



BULLETIN

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Self-Government Reform in Ukraine

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On 3 July, the Verkhovna Rada of Ukraine began an introductory debate on presidential amendments to the constitution concerning the decentralisation of power. In presenting the project, President Petro Poroshenko stressed the importance of decentralisation to bringing peace to the eastern part of the country. He also noted that the Ukrainian language will remain the only national one, but regional and local authorities will have the right to grant special status to the Russian language and other national minority languages. In view of the situation in the Donbas, self-government reform has become not only important for modernising the state but also politically.

On 27 February, Ukraine's prime minister appointed a government in which the deputy PM responsible for regional development would be Volodymyr Hroisman, the experienced mayor of Vinnitsa. A month later, the government approved a conceptual project that will lead to decentralisation. Assumptions included with the reform project were created with the participation of both Ukrainian experts and specialists from other countries. The project was also presented to and approved by the Council of Europe. After approval of all the necessary amendments to the constitution by parliament, the government can start working on adoption of appropriate legislation. This assumes two main stages of reform: the legislative basis for regulating such things as the financing of local governments should be created and adopted by the end of 2014; and the reorganisation of self-government bodies and local elections will accelerate in the second half of 2015.

Ukraine's Existing System of Territorial Administration. In its more than 20 years of independence, Ukraine has not introduced an effective mechanism for state management. Many of the regulations and territorial divisions date back to Soviet times. Discussion on the need for reform has been ongoing for years. In 1997, Ukraine ratified the European Charter of Local Self-Government that committed the country to the decentralisation of the state in accordance with the principle of subsidiarity, stating that each level of self-government should carry out those tasks which cannot be sufficiently achieved by lower levels. Meanwhile, several reform projects were established.

The big emphasis on decentralisation placed the Party of Regions ahead during the election campaign in 2010, but instead of the announced transfer of powers to lower levels, there was even greater centralisation. President Viktor Yanukovich, apparently afraid of a loss of power over regions and control of state finances, increased centralisation and blocked any grassroots initiatives, even though that in turn inhibited the economic development of the regions.

Currently, the state is divided into 24 regions, two separate cities—Kyiv and Sevastopol—and the Autonomous Republic of Crimea. At the intermediate level are 490 districts, and at the lowest level, about 12,000 local units. Executive bodies of local councils can be found at the lowest level, but in most small communities they are not appointed. In towns and villages, local councils and their heads are elected directly. These units, though, are too weak organisationally and financially to pursue economic and social development of local communities.

Elected councils also operate at the region and district levels, but they do not have any executive bodies. The existing regulations provide local governments with appointment powers for the executive, but it is not executed. The reasons for this are first because there is a lack of a clear requirement to do so and, second, there are no defined prerogatives or guaranteed funds for these bodies. Executive functions in the regional and district level are performed by state administration bodies whose heads are appointed by the president of the state.

As a result of the weakened role of local governments in comparison to the state administration, the role of self-government in the management of territorial units is limited. The lack of executive committees means all decisions are made by state administration bodies, which are in turn directly responsible to the president.

The Main Objectives of the Reform. The primary goal is the actual devolution and delegation of powers, together with adequate financial means, to representatives of local communities. The executive bodies will be selected by elected councils. The state administration will have only control functions.

The need for decentralisation raises awareness amongst all political forces. Reform requires changes to the constitution, which requires the approval of two-thirds of the Verkhovna Rada. There is a debate over the emphasis of the power distribution: whether more power should go to the regions or to the most local level? The experience in other countries shows that strong regions not only skilfully use their own funds but can manage large amounts of funds and are an important part of EU regional policy. However, in Ukraine, broader powers for the regions may mean strengthening the power of oligarchs and their quest for autonomy.

Self-governance means granting the tasks and the financial resources to lower levels. Presently, the territorial units send excess funds to Kyiv, then the regions and districts every year must negotiate funding with the government and local communities with districts. The government project involves increasing part of the basket of revenue for local budgets by up to 30%. For example, some would come from personal income taxes (25%), increases in the portion of corporate income tax paid (from 10% to 25%), and—in their entirety—property taxes and taxes on the self-employed. Financial simulations are currently being developed to find a suitable model to ensure self-sufficiency of local governments.

Ukraine plans to introduce a solution based on a division of competences among all self-government levels, without depending on a hierarchical structure for authority. Details of the changes will be described in new laws.

It is necessary to have some changes in territorial divisions. The regions will remain unchanged, but it is essential to reduce the number of lower-level units. The number of districts will be reduced to about 100 units (down from 490). There are simply too many local units. Of these, 92% have fewer than 3,000 residents, and 11% have fewer than 500. The plan is to reduce the number of these units to about 1,500.

Change is always difficult. No entity wants to lose status, thus two new acts have already been prepared, the first encouraging units to choose to connect to each other and the second to promote cooperation among the units. Public consultations will be particularly important. There is a need to develop incentives for smaller units to merge to form larger units, and it will be important to prepare an information campaign showing why the country needs to reduce the number of territorial units and highlighting the benefits of the new structures.

Conclusions and Recommendations. The preparation and implementation of reform is a long process that require large amounts of organisational capacity and finances. The Ukrainians are treating the Polish experience as an example and have asked for help. A group of experts have been supporting Ukraine now for several months. They are also preparing a programme with internships and training for media and state officials. Similar actions will have to be carried out for many years as the reform progresses. EU financial assistance will play an important role. The current discussion about a new form of Eastern Partnership is a good opportunity to create a special instrument to aid countries that have started the process of decentralisation. If directed at local governments, it should subsidise projects that support the implementation of change, transfer knowledge and experience from other countries and train officials.

The selection of new representatives of local communities will not guarantee the success of the reform if it does not also redefine their roles. A large number of public servants, treat their fellow citizens as intruders when they enter their domains. The problem is also poor education and a lack of knowledge. Therefore, training and internships will be high on the list of general principles of self-government reform.

Another issue is the fight against corruption. This problem concerns many social groups, including local officials. It will be important to introduce appropriate regulations such as banning links between a public posting and business activities. Changes in attitudes and mentalities are always a very long and difficult process, however, they must be an essential element of the transformation.

Despite hasty preparation of the reforms and the country's difficult situation at present, the clear political will and expectation of changes among society provide an opportunity for success. To keep this goodwill, educational activities and promotion of the concept must be remembered, partly by highlighting how reform will result in a better functioning of towns and villages of the country's residents. It should be explained that after decentralisation, funds will not be decided in Kyiv. Each region will have access to its own funds in proportion to the taxes raised in its area and in relation to the rest of the country. Elected representatives of the local community will help decide how to spend the money.

Clearly, there is still a long process ahead, so it is important that there is support from experts from other countries, though in the end Ukrainians themselves must do the work. There will be hurdles: small units may not want to connect to the larger ones, and the second half of 2014 may be too short a period to reduce the current number of local communes. If so, other solutions should be made ready and put into a longer-term perspective.