

# FEATURES OF THE ESTABLISHMENT OF DECENTRALIZATION PROCESSES IN UKRAINE WITH THE SUPPORT OF EU FUNDS AND INTERNATIONAL TECHNICAL ASSISTANCE PROGRAMS

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## Abstract

*Decentralization is one of the most important reforms for many countries in the world over the past two decades. The decentralization process in Ukraine envisages a comprehensive reform of the administrative-territorial system, as well as the educational and medical spheres. Introduction of changes in the system of public administration and territorial organization of power, strengthening the role of local self-government and enhancement of community capacity are important steps towards modernization of the country. The present paper seeks to answer how the decentralization reform contributes to establishment of a new system of social relations in Ukraine considering foreign practices and experience. The paper argues that the new system of territorial organization in Ukraine increases the level of development of the amalgamated hromadas and enhances their capacity. The efficiency of decentralization process in Ukraine is closely related to cooperation between public authorities, international donors and civil society institutions.*

**Keywords:** decentralization, amalgamated hromada (AH), public authorities, international investments, capacity development

## Introduction

The development of local self-government is one of the key features of a modern democratic state. Decentralization and delegation of powers from the centre to the regions based on subsidiarity are important aspects of competent communities' development and strengthening the influence of citizens in decision making process. These principles correspond to the norms of the European Charter of Local Self-Government and are in line with the strategy of the European Union.

The standard model of decentralization does not exist, the processes and procedures differ from each other and depend on the main goals and objectives and also on the organizational structure and implementation mechanisms. The process of decentralizing functions between central and local governments is extremely

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complex. It addresses the aspects of finance, administration, control, regulation and accountability, which are in fact elements of the relationship between different levels of government. In addition, the implementation of decentralization, unfortunately, is not always smooth. Despite the joint efforts of political and economic forces that generate the need for decentralization, there are often gaps between reality and goals, caused by politics and legislation.

The main objectives of decentralization are to improve the efficiency of the public sector and the quality of life of the population. Decentralization is seen as an integral part of the solution to the problems caused by the growth in requirements faced by public services and an increase in people's hopes for more effective implementation of their functions by public institutions. From a policy perspective, decentralization should help improve the planning and performance of public services, allowing for local needs and conditions to be taken into account while achieving regional and national goals.

Jean-Paul Faguet from London School of Economics and Political Science, noted that the most important theoretical argument concerning decentralization is that it can make government more accountable and responsive to the governed. Improving governance is also a central justification of real-world reformers (Faguet, 2014). Decentralization reform have been announced in several dozen countries as diverse as Bolivia, Cambodia, Ethiopia, France, Indonesia, Japan, Peru, South Africa, South Korea, Uganda, the UK, and many others. The trend encompasses all of the world's regions, and includes nations rich and poor, large and small, and with very different colonial histories. In short, decentralization is being implemented essentially every- where. According to Campbell, in Latin America "local governments began spending 10–50% of central government revenues." Campbell calls this "the quiet revolution" and argues that it has generated a new model of governance based on innovative, capable leadership, high popular participation, and a new implicit contract governing local taxation (Campbell, 2001).

We believe that for transitional states decentralization is a good tool for the development of democratic institutions of power. Not always decentralization processes have passed exceptionally in democratic systems, but a departure from centralized ways of governing and making decisions is a good step towards building a more balanced model of organization of the state system. Establishing new orders on the basis of transparency, subsidiarity, a parity distribution of powers and responsibilities can change the social order and the political system.

Patrick Heller noted, that across the political spectrum, the disenchantment with centralized and bureaucratic states has made the call for decentralization an article of faith. Strengthening and empowering local government has been justified not only on the grounds of making government more efficient but also on the grounds of increasing accountability and participation (Heller, 2001).

The famous Polish researcher Kataryna Wolczuk in her article „Catching Up with ‘Europe’?” Constitutional Debates on the Territorial-Administrative Model in Independent Ukraine” analysed the transformation processes of the state system in Ukraine in the years of the state formation. And despite the European choice,



Ukraine continued to build a centralized model of management and allocation of financial resources. K. Wolczuk noted unwillingness and unreadiness of the ruling elites to give responsibility and power to the local level, thereby increasing capacity and self-sufficiency of regions (Wolczuk, 2002). But it is worth noting that the years have passed and the political situation in the country has changed. And despite Russia's annexation of the Ukrainian Crimea, Russian support of separatist terrorist organizations in the eastern regions, the country continues to move in the European direction of development. This includes issues of decentralization and territorial organization, transfer of powers and responsibilities to the regions. The presence of political will and vision of reforming the territorial organization of power among the current political elite of the country with the financial support of international funds and initiatives are able to advance the country in the way of reforming the system of local self-government.

The decentralization process and the reform of the territorial organization of power in Ukraine were launched with the adoption of the following documents: the 2014 Law „On Cooperation of Territorial Communities” and the 2015 Law „On the Voluntary Association of Territorial Communities”, the 2015 Law „On the Principles of State Regional Policy”, the 2014 Resolution of the Cabinet of Ministers of Ukraine „On Approving the Concept of Reforming Local Self-Government and territorial organization of power in Ukraine”(no. 333, April 1). Creating a legislative framework for decentralization became a jump-start for the improvement of the functioning of the new system of local self-governance. The aforementioned laws delegate the same powers and financial preferences to the territorial communities in the way they are allocated by the state to cities of regional importance.

Territorial decentralization envisage creation of public administration institutions that empowers local authorities for governing within the administrative-territorial units independently from the state authorities, not being directly involved in their hierarchical system and subordination. According to *Polish Scientist E. Rushkovsky territorial decentralization includes three integral components*:

1. *Political Decentralization*. According to this approach the public-law status of local self-government institutions stems from the specific method of their formation and their representative character. The corresponding constitutional guarantees of formation of a system of local self-government institutions, their content and organization enable their independence from the state.

2. *Administrative decentralization* suggests that objectives of the local self-government institutions, as well as their functions and powers are to satisfy the public interests within the territory.

3. *Financial decentralization* implies the availability of own financial and material resources and means the authority over the ownership, maintenance and disposal of financial resources owned by communities (Kosikowski and Ruśkowski, 2006).

The first stage of decentralization helps to differentiate the powers and responsibilities of public authorities and local self-government, to strengthen the



capacity for local communities' development and their financial autonomy. Today, it is possible to state the beginning of fiscal decentralization, the launch of the process of voluntary association of communities, the development of mechanisms and tools for their support by the state, the development of a system for providing public services to the population by local governments, and the formation of plans and strategies for socio-economic and regional development of territories.

Concurrently, the implementation of administrative and territorial reforms should take into account the realities of political life in the country, proposing changes to the Constitution of Ukraine in terms of territorial structure, balance in the distribution of powers in the regions, amendments to the electoral legislation and other laws and regulations. Furthermore, it is expedient to consider the possibility of reformatting the existing system of distribution of powers between the executive and legislative branches of power via increasing the autonomy of local self-government.

The paper considers both internal and external dimension of decentralization reform in Ukraine. As far as the internal dimension is concerned, the paper shows political transformation in Ukraine with regards to changes in regional policy and territorial structure of the country, reform of local self-government, departure from bureaucratic centralized decision-making methods since the Euromaidan raised civil society in Ukraine to a new level of development and thus made these transformations possible. From the external perspective, the paper presents data on programmes and initiatives which were successfully launched in Ukraine in 2014-2015 time framework with the support of international donors (both the EU and the USA).

## **1. Internal political transformations in Ukraine on the path of decentralization of power**

In 2015, 794 village, town and city councils, which include 2015 settlements, voluntarily united in 159 amalgamated hromadas (AHs), which accounted for 7.1% of the total number of territorial communities in Ukraine. The total area of all AHs was 35,807 km<sup>2</sup>, which corresponded to more than 6% of the Ukrainian square, except of Kyiv and Crimea (see Figure 1)

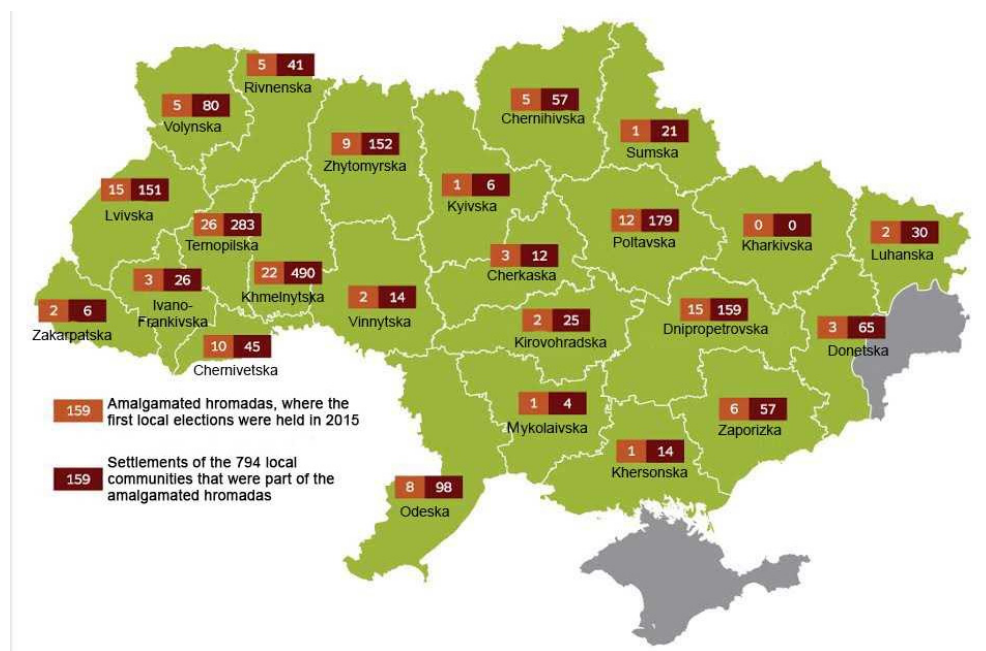
They became the first communities formed by the new principles of the formation of the territorial power of Ukraine, laying the foundations for the development of decentralization processes. As of January 1, 2016 year, the population living on the territory of these communities amounted to 1386.5 thousand people, which was 3.8% of the total population of Ukraine (excluding Kyiv and Crimea). All AHs, in which October 25, 2015, local elections took place, in 2016 came direct to intergovernmental relations with the state budget (Ministry of Regional Development, Building and Housing and Communal Services of Ukraine, 2017).

In 2016, the income of the general fund of local budgets of 159 amalgamated hromadas, taking into account transfers from the state budget, amounted to 7.1



billion UAH, which is more than 7 times more than in 2015, the budgets of local councils included in composition of AH.

**Figure 1. Local self-government reform based on the principles of decentralisation of power – the first 159 amalgamated hromadas in Ukraine**



Source: Ministry of Regional Development, Building and Housing and Communal Services of Ukraine (2017)

Due to the financial decentralization, the own revenues of the budgets of the combined communities grew by more than 3 times (by UAH 2.3 billion) compared to 2015 (from UAH 1 billion to UAH 3.3 billion). An increase in the respective indicators indicates an increase in local incomes, additional opportunities and, accordingly, the capacity and development of specific communities. Thus, the average indicator of own income of the united communities per 1 resident of AH increased from 700 UAH. up to 2345 hryvnas. This positive dynamic confirms the growth of the capacity and opportunities of local communities and local authorities, because of the introduction of decentralization changes in the structure of the administrative-territorial structure and public administration (Cabinet of Ministers of Ukraine, 2017).

In 2016, the process of association of territorial communities went more successful, and thus, during the year, 208 new AHs were formed, which was 8.4% of the total number of territorial communities in Ukraine. The total area of all formed amalgamated hromadas in 2016 amounted to 9% of Ukraine's area. Positive results and first achievements in the process of community consolidation, transfer of authority and resources have become an example for others, raised

awareness and confidence among the population to the reform and the state authorities that implement it, which in turn increased the number of those wishing to join processes of decentralization, having received additional opportunities for the development of their own communities.

The amalgamated hromadas are given additional powers and appropriate financial resources, which retain 60% of the personal income tax, 100% of the property tax, 100% of the single tax, 100% of the excise tax on retail trade (tobacco, alcohol, petroleum products), 100% of the profit tax on utility companies of AH, 100% of payments for the provision of administrative services and other fees and charges. Thus, changes in the distribution of taxes and fees between local, regional and national levels significantly stimulate communities to consolidate and accumulate additional funds in local budgets, which are aimed at improving the socio-economic indicators of the region and its infrastructure.

According to the current legislation, local self-government bodies in Ukraine receive financial assistance for the development of territories. The main mechanism for regulating state regional policy is the State Fund for Regional Development (SFRD). It is through this fund that investments in regional development projects are made that are in line with the strategies and plans of the respective regions. Thus, in 2016, the State Fund for Regional Development supported 69 projects prepared and implemented by the amalgamated hromadas for a total amount of more than 134 million hryvnias. In percentage terms, 60.9% of projects concerned educational establishments, 12.7% – water supply and sewage facilities, 8.8% – health and social welfare institutions, 3.8% – sports facilities, 2.9% – cultural establishments, 2.5% – objects of heat, gas, energy supply, 0.8% – nature protection, 6.9% – other objects and activities (Ministry of Regional Development, Building and Housing and Communal Services of Ukraine, 2017).

Moreover, to support the amalgamated hromadas, the state provides subventions to local budgets for infrastructure development. The funds are distributed among the budgets of the amalgamated hromadas in proportion to their area and the number of rural population. So in 2016, 3 billion UAH were allocated to infrastructure development from the state fund of regional development, 1 billion in the form of a subvention for development infrastructure of the amalgamated hromadas and 1 billion in the form of a subvention for the socio-economic development of the territories (Ministry of Regional Development, Building and Housing and Communal Services of Ukraine, 2017).

For these subventions and funds of local budgets, 523 local governments implemented more than six thousand different projects. It is firmly believed, that the regions and territorial communities were able to start systematic implementation of their own development strategies, work in the field of project management and investment attraction. Increasing the financial autonomy of the regions is a first step towards building the capacity of communities and increasing the indicators of the level of socio-economic provision of the population.

Getting new opportunities increases the community's potential for socio-economic development, infrastructure improvements, investment attraction, and use of innovative technologies and foreign practices of municipal governance.





According to reaction for decentralization of the population, after analysing a sociological survey conducted in the first years of implementation of the reform by the Swiss-Ukrainian project about support for decentralization in Ukraine DESPRO (DESPRO – Decentralization Support in Ukraine is a Swiss-Ukrainian project „Decentralization Support in Ukraine”, funded by the Swiss Confederation through Swiss Cooperation Office (SDC) and implemented by the Swiss Centre for Resource and Consultation on Development (Skat)), we will receive a rather interesting dynamics. In particular, summing up the majority of the opinions of the respondents, one can conclude that in 2014 knowledge about the subject of discussion was rather fragmentary, without a complete idea of the essence of the reform and the confusion in the notions of „federalization”, „separatism”, etc. In 2015, there was a perception of decentralization as the № 1 reform in the state, an understanding of the essence of decentralization as the transfer of powers and finance to the local level. People began to realize that each step in implementing the reform would relate to them in person. The year 2016 had been already marked by the fact that people were ready to participate in the implementation of the reform, the awareness of the need to learn to live in new conditions, the need for skills and knowledge in managing and democratic interaction, „man – community – power”.

In 2014-2015, some people expressed fears that decentralization would lead to the collapse of the country, increased corruption and increased dependence on local „princes,” a threat to national security. In 2016, the majority began to realize the positive significance of the reform for local development and community participation in solving local problems, providing finance, empowering local authorities, and responsibility of communities and local authorities (DESPRO, 2016).

Therefore, despite the presence of significant problems in society, insufficient development of economic life and social security, absence of guarantees of national security, the population gradually begins to understand the logic of transformations in the vertical power: strengthening of local self-government, transfer of powers to the level of communities, financial decentralization, community participation in decision-making, division of competences and responsibility. During the period of hostilities and the partial occupation of its own territory, a slight confidence in the government as a political institution and a low level of socioeconomic support, the presence of a positive dynamics of perceptions by the population of decentralization processes that include education and health reform, administrative and territorial structure, and more a number of important changes in the political and socio-economic life of the country, are a good sign on the way of further implementation of reforms, attracting foreign experience and innovators one is in government.

It should be noted that the availability of the first stories of successes in the implementation of decentralization processes in the country begin to meet the main expectations of this reform. The key principles that should become the norms of the state structure and characterize the relationship between the centre and the regions are the following:

- efficiency: improving the administrative and cost-effectiveness of allocating scarce resources in connection with a better understanding of local needs;



- mobilization: the broad collective participation of the local population in the activities of local institutions should strengthen the processes of decision-making and the development of democracy;
- subsidiarity: diligence is enhanced by ensuring that democratically elected officials are accountable to their constituents;
- transparency: the relationship between the money paid by taxpayers and the level of services provided at the local level is clearly traced (Food and Agriculture Organization of the United Nations, 2005).

An important aspect of the further implementation of the reform is political stability, economic opportunities and support from the public. Civil society should actively participate in changes in the model of public administration and not allow to halt the way in implementing the reform. If the reform of local self-government is successfully implemented, further changes in the political system of the country will occur much more quickly. Since decentralization is closely related to the reform of education, health care, social sphere, etc. Thus, these will be comprehensive changes within the country that will be able to approximate a step closer to integration with the European Union. Therefore, support from international partners, attraction of foreign investments, exchange of experience and best practices with states that have already passed the way of reforming the administrative and territorial structure is very important.

## **2. The foreign support of Ukraine by international partners in the context of the spread of decentralization processes**

Decentralization in Ukraine is possible, including thanks to strong support from international partners. Currently, 15 different international projects in Ukraine are designed to develop decentralization processes in Ukraine.

Earlier than all, actually on December 24, 2007, the Swiss-Ukrainian project „Support to Decentralization in Ukraine” DESPRO, funded by the Swiss Confederation and implemented by the Swiss Center for Development Resources and Consultations (Skat), began its work. The mission of the project is to optimize the management system and promote effective local development in Ukraine, which aims to improve the level of provision of services at the local level and intensify the process of democratization in the country. The project runs until the end of 2017, with a budget of 9.3 million Swiss francs. The project is functioning in five regions of Ukraine: Vinnytsia, Dnipro, Ivano-Frankivsk, Poltava and Sumy<sup>1</sup>. The two-way international DESPRO project with its main partner in Ukraine, the Ministry of Regional Development, has long been engaged in improving the quality of provision of administrative and municipal services at the local level, strengthening the capacity of the regions and involving communities in the process of reforms implemented in the context of decentralization.

Since October 2011, the project „Strengthening the Local Financial Initiative in Ukraine (IMF-II) Implementation”, funded by the United States Agency for

<sup>1</sup> Read more about DESPRO: 10 years in Ukraine (<http://despro.org.ua/despro/project/>).





International Development (USAID), is being implemented by the All-Ukrainian NGO „Institute for Budget and Socio-Economic Research”. The duration of the project by the end of 2017, and its budget – 4.7 million US dollars. The main activities of the project are assistance to central and local authorities in implementing and improving the program-target cycle in the budget process, improving the system of internal control and audit of public finances, promoting the development of participatory budgets in Ukraine<sup>2</sup>. This project is very important, as it concerns transparency of finances, the introduction of new practices of budgeting, and the involvement of the population in the management of municipal and municipal resources, which should result in the openness of the financial system and the creation of a system that will tackle corruption in the relevant field.

In November 2013, the international project „Gender Budgeting in Ukraine” was launched, funded by the Swedish International Development Cooperation Agency (SIDA). The duration of the project by the end of 2018 and its budget is SEK 46.6 million. The project aims to increase the cost-effectiveness and transparency of budget allocations, taking into account the different needs of women and men through the introduction of gender-based budgeting<sup>3</sup>. In essence, this project aims to form a profile of ministries and local authorities about the importance of implementing gender budgeting, to promote the reform of public finance management systems, and to develop, based on the experience of other European countries, the first gender-oriented budget in Ukraine.

Since January 2014, the UNDP / EU Community-Based Community Based Approach to Local Development is being implemented and co-funded by the United Nations Development Program in Ukraine and the European Union. The duration of the project by the end of 2017, and its budget is 23.8 million euros. This project is a long-term and comprehensive capacity-building initiative aimed at promoting sustainable local development in Ukraine. The project supports community-based governance and community-led initiatives to improve the living conditions of people in rural and urban areas throughout the country<sup>4</sup>. This project aims to increase awareness of the importance of decentralization processes, to shift the emphasis on strengthening the role of local self-government and communities themselves, engaging best practices and sharing best practices in reforming the public administration system. In addition, an important part of this project is the increase of energy efficiency at the local level.

Since September 2014, the Swedish-Ukrainian project „Support for Decentralization in Ukraine”, funded by the Government of the Kingdom of Sweden through the Swedish International Development and Cooperation Agency (SIDA), is

<sup>2</sup> USAID (2011), Project „Strengthening Local Financial Initiative-II” ([http://www.ibser.org.ua/project\\_mfsi](http://www.ibser.org.ua/project_mfsi)).

<sup>3</sup> Ministry of Finance of Ukraine (2013), Project „Gender Budgeting in Ukraine” (from <http://grbproject.org/content/o-proekte/>).

<sup>4</sup> UNDP (2014), About the „Community Based Approach to Local Development III” project (<http://www.cba.org.ua/ua/pro-nas/proekt-cba>).

being implemented by SKL International, a subsidiary organization of the Swedish Association of Local Authorities and Regions (SALAR). The main activities of the project are decentralization in the field of education, financial decentralization and dissemination of information on reforms in the country, attracting foreign experience<sup>5</sup>. This project, together with the Ukrainian Government and the Verkhovna Rada of Ukraine, is responsible for coordinating activities in the field of financial decentralization, conducting international expertise, financial monitoring and control, advocating legislative initiatives in the field of education and health, and disseminating European experience in the area of decentralization.

Since October 2014, the project „Local Self-Government and Rule of Law in Ukraine”, funded by the Swedish International Development Cooperation Agency (SIDA), is being implemented by the Folke Bernadotte Academy. The project runs until the end of 2017, with a budget of SEK 28.3 million. The main objective of the project is to strengthen the rule of law in the provision of public services by local self-government bodies<sup>6</sup>. This project aims to strengthen the capacity of local authorities and civil society institutes to increase transparency and improve the efficiency of public services.

On November 10, 2014, the Expert Support for Governance and Economic Development (EDGE) project, funded by the Government of Canada and implemented by Agriteam Canada Consulting Ltd., began in Ukraine. The project will run until July 31, 2019, with a budget of \$ 18.8 million Canadian dollars. The main task of the project is to assist the Government of Ukraine in implementing reforms and commitments undertaken in this area<sup>7</sup>. This project, jointly with partners in Ukraine: the Ministry of Economic Development and Trade of Ukraine, the National Anti-Corruption Bureau, is engaged in the implementation of sectorial decentralization, supports reforms in the field of education and health, and helps the Ukrainian authorities to communicate with other foreign partners and donors who are ready to support Ukraine.

The project „Restoration of Governance and Reconciliation in the Territories of Ukraine Affected by the Crisis” began in early 2015 and will continue until the end of 2017. Project implementation is possible thanks to the financial support of the United Nations Reconstruction and Peacebuilding Program, the Swiss Confederation and the Kingdom of Sweden (SIDA and SDC). The project budget is 3 million US dollars. The aim of the project is to overcome the negative consequences of the armed conflict in Ukraine, reduce the risk of its repetition and

<sup>5</sup> SKL International, Decentralization for the sake of democracy – Ukraine 2014-2018 (<http://sklinternational.org.ua/ua/about/%d1%96%d1%81%d1%82%d0%be%d1%80%d1%96%d1%8f/>).

<sup>6</sup> SIDA (2014), Local Self-Government and Rule of Law in Ukraine (<http://donors.decenralization.gov.ua/project/msvpu>).

<sup>7</sup> EDGE (2014), The Expert Deployment for Governance and Economic Growth Project (<http://edge.in.ua/>).



eliminate existing dissatisfaction<sup>8</sup>. This project is aimed at solving an extremely important problem in the country, namely, the restoration of the governance system in Donetsk and Luhansk regions, which would respond to the basic needs of the local population and increase their level of trust in the authorities and national security structures. The spread of decentralization processes to the eastern regions of Ukraine is extremely urgent and at the same time requires additional attention, since their goal is to strengthen the regions and their capacities, rather than the self-proclaimed formations that are not functioning in the legal field and create tensions on the eastern borders of the state.

The International Partnership for Urban Development (PROMIS / PLEDDG) project launched on March 27, 2015 and will last until June 30, 2021, has a budget of \$ 19.5 million and is funded by the Government of Canada. Realized in four regions of Ukraine: Vinnytsia, Zaporizha, Ivano-Frankivsk and Poltava. Its goal is to strengthen the municipal sector in Ukraine, to implement effective democratic governance and accelerate economic development<sup>9</sup>. In the process of implementing this project, ideas for the implementation of „open government” and effective management in local self-government bodies were proposed. It is also meant to promote the development of small and medium-sized businesses as the basis for the formation of capable communities at the local level at the regional level.

From May 1<sup>st</sup>, 2015 until March 31, 2019, the EGAP (E-Governance for Accountability and Participation), funded by the Government of the Swiss Confederation and implemented by the Eastern Europe Foundation and the Innova Bridge Foundation, operates in Ukraine, a project called „Electronic Governance for Public Accountability and Empowerment.” The project budget is 4.3 million Swiss francs. The target regions of this international program are Vinnitsa, Volyn, Dnipropetrovsk and Odessa regions of Ukraine. This program is aimed at using the latest information and communication technologies that will help improve the quality of governance, improve the interaction between authorities and citizens and promote social innovation in Ukraine<sup>10</sup>. Thanks to the implementation of this program, citizens will have the opportunity to access information related to the provision of public and administrative services. This system will become more transparent and open, and thus reduce corruption risks and improve the service and quality of the data received. The introduction of e-governance and elements of e-democracy in public authorities and local self-government will simplify bureaucratic procedures, improve communication with people and give citizens more opportunities to participate in community governance.

The project Development of the course for strengthening local self-government in Ukraine (Puls) is being implemented in Ukraine from December

<sup>8</sup> SIDA & SDC (2015), Restoration of governance and reconciliation on the territories of Ukraine affected by the crisis (<http://www.ua.undp.org/content/ukraine/uk/home/operations/projects/recovery-and-peacebuilding/restoration-and-reconciliation-sida-sdc.html>).

<sup>9</sup> PLEDDG (2016), The project of international technical assistance „Partnership for Urban Development” (<http://pleddg.org.ua/ua/pro-promis/fokus-promis/>).

<sup>10</sup> EGAP (2015), E-government for the accountability of authorities and community participation (<http://egap.in.ua/>).

2015 and will be completed in December 2020, funded by the USAID and implemented by the Association of Ukrainian Cities. The budget is 8.2 million US dollars. It is aimed at creating a favourable environment for the implementation of decentralization in Ukraine, strengthening local self-government and deepening democratic processes of territorial communities' development and stability of the state. The project operates in all regions of Ukraine and consists of three components: the formation of a legal framework for decentralization, increasing the resources of local self-government and strengthening the capacity of reformers<sup>11</sup>. An important area of project realization is the motivation of communities to unite, disseminate best practices and best practices in decentralization processes, the benefits of completing the merger procedure, and opportunities for sectorial reforms.

The largest international program for decentralization in Ukraine, „U-LEAD with Europe. The program for Ukraine on empowerment at local level, accountability and development” is implemented from January 2016, funded by the European Union and its member countries Denmark, Estonia, Germany, Poland, Sweden and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Swedish Agency for International Cooperation and Development (Sida). The project runs until June 2020, with a budget of 102 million euros. The aim of the program is to strengthen the capacity of key actors at the national, regional and local levels to implement regional policy and decentralization reform, as well as to improve the level of provision of administrative services at the local level for Ukrainian citizens<sup>12</sup>. This program is a leader in the events held in Ukraine and assimilation of funds, has a rather high institutionalization of its own structure and close partnership and organizational links with its main partners, the Ministry of Regional Policy development, construction and housing and communal services of Ukraine and separate subdivisions of the institution by the Centers of Local Self-Government Development. Supporting communities and implementing measures to increase their capacity and development is an important part of the functioning of this program in Ukraine.

UNDP and UN Women's Joint Program „Restoration of Management and Reconciliation in Crisis-affected Communities of Ukraine” is being implemented in Ukraine from May 2016 and will end in November 2017. The program provides for events in Donetsk and Luhansk regions and has a budget of 10 million euros. The objectives of the program are to strengthen the capacity of local authorities in planning reconstruction processes and the provision of gender-sensitive services in the context of decentralization, improving the safety of women and men in

<sup>11</sup> Association of Ukrainian cities (2015), Project „Development of a course for strengthening local self-government in Ukraine” (Pulse) (<http://2.auc.org.ua/page/proekt-%C2%A%BBrozbka-kursu-na-zmitsnennya-mistsevogo-samovryaduvannya-v-ukraini%C2%BB-puls>).

<sup>12</sup> U-LEAD (2016), U-LEAD with Europe (retrieved from <http://u-lead.org.ua>).



conflict-affected communities, restoring social cohesion and promoting confidence building among local authorities and communities<sup>13</sup>.

DOBRE (Decentralization Offering Better Results and Efficiency) funded by the United States Agency for International Development (USAID) at US \$ 50 million, is scheduled for five years from 2016 to 2021. The executor of this program is the international non-governmental organization Global Communities, which, along with its partners: Social Boost, the National Democratic Institute (NDI), the Ukrainian Crisis Media Center (UMCM), the Foundation for the Support of Local Democracy (Poland), the Malopolska School of Public Administration at the Krakow University of Economics, direct their activities within the framework of the project to create conditions for the joint territorial communities to better manage resources, improve the quality of utilities, stimulate the local economy and increase Attract the involvement of citizens. Implementation of the program takes place in seven oblasts: Dnipropetrovsk, Ivano-Frankivsk, Kirovograd, Mykolaiv, Ternopil, Kharkiv and Kherson regions<sup>14</sup>. An important area of work under this program is the support of civil society institutions and their involvement in community management. This aspect of the project's activities is aimed at combating corruption, increasing the level of openness and transparency of government bodies, and activating citizens in matters of public services.

Starting in December 2016, the project „Sustainable Local Development in Rural Regions of Chernivtsi and Odesa Oblasts” started, which will continue until May 2018 and is funded by UNDP for 500 thousand euros. The project aims to promote the welfare and life of the most vulnerable populations in both oblasts, in particular by promoting sustainable and comprehensive socio-economic local development, strengthening local governance and encouraging the implementation of community-based initiatives<sup>15</sup>. This project is intended to support the community monitoring system of local government activities and lobbying, advocacy skills, and the potential of civic organizations.

All these international projects are clear evidence of support of the world community of political changes in Ukraine and readiness to reform the country. Support from the European Union is very important for Ukraine, since the signing of the Association Agreement with the EU is a strategic foreign policy document of the country. European integration, as an idea, was the reason for the last two revolutions in the country, during which citizens defended the right to build a European model of state development, on the basis of European values and standards. Therefore, loyalty to the European ideals of building a modern state is an important factor for Ukrainian society.

<sup>13</sup> UNDP (2016), Restoration of governance and reconciliation on the territories of Ukraine affected by the crisis (<http://donors.decentralization.gov.ua/project/unwomen>).

<sup>14</sup> USAID (2016), Program DOBRE (<http://donors.decentralization.gov.ua/project/dobre>).

<sup>15</sup> UNDP (2016), Sustainable local development in rural areas of Chernivtsi and Odessa oblasts (<http://donors.decentralization.gov.ua/project/sldra>).

Johannes Hahn, Commissioner for Enlargement and European Neighbourhood Policy, said that decentralization is crucial for further democratic transformation of the country, modernization of the country and improvement of public administration. At a meeting with President of Ukraine Petro Poroshenko, the European Commissioner noted that he is impressed with the implementation of reforms and real progress, despite the extremely complex circumstances and the external threat facing Ukraine. This is especially true in the area of decentralization<sup>16</sup>.

The attraction of foreign investment, expert support and technical assistance is an important step towards the successful implementation of the reform of the administrative-territorial system. The use of international experience is an important factor in the implementation of major changes in the system of public administration and local self-government. The participation of international partners in the implementation of reform in Ukraine is a guarantee of the openness of these processes and one of the elements of transparent use of funds, which is an important element in the fight against corruption.

## Conclusions

The first years of decentralization in Ukraine demonstrate the presence of political will in the leadership of the state to implement plans in the field of decentralization. The assistance of international partners has also become an important aspect that contributed to the development of decentralization processes in the state. In fact, decentralization has become the most successful initiative of the government, which is more strongly supported by the population and has concrete results. The exchange of best practices, the establishment of vertical and horizontal communication, and the improvement of dialogue with the population greatly increased the awareness of the population about this reform, which positively affects the dynamics of its perception. Strengthening the role of local self-government, attracting significant investments and improving community capacity have a positive effect on the development of decentralization processes and the increase of the number of communities in Ukraine. With the strong support of international partners and the availability of coherence in the actions of the authorities at all levels, the advancement of administrative and territorial reforms and sectorial reforms should become the first stories of the success of the new government on the way to reforming the country and its European integration.

The change in the administrative-territorial system established in the years of the Soviet Union, the elimination of districts, the formation of capable communities and the development of horizontal ties are intended to change the philosophy of perception of the people by the authorities as such, increase the level

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<sup>16</sup> Ukrainian Pravda (2015) European Commissioner Hahn is impressed by the seriousness of reforms in Ukraine, 11 September (<https://www.pravda.com.ua/news/2015/09/11/7080983/>).





of trust in public institutions and involve the community to decision making processes.

An important aspect that has affected the irreversibility of local self-government reform in Ukraine is its guarantees and commitments to European and international partners. Political, methodological and financial support from the EU funds and international technical assistance are important factors in implementing changes in the country. Involving foreign experience in implementing reforms, in particular in the area of decentralization, promotes the use of the most successful practices and success stories that can be used in Ukrainian realities.

But it is important not to forget that decentralization is not a panacea, its possibilities are limited by the set of cultural, historical, economic, legal and financial difficulties faced by the countries that implemented this reform, including Ukraine. Restoring or balancing the forces and functions of various levels of government is usually a complex political and administrative task. The transfer of responsibilities to local governments requires significant reshuffling in political, financial and administrative authorities. More importantly, in some countries it is a significant step forward in eliminating the structures of central-directive management.

The formation of a new vision of the distribution of power and authority, budgets and taxes, opportunities and responsibilities should eventually create a new system of organization of the administrative-territorial system in the country. That, in its turn, will completely change the existing procedure for the implementation of state policy in the regions. Guided by the principle of subsidiarity and with all financial and legislative capacity, at the community level, it will be possible to solve most of the issues relating to the living conditions of their residents.

Thus, decentralization can become a serious step for Ukraine in the path of important changes, which in the early 90's of the twentieth century, overcame most of the countries of Central and Eastern Europe, integrating into the European Union.

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