Public governance in Ukraine: Implications of Russia’s war

Key messages

- **Ukraine’s many public governance reforms underway since the 2014 Revolution of Dignity have been interrupted by Russia’s large-scale aggression.** Humanitarian devastation and the destruction of its economy are the immediate consequences of Russia’s aggression. However, when reconstruction efforts get under way, Ukraine will also have an opportunity to reset its system of governance based on international standards and good practices, including previously long-delayed reforms. It is important to improve levels of trust between citizens and government, curbing private interests in policy making and reinforcing civic institutions, as well as fighting against mis- and dis-information. All these elements will be part of building successful and resilient modern democracy.

- **The transition towards a modern public governance system with strong institutions underpinned by the rule of law** will require the Ukrainian government to continue to demonstrate the resilience and agility it has shown during the war. Modern public governance system with strong institutions fit for EU integration in line with the *Principles of Public Administration* will require reforms of strategic planning and policy development steered and co-ordinated from the centre-of-government, streamlining the organisation of public administration, as well as driving forward civil service modernisation and building solid public sector integrity systems. Sound, accountable and transparent public financial management as well as procurement and infrastructure governance will be key to a successful reconstruction efforts.

- **Corruption had already weakened the country’s stability and security before the war.** Tackling powerful private interests and uprooting entrenched corruption are a vital step that will empower Ukraine in its efforts to rebuild its economy and its democracy. Its National Anti-Corruption Strategy, adopted in June 2022, provides a positive signal and clear roadmap in this direction. Efforts to strengthen the independence of its anti-corruption institutions and fight corruption in the judiciary and prosecution service are key. In the short-term, budgetary transparency for post-war reconstruction is essential.

- **To ensure that the reconstruction efforts meet both national priorities and local needs, while addressing pre-existing territorial inequalities, Ukraine should closely involve all levels of government in the design and implementation of its recovery strategy.** In doing so, it should build on the post-2014 decentralisation and regional development reforms and ensure that across the country local governments have the necessary capacity to absorb recovery support.
Background and key issues

Russia’s large-scale war of aggression against Ukraine has paused implementation of many ongoing public governance and rule of law related reforms in Ukraine. Since 2016, Ukraine has developed and implemented reforms in public administration to ensure its alignment with OECD and EU standards – The Principles of Public Administration\(^1\) – as part of the wider European integration process. The Public Administration Reform Strategy through 2021\(^2\) and its Action Plan demonstrated good implementation, achieving 57% of the performance targets set and finalizing 87% of planned actions by the end of 2021.\(^3\)

The implementation of the new Public Administration Reform Strategy 2022-2025 and its Action Plan\(^4\) was planned around three key priorities – delivering high-quality public services to citizens and businesses, building a professional and politically neutral public service, and building effective and accountable public institutions. It took into account the unimplemented recommendations of the 2018 OECD/SIGMA Baseline Measurement.\(^5\) The strategic framework of public administration was complemented by the new Public Financial Management Strategy and Action Plan 2022-2025,\(^6\) also built around the Principles of Public Administration. Ukraine has established a basic legal framework for strategic planning, policy development and co-ordination.

---


Figure 1. Ukraine’s performance in 2018 against the Principles of Public Administration

Note: The figure shows Ukraine’s performance against the SIGMA Principles of Public Administration as per results of the SIGMA 2018 Baseline Measurement report in 2018. According to the SIGMA opinion from March 2021, Ukraine had fully implemented 18% of recommendations from the Baseline Assessment, while 66% were in process of implementation, and work on 16% had not commenced.

All these efforts had been recognised by the European Commission in its opinion on Ukraine’s application for membership of the European Union. It stated that “the legal framework for a modern public administration is in place, but not yet fully implemented”. It also acknowledged that “Ukraine is well advanced in reaching stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities”.

Boosted by the 2014 Revolution of Dignity, Ukraine has created a well-designed infrastructure of anti-corruption bodies. It includes the National Agency for Corruption Prevention (NACP) that is responsible for the development of anti-corruption policy and co-ordination of implementation of the National Anti-Corruption Strategy, managing conflict of interest, disclosure of interests and assets of public

---


8 SIGMA (2021), Opinion on implementation of recommendations set out in the Baseline Measurement of Ukraine against the Principles of Public Administration.


officials, controls of political party finance, promoting business integrity, public awareness raising and other prevention functions. It also includes two law-enforcement bodies: the National Anti-Corruption Bureau of Ukraine (NABU), an independent police force responsible for detection and investigation of high-level corruption, and the Special Anti-Corruption Prosecution Office (SAPO) as an autonomous body inside the Prosecutor General’s Office (PGO) responsible for the prosecution of the NABU’s cases. The recently created High Anti-Corruption Court has already started delivering justice on NABU and SAPO cases. The National Police and the PGO are responsible for fighting lower-level corruption. Finally, Ukraine has established the Agency for Recovery and Management of Assets (ARMA) responsible for managing illegally-obtained assets, including proceeds of corruption.

While the anti-corruption institutions are in place and have started delivering good results, they are under constant attack from powerful interests. The appointment of the new Head of the SAPO has been going on for two years, and the appointment of the new Head of NABU is still under question. The National Anti-Corruption Strategy that was developed with the NACP’s co-ordination had been pending in the Parliament for two years and was only adopted due to the EU accession agenda in June 2022.

Beginning in 2014, Ukraine launched an ambitious multi-year territorial reform process, resulting in the creation of 1469 municipalities (down from over 10,000 local councils). This was accomplished through a voluntary amalgamation process that was combined with a strong decentralisation reform and resulted in a significant increase in the administrative and service delivery responsibilities of municipalities, as well as an expansion of their revenue sources.

Initial findings from an OECD survey in 2021 highlighted that prior to the war, Ukraine had made considerable progress in addressing certain territorial disparities – 79% of the 741 municipalities surveyed reported improved quality of administrative service delivery post-2014, and 71% reported an increase in the quality of social service delivery. Improvements in the quality of services related to housing, energy and support for small and medium-sized enterprises were more limited. Advances in the perceived quality of municipal service delivery were accompanied by improvement in several well-being indicators. For example, between 2015 and 2019, the share of the population living below the subsistence income threshold fell from 52% to 23%, and during the past 10 years internet access increased by 240% across Ukraine. At the same time, however, almost all of Ukraine’s regions were suffering from population decline and a shrinking labour force, straining productivity and economic development. The national economy had also become increasingly dependent on the Kyiv agglomeration, with other regions failing to catch up.

In the same period, Ukraine improved its legislative and regulatory framework for regional development, modernising its multi-level governance architecture for regional development planning, financing and investment. This includes the creation of the State Strategy for Regional Development (SSRD), regional development strategies in each oblast, and several hundred municipal development plans and corresponding action plans that identified investment priorities. These provided relative clarity regarding the government’s territorial development aims and outcomes.

As a result of its work with the OECD, in 2018 the Government of Ukraine adhered to the OECD Recommendation on Effective Public Investment across Levels of Government. This recommendation aims to help governments at all levels assess the strengths and weaknesses of their public investment capacity, using a whole-of-government approach. However, challenges related to the

---


PUBLIC GOVERNANCE IN UKRAINE: IMPLICATIONS OF RUSSIA’S WAR © OECD 2022
Implementation and financing of regional and local development strategies and projects risk entrenching territorial disparities. Error! Reference source not found. shows that the percentage of rural municipalities who consider that they have the necessary human resources to implement specific tasks in the field of development planning is much lower than that of city and settlement municipalities.

Figure 2. Availability of human resources to effectively carry out development planning tasks, according to municipalities

![Figure 2](image_url)

Note: The figures indicate the percentage of city, settlement and rural municipalities who consider that they have the necessary human resources to effectively carry out tasks related to the development planning process. Question in survey: Please indicate if you consider your municipality has the necessary human resources (incl. expertise) to effectively carry out the following tasks related to the development planning process? Response options per task: Yes; No. N=741 municipalities (51% of all Ukrainian municipalities in 2021). Data from responses to the OECD online survey sent to all Ukrainian municipalities in 2021. Source: OECD (2022, forthcoming), from the forthcoming report associated with the OECD project “Supporting Decentralisation in Ukraine 2021-2022”.

Major reforms since 2014 had strengthened the information ecosystems in Ukraine, including the creation of the country’s broadcaster UA:PBC, the privatisation of state-owned print media, the strengthening of legal frameworks on access to information, and implementing laws governing transparency of media ownership, as well as the development of a rich civil society media-related landscape.

What are the impacts?

Since the start of the war on 24 February 2022, the public administration has continued to function at both national and local level despite tremendous challenges. As stated by European Commission President Ursula von der Leyen, “there is a resilient administration that is fully capable to function for the country, under incredible circumstances”13. In May 2022, out of 205 000 civil servants, 16% were on downtime, 5% teleworked from abroad and 1.5% were enrolled in the Ukrainian Armed Forces14.

13 Statement by the President of the European Commission von der Leyen with Ukrainian President Zelenskyy on the occasion of the President’s visit to Kyiv on 11 June 2022. https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_3622

14 National Agency of Ukraine on Civil Service (2022), Statistical data on status of civil servants during the time of martial law as per situation on 01.05.2022.
Despite these difficulties, the number of available administrative services has been gradually restored since 15 March. Out of almost 2,300 services there are only 28 that are completely unavailable. Moreover, 11 new public services have been developed to respond to new needs of citizens during wartime (financial allowances, war information, etc.). Numerous services, including registration of businesses, have been adjusted to the circumstances and simplified during wartime. Mere declaration of starting up an economic activity temporarily replaced the procedures for obtaining permits and licences. The online service portal DIIA remains functional and has registered 1.5 million daily interactions between citizens and the State. The electronic procurement system ProZorro, considered by many as one of the best electronic procurement systems, continues to ensure transparency by publishing information on public contracts awarded during wartime.

During the first three months of war, the parliament gathered for 11 plenary sessions and adopted 112 laws, and the Cabinet of Ministers approved 511 decrees and 281 ordinances. The development of Ukraine’s Recovery Plan with over 3,500 participants and over 200 meetings of working groups signals that the administration continues its work on policy development, co-ordination, as well as implementation as far as it is not directly affected by war-time realities. However, with the change of priorities, important reforms launched before the war have been suspended and some changes introduced into legislation were not in line with the OECD and EU standards of good governance.

Parliament adopted the National Anti-Corruption Strategy in June 2022, sending a firm signal that anti-corruption work continues despite the war. The anti-corruption institutions have largely continued their operations during the war, with some exceptions linked to national security, such as the publication of information about assets of public officials. Unfortunately, the selection of the heads of the SAPO and the NABU are also on hold. Efforts to clean up corruption in the judiciary have slowed.

As part of the post-war reconstruction plan, the NACP, as the body responsible for national anti-corruption policy, is seeking closer integration into the OECD anti-corruption and integrity work, including the Working Group on Bribery and the Working Party of Senior Public Integrity Officials. This can contribute to identifying good practices to avert corruption in the reconstruction phase, for example by developing data analytics tools, and reducing the space for undue influence and state capture by powerful private interests.

There is a need for a concerted effort to maintain an effective multi-level governance system – something that may pose a challenge for more severely affected local authorities. While some subnational governments have been on the frontline throughout the war and grappled with widespread destruction of homes, lives and critical infrastructure, others have been more affected by a vast influx of internally displaced people and a shortage of essential supplies, as well as significant pressure on infrastructure and other services.

Despite these challenges, essential service delivery has continued in many communities, including education and healthcare services, and local businesses have repurposed their activities to support the war effort. Effective multi-level governance and capacity building at the local level will be necessary to help municipalities manage public investment funds for reconstruction optimally. Before the war, subnational


16 According to information provided in the presentation of the Executive Director of the Reform Delivery Office of the Cabinet of Ministers of Ukraine Mrs Tetyana Kovtun during her visit to OECD on 16.06.2022.

17 Ibid. It should be noted that out of 3,500 participants, 800 are representatives of international community.
governments in Ukraine were responsible for almost 70% of public investment\textsuperscript{18,19} and they are likely to play an important role in recovery investment.

In continuing to provide public services, municipalities are capitalising on the administrative and service delivery responsibilities and skills gained in the post-2014 era. For example, many municipal administrative service centres (ASCs) that were established as part of the decentralisation reform process are now being used to register internally displaced people and give them access to social benefits. Some ASCs are also functioning as co-ordination centres for humanitarian aid.\textsuperscript{20} As such, the role of ASCs has moved beyond merely providing administrative services. Under these circumstances, subnational governments may have a better sense than the national government of urgent needs and particularly vulnerable populations.

The national government should leverage local expertise by promoting the active participation of subnational authorities to define immediate recovery support schemes, as well as more long-term strategies to boost territorial resilience. The different associations of local governments (e.g., the Association of Ukrainian Cities and the Association of Amalgamated Territorial Communities) can be called upon to ensure that the prioritisation of recovery efforts and the distribution of financial and material support is tailored to territorial needs and local absorption capacity. In addition, Ukraine’s different levels of subnational government can support the development of a national inventory of territorial needs, design and implement reconstruction projects and track progress of the local recovery efforts.

The war has put the information ecosystem at a critical juncture with a particularly dangerous environment for journalists. Also, the fight against Russian propaganda and disinformation is requiring tighter information management while preserving freedom of expression. Renewing the country’s reform momentum will become ever more vital for Ukraine’s democracy.

What is the outlook?

The on-going war has brought new challenges and revealed pre-existing unresolved problems, therefore the strategic framework for public administration reform, including public financial management system reform, will have to be reviewed. As part of the European integration process, the focus will need to be maintained on coherence with the Principles of Public Administration. Additional aspects on the governance of green transition and innovation in government will have to be fostered in line with good practice in OECD and EU Member States. To effectively manage change, determined political leadership, agreement between key stakeholders, clear and transparent definition of objectives, and changes of organisational culture will be fundamental.

The development process of Ukraine’s Recovery Plan is proof that a transparent and inclusive policy making process has been widely accepted within the public administration and civil society, which has been very active in Ukraine since the Revolution of Dignity in 2014. However, analytical capacities will need to be strengthened to support evidence-based policy and law-making, using more and better-quality statistical information. There is also a need to further strengthen the centre of government in strategic direction-setting, policy co-ordination, including in EU integration, and quality assurance. These are roles that had not been performed effectively previously. Harmonisation of legislation with the EU

\textsuperscript{18} IMF (2022), Government Finance Statistics, \url{https://data.imf.org/?sk=89418059-d5c0-4330-8c41-dbc2d8f90f56&slid=1435762628665}


\textsuperscript{20} PROSTO (2022), “Analysis of the Situation for the Ukrainian Administrative Service Centres (ASCs) in Wartime”
acquis, and where relevant OECD standards, will require development of both technical and policy knowledge and capacities within public service.

In the face of previous external shocks, centres of government in OECD Member countries have been responsible for the overall co-ordination of the strategic planning of the recovery efforts. In the context of recovery and reconstruction, the role and capacities of the Secretariat of the Cabinet of Ministers (SCMU) could be further enforced on strategic planning, on the co-ordinated implementation of cross-government plans on recovery and reconstruction, on steering the delivery of horizontal priorities linked to restoring the economy and society, as well as on European integration process. Most centres of government in OECD Member countries (84%) monitor the implementation of policies to ensure alignment with government priorities. This is an area where the SCMU could play a greater role by taking responsibilities in monitoring the implementation of the Government Priority Action Plan and of the recovery and reconstruction plans and of cross-governmental priorities.

A sound public financial management system, including public procurement and external audit, as well as infrastructure governance will be a key prerequisite for successful implementation of the recovery programme, by securing transparency, competition and minimising risks of fraud and corruption at all levels of government.

The resilience of Ukraine’s civil service has proven to be evident and exemplary. Certain temporary provisions introduced during the war need to be reversed to ensure fully merit-based recruitment. The professionalism and effectiveness of the civil service require strengthening, through implementation of a major salary reform to ensure competitive and fair remuneration and make civil service more attractive. An effective civil service interlinked with strong political will and the support of the population will largely determine the overall length and success of Ukraine’s European integration process.

The final adoption of the Law on Administrative Procedure and the application of the DIIA follow the policy objectives to improve service delivery to citizens and businesses. However, massive efforts will be required to implement the law and ensure the rights of citizens and businesses are duly observed, unnecessary administrative burden is removed, legal certainty is ensured, and arbitrariness eliminated. This will considerably increase the integrity of the public administration and curb corruption. Strengthening of the network of ASCs, as well as digitalisation of government processes and services need to continue in full alignment with international standards and good practices. The overall level of regulatory burden, evaluated by the European Commission as moderate, will need to be further reduced to support the recovery process and attract more investment.

The National Anti-Corruption Strategy of Ukraine developed during the previous two years and adopted by the Parliament in June 2022 remains largely valid despite the war and must be fully implemented. The utmost attention must be given to the protection of anti-corruption bodies from all attempts to undermine their independence and curtail their effectiveness by corroding anti-corruption legislation. It will also be important to restore and further develop transparency of all anti-corruption and other public governance processes immediately after the war.

---


22 The Law on Administrative Procedure was adopted by the Verkhovna Rada (parliament) of Ukraine on 17.02.2022, signed by the President of Ukraine on 13.06.2022 and officially published on 15.06.2022. According to transitional provisions it will become fully effective on 15.12.2023. https://zakon.rada.gov.ua/laws/show/2073-20#Text

Ensuring transparency and integrity of the reconstruction plan – both its development and implementation – is the urgent priority for Ukraine. International experience provides multiple examples of failed reconstruction. Ukraine must as a matter of urgency develop a platform – possibly using the excellent IT expertise available in the country – that will provide full transparency, allow for controls of integrity and sanctions for abuses – for the reconstruction funds that will be provided by the national budget and international community. Re-setting public governance foundations in Ukraine must address high-level corruption and oligarchic control on policy making and economy, to ensure rule of law and to boost economic development by unleashing private sector competition.

As national and subnational policy makers move forward with reconstruction and recovery plans, it will be important to pay close attention to the socio-economic development trends and governance challenges in Ukraine prior to the invasion, as well as the damage inflicted during the war. For example, historic regional differences in GDP, competitiveness and the size and skills of the labour force might condition the possibility to (re)generate local economies in the short-term. Other pre-existing factors, such as regional economic and well-being disparities, are likely to affect the effectiveness of the recovery strategy, requiring, in turn, a continued strengthening of technical capacities of subnational governments to absorb reconstruction funds and effectively mobilise the contribution of Ukraine’s civil society and other non-governmental actors.

Ensuring that recovery efforts meet specific local needs requires a strengthening of subnational government capacity to absorb financial assistance. It also depends on boosting their ability to effectively mobilise the material and financial contribution of civil society and other non-governmental actors. As in many post-conflict and post-disaster situations, once the emergency subsides, more ambitious reforms could be explored, including a revised longer-term regional development strategy.
What are the key considerations for policy makers?

- Key decision makers must lead efforts to improve Ukraine’s governance model. Continuous improvement of public governance at all levels is a prerequisite not only for a successful European integration process, but more broadly for implementation of Ukraine’s recovery plans and reforms and for boosting competitiveness and prosperity. To achieve these ambitious results, enough time has to be devoted to consensus building.

- Strengthening the centre-of-government’s mandate, role and mechanisms is essential to ensure strategic priority setting and policy co-ordination functions of government. It will improve the delivery of cross-government priorities particularly on recovery and reconstruction, and facilitate European integration process. Continuing to build professional and politically neutral civil service at all levels will largely contribute to effective implementation of policies.

- The government must significantly strengthen public integrity and create a mechanism to ensure transparency and integrity for the reconstruction plan. It must ensure that the National Anti-Corruption Strategy is fully implemented. Anti-Corruption institutions must be protected from undue political interference, their heads must be appointed based on merits and moral qualities. The judiciary must be cleaned of corruption and mechanisms to counter undue influence by private interests must be put in place. Ukraine may wish to request adherence to the OECD Recommendation on Public Integrity that will allow it to align its policies to those of OECD countries.

- Ensuring that recovery efforts meet specific local needs requires involving subnational governments in the design and implementation of recovery and reconstruction support schemes by building on the success of the post-2014 regional development and decentralisation reforms. It also requires investing in subnational government capacity to absorb financial assistance and identifying how recovery efforts can be set up to address pre-existing territorial economic and well-being inequalities and build local resilience.

- As Ukraine will have an opportunity to build back better and up to international standards, efforts should be made to develop systems to ‘govern green’ and implementing top quality systems to ensure the safeguard of human rights and democratic standards in digital government.

- Attention must be paid to decision making participatory processes and the promotion and protection of civic space, as well as of solid and independent information ecosystems, following on the major progress made since 2014.

Further reading

OECD (2022), Anti-Corruption Reforms in Ukraine: Pilot 5th Round of Monitoring under the OECD Istanbul Anti-Corruption Action Plan, [https://doi.org/10.1787/b1901b8c-en](https://doi.org/10.1787/b1901b8c-en)


