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Challenges and Implications of the
Local Governance Reform after the Euromaidan Revolution

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Acknowledgements and Caveats

The production of this volume has taken an unusually long time. Its planning started in 2017 and publication was originally planned for the year 2020. Yet, the completion and editing of the collection was completed only in late 2023, for a number of reasons. Disruptions in the professional and private biographies of the editors who switched their places and countries of work during this period, as well as in the initially assumed project funding led to an initial delay. In early 2022, the Russia's large-scale invasion again interrupted our work, but also gave us a chance to include some more recent chapters in the volume.

Some of the contributions to this volume and author affiliations are thus dated by the publication year 2024. We apologize for this circumstance to our contributors, reviewers, and readers, as well as warn readers that the authors of these older texts should not be held responsible for possible non-consideration of relevant recent new primary or secondary sources not yet considered in these papers. In a way, the contributions to the volume document not only the course of Ukraine's decentralization, but also the evolution, over time, of its perception by the experts assembled here.

The volume has benefitted from largely indirect support by a whole number of institutions who funded the editors' work during the time of its collection. They include, in Valentyna Romanova's case, the Institute of Developing Economies—Japan External Trade Organization (IDE-JETRO) as well as European Cooperation in Science and Technology (COST), and, in Andreas Umland's case, the Kyiv-Mohyla Academy (NaUKMA), German Corporation for International Cooperation (GIZ), Czech Institute of International Relations (UMV), Ukrainian Institute for the Future (UIM), Research Council of Norway (NFR), as well as the foreign ministries of Germany (AA) and Sweden (UD). We are also grateful to the various institutions which have supported the volume's authors.

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Andreas Umland and Valentyna Romanova
Kyiv and Tokyo, March 2024

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Introduction

Taking Stock of Ukraine's Decentralization

Andreas Umland and Valentyna Romanova

This volume seeks to contribute to the emerging body of English-language analytical literature on Ukraine's decentralization. It explains why the reform started, how it proceeded in 2014–2020, and how its first deliverables have affected state capacity, party politics, and territorial cohesion. Over the last years, at first, domestic experts have, in Ukrainian language, examined Ukraine's local governance structure and decentralization reform, discussing its successes and failures.¹ These studies were then supplemented with Ukrainian studies in Western languages as well as with more and more studies by foreign scholars.² This volume complements this

-
- 1 Among early seminal Ukrainian-language general surveys are: Anatolii Tkachuk, *Mistseve samovryaduvannya ta detsentralizatsiya: Praktychnyy posibnyk* (Kyiv: Sofiia, 2012); Yuriy Hanushchak, *Reforma terytorial'noi orhanizatsii vlady* (Kyiv: DESPRO, 2012; 3rd edn, 2015); Anatolii Tkachuk, *Derzhavna rehionalna polityka: Vid asymetrii do solidarnosti (robochyi zoshyt)* (Kyiv: Lehalnyi status, 2013); Anatolii Tkachuk, *Pro detsentralizatsiiu, federalizatsiiu, separatyvist ta ul'tymatymy: zapytannia ta vidpovidi* (Kyiv: Lehalnyi status, 2014). Some of the most recent relevant think-tank papers, coauthored by Valentyna Romanova, include Ya. A. Zhalilo et al., *Detsentralizatsiya vlady: Yak zberehty uspishnist' v umovakh novykh vyklykiv?* (Kyiv: NISD, 2018); Ya. A. Zhalilo et al., *Detsentralizatsiya vlady: Poriadok dennyy na sredn'ostrokovu perspektyvu* (Kyiv: NISD, 2019). An early relevant English-language study by Ukrainian experts was: Viktor Chumak and Ihor Shevliakov, *Local Government Functioning and Reform in Ukraine: An Overview of Analytical Studies of Local Government System and Local Services Provision in Ukraine* (Oslo: Norwegian Institute for Urban and Regional Research, 2009).
 - 2 See, among the relevant English-language publications, in chronological order: *Local Governance and Decentralization Assessment: Implications of Proposed Reforms in Ukraine* (Washington, DC: USAID, 2014); Yuliya Bila, "Decentralize or Perish", *Foreign Policy*, 14 April 2015. <http://foreignpolicy.com/2015/04/14/decentralize-or-perish-ukraine-kiev-russia/>; Galyna Kalachova, "Budget Decentralization: Life or Death for Ukrainian Cities and Towns", *Vox Ukraine*, 21 November 2016 <https://voxukraine.org/2016/11/21/budget-decentralization-en/>; Kirill Mikhailov, "Ukraine's Decentralization and Donbas 'Special Status': What You Need to Know", *Euromaidan Press*, 1 September 2015 <http://euromaidanpress.com/2015/09/01/ukraines-decentralization-and-donbas-special-status-what-you-need-to-know/#arvlbdata>; William Partlett, "Agendas of

Constitutional Decentralization in Ukraine”, *ConstitutionNet*, 23 July 2015. <http://www.constitutionnet.org/news/agendas-constitutional-decentralization-ukraine>; Oleksii Sydorчук, *Decentralization: Results, Challenges and Prospects* (Kyiv: Ilko Kucheriv Democratic Initiatives Foundation, 2016); Ivan Lukerya, Olena Halushka, “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>; Balázs Jarábik, Yulia Yesmukhanova, “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>; Tony Levitas and Jasmina Djikic, *Caught Mid-Stream: “Decentralization”, Local Government Finance Reform, and the Restructuring of Ukraine’s Public Sector 2014 to 2016* (Kyiv: SIDA-SKL, 2017), <http://sklinternational.org.ua/wp-content/uploads/2017/10/UkraineCaughtMidStream-ENG-FINAL-06.10.2017.pdf>; *Report on Municipal Amalgamation and Possible Impact on Territorial Reform of Upper Tiers of Government* (Strasbourg: Centre of Expertise for Local Government Reform of the Council of Europe, 2017). http://www.slg-coe.org.ua/wp-content/uploads/2017/12/CoE_Report_Municipal_amalgamation_CELGR_2017_4_.pdf; *Decentralization in Ukraine: Achievements, Expectations and Concerns* (Kyiv: International Alert & Ukrainian Center for Independent Political Research 2017). https://www.international-alert.org/sites/default/files/Ukraine_Decentralization_EN_2017.pdf; Maryna Rabinovych, Anthony Levitas, Andreas Umland, “Revisiting Decentralization After Maidan: Achievements and Challenges of Ukraine’s Local Governance Reform”, *Kennan Cable*, no. 34, 2018, www.wilsoncenter.org/publication/kennan-cable-no-34-revisiting-decentralization-after-maidan-achievements-and-challenges; Angela Boci, “Latent Capacity of the Budgets of Amalgamated Territorial Communities: How Can It be Unleashed?” *Vox Ukraine*, 30 August 2018, voxukraine.org/en/latent-capacity-of-the-budgets-of-amalgamated-territorial-communities-how-can-it-be-unleashed/; *Maintaining the Momentum of Decentralization in Ukraine* (Kyiv: OECD, 2018). www.oecd.org/countries/ukraine/maintaining-the-momentum-of-decentralization-in-ukraine-9789264301436-en.htm; Andreas Umland, “International Implications of Ukraine’s Decentralization”, *Vox Ukraine*, 30 January 2019, voxukraine.org/en/international-implications-of-ukraine-s-decentralization/. Among the first German-language studies were: Ruben Werchan, “Dezentralisierung: Der Weg zu einer effizienteren Regierung, Wirtschaftswachstum und dem Erhalt der territorialen Integrität?”, in Evgeniya Bakalova et al., eds., *Ukraine – Krisen – Perspektiven: Interdisziplinäre Betrachtungen eines Landes im Umbruch* (Berlin: WVB, 2015), 187-212; Natalia Shapovalova, “Mühen der Ebenen: Dezentralisierung in der Ukraine”, *Osteuropa* 65, no. 4 (2015): 143-152; Robert Sperfeld, “Dezentralisierung in der Ukraine: Kein wirksames Mittel zur Befriedung”, *Heinrich-Böll-Stiftung*, 20 July 2015 <https://www.boell.de/de/2015/07/20/vom-kopf-auf-die-fuesse-gestellt>; Oesten Baller, “Korruptionsbekämpfung und Dezentralisierung auf dem Prüfstand des Reformbedarfs in der Ukraine”, *Jahrbuch für Ostrecht*, no. 2 (2017): 235-268; Anatolij Tkatschuk, “Zur Dezentralisierung: Erfolge, Risiken und die Rolle des Parlamentes”, *Ukraine-Nachrichten*, 26 January 2017, https://ukraine-nachrichten.de/dezentralisierung-erfolge-risiken-rolle-parlamentes_4568; Jurij Hanuschtschak, Oleksij Sydortschuk, Andreas Umland, “Die ukrainische Dezentralisierungsreform nach der Euromajdan-

emerging body of literature, engages critically with previously published investigations of the post-Euromaidan decentralization reform, and shares new research results.

We start here with the pre-history of the recent reforms. Consideration of research findings regarding Ukraine's earlier decentralization attempts advances understanding of both, the post-2014 changes and post-Euromaidan continuities in center-periphery relations and territorial politics. Our perspective, for instance, helps explaining why the constitutionally enshrined status of regional (*oblast*) and upper subregional (*rayon*) authorities appeared difficult to challenge during the implementation of the post-Euromaidan decentralization reform. In a way, the cover of this book is thus actually misleading in that it shows the banners of Ukraine's regions which were not the primary locus of the reform processes that are analyzed here and that have been mainly happening at lower levels.

One critical issue of the post-1991 decentralization reforms in Ukraine was the balance of responsibilities between central state authorities, on the one hand, and self-governing bodies, on the other, at the level of regions (*oblasts*) and upper subregional districts (*rayons*).³ Prior to 2014, "a specific feature of the local reforms in Ukraine [was] the status of regional and district authorities, which have been repeatedly municipalized in times of decentralization and stratified in times of centralization".⁴ In 2014-2015 and 2019-2020, domestic reformers attempted to implement, but ended up postponing, a constitutional reform aimed at granting regional and upper subregional councils the right to establish their executive committees. Thus, the constitutional status of regional and district authorities was not changed.

Revolution 2014-2017: Vorgeschichte, Erfolge, Hindernisse", *Ukraine-Analysen*, no. 183 (2017): 2-11, <http://www.laender-analysen.de/ukraine/pdf/Ukraine-Analysen183.pdf>; Marian Madela, *Der Reformprozess in der Ukraine 2014-2017: Eine Fallstudie zur Reform der öffentlichen Verwaltung* (Stuttgart: ibidem-Verlag, 2018).

3 Kimitaka Matsuzato, "Local Reforms in Ukraine 1990-1998: Elite and Institutions", in Osamu Ieda, ed., *The Emerging Local Governments in Eastern Europe and Russia: Historical and Post-Communist Development* (Hiroshima: Keisuisha, 2000), 25-54.

4 Ibid., 45.

A key difference between the early attempts to implement territorial reforms and the post-2014 decentralization policy was Kyiv's new attention to the municipal level. A community amalgamation reform and redivision of responsibilities between sub-state authorities to the benefit of local authorities as well as the introduction of direct inter-budgetary relations between the central budget and local budgets. A nuanced analysis of the post-2014 fiscal decentralization in Ukraine revealed a shift in

“the center [of] gravity of Ukraine's subnational order from 2nd (rayon) and 3rd (oblast) tier local governments towards cities and amalgamated gromada[s] [i.e. territorial communities or municipalities]. Or put more precisely, the last few years have seen the significant municipalization of oblast power and the beginnings of what might best be called the ‘gromadization’ of rayon power”.⁵

Despite some tensions and inconsistencies, this shift contributed to territorial consolidation at the local level. Moreover, it reshaped Ukraine's center-periphery relations from the bottom up.

Paradoxically, at their time, Kyiv's centralization policies of the mid-1990s reflected Ukraine's ambition to “return to Europe”. In that period, domestic policymakers understood democratic state-building in a way that conformed to patterns of early post-World War II Europe rather than to later European Union (EU) prerogatives established by the 1992 Maastricht Treaty.⁶ Over time, domestic reformers' understanding of EU policies changed. Their cooperation with Western counterparts at various international organizations (e.g., the Council of Europe) as well as the sharing of foreign expertise in various international technical assistance programs and projects enabled this shift. The post-2014 decen-

5 Tony Levitas and Jasmina Djikic, Caught Mid-Stream: “Decentralization”, Local Government Finance Reform, and the Restructuring of Ukraine's Public Sector 2014 to 2016 (Kyiv: SIDA-SKL, 2017), <http://sklinternational.org.ua/wp-content/uploads/2017/10/UkraineCaughtMidStream-ENG-FINAL-06.10.2017.pdf>

6 Kataryna Wolczuk, “Catching up with 'Europe'? Constitutional Debates on the Territorial-Administrative Model in Independent Ukraine”, *Regional and Federal Studies* 12, no. 2 (2002): 65-88.

tralization reform contributed to Ukraine's Europeanization.⁷ The major component of that reform, namely the local amalgamation policy, reflected the reformers' commitment to introducing the principle of subsidiarity found in the EU. Simultaneously, the reform's deliverables demonstrated that domestic policymakers failed to strengthen Ukraine's regional authority, despite of the fact that this goal also corresponds to EU notions of good governance and democratic accountability.

Research results on Ukraine's regional policy and fiscal decentralization in the 2000s warn that domestic policy initiatives can generate ambiguous outcomes even when they benefit from international donor support and foreign expertise.⁸ Thus, acknowledgement of potential limitations to the intended eventual impact of external financial injections driving this or that reform agenda forward seems apt.⁹ In any way, soon after the post-Euromaidan decentralization reform was launched, the reformers' efforts were greatly enhanced by an unprecedented degree of international technical and financial assistance.¹⁰ A key role has been played by the multi-donor "U-LEAD [Ukraine – Local Empowerment, Accountability and Development] with Europe" initiative, with its House of Decentralization in Kyiv; by substantial, mainly EU-provided funds; and by regional bureaus and partner offices in Ukraine's 24

7 Andreas Umland, "Chotyry heopolitychni vymiry detsentralizatsii Ukrainy", *Dzerkalo tyzhnya*, no. 1 (2019) https://dt.ua/internal/chotiri-geopolitichni-vimiri-decentralizaciyi-ukrayini-299352_.html.

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

9 See also, in German: Stefanie Bailer, "Förderung von Zivilgesellschaft und Drittem Sektor? Eine Untersuchung der Demokratieförderung der Europäischen Union in der Ukraine und ihrer gesellschaftlichen Wirkung", in: Markus Kaiser, ed., *WeltWissen: Entwicklungszusammenarbeit in der Weltgesellschaft* (Bielefeld: transcript-Verlag, 2003), 107-132; Andreas Umland, "Westliche Förderprogramme in der Ukraine: Einblicke in die europäisch-nordamerikanische Unterstützung ukrainischer Reformbestrebungen seit 1991", *Arbeitspapiere und Materialien der Forschungsstelle Osteuropa Bremen*, no. 63 (December 2004). <http://www.forschungsstelle-osteuropa.de/con/images/stories/pdf/ap/fsoAP63.pdf>.

10 "EU supports Decentralization and Regional Policy reforms in Ukraine with €55 millions", *European Commission*, 27 November 2014. http://europa.eu/rapid/press-release_IP-14-2221_en.htm.

oblasts. U-LEAD's extent across the whole country was one of its core assets: it helped collect data at the local scale and then produce data-driven policy analysis for the benefit of Ukraine's policymakers. Among the particularly supportive countries—including Germany (BMZ/GIZ), Sweden (SIDA), Switzerland (SDC/DESPRO)¹¹ and Poland (Polish Aid)—the United States launched two large multimillion-dollar programs in support of the reform: PULSE (Policy for Ukraine Local Self-Governance) and DOBRE (Decentralization Offering Better Results and Efficiency).¹²

The UNDP's Recovery and Peacebuilding Program in Ukraine too had a special focus on decentralization.¹³ Moreover, since 2017, Ukraine has received additional specialized advice on decentralization from Germany via Georg Milbradt, its Special G7 Envoy for the Ukrainian Reform Agenda and the former Prime Minister of the East German Free State of Saxony.¹⁴ Finally, Ukraine benefited from legal expertise on a number of draft laws provided within several Council of Europe programs, including the “Decentralization and Local Government Reform in Ukraine” project.

In a departure from previous practice, international donors established an institution, the Council of Donors, aimed at coordinating their efforts and sharing information about project results. Notably, the Council of Donors was chaired by both a representative of the international donors (on a rotating basis) and the head of the Ukrainian ministry responsible for implementing the reform (*Minregion*). Thus, in the case of the post-2014 decentralization reform, generous Western developmental support and data-driven policy advice proved to be highly beneficial. International donors made efforts to coordinate their input and opted for long-term

11 Oksana Myshlovska, “Democratizing Ukraine by Promoting Decentralization? A Study of Swiss-Ukraine Cooperation”, *International Development Policy Working Papers*, 4 May 2015. <http://journals.openedition.org/poldev/2010>.

12 Rabinovych, Levitas and Umland, “Revisiting Decentralization After Maidan”.

13 “Our Focus: Recovery and Peacebuilding”, *UNDP in Ukraine*. <http://www.ua.undp.org/content/ukraine/en/home/recovery-and-peacebuilding.html>.

14 Christian F. Trippe, “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.

cooperation with the Ukrainian authorities responsible for the reform implementation.

This volume surveys the decentralization reform's prehistory before 2014; the post-Euromaidan administrative, fiscal, and political decentralization policy provisions; public attitudes toward decentralization; party politics; regional and spatial development; territorial cohesion; the risks raised by the reform; its impact on the social inclusion of internally displaced persons (IDPs); and the reform's international dimensions.

Chapter 1 by Romanova and Umland outlines the domestic origins of the post-Euromaidan decentralization reform. It presents the results of a retrospective analysis, from the eve of Ukraine's independence, and highlights the legacy of local governance reforms. The chapter explains how the experience of twenty years of attempts to balance center-periphery relations paved the way for more successful and domestically driven decentralization reforms launched in 2014.

Chapter 2 by Romanova and Umland examines the first phases of the local governance reform and its major deliverable: territorial consolidation on the municipal level. From 2014-2020, the reform faced two principal challenges. First, it was difficult to start implementing the reform in Spring-Summer 2014 before that year's October re-election of parliament and its forthcoming support for the government's new policy proposals. Second, getting the second phase of the reform on track was complicated by three rounds of nationwide voting in the course of Ukraine's 2019 presidential and parliamentary elections. President Poroshenko, who was strongly associated with the decentralization reform, lost the 2019 general elections.

Many domestic decentralization experts associated the reform with Poroshenko's policy agenda and were initially afraid that President Zelenskyy would abandon the undertaking. However, the newly elected president opted to also promote decentralization, in line with the previously drafted policy agenda. As a result of a local amalgamation, the authority of subnational executive organs over local self-governmental authorities declined, while the

interconnectedness between central and municipal authorities increased.

Chapter 3 by Rabinovych investigates fiscal decentralization in Ukraine in 2014-2017 and presents research results in the light of theoretical and comparative lessons drawn from the literature on the interplay between fiscal decentralization and political and economic transition. Rabinovych argues that fiscal decentralization contributes to democratization by improving the fiscal capacities of substate authorities responsible for introducing principles of good governance in multilevel polities. However, fiscal decentralization does not automatically boost economic growth and needs to be accompanied by a strengthening not only of local but also of regional authorities.

Chapter 4 by Sydorчук explains the dynamics of public attitudes toward decentralization in post-Euromaidan Ukraine. Based on analysis of data from public opinion polls, Sydorчук argues that the majority of Ukrainians are in favor of decentralization, but not of federalization. Additionally, the chapter investigates the matter of the failed constitutional changes concerning decentralization in 2015 and argues that their failure was determined by their direct link to the highly controversial Minsk Agreements and fulfilment of conditions for a putative conflict resolution in Donbas. Although, as the chapter highlights, people were mostly in favor of post-Euromaidan decentralization, they were also concerned about “the threat of excessive concentration of powers and resources in the hands of elected mayors and heads of communities ... especially after the central government lost its right to monitor the legality of the acts of local elected authorities”. Reformers should take note of this concern in designing the postwar phase of decentralization.

Chapter 5 by Bader investigates interconnections between state fragility and decentralization in post-Euromaidan Ukraine. Bader presents a comprehensive and nuanced review of comparative research results on the implications of decentralization reforms on state capacity, economic growth, and democratic accountability. According to Bader’s assessment, Ukraine was a weak state in 2014, and this affected the reform’s outcomes and deliverables. His

findings are based on his extensive fieldwork in Odesa oblast, revealing citizens' engagement in decision-making at the grassroots level during local amalgamation. He identifies potential risks in the diffusion of corrupt practices and reduction of state capacity at the local level.

Chapter 6 by Mierzejewski-Voznyak explores the effects of decentralization on party politics in post-Euromaidan Ukraine, particularly the territorial dimension of party competition and party organization. Although Ukraine's party system has been heavily regionalized for a long time, according to her findings, "[t]he development of local party branches with independent manifestos and campaign strategies is a relatively new issue for Ukrainian political parties".¹⁵ The first phase of the decentralization reform motivated political parties to intensify their competition at local scales because there was now more at stake in local self-government. Under these circumstances, most parliamentary parties failed, however, to address the need for applying a locally tailored approach to campaigns in local elections, while local party projects failed to invest time and effort into fostering a state-wide network of local party organizations.

Chapter 7 by Dunayev investigates the relationship between decentralization and regional policy in Ukraine in 2014-2017. Based on results of an expert survey of the drafting and implementation of strategies for regional and local development in Ukraine, Dunayev describes the input of empowered local authorities into promoting local development. The chapter finds that the institutional capacity of regional authorities to foster economic growth remained limited at the first stage of the post-Euromaidan decentralization reform.

Chapter 8 by Palekha investigates the interplay between decentralization and spatial planning in Ukraine. It highlights those institutional changes that can help Ukraine meet the EU's requirements and standards of spatial planning and contribute to the sustainable development of territorial communities.

15 Sarah Birch, "Interpreting the Regional Effect in Ukrainian Politics", *Europe-Asia Studies* 52, no. 6 (2000): 1017-1041.

Chapter 9 by Deineiko and Aasland examines the impact of the decentralization reform on social cohesion since the Russian military invasion. The authors apply both qualitative and quantitative methods to establish that social capital generated at the local level was augmented during the war. “Greater trust in heads of ATCs [amalgamated territorial committees] and city mayors has fostered greater responsibility and local attachment to local leaders, who have proved their leadership by personally supporting and participating in military and civil resistance in all parts of Ukraine”.

Chapter 10 by Romanova studies the input of local amalgamation reform into Ukraine’s social inclusion policies related to IDPs. It compares social policy provisions and their deliverables since Russia annexed Ukraine’s Autonomous Republic of Crimea and fueled armed conflict in Donbas, as well as since its large-scale invasion of Ukraine in 2022. The chapter finds that Ukraine’s local amalgamation reform moderately contributed to ensuring stability of IDPs’ regular income, but that its input into providing IDPs with communal housing was crucial.

The final chapter by Umland and Romanova presents four international dimensions of the post-2014 local governance reform in Ukraine. The chapter claims that the reform increases resilience, improves cohesion, contributes to Ukraine’s Europeanization, and has the potential to inspire local governance reforms in other decentralizing unitary states around the globe.