



On January 15, 2010, FCM and the Canadian International Development Agency (CIDA) signed a Contribution Agreement for the Ukraine Municipal Local Economic Development Program (MLED). MLED's goal is to help improve economic opportunities for Ukrainians in a strengthened democracy. The program supports improved planning and delivery of services that foster and support economic growth and development in twelve cities organized into nine city partnerships (six in Lviv Oblast and six in Dnipropetrovsk Oblast). The project promotes intergovernmental cooperation models through work with cities and selected national and oblast-level enabling

institutions to support the achievement and dissemination of results. In addition, MLED supports the largest association of local governments in Ukraine — the Association of Ukrainian Cities (AUC) — to provide services to its members that support local economic development.

MLED is being implemented over five years and has a total budget of \$16,878,980. This includes \$13,847,560 contributed by CIDA, and \$1.54 million contributed in-kind by Canadian municipalities and FCM. An additional \$1.49 million is contributed in-kind by Ukrainian municipalities and their association, the Association of Ukrainian Cities (AUC).

COUNTRY CONTEXT FOR LED IN UKRAINE

Ukraine is a unitary country. The constitution of Ukraine recognizes and guarantees local self-government, affording locally elected councils (mayor and councilors) responsibility for setting and collecting local taxes and fees; developing and administering local budgets as well as annual and strategic development plans; and, managing municipal properties. Local Governments are also responsible to undertake certain nationally dedicated programs/services such as health care, social protection and education.

There is no system of property tax in Ukraine. Instead Local Governments in Ukraine are financed from direct transfers from the national government for delegated functions such as education, health and social protection, and the collection of local taxes and fees (e.g. small business tax, dog licenses and the like). Approximately 85% of revenue coming into local budgets is conditional, i.e. "tied" to a specific purpose or delegated function, leaving less than 15% of total revenues that can be allocated at the discretion of the Local Government for such activities as LED.

It is only relatively recently — within the past fifteen years — that Local Governments in Ukraine have assumed responsibility for local economic development. That responsibility includes the broad base of typical LED responsibilities and extends to include responsibility for certain "enabling



environment" initiatives such as infrastructure, social and environmental elements. This is not to say Local Governments lacked involvement in the past, but rather the effort and the resources to effect that effort, were primarily vested with the national government together with oblast (territorial) administrations. This relatively new mandate for Local Governments is broad and comprehensive; unfortunately it doesn't come with sufficient resources.

KEY CHALLENGES FOR LOCAL GOVERNMENTS IN DOING LED

CHALLENGE 1

Municipalities in Ukraine face significant legislative hurdles in their efforts to effect positive local economic development. Notably absent are those critical legislative instruments that enable Ukrainian communities to adequately fund local infrastructure and support LED efforts, give them sufficient "real" authority to address local challenges and pursue realistic opportunities, and clearly differentiate their roles in terms of property, financial and regulatory matters relative to those of the central government.

CHALLENGE 2

While only a few municipalities have actually prepared strategic economic plans, which in and of itself is a significant hurdle to pursuing local economic development, this situation is made worse by the lack of cooperation between municipalities in drafting their respective plans and the overall lack of integration of individual municipal economic development plans with those of oblasts and the state.

CHALLENGE 3

There is a serious lack of human (skilled professionals) and institutional capacities to undertake local economic development efforts in Ukrainian municipalities. This shortfall in capacity is made worse by an absence of any formal training for potential LED specialists and a poorly organized network of municipal consulting,

OTHER CHALLENGES

- Municipalities within Ukraine have only recently inherited broad responsibility for facilitating local economic development. And while many have committed themselves to the task, they lack the essential human (skills and expertise) and financial resources to approach the effort effectively.
- Gender stereotyping and gender inequality are deep and significant challenges within the context of local economic development programming in Ukraine. Inherent within this challenge there are often conflicting interpretations and definitions of what "gender equality" means and thus it is exceedingly difficult to get beyond generalities and jargon in the effort to effect a more balanced and sustainable local economic development effort within Ukraine's municipalities.
- In many Ukrainian municipalities, environmental interests are often seen as impediments rather than partners in contributing to a properly designed local economic development effort. This arises because of a lack of awareness of how environmental sustainability and local economic development are inextricably related, and how with a conscientious concern for environmental priorities and the development opportunities they represent (e.g. green industry) LED outcomes can be more substantive and sustainable.

SUCCESS STORY

Without a proper plan, there can be no assurance that an LED effort, while perhaps doing something, is doing the right thing. And without extensive and meaningful stakeholder engagement, there can be no assurances that an LED effort is fostering broad-based, sustainable prosperity to the benefit of all citizens.

Because of this, the MLED project has emphasized "excellence" in its support to strategic planning in partner communities. This approach has resulted in the successful development, approval and implementation of LED strategic plans in all 10 partner cities. Notable characteristics of this exercise have included:

- The collective participation of more than 1,250 community stakeholders, 50% of whom were women;
- More than 700 survey interviews with local business owners and entrepreneurs;
- Completion of detailed and comprehensive community specific SWOTs followed by objective and realistic assessments of community competitiveness;

- The preparation and articulation of realistic and relevant strategic priorities and actions for each community that integrate local priorities and initiatives within the context of relevant Oblast and State planning; and
- Official municipal wide consensus for each strategic plan and formal commitment to implementation.



"Despite our best efforts, for ten years we were unable to complete a City Development Strategy. With the help of MLED we did it in six months."

—Mayor of the City of Dnipropetrovsk