



DONETSK REGION DEVELOPMENT STRATEGY UNTIL 2020



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KRAMATORSK 2016



The Donetsk Region Development Strategy for the period until 2020 (Revised in 2016) was drafted by the Working Groups, established at the Donetsk Regional State Administration, under the project «Restoration of Governance and Reconciliation in Conflict Affected Communities of Ukraine» of the UN Development Program in Ukraine. Funding is provided by the Swiss Federation and the Government of Sweden. The views expressed in this publication are those of the authors only and do not necessarily reflect the views of UNDP in Ukraine, Swiss Confederation and the Government of Sweden.



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INTRODUCTION

Given the rapid changes of geopolitical realities and carrying out the Anti-Terrorist Operations (ATO) in the Donetsk region, finding ways to reform the regional economic systems, determining the prospects of diversification of the regional economy, improving quality of social services, reforming local governance, and building a secure society are of particular relevance for the economy and society. Successful resolution of these issues will help improve prospects for job creation, the level and dynamics of wages, revenues of local budgets, and ultimately the promotion of the socio-economic stability in the region.

The Donetsk Region Development Strategy for the period until 2020 (new revision dated 2016) (hereinafter – ‘the Strategy’) was developed under the Law of Ukraine, «On Stimulation of Regional Development», “On Principles of State Regional Policy”, in compliance with the State Regional Development Strategy of Ukraine for the period until 2020, approved by Decree № 385 of Cabinet of Ministers of Ukraine dated August 6, 2014 as well as the implementation experience of the Donetsk Region Development Strategy for the period until 2020 (dated 12.05.2015, №195/16r).

The need for a new revision of the Strategy is due to the changing socio-economic situation both in the region and in the country in general. Requirements of the respective development procedures of regional strategies and action plans for their implementation, as well as progress monitoring and evaluation of these regional strategies and action plans approved by Decree № 932 of Cabinet of Ministers of Ukraine dated November 11, 2015; by Law of Ukraine № 156-VIII «On Principles of State Regional Policy» dated February 5, 2015, Decree № 856 of Cabinet of Ministers of Ukraine dated October 21, 2015 «On Approval of the procedure and methods of monitoring and evaluation of the implementation of the state regional policy» and Decree № 821 of Cabinet of Ministers of Ukraine «Certain issues of implementation in 2015-2017 of the National Strategy of Regional Development for the period until 2020» dated October 7, 2015.

The Strategy takes into account the provisions of the National Strategy of Regional Development for the period until 2020, suggestions and recommendations on the Strategy that have been provided by the Institute of Industrial Economics of NAS of Ukraine, the summary report, «Ukraine. Recovery and Peacebuilding Assessment: Analysis of Crisis Impact and Needs in the Eastern Ukraine» from the European Union, the UN and the World Bank Group, documents of the UNDP project «Restoration of social services and establishing of peace in the Donetsk and Lugansk regions»; the analytical report «Assessment of local authorities’ capabilities» from the Institute of Economics and Forecasting of NAS of Ukraine.

The Strategy was prepared by the Working Groups that included department representatives of the Donetsk Regional State Administration, local authorities, as well as experts, representatives of NGOs and economic entities under analytical and statistical support of structural units of the Donetsk Regional State Administration, and consultative and methodological support groups composed of the UNDP’s international and national experts. The strategy was publicly discussed in the cities of Bakhmut, Pokrovsk, Mariupol and Kramatorsk.

1. Brief description of the region

The Donetsk region is an administrative unit of Ukraine, whose area (26 517.5 sq. km) comprises 4,4% of the total territory of Ukraine. The administrative center is the city of Donetsk. On 13 June 2014, the Donetsk regional state administration temporarily moved to Mariupol, and on October 13, 2014 – to Kramatorsk due to the beginning of hostilities in the East of Ukraine and Anti-Terrorist Operations (ATO).

Historical milestones of the region:

XI B.C. - State of Cimmerian nomadic tribes. VII-II B.C. - State of Scythian nomadic tribes. II B.C. - Alan union of Sarmatian tribes. II-IV century - emergence of the Huns in the Azov region. III-X century - formation of the Turkic tribes of Pechenegs. IV-VII century - union of Bulgarian tribes in the Azov region. V-XI century - settlements of Slavic Northern tribes in the Azov region. VII-X century - formation of the Khazar Khanate. 1050-1240 - Torque and Polovtsy tribes spreading in the Wild Field area. XIV century - formation of the Don Cossacks community on the banks of Khoper and Don. XIII – XV century - coexistence of Slavic and Asian cultures as a part of the Golden Horde. XV century - formation of Zaporozhe and Don Cossacks. Strengthening of the Moscow state. XVI-XVIII century - emergence of Kalmius and Samara Palanka of Zaporozhye Cossacks. 1697 - formation of Bakhmut settlement for organizing of salt mining. 1741-1767 – handing over of land to the east of the Don to Kalmius Cossacks. 1765 - elimination by Catherine II of Zaporizhzhya Sich and formation of Sloboda-Ukrainian provinces. 1775 - formation of the Azov province. 1783 - formation of Ekaterinoslav governorship including Bakhmut, Donetsk and Mariupol provinces. 1822 - creation of settlements by German colonists in the Azov region. 1827 - creation of the first geological map of the region by E. Kovalevsky, first account of the

Donetsk basin name. 1842 - beginning of the coal mining at Alexander mine. 1869 - beginning of construction of steelworks by John Hughes, construction of Kursk-Kharkiv-Azov railroad. January 1918 - proclamation of the Donetsk-Kryvyi Rih Republic. 1919 - formation of Donetsk province. 1925 - division of the province into Stalin, Mariupol, Artemivsk and Starobelsk districts. July 2, 1932 - formation of the Donetsk region. Starting the three-component governance model (center, region, district).

Soils: The various forms of relief led to the formation of different kinds of soil. The black soils were formed on the loess rock. Meadow, swamp-meadow soils were formed in floodplains and gullies. Saline soils and salt marshes are typical along the river valleys of Mokri Yaly, Vovcha, Bakhmutka on the Azov Seaside, sand and loam soils are typical on the Azov spits and on the banks of the Siverskiy Donets. The area map shows 60 kinds of soils in total.

Mineral resources: Geologically, the Donetsk region is located in the south-eastern edge of the Eastern European platform - one of the largest and relatively stable earth's crust areas. The base platform consists of Archean and Proterozoic schists, gneisses and granites. The sedimentary cover is composed of Paleozoic, Mesozoic and Cenozoic sediments, reaching the thickness of 3-5 km. There are numerous salt domes with deposits of oil, gas and salt in the Dnieper-Donets Basin of the Eastern European platform, covering the north of Donetsk region. The powerful coal deposits in the central and eastern parts of the region and the surfacing intrusive shield formations in the southern and western regions are characteristic to the geological structure. The mineral resources consist of fuel and energy resources (coal, coalbed meth-

ane, free gas), nonmetallic minerals (construction, mining, chemical, non-metallic metallurgical), metallic minerals, groundwater, etc. The richness of deposits of minerals in the area are determined, above all, by the Donetsk coal basin, one of the largest coal deposits in Europe. Rock salt, gypsum, cement raw materials, fluxing limestone and dolomite, granite, refractory and high-melting clay deposits etc. are also of importance. The deposits of iron ore, fluorite, alkaline kaolin, basalt, rock phosphate, vermiculite, aluminum materials, mercury, graphite, and rare earth elements have been explored and are currently under exploration. Deposits of gold, copper, lead have also been discovered. The kimberlite pipes with small diamond fragments have been discovered in the northern Azov crystalline massif. Oil and gas fields have been discovered in the northern and southern parts of the region, a free gas deposit is under exploration. In addition, the area coal deposits contain 118 billion m³ of methane which is a valuable energy resource. Also, deposits of chalk, construction and glass sand, quartzite, granite etc. are mined. There are four types of coal in the region: gas and long-flame coke, anthracite and semi anthracite.

Water resources: The region's area is distributed over the following river basins: Don - 30.2%, the Dnieper - 28.5% Azov - 41.3%. The areas occupied by water bodies cover 42 300 hectares (about 2% of the region area). There are 2,336 water bodies with a volume of 1.169 billion cubic meters, including 130 reservoirs with a total water volume of 866.3 million m³ and 2206 lakes with a volume of 294.9 million m³ in the region. The region has 246 rivers that are over 10 km long, which is above 1% of the total number of rivers in Ukraine. Most of the rivers in the region are classified as 'dirty,' and 'very dirty.' The water in almost all rivers has a high concentration of salt. There

are few lakes in the region, there are small lakes in the valley of the Siverskiy Donets, as well as Slovyansk salty lakes. The Siverskiy Donets River is the main source of drinking water. The main industries that are actively using the pool water resources are the coal industry, utilities, steel works.

Geographical location: The area is located in the Southeast of Ukraine within the Donetsk ridge, Azov Upland and, partly, Dnieper lowland. It borders on Zaporizhia and Dnipropetrovsk in the west, on Kharkov in the north-west, on the Lugansk region of Ukraine and the Rostov region of the Russian Federation in the north-east and east. The region is bounded by the Sea of Azov and has access to the Mediterranean basin in the south.

The region is 240 km long from north to south, 170 km long from west to east. The area covers the western part of the Donetsk ridge and the eastern half of Azov Upland. The watersheds of rivers basins of the Black and Azov Seas are located in the region.

The highest point in the region is 344 m. It is located near the village of Ridkodub, Shakhtarsk district (the village ended up in the combat zone and dropped out of the Ukrainian government control in January-February 2015 during hostilities in the East of Ukraine). The lowest elevation (- 0.4 m) is the water level in the Sea of Azov. The extreme northern point of the region is the elevation of 195m in Krasnolimansk region, the southern - Bilo-saraiska Kosa village, Pershotravneve District, the western - near the village of Komyshuvaha, Velyka Novosilka district, the eastern - near the village of Verkhniy Kut, Shakhtarsk district. The geographic center of the region is located in the village of Pisky, Yasynovatsk district.

Climate: The area is characterized as a temperate, continental climate with insufficient moisture. Its territory is un-

der the influence of the Atlantic Ocean and continental spaces of the Asian continent. Significant influence comes from the cold arctic and warm, moist Mediterranean air. The top rains fall in the upland in the western part of the Donetsk ridge, the lowest - in coastal areas. Up to 50% of annual rains fall in summer. The total annual rainfall is 400-540mm. January is the coldest month, July is the warmest. The average temperatures in January are -5 to -8 ° C, and 21-23 ° C in July - 21-23. The sharp temperature fluctuations are typical, especially in winter and autumn. The difference between average temperatures in winter and summer is 28-30°C. East winds which are low in moisture are predominant in winter and spring. Summer is dominated by western, north-western and eastern winds. The former two bring rain, the latter - dry winds. The region has a relatively homogeneous climate regime. Mariupol has a higher temperature, due to the influence of the Azov Sea.

Recreation resources and nature reserve fund: The Donetsk region has significant natural, historical and cultural resources, all prerequisites for the development of recreational sector. As of January 1, 2016 the region houses 13 monuments of national importance, of which 9 are archeological sites, 3 – historical sites, and one monumental art site.

The following is located in the territory controlled by the Ukrainian Government:

- 6 archaeological sites: Svyatogirsk Slavic settlement in Slovyansk district; Teplynske settlement in Slovyansk district; Tsaryn settlement in Slovyansk district; Sydorov settlement in Slovyansk district; Burial mound grave near Granitne village, Telmanovo district; Burial mound grave near Fedorivka village, Telmanovo district;
- 1 historic site of national importance - Manor of Ne-

mirovich-Danchenko in Velyky Novosilky district;

- 1 site of monumental art of national importance - the monument to Artem in Slovyansk district.

As of January 1, 2016, the Nature Reserve Fund of the Donetsk region is composed of 117 areas and facilities with total area of 109,600 ha (actual area – 92,900 ha), including those of national importance - 21 (total area of 69,400 ha), local importance - 96 (40,200 ha). The ratio of the natural reserve fund area to the area of the Donetsk region is 3.5%.

There are 42 areas of natural preserve with a total area of 30,700 ha in the territory temporarily out of the Ukrainian Government control. The number of natural preserve facilities in the territory controlled by the Ukrainian Government is 84 with an actual area of approximately 80,200 ha. The natural reserve fund of the region also includes: national parks: «Holy Mountain», regional landscape parks «Kleban Byk», «Kramatorsk» and «Slovyansk resort», 39 wildlife reserves, 28 natural monuments, and 10 nature reserves.

The mild climate of the Azov seaside, peloid, mineral, radon and table water sources are among the recreational resources of the region. Five towns are classified as resorts, namely Slovyansk, Svyatogirsk, Yalta, Melekine and Urzuf villages (Pershotravneve district) in the territory controlled by the Ukrainian Government.

Due to the unique climate and natural medicinal resources of «Slovyansk resort», Slovyansk has a strong image of one of the most famous and oldest hot-spring resorts in Ukraine, which has been operating for over 185 years. The resort is located in a large coniferous-deciduous park on the salt lakes, Ripne and Slipne where natural healing factors - climate, mixed forest, sulfide silt mud, highly mineralized brine, and a range of mineral waters are used for treatment and rehabilitation.

The unique natural healing proper-

ties of the salt mine in Soledar town are widely known, and home to the «Salt Symphony» spa resort.

Holy Assumption Cave Monastery of Svyatogirsk is located on the slopes of scenic cretaceous mountains looming over the river which have long been called sacred. The centuries-old history of the cave monastery has produced many saints and a unique historical and architectural complex that combines natural elements and the work of hu-

man hands. Thousands of pilgrims come there on major holidays every year.

Administration structure. The administrative-territorial system of the Donetsk region includes 52 cities, with 28 of them of regional significance, 24 cities of district level, 21 urban districts, 18 districts, 131 settlements, 253 village councils and 1,118 rural settlements. For the administrative-territorial map, see Figure 1.



Fig.1. Administrative-territorial map of the Donetsk Region ¹

¹ The boundaries of the area, which are temporarily out of Ukrainian Government control, in accordance with the lists of residential centres where the state authorities temporarily do not exercise powers, have been mapped in accordance with Decree № 1085-r (updated) of Cabinet of Ministers of Ukraine dated November 7, 2014.

The decentralization processes: In the Donetsk region, there are 273 councils, including 214 councils which have been involved in the decentralization process and initiated the procedures of unification or public hearings, in the territory controlled by the Ukrainian Government. The long-term action plan for forming the community areas of the Donetsk region (Decree № 1029-r of the Cabinet of Ministers of Ukraine «On approval of the long-term action plan for forming

the community areas of the Donetsk region» dated September 8, 2015) envisages unification of 273 councils into 38 united territorial communities. The final decision was made about the unification of 10 communities in 2015. The first local elections took place in 3 communities on October 25, 2015, another 7 communities are awaiting the decision of the Central Election Commission. For the map of community formation in the Donetsk region, see Figure 2.



Fig. 2. Map of Donetsk region community formation ²

² Under Decree № 1029-r of the Cabinet of Ministers of Ukraine "On approval of the long term action plan for forming the community areas of the Donetsk region" dated 8 September 2015.

Territorial and administrative structure of Donetsk region

Name of community	The code of the administrative center of a territorial community under the KOATUU	Name of territorial community administrative center	Name of district or regionally important cities that include the territorial community administrative center
Svitlodarsk	1420910600	Svitlodarsk	Bakhmut district
Siversk	1420910400	Siversk	- "-
Velyka Novosilka	1421255100	Velyka Novosilka	Velyka Novosilka district
Kostyantynopil	1421282701	Kostyantynopil	- "-
Komar	1421282401	Komar	- "-
Volodarsk	1421755100	Nikolske	Volodarsk district
Myrne	1421556600	Myrne	Volnovask district
Hlibodarivka	1421588001	Hlibodarivka	- "-
Volnovakha	1421510100	Volnovakha	- "-
Oktyabrsk	1422087701	Shakhove	Dobropillya district
Maryinka	1423310100	Maryinka	Maryinka district
Kurakhove	1423310600	Kurakhove	- "-
Olexandrivka	1420355100	Oleksandrivka	Oleksandrivka district
Mangush	1423955100	Mangush	Pershotravneve district
Cherkaske	1424256500	Cherkaske	Slovyansk district
Andriivka	1424280501	Andriivka	- "-
Ocheretyne	1425555900	Ocheretyne	Yasynuvata district
Soledar	1410370300	Soledar	Bakhmut
Chasiv Yar	1410370600	Chasiv Yar	- "-
Artemivsk	1410300000	Bakhmut	- "-
Vuhledar	1414800000	Vuhledar	Vuhledar
Toretsk	1411200000	Toretsk	Toretsk
Dymytrovsk	1411300000	Myrnohrad	Myrnohrad
Novodonetske	1411545600	Novodonetske	Dobropillya
Bilozersk	1411570500	Bilozersk	- "-
Dobropillya	1411500000	Dobropillya	- "-
Bilytske	1411570300	Bilytske	- "-
Druzhkivka	1411700000	Druzhkivka	Druzhkivka
Kramatorsk	1412900000	Kramatorsk	Kramatorsk
Lyman	1413300000	Lyman	Lyman
Krasnoarmiysk	1413200000	Pokrovsk	Pokrovsk
Konstantinivka	1412600000	Kostyantynivka	Kostyantynivka
Mariupol	1412300000	Mariupol	Mariupol
Selydove	1413800000	Selydove	Selydove
Mykolaivka	1414170300	Mykolaivka	Slovyansk
Sloviansk	1414100000	Sloviansk	- "-
Svyatogirsk	1414170500	Svyatogirsk	- "-
Novogrodivka	1413600000	Novogrodivka	Novogrodivka

Economy: The current economic development of the Donetsk region is supported by enterprises of different industries. Fig. 3 shows the map of the Donetsk region with industrial zoning (agriculture, industry).

In 2015, **coal mining companies** in the region produced 14,399 thousand tons of coal, 8,186.4 thousand tons of coking coal, and 6,212.5 thousand tons of thermal coal. The following enterprises are located and operating in the territory controlled by the Ukrainian Government: SE “Krasnoarmiyskvuhillya”, SE “Selydivvuhillya” SE “Dzerzhynskvuhillya”, Pivdennodonbaska Mine № 3, SE “Donetsk Coal Energy Company”, SE MO “Pivdennodonbasske №1”, SE VC “Krasnolymanska”, JSC MO “Pokrovske”, ALC “Bilozerska Mine”, LLC “DTEK Dobropillyavuhillya”, ALC “LE Matrona of Moscow Mine”, LLC “Krasnolymanske”.

The power generation industry is represented by a comprehensive system of power generating distributing companies. There are 5 thermal power plants in the region: Slovyanska TPP of PJSC “Donbasenergo” with an installed capacity of 880 MW, TPP Starobeshivska of PJSC “Donbasenergo” - 2000 MW (Noviy Svit settlement of urban type, Starobeshivskiy district, is temporarily out of the Ukrainian Government control), Zuyivska TPP “Skhidenergo Ltd.”- 1270 MW (Zugres is temporarily out of the Ukrainian Government control), Kurakhivska TPP “Shidenergo Ltd.”- 1517 MW, TPP Vuglegirska of PJSC “Centrenergo” - 3600 MW (Svitlodarsk).

The following **metallurgical** enterprises are operated in the territory under Ukrainian Government control: PJSC “Ilyich Mariupol Iron and Steel Works”, PJSC “Azovstal Steel Works”, coke production PJSC “Azovstal Steel Works”, JSC “Avdiyivka Coke Plant”. The main enterprises of non-ferrous metallurgy are JSC “Artemivskiy Non-Ferrous Plant”, JV “Svynets”, LLC “Megateks” PJSC “Zinc”.

The enterprises of the **chemical industry** produce a wide range of products: fertilizers, ammonia, polystyrene, acid, household chemical goods, pharmaceuticals etc.

The leading **machine-building enterprises** located and operating in the Ukrainian Government controlled territory include: PJSC “Novokramatorsk Machine-building Factory”, JSC “EnergoMashSpetsstal”, JSC “Starokramatorsk Machine-building Factory”, JSC “Kramatorsk Heavy Machine-Building Plant”, PJSC “Azovmash”, JSC “Artemivskiy Machine Works Vistek”, PJSC “Druzhkivskiy Engineering Plant”, JSC “Greta”, LLC “PA Slovyanskiy Plant of High Voltage Insulators” and JSC “Betonmash”.

The food industry specializes in the production of meat, dairy, bakery, flour, cereals, confectionery, pasta, oil, fish, fruit and vegetables, liquor, wine, beer and soft drinks.

Production of non-food products for the population in the region includes refrigerators, gas stoves, washing machines, kitchen utensils, textiles, garments and knitwear, shoes etc.



Fig. 3. Map of Donetsk area by industries (agriculture and industry)³

Agriculture: the Donetsk region has approximately 1.4 million hectares of designated agricultural land, of which 1.3 million hectares is at the disposal of agricultural enterprises and households (within Ukrainian Government-controlled territory). Arable lands comprise 82% of agriculturally designated land, with hayfields and pastures covering almost 16%. In general, this land has a high level of natural fertility and creates favorable conditions for the development of livestock and crops. Agricultural products are produced by roughly 1,400 agricultural enterprises of various ownership and management, accounting about 3% of the gross agricultural product in Ukraine. The rich, 'black earth' soils of the Donetsk region ensure excellent conditions for the production of a wide range of agricultural products. The main agricultural crops are winter wheat, sunflower seeds, vegetables, fruits and berries. In 2015, of the total cultivated area (updated sown area) for all categories of business within territory controlled by the Ukrainian Government, (according to government statistics) the share of cereals was 55.8% industrial crops, 34% vegetables, melons and potatoes - 5.3%, and forage crops - 4.9% in Donetsk region. The yield of grain crops in all categories of business within the territory controlled by the Government of Ukraine, (according to government statistics) totaled 28.5 dt/ha (post processing), sunflower - 16.7 dt/ha, potatoes - 111.3 dt/ha of vegetables (open and under glass soil) - 144.1 dt/ha in the Donetsk region in 2015. Pig breeding, dairy and beef cattle breeding, poultry and sheep breeding are also highly developed. Annually, the region produces 130-150 thousand tons of meat in live weight, 230-250 thousand tons of milk, 700 million eggs and 70 tons of wool.

Transportation infrastructure of the Donetsk region includes the following means of transport: rail, road, sea and air. The largest transportation company

in the region has always been, **Donetsk Railway**. The operational length of railway tracks is 2.8 thousand km, or 13% of all Ukrainian railways. The structure of the State Enterprise "Donetsk Railway," whose headquarters was in Donetsk city included four railway directorates: Krasnolyman, Yasynuvata, Debaltsevo and Lugansk. In early 2015, the hostilities in the area reduced the railways under the Ukrainian Government control to only Krasnolyman directorate, which made "Donetsk Railway" a regional branch of JSC "Ukrzaliznytsia" in early 2016.

The **sea trading port of Mariupol** is one of the three largest ports in Ukraine, in addition to having some of the most powerful equipment among the Azov Sea ports. The total area - 75.5 ha, the length of the mooring line - 4,2 km. Depth at berths allow to take in ships with a draft of 8.0 meters and a length of 240.0 m. The port waterfront length is: cargo berths - 3663.2 m, auxiliary berths - 225.7 m. The length of protective structures - 3730.27 m, technical condition is satisfactory.

The port is equipped with a modern reloading plant and accompanying equipment to support the processing of metal, sulfur, coal, metallurgical coke, clay, chemical fertilizers, petroleum products, containers, equipment and etc. The port of Mariupol is Ukraine's largest specialized coal transfer complex, which allows the processing of up to 5 million tons of coal annually. The share of export goods in the total volume of cargo is 55.4%, transit - 0.1%, imports - 15.5%, and domestic goods - 29.0%. The transportation system ranked seventh in terms of freight ability and ninth in passenger transport operations of Ukraine before the beginning of hostilities in eastern Ukraine and Anti-Terrorist Operations (ATO).

As of January 1, 2016, the Donetsk region has a **route network** of intrar-

egional public bus lines, consisting of 528 routes, of which 192 are long-distance and 336 (internal district, 175, inter-district and 161 suburban. The transport network is served by 189 carriers of different ownership. There are currently 1,196 buses, of which 417 support intercity bus service and 779 suburban. The existing public roads length is 8,075.7 km (5,660.5 km of them - in the territory controlled by the Ukrainian Government), including those of international importance - 326.0 km (209.7 km of them - in the territory controlled by the Ukrainian Government); of national importance - 338.5 km (195.5 km of them - in the territory controlled by the Ukrainian Government); of regional importance - 1,184.1 km (including 696.9 km - in the territory controlled by the Ukrainian Government); of local importance - 6,227.1 km (4,558.4 km of them - in the territory controlled by the Ukrainian Government). A temporary loss of control over a part of the country has significantly limited the transit opportunities for the Donetsk region. Two transit corridors "Europe-Asia" (Krakovets - Lviv - Rivne - Zhytomyr - Kyiv - Poltava - Kharkiv - Debaltseve - Izvaryne) and "CHES" (Rene - Ismael - Odessa - Mykolaiv - Kherson - Melitopol - Berdyansk - Mariupol - Novoazovsk), European routes E50, E48, E40, international highways M03 and M04, national highways N15, N20, N21 have been totally or partially lost.

Given the lack of possibility to operate lines located in the territory outside of the Ukrainian Government control, the **road office** in the Donetsk region, in consultation with the regional Traffic Police Department of the Interior Ministry of Ukraine has established routes for transit vehicles to bypass the territory outside of the Ukrainian Government control, north to south. The proposed route is a temporary alternative to the national highway N-20 Slavyansk - Donetsk - Mariupol. The first route is along the public roads of state and local significance, and is designed for light vehicles and passenger traffic. The second route is established along the roads of national importance whose properties meet the requirements for heavy traffic and large vehicles.

The checkpoint "International Prokofiev Donetsk Airport" has been almost completely destroyed due to active fighting in **the airport area**. The airport lies within the territory currently out of the Ukrainian Government's control. The International Mariupol Airport is controlled by the armed forces of Ukraine, but does not support civil aviation flights due to the military and political situation in the area. . The Kramatorsk Airport has also been damaged by warfare, but could improve the region transit capacity provided its infrastructure is restored and developed.



Fig. 4. Donetsk Region transit map⁴

⁴ Built according to the Office of Economic and Transport Provision of the Donetsk Regional State Administration

2. Socio-economic development trends of the region

A review the socio-economic development trends of the Donetsk region over the last two years (2014-2015) is indeed appropriate due to its proximity to the ATO, and the resulting significant structural changes in the regional economy, the land area, as well as the general population and industrial sector. These factors make it extremely difficult to accurately compare development trends before and after 2014 because the time series are broken. Accordingly, socio-economic development trends of the region are reviewed outside the ATO area.

Industry: The manufacturing output in the Donetsk region dropped by 34.6% in 2015 compared to 2014. Specifically, reductions in the production, transmission and distribution of electricity, gas, steam and conditioned air dropped by 11.0%, the manufacture of metallurgical coke and refined petroleum products fell by 15.1%, the metallurgy and production of finished metal products - by 26.4%, in engineering - by 33.8%, the manufacture of rubber and plastic prod-

ucts, other non-metallic mineral products - by 34.8%, the mining industry and development of quarries by 42.3%, the textile industry, production of clothing, leather, leather goods and other materials by 43.7%, the manufacture of chemicals and chemical products - by 2.1 times, production of food, beverages and tobacco – by 2.4 times in 2015 compared to 2014. The production of raw coal in 2015 halved and amounted to 13.1 million tons. The volume of coal (including the shipment of raw coal and enrichment products) amounted to 10.2 million tons, which is 1.9 times less in 2015 compared to 2014. In 2015 the smelting of pig iron dropped to 8.6 million tons, which is a decrease of 14.5% when compared to 2014. Annual steel production amounted to 8.0 million tons, which is 17.9% less than in 2014. Production of finished steel amounted to 4.1 million tons in 2015 which is a 23.4% decrease compared to 2014. Production of electricity in 2015 amounted to 21.7 billion KW/hours, which is a decrease of 4.6% compared to 2014.

The structure of the industry of the Donetsk region (in %)

Types of industry	2014	2015
Industry	100	100
Mining and quarrying	15.7	15.8
Processing	64.8	65.1
including:		
Metallurgy	38.4	43.9
Engineering	5.3	4.4
Food Industry	9.2	5.5
Coke and refined petroleum products	5.8	7.6
Manufacture of chemicals and chemical products	2.1	0.9
Other	4.0	2.8
Electricity, gas, steam and conditioned air	18.4	18.3
Water supply, sewerage, waste management	1.1	0.8

For the share of some regions of Ukraine in the total output of industrial production in 2015 see Fig. A in the appendices.

Agriculture: The volume of agricultural production dropped by 34.7% in 2015 compared to 2014. The gross yield of grain and leguminous crops amounted to 1.5 million tons which is a 35.0% decrease in 2015. Gross sunflower production dropped by 28.6% to 528.3 thousand tons. Potato yield is 397.7 thousand tons, which is almost 49% less than a year ago. Gross vegetables dropped by 2.3 times, to 208.0 thousand tons. In 2015, the yield in fruits and berries dropped to 104.9 thousand tons, which is almost 15% less than in 2014. In 2015, meat production amounted to 131.5 thousand tons, which is 13.4% less than in 2014. Milk production in 2015 dropped by 19.5%, amounting to 227.9 thousand tons. In 2015, egg production was 629,400,000 pieces, which is 2.6 times less than in 2014. As of January 1, 2016, the livestock production was 72.2 thousand heads, which is 23.7% less year on year, including the cow production decrease by 24.0% to 37.6 thousand heads. The pig production dropped by 7.1% to 445 thousand heads. As of January 1, 2016, poultry production was 3.7 million heads, which is 35.4% less year on year.

Foreign trade: In 2015, the enterprises of the region exported products to 100 countries vs. 125 countries in 2014. In 2015, the majority of exports were to Italy for \$810.6 million, accounting for 21.9% of the total exports volume. The total exports to the European market dropped by 37.1%. Exports to Russia, the second largest recipient of Ukrainian goods dropped by 45.4%, accounting for 16.5 % of all Ukrainian exports. In 2015,

exports to Turkey ranked third, with the supplies accounting for 13% of the total. Compared with 2014, the exports to Turkey dropped by 45.1%. Foreign exchange earnings from exports of goods to Asia dropped by 3.3 times during this period. In 2015, exports of goods to the countries in the America dropped by 2.6 times from 2014, and 4.6 times to African. Foreign exchange earnings derived from the export of ferrous metals accounted for 73.7% of total exports and dropped by 2.2 times. The exports of engineering products went down by 47.8%, in addition to export products of ferrous metals - by 3.0 times, chemical products – by 3.3 times, finished food products – by 10 times. In 2015, exports of services amounted to US \$377.4 million, accounting for only 79.6% of the totals exported in 2014. Imports totaled US \$210.2 million, accounting for 59.6% of the volume in 2014, comprising 4.1% of the total volume of imports. However, the balance for the year was positive, amounting to US \$167.3 million. For a geographic structure of the Donetsk region exports in 2015 see Figure 5.

The downturn is observed in the following: the volume of industrial production - by **34.6%**; the volume of agricultural production - by **34.7%**; the number of small enterprises - by **11.6%**, sales of products - by **9.5%**, the number of employees at small enterprises – by **3.5%**; the number of self-employed entrepreneurs who paid taxes, i.e. actually operated - by **55.5%**; the amount of capital investments - by **58.9%**; the accumulated direct foreign investment - by **28.3%**.

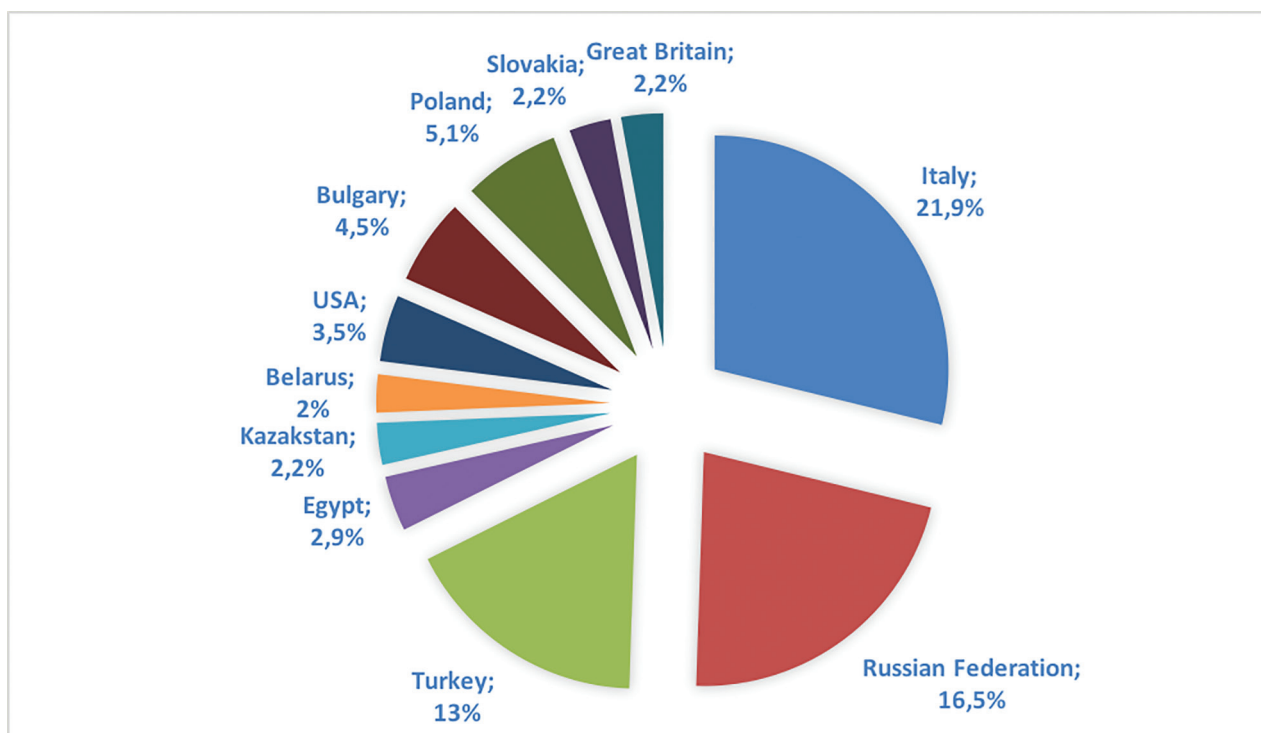


Fig. 5. Geography of the Donetsk region exports in 2015 (%)

Construction: In 2015, construction enterprises performed work using their own resources for the amount of UAH 2.3 billion in the region. The volume of construction output dropped by 2.4 times from the previous year.

Inflation: In 2015, the average annual inflation rate was 46.1%, while the year before it was 43.3%. Prices for fish and fish products went up by 2.1%, fruits – also by 2.1%, sugar – by 3.5%, milk – by 4.3%, oil – by 4.7%, vegetables – by 9.1%, eggs – by 18.3%. During 2015, the prices for dairy products went up by 16.1%, milk – by 17.3%, meat and meat products – by 30.2%, oil – by 33.2%, bread – by 38.3%, rice – by 48.5%, fish and fish products – also by 48.5%, pasta – by 1.5 times, vegetables and sugar – by 1.6 times, sunflower oil and eggs – by 1.7 times, fruits – by 1.8 times, tea – by 2 times. By the end of 2015, the price for pharmaceutical products went up by 1.6 times year on year.

Utility prices (tariffs): In December 2015, the utility prices (tariffs) for housing, water, electricity, gas and other fuels were higher than in December 2014, by 2.1 times on average. In particular, electricity went up by 1.7 times, water – by 1.7 times, sewerage – by 1.8 times, hot water and heating – by 2.7 times, and

natural gas – by 3.6 times, over this period. In December 2015, prices for fuel and lubricants were higher by 15.4% year on year. The local transit services went up by 26.5% year on year.

Labor market: In 2015, the unemployment rate among the working-age population in the Donetsk Region, based on ILO methodology, amounted to 14.2%, compared to the average in Ukraine of 9.5%. In 2014 these numbers composed 11.4% and 9.7% respectively. In 2015, 72,000 people had the status of ‘unemployed’ on the registered labor market in the region, 17,600 persons or 24.5% of citizens, were employed. As of late 2015, the number of registered unemployed was 21,200 persons where 60.7% were women, and 39.8% – young people under the age of 35. In 2015, 27,200 vacancies were registered, a reduction of one half compared to 2014. As of January 1, 2016, 355 vacancies were registered which was almost three times less in the previous year. The registered unemployment rate per (one) job vacancy went up from 25 to 60 people by the end of the year. The average unemployment benefit amounted to UAH 1,362 in December 2015, which is 2.6% less than in December 2014.

Wages: In 2015, the average salary of staff members of enterprises, institutions and organizations (employing 10+ persons) amounted to UAH 4,980, 29,1% more than in 2014. The Donetsk Region ranks second in Ukraine in terms of salary, after Kyiv. In 2015, real wages dropped by 10.4% in the region (across Ukraine – by 20.2%). The average number of staff employees amounted to 472,200 persons, 48.8% of them women. Moreover, the average wages of men went up by 1.7 times more than those of women. In 2015, wage obligations went up by 0.9% amounting to UAH 360.6 million as of January 1, 2016, which is equivalent to 13,4 % of the labor compensation fund in December 2016. Economically active enterprises account for 91.3% of obligations.

Population: According to the estimates based on the available administrative data from the state, including registration of birth, death, and change of

domicile, the population of the Donetsk region was 4.3 million persons, or 10,0% of the total population of Ukraine, as of December 1, 2016. In 2014-2015, the population dropped by 78,700 persons, including by 58,800 persons due to natural causes and 19,900 persons due to migration. The demographic crisis was further aggravated, seeing the death rate exceeded the birth rate by 2.4 and 2 times in 2015 and 2014, respectively. 2015 saw a steady increase in the number of internally displaced persons registered in the region controlled by the Ukrainian Government. As of January 1, 2016, 655,900 persons (552,800 families) who moved to the temporarily occupied territory of Ukraine and areas of ATO were registered in the region, including: 118,000 persons of working age; 62,100 children, 27,200 persons with disabilities, and 448,600 pensioners. For dynamics of the number of IDPs registered in the Donetsk region see Figure 6.

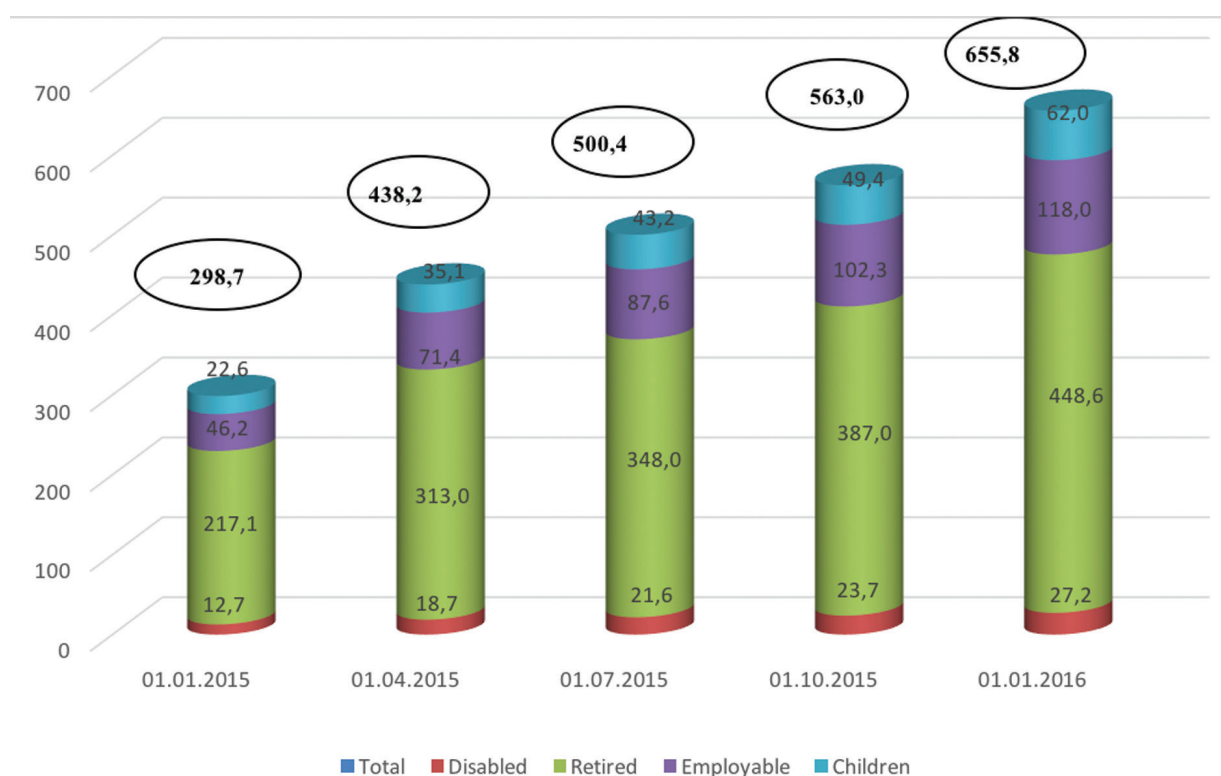


Fig. 6. Dynamics of internal displacement registered in the Donetsk region

According to the statistics for the region territory controlled by the Ukrainian Government, the difference between the most affluent and most troubled cities (districts) was as follows:

- by the volume of industrial output per capita:
 - in urban centers - 91.7 times;
 - in districts - 64.5 times;
- by capital investment per capita:
 - in urban centers - 58.6 times;
 - in districts - 28.7 times;
- by revenues of general fund of local budgets without transfers per capita:
 - in urban centers - 4.2 times,
 - in districts - 3.8 times,
- by wage obligations per full-time employee:
 - in urban centers - 46.6 times;
 - in districts - 29.1 times;
- by the average monthly wage:

in urban centers - 2.1 times,
in districts - 1.5 times,

- by local budget expenditures per capita to maintain the health care network:
 - in urban centers - 32.7 times;
 - in districts - 2.5 times,
- by costs per one student in secondary schools:
 - in urban centers - 1.7 times,
 - in districts - 1.6 times,
- by local budget expenses per one child in pre-school institutions:
 - in urban centers - 2.4 times,
 - in districts - 1.9 times.

Four cities (of regional significance) and 10 districts (15 towns and 12 districts located in the region are controlled by the Ukrainian Government) are subsidized (received the base subsidy from the state budget for the purpose of fiscal equalization).

The crime rate per 10,000 persons is 164.9 criminal offenses (in the area of the region controlled by the Ukrainian Government), with the average across Ukraine - 127.3 offenses.

Environment protection the Donetsk region is the top Ukrainian air polluter (22.0% of total emissions). The region is the top Ukrainian environmental polluter, composing 22.0% of total emissions. It ranks second in Ukraine in terms of dumping polluted wastewaters into surface water bodies (32.1% of total discharge), and also ranks second in Ukraine in terms of accumulated waste (7.4% of total). The total discharge of wastewaters to water bodies in the Donetsk region was 843.4 million m³ in 2015, including “contaminated water” - 263.7 million m³ (31%). The water bodies of the Donetsk region are characterized by process water discharge from

coal mining - 65.20 million m³ (7.7%), metallurgy - 644.8 million m³ (76%), utilities - 89.7 million m³ (10,6%).

Additionally, there exists a possible risk to the safety of water treatment facilities of both the utility sector, and all companies in the region that discharge return water to the Siversky Donets river-which is a major source of drinking water, is an environmental and epidemiological threat to the entire Donetsk region. There is a high concentration of industrial mining, processing, chemical and other industrial facilities that operate disposal sites in the region. They have been used for a long time and are unsafe due to the difficult economic situation of the industrial enterprises.

For types of Donetsk region infrastructure destroyed by the warfare see Figure C and Table A in the appendices.

3. Identification of issues and comparative advantages

The current issues of the Donetsk region were identified using comparative advantages (strengths and oppor-

tunities) and barriers (weaknesses and threats), which was the basis for the SWOT-analysis

Comparative advantages and barriers for the Donetsk region development

STRENGTHS	WEAKNESSES
<p>S1. Favorable economic and geographical position and the availability of access to the Mediterranean basin for the development of cross-border and interregional cooperation.</p> <p>S2. Significant explored deposits of minerals.</p> <p>S3. 92% of land resources are black earth soils.</p> <p>S4. Multi-sectoral economy structure.</p> <p>S5. Availability of local energy facilities.</p> <p>S6. Availability of significant employment potential.</p> <p>S7. Presence of powerful higher education and research institutions.</p> <p>S8. Significant natural recreation, historical and cultural potential.</p> <p>S9. Experience of local businessmen in difficult socio-economic conditions.</p> <p>S10. Initiation of decentralization process: three united municipalities established (Lymanska, Oktyabske, Cherkaske).</p> <p>S11. Background for further development of sociological services (introduction of state social standards, mechanism of social order, establishing of social service quality monitoring and control system).</p> <p>S12. Availability of industrial areas (Brownfield) and facilities for small and medium businesses that result from closing and reduced production of existing enterprises in the period of ATO.</p>	<p>W1. Extensive mining of mineral resources and export of raw materials.</p> <p>W2. Ukraine's highest biosphere load.</p> <p>W3. High degree of dependence on a single source of water supply - the Siversky Donets river, and the integrated system of transportation - Siversky Donets - Donbass channel. Dependence of the drinking water quality on the economic activities in the Kharkiv region.</p> <p>W4. Presence of degraded unproductive lands.</p> <p>W5. Presence of dangerous and hazardous productions, accumulation of toxic industrial waste.</p> <p>W6. Deteriorating of engineering and geological state of the area due to mine closures.</p> <p>W7. Physically and intellectually obsolete main production facilities, high energy intensity of gross regional product.</p> <p>W8. A significant depreciation of the existing industrial and social infrastructure of the region, as well as destruction and damage of a significant number of production facilities, housing and social services resulting from the ATO.</p> <p>W9. Mono-functionality of most little towns in the region and their significant dependence of the large job-supplying enterprises, and, as a result, signs of the depressed state of areas where the main job suppliers were closed.</p> <p>W10. The uneven development of small and medium enterprises in the territorial and industry contexts.</p> <p>W11. High labor migration, outflow of intellectual resources outside of the region.</p> <p>W12. High degree of internal regional disproportions in the economic development of the territories.</p> <p>W13. Low level of confidence from public, business representatives, public organizations to authorities resulting in the low level of public-private partnership.</p> <p>W14. Low institutional capability to provide the population with quality public and social services, including vulnerable persons and IDPs (inflexible system, lack of activity coordination, poor operational response).</p> <p>W15. Different access opportunities of the urban and rural residents to public and social service institutions due to the monopoly of the state and municipal institutions/departments of social services.</p>

OPPORTUNITIES	THREATS
<p>O1. Ending the ATO and restoring of the territorial integrity of the region.</p> <p>O2. Restoring economic relations (internal and external).</p> <p>O3. Ability to enter new markets: the Persian Gulf region, North, West, Central, South Africa.</p> <p>O4. Development of the internal market in the region by intensifying entrepreneurship and international support.</p> <p>O5. Decentralization of management and transfer of authority from the state authorities to local governments.</p> <p>O6. Deregulation in small and medium-sized businesses, including approving laws on simplified taxation system, on permitting system, on microcredit; easing of regulatory policy at the national level.</p> <p>O7. Changing the regional economy structure. Contributions to the region economy of small and medium businesses (and individual entrepreneurs) and large enterprises are comparable and differ across Ukraine within 10-15%.</p> <p>O8. Demonopolization of the economy through introduction of electronic public procurement of goods and services.</p> <p>O9. Upgrading the Donetsk region energy sector through implementation of modern coal mining and gasification technology in unfavorable conditions, and using the mine space for accumulation and cogeneration of electricity at peak loads.</p> <p>O10. Adaptation of the active workforce. Employment opportunities for the unemployed and giving public orders to enterprises of building materials, metallurgical and machine-building located in the region, as a result of construction of fortification structures and checkpoints on the borders with Russian Federation, equipping border and customs facilities.</p> <p>O11. Development of cooperation during the modernization of the regional economy and small farming business in rural areas. Formation of large cluster cooperative systems of the farming type.</p> <p>O12. Attracting international assistance (soft loans, grants, consultancy, budget support, educational and cultural programs).</p> <p>O14. Intensifying institutional changes in Ukraine's security sector, increasing responsibility levels in all areas of the security sector.</p> <p>O15. Attraction of the state financial support for development of local united communities and for building their infrastructure.</p> <p>O16. Raising public activity, growing leaders' resolve to unite communities.</p>	<p>T1. Continued uncertainty and ATO in the region, which jeopardizes safety in the society.</p> <p>T2. Reducing the investment attractiveness of the region and the outflow of investors.</p> <p>T3. Increased paternalistic sentiment and reducing business activities.</p> <p>T4. Spread of shadow economy</p> <p>T5. Aggravation of criminal situation in the region.</p> <p>T6. Threat of sanitary epidemiological, ecological and man-made disasters.</p> <p>T7. Possible deterioration of the world market of ferrous metals.</p> <p>T8. Lack of funding and suspension of a range of research and development projects, poor material base of scientific, research, and educational institutions.</p> <p>T9. Deficiency of interaction mechanisms of law enforcement agencies of Ukraine with citizens and of mechanisms for regulating their accountability to citizens.</p>

The current development issue identification exercise for the Donetsk region was used to construct the below SWOT-analysis matrix, which aided in the development strategic objectives that will help implement the strategic vision of the Donetsk region development until 2020.

SWOT-Analysis Matrix

	O1	O2	O3	O4	O5	O6	O7	O8	O9	O10	O11	O12	O13	O14	O15	O16	T1	T2	T3	T4	T5	T6	T7	T8	T9
S1																									
S2																									
S3																									
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**Human development,
provision of quality social
services and addressing IDP
issues**

Building a safe society

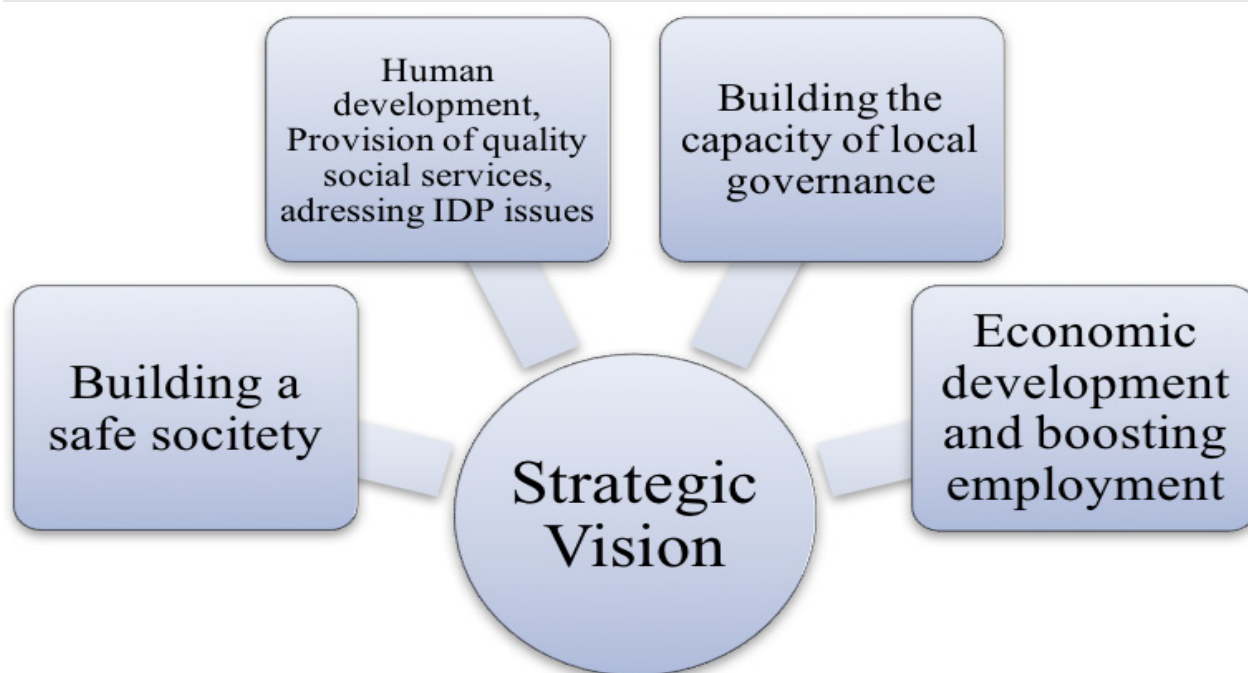
**Economic development
and boosting employment**

**Increasing capability of local
governance**

4. Strategic objectives and development priorities of the region until 2020

Strategic vision of the Donetsk region development until 2020. *The Donetsk region is a peaceful and integral part of Ukraine with a developed civil society based on the principles of mutual understanding and respect for different opinions; the region which aims to build a*

favorable environment for entrepreneurship development, diversified, open and competitive economy based on innovative educational services and European values and standards; the region where united communities are capable of providing quality services to all residents.



Strategic objective “Economic development and boosting employment” has the following priorities: building a favorable environment for entrepreneurial development, a diversified, open and competitive economy based on innovative educational services, based on European values and standards, as well as the restored and upgraded infrastructure.

Strategic objective “Increasing capability of local governance” has the following priorities: increasing the capacity of regional, district and local authorities to plan and deliver quality public services to all residents (including vulnerable groups and IDPs) on a democratic and transparent basis in the process of implementation of changes under the decentralization reform.

Strategic objective “Human development, provision of quality social services and addressing IDP issues” has the following priorities: creating a new system of providing social services, utilizing an accessible, comprehensive, multidisciplinary and adaptive approach to the needs of those affected by the ATO operations, and the corresponding socio-economic issues.

Strategic objective “Building a safe society” contains the following priorities: improving the safety of citizens and their access to justice, promoting reconciliation and improving the level of safety in the community, integration of IDPs to host communities

5. Objectives and tasks that are required to achieve strategic goals

Breakdown of strategic objectives, isolation of operational objectives and tasks, expected results

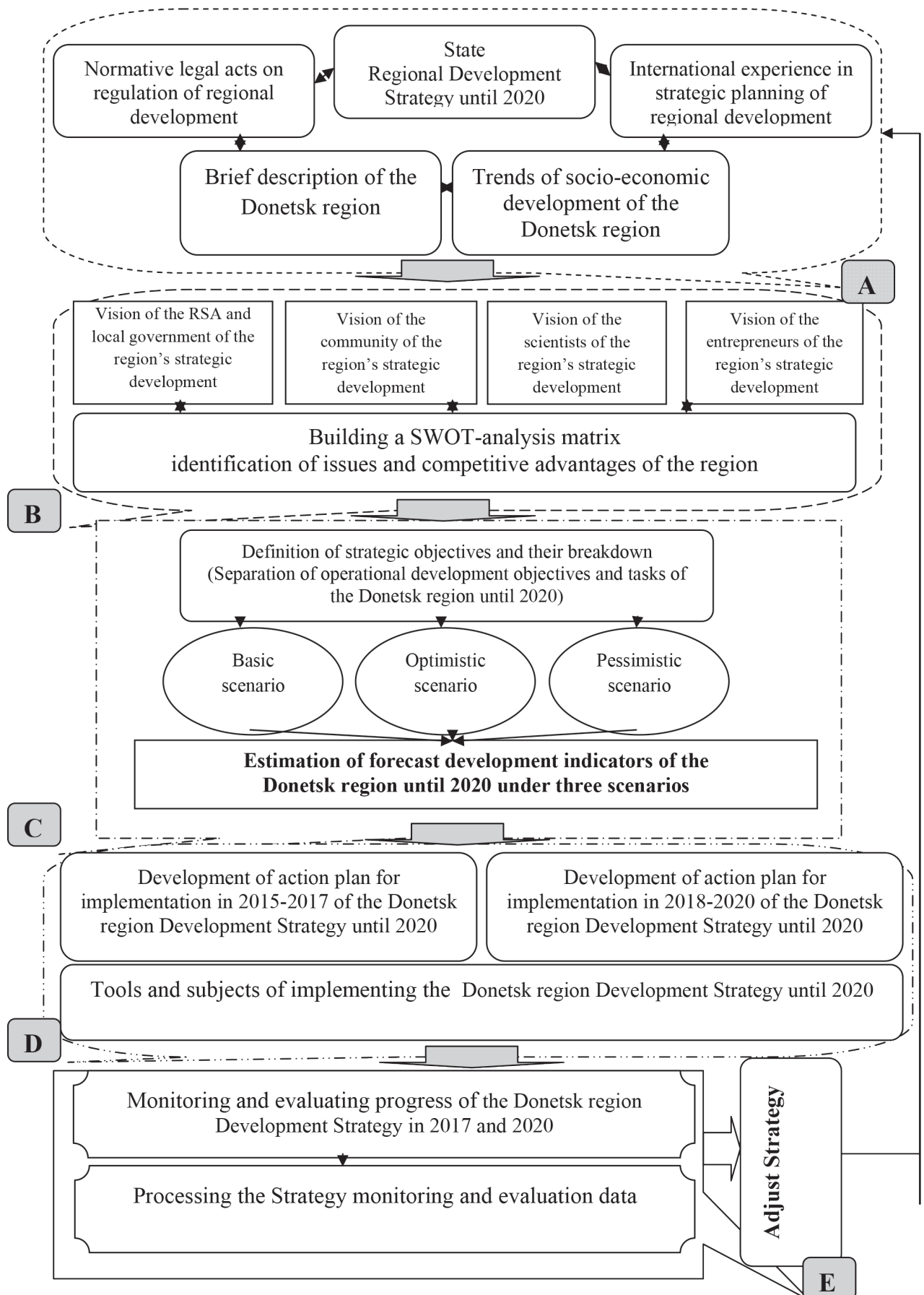
Operational objectives	Tasks	Main expected results	Main indicators
1. Development of economy and boosting employment			
1.1 Improve efficiency of critical infrastructure in the region	<p>1.1.1. Restore infrastructure facilities (bridges, roads, railways, etc.) affected by the conflict.</p> <p>1.1.2. Ensure efficient functioning of housing and utilities infrastructure and uninterrupted supply of electricity, gas and water to social, education and healthcare facilities.</p> <p>1.1.3. Introduce modern systems of urban and intercity transit to improve the affordability and efficiency of transit services. Save urban electric transport and develop electric transport.</p> <p>1.1.4. Promote development of maritime transport and maritime infrastructure.</p>	<p>Implementation of infrastructure projects.</p> <p>Improving transport links in the area.</p> <p>Improving efficiency of housing and utilities services.</p> <p>Promote development of Apartment Building Co-Owners Associations.</p> <p>Creating a new brand of the Donetsk region.</p> <p>Obtaining available financial resources, compensation of interest on loans by small and medium business.</p>	<p>Growth rate of industrial product sales, %</p> <p>Growth rate of agricultural production, %</p> <p>Investments in the economy of the region, million USD</p> <p>Unemployment rate, %</p> <p>Number of farms, agricultural, industrial and service cooperatives, units.</p> <p>Length of restored automobile and railroads, km.</p> <p>Number of restored bridges, each.</p> <p>Coverage of centralized water supply, %.</p> <p>Availability of water supply for general housing space in urban areas, %.</p> <p>Number of small enterprises per 10,000, units</p> <p>Number of medium enterprises per 10,000, units</p> <p>Number of capitally repaired and thermally modernized secondary schools, units</p>
1.2 Create favorable business environment	<p>1.2.1. Create entrepreneurship infrastructure, simplify and increase transparency of administrative procedures, particularly, in depressed areas (including in small towns).</p> <p>1.2.2 Create a positive image of the region to investors, carry out rebranding to strengthen inter-regional and international relations and attraction of investments.</p>		
1.3 Promote structural changes in the economy	<p>1.3.1. Coordinate and promote implementation of regional initiatives in terms of social responsibility of business.</p> <p>1.3.2. Conduct energy audits and measures to reduce energy consumption in office buildings and public infrastructure facilities.</p> <p>1.3.3. Encourage investment in housing and utilities, IT, power saving, recycling of secondary resources, industrial waste and household waste through mechanisms of state-private partnership.</p> <p>1.3.4. Help the region enterprises enter the markets of the European Union, Asia and other international markets (including product certification, implementation of standards, spread and exchange of information).</p> <p>1.3.5. Expand capability of employment centers in the region to monitor the state of the labor market, to support training and professional re-training of the population.</p> <p>1.3.6 Create a regional system of advisory services for the development and support of farmers, agricultural production and service cooperatives</p>		

Operational objectives	Tasks	Main expected results	Main indicators
2.Increasing capability of local governance			
2.1. Create transparent management system	<p>2.1.1. Encourage and support participation of citizens in decision-making through community councils, public consultations, and empower citizens, especially vulnerable groups, to participate in public life.</p> <p>2.1.2. Improve accountability and transparency of local governments by amending the organizational structure and internal processes, development of human resource capability and introducing ethical standards and compulsory transparency.</p>	<p>Completion of integration of local communities.</p> <p>Operation of transparent management system.</p> <p>Efficient use of joint ownership property of territorial communities of villages, towns and cities that are managed by the regional council.</p>	<p>Ratio of planned/actual united communities, %.</p> <p>Ratio of approved development strategies of local communities for the period until 2020 to the actual number of united communities, %.</p> <p>Volumes of attracted financial assistance to improve capability of local government, million USD</p>
2.2 Promote decentralization processes	<p>2.2.1. Provide assistance and support to the integration process of local communities by facilitating the process of reconciliation between communities, and of institutional and organizational strengthening.</p> <p>2.2.2. Implement sectoral decentralization reforms through establishing sharing of responsibilities, resources and institutional mechanisms to provide services under decentralization - by providing technical support and training programs to employees that will be maintained by state and international partners.</p> <p>2.2.3. Support implementation of the planned decentralization reforms at regional and district levels by establishing the prefect agency and executive/administrative bodies of the district councils.</p>	<p>Approval of development strategies of the newly created local communities for the period until 2020.</p> <p>Attracting financial and technical assistance from the state and international partners.</p> <p>Creating, reconstruction and modernization of existing administrative service centers</p>	<p>Number of new, reconstructed and modernized centers for provision of administrative services, units</p> <p>Number of public meetings to improve capability of local government, units</p>
2.3 Enhance capability through providing quality public services	<p>2.3.1. Coordinate and support development of local strategies of economic and social development for newly established communities from a gender perspective, the problems of conflict and participatory approach to planning.</p> <p>2.3.2. Improve capability and capacity of the new communities to improve management and provision of quality public services through recovery and development of infrastructure for provision of services at the regional, district and local levels</p>		

Operational objectives	Tasks	Main expected results	Main indicators
3.Human development, provision of quality social services and addressing IDP issues			
3.1. Organization and provision by local executive authorities of quality social services according to specific needs of communities (decentralization)	<p>3.1.1 Facilitate searching and attracting financial and other resources from various sources to provide the necessary social services at the community level.</p> <p>3.1.2 Develop competence of local authorities in terms of their role in the organization and provision of social services at the capable community level (enhancing awareness, training).</p> <p>3.1.3 Create institutions /social services to provide social services according to the needs of a particular community.</p>	<p>Increased international financial and technical assistance, financial assistance from government partners.</p> <p>Functioning day care facilities for vulnerable users of social services in the newly established communities.</p>	<p>Amount of attracted funds from the State Fund for Regional Development, million UAH.</p> <p>Amount of international financial and technical assistance, million USD</p>
3.2. Transition from the provision of social services at the institutions to their provision in the community, at home, in families (deinstitutionalization)	3.3.1. Create a register of social service providers, use the mechanism of social order to engage providers of different ownership and management type to the provision of social services through the budget finance at the community level.	<p>Creating a register of social service providers.</p> <p>Addressing the lack of social housing of IDPs, orphans and children deprived of parental care.</p>	<p>Number of day care facilities for vulnerable users of social services in the newly established communities, units.</p> <p>Number of IDPs, ATO veterans and their families, orphans and children deprived of parental care who received social housing, hostel, persons</p>
3.3 Development of a competitive market for social service providers of different ownership and management types, as well as expanding the list of social services (diversification)	3.3.1. Створити реєстр надавачів соціальних послуг, застосувати механізм соціального замовлення для залучення до надання соціальних послуг за бюджетні кошти на рівні громади надавачів різної форми власності та господарювання.	<p>Functioning of the psychological, social and physical rehabilitation for the population affected by the ATO.</p> <p>Development of the institutions of the health system, including creation of regional diagnostic centers.</p>	<p>Number of people who have received psychological, social and physical rehabilitation services because of the ATO.</p>
3.4. Develop and implement measures of social support for IDPs and population affected by the conflict	<p>3.4.1 Provide social housing and social hostels to IDPs, orphans, and children deprived of parental care.</p> <p>3.4.2 Develop and implement regional policy of job creation for IDPs, specifically for women and other marginalized groups.</p> <p>3.4.3 Create a system of psychological, social and physical rehabilitation for the population affected by the conflict. Support the ATO participants and their families.</p>	<p>Development of infrastructure in secondary schools, including creating a network of hub schools.</p> <p>Conducting art festivals and tourist conferences.</p>	<p>Number of consultations with public, units</p> <p>Number of commendations from citizens for providing quality social services, units</p>
3.5. Develop health, education, culture and sport systems	<p>3.5.1. Develop health system infrastructure.</p> <p>3.5.2. Develop educational and scientific infrastructure.</p> <p>3.5.3. Introduce innovative educational programs in secondary schools and build the system of "education for life".</p> <p>3.5.4. Develop youth sports: create affordable sports facilities for physical training and sports, support activities of agencies, institutions, and organizations of sports sector, build awareness to promote healthy lifestyle and physical culture and sport, provide moral and material incentives to athletes and their coaches to excel in all-Ukrainian and international competitions.</p> <p>3.5.5. Promote conservation and develop the historical, cultural and spiritual heritage, create conditions for patriotic education of the population.</p> <p>3.5.6. Develop a network of physical health "Sport for all".</p> <p>3.5.7. Provide financial support for youth sports schools, which are subordinated to local departments of all-Ukrainian physical culture and sports societies</p>	<p>Creation of modern sports facilities in compliance with the requirements of sports federations and modern sports grounds with artificial turf.</p> <p>Increasing the number of participants, winners, prize holders in the Olympic Games, Paralympic Games, World and European championships and other major international competitions.</p>	<p>Number of base hospitals, units</p> <p>Number of regional diagnostics centers, units</p> <p>Number of facilities equipped with diagnostic instruments providing secondary specialized medical care to the population, units</p> <p>Number of hub schools, units</p> <p>Number of art festivals and other events of regional importance, units</p> <p>Number of participants, athletes-winners and prize holders of international competitions, persons</p>

Operational objectives	Tasks	Main expected results	Main indicators
4. Building a safer society			
4.1. Implement the rule of law, increase opportunities to access justice and protection of human rights	<p>4.1.1 Facilitate the work of law enforcement and justice to support formation of a safe society by clarifying the rights and obligations of citizens.</p> <p>4.1.2 Support law enforcement and justice agencies to promptly respond to incidents of corruption, organized crime to ensure protection of human rights.</p> <p>4.1.3 Raise the level of preparedness of departments of regional and local authorities in terms of emergency response and develop their emergency response infrastructure.</p>	<p>Functioning of Integrated Analytical Service Center of the National Police in the Donetsk region.</p> <p>Functioning of the ProZorro electronic system.</p>	<p>Roadside lighting of the streets, roads and paved squares, lx.</p> <p>Number of installed video observation cameras, units</p>
4.2 Restore and strengthen the environment protection management system to prevent environmental risks and promote environmental recovery.	<p>4.2.1 Strengthen the capability to respond to emergency environmental situations and recover capability in terms of fighting the illegal use of natural resources and environmental crimes.</p> <p>4.2.2 Support educational and informational activities to raise awareness of population, inform about the environmental risks, ensure provision of explanatory work with management and administration of hazardous enterprises with involvement of RSA and the media.</p> <p>4.2.3 Provide respiratory protection for unemployed population living in the urban centers assigned to civil defense groups, in the possible chemical contamination area (in the ATO conditions) and in the forecasted area of chemical contamination (in peaceful conditions).</p> <p>4.2.4 Set existing civil protection structures ready to be used as designed.</p> <p>4.2.5 Eliminate environmental threats, including those resulting from the ATO.</p>	<p>Functioning of the e-government system.</p> <p>Implementation of environmental projects and activities in the area of chemical contamination.</p> <p>Functioning of "Security Centers" in the territory of united communities.</p> <p>Upgrading sewage treatment plants to improve the environmental situation.</p>	<p>Number of implemented environmental projects and activities in the area of chemical contamination, units</p> <p>Number of created security centers, units</p> <p>MPE (maximum permissible emissions), MPD (maximum permissible discharges), MPC (maximum permissible concentration).</p>
4.3 Strengthen regional and local media of various ownership types to ensure citizens' access to diverse and impartial sources of information	<p>4.3.1 Develop information and communication infrastructure.</p> <p>4.3.2 Promote competition and high professional standards in the media. Carry out measures to improve the reporting skills of the media.</p> <p>4.3.3 Ensure population awareness of the EU integration advantages.</p> <p>4.3.4 Implement analytical content.</p> <p>4.3.5 Conduct extensive PR campaigns for activities related to addressing important social issues.</p> <p>4.3.6 Create a positive reputation of actively patriotic citizen through cultural events aimed at patriotic education.</p> <p>4.3.7 Raise population awareness of handling explosive remnants.</p>	<p>Reducing the impact of environmental threats resulting from the ATO.</p> <p>Improving technical support of fire and rescue units.</p>	<p>Number of upgraded sewage treatment plants to improve the environmental situation, units</p> <p>Number of events to increase awareness of handling explosive remnants, units</p>
4.4. Create a modern system of emergency warning, monitoring, and response	<p>4.4.1 Ensure availability of regulatory amounts of material reserve at all levels (except the state level).</p> <p>4.4.2 Improve the emergency response system by depositing logistical means into the regional reserve to prevent and mitigate consequences of emergencies and ensure life support for the affected groups of population in accordance with the approved nomenclature.</p> <p>4.4.3 Promote provision of fire and emergency rescue units with all required machines and equipment, their timely upgrade, availability of the standard number of fire and rescue units in the residential centers of the region.</p> <p>4.4.4 Promote provision of modern equipment and special clothing for demining units and of advanced training for State emergency service engineers and the Armed Forces of Ukraine.</p>	<p>Reducing crime rate and number of criminal offenses.</p>	

6. Mechanism and stages of updating and implementation of the Strategy



The mechanism of updating and implementation of the Strategy includes five stages – A, B, C, D, E.

Stage A: is a theoretical/analytical phase, which involves theoretical and feasibility studies, analysis of regulatory support of the strategic regional development status and trends of socio-economic development of the region.

Stage B: is an analytical phase, which involves building of a SWOT-analysis matrix, identification of issues and comparative advantages of the region as the basis for transition to the next stage.

Stage C: is a phase to developing a strategic vision and development priorities, goals and tasks, which identify strategic objectives and their breakdown (identification of development objectives and tasks of the region). It is used to clarify the possible development scenarios and to estimate the projected performance of the region for the period until 2020 under the subject scenarios.

Stage D: is a phase to implement the strategy, to develop an action plan for implementing the Donetsk Region Development Strategy for the period until 2020 and to use other strategy implementation instruments.

The strategy implementation tools are the following: the regional development program (Table B, Appendix), projects to be financed by the State Regional Development Fund or through technical assistance, action plans that support implementation of the Donetsk Region Development Strategy until 2020.

Stage E: is a phase to monitor performance of the Strategy, which, according to the laws of Ukraine, is to be held annually and implies a review and evaluation of the Strategy implementation progress, determining efficiency of its implementation and adjusting the strategy, as required.

For participation of cities and districts of the Donetsk region in the project activities in 2015 see Fig. D and E in the Appendix

Main actors of the Strategy implementation

Actors	Participation in implementation	Participation in funding	Participation in monitoring and evaluation
<i>Regional, district administrations and local self-government</i>	As partners of implementing project ideas or beneficiaries of the results	Co-financing of implementing project ideas	Directly for project ideas with joint financing
<i>Ministries, state institutions</i>	As partners of implementing projects for relevant sectors	Co-financing project ideas in which ministries, state institutions are specifically interested	Directly for project ideas with joint financing
projects and <i>programs of technical assistance</i>	Provision of (international) technical assistance (if required)	Co-financing project ideas	Directly for project ideas with joint financing
<i>Private investors and companies</i>	Participants in the projects with a private component as beneficiaries or implementing partners of project ideas	Financial contributions to the project ideas with a private component	Directly for project ideas with joint financing
<i>Regional, district and local stakeholders</i>	As partners or beneficiaries of project ideas in which they are directly interested	Co-financing of implementing project ideas from which they directly benefit	Providing information for monitoring and follow-up
<i>Specialized NGO associations and institutions</i>	Managing projects in areas where they can show relevant knowledge / recommendations	Mainly due to fundraising activities	Preparation of reports and input resources for monitoring appropriate project ideas
<i>Universities, institutes, educational institutions</i>	Providing practical knowledge (know-how), technical assistance	Co-financing project ideas in which they are interested	Professional knowledge, data and statistical reports for monitoring in the appropriate areas
<i>Regional Development Agency</i>	«Launching projects » (developing project descriptions, issuing invitations to bid, lobbying, supervision)	A key actor in fundraising for the implementation of the Strategy	Monitoring implementation of project ideas

7. Monitoring and Strategy progress evaluation

The Strategy progress is determined by monitoring and evaluating the progress of individual action plans. Experience shows that in most cases the implementation of the Strategy may occur not only as planned in the (baseline) scenario.

1. Baseline implementation scenario of the strategic vision for the Donetsk region development is the development of the region which is controlled by the Government of Ukraine, in compliance with the socio-economic development trends.

2. Optimistic (traditional) implementation scenario of the strategic vision of the Donetsk region development is development subject to return of all territories of the Donetsk region under the control of the Government of Ukraine.

3. Pessimistic (realistic) implementation scenario of the strategic vision of the Donetsk region development is development under conditions of conflict aggravation, intensification of migration and further destruction of infrastructure..

The projected progress (optimistic and pessimistic scenarios) of the Donetsk Region Development Strategy for the period until 2020 was determined in accordance with the CMU Decree № 558 dated August 5, 2015 “On approval of the Forecasted economic and social development of Ukraine for 2016 and of the main macro indices of economic and social development of Ukraine for 2017-2019”. The projections of the baseline scenario were built based on the quan-

tification of macro indices of economic and social development of Ukraine and by averaging the changeable subject.

The regional development strategy and action plans implementation progress are monitored and evaluated according to the CMU Decree № 856 dated October 21, 2015, “On Approval of Procedure and Methods of monitoring and evaluation of the state regional policy implementation progress”. It includes annual reporting on action plan progress monitoring results for the subject period and the report on implementation progress of the regional development strategy and action plan for its implementation. The monitoring report envisages evaluation of meeting the objectives of regional development strategies by comparing actual performance indicators with the forecasted value for the period.

The unified system of indicators for the National Regional Development Strategy for the period until 2020, the regional development strategies and their implementation plans includes many indicators, but the main ones that were used for forecasting are as follows:

index of regional gross domestic product, consumer price index in an average year, producer price index of industrial products, average nominal monthly wage, adjusted for the consumer price index, unemployment rate for persons aged 15-70 under the methodology of the International Labour Organisation, productivity of labor, exports of goods and services and imports of goods and services etc..

Projected implementation indices of the Donetsk Region Development Strategy for the period until 2020

Indices as a percentage of previous year	2017			2020		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Gross domestic regional product	102.3	103.5	101.0	103.5	104.0	103.0
Average consumer price index for the year	116.3	115.4	117.2	106.3	105.5	107.0
PPI for industrial products	109.8	108.5	111.1	105.0	104.7	105.3
Average monthly nominal wages adjusted for CPI	102.2	103.7	100.7	105.1	106.5	103.2
Unemployment rate of the population aged 15-70 according to the methodology of ILO	12.0	11.3	12.7	8.4	7.7	9.0
Productivity of labor	101.0	101.8	100.1	102.8	103.4	102.0
Exports of goods and services	104.7	105.2	104.1	106.2	106.5	105.9
Imports of goods and services	104.2	104.5	103.9	105.0	105.1	104.8

8. Compliance of strategic/operational objectives of the Donetsk Region Development Strategy until 2020 with the strategic/operational objectives of the State Regional Development Strategy until 2020

Consistency of strategic objectives of the Donetsk Region Development Strategy until 2020 with the strategic objectives of the State Regional Development Strategy until 2020

Strategic goals of State Regional Development Strategy 2020	Strategic development objectives of Donetsk region until 2020			
	Economic development and boosting employment	Building the capability of local municipality	Human development, provision of quality social services and addressing IDP issues	Building a safer society
1. Improving the competitiveness of the regions	++	++	+	++
2. The territorial socio-economic integration and spatial development	+	+	++	++
3. Effective Public Management regional development	++	++	+	+

“++” marks the full harmonization of strategic/operational objectives of the State Regional Development Strategy for the period until 2020 with strategic/operational objectives of the Donetsk region until 2020

Compliance of operational objectives in the Donetsk Region Development Strategy for the period until 2020 with operational objectives of National Regional Development Strategy for the period until 2020

Operational objectives of National Regional Development Strategy	Operational objectives of Donetsk Region Development Strategy													
	Improving efficiency of critical infrastructure in the region	Creating a favorable business environment	Promotion of structural changes in the economy	Development of educational and cultural environment, ensuring patriotic education of population	Creating a transparent management system	Promoting decentralization process	Increasing capacity through provision of quality public services	Decentralization	De-institutionalization	Diversification	Development and implementation of measures of social support for IDPs and the conflict affected population	Implement the rule of law, increase access to justice and strengthen the system of environmental risks and achieve restoration of environment	Strengthen regional and local media of different ownership to ensure citizens' access to diverse and impartial sources of information	Development of modern warning, monitoring and emergency response system.
	1.1. Enhance the role and functionality of cities in future regional development	++	++	++	++	++	++	++	++	+	+	++	++	+
	1.2. Create conditions for promoting positive urban development processes in other areas, and for rural development	+	++	++	++	++	++	++	++	+	+	++	+	++
	1.3. More efficient use of internal factors of regional development	++	++	++	++	++	++	++	++	++	+	++	+	++
	2.1. Meet objectives and implement measures to address the pressing issues of Donetsk and Lugansk regions, the Autonomous Republic of Crimea and Sevastopol	++	++	++	++	++	++	++	++	++	++	++	++	++
	2.2. Prevent growth of disparities that hamper the regional development	++	++	++	++	++	+	++	++	++	+	++	++	+
	2.3. Provide comfortable and safe living environment for people, regardless of place of residence	++	++	+	+	+	++	+	++	++	++	+	+	++
	2.4. Develop interregional cooperation	++	++	++	++	+	+	++	++	+	+	++	+	+
	3.1. Decentralize power, reform local governance and administrative-territorial structure	+	+	+	++	++	+	++	+	+	+	++	++	+
	3.2. Improve strategic planning of regional development at national and regional levels	+	+	++	++	++	+	+	+	+	+	+	+	+
	3.3. Improve quality of regional development governance	+	++	++	++	++	+	++	+	++	+	+	++	+
	3.4. Strengthen inter-sectoral coordination in the planning and implementation of state regional policy	+	++	++	++	++	+	+	+	++	++	+	+	+
	3.5. Institutional support for regional development	+	+	++	++	++	++	+	++	+	+	++	++	++

Appendices

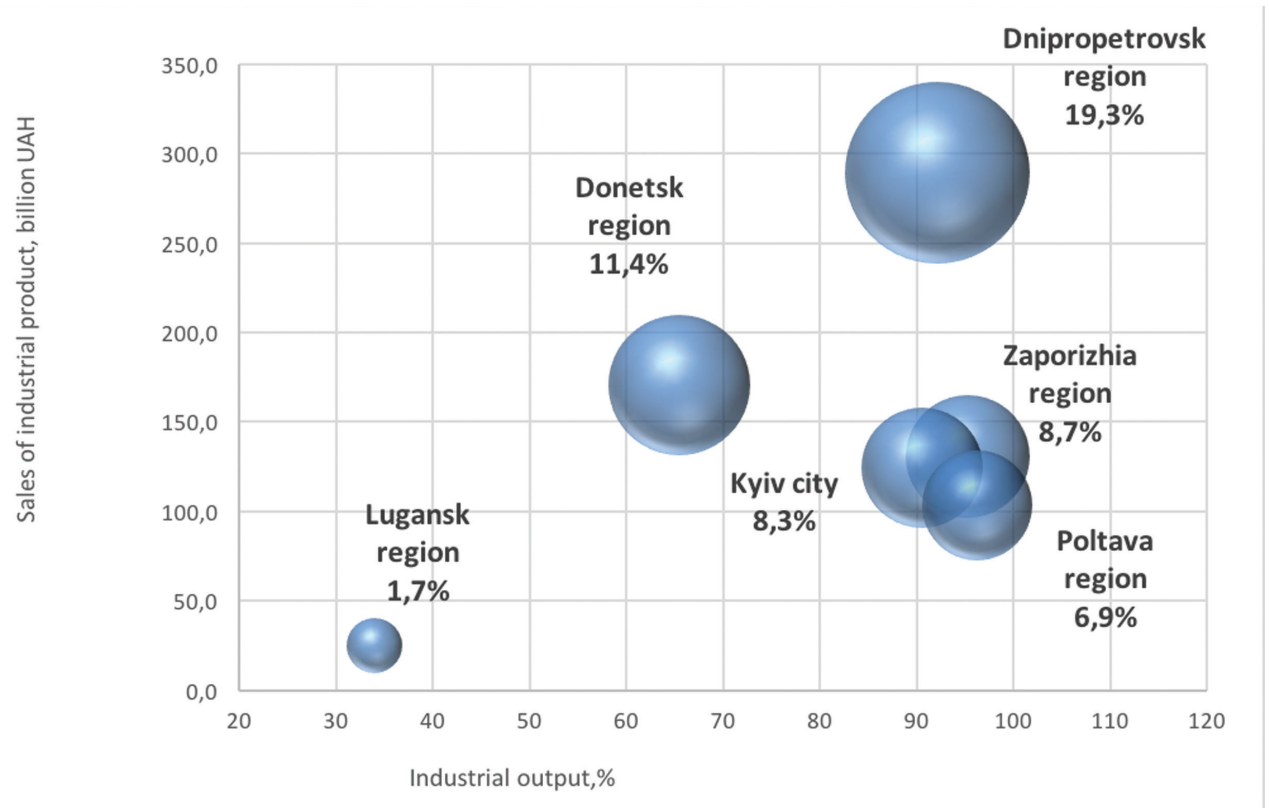


Fig. A. Shares of individual regions of Ukraine in the total industrial output in 2015

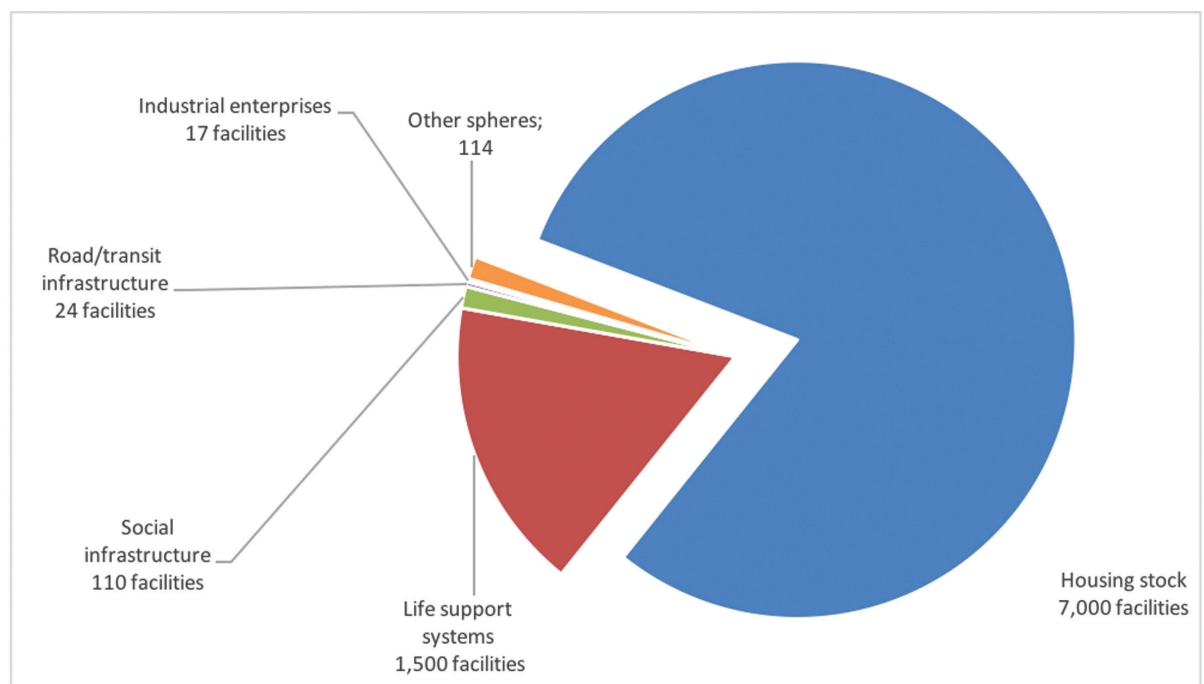


Fig. B. Types of infrastructure in the Donetsk region destroyed as a result of carrying out ATO (as of May 16, 2016)

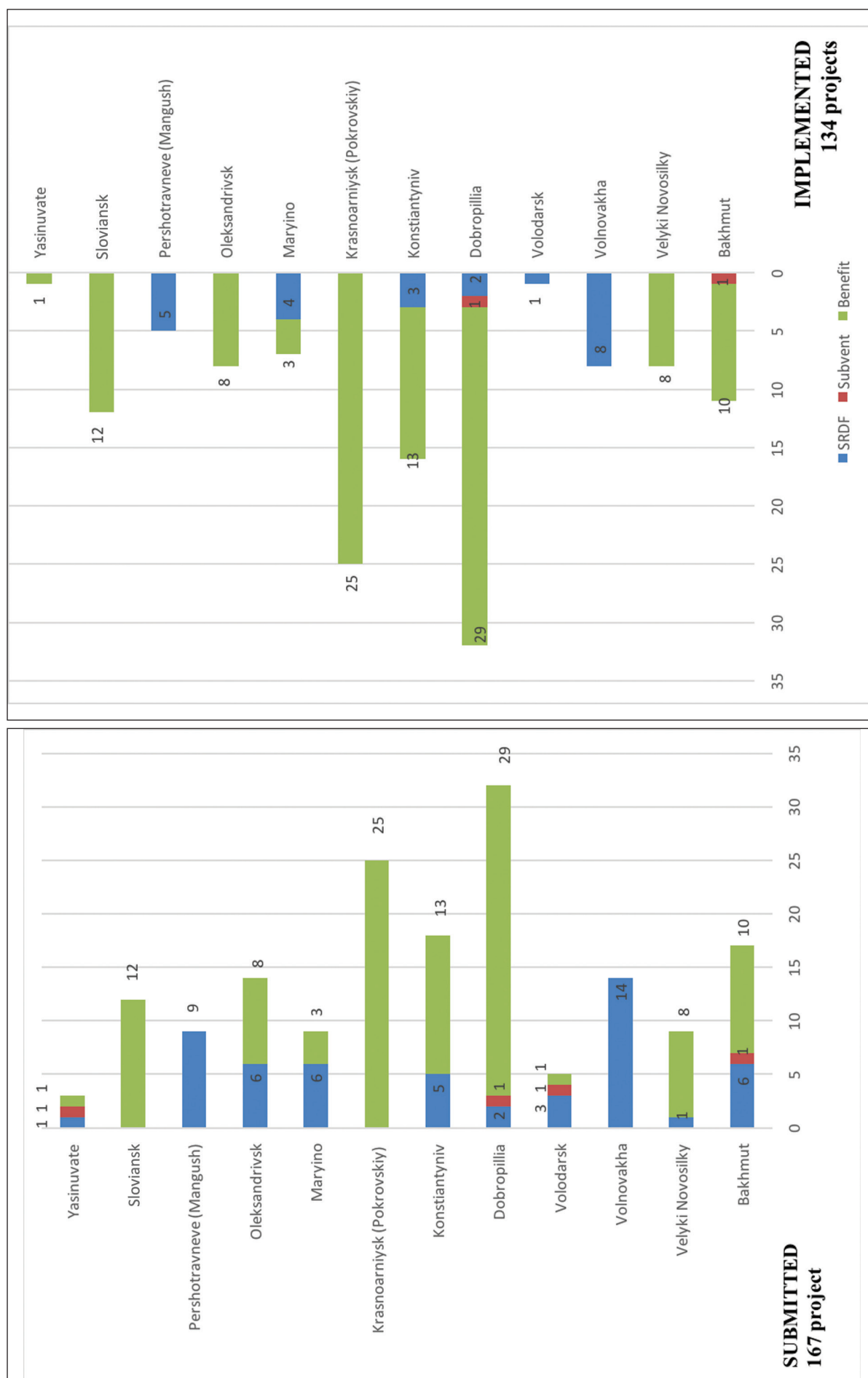


Fig. C. Participation of Donetsk region cities in the project activities in 2015

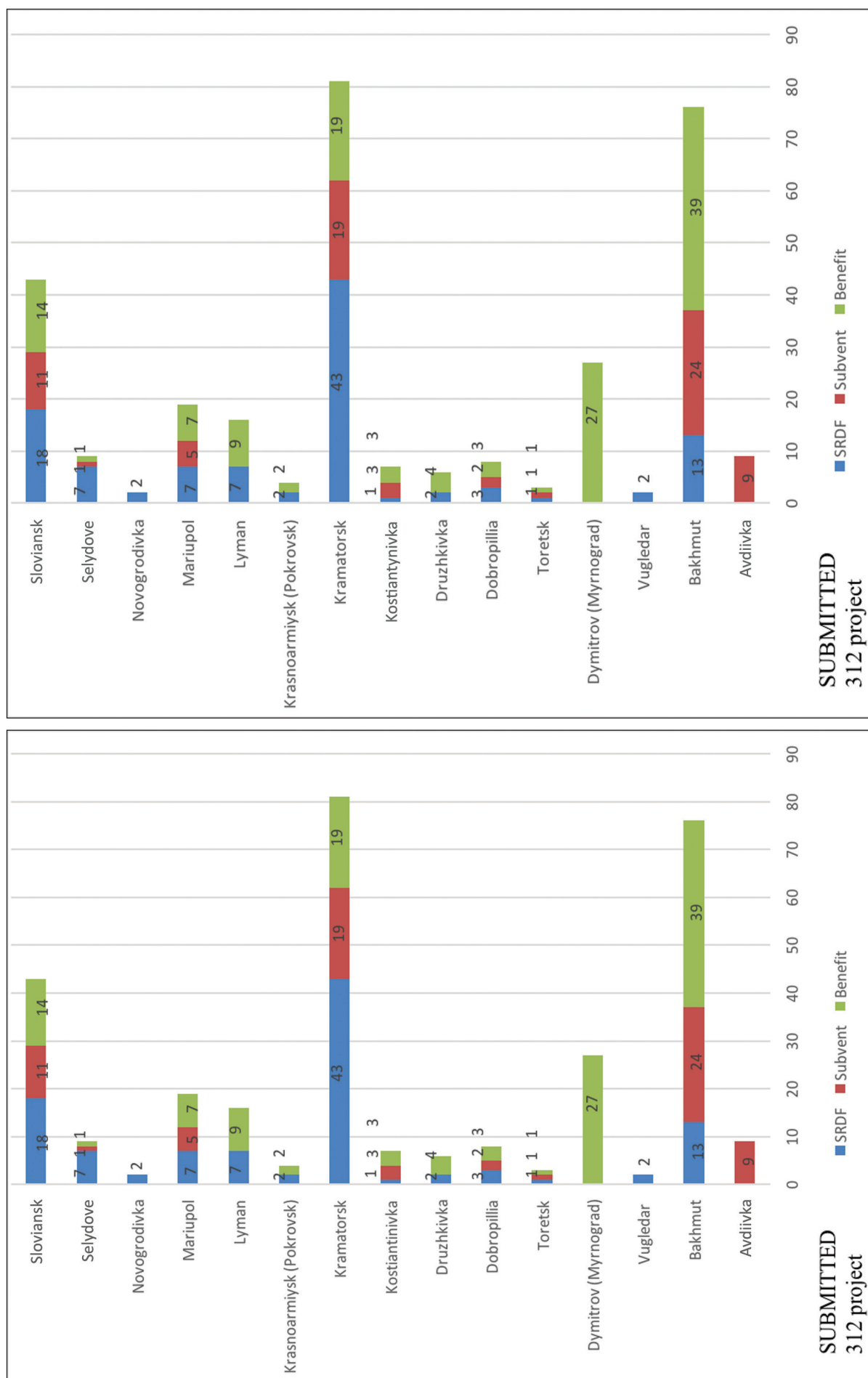


Fig. D. Participation of Donetsk region districts in the project activities in 2015

**Table A. Destroyed and damaged infrastructure facilities
in the Donetsk region as of May 1, 2016**

Facility	Total number of destroyed and damaged facilities	** Restored facilities		*Remain destroyed and damaged	
		Number	Amount (million UAH)	Number	Amount (million UAH)
Residential buildings	8792	1452	35.1	7340	1890.2
Power supply facilities	213	213	256.5	-	-
Heat supply facilities	23	23	2.8	-	-
Water supply facilities	21	20	120.5	1	0.98
Gas supply facilities	100	54	10.4	46	20.3
Drainage facilities	14	14	36.7	-	-
Healthcare facilities	48	23	15.2	25	26.6
Secondary schools	108	69	27.8	39	57.7
Pre-school education facilities	74	51	14.0	23	17.7
Vocational schools	20	10	3.0	10	20.0
Universities	11	9	0.5	2	1.2
Physical education and sport facilities	8	5	0.1	3	13.5
Cultural facilities	42	22	1.7	20	21.2
Objects of road transport infrastructure	48	32	44.6	16	1257.0
Industrial facilities	51	19	48.2	32	82.0
Shopping facilities	64	23	0.4	41	2.3
Other facilities	100	24	6.8	76	56.02
TOTAL	9737	2063	624.3	7674	3466.7

* Territory controlled by Ukrainian authorities

** Construction to recover most of facilities was carried out in 2015

Table B. List of existing regional programs in the Donetsk region

№	Regional program title (№ and date of the document which approved the program)	Deadline	Structures in charge of progress control
1	The program of economic and social development of the Donetsk region in 2016 <i>Decree of the Head of State Administration, Leader of the Regional State Administration dated 01.04.2016 № 249</i>	2016	Department of Economics RSA
2	The program of scientific and technological development of the Donetsk region through 2020 <i>The decision of the Regional Council dated 22.03.2002 № 3/25-656</i>	2002-2020	Department of investment and innovation development and external relations RSA
3	Program for construction (purchase) of affordable housing in Donetsk Region in 2011-2017 <i>The decision of the Regional Council dated 29.03.2011 № 6/3-50</i>	2011-2017	Department of Economics RSA
4	Program «Education in the Donetsk region” for 2012-2016» <i>The decision of the Regional Council dated 29.03.2012 № 6/10-253</i>	2012-2016	Department of Education RSA
5	The regional target program of development of physical culture and sports in the Donetsk region for 2012-2016 <i>The decision of the Regional Council dated 26.09.2012 № 6/15-348</i>	2012-2016	Office of Physical Culture and Sports State Administration
6	The regional program of fighting against TB in Donetsk oblast for 2012-2016 <i>The decision of the Regional Council dated 07.11.2012 № 6/16-394</i>	2012-2016	Department of Health RSA
7	The development program for regional landscape parks in the Donetsk region until 2015 and the forecast till 2020 <i>The decision of the Regional Council dated 24.12.2012 № 6/17-425</i>	2013-2020	Department of Environment and Natural Resources RSA
8	Donetsk region Employment Program until 2017 <i>The decision of the Regional Council dated 04.04.2013 № 6 / 20-490</i>	2013-2017	Donetsk Regional Employment Center
9	Regional comprehensive program «Youth and Family of the Donetsk region” for 2013-2017» <i>The decision of the Regional Council dated 30.05.2013 № 6/21-510</i>	2013-2017	Department of Family and Youth RSA
10	Regional program «Providing housing for orphans and children deprived of parental care for 2013-2017» <i>The decision of the Regional Council dated 04.07.2013 № 6/22-537</i>	2013-2017	Service for Children RSA
11	A comprehensive program «Rehabilitation and rest for children in the Donetsk region in 2013-2017» <i>The decision of the Regional Council of 29.08.2013 № 6/23-562</i>	2013-2017	Department of Family and Youth RSA
12	Search and organizing burials of victims of war and political repressions in the Donetsk region in 2013-2017 <i>The decision of the Regional Council dated 29.08.2013 № 6/23-563</i>	2013-2017	Department of Housing State Administration, Regional Commission for perpetuating the memory of victims of war and political repression
13	Program for ensuring minimum security for population and region areas against technogenic and natural emergencies for 2014-2017 <i>The decision of the Regional Council dated 14.11.2013 № 6 /25-620</i>	2014-2017	Office of Civil Protection and Defense Mobilization of RSA

№	Regional program title (№ and date of the document which approved the program)	Deadline	Structures in charge of progress control
14	Regional program of development of small and medium enterprises in the Donetsk region in 2015-2016 <i>Order of the Head of the Regional State Administration, Head of Civil - Military Administration 11.06.2015 № 270</i>	2015-2016	Department of Economics RSA
15	Regional program of integration, social adaptation and protection of internally displaced persons in 2015-2016 <i>Order of the Head of the Regional State Administration, Head of Civil - Military Administration 24.09.2015 № 498</i>	2015-2016	The Department of Social Welfare RSA
16	Regional program to prevent and combat corruption in 2016-2017 <i>Order of the Head of the Regional State Administration, Head of Civil - Military Administration 19.02.2016 № 112</i>	2016-2017	Management of interaction with law enforcement, prevention and detection of corruption RSA
17	Regional program for health, social security, adaptation, psychological rehabilitation, vocational training (retraining) for ATO participants in 2016-2017 <i>Order of the Head of the Regional State Administration, Head of the Civil – Military Administration dated 07.04.2016 № 266</i>	2016-2017	The Department of Social Welfare RSA

