

Thematic session “Good Governance – Improving Efficiency and Professionalism”

Discussion paper

Good governance is an important enabler towards an efficient state and the broader government objectives of economic development and sectoral reforms. Efficient governance at central level, combined with empowered local self-government institutions, will also contribute to better service delivery for citizens and sustainable public finances.

Improving efficiency and professionalism of the public administration at all levels is also important for the successful implementation of the National Economic Development Strategy-2030 and building a more competitive economy, and unleashing potential for the significant increase of foreign and domestic investments.

During recent years, the Ukrainian government has not only shown a commitment to introduce sectoral reforms but also focused its efforts on the improvement of the overall effectiveness of the public governance and transformation of public administration. Starting from the decentralization, public administration and public finance management reforms actively ongoing, and digital transformations started recently, Ukraine has gone a long path full of both achievements and challenges. The mentioned reforms are closely interrelated and should enhance each other's success and result in a more efficient, democratic, and citizens-oriented state.

Public administration

From 2016, with substantial support from the EU, a comprehensive Public Administration Reform and Public Finance Management strategies are being implemented in Ukraine. Recent progress was achieved in the sphere of civil service professionalization and public services delivery. The law “On administrative procedure”, already adopted by the Parliament in the 1st reading, is a crucial step in determining the relations between citizens/business and the state, moving towards EU standards, and improving the investment climate. The timely adoption of this draft law is therefore of paramount importance. The number of administrative services centers was extended making services more accessible for the citizens in their communities, which was enhanced by the decentralization reform. Another important change, but still a challenge, was the launch of civil service salary reform that is a necessary precondition for establishing accountable and professional civil service, making the remuneration system more transparent and fairer. The transformation of civil service is also supported by the introduction of IT human resource management system (HRMIS) for more than 20,000 civil servants.

The recently approved Strategies of Public Administration and Public Finance Management reforms until 2025 have been developed based on the lessons learnt from the previous experience and designed to ensure sustainability and continuity of the reforms, while setting the updated goals and actual tasks for the upcoming years. The main goal of the reforms is to build a modern, capable, service-oriented, accountable and digital state to the benefit of citizens

based on the European principles. Efficient public administration is crucial in achieving ambitious goals of the National Economic Development Strategy 2030.

Priorities for the following years are:

- implementation of the general administrative procedure as a clear and predictable set of the rules which determine interaction between citizens/ business and the state
 - further development of the administrative services centers with extension of user friendly services available for citizens and businesses
 - transforming civil service into competitive employer increasing its capacity to attract the best talents and retain it within better organizational culture
 - increase the government capacity for data-driven, evidence-based policymaking and better stakeholders engagement through public consultations
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- *What are key capabilities and transformations required for the public administration to ensure successful implementation of the National Economic Development Strategy 2030 in order to unleash investment potential?*
 - *What are the measures foreseen to enhance the strategic planning process and to increase the capacity of center-of-government institutions, further increase the professionalism of the civil service, in order to improve government decision-making and move closer to meeting the Principles of Public Administration?*
 - *Merit-based recruitment in public administration needs to be enhanced and the remuneration system reformed in order to ensure competitive and more predictable salaries. How to achieve it?*
 - *How to ensure procedural safeguards for citizens and businesses in their relations with public administration and to curtail corruption?*
 - *How to ensure a proper combination of implementation of key state reforms (public administration reform, decentralization, public finance management) for better governance?*

Decentralization

The decentralization reform was one of the most complex and widely discussed transformations on the political agenda since the Revolution of Dignity. The reform is aimed to develop an efficient system of local governance and territorial organization of power for the purpose of creating and maintaining adequate living conditions for individuals, provision of accessible and affordable public services, coordinating the actions of the state and those of local communities. This goal is supposed to be achieved through reallocation of power, resources, and responsibilities from the executive branch of the government to the local self-government bodies.

The administrative part of the reform consisting in amalgamation of small communities into larger and more capable municipalities (hromadas) was completed in 2020, and was marked by the local elections. As a result, 1,470 territorial communities (hromadas) were established in Ukraine. Fiscal decentralization agreed in 2020 (60 percent of personal income tax allowed as the own resource of municipalities) is a step in the right direction, and the recent land reform provides a good potential for a durable establishment of their assets. Yet, financial stability of local self-government needs further safeguards, also given a negative impact of the pandemic.

The key goals of the second phase of the reform include:

- ensuring that the new territorial division of the state is established with clear separation of the powers between central administration and local self-government based on the principles of subsidiarity and decentralization
 - developing capacities and resources of the local self-government, so that it can effectively operate and deliver its functions
 - ensuring that the local authorities receive adequate financial resources commensurate with its new responsibilities
 - enhancing the professionalization of the civil service in local self-government
 - increasing citizens' engagement in the decision-making process of their communities
 - advancing communication and coordination between central administration (including its local representatives) and the local self-government
- *The ultimate objective of decentralization reform is to pave way for a cross-cutting transformation which will impact on various areas of state activities. To this end, what are the relevant legislative tools foreseen in order to ensure sustainability and irreversibility of the reform, and cementing an adequate model of local self-government as a part of state infrastructure?*
 - *How can the European model of local self-government inspire Ukraine for its ongoing decentralization reform, including constitutional amendments?*
 - *Disparities in service delivery across the regions should be addressed due to significant variations in administrative capacity and access to public services have been observed within amalgamated hromadas. How the reforms affected the delivery of services to citizens and businesses so far, and what can be done to further ensure tangible improvements?*
 - *How to ensure more transparent and accountable allocations of financial resources to local self-government?*

Digital transformations

Digitalization of government services is proceeding at an uneven pace depending on the types of services. The comprehensive digital transformation becomes a crucial topic of the reforms agenda from 2019. Ministry of Digital Transformation implemented diverse projects and launched services for both citizens and businesses. The development of the mobile application “Diia”, which integrates digital documents of the citizens, including passport, national ID, driving license, etc. and serves as one point of access to the public services is considered as a cornerstone project, which is being permanently extended with the new opportunities and upgrades. The Ministry has a strong focus on making citizens' interaction with the public sector organizations more user-friendly, therefore, the life-events approach to service development is embedded in the project. Consistent work continues on making the Internet accessible for every citizen of Ukraine and developing digital literacy and ability to use new services among all citizens regardless of their place of residence. The digital transformation of the public sector aims to diminish certain corruption risks.

Further priorities of the digitalization include sectoral reforms in the spheres of education, healthcare, environment protection as well as extension of digital administrative services for the citizens and business. Another unique project to be implemented in the following years is “Diia City” with a special legal framework for the IT industry that is designed to enable development of Ukraine as the powerful IT hub in Central and Eastern Europe. The special taxation model,

flexible employment and convenient interactions with the regulatory agencies are expected to create 450 thousand new jobs and increase the industry income by USD 16.5 billion.

Goals set are:

- 100 percent of public services available for citizens and business online
 - 95 percent of population and territory are covered by high-speed Internet
 - 6 million citizens are involved in digital skills development programs
 - 10 percent of IT share in Ukraine's GDP
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- *How to improve the users' journey within digital public services and how to make digital services more popular and accessible throughout the whole country?*
 - *How to attract and retain new talents to the civil service, especially within new jobs such as IT development, cyber security, design thinking, etc.?*