



The Luhansk Region Development Strategy for the Period until 2020

Severodonetsk 2016

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Table of contents:

1. INTRODUCTION	7
2. CONTEXT	9
2.1. Geographical location	10
2.2. Landscape, soil and hydrology	12
2.3. Natural resources and climate	14
2.4. Territorial divisions	17
2.5. Demographics and labor market	20
2.6. Infrastructure	22
2.7. The business environment	26
2.8. Development of cities and rural areas	27
2.9. Environmental situation	28
2.10. Financial and budget situation	31
3. SWOT ANALYSIS, COMPARATIVE ADVANTAGES, CHALLENGES AND RISKS TO THE REGION'S LONG-TERM DEVELOPMENT	32
3.1. Comparative advantages of and obstacles to Luhansk regional development	34
3.2. Comparative advantages, challenges and risks	40
4. DEVELOPMENT SCENARIOS, STRATEGIC VISION	43
5. STRATEGIC GOALS FOR LUHANSK REGION'S DEVELOPMENT FOR THE PERIOD UNTIL 2020. OPERATIONAL GOALS AND OBJECTIVES	46
STRATEGIC GOAL 1. REHABILITATION OF CRITICAL INFRASTRUCTURE AND RESTORATION OF SERVICES PROVISION	47
Operational goal 1.1. Rehabilitation and development of critical infrastructure and ensuring its stable functioning	48
Objective 1.1.1. To ensure sustainable energy supply and improve energy security	48
Objective 1.1.2. To ensure sustainable, quality and efficient water supply and sewage	49
Objective 1.1.3. To rehabilitate the transport and logistics infrastructure and improve transportation	51
Operational goal 1.2. Resumption and development of a system of quality and accessible state and municipal services	52
Objective 1.2.1. To rehabilitate and develop the regional healthcare infrastructure	52
Objective 1.2.2. To rehabilitate and develop the regional social services infrastructure	53
Objective 1.2.3. To restore the regional archival fund and archival system	54

Objective 1.2.4. To improve access to quality healthcare, education and social services	56
Objective 1.2.5. To improve access to sports infrastructure and promote sports development	57
STRATEGIC GOAL 2. STRENGTHENING THE CAPACITY OF LOCAL AUTHORITIES IN THE CONTEXT OF DECENTRALIZATION AND INFORMATIZATION	58
Operational goal 2.1. Establishment and strengthening of amalgamated communities	58
Objective 2.1.1. To support the establishment of amalgamated communities and promote their further development	58
Operational goal 2.2. Strengthening the local communities' capacity to manage municipal property	60
Objective 2.2.1. To strengthen the local communities' capacity to manage the water supply and sewage systems	60
Objective 2.2.2. To strengthen communities' capacity for heating supply systems management	62
Objective 2.2.3. To strengthen communities' capacity for energy conservation and energy efficiency	64
OPERATIONAL GOAL 2.3. STRENGTHENING THE CAPACITY OF COMMUNITIES FOR PROVISION OF QUALITY SERVICES TO THE POPULATION	66
Objective 2.3.1. To strengthen the capacity of communities for provision of quality services to the population	66
Objective 2.3.2. To strengthen the capacity of communities for provision of quality education services	68
Objective 2.3.3. To strengthen the capacity of communities to provide legal aid and ensure public safety	70
STRATEGIC GOAL 3. ECONOMIC RECOVERY AND TRANSITION TO SUSTAINABLE DEVELOPMENT	72
Operational goal 3.1. To increase the stability of the regional economy and ensure transition to sustainable growth	72
Objective 3.1.1. To facilitate improvement of the competitiveness of regional enterprises	74
Objective 3.1.2. To create the necessary prerequisites for innovative development of the region, including the preservation, utilization and development of scientific potential	76
Objective 3.1.3. To increase the productivity and efficiency of agriculture	77
Objective 3.1.4. To facilitate the development of agricultural produce processing and expand its sales markets	79
Objective 3.1.5. To support the development of small business and promote self-employment, particularly for vulnerable groups including women and youth	81
Operational goal 3.2. Improve the state of the environment	82
Objective 3.2.1. To develop and implement an effective system of household and industrial waste management	83
Objective 3.2.2. To ensure the protection of rivers and reduce pollution of surface water sources	86
Objective 3.2.3. To ensure anti-erosion soil protection and facilitate the restoration of degraded lands	88
Objective 3.2.4. To ensure protection of nature reserve land and forests	89
Objective 3.2.5. To restore the environmental monitoring system	91
STRATEGIC GOAL 4. CREATION OF FAVOURABLE CONDITIONS FOR LIVING AND PEACEBUILDING	92

Operational goal 4.1. Improve personal and public safety	92
Objective 4.1.1. To create conditions for safe living and movement within the area	92
Objective 4.1.2. To improve the social cohesion of the population and ensure open social dialogue at regional and local levels	95
Objective 4.1.3. To support the development of the regional media and implement measures to ensure information security	96
Operational goal 4.2. Creation of conditions to implement the rule of law, gender equality and protection of human rights	97
Objective 4.2.1. To promote the development of civil society and the implementation of mechanisms for public oversight over observance of the rule of law	97
Objective 4.2.2. To implement effective mechanisms to protection of human rights, taking into account the consequences of the armed conflict and its impact on the region's population	99
Objective 4.2.3. To strengthen the capacity of communities for integration and to ensure equal opportunities for IDPs and other vulnerable groups, including women and youth	100
Operational goal 4.3. Preservation and dissemination of the historical and cultural heritage of Luhansk region	101
Objective 4.3.1. To support cultural institutions and arts development	101
Objective 4.3.2. To promote the historical and cultural heritage of Luhansk region	102
6. STAGES, MECHANISMS, INSTITUTIONAL, ORGANIZATIONAL AND FINANCIAL SUPPORT OF STRATEGY IMPLEMENTATION	103
7. MONITORING AND EVALUATION OF IMPLEMENTATION OF THE REGIONAL STRATEGY	108
Annex 1 to the Strategy: Goals and objectives of the updated Luhansk region Development Strategy for the Period until 2020	112
Annex 2 to the Strategy: Consistency of the strategic and operational goals of the updated Luhansk region Development Strategy for the Period until 2020 (revised version of 2016) with the strategic/ operational goals of the National Strategy of Regional Development for the Period until 2020	114
Annex 3 to the Strategy: Estimated indicators of implementation of the Luhansk region Development Strategy for the Period until 2020 (revised version of 2016)	115
Annex 4 to the Strategy: The Strategic Planning Process	116
1. Organizational stage	118
2. Socio-economic analysis of the region's development	118
3. Updating the region's development goals	118
4. Public discussion and approval	118
Annex 5 to the Strategy: List of public and civic institutions and international organizations, which participated in updating the Strategy	119

List of abbreviations

AIDS	Acquired Immune Deficiency Syndrome
ATO	Anti-Terrorist Operation
CSO	Civil Society Organization
EBRD	European Bank for Reconstruction and Development
EU	European Union
Gcal/h	Gigacalories Per Hour
GIS	Geographic Information System
GRP	Gross Regional Product
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDP	Internally Displaced Person
ISO	International Organization for Standardization
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour
MSW	Municipal Solid Waste
MW	Megawatt
NEURC	National Energy and Utilities Regulatory Commission
SWOT	Strengths, Weaknesses, Opportunities and Threats
UAH	Ukrainian Hryvnia
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNMAS	United Nations Mine Action Service

INTRODUCTION

The past two years have seen a dramatic worsening in the socio-economic situation in the Luhansk region, affecting all spheres of public life. The armed conflict has affected all the residents of the region.

Living standards have sharply declined. The region has seen economic decline and rising unemployment due to the closure of enterprises; breaking of economic ties; destruction of production facilities, housing, social infrastructure and life support systems; and collapse of the financial and banking sectors transport infrastructure and communications. The conflict has disrupted the region's governance, and forced public authorities, health, education and social institutions to be evacuated and operate in alternative locations. Central government and the international community have provided substantial assistance to the region to address the crisis. The governance system has been restored, opening up new opportunities to meet strategic development objectives - restoration of Luhansk region, rehabilitation of its industrial and

Central government and the international community have provided substantial assistance to the region to address the crisis.

social infrastructure, and integration of the region into a single nationwide economic, informational, political and cultural space.

The changes in the region and public demand for a new vision for regional development necessitated a renewed Strategy. There is an urgent need for an integrated and consistent approach to implementation of strategic objectives aimed at restoring social and economic infrastructure and further sustainable development in the region. The Strategy's purpose is to improve the quality of life in the region by restoring quality infrastructure and ensuring stable and dynamic economic growth.

The updated Luhansk region Development Strategy until 2020 (hereinafter – the Strategy) was developed under the Law of Ukraine 2850-IV On Stimulation of Regional Development of 8 September 2005, in accordance with the State Strategy for Regional Development of Ukraine for the period until 2020 approved by Cabinet of Ministers Resolution 385 of 6 August 2014 and the experience of implementing the basic Economic and Social Development Strategy of Luhansk Region for the period until 2020.

The Strategy defines the relationship between different levels of government and is intended to coordinate the efforts of all stakeholders to manage changes in all spheres of public life. The Government's new decentralization policy creates new opportunities for local communities to attract additional funding and implement regional development projects, which should become 'a start point for further growth'.

The Strategy is intended to facilitate fulfilment of the region's economic potential, improve the productivity of the region's economy, and increase the profitability of local businesses and income levels. It is based on the principles of sustainable development, taking into account the interests of the population, business and authorities (regional and local). Implementation of the Strategy will ensure social and economic stability in the region.

The main drafter of the Strategy is the Luhansk Regional Military and Civil Administration. UNDP and other international organizations, leading research institutions and civil society organizations (the list is presented in Annex 5) participated in the development of the Strategy.

CONTEXT

2.1

Geographical location

Luhansk region is located in eastern Ukraine in the middle reaches of the Siversky Donets River basin. The maximum distance from north to south is 275 km, and from west to east 170 km. Its area is 26,700 km² (4.4% of the territory of Ukraine). To the south it borders Belgorod and Voronezh regions of the Russian Federation, to the east and south Russia's Rostov region, to the south-west Donetsk region, and to the north-west Kharkiv region. The territory of the Luhansk region represents steppes with average elevation of 150-200 metres. The lowlands are primarily in the valley of the Siversky Donets River.

The territory of the Luhansk region represents steppes with average elevation of 150-200 metres. The lowlands are primarily in the valley of the Siversky Donets River.



Emblem of the
Luhansk region



Flag of the
Luhansk region

275 km

the maximum distance
from North to South

170 km

the maximum distance
from West to East

Figure 1.
Location, flag and emblem
of the Luhansk region



The area is:

26.7 thous. sq. km.

4,4 %

of the territory
of Ukraine

2.2

Landscape, soil and hydrology

Luhansk region's landscape is characterized by black soil, formed as a result of the turf process of soil formation under meadow-steppe vegetation. Annual formation of overground and underground plant mass and its decomposition given insufficient moisture lead to a significant amount of humus, the depth of which varies between 50 and 130 cm.

Luhansk region has two primary types of landscape - steppe and wooded. Forests occupy 8.6% of the region's territory and are distributed very unevenly. The main woodlands are located in the basins of the Siversky Donets and Aydar Rivers (Kreminsky and Stanychno-Luhansk districts). More than 250,000 hectares are covered by homogeneous forests in the form of forest shelter belts, protected forests and green belts around major cities. Most of the territory is occupied by steppes, which cover over 87% of the region's territory.

50-130 cm
depth of humus

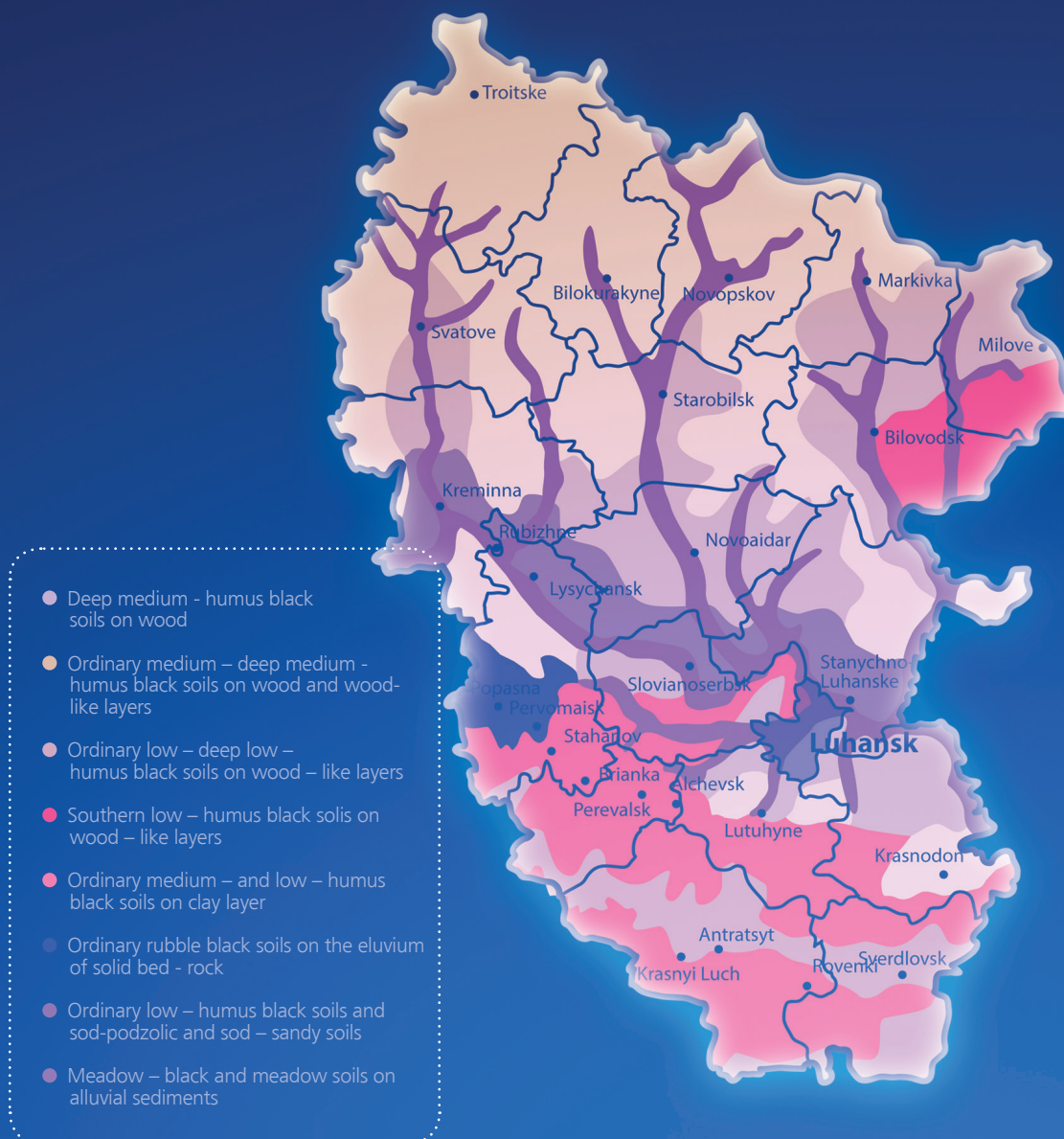
8.6 %
of the territory occupied
by woods

250 thous. ha
occupied by homogeneous
forests

87%
of the territory occupied
by steppes



Figure 2.
Soils of the Luhansk region



2.3

Natural resources and climate

Luhansk region's area is 2,668,300 hectares, of which 1,908,700 hectares is agricultural land. Thirty-seven per cent of Luhansk region's arable land is highly fertile, 47% is of average fertility, 13% poor fertility, and 3% low fertility or infertile. In recent years, because of indiscriminate land use and a lack of effective measures for land restoration, the land yield has been reduced with low-quality plants (both food and forage plants). The total area of forested land is 339,600 hectares.

Luhansk region has many mineral resources.

Natural gas

The region also has 10 natural gas fields developed and in operation; gas reserves amount to 9,076 million m³ and condensate reserves to 151 million m³.

Gas reserves amount to
9,076 mln m³
Condensate reserves amount to
151 mln m³

2668.3
thous. ha

the land resources of the
Luhansk region

1908.7
thous. ha

agricultural land

In the Government-controlled area there are 78 explored deposits with reserves:

- stone for construction
9,061,200 m³;
- brick and tile raw materials
27,004,200 m³;
- sand for construction
107,133,500 m³;
- expanded clay raw materials
16,829,900 m³;
- chalk
15,005,000 tons;
- clay
9,706,400 tons;
- ochre
261,700 tons.

The biological and natural resources

Biological and natural resources are concentrated in the steppe, meadow and wooded biocenoses, and aquatic ecosystems. In the region there about 42,000 hectares of coniferous forests, 49,000 hectares of hardwood forests and 9,000 hectares of softwood forests. They are primarily distributed around river valleys and gullies. In addition, woodland belts have been created in the region.

The partly preserved biocenoses are rich in medicinal plants. Artificial biocenoses in landlocked bodies of water used for fish reproduction are quite promising. The region's natural resources are very diverse. Therefore, top surface and underground hollow grounds formed during mining of mineral resources may be used for storage and disposal of various materials.

42 thous.ha
coniferous forests

49 thous.ha
hardwood forests

9 thous.ha
softwood forests

The total area of the region covered with woodland is 339.6 thous. ha.

Water resources

The water resources of the region include rivers, lakes, ponds and reservoirs. The main waterway is the Siversky Donets River, which traverses the region from northwest to southeast. The total length of the river is 1,053 km; of this, 265 km in

the middle flows through Luhansk region. The drainage basin is 24,640 km². Overall, in Luhansk region there are about 122 rivers with a total length of 4,556 km, including six rivers that are more than 100 km long. The average drainage network density

is 0.22 km/km², but it is uneven: the average density of the left bank tributaries is 0.9-0.19 km/km² (Krasna River, Zherebets River, Aydar River, Yevsuh River, Derkul River, Borova River), while on the right bank it is 0.18-0.36 km/km² (Luhan River, Luhanchyk River, Olkhovka River, Bila River, Velyka Kamyanka River etc.). There are a few lakes in the region and they mainly originate from the remains of previous river courses. Artificial ponds and reservoirs have been

created in the region with a total volume of 278 million m³ and a total water table area of 8,234 hectares. Groundwater is of great importance: it is a source for many rivers and lakes and is used in economic activity and to meet the needs of the population.

122

rivers, including

6

rivers with a length of more than 100 km

0.22 km/km²

the average drainage network density

The region's reserves of table and balneological mineral waters are one of its main natural resources.

The climate

The climate of Luhansk region is influenced by relatively high levels of solar radiation, the dominance of continental air of temperate latitudes and distance from oceans and seas. The climate is characterized by

relatively hot summers with drought and moderately cold winters with irregular snow cover. The average temperature in July is +21°C, and in January -7°C. Annual precipitation is 400-500 mm.

+21 °C

The average temperature in July

-7 °C

The average temperature in January

2.4

Territorial divisions

Luhansk region is made up of 18 administrative districts, 37 cities (including 14 cities of regional subordination), 315 settlements (including urban settlements) and 782 villages.

The region covers 4.4% of Ukraine's territory, and is the equal 10th largest region by area, with Vinnytsa and Donetsk regions. Its population is 7th largest, at 5% of the national total.

Since 2014 a significant number of the region's settlements have not been under Government control. They are defined by the Law of Ukraine On the Special Procedure for Local Government in Certain Areas of Donetsk and Luhansk Regions, 252-VIII On Determination of Certain Districts, Cities, Settlements and Villages of the Donetsk and Luhansk Regions with a Special Procedure for Local Government of 17

18

administrative districts

37

cities, including

14

cities of regional
subordination

315

settlements

782

villages

March 2015 and Verkhovna Rada Resolution 254-VIII On Recognition of Certain Districts, Cities, Settlements and Villages of Donetsk and Luhansk Regions as Temporarily Occupied Territories of 17 March 2015.

In accordance with the Prospective Plan for Formation of Community Territories in Luhansk region approved by Cabinet of Ministers Decree 833-r of 05 August 2015 as amended by Cabinet of Ministers Decree 8-r of 13 January 2016 in Luhansk region, 24 amalgamated territorial communities should be established (in the Government-controlled area).

However, as of November 2016, in Luhansk region, only two amalgamated communities were established:

1. Bilokurakyne (Bilokurakyne settlement, Nescheretivka, Bunchukivka, Oleksandropillya, Lyzyne, Oleksiivka, Kuryachivka, Demyanivka village councils) and
2. Novopskov (Novopskov settlement, Osynivka village council).

24

amalgamated territorial communities
should be established

(in the Government-controlled area)

Luhansk region



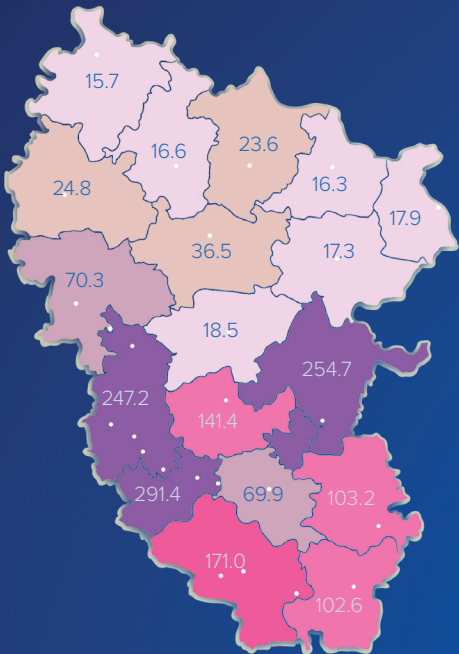
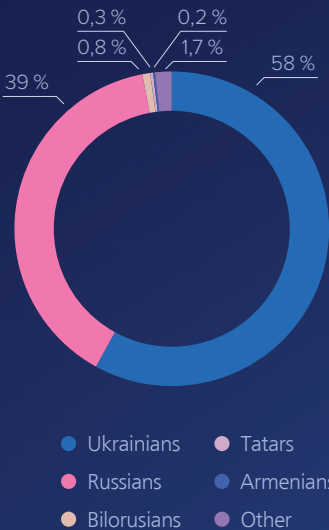
2.5

Demographics
and labor market

As of 1 January 2016, the population was 2,200,800 (5.2% of Ukraine’s population), including 1,910,300 people in urban areas (86.8%) and 290,500 in rural areas (13.2%). Of these, 1,007,000 are men (45.8%), and 1,193,800 women (54.2%). Population density is 82.6 people per square kilometre.

In 2015, the population of the region fell by 14,600 (from 2,220,000 in 2014). Compared to 2014, the birth rate fell by 46.7% and the mortality rate by 63.6%. Natural depopulation amounted to 9,100 people, 19.5% less than in 2014. In connection with the anti-terrorist operation there is a continuing migratory outflow of the working population to other regions of Ukraine and forced relocation of the population to Government-controlled areas. Compared to 2014, migration fell by 30.9% and amounted to 5,600 people.

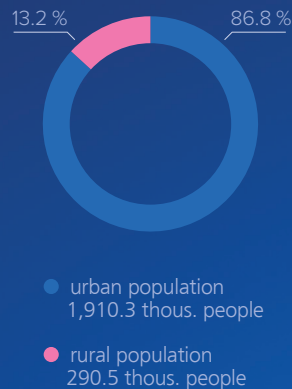
Luhansk region is one of the most multi-ethnic regions of Ukraine, with more than 100 ethnic groups, including Ukrainians (58%) and Russians (39%).



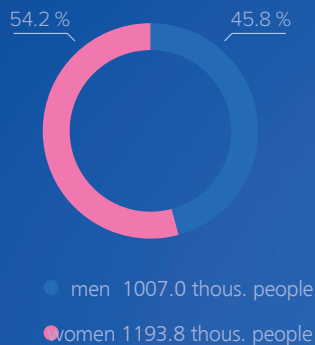
2,200.8
thous. people
population
of the Luhansk region

5.2 %
of Ukraine's population

Luhansk region's labour market is influenced by the socio-economic situation in the country.



The military operations and the financial crisis have led to a reduction in employment and rising unemployment in Ukraine (defined according to the ILO methodology). Thus, the average employment rate in Luhansk region in 2015 was 54.6% (the number of persons employed in Luhansk region in January-December 2015 was 306,300), and the unemployment rate is 15.6%.



Luhansk region's labor market is characterized by constant demand for workers to service, operate and oversee processing equipment, assembly of equipment and machinery (27.9%), skilled tool operators (13.6%), trade and services personnel (9.8%) and field experts (10.2%).

The average monthly wage of full-time employees, excluding those in the anti-terrorist operation area, in January-December 2015 was UAH 3,427, which is 2.5 times higher than the minimum wage (UAH 1,378 as of 1 January 2015). Wages increased by 1.5% year-on-year from 2014. However, the real wage index (adjusted for inflation) in 2015 was 71.7% of the 2014 figure.

2.6

Infrastructure

Prior to conflict eruption, Luhansk region had significant economic potential and was among the five most powerful industrial and economic regions of Ukraine. As a result of the armed conflict in the region, infrastructure (transport, energy, industrial, communication and social) has been damaged.

As of 1 January 2016, in the Government-controlled area there were 489 operational industrial enterprises (48% of the total number of industrial enterprises prior to the anti-terrorist operation), including 9 large, 99 medium and 381 small enterprises.

The volume of industrial production in 2014 was 58% of the figure for 2013. In 2015, it was 34% of the 2014 figure.

The sold industrial production value in 2014 was UAH 45.4 billion, which was UAH 22.3 billion less than 2013 (UAH 67.7 billion). This was 3.8% of national sold industrial value production and makes Luhansk the eighth largest region for this indicator in Ukraine (in 2013 it was fifth). The sold industry production value in 2015, was UAH 24.8 billion, 1.7% of the national figure.

489

operational industrial enterprises

9	99	381
large	medium	small

UAH 24.8 bn

The sold industry production
value in 2015

1,7 %
of the national figure

Processing industry

The main enterprises submitting statistical reporting on the production of coke and refined petroleum products include LYNIK and AMK joint stock companies. In 2015 and 2016, LYNIK did not produce any industrial products: it is currently taking measures to return to producing polypropylene (for the repair of technical equipment, machinery, pipelines and so on). In 2015, AMK (which is the key enterprise in the sector) produced only 623,500 tons of rolled products (26.9% in 2014). The volume of coke amounted to 1,058,500 tons (55.1% compared to year 2014). Commodities were produced for a total value of UAH 3,384.5 million.

The sales of goods in 2015 totaled to 4,798.4 million of hryvnas. Out of that, the share of the sales of goods in the Oblast was 19.3%. All steel production plants are currently located in non-government controlled area; the sector is represented by a small number of metal processing enterprises which are only 0.8% of the total.

Almost all enterprises producing chemical substances and chemical products are located in the government-controlled area. The main enterprises of the sector are PJSC Severodonetsk Association Azot private joint stock

company, Ukrzovnishtreydinvest joint venture, Rubizhne Pipe Plant LLC, Chemical Factory South, Rubizhne State Enterprise, Chemical Plant Zorya State Enterprise, and Scientific Industrial Enterprise Zorya LLC.

In reference to above, the sales of the products in 2015 amounted to UAH 2.0 billion. The amount of sales of the regional production of industry is 8.2%.

The leading machinery-producing enterprises – the Stakhanov Railcar Plant private joint stock company, the Luhanskteplovoy private joint stock company, the RPC Transmash private joint stock company, and other enterprises are currently in the non-government controlled area, making it impossible to obtain timely reporting.

In reference to above, the amount of sales of the regional production of industry is 5.3%.

In the government-controlled area, only the following enterprises are operational in the textile, clothing, leather and related industries: Sharm limited liability company in Lysychansk city, individual entrepreneur Smaliy (Smaliy LLC) in Rubizhne city, individual

entrepreneur Misurenko (Rubizhne hosiery factory LLC) and other small enterprises.

In reference to above, the sales of products in 2015 amounted to UAH 76.2 million. The share in the sales of the regional production of industry is 0.3%.

The main enterprise in the sector

of wood, paper and printing, which produces 90 % of commodity products is the Rubizhne Cardboard and Packaging Mill private joint stock company.

In reference to above, the sales of products in 2015 amounted to UAH 2.4 million. The share in the sales of the regional production of industry is 9.5%.

Mining industry

In the government-controlled area there are only 4 operational mines of the Lysychanskvuhillya public joint stock company and 4 of the Pervomayskvuhillya state enterprises 7 mines, which extract G, D and DG grade coal.

The main challenges facing the coal industry enterprises include a lack of subsidies for upgrading technology and development, and preparing new mining locations; and the possibility of flooding of the Zolote, Karbonit, Hirskia mines due to the flow of mine water from the Pervomaysk mine, which is located in the temporarily occupied territory.

In 2015, 911,600 tons of coal were produced, which was 63.5 % of the planned target (6,900 tons less than in 2014). Lysychanskvuhillya produced 545,800 tons (75.8% of the target, and 99,200 tons less than in 2014), while Pervomayskvuhillya produced 365,800 tons (51.2% of the target, and 92,300 tons more than in 2014).

In 2015, coal mining enterprises sold coal for a total value of UAH 572.3 million, which is UAH 338.7 million more than in 2014. This makes up 21.8% of regional industrial production.

Electric power supply industry

Luhansk region's electric power supply sector consists of:

- the following energy generating companies: Luhansk Thermal Power Plant Production Company, DTEK Skhidenergo LLC, Severodonetsk Combined Heating and Power Plant State Enterprise, standalone generation facilities for in-plant use by enterprises (Rubizhne Cardboard and Packaging Mill Public Joint Stock Company, Alchevsk Cokery Public Joint Stock Company, and Scientific-Industrial Enterprise Zorya);
- the Bahmutka main power transmission lines energy transportation enterprise;
- and energy providers Luhansk Energy Association Limited Liability Company and Luhansk branch of the Regional Electrical Network State Enterprise.

These enterprises operate in Ukraine's wholesale electricity market.

Because Luhansk Thermal Power Plant is located in the combat zone, a large number of power lines were damaged (the enterprise owns 20 overhead lines, including eight 110 kV and twelve 220 kV lines. Only 10 lines are operational: five 220 kV lines and five 110 kV lines, as well as equipment; at the plant, 4 out of 6 units are operational and deliver 480 MW/day).

In 2015, the region produced 2,829.7 million kWh of electricity, or 48.7% of the figure for 2014 (5,810.8 million kWh).

Gas industry

The Luhanskgas public joint stock company is a natural monopoly entity in the natural gas, petroleum gas and methane distribution market.

During 2015, in the region's gas condensate fields, 272.2 million m³ of natural gas were produced, 54% less than in 2014, because of the closed fields located in the non-government controlled area.

According to Luhanskgas, industrial gas consumption in the region in 2015 was 515.9 million m³. Domestic production was equivalent 243.7 million m³, or 47.2% of what was consumed.

Because of the current situation it seems unwise to plan for the region or parts of it. Trends over a five year period are not possible to show because the statistics are not comparable.

2.7

The business environment

In 2015, small and medium enterprises sold goods and services (net of VAT) for the sum of UAH 17,708.2 million, which is 54.8% of Gross Regional Product. This is 7.7% smaller than the figure in 2014 (UAH 19,177 million).

UAH 11,064.4 mln. ▼
2015

UAH 13,162.1 mln.
2014

Medium-sized enterprises

sold products (goods and services) to a sum of UAH 11,064.4 million, which is almost 16% less than the 2014 figure (UAH 13,162.1 million).

UAH 6,643.8 mln. ▲
2015

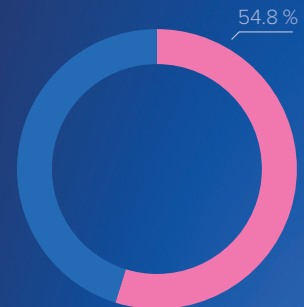
UAH 6,014.9 mln.
2014

The small enterprises

increased their volume of sales by 10.5% to UAH 6,643.8 million in 2015 compared to UAH 6,014.9 million in 2014.

UAH 17708,2
mln.

the small and medium
enterprises sold products in
2015



of the total regional sold
production

2.8

Development of cities and rural areas

The anti-terrorist operation implemented in the Luhansk region has also affected the development of cities and rural areas. In the region there are 1,908,700 hectares of agricultural land, 4.6% of all of Ukraine's agricultural land, This includes 1,277,100 hectares of arable land or 3.9% of Ukraine's arable land. In the government-controlled area there are 1,281,900 hectares of agricultural land, including 895,700 hectares of arable land. A total of 10,600 hectares of agricultural land are being demined (in Novoaydar, Popasna and Stanychno-Luhansk districts).

A total of 964 agro-industrial enterprises and more than 45,200 private farms are engaged in agricultural production in government-controlled areas.

In the food security of the region the food industry is of great importance being the final link in the food production. The military operation has led to a decline in the volume of production of almost all foods. The agricultural production index in 2015 was 80.4% of the figure for 2014.

The reasons for the decline in production include the loss of the domestic market in the non-government controlled area, a decrease in the solvency of the population and disruption of transport infrastructure.

1,908.7
thous. ha

agricultural land, including

1,277.1 thous. ha

arable land

**In the Government
- controlled area
there are:**

1,281.9 thous. ha

of agricultural land, including

895.7 thous. ha

arable land

10.6 thous. ha

agricultural land are subject to
deminig

964

agro-industrial enterprises and
more than 45.2 thous. private
farms.

2.9 Environmental situation

The state of the environment in Luhansk region is a result of the high technogenic load in industrial regions of Ukraine caused by highly-concentrated production (primarily environmentally-damaging production); long-term and continuous negative impact on natural systems reducing natural resource potential, and in some cases degrading it; use of outdated technology and equipment; high resource and energy intensity in manufacturing leading to accumulation of large amounts of waste; pollution of soil, air and water basins; and decreased biodiversity.

These factors also contribute to an increased risk of technogenic disasters and degradation of natural systems, posing a threat to environmental safety in Luhansk region. About 70 per cent of the region's population lives in areas where the concentration of toxic substances in the air exceeds the maximum allowable. Gross pollutant emissions into the atmosphere amount on average to 550,000 tons per year.

Industrial emissions into the atmosphere come from the energy sector (29.7%), processing industries (32%), metallurgy (19.8%), the oil industry (6.2%), and the chemical industry (3%).

The main pollutants of bodies of water are industrial enterprises, which discharge up to 500,000 tons of harmful substances, including coal-mining enterprises which discharge up to 400,000 tons.

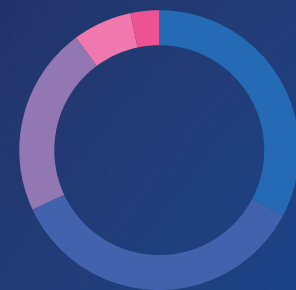
550 thous.
tons per year

The gross pollutant emissions
into the atmosphere on
average amount

70 %

of population of the region
resides in conditions exceeding
the maximum allowable
concentration of toxic
substances in the air.

**The emissions into
the atmosphere**
(By types of economic activities)



- energy sector
29.7%
- processing industry
32%
- metallurgy
19.8%
- oil industry
6.2%
- chemical industry
3%

Luhansk region



The wastewater from utility enterprises contains more than 90,000 tons of pollutants (around 25%). This is caused by significant physical and moral depreciation of fixed assets, a lack of aftertreatment systems, and constant violations of operating requirements of the treatment plants. Groundwater is also exposed to a significant technogenic impact caused by filtration of surface water from contaminated soil.

The quality of a large proportion of land in the region is unsatisfactory because of decline in fertility, depletion and degradation of soil. Analysis of changes in humus content shows that humus content in the arable layer of the black soil fell by 10% over 30 years. Production and consumption waste is one of the

most serious environmental problems in the region.

The volume of accumulated waste in the region is 1.4 billion tons, occupying an area of over 3,500 hectares. Annually, an average of four million tons of waste, including about 20,000 tons of toxic waste are produced. Only 12% of waste is recycled or utilized. It is necessary to strengthen the sanitation and beautification of urban areas. Environmental factors and living conditions, combined with the social and economic conditions of society significantly affect morbidity levels and life expectancy in Luhansk. Environmental degradation is exacerbated by ineffective state regulation of environmental protection and natural resource use.

The current economic mechanism of environmental protection and management does not promote the environmental protection activities by business entities. In particular there are low standard fee rates for negative impact on the environment, and insufficient distribution of environmental tax proceeds to environmental funds.

2.10 Financial and budget situation

In 2015 enterprises in Luhansk region made total financial losses of UAH 51,543.1 million, which is UAH 4,947.4 million more than in 2014 (UAH 46,595.7 million).

Profitable enterprises, which made up 76.1% of all enterprises in 2015 (in 2014 68.1%) enjoyed UAH 3,038.0 million of profit, which is UAH 1,157.7 million more than in 2014 (UAH 1,880.3 million).

Loss-making enterprises made up 23.9 of all enterprises (in 2014 - 31.9%); they lost a total of UAH 54,581.1 million, which is UAH 6,105.1 million more than in 2014 (UAH 48,476.0 million). The biggest losses occurred in the chemical and petrochemical sectors, the coal industry, metallurgy, production of other non-metallic mineral products, and the utilities sector.

Monitoring is complicated for objective reasons; evaluating the efficiency of implementation of the current regional strategy is impossible in view of changes to the territory of the region because of the armed conflict.

losses:

UAH 51,543.1 mln ▲
2015

UAH 46,595.7 mln
2014

profit:

UAH 3,038.0 mln ▲
2015

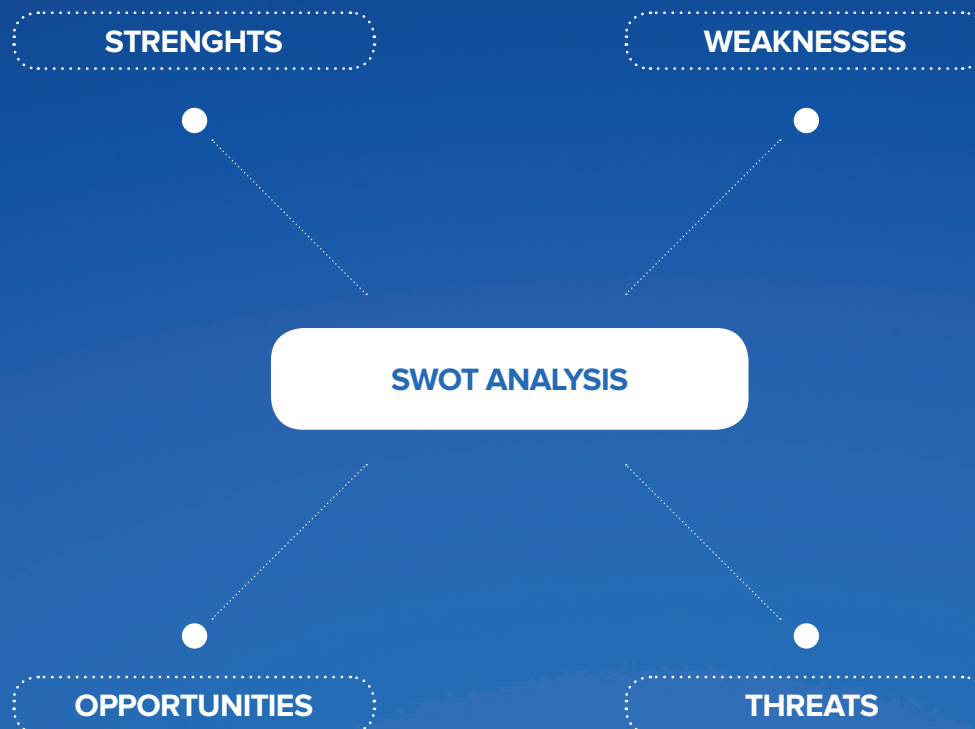
UAH 1,880.3 mln
2014

the share of the profitable
enterprises in 2015

76,1%

SWOT ANALYSIS,
COMPARATIVE
ADVANTAGES,
CHALLENGES AND
RISKS TO THE
REGION'S LONG-TERM
DEVELOPMENT

The current issues facing the Luhansk region were identified by determining comparative advantage (strengths and opportunities) and obstacles (weaknesses and threats): this formed the basis of a SWOT analysis.



3.1

Comparative advantages of and obstacles to Luhansk regional development

STRENGTHS

1. Availability of mineral resources (coal gas deposits, construction materials etc.).
.....
2. Regional educational, medical and social institutions engaged in provision of highly specialized care were re-registered and transferred to Government-controlled areas; their activity is gradually resuming.
.....
3. High concentration of specialists and experts that relocated with regional services, institutions and agencies.
.....
4. Presence of chemical research and production cluster (in Severodonetsk city, Lysychansk city, Rubizhne city there are enterprises producing chemicals, chemical products and petrochemicals, as well as scientific and research organizations and institutions).
.....
5. In the Government-controlled area industrial and processing regional enterprises are continuing to operate.
.....
6. In the Government-controlled areas there are 1,281,9.00 hectares of agricultural land, of which 70 per cent is arable.

7. There is a large number of agricultural producers (agro-industrial enterprises, large farms, smaller private farms).

-
8. There are secondary and higher educational establishments with technical and humanities majors (the V. Dal Eastern-Ukrainian National University is continuing its educational and research activities in Severodonetsk city; the Luhansk National Taras Shevchenko University in Starobilsk city; and the Donbas State Technical University in Lysychansk city).
-

9. There are international and humanitarian missions in the region.

WEAKNESSES

1. The temporarily occupied territories (including Luhansk city, the regional centre, and 11 cities of regional significance).
-

2. Partial or complete loss of physical infrastructure of regional services, agencies and institutions, current and archival information.
-

3. Complicated transport and logistics communication for citizens and business entities (poor condition of road infrastructure, lack of connection between two branch railway lines).
-

4. Energy is supplied to the northern districts of Luhansk region and Severodonetsk city, Lysychansk city and Rubizhne city by a backup scheme (because of damage to power lines resulting from the military operation, Luhansk region was disconnected from Ukraine's power system).

5. The water supply system was damaged in certain districts (the service area of the "Luhanskvoda" Regional Utility Enterprise).
6. Water, sewage and heating utility enterprises are running at a loss.
7. Development in the northern and southern districts of the region is unbalanced: industrial enterprises are concentrated in Severodonetsk city, Rubizhne city, Lysychansk city, and Kreminna city; agricultural companies and small food processing enterprises are concentrated in the northern districts.
8. Traditional economic links between the production enterprises of the region and their consumers have been disrupted.
9. Enterprises use outdated and energy-intensive equipment.
10. Agricultural productivity is low.
11. The agro-industrial support infrastructure is located in the non-government controlled area (including product quality, and seed and soil fertility evaluation laboratories).
12. The welfare of the population has deteriorated (high unemployment, lower disposable income, wage arrears).
13. There are sources of environmental contamination of water and land resources in the region (wastewater discharges from industrial and utility enterprises, runoff from residential areas; places of accumulation of obsolete plant protection chemicals, municipal solid waste dumps and a landfill for disposal of solid industrial

waste from chemical enterprises in Lysychansk-Rubizhne region).

14. Mined areas and unexploded ordnance along the contact line.

15. Violations of human rights (the right to freedom of movement and personal inviolability, social and economic rights).

16. The single information space of the region was disrupted (the broadcasting of three regional television channels – LOT, LKT, and IRTA – and production of all regional newspapers and information websites was suspended).

DEVELOPMENT OPPORTUNITIES

1. End of the armed conflict and restoration of the territorial integrity of Ukraine.

2. Expansion of powers of local authorities and increase in proceeds allocated to local budgets after implementation of national reforms on territorial and fiscal decentralization.

3. Involvement of experts and specialists from other areas.

4. New programmes for small and medium business development (including the European Horizon 2020 Programme and COSME).

5. Access to new markets (on 1 January 2016, Ukraine joined a free trade zone with the EU).

- 6. Improved legislation on innovation and establishment of technological parks.
- 7. Introduction of information technology and electronic information resources in all areas of public life and governance.
- 8. Harmonization of national environmental legislation with EU legislation (including environmental requirements and standards for economic activity).
- 9. Additional financial resources for regional reconstruction and development (the State Fund for Regional Development, the State Fund for Energy Efficiency, the State Target Programme on Recovery and Peacebuilding in Eastern Ukraine).
- 10. Possibilities for cooperation with international technical and humanitarian assistance projects.

THREATS

- 1. Activation of hostilities in the region.
- 2. Simultaneous implementation of national reforms in various sectors of the economy and social life complicate their implementation at the local level.
- 3. Increased responsibilities of local communities to provide educational, social and health services to the population due to the introduction of territorial and fiscal decentralization.

4. Low investment appeal because of the high risks of doing business in the "ATO zone".

5. The privatization of regional coal enterprises (Lysychanskvugillya and Pervomayskvugillya).

6. The destabilization of the situation in certain areas of the region due to the limited broadcasts of Ukrainian television and radio companies.

7. Uncontrollable and unpredictable migration.

8. Increased utility tariffs (including due to the elimination of cross-subsidization and equation of prices for natural gas and electricity for all consumers).

9. The impact of economic crisis on the financial situation of the population.

3.2

Comparative advantages,
challenges and risks

ADVANTAGES

STRENGTHS	SUPPORT	OPPORTUNITIES
<div><div>1. Presence of chemical research and production cluster (in Severodonetsk city, Lysychansk city, Rubizhne city there are production enterprises for chemicals, chemical products and petrochemicals, as well as scientific and research organizations and institutions).</div><div>2. Presence of secondary and higher educational establishments with technical and humanities majors.</div><div>3. High concentration of specialists and experts who relocated with regional services, institutions and agencies.</div></div>		<div><div>1. Access to new sales markets.</div><div>2. Improved legislation on innovation activity and establishment of technological parks.</div><div>3. New programmes for small and medium business development.</div><div>4. Cooperation with international technical and humanitarian assistance projects.</div></div>

CHALLENGES

WEAKNESSES

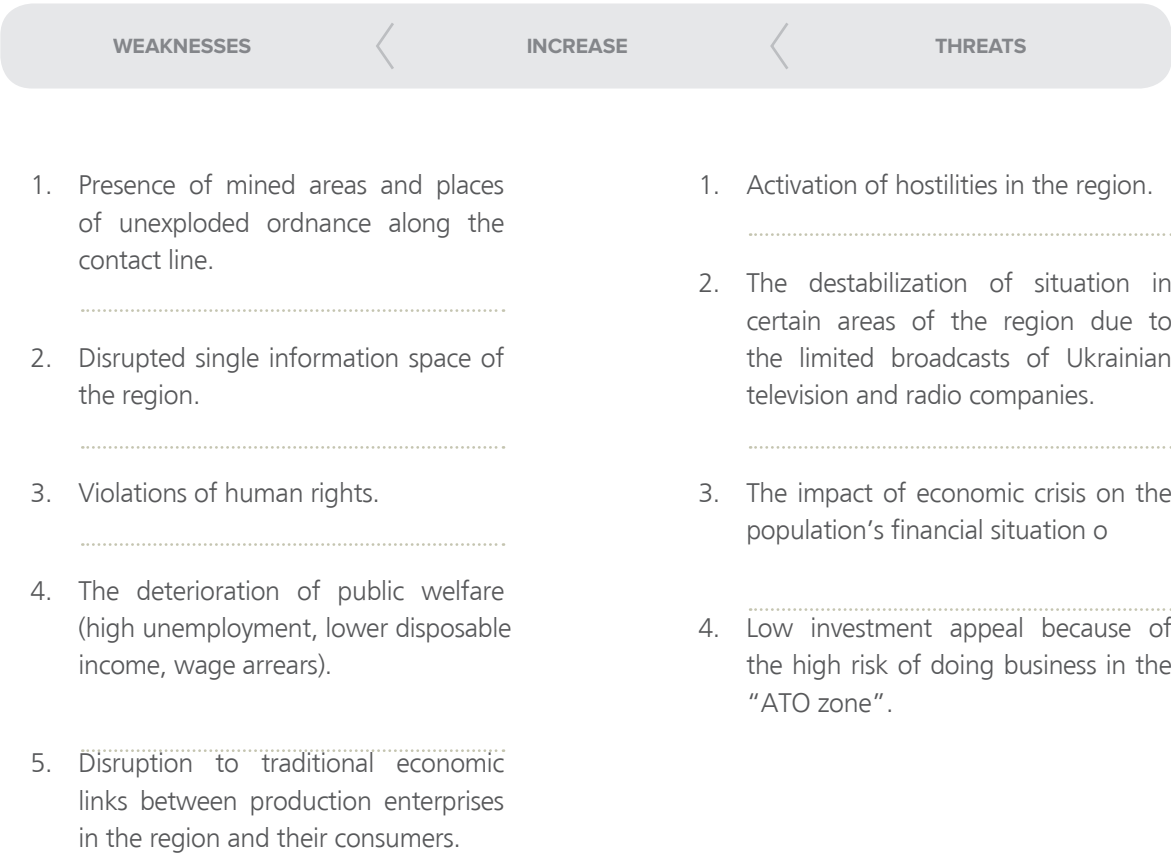
1. Partial or complete loss of physical infrastructure of regional services, agencies and institutions, current and archival information.
.....
2. Complicated transport and logistics communication for citizens and business entities.
.....
3. Supply of energy to the northern districts of Luhansk region and Severodonetsk city, Lysychansk city and Rubizhne city by a backup scheme
.....
4. Damage to water supply system in certain districts of the region (the service area of the "Luhanskvoda" Regional Utility Enterprise).
.....
5. The loss making of water, sewage and heating utility enterprises.
.....
6. Sources of environmental contamination of water and land resources in the region.

REDUCE

OPPORTUNITIES

1. Additional financial resources for reconstruction and development of the region.
.....
2. The State Fund for Regional Development.
.....
3. The State Fund for Energy Efficiency.
.....
4. The State Target Programme on Recovery and Peacebuilding in Eastern Ukraine.
.....
5. Cooperation with international technical and humanitarian assistance projects.
.....
6. Expansion of powers of local authorities and increase of proceeds to local budgets resulting from the implementation of national reforms concerning territorial and fiscal decentralization.

RISKS



DEVELOPMENT
SCENARIOS, STRATEGIC
VISION

Development scenarios, strategic vision

The purpose of the Strategy is to create conditions for the peaceful life of people most of whom reside in capable and cohesive communities; to rehabilitate quality infrastructure and create favourable conditions for sustainable and dynamic economic development in order to attract domestic and foreign investors, promote the inflow of human and financial capital, and develop high-tech industries that do not harm the environment.

Three scenarios have been developed for the Strategy: a baseline scenario (the status quo), and optimistic and pessimistic scenarios (the results of which are presented in Annex 3)

The Strategic vision of Luhansk regional development for the period until 2020 –

Luhansk region is an indivisible and integral part of Ukraine; environmentally safe and comfortable to live in; in which peace, harmony and prosperity prevail; where there is quality infrastructure, a stable and dynamic economy, upscaling human and financial capital and high-tech production, which does no harm to the environment.

REHABILITATION OF THE CRITICAL
INFRASTRUCTURE AND RESTORATION
OF SERVICES PROVISION

CAPACITY INCREASE IN
LOCAL GOVERNMENT UNDER
DECENTRALIZATION AND
INFORMATIZATION

ECONOMIC RECOVERY AND
SUSTAINABLE DEVELOPMENT

INCREASED SAFETY OF LIFE AND
PEACEBUILDING

STRATEGIC GOALS

STRATEGIC GOALS FOR
LUHANSK REGION'S
DEVELOPMENT FOR
THE PERIOD UNTIL
2020. OPERATIONAL
GOALS AND
OBJECTIVES

STRATEGIC GOAL 1.

REHABILITATION OF CRITICAL INFRASTRUCTURE AND RESTORATION OF SERVICES PROVISION

Since September 2014, Luhansk region has been divided by the contact line into two parts: the government-controlled¹ and non-government controlled¹ areas. This has not only adversely affected the overall socio-economic situation in the region, but also threatened destruction of the current electricity and water supply systems, impeded the provision of state-guaranteed health and social care to the population, and complicated transportation and accessibility in the region.

Due to the rapid development of the ATO in the region, significant changes have been made to the governance system in the region. In order to ensure the functioning of state institutions and organizations, public authorities, regional law enforcement, social security, healthcare and budget institutions, higher educational establishments and others were relocated to the government-controlled area.

Within two years regional institutions were re-registered; temporary and permanent accommodation was promptly provided in cities and districts in the region; and professionals were able

to resume work. However systematic recovery is still hindered by the following challenges:

- partial or complete loss of up-to-date and archival information concerning services and institutions (including quantitative data, personal files, charter documents, and administrative provisions and regulations);
- lack of institutional capacity and adequate conditions (primarily premises and logistics) to open regional institutions in the government-controlled area;
- low staffing level in the social services system and lack of incentives to attract (relocate) experts from the non-government controlled area.

Because of migration and the administrative and territorial changes, the region's recovery and social and economic development require the urban planning documentation (master plans) to be updated and an urban planning register for Luhansk region to be created at the regional and local levels.²

1. Government-controlled areas include three cities of regional significance: Lysychansk, Rubizhne, and Severodonetsk, and settlements in 12 districts - Bilovodsk, Bilokurakyno, Kreminna, Markivka, Milove, Novopskov, Novoaydar, Svatove, Starobilsk, Troitsky, Stanychno-Luhansk, and Popasnaa districts.

2. In accordance with the Regional Targeted Programme for Creation of the Urban Planning Register for Luhansk region for 2016-2018 approved by the Resolution 673 of the Head of the Regional State Administration - Head of the Luhansk Regional Civil-Military Administration of 28 December 2015.

Operational goal 1.1.

Rehabilitation and development of critical infrastructure and ensuring its stable functioning

Objective 1.1.1.

To ensure sustainable energy supply and improve energy security

In Ukraine, enterprises engaged in energy generation, transmission and supply are consolidated in the Unified Energy System. This allows for general centralized management, redistribution of flows of energy from different sources, supply of energy to the wholesale market and the setting of uniform tariffs for different categories of consumers.

Luhansk and Donetsk regions were in one of the eight regional energy systems – the Donbas electric energy system.³ In this system, the majority of generating capacity and energy supply facilities were concentrated around the industrial centres and energy-intensive plants.

Because of the military operations in the region, some of these facilities remained in the non-government controlled area, including the high-voltage substations and main power transmission

lines, which connected the region with the unified energy system and ensured uninterrupted supply of energy resources for domestic industrial consumers.

Despite the fact that the Luhansk Thermal Power Plant is located in the government-controlled area (in Schastya city), during the military operations many power lines⁴ were damaged and energy supply to northern districts of Luhansk region and Severodonetsk city, Lysychansk city and Rubizhne city was only possible using a backup scheme.

In order to resume the activities of industrial enterprises and provide uninterrupted electricity to the population channels of electricity supply to the region need to be diversified, and alternative and duplicated channels should be created to better integrate the region into the Unified Energy System of Ukraine.

3. Full name – the Donbas Electric Energy System of the SE NEC Ukrenergo

4. the enterprise owns 20 overhead lines, including eight 110 kV and twelve 220 kV lines. Only 10 lines are operational - five 220 kV lines and five 110 kV lines. At the plant, 4 of 6 units are operational and deliver 480 MW/day

This goal envisages reaching the following objectives:

- designing projects to develop and reconstruct regional energy networks;
- constructing a 35 kV transmission line to the Stanychno-Luhansk 110 Substation from the 35 kV Plotyna – Kamyshne transmission line;
- constructing the Kreminska 500/220 kV Substation with connections to the 500 kV Donbas-Don transmission line and the 220 kV Kreminna-Jubilee transmission line;
- reconstructing the 6 kV line TS-525-TS-526;

- reconstructing the 330 kV transmission line Vuhlyhorsk TPP - Mykhailivka.

This activity should be carried out in cooperation with Ukrenergo National Energy Company, which operates the main power transmission lines and is the customer of these measures.

This strategic goal envisages the restoration of the region's energy balance, which requires a reduction in consumption of energy resources (improved energy efficiency) and an increase in the use of alternative energy potential.

Objective 1.1.2. To ensure the sustainable, quality and efficient water supply and sewage

Water shortages in the region, intensive development of Southern Donbas' coal fields and increased urbanization have led to the use of different approaches to supplying water to the population of the north and south of Luhansk region. In the 1970s, a centralized water supply system was established to supply drinking water to the population of the southern and south-western districts of Luhansk region, while water inlets were installed in the north of the region in the floodplain of the Siversky Donets River and drinking water was transported up to 250 km to end consumers by the main water supply systems. In order to minimize the

costs and develop a unified tariff policy for all groups of consumers, the biggest water and sewage utility enterprise in Ukraine - Luhanskvoda Regional Utility Enterprise was established, and ensured centralized water supply to about 80 per cent of the region's population.

However, since September 2014 Luhansk region has been divided by the contact line into two parts. This has threatened destruction of the existing water supply system, as the main water intakes⁵ are located in the government-controlled area while about 93 per cent of consumers are on the other side.

5. Western pump-purification plant (WPPP), drawing of water from the Siversky Donets River, is managed by the UE Popasna district water service company

The uncertainty in relations between the Ukrainian Government and certain districts in Luhansk region means that issues related to the volume of drinking water production cannot be addressed and reimbursement cannot be obtained for water already supplied.⁶ In addition, most of the fixed assets (including specialized laboratory equipment) and technical documentation remained in the non-government controlled area.

Supply of the drinking water to the region's population is one of the priority issues, which needs to be addressed to preserve public health, and improve operational conditions and the quality of life.

In May 2015, the water supply facilities of Luhanskvoda Regional Utility Enterprise located in the government-controlled area were transferred to be managed by three newly-established enterprises (Popasna District Water Service Company, Starobilskvoda District Utility Enterprise, and Svatove City Water Service Company) and one operational enterprise (Bilovodsk Repair and Maintenance Enterprise) for a period of 35 months. After this period the future status of property will need to be

determined in order to plan water supply system development in the region. The Popasna District Water Service Company supplies more than 90 per cent of the water it produces to the temporarily occupied territory but is not paid for the services delivered. The volume of water supplied to the occupied territory between July 2015 and July 2016 was 30,134,090 m³.

Because of the unsatisfactory performance of the aforementioned water and sewage enterprises there is a need to establish a unitary utility enterprise, transfer of common property in its possession, make it attractive for investment, improve the quality of feasibility studies and design and estimate documentation, improve coordination and customer service, provide solutions to personnel issues and introduce a unified tariff policy.

As of 1 January 2016, the length of the water supply network was 2,314.3 km, of which 1,357 km or 58.6% was dilapidated and in critical condition. The length of the sewage network was 880.1 km, of which 477.4 km or 54.2% was dilapidated and in critical condition. Water loss amounts to 30-40%.

The key objectives for this goal are as follows:

- improve the efficiency and reliability of water supply and sewage for the population of Luhansk region;
- improve the performance of the centralized water supply and sewage in the cities in Luhansk region.

6. The annual costs of operating the engineering facilities of the Popasna district water service company amount to UAH 370 million, the total loss is UAH 358 mln.

Objective 1.1.3.

To rehabilitate the transport and logistics infrastructure and improve transportation

The anti-terrorist operation in the region has led to damage to and destruction of road infrastructure, and has complicated and increased the cost of transportation. With the establishment of the contact line, railway transportation in the region was divided into two parallel rail networks⁷ making it impossible to travel by rail between the densely populated areas of Starobilsk, Bilokurakhyne, Novoaydar, Bilovodsk and Markivka districts (where there are more than 250 operational agricultural enterprises) and other regions of Ukraine.

The key determinant for the further development of Luhansk region is the restoration of existing and establishment of new transportation routes. In order to improve transport accessibility in the region and reduce logistics costs, motorways, artificial structures, streets and roads in the settlements destroyed during the ATO or depreciated need to be restored. The measures will be implemented within the Regional Target Programme for Road Construction in Luhansk region for 2016 - 2019 and envisages the following:

- the overhaul of nine bridges, three of which were destroyed during the military operations;
- the rehabilitation of infrastructure on public roads of state and local significance connecting the district centers of the Luhansk

region and the latter with other regions of Ukraine (project title is the Ring of Life); and

- the construction of the Svatove-Bilokurakhyne branch railway connecting the Kindrashivska-Nova - Lantrativka (Starobilsk section) railway with Ukraine's railways.

Because of redistribution of transportation flows and increasing load on public roads it is necessary to reinforce the roads and review the upgrade needs of roads. Promising directions of transport infrastructure development in the region include the following:

- creation of the north-south connection: improving the section of the territorial principal road T-13-02 from Tanyushivka checkpoint to Starobilsk city and connecting it to the N-21 national principal road;
- in the northern area of Luhansk region: enhancing latitudinal transport communication towards Kharkiv region (reconstructing the existing R-07 regional road Chuhuiv – Milove, and changing its status to national road);
- reconstructing existing motorways of local significance in the following locations: Svatove (from the R-66 motorway) - Izum (Kharkiv region); Kreminna - Slovyansk (Donetsk region) and bringing them into line with the parameters for national roads.

7. Parts of long-distance railroads Luhansk - Starobilsk - Bilokurakhyne - Valuiky (RF), Luhansk - Debaltseve - Popasna - Lysychansk - Svatove - Kupiansk - Kharkiv

Operational goal 1.2.

Resumption and development of a system of quality and accessible state and municipal services

Objective 1.2.1.

To rehabilitate and develop the regional healthcare infrastructure

Due to the ATO, certain regional healthcare facilities have been relocated to the Government – controlled area.

By the end of 2016, it is planned to resume the operations of the following highly-specialized medical institutions: Luhansk Regional Children's Hospital, Luhansk Regional Hospital and Perinatal Centre, Luhansk Regional Clinical Oncological Dispensary, Luhansk Regional Cardiologic Dispensary, and Luhansk Regional Narcological Dispensary. It is also planned to open a centralized laboratory and the Popasna district forensic examination unit of Luhansk Regional Bureau

of Forensic Medical Examination, and resume the work of the clinical diagnostic laboratory and its branches and of the Luhansk Regional AIDS Centre's centralized HIV and viral hepatitis diagnostic laboratory.

Due to limited capacity for medical diagnosis and the inability to provide adequate highly-specialized medical services, regional in-patient clinics remain overloaded; with intensity indicators exceeding the average for Ukraine. Given issues related to staffing and underfunding of the subsidized provision of medicines, outpatient care is also inefficient.

Objective 1.2.2.

To rehabilitate and develop the regional social services infrastructure

Prior to the anti-terrorist operation, in Luhansk region the system of social service provision consisted of a wide network of state and municipal institutions subordinate to the following agencies: the Department of Social Protection of the Population, the Department of Health, the Department of Education, Centres of Social Services for Families, Children and Youth, the Office of Children's Services, the Penitentiary Service, and the Department of Internal Affairs.⁸

Because of the establishment of the contact line, most specialized institutions of regional significance are located in the non-government controlled area and certain social groups do not have opportunities to receive highly-specialized services and state-guaranteed support. These include:

- orphans, children without parental care and children in difficult life circumstances;
- children with disabilities;
- persons with disabilities;
- persons living with HIV;
- persons in need of palliative care;
- the elderly; and
- victims of violence, including gender-based violence.

In order to provide social support, rehabilitation, accommodation and care services to the population it is necessary to resume the activity of the existing centres and establish new integrated institutions to provide social services to several social groups including preventive activities and taking into account the possibility of full social adaptation and reintegration into society. These include

- an integrated Centre for Social Adaptation of Persons with Disabilities;
- a regional integrated Social Rehabilitation Centre for Children with Disabilities;
- a Centre for HIV and AIDS Prevention and Control (opening a laboratory and in-patient unit for persons living with HIV);
- An Integrated Services Centre - programmes/sites providing substitution support therapy (aka SMT) in one of the northern districts of the region;
- Hospices;
- A regional centre of social and psychological support (with the possibility of providing temporary accommodation) and a Medical and Social Rehabilitation Centre for Victims of Domestic Violence;
- A Mother and Child Social Centre.

8. The system of social service providers of the Luhansk region is presented in the study entitled 'Identification of Social Services Needs of Luhansk Region;s Population'.

Objective 1.2.3.

To restore the regional archival fund and archival system

Implementation of the state archive and record keeping policy in the government-controlled area in the region is mandated to the State Archive of Luhansk Region and 29 archive institutions storing 1,654,424 National Archival Fund documents and 140,361 staff documents.

More than 200 enterprises, institutions and organizations submitting documents to the National Archival Fund and transferring documents to the State Archive and regional archival institutions for permanent storage were relocated to the government-controlled area.

The archive documents are widely and increasingly used to ensuring the administration of executive authorities and local governments, enterprises and organizations with all forms

of ownership, and to fulfil the social and legal requests of citizens, as well as for scientific, cultural and educational purposes, and carrying out genealogical and historical research.

The activity of the State Archive and archive institutions related to providing information and the use of archival documents is intended to uphold the constitutional right of citizens by granting their requests. During the year, more than 2,500 social and legal requests were granted.

The main priorities for the region's archive institutions for the period until 2020 include:

1. Comprehensive support and development for Ukrainian identity.

The main goal is to bring the activity of the archive institutions into line with the needs of civil society by expanding access to archival documents by preparing collections of documents, monographs, biographical and reference books, and creating a new information resources system that will be integrated into the global information space.

2. Preserving and augmenting the National Archival Fund as part of Ukraine's cultural heritage to build national consciousness among residents of the region.

The main goal is to ensure the preservation of National Archival Fund documents by digitizing more than 1.7 million documents that are stored in the region's archive institutions; establishing a computerized reference system; creating a unified electronic catalogue; provisioning the electronic database with descriptions of funds and digital copies of documents, as well as entering into a unified regional database.

3. Ensuring effective supervision of record keeping, and examining the value and storage of archival documents at enterprises, institutions and organizations.

The main goal is to ensure the quality provisioning of the National Archival Fund with documents reflecting the contemporary history of Luhansk region; exercising the citizens' constitutional rights to social protection by overseeing examination of the value of documents at enterprises, institutions and organizations.

4. Introducing electronic document management.

The main goal is to meet civil society's needs by introducing modern information technology into the archive institutions; developing and introducing software for institutions, enterprises and organizations and preparing electronic documents for transfer for permanent storage at the region's state archive institutions.

Objective 1.2.4.

To improve access to quality healthcare, education and social services

The healthcare, social and educational sectors are gradually being reformed at national level with the aim of optimization and refocusing on the provision of quality and accessible services to the population based the needs of specific social groups and contemporary trends in social development.

In Luhansk region, given the lack of financial and institutional capacity to fully restore the network of medical, social and educational institutions that existed in the region prior to the ATO, and to take into account demographic changes and the emergence of new social groups (internally displaced persons, and ATO participants and their families), there is a need to introduce new approaches to addressing the issues and providing innovative services, including creating a barrier-free environment.

In particular, the quality and accessibility of services for the population will be improved by:

- establishing 'transparent offices' for social services centres;
- developing the system of emergency medical care and disaster medicine;

- informatization of the healthcare system;
- developing innovative educational approaches in the higher educational establishments and establishing new partnerships with local businesses and institutions;
- opening mobile offices to provide social services in rural areas;
- opening rehabilitation centres for ATO participants;
- putting in place a comprehensive system to provide assistance to those affected by the violence and unlawful action⁹;
- establishing an effective network of inter-municipal health service delivery structures;
- creating mobile psychosocial assistance teams to work with victims of gender-based violence;
- establishing support centres for women;
- introducing social adaptation programmes for the independent living of orphans graduating from boarding schools¹⁰;
- introducing programmes (projects) to develop socio-psychological adaptation services in the region's residential care institutions.

9. Including by strengthening interaction between different agencies (healthcare, educational, social protection institutions, law enforcement and internal affairs bodies), opening counseling centres and women's clubs at local and rehabilitation centres, resuming the work of and establishing new specialized institutions, and expanding the network of mobile psychosocial assistance teams.

10. Including by opening social dormitories for boarding school graduates and implementing individual programmes for social and educational adaptation to independent living and individual mentoring programmes at the first place of employment .

Objective 1.2.5.

To improve access to sports infrastructure and promote sports development

Despite the fact that most sports facilities remained in the non-government controlled territory, the region is continuing its tradition of high-level sports achievements creating conditions for training and participation of athletes in national and international competitions. In 2016, Ukraine's national Olympic sports team included 129 persons from Luhansk region (183 in 2015), while the figure for the non-Olympic sports team was 57 athletes (235 in 2015). Ukraine's national Olympic sports team included 11 athletes from Luhansk region. Since the beginning of 2016 on European and World competitions of Olympic sports, athletes from Ukrainian national team have won two gold, five silver and five bronze medals, and non-Olympic - 26 gold, 24 silver and 18 bronze medals. Eight Olympic sports: track and field athletics, weightlifting, cycling, artistic gymnastics, rhythmic gymnastics, football, Greco-Roman wrestling and boxing are the priority for the region.

In order to guarantee sports results and the training of athletes it is important to create the conditions for training: retain leading experts, who train not only athletes but also future trainers; improve the infrastructure, guidance and medical support; create modern and affordable infrastructure for sports; and maintain a network of youth athletic centres in cities and districts in the region to develop children's, youth and reserve sports.

Key objectives:

- establish a Centre for Olympic and Paralympic training at the "Luhansk Regional Gymnastic Center Olympus" municipal institution (complete the construction of a 25-metre pool and weightlifting hall, construct a martial arts, wrestling and boxing hall, and reconstruct the running tracks at the stadium);
- support the work of athletes and trainers to develop higher achievement sports (confer and pay scholarships and incentives to trainers and athletes);
- improve the infrastructure of physical education and sports institutions (renovate two stadiums and three youth athletic centre halls per year; renovate the Ice Palace; construct one pitch with artificial turf and three workout pitches in every city and district every year).

STRATEGIC GOAL 2. STRENGTHENING THE CAPACITY OF LOCAL AUTHORITIES IN THE CONTEXT OF DECENTRALIZATION AND INFORMATIZATION

Operational goal 2.1. Establishment and strengthening of amalgamated communities

Objective 2.1.1.

To support the establishment of amalgamated communities and promote their further development

In 2014, a number of reforms were initiated at national level, including the modernization of public administration through decentralization (the so-called decentralization reform). The main goal of this reform is to transfer authority and financial support to the level at which public services (including educational, medical, social and administrative services) will be provided to the population to the highest quality and in the most accessible and effective way.

The amalgamated community is the successor of all the property, rights and obligations of local communities that were amalgamated, as of the date of acquiring of authority by the village, settlement or city council elected by the amalgamated community.

The possession, use and disposal of local resources will create the economic basis for the development of the local communities, and encourage good governance.

In addition to the reform to change the administrative-territorial structure, at the national level reforms are being implemented in the healthcare, education and energy sectors (reform of energy sector and energy independence), as well as reforms to the law enforcement agencies (requiring the local authorities to promptly ensure the adaptation of the local policies and programmes) Adjustment are being made to working in new conditions and in the context of legislative changes.

In particular, the newly established local communities will face the following challenges and objectives:

- create a complete inventory of municipal property, mineral and raw material assets and the land, water and other natural resources of local communities in order to define reserves for sustainable development, the capacity of local communities, and the clear definition of administrative boundaries;
- audit and transfer ownerless property and escheat (sections of local roads; water supply networks and facilities; premises of social institutions; farm yards, protective belts etc.) to municipal ownership;
- determine the monetary value of land within and outside settlements (after the introduction of amendments to legislation);
- develop urban planning documentation (master plans);
- establish the healthcare and education districts;
- open centres for administrative services;
- establish/upgrade utility enterprises (provide centralized water supply, sanitation, beautification, solid waste management and maintenance of local roads services etc.);
- develop the development strategy and target programmes for certain areas (including programmes on energy efficiency, development of centralized water supply, development of support for culture, sports and youth initiatives, provision of social services etc.);
- develop infrastructure and non-infrastructure projects for participation in the State Fund for Regional Development's contest and other international technical assistance projects;
- work in the ProZorro public procurement system as well as with other Internet services;
- create databases and registries for monitoring and planning capital expenditure (including energy consumption by public institutions).

Effective implementation of the national reforms at local level requires organizational, methodological and technical support to address general issues of good governance and planning of self-development, as well as in certain specific areas.

At the regional level, a regional micro-projects competition will be conducted, providing not only financial assistance for implementation of projects that are important for community development, but also ensuring the training of local experts in working with national and international development funds.

Operational goal 2.2.

Strengthening the local communities' capacity to manage municipal property

Objective 2.2.1.

To strengthen the local communities' capacity to manage the water supply and sewage systems

In the government-controlled areas in the region, centralized water supply is provided to 100 per cent of the urban population, and sewage to 100% of the urban population and 2.7% of the rural population (rural communities still use the in-house water supply systems built in Soviet times; centralized water supply networks are only maintained by utility enterprises in 40% of rural settlements)¹¹.

Provision of centralized water supply and sewage services is a licensed activity. Enterprises require licenses from the central executive body¹² or from the utilities unit at the Regional State Administration.

The national regulator (the National Energy and Utilities Regulatory Commission of Ukraine – NEURC) is responsible for defining the organizational, qualification and technological requirements for the implementing economic activity (licensing terms) and developing and approving the procedure for designing investment programmes and tariff

setting. In Luhansk region, the NEURC licensing requirements apply to five out of nine¹³ enterprises located in the government-controlled area.

Because licensees were only in 2013 given the opportunity to develop investment programmes and include an investment component in their tariffs for centralized water supply and sewage (in the form of depreciation and business investment from profit), and the amount of budget financing (including for implementation of the Luhansk Region Drinking Water target programme for 2012-2020) was not adequate to fund necessary capital expenditure to replace networks¹⁴ and equipment in past decades, the water supply and sewage system is now in poor technical condition (58.6% of water supply networks and 54.2% of sewage networks are dilapidated and in critical condition). This is reflected in high operational and maintenance costs, which will continue to grow given the increasing energy costs and wages, leading to an even greater gap between the actual cost of production and the

11. According to preliminary data; clarification is required

12. The national regulator (the National Energy and Utilities Regulatory Commission of Ukraine) oversees all entities irrespective of the form of ownership if they operate in settlements with a population of more than 30,000 of people, and annually provide the centralized water supply services amounting to more than 300,000 cubic meters; and the centralized sewage services amounting to more than 200,000 cubic meters. (Resolution of the NEURC No. 279 of 10.08.2012).

13. The licensees of the national regulator are Lysychanskvoda utility enterprise, Rubizhne Production Directorate of Water and Sewage Utilities, Town-Service limited liability company (Severodonetsk city), Starobilskvoda district utility enterprise, and Popasna district water service company.

14. In 2015, 3.8% (89.9 km) of water supply networks and 4.8% (42.25 km) of sewage systems were renovated.

set tariffs, as well as to an increase in the financial losses of enterprises.¹⁵

In the context of introducing budgetary and financial decentralization, local budgets will have more opportunities and resources to support utility enterprises in their areas. However, in order to ensure sustainable long-term impact it is important to provide targeted funding (subsidies) not to cover losses but to modernize, optimize and develop the entire system, with clear definition of priorities to replace the most energy intensive and critical equipment; implement projects to improve the quality of service provision and indicate economic, social and environmental effects.

In order to apply investment planning models, utility enterprises should take a comprehensive approach to managing and creating databases of technical inventory (assets), the costs of repairs, and consumer payments; and also introduce information products and geographic information systems for monitoring and operational management.

This goal includes the following key objectives:

- to assist utility enterprises to operate effectively, carry out technical and management audits, develop modernization and development plans and programmes, and utilize databases and GIS;
- to provide with the regulation of rural water supply systems (to check an inventory of networks and their transfer to specialized

enterprises for maintenance);

- to install information systems to manage and check energy consumption (frequency converters) at water supply and sewage facilities;
- to regulate relations between service providers and heating and water supply providers;
- to implement measures for the conservation of water basins from which water is taken to meet drinking water needs;
- to develop centralized water supply and sewage in rural areas;
- to upgrade chemical and bacteriological laboratories to control the quality of drinking and waste water at water and sewage utility enterprises;
- to establish mobile laboratories to control the quality of drinking water from local sources in rural settlements;
- to provide enterprises with resource- and energy-saving technologies for drinking and waste water treatment, as well as appropriate equipment and control devices.

Support for the implementation of measures to ensure quality water supply to the population of Luhansk region and improve the performance of utility enterprises will be provided within the updated “Luhansk Region Drinking Water Programme for 2006-2020”.

15. As of 01.06.2016, the total debt for energy consumed by the Luhansk region heat, water and sewage enterprises is UAH 601.8 million, including for consumed gas – UAH 229.9 million, for consumed electricity – UAH 371.9 million.

Objective 2.2.2.

To strengthen communities' capacity for heating supply systems management

In the government-controlled area there are 10 utility enterprises and one state enterprise engaged in centralized heating supply, production, transportation and supply of energy for heating.

The heating supply system in Luhansk region includes 117 boiler houses with 369 boilers and a total capacity of 761 Gcal/h. The length of the two-pipe heat and steam networks is 392.4 km, of which 58.1 km are dilapidated and in critical condition.

In the region, like throughout Ukraine, the generating equipment of the large and small heat and power plants is mostly technically depreciated, obsolete and depleted and requires modernization and replacement.

The situation in the gas supply market causes Ukraine to be significantly dependent on imported natural gas. This means that fuel makes up a large proportion of the tariffs for heat energy, tariffs for gas and heat for the population do not conform with the procurement price of imported natural gas and there is increasing social tension associated with the need for tariff increases.

The heat supply system in the Luhansk region

117
boiler houses
with
369 boilers

392,4 km

The length of the two-pipe
heat and steam networks

58,1 km
are dilapidated and in critical
condition

In order to address these issues new energy efficient and environmentally friendly technologies and equipment need to be introduced for municipal heating enterprises grounded in fundamental and applied research by scientific institutions with the involvement of enterprises in the sector.

This goal includes the following key objectives:

- to optimize the structure of heating supply systems;
- to significantly reduce consumption of natural gas and replace it with alternative fuels;
- to reduce the energy intensity of production;
- to introduce energy efficient technologies and equipment;
- to ensure the thermal modernization of buildings;
- to introduce modern energy efficient technologies, thermal energy metering devices and individual heating units;
- to use alternative fuels and sources for thermal energy production;
- to improve the efficiency and reliability of the municipal energy sector by upgrading existing heat generating equipment;
- to reduce harmful and greenhouse gas emissions into the atmosphere and reduce the environmental load;
- to develop energy management systems in the heating supply sector and so on.

Objective 2.2.3.

To strengthen communities' capacity for energy conservation and energy efficiency

In the housing and utilities sector, energy consumption for the production and provision of housing and utility services is 2.5-3 times higher than in developed countries. The constant increase in the cost of energy resources (and in the context of energy sector reform in which cross-subsidization will be gradually eliminated and prices for natural gas and electricity adjusted for all consumers) and the decline in the quality of housing and utility services highlight the importance of adopting energy efficient technologies.

However currently, given the rising cost of energy resources and the introduction of legislative changes, new types of projects for energy modernization and finding new sources of energy, including the use of alternative fuels and energy sources, are becoming cost effective. In Kharkiv region in 2015 17.9% of thermal energy was produced from alternative fuels; in Dnipropetrovsk region 13.6%; but in Luhansk region only 0.04%.¹⁶

Also, during implementation of the National Action Plan for Energy Efficiency for the period until 2020, mechanisms to facilitate measures for energy efficiency in the housing and budget sectors were developed: attracting investments by concluding performance contracts and compensation programmes for a certain percentage under the loans for heat usage.

Heat energy production from alternative fuels in 2015

17.9 %

Kharkiv region

13.6 %

Dnipropetrovsk region

0.04 %

Luhansk region

¹⁶. The worst indicator of all the regions of Ukraine. The monitoring of the socio-economic development of the regions.

Private households can also install generation units with a capacity of up to 30 kW to produce electricity from solar energy and/or wind power and supply the excess to the network under the green tariff¹⁷.

The key objectives of improving the effectiveness of energy resource management are as follows:

- to introduce the energy management system (including training of experts) at all levels from settlements to regional level;
- to introduce monitoring and oversight of energy consumption (energy monitoring¹⁸) at all levels - providing for analysis by districts, departments etc.;
- to develop and implement Sustainable Energy Action Plans and projects for thermal modernization of buildings;
- to introduce energy efficiency technologies at municipal facilities and in the housing sector (complete or partial thermal modernization; introduction of co-generation technologies and alternative energy sources; use of thermal storage heating systems, LED lighting etc.); and
- to hold informational events on technical and financial aspects of the use of energy efficiency technologies and alternative energy sources (including green tariffs) in the housing sector and at household level for private households.

Assistance will also be provided for the implementation of energy efficiency measures within the regional Energy Efficiency in Budget Institutions of Luhansk Region Programme for 2016-2020 and the State Energy Efficiency Fund (as of 1 October 2016 the Law of Ukraine On the Energy Efficiency Fund had not been adopted).

17. Law 514-VIII "On amendments to some Laws of Ukraine on ensuring competitive conditions for the production of electricity from alternative energy sources" of 4 June 4 2015

18. For example, the program of daily monitoring of energy consumption Energy Balance <http://www.energobalans.com/>, the program Energy Plan, the program of FIATU, the program of the UE GVP and other

Operational goal 2.3.

Strengthening the capacity of communities for provision of quality services to the population

Objective 2.3.1.

To strengthen the capacity of communities for provision of quality services to the population

The additional powers granted to communities within the decentralization process will require additional responsibility in relation both to resource management and to ensuring social justice for all segments of the population, especially for citizens in difficult life circumstances and in need of physical assistance.

In order to ensure efficient use of the budget resources and an increase in the quality and range of social services, it will be necessary at community level to plan for social services needs, and based on this planning results develop the infrastructure for service provision. Social services should be provided as close as possible to consumers through the Social Services Centres that are to be established on the basis of already existing Social Services Centres for Family Children and Youth Centres and the local social services centres. Such consolidation will allow not only optimization of administration costs, but also organization of the work of social services according to the particular needs of specific families in difficult life circumstances, the establishment of new facilities for provision of social services and new approaches to ensuring their accessibility, especially in rural areas.

Depending on the needs and capacity of the communities, the following activities can be implemented at local level:

- provision of supported accommodation, home care, social support/patronage for the elderly;
- improvement of the social support system for working single parents;
- establishment of a special service for persons with mental illnesses and developmental disabilities;¹⁹
- establishment of centres to support women in difficult life circumstances; and
- introduction of mobile multidisciplinary consultancy services.

In cases where communities have neither expert nor institutional capacity to provide certain types of social services to the population, outside organizations (including charitable, civil society and voluntary organizations) may be involved through social service commissioning.²⁰

In order not to completely lose social service provision in the context of the budgetary and financial decentralization to communities, it is necessary at regional level to systematically ensure the modernization of institutions providing social

services and strengthen their capacity to attract additional resources from international and domestic charitable foundations and CSOs.

This goal includes the following key objectives:

- to establish a regional social services methodological centre;
- to develop standard provisions (and other regulatory documents) on establishing social services centres at district level and amalgamated communities level;
- to raise the awareness and improve the skills of social workers related to assessment of needs for social services, preparation of 'community social passports', project management and public sector social service commissioning;
- to train representatives of all branches of government to improve the quality of social services and address gender issues;
- to hold coordination meetings with donors and international technical assistance projects engaged in social and humanitarian development.

19. For example, small specialized community daycare centres, rehabilitation units/centres, mobile multidisciplinary emergency response teams, introduction of supported accommodation services, social habilitation, creation of conditions for the training and employment of such persons through the establishment of social enterprises

20. In accordance with Cabinet of Ministers Resolution 324 On approval of the procedure for public sector social services commissioning of 29 April 2013

Objective 2.3.2.**To strengthen the capacity of communities
for provision of quality education services**

Quality school education is the first link towards obtaining profession recognition and qualifications that will allow young specialists to be competitive in the labour market and develop opportunities for self-fulfilment and financial security.

In order to improve the quality of education it is necessary to introduce modern teaching techniques and information technologies; constantly improve the level of professionalism of teachers and create equal conditions for the acquisition of knowledge by children from large communities and remote villages. Unfortunately, it is impossible to create an adequate learning environment for children in ungraded schools with 30-50 students, not only because of the lack of financial resources for maintaining the school premises and observing proper sanitary and hygienic conditions, but also of the need to provide the necessary visuals and engage professional teaching staff capable of observing the highest standards of teaching and deliver the school curriculum in an accessible manner. Thus, the gradual reorganization of schools and establishment of school districts is needed to improve the quality of school education and create a proper learning environment in such schools.

For remote settlements where the schools have been almost the only places for community activity, it is necessary to create conditions to introduce extra-curricular and non-formal education.

Non-formal education and lifelong education represent a new approach to developing the skills of young people, which is not applied in secondary and vocational schools.

Such knowledge and skills include conflict resolution and decision making skills, coordination, teamwork and leadership. Non-formal education allows responsible leadership to be practiced in the community, and volunteerism and creativity to be developed. The whole educational process is organized through interactive techniques allowing theoretical knowledge to be transformed into practical experience. Worldwide and Ukrainian practices include the following forms of non-formal education: trainings, debates, role playing and so on. The introduction of non-formal education forms and methods is possible in any educational establishments: kindergartens, schools, vocational schools and higher educational establishments.

It is impossible to obtain quality education without using information and communication technologies. Modern information resources allow for participation in distance learning programmes (e-education) and workshops on the most diverse forms of creativity and art. Therefore, in educational establishments and libraries, it is important to ensure access to existing information resources (platforms) and create new networks, providing equal access to new information and educational materials and expanding opportunities for youth to obtain modern education, and improve their communication and language skills.

Secondary vocational educational establishments have a special role in facilitating youth to obtain vocational skills and knowledge and to ensure their competitiveness in the future labour market . Improving the quality of education in vocational educational establishments in the region will be in line with national reform of vocational educational establishments.

Objective 2.3.3.**To strengthen the capacity of communities
to provide legal aid and ensure public safety**

The reform is aimed at considerably expanding citizens' access to free primary and secondary legal aid and the Ministry of Justice's electronic services in local communities.

In order to enhance the legal capacity of communities and create conditions for the population to exercise its rights in their places of residence, as of December 2015, reform of the territorial bodies of the Ministry of Justice of Ukraine was initiated at national level.²¹ The reform envisages the elimination of district, urban district, city and inter-district departments of justice and the establishment of integrated inter-district departments of justice in the regions and in Kyiv, which will also include all civil registration and state enforcement service divisions operating in the region. It is also planned that the Ministry of Justice's functions related to provision of access to electronic services will be transferred to free legal aid centres – so-called Legal Aid Bureaus. In the centres the people will not only be able to receive free initial legal aid and legal information but also consultations. Vulnerable citizens will have access to the free additional legal aid, including preparation of documents and representation in court.

²¹ In accordance with the Cabinet of Ministers Resolution 99 On reform of the territorial bodies of the Ministry of Justice and the development of a system for provision of free legal aid of 11 February 2016

Since 2014 civil security sector reform has become one of the priority objectives at national level. The key areas of reform have been identified as the fight against corruption, police operations and the judiciary.

The implementation of the civil security sector reform is impossible without addressing the issues of communities' low level of trust in the political, law enforcement and judicial systems, the fight against corruption, ensuring good governance, observance of human rights, gender equality and so on.

The main objectives in this area are to create conditions to support local dialogue and confidence-building in communities, between society and the authorities; and to introduce in the communities a Community Policing model, which has been successfully applied in most countries; to develop conflict-sensitive communication strategies; to promote implementation of the unified state policy on prevention and combating corruption in the region; to enhance citizens' access to justice and so on.

To implement the unified state policy on the prevention and combating of corruption an advisory body the Anti-Corruption Committee of Luhansk Regional State Administration²² was established in April 2016 at Luhansk Regional State Administration and commenced its work.

22. In accordance with the Regulations of the Luhansk Regional State Administration Anti-Corruption Committee approved by Luhansk Regional Military-Civil Administration Resolution 228 of 25 April 2016

STRATEGIC GOAL 3. ECONOMIC RECOVERY AND TRANSITION TO SUSTAINABLE DEVELOPMENT

Operational goal 3.1.

To increase the stability of the regional economy and ensure transition to sustainable growth

Prior to the anti-terrorist operation, Luhansk region had significant economic potential and was one of the five strongest industrial and economic regions in Ukraine.

In the context of the general economic crisis, the armed conflict in the Eastern Ukraine has significantly worsened the economic situation in Luhansk region:²³

- the industrial production index fell by 66% (in Ukraine as a whole it fell by 13.0%);
- the agricultural production index fell by 19.% (in Ukraine by 4.8%);
- capital investment declined by 73.9% (in Ukraine by 1.7%);
- the volume of exports reduced by 86.4% (in Ukraine by 29.3%);
- foreign direct investment declined by 13.2% (in Ukraine by 5.5%).

In 2015 the Gross Regional Product (GRP) per

capita fell to UAH 14,079 and was the lowest of all the regions of Ukraine.²⁴ According to the results of monitoring of socio-economic development in the regions, Luhansk region was 24th (second last) for 12 comprehensive indicators.²⁵

The deterioration of the economic situation was reflected in lower income levels in the population:

- disposable income per capita was only UAH 14,988.3;²⁶
- wage arrears amounted to 71.9% (for the payroll for December 2015);²⁷
- the unemployment rate for those aged 15-70 (following ILO methodology) was 15.6%;²⁸

The sharp deterioration in the region's economic situation resulted from the unbalanced development of its northern and southern districts. The government-controlled area contain 25.9% of the total number of industrial enterprises,²⁹ mainly engaged in production of chemicals and chemical

23. Ministry of Economic Development and Trade of Ukraine, The Economic Development of Regions in 2015: Indicators for January-December 2015/until January-December 2014, ,

24. For reference, the highest GRP per capita was in Kyiv city (UAH 124,163) and Dnipropetrovsk region (UAH 53,749)

25. Ministry of Regional Development, Construction, Housing and Utilities of Ukraine <http://www.minregion.gov.ua/>

26. This was the worst result of all the regions of Ukraine; the highest income per capita was in Kyiv city (UAH 76,240.6 per person) and in Dnipropetrovsk region (UAH 38,346.2 per person)

27. This was the worst result of all the regions of Ukraine, the lowest level of arrears occurred in Chernivtsi (0.2%) and Ivano-Frankivsk (0.5%) regions

28. This was the worst result among all the regions of Ukraine, the lowest unemployment rate was in Kyiv (6.4%) and Odesa (6.5%) regions.

29. A total of 489 industrial enterprises, including nine large, 99 medium and 381 small enterprises

products, refined petroleum products,³⁰ paper and paper products, and mining, as well as small enterprises producing textiles, clothing and food products.

The major industrial enterprises are located in Severodonetsk city, Rubizhne city, Lysychansk city, Kreminna city. In the northern districts of the region there are agricultural companies and small food processing enterprises.

Machine building, metallurgical production, fabricated metal products enterprises and enterprises engaged in extracting anthracite thermal coal remained in the non-government controlled area.

Some industrial enterprises (such as Alchevsk Metallurgical Plant Private Joint Stock Company) re-registered in the government-controlled area, submit the statistical and tax reporting under Ukrainian legislation, and pay taxes to the appropriate budgets, but their production facilities remain in the temporarily occupied territory.

The major employers in the region are the chemical and coal enterprises, as well as public sector bodies.

In order to ensure the region's recovery and economic development it is important to improve transport and logistics infrastructure; create conditions for the introduction of structural changes, and provide support to micro-, small and medium enterprises to improve their administration, attract resources and provide for technological upgrade.

30. LYNİK Private Joint Stock Company (Lysychansk city). In 2014-2015, the enterprise did not produce industrial products, and work is currently underway to restore the production of polypropylene.

Objective 3.1.1.**To facilitate improvement of the competitiveness of regional enterprises**

In the absence of specific legal regulations for carrying out economic activity in free economic zones,³³ the most common tool for stimulating economic development is prepared spaces (industrial zones and industrial parks) for placing new production facilities for companies already operating in international markets and planning to expand or relocate production to other places (regions, countries) to make cost savings with regard to energy, raw materials, labour remuneration, logistics costs for the delivery of products to end consumers (including by sea, road and rail transport) given moderate (acceptable) levels of political and economic risk.³⁴

Another tool for stimulating economic development is creating conditions to improve the performance of local companies and facilitate their entry into new markets with existing products and to promote new, innovative and niche products (in particular in the construction sector).

The region's economic development in the context of free trade³¹ and the gradual reduction of state protectionism³² depends on the extent to which entities are able to manufacture competitive products for the world market and compete in the domestic market.

31. Since 2008, Ukraine has been a member of the WTO, and as of January 1, 2016 it joined a free trade area with the EU.

32. Gradual abolition of import and export duties and quotas for certain products, and of subsidizing certain sectors of the economy.

33. Law 2673-XII "On general principles of creation and functioning of the special (free) economic zones" was enacted on October 13, 1992. Article 5 sets out the procedure for creating a free economic zone.

34. The level of risk is envisaged in the discount rate used to calculate investment project yield. Its minimum value is taken from the discount rate of central banks (in 2016, the National Bank of Ukraine rate was reduced from 22% to 15.5%; for reference in Poland the rate was 1.5% and in Romania 1.75 %).

Despite the region's hard times, primarily because of the ATO and the disappearance of established sales channels and markets, the enterprises in the region have retained skilled workers, partially modernized the production facilities, and tried to develop new innovative products and participate in international exhibitions.

At this stage of reform it is important to assist the region's companies to use new approaches to business: analyse potential markets; modernize production facilities using all the available credit opportunities, including obtaining of new or used equipment on lease or through trade credit from domestic and foreign manufacturers; obtain credit from the programmes of international financial organizations (EBRD, IBRD) for the enterprises in their sector or related industries (in order to create value-added chains).

Expert assistance should be provided by business support organizations that can facilitate the professional development of staff of the enterprises on the most relevant development issues (including introducing the ISO 2015 quality management system; keeping accounts in accordance with international standards; establishing distribution networks and so on), and to accompany individual development projects and assist with establishing cooperation with national and international partners.

Objective 3.1.2.**To create the necessary prerequisites for innovative development of the region, including the preservation, utilization and development of scientific potential**

In Luhansk region, historically, there had been a strong chemical and oil refining cluster: its chemical enterprises were leaders in the world market for the production of fertilizers and polymer materials. Research and design institutes were available to provide support to the sector, and experts were trained in specialized higher and vocational educational establishments.

In the context of the research infrastructure, the share of the innovative products sold out of the total sold production of industry in 2015 was only 0.2%.³⁵

Innovation in the region can be promoted by the creation of interactive platforms to establish cooperation and partnerships between potential participants: production enterprises, research and educational institutions with the support of experts

on regional and international development. In order to ensure practical realization of the region's scientific potential it is important to analyse the constraints to innovative activity in enterprises, to develop mechanisms to eliminate them, and to ensure sustainability and continuity of the acquired knowledge and experience.

There are opportunities to participate in international programmes to provide support to the research and demonstration projects, such as the EU Horizon 2020 Programme,³⁶ and if there are prospects of developing new technologies and products related to energy efficiency, development of alternative energy sources, new technologies to produce materials, medical equipment, pharmaceuticals, technological modernization and development of the agro-industrial complex,³⁷ in the future, interested parties can register a technology park³⁸ and apply the special regime of innovative activity and other tools to support joint innovation projects³⁹.

35. by this indicator the Luhansk region occupies the last 25th place according to the results of monitoring of the socio-economic development of the regions in 2015

36. Horizon 2020 is the European Union Programme for Research and Innovation with a budget of about Euro 80 bn and a 7-year timeframe (2014-2020). In 2015, Ukraine became an associate member of the Programme. More information is available at: <http://h2020.com.ua/uk/>

37. In accordance with the Strategic Priorities for Innovation for 2011-2021, Article 4 of the LU On innovation activity priorities in Ukraine, #3715-VI of September 8, 2011

38. The draft law #2216a On amendments to some legislative acts of Ukraine on the activity of technological parks (prepared for the 2 reading).

39. Article 17 of the Law of Ukraine On innovation activity

Objective 3.1.3.

To increase the productivity and efficiency of agriculture

Luhansk region is located in the northern steppe natural climatic zone (the same as Donetsk and Dnipropetrovsk regions): this determines the favourability of agricultural production by moisture and temperature conditions. In the government-controlled area there are 1,281,900 hectares of agricultural land, including 895,700 hectares (69.8%) of arable land. A total of 964 agro-industrial entities and more than 45,200 private farms are engaged in agricultural production.

In 2015, the volume of gross agricultural production by all categories of entities amounted to UAH 4,035.7 million (in comparable 2010 prices) of which 78% were plant products.⁴⁰

Luhansk region ranks last for agricultural productivity of Ukraine's 24 regions. Agricultural production per 100 hectares of farmland in 2015 was UAH 234,500, which is almost three times lower

than the average level in Ukraine.⁴¹

Despite the fact that agricultural land is used intensively in Luhansk region, the main crop yield index is below the national average: the yield of winter crops was 26.5 quintals per hectare of harvesting area⁴³, of spring grain and leguminous crops: 22.7 quintals per hectare⁴⁴, and oil crops: 15.4 quintals per hectare⁴⁵.

The specifics of the natural and climatic zone and the agro-chemical characteristics of land⁴⁶ require the application of an evidence-based approach to supporting agricultural activities in the region, including the use of seeds, crop protection solutions and fertilizers. Prior to the ATO, applied research and selection activities were carried out at Luhansk National Agrarian University and other research institutions: the equipment and materials from this remained in the non-government controlled area.

40. A total of 1.7% of gross production in Ukraine, last (24th place) among all the regions of Ukraine. For reference, in 2013, Luhansk region produced 2.6% of the total volume of agricultural products (amounting to UAH 6,502.2 million, 21st of all the regions of Ukraine). Source: State Statistics Service of Ukraine Gross Agricultural Output (in constant 2010 prices) in 2015

41. For reference, in 2015, the average value in Ukraine was UAH 674,200, and the best results were recorded in Ivano-Frankivsk (UAH 1,125,700) and Cherkasy (UAH 1,103,000) regions.

42. In Luhansk region, the percentage of arable land was 66.5% (in Ukraine 53.9%). A total of 71.8% of agricultural land were eroded (data for 2010).

43. In Ukraine: 37.6 quintal from 1 hectare, in Dnipropetrovsk region: 33.2 quintal from 1 hectare of harvested area

44. In Ukraine: 45.1 quintal from 1 hectare, in Dnipropetrovsk region: 31.8 quintal from 1 hectare of harvested area

45. In Ukraine: 21.0 quintal from 1 hectare, in Dnipropetrovsk region: 22.1 quintal from 1 hectare of harvested area

46. Luhansk region's soil is mostly black earth with an increased (3.1-4.0) and high humus content (> 4). It is medium-alkaline (7.6-8.0) and highly alkaline (> 8) soil. In a 2010 agrochemical soil survey, 810,00 hectares were surveyed, of which 81% are high and medium alkaline soils; the highest rate of all the regions of Ukraine (average weighted pH 8.0, in Ukraine: 6.5, in the steppe zone: 7.0).

As in almost all districts of Luhansk region agriculture is a leading economic activity and sector of employment (private farms produce 45.3% of gross agricultural produce), it is important to increase its productivity by developing research, selection and advisory activities, establishing relevant infrastructure (opening breeding and incubation stations and laboratories to assess the quality of products and grain).

This goal includes the following key objectives:

- to establish the new and resume the operation of existing incubator stations for all types of poultry (in Novoaydar, Svatove and Stanychno-Luhansk districts);
- to establish inter-district breeding stations for artificial insemination of farm animals (cattle and pigs);
- to establish inter-district seed quality control laboratories for crops (Svatove, Troitsky, Bilovodsk and Kreminna districts);
- to resume the operation of the research, breeding and educational institutions in the region;
- to resume the operation of the Luhansk branch of the State Soil Protection Institute of Ukraine in order to monitor soil quality on agricultural land;
- to establish and develop advisory infrastructure at the regional and district levels with representation on village councils; and
- to implement measures to improve the effectiveness of advisory services.

Objective 3.1.4.

To facilitate the development of agricultural produce processing and expand its sales markets

Because of the armed conflict and the loss of control over part of the region, production links between agricultural producers and agricultural processing enterprises were broken. The main processing enterprises engaged in producing noodles, confectionery, sugar, chocolate, alcoholic beverages and poultry products remained in the temporarily non-government controlled territory.

The region's agricultural producers face the issue of access to markets and sales at market prices. The main domestic sales markets remained in the non-government controlled territory, and because of the status of the "ATO zone", the state of the roads and bad transport links with major cities in Luhansk and Kharkiv regions, the sales prices for agricultural products in the region are lower than in the neighbouring regions.

In order to improve the efficiency of the agro-industrial complex and ensure food security in the region, it is important to create conditions for efficient long-term storage, high-level processing of agricultural products in the region and expansion of sales markets, including foreign ones. The most

important objective is to provide comprehensive assistance with the establishment and development of medium and small processing enterprises, in particular at farms and farm associations, as well as to assist these enterprises to enhance their competitiveness and establish distribution channels for their products. Achieving this objective also envisages providing support for the development of consumer and production cooperatives and constructing modern vegetable and fruit storage facilities with access for small and medium enterprises. In addition, domestic and foreign investors implementing investment projects in agricultural produce processing in the region, including developing food production, should be provided with assistance and support.

One peculiarity of the region is that there are four stud farms in the Milove and Bilovodsk districts – Lymarivka stud farm #61; Derkul stud farm #63; Novooleksandrivka stud farm #64; and Striletsk stud farm #60 – which belong to the 'Horse Breeding of Ukraine' state enterprise. The farms grow stud breed horses (thoroughbred horses, Ukrainian saddle horses, Orlov Trotters, Russian Trotters and

Novooleksandrivka draft horses). Developing and implementing joint investment projects with state enterprises, local farms and entrepreneurs could become a new growth point for establishing and developing new businesses in the region.

Another way to increase the level of agricultural produce processing in the region may be to launch new, innovative activities : recycling agricultural waste to produce fuel pellets and briquettes, and growing energy crops.

This goal includes the following key objectives:

- to provide assistance with the establishment and operation of agricultural service cooperatives and other associations (especially in the ecologically clean districts of the region), to promote the development of cooperative supply channels for fuel and lubricants, storage, processing and distribution of agricultural produce;
- to construct vegetable and fruit storage facilities in Troitske and Svatove districts;
- to open a regional wholesale market for agricultural produce;
- to organize educational events devoted to areas of development of the food and processing enterprises, including the establishment of distribution (sales) systems;
- to promote the establishment of new and development of existing food and processing enterprises working to implement investment projects in the region;
- to facilitate the implementation of investment projects using the existing potential of regional stud farm development, including new businesses; and
- to facilitate the launching of new activities in the region: recycling of agricultural waste and growing of energy crops to produce fuel pellets and briquettes.

Objective 3.1.5.

To support the development of small business and promote self-employment, particularly for vulnerable groups including women and youth

Small and micro-enterprises play a special role in local economic development: they not only provide jobs for the local population but also can respond quickly to new niches (markets) in the region, and saturate the local market with quality and affordable products and services.

By level of entrepreneurial activity, Luhansk region lags far behind the other regions of Ukraine - per 10,000 population in the region there are only 108.3 small businesses (including micro-enterprises).⁴⁷ In other regions this indicator reaches 776.8 entities (in Kyiv city) and 607.2 entities (in Kharkiv region).

In order to support small business and self-employment of the population it is important not only to have access to financial resources for starting and developing one's own business, but also to provide support to entrepreneurs at different stages of their development.

Local business associations have an important role in establishing and developing small- and micro-businesses. They can act as customers and providers of expert education and consulting services for their members, promptly respond to changes in local business conditions, participate in the regulatory activities, and provide special support to women - entrepreneurs.

The measures will be implemented within the framework of the Regional Target Programme for Attracting Investment, Development, and Support for Small and Medium Enterprises in Luhansk Region for 2016-2017, approved by Head of Regional State Administration - Head of Regional Military-Civil Administration Resolution 84 as of March 1, 2016.

47. The worst of all the regions of Ukraine. Data from socio-economic development monitoring of the regions in 2015.

Operational goal 3.2.

Improve the state of the environment

Special attention to environmental protection, natural resource management, and ensuring environmental security are the main prerequisites for sustainable economic and social development.

The ongoing development of manufacturing activities, appearance of new production and materials, most of which during the process of their functioning and after its completion are the sources of active environment pollution, are forced to change the view of further economic development and technological progress at the same time evaluating them on the base of ecological priorities, presence of environmental risks and the level of ecological safety.

An integrated approach needs to be applied to natural resources management, ensuring their sustainable use and protection from depletion and pollution; conditions that are environmentally safe should be created for life and health of society, and changes in natural and anthropogenic processes in natural geographical region should be monitored.

Objective 3.2.1.

To develop and implement an effective system of household and industrial waste management

Waste remains one of the most significant causes of pollution in the region. Intensive industrial production contributes to formation and accumulation of significant amounts of technogenic waste, adversely affecting the territory's ecological status.

As of January 1, 2015, in designated sites (landfills, complexes, structures etc.) and at regional enterprises, 172,097,400 tons of waste were accumulated, of which 13,800 tons was Class 1, 63,800 tons Class 2, to 783,400 tons Class 3, and 171,236,400 tons Class 4.

As before, the most ecologically dangerous site in the region is a landfill for disposal of solid industrial waste from the chemical enterprises in the Lysychansk-Rubizhne area, located in Popasna district near Fuharivka village.

In Luhansk region, municipal solid waste (hereinafter MSW) is put into landfill by specialized companies at 36 landfills with a total area of almost 103 hectares. This approach is inexpedient and leads to the misuse of the region's land resources.

The vast majority of landfills are overloaded: that is they violate the design parameters with regard to volume of waste accumulated. This requires significant funds to be spent for reconstruction and

The issue of disposal and removal of household waste is particularly acute, despite ongoing measures in the region's cities and settlements.

technical upgrade. Many landfills lack the capacity for industrial sorting and recycling of waste. In settlements and villages with no specialized companies engaged in collection and transportation of MSW, household waste is placed in unauthorized landfills. MSW is disposed of in natural landforms: gullies, ravines and river valleys. This poses an environmental hazard as wastewater containing pollutants gets into bodies of water.

Landfills and MSW dumps are environmentally hazardous sites where biogas is released polluting the air and filtrates contaminate groundwater. In most landfills there household waste is burned, because waste disposal standards are not adhered to.

Meanwhile, MSW contains valuable components and is a potential energy source. Given the increasing volumes of MSW and the lack of separate collection, removal of valuable components from waste and its environmentally sound disposal is almost not addressed. Currently, there are no waste processing and incineration plants in the region: all household waste is placed in landfills (dumps).

Almost all landfills in the region lack waste separation, making it impossible to recycle about 70% of glass, paper, tins and other waste. Municipal solid waste potentially contains paper, textiles, ferrous and nonferrous metals, glass, polyethylene and other valuable components. It would be economically viable and environmentally sound to return at least some of them to economic turnover.

The current sanitation system of settlements is inadequate: due to fragmentation and disintegration there is insufficient oversight over the sanitary condition of areas, as well as over the collection, removal, disposal and dumping of MSW.

The least contaminated districts in the region are agricultural. However, they face another danger: the presence of agrochemicals and pesticides that are unsuitable or prohibited for use.

As of January 1, 2016 there were 36.5 tons of obsolete crop protection chemicals in the region, located in Popasna, Bilovodsk and Milove districts. In order to minimize their negative impact measures need to be introduced for their environmentally safe removal from the region for further disposal, and they should be inventorized to identify methods for further recovery.

36,5 tons

of obsolete crop protection
chemicals (as of 01.01.2016)

The key objectives related to waste management are as follows:

- to develop and implement a single integrated waste management system in Luhansk region;
- to reduce the volume of waste disposed of by arranging selective collection of secondary raw materials and/or sorting;
- to develop new secondary raw materials recycling technologies;
- to develop a network of companies engaged in collecting, recycling and disposing of waste;
- to design sanitation schemes for the regions' cities and districts that will bring waste generation regulations into line with the actual volumes of waste generated;
- to address issues related to the disposal, storage or removal of galvanic waste, obsolete crop protection chemicals, and provide for a reduction in their negative environmental impact by ensuring compliance with environmental protection and sanitary standards; and
- to form an ecological culture of population and facilitate awareness raising on safe waste management.

Objective 3.2.2.

To ensure the protection of rivers and reduce pollution of surface water sources

Luhansk region is under resourced in terms of water reserves. The supply of general water resources for the population is 1.7 times lower than, and of local water resources is half as much as, the average for Ukraine.

Another significant factor is pollution of surface water caused by wastewater discharges from industrial and utility enterprises, and runoff from residential areas.

Regional entities mainly use resource-intensive technology. Significant levels of water consumption per unit of production are inherent in almost all enterprises in the region.

The volume of polluted wastewater discharged into bodies of surface water in 2015 in the government-controlled area amounted to 82.1 million m³ (54% more than in 2014). Of this 72.2 million m³ were polluted.

The largest volume of the polluted return water is discharged by industrial and water supply and sewage enterprises. The main reasons include lack of capacity and the technical obsolescence of many water treatment facilities; and the discharge of industrial wastewater with a high content of petroleum products, heavy metals and so on into the urban sewage network.

The main environmental footprint in the region is concentrated in the Siversky Donets River basin, where landfills and ponds of industrial and household waste are located. Waste ponds of chemical enterprises are located in the Siversky Donets River valley, where there is a major underground water reserve. At their waste ponds there are high levels of pollution of mineral salts, nitrogen compounds and specific components, such as phenols, amino- and nitro-products and formaldehyde. This means that the current ecological status of the Siversky Donets River basin cannot be considered satisfactory. In addition, in recent years, there has been a steady decline in the water content of the Siversky Donets River.

With a view to improving the ecological situation, in 2013-2016 the Dniprodiprovodhosp Institute fully completed a survey for a feasibility study "Improving the hydrological regime and ecological state of the Siversky Donets River in the Kharkiv, Donetsk and Luhansk regions which cost a total of UAH 750,000.

In Luhansk region, the project of the fish passing facility at the Schastya city dam was developed. The remaining project works include regulating channels in the basins of Zhrebets River, Krasna River, Borova River, Aydar River, Yevsuh River, Tepla

River, Verkhnyovilkhova River, Derkul River, Verkhnya Bilenka River and other rivers with a total length of 199 km. This is intended to restore the hydrological regime of the silted rivers, protect settlements from flooding, and restore the water content of silted stretches of the rivers.

Utilities cause great harm to the region's rivers. Only 8% of the wastewater is treated.

The pollution of rivers significantly affects the quality of groundwater, which is the main source of water for the region's population and industry. By the level of chemical and bacterial contamination of the groundwater it is classified as polluted.

The volume of water intake from natural bodies of water (surface and underground fresh water resources) in 2015 in the government-controlled area, amounted to 132.8 million m³, including 23.6% from the surface sources (31.41 million m³) and 76.4% from underground sources (101.4 million m³) of water intake.

Only 14% of developed freshwater reserves meet the state drinking water standard.

Monitoring of the status of groundwater at the region's centralized water intakes shows a systematic deterioration of its quality. The groundwater quality is considerably affected by surface water, and return water, in particular mine drainage.

Landfills significantly impact groundwater. Groundwater is polluted with components that are specific to household waste, namely mineral salts and nitrogen compounds. In addition, in catchment areas there is contamination with oil products, heavy metals and micro-components.

The obtaining of project documents will ensure the implementation of measures to regulate the channel and restore the hydrological regime of rivers in Luhansk region.

8%

of the wastewater can be considered treated

14%

of the developed freshwater reserves meet the state drinking water standard

Objective 3.2.3.

To ensure anti-erosion soil protection and facilitate the restoration of degraded lands

76.1% of the oblast land was agriculturally developed in 2015 total amount of arable land in the agricultural area was 69.9%.

According to the data from the State Land Cadastre, as of January 1, 2015, in the region 2,100 hectares of to be cultivated land were registered, of which 1,100 hectares were wasteland in need of revegetation.

Data from a soil survey carried out in Luhansk region show that a significant proportion of soil is barely suitable for agricultural use due to its texture (sandy soil, sandstone, slate etc.), signs of salinity, rubble and waterlogging. Long term use of land for agricultural purposes, without taking adequate preservation measures, has led to physical and chemical degradation of the soil because intense erosion processes are accompanied by negative factors such as reduced humus and nutrient content.

The intense erosion processes include the following degradation factors: reduced humus and nitrogen content, decalcification, and pollution by chemicals. According to soil surveys carried out in Luhansk region, 85 per cent of agricultural land and 98.8% of arable land are affected by deflation processes: water erosion is observed on 63.6 per cent of agricultural land, including 69.9% of arable land. The area of the saline land is 75,700 hectares or 4% of agricultural land, and 41,200 hectares or 3.2% of arable land.

The influence of various anthropogenic factors, including pollution and contamination with waste and emissions to the atmosphere by various industrial enterprises of raw compounds, cause land degradation.

76,1 %

The agricultural development
of the region in 2015

69,9 %

the share of arable land in the
total area of agricultural land

The right bank land of the region is polluted by coal production enterprises. Waste rocks that adversely affect the environment occupy large areas around them. As a result of unauthorized open-pit mining operations there has been disturbance of soil's surface layer.

Objective 3.2.4.

To ensure protection of nature reserve land and forests

The development of the nature reserve fund is one of the priorities of environmental conservation and is intended to preserve unique and typical natural landscapes, and create conditions to recover the diversity of flora and fauna species.

The Law “On the Fundamental Principles of State Environmental Policy of Ukraine for the period until 2020” envisages the expansion of state conservation areas to 11% by 2017 and 20% by 2020. For Luhansk region the optimal indicator for conservation areas should be at least 5% in accordance with the Regional Target Programme for Development of the Ecological Network of the Region for 2010-2020. The current proportion of Luhansk region in the nature reserve fund is 3.97%.

The Luhansk region nature reserve fund includes 194 areas and objects with a total area of 93427.8 hectares, of which eight areas and objects of national significance make up 13731.0 hectares and 183 areas and objects of local significance make up 79651.6 hectares.

Currently, in the government-controlled area there are 126 (66%) nature reserve fund areas and objects of national and local significance with a total area of 74597.7 hectares (80%), including 6 areas and objects of national significance with a total area of 13057.5 hectares (95%) and 120 areas and objects of local significance with a total area of 61540.2 hectares (66%).

In the temporarily non-government controlled area, there are 64 nature reserve fund areas and objects of national and local significance with a total area of 18665.9 hectares, including 63 areas and objects

The main focus of biodiversity conservation is the definition of areas and objects of the nature reserve fund.

194

areas and objects of the nature
reserve fund

8

areas and objects of national
significance

183

areas and objects of local
significance

of local significance with a total area of 17992.4 ha; and, of national significance, the Hostra Mohyla garden art landmark park in Luhansk city with an area of 96.0 hectares; and the Provalsky step branch of Luhansk nature reserve (Sverdlovsk district), with a total area of 587.5 hectares.

The major gap with regard to plant and wildlife conservation is the low level of research into its status, as well as the lack of objective data on the population size of the vast majority of flora and fauna species.

The natural landscapes and resources of Luhansk region are under significant technogenic and anthropogenic load. The climatic conditions of the steppe zone pose risks to reforestation, forest breeding and conservation.

In these conditions, biodiversity conservation is of strategic importance for ensuring ecological safety. Thus, the state policy on conservation of plant resources is aimed at reforestation as the main natural element of environmental stability and preservation of areas occupied by natural vegetation including the steppe, the area and species diversity of which is annually reducing because of the impact of anthropogenic factors.

In the region there are 1,838 species of plants from 629 plant genera and 141 plant families. The Red Book of Ukraine includes 129 species of primarily steppe flora.

A major gap in wildlife conservation is the low level of research into its status and a lack of objective data on the population size of the vast majority of non-game species. Currently, in the region, only accounting of game species is ensured.

Diverse species make up the fauna of Luhansk region. In the region there are one species of cyclostomes, 48 species of fish, nine species of amphibians, 12 species of reptiles, 281 species of birds and 77 species of mammals.

Objective 3.2.5. **To restore the environmental monitoring system**

The state environmental monitoring system is aimed at preventing negative changes to the environment; ensuring compliance with environmental safety requirements; and controlling pollution of groundwater in the region.

The purpose of the environmental monitoring system (hereinafter – the EMS) is to implement the national strategy and action plan at regional level; improve its performance at meeting the needs of the national authorities, local governments and the public for providing operational and reliable information on the state of the environment in Luhansk region.

Therefore, a unified regulatory and methodological framework needs to be developed to ensure control over the quality of environmental components and to coordinate inter-departmental cooperation on carrying out environmental monitoring by establishing a centre to collate such data.

STRATEGIC GOAL 4. CREATION OF FAVOURABLE CONDITIONS FOR LIVING AND PEACEBUILDING

Operational goal 4.1. Improve personal and public safety

Objective 4.1.1. To create conditions for safe living and movement within the area

The incompleteness and inadequate equipping of the state border remains one of the potential threats to national interests and national security. Therefore, at national level, resolutions have been adopted on the unilateral demarcation of the state border with the Russian Federation,⁴⁸ and installation of appropriate engineering structures and fortifications in Kharkiv, Sumy and Chernihiv regions. In Luhansk region the engineering works are scheduled for 2016-2018.⁴⁹

Luhansk region has one of the highest industrial development levels and concentration of technogenically dangerous enterprises in Ukraine; and it is one of the regions at critical level of risk of occurrence of technogenic emergencies. As of January 1, 2016, there are 542 potentially dangerous objects in the region, 35 of which are chemically dangerous.⁵⁰ At most of the potentially dangerous objects the depreciation of the technical equipment and machines exceeds 85%. The zone of possible chemical contamination may cover over

Luhansk region has one of the highest industrial development levels and concentration of technogenically dangerous enterprises in Ukraine; and it is one of the regions at critical level of risk of occurrence of technogenic emergencies.

48. Cabinet of Ministers Resolution "On demarcating the Ukrainian-Russian state border"; the Concept of the State Targeted Law Enforcement Programme of Construction and Reconstruction of the State Border for the Period until 2020.

49. The Wall Project

50. More than 20 types of dangerous chemicals, with a total weight of 34,000, tons are stored or used in the production

240,000 people. In order to alert and inform the region's population about threats or occurrences of emergency, an automated system of centralized notification is used, which was commissioned in the region back in 1987. The modernization of the system will only be possible after the introduction of changes at national level which is development and adoption of a new alert system and schemes in all the regions of Ukraine.



At the majority of the potentially dangerous objects the depreciation of the technical equipment and machines exceeds 85%

Mines and unexploded ordnance that remain along the contact line pose a threat to the health and lives of civilians. In the spring and summer, during the summer holidays and seasonal agricultural work, as well as when the official entry-exit checkpoint is closed, the risk of accidents among civilians significantly increases. The demining of the areas will commence after the United Nations technical mission has provided conclusions on the scale of risks related to the mine explosives and assessed needs for mine action.⁵¹ However, prior to complete demining of the area, it is important to raise awareness among the local population of mine risks, and to modernize public safety programmes (including the provision of primary healthcare), in educational establishments and enterprises in the region.

In accordance with international agreements and international humanitarian law, residents of Luhansk region should be provided with safe and accessible movement across the contact line.

51. The UN technical mission, which included technical experts from the UN Development Programme (UNDP), the UN Children's Fund (UNICEF) and the UN Mine Action Service (UNMAS), worked in Luhansk and Donetsk regions between 23 January and 5 February 2016.

In Luhansk region a pedestrian crossing point was opened in the Stanytsya-Luhansk settlement; another crossing point is scheduled for opening in Zolote city in Popasna district.⁵² Due to low capacity⁵³ and depending on the working hours of the checkpoint and the day of the week, people of all ages and with various disabilities are forced to stand in line for up to five hours (and in case of ceasefire violation – for a much longer period, and even overnight).

Comfortable crossing conditions should be created at the checkpoints (including permanent medical units) and information should be provided (authorities' hotline numbers, contact data of charitable and humanitarian organizations and so on). In order to reduce the incidence of conflicts with the military at the checkpoints as well as in social protection institutions, it is necessary to establish information and counselling bureaus and involve local experts (lawyers and mediators) to provide for alternative dispute resolution.

This goal includes the following key objectives:

- to ensure the demining of areas;
- to develop a mechanism to compensate for losses and procedures for buying out (alienation) of land plots occupied by fortifications and planned for use in relation to the state border and military towns;⁵⁴
- to upgrade special machinery and equipment to carry out the rescue and other emergency operations, and radio communication;
- to raise awareness on mine risks, especially in areas located along the contact line.

52. As of 25 June 2016, the entry-exit checkpoint Zolote has not been opened.

53. The capacity of the pedestrian crossing point Stanytsya Luhansk is 5,000 people per day. The entry-exit checkpoint Zolote is designed for 1,500 vehicles per day (data requires clarification)

54. Along the state border, in the 50-meter zone next to the border line, 1,272 private land plots are subject to exchange or buy-out (alienation), with an area of 7,606.8 hectares. Fortifications occupy 143 land plots with an area of 715.55 hectares, including 121 private land plots with an area of 405.0924 hectares.

Objective 4.1.2.

To improve the social cohesion of the population and ensure open social dialogue at regional and local levels

The consequences of internal displacement are most vividly manifested at community level, and the region has been forced to face new challenges related to social cohesion. Clearly, in order to achieve an adequate level of unity and solidarity in a context of active and dynamic migration, local residents and IDPs should display mutual respect and understanding, no matter how long it takes to resolve the conflict in Eastern Ukraine.

Achieving a proper level of understanding and social cohesion in a context of internal migration is difficult because of different mindsets and values. This is further complicated by different perceptions of the ongoing processes by different generations, as well as the specifics of life in urban and rural areas and the increasing economic stratification of the society. The situation is aggravated by an overall decline in the real income of the population and a steady growth in the load of negative information from the media, which in some cases leads to manifestations of intolerance, discrimination and even violence.

Experience shows that effective achievement of understanding and cohesion requires implementation of the joint actions and projects devoted to different topics.

An important factor in the facilitation of the dialogue is the creation of conditions for holding joint meetings: places with open spaces and possibilities to engage in informal communication, which can be arranged in public recreation areas and cultural and educational centres, in traditional and more contemporary formats (such as hubs and co-working centres).

Objective 4.1.3.**To support the development of the regional media and implement measures to ensure information security**

Because of the armed conflict that began in the region in 2014, the regional information environment has almost completely been disrupted; three regional television channels (LOT, LKT and IRTA) and all the regional newspapers were suspended; and several large information websites were closed.

Currently, only the television channel LOT and PULSE radio (Luhansk Regional Management Branch of the National Television Company) transmit their programmes throughout the government-controlled territories of Luhansk region and, possibly being the only news station to some districts of the non-government controlled territories.

The key objectives of ensuring information security and building dialogue, mutual understanding and social cohesion in society include the following:

- to resume Ukrainian broadcasting in the region;
- to develop the regional media and the information environment;
- to conduct information campaigns on creating tolerant and anti-discrimination attitudes;
- to ensure distribution of the regional newspaper in settlements where there is no Ukrainian broadcasting; and
- to involve youth in the creation of their own content (children's newspaper, radio and television programmes etc.).

Operational goal 4.2.

Creation of conditions to implement the rule of law, gender equality and protection of human rights

Objective 4.2.1.

To promote the development of civil society and the implementation of mechanisms for public oversight over observance of the rule of law

Civil society development is a prerequisite for further democratic change in the country. Civil society organizations can act as independent actors and be a reliable partner to the authorities in analysis (including analysis of the regulatory impact of certain management decisions and their implementation), holding effective public consultations and introducing innovative practices for working with certain population groups (in particular, they may be the implementers of projects to provide social services and other assistance). However, they should have an appropriate level of organizational capacity, knowledge and skills to perform these functions professionally, in order not to lower the quality and not to slow down the preparation and adoption of documents and projects important for regional development.

The more capable civic associations are involved in the development of local decisions, regulations and development programmes the more efficient the design of alternative solutions for development issues and the definition of optimal approaches, and the more the activity of the local authorities will be clear and acceptable for certain population groups in the future.

Civil society development is a prerequisite for further democratic change in the country.

The first step in involving the public in decision-making was the establishment of advisory bodies⁵⁵ at the executive authorities (42 coordination and community councils were established at the Luhansk Regional State Administration).

However, in view of the reforms implemented in almost all spheres of the public life and the emergence of new challenges for society, it is important to more actively involve civic associations in developing innovative solutions, monitoring and providing information to the public, and implementing measures to consolidate society, and promote social cohesion and reconciliation.

In this regard, in Luhansk region the development of the Regional Programme and Action Plan to implement the National Strategy for Promotion of Civil Society Development for 2016-2020 was initiated focusing on the following priorities:

- involve the regional public in policy development by the state and local authorities;
- facilitate decentralization related to the development of local participatory democracy;
- support the information projects of civil society institutions;
- support for the organizational capacity of civil society institutions;
- support for initiatives by CSOs in the provision of social services to the population of the region; and
- social cohesion of communities and support for reconciliation and post-conflict peacebuilding, the fight against corruption and public safety programmes.

55. In accordance with Cabinet of Ministers Resolution 996 "On ensuring public participation in the formulation and implementation of state policy" of 03 November 2010

56. UN High Commissioner for Human Rights, Report on the human rights situation in Ukraine for the period of November 16, 2015 - February 15, 2016

57. As of January 1, 2016, wage arrears amounted to UAH 506.8 million.

Objective 4.2.2. To implement effective mechanisms to protection of human rights, taking into account the consequences of the armed conflict and its impact on the region's population

In addition to causing damage to infrastructure and a deterioration in the general economic situation in the region, the armed conflict in Eastern Ukraine has led to massive violations of human rights, especially among people who were forced to leave their homes due to threats to their lives and the lives of their family members.

The most common violations were observed in relation to socio-economic rights (including the re-issuing of IDPs' documents, receiving compensation for destroyed and damaged property, unlawful dismissal, repayment of wage arrears, the return of deposits in financial institutions located in the non-government controlled area and so on), and violations of human dignity, the right to liberty and personal inviolability (in the form of unlawful detention, gender-based violence, psychological pressure and ill-treatment, and inclusion in private databases).⁵⁶ Particular attention should be paid to the protection of children's rights, ensuring their rights to education and psychological assistance for adaptation to their new environment.

In the context of the military conflict in the region, the rights of persons to decent wages⁵⁷ and the property rights of economic entities⁵⁸ are violated. Addressing all these issues can only be ensured lawfully through the involvement of local human rights organizations to resolve disputes; this requires enhancement of the human rights movement and legal education mainstreaming among the military

and civilians on the fundamentals of human rights and international humanitarian law (including as part of implementation of the Action Plan of the National Strategy for Human Rights for the period until 2020⁵⁹).

This goal includes the following key objectives:

- to establish a unified register of destroyed and damaged housing in Novoaydar, Stanychno-Luhansk and Popasna districts;⁶⁰
- to ensure compensation for the costs of assessing the value of damaged and destroyed buildings and issuing statements of defects;
- to establish and maintain a register of arrears of wages, pensions and other social benefits;
- to ensure the functioning of consultancy human rights bureaus or human rights movement centres;
- to develop proposed amendments to current legislation on the protection of human rights on the basis of violations detected in the region's cities and districts;
- to ensure training of the local experts (mediators) in alternative conflict resolution;
- to implement legal education activities among the military and civilians on the fundamentals of human rights and international humanitarian law; and
- to ensure advocacy on issues addressed at national level.

58. Twenty-seven agricultural enterprises incurred losses amounting to UAH 35.8 million, of which destruction of buildings and agricultural facilities came to UAH 14.7 million; cattle death UAH 700,000; destruction of agricultural equipment UAH 2,400,000; and losses due to the inability to harvest UAH 18.0 million.

59. The Action Plan was approved by Cabinet of Ministers Resolution 1393-r as of November 23, 2015. <http://www.kmu.gov.ua/control/uk/cardnpd?docid=248740679>

60. The objective will be implemented after adoption of the Resolution on the Procedure for provision of financial assistance and reparations to persons affected during the anti-terrorist operation in Donetsk and Luhansk regions. As of January 1, 2016 the Resolution has not been adopted; a Working Group was established at the Ministry for Regional Development, Building and Housing of Ukraine to develop a mechanism to provide assistance

Objective 4.2.3.**To strengthen the capacity of communities for integration and to ensure equal opportunities for IDPs and other vulnerable groups, including women and youth**

The presence in the region of the government-controlled and non-government controlled areas has led to mass migration and the emergence of a new social group of internally displaced persons (IDPs). By exercising their right free choice of residence within the country, the IDPs have exacerbated systemic issues already facing the host communities, especially with regard to the accessibility of housing:

- the cost of renting housing from private owners in regional centres was higher than the average regional wage (in 2013, prior to the mass migration of people from the temporarily occupied territories, as well as in 2015, the cost of rental of housing increased by 10-30%);
- there is almost no social housing available: as of January 1, 2015 there were 3,042 hostels in Ukraine: for 51.8 of them permits had been issued for privatization.⁶¹ Of 657,000 families and single individuals included in the housing waiting list, only 3,000 were provided with housing during the year;⁶²
- there are limited opportunities for provision of preferential housing loans. In 1998–2015, the state housing programmes were used by only 41,326 families (of whom 52% received preferential loans under the 'Own House' State Programme of Support for Individual Housing Construction in Rural Areas for 2011- 2015);⁶³
- the vacant housing that is available in the rural area

is in remote locations without convenient transport links and is not connected to utilities (gas and water supply systems).

The specific feature of IDP status is the fact that it is granted temporarily, until conditions are in place for safe return to the place of permanent residence or relocation to any other part of the country. During this period the IDPs retain the ownership of property that was left due to their relocation, and if there is no possibility to return such property to owners, adequate compensation or fair reimbursement in any other form should be ensured.

Therefore, an important aspect of maintaining the social stability and cohesion in the region is the improving social, housing and household infrastructure in the host communities, so that both local residents and the newcomers (in particular the most vulnerable groups) will be able to receive quality socially important services in equal volumes.

The issues related to the rehabilitation/renovation of assets under construction and their use for housing, as well as the construction of new residential houses should be addressed during implementation of the Regional Target Programme for the Formation and Development of Social Housing Stock in Luhansk region for 2016-2020, and after the development and approval of a new master plan for housing development in Luhansk region.

61. In the Luhansk region there were 71 hostels; and permits for privatization were issued for 43 of them in 2015;

62. Statistical data on the Housing Stock of Ukraine. <http://www.ukrstat.gov.ua/>

63. Ministry for Regional Development, Building and Housing of Ukraine, The information and analytical paper on the implementation of housing programmes, 2016. <http://www.minregion.gov.ua/>

Operational goal 4.3.

Preservation and dissemination of the historical and cultural heritage of Luhansk region

Objective 4.3.1.

To support cultural institutions and arts development

State policy in the culture sector was implemented in the region by 690 cultural institutions, including 338 public libraries, 297 clubs, 29 aesthetic education schools, 13 museums, 4 cinemas, 3 parks, 2 regional theatres, 2222 regional methodological centres, the Philharmonic Hall and the Regional Music School.

One of the main objectives of Luhansk regional development is to strengthen the Ukrainian consciousness and ensure patriotic education as well as create conditions for meeting the cultural needs and development of the creative potential of the region's residents by supporting cultural institutions and arts development.

This goal includes the following key objectives:

- to ensure implementation of the state policy in the culture sector, in relation to the protection of cultural heritage and inter-ethnic relations;
- to create an adequate working environment for culture professionals;
- to facilitate the professional development of cultural experts;
- to ensure coordination and methodological guidance for clubs, museums, library activities and aesthetic education of children;
- to ensure the free development of cultural and art processes;
- to ensure the accessibility of all types of cultural services and cultural activities for everybody;
- to strengthen the relevant infrastructure; and
- to ensure the rights of minorities and citizens to freedom of religion.

690

cultural institutions

338

public libraries

297

clubs

29

schools of aesthetic education

13

museums

4

cinemas

2

regional theatres

2

regional methodological centers

3

parks

Objective 4.3.2.**To promote the historical and cultural heritage of Luhansk region**

Creative activity and touring within the region, Ukraine and abroad were performed by the Luhansk Regional Philharmonic Hall, the Luhansk Regional Academic Ukrainian Drama Theatre, the Luhansk Regional Cossack Equestrian Theatre, the Severodonetsk Regional Academy of Music named after S.S. Prokofyev, professional and amateur on-stage performance groups, and folk art amateurs from cities and districts in the region, promoting the historical and cultural heritage of Luhansk region.

Promotion of the historical and cultural heritage of Luhansk region will be ensured through the following:

- support for on-stage performance groups in touring;
- intercultural exchange with other regions of Ukraine;
- holding of festivals and contests;
- holding of film screenings, exhibitions, lectures and workshops at libraries, museums, clubs and schools of aesthetic education in the region;
- announcement and coverage of cultural events in the media; and
- development of manuals.

STAGES, MECHANISMS,
INSTITUTIONAL,
ORGANIZATIONAL
AND FINANCIAL
SUPPORT OF STRATEGY
IMPLEMENTATION

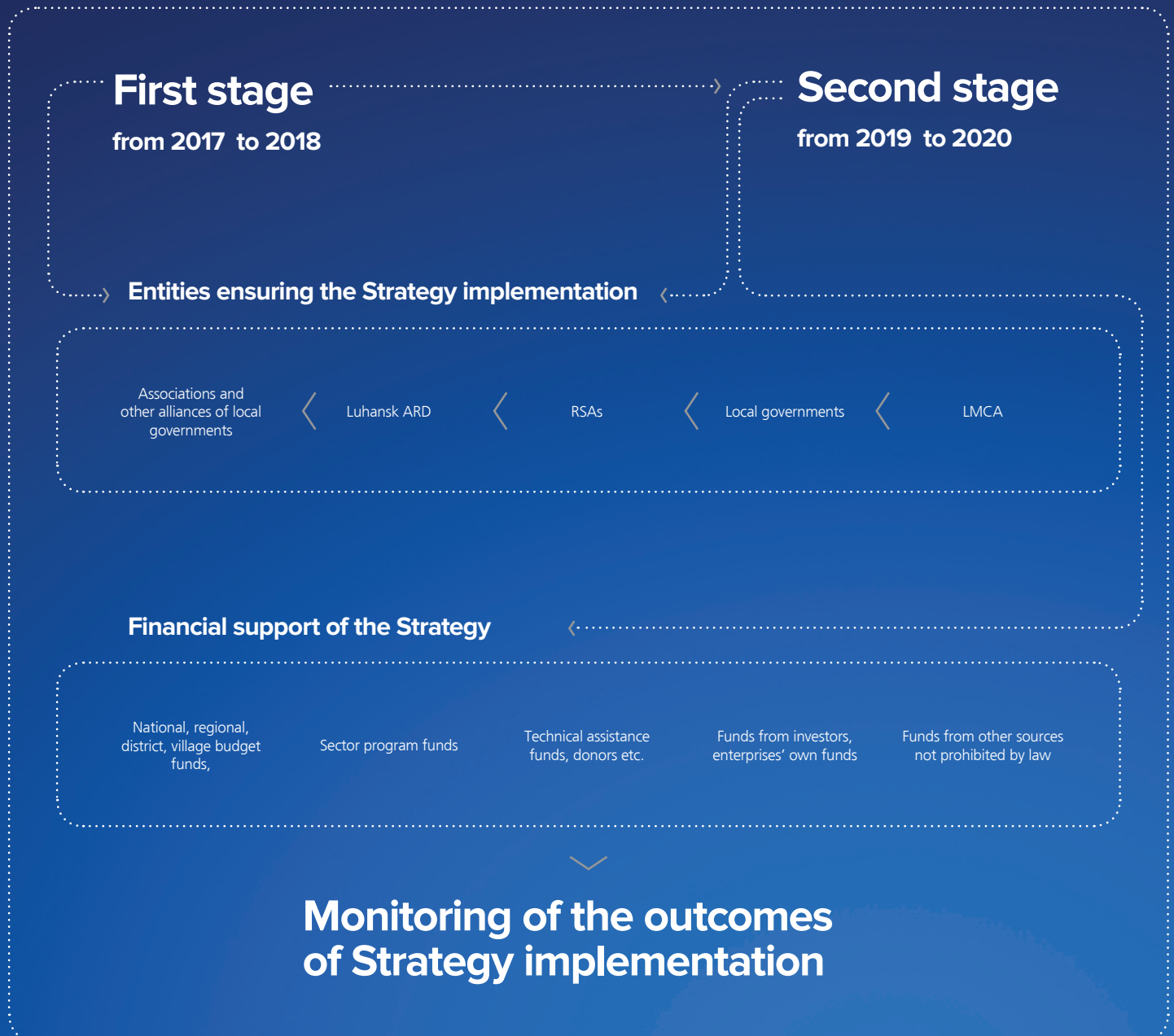
The methodology for implementing the Strategy envisages the setting of priorities for achieving its goals. It is important to implement the Strategy within two successive and related programme cycles (stages) included in two Implementation plans:

- First – 2017–2018; and
- Second – 2019–2020.

The Strategy will be implemented in accordance with the requirements of the development, monitoring and evaluation procedure for implementation of regional development strategies. Certain goals and objectives of the Strategy were formulated taking into account expected legislative changes related to the structure of public administration, administrative and territorial structure, budget decentralization and new forms of state support for regional development. They will be implemented in line with the content and time of introduction of the relevant changes.

The goals and objectives of the Strategy will be achieved through specific projects and activities in accordance with the Plan of implementation of projects and objectives, as well as within the framework of implementation of the regional target programmes.

Fig.3 The mechanism of implementation of the Luhansk Region Development Strategy for the period until 2020



The Plan also defines the main implementers. Projects and activities included in the Plan are taken into account during the preparation of annual economic and social development programmes for the regions and draft local budgets.

Institutional support for the Strategy implementation will be provided by the Luhansk Regional Development Agency, the main objectives of which include the following:

- to participate in the development of strategic regional development documents (including the Action Plan);
- to participate in the development and implementation of regional development projects and to ensure support for them in the course of receiving funding for their implementation;
- to participate in the development and implementation of the regional target programmes and the programs of socio-economic development;
- to attract investment, credit resources, and international technical assistance to support regional development;
- to arrange training on project management and the activity of international organizations' in Ukraine (including the activity of development projects and organizations providing humanitarian assistance);
- to hold events for the study and dissemination of the best national and international practice on local and regional development management, especially in the context of implementation of the national reforms (public administration reform, education and healthcare reforms and reforms in the public safety sector).

Every two years, on the basis of the Strategy monitoring, any need to clarify or revise certain components of the Strategy in the light of the new trends and developments that may arise will be assessed, as well as the impact of external and internal factors.

**Financial support for Strategy implementation
will be ensured through:**

- the State Regional Development Fund;
- the funds of sectoral (intersectoral) state target programmes as well as budget programmes of the central executive authorities allocated for the development of specific sectors in the regions;
- subventions and other transfers from state budget to local budgets;
- local budgetary funds;
- international technical assistance and international financial institutions' funds;
- the funds of both foreign and domestic investors.

To comprehensively address the current development issues it is important to ensure coordination and cooperation between all stakeholders – executive authorities and local governments, development projects, humanitarian organizations, regional and local authorities, and civil society organizations.

Joint action planning will be carried out on implementing projects, programmes and initiatives of the European Union, UNDP and other international organizations in Luhansk region during meetings of the Regional Coordination Council.

MONITORING AND **EVALUATION OF** **IMPLEMENTATION** **OF THE REGIONAL** **STRATEGY**

The purpose of the Strategy monitoring is to provide the region's leadership with full, prompt, reliable, easy-to-interpret information on the social and economic processes in society.

Monitoring analysis is required to make managerial decisions regarding the development of areas. A monitoring, which is a systematic process of collection, analysis and processing of indicators by using modern information and communication systems and technologies, will also allow to determine the integral indicators to identify the compliance of the current economic state of the oblast strategically. The main monitoring objectives are as follows: to collect information reflecting all the aspects and specifics of socio-economic processes in the region; to provide this information to the authorities, institutions, organizations and the population of the regions; to improve the system of data collection, storage and processing by introducing modern information and communication systems and technologies; to ensure comprehensive analysis and processing of the information obtained; to improve the system of regional statistical indicators; to develop a system of private and integral indicators of economic and social development to comprehensively assess the region's level of socio-economic development; to examine potential issues before they become real; to develop recommendations on eliminating negative and supporting positive development trends; to develop criteria and a system of indicators to characterize depressed areas; and to develop forecasts for the development of administrative-territorial units.

In the framework of implementation of the Strategy and the regional development strategies, the monitoring of achievement of goals will be carried out every six months by comparing the actual obtained indicators with their projected values. The evaluation of the achievement of the Strategy's goals will be conducted on the basis of the results of the first and second stages of Strategy implementation by the Ministry of Regional Development, Building and Housing and the local executive authorities one year after completion of the respective stage.

Monitoring of the Strategy will be carried out based on indicators from the State Statistics Service and its territorial bodies, submitted for monitoring and evaluation of implementation of the regional strategy.

The report on the results of implementing the regional strategy should contain the following:

- a short description of activities and the impact of their implementation on the region;
- information on the scale of implementation of activities compared to the expected results defined in the plan;
- data on the planned and actual amounts and sources of funding of activities;
- a summary of the main obstacles to implementation of specific activities and measures taken to overcome them; and
- information on changes to the indicators of socio-economic development.

A system to evaluate the effectiveness of Strategy implementation will additionally be developed in accordance with the Methodology for Monitoring and Evaluation of the Effectiveness of Implementation of the National Regional Policy approved by Cabinet of Ministers Resolution 856 as of October 21, 2015, the Methodology for Development, Monitoring and Evaluation of Effectiveness of Implementation of the Regional Development Strategies and Action Plans approved by the of the Ministry of Regional Development, Building and Housing Order 79 as of March 31, 2016 and taking into account the SCORE Index methodology for assessing the level of social cohesion.

ANNEXES **TO THE STRATEGY**

Annex 1 to the Strategy

Goals and objectives of the updated Luhansk region Development Strategy for the Period until 2020

Strategic goals	Operational goals	Key objectives
1. Resumption of access to critical infrastructure and restoration of services provision	1.1. Rehabilitation and development of critical infrastructure and ensuring its stable functioning	<p>1.1.1. To ensure sustainable energy supply and improve the energy security</p> <p>1.1.2. To ensure sustainable, quality and efficient water supply and sewage</p> <p>1.1.3. To rehabilitate transport and logistics infrastructure and improve transportation</p>
	1.2. Resumption and development of quality and accessible state and municipal services	<p>1.2.1. To rehabilitate and develop the regional healthcare infrastructure</p> <p>1.2.2. To rehabilitate and develop the regional social services infrastructure</p> <p>1.2.3. To restore the operations of the regional archival fund and archival system</p> <p>1.2.4. To improve access to quality healthcare, education and social services</p> <p>1.2.5. To improve access to sports infrastructure and promote sports development</p>
2. Strengthening the local authorities' capacity in the context of decentralization and informatization	2.1. Establishment and strengthening of amalgamated communities	2.1.1. To support the establishment of amalgamated communities and promote their further development
	2.2. Strengthening local communities' capacity for municipal property management	<p>2.2.1. To strengthen local communities' capacity for management of water supply and sewage systems</p> <p>2.2.2. To strengthen communities' capacity for heating supply systems management</p> <p>2.2.3. To strengthen communities' capacity for energy conservation and energy efficiency</p>
	2.3. Strengthening the communities' capacity for provision of quality services to the population	<p>2.3.1. To strengthen communities' capacity for provision of quality social service</p> <p>2.3.2. To strengthen communities' capacity for provision of quality education services</p> <p>2.3.3. To strengthen communities' capacity for provision of legal aid and ensuring public safety</p>

Strategic goals	Operational goals	Key objectives
3. Economic recovery and transition to sustainable development	3.1. To increase the stability of the regional economy and ensure its transition to sustainable growth	<p>3.1.1. To facilitate an improvement in the competitiveness of regional enterprises</p> <p>3.1.2. To create the necessary prerequisites for innovative development in the region, including the preservation, utilization and development of scientific potential</p> <p>3.1.3. To facilitate an increase in the productivity and efficiency of agriculture</p> <p>3.1.4. To facilitate the development of agricultural produce processing and expand its sales markets</p> <p>3.1.5. To support the development of small businesses and promote the self-employment of the population, particularly vulnerable groups including women and youth</p>
	3.2. Improvement of the state of the environment	<p>3.2.1. To develop and implement an effective system for household and industrial waste management</p> <p>3.2.2. To ensure protection of rivers and reduce the pollution of surface water sources</p> <p>3.2.3. To ensure anti-erosion soil protection and facilitate the restoration of degraded lands</p> <p>3.2.4. To ensure protection of the nature reserve fund and forest sector</p> <p>3.2.5. To restore the environmental monitoring system</p>
4. Creation of favorable conditions for living and peacebuilding	4.1. Increase personal and public safety	<p>4.1.1. To create conditions for safe living and movement within the area</p> <p>4.1.2. To improve the social cohesion of the population and ensure open social dialogue at regional and local levels</p> <p>4.1.3. To support development of the regional media and implement measures to ensure information security</p>
	4.2. Creation of conditions for ensuring the rule of law, gender equality and protection of human rights	<p>4.2.1. To promote civil society development and implementation of mechanisms for public oversight over observance of the rule of law</p> <p>4.2.2. To implement effective mechanisms for protection of human rights, taking into account the consequences of the armed conflict and their impact on the region's population</p> <p>4.2.3. To strengthen communities' capacity for integration and ensuring equal opportunities for IDPs and other vulnerable groups, including women and youth</p>
	4.3. Preservation and dissemination of the historical and cultural heritage of Luhansk region	<p>4.3.1. To support cultural institutions and arts development</p> <p>4.3.2. To promote Luhansk region's historical and cultural heritage</p>

Annex 2 to the Strategy: Consistency of the strategic and operational goals of the updated Luhansk region Development Strategy for the Period until 2020 (revised version of 2016) with the strategic/operational goals of the National Strategy of Regional Development for the Period until 2020

Table 2.1.
Consistency of the strategic goals of the updated Luhansk region Development Strategy for the Period until 2020 (revised version of 2016) with the strategic goals of the National Strategy of Regional Development for the Period until 2020*

Strategic goals of the National Strategy of Regional Development for the Period until 2020	Strategic goals of the Luhansk region Development Strategy for the Period until 2020			
	Resumption of access to critical infrastructure and services	Strengthening local authorities' capacity in the context of decentralization and informatization	Economic recovery and transition to sustainable development	Creation of favourable conditions for living and peacebuilding
1. Increased regional competitiveness	++	++	+	++
2. Territorial socio-economic integration and spatial development	++	+	++	++
3. Effective public administration of regional development	+	++	++	+

* The symbol "++" indicates full consistency of the strategic/operational goals of the National Strategy of Regional Development for the Period until 2020 (revised version of 2016) with the strategic/operational goals of Donetsk region for the period until 2020, mark "+" indicates general consistency.

Annex 3 to the Strategy

Estimated indicators of implementation of the Luhansk region Development Strategy for the Period until 2020 (revised version of 2016)

Indicators as percentage compared to the previous year	2017			2019		
	Baseline	Optimistic scenario	Pessimistic scenario	Baseline	Optimistic scenario	Pessimistic scenario
Gross Regional Product Index	102.3	103.5	101.0	103.5	104.0	103.0
Average annual consumer price index	111.5	110.4	112.6	106.3	105.5	107.0
Industrial production price index	109.8	108.5	111.1	100.5	104.7	105.3
Average monthly nominal wages adjusted by consumer price index	102.2	103.7	100.7	105.0	104.6	102.8
Unemployment rate of the population aged 15-70 according to IOM methodology	9,7	9,2	10,2	8,35	7,7	9,0
Labour productivity	100.95	101.8	100.1	102.7	103.4	101.9
Exports of goods and services	110.3	111.5	109.1	110.95	111	110.9
Imports of goods and services	110.4	111.9	108.9	111.5	111.8	111.2

* According to the Forecast for the Economic and Social Development of Ukraine for 2016-2019 approved by Cabinet of Ministers Resolution 558 as of August 5, 2015.

Annex 4 to the Strategy

The Strategic Planning Process

The Luhansk region Development Strategy for the period until 2020 is a comprehensive document outlining the priorities and directions of development of the region in the sphere of economic, social and environmental policy for the period until 2020, as well as the ways and means for their implementation.

Development of the Strategy was based on the partner and expert model of preparation of strategic documents, taking into account three basic principles of strategic planning:

1. The principle of partnership: the process involved all the actors involved in regional policy, including representatives of regional and local authorities, research institutions, business associations and CSOs;
2. The principle of realism: the goals of development of the region were defined taking into account the powers of the regional and local authorities, as well as existing resources and opportunities for development;
3. The principle of transparency: the whole process of updating the strategic plan was covered in the regional media, and the materials of working meetings are available on the information resource <http://strategy2020.lg.ua/>.

The development of the Strategy was based on the provisions of the following documents:

- the State Strategy of Regional Development of Ukraine for the period until 2020 approved by Cabinet of Ministers Resolution of Ukraine 385 as of August 6, 2014;
- the Procedure for design of regional development strategies and action plans for their implementation, as well as of monitoring and evaluating the effectiveness of implementation of these regional strategies and action plans approved by Cabinet of Ministers Resolution 932 as of November 11, 2015;
- the Concept of the National Target Programme of Recovery and Peacebuilding in the Eastern Regions of Ukraine approved at the Cabinet of Ministers meeting on August 31, 2016;

During the development of the Strategy the following reports and analytical papers were used:

- Ministry of Regional Development, Construction, Housing and Utilities, Monitoring of the Socio-Economic Development of the Regions in 2015, conducted in accordance with Cabinet of Ministers Resolution 856 "On Approval of the Procedure and Methodology of Monitoring and Evaluating the Effectiveness of Implementation of the State Regional Policy" as of October 21, 2015;
- European Union, the United Nations and the World Bank, Summary report Eastern Ukraine Recovery and Peacebuilding Assessment;
- UNDP Project Rapid Response to Social and Economic Issues of Internally Displaced Persons in Ukraine, Materials for the Regional Target Programme for Support and Adaptation of Internally Displaced Persons in Luhansk Region in 2016-2017, funded by the Government of Japan;
- UNDP Project Restoration of Social Services and Establishing Peace in the Donetsk and Luhansk Regions, Materials for the Regional Programme of Restoration and Improvement of Social Services for the Population of Luhansk Region in 2016-2017 funded by the Government of Japan;
- Project Improving Access to Water, Sanitation and Hygiene in the Conflict – Affected Areas of the Luhansk Region, Materials for the

Programme of strengthening the capacity of the local communities in Luhansk region related to the observance of sanitary living conditions supported by UNICEF in Ukraine in cooperation with the CSO Agency of Sustainable Development of the Luhansk Region.

In addition to the targeted regional programmes developed in 2015-2016 by the relevant departments and divisions of Luhansk Regional State Administration, reports from on-site meetings of the following international projects were used as analytical papers:

- European Union Delegation to Ukraine, Programme Instrument contributing to Stability and Peace (FPI); materials of meetings with the management of the Luhansk Regional Civil-Military Administration and representatives of the AIC on 13-14 April, 2016;
- UNDP Project Restoration of Governance and Reconciliation in Conflict - Affected Communities of Ukraine, materials of meeting with journalists on 20 April, 2016;
- UNDP Project Rule of Law and Community Justice for Conflict-Affected Areas in Ukraine, materials of meetings with representatives of the Prosecutor's Office and the police as well as amalgamated local communities as of August 3-4, 2016.

The updating of the Luhansk region Development Strategy for the period until 2020 was carried out in the following stages:

1. Organizational stage

In order to update the Luhansk region Development Strategy, in accordance with the Order 395 of the Head of the Luhansk State Regional Administration / Head of the Regional Civil-Military Administration as of July 7, 2016, Working Groups of the Committee on updating the Strategy were established for five areas: Economy and Environment, Infrastructure and Life Support System, Decentralization and Democratic Governance, Social Sphere and Culture; and Social Security and Peacebuilding.

Organizational and methodological support was provided by the UNDP Project Economic and Social Recovery of Donbas Region funded by the Government of Japan, with the participation of experts from the CSO Agency of Sustainable Development of Luhansk Region.

2. Socio-economic analysis of the region's development

Socio-economic analysis of development in the region was conducted on the basis of available statistical data, materials from the structural units of Luhansk Regional State Administration and analytical materials and reports developed during implementation of international technical assistance projects in Luhansk region.

At their meetings, each Working Group identified the most pressing issues in the relevant sphere and discussed possible solutions taking into account the powers of regional and local authorities as well as the context of changes to national legislation. The results of the discussions were presented in a SWOT matrix.

3. Updating the region's development goals

At this stage, the members of the Committee on updating the Strategy formulated a strategic vision for Luhansk regional development and identified strategic and operational objectives for regional development, taking into account the impact of the anti-terrorist operation in the region, structural changes in the regional economy and in the context of implementation of national reforms. Discussion of the regional development goals took place in towns and districts in the region during on-site meetings of the Committee to update the Strategy on August 11-17, 2016.

Problematic issues related to development in certain economic sectors (including the coal industry) and the activity of state enterprises will be addressed through the establishment of joint Working Groups with central executive authorities.

4. Public discussion and approval

In order to obtain suggestions and comments from all stakeholders, the strategic planning process and the draft of the updated Luhansk region Development Strategy for the period until 2020 were included on the information resource <http://strategy2020.lg.ua/>.

Annex 5 to the Strategy

List of public and civic institutions and international organizations, which participated in updating the Strategy

Business:

- "Kreminna Business Association"
- Agricultural firm "Lan", Svatove city
- "System" Public Enterprise, Severodonetsk city
- "Starobilsk Food Plant" Public Enterprise
- Peasant farm enterprise "Progress-10", Svatove city
- Peasant farm enterprise "Prolisok", Svatove city
- "Green Energy", Limited Liability Company, Rubizhne city
- "Mriya-Invest", Limited Liability Company, Severodonetsk city
- V.L. Shulyak, Entrepreneur, Bilovodsk village
- "Agency for Educational Initiatives" CSO, Severodonetsk city
- "Volva" CSO
- "Dzhereltse-2015" CSO, Bilovodsk district
- "Women of the Luhansk Region" CSO, Severodonetsk city
- "Development and Social Initiatives Institute" CSO
- "Happy Future of the Milovsk District Villages" CSO
- "Youth Sloboda" CSO, Svatove district
- "Local branch of the territorial division of the Ukrainian civil society organization "Taxpayers Association of Ukraine" in Luhansk region, Severodonetsk city

Civil society and charitable organizations:

- The "Luhansk Regional Organization of People with Disabilities" of the Ukrainian Organization of People with Disabilities
- "Union of Organizations of Persons with Disabilities of Ukraine"
- "Vostok SOS" Charitable organization, Severodonetsk city
- "Ukrainian Women's Fund" Charitable organization
- "Sonechko" CSO, Vrubivka village
- "Foundation of Regional Initiatives" All-Ukrainian youth civil society organization
- "Agency for Free Regional Development of the Eastern Donbas" CSO
- "Effective Community" CSO Centre for Joint Development, Starobilsk city
- Public Council at the Milove District State Administration of Luhansk region
- "Our Community" Kreminna Regional Development Centre
- "Siversky Donets" Crisis Media Centre
- "Fund of the Luhansk Region Communities "Hors" LRCF
- "Business Club European Choice" Luhansk Regional Organization
- Luhansk Regional Chamber of Commerce and Industry
- "Phoenix" CSO, Novoaydar District
- Reform Office in Luhansk region

- “Our Community” Kreminna Regional Development Centre, District CSO
- Regional Council of Entrepreneurs at the Regional State Administration
- Svatove District Organization of Veterans of Ukraine
- Starobilsk District Women’s Human Rights Organization “Victoria”
- “Eastern Human Rights Group” Eastern Centre for Combating Corruption CSO
- Swiss Cooperation Office in Ukraine

Utility enterprises:

- “Rubizhneteplokomunenerho” Utility Enterprise
- “Road maintenance company” Utility Enterprise, Rubizhne city

City Councils:

- Lysychansk
- Rubizhne
- Severodonetsk

Healthcare:

- Bilovodsk Central District Hospital
- Svatove District Territorial Medical Unit
- Svatove District Primary Care Centre
- Stanychno-Luhansk District Territorial Medical Association
- Starobilsk District Territorial Medical Unit
- Starobilsk District Primary Care Centre

Researchers:

- Institute of Economics and Management of the Eastern Ukrainian University named after V. Dal
- “Iskra” Research Institute of the Eastern Ukrainian University named after V. Dal
- Luhansk National Taras Shevchenko University
- Donbas State Technical University
- Luhansk Branch of the Institute of Economic and Legal Research of the National Academy of Science of Ukraine

United Nations Development Programme:

- Restoration of Governance and Reconciliation in Crisis-Affected Communities of Ukraine
- Economic and Social Recovery of Donbas Region
- Community-based Approach to Local Development
- Rapid Response to the Social and Economic Issues of Internally Displaced Persons in Ukraine

District State Administrations:

- Bilovodsk
- Bilokurakhyne
- Kreminna
- Markivka
- Milove
- Novoaydar
- Novopskov
- Popasna
- Svatove

- Stanychno-Luhansk
- Starobilsk
- Toitske

Structural units of the RSA:

- Department of Agro-Industrial Development
- Department of Ecology and Natural Resources
- Department of Economic Development, Trade and Tourism
- Department of Utilities
- Department of Foreign Relations, Foreign Economic and Investment Activity
- Department of Municipal Property, Land and Property Relations
- Department of Mass Communications
- Department of Education and Science
- Department of Health
- Department of Regional Development, Industry, Infrastructure and Energy Efficiency
- Department of Social Protection of Population
- Department of Finance
- Department of Emergencies
- Department of Capital Construction
- Department of Culture, Nationalities and Religions
- Department of Urban Planning and Architecture
- Department of Youth and Sports
- Department of Regulatory Activity and Decentralization
- Office of Children's Services of the Regional State Administration

- State Archive of Luhansk region
- Division of Cooperation with Law Enforcement Agencies and Defence of the Regional State Administration

Village and Settlement Councils:

- Arapivka Village Council, Troitsky district
- Vrubivka Village Council, Popasna district
- Honcharivka Settlement Council, Popasna district
- Horodyshche Village Council, Bilovodsk district
- Dmytrivka Village Council, Novoaydar district
- Yevsuh Village Council, Bilovodsk district
- Kononivka Village Council, Bilovodsk district
- Kuzemivka Village Council, Svatove district
- Mistky Settlement Council, Svatove district
- Nyzhnobaranykivka Village Council, Bilovodsk district
- Novolymerivka Village Council, Bilovodsk district
- Novooleksandrivka Village Council, Troitsky district
- Oborotnivka Village Council, Svatove district
- Preobrazhenka Village Council, Svatove district
- Raygorodka Village Council, Svatove district
- Svystunivka Village Council, Svatove district
- Semykozivka Village Council, Bilovodsk district
- Spivakivka Village Council, Novoaydar district
- Shtormove Village Council, Novoaydar district
- Shtormove Village Council, Novoaydar district



Luhansk Regional State Administration

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