

Research Paper

Valentyna Romanova and Andreas Umland
Ukraine Forum | September 2019

Ukraine's Decentralization Reforms Since 2014

Initial Achievements and Future Challenges



**CHATHAM
HOUSE**
The Royal Institute of
International Affairs

Contents

	Summary	2
1	Introduction	3
2	Why and How Local Communities Amalgamate	6
3	Progress with Amalgamation to Date	13
4	Instruments to Support Local Development	15
5	Next Steps and Challenges Ahead	17
6	Conclusions: Decentralization's Impact on Ukraine and Beyond	21
	About the Authors	25
	Acknowledgments	26

Summary

- Since 2014, Ukraine has been conducting a political decentralization process that seeks to fundamentally restructure centre–periphery relations. This reform of local governance implies a devolution and delegation of power from the national to the municipal level (and, to a lesser degree, to the regional and upper subregional levels).
- Decentralization is being effected not through federalization, but through an amalgamation of small municipalities and a reallocation of political, administrative and financial competencies to these merged and enlarged local communities (*hromady*).
- The key instrument in decentralization so far has been the voluntary creation of self-sustaining ‘amalgamated territorial communities’ (ATCs). This process is supported by developmental planning at the local and regional levels, as well as by comprehensive technical and financial support from Western donors. In a first for Ukraine, a Donor Board on Decentralization Reform has been assembled to coordinate implementation and assessment.
- After recognition by the central government, ATCs receive considerable rights in respect of tax collection, self-government and public policy. The central government also provides ATCs with funding to build new institutions and implement local developmental projects. The reform is accompanied by parallel ‘sectoral decentralization’, above all in public health and education.
- In early 2019, Ukraine’s decentralization entered a second phase, which envisages an administrative-territorial reform at the level of the *rayony* (districts) as well as a redefinition of regional and upper subregional prerogatives. However, this reordering of power requires constitutional changes that have yet to be made.
- The ongoing amalgamation of municipalities strengthens Ukraine’s resilience against Russian hybrid warfare, and demonstrates compliance with EU democracy and subsidiarity principles.
- If decentralization is successful, Ukraine will provide an intriguing new example of the political value and administrative utility of a non-federalist, two-tiered national governance system. As such, its reform experiment not only has the potential to become a development model for post-Soviet countries that prefer local to regional devolution, but could also become of interest to other countries – including certain EU member states – whose territorial integrity is under question.

1. Introduction

Democratization often leads to decentralization as greater political pluralism generates societal demands for a redivision of power between the central and subnational levels of government.¹ Before the 2013–14 Euromaidan protests, or ‘Revolution of Dignity’, state power in Ukraine was highly concentrated.² Administrative capacity to deliver public services was inadequate, and the country combined centralism and weak local self-government with severe territorial fragmentation. Large inter-regional disparities also persisted in terms of economic development and public administration. Despite occasional gains under the old system – such as improvements to the functioning of some cities, and partial fiscal decentralization – the enormous imbalance between the power of the centre and that of municipalities was a fundamental obstacle to the creation of a sustainable, functioning state.

Only after the Euromaidan did genuine devolution of power begin.³ In 2014–15, reformers launched a battery of simultaneous changes aimed at improving multi-level governance, promoting subnational democracy and fostering local economic development. Their ambitious and comprehensive decentralization plan aims to empower local self-government, as well as to redraw the country’s administrative-territorial map so as to improve the state’s capacity to deliver public services.⁴

The Ukrainian decentralization process, though informed by foreign examples – especially by somewhat similar reforms in Poland in the 1990s⁵ – and backed by Western technical support, is a largely domestically grounded and nationally developed transition.⁶ The reform builds mainly on lessons learnt from previous – mostly failed – attempts by Kyiv to improve governance at the subnational level.⁷

¹ See, for example, in relation to Mexico, Grindle, M. S. (2009), *Going Local: Decentralization, Democratization, and the Promise of Good Governance*, Princeton, NJ: Princeton University Press. We use ‘decentralization’ in this paper as a loose summary term for various interrelated processes, and as the antonym of centralization. ‘Decentralization’ can – depending on the context – mean the devolution, deconcentration or downward delegation of prerogatives, competencies and responsibilities.

² For example, OECD (2014), *OECD Territorial Reviews: Ukraine 2013*, Paris: OECD Publishing, doi:10.1787/9789264204836-en (accessed 5 Aug. 2019).

³ Among the first relevant English-language comments were: Myerson, R. and Mylovanov, T. (2014), ‘Fixing Ukraine’s Fundamental Flaw’, *Kyiv Post*, 7 March 2014, <https://www.kyivpost.com/article/opinion/op-ed/fixing-ukraines-fundamental-flaw-338690.html> (accessed 5 Aug. 2019); VoxUkraine (2015), ‘Decentralization: second try’, 16 July 2015, <https://voxukraine.org/2015/07/16/decentralization-second-try/> (accessed 5 Aug. 2019); and Lukerya, I. and Halushka, O. (2016), ‘10 Ways Decentralization Is Changing Ukraine’, *Kyiv Post*, 7 December 2016, <https://www.kyivpost.com/article/opinion/op-ed/ivan-lukerya-olena-halushka-10-ways-decentralization-changing-ukraine.html> (accessed 5 Aug. 2019).

⁴ Among the first deeper German-language explorations were: Werchan, R. (2015), ‘Dezentralisierung: Der Weg zu einer effizienteren Regierung, Wirtschaftswachstum und dem Erhalt der territorialen Integrität?’ [Decentralization: The Road to a More Efficient Government, Economic Growth and Preservation of Territorial Integrity?], in Bakalova, E., Endrich, T. and Shlyakhtovska, K. (eds) (2015), *Ukraine – Krisen – Perspektiven: Interdisziplinäre Betrachtungen eines Landes im Umbruch*, Berlin: WVB, pp. 187–212; Shapovalova, N. (2015), ‘Mühen der Ebenen: Dezentralisierung in der Ukraine’ [Troubles of the Plains: Decentralization in Ukraine], *Osteuropa*, 65(4): pp. 143–52, https://www.jstor.org/stable/44937301?seq=1#page_scan_tab_contents (accessed 5 Aug. 2019); Baller, O. (2017), ‘Korruptionsbekämpfung und Dezentralisierung auf dem Prüfstand des Reformbedarfs in der Ukraine’ [The Fight against Corruption and the Decentralization in View of the Need for Reforms in Ukraine], *Jahrbuch für Ostrecht*, No. 2: pp. 235–68; and Hanuschschak, J., Sydortschuk, O. and Umland, A. (2017), ‘Die ukrainische Dezentralisierungsreform nach der Euromaidan-Revolution 2014–2017: Vorgeschichte, Erfolge, Hindernisse’ [The Ukrainian Decentralization Reform after the Euromaidan Revolution 2014–2017: Prehistory, Successes, Obstacles], *Ukraine-Analysen*, No. 183: pp. 2–11, <http://www.laender-analysen.de/ukraine/pdf/UkraineAnalysen183.pdf> (accessed 5 Aug. 2019).

⁵ Levitas, A. and Herczyński, J. (2003), ‘Decentralization, Local Governments and Education Reform and Finance in Poland: 1990–1999’, in Davey, K. (ed.) (2003), *Balancing National and Local Responsibilities: Education Management and Finance in Four Central European Countries*, Budapest: CEU Press, pp. 113–91; and Levitas, A. (2017), ‘Local government reform as state building: what the Polish case says about “decentralization”’, *Studies in Comparative International Development*, 52(1): pp. 23–44, doi:10.1007/s12116-015-9203-5 (accessed 5 Aug. 2019).

⁶ On the historical background to decentralization reform in Ukraine, see Tkachuk, A., Tkachuk, R. and Hanuschschak, Yu. (2012), *Reforms in the Administrative and Territorial Structure of Ukraine: Lessons of History 1907–2009*, Kyiv: Civil Society Institute, <https://www.csi.org.ua/wp-content/uploads/2012/05/hist-atu-1.pdf> (accessed 5 Aug. 2019).

⁷ Martínez-Vázquez, J. and Zeikate, S. (2004), *Ukraine: Assessment of the Implementation of the New Formula Based Intergovernmental Transfer System*, Andrew Young School of Policy Studies Working Paper, No. 8, https://www.academia.edu/19727028/Ukraine_Assessment_of_the_Implementation_of_the_New_Formula_Based_Inter-Governmental_Transfer_System (accessed 5 Aug. 2019); Bezsmertnyi, R. (2005), ‘Derzhava, yak i budivlya, pochynayet’sya z fundamentu’ [The state, just like any building, is based on a foundation], *Uryadovyi kuryer*, 22 April 2005, http://crimea-portal.gov.ua/kmu/control/uk/publish/printable_article?art_id=15884111 (accessed 5 Aug. 2019); and Romanova, V. (2011), ‘The role of centre–periphery relations in the 2004 constitutional reform in Ukraine’, *Regional & Federal Studies*, 21(3): pp. 321–39, doi:10.1080/13597566.2011.578801 (accessed 5 Aug. 2019).

This paper outlines the main achievements and key shortcomings of decentralization since 2014. It highlights the presence of a limited window of opportunity for completing the first phase of these reforms by 2020. It also identifies challenges around the second stage of decentralization, which started in early 2019 (see Section 5).

The principal challenge for Ukraine's decentralization has been the gap between reformers' ambitious agenda and the limited institutional capacity available for making and implementing policy decisions within the initially suggested timeframe of 2014–17.⁸ Post-Euromaidan policymakers demonstrated political acumen and will to embark on reform, despite enormous external security threats and related internal challenges to Ukraine's territorial integrity. Yet continuing resistance from some parts of the elite, especially in parliament, has impeded efforts to embed decentralization in the constitution, and thereby to fully establish a new administrative structure and territorial divisions. While reform has brought some notable changes at the local level, it has not yet led to a corresponding legal reconstitution of the state.⁹

Decentralization's main achievement so far has been to start a territorial consolidation of municipalities and an accompanying empowerment of local self-government. In late 2014 and early 2015, fiscal decentralization was introduced and the fusion of small local municipalities into bigger and more self-sustaining 'amalgamated territorial communities' (ATCs) began. These new entities have gained considerable tax-raising powers and now benefit from direct transfers from the central state budget. Following the example of Baltic and Scandinavian countries, ATCs receive 60 per cent of personal income tax collected. This has generated a new social contract between local companies, citizens and self-government bodies, and has incentivized the latter to preserve and extend their tax bases – i.e., to retain and attract businesses.¹⁰ The ATCs are also taking on additional responsibilities for delivering public services and fostering infrastructural development.¹¹

An essential feature of decentralization to date is that it has taken place on a voluntary basis – thus contributing to the development of local democracy. Although local communities decide for themselves – at least for now – whether or not to amalgamate into ATCs, once they commit to amalgamation, they are required to follow detailed procedures set by the central government.¹² The administration in each oblast (region) prepares, and its council approves, a 'perspective plan' for ATCs in its region. This plan then requires approval by the Cabinet of Ministers. Proposed ATCs need to meet certain

⁸ Ministry of Foreign Affairs of Ukraine (2014), 'Concept of the Reform of Local Self-Government and Territorial Organization of Government in Ukraine', <https://mfa.gov.ua/en/news-feeds/foreign-offices-news/21459-koncepcija-reformuvannyamiscevogo-samovryaduvannya-teritorialnoji-organizaciji-vladi-v-ukrajini> (accessed 5 Aug. 2019).

⁹ Rabinovych, M., Levitas, A. and Umland, A. (2018), *Revisiting Decentralization After Maidan: Achievements and Challenges of Ukraine's Local Governance Reform*, Kennan Cable, No. 34, <https://www.wilsoncenter.org/publication/kennan-cable-no-34-revisiting-decentralization-after-maidan-achievements-and-challenges> (accessed 5 Aug. 2019).

¹⁰ Bernard, M. (2015), 'Decentralization: A Bottom-up Path Toward Functioning Institutions and Economic Prosperity', VoxUkraine, 25 August 2015, voxukraine.org/en/smart-decentralization-a-bottom-up-path-toward-functioning-institutions-and-economic-prosperity/ (accessed 28 Aug. 2019).

¹¹ Sydorchuk, O. (2016), *Decentralization: Results, Challenges and Prospects*, Kyiv: Ilko Kucheriv Democratic Initiatives Foundation, <https://dif.org.ua/uploads/pdf/1612493278588b59033d6c45.07093670.pdf> (accessed 5 Aug. 2019); Jarábik, B. and Yesmukhanova, Y. (2017), 'Ukraine's Slow Struggle for Decentralization', Carnegie Europe, 8 March 2017, <http://carnegieendowment.org/2017/03/08/ukraine-s-slow-struggle-for-decentralization-pub-68219> (accessed 5 Aug. 2019); Levitas, T. and Djikic, J. (2017), *Caught Mid-Stream: 'Decentralization', Local Government Finance Reform, and the Restructuring of Ukraine's Public Sector 2014 to 2016*, Kyiv: SIDA-SKL, <http://sklinternational.org.ua/wp-content/uploads/2017/10/UkraineCaughtMidStream-ENG-FINAL-06.10.2017.pdf> (accessed 5 Aug. 2019); Dudley, W. (2019), *Ukraine's Decentralization Reform*, SWP Research Division Eastern Europe and Eurasia Working Paper, No. 1, https://www.swp-berlin.org/fileadmin/contents/products/arbeitspapiere/Ukraine_Decentralization_Dudley.pdf (accessed 5 Aug. 2019); and Romanova, V. and Umland, A. (eds) (2019), *Ukraine's Decentralization: Challenges and Implications of the Local Governance Reform after the Euromaidan Revolution*, Stuttgart: ibidem-Verlag.

¹² Cabinet of Ministers of Ukraine (2014), 'Postanova vid 8 kvitnya 2015 r. No. 214, Kyiv, 'Pro Zatverdzhennya Metodyky Formuvannya Spromozhnykh Terytorialnykh Hromad' [Decree issued on 8 April 2015 No. 214, Kyiv, 'On Approval of the Methodology for the Formation of Capable Territorial Communities']', <https://zakon.rada.gov.ua/laws/show/214-2015-%D0%BF#n10> (accessed 5 Aug. 2019).

criteria in order to be acknowledged by the government as 'self-sustaining' or 'capable' (*spromozhni*). Only then can they reconstitute themselves by creating new bodies for self-government, and obtain additional funds and powers.

The largely grassroots approach to the design and creation of ATCs, and to the oblast-level development of 'perspective plans',¹³ means that since 2015 many Ukrainians have gained valuable experience in organizing collective action and resources. They have conducted often-robust debates on local issues, and have taken responsibility for joint decision-making. Once new ATCs are established, local elections are held for more powerful bodies of municipal self-government responsible for distributing public funds, and for performing many regulatory functions previously carried out by regional and subregional state bodies.

Over the past five years, the decentralization drive has changed provincial Ukraine from the bottom up. By July 2019, there were 925 new ATCs across the country, covering an area housing 28.3 per cent of Ukraine's population.¹⁴ Since May 2018, rural and urban municipalities, including many 'cities of oblast significance',¹⁵ have joined the voluntary amalgamation process.¹⁶ The ATCs vary enormously in terms of population: the number of residents ranges from around 1,000 to around 373,000, with an average of slightly over 10,000.¹⁷ Certain ATCs cover territories so large that they duplicate the boundaries of *rayony*, i.e. upper subregional administrative units. Due to their increased tax-raising powers and direct budgetary relationships with the central government, the ATCs are now strong enough to take responsibility for the delivery of public services previously overseen by the (centrally guided) administrations of the *rayony*.

A second phase of decentralization, announced in January 2019, envisages a radical decrease in the number of *rayony* through amalgamation and the establishment of entirely new upper subregional units. The central government is seeking to change the institutional framework for *rayony* and oblasts, by allowing directly elected councils (the self-government bodies that already exist) to create their own executive committees and by formally enshrining this new arrangement in the Ukrainian constitution. During the first half of 2019, however, there was little progress on these goals, because policymakers were preoccupied with presidential and snap parliamentary elections.

Nevertheless, prospects for a continuation of the reform of local governance look bright. It is unlikely that the deep transformation already under way can be halted or reversed. Continuity in the process seems to be the most likely scenario over the next four to five years.

¹³ The full legal term is 'perspective plan for the formation of amalgamated communities'. Each oblast has such a 'perspective plan' for all of its ATCs. The plan is formulated, in the first instance, by the respective state administration (in accordance with criteria set by the central government), then approved by the directly elected regional council of the region concerned, and finally approved by the central government. Decentralization (2019), 'Reform / Glossary', <https://decentralization.gov.ua/en/glossary?letter=P> (accessed 5 Aug. 2019).

¹⁴ Decentralization (2019), *Monitorynh protsesu detsentralizatsii vladnykh ta reformuvannya mistsevoho samovryaduvannya stanom na 10 lyunya 2019* [Monitoring of the process of the decentralization of power and the reform of local self-governance as of 10 July 2019], https://storage.decentralization.gov.ua/uploads/library/file/425/%D0%9C%D0%BE%D0%BD%D1%82%D0%BE%D1%80%D0%B8%D0%BD%D0%B3_10.07.2019.pdf (accessed 5 Aug. 2019).

¹⁵ The status of 'city of oblast significance' allows a city to establish direct budgetary links with the central government, and to enjoy essential tax-raising powers. Residents directly elect a mayor and a city council, the latter of which, in turn, establishes an executive committee.

¹⁶ On 3 April 2018, Ukraine's parliament approved amendments to the law on the voluntary amalgamation of territorial communities, thereby allowing 'cities of oblast significance' to participate in amalgamation. The amendments came into force in May 2018.

¹⁷ Decentralization (2019), 'Obyednani hromady: Perelik ta osnovni dani' [Amalgamated Communities: List of ATCs and Key Data], <https://decentralization.gov.ua/gromada> (accessed 5 Aug. 2019).

2. Why and How Local Communities Amalgamate

Ukraine is a unitary state with three tiers of administrative-territorial division. At the regional level, there are 24 oblasts, the Autonomous Republic of Crimea, and two cities with special status – Kyiv and Sevastopol (in Crimea). These regions are subdivided into 490 districts (*rayony*). Prior to the start of the decentralization reforms, there were approximately 10,900 municipalities at the local level, i.e. communities of cities, towns, villages, etc.

Voters in Ukraine directly elect regional, upper subregional and local councils. Currently, the regional and upper subregional councils of the oblasts and *rayony* have no constitutional right to establish their own executive committees. They delegate implementation of their decisions to centrally staffed executive organs, i.e. the regional and upper subregional state administrations, whose heads are appointed by the president. This institutional framework severely limits the self-governance of oblasts and *rayony*. In contrast, lower-level municipalities enjoy a constitutional right to establish their own executive organs (*vykonavchi orhany*). However, except for larger cities, Ukraine's self-governing basic political units used to be too small and too poor to provide proper public services to their residents.

The post-Euromaidan government initially sought the simultaneous reform of regional, subregional and local self-governance. In addition to promoting the amalgamation of territorial communities and granting the new ATCs additional tax-raising powers, the idea was to allow regional and upper subregional councils to establish their own executive committees. So far, however, the post-Euromaidan parliament has managed to approve legislation only on municipal self-governance, territorial consolidation and the voluntary merger of basic communities. Empowerment of regional and upper subregional self-governance, as initially envisaged by its advocates, has yet to occur.

In April 2014, the post-Euromaidan national government adopted the so-called 'Concept of the Reform of Local Self-Government and Territorial Organization of the Government of Ukraine'.¹⁸ This agenda set out how the government intended to meet its ambitious objectives: empowering local government, improving the state's capacity to deliver public services, and fundamentally redesigning the country's administrative structure and territorial divisions.

An unprecedented degree of international technical and financial assistance helped to jump-start the agenda's implementation within the following year.¹⁹ The multi-donor 'U-LEAD with Europe'²⁰ initiative has played a key role in supporting this reform, establishing a 'House of Decentralization' in Kyiv and drawing on extensive, mainly EU-provided funds (approximately €100 million). Regional U-LEAD bureaus in the country's 24 oblasts have also featured prominently in the process.²¹

¹⁸ Ministry of Foreign Affairs of Ukraine (2014), 'Concept of the Reform of Local Self-Government and Territorial Organization of the Government of Ukraine', 1 April 2014, <https://mfa.gov.ua/en/news-feeds/foreign-offices-news/21459-koncepcija-reformuvannyamiscevogosamovryaduvannya-ta-teritorialnoji-organizaciji-vladi-v-ukrajini> (accessed 5 Aug. 2019).

¹⁹ European Commission (2014), 'EU supports decentralisation and regional policy reforms in Ukraine with €55 millions', 27 November 2014, http://europa.eu/rapid/press-release_IP-14-2221_en.htm (accessed 5 Aug. 2019).

²⁰ U-LEAD = Ukraine Local Empowerment, Accountability and Development Programme.

²¹ Decentralization (2019), 'U-LEAD', <https://donors.decentralization.gov.ua/en/project/u-lead> (accessed 5 Aug. 2019).

Countries particularly supportive of Ukraine's decentralization include Germany, Sweden, Canada, Poland and Switzerland.²² The United States launched two multi-million-dollar programmes of its own in support of the reforms: PULSE (Policy for Ukraine Local Self-Governance) and DOBRE (Decentralization Offering Better Results and Efficiency).²³ The Recovery and Peacebuilding Programme in Ukraine, run by the United Nations Development Programme (UNDP), also has a special focus on administrative decentralization.²⁴ Altogether, Western donors have provided more than €250 million to date for Ukrainian decentralization and closely related reforms.²⁵

Since 2017, Ukraine has received additional specialized advice on decentralization from Germany via the latter's G7 envoy, Professor Georg Milbradt.²⁶ Ukraine also benefits from legal expertise provided through Council of Europe programmes, including through the 'Decentralization and Local Government Reform in Ukraine' project.²⁷

Unlike in some earlier cases,²⁸ the current decentralization process benefits from exceptionally close coordination between international partners. There has also been strong coordination between these partners and the Ukrainian government ministry, principally responsible for the reforms, known until recently as the Ministry of Regional Development, Construction, Housing and Communal Services.²⁹ Cooperation is institutionalized via the Donor Board on Decentralization Reform in Ukraine, which includes thematic working groups and assesses implementation. The Donor Board was co-chaired until 2019 by a designated vice-prime minister, until recently Hennadiy Zubko (who was simultaneously the minister for regional development, construction, housing and communal services), and by a representative of the donors.

Some of the most important early decentralization initiatives concerned the reorganization of the country's territory and finances. Since 2015, parliament has passed several laws regulating the voluntary amalgamation of communities into bigger ones. These new, larger ATCs are now almost entirely responsible for local development and the provision of basic public services. According to the above-mentioned Concept of the Reform of Local Self-Government and Territorial Organization of the Government of Ukraine, the country's approximately 10,900 (mostly very small) local communities were to be merged into about 1,200 ATCs. In late 2018, however, the then prime minister, Volodymyr Hroysman, mentioned a new number of 1,600–1,800 ATCs that would eventually be established.³⁰

Using the currently voluntary procedure, local self-government bodies and residents of neighbouring communities are starting and directing the amalgamation process themselves. The central government provides official guidelines on establishing sustainable ATCs capable of adequately delivering basic

²² Myshlovska, O. (2015), *Democratising Ukraine by Promoting Decentralisation? A Study of Swiss-Ukraine Cooperation*, Geneva: International Development Policy, <http://journals.openedition.org/poldev/2010> (accessed 5 Aug. 2019).

²³ Rabinovych, Levitas and Umland (2018), *Revisiting Decentralization After Maidan*.

²⁴ UNDP Ukraine (2019), 'The UN Recovery and Peacebuilding Programme', <http://www.ua.undp.org/content/ukraine/en/home/recovery-and-peacebuilding.html> (accessed 5 Aug. 2019).

²⁵ Decentralization (2019), 'Map Donor Decentralization / All Projects', <https://donors.decentralization.gov.ua/en/projects> (accessed 5 Aug. 2019).

²⁶ Trippe, C. F. (2017), 'Special Envoy Georg Milbradt: Ukraine Has Achieved Major Success', Deutsche Welle, 19 August 2017, www.dw.com/en/special-envoy-georg-milbradt-ukraine-has-achieved-major-success/a-40154634 (accessed 5 Aug. 2019).

²⁷ Council of Europe (2019), 'Decentralisation and Territorial Consolidation in Ukraine', <http://www.slg-coe.org.ua/goal-and-objectives/?lang=en> (accessed 5 Aug. 2019); and Council of Europe (2019), 'Opinions and expertise', <http://www.slg-coe.org.ua/category/documents/appraisals/?lang=en> (accessed 5 Aug. 2019).

²⁸ Umland, A. (2004), *Westliche Förderprogramme in der Ukraine: Einblicke in die europäisch-nordamerikanische Unterstützung ukrainischer Reformbestrebungen seit 1991* [Western development programmes in Ukraine: Insights into the European-North American support for Ukrainian reform efforts since 1991], Arbeitspapiere der Forschungsstelle Osteuropa Bremen, No. 63, <https://www.forschungsstelle.uni-bremen.de/UserFiles/file/06-Publikationen/Arbeitspapiere/fsoAP63.pdf> (accessed 5 Aug. 2019).

²⁹ In late August 2019, the ministry was renamed the 'Ministry of the Development of Communities and Territories in Ukraine'.

³⁰ Decentralization (2019), 'Detsentralizatsiya: Novyi etap. Osnovni zavdannya na period do 2020 roku' [Decentralisation: A New Phase. The Main Tasks for the Period up to 2020], https://storage.decentralization.gov.ua/uploads/attachment/document/331/presentation_decentralization.pdf (accessed 5 Aug. 2019).

services such as healthcare, schooling, etc. Simultaneously, the central and regional bureaucracies are involved. Oblast administrations design 'perspective plans' for the formation of amalgamated communities for each region, in accordance with criteria set by the central government. Elected regional councils approve such plans, which in turn need approval from the central government.

The local self-governance bodies that initiate voluntary amalgamation can consult the perspective plans, yet can also choose not to do so. After the smaller constituent municipalities have drafted their decisions to amalgamate with each other, they inform the relevant regional state administration of their intentions. They need to obtain consent and confirmation that a given draft decision does not violate the constitution and laws of Ukraine. Once consent is obtained, the local initiators finalize the amalgamation and the relevant regional state administration asks the Central Electoral Commission to announce elections for the new ATC.

The first local elections in newly established ATCs mark the final step in the voluntary amalgamation of territorial communities. By July 2019, 881 ATCs had already held their first elections. These ATCs included 66 that had been waiting since late 2018 to hold elections; the polls eventually took place on 30 June 2019.³¹ As of July 2019, another 44 ATCs were waiting for a decree from the Central Electoral Commission allowing them to hold their first local elections, likely to take place in October or December 2019.

Substantial fiscal decentralization also got under way in late 2014 when parliament amended the budget and tax codes. These changes provided the new ATCs with budgetary privileges similar to those of 'cities of oblast significance', which previously had been the only municipalities with meaningful self-government.

During 2015–19, the amalgamation of communities into ATCs was initiated voluntarily, most often by local councils. In 2020, the government intends to switch to administratively initiated mergers, i.e. to force the amalgamation of those territorial *hromady* not yet involved in the earlier voluntary procedure. This is to speed up the establishment of ATCs, and to ensure that no municipalities remain unamalgamated before nationwide local elections scheduled for October 2020.

Substantial fiscal decentralization also got under way in late 2014 when parliament amended the budget and tax codes. These changes provided the new ATCs with budgetary privileges similar to those of 'cities of oblast significance', which previously had been the only municipalities with meaningful self-government. ATCs are now allowed to maintain direct budgetary links with the central government, and to keep a substantial portion of their local tax revenues (including 60 per cent of personal income tax collected).

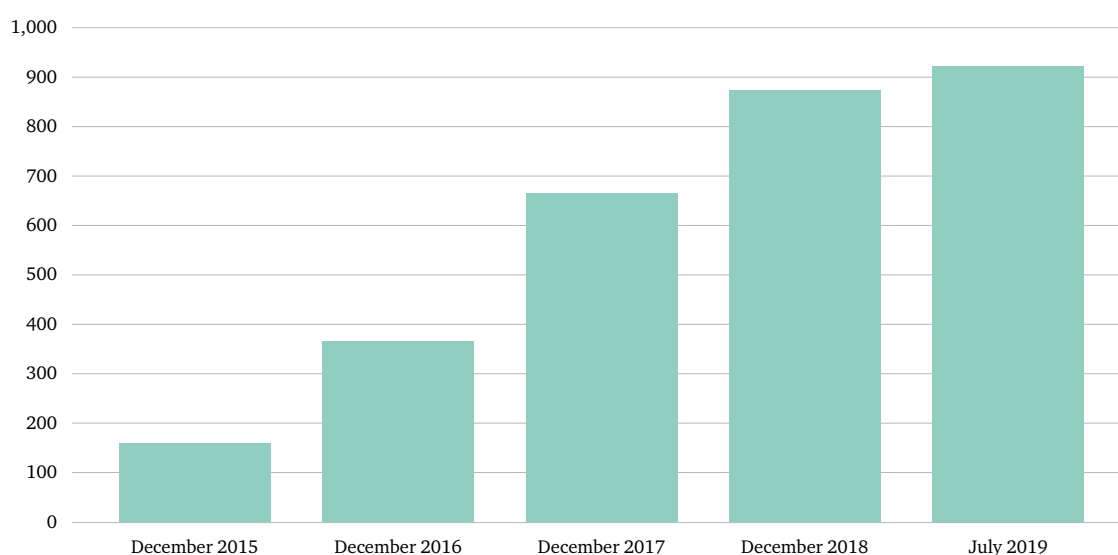
The ATCs also receive subsidies from the central government – including, until 2020, funds for establishing their newly merged institutional and social infrastructure. Special 'equalization' grants are available for correcting disparities in local development between communities. Block grants for healthcare (until July 2018) and education have further improved the financial capacities of the

³¹ At first, elections in these 66 ATCs were scheduled for 23 December 2018, but they had to be postponed due to the imposition of martial law in 10 oblasts from 26 November to 27 December 2018. The president and the parliament decided to introduce martial law for one month after Ukrainian ships had been attacked and 24 Ukrainian sailors had been arrested in the Azov Sea by the Russian navy. After the period of martial law was over, the Central Electoral Commission waited until April 2019 to issue the relevant decree scheduling local elections, which finally took place in the 66 ATCs on 30 June 2019.

ATCs, allowing them to take on more responsibility for public services. The ATCs are, for instance, responsible for managing primary and secondary education in their territories. This is in contrast to the situation in non-amalgamated communities, where self-government remains weak and where the local bureaucracy is still dependent on guidance from centrally appointed regional and upper subregional executives – i.e. the heads of state administrations at the oblast and *rayon* levels.

Amalgamation in Ukraine has been relatively rapid in comparison to similar reforms in other European states.³² Ukraine's first 159 ATCs were created in 2015, their number rising to 366 the following year, 665 by end-2017 and 874 by end-2018. As of July 2019, there were 925 ATCs (see Figure 1).³³

Figure 1: Pace of voluntary amalgamation of communities into ATCs

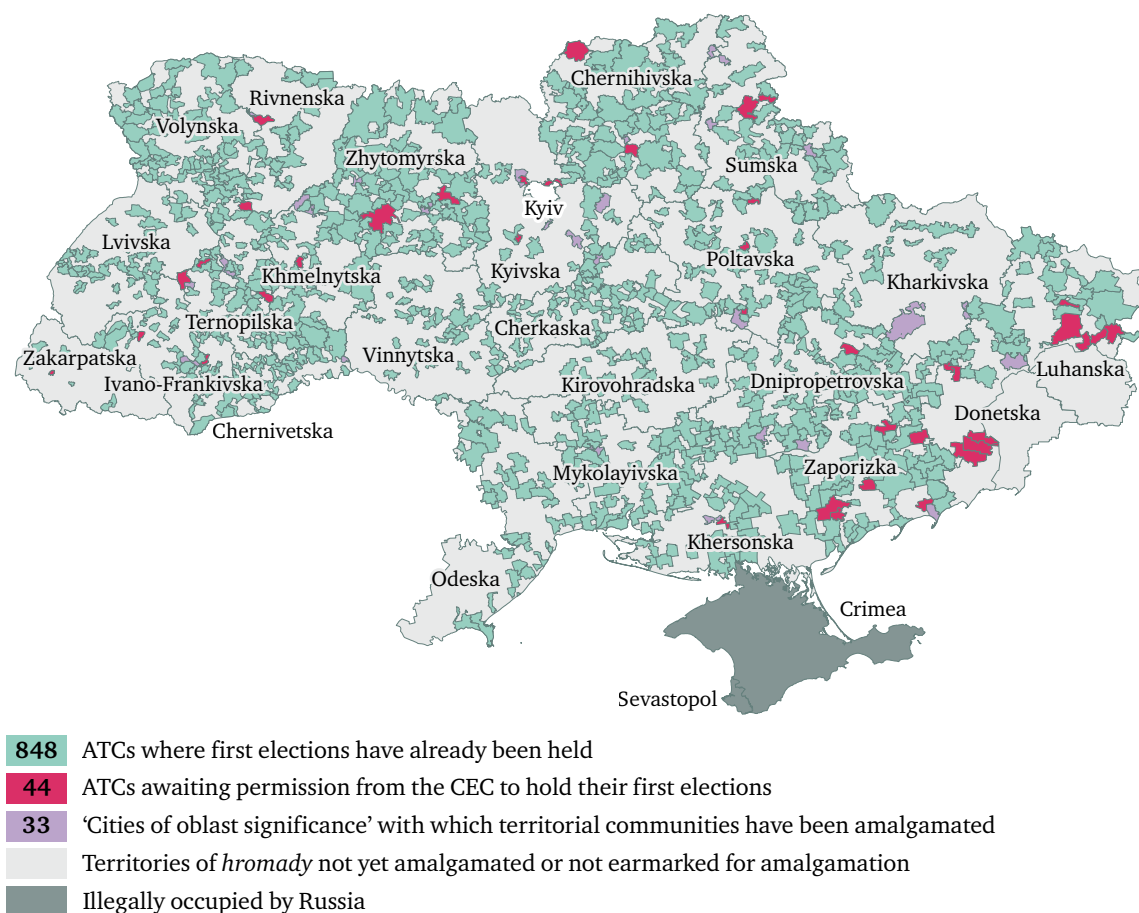


Rural and urban municipalities alike participate in the amalgamation process. On average, each ATC amalgamates 4.7 smaller communities and has 10,563 inhabitants. However, the distribution of ATCs across regions is uneven (see Map 1): some oblasts are already covered to a large extent with ATCs, while in others amalgamation has hardly started. (At the same time, the spread of voluntary amalgamation does not follow any linguistic or other cultural patterns.) Zhytomyrska and Chernihivska oblasts in the north, Zaporizka and Dnipropetrovska oblasts in the east, and Khmelnytska oblast in the west have taken an early lead in this process.

³² For a German case study for comparison, see Techert, K. (2019), *Freiwillige Gemeindefusionen im Land Brandenburg: Eine Netzwerkanalyse der Akteurskonstellationen anhand der Modellregion Oderlandregion* [The Voluntary Fusion of Communities in the State of Brandenburg: A Network-Analysis of the Constellation of Actors in the Case of the Model Region of Oderland], KWI-Arbeitshefte, No. 25, Potsdam: Universitätsverlag Potsdam. Statistics used to illustrate the progress of decentralization in Ukraine typically exclude (a) the Autonomous Republic of Crimea and the city of Sevastopol, both illegally annexed by Russia; (b) the 'temporarily occupied territories of the Donetsk and Luhansk oblasts' (as they are officially labelled in the respective domestic laws); and (c) the city of Kyiv, which (like the city of Sevastopol) enjoys special status within Ukraine's territorial-administrative structure.

³³ Decentralization (2019), *Monitorynh protsesu detsentralizatsii vldy*.

Map 1: Status of the voluntary amalgamation of communities into ATCs in each oblast, July 2019



Source: Decentralization (2019), *Monitorynh protsesu decentralizatsii vladny ta reformuvannya mistsevoho samovryaduvannya stanom na 10 lyunya 2019* [Monitoring of the process of the decentralization of power and reform of local self-governance as of 10 July 2019], https://storage.decentralization.gov.ua/uploads/library/file/425/%D0%9C%D0%BE%D0%BD%D1%82%D0%BE%D1%80%D0%B8%D0%BD%D0%B3__10.07.2019.pdf.

Budgetary decentralization

After early amendments to the budget and tax codes, fiscal decentralization advanced quickly. The share of local budgets in the national budget grew from 42 per cent in 2014 to almost 50 per cent in 2018, i.e. similar to the level in many EU member states. In 2014, the total revenues generated for local budgets amounted to UAH 68.6 billion (approximately \$4.2 billion); by 2018, this had risen to more than UAH 200 billion (approximately \$7.2 billion) – an increase that, even after factoring in the simultaneous devaluation and inflation of the hryvnya, was impressive. The share of locally raised taxes and revenues in the income of municipal budgets increased from 0.7 per cent in 2014 to 26.1 per cent in 2018.³⁴

The new ATCs have become increasingly dependent on local income, and less on financial resources provided by the centre. Growth in municipal revenue has led to a corresponding increase in the

³⁴ Ibid.

share of national public expenditure accounted for by ATCs' spending. At the same time, the central government keeps providing direct financial support to newly established ATCs, investing in local and regional development projects for which ATCs can apply for funding.

In December 2018, the National Institute for Strategic Studies, a Kyiv governmental think-tank, proudly reported:

Through the local budgets of Ukraine almost 15 per cent of its GDP are redistributed. In 2018, the share of properly endogenous incomes of local budgets accounted (as a sum) for 7.1 per cent of GDP (in 2014, it had been at 5.1 per cent), and the properly endogenous incomes of local budgets rose from UAH 68.6 billion in 2015 to UAH 189.4 billion [in 2018]. The share of local budgets (including transfers [from the centre]) within the overall budget of Ukraine rose from 45.6 per cent in 2015 to 51.5 per cent in 2018. [...] The size of financing for the development of territories from the [central] state budget rose from UAH 0.5 billion in 2014 to UAH 19.3 billion in 2018. In comparison to 2014, the [central] state support for the development of territorial communities and the improvement of their infrastructure rose by 39 times. The size of [central] subsidies for the formation of [administrative] structures of the ATCs was, in 2018, UAH 1.9 billion, [and], for 2019, the size of [such] subsidies is planned [at the level of] UAH 2.1 billion.³⁵

Opinion polls show an improvement in public attitudes towards the reforms, in particular towards fiscal decentralization. In a 2015 survey, 19 per cent of respondents said that budgetary decentralization had brought positive changes to their localities. In 2018, that share rose to 39.5 per cent. In the same year, 22 per cent of respondents said they had heard about positive changes in other localities and expected similar improvements where they lived.³⁶

Local democracy

Voluntary amalgamation has enhanced the development of local democracy by supporting grassroots political and civic engagement. The creation of genuinely autonomous municipal governments in the new ATCs has equally emancipatory repercussions.

Each new entity's self-government body consists of: (a) a directly elected ATC head (*holova*); (b) a directly elected territorial council with its own executive committee; and (c) a group of elders (*starosty*). *Starosty* are directly elected representatives of villages and towns outside the settlement where the administrative centre of the ATC is located. Thus, the institutional design of ATCs aims at ensuring the representation of residents from each of their constituent basic communities.

Voters in ATCs elect more powerful and independent self-government bodies, which in turn are expected to provide better public services. The idea is that citizens should appoint newly empowered local deputies and administrators able to make a meaningful difference, improve public policies and foster local development. The new local self-government bodies tend to be transparent, and open to public consultation and participation.³⁷ Often, civic councils (*hromadski rady*) are consulted by the elected councils. 'Participatory budget' programmes allow residents to apply for financial resources from their community's budget in support of their own projects for local development.

³⁵ Zhalilo, Ya. A., Makarov, H. V., Danylyak, O. O., Rudenko, A. F., Romanova, V. V., Pavlenko, I. A. and Shevchenko, O. V. (2018), *Detsentralizatsiya vladyy: Yak zberehty uspishnist' v umovakh novykh vyklykiv?* [Decentralization of Power: How to Maintain Success in the Face of New Challenges?], Kyiv: National Institute for Strategic Studies, pp. 12–13, https://niss.gov.ua/sites/default/files/2019-05/Dopovid_Decentralization-ready-474fa.pdf (accessed 5 Aug. 2019).

³⁶ Council of Europe (2019), 'Reports: annual national opinion polls on decentralisation and local self-government reform', 4 March 2019, <http://www.slg-coe.org.ua/p16423/?lang=en> (accessed 5 Aug. 2019).

³⁷ Kalashnikova, O. (2018), 'Dialog ta chitki pravyla hry: Yak efektyvno upravlyaty velykymy OTH' [Dialogue and clear rules of the game: How to effectively govern big ATCs], *Ukrayinsika pravda*, 23 April 2018, <https://www.pravda.com.ua/columns/2018/04/23/7178399/> (accessed 5 Aug. 2019).

The reforms promote citizens' involvement in decision-making and policy implementation at the local level. Citizens have been able to take an active part in discussions regarding the geographical and administrative design of the new ATCs. During the initiation and implementation of various reform steps, there has been sometimes heated debate – mostly between, on the one side, political, administrative and economic stakeholders and, on the other, representatives of the public. Through such disputes, citizens gain experience in articulating their interests and making best use of their representation in the ATCs' new self-government bodies.

Services

Reforms in other areas of government are being implemented via 'sectoral decentralization', including in education and the delivery of administrative services.³⁸ The ATCs, for example, are allowed to establish educational districts. These consist of foundational or hub schools (*oporni shkoly*), which bring together the best available teaching and learning practices. The schools have local branches or divisions known as *filii*. As of May 2019, ATCs were responsible for 335 of the 785 *oporni shkoly* in the country, and for 540 of the 1,272 *filii*. ATCs and 'cities of oblast significance' are now responsible for 44.4 per cent of all schools, while 55.6 per cent of schools remain administered by subregional state administrations (i.e. *rayon* committees).

The ATCs can also take on responsibility for providing public services within administrative centres (and their sub-divisions) in remote territories. As of July 2019, 148 out of 787 administrative centres in Ukraine were managed by ATCs. Once this change of responsibility occurs, the administrative fees for registering births, marriages, divorces and residency are paid to the budgets of ATCs rather than to those of the *rayony*. Through new mobile administrative service centres, the ATCs can bring public services closer to people in remote areas.³⁹ Innovation in service delivery often requires inter-municipal cooperation – for example, when it comes to delivering administrative services to more than one ATC.

³⁸ Shutkevych, O. (2018), 'Detsentralizatsiya + medreforma: Na rasshyrennom pravitel'stvennom soveshchanii v Vinnitse rukovoditeli hromad rasskazali, kak delayut uslugi vracha dostupnymi dlya vsekh' [Decentralization + Healthcare Reform: At an Extended Government Meeting in Vinnytsya, Community Leaders Explained How They Make Healthcare Services Accessible to Everyone], *Den'*, 10 April 2018, <https://day.kyiv.ua/ru/article/ekonomika/decentralizaciya-medreforma> (accessed 5 Aug. 2019).

³⁹ Decentralization (2017), 'Innovations in decentralization: The very first Ukraine Mobile Administrative Service Centre began operating in Slavuta community with support of U-LEAD with Europe Programme', 1 December 2017, <https://decentralization.gov.ua/en/news/7724> (accessed 5 Aug. 2019).

3. Progress with Amalgamation to Date

As of July 2019, 4,277 or 39 per cent of the old small local communities, covering 39.7 per cent of Ukraine's territory, had been amalgamated into ATCs.⁴⁰ Over a quarter of the population (28.3 per cent) now live in ATCs. Another 42 per cent live in 'cities of oblast significance', which already enjoy strong and sustainable local self-government and typically have not participated in amalgamation so far.

The rest of the population still live in communities that continue to suffer from weak local self-government and are largely ruled by upper subregional (*rayon*) administrations. The central government has not yet granted these communities all the powers, responsibilities and subsidies associated with decentralization.

There are several reasons why certain communities have not yet joined the process of voluntary amalgamation. First, many non-amalgamated communities remain unable or unwilling to negotiate the territorial design and set-up of an ATC in a way that satisfies the centrally set criteria for their classification as 'self-sustaining' or 'capable'. There is widespread hesitation among some communities to take on additional responsibilities for managing social infrastructure, despite the promise of potential financial gains from amalgamation. Moreover, local communities that already have profitable businesses on their territories, and that collect taxes from these for their budgets, are less keen to amalgamate with poorer communities. Sometimes small local communities are afraid to amalgamate with larger ones, fearing that their interests will be insufficiently represented in the new ATC.

Sometimes small local communities are afraid to amalgamate with larger ones,
fearing that their interests will be insufficiently represented in the new ATC.

Second, some regional (oblast) and district (*rayon*) councils and their administrations are unwilling to give up resources and functions to ATCs. Such councils have sometimes exercised their administrative influence over non-amalgamated territorial communities to prevent or postpone amalgamation. For example, it was only after much delay that the regional executive of the Zakarpatska oblast in Transcarpathia allowed ATCs to be formed on its territory in early 2019.

The personnel of certain administrations and councils are also unsupportive of reform because they fear losing their jobs as a result of amalgamation – and the accompanying transfer of funds and functions to ATCs.⁴¹ On the other hand, several officials of local government bodies that are in the process of being dismantled have been running for election to positions within ATCs. These cases offer hope that many officials will eventually cease their resistance to decentralization, and find their places in the new structure.⁴²

⁴⁰ Decentralization (2019), *Monitorynh protsesu detsentralizatsii vldy*.

⁴¹ Hanushchak, Y. (2019), 'Nynishni rayony potribni lyshe chynovnykam, a lyudyam potribni yakisni posluhy' [Only public servants need the districts that exist in Ukraine nowadays: Ordinary people need public services of a good quality], *Detsentralizatsiya*, 21 February 2019, <https://decentralization.gov.ua/news/columns/10655> (accessed 5 Aug. 2019).

⁴² OPORA (2018), *Ostatochnyi zvit za rezul tatamy sposterezheniya OPORY na pershykh mistsevykh vyborakh u OTH 29 zhovtnya ta 24 hrudnya 2017 roku* [Final Report on the OPORA Monitoring Findings during the First Local Elections in the Amalgamated Territorial Communities on 29 October and 24 December 2017], <https://www.oporaua.org/report/vybory/pershi-vybory-v-obiednanykh-gromadakh/45292-ostatochnyi-zvit-za-rezultatamy-sposterezheniya-opory-na-pershykh-mistsevykh-vyborakh-u-obiednanykh-terytorialnykh-hromadakh-29-zhovtnia-ta-24-hrudnia-2017-roku> (accessed 5 Aug. 2019).

The retraining and redeployment of personnel transferred from the old Kyiv-controlled state administrations to the ATCs will need to continue and expand. Such efforts, in particular, need to address the re-employment of personnel from upper subregional (*rayon*) state administrations. Officials from the old system can be appointed to branches of central ministries in oblasts, or to the departments of the enlarged *rayony* that are expected to emerge out of a further, second phase of amalgamation at upper subregional level (see Section 5).⁴³

A third factor slowing the amalgamation of local communities is a lack of coordination among institutions at the centre. Contradictory signals make it difficult for local communities to calculate the costs and benefits associated with creating an ATC. The (recently renamed) Ministry of the Development of Communities and Territories is the lead institution for decentralization, but it is not responsible for certain sectoral reforms that have been designed and implemented at the regional level by other ministries.

Ukraine's many simultaneous current reforms sometimes have contradicting aims and divergent rationales. For example, healthcare reforms – while empowering patients and doctors on site – also envisage a certain recentralization of control over transfers to local medical service providers in Kyiv. Moreover, as of mid-2019, there was still a lack of clarity about the final design of the newly emerging hospital districts across the country.

Notwithstanding these and other issues, Ukraine's fiscal decentralization and the fusion of local communities have significantly contributed to a bottom-up territorial reconstitution of the country. The process has opened up new electoral arenas and is promoting local democracy. These changes are incomplete, however. As of mid-2019, their finalization was a pressing issue in light of the desirability of completing the amalgamation of territorial communities before regular nationwide local elections due in October 2020.

⁴³ Hromadske TV (2019), 'Detsentralizovani krayiny mayut' menshe koruptsii na mistyakh – spetsposlannyk Nimechchyny z pytan' reform v Ukraini' [There is less corruption in decentralized states – Special Envoy of Germany for the Ukrainian Reform Agenda], 19 March 2019, <https://hromadske.ua/posts/decentralizovani-krayini-mayut-menshe-korupciyi-na-miscyah-specposlannik-merkel-z-reform-v-ukrayini> (accessed 5 Aug. 2019).

4. Instruments to Support Local Development

To minimize regional disparities, the central government and national parliament have amended the institutional and financial framework for the use of central subsidies to support local development. Parliament approved the 'State Strategy for Regional Development to 2020' (SSRD-2020) in 2014, and the law 'On Fundamental Principles of the State Regional Policy' in 2015. The SSRD-2020 seeks to ensure the territorial integrity of the state, promote sustainable economic development, foster the competitiveness of the country's regional economies, and stimulate inter-regional cooperation. One of the SSRD-2020's key features is that it applies standards and methods of planning and budgeting consistent with those used in the EU.

Specifically, the SSRD-2020 aims to improve multi-level institutional coordination around infrastructure and economic development. It imposes horizontal coordination mechanisms for state bodies involved in public investment decisions. It also mandates vertical coordination between central and subnational institutions involved in developing and supporting regional development projects. Horizontal coordination is guided by the Ministry of the Development of Communities and Territories, which is responsible for engaging other bodies of the executive branch in reforms. Vertical coordination involves ensuring that each regional development strategy is formulated according to the priorities set by the SSRD-2020, and that each local infrastructure plan corresponds to the relevant oblast's strategic goals.⁴⁴

One of the SSRD-2020's key features is that it applies standards and methods of planning and budgeting consistent with those used in the EU.

New regional development agencies and centres for development of local self-government have been established in each oblast, in cooperation with the U-LEAD international technical and financial assistance programme. These new entities help municipal bodies to design development plans, within the institutional framework of the SSRD-2020.

Furthermore, the central government has increased financial support for regional and local development. According to official records, Ukraine invested UAH 19.4 billion in such development in 2018, up from UAH 0.5 billion in 2013.⁴⁵ This increase is noteworthy even after factoring in the devaluation of the hryvnya that happened in the meantime.

Apart from financing – in the form of subsidies paid until 2020 – for institutional and social infrastructure in newly established ATCs, the central government has transformed the role of the previously established State Fund for Regional Development (SFRD). In order to support medium-term regional development projects aligned with the SSRD-2020, as well as to minimize cronyism and corruption in project selection, central government budgets have to commit at least 1 per cent of central revenues to the SFRD each year, with the fund co-financing projects on a competitive basis.

⁴⁴ OECD (2018), 'Maintaining the Momentum of Decentralisation in Ukraine', www.oecd.org/countries/ukraine/maintaining-the-momentum-of-decentralisation-in-ukraine-9789264301436-en.htm (accessed 5 Aug. 2019).

⁴⁵ Decentralization (2019), *Monitorynh protsesu decentralizatsii vlady ta reformuvannya mistsevoho samovryaduvannya stanom na 10 serpnia 2019* [Monitoring of the process of the decentralization of power and reform of local self-governance as of 10 August 2019], <https://storage.decentralization.gov.ua/uploads/library/file/443/10.08.2019.pdf> (accessed 15 Aug. 2019).

The SFRD's mechanism for spending this money is more transparent than it used to be prior to 2014. Every year, the SFRD apportions funding, calculated according to a published formula, to the different regions to support their projects. SFRD rules require that eligible projects undergo an approval process to ensure alignment both with the development strategy of the region concerned and with the aims of the SSRD-2020.

Not only regions, but also ATCs, are eligible to apply to the SFRD for funding. As an additional incentive to design meaningful projects, ATCs' local self-government bodies are allowed to develop projects themselves. Since February 2018, ATCs have also had the right to take ownership of previously state-owned agricultural land in their territory; however, this has generated considerable controversy.⁴⁶

A critique of the new central financial support for regional and local development is, however, that it is often used to solve urgent municipal problems rather than fundamentally improve the ATCs' capacity to generate sustainable tax revenues. Moreover, the distribution of funds below the central level seems, so far, to be insufficiently transparent, competitive or rational.⁴⁷ In 2019, the Ministry of Regional Development (since renamed the Ministry of the Development of Communities and Territories) pointed out that some regional authorities had subsidized projects not aligned with their regional development strategies.

Moreover, 63 per cent of the projects supported by the SFRD are for individual ATCs.⁴⁸ Too few projects support inter-municipal or inter-regional cooperation. This hinders the pooling of resources among different communities, and prevents local self-government bodies from making full use of their new powers. Together, the issues outlined above potentially bring the SFRD's design and rationale into question. In early 2019, the then Ministry of Regional Development stated that it was ready to improve the legal framework for regional development, through a new State Strategy for Regional Development to 2027 (SSRD-2027). The central government expects that by the end of 2019 all oblasts will have approved their strategies for regional development for 2021–27, and that most oblasts will have created action plans for the implementation of these initiatives.

⁴⁶ Serhienko, O. and Tkachuk, A. (2018), 'ZEMLYU – HROMADAM!? Chy vsyu i navishcho?' [THE LAND TO THE COMMUNITIES!? Should we give them all of it and for what purpose?], Civil Society Institute, 9 July 2018, <https://www.csi.org.ua/articles/zemlyu-gromadam-chy-vsyu-i-navishcho/> (accessed 5 Aug. 2019).

⁴⁷ Tkachuk, A. (2017), 'Pro detsentralizatsiyu, uspikhy, ryzyky i rol' parlamentu' [On Decentralization, Successes, Challenges, and the Role of Parliament], *Dzerkalo tyzhnya*, 13 January 2017, <https://dt.ua/internal/pro-decentralizaciyu-uspihi-riziki-i-rol-parlamentu-.html> (accessed 5 Aug. 2019).

⁴⁸ Decentralization (2019), 'Stratehii rehional'noho rozvytku 2021–2027: Shcho mayut' zrobyty rehiony v tsyomu rotsi, shchob vyity na yakisno novyi riven' stratehichnoho planuvannya' [Regional development strategies for 2021–2027: What regions should do in order to improve their level of strategic planning], 5 February 2019, <https://decentralization.gov.ua/news/10591> (accessed 5 Aug. 2019).

5. Next Steps and Challenges Ahead

In early 2019, the central government in Kyiv announced the start of a second phase of decentralization.⁴⁹ This new action plan aims to complete the main parts of the reform agenda in 2019–21. One of the principal objectives is to increase the pace of amalgamation, so that this second phase can be completed before scheduled nationwide local elections in the autumn of 2020.⁵⁰

Key to achieving this goal is quicker approval of ATCs' 'perspective plans', so that all relevant territories in all oblasts are eventually covered. To this end, in 2019 parliament will have to pass Law No. 9441, currently in draft form, which would allow the Cabinet of Ministers to approve 'perspective plans' independently of regional councils.

Even if this happens, it will still be a challenge to amalgamate the many small communities – corresponding to approximately two-thirds of the original number – that remain unconsolidated. By mid-2020 or so, existing small units of self-government in 6,684 old villages and towns will have to disappear in their current form.⁵¹ So far, approximately 900 ATCs have been established. This is out of a planned total of either around 1,200 (according to the above-mentioned 2014 'Concept of the Reform of Local Self-Government and Territorial Organization of the Government of Ukraine') or 1,600–1,800 (according to a 2018 presentation by the then prime minister, Volodymyr Hroysman).

By mid-2020 or so, existing small units of self-government in 6,684 old villages and towns will have to disappear in their current form.

This means that anything from 300 to 900 additional ATCs will have to be established within one year. Such a goal appears overambitious. A number of cities and existing ATCs can probably simply 'annex' certain small communities in the surrounding areas. Yet such a process, and the desired rapid consolidation of remaining small *hromady* into ATCs, would have to be effected in many cases through administrative pressure from above rather than voluntarily. Given the large number of communities remaining to be amalgamated, entrenched vested interests and the suddenness of such an enforced unification process, local resistance would be considerable.

In early 2019, the Ukrainian government hinted that it might conduct a comprehensive assessment of the performance of the ATCs, so as to inform the planned amendments to their final design. However, as of July 2019, the criteria for such modifications had not been announced. Features of the assessment could include testing ATCs' financial sustainability (including the share of local taxes in their budgets), and checking their success in terms of local development and delivery of public services.

⁴⁹ Cabinet of Ministers of Ukraine (2019), 'Rozporyadzhennya vid 23 sichnya 2019 No. 77-p. Pro zatverdzhennya planu zakhodiv z realizatsii novoho etapu formuvannya mistsevoho samovryaduvannya ta terytorial'noyi orhanizatsiyi vladky Ukrayiny na 2019–2021 roky' [Order issued on 23 January 2019 (No. 77-p). On Approving the Action Plan for a New Phase of Reforming Local Self-Government and the Territorial Division of Power in Ukraine in 2019–2021], <https://www.kmu.gov.ua/ua/npas/pro-zatverdzhennya-planu-zakhodiv-z-realizatsiyi-novogo-etapu-reformuvannya-miscevogo-samovryaduvannya-ta-teritorialnoyi-organizatsiyi-vlady-v-ukrayini-na-20192021-roki> (accessed 5 Aug. 2019).

⁵⁰ Decentralization (2019), 'Obyednani hromady: Perelik ta osnovni dani'.

⁵¹ See also the section 'Osnovni napryamy zabezpechennya podal'shoho efektyvnoho postupu detsentralizatsiyi' [Main Directions for Securing a Continuously Effective Advancement of Decentralization], in Zhalilo et al. (2018), *Detsentralizatsiya vladky*, pp. 19–20.

Getting the second phase of reform on track has been complicated by the political calendar in 2019, which has seen three rounds of nationwide voting in presidential and parliamentary elections, as well as a subsequent rotation of personnel in the legislature, executive branch and parts of the judiciary. Even if draft Law No. 9441 is adopted swiftly, its implementation will take time. The pace at which territorial communities are amalgamated will depend on the central government's willingness and ability to push through further decentralization.

The second phase of decentralization also includes another fundamental change of Ukraine's administrative and territorial division, at the level of the *rayony*. As indicated, amalgamation has shifted a considerable degree of responsibility from the *rayony* to municipalities. Under Ukraine's current constitution, directly elected upper subregional councils are responsible for representing the joint interests of localities in the *rayony*. However, amalgamation often results in the establishment of relatively large and powerful ATCs that do not need administrative support from councils or executives (e.g. heads of subregional state administrations) at the *rayon* level. Thus, many *rayony* have already devolved extensive responsibilities and financial resources to the ATCs.

Another crucial decentralization-related legal document has been submitted for parliament's consideration. Draft Law No. 8051 'On the Basics of the Administrative-Territorial Structure of Ukraine' identifies key principles and procedures for changing the boundaries of administrative-territorial entities. This draft law represents a legal framework for redesigning *rayony*, in line with criteria applied in the EU. It proposes the transformation of the existing 490 *rayony*, which have an average population of approximately 25,000 (but sometimes have less than 10,000 residents), into around 100 new ones, each with around 150,000 residents, without the need for a time-consuming constitutional amendment. The prime motivation for such far-reaching consolidation of the *rayony* is to increase the effectiveness and reduce the expenditures of public administrations. However, these aims may not be as easy to achieve as some reformers assume.⁵²

Most international and domestic decentralization specialists have assessed draft Law No. 8051 positively, though the Council of Europe's legal experts have laid out minor concerns.⁵³ If the law is adopted, the *rayony* could be swiftly amalgamated by the centre.⁵⁴ Their new boundaries would be determined in accordance with the modified functions of the new upper subregional branches of government.⁵⁵

So far, certain stakeholders in parliament have hindered the adoption of this law. Although the government submitted it to parliament back in February 2018, as of July 2019 it had still not passed its first reading – despite having been included four times in the parliamentary agenda following the presidential election in the spring of 2019.

The draft laws clarifying the new responsibilities of upper subregional executive committees and councils are still being prepared by the working group of the Ministry of the Development of Communities and Territories. As of July 2019, it was too early to say what exact functions will

⁵² Roesel, F. (2017), 'Do mergers of large local governments reduce expenditures? Evidence from Germany using the synthetic control method', *European Journal of Political Economy*, 50(1): pp. 22–36, doi:10.1016/j.ejpolco.2017.10.002 (accessed 5 Aug. 2019).

⁵³ Council of Europe (2018), *Legal Opinion on the Draft Law of Ukraine 'On Principles of Administrative Territorial Structure of Ukraine'*, http://www.slg-coe.org.ua/wp-content/uploads/2019/06/CoEOpinion_principlesofadministrativeterritorialstructureofukraine_CELGR-LEX20184.pdf (accessed 5 Aug. 2019).

⁵⁴ Shutka, N. (2018), 'Yu. Hanushchak o detsentralizatsii: Yesli gosudarstvo vozglavit avtoritarshchik, budet popytka vse vernut' nazad' [Yu. Hanushchak on Decentralization: If the State Is Run by an Authoritarian Leader, There Will Be an Attempt to Reverse Everything], *ZIK*, 29 October 2018, https://zik.ua/ru/news/2018/10/29/yuganushchak_o_detsentralyzatsyy_esly_gosudarstvo_vozglavyt_avtorytarshchyk_budet_1436531 (accessed 5 Aug. 2019).

⁵⁵ Tkachuk, A. and Hanushchak, Y. (2017), *Transformatsiya rayoniv v protsesi ta za pidsumkamy detsentralizatsii* [The Transformation of Rayony in the Process and as a Result of Decentralisation], Ukraine Crisis Media Center, 10 May 2017, <http://decentralization.uacrisis.org/> (accessed 5 Aug. 2019).

be allocated to the new amalgamated *rayony*. The working group has been conducting fieldwork in a number of districts and collecting evidence in order to define the criteria for establishing the enlarged *rayony*. It is as essential to identify the functions of the future institutions as it is to determine their territorial design.

The second phase of reform will thus extend the renewal of subnational self-government from the local level to the oblast and *rayon* levels. This will eventually require a constitutional amendment to change the entire structure and functioning of regional and subregional self-government bodies and their executive organs. Elected councils would establish their own executive committees, in a similar way to regional authorities in most EU member states. Thus, the councils would no longer delegate implementation of decisions to state administrations at the oblast and *rayon* levels. Prefects, rather than the current heads of regional administrations, would carry out the control functions of the centre. As a result, the rights and responsibilities of regional executives and self-government bodies would no longer conflict with one another.

The second phase of reform will thus extend the renewal of subnational self-government from the local level to the oblast and *rayon* levels. This will eventually require a constitutional amendment to change the entire structure and functioning of regional and subregional self-government bodies and their executive organs.

In summer 2015, parliament attempted to adopt a constitutional amendment similar to the one currently foreseen. The proposed amending law, however, also contained an unrelated controversial sentence related to implementation of the widely disliked Minsk Agreements with Russia. This short clause granted 'special status of local self-governance'⁵⁶ to the separatist-controlled territories in the Donetsk and Luhansk oblasts. Due to public discontent, violent clashes in Kyiv and fierce opposition from key stakeholders, parliament failed to pass the constitutional change.⁵⁷

During his failed re-election campaign in 2019, President Petro Poroshenko reminded policymakers and voters of the need to introduce executive committees established by regional and upper subregional councils. And during the 2019 parliamentary campaign, the then prime minister, Volodymyr Hroysman, presented a draft constitutional change. As of July 2019, Ukraine's newly elected president, Volodymyr Zelenskyy, had not made known his official position on this issue.

However, the manifesto of Zelenskyy's Servant of the People (*Sluha narodu*) party for the parliamentary elections prioritized the promotion of decentralization in accordance with EU norms.⁵⁸ It also promised to devolve power to the executive committees of subnational councils. After *Sluha narodu* gained an absolute majority of seats (254 out of 450) in the new parliament elected in July 2019, Zelenskyy's team announced its commitment to decreasing the number of *rayony* from 490 to 100, and to introducing prefects instead of state administrations in regions and subregions. These announcements indicate

⁵⁶ This amendment is a part of Ukraine's commitments within the Minsk Agreements. A special law would allow local elections to be held in the separatist-controlled territories, in accordance with Ukrainian law, as well as the appointment of prosecutors and judges in cooperation with the local authorities. Also, that law would allow the establishment of a local police force separate from Ukraine's National Police. One of the most controversial points of the law is that Ukraine guarantees not to prosecute 'the participants in the events on the territory of the Donetsk and Luhansk regions', i.e. participants in the pseudo-civil war in eastern Ukraine since 2014.

⁵⁷ Verkhovna Rada of Ukraine (2015), 'Proekt Zakonu pro vnesennya zmin do Konstytutsiyi Ukrayiny (shchodo detsentralizatsiyi vlady)' [Draft Law 'On Amendments to the Constitution of Ukraine (Regarding the Decentralization of Power)'], http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=55812 (accessed 5 Aug. 2019).

⁵⁸ *Sluha narodu* [Servant of the People] (2019), 'Predvyborna prohrama' [Pre-Electoral Programme], <https://sluga-narodu.com/program>.

the party's readiness to implement the administrative-territorial reform envisaged by the government of Hroysman in draft Law No. 8051. Should the law be adopted in 2019, the central government may still be able to establish enlarged *rayony* and make rapid progress in merging the remaining non-amalgamated local communities by mid-2020. It would then be possible to elect newly empowered councils for all already reformed subnational levels of self-government in October 2020. The appointment of prefects and the introduction of executive committees to regional and subregional councils would also require parliament to amend the constitution.

Another draft law 'On Service in the Bodies of Local Self-Government' (No. 8369) proposes amending the scope and functions of public service in local self-government bodies, and increasing the salaries of public servants employed in such bodies. There seems to be little controversy among the political elite over this law. It has generally been assessed positively by the Council of Europe, especially for differentiating between professional and elected officials. Professional personnel would be recruited through open competition and carry out their duties with a certain degree of expert independence.⁵⁹

A final issue for decentralization reform concerns the system of centrally provided development funds for municipal infrastructure projects and innovation. There are already some success stories in local economic development, and there is a pressing need for improvements to many types of municipal infrastructure, including primary schools, city roads, administrative buildings and waste facilities. So far, however, there remain too many opportunities for local politicians to direct development funds towards personal, clan, party or corporate interests.⁶⁰

The most fundamental infrastructure challenge in Ukraine remains the absence, dilapidation, outdated state or low quality of trans-regional highways, country roads and railways. Despite some improvement in recent years, it remains arduous to travel or transport goods around the country. All regions and localities suffer from the effects of the poor national transportation network. All would benefit from faster and more convenient ways to move people and goods across Ukraine. Forty-five per cent of Ukrainians expect decentralization to improve the maintenance of roads.⁶¹

As long this basic issue is unresolved and local diversion of central funds remains a problem, public investment initiatives in support of small local development projects will remain of questionable value. In the opinion of the authors, it would be more useful to invest the bulk of currently provided developmental funding from the central government into building and improving national roads, railways, ports and airports. This would benefit not only the country as a whole, but also, in one way or another, each local community.

⁵⁹ Council of Europe (2016), *Assessment of the Draft Law of Ukraine on Service in Local Self-Government Bodies*, CELGR/LEX (2016)4rev, http://www.slg-coe.org.ua/wp-content/uploads/2016/07/CoE_Assessment_onservice_Eng.pdf (accessed 5 Aug. 2019).

⁶⁰ Accounting Chamber of Ukraine (2019), *Zvit pro rezul'taty audytu efektyvnosti vykorystannya koshtiv Derzhavnoho fondu rehional'noho rozvytku* [Report on Effectiveness Audit Results on the Use of the Funds of the State Fund for Regional Development], https://rp.gov.ua/upload-files/Activity/Collegium/2019/7-1_2019/Zvit_7-1_2019.pdf (accessed 5 Aug. 2019); and Ott, M. and Kalachova, G. (2019), 'Unparalleled Generosity: Who Spends the National Budget on Local Development and How', VoxUkraine, 9 July 2019, voxukraine.org/en/unparalleled-generosity-who-spends-the-national-budget-on-local-development-and-how/ (accessed 28 Aug. 2019).

⁶¹ Council of Europe (2019), 'Reports: annual national opinion polls on decentralisation and local self-government reform'.

6. Conclusions: Decentralization's Impact on Ukraine and Beyond

In spite of numerous conflicts, inconsistencies and imperfections during the initial years of implementation, Ukraine's decentralization reforms have, since 2015, greatly improved governance at the municipal level. Local resources have been pooled in more sustainable territorial communities, and the parallel implementation of sectoral reforms is under way.⁶² Decentralization has contributed to promoting local democracy.

Yet the speed and magnitude of amalgamation have been insufficient to fulfil the initial plans of the reformers. The new phase of decentralization announced in January 2019, moreover, sets the additional goals of radically decreasing the number of *rayony* and introducing executive committees for self-government bodies in districts and regions. Reforming the territorial structure – in particular at the two subregional (i.e. *rayon* and local) levels – is vital for ensuring good governance and the administrative cohesion of the state, especially when its territorial integrity keeps being challenged from abroad. This ambitious agenda will be difficult to realize, but it needs to be completed ahead of the October 2020 local elections if a full reconstitution of centre–periphery relations is to be achieved by the end of next year.

Some of the problems encountered during previous decentralization attempts have remained in evidence since the Euromaidan revolution.⁶³ Reform outcomes are still being determined by the priorities of politicians at the centre, although bottom-up initiatives also play a role. As before, progress is primarily impaired by the resistance of entrenched regional elites to centrally imposed changes. The key difference between previous attempts to implement territorial reforms and the current decentralization drive, however, is the central government's sharp focus on improving public services rather than merely changing the politics of centre–periphery relations.

Debates on decentralization in the early years of post-communist Ukraine were informed by a notion of 'Europeanization' that had come to prominence after the Second World War.⁶⁴ The post-Euromaidan elites, in contrast, are better informed about contemporary governance rules in the EU. Still, policymakers in Ukraine have thus far been cautious about providing directly elected regional and subregional councils with the constitutional right to establish executive committees. While policymakers have readily accepted the *principle* of subsidiarity as a means of advancing local self-government, they hesitate to strengthen regional authority *in practice* as long as the territorial integrity of the state is challenged by Russia.

Although international technical and financial assistance is important for influencing policy outcomes,⁶⁵ the success or failure of reforms such as decentralization remains primarily determined by domestic factors. That said, since the Euromaidan revolution of 2013–14, foreign donors have consolidated

⁶² Samoorg (2018), 'Analitichnyi daidzhest #10: Konflikty v OTH' [Analytical Digest No. 10: Conflicts in ATCs], <http://samoorg.com.ua/blog/2018/12/20/analitichnyi-daydzhest-10-konflikty-v-obyednanih-teritorialnih-gromadah/> (accessed 5 Aug. 2019).

⁶³ See, for example, Matsuzato, K. (2000), 'Local Reforms in Ukraine 1990–1998: Elite and Institutions', in Ieda, O. (ed.) (2000), *The Emerging Local Governments in Eastern Europe and Russia: Historical and Post-Communist Development*, Hiroshima: Keisuisha, pp. 25–54.

⁶⁴ Wolczuk, K. (2002), 'Catching up with "Europe"? Constitutional debates on the territorial-administrative model in independent Ukraine', *Regional and Federal Studies*, 12(2): pp. 65–88, doi: 10.1080/714004750.

⁶⁵ Leitch, D. (2016), *Assisting Reform in Post-Communist Ukraine, 2000–2012: The Illusions of Donors and the Disillusion of Beneficiaries*, Stuttgart: ibidem-Verlag.

their actions in Ukraine, and this has increased the impact of their interventions. Well-coordinated policy advice, technical assistance and financial support from abroad have helped to prevent Ukraine's government and parliament from neglecting the decentralization agenda.

Ukraine's decentralization has, moreover, at least four geopolitical dimensions.⁶⁶ First, by making the state more efficient, responsive and resilient, decentralization supports the image of the Ukrainian system as a post-Soviet democratic counter-model to the kleptocratic 'Eurasian' political template promoted by Russia.⁶⁷ Insofar as decentralization helps Ukrainian state-building and nation-building, it indirectly promotes a non-authoritarian path of post-communist development that implies an open society, political pluralism, public participation and Western integration. Ukraine's reform example may one day become a model for other, still authoritarian, post-Soviet countries or even for entirely different states in other parts of the world.⁶⁸

By devolving power to the municipal level, decentralization deprives Russia's 'hybrid warfare' of major entry points for the separation or annexation of regions.

Second, the non-federalist and sub-provincial orientation of Ukraine's decentralization reforms empowers local rather than regional self-government, thus offering an antidote to Russian-fuelled autonomism and secessionism.⁶⁹ By devolving power to the municipal level, decentralization deprives Russia's 'hybrid warfare' of major entry points for the separation or annexation of regions.⁷⁰ The less power regional or macro-regional capitals have, and the lower the level at which political decision-making is located, the more difficult it becomes to prepare a particular province for a takeover by Russia's irregular troops, secret infiltrators and local collaborators.

Third, decentralization advances Ukraine's Europeanization. Being a domestically developed reform, it can be interpreted as demonstrating the country's inherent 'Europeanness'. Moreover, this political and social transformation, as with other liberalizing and democratizing reforms, makes the country more similar to other European states where power is already less concentrated. The more Ukraine decentralizes, the more it thus becomes 'EU-compatible' in terms of political integration.

⁶⁶ Umland, A. (2019), 'Chotyry heopolitychni vymiry detsentralizatsii Ukrainy' [Four Geopolitical Dimensions of Ukraine's Decentralization], *Dzerkalo tyzhnya*, https://dt.ua/internal/chotiri-geopolitichni-vimiri-decentralizatsiyi-ukrayini-299352_.html (accessed 5 Aug. 2019).

⁶⁷ Umland, A. (2011), 'Für eine neue Osteuropa-Politik: Europas Weg nach Moskau führt über Kiew' [For a New Eastern Europe Policy: Europe's Path to Moscow Goes via Kyiv], *Internationale Politik*, 66(4): pp. 86–92, https://www.academia.edu/699885/Für_eine_neue_Osteuropa-Politik_Europas_Weg_nach_Moskau_führt_über_Kiew (accessed 5 Aug. 2019).

⁶⁸ Relevant analyses of various aspects of this issue include, in chronological order: Panizza, U. (1998), 'Decentralization as a mechanism to prevent secession', *Economic Notes*, 27(2): pp. 263–67, https://www.researchgate.net/publication/285884304_Decentralization_as_a_mechanism_to_prevent_secession (accessed 5 Aug. 2019); Frey, B. S. and Luechinger, S. (2004), 'Decentralization as a disincentive for terror', *European Journal of Political Economy*, 20(2): pp. 509–15, doi:10.1111/j.1468-2354.2010.00608.x (accessed 5 Aug. 2019); Brancanti, D. (2006), 'Decentralization: Fueling the fire or dampening the flames of ethnic conflict and secessionism?', *International Organization*, 60(3): pp. 651–85, doi: 10.1017/S002081830606019X (accessed 5 Aug. 2019); Dreher, A. and Fischer, J. A. V. (2009), *Government Decentralization as a Disincentive for Transnational Terror? An Empirical Analysis*, IZA Institute of Labour Economics Discussion Paper Series, No. 4259, <http://ftp.iza.org/dp4259.pdf> (accessed 5 Aug. 2019); Vaillancourt, F., Roy-Cesar, E. and Miller Bird, R. (2010), *Is Decentralization 'Glue' or 'Solvent' for National Unity?*, Andrew Young School International Studies Program Working Paper, No. 10-03, https://www.researchgate.net/publication/256004685_Is_Decentralization_%27Glue%27_or_%27Solvent%27_for_National_Unity (accessed 5 Aug. 2019); Ehrke, J. (2011), *Zur Stabilisierung fragmentierter Staaten: Dezentralisierung, Entwicklungszusammenarbeit und das Gespenst des Separatismus* [On the stabilization of fragmented states: Decentralization, development cooperation and the ghost of separatism], Potsdam: Universitätsverlag Potsdam; and Grävingholt, J. and von Haldenwang, C. (2016), *The Promotion of Decentralization and Local Governance in Fragile Contexts*, DIE Discussion Paper, No. 20, https://www.die-gdi.de/uploads/media/DP_20.2016.pdf (accessed 5 Aug. 2019).

⁶⁹ Poberezhnyy, H. (2006), 'Detsentralizatsiya yak zasib vid separatizmu' [Decentralization as a preventive mechanism against separatism], *Krytyka*, X(11): pp. 3–7, <http://krytyka.com.ua/articles/detsentralizatsiya-yak-zasib-vid-separatizmu> (accessed 5 Aug. 2019).

⁷⁰ Ryabchuk, M. (2014), 'Dezentralisierung und Subsidiarität: Wider die Föderalisierung à la russe' [Decentralization and subsidiarity: Against federalization à la russe], *Osteuropa*, 64(5–6): pp. 217–25, <https://www.zeitschrift-osteuropa.de/site/assets/files/3416/oe140514.pdf> (accessed 5 Aug. 2019).

Fourth, Ukraine's non-federalist and sub-provincial decentralization could provide a model for countries that are threatened by (a) regional or macro-regional autonomism and separatism, and/or (b) rapacious neighbouring states eager to exploit territorial cleavages. Decentralization currently helps Ukraine to hold its state together, notwithstanding the situation in separatist-controlled areas. In the future, this method of preventing secessionism could conceivably be applied to other countries. The highly centralized authoritarian post-Soviet states, not least Russia, may eventually also want to devolve power to the local rather than regional level, in order to safeguard themselves against a possible break-up – whether fuelled by inside or outside forces. They could thus decide to follow the Ukrainian decentralization example rather than some older federalist model.⁷¹

For these four reasons, Ukraine's decentralization reforms mark a significant political transformation in the post-communist world. Western countries should continue to support the process as generously and intensively as they currently do. Domestic and foreign journalists may want to investigate more deeply its successes, failures and consequences. Researchers on Ukraine and in the fields of comparative decentralization and local governance in other parts of the world may benefit from paying greater attention to the country's recent experiences.

Policy recommendations

- Western governments, international organizations and private donors should support Ukraine's second phase of decentralization (2019–21) as resolutely as they have supported its first.
- Ukraine should decouple the constitutional changes necessary for decentralization from the requirements and implementation of the Minsk Agreements, and adopt the necessary constitutional and other legal changes to proceed with the reforms as soon as possible.
- Parliament should prioritize passing the above-mentioned draft laws Nos. 8051 and 9441, and specify the future functions of self-government at the oblast and *rayon* levels, in order to avoid chaos in Ukraine's territorial-administrative structure.
- Policymakers in the central government need to decide soon whether or not to complete amalgamation of communities and *rayony* before the October 2020 local elections. If the decision is to proceed, then all necessary laws, decrees, resolutions and orders need to be adopted and implemented swiftly.
- While involuntary amalgamation may ultimately be unavoidable to ensure the completion of decentralization, local communities should be involved as much as possible in the planning and conduct of the administrative merger process.
- The Central Electoral Commission should react as quickly as possible to requests by ATCs to reconstitute their governing bodies via snap local elections. The 2018–19 precedent, when 66 ATCs were left waiting for six months to conduct elections, should be avoided.

⁷¹ Romanova, V. and Umland, A. (2019), 'Decentralising Ukraine: Geopolitical Implications', *Survival*, 61(5): pp. 99–112, doi: 10.1080/00396338.2019.1662108 (accessed 19 Sep. 2019). For a further relevant post-Soviet case, see Ehrke, J. (2007), *Zentralisieren durch Dezentralisierung? Die Reform der Kommunalfinanzen in Georgien* [Centralizing through decentralization? The reform of communal finances in Georgia], Arbeitspapiere des Deutsch-Georgischen Arbeitskreises für Finanz- und Sozialpolitik, No. G-3, https://publishup.uni-potsdam.de/opus4-ubp/frontdoor/deliver/index/docId/1684/file/paperG3_A1b.pdf (accessed 5 Aug. 2019); and Kirn, T. and Khokrishvili, E. (2008), *Will an Asymmetrical System of Fiscal Decentralization Resolve the Conflicts in the Republic of Georgia?*, Arbeitspapiere des Deutsch-Georgischen Arbeitskreises für Finanz- und Sozialpolitik, No. G-9, <https://publishup.uni-potsdam.de/frontdoor/index/index/docId/1707> (accessed 5 Aug. 2019).

-
- For the purposes of legal and conceptual clarity, the newly elected parliament should introduce amendments to existing legislation that explicitly distinguish ATCs from communities that have not yet amalgamated. Also, this distinction should be made clear in the communities' horizontal communication, cooperation, association and competition.
 - State officials of the old *rayony* who cannot be reappointed in the enlarged districts' administrations should be encouraged, incentivized and supported to find new employment in ATCs and other local government bodies. International donors could provide support for the retraining of former *rayony* staff.
 - The powers and responsibilities of proposed regional prefects should be clearly defined. Whatever final system of central state supervision of local self-governance is established, it should not have extrajudicial powers to intervene directly into municipal affairs, but should instead take on an advisory function for ATCs.
 - A special law regulating the limitation, modification and abolition of ATCs' legal acts by administrative courts may have to be formulated and adopted.
 - Infrastructure investment should, for now, focus on improving the national transportation system as an essential precondition for faster development nationwide.
 - To enhance civic engagement in political agenda-setting and decision-making at regional and upper subregional level, civic councils (*hromadski rady*) should be granted access to the executive committees of oblast and *rayon* councils as soon as these bodies are established.

About the Authors

Valentyna Romanova holds a BA, MA and PhD in political science from the National University of Kyiv-Mohyla Academy. She has more than 10 years of professional experience in academia and think-tanks, with a focus on territorial politics, regional policy and multi-level governance. She works as a senior consultant for the Department of Regional Policy at Ukraine's National Institute for Strategic Studies, and teaches within a joint German–Ukrainian MA programme on German and European studies at the Kyiv-Mohyla Academy. Previously, on a Chevening scholarship, she conducted research on the 'regional dimension of European integration and good governance regarding regional differences'. On a Marie Curie fellowship at the University of Edinburgh, she researched territorial politics in Ukraine during the transition from authoritarian rule. She is a co-editor of the 'Annual Review of Regional Elections' in the journal *Regional and Federal Studies*. Her research output is published in international peer-reviewed journals and academic books.

Andreas Umland, CertTransl (Leipzig), AM (Stanford), MPhil (Oxford), DipPolSci, DrPhil (FU Berlin), PhD (Cambridge), has held fellowships and lectureships at the Hoover Institution, Harvard University, St Antony's College Oxford, Urals State University, Shevchenko University of Kyiv, Catholic University of Eichstaett and Kyiv-Mohyla Academy. Since 2014, he has been a research fellow at the Institute for Euro-Atlantic Cooperation in Kyiv, and since 2019 a senior non-resident fellow at the Centre for European Security of the Institute of International Relations in Prague. He is the general editor of the book series 'Soviet and Post-Soviet Politics and Society' and 'Ukrainian Voices', as well as a member of the boards of directors/editors of the web journal *Forum noveishei vostochnoevropeiskoi istorii i kul'tury*, the International Association for Comparative Fascist Studies, the NGO Kyiv Dialogue, the Boris Nemtsov Academic Centre for the Study of Russia at Charles University of Prague, the book series 'Explorations of the Far Right', *Fascism: Journal of Comparative Fascist Studies*, the *Journal of Soviet and Post-Soviet Politics and Society*, and *The Ideology and Politics Journal*.

Acknowledgments

We are grateful for substantive critique of, and useful additions to, an earlier draft of this paper by Igor Dunayev (Kharkiv), Georg Milbradt (Dresden) and William Tompson (Paris), as well as three anonymous reviewers from Chatham House. We also benefited from the discussion of Ukraine's changing territorial design with Kimitaka Matsuzato (Tokyo), Andreas von Schumann (Kyiv), Tony Levitas (Providence) and Benedikt Herrmann (Kyiv), as well as numerous Ukrainian experts on decentralization. Any errors or imprecisions that the paper may still contain, however, remain the responsibility of the authors.

Andreas Umland's work for this paper benefited from the support of 'Accommodation of Regional Diversity in Ukraine (ARDU): A research project funded by the Research Council of Norway (NORRUSS Plus Programme)'. See blogg.hioa.no/ardu/category/about-the-project/.

Independent thinking since 1920

Chatham House, the Royal Institute of International Affairs, is a world-leading policy institute based in London. Our mission is to help governments and societies build a sustainably secure, prosperous and just world.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying, recording or any information storage or retrieval system, without the prior written permission of the copyright holder. Please direct all enquiries to the publishers.

Chatham House does not express opinions of its own. The opinions expressed in this publication are the responsibility of the author(s).

Copyright © The Royal Institute of International Affairs, 2019

Cover image: Competitors during the 27th Ukrainian Firefighting Championship in Kharkiv, northeastern Ukraine, 3 July 2019. Inter-communal cooperation introduced as part of Ukraine's decentralization drive has included the fire services, education and healthcare.

Photo credit: Copyright © Vyacheslav Madiyevskyy/Barcroft Media/Getty Images

ISBN 978 1 78413 360 3

This publication is printed on FSC-certified paper.



Typeset by Soapbox, www.soapbox.co.uk

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223