However, even in these cities, the authorities face problems because of continuing central controls. For example, efforts to create a more favorable business climate by reducing the number of inspections of small and medium businesses are often hindered by the fact that many inspectors answer not to the local authorities, but to officials in Kyiv. Efforts to improve the business climate and other aspects of local life could move more quickly and effectively if the center devolved more control to local officials. There are many issues to be addressed through the public policy process before decentralization can be successfully achieved. In this report we can only deal with the main issue areas and provide some background and ideas for solving the decentralization implementation problem in Ukraine.

In the following sections we will briefly address four main issues dealing with the progress of decentralization in Ukraine. These include the legal framework requirements, the assignment of functions to the local governments, the complex issue of the number of units of local government and economies of scale in delivering public services, and, finally, the issues surrounding fiscal decentralization to provide the fiscal capacity to these local units to undertake their appropriate responsibilities.

Box 2.3 Community self-governance in the Autonomous Republic of Crimea

Hundreds of thousands of Crimean Tatars and other ethnic groups, deported in 1944, had started their long way back to the Autonomous Republic of Crimea from Uzbekistan, Kazakhstan, Russia and other regions in 1987.

Step by step, communities improve the real lives of people through the joint efforts of individual commitments and community decisions. It was the people's decision to establish a home-based school in Mazanka settlement. Now even without a kindergarten, kids from Mazanka and other nearby settlements have a place to play, dance, study, and prepare for primary school. The Youth Development Programme is focused on interethnic relations and fostering social cohesion through youth empowerment. "We" Youth Center started their activities with simple renovations to an old administrative building and have now redesigned it for young people to gather, study, play sports and have cultural exchanges. Everything in this center was done by the young residents of Bilohirs'k — paintings on the wall, music bands and an overarching plan to improve the lives of the community through "Five Giant Steps." "We are not a problem, — said Shamrat, one youth leader, — we are a source."

Prepared by Barry Holliday, UNDP

Legal Framework for Decentralization

Progress on decentralization has proceeded and important actions have been taken.

The 1996 Constitution safeguarded local self-government, defining the right of territorial communities to self-government.

At the time of independence, Ukraine was still operating under a highly centralized system of government. Although Ukraine did have a sizeable government structure including a national parliament, policies were largely dictated from Moscow, and authorities there maintained a tight control over much of Ukrainian life — down to the level of individual factories and the lives of individuals.

Progress on decentralization has proceeded and important actions have been taken. The Constitution that was approved in 1996 established democratic decentralization as a fundamental principle that has served as the basis for organizing local administration. The Constitution clearly states that people, not the state, are the source of all power. As such, local governments, being closest to the people, should have power over all activities that can be carried out at the local level — a principle consistent with the EU principle of subsidiarity.

Turning these constitutional principles into reality has been a work in progress. Some important steps were taken prior to adopting the new Constitution — but these have not always been in full compliance with these principles. In March 1992, for example, the Law on Local Counsels of Peoples' Deputies and Regional Self-Government was passed, but this law basically stripped regional (oblast) and district (rayon) councils of their powers and placed them under presidential control. However, the 1994 Law on Forming Local Authorities and Bodies of Self-Government" reversed this move and returned power to local councils and their executive committees. As the EU moves geographically closer to Ukraine, Ukraine must begin to move closer in its constitutional and legal framework. The bonds

between Ukrainian local governments and Western European local governments are being forged with great enthusiasm and accomplishments. These can be reinforced and promoted with greater commonality with the constitutional and legal frameworks as well.

The 1996 Constitution safeguarded local self-government, defining the right of territorial communities to self-government. Article 7 states: "In Ukraine, local self-government is recognized and guaranteed." The wording supports the concept of local self-government within the European Charter on Local Self-Government, a document that was signed by Ukraine in 1997.

Chapter XI of the Ukrainian Constitution further clarifies the concept of local self-government independence and the territorial representation afforded to citizens to solve their problems. Article 140 states: "Local self-government is the right of a territorial community — residents of a village or a voluntary association of residents of several villages into one village community, or residents of a settlement and a town — to independently resolve locally significant issues in the framework of the Constitution and the Laws of Ukraine". This constitutional provision is fully compliant with the European Charter on Local Self-Government signed by Ukraine and unconditionally ratified by the Verkhovna Rada of Ukraine on 15 July 1997. Box 2.4 provides the elements of the European Charter on Local Self-Government with which Ukraine complies.

Many laws have been passed since then, all gradually establishing the rights and responsibilities of local self-governments in Ukraine (New Parliamentary Institute, 2002).

Decentralization: What Should Local Governments Do?

An important part of the legal framework to implement decentralization is to define those functions most appropriate for the local governments to deliver for human resource development. This is generally termed the assignment of functions issue and is difficult to deal with in the decentralization process. Perhaps it is best to begin with some idea of what we want local governments to do. What is the full range of services that local governments should provide? According to Davey (1993) these include the following:

- Providing infrastructure essential to the efficient operation of the jurisdiction;
- Providing human resources development services, improving productivity, and raising the standard of living of residents;
- Regulating private activities affecting community welfare and health and safety of the population; and
- Providing services and facilities to support productive activities and allowing for private enterprise to operate efficiently.

The assignment of functions varies widely across the EU countries and the applica-

tion of one approach or another must be carefully considered within the political framework and system of a country.

There are wide variations based on whether a country adopts a federal or unitary system of government. The European Charter on Local Self-Government intends for as broad a scope as possible for local governments to assume functions within the limits of the constitution and laws. It states in Article 4, paragraph 2: "Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority."

Many countries deal with this issue by designating to the local governments either a mandatory or voluntary requirement for the delivery of certain services. The following table provides a breakdown by EU countries on the mandatory and voluntary requirements for certain public services. This data represents the membership of the EU prior to expansion. The above information is intended for comparison purposes and not an indication of how any particular function should be assigned to a certain level of government.

The European Charter on Local Self-Government intends for as broad a scope as possible for local governments to assume functions within the limits of the constitution and laws.

Box 2.4 Council of Europe: Charter of Local Self-Government

This Charter provides the legal and conceptual foundation for local government in Europe. It is based on the following premises: (a) local authorities are one of the main foundations of any democratic regime; (b) the right of citizens to participate in public affairs is a central democratic principle, and this right can be most directly exercised at the local level; (c) local authorities with real responsibilities can provide an administration that is both effective and close to the citizen; and (d) local government contributes significantly to safeguarding and reinforcing democracy and the decentralization of power.

According to the charter, (a) "the basic powers and responsibilities of local authorities should be prescribed by the constitution or by statute"; (b) "public responsibilities shall generally be exercised, in preference, by those authorities that are closest to the citizen" (the principle of subsidiarity); (c) for clarity and to avoid any tendency toward progressive dilution or overlapping of responsibilities, "powers given to local authorities shall normally be full and exclusive,"; and (d) "where powers are delegated to them by a central or regional authority, local authorities shall, in so far as possible, be allowed discretion in adapting their exercise to local conditions."

Source: UNDP (2002i)

According to the Budget Code approved on 22 March 2001 the following social functions were assigned for financing from budgets of various levels of government in Ukraine:

Regional (oblast) level: specialized secondary education for disadvantaged students; secondary boarding schools; vocational and higher education establishments; large hospitals of regional signifi-

Table 2.1 Voluntary and mandatory local government services in 14 EU countries

	Voluntary	Mandatory
In All Fourteen		
Water Supply	3	11
Tourism Promotion	14	0
Primary Schools - Construction and Upkeep	0	14
Library Services	1	13
Theatres	14	0
Sport Development and Facilities	14	0
Sewage Disposal	2	12
Refuse Collection	0	14
Homes for the Elderly	10	4
Social Assistance	7	7
Roads	0	14
Local Planning	0	14
Building and Demolition Permits	0	14
In 13 States		
Pre-Primary Schools - Construction and Upkeep	1	12
Museum Services	13	0
Cultural and Artistic Heritage Conservation	9	4
Cemeteries	4	9
Subsidized Housing	10	3
Fire Service	1	12
Land Transport	7	6
Nature Site Protection/Waste Disposal	7	6
Nature Parks, Recreation, and Open Spaces	13	0
In 12 States		
Slaughterhouse	12	0
Baths and Showers	12	0
Financial Participation in Public/Private Enterprises	12	0
Development or Conservation of Employment	10	2
Land Control	11	1
Protection of the Environment	5	7

cance; specialized medical services; specialized social protection facilities for orphans, the disabled and elderly; national cultural programmes related to region; special sports national programmes.

City and rural district (rayon) level:
general secondary education; general health care services including health education programmes; state social protection programmes that provide physical services to the socially disadvantaged in

In 11 States		
Gas Supply	7	4
Electricity Supply	6	5
Financial and Fiscal Aid to Public and Private Undertakings	11	0
Fairs and Markets	9	2
Hospitals	6	5
Responses to Disasters	0	11
Planning Control and Building Regulation	3	8
In 9 States		
Pre-Primary School Administrative, Teaching and Technical Staff	1	8
Epidemic Control	1	8
River and Sea Transport	8	1
In 8 States		
Primary School Administrative, Teaching or Technical Staff	0	8
Aid for religious worship and upkeep of related premises	4	4
Housing Assistance	4	4
In 7 States		
Secondary School Construction and Upkeep	4	3
Regional or National Planning Involvement	1	6
Consumer Protection	4	3
In 6 States		
Cinemas	6	0
In 4 States		
Secondary School Administrative, Teaching or Technical Staff	0	4
Air Transport	4	0
In 1 State		
Higher Education Premises Construction and Upkeep	1	0

a local area; national programmes for sports and culture in the respective area.

Towns, villages and settlements: preschool education, primary medical care offered through local clinics; first aid and obstetric centers, maintenance of local cultural facilities.

Cities of Kyiv and Sevastopol will undertake all of the expenditure responsibilities that have been assigned to regions, cities, districts, towns, villages and settlements with regard to the special status of these territorial-administrative units. (Source: Slukhai, 2002)

Also, according to Slukhai the 1997 Law on Local Self-Government in Ukraine vests local bodies of self-government (territorial communities) with the following basic powers: assurance of maintenance of housing and communal property, licensing and controlling companies ren-

dering local consumer services — stores, cafes, bars, and restaurants, transportation and communication services, maintenance of territory, assurance of proper operation of education establishments, hospitals, and recreational, cultural, and sports facilities, land use and protection of the environment, and social security of citizens.

The progress that Ukrainian local governments are making to take on additional functions by their own initiative and innovations is presented in Box 2.5.

One of the important features of the development of local governments in the Central and Eastern European transition has been the increase in the number of local government units in these countries. For instance, Hungary doubled the number of its local government units from 1,500 in 1990 to over 3,000 in 1991.

The Decentralization Dilemma: Number of Local Government Units Versus Economies of Scale

Other countries of the region show similar developments. The result has been many local governments with very small populations that often cannot afford to provide many of the health, education, and other services within their own financial resources.

This contrasts sharply with the developments in the countries of Western Europe over the past fifty years. West Germany reduced the number of its local governments units from 24,272 in 1950 to 8,077 in 1992. The United Kingdom went from 2,082 units in 1950 to 484 in 1992. Bulgaria, Denmark, and Sweden have reduced the number of their local government units by 89%. Austria, the Czech Republic, the Netherlands, and Norway have reduced their number of local units by approximately 40%.

Ukraine has fifty cities with populations greater than 100,000. Only Germany with 84 cities over 100,000 and Turkey with 81

have larger urban areas than Ukraine. This represents a substantial portion of the total population that lives in politically and economically viable units. These units should have sufficient resources available to be effective deliverers of public services. If given the necessary legal and financial authority they should be able to manage their own affairs.

However, Ukraine also has many very small local governments as well. In comparison with other transition countries of Central and Eastern Europe, only the Czech Republic with an average population of 1,700 per municipality, Slovakia with 1,900 average per municipality, Hungary with 3,300 per municipality, and Latvia with 4,300 per municipality have smaller average municipal populations than Ukraine with 4,600 (Swianiewicz, 2002).

Ukraine must deal with the issue of defining the characteristics and populations

size of its territorial units. Present confusion on the size and authorities of these jurisdictional units will only create problems in devising realistic and equitable solutions to decentralization problems.

Presently there is growing political consensus with respect to the need to drastically change the system of administrative and territorial layout due to the negative impact of the existing situation on both the division of functions and capacity for service delivery. As of 1 October 2002, there were almost 30,000 administrative and territorial units and settlements in place within the boundaries of Ukraine, but only 10,859 territorial units can be considered viable local self-government units.

Are There Solutions to This Decentralization Dilemma?

The problems identified with the large number of local government units and the

consequent inefficiencies relating to economies of scale can be solved by a number of approaches that have proven effective in Western Europe and the transition countries of Central and Eastern Europe. A number of these have been identified by Davey and Peteri in *"Local Government Finances: Options for Reform"* (1998).

Merging of Local Government Units

As indicated in the discussion above, the merging of local government units has been one of the main features of the local government systems in Western Europe. There is some evidence that local governments with populations of less than 5,000 are not economically viable and sufficiently large to provide the advantages of economies of scale delivery of services. In Ukraine, with an average local government population of under 5,000 there is

Ukraine must deal with the issue of defining the characteristics and populations size of its territorial units.

Box 2.5 Examples of municipal initiatives

Some regions and towns do make a breakthrough in local and regional policies and define their own mission under established conditions as well as gradually form new infrastructures. This is true, first of all, for the cities of Odessa, Dnipropetrovsk and Donetsk. Small and medium towns are actively searching their own way towards development. Berdyansk is known for its aggressive town-marketing policy as well as the interaction of its authorities, business community and civil society. Komsomolsk (on the Dnieper) succeeded in the development of healthcare, communal services and maintaining public order. Slavutych has been active in international politics, entrepreneurship development, and introducing an efficient education policy as well the development of social and communal services.

In the town of Illichivsk a municipal shipping company was set up in Ukraine for the first time. Attention to small and medium business development has been reinforced as well. In the past three years USD 30 million of investments were attracted to town development. In four years the amount of levied taxes tripled. Tax proceeds per town resident are 2.5 times higher than in the entire country. There are no salary arrears in budget-supported organizations, while pensions are paid and targeted social support is provided in a timely manner.

In the town of Brovary the local authority is active in attracting investors to resolving territorial development issues. The amount of foreign investment in both Brovary town and Brovary District (Rayon) economy reached USD 290 million that makes USD 3.6 thousand per head of 180,000 residents in the region. By comparison, in Kyiv Region (Oblast) this figure is USD 194 per resident that is 20 times less.

There are more examples of municipal initiative. In Kyiv, an integrated automated system for population settling services was created. In Khmelnytsky, an information network was set up to support utilities payment and subsidies accrual. In Ternopil, a town development agency was formed. In Mykolayiv, expertise was gathered on reforming the social protection system. In Ivano-Frankivsk, an initiative involved funds concentration and efforts to consolidate the maintenance, construction, installation and restoration of organizations by professionals, the public and the business community for the purpose of stage by stage rehabilitation of small regional (oblast) towns.

Source: New Parliamentary Institute, 2002

a recognized need to develop some consolidation and merging of over 10,000 local government units into larger political boundaries.

Tiers of Government

One of the more frequently utilized solutions to the problem of economies of scale is to provide for intermediate levels of government between central and local units. These often have provincial or state status within a federal system of government. Ukraine, with a unitary form of government, is missing this intermediate tier that could be an effective deliverer of services on a larger geographical basis.

This is an option that is very viable for a large country with regional differences. The creation of intermediate tiers of government is quite common. Poland has created an additional level of government, while Hungary has revitalized the county level to deliver some services that had previously been given by local units.

Presently, in Ukraine, there is some serious consideration for redefining the political boundaries with a new regional configuration and consolidation of these lower units that could prove very helpful in solving some of the problems of service delivery on a more economical and efficient basis. Many public services, particularly education, health, and transportation, are more effectively provided by crossing political boundaries with a larger service area.

Inter-municipal Cooperation

One of the most effective methods of delivering many of these public services, particularly transportation and utility services, is to form agreements among several local government units. The European Charter on Local Self-Government recognizes the importance of making provision for inter-municipal cooperation in Article 10. The Charter states: "Local authorities

shall be entitled, in exercising their powers, to cooperate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest." Article 142 of the Ukrainian Constitution supports this approach by providing that: "On the basis of agreement, territorial communities of villages, settlements and cities may join objects of communal property as well as budget funds, to implement joint projects or to jointly finance (maintain) communal enterprises, organizations and establishments, and create appropriate bodies and services for this purpose."

Economic and Market Decentralization

An important strategy in Western Europe, and one that is rapidly developing in the transition countries of Central and Eastern Europe, is the use of alternative service delivery mechanisms, such as privatization of services and contracting out the delivery of these services. This alternative supports the economic development goals by providing for competitive tendering of public services and promoting the growth of businesses and enterprises that follow market efficiency rules. There can be many variations of this option from outright ownership and management by private enterprises of the service delivery to public-private partnership arrangements to concessions or franchising of some services to the private section while maintaining public ownership and control.

The important point to be made by this brief discussion on solutions to decentralization problems is that there are many alternatives to maintaining central government control over delivery of these services. Decentralization is the worldwide solution to the over-centralization of public service delivery. It is also the solution to providing greater political and civic participation that is essential for the fulfillment of the human development goals that is the focus of this report.

One of the most effective methods of delivering many of these public services, particularly transportation and utility services, is to form agreements among several local government units.

Fiscal Decentralization: Providing Financial Resources for Human Development

Fiscal decentralization must accompany political, administrative and service decentralization in order that human development needs can be met with sufficient financial capacity to fund these requirements.

The main goal of fiscal decentralization is to move governance closer to the people, and this does require strengthening local government finances. The idea is to invest local governments with some taxation power and expenditure responsibility, and allow them to decide on the level and structure of their expenditure budgets. In this way, people at the lowest level of government will be able to choose the kind of government they want, and will actively participate in governance. The net result should be better local government services, and a more satisfied electorate. Fiscal decentralization requires local governments with some autonomy to make independent fiscal decisions.

Article 9 of the European Charter on Local Self-Government addresses the financial resources that should be available to local governments. It reads: "Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers." Paragraph 2 goes on to indicate that: "Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law."

The Ukrainian Constitution is noticeably silent about the provision of financial resources to the local governments. The Law on Local Self-Government in Article 62 determines the commitment to provide local government with financial resources: "The State shall guarantee bodies of local self-government to have a sufficient revenue base for providing population with services at the level of minimal social needs. In the case when national taxes

and charges are allocated to local budgets exceed the minimal local budget amount, the State shall exempt part of local budget surplus." The existing effective Decree on Local Taxes and Charges promulgated in 1993 provides for the basic taxes available to local government units. The decree provides for five sources at the local level such as the communal tax, hotel charge, charge for granting permits to establish trade and services objects, market charges and advertisement charges. However, these are not sufficient to ensure financial resources meet service needs. Land tax and taxes introduced by central government play a much more important role in financing local budgets. In fact, local tax authorities have no substantial independence and almost all local tax revenues are received as a result of distribution of national taxes based on a formula.

The situation with respect to local revenue adequacy is assessed by Slukhai (2002) as follows: "The Ukrainian local governments' revenues rest mainly on tax sharing: about 85 to 90% of their incomes relate to shared revenues. The local taxes and duties still count for an insignificant portion of total local government revenue (in 1999, 4%); their potential to generate revenue is very limited."

The European Charter on Local Self-Government in Article 9, paragraph 5 is quite clear concerning the aims and objectives of an intergovernmental finance system. It reads: "The protection of financially weaker local authorities calls for the institution of financial equalization procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility."

Fiscal decentralization requires local governments with some autonomy to make independent fiscal decisions.

The Ukrainian Constitution is noticeably silent about the provision of financial resources to the local governments.

The system needs refining, but it is a major improvement, and cities across Ukraine are already benefiting.

One of the most important steps in recent years in addressing this problem and establishing viable local governments in Ukraine was the passing of the new Budget Code in 2001. Prior to this, budget resources were channeled from central government to regional administrations which operate under the control of regional governors — individuals who are appointed by and answerable only to the President. The regions then divided the funds among local governments in the region in an ad hoc manner that was tainted with political favoritism. As a result, funding for individual towns and cities frequently varied dramatically from year to year, making long-

term planning and borrowing for capital projects virtually impossible (Humanitarian Technologies Development Fund, 2002). Under the new budget code, funds are allocated directly to nearly 700 cities on the basis of transparent formulas that seek to assure equity of equalization transfers based on objective factors. The system needs refining, but it is a major improvement, and cities across Ukraine are already benefiting. The next stage will be to spread the system to several thousand smaller communities — a major undertaking that, if done well, could help assure the decentralization, autonomy and self-sufficiency of local governments across Ukraine.

Box 2.6 Building institutions for decentralization — Budget Code training

The passage of a Budget Code by the Government of Ukraine in July of 2001 established the legal grounds for fundamental change in intergovernmental fiscal relations. However, for the change to be successful, budget and finance officials at all levels of government across Ukraine had to understand the Budget Code and be able to apply it. A Budget Code Training Project was therefore established upon request of the Ministry of Finance and implemented by US contractor with support of a major bilateral donor.

Given the need to train thousands of officials across Ukraine, the project adopted a "training of trainers" approach. Ukrainian budget experts and professional trainers trained 60 experts who did the training nationwide. These trainers, who were selected on a competitive basis, also received copies of the training manuals that were developed by the project in close cooperation with the Ministry of Finance. These manuals, covering "Introduction to the Budget Code of Ukraine," "Local Budget Formulation According to the Budget Code of Ukraine," and "Local Budget Execution According to the Budget Code of Ukraine," included hundreds of pages of text and were complemented by other training materials such as slide presentations.

In the end, the Budget Code Training Programme delivered three different modules of training over a ten-month period that reached nearly 5,000 different individuals, many of whom participated in more than one module. In addition, the trainees used these materials to train their colleagues. Based on the total of the individuals trained in each module across all of Ukraine, the total number of participants reached over 70,000.

Government officials at all levels in Ukraine have indicated on many occasions that this massive participatory training programme was highly effective in building the institutional capacity needed at the local level to assure rapid implementation of the dramatic changes in intergovernmental fiscal relations mandated by the new Budget Code.

Prepared by Judy Hansen

2.3 CONTINUING THE PATH OF DECENTRALIZATION AND LOCAL DECISION-MAKING

Ukraine has made some progress toward reaching a fully developed democratic and decentralized system. Perhaps the cautious approach to decentralization has prevented many mistakes from being made that others have made previously, but in the long-run this has perhaps delayed the introduction of human development benefits that can be enjoyed by today's generation. So, the crucial question now is whether the present pace of change is acceptable or whether more intense and faster decentralization should be undertaken that could provide human development benefits to the present generation.

Although many laws facilitating development of local self-governance have been implemented, there are gaps still to be filled. For example, the Law on Community Property, which is needed to clarify ownership rights of local governments regarding real estate property, communal property and enterprises, has languished in parliament for eight years without seeing the light of day. This leaves local administrations in a difficult position regarding properties that they might or might now have the right to manage and /or sell. Constitutional provisions with respect to territorial communities have never been implemented. Meanwhile, it still remains for the law to define the legal structure of territorial communities and their rights to self-sufficiency, as well as their status and areas of responsibility. There is no clear-cut division of power between central and local authorities. Ukraine does not even have a legally binding map of the physical

boundaries of its local administrative units. Administrative reform and restructuring of local and regional government in Ukraine is also an important issue. The structure of administrative units at the sub-national level still reflects the old Soviet system — on the one hand, so highly fragmented that some small units are incapable of self-sufficiency, and on the other, saddled with burdensome central controls. In order to reduce the excessive number of towns in Ukraine, over 10,000, to a more manageable and economically viable number, consolidation and autonomy are required.

It has also been suggested that the number of regions should be significantly reduced through consolidation on a geographic, economic and cultural basis. According to a recent study by the New Parliamentary Institute, other issues that need to be addressed by the law include local self-government financing, community property rights, local taxation and charges, local by-laws, government executive power control, financial control, national social standards and delegation of authority. This study concluded:

Successful decentralization of state power in Ukraine will assure the establishment of political stability, stimulating economic growth and improving people's living standards. It will promote adequate representation of local interests and increase the importance of social processes in the nation, shifting the decision-making center on locally significant issues to the regional level. (New Parliamentary Institute, 2002)

Although many laws facilitating development of local self-governance have been implemented, there are gaps still to be filled.

DECENTRALIZATION AND PEOPLE'S DEVELOPMENT



The Human Development Index (HDI) for Ukraine covers three basic indicators — education, health, and income. Success in improving these indicators is critically important to Ukraine's meeting its Millennium Development Goals (MDGs). Although Ukraine enjoyed high standards of education and health during the Soviet era, the profound changes that have taken place in Ukraine since independence have created an urgent need for major reforms. Ukraine needs systems of education to meet the demands of its emerging democratic market society. It needs new systems for delivering healthcare to reverse the deterioration caused by the transition process and to meet the global challenges of HIV/AIDS and other infectious diseases. This chapter discusses ways in which increased decentralization can help to improve education and health services.

Local budgets play an important role in terms of performing social functions of the state. In 2001, the local budgets in Ukraine financed 82% of expenditures for healthcare, about 62 % of expenditures for education and 50% of expenditures for social protection and social security. The local budgets bear all the expenditures for financing the privileges of veterans of war and labor, family allowances, and subsidies to the population to pay for housing and utilities. (Humanitarian Technologies Development Fund, 2002)

3.1 EDUCATION: DECENTRALIZATION CAN IMPROVE LEARNING ⁹

Education and Human Development

Local budgets play an important role in terms of performing social functions of the state.

A good education is a key factor in human development and financial security. Poverty rates differ dramatically in Ukraine today depending on the level of education completed. Of those completing primary education or less, as many as 44% are poor, and of this group about 24% are extremely poor¹⁰. Of those who have finished basic, upper secondary or vocational school, about 36% are poor, and for those who have completed college, only about 15% are poor. Extreme poverty rates for those with higher education are

just over 3%, while rates for those with only a secondary education are around 20%. Poverty has increased among those who have only a basic education or less. On the other hand, rates have stagnated among those with upper secondary schooling or similar qualification, and have fallen for those with college or higher education.

A good education has clearly become very important in Ukraine's increasingly competitive society (World Bank, 2000).

Box 3.1 Condition of education in rural areas

There are no schools in about one half of the rural settlements (among the 1,800 villages with more than 50 school-age children). Moreover, in 1996-2001 the number of schools decreased by 316 units and pre-school education agencies decreased by 2,000 units. More than 300,000 pupils and 32,600 teachers are living in distant regions from schools. Only about 20% of children of pre-school age are attending day-care nurseries.

Source: Humanitarian Technologies Development Fund, 2002

⁹ This section draws heavily on the work of P. Darvas, 2002, and the Institute of Political Technologies, 2002.

¹⁰ Individuals are considered poor if their consumption is less than 75% of the median level; Individuals are considered extremely poor if their consumption is less than 60% of the median level. Source: P. Darvas, 2002.

Learning to Cope, Learning to Hope: Ukrainian Views on Education

Our survey indicates that people throughout Ukraine rate the quality of education higher than that of all other local services, except for the post office and mobile telephone services (Social Monitoring Center, 2003). Furthermore, the quality of education across Ukraine seems to have been maintained at a more uniform standard of quality than that of most other services. The average variation across regions for education (approximately 6% for all levels of education) is lower than that for local services on average (almost 13%)¹¹. But while the quality of education appears to have been maintained more successfully than that of other services, the situation is not good. For Ukraine as a whole, people perceive the quality of education as having deteriorated over the past decade, and in regions such as Zaporizhzhya Region, Poltava Region and Khmelnytsky Region, the situation has grown significantly worse.

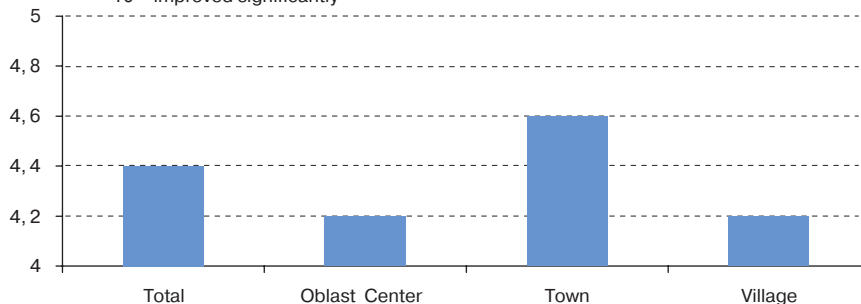
The deterioration of education quality seems to have been less in towns than in

villages and, somewhat surprisingly, than in regional centers (Figure 3.1). The ratings for changes in the higher education system was also higher for people living in towns than for people living in villages and regional (oblast) centers. The superior results of towns are of special interest to this report because of the implications for decentralization. Towns seem to have an advantage because they are large enough to provide a better education than villages. Their superior performance compared to regional centers is harder to explain. It may reflect the higher expectations of a more sophisticated population in cities, or it may reflect less central control, more social cohesion, and better communication between parents and schools in the smaller towns. These results indicate that the devolution of more authority to towns in managing their primary and secondary education systems, together with consolidation of village schools on a township basis for economies of scale, can help improve the quality of education in Ukraine.

...the quality of education across Ukraine seems to have been maintained at a more uniform standard of quality than that of most other services.

Figure 3.1 Education in Ukraine - for better or worse

Respondents' assessment of changes in secondary education over last 10 years through the ten-point scale, where:
1 = worsened significantly,
5 = no change,
10 = improved significantly



Source: Center "Social Monitoring", 2002.

¹¹ Variation is expressed in terms of standard deviation as percent of mean.

Education: Current Problems and Prospects

Ukraine has now completed a difficult decade during which educators and the government sought to meet the twin challenges of preserving the best of the old system while fundamentally changing the curriculum to meet the needs of a democratic market society. The result has been a partial success, with many encouraging developments as well as a variety of problems at all levels.

Pre-School

Both the number of children and the number of institutions has fallen sharply since independence. The number of operating pre-schools has dropped by one-third,

reflecting the closure of pre-schools by loss-making factories no longer able to support their traditional social programmes, falling birth rates, financial constraints at all levels of government and mothers who have lost their jobs, thus, reducing both the need for pre-schools in the sense of daycare and the ability to pay for pre-school education for their children. The number of children enrolled has dropped by nearly 60%, leaving only 40% of the relevant age group enrolled — one of the lowest ratios in Central and Eastern Europe. The sharper drop in students than in institutions has increased facility under-utilization, causing revenues to fall, creating a financial crisis for pre-schools.

Box 3.2 Learning about education in Ukraine

Structure:

The system provides 3-5 years of preschool education, 3-4 years of primary school, and 5 years of basic secondary education. After students are 14-15 years old, some students attend vocational education for 1-4 years and others go on to complete a full secondary education, which was recently extended to include a 12th year. Tertiary education follows the patterns of Western countries, except that a one-year specialist degree may follow the 4-year bachelor's degree, and a candidate of science degree lies between the master's degree and a doctorate of science.

Pre-schools:

In 2000, 16,000 pre-schools served 983,000 children, numbers that had dropped since 1990 by 33% and 60% respectively. Average school size is 60 children. Parents cover 20-25% of the costs of preschool education. Access to preschools is very uneven, depending on geographic location and family income.

General Secondary Schools:

Ukraine has about 22,000 secondary schools, 577,000 teachers and 6.8 million students, indicating the following averages; 12 students per teacher, 305 students per school. In comparison with Western countries, the number of students per teacher is low, leading to considerable inefficiency.

Vocational Schools:

Once an important component of the planned Soviet economy, the vocational education system has seen its enrollment drop since 1990 by 20% in 1-2 year programmes, and by 40% in 3-5 year programmes.

Universities:

Ukraine has nearly 1,000 institutions of higher education. They are divided into four types, specializing in various lengths and types of training. Despite economic problems (or perhaps because of them), total enrollment in universities has risen from 0.8 million to nearly 1.6 million students since 1990. Gross enrollment rate as a percentage of relevant age group is now almost 30 up 22% since 1990.

Budget:

Spending on education accounts for almost 5% of GDP and 17.2% of public expenditure today — an increase of 34% in both cases since 1990. About 75% of general education expenditure is decentralized.

Sources: P. Darvas, 2002, *Institute of Political Technologies*, 2002, *State Statistics Committee of Ukraine*

A positive development is a proposal to introduce a uniform "zero" year to the new 12-year curriculum, a year that would provide universal access to at least one year of pre-school education and socialization, giving all children the head start they need for a lifetime of learning.

Primary and Secondary School

On the positive side, considerable progress has been made in introducing a curriculum more in line with contemporary European standards. The ideological content of Soviet education has been removed. Emphasis on rote memorization of facts is starting to diminish with more emphasis on creative thinking, analysis, and understanding. Students now have the opportunity to learn more about computers, foreign languages, and their own Ukrainian language and culture. In 2001-2002, the Ukrainian authorities began introducing a full 12-year compulsory schooling, bringing the system more into line with world practice. Accelerating these trends will help students adapt more readily to changing workplace demands.

On the downside, the quality of education suffers from shortages of good teaching materials, equipment, and well-qualified teachers — all key factors behind the public perceptions noted above that the quality of education at primary and secondary levels has deteriorated. Without better teaching materials, equipment, and training of teachers, schools cannot

meet the needs of children who soon will be living and working in a democratic, market-based society.

Vocational Education

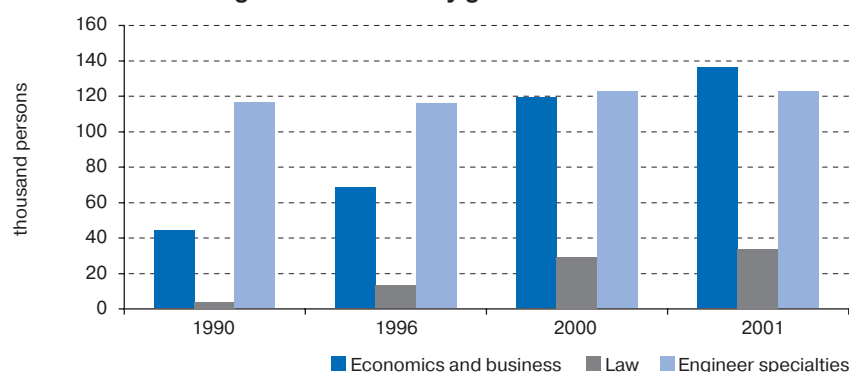
Vocational education has suffered most severely since independence. So far it has been unable to implement programmes, curricula, and teaching practices suited to the needs of a market-based economy and the more volatile labor market. As in the days before independence, the system is still largely designed to provide the state with highly skilled workers. In fact, the state is by law designated as the single "consumer" of skilled workers. Consequently, only government authority representatives or enterprise managers have the right to participate in decisions regarding the training and employment of students in the system, which is completely out of sync with contemporary realities. Today it is the dynamic enterprises in the private sector, not the old dinosaurs in the state sector, which are providing the best jobs to young workers. However, private employers are essentially excluded from developing the list of specialties and standards for educating new workers.

Students now have the opportunity to learn more about computers, foreign languages, and their own Ukrainian language and culture.

Higher Education

Progress has been made since independence in changing the focus of higher education. In particular, degrees in areas such as economics, business, and law have become more common, while other specialties, such as engineering have stagnated or declined. (Figure 3.2)

Figure 3.2 University graduates in Ukraine



Source: State Statistics Committee of Ukraine.

More needs to be done, however. Higher education in Ukraine has still not made the transition to programmes, curricula, and teaching practices needed to meet the challenges of a new economy and a more volatile labor market. Changes are needed to focus the system on providing students with a more general education

rather than on preparing narrow specialists. The efficiency of the sector could be improved significantly by consolidating the large number of small universities and specialized institutes. Despite a reduction of one-half since Soviet times, the number of specializations is still around 500.

Today's Priorities for Education Reform — The National Doctrine

Recognizing the importance of resolving the problems noted above, the government has been working intensively to design and implement the *National Doctrine for Education Development in Ukraine in the 21st Century*. This document lays out key elements of a promising programme designed to help the education system to better meet the nation's human development needs. The remainder of this section addresses how decentralization policies and financing can support the accomplishment of this National Doctrine.

Decentralization and Reform: Challenges and Prospects

The National Doctrine establishes that a modern education administration system is to be developed along the same lines as the governmental and public system. The National Doctrine should take into account regional differences and trends of education institutions to enlarge the scope of their autonomy and competitiveness of service provision. Item 23 of Chapter X of the Doctrine indicates that a modernization of education administration means primarily the decentralization of administration, reallocation of functions and powers between the central and local executive authorities, local self-governments and education institutions.

A well-designed approach to education administration based on an appropriate degree of decentralization can provide a mechanism that helps accelerate the reform process by assuring: (a) growing

effectiveness of education administration; (b) clear allocation of administrative powers; (c) delegation of power to the lower levels that should enhance the democratization from the bottom upwards; (d) strengthened local control; (e) more appropriate consideration for the needs of local communities and of the state; and (f) improved mechanisms for reaching consensus on education policy.

Decentralization, however, is not a goal — simply another tool that seems particularly relevant to improving education in Ukraine, especially at the primary and secondary levels.

Decentralization, Participation and Education Reform

Decentralization can make important contributions to the mobilization and efficient use of resources. Education at the local level offers some of the best examples of these parent-teacher organizations; after-school sports programmes involving parents as coaches and school boards involving parents, educators, government officials and the business community in mobilizing and prioritizing the use of school resources are just a few of the examples. Although local schools will continue to depend heavily on transfers from the central government, the efficiency with which these resources are utilized and enhanced by local resource mobilization will depend heavily on local participation — and on the willingness of the central government to encourage and empower such participation.

Decentralization can make important contributions to the mobilization and efficient use of resources.

Financing of Education

Strong Financial Support for Education

The government seeks to improve financial support for education through a number of initiatives including increased priority for education at the national and local levels when setting budgets, support for schools from the private sector, involvement of parents and others on a voluntary basis in the operation and maintenance of schools, and charges for certain categories of services offered by the schools. Given that a university education usually increases the lifetime earning prospects of a person by far more than the cost of such an education, tuition and other charges should gradually be increased for university students — and financial support should be available for bright students who could not otherwise attend a university because of economic circumstances.

The keys to attaining equal access for all to a good education are twofold. First, there is a requirement for adequate financing. Second, there is a need to achieve maximum efficiency. Given the current Ukrainian reality, special emphasis must be given to efficiency. Resources will remain seriously constrained for the foreseeable future. Having gone through crises during the 1990s caused by printing and borrowing too much money, Ukrainians know the calamities that face a country that lives beyond its means. With economic growth, domestic resources are now expanding, and Ukraine is gradually restoring its access to world financial markets on more normal terms. However, a major acceleration in the quality of Ukraine's education — and thus of its pace of human development — can only come about in the near term through heroic and sometimes painful efforts to improve efficiency.

Budget Code: Improving the Transparency of School Financing

Until 2001, the regional budgets as well as the town and district budgets were mainly formed according to the budget of the previous year. Since 2002, the education budgets are being formed according to the Budget Code. Owing to the adoption of the Budget Code, the system for financing education has become transparent and is being formed for the regions, districts, towns, and cities of regional subordination in accordance with precise directions. There is no bargaining at all.

Different administrative units calculate the amount of inter-budget transfers for the education system on the basis of objective indexes: the number of pupils in institutions of a certain type and number of children between the ages of 3-6 years old. The education budget can only be extended at the end of the year at the expense of other branches (segments). Since the budget year is still in progress, it is difficult to analyze changes in particular regions, but one can affirm now that the budget process has become transparent, efficient and makes it possible for the administrative authorities to plan education system development, at least, for the mid-term perspective.

Creating a Market for Educational Services

The government seeks to encourage the private sector to provide education services on a paid basis and to establish programmes under which public and private schools would compete for grants from the government that could be used to improve education services. This is an

...the system for financing education has become transparent...

important area for development and re-presents one of the primary alternative service delivery methods that government decentralization policy should encourage.

Transparency and Accountability for Results

One of the best ways to assure an improved education system is to give more authority to the local level. Local authorities are much more likely to be able to introduce systems that increase transparency and accountability than are officials at the national level. This is because at the local level, the parents of students are the people who vote the local officials into office, and may even be friends and neighbors of the local officials. Institutions such as elected school boards, public hearings on school budgets and programmes, and published financial statements help provide the transparency and information needed for parents to take action.

Additional measures may be required at the national level for successful decentralization to lower levels. The institutions and mechanisms needed to assure transparency and accountability at the local level need to be established, and national

authorities may also need to monitor the results and performance of schools across the nation to make sure that appropriate attention is given to those areas where performance is not up to standards. A well-educated public is an asset of national interest given that people from rural areas may well move to more urban areas seeking jobs, and if they are not well educated, they can easily become a burden on the welfare systems of larger cities, and may even become part of the marginalized, disaffected groups that could cause public security problems.

Any monitoring by national local education authorities should be done in cooperation with local authorities, and should be based on clear rules, regulations, and methodologies. Standardized tests should be developed for measuring education performance in localities across Ukraine.

The National Doctrine on Education clearly provides a comprehensive and challenging agenda for action. With good design, the active participation of civil society, and appropriate decentralization of authority from the center to the localities, there is every reason to believe that this agenda can be accomplished.

One of the best ways to assure an improved education system is to give more authority to the local level.

3.2 HEALTH: DECENTRALIZATION IS THE BEST MEDICINE

Ukrainians' Views on Healthcare: They Don't Feel Good About It

According to our survey, people across Ukraine believe that the quality of their healthcare is worse than that of any other social service, with the possible exception of hot water delivery. On a scale of 1-4, where 1 is low and 4 is high, they give healthcare a rating of 1.7 — a rating worse than "rather low quality." Only in Lviv and Volyn do the healthcare services fully

reach the level of "rather low quality." Even in Kyiv, healthcare services receive a mark below 2.0. In addition to disliking the current quality of healthcare, people feel that it has deteriorated sharply in the last ten years. Over 25% share this view nationwide, a figure that ranges from about 10% in Lviv and Odessa to a high of 50% in Rivne.

A Profile of Healthcare in Ukraine

Ukraine inherited a healthcare system from the Soviet era that was already very inefficient compared to international practices. It performed reasonably well only because of the heavy infusion of resources from the Soviet Union in the form of heavy subsidies for energy, which were transferred to Ukraine at roughly 1/10th to 1/20th of world prices. This pricing policy, which helped keep Ukraine dependent on the Soviet Union, was an important factor contributing to the exceptional lack of energy efficiency in the system. Ukraine was burdened with individual hospitals, for example, that were highly inefficient in terms of

energy, and this problem was compounded by the extraordinary number of hospital beds per person at the time of independence compared to the situation elsewhere — 14 per 1,000 population in 1990 compared to an average of 8 per 1,000 in EU countries. The basic parameters of the healthcare sector in Ukraine are given in Box 3.3. The government has been working hard to resolve the problems inherited from the past and exacerbated by the country's sharp economic decline in the 1990s. Wage arrears in the government-run health sector, which accounted for over 40% of total social budget arrears in 1996, have been

Box 3.3 Measuring the health of healthcare in Ukraine

Expenditures

- In 2000, Ukraine spent approximately 4-6% of its GDP on health;
- Overall budget support for healthcare has dropped to one-eighth of 1990 levels in real terms;
- Total public spending was USD 42 per capita in exchange rate based dollars and USD 169 in PPP dollars.
- The central government's share of public spending on health is 13% and the rest goes to lower tier government — 39% to 27 regions (oblasts), 27% to 600 districts (rayons) and 34% to 170 cities.
- Lower-tier governments receive about 85% of their financing from the center via fiscal transfers, deriving only about 15% of their financing from own-source fees and taxes. Of the funds provided by the central government in 2000, 45% went to the Ministry of Health, 19% to Ukrainian Railways (which maintains a large hospital system), and 16% to the Academy of Sciences. Ministry of Defense health facilities are not included in the health sector budget.

Structure

- There were 3,209 hospitals operating in 2001 in Ukraine, of which 92% were operated by the Ministry of Health Protection and local authorities.
- In 2001, the number of hospital beds was 9.7 beds per 1,000 people and average length of stay was 14.6 days.
- Hospitals are accredited by the Head Accreditation Commission of the Ministry of Health Protection, oblast, or city health administration in accordance with the three grade scale.

Staffing

- The health sector employs over 1.1 million workers, of which 19% are doctors, 38% middle level staff, 21% junior level staff, and 22% low level staff.
- Ukraine has 3 physicians per 1,000 of the population, compared to an average of 3.4 in the EU countries. In 1999, the average monthly wages in the health care sector were UAH 129.3 (about USD 25 at the market exchange rate) — equivalent to about 43% of the average wage in the economy.
- Approximately one third of total health expenditures are for pharmaceuticals. Approximately 75% of pharmaceutical expenditures are out-of-pocket.

Sources: L. Rose and S. Blair, 2001, WHO "European Health for All" Database, State Statistics Committee of Ukraine

virtually eliminated. The government has undertaken numerous initiatives to improve healthcare system performance — note for example documents such as the Concept of Health Sector Development and Measures to Introduce Family Medicine. Ukrainian health standards are much higher than might have been expected given the extremely serious problems of the past decade and people's low evaluation of the quality of their health care. For example, international comparisons indicate that Ukraine's

health outcomes are very good for a country at its level of per capita GDP in areas such as infant mortality (L. Rose and S. Blair, 2001, p 4). Nevertheless, as seen in the detailed discussions in Chapter 1, Ukraine faces many serious problems including, for example, a sharp decline in life expectancy (especially among men), a sharp increase in psychological problems and in deaths related directly or indirectly to alcohol abuse; rising rates of infection from contagious diseases, especially TB, HIV/AIDS.

Healthcare Reforms: An Action Programme

The most urgent need in Ukraine's healthcare sector today is to introduce reforms that improve the efficiency of the healthcare sector and expand its financial support.

The most urgent need in Ukraine's healthcare sector today is to introduce reforms that improve the efficiency of the healthcare sector and expand its financial support. In both areas, increased decentralization can help, but cannot solve all the problems. Continued central government support will be needed in some areas.

Role of Decentralization

As shown by the experience of communities such as Novozuevka, Berdiansk and Komsomolsk, it is clear that decentralization with citizen participation in local decision-making can greatly improve the availability and efficiency of resources for healthcare. At the same time, certain li-

mits on the feasible scope and pace of decentralization should be noted. First, decentralization needs to be supported by a reasonable level of oversight from higher-level authorities to help avoid problems in specific localities. However, the country is lacking well-developed and legislatively approved medical care standards, especially for rural areas, outpatient and inpatient treatment, and specialized hospitals. These need to be developed to facilitate supervision. Second, improvements are needed in the system of budget appropriations for health care in regions, in administrative controls in the sector, and in management mechanisms, which would be transparent, clear and universally recognized.

Box 3.4 Development of "Family Medicine" programmes

In July of 1998 the municipal council of Komsomolsk ratified the "Family Medicine" programme for 1998-2002. To date, within the framework of this programme, 28 family doctors have been trained; 4 models of family medicine structures have been elaborated and are functioning while being provided with reconstructed and technically equipped premises, including a family medicine dispensary and, a family medicine department on the base of the municipal polyclinic and Dmytriv village family medicine dispensary.

Medical workers of the family dispensaries have sensed some positive results of their work; now there is a possibility for their professional self-development and a hope for a better future. With the budget costs for the medical services at their disposal, the medical personnel have a more positive motivation to work. This system has already reduced the need for emergency medical services by 9% and for hospitalizations by 21% among participants. Savings of around UAH 500,000 per year are estimated.

Similar practices also exist in Kyiv. The Association of Family Doctors of Kyiv launched its activity in 2000. To date, the association has 245 members. They are family doctors, therapists, pediatricians, professors of medicine, and other professionals.

Prepared by V. Mulko and the Association of Family Doctors of Kyiv and Kyiv Region

Healthcare Finance: A Multi-Channel Approach

In addition to reducing the cost of healthcare by increasing efficiency, major efforts are needed to create "multi-channel" sources of funding for the sector. Experience throughout the world indicates that the government cannot and should not bear the burden alone. General public support exists for private healthcare facilities on a paid basis.

According to our survey, less than 10% of Ukrainian people felt that the best healthcare came from public institutions, while nearly 50% felt that private institutions were better. Furthermore, introducing the concept of charging for certain healthcare services in public institutions is not as radical as might appear. About one-third of those surveyed indicated that they given money or presents within the last 12 months in order to have better medical treatment — a figure three times higher than that for any other category of service. Furthermore, a substantial share of people considers such transactions not to be bribes, but simply payments for services. People are clearly willing to pay more to get better healthcare.

Willingness to pay is now showing up in connection with proposals to introduce privately-funded medical insurance. Approximately 50% of respondents in our survey indicated that they would definitely or probably be willing to pay 5-10% of their incomes to get better medical assistance from paid sources.

You Pay for What You Get

The statement in Article 49 of the Ukrainian Constitution to the effect that public institutions should provide healthcare without charge has created significant financial difficulties for public healthcare institutions. Nevertheless, some progress is being made to overcome this apparent barrier. The 2002 ruling of the Constitutional Court on free medical care states that there should be a distinction between free medical assistance and the provision of potentially chargeable medical services such as board and room in hospitals. This ruling could perhaps be

extended to allow charging even for certain medical assistance on the basis that the Constitution does not require that *all* medical care has to be free — only that such institutions shall provide (some) care that is without charge. This is clearly a legalistic fine point, but might well open the door to establishing a more normal and sustainable basis for financing the healthcare sector based on private contributions towards meeting the cost.

Other options for introducing a more natural system of paying for services consumed in the medical sector include the following: (a) encourage the development of private clinics and hospitals; (b) place limits on the range and quality of services offered by public institutions (when people want more or better service, they can go to a private provider and pay for the service); (c) do as Komsomolsk has done and grant "legal entity" or enterprise status to public institutions, thus shifting them from government to public sector status so that they can charge for services; and (d) consider a referendum that would allow changing Article 49 of the Ukrainian Constitution to make it more consistent with contemporary Western practice.

Budget Code — A Major Decentralization Initiative

The introduction of the new Budget Code facilitated positive decentralization related developments in health protection. Local administrations now have higher and more stable revenues now. This empowers them to allocate increased funds to healthcare on a more consistent basis and to borrow for longer-term investments in healthcare.

Insurance Helps You Cover the Cost

If Ukraine is to be successful in introducing the principle of paying for medical services on a broader basis, it will also need to implement an effective health insurance programme. This is important for all the people, especially for the poor. By picking up part of the cost of insurance coverage as a social benefit, the government could

People are clearly willing to pay more to get better healthcare.

Participation in health-care decisions by the citizens can be a major contribution in increasing the resources available.

help the poor meet the cost of healthcare, thereby maintaining the integrity of a market-based system where people pay for what they get as well as maintaining the principle of access to all for essential medical care regardless of income. Several initiatives are already underway to introduce such a system. Further advances will require careful attention to issues such as the need to centralize administration to avoid excessive overhead costs and to avoid fragmenting risk pools.

Donors Can Help

Improving the energy efficiency of public buildings and introducing modern diagnostic techniques and equipment require time and money, but this barrier can be overcome. First, by getting rid of current excess capacity and increasing efficiency, the sector can generate and save sub-

stantial sums of money, and these resources can be invested in improved techniques and equipment. Second, donors can often find health-oriented investments very attractive, so Ukraine could probably get grants and loans on concession terms to cover much of the upfront costs of additional investments in healthcare efficiency

Participating in Success

Participation in healthcare decisions by the citizens can be a major contribution in increasing the resources available. Berdiansk, for example, was able to raise UAH 600,000 for healthcare through extra-budgetary contributions from the local community, the result of successful efforts to increase participation in healthcare governance through CSOs, public hearings, advisory boards and the like.

Box 3.5 Improving the delivery of health services in Novozuevka Settlement, Krasnogvardeyskiy District (Rayon) in Crimea

The situation in Novozuevka settlement had deteriorated over the past decade. There were few opportunities and the residents had become apathetic and demoralized over the conditions. The people had a sense of dependency that only the conditions could be changed from outside help. One of the most serious problems was the lack of a health clinic with good equipment and services to help the residents of the agricultural community. There was one doctor serving the residents, but the service had to be provided to residents from the doctor's home and this was often inconvenient. The nearest clinic was 10 km and the hospital was 24 km, which was often difficult to get to when needed.

Into this difficult situation, the UNDP Crimea Integration and Development Programme offered to help the citizens if they were willing to help themselves. The community held a meeting where the idea for a health clinic was given as a priority project. Even though the citizens realized they needed this project, they were very skeptical and reluctant to commit to the project. The head of the rural council, Rustem Bekirov, as well as the local doctor, Gulnara Osmanova, knew of the UNDP Crimea programme and undertook to get assistance. An agreement was worked out in which the UNDP would support the obtaining of a local building and equipment, while the community would provide the labor for the renovation of the building and the local council would support the costs of the local doctor, heating and electricity for the facility. The community organized itself into three settlement associations and a membership fee of USD 1 per month was started as a savings fund to support some of the costs.

On 7 April 2003, the clinic was officially opened to serve the 142 households in the three settlements that joined the association. The clinic is serving approximately 10 patients per day, of which 90% are women from the community. The clinic also serves the needs of five children under-1 year of age and approximately 100 children under-14 years of age.

This is just the start for the community. A playground for the children is near completion and the next large project is to improve the potable water system for the community. The community has shaken its dependency and is striving to improve its situation by its own efforts.

Prepared by Glen Wright

DECENTRALIZATION AND PEOPLE'S LIVING ENVIRONMENT



The sad condition of communal services is an area of great unhappiness for Ukrainians today. According to our survey, housing and communal services receive the lowest rating of all areas covered in terms of the deterioration that has taken place since independence — lower than health care, education, social protection, environmental protection and even the economic situation. Not surprisingly, a direct correlation is seen between age and ranking, with older people feeling most acutely the decline in housing quality. On a regional basis, the housing and communal services situation is worst in Khmelnytsky Region, where 86% of the respondents gave extremely negative assessments. Other areas with particularly low scores were Cherkasy, Chernihiv, and Ternopil — all with two-thirds or more of the people giving extremely negative ratings to the situation. On the other hand, relatively high scores came from regions such as Kyiv City, Zaporizhzhya, Donetsk and the Autonomous Republic of Crimea.

Except for electricity, where at least 90% of people even in rural areas reported having it supplied to their home, people in rural areas fared much worse than those in urban areas in terms of basic household facilities. Although running water and a bath were reported in 64% and 69%, respectively, of homes nationwide, these figures fell in villages to 35% and 9%. Homes with a flush toilet were more rare — 54% nationwide, and only 9% in villages.

Electricity supply is in the best position, with only 6% of respondents indicating that service quality had declined considerably, and 22% indicating that it had improved. At the other extreme, 50-60% of people felt that the provision of hot water, central heating and quality of drinking water had deteriorated. When it comes to basic human needs, few things are more important than the quality of the living environment. Much clearly needs to be done in Ukraine to improve the housing and communal services. This chapter examines measures that could be taken on an urgent basis to improve this situation.

4.1 HOUSING AND ENERGY EFFICIENCY: LIVING BETTER AT LOWER COST

When it comes to basic human needs, few things are more important than the quality of the living environment.

Housing

Shortages of affordable housing are widely recognized as one of the major problems facing the Ukrainian population today. For persons with low levels of income, this problem is more acute, because they can neither afford new commercial housing nor old apartments.

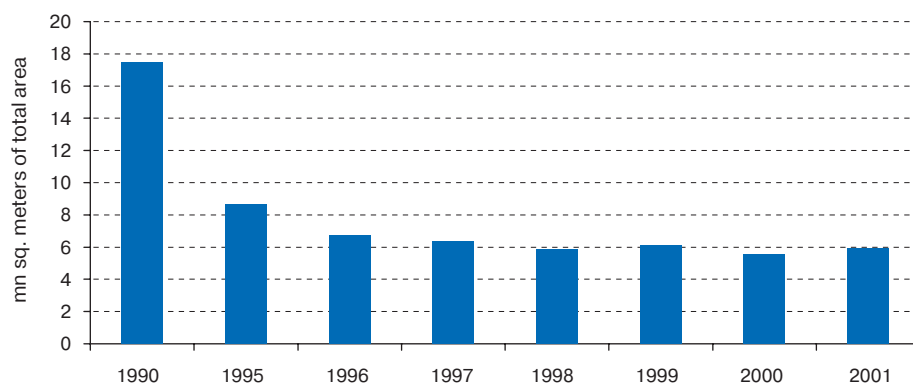
The need for affordable, available, and accessible housing has received increased recognition from the Government of Ukraine since independence. The total amount of new homes built in Ukraine per 1,000 people dropped from 377 square meters in 1990 to 123 square meters in 2001.

Any systematic efforts to increase the stock of affordable housing for the average Ukrainian resident must take into account the overall housing situation faced

by Ukraine presently. For the average Ukrainian, home ownership has become an important attribute of stability and wealth. Thus, during 1990-2001 the share of state housing stock in the total housing stock in Ukraine has reduced from 47.3% to 20.9%. Although home ownership has risen impressively in Ukraine generally, for those people living below the official poverty level, the rates remain shockingly low.

Public Sector Efforts

Attempts by the Ukrainian public sector to meet the housing needs of low-income groups have not met with much success. Sometimes the locations chosen have been inappropriate for housing, but more often, building regulations and registration procedures have priced the target popula-

Figure 4.1 Residential buildings put into service in Ukraine

Source: State Statistics Committee of Ukraine.

tions out of the market. This partly happens because some of the building regulations are largely unrealistic, mandating oversized plots and setting standards for infrastructure and building materials that result in structures that low-income households cannot afford. Not surprisingly, the stock of housing complying with these regulations has not been sufficient to satisfy the demand.

Market Forces

To reduce costs and respond more quickly to changing demands, the public sector needs to rely more on market forces including markets for land, building materials, financing, and construction. CSOs assisted by the public sector agencies, have a strong role to play in providing technical advice and additional financing. The experience of the Russian Federation and other Eastern European neighbors of Ukraine suggest that infrastructure investment alone will not be sufficient to stimulate housing construction in the absence of an institutional

framework for mortgage financing and land property rights. The mortgage programmes that have become available with a number of Ukrainian banks during the last few years are relatively successful and deserve to be increased. More funds are needed, along with a more favorable regulatory framework.

Central and Local Cooperation

The role of local authorities is very important in defining the most appropriate incentives for the private sector and other players providing the housing for the low-income population. To support the work of local authorities, the central government role should be to address problems in the housing market where private unregulated markets do not work well. For example, the public sector at both central and local levels needs to improve property rights, housing finance and subsidy programmes, inspection procedures of building regulations, and infrastructure.

The role of local authorities is very important in defining the most appropriate incentives for the private sector and other players providing the housing for the low-income population.

Energy Efficiency and Market Forces

With increased decentralization, authorities at the local level can play a growing role in creating the institutions and programmes that facilitate such consensus building.

Energy conservation is an important political issue here at the beginning of the new millennium. EU member states consider efficiency the keystone of their energy policies. Efficiency is critical to increasing the competitiveness of their economies and conserving their natural resources. Ukraine attaches considerable importance to this issue, not only because of its importance to the domestic economy, but also because of Ukraine's choice to work towards closer integration with the European Community. The experience of many developed countries has shown that the invisible hand of the market economy is far more influential in encouraging efficient energy use and conservation than is the weak hand of government planners, even if they initiate programmes that subsidize energy-efficiency measures for consumers. Market incentives should therefore play an important role in Ukraine's strategy. In 2001, out of 173 billions of kilowatts produced in Ukraine, 53% was consumed by the enterprises of extracting, processing and building industries. Consequently, one of the issues that deserve increased attention is large-scale energy conservation and efficient consumption. Because of currently limited demand, especially in the field of processing and construction industries, many new energy-efficient technologies, which are being applied in more industrially developed countries, are not widely available in Ukraine, and not all consumers have the option of using such energy-saving devices and technologies. As a result, even the presidential decree (No 662/99) of 16 June 1999 "On Energy Conservation Measures in Budget Establishments, Organizations and State Enterprises", which has been in force for more than two years now, has not resulted in adequate measures regarding the accounting and management of the energy utilization processes by budget organizations and enterprises.

Public Attitudes and Local Government Actions

It should be recognized that one of the major challenges on the road of energy conservation in Ukraine, which was inherited from the Soviet era, is negative public attitude towards energy efficiency. A number of recent surveys shows that along with ineffective billing procedures, which fail to motivate the energy consumers to pay their bills, the average public places much higher priority on comfort, ease, and convenience — goals that are often in conflict with energy efficiency. Thus, it is unclear whether the positive attitude that Ukrainian Government has for improving energy efficiency will be reflected in the population's energy-related purchase and operating decisions.

Efforts to improve energy efficiency in Ukraine therefore need to be supported by efforts to engage the public in an open dialogue on the importance of cost recovery, thereby building public understanding and support for substantial increases in energy prices. Public support also needs to be developed for more effective billing procedures that will assure cost recovery and make in turn nominal energy prices into effective incentives for increased energy efficiency. If people do not pay their bills, the price of energy becomes irrelevant. As elsewhere, participation and consensus building is very important to the success of any energy conservation programme.

With increased decentralization, authorities at the local level can play a growing role in creating the institutions and programmes that facilitate such consensus building. If people's perception of energy-conservation costs is incorrect, information and public awareness campaigns are needed to improve the situation.

4.2 COMMUNAL SERVICES AND WASTE MANAGEMENT: CLEANING UP THE MESS

Communal Services

One of the key issues for most if not all regions of Ukraine is municipal and housing utilities. The transition of Ukraine to a market economy has brought many new challenges and reforms, including those to the communal services sector.

Communal enterprises have been caught between rising energy prices and low household incomes. They have struggled to deliver acceptable services in the face of diminishing resources. Enterprises are now under increasing pressure from the public sector and customers to improve services but keep costs at a minimum. According to the current regulatory framework, the responsibility for effective management of the operations of the communal enterprises and the use of the assets on behalf of the community lays with the city, town, and district (rayon)

councils. Effective management of these assets is extremely difficult, when customers do not pay on time — and many do not pay at all. Therefore, only limited progress has been made in reforming and renewing the communal services sector. Services such as electricity supply, water, heat, gas supply, sewerage, lift maintenance, and the housing stock in general all suffer from heavy backlogs of deferred maintenance, and this automatically hurts the well-being of the population as noted in the report on survey results at the beginning of this chapter. Low-income families are particularly hard-hit, significantly reducing the overall state of human development in Ukraine. But even under this situation, local governments can take action as demonstrated by the example in Box 4.1.

Box 4.1 Experiment on offsetting arrears in Berdiansk

The Berdiansk municipal economy, as well as municipal economies of other Ukrainian towns, faces the problem of residential arrears on the services provided. In summer, 2001 the local municipal authorities, in an attempt to correct the situation, came up with an initiative on favorable terms for redeeming these arrears.

According to the experiment, those residents who had arrears as of 1 June 2001 were given an opportunity to settle their debts within two months with 20-30% discount. Those of the local residents who had no arrears as of 1 June 2001 or managed to pay off their debts by 1 September 2001 and demonstrated good record paying their bills since then were given a 10% discount on the housing and municipal service bills in the last six months of 2001.

Economic analyses of the statistical data collected during the experimental programme show that collections of the housing and municipal utilities for the period of July to August 2001 have doubled against the past periods. Collections of the outstanding debts made up around 52%. Overall, the two months of the experimental programme have yielded UAH 1,985,000 in collections (93.3% of the amount billed), including 47% in payments of the outstanding debt, whereas the target figure was set at UAH 2,126,000.

Prepared by the Association of Ukrainian Cities

Table 4.1 "What do you have in your household?"

	All the interviewed	Regional Centers	Other towns	Villages
Running water	64	85	77	9
Flush Toilet	54	83	69	9
Bath	69	91	81	35
Electric energy	93	96	93	90

Source: Social Monitoring Center, 2002

Potable Water

Among the many problems related to communal services, inefficient and inadequate public provision of water has been particularly serious in many Ukrainian cities, towns and districts (rayons). While almost all highly urbanized locations of Ukraine have a water supply connection, only 35% of rural residents do, though some share water taps with neighbors. According to our survey, this figure falls to only 9% in villages.

Public-Private Partnerships

Two approaches to resolving the water supply problems are available, both involving partnerships with the private sector. One involves replacing public service providers with a centralized private concession, and some Ukrainian cities are doing just that by signing contracts with local private companies. This approach raises two questions. First, will a private

Box 4.2 Improving the potable water supply system in the village of Tsvitochne, Bilohirskiy Rayon in Crimea

Members of the small community of Tsvitochne determined to provide a better supply of potable water to certain street areas in their village. Several problems existed in providing an adequate supply from the existing reservoir, which was not sufficient to meet the needs of some areas of the village. Not only was the supply inadequate, but also the cost was very difficult for many in the community who had recently settled in this village in the Autonomous Republic of Crimea. The state water supply company charged 50 kopeks per cubic meter and UAH 18 for each 100 square meters of land.

Community members located in several street areas, International'na, Cherkas'ka, and Dzherelna, decided to do something about the inadequate water supply and the high cost. This was the high priority of the residents in these areas. They organized themselves into three associations based on the street names and collected a membership fee of UAH 15 for the water supply project. Based on support from the UNDP Crimea Integration and Development Programme they undertook the community actions needed to restore the existing well, build a new building for the installation of the water pump, and lay nearly 2,800 meters of pipe to supply the water. The community members contributed all of the labor required; obtained funding from the rural council and donations from local companies to implement the project successfully. A community organization will manage and maintain the new system. The charge for water will be based on metering of the use and is estimated to be about 20 kopeks per cubic meter, a substantial saving from the previous costs.

The community is not stopping with just this project. They are already taking about providing a children's playground, repairing and cleaning streets, and hope to pave the streets with asphalt in the future. Rustem Useinov, head of the local council, indicated that the project had created a new sense of community and pride in what the local citizens could do to improve their lives.

Prepared by Glen Wright

monopoly provider be more successful than the public monopoly provider in assessing and responding to the demands of low-income communities? Second, can the state provide appropriate regulation of private sector operators? Instead of private monopolies, some cities may find that allowing private firms to provide water in a decentralized, competitive system offers advantages. In low-income areas with heterogeneous demand patterns, this type of competitive privatization may be preferable to replacing the public monopoly with a private monopoly, since small niche providers interact much more closely with their customers. Competitive markets also considerably reduce regulatory problems. A natural process of consolidation and scale exploitation may start as the market matures and sorts out providers according to their efficiency and performance. In privatization alternatives, public-private partnerships point the way forward. Partnerships with community organizations can also improve the performance of public water utilities.

Citizen Participation is the Key

The key to any solution to the water supply problem in Ukraine, however, will be assuring discipline in households paying for the water. Cities have tried a wide variety of control-oriented approaches to

increase payment discipline such as fines, court actions, and turning off water supplies, but results have generally fallen well short of expectations. But what has worked is citizen participation. In a number of cities such as Cherkasy, Khmelnytsky, Lutsk, and Zhytomyr, groups with city government representatives, the water authority, and civil society were set up to help solve severe water shortages in their communities.

By participating in these groups, citizens became aware that paying water bills is critically important to the financial viability of the water supply companies and thus to their ability to build the improved water supply facilities required to meet the needs of local citizens.

Payments went up, and with strengthened financial conditions and clear mandates from citizens to take action, cities like Lutsk and Zhytomyr, for example, are making good progress in attracting foreign private capital for infrastructure improvements. Other participatory mechanisms such as public hearings have also been used to build citizen understanding and support for water supply reforms. In Lviv, for example, a public hearing regarding a possible external support for the water system improvements was held, and this helped pave the way for official approval by the city council of a World Bank water project loan, based on active citizen participation and support.

The key to any solution to the water supply problem in Ukraine, however, will be assuring discipline in households paying for the water.

Sewerage

Piped sewerage is necessary in high-density urban areas, but these centralized sewerage systems are not always feasible in smaller cities and towns or in rural areas. The very high up-front costs of collecting and treating wastewater at the city level, combined with the reluctance and sometimes inability of many households to pay for such a system, make designs suitable for large cities unworkable from the start in many smaller cities and towns.

Community Involvement

The experience of some local jurisdictions in Ukraine highlights the importance of community involvement and especially of intensive consultation between public agency staff and residents when projects are being designed and implemented. Community organizations, often with NGOs providing technical assistance, can go beyond the household and lane levels to address

neighborhood sewerage problems in the rural areas. In doing so, an approach could be implemented for providing sewerage systems in which communities and the local administration are partners. In this case communities finance and build household toilets, lane sewers, and secondary sewers. Evidence shows that communities can finance and manage them with appropriate technical support and managerial guidance. But local gov-

ernments, on behalf of the state government must help in this case with long collector sewers, trunks, and treatment plants. The ratio of community to government costs is typically about three to one. By adopting this decentralized public-private partnership approach, Ukrainian cities can use their limited funds to increase coverage of sewerage systems and save on maintenance costs as well.

Major efforts are needed to develop and strengthen NGOs with an interest in environmental quality that can work with local governments, municipal waste services, and enterprises to help resolve these problems.

Hazardous Waste

A major issue in the complicated agenda for renewing Ukraine's sadly deteriorated communal services is the collection and disposal of domestic and industrial wastes. The total volume of solid wastes in Ukraine has nearly doubled over recent years. More than 80% of the existing dumps and landfills do not meet sanitary requirements and contaminate the environment. The absence of regulatory and legislative acts laying out the obligations and responsibility of people with respect

to garbage collection has resulted in a widespread nonpayment for the waste collection and disposal services. As a result, the garbage collection services are in a precarious financial position. Two thirds of garbage collection units have wage arrears, and these have been accumulating over months and, in some cases, years. Local budgets are not able to help, and investors are not in a hurry to invest their funds in this sector due to the absence of appropriate regulatory frame-

Box 4.3 Environmental problems of two cities with potentials to be recreation zones

Uzhgorod is a small city of 125,000 inhabitants, in a relatively remote part of the country, across the Carpathian Mountains, bordering on Hungary, Slovakia, Poland, and Romania. Solid waste management is struggling with the rapid expansion of disposable plastics that are rapidly filling up the site that was designed for many decades. The municipality will soon install a plastic crusher and sell the plastic to a state enterprise. But still the system is, by its own admission, barely coping with the solid waste problem. The separation of recyclable paper and glass is done by allowing teams of homeless people (Roma) to scavenge the trash from each arriving truckload of trash. Recently, local NGOs were able to organize protests from residents regarding the construction of new petrol stations in densely populated areas, creating an environmental nuisance and polluted air quality. It is a classic stand off between commercial interests and local environmental quality. The contrast between the gleaming state-of-the-art petrol fuelling facilities and the dilapidated sewage and potable water treatment plants serves as a symbol of priorities.

Odessa is a large city with over a million inhabitants and a large industrial and commercial base. It faces a number of critical environmental problems. Some of them are near to being solved. For example, a private company under municipal contract handles solid waste collection, and the city takes pride in its assiduously clean appearance and the state-of-the-art operation of its garbage contractor. But the city's huge forty-year-old landfill site will require technical innovations in various types of recycling, methane gas recovery, and other treatment and disposal mechanisms if it is to remain useful and avoid becoming an environmental hazard that exceeds the dangers of uncollected trash. At present the system of recyclables separation is to allow the homeless to scavenge through the 5,000 trash bins around the city to pull out the recyclable paper, glass, and plastic.

Prepared by Per Larsson, UNDP

work and low cost recovery rates. Another critical issue facing Ukraine in every geographic region and almost in every sector of its industry is a common practice of disposing toxic industrial wastes without any sorting and pre-treatment. Though in some cases the volume of wastes is relatively small, some are nevertheless highly toxic and hazardous to public health and the environment. At present, industries dump their solid wastes on their premises or indiscrimi-

nately dispose of them in riverbeds or on public lands. Even the wastes containing hazardous substances such as heavy metals, cyanide and organic chemicals are frequently released into streams, rivers and municipal drains. Major efforts are needed to develop and strengthen NGOs with an interest in environmental quality that can work with local governments, municipal waste services, and enterprises to help resolve these problems.

4.3 PUBLIC TRANSPORT AND POLLUTION CONTROL: BREATHING BETTER IN OUR CITIES

Transport

As incomes rise in Ukraine and as employment becomes decentralized to areas farther from people's homes, the use of personal automobiles has been rising. The number of privately owned cars increased from 2.36 million in 1985 to 5.17 million in 2001. Ukraine's most serious transportation problems are traffic congestion in highly urbanized areas, pollution from emissions, and the limited mobility of the people at lower income levels.

Public transportation already plays an important role in Ukraine. It reduces demands for parking place and fuel, and it provides access to transportation to groups within society such as the old, the young, and the poor who cannot afford private cars, thus creating a more democratic society. In order to exploit more fully the advantages of public transportation, new residential developments should take place around suburban public transport stations, thus strengthening the viability both of the village neighborhood and of the public transport system that serves it.

Private mini-bus (marshrutka) services throughout Ukraine have improved the quality of service and have reduced

costs, thus benefiting considerably those who cannot afford private cars. Allowing mini-bus services to operate without appropriate regulations and controls has led, in some cases, to serious problems for public transportation facilities such as trolley buses and tramways which, with proper investment, could become a lower cost and more environmentally friendly alternative to hordes of private mini-buses roaming the streets in search of passengers. Informal transit services such as mini-buses that cater to low- and middle-income groups should be carefully integrated into formal transportation networks through appropriate regulatory frameworks, thereby improving safety and efficiency.

While public-private partnerships in some areas such as microbus transport have proved helpful, the public sector must still play a major role in overall transportation planning. Perhaps the greatest payoff could come from integrated land use and transportation planning. New roads that open land around the cities for development create complex land use and transportation issues that need to be addressed. Crowded urban centers provide possibilities of economically increasing mass transit facilities. Integrated pub-

Ukraine's most serious transportation problems are traffic congestion in highly urbanized areas, pollution from emissions, and the limited mobility of the people at lower income levels.

lic planning can improve accessibility at relatively low cost. By channeling urban growth along mass transit routes, the cities of Ukraine could reduce people's

dependency on private transport, especially for commuting to and from work, thereby reducing gasoline use and air pollution during peak periods.

City and town authorities can make compliance with vehicle efficiency standards part of a contract with private and public bus companies trying to establish routes.

...decentralized approach allowing for public and private sector cooperation provides the best solutions...

Pollution

Air Pollution

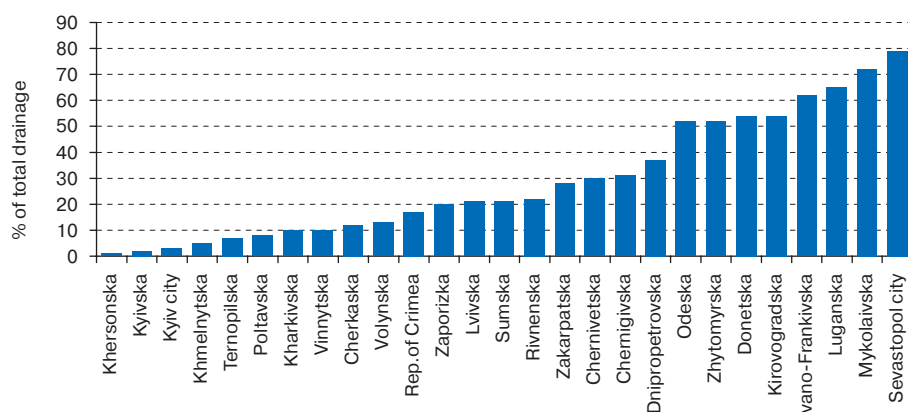
The assessment of air pollution in Ukraine is hampered by the absence of data on the related parameters. Limited studies, particularly in urban areas like Donetsk, show increasing air pollution. In large Ukrainian cities, the emission from the increasing number of vehicles, coal mines, brick kilns and cement factories result in a thick layer of smog and dust throughout much of the year. The problem is especially serious in the areas with limited air circulation. Thousands of tons of carbon monoxide, hydrocarbons, nitrous oxide and sulfurous anhydride are being annually released into the air in Ukraine. Some investigations also reveal a high level of lead content in dust. For example, the lead content of air along roads with heavy traffic is about 3,000 mg/m³, while that along roads with less traffic is only half that level.

Reducing air pollution is also important in making cities more livable. Inspecting all vehicles to ensure compliance with emissions standards is not feasible for most cities in Ukraine because of the expenses involved and problems of enforcement. More flexible institutional approaches could be considered. One possibility would be to shift the focus of such regulations to large fleets of vehicles such as buses and trucks, which are easier to regulate, and which frequently emit dis-

proportionately large quantities of pollutants. City and town authorities can make compliance with vehicle efficiency standards part of a contract with private and public bus companies trying to establish routes. Random emission testing is another approach that could easily be combined with the first. Finally, police could be authorized to ticket and perhaps even take off the road vehicles that emit large visible amounts of pollution.

Water Pollution

To worsen the picture, widespread water pollution is responsible for the spread of water-borne diseases such as hepatitis, dysentery, gastro-enteritis, diarrhea and even typhoid. Many Ukrainian industries that pollute the water are established close to the riverside where very often they discharge even the most toxic effluents without treatment. As a result, the quality of rivers and streams passing through many urban and rural areas is rapidly deteriorating — an effect mitigated, however, by the fact that many of the old Soviet-era enterprises with the most serious environmental problems have had to cut back production or close entirely because they can no longer compete. As noted above in connection with communal services, the quality of drinking water in major Ukrainian cities and towns is poor. In the rural areas, water sources such as

Figure 4.2 Polluted water across regions of Ukraine

Source: State Statistics Committee of Ukraine.

wells and springs are also used for drinking purposes, but a large share of these have been found to be contaminated by agricultural runoff as well as industrial waste that leaches into the groundwater. Water from these sources is frequently used for bathing, washing, and for irrigating farmland, all of which poses substantial health hazards. Figure 4.2 illustrates

the dimensions of the water pollution problem in the various regions of Ukraine. This is a significant problem for central and local authorities to deal with and international practices and the financial requirements for such projects reveal that a decentralized approach allowing for public and private sector cooperation provides the best solutions to this problem.

MOVING FORWARD THROUGH DECENTRALIZATION — AN ACTION PROGRAM FOR HUMAN DEVELOPMENT



This report has examined ways in which decentralization can assist human development by giving governments at the local level more power to decide in the governance of the programmes which deliver the services that most directly affect their lives. At the same time, this report has identified many important actions that central and local governments need to take to establish a good living environment for people at the local level. Establishing an appropriate balance between central and local action — creating the conditions that make a good balance possible — is critical to human development.

The preceding chapters have stressed the important role that decentralization can play in accelerating human development. Examples were presented where there is a need for an appropriate role for the central and local governments to play in supporting the delivery of public services. The important point to be made here is that there must be a level of cooperation, rather than outright control by the central level or complete dependency by the local level, in the relationship between the central and local levels. A mutually supporting partnership must be created in order that an effective and realistic legal framework and institutional capacities can be developed.

Four challenges need urgent action by central and local authorities if Ukraine is to meet its MDGs. These challenges are:

- *Local governments utilizing citizen participation and innovative service delivery methods to support local human development needs;*
- *An education system that prepares all people for a rewarding life of working and learning;*
- *A healthcare system, accessible to all, that frees people from preventable illness and helps assure good health;*
- *Housing and community services that assure everyone the right to decent living conditions.*

5.1 NATIONAL AND REGIONAL INTERESTS: MATCHING NATIONAL CONCERNS WITH LOCAL DECISION-MAKING

...citizens depend primarily on local governments to support their needs.

In each of these challenge areas the central government has an important role to play. But, for most people and for most of the time, citizens depend primarily on local governments to support their needs. Local governments provide these services if they have sufficient authority and the financial resources. This is possible to achieve only through decentralization policies that establish a legal framework. This report has focused on how decentralization can be achieved in the several areas discussed.

Perhaps the most important criterion to consider when determining the appropriate degree of decentralization is that adopted by the UNDP: "Do citizens — particularly the poorest and weakest

members of society — benefit?"¹²

Another key criterion is *subsidiarity*, the principle that forms the basis of local government in the European Union: "What is the level of government closest to the citizens that can deliver each service most efficiently and effectively?" Based on these principles — and the analysis in the preceding chapters — the following Action Programme for Human Development lays out some key areas where work is needed at both the central and local levels to accelerate the pace of change and the improvement of people's lives in Ukraine.

The concept of "lowest possible level" is difficult to define, but is one of the key criteria for determining where public ser-

¹² UNDP (2002h).

vices should be delivered. While this principle is appropriate for determining the level of service provision, there is a need to consider as well the spillover effects when some activity within one local government has a negative impact on other political jurisdictions. But equally, many locally delivered education, health, and environmental services have positive impacts on other jurisdictions, even though those jurisdictions neither decided nor funded these actions.

The balancing of central-local authorities is always in a state of change in democratic and decentralized systems. There are no hard and fast rules that can prescribe this relationship. Normally, the central government plays a leading role where there are: (a) regional or national

interests that can not be adequately addressed by a fragmented local government territorial system; (b) the problem is such that some economies of scale in efficiency and effectiveness can be achieved that are not possible within the existing political boundaries of the local governments; and (c) local governments may not have the necessary institutional structures or technical capacity to solve the problem.

This is not to say that the central government plays the sole role in solving such issues. Even under the circumstances described above the local governments must play a significant role in the decision-making process and the implementation of programmes for solving these human development problems.

The balancing of central-local authorities is always in a state of change in democratic and decentralized systems.

The Legal Framework for National and Local Cooperation

The legal and regulatory framework that supports or controls these national and regional level interests and impacts is one of the major functions of central government. In these cases central government will need to take the leading role in creating: (a) a uniform legal framework for local governments that helps assure uniform rights and obligations throughout the country; (b) a uniform system for financial support from the center to the lower levels of government that is transparent and equitable; (c) a uniform system for protecting the economic, social, and human rights of people; (d) a uniform set of commercial laws, regulations, and programmes to establish a business climate that maximizes efficiency, economic growth and family incomes; (e) a consistent set of policies with respect to other countries regarding politics, trade and defense; and (f) a uniform set of standards for protecting the environment as well as national historical and cultural assets.

Central government must play a major role in establishing the overall national framework that supports the process of decentralization and the activities of local governments. Key to such a framework are:

(a) laws establishing the administrative structure of local governments in terms of both geographic divisions and operational problems; (b) an adequate fiscal capacity and revenue base for local governments; and (c) the laws establishing the intergovernmental fiscal relations.

Until the national government has constructed an appropriate framework, it will remain difficult for local governments to operate legally and meet uniform standards for service delivery. The absence of such legislation serves as an excuse for delaying the delegation of additional powers and responsibilities to local governments. Even with the limited and imperfect structure of decentralization already in place there have been important contributions to human development in Ukraine as shown in the previous chapters. Thus, the task is not to slow down decentralization, but rather speed up the process of completing the legal framework for local government administration. As noted earlier, the legal framework for local government in Ukraine is still very much a work in progress. Important aspects are still missing such as the definitions of the rights and

Central government must play a major role in establishing the overall national framework that supports the process of decentralization and the activities of local governments.

responsibilities of each level of local government. The defining of the local government functions needs substantial improvement to meet more fully some of

the best international practices and move more closely to the European Charter on Local Self-Government provisions.

Defining the Territorial Divisions

The present political boundaries and number of territorial units is a serious problem that needs to be addressed. The confusing and practically unknown basis for defining political boundaries will continue to produce the regional and local inequities in legal authorities and financial capacities.

At present, there is no administrative map with clearly identified boundaries of administrative and territorial units; no clearly defined legal concepts of "settlements" or "administrative and territorial units"; no regulation for establishing and changing the boundaries of the Autonomous Republic of Crimea, of regions (oblasts) and districts (rayons) as well as town districts; and no legal basis for giving these entities names. Although there is an urgent need to consolidate small settlements as examined below, there is no mechanism for bringing them together into one territorial community (New Parliamentary Institute, 2002). The complex financial and economic situation in rural territorial communities is related to some extent to the process of segmentation of village councils. Over the past decade, the number of councils increased by 1,052, and the average number of population within the competence of one council decreased from 1,800 to 1,500 people. Therefore, one of the urgent problems is the formation of self-sufficient territorial communities that are able to deliver public goods and services on the level of the adopted state regulations and standards. The solution to this problem is closely connected with administra-

tive and territorial reform and amalgamation of territorial communities (Humanitarian Technologies Development Fund, 2002). A legal task that needs to be completed as soon as possible is the consolidation of small towns and settlements. No one knows exactly how many of these exist since there is no adequate legal basis for defining them. However, possibly 10,000-12,000 of these small communities exist, and many are so small that they have no possibility of mobilizing the human and financial resources needed to provide the services necessary for local human development. Consolidating these to perhaps one-third of the present number would help to create financially viable communities capable of supporting adequate programmes of human and social services.

Proposals have also been developed for consolidating the 27 existing regions (including the Autonomous Republic of Crimea, plus Kyiv and Sevastopol, both cities of regional status), thereby creating a mid-level structure of governance in Ukraine that would be more consistent with natural geographic, economic, and social interests, and that would have the size needed for better operational efficiency. Such reforms might also be able to address the current problems associated with central government controls over regional administration through appointed governors. The problems are complex and multifaceted, but there seem to be many opportunities to improve the efficiency of sub-national governance in Ukraine with appropriate legal changes.

A legal task that needs to be completed as soon as possible is the consolidation of small towns and settlements.

Who Has the Budget: Creating the Financial Framework for Local Government

The fiscal capacities and financial resources of local governments are clearly not adequate for the appropriate level of services that they are required to deliver. The Ukrainian Constitution and laws do not meet the standard of fiscal autonomy that is envisioned in the European Charter or acceptable levels appropriate for local governments. The present tax sharing arrangements and the instability of transfers continue to exacerbate the existing financial problems at the local government level.

The budget is one of the best examples of an activity where the central government must play a leading role in promoting human development. If the total local government budgets by region in Ukraine had to depend entirely on taxes on the region's own economic activity, and if the tax burdens were the same in all regions, Transcarpathian Region, the poorest region in per capita terms, would have local government expenditures per capita equal to only 10% of those of Kyiv City, the richest regional level jurisdiction, and only about 50% of Donetsk Region, the richest region in terms of VA, excluding Kyiv City. If the calculations were done on the basis not of regions, but of actual local administrations, the difference would be vastly greater given the extremely low levels of income in many rural settlements. However, because the central government is able to redistribute resources through national taxes and redistributive transfers, the resources available at the local level in Transcarpathian Region are 97% of those in Donetsk Region, and 86% of the national average, including Kyiv.

This equalization process has critically important implications for assuring that all Ukrainians, regardless of where they happen to have been born and live, have at least some equal opportunities to realize their full potential as human beings.

The Budget Code that was introduced in 2001 has brought profound changes in the structure of intergovernmental fiscal relations. Most importantly, it fundamentally changed the way money was allocated to the districts (rayons) and major cities. Before the Code was implemented, blocks of money of varying amounts were given to the regional administrations each year that doled out the money according to their own criteria. In theory, "norms" relating to the stock of public facilities to be maintained, not the people to be served, was the primary criterion for allocating funds. National and regional politics also seemed to play a major role.

The new system is based on a reasonably objective formula that focuses on the number of people that the jurisdiction serves, and takes into consideration other factors, such as local resource generation capacity. In addition to de-politicizing the process, the new formula-based system has improved the level of resources to each local jurisdiction covered by the system. At the same time, the new Budget Code also helped clarify the expenditure and revenue responsibilities for the local jurisdictions.

However, there are still several areas where the weaknesses of the Budget Code require further improvements. These have been identified by Slukhai (2002) as the following:

- The content of the code still demonstrates that there is still an unwillingness to give greater discretionary authority to local governments;
- The inter-budgetary relations below the rural district (rayon) level and between city and urban districts is not detailed;
- The fixing of proportions in allocation of budgetary revenues between regions and

The Budget Code that was introduced in 2001 has brought profound changes in the structure of intergovernmental fiscal relations.

rural districts as one group, and cities, towns, settlements and villages as another group, seems to have no supportable basis;

- The problem of increasing the local government revenue sources is not solved by the Budget Code; and
- The sources of transfer funds is not clearly determined by the Budget Code;

The Budget Code only addresses the equalization of delegated expenditures and does not provide for inclusion of expenditure priorities by the local governments into this equalization formula.

Box 5.1 provides a comprehensive set of goals for budget decentralization that define the policy agenda for action.

Sharing the Burden

Ukraine's relatively good performance in providing equalizing transfers to local jurisdictions has helped even out per capita budget expenditures around the country. However, such transfers depend on the equally important role of the central government in collecting taxes. If left to their decisions, the richer parts of the country would tax themselves relatively lightly, collecting only enough to meet their own needs, and they would transfer nothing to the poorer regions. By helping to equalize opportunities for human development across the country through fiscal decentralization and intergovernmental transfers, the central government plays a critically important role through the taxing system by transferring these resources from richer to poorer areas.

Box 5.1 Goals for budget decentralization and development of an effective system of intergovernmental relations could be defined as follows:

- Stable financial basis for local self-government, in particular, through ensuring stable and predictable budget revenues at all levels as well as increasing the share of internal sources in local budget revenues;
- Fair distribution of social benefits and services among all citizens; observe the subsidiary principle; social services should be under the authority of upper levels of government only if at these levels they are provided more efficiently (from economic and/or political point of view);
- Distribution of authority between the central and local governments as well as distinction between the inherent and delegated authority of local governments in terms of budgeting;
- Specifically defined expenses to be financed at each level of government from the state, region, district, municipal, or village budgets; transparent mechanism for distribution of intergovernmental transfers;
- Create incentives for local governments to look for rational structure of budget expenses, introduce and follow strict budget discipline (according to the defined priorities or pressing needs of communities);
- Improved cooperation between local governments and tax administration to improve administration of tax collection;
- Established economic foundation to increase the economic potential of administrative territorial units, broaden tax base, and extend financial opportunities of local governments.

Source: Humanitarian Technologies Development Fund, 2002

5.2 LEADING FROM THE LOCAL LEVEL

Local Governments: Citizen Participation and Service Delivery Methods

The local governments in Ukraine, as detailed throughout this report, have initiated with the support of many donors, NGOs, and civic organizations numerous approaches to enhancing the level of citizen participation and innovative service delivery methods to meet many of the human development needs in their communities. The UNDP Ukraine Human Development Report 2001 provided a comprehensive assessment of the level of citizen participation and how community based organizations and local governments are meeting these needs. This continues to provide a basis for actions that with the powerful tool of decentralization can more effectively implement programmes that will assist Ukraine to meet its MDGs. In reality, these goals cannot be met through central government decrees and directives, but only through the actions of citizens and local governments undertaken to deal with the problems identified throughout this report. Actions that must be continued and more fully supported at the local level include:

- Provision of greater opportunity for citizen information and involvement in important decision-making areas of the local government budgets that deal with education, healthcare, social assistance, and environmental problems;
- Inter-municipal cooperation and alternative service delivery methods to meet common problems across local government boundaries;
- Creating more public-private partnership approaches to solving local economic development problems;
- Utilizing successful CSOs practices of many local communities throughout Ukraine as models for replication in meeting local human development problems.

There are many other actions that could be taken by the local governments on their own initiative to develop other innovative approaches to meeting these challenges in the coming years. The biggest challenge facing local governments is to develop this initiative and capacity without waiting for the "orders from the center."

The biggest challenge facing local governments is to develop this initiative and capacity without waiting for the "orders from the center."

Education — The Right to Learn

Ukraine has long enjoyed high standards of education, but the old system has not yet caught up with the needs of today. The following actions at the local-level could help people of all ages become better prepared for life in Ukraine's new democratic market-based society:

- Encouraging parents to participate in improving their children's schools through mechanisms such as parent-teacher organizations;
- Increasing the resources available for better school facilities, teaching supplies, and curriculums by increasing the effi-

ciency of existing schools, including investing in energy efficiency and reducing underutilized physical space;

- Consultation with affected families, consolidating scattered rural schools to reduce costs and allowing higher-quality education for rural students;
- Working in partnership with local businesses to improve the relevance and efficiency of local vocational schools.

Box 5.2 summarizes the decentralization initiatives required to achieve the changes needed in the education system.

Healthcare — The Right to Live in Good Health

...no one is closer to supporting people who want to be healthy than the healthcare services at the local level.

Ukrainians have seen a dramatic decline since independence in the quality of their health and healthcare services. They have suffered an extraordinary drop in life expectancy, and the emerging epidemic of HIV/AIDS threatens men, women, and children throughout the country.

In neither case can the decline in government-provided healthcare bear the full burden of blame. Other factors such as environmental problems, poor diet, and mode of life have contributed to the poor health of the Ukrainian population. Likewise, the epidemiological problems of HIV/AIDS and TB reflect not only a healthcare system poorly prepared to cope with this new global problem, but also social problems such as alienation of youth during the transition, drug abuse, unsafe sex and, in the case of TB — poverty and all of its associated problems such as poor diet, psychological stress, weakened physical condition and inadequate access to good medical treatment. Although factors other than the decline in government healthcare facilities have certainly contribute to the nation's leading healthcare problems, solving these problems is going to take leadership from the healthcare sector, and no one is closer to supporting people who want to be healthy than the healthcare services at the local level.

The following actions can be recommended as a matter of priority at the local level to improve healthcare services:

- Improve the efficiency of curative hospital facilities at the local level, thereby freeing scarce resources for other higher-priority healthcare services;
- Introduce charges for selected healthcare services to further expand resources available at the local level;
- Increase the emphasis on public health and preventative healthcare;
- In particular, expand efforts to reduce the spread of HIV/AIDS and TB by working closely with NGOs to educate people about preventive measures;
- Reduce emphasis on specialists and introduce "family doctor" programmes;
- Improve equipment and techniques available to diagnose health problems, thus reducing dependence on hospital stays for observation; in particular, expand the use of DOTS to control the spread of TB;
- Create a business environment that supports the development of private medical facilities at the local level;
- Prepare local governments to participate in the Municipal Development Fund so that capital resources can be borrowed for investments in improved healthcare facilities; and
- Encourage the introduction of private medical insurance programmes, and

Box 5.2 Decentralization in education

The decentralization of education should not be an end in itself. Rather it is a scheme of administration that is aimed at improving the quality of education to meet education requirements of people through:

- Increasing the effectiveness of education administration;
- Clear allocation of administrative powers, delegation of the powers to the lower levels that should enhance democratization from the bottom upwards; strengthening local control;
- Taking into account the needs of local communities and the needs of the state, and reaching a consensus on the decision-making process;
- Developing the civil education services market and private education; and
- Making decisions and implementing the decisions in a way understandable for the public.

Source: Institute of Political Technologies, 2002

explore ways for local governments to subsidize healthcare insurance for the poor. There are several approaches that can be taken to implement decen-

tralization in the healthcare sector. These are summarized in Box 5.3 based on the National Report in the Healthcare Sector for 2002 from the UNDP.

Housing and Community Services — The Right to a Decent Living Environment

Ukrainians responding to the NHDR survey indicated that the quality of Ukraine's housing and communal services was lower than that of any other service important to their lives. Moreover, the quality of these services has become even worse during the last five years. Shortages of funds to maintain buildings and services have been severe.

The privatization of apartments, while highly desirable in the long run, has compounded short-run maintenance problems because the owner associations and legal frameworks needed to get all owners to contribute to maintaining roofs, mechanical systems, and common areas are not effective. The lack of suitable housing and associated services is even more acute in rural areas. According to our survey, less than 10% of households in villages have running water and flush toilets. Comfortable and clean housing is central to a decent human life. The following measures could be taken at the local level to improve the situation:

- Use CSOs to develop a strategy for improving water supplies, heating and other services important to the households based on a dialogue between local governments and local citizens;
- Establish and implement, with the help of homeowner associations, mechanisms to enforce payment for maintaining the common facilities of apartments and buildings;
- Work with associations of private builders and contractors to develop building codes, inspections procedures, and related mechanisms that stimulate rather than restrict the construction of new housing;
- Make public land and infrastructure available to private sector developers under appropriate terms and conditions for building new housing;
- Especially in smaller communities, develop community organizations that

Box 5.3 Alternatives for decentralization in the healthcare sector

- Decentralization at the self-government level in order that the local governing body can make independent decisions concerning management and delivery of healthcare services;
- Decentralization of management within the sector to open opportunities for private sector delivery of services;
- Decentralization by sources of financing of the sector to include central and local funding, but also private sector insurance for those able and willing to pay for this insurance to obtain additional healthcare services.

Source: Fiscal Analysis Group, 2002

can take the lead in developing the local infrastructure in neighborhoods for water supplies and sewers; and

- Explore ways to expand the supply of credit for owner-occupied housing.

Improvements in housing and community services, particularly in potable water and waste management, are a major human development challenge that must be addressed with urgent actions.

5.3 SUPPORTING FROM THE CENTER

The central government can make important contributions to the success of the local governments by improving national-level programmes and by providing additional powers to the local level.

The central government can make important contributions to the success of the local governments by improving national-level programmes and by providing additional powers to the local level. The highest priority areas for action are the following:

- Empower the local governments with greater legal authority and financial capacities, and define more clearly the

boundaries of territorial divisions to reduce the number of local government units;

- Increase the equalization of inter-budgetary resources to promote greater equity across regions and territorial divisions;
- Meet the needs for tertiary education and healthcare assistance.

Empower Local Governments — Legal, Financial and Territorial Divisions

A number of laws were identified that still need to be enacted by the Verkhovna Rada to support greater decentralization of authority and decision-making at the local levels.

This report has detailed some of the problems facing local governments as a result of a still inadequate legal basis of authority, division of central-local functions, financial resources and appropriate number of territorial divisions to promote a modern system of local government administration. Full compliance with provisions of the European Charter on Local Self-Government is still lacking and, in particular, with the provisions on local government financial resources. A number of laws were identified that still need to be enacted by the Verkhovna Rada to support greater decentralization of authority and decision-making at the local

levels. Based on this situation the central government needs to take actions in the following areas:

- Enact laws relating to the financial capacity of local governments which address issues of local self-government financing, local taxation charges, community property rights and other areas identified in Chapter 2;
- Define more clearly the territorial divisions and promote the consolidation of the many small local governments into more politically and economically viable units.

Fiscal Equalization — Increasing Equity Across Regions and Territorial Divisions

The statistical analysis presented in Chapter 1 indicates the importance of central government transfers in equalizing the financial resources available to local governments throughout Ukraine on a per capita basis. Perfect equalization of budgets on a per capita basis at the local level has not been achieved, and there are strong arguments to be made from the perspective of economic efficiency for not trying to achieve full equalization. Some areas are poor because they lack the natural resources, geographic location, and market access needed to become wealthier — or even to reach the average national level of income. Taxing the rest of the nation to bring people in such areas up to the national average in terms of government service availability would encourage people to stay in impoverished areas. While perhaps desirable from a personal perspective in some situations, this would reduce labor mobility, increase labor costs in the more advanced areas and, by reducing overall economic efficiency, reduce overall living standards in Ukraine. Some incentives to move to regions where jobs are more plentiful and more profitable should be preserved. It is usually cheaper to move people to the jobs than to move jobs to the people.

From a human development perspective, however, at least a basic equalization is needed for equity and social justice. Also, a certain degree of equalization helps prevent masses of people from impoverished areas flooding to the cities and

overwhelming the social support systems there. It may be more economically efficient to move social support to the people than to move the people to the social support services.

A very important step towards assuring an appropriate level of equalization has already been taken — passage and implementation of the new Budget Code, which has introduced transparent mechanisms for attaining greater per capita equalization than under the old system. The benefits of the new Budget Code are already being felt at the local level. However, further measures need to be taken to assure that local governments not only get the money, but also use it effectively. The central government needs to:

- Stabilize transfer formulas and parameters to increase the predictability of revenues, making it easier for cities to plan expenditures, especially capital investments, on a longer-term basis;
- Implement the formula-based transfer approach at the rayon level for transfers to cities and towns with the districts (rayons);
- Reduce the dependence of local governments on shared taxes as the basis for local revenues and broaden the tax base and rate setting authority of the local governments.

The above actions, combined with greater initiative at the local government level, are the only viable routes to achieving MDGs in Ukraine.

The benefits of the new Budget Code are already being felt at the local level.

Providing Tertiary Education and Health Services — Success Through Economies of Scale

As discussed in detail in the previous sections, basic education and health services are delivered at the local level. The central government, however, could help improve delivery of such services through the following actions:

- Consolidate the fragmented and specialized institutional structure for tertiary education and healthcare;
- Mobilize support from donors for investment programmes in education and health, and provide block grants designed to support innovative programmes to improve the efficiency and effectiveness of education and healthcare programmes at the local level — programmes including, for example, energy efficiency, facility consolidation, and school busing in rural areas;
- Launch national-level programmes, in close coordination with local governments and external donors, to improve public education and detection/treatment for TB and HIV/AIDS.

Providing Housing and Community Services — Improving the Living Conditions of Ukrainians

The difficulty of the living conditions facing Ukrainians was detailed in Chapter 4. The deterioration of housing and community services is evident from the survey conducted for this report.

While the local governments can take many actions with the support of community service organizations, the central government must provide the legal, financial and institutional development support required to improve these services. The following actions by the central government are needed to improve these essential areas of human development:

- Improve property rights, housing finance and subsidy programmes, inspection procedures of building regulations, and infrastructure development;
- Promote the use of market forces and citizen awareness to increase energy efficiency;
- Encourage the use of public-private partnerships and citizens awareness of the need for paying for water consumption to support improvements in the delivery of potable water;
- Develop a more effective and uniform set of environmental waste laws and regulations to be applied in all regions of Ukraine; and
- Support training for strategic planning for public transportation and coordination of land use policies at the local level.

These action items will go far in solving the most direct and immediate needs in improving the human development problems in Ukraine.

5.4 CONCLUSIONS

This National Human Development Report on Decentralization has examined the full scope of issues, problems and solutions that need to be addressed by both the central and local governments to achieve a democratic and market-based society. The challenges of fulfilling the tasks set out in this report are still enormous for decision-makers in Ukraine. However, these tasks are not unrealistic, unachievable, or untested. The decentralization tool has been applied in countries throughout the world, and in other neighboring countries of Central and Eastern Europe, which are now on the threshold of joining the EU. Therefore, we can be confident that the decentralization tool can achieve these same results for Ukraine.

The initiative for accomplishing these tasks rests primarily with national level

political leadership and local government action. The great majority of the tasks identified in this chapter relate to actions that can be taken by the local governments provided that the national policy decisions are enacted to provide the legal and regulatory framework for these actions. Therefore, central and local government cooperation is the main key to implementing the decentralization tool.

Ukrainians need to decide if they wish to continue with the present level of human development or achieve those levels envisioned by the Millennium Development Goals. If they wish to greatly improve their lives, as well as the lives of future generations, the many ideas and recommendations identified in the Action Plan must urgently begin with the acceptance and adoption of this National Human Development Report for 2003.

The initiative for accomplishing these tasks rests primarily with national level political leadership and local government action.

ANNEX 1. TECHNICAL NOTE ON COMPUTING INDICES OF HUMAN DEVELOPMENT¹³

Since a detailed description of the Human Development Index's (HDI) and Gender-related Development Index's (GDI) calculations was presented in the previous human development report (NHDR 2001), we will skip it in the present Report. Here we will highlight the methodology of calculating the gender empowerment measure (GEM), which is presented in the Ukrainian NHDR for the first time.

THE GENDER EMPOWERMENT MEASURE (GEM)

GEM focuses on women's opportunities (not on their capabilities) and was designed to reflect gender inequality in the following key areas:

- Political participation and decision-making power, measured as women's and men's shares of parliamentary seats;
- Economic participation and decision-making power, measured as an unweighted average of two indicators: women's and men's percentage share of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions;
- Power over economic resources, measured as women's and men's estimated earned income (PPP¹⁴, USD).

For each of these three dimensions, equally distributed equivalent percentage (EDEP) is calculated according to the following formula:

$$\text{EDEP} = [(\text{female population share} * (\text{female index})^{1-\varepsilon}) + (\text{male population share} * (\text{male index})^{1-\varepsilon})]^{1/(1-\varepsilon)}$$

where ε measures the aversion to inequality, and for the GEM $\varepsilon = 2$, which places a moderate penalty on existing gender inequalities. Therefore, the general formula is simplified to the following

$$\text{EDEP} = [(\text{female population share} * (\text{female index})^{-1}) + (\text{male population share} * (\text{male index})^{-1})]^{-1}$$

Then, for political and economic participation and decision-making, the EDEP is divided by 50, so that in a society with the equal empowerment of women and men, GEM variables are equal to 50%, i.e. women's and men's shares are equal for each variable.

Calculation of EDEP for income requires the estimation of female and male earned income, since gender-disaggregated data on income is unavailable. For this estimation we will need the following data:

- ratio of female non-agricultural wage to male non-agricultural wage (where the data on the wage ratio is not available, a value of 0.75 is used) — W_f/W_m ;
- share of female and male in economically active population — EA_f and EA_m respectively;
- total female and male population — N_f and N_m respectively;
- total GDP, PPP, USD — Y .

Since data on wages in rural areas and informal sector is generally difficult to obtain, it is assumed that the ratio of female wages to male wages in non-agricultural sectors applies to the rest of the economy. Based on this ratio and on the female and male shares in an economically active population, we can calculate female share of wage-bill (S_f):

$$S_f = (W_f/W_m * EA_f) / [(W_f/W_m * EA_f) + EA_m]$$

Assuming that female share in wage bill is equal to the female share of GDP we can calculate the estimated female and male earned income:

$$\text{Estimated female earned income} = (S_f * Y) / N_f$$

$$\text{Estimated male earned income} = [Y - (S_f * Y)] / N_m$$

Finally, GEM is calculated as unweighted average of the three indices EDEPs.

¹³ Based on Technical note 1, Human Development Report 2002.

¹⁴ PPP (purchasing power parity) allows comparison between countries.

Note:

Calculations based on data in technical note may yield results that differ from those in statistical profiles because of rounding.

Example. GDI calculation for Ukraine in 2001

Female population share = 0.464

Male population share = 0.536

Step 1. Calculation of EDEP for parliamentary representation

Female, parliamentary share = 8.1 (%)

Male, parliamentary share = 91.9 (%)

EDEP for parliamentary representation = $[(0.464 \times (8.1 - 1)) + (0.536 \times (91.9 - 1))] - 1 = 15.84$

Indexed EDEP for parliamentary representation = $15.84/50 = 0.317$

Step 2. Calculation EDEP for economic participation

Unfortunately, in Ukraine data on women's and men's percentage share of positions as legislators, senior officials and managers, as well as professional and technical positions, is available only for civil servants. Assuming that these percentage shares apply to the rest of economy, we will use these indicators for the calculations.

Female, percentage share of positions as legislators, senior officials and managers = 57.9 (%)

Male, percentage share of positions as legislators, senior officials and managers = 42.1 (%)

Female, percentage shares of professional and technical positions = 79.8 (%)

Male, percentage shares of professional and technical positions = 20.2 (%)

EDEP for positions as legislators, senior officials and managers = $[(0.464 \times (57.9 - 1)) + (0.536 \times (42.1 - 1))] - 1 = 48.20$

EDEP for professional and technical positions = $[(0.464 \times (79.8 - 1)) + (0.536 \times (20.2 - 1))] - 1 = 30.91$

Indexed EDEP for positions as legislators, senior officials and managers = $48.20/50 = 0.964$

Indexed EDEP for professional and technical positions = $30.91/50 = 0.618$

EDEP for economic participation = $(0.964 + 0.618)/2 = 0.791$

Step 3. Estimation of female and male earned income

Total GDP, PPP = USD 207,138,130 thousand

Ratio of female non-agricultural wage to male non-agricultural wage = 0.697

Share of female in economically active population = 48.7 (%)

Share of male in economically active population = 51.3 (%)

Female share of wage bill = $(0.697 \times 48.7) / [(0.697 \times 48.7) + 51.3] = 0.398$

Total female population = 22,753,000

Total male population = 26,283,000

Estimated female earned income = $(0.398 \times 207,138,130) / 22,753 = 3,625.07$ (USD)

Estimated male earned income = $[207,138,130 - (0.398 \times 207,138,130)] / 26,283 = 4,742.7$ (USD)

Step 4. Calculation EDEP for income

Income index for GEM is calculated based on non-corrected values of estimated earned income.

Female, estimated earned income, PPP = 3,625.07 (USD)

Male, estimated earned income, PPP = 4,742.7 (USD)

Female, income index = $(3,625.07 - 100) / (40,000 - 100) = 0.088$

Male, income index = $(4,742.7 - 100) / (40,000 - 100) = 0.116$

EDEP for income = $[(0.464 \times (0.088 - 1)) + (0.536 \times (0.116 - 1))] - 1 = 0.101$

Step 5. Calculation of gender-related development index

GEM = (indexed EDEP for parliamentary representation + EDEP for economic participation + EDEP for income) = $(0.317 + 0.791 + 0.101) / 3 = 0.403$

ANNEX 2. STATISTICAL PROFILES

HUMAN DEVELOPMENT INDEX

	1995	1996	1997	1998	1999	2000	2001
Indicator values							
Life expectancy at birth (years)	66.9	67.1	67.1	67.4	68.1	67.9	67.9
Adult literacy (%)	98.6	98.7	98.7	98.7	98.7	98.8	98.8
Combined gross enrolment ratio (%)	72.7	73.4	74.1	74.9	75.8	77.3	78.6
GDP per capita (PPP USD)	3,828.0	3,496.1	3,408.4	3,366.2	3,489.0	3,817.6	4,224.1
Index values							
Index of life expectancy	0.698	0.702	0.702	0.707	0.718	0.715	0.715
Index of education	0.900	0.903	0.905	0.908	0.911	0.916	0.921
Index of GDP per capita, PPP	0.608	0.593	0.589	0.587	0.593	0.608	0.625
Human Development Index (HDI)	0.735	0.733	0.732	0.734	0.741	0.746	0.753
Rank	85/174	...	84/174	85/174	80/162	80/173	75/175

GENDER-RELATED DEVELOPMENT INDEX

	1995	1996	1997	1998	1999	2000	2001
Indicator values							
Life expectancy at birth (years)							
Women	72.7	72.7	73	73.5	73.7	73.6	...
Men	61.3	61.6	61.9	62.7	62.7	62.4	...
Adult literacy rate (%)							
Women	98.6	98.7	98.7	98.7	98.7	98.8	98.8
Men	98.6	98.7	98.7	98.7	98.7	98.8	99.0
Combined gross enrolment ratio (%)							
Women	76.3	76.9	77.7	80.0	80.6	82.6	83.6
Men	72.4	73.2	73.9	74.6	75.4	76.9	78.4
Estimated earned income (PPP USD)							
Women	3,360.4	2,919.7	3,136.4	3,135.4	3,034.6	3,294.9	3,625.1
Men	4,232.8	3,999.1	3,645.8	3,566.7	3,883.9	4,271.9	4,742.7
Index values							
Equally distributed life expectancy index	0.692	0.695	0.700	0.712	0.713	0.709	...
Equally distributed education index	0.905	0.908	0.910	0.915	0.917	0.924	0.929
Equally distributed income index	0.607	0.590	0.588	0.586	0.591	0.606	0.622
Gender-related Development Index (GDI)	0.734	0.731	0.733	0.738	0.740	0.746	...
Rank	83/163	...	.../143	63/143	67/146	66/146	63/144

GENDER EMPOWERMENT MEASURE

	1995	1996	1997	1998	1999	2000	2001
Indicator values							
Percentage share of parliament seats (%)							
Women	5.7	5.7	5.7	8.1	8.1	8.1	8.1
Men	94.3	94.3	94.3	91.9	91.9	91.9	91.9
Percentage share of positions as legislators, senior officials and managers (%)*							
Women	...	...	...	51.2	54.5	52.5	57.9
Men	...	...	...	48.8	45.5	47.5	42.1
Percentage share of professional and technical positions (%)*							
Women	...	...	...	81.3	81.5	80.9	79.8
Men	...	...	...	18.7	18.5	19.1	20.2
Estimated earned income (PPP USD)							
Women	3,360.4	2,919.7	3,136.4	3,135.4	3,034.6	3,294.9	3,625.1
Men	4,232.8	3,999.1	3,645.8	3,566.7	3,883.9	4,271.9	4,742.7
Index values							
EDEP for parliamentary representation	0.229	0.229	0.229	0.316	0.316	0.316	0.317
EDEP for economic participation	...	...	...	0.790	0.782	0.793	0.791
EDEP for income	0.092	0.083	0.082	0.082	0.084	0.092	0.101
Gender Empowerment Measure (GEM)	...	...	...	0.396	0.394	0.400	0.403
Rank	.../102	...	.../102	55/70	54/64	57/66	61/70

* Public servants

DEMOGRAPHIC PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
General information								
Population at the beginning of the year (1,000 people)								
	51,690	51,079	50,639	50,245	49,851	49,456	49,037	48,241
Male (%)	46.4	46.6	46.6	46.4	46.5	46.5	46.4	46.2
Female (%)	53.6	53.4	53.4	53.5	53.5	53.5	53.6	53.8
Annual population growth/decline rate at the beginning of the year (%)								
	0.21	-0.77	-0.86	-0.78	-0.78	-0.79	-0.85	-1.62
Urbanization								
Urban population at the beginning of the year (%)								
	67.5	67.9	67.8	67.8	67.9	68.0	68.0	66.9
Population in largest city at the beginning of the year (as % of urban population)								
	7.5	7.6	7.6	7.7	7.8	7.8	7.9	8.1
Population in cities of more than 1 million at the beginning of the year (as % of urban population)								
	21.7	21.5	21.5	21.5	21.6	21.6	21.6	22.3

Age characteristics

Average age of population	36.5	37.4	37.6	37.8	38.0	38.3	38.5	39.0
Population aged 60 and over (%)	18.3	18.4	18.5	18.9	19.5	20.1	20.7	21.3
Life expectancy at the age of 60 (years)								
Male	15.4	14.1	14.0	13.8	14.2	14.1	14.1	...
Female	19.7	18.5	18.4	18.2	18.5	18.9	18.9	...
Dependency ratio (%)**	79.1	79.4	79.1	78.6	78.1	76.8	74.9	72.3

Birth/ mortality

Number of live births (1,000 people)	657.2	492.9	467.2	442.6	419.2	389.2	385.1	376.5
Number of deaths (1,000 people)	629.6	792.6	776.7	754.2	719.9	739.2	758.1	746.0
Infant mortality rate (per 1,000 of live birth)	12.8	14.7	14.3	14.0	12.8	12.6	11.9	11.3*
Under-5 mortality rate (per 1,000 of live birth)	17.3	19.9	19.4	18.9	17.3	17.5	16.0	14.4*
Maternal mortality rate (per 100,000 live births)***	32.4	32.3	30.4	25.1	27.2	25.2	24.7	23.9*
Death rate (per 1,000 people of the respective age group)								
Population aged 60-64	...	26.1	26.0	25.3	23.5	24.6	25.2	24.6
Population aged 65-69	...	35.5	35.3	36.0	34.6	35.4	35.8	33.3
Population aged 70 and more	...	95.4	91.2	88.2	84.4	84.7	85.7	83.5

Social indicators

Registered marriages (thou)	480.8	431.7	307.5	345	310.5	344.9	274.5	309.6
Registered divorces (thou)	192.8	198.3	193.0	188.2	179.7	175.8	197.3	181.3
Share of children born out of wedlock (% of total births)	11.2	13.2	13.6	15.2	16.2	17.4	17.3	18.0

Migration

Immigration to Ukraine (1,000 people)	...	182.8	129.5	129.1	71.8	65.8	53.7	45.8
Emigration from Ukraine (1,000 people)	...	277.5	260.6	203.6	165.4	110.6	100.3	88.8
Migration balance (1,000 people)	79.3	-94.7	-131.1	-74.5	-93.6	-44.8	-46.6	-43.0

* Preliminary data

** Calculated as the ratio of population defined as dependent on the working-age population

*** Ratio of number of women died from abortions, pregnancy complications, childbirths and post partum periods per 100,000 live births

MACROECONOMIC PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
General information								
Nominal GDP (1990..1995 — bn krb., 1996..2001 — mn UAH)	167	5,451,642	81,519	93,365	102,593	130,442	170,070	201,927
Annual growth/decline of real GDP (%)	...	-12.2	-10.0	-3.0	-1.9	-0.2	5.9	9.1
Annual growth/decline of real GDP per capita (%)	...	-11.5	-9.3	-2.2	-1.2	0.6	6.7	11.0
CPI inflation rate (Dec-to-Dec, %)	...	181.7	39.7	10.1	20.0	19.2	25.8	6.1

National accounts

Production structure (% of VA)

Industry	36.0	34.6	31.0	28.4	29.8	32.7	31.4	35.0
Agriculture	25.5	14.9	13.3	13.9	13.7	13.5	16.2	16.6

Consumption structure (% of GDP)

Private consumption	54.8	49.7	53.3	54.2	56.9	54.7	54.3	55.4
Gross fixed capital formation	23.0	23.3	20.7	19.8	19.6	19.3	19.7	20.2

Balance of payments

GNFS exports (% of GDP)	27.7	47.1	45.6	40.6	41.9	54.3	62.8	56.1
GNFS imports (% of GDP)	-28.7	-50.2	-48.2	-43.7	-44.2	-48.8	-57.4	-54.4
Trade balance (% of GDP)*				-3.1	-2.9	5.8	5.0	1.6
Current account balance (% of GDP)*				-2.7	-3.1	2.6**	4.7	3.7

Foreign direct investments in Ukraine (mn USD)

897	1,438	2,064	2,811	3,282	3,875	4,406
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Average official exchange rate (UAH/USD)

1.473	1.830	1.862	2.450	4.130	5.440	5.372
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Budget***

Budget expenditures (bn UAH)	31.20	34.82	48.15	55.53
Budget expenditures (% of GDP)	30.41	26.69	28.31	27.50

Including:

Public administration	...	...	...	...	1.28	1.14	1.99	1.85
Law-enforcement activities and security of the country	...	...	...	...	1.51	1.28	1.65	1.97
Social and cultural purposes	...	...	...	...	12.76	10.32	11.21	12.64
Education	...	...	...	...	4.45	3.62	4.17	4.73
Health care	...	...	...	...	3.54	2.92	2.87	3.09
Social security and social provision	...	...	...	...	4.12	3.18	3.52	4.13
Culture	...	...	...	...	0.38	0.31	0.37	0.41
Mass media	...	...	...	...	0.14	0.13	0.13	0.13
Recreation and sport	...	...	...	...	0.14	0.16	0.15	0.15
Industry, energy and construction	...	...	...	...	3.24	2.64	2.00	1.90
Agriculture, forestry, fish and hunting industries	...	...	...	...	0.59	0.41	0.52	0.54
Transport and communication	...	...	...	...	1.70	1.55	1.11	0.89
Housing and communal services	...	...	...	...	1.37	0.89	0.64	0.77
National defense	...	...	...	...	1.38	1.19	1.35	1.51
Elimination of Chernobyl catastrophe consequences and social security	...	...	...	...	1.38	1.11	1.06	0.89

Budget deficit (% of GDP)

Definition of Ukrainian government	...	6.6	4.9	6.6	2.2	1.5	-0.6	0.3
IMF definition	...	5.0	2.5	5.5	2.8	2.4	1.2	1.6

Productivity

GDP per worker (1990..1995 — thou UAH, 1996..2001 — UAH)	7	230,027	3,514	4,131	4,601	5,984	7,985	9,662
GDP per UAH 1 of investment in capital (1990..1995 — thou UAH, 1996..2001 — UAH)	5.4	5.8	6.5	7.5	7.4	7.4	7.2	6.2

Energy consumption

Electrical energy (bn kWh)	270.0	191.0	181.0	178.0	142.1	138.5	136.4	135.8
Coal (mn t)	...	85.0	69.0	65.0	60.8	63.0	63.3	64.2
Natural gas (bn m ³)	...	78.0	81.0	76.0	71.1	71.5	68.4	65.8
Oil, including gas condensate (mn t)	...	15.0	14.0	13.0	13.7	13.3	9.4	16.9
Commercial energy efficiency (energy consumption in kg of oil equivalent per \$100 GDP)	...	1.29	1.16	1.08	1.11	...	...	...

* NBU data, own calculations

** Excluding the value of warships etc (726 mn USD) handed over to Russian Federation in repayment of Ukraine's external public debt, as per agreement between Government of Ukraine and Government of Russian Federation on mutual settlements related to Black Sea fleet

*** Due to the change of budget classification (since 1 January 1998) data on budget expenditures for 1990-1997 is not comparable with the one for the following years

PROFILE OF HOUSEHOLDS' INCOMES AND EXPENDITURES

	1990	1995	1996	1997	1998	1999	2000	2001
Average monthly monetary income per capita (1990 — krb., 1995..2001 — UAH)	176.4	42.9	65.7	82.3	90.1	103.3	146.0	187.3
Average monthly monetary expenditures and savings per capita (1990 — krb., 1995..2001 — UAH)	177.3	40.1	63.5	78.8	88.4	99.4	140.7	176.1
Ratio of monetary expenditures of 20% most well-off to 20% least well-off population, times	...	...	...	...	...	6.4	6.0	6.0
Ratio of total expenditures of 20% most well-off to 20% least well-off population, times*	...	...	...	...	...	4.2	4.4	4.6
Share of total income (% received)								
Poorest 20%	...	...	...	...	...	15.6	15.5	15.3
Richest 20%	...	...	...	...	...	25.1	26.0	27.3
Structure of household expenditures and savings (%)								
Purchase of goods and services	78.2	81.3	70.5	66.5	65.3	70.3	71.5	75.7
Obligatory and voluntary payments	10.7	8.7	10.1	10.9	10.5	11.3	14.0	13.7
Growth of savings on deposits and purchase of securities	10.8	1.5	6.2	5.4	4.7	7.7	6.3	6.1
Purchase of foreign currency	0.3	8.1	12.6	16.2	18.0	8.2	4.8	3.4

* Total expenditures consist of monetary expenditures and value of privately produced agriculture foodstuff that were consumed by households, benefits and subsidies meant to pay for municipal utilities, telephone calls, inter-city journeys and places in sanatoria

EMPLOYMENT PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
Employment								
Total employment (mn people)	25.4	23.7	23.2	22.6	22.3	21.8	21.3	20.9
Employment by industries (mn people)								
Industry	7.8	5.8	5.3	4.9	4.7	4.3	4.1	3.8
Agriculture, forestry and fish industry (excluding farmers)	4.4	3.6	3.2	3.0	2.9	2.8	2.7	2.3
Construction	2.4	1.5	1.4	1.2	1.1	1.0	0.9	0.7
Transport and communication	1.8	1.4	1.4	1.3	1.3	1.2	1.2	1.1
Trade, public catering, material and technical supplies, sales and storage	1.9	1.6	1.5	1.5	1.4	1.5	1.3	1.1
Health care, physical training, social protection	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.3
Education, culture and science	3.0	2.6	2.5	2.3	2.3	2.2	2.2	2.0
Public administration	0.4	0.7	0.7	0.8	0.8	0.8	0.8	0.6
Other industries	1.5	1.5	1.5	1.4	1.4	1.4	1.2	1.2
Other employed with economic activity	0.7	3.5	4.2	4.8	5.0	5.2	5.4	6.8
Employment structure by industries (%)								
Manufacturing	30.8	24.3	23.0	21.6	21.1	19.7	19.2	18.2
Agriculture, forestry and fish industry (excluding farmers)	19.8	22.5	21.8	22	13.0	12.8	12.7	11.0
Other industries and spheres of economic activity	49.4	53.2	55.2	56.4	65.9	67.5	68.1	70.8
Unemployment								
Number of unemployed (mn people)								
Registered unemployed, eop	...	0.13	0.35	0.64	1.00	1.18	1.16	1.01
ILO methodology, annual average	...	1.44	2.00	2.33	2.94	2.70	2.71	2.52
Unemployment rate (%)								
Registered	...	0.4	1.2	2.5	3.7	4.3	4.2	3.7
ILO methodology	...	5.6	7.6	8.9	11.3	11.9	11.7	11.1
Long-term unemployed (%)*								
Registered	...	14.8	14.1	22.8	28.0	34.6	33.3	25.8
ILO methodology**	...	28	32.7	32.3	37.0	58.1	63.5	62.7
Regional unemployment disparity (%)								
Registered	...	4.7	3.1	2.5	3.0	3.6	2.7	2.6
ILO methodology	...	1.6	2.0	1.9	1.8	1.4	1.6	1.9
Ratio of number of unemployed graduates with secondary education to number of unemployed with higher education, eop								
Registered	...	1.5	1.6	1.7	1.9	2.0	1.9	2.1
ILO methodology***	...	5.4	2.5	2.4	2.2	1.8	1.7	1.8
Expenditures on unemployment benefits (%)****	...	6.6	28.1	65.3	63.3	64.5	65.1	60.8

* Unemployment lasting more than one year

** Calculated as percentage of total number of unemployed

*** Since 1999 – provided data is annual average

**** Share of expenditures on unemployment benefits in total expenditures of State Center of Employment/ Fund of obligatory state insurance on unemployment (since 1 January 2001)

SCIENCE AND EDUCATION PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
Gross enrolment ratio (%)	76.6	72.7	73.4	74.1	74.9	75.8	77.3	78.6
Enrolment to higher educational institutions, fulltime students (%)	9.0	10.1	10.2	10.1	10.3	10.5	11.7	13.0
Number of educational institutions								
Secondary (thou)	21.8	22.2	22.2	22.1	22.1	22.2	22.2	22.2
Professional training	1,246	1,179	1,156	1,003	995	980	970	965
Higher I-II accreditation level	742	782	790	660	653	658	664	665
Higher III-IV accreditation level	149	255	274	280	298	313	315	318
Number of scientific institutions	1,400	1,453	1,435	1,450	1,518	1,506	1,490	1,479
Number of students/pupils (per 10,000 people)								
Secondary educational institutions	1,364	1,391	1,402	1,402	1,394	1,379	1,372	1,347
Professional training institutions	127	108	106	105	106	106	107	105
Institutions of higher education, I-II Level	146	120	117	104	101	101	107	115
Institutions of higher education, III-IV Level	170	180	192	220	242	258	285	316
Ratio of girls to boys (%)								
Primary school	...	95.0	94.5	94.6	94.5	94.7	95.0	94.9
Secondary school (excluding primary school)	...	134.9	130.5	127.2	125.2	122.8	120.4	118.1

HEALTH CARE PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
Number of physicians of all specializations (per 10,000 people)	44.0	45.1	45.2	45.1	45.5	46.0	46.2	46.8
Number of first-time registered cases of diseases (per 100,000 people), including:								
Diphtheria	0.2	10.3	6.2	2.7	1.4	0.8	0.7	0.6
Active tuberculosis	31.9	41.8	46.0	49.3	55.5	54.6	60.4	69.5
Malignant tumors	301	309	311	316	318	318	318	320
Venereal diseases*	79.2	217.4	226.1	208	194.7	166.9	144.8	129.3
Mortality (% of all cases)								
From diseases of circulation system	52.9	56.8	57.5	59.2	60.3	60.7	61.2	61.3
From neoplasm	16.2	12.9	12.8	12.9	13.6	13.3	12.9	12.8
Number of HIV-positive people, registered by medical institutions	...	1,475	6,504	15,087	22,307	26,146	29,775	34,103
Including AIDS patient people	...	54	124	218	433	718	917	1,224
Died from AIDS	...	12	70	88	172	295	516	730
Registered absolute alcohol consumption (liters per adult)**	4.1	1.6	1.0	1.2	1.2	1.3	1.4	1.5
Tobacco consumption (bn, items)**	...	10.4	7.0	7.3	10.2	13.5	14.3	19.7

Malnutrition prevalence (% of children under 5)***

Moderate	...	...	...	...	...	6.4	...	...
Significant	...	...	...	...	...	1.3	...	...

* *Syphilis and gonococcus*

** *According to the data from sales through retail trade system*

*** *According to one-time survey UNICEF – SSC*

LAND AND NATURAL RESOURCES PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
Land area (territory. mn ga)	60.4	60.4	60.4	60.4	60.4	60.4	60.4	60.4
Territory covered by forest (% of total)*	16.5	16.5	15.6	15.6	15.6	15.6	15.6	15.6
Arable land (%of territory)	55.6	55.2	55.0	54.2	54.4	54.1	54.0	53.9
Irrigated land (as % of arable land)	7.7	7.8	7.6	7.5	7.5	7.5	7.5	7.2
Population density (people per km ²)	85.9	85.7	85.0	83.9	83.0	83.0	82.0	80.2
Fresh water consumption per capita (m ³ per year)	582.0	394.6	365.2	308.2	275.1	288.8	263.6	252.4
including drinking water (m ³ per year)	89.5	85.8	83.4	77.8	76.1	71.7	67.2	63.1
Emissions of selected pollutants (1,000 t)								
Sulfur anhydride	2,782.7	1,639.1	1,292.6	1,132.4	1,023.0	1,028.7	976.6	983.6
Nitrogen oxides (NOx)	760.8	423.8	373.9	369.9	332.9	332.7	320	328.1
Hydrocarbons and volatile organic compounds (HnCn+VOC)	462.0	548.2	492.9	461.7	427.4	439.6	443.5	509.2
Carbon monoxide (CO)	3,273.7	1,478.8	1,306.3	1,371.4	1,278.9	1,237.1	1,230.6	1,270.3

* *According to the audit of forest fund as of 1 January 1988 and 1 January 1996*

COMMUNICATION PROFILE

	1990	1995	1996	1997	1998	1999	2000	2001
Radios per 1,000 people*	281	239	220	196	165	152	128	106
TV sets per 1,000 people*	331	234	209	186	156	136	103	67
Motor vehicles per 1,000 people	63	87	94	97	100	102	104	105
Telephones per 100 households	29	33	35	37	39	39	41	42
Newspapers per 1,000 people **	480	400	440	670	940	780	970	1,099
Books published per 1,000 people ***	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Letters posted (per capita)	28.6	12.0	8.9	7.1	6.5	5.8	6.1	6.5
Annual cinema attendance (per person)	11.0	1.0	0.3	0.1	0.1	0.0	0.0	0.2
Annual museum attendance (per person)	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.4

* *According to the data on sales of durable goods through retail trade system*

** *One-time issue, copies*

*** *Printed copies*

WEAKENING SOCIAL FABRIC

	1990	1995	1996	1997	1998	1999	2000	2001
Number of registered crimes								
Premeditated murders and attempts to murder	2,823	4,783	4,896	4,529	4,563	4,624	4,806	4,655
Rapes and attempts on rape	2,661	1,947	1,752	1,510	1,334	1,288	1,151	1,051
Rapes (per 100,000 women of age 15-59)	16.7	12.0	10.9	9.5	8.4	8.2	7.4	6.8
Drug-related crimes (per 100,000 people)	14.0	74.2	74.9	75.7	79.4	85.8	92.4	99.3
Number of arrested and sentenced in investigation ward /prison (thou)	...	43.8	45.1	44.3	43.0	44.7	46.2	41.1
Number of detained serving their sentence in prisons and camps (thou)	91.3	156.2	167.2	163.3	156.5	167.7	172.0	148.2
Number of prisoners per 100,000 people	176.0	303.1	327.2	322.1	311.1	336.0	347.5	307.1
Share of juveniles of age 14-17 among convicted (%)	12.1	7.8	7.9	7.7	7.8	7.9	8.7	9.9
Suicides per 100,000 people	20.7	28.6	30.1	29.8	29.8	29.2	29.7	27.5
Women	8.6	9.6	9.9	10.4	10.7	10.0	10.1	8.5
Men	34.5	50.4	53.5	52.2	51.9	51.3	52.3	49.5

ANNEX 3. REGIONAL HUMAN DEVELOPMENT TRENDS

Region	Human Development Index			Rank of the Region (Oblast)		
	1999	2000	2001	1999	2000	2001
AR of Crimea	0.521	0.573	0.569	16	2	2
Cherkasy	0.570	0.549	0.543	4	7	9
Chernihiv	0.519	0.530	0.519	17	14	15
Chernivtsi	0.531	0.538	0.523	12	11	14
Dnipropetrovsk	0.501	0.500	0.480	21	20	24
Donetsk	0.449	0.466	0.431	27	26	26
Ivano-Frankivsk	0.536	0.527	0.493	10	15	18
Kharkiv	0.514	0.544	0.549	18	9	6
Kherson	0.499	0.484	0.482	23	23	22
Khmelnitskyy	0.555	0.547	0.535	6	8	12
Kirovohrad	0.492	0.508	0.485	24	18	20
Kyiv	0.546	0.530	0.546	8	13	8
Kyiv City	0.694	0.705	0.697	1	1	1
Luhansk	0.452	0.434	0.409	26	27	27
Lviv	0.550	0.536	0.538	7	12	11
Mykolayiv	0.481	0.470	0.481	25	25	23
Odesa	0.502	0.518	0.485	19	16	21
Poltava	0.579	0.572	0.564	2	3	3
Rivne	0.541	0.474	0.530	9	24	13
Sevastopol City	0.523	0.560	0.557	15	5	5
Sumy	0.500	0.491	0.470	22	22	25
Ternopil	0.559	0.541	0.541	5	10	10
Transcarpathian	0.524	0.554	0.547	14	6	7
Vinnytsya	0.572	0.561	0.559	3	4	4
Volyn	0.524	0.502	0.507	13	19	17
Zaporizhzhya	0.533	0.514	0.511	11	17	16
Zhytomyr	0.502	0.500	0.492	20	21	19

Ranking of indices of regional HDI components and the whole index for 1999-2001

Region	Demographic situation			Labor market development			Material well-being			Living conditions			Health care		
	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001
AR of Crimea	23	16	17	22	6	3	19	9	10	3	3	3	16	12	19
Cherkasy	6	10	10	24	22	18	9	10	12	15	14	14	5	4	6
Chernihiv	13	15	16	17	9	6	4	17	20	20	16	17	26	9	7
Chernivtsi	2	2	2	27	25	27	27	26	15	27	27	27	2	5	4
Dnipropetrovsk	18	21	23	14	13	5	10	3	6	5	4	4	22	18	26
Donetsk	25	25	27	8	4	9	8	6	4	19	21	18	23	22	23
Ivano-Frankivsk	5	4	6	16	16	22	12	16	11	26	26	26	6	7	16
Kharkiv	15	14	14	21	23	17	6	4	5	6	6	6	27	17	18
Kherson	26	27	25	6	12	14	11	21	26	9	9	9	19	13	14
Khmelnitsky	8	7	7	15	14	16	24	19	27	14	15	15	4	3	3
Kirovohrad	24	24	24	9	5	10	15	5	9	21	17	13	15	20	20
Kyiv	17	17	19	2	3	7	5	11	3	10	8	8	18	27	13
Kyiv City	1	1	1	1	1	1	1	1	1	1	1	1	8	8	12
Luhansk	20	26	26	25	24	25	23	22	14	23	23	21	17	14	17
Lviv	12	8	5	7	17	19	18	12	19	8	11	12	10	10	9
Mykolayiv	16	20	18	18	21	20	21	20	13	11	12	11	25	23	21
Odesa	22	18	20	12	18	15	17	18	25	7	7	7	24	16	25
Poltava	3	5	8	11	11	11	2	8	8	13	10	10	7	6	5
Rivne	10	13	12	10	20	8	14	25	16	22	25	25	13	26	8
Sevastopol City	27	19	9	22	6	4	20	7	7	2	2	2	21	25	27
Sumy	21	22	22	26	15	21	16	13	21	25	24	19	12	21	24
Ternopil	4	3	3	5	8	13	22	27	22	12	13	16	9	11	10
Transcarpathian	11	9	11	3	10	12	25	15	18	18	20	20	1	1	2
Vinnitsya	7	6	4	4	2	2	13	24	23	24	18	22	3	2	1
Volyn	9	12	13	20	26	26	7	14	17	17	19	23	14	15	15
Zaporizhzhya	19	23	21	19	27	24	3	2	2	4	5	5	20	24	22
Zhytomyr	14	11	15	13	19	23	26	23	24	16	22	24	11	19	11

Ranking of indices of regional HDI components and the whole index for 1999-2001

Region	Education			Social situation			Financing of human development			Environmental situation			Regional HDI		
	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001
AR of Crimea	23	23	19	18	14	11	4	2	3	9	8	8	16	2	2
Cherkasy	3	6	2	12	17	13	7	12	11	3	6	6	4	7	9
Chernihiv	9	12	7	16	16	17	12	14	20	14	14	13	17	14	15
Chernivtsi	20	13	18	1	2	4	18	22	23	2	4	15	12	11	14
Dnipropetrovsk	17	16	13	22	24	26	8	6	6	25	25	25	21	20	24
Donetsk	19	20	25	17	18	24	5	6	5	26	26	26	27	26	26
Ivano-Frankivsk	24	17	23	6	6	7	19	24	26	18	18	23	10	15	18
Kharkiv	4	5	5	14	11	16	23	10	14	11	13	14	18	9	6
Kherson	18	22	20	26	26	18	22	16	9	4	2	1	23	23	22
Khmelnitsky	6	9	8	9	13	9	17	18	15	1	1	3	6	8	12
Kirovohrad	16	19	14	25	19	14	24	19	18	7	3	20	24	18	20
Kyiv	15	7	4	13	10	12	3	11	16	20	19	7	8	13	8
Kyiv City	1	1	1	11	15	23	1	1	2	27	27	27	1	1	1
Luhansk	25	24	27	27	27	27	15	13	12	22	23	22	26	27	27
Lviv	12	14	15	5	3	3	11	23	21	24	24	18	7	12	11
Mykolayiv	21	27	24	20	22	21	16	9	7	8	9	21	25	25	23
Odesa	13	8	10	19	20	22	10	7	8	19	21	17	19	16	21
Poltava	5	3	6	10	9	15	14	8	10	21	20	4	2	3	3
Rivne	26	25	17	4	5	5	9	26	25	5	7	11	9	24	13
Sevastopol City	2	2	3	21	21	19	2	3	1	23	22	24	15	5	5
Sumy	7	4	12	23	23	20	13	21	13	13	11	10	22	22	25
Ternopil	14	18	21	2	4	2	26	27	27	10	10	2	5	10	10
Transcarpathian	27	26	26	3	1	1	27	20	24	16	15	12	14	6	7
Vinnytsya	8	15	9	7	8	8	20	16	19	12	12	9	3	4	4
Volyn	22	21	22	8	7	6	25	25	22	6	5	5	13	19	17
Zaporizhzhya	10	11	16	24	25	25	6	4	4	15	16	19	11	17	16
Zhytomyr	11	10	11	15	12	10	21	17	17	17	17	16	20	21	19

ANNEX 4. SOCIOLOGICAL SURVEY RESULTS

This annex presents key results from the sociological survey **Decentralization and Human Development: People's Perceptions of the Quality of Governance and Social Services Delivery** that was conducted by the Social Monitoring Center in November 2002 for this National Human Development Report. The main purpose of the survey was to evaluate the current views of Ukrainians regarding the social problems caused by the transition process and by changes in Ukraine's system of social governance. The research focused on Ukrainian citizens 18 years of age and older. A stratified random sample of 3,063 respondents was selected based on age, gender, region (oblast) of residence and type of settlement, and region, and these people were interviewed individually at their places of residence. The standard deviation, with 95% of probability and correlation of variables from 0.1-0.9, was 1.1 – 1.83%.

Unfortunately, space limitations make it impossible to present here the results of the entire survey, which covered more than 120 questions. This table therefore highlights answers to selected questions of particular interest. The full questionnaire with the distribution of all answers can be obtained in electronic form from the NHDR team or at the web-site www.un.kiev.ua.

	Gender	Age	Region						Education
All respondents	Male	18-28	West	Center	North	East	South	AR Crimea	Basic secondary
	Female	29-49						Kyiv	Complete secondary
		older than 50							Basic and complete higher

QUALITY OF PUBLIC AND SOCIAL SERVICES DELIVERY

How would you assess the quality of the following public services, which are provided to the people of Ukraine?

... health care																
Very high	0	1	1	0	0	1	0	0	0	1	0	2	1	0	1	0
Rather high than low	10	10	10	14	10	8	15	5	12	6	14	15	17	10	9	11
Rather low that high	52	53	51	60	55	45	55	51	48	53	53	48	51	47	49	56
Very low	37	35	37	24	34	45	29	43	37	40	32	34	30	41	40	32
Difficult to answer	1	1	1	2	1	1	1	1	3	0	1	1	1	2	1	1
... primary education																
Very high	2	1	3	3	2	1	3	2	2	1	1	3	1	2	2	2
Rather high than low	41	41	41	46	43	36	52	35	41	36	41	38	53	38	40	43
Rather low that high	38	38	38	39	41	35	31	44	32	41	39	42	34	33	38	40
Very low	8	8	8	6	8	10	5	7	10	9	12	8	8	8	9	7
Difficult to answer	11	12	10	6	6	18	9	12	15	13	7	9	4	19	11	8
... secondary education																
Very high	2	2	2	2	2	1	2	2	4	2	1	2	1	3	2	2
Rather high than low	40	40	40	46	43	35	52	33	41	35	42	35	50	35	40	41
Rather low that high	39	40	40	41	43	37	33	47	34	43	40	47	36	36	39	43
Very low	8	8	8	6	7	9	5	6	8	8	11	9	8	6	8	7
Difficult to answer	11	10	10	5	5	18	8	12	13	12	6	7	5	20	11	7
... higher education																
Very high	3	3	3	5	4	2	5	3	4	2	2	4	7	3	3	4
Rather high than low	41	43	39	47	43	35	49	33	40	37	47	39	47	36	39	43
Rather low that high	33	33	33	33	35	32	29	37	30	35	34	38	30	27	33	36
Very low	7	7	8	5	7	9	5	7	7	9	9	7	6	8	8	7
Difficult to answer	16	14	17	10	11	22	12	20	19	17	8	12	10	26	17	10
... quality of the highways																
Very high	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0	0
Rather high than low	8	8	9	8	7	8	9	4	17	5	4	9	16	9	10	6
Rather low that high	36	36	36	41	37	34	35	34	35	38	31	45	40	39	35	36
Very low	53	55	51	48	54	54	54	60	44	53	64	42	40	46	52	56
Difficult to answer	3	1	4	3	2	4	2	2	3	4	1	3	3	6	3	2
... telephone services (regular)																
Very high	3	3	3	5	3	3	3	3	5	3	3	4	5	5	4	3
Rather high than low	41	41	41	46	41	38	45	43	47	36	33	44	48	34	42	42
Rather low that high	34	35	33	32	36	33	32	29	27	38	41	35	33	28	33	37
Very low	12	13	12	11	12	13	8	13	13	13	18	8	10	14	11	13
Difficult to answer	10	8	11	6	8	13	12	12	8	10	5	9	4	19	10	5

	Gender		Age			Region								Education		
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
... telephone services (mobile)																
Very high	11	12	10	15	12	8	13	10	10	11	11	15	9	9	12	11
Rather high than low	35	38	34	44	38	28	32	35	34	33	42	34	49	24	35	39
Rather low that high	11	12	10	13	13	8	8	6	10	13	16	16	9	8	10	13
Very low	4	4	4	5	4	4	6	3	5	4	5	4	2	6	4	4
Difficult to answer	39	34	42	23	33	52	41	46	41	39	26	31	31	53	39	33
... electricity supply																
Very high	4	4	4	4	5	4	4	4	8	2	1	2	10	3	5	4
Rather high than low	45	43	47	46	44	45	46	58	52	40	27	28	67	41	45	46
Rather low that high	38	39	36	37	38	37	38	30	27	43	48	51	15	41	37	37
Very low	11	12	11	10	11	12	9	6	10	12	23	18	7	12	11	11
Difficult to answer	2	2	2	3	2	2	3	2	3	3	1	1	1	3	2	2
... gas supply																
Very high	5	5	5	4	6	4	6	6	5	3	3	2	10	4	5	6
Rather high than low	45	45	46	48	43	46	46	54	52	40	35	26	70	38	45	47
Rather low that high	32	33	31	31	35	30	28	24	27	37	42	50	12	35	32	31
Very low	13	12	13	12	12	13	11	10	10	15	19	18	6	16	12	12
Difficult to answer	5	5	5	5	4	7	9	6	6	5	1	4	2	7	6	4
... reliability of water supply																
Very high	3	2	3	2	3	2	4	2	4	1	3	1	8	2	2	3
Rather high than low	28	27	28	30	25	29	27	29	31	23	23	18	59	28	27	27
Rather low that high	39	41	38	40	43	36	37	41	32	44	38	43	24	34	40	41
Very low	22	23	22	21	22	23	17	17	16	27	35	36	8	24	21	23
Difficult to answer	8	7	9	7	7	10	15	11	17	5	1	2	1	12	10	6
... quality of drinking water																
Very high	3	2	3	2	3	2	4	4	4	1	4	1	2	3	3	2
Rather high than low	16	16	17	17	14	18	28	19	33	6	10	10	17	22	17	14
Rather low that high	34	35	33	37	36	32	35	36	27	34	30	42	45	32	36	33
Very low	42	43	42	40	43	43	25	36	26	57	55	44	33	37	39	47
Difficult to answer	5	4	5	4	4	5	8	5	10	2	1	3	3	6	5	4
... public transportation																
Very high	4	4	5	4	5	4	6	6	2	3	9	1	2	4	5	4
Rather high than low	35	36	35	36	35	34	39	29	43	29	46	40	33	36	36	34
Rather low that high	38	40	37	42	39	37	37	40	32	42	30	39	43	36	37	41
Very low	16	14	17	13	15	18	12	16	16	18	12	17	19	14	15	16
Difficult to answer	7	6	6	5	6	7	6	9	7	8	3	3	3	10	7	5
... postal services																
Very high	5	5	5	4	5	5	5	6	6	4	3	5	5	7	5	4
Rather high than low	52	51	54	53	51	53	60	51	55	48	45	55	66	55	52	52
Rather low that high	29	31	27	28	31	27	25	29	25	32	36	27	20	22	29	31
Very low	6	5	6	5	6	7	3	5	8	6	11	8	2	8	6	6
Difficult to answer	8	8	8	10	7	8	7	9	6	10	5	5	7	8	8	7
... provision of central heating or fuel																
Very high	1	1	1	1	1	1	2	1	2	1	1	1	5	1	1	1
Rather high than low	17	17	17	22	15	17	17	14	28	12	7	10	59	16	18	17
Rather low that high	34	36	33	37	37	31	34	35	28	37	34	41	22	31	34	37
Very low	33	32	34	28	33	35	24	34	27	39	39	44	13	33	31	34
Difficult to answer	15	14	15	12	14	16	23	16	15	11	19	4	1	19	16	11
... hot water supply																
Very high	1	1	1	0	2	1	2	0	2	1	2	1	4	1	1	1
Rather high than low	10	10	10	14	10	9	9	6	15	5	4	5	57	9	11	10
Rather low that high	24	25	23	27	24	22	22	25	23	24	25	30	24	23	23	25
Very low	43	43	43	41	44	41	37	45	36	49	44	55	12	35	41	46
Difficult to answer	22	21	23	18	20	27	30	24	24	21	25	9	3	32	24	18
How the quality of the services changed over the last 5 years?																
... health care																
Decreased significantly	28	26	29	17	26	34	20	37	23	31	22	33	21	28	29	25
Rather decreased	37	39	36	40	37	36	36	41	30	41	37	25	39	34	36	40
Has not changed	26	26	25	28	27	23	31	17	34	22	25	35	27	29	25	25
Rather increased	7	7	7	10	7	6	11	3	9	5	11	6	11	7	7	8
Increased significantly	0	0	1	1	1	0	0	0	0	0	0	0	1	0	1	0
Difficult to answer	2	2	2	4	2	1	2	2	4	1	5	1	1	2	2	2

	Gender		Age			Region								Education		
All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher	
... primary education																
Decreased significantly	7	5	8	5	7	8	4	8	5	9	7	5	8	6	8	7
Rather decreased	24	24	24	22	25	23	23	27	23	22	26	25	23	17	24	26
Has not changed	45	47	45	49	46	43	45	43	46	47	44	44	50	50	45	45
Rather increased	13	12	13	16	15	9	19	10	12	10	14	18	12	10	13	13
Increased significantly	1	1	1	1	1	1	1	2	1	1	0	1		1	1	1
Difficult to answer	10	11	9	7	6	16	8	10	13	11	8	8	6	16	9	8
... secondary education																
Decreased significantly	7	6	8	5	7	8	4	9	5	8	7	5	8	6	7	7
Rather decreased	25	25	24	23	27	24	24	27	22	25	26	30	23	18	25	27
Has not changed	44	44	44	49	44	42	43	40	44	46	44	43	50	49	42	44
Rather increased	13	14	13	16	16	9	20	12	15	10	14	13	12	10	15	13
Increased significantly	1	1	1	1	1	1	1	2	1	1	1	1	1	1	1	1
Difficult to answer	10	10	10	6	5	16	8	10	13	10	8	8	6	16	10	8
... higher education																
Decreased significantly	6	5	8	4	6	8	5	7	4	8	8	8	6	5	7	6
Rather decreased	22	22	21	18	24	21	20	26	21	21	21	20	24	17	20	25
Has not changed	38	39	37	44	37	37	37	33	39	39	39	44	39	41	38	38
Rather increased	18	18	19	22	21	14	24	19	17	15	20	19	17	15	18	19
Increased significantly	2	2	1	2	2	1	3	2	1	1	2	1	2	1	2	2
Difficult to answer	14	14	14	10	10	19	11	13	18	16	10	8	12	21	15	10
... quality of the highways																
Decreased significantly	24	25	24	21	24	27	22	29	20	25	32	30	11	21	26	24
Rather decreased	33	33	32	32	34	31	31	29	31	34	36	35	34	29	32	34
Has not changed	30	31	30	30	30	30	34	32	27	31	21	23	41	36	28	30
Rather increased	9	8	9	11	9	8	10	9	17	6	6	8	9	7	9	9
Increased significantly	1	1	1	1	1	0	1	0	0	0	1	2	2	1	1	1
Difficult to answer	3	2	4	5	2	4	2	1	5	4	4	2	3	6	4	2
... telephone services (regular)																
Decreased significantly	4	4	5	4	4	5	2	6	2	5	9	5	2	4	4	5
Rather decreased	14	14	14	12	15	15	12	12	15	14	25	11	13	12	15	15
Has not changed	44	44	44	43	44	44	40	44	42	45	40	49	54	43	42	46
Rather increased	26	27	24	28	27	23	33	28	28	23	17	25	26	23	26	26
Increased significantly	3	4	3	5	3	2	3	2	4	3	3	3	3	2	4	3
Difficult to answer	9	7	10	8	7	11	10	8	9	10	6	7	2	16	9	5
... telephone services (mobile)																
Decreased significantly	2	2	2	2	2	1	1	2	1	2	2	5	0	1	2	2
Rather decreased	3	3	3	3	3	3	1	2	5	3	7	7	3	3	3	3
Has not changed	18	19	17	18	18	17	12	18	15	18	23	22	29	20	17	18
Rather increased	32	35	29	39	36	24	33	29	31	32	34	33	28	21	32	35
Increased significantly	11	12	10	16	12	8	15	10	10	11	9	6	10	10	11	11
Difficult to answer	34	29	39	22	29	47	38	39	38	34	25	27	30	45	35	31
... electricity supply																
Decreased significantly	6	6	6	5	6	6	2	5	3	7	13	8	1	8	7	4
Rather decreased	19	20	19	19	19	20	17	10	15	24	30	28	9	20	18	21
Has not changed	51	51	51	48	51	52	46	55	48	54	38	45	77	51	51	51
Rather increased	19	19	19	22	19	18	30	25	26	11	16	15	10	17	20	19
Increased significantly	2	2	2	2	2	2	2	2	5	1	1	1	2	2	1	2
Difficult to answer	3	2	3	4	3	2	3	3	3	3	2	3	1	2	3	3
... gas supply																
Decreased significantly	6	6	6	5	6	7	2	6	3	8	14	11	1	9	7	4
Rather decreased	19	21	18	18	19	20	13	12	17	25	27	28	10	18	18	21
Has not changed	55	54	55	53	56	54	59	58	53	52	43	45	77	53	53	57
Rather increased	13	13	14	15	13	13	16	16	19	9	14	11	9	13	14	13
Increased significantly	1	1	1	2	1	1	2	2	1	1	0	0	2	1	1	1
Difficult to answer	6	5	6	7	5	5	8	6	7	5	2	5	1	6	7	4
... reliability of water supply																
Decreased significantly	10	10	11	8	11	11	7	10	2	10	26	21	3	10	10	11
Rather decreased	27	29	25	27	28	25	19	20	24	37	29	24	13	25	24	29
Has not changed	48	48	48	48	48	48	53	56	46	43	34	44	71	48	50	46
Rather increased	7	6	7	9	6	7	9	5	12	5	7	7	11	7	6	8
Increased significantly	1	1	1	1	1	1	1	1	1	1	1	0	2	1	1	1
Difficult to answer	7	6	8	7	6	8	11	8	15	4	3	4	0	9	9	5

	All respondents	Gender		Age			Region								Education			
		Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher		
... quality of drinking water																		
Decreased significantly	22	22	23	19	22	24	12	21	10	30	34	25	14	18	20	25		
Rather decreased	31	32	30	30	33	29	23	28	26	40	29	20	36	28	30	33		
Has not changed	37	37	36	39	35	36	49	42	46	24	26	45	43	45	38	32		
Rather increased	4	3	5	5	4	4	7	2	7	2	6	3	5	3	4	5		
Increased significantly	1	1	1	1	1	1	2	1	1	1	1	0	1	1	1	1		
Difficult to answer	5	5	5	6	5	6	7	6	10	3	4	7	1	5	7	4		
... public transportation																		
Decreased significantly	7	5	9	5	7	9	3	7	5	10	6	8	11	7	7	7		
Rather decreased	22	22	21	24	22	20	16	24	21	24	15	23	28	17	19	26		
Has not changed	38	38	38	35	38	39	35	36	35	40	40	41	45	42	39	36		
Rather increased	24	27	22	27	24	23	34	25	30	18	30	22	10	21	25	24		
Increased significantly	3	3	4	3	4	3	6	3	3	2	4	1	5	4	4	3		
Difficult to answer	6	5	6	6	5	6	6	5	6	6	5	5	1	9	6	4		
... postal services																		
Decreased significantly	3	2	3	2	3	3	1	3	1	3	6	4	0	3	3	3		
Rather decreased	11	12	11	10	11	13	7	12	12	13	14	11	9	11	11	13		
Has not changed	61	61	60	59	63	60	61	56	59	63	58	58	74	60	61	60		
Rather increased	17	17	17	17	16	17	22	22	20	11	15	19	12	17	16	17		
Increased significantly	1	1	2	2	1	1	2	2	1	2	0	3	2	2	2	1		
Difficult to answer	7	7	7	10	6	6	7	5	7	8	7	5	3	7	7	6		
... provision of central heating or fuel																		
Decreased significantly	17	17	18	14	18	18	11	18	10	22	21	31	8	13	17	19		
Rather decreased	27	28	26	27	27	26	22	23	21	35	27	29	13	26	24	30		
Has not changed	35	35	35	36	35	34	36	40	42	27	28	31	66	40	34	34		
Rather increased	6	6	6	8	6	6	7	6	13	4	4	2	12	4	7	6		
Increased significantly	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1		
Difficult to answer	14	13	14	14	13	15	23	12	13	11	20	6	0	16	17	10		
... hot water supply																		
Decreased significantly	23	23	24	21	24	24	18	26	13	30	25	37	8	17	23	27		
Rather decreased	24	26	22	25	26	22	22	19	21	31	26	20	11	24	21	27		
Has not changed	27	27	27	28	26	27	27	32	33	16	23	33	65	31	27	25		
Rather increased	4	4	4	6	4	3	4	2	9	3	3	0	11	1	5	4		
Increased significantly	1	0	1	0	1	1	1	0	1	0	0	0	2	0	1	1		
Difficult to answer	21	20	22	20	19	23	28	21	23	20	23	10	3	27	23	16		

To your opinion, what is the main obstacle for all children in your settlement to get a secondary education of equal quality?

Entry examinations to the secondary school with high quality of education	34	5	6	6	6	4	6	3	5	7	5	6	6	3	5	6
Bribe	31	14	12	14	13	12	13	10	15	12	15	17	20	11	13	13
Necessity to pay for education in some schools	13	33	35	35	34	34	23	32	36	41	25	28	50	32	34	35
There are few good schools and they are situated far away from the place where I live	5	32	29	32	33	28	45	31	27	26	34	25	13	31	32	29
Other	17	16	18	13	14	22	13	24	18	14	21	24	11	22	16	16

Will you agree to pay small part of your personal income to provide your child (children) with education of better quality, compared to the one of free-of-charge state education?

Yes	19	21	18	26	27	8	23	22	16	16	23	17	23	6	18	25
Rather yes, than no	21	23	21	25	28	14	23	19	27	22	24	15	16	12	23	25
Rather no, than yes	8	8	9	6	10	9	7	9	9	8	9	14	13	9	8	9
No	26	24	30	12	20	42	22	28	32	27	28	27	30	39	29	22
Do not know, have not decided yet	22	24	22	31	15	27	25	23	16	27	16	27	19	34	23	19

Do you feel self-protection in case when you are in need of medical care?

Yes	5	7	4	8	7	3	6	3	7	4	10	3	8	3	5	7
Rather yes, than no	16	17	14	24	17	10	19	9	13	15	21	20	20	14	15	17
Rather no, than yes	35	36	35	39	36	32	36	32	30	37	38	35	36	34	35	36
No	44	40	47	29	40	55	39	56	50	44	31	43	36	49	45	40

	Gender	Age	Region							Education
All respondents	Male Female	18-28 29-49 older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary Complete secondary Basic and complete higher

How do you think where can you find the best quality of medical care in Ukraine?

State medical institutions	8	7	9	6	5	12	11	6	16	6	6	4	10	12	9	6
Private medical institutions	47	49	45	53	53	38	43	51	39	44	60	45	53	37	48	48
Quality of medical services does not depend on the ownership of medical institution	29	28	30	28	30	29	30	25	23	35	25	32	27	28	26	33
Difficult to answer	16	16	16	13	12	21	16	18	22	15	9	19	10	23	17	13

What are the main disadvantages of medical care in Ukraine?

Small budget funding	30	32	29	29	33	28	25	27	30	32	41	28	24	20	29	35
Medical services should be free	24	22	26	18	21	30	24	30	21	25	18	26	15	35	23	21
Few qualified specialists	13	13	13	14	16	10	12	13	10	15	15	13	12	8	12	16
Few staff, equipment, medicines & transport	13	12	14	15	14	11	15	12	15	15	11	6	11	9	14	14
Low salary	10	9	11	11	11	9	8	9	10	12	12	5	13	6	10	11
Expensive medicine	10	8	11	7	7	13	8	16	5	10	8	6	13	15	8	9
Bribery	8	8	8	8	8	9	16	9	4	6	8	9	7	8	9	7
Inaccessibility of free medical care, qualified specialists	2	2	2	2	2	2	1	1	2	3	0	2	7	3	1	2
Other	9	10	8	7	9	10	11	8	7	10	5	4	12	9	9	9
Difficult to answer	4	5	4	6	5	3	2	5	6	6	2	1	6	6	5	3

Will you agree to pay 5-10% of your personal income for medical services and to get help of better quality, than that provided by state system of health care now?

Yes	21	21	21	22	27	14	20	23	23	21	24	10	24	11	21	25
Rather yes, than no	25	27	23	32	28	19	27	22	24	25	26	26	23	15	24	29
Rather no, than yes	17	17	18	17	17	18	17	16	16	19	18	19	13	18	17	17
No	27	25	29	17	20	39	22	28	26	26	28	41	33	44	28	20
Difficult to answer	10	10	9	12	8	10	14	11	11	9	4	4	7	12	10	9

Are you ready to pay small amount of your monthly income to the medical security fund and from that time on to get medical services paid from this fund using the following schemes?

You pay small amount of your monthly income to the medical security fund, and this security covers the full range of medical services	25	27	24	32	31	16	27	25	22	27	22	18	32	12	24	32
You pay smaller amount of your monthly income to the medical security fund, and this security covers the full range of medical services except dentist	11	12	11	13	13	8	12	11	11	12	12	9	9	7	11	13
You pay even smaller amount of your monthly income to the medical security fund, and this security covers only limited range of medical services	9	9	8	8	9	9	11	8	14	6	6	3	10	9	9	8
I am not ready to pay for medical services	32	30	33	19	24	47	26	34	33	34	30	39	31	53	32	24
I am ready to pay for medical services but not on a regular basis	23	22	24	28	23	20	24	22	20	21	30	31	18	19	24	23

	Gender		Age			Region								Education		
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
HUMAN RIGHTS																
To your opinion, to what extent our state ensures protection of the following human rights?																
...to live free of hunger																
Fully ensures	2	3	2	3	2	2	4	3	1	1	4	0	2	2	2	2
Rather ensures	19	22	17	23	22	15	29	17	19	15	24	18	13	15	19	22
Rather not insures	40	37	41	45	39	37	36	36	29	42	45	37	48	37	37	41
Does not ensure	34	32	35	24	33	40	25	38	43	37	25	30	35	37	36	31
Difficult to answer	5	6	5	5	4	6	6	6	8	5	2	15	2	9	6	4
...to be able to provide good education to my children																
Fully ensures	2	2	1	2	2	1	2	2	2	1	2	2	1	0	2	2
Rather ensures	20	22	19	26	22	16	32	13	20	17	25	14	15	17	20	21
Rather not insures	44	45	45	50	45	40	42	47	33	46	47	51	44	38	43	47
Does not ensure	28	26	28	17	27	33	19	33	35	29	19	23	36	30	29	26
Difficult to answer	6	5	7	5	4	10	5	5	10	7	7	10	4	15	6	4
...to be respected by the state administration																
Fully ensures	1	1	0	1	1	0	0	2	1	1	0	1	0	0	1	1
Rather ensures	11	11	11	14	10	10	15	12	11	9	8	13	9	9	10	13
Rather not insures	43	42	43	47	45	39	45	35	34	47	50	44	36	38	44	43
Does not ensure	35	36	35	26	36	39	28	41	43	34	32	32	46	36	35	35
Difficult to answer	10	10	11	12	8	12	12	10	11	10	10	11	9	17	10	8
...not to be arrested without prosecutor's or court's order																
Fully ensures	4	4	4	4	4	3	5	5	3	3	4	1	8	3	5	3
Rather ensures	20	22	19	24	20	19	21	22	19	20	27	13	18	21	19	22
Rather not insures	29	31	27	31	31	25	33	24	27	29	29	32	30	21	28	31
Does not ensure	18	20	16	14	21	18	15	21	22	17	17	17	18	16	18	19
Difficult to answer	29	23	34	27	24	35	26	28	29	31	23	37	26	39	30	25
...to receive on time social assistance																
Fully ensures	2	2	2	2	1	2	1	2	3	1	1	1	2	3	2	1
Rather ensures	17	16	17	17	16	17	20	14	17	17	17	18	13	18	16	17
Rather not insures	40	43	38	45	41	37	45	34	35	41	46	40	41	34	40	43
Does not ensure	31	31	32	23	33	35	26	42	32	31	27	26	38	31	32	31
Difficult to answer	10	8	11	13	9	9	8	8	13	10	9	15	6	14	10	8
...to be able to find a job																
Fully ensures	2	2	1	2	1	1	1	1	2	1	4	1	0	1	2	1
Rather ensures	17	19	16	20	18	15	18	9	19	19	19	16	21	12	17	19
Rather not insures	40	39	40	43	43	36	47	35	30	38	48	43	39	36	38	43
Does not ensure	35	34	36	30	34	39	30	50	41	34	23	31	34	39	37	32
Difficult to answer	6	6	7	5	4	9	4	5	8	8	6	9	6	12	6	5
...to be able to change my job for a better paid one																
Fully ensures	1	2	1	2	1	1	1	1	2	1	3	0	1	2	1	1
Rather ensures	11	12	11	14	10	10	10	7	16	11	13	6	15	10	11	12
Rather not insures	43	44	42	47	46	39	50	34	33	44	52	44	44	37	42	46
Does not ensure	37	36	37	30	38	39	32	50	41	35	25	36	33	37	38	35
Difficult to answer	8	6	9	7	5	11	7	8	8	9	7	14	7	14	8	6
...to have freedom of peaceful assembly and association																
Fully ensures	8	8	8	9	8	7	8	8	7	7	11	8	9	6	7	10
Rather ensures	44	45	44	46	45	43	50	39	31	52	48	33	34	35	43	49
Rather not insures	17	18	16	19	18	15	19	15	18	14	18	21	26	17	16	18
Does not ensure	11	11	10	8	11	11	7	17	16	8	8	9	12	11	11	9
Difficult to answer	20	18	22	18	18	24	16	21	28	19	15	29	19	31	23	14
...to have freedom of speech (Mass media)																
Fully ensures	7	6	7	8	6	7	7	5	9	6	9	13	7	6	8	7
Rather ensures	38	39	37	39	40	36	38	31	30	45	41	35	24	32	37	41
Rather not insures	26	27	25	27	27	24	31	26	23	22	28	17	37	21	24	28
Does not ensure	13	15	12	10	14	14	10	22	16	11	8	10	19	13	14	13
Difficult to answer	16	13	19	16	13	19	14	16	22	16	14	25	13	28	17	11

		Gender		Age			Region							Education		
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
How important is state in protection of your human rights?																
Very important	35	34	37	32	35	37	27	39	38	39	28	31	38	35	36	34
Rather important, than non-important	29	30	28	33	28	27	34	27	21	28	36	38	21	27	28	31
Rather non-important, than important	16	16	16	14	18	14	16	15	13	16	18	18	13	17	15	16
Not very important	9	10	7	8	9	9	9	7	11	8	8	6	15	7	9	9
Difficult to say	11	10	12	13	10	13	14	12	17	9	10	7	13	14	12	10

TRANSPARENCY/ACCOUNTABILITY

How accessible the state agencies are for you to obtain the information crucial to realization of your plans?

Completely available	5	5	6	5	5	5	5	7	5	6	4	4	6	6	6	5
Rather available than unavailable	28	28	26	29	29	25	28	31	34	23	31	22	24	21	26	31
Rather unavailable than available	38	39	38	38	40	37	41	33	32	40	37	44	39	37	37	40
Completely unavailable	12	12	12	9	12	14	10	12	12	13	10	14	21	13	14	10
Difficult to answer	17	16	18	19	14	19	16	17	17	18	18	16	10	23	17	14

To what extent would you agree with the following statement: "The process of budget making at different levels is transparent"?

...national																
Absolutely agree	6	6	6	7	6	6	6	5	9	6	6	1	4	8	5	7
Rather agree than disagree	13	13	12	14	13	11	13	10	12	10	25	12	12	9	12	14
Rather disagree than agree	29	30	28	32	32	25	28	30	29	30	31	28	29	20	28	34
Absolutely disagree	33	35	32	27	35	35	34	34	24	36	24	34	42	30	34	33
Difficult to answer	19	16	22	20	14	23	19	21	26	18	14	25	13	33	21	12
...oblast																
Absolutely agree	5	5	5	6	5	5	5	4	9	6	5	0	2	7	5	5
Rather agree than disagree	9	10	9	10	9	9	10	7	10	8	14	11	9	7	9	10
Rather disagree than agree	32	33	31	35	35	27	31	35	27	33	38	30	24	23	30	37
Absolutely disagree	34	36	32	28	36	35	34	34	28	35	30	33	47	29	35	34
Difficult to answer	20	16	23	21	15	24	20	20	26	18	13	26	18	34	21	14
...local																
Absolutely agree	5	5	6	6	6	5	5	4	11	6	4	3	2	7	5	6
Rather agree than disagree	11	12	10	12	11	10	12	9	10	10	15	14	10	8	10	13
Rather disagree than agree	31	32	30	34	32	28	32	35	26	33	29	24	19	23	30	34
Absolutely disagree	33	36	32	28	36	34	31	32	27	34	39	34	52	29	35	34
Difficult to answer	20	15	22	20	15	23	20	20	26	17	13	25	17	33	20	13

To what extent would you agree with the following statements?

"Central administration ...

...represents the interests of local people, relies on citizens' activity and involvement"																
Completely agree	2	2	2	2	2	2	2	1	3	2	3	3	0	4	2	2
Rather agree than disagree	14	15	13	16	14	13	16	11	9	15	19	17	9	14	13	15
Rather disagree than agree	42	43	41	46	44	39	46	40	36	42	46	41	42	35	40	47
Completely disagree	28	28	27	21	28	30	25	28	35	27	23	21	38	24	29	27
Difficult to say	14	12	17	15	12	16	11	20	17	14	9	18	11	23	16	9

		Gender		Age			Region							Education		
	All respondents,	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
...is corrupt, connected with their family businesses and the mafia"																
Completely agree	27	27	27	24	26	28	26	26	26	27	23	21	39	24	26	28
Rather agree than disagree	45	48	42	45	47	42	49	44	41	45	46	42	37	38	44	48
Rather disagree than agree	9	9	9	12	10	8	9	7	10	9	14	10	10	9	10	9
Completely disagree	2	3	2	2	3	2	2	2	3	2	2	4	2	3	3	2
Difficult to say	17	13	20	17	14	20	14	21	20	17	15	23	12	26	17	13
... is slow and over bureaucratized"																
Completely agree	27	26	28	22	26	30	27	29	27	28	27	17	25	26	26	29
Rather agree than disagree	46	50	44	49	49	43	49	41	43	49	47	45	46	38	47	49
Rather disagree than agree	10	10	10	12	11	9	9	11	9	9	13	13	15	11	9	10
Completely disagree	2	2	1	2	2	1	1	1	4	1	3	4	3	1	2	2
Difficult to say	15	12	17	15	12	17	14	18	17	13	10	21	11	24	16	10
"Oblast administration ...																
...represents the interests of local people, relies on citizens' activity and involvement"																
Completely agree	2	2	3	2	2	2	3	1	2	3	3	3	0	4	2	2
Rather agree than disagree	19	19	18	22	19	17	21	20	11	20	22	14	13	19	17	20
Rather disagree than agree	42	44	41	44	44	40	46	37	36	44	48	44	39	37	41	46
Completely disagree	23	24	23	18	24	26	21	24	34	21	20	20	32	22	25	22
Difficult to say	14	11	15	14	11	15	9	18	17	12	7	19	16	18	15	10
...corrupt, is connected with their family businesses and the mafia"																
Completely agree	25	24	26	22	24	27	23	23	28	26	22	21	32	23	24	27
Rather agree than disagree	43	47	41	45	46	41	47	40	39	44	47	42	42	39	43	45
Rather disagree than agree	12	12	11	13	12	11	12	14	8	11	17	11	10	8	12	12
Completely disagree	2	2	2	1	3	2	1	1	4	2	2	2	2	3	2	2
Difficult to say	18	15	20	19	15	19	17	22	21	17	12	24	14	27	19	14
... waits for solutions from "above", is slow and over bureaucratized"																
Completely agree	25	26	24	23	25	26	26	29	21	26	22	18	25	23	25	25
Rather agree than disagree	47	49	46	48	50	45	48	45	43	50	49	45	49	40	50	50
Rather disagree than agree	11	11	10	13	10	10	10	7	12	12	14	9	10	10	11	11
Completely disagree	1	2	1	2	2	1	1	0	4	1	1	2	2	1	2	2
Difficult to say	16	12	19	14	13	18	15	19	20	11	14	26	14	26	12	12
... is familiar with the local specifics"																
Completely agree	13	14	13	14	14	13	12	14	11	16	13	10	13	12	14	14
Rather agree than disagree	51	53	49	50	52	49	56	52	41	56	40	47	39	44	51	52
Rather disagree than agree	15	16	15	14	16	15	15	10	19	14	24	16	17	14	14	17
Completely disagree	2	3	2	2	3	3	3	3	4	1	4	1	5	2	3	2
Difficult to say	19	14	21	20	15	20	14	21	25	13	19	26	26	28	18	15
... doesn't possess the necessary competence to solve the problems the region/municipality encounters"																
Completely agree	13	14	12	12	13	13	12	16	12	11	15	11	12	12	12	13
Rather agree than disagree	33	34	33	34	34	32	35	26	32	35	34	32	42	28	34	34
Rather disagree than agree	26	27	25	25	28	24	29	26	19	30	26	18	16	21	25	29
Completely disagree	4	4	4	4	5	4	4	5	5	4	3	3	7	5	4	4
Difficult to say	24	21	26	25	20	27	20	27	32	20	22	36	23	34	25	20

	All respondents	Gender		Age			Region							Education		
		Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
"Local administration ...																
...represents the interests of local people, relies on citizens' activity and involvement"																
Completely agree	4	4	5	4	4	5	6	3	4	4	5	8	0	6	4	4
Rather agree than disagree	25	26	25	30	27	22	29	32	15	26	26	27	13	27	26	25
Rather disagree than agree	37	39	36	37	37	37	40	32	34	39	39	29	44	33	36	40
Completely disagree	21	21	20	15	21	23	15	20	28	18	24	18	33	16	21	22
Difficult to say	13	10	14	14	11	13	10	13	19	13	6	18	10	18	13	9
...corrupt, is connected with their family businesses and the mafia"																
Completely agree	21	21	21	20	21	23	16	20	23	22	24	16	32	17	22	23
Rather agree than disagree	38	41	36	39	40	36	39	34	34	40	39	35	42	34	36	41
Rather disagree than agree	19	19	19	20	19	18	25	21	13	16	23	20	11	19	19	18
Completely disagree	4	4	4	4	5	4	4	2	10	4	3	3	2	5	4	4
Difficult to say	18	15	20	17	15	19	16	23	20	18	11	26	13	25	19	14
... waits for solutions from "above", is slow and over bureaucratized"																
Completely agree	24	26	23	23	24	24	24	25	24	23	27	18	28	20	25	25
Rather agree than disagree	49	50	48	48	50	48	49	52	46	51	45	40	49	43	49	50
Rather disagree than agree	11	11	11	12	10	11	12	7	9	12	14	16	9	11	10	12
Completely disagree	2	3	2	1	3	2	2	2	4	2	2	1	2	2	2	3
Difficult to say	14	10	16	16	13	15	13	14	17	12	12	25	12	24	14	10
... is familiar with the local specifics"																
Completely agree	18	18	18	16	19	18	18	18	23	19	14	15	13	15	18	18
Rather agree than disagree	53	56	51	56	55	51	57	60	37	56	54	51	45	48	54	55
Rather disagree than agree	12	12	12	12	13	11	12	7	16	11	15	11	18	11	11	13
Completely disagree	2	2	2	2	2	2	2	1	2	2	4	1	3	2	2	2
Difficult to say	15	12	17	14	11	18	11	14	22	12	13	22	21	24	15	12
... doesn't possess the necessary competence to solve the problems the region/municipality encounters"																
Completely agree	12	13	11	12	12	12	9	17	12	11	14	9	14	9	12	13
Rather agree than disagree	32	35	29	32	33	32	32	27	30	34	36	24	40	27	32	33
Rather disagree than agree	28	28	29	28	31	26	34	29	23	28	26	34	20	24	28	31
Completely disagree	7	6	7	6	7	7	7	5	7	8	6	3	5	6	7	6
Difficult to say	21	18	24	22	17	23	18	22	28	19	18	30	21	34	21	17
Do you think it is acceptable to give "informal payments" (money or gifts) to public servants in order to "get things done"?																
Yes	23	25	22	30	26	17	20	17	32	22	25	34	28	16	24	25
No	70	68	70	61	68	75	72	74	60	71	71	59	65	73	68	69
Difficult to say	7	7	8	9	6	8	8	9	8	7	4	7	7	11	8	6
Did you in the last 12 months give money or presents to public servants in order to "get things done"?																
Yes	30	30	30	35	36	22	28	25	32	30	40	28	27	20	28	35
No	68	67	68	63	62	76	71	73	66	67	59	68	69	78	70	63
Difficult to say	2	3	2	2	2	2	1	2	2	3	1	4	4	2	2	2
Did you give money or presents to public servants in the last 12 months more often than on average over the last 3 years? (% of those who give money and presents to public servants)																
Yes, more often	28	27	28	31	29	23	24	30	29	24	38	23	30	21	24	31
No, more rarely	20	19	21	20	22	18	20	20	31	18	17	12	24	19	21	19
The same as average	29	30	29	31	30	28	34	28	23	31	34	27	18	34	29	29
Refused to answer	13	14	12	7	14	16	11	9	12	16	7	25	14	19	13	12
Difficult to say	10	10	10	11	5	15	11	13	5	11	4	13	14	7	13	9

	Gender		Age			Region								Education		
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
Did you give money or presents during the last 12 months:																
... to traffic police officer to let you go for speeding																
Yes	11	18	6	12	16	6	11	8	11	11	20	14	6	6	10	15
No	68	65	70	68	66	70	78	72	66	62	56	67	84	72	70	65
Irrelevant	21	17	24	20	18	24	11	20	23	27	24	19	10	22	20	20
... to prosecutors to cancel investigation																
Yes	3	3	3	3	4	2	1	4	3	2	9	2	2	1	2	4
No	76	77	76	76	77	75	88	77	72	72	63	28	86	77	77	75
Irrelevant	21	20	21	21	19	23	11	19	25	26	28	20	12	22	21	21
... to customs offices to release your perfectly legal shipment faster																
Yes	3	4	2	4	4	2	4	2	3	3	7	4	1	1	2	5
No	74	75	74	74	76	72	83	77	71	69	66	71	87	74	75	73
Irrelevant	23	21	24	22	20	26	13	21	26	28	27	25	12	25	23	22
... to teacher to pay more attention to your child																
Yes	11	11	11	8	18	6	7	7	13	11	21	12	13	6	11	13
No	69	70	69	67	71	69	81	75	67	65	55	66	75	72	71	67
Irrelevant	20	19	20	25	11	25	12	18	20	24	24	22	12	22	18	20
... to tax administration to "close eye" on tax evasion attempt																
Yes	5	5	4	6	7	2	3	3	6	4	12	3	2	2	3	7
No	74	75	73	74	76	72	87	79	69	70	60	73	84	74	77	72
Irrelevant	21	20	23	20	17	26	10	18	25	26	28	24	14	24	20	21
... to a doctor to receive more careful treatment																
Yes	33	30	35	32	37	30	34	32	29	30	45	35	35	26	33	35
No	61	63	58	62	57	62	63	65	61	60	52	55	63	67	61	58
Irrelevant	6	7	7	6	6	8	3	3	10	10	3	10	2	7	6	7
... to communal services to get things fixed																
Yes	10	10	11	10	12	9	8	9	7	9	22	12	13	7	9	13
No	78	80	76	79	78	77	86	83	72	76	68	73	84	79	80	76
Irrelevant	12	10	13	11	10	14	6	8	21	15	10	15	3	14	11	11
Which of the following would you consider "a bribe"?																
...give money or presents to traffic police officer to let you go for speeding																
Yes	83	83	82	83	84	81	90	90	78	77	77	87	87	80	82	84
No	7	9	6	9	8	6	7	5	8	8	12	5	7	7	7	8
Irrelevant	10	8	12	8	8	13	3	5	14	15	11	8	6	13	11	8
...give money or presents to prosecutors to cancel investigation																
Yes	88	89	87	90	90	85	96	93	85	84	84	90	88	84	88	90
No	3	3	3	3	3	3	2	2	3	3	4	3	6	4	3	3
Irrelevant	9	8	10	7	7	12	2	5	12	13	12	7	6	12	9	7
...give money or presents to customs offices to release your perfectly legal shipment faster?																
Yes	84	85	84	84	86	83	93	92	82	79	83	80	81	82	84	86
No	5	6	4	7	5	4	4	3	5	5	6	10	12	5	5	5
Irrelevant	11	9	12	9	9	13	3	5	13	16	11	10	7	13	11	9
...give money or presents to teacher to pay more attention to your child																
Yes	75	75	75	73	75	75	80	85	74	70	71	80	64	75	76	73
No	16	17	16	17	20	13	17	9	16	17	19	11	30	13	15	19
Irrelevant	9	8	9	10	5	12	3	6	10	13	10	9	6	12	9	8
...give money or present to tax administration to "close eye" tax evasion attempt																
Yes	88	89	87	88	90	85	96	93	83	84	85	88	87	84	88	89
No	3	4	3	4	3	3	2	3	5	3	5	4	6	5	3	3
Irrelevant	9	7	10	8	7	12	2	4	12	13	10	8	7	11	9	8
...give money or present to a doctor to receive more careful treatment																
Yes	80	80	81	79	79	83	84	87	79	79	76	84	64	84	82	78
No	16	17	15	18	19	13	15	11	16	17	21	11	31	12	15	19
Irrelevant	4	3	4	3	2	4	1	2	5	4	3	5	5	4	3	3

	Gender		Age			Region								Education		
All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher	
...give money or present to communal services to get things fixed																
Yes	84	84	84	82	84	85	87	88	80	83	79	87	78	83	85	84
No	10	10	9	12	11	8	10	8	6	10	16	7	14	8	9	10
Irrelevant	6	6	7	6	5	7	3	4	14	7	5	6	8	9	6	6

How often do you think any of the following characteristics of Ukrainian judicial system are justified/come true?

...fair and not corrupted																	
Always	1	1	1	1	2	1	1	1	1	3	2	2	2	2	1	1	
Almost always	5	5	5	6	4	5	4	2	10	4	5	15	6	6	4	5	
Often	12	12	13	14	12	11	13	9	12	10	18	14	20	11	11	14	
Seldom	50	49	51	54	51	48	56	50	54	48	51	50	39	50	51	50	
Almost never	22	22	21	19	20	24	18	21	18	26	17	13	25	24	21	21	
Never	10	11	9	6	11	11	8	17	5	11	6	6	8	7	12	9	
...quick and efficient																	
Always	1	1	1	1	1	0	0	1	1	0	1	2	2	1	1	1	
Almost always	4	4	4	4	4	4	4	2	6	3	7	8	3	5	4	3	
Often	15	15	16	18	15	14	18	10	16	14	19	16	21	15	15	16	
Seldom	51	50	52	53	52	50	52	51	54	50	52	54	48	50	51	52	
Almost never	20	21	19	19	18	22	18	20	19	23	18	14	18	21	18	21	
Never	9	9	8	5	10	10	7	16	4	10	3	6	8	8	11	7	
...predictable																	
Always	2	2	2	2	2	2	1	1	2	2	2	1	2	2	2	1	
Almost always	7	8	7	8	8	7	7	6	5	8	9	11	9	8	6	9	
Often	24	24	25	28	24	22	29	21	26	22	28	24	26	20	24	26	
Seldom	42	42	41	41	42	41	42	40	46	41	42	38	38	44	41	41	
Almost never	16	15	16	14	15	17	15	17	13	16	15	15	18	16	16	15	
Never	9	9	9	7	9	11	6	15	8	11	4	11	7	10	11	8	
...able to execute its decisions																	
Always	3	3	2	3	2	3	3	2	3	2	2	3	3	3	2	3	
Almost always	10	9	10	11	10	8	11	9	8	10	8	12	8	10	10	9	
Often	25	25	25	27	25	24	31	22	23	23	25	23	30	23	25	26	
Seldom	43	43	44	42	45	43	39	39	48	45	50	43	41	46	42	44	
Almost never	13	14	13	13	12	15	11	16	14	14	12	13	14	12	14	13	
Never	6	6	6	4	6	7	5	12	4	6	3	6	4	6	7	5	
...able to defend my rights now																	
Always	1	2	1	2	1	1	1	1	2	1	1	2	7	2	1	1	
Almost always	5	5	5	6	6	4	5	3	4	6	6	5	7	6	5	5	
Often	13	13	14	15	13	13	17	10	16	10	17	16	14	10	12	15	
Seldom	44	44	45	47	44	43	43	42	48	46	44	44	39	47	44	45	
Almost never	23	25	22	21	24	24	22	25	19	25	23	20	24	21	25	23	
Never	12	11	13	9	12	15	12	19	11	12	9	13	9	14	13	11	
...was able to defend my rights 2 years ago																	
Always	1	2	1	2	1	1	1	1	2	1	0	1	1	1	1	1	
Almost always	5	5	5	6	5	4	5	3	5	6	5	7	6	6	5	5	
Often	14	13	14	16	14	13	17	9	18	11	17	18	11	12	14	14	
Seldom	43	42	44	44	43	42	40	43	45	43	46	39	46	43	42	43	
Almost never	23	24	22	21	24	23	23	25	16	25	24	20	22	22	23	23	
Never	14	14	14	11	13	17	14	19	14	14	8	15	14	16	15	14	

Are you satisfied with the way civil servants fulfill their duties?

Very satisfied	1	0	1	0	1	0	0	0	1	0	1	0	0	1	0	0
Rather satisfied	8	9	8	9	9	8	7	7	10	10	9	8	4	11	8	8
Rather not satisfied	37	38	36	37	40	34	43	35	34	37	39	42	27	27	35	42
Very not satisfied	43	44	42	37	42	46	42	45	42	41	44	46	46	46	45	40
Difficult to say	11	9	13	16	8	11	8	13	13	12	7	4	23	15	12	9

	Gender		Age			Region							Education			
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher

In your opinion how are bribery and corruption widespread in our country?

Almost no civil servants are involved	1	0	0	0	0	1	1	0	2	0	0	0	1	1	0	0
Some civil servants are involved	15	15	16	18	13	16	17	16	18	14	19	16	8	18	14	16
The majority of civil servants are involved	39	39	39	39	43	36	41	38	39	40	39	35	34	29	42	41
Almost all civil servants are involved	39	41	38	37	40	40	37	39	32	40	40	44	53	41	39	39
Difficult to say	6	5	6	6	4	7	4	7	9	6	2	5	4	11	5	4

PARTICIPATION

Do you think your interests are represented well enough at the national levels?

Well	2	2	2	2	2	2	1	2	2	2	1	5	2	3	2	2
Rather well	9	10	8	9	9	9	9	9	7	9	11	8	6	8	8	10
Rather bad	32	34	31	34	35	29	37	29	28	32	39	35	26	27	30	37
Bad	42	40	43	37	42	44	41	46	47	39	37	40	49	43	43	39
Difficult to say, do not know	15	14	16	18	12	16	12	14	16	18	12	12	17	19	17	12

Do you think your interests are represented well enough at the oblast levels?

Well	2	2	2	1	2	2	1	2	2	2	1	1	2	2	1	2
Rather well	10	11	9	11	11	9	10	11	6	11	9	16	8	6	9	12
Rather bad	34	35	34	36	36	31	41	32	29	34	40	33	21	31	32	37
Bad	40	38	40	34	40	43	36	41	48	37	37	37	48	42	42	38
Difficult to say, do not know	14	14	15	18	11	15	12	14	15	16	13	13	21	19	16	11

Do you think your interests are represented well enough at the local levels?

Well	4	4	4	3	4	3	4	3	5	4	1	8	4	3	3	4
Rather well	15	15	14	16	14	15	19	16	14	14	12	13	10	12	14	16
Rather bad	32	32	32	32	35	30	36	30	25	33	36	32	24	27	30	36
Bad	36	37	36	33	36	39	30	38	42	35	40	33	45	42	38	34
Difficult to say, do not know	13	12	14	16	11	13	11	13	14	14	11	14	17	16	15	10

Have you ever participated in the decision-making process or made any suggestions to the local government concerning the development of your oblast or settlement?

Yes	14	12	14	12	15	14	17	13	12	14	14	18	10	8	13	17
No	84	85	83	85	83	84	82	85	86	83	83	79	87	90	84	81
Difficult to answer	2	3	3	3	2	2	1	2	2	3	3	3	3	2	3	2

What were the issues you were involved in? (% of those who participated in the decision making or made suggestions to local government)

Elections	55	54	55	61	57	50	66	44	34	59	47	78	43	68	59	49
Municipal improvement	6	7	6	3	7	7	6	7	4	8	2	3	10	2	6	8
Communal improvement	4	4	4	3	5	4	1	4	18	2	6	0	5	0	5	4
Ecology	3	2	3	1	2	4	6	1	6	1	4	0	0	2	1	4
Referendum	3	1	4	3	2	4	4	0	2	3	2	9	5	6	2	3
Strikes, mass-meetings	2	2	2	1	1	3	1	7	4	0	0	0	0	0	2	2
Land commission	2	2	2	2	2	2	1	7	4	1	2	0	0	0	1	3
Local budgeting	1	1	2	0	1	2	1	4	2	1	0	0	0	0	0	2
Local administration decisions support	1	1	1	1	1	1	1	4	0	1	0	0	0	0	1	2
School improvement	1	1	0	1	1	1	0	3	2	0	2	0	0	2	1	1
Religious development	1	0	1	0	0	1	2	0	0	0	0	0	0	2	1	0
Medical institutions financing	1	1	2	1	1	1	1	1	0	2	2	0	0	0	1	2
On-time wage payments	1	0	1	0	1	1	1	0	2	0	2	0	0	0	1	1
Water/gas supply	1	2	0	1	1	2	1	0	4	1	0	6	5	0	1	2

	All respondents	Gender		Age			Region							Education		
		Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
Tax reduction	1	1	0	0	1	1	0	1	6	0	0	0	0	0	1	1
Strike against Kuchma	1	1	0	0	0	2	1	0	2	1	0	0	0	0	1	1
Education improvement	1	1	2	1	2	1	1	1	0	2	0	0	0	0	1	2
Social protection	1	0	1	0	1	2	2	1	0	1	0	0	0	0	1	1
Social economical development	1	1	1	0	1	1	0	1	2	1	0	0	0	0	1	1

Do you take part in the activities of NGOs? (% of respondents who gave positive answer)

National level	1	1	1	1	1	1	0	2	1	1	2	0	0	1	1	1
Regional level	2	2	2	1	2	2	3	2	3	1	3	0	2	1	1	3
Local level	5	2	6	4	5	6	8	4	5	4	7	5	2	5	4	7

If not, why you are not taking part in their activities?

There were no need	27	29	25	31	28	23	31	26	24	28	27	18	22	20	27	29
I am not interested,																
I do not want	27	29	25	26	26	24	21	28	35	26	29	35	20	27	28	26
There are no information	24	22	25	25	25	22	20	25	20	26	15	31	32	24	25	22
I do not have time, money; I have many other problems	21	20	22	22	24	18	22	22	28	17	18	33	18	14	21	23
I do not have possibility (senior age, far from me, health problems)	13	12	15	4	5	26	16	13	14	14	12	11	4	28	11	10
They do not need me, I am not invited	11	10	11	9	12	10	12	15	10	10	5	15	11	10	10	11
They can not achieve anything; there are no use of them; I do not trust them	11	12	10	8	12	11	10	11	10	11	8	14	12	10	12	10
I do not want to get involved with authorities; it is dangerous	11	5	6	4	6	6	3	11	7	5	2	8	6	8	6	5
Type of activity does not allow (civil servant, fear to lose the job, religious constraints)	3	3	2	3	3	2	2	6	5	2	1	2	1	3	2	4
I am not competent, I do not know how to help	3	9	13	12	10	11	10	12	14	11	8	15	9	14	12	9
They represent alien interests	2	2	2	3	2	1	1	0	2	2	3	4	2	1	2	2
Difficult to say, do not know	6	3	3	3	3	3	3	2	2	5	1	1	2	3	3	3
Other	3	1	1	0	1	1	1	1	0	0	2	0	1	0	1	0

SOCIO-ECONOMIC SECTION

What is the material well-being of your family?

We do not have enough money to buy food	29	25	32	13	22	43	24	32	31	30	31	29	22	53	29	20
We have enough money for food, but we can not buy clothes or footwear	42	43	42	44	44	41	47	44	37	42	39	41	46	36	45	42
We have enough money for food, clothes and we can save something, but it is not enough for making such purchases as TV or refrigerator	24	25	22	34	28	14	24	21	27	23	21	26	29	10	21	31
We can buy some expensive things (for example TV or refrigerator) but we can not afford everything we want	4	5	3	7	5	1	4	3	4	3	6	4	2	0	3	6
We can afford everything we want	1	1	0	1	1	0	0	0	1	1	1	0	1	0	0	1
Difficult to answer	1	1	1	2	0	1	1	0	1	1	2	0	1	1	2	1

	Gender		Age			Region								Education		
	All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher
How has your life changed during last 5 years?																
It is better now	21	23	20	35	24	11	23	15	19	22	20	23	30	12	17	28
It is the same	35	37	33	37	36	32	39	38	38	29	39	28	37	33	36	34
It is worse now	42	38	45	24	38	56	35	45	40	47	40	46	30	54	44	36
Difficult to answer	2	2	2	4	2	1	3	2	3	2	1	3	3	1	3	2
How do you think your life will be in 5 years from now?																
Will be better than now	28	30	26	48	30	15	37	21	18	25	34	30	38	15	26	33
Will be the same	30	31	30	22	32	32	29	31	29	30	34	33	31	35	30	30
Will be worse than now	21	19	23	10	18	31	11	17	26	28	22	21	14	25	22	19
Difficult to answer	21	20	21	20	20	22	23	31	27	17	10	16	17	25	22	18
If the material well-being of the average Ukrainian family consider as a baseline for comparison, how will you estimate material well-being of your family? (% of those who answered, N=2983)																
Very low	11	9	13	3	9	18	9	13	13	12	8	16	7	25	11	7
Low	22	22	22	12	18	31	19	30	24	21	18	31	12	34	24	17
Lower than average	30	29	31	26	30	31	29	31	27	31	35	21	30	24	31	31
Average	33	35	30	52	37	18	38	24	33	32	31	30	45	16	31	39
Higher than average	4	4	3	6	5	2	4	2	3	4	6	2	5	1	3	6
High	1	1	0	1	1	0	1	0	0	0	2	0	1	0	1	1
Very high	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
What of the below-mentioned sources of income you had during last month? (% of those who choose each option)																
Wage from regular job	50	56	45	54	72	27	43	45	50	53	52	50	62	19	48	63
Occasional job(s)	12	16	9	15	17	6	13	8	9	10	22	23	11	6	13	14
Selling produced or grown goods	14	14	15	13	16	13	17	17	16	13	17	11	1	14	17	12
Selling goods bought for sale	7	7	8	8	8	7	11	7	6	6	10	7	2	8	8	7
Farm, garden etc that is private or partly private	19	19	19	17	20	19	25	22	22	16	24	10	2	20	21	17
Private or partly private business	4	5	3	5	6	1	3	5	3	4	4	7	2	2	4	5
Social assistance	20	17	21	26	18	18	22	16	22	20	18	20	15	18	21	18
Pensions	36	32	40	6	12	75	35	40	37	37	34	37	28	69	33	28
Investments	1	1	1	1	1	1	1	1	1	1	2	0	1	1	1	1
Remittances from people outside the household	4	4	4	6	5	2	3	4	3	4	4	9	4	2	3	5
Private maintenance (e.g. from ex-spouse or father of children)	9	7	11	12	9	9	5	7	10	11	12	16	9	9	9	9
Loans	3	3	4	4	4	2	5	5	5	2	1	1	1	3	3	4
Other sources	3	2	4	6	2	2	2	3	2	3	5	4	6	2	3	4
Taking into account all current expenditures how much did your household spent during the last month?																
Less than UAH 100	5	4	6	4	4	7	9	4	7	3	5	10	1	10	5	3
UAH 101-150	10	7	12	3	4	18	12	13	8	8	9	11	6	21	10	5
UAH 151-200	11	10	12	9	9	15	13	11	10	11	13	15	6	18	12	8
UAH 201-300	21	21	21	17	18	26	21	26	21	21	17	16	11	25	20	20
UAH 301-500	24	24	23	27	27	18	23	23	23	27	22	10	30	13	26	26
UAH 501-1,000	19	22	16	26	25	10	14	15	14	23	19	15	33	6	18	25
More than UAH 1,000	4	5	4	6	7	1	1	2	3	4	11	9	10	1	3	7
No answer	6	7	6	8	6	5	7	6	14	3	4	14	3	6	6	6
Were there periods during the last year when your family did not have enough to eat?																
No, never	69	74	66	76	72	63	81	72	68	64	70	58	67	57	70	73
For one-two days during the year	11	9	11	10	11	10	8	9	8	13	11	13	10	14	11	9
For one-two days every month	15	13	17	10	14	19	8	16	14	17	13	23	18	17	14	15
We are constantly starving	3	3	4	1	2	6	2	2	7	3	5	4	4	10	3	2
No response	2	1	2	3	1	2	1	1	3	3	1	2	1	2	2	1

	Gender		Age			Region							Education		
All respondents	Male	Female	18-28	29-49	older than 50	West	Center	North	East	South	AR Crimea	Kyiv	Basic secondary	Complete secondary	Basic and complete higher

Which of the following items do you have in your household? (% of respondents who gave positive answer)

Telephone	56	55	56	56	59	53	49	58	53	53	63	43	92	33	50	69
Book library (over 100 books)	37	39	36	36	40	35	28	31	28	42	44	35	69	14	29	53
Refrigerator	94	94	93	94	96	91	90	93	90	97	92	94	99	85	93	97
TV set	95	96	94	96	96	92	95	93	92	96	93	96	95	90	95	96
Oven	19	20	18	22	23	14	34	22	14	12	21	20	16	13	17	24
Car	24	29	20	26	31	17	28	21	25	21	28	33	18	10	22	31
CD player	15	20	12	23	22	5	18	9	11	16	21	16	20	3	14	21
Satellite dish	2	3	2	3	4	1	2	1	1	2	5	4	4	1	1	4
Mobile phone	11	13	8	19	14	3	11	6	6	9	19	9	26	2	8	16
Washing machine (automatic)	15	17	12	21	19	8	15	11	13	14	21	11	23	4	12	21
Washing machine (non-automatic)	64	63	66	64	67	62	59	65	47	74	63	77	49	56	65	67
Running water in house	64	64	65	66	67	61	52	49	47	76	73	81	83	50	58	75
Toilet in house without sewage system	11	11	12	11	12	10	8	6	8	13	22	17	4	9	10	13
Toilet out of the house	44	43	44	40	42	47	64	55	54	31	46	36	4	64	47	34
Toilet in house connected to sewage system	54	55	53	57	57	50	35	43	45	67	46	59	97	33	51	64
Bathroom in house (apartment)	69	71	68	74	72	65	55	54	55	82	71	79	99	48	66	80
Electricity (not installed by yourself)	93	93	93	93	94	92	97	92	89	95	92	79	96	90	92	95
Own (privatized) apartment (flat)	82	81	82	73	81	87	89	81	82	82	77	73	75	85	81	82

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