

Decentralisation reform in Ukraine

With the elections of the mayors and local councils at the levels of hromadas (municipalities), rayons (districts) and oblasts (regions) on 25 October 2020, Ukraine is completing a comprehensive territorial reform at the local level and is creating new large rayons instead of the old smaller rayons and cities of oblast significance (comparable to independent cities in Germany). However, the boundaries of the 24 oblasts, as well as the Autonomous Republic of Crimea and the cities with special status, Kyiv and Sevastopol, will remain unchanged. The aim of the reform is to create sufficiently large municipalities which are able to carry out their own and delegated tasks independently. The reform is a necessary, but not yet sufficient, condition for the establishment of genuine self-government based on the European model. Pending constitutional amendments and other laws have yet to define the principle and scope of local self-government, but also guarantee and protect it against interference and regulate the relationship between the various levels.

Background

Ukraine had inherited from the Soviet era an over-centralised and inefficient state organisation with little civic orientation and participation. By joining the "European Charter of Local Self-Government" in 1997, Kyiv had already committed itself to introducing genuine self-government according to the European model.

As Ukraine had also inherited a very fragmented territorial structure with many small rural communities, they were usually not able to fulfil typical municipal tasks and carry out local self-government. In addition, there was a centralised financial system which provided the municipalities with insufficient and mostly earmarked funds from the state budget. Many municipal functions were instead handled by the rayons, which had an elected rayon council but did not have genuine self-government. The tasks were carried out by the rayon state administration, which was under the authority of Kyiv.

In order to introduce nationwide functional local self-government and to strengthen local democracy and civic participation, it was necessary to form larger and more capable municipalities with sufficient resources of their own and to transfer additional competences to them.

Territorial reform in Ukraine 2015-2020

		Number of units		
		Before reform	After reform	After reform (UA gov controlled area)
Lower level	Hromadas (villages, settlements, cities)	10988	1469	1438
	Rayons	476	126	119
Middle level	Cities of oblast significance	175	X	X
	Oblasts	24	24	24
Upper level	Cities with special status			
	Kyiv	1	1	1

Source: MinRegion UA, U-LEAD with Europe, own calculations; Note: Excluding the Autonomous Republic of Crimea and Sevastopol, as no changes of territory have been made there.

Decentralisation and local self-government were central demands in the Revolution of Dignity 2013/14. On 1 April 2014 the new government adopted a comprehensive reform programme. The first stage were new legal provisions in 2015, which allowed voluntary amalgamation of lower local territorial units, from 2018 also with cities of oblast significance (middle level), and encouraged this with more own resources, in particular a 60% share of the Personal Income Tax and a direct relationship with the state budget, as well as with additional competences at the expense of rayons. A necessary constitutional reform for decentralisation failed when it was politically linked to the demand for a special status for the Donbass at the negotiations in Minsk.

Initially, the announcement of a two-stage plan for the local self-government reform, as in other European countries, was avoided, namely an initial, time-limited phase of voluntary amalgamation and subsequent provision by law for the remaining mergers. When the next presidential and parliamentary elections in 2019 were approaching, Poroshenko no longer dared to set a date for the end of the voluntary phase. On the other hand, the reform should be completed before the next regular local elections in autumn 2020, in order to end the

problematic coexistence of reformed and non-reformed municipalities.

Political obstacles also slowed down the pace of reform. As the rayons lost competences, funds and, ultimately, staff, they often did not support the reform process, and there were also opponents in the oblasts and in the central state administration. Some of the local elites feared a loss of influence.

Compared to other post-Maidan reforms, this unfinished reform was nevertheless successful and popular, as significant improvements in local infrastructure and services were noticeable. The dynamics of the reform led to the fact that by the end of 2019, more than half of the rural population, defined as the population in the rayons, were already living in the voluntarily amalgamated communities, which corresponded to about a quarter of the total population. Added to this was the population in the cities of oblast importance, which made up almost half of the total population.

Reform process

This unfinished reform was inherited by the newly elected President Selenskyj and his party Sluha Narodu. The newcomers had not originally seen local self-government as a priority and were initially sceptical, sometimes even negative to it, but were unable to escape its dynamics. In less than a year, the new parliament completed the reform with forced mergers. It was possible to draw on the preparatory work of the previous government. The resistance of the affected citizens was limited because of or in spite of the COVID-19 pandemic. Overall, the new territorial structure has been crafted successfully.

The too small rayons were also merged and the "cities of oblast significance", which previously were not part of rayons, were incorporated. Since the reform has meant that the rayons have lost their competences and finances, their importance has diminished despite the increased territory. Due to a lack of preparation and enormous time pressure, it was not possible to clarify the functions and internal structure of the new large rayons convincingly. This includes in particular the question of whether to keep a mere state administration – albeit with elected rayon councils, or to abolish rayon councils altogether, or whether a dual structure should be introduced, as in France and Poland: An administration of state affairs under a head appointed by Kyiv, and a separate authority for self-government matters under a head elected by the rayon council. A dual model is also being discussed for the oblasts. However, all these reforms require a constitutional amendment.

Further constitutional amendments defining self-government and protecting it against interferences from above are needed to complete the reforms of self-government, as well as amendments to simple laws, especially in the following areas:

- Internal municipal structure with a clear separation between own and delegated tasks as well as between mayor and council;
- Local state administration, including a municipality-friendly local supervisory authority;
- Clear division of competencies between the levels and
- Further development of the municipal finance system.

Conclusion and outlook

The last local elections have already shown a significant change in the political architecture. The importance of the local level is growing, and the influence of the President, the Government and nationally organised parties on the municipalities is decreasing noticeably. A new political class of self-confident local politicians is forming, and their importance in relation to Kyiv is increasing. In the long term, the reforms will also change the mindset of the population and the political culture. Ukraine is thus overcoming its inherited over-centralisation and is adapting to European developments.

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