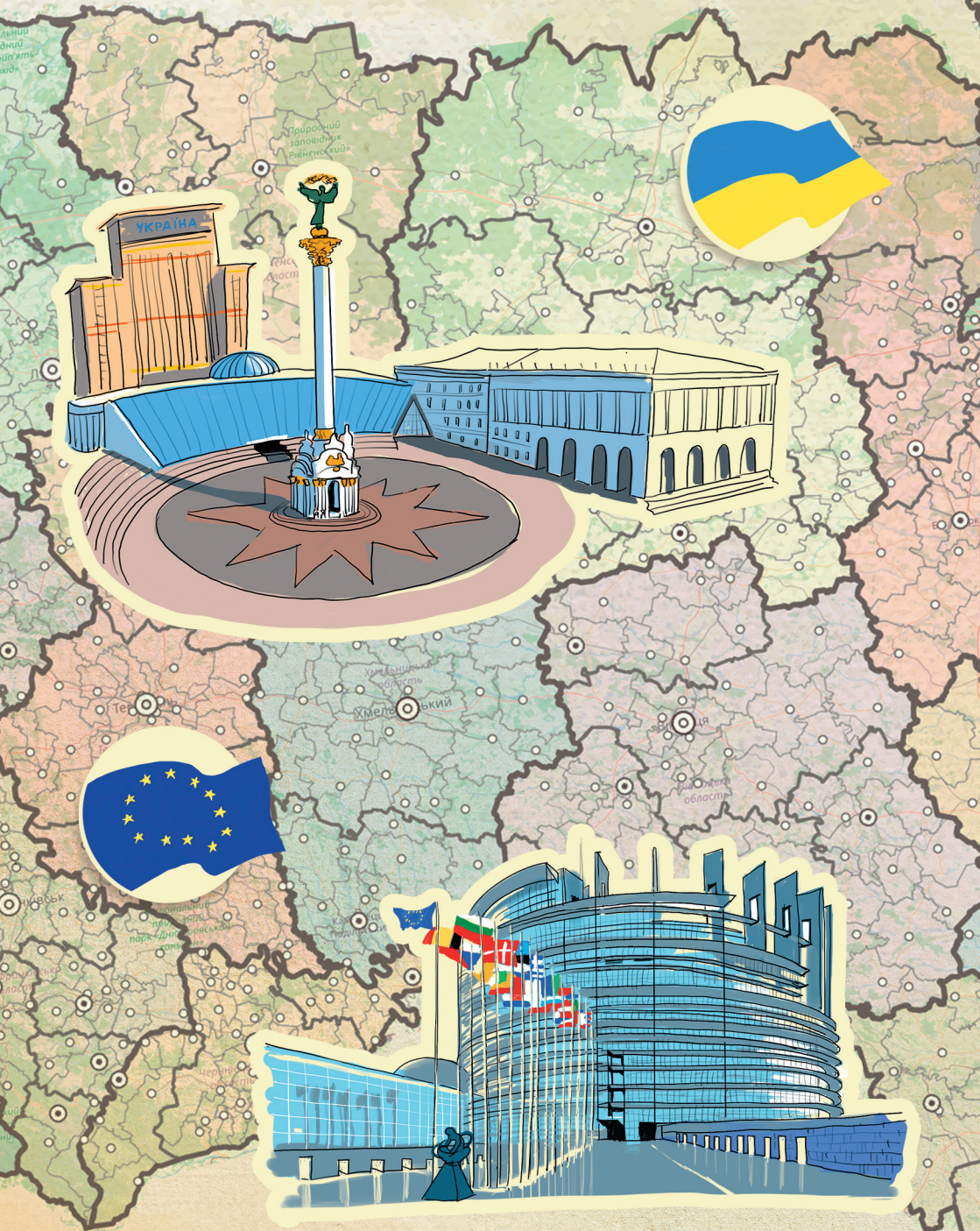




DECENTRALIZATION IN UKRAINE

 Decentralization




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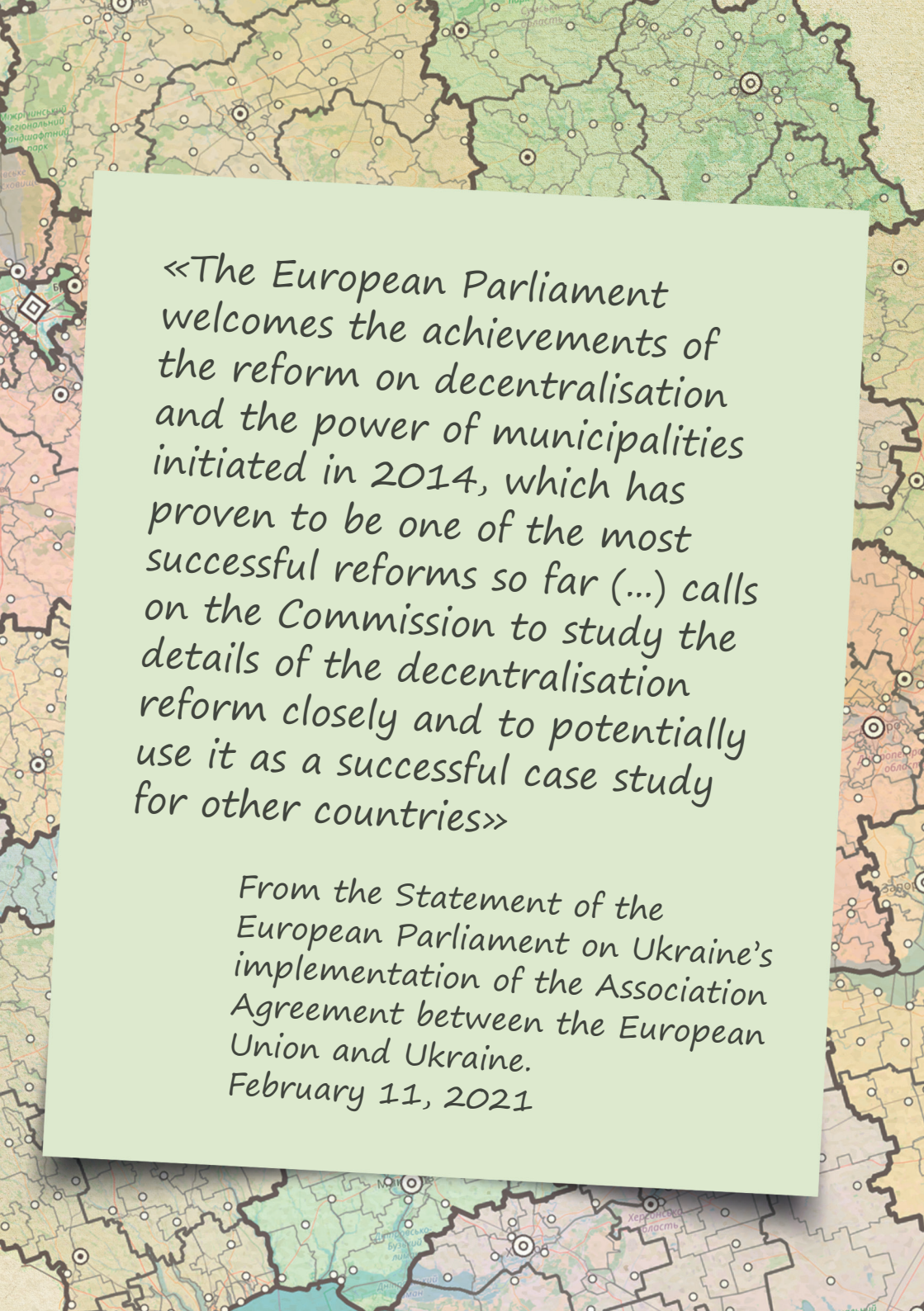
Ministry for Communities and Territories Development of Ukraine



Swiss-Ukrainian project
DES PRO
Decentralization Support in Ukraine

 Schweizerische Eidgenossenschaft
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«The European Parliament welcomes the achievements of the reform on decentralisation and the power of municipalities initiated in 2014, which has proven to be one of the most successful reforms so far (...) calls on the Commission to study the details of the decentralisation reform closely and to potentially use it as a successful case study for other countries»

From the Statement of the European Parliament on Ukraine's implementation of the Association Agreement between the European Union and Ukraine.
February 11, 2021

It is going to take 7 over-difficult years to approve the Statement of the European Parliament - 7 years of hard work on the part the reformers' team and a large Ukrainian community who, in spite of various obstacles, were seeking to achieve their goal of building up a strong and prosperous INDEPENDENT UKRAINIAN STATE.

Thirty years of restoring the Ukrainian state constitute thirty levels of Ukraine's development of and experience in "the skill of obtaining the coveted goal."



Superficially, the coveted dreams of new Ukraine did not seem to be exceptional or extraordinary.



Just to be themselves, to live in peace, dignity and consent, to honour the national history, to safeguard one's future, to evolve, to realize one's potential - is there anything inordinate in it?

These are the general needs of any person, but they turned out to be a difficult task to perform in the post-Soviet space. If anything is to be done for a person, wouldn't it be reasonable to ask this person what s/he needs in the first place and how s/he assesses the necessary decisions.



The inherited excessive centralization of power which tended to increase from year to year had nothing to do with the actual creation of conditions to satisfy the needs of a particular individual in Ukraine.

In other words, there was a big gap between an individual and the state. This was one of the greatest challenges facing the Ukrainian state system.

Yet, the utmost value of a state is its people.

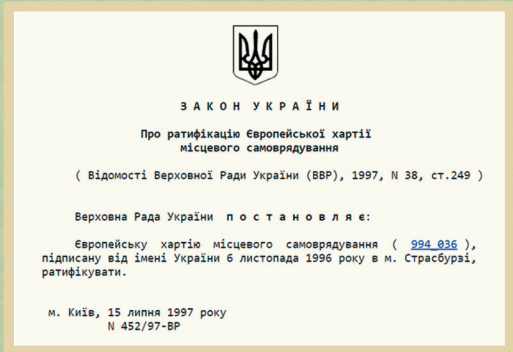
And people want to be fit and contented, they seek to live in comfort and out of harm's way, they require appropriate conditions to take care of their health, education, all-round development and fulfilment.



The issue of the state approaching the people has been on the agenda since the first years of independence.

In 1997 Ukraine ratified the European Charter of local self-government – the document of supreme importance for building up the system of a true and efficient local self-government which

is the closest to people and, as such, is best able to solve the problems of people's everyday needs. However, it took some time to pass from the Charter ratification to real actions. As a matter of fact, the document was ratified after Ukraine's adopting its Constitution on the basis of which the entire legislative foundation of the state was formed, with every sphere of state functioning brought to a norm. A few months before the ratification, the Law "On local self-government" was adopted.



Although the institute of self-government existed in Ukraine de jure, it was only the Fundamental Law that gave it the constitutional status, because de facto its powers were limited (people who lived on the territory of village councils were serviced in the district centres), their financing was miserable, barely sufficient for the salaries of the permanent staff of a local self-government body.



Local self-government only developed on the level of territorial communities in towns of regional significance. Education, health care, social sphere, land resources outside settlements, culture and construction in hamlets, villages and small towns were centrally governed on the level of regional and district state administration bodies.



That was conducive to the decay of most settlements, with over 600 villages vanishing from the map of Ukraine in the period of 1991-2013.

The reform of local self-government and territorial organization of power.

Decentralization of power



All the afore-mentioned problems were to be clearly outlined in 2014 in the fundamental document entitled “The concepts of reforming local government and territorial organization power”; in which the Government offered the ways and means of solving those problems and set the key tasks of reforming. The central issue of the reform was to become an INDIVIDUAL. It means that every move of the reform was determined by actual specific needs of people. Hundreds and hundreds of meetings of local self-government representatives with their communities, joint conferences, sessions and forums held since 2014 were focused on studying those particular needs and joint decision making embodied in bills and by-laws.

The Ministry of Regional Development, Construction, and Housing and Communal Services, later on transformed into the Ministry of Communities and Territorial Development was made in charge of the reform implementation.





The formation of sustainable communities

The Government proceeded from the assumption that in order to develop territories local self-government bodies have to possess a large range of power with sufficient resources to implement it and also to bear responsibility for the efficiency of the decisions they make. These three crucial components of local self-government provide for accessible

high-quality services on their territories – the services in the spheres of education, health care, administration, safety, public welfare, etc.



However, the communities in Ukraine were too small. They did not have enough human and material resources to effectively use the authorities they were endowed with. The Concept stated that, as of the reform's outset, there were 12 thousand territorial communities in Ukraine. Most of them had the population from 500 to 3,000 people, with quite a few of them having no executive bodies of village councils, budget agencies or communal enterprises.

That is why the Government launched the formation of sustainable communities by amalgamating them within the framework of the reform of local self-government and the territorial organization

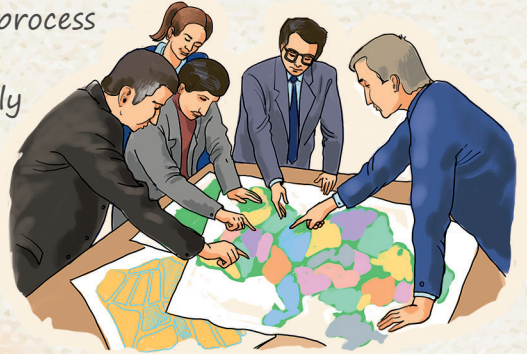
of power. It is noteworthy that, from 2015 until 2020, when that stage of the reform was completed, the integration of communities was



based upon the free-will principle. This tool was used by almost 500 local councils which formed over 500 new communities through amalgamation. Most of them established direct inter-budget relations with the state budget. It made it possible for communities to settle the problems of their territorial development on their own.

At the same time, there remained over 6,000 local councils as of 2020 which did not take advantage of the possibility to determine the ways of their development on their own discretion. Their residents kept living under the old system of governing when all services were concentrated in district centres, and the problems of their communities were also dealt with by district officials.

The main target of the reform, however, is to put into operation the universally effective system of local self-government and to create equally favourable conditions for development. Taking into consideration the fact that, according to the Constitution of Ukraine, the next in turn local elections were to be held in 2020 and that the reform could not be going on forever, the state put an end to the process of community formation by defining their centres officially in state documents and having their territories fixed. It is self-understood that those decisions were preceded by hundreds of consultations with the representatives of communities, districts, associations of local self-government bodies, people's deputies and experts.



In that way, the formation of a new basic administrative and territorial system was completed. 1,470 territorial communities appeared on the map of Ukraine: 410 municipal, 433 town and 627 rural ones. There are 28.6 thousand population centres in Ukraine. All communities are now equal in status, powers and taxes.



The formation of communities and districts on the territory of the Autonomous Republic of Crimea is going to be determined in Ukraine after the de-occupation of the peninsula.

The institution of starostas (aldermen) presents an important innovation within the local self-government system.

A starosta is a local self-government official who is in charge of due representation of each resident's interests in the community, with their social and other interests being dealt with and all local problems being settled promptly, overtly and efficiently.

As of September 2021, there are 8,065 starosta areas in Ukraine which are under the jurisdiction of starostas. Importantly, apart from their representation

functions, starostas render a number of administrative services to their area residents.



The formation of effective districts

The parameters of the district division in Ukraine did not meet the present-day requirements for effective territorial power.

Before the reform, the sub-regional level of local self-government numbered 490 districts. For instance, 6 districts had the population of up to 10 thousand people, 9 districts – over 100 thousand people, and 3 districts – over 150 thousand



people. Consequently, the load on local executive bodies was different, while the functions were identical, so their existence in small areas was unjustified.

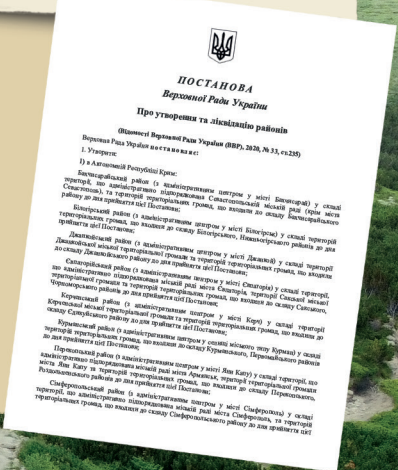
In the first years of the reform, almost one half of the districts were already under newly formed communities either entirely or to the most part. The prevailing responsibility was passed over to communities at the district bodies' level. In other words, the system of government lost balance.

Was it possible to leave it unchanged or not?

One of the main goals of the reform is to outline a well-grounded territorial basis for the activities of local self-government bodies and executive bodies in order to provide the accessibility and the appropriate level of public services these bodies are required to maintain. To achieve this goal on the district level, Ukraine relied on the European Union "Nomenclature of territorial units statistics NUTS-3"

The formation of new efficient districts presented a no less complicated challenge than the amalgamation of communities and was as disputable. It was crucial to find a compromise among all participants of the reform. To make things more difficult, the peak of those discussions occurred in the period of strict lockdown, which was introduced in the country because of the COVID-19 pandemic. Meetings, talks, expert discussions were held online, which complicated the work. Before long, in the wake of government decisions concerning the defining of community centres and the confirmation of their territories, the Verkhovna Rada of Ukraine made another step by liquidating 490 previously existing districts and forming **136 new ones** instead.

In October 2020, the local elections in Ukraine were held on the new territorial basis of communities and districts. That marked the completion of an important part of the local self-government reform. The work on the development of communities is ahead.





Financial decentralization

Together with the process of voluntary unification of communities, the state was implementing financial decentralization.

At the end of 2014, the Verkhovna Rada of Ukraine adopted the amendments to the Budget and Tax Codes of Ukraine initiated by the Government. According to the amendments, local self-government bodies obtained additional budget responsibilities, with the sources of income to put them into practice being fixed.

The first amalgamated communities, which numbered 159 as of the beginning of 2016, received total budget independence in filling up and using their budgets. The number of sources to form the local budgets income base increased through transferring some parts of income from the state budget and introducing several new local taxes. The system of total balancing of all local budgets was replaced by the system of horizontal levelling of tax-paying ability of a territory depending on the allotment rate per resident.

The state introduced the fiscal independence of local self-government bodies in the field of local taxes and dues, in particular, by giving the right to determine tax rates and tax privileges on their own.



Additionally, new subventions to local budgets from the state budget were introduced – for education and health care. Communities channeled them into responsibilities in the afore-mentioned spheres. Those subventions were transferred to the state delegated educational and healthcare sectors. The state subventions to develop communities' infrastructure appeared to become a very substantial support.

In 2016, the local budgets of newly-formed communities already increased by 3 to 7 times. If on the outset of the reform of local self-government, i.e. in 2014, the income of the general fund of local budgets comprised 68.6 billion hryvnias, this index grew to 146.6 billion hryvnias in 2016, when the financial decentralization norms were brought into operation, 173.5 billion hryvnias in 2017, 234.1 billion hryvnias in 2018, 275.2 billion hryvnias in 2019, and 290.1 billion hryvnias in 2020.





The mere figures do not say much in finances. More eloquent are the results achieved by communities owing to the increasing local budget revenue.



Construction works have been activated locally. Throughout the years of the reform, thousands of infrastructure objects have been renovated and built: schools, kindergartens, inclusive centres, out-patient clinics, first-aid and birth attendant facilities, cultural institutions, playgrounds for children, sports grounds, skate-parks, football fields and even sports complexes.

Communities commenced to improve local roads, to increase the routes of local public transportation, to buy school buses, communal and specialized means of transport for people with limited physical abilities, to open new police stations and security centres.



Qualitative changes have occurred in the spheres of public welfare, solid waste management, water supply and sanitation; communities were enabled to light their streets at night, to make them safe by installing permanent

CCTV cameras, to renew

the networks and

improve their servicing,

to organize the centralized waste collection.



In other words, communities got the possibility – for the first time after the declaration of state independence – to settle the problems accumulated throughout years.

An absolutely new task for the communities to deal with was the task of providing local people with administrative services. In this respect, they had to begin from scratch: either to look for appropriate premises to accommodate

Administrative Service Centres (ASCs), or to build new ones; to train personnel, to equip ASCs with technical devices and software, to develop and set up the network of remote working facilities for those centres.



A most substantial assistance in arranging Administrative Service Centres is rendered to communities by the state and international programmes of technical aid. Nowadays, both residents of big cities and villagers can obtain administrative services in 936 Administrative Service Centres and their 104 territorial branches. Over 1,200 distant workplaces of ASCs have been created additionally; also, 24 mobile ASCs are in operation.



It is only fair to point out that the greatest progress in the communities' development is observed where local authorities work in close cooperation with people, where they collaborate in designing projects and strategies of development, where the executive level is constantly improving and rising, where a balance between the financial support and the priorities of the community is reached.



Decentralization of land

In April 2021 the state improved significantly, on the legislative level, the system of administration and deregulation in the sphere of land management. Consequently, the state-owned lands beyond settlements, including farmlands, have become the communal property of all 1,470 communities. In this way, another important principle was ensured - the principle of local self-government universality.

Local self-government bodies are now enabled to establish clear-cut borders of municipalities, to inventory and evaluate the lands, to work out an integrated plan of the territorial development, to control the use of the land, and to invite investors. All this creates sizable possibilities to fill local budgets and develop territories.



The reform continues

The next stage of the reform is aimed at the further development of the system of local self-government and executive bodies on the new territorial basis. This includes a wide range of new tasks, such as the methodical support of new municipalities in the process of their settling and the strengthening of their economic efficiency, the adoption of vital laws - on local self-government, on local administrative bodies, on the procedures of dealing with problems of administrative territorial system; changes in the budget legislature and other laws which determine the delegated authorities of local self-government bodies, as well as lots of other documents of supreme importance for the formation of the efficient system of local self-government and communities' development.



The key mission is to prepare and adopt amendments to the Constitution of Ukraine which are aimed to consolidate the decentralized system on every level of administration and ensure the irreversibility of achievements. In this way, Ukraine will support the functioning of the local self-government system in accordance with the principal provisions of the European Charter of Local Self-government.



