

# Ukraine

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## Introduction

In recent years, Ukraine could be described as politically dynamic. Dealing with the ongoing violent conflict in Luhansk and Donetsk and the annexation of Crimea, Ukraine has been determined to pursue its political goal of further integration with Europe. Yet, corruption, the dominance of oligarchic interests and economic disparity remain key issues in Ukrainian politics and surfaced in the 2019 presidential campaign. The election also highlighted concerns over the slowing down of the reform process after the 2013–14 Maidan civil unrest in Ukraine and the failure to deliver sufficient tangible benefits to the average voter (Sasse 2019). Volodymyr Zelenskiy, a political newcomer, won the second round of the elections to beat the incumbent president, Petro Poroshenko.

Ukraine has failed to stabilise institutional relationships between its central and regional governments and to create a balance between the offices of the president, the prime minister and the chairman of the parliament. Though the mixed political system is designed to curtail any authoritarian tendencies or power ambitions of the president, the lack of cooperation among political forces is prolonging uncertainty on key policy issues, including the reform of local governance. The 2019 parliamentary elections will determine if a new ruling coalition could manage to establish a broad support base to implement the required reforms and policies.

## About ICLD

The Swedish International Centre for Local Democracy (ICLD) is part of the Swedish development cooperation. The mandate of the organization is to contribute to poverty alleviation by strengthening local governments.

This report is part of a publication series that investigates local democracy in the 19 countries where the ICLD municipal partnership programme operates.

*This report covers events up to 31 May 2019. Events occurring after this period are not considered.*

## General country analysis

The decentralisation reform has been a top priority in Ukraine since 2014 (Yesmukhanova and Jarabik 2017). Although a number of legislative acts were passed in 2014–15, a constitutional amendment and other legal provisions on local governance were postponed until 2015. First changes were made in the Budget and Tax Codes in December 2014 to strengthen financial independence of local councils and incentivise the amalgamation of territorial communities. The changes have enabled local governments to levy local taxes and fees. A major step of the decentralisation was a constitutional amendment, linked to the implementation of the Minsk agreements, signed

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by Ukraine in February 2015. The agreement specified that a constitutional reform on local self-governance is a key element, especially in Ukraine's eastern Luhansk and Donetsk regions (United Nations Peacemaker, 2015). This specific item provoked public resistance. Violent clashes outside the parliament on 31 August 2015 postponed full implementation of the constitutional reform (International Alert and Ukrainian Center for Independent Political Research, 2017). Despite this, the financial decentralisation of local councils and the amalgamation of territorial communities have proceeded. In 2016, using its executive power, the government sponsored the bill to put forward some actions of the decentralisation plan: transferring the functions of higher-level regional administrations to local self-governments and pledging adequate funding for health and education at the local level (Yesmukhanova and Jarabik 2017). The decentralisation reform envisioned a shift from the previous centralised system of local executive councils to constitutional principles of local governance in line with the European Charter of Local Self-Government. Currently, Ukraine's administrative units include 24 *oblasts* (regions), 100 *rayons* (districts), 1,500 *hromadas* (communes), and three areas with a special status: Kyiv, Sevastopol and the Autonomous Republic of Crimea (Art. 133 of the Constitution). Each administrative unit has an elected local council and a prefect appointed and dismissed by the president upon proposal from the local authorities of a region or a district (Vox Ukraine, 2015).

## Fiscal decentralisation

Some early success of the reform was achieved in fiscal decentralisation of local councils. Instead of relying on government transfers from the state budget, local councils could levy local taxes and fees. Opportunities for establishing amalgamated communities have enhanced

school reforms and infrastructural renewal at the local level. The amalgamation provides access to the State Fund for Regional Development. The amalgamated territorial communities could make use of a subvention to set up and boost their infrastructure. It enables the financing of large infrastructural community projects that a single community could not afford on its own.

## Political decentralisation

The next elections for local councillors and mayors take place in 2020, and will test a new ruling coalition after the parliamentary elections in 2019. In the local elections of 2015, national-level issues, such as gas prices, and the violent conflict in Luhansk and Donetsk and the annexed Crimea peninsula dominated campaigns. Though the largest number of elected councillors and mayors were non-partisan or self-nominated, the bloc Solidarnist of Petro Poroshenko won the largest number of seats in local councils and the highest number of elected mayors among political parties. It was followed by the political party Batkivshchyna, Nash Kray and the Opposition Bloc (OSCE/ODIHR 2016).

This political distribution at local level did not last long. Local politics are not immune to issues of corruption and the presence of oligarchic groups. Party affiliation and political loyalty switch at the prospect of new political and economic gains. There is also an unresolved issue about the role of local executive power representatives (prefects) vis-à-vis local self-government bodies. Prefects are responsible to the president. Though local councils have some leverage over prefects, a potential conflict between the executive power and the legislature could paralyse the work of local projects. Political support for the decentralisation reform at the national level was undercut by the fear that the president would use the appointment of prefects to gain political influence in the regions.

## Conclusion: possibilities and barriers for municipal partnerships

The changes in local governance achieved by implementing the decentralisation reform provide fertile ground for future cooperation with Ukraine's regional and local governments. Fiscal decentralisation, resulting in a significant increase of local budgets, and the amalgamation of territorial-administrative units are crucial elements in attracting future investments. At the same time, there are some concerns over the sustainability of local funding given the political and economic uncertainty at the national level.

Local *hromada* administrations have received responsibilities for primary and secondary school education. They will also be responsible for providing primary healthcare. These crucial functions will require qualified personnel to manage and fulfil these challenging tasks. International technical assistance projects are aimed at tackling this problem, but a long-term solution for attracting qualified public administration professionals is needed. Projects and cooperation that could provide assistance in developing local expertise and educating young professionals will be beneficial for Ukraine's local self-governments.

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