



SECTORAL BRIEF “DECENTRALIZATION”

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1. Evaluation of reform policies of the Parliament and Government during the period of September 2019 – January 2020 and its compliance with the Toronto Principles (based on the analysis of the Government Program, the plans of the ministries and the adopted/rejected regulatory acts)

At the beginning of 2019 Ukraine was faced with both substantial gains and challenges in terms of such significant areas as the reform of local self-government and territorial organization of government, as well as the reform of state regional policy.

Thus, as of 10 January 2019, 876 Unified Territorial Communities (UTCs) have already been formed, and 23 prospective plans, which envisage the formation of 1 285 UTCs, uniting 8,846 territorial communities (457300 km², or 82% of the total territory of Ukraine), have been approved. The budget of 2019 provided for further support for the development of the UTCs and regions, the amount of funds in the State Regional Development Fund increased to UAH 7.7 billion, in total about UAH 20.75 billion was planned to be allocated to the regions. At the end of 2018, the Cabinet of Ministers of Ukraine (CMU) has proposed a new roadmap for finalizing decentralization – “600 Days for Action”, according to which the reform should be completed by the next local elections in October 2020.

Nevertheless, in the first half of 2019, alarming trends emerged and intensified as a result of the election year: the energy of voluntary formation of UTC was exhausted, regional councils began to translate the issues of consideration of pro-

jects of perspective plans of formation of empowered communities into political discussions, much of the funds of the State Regional Development Fund were channelled beyond the logic of strategic planning. The work on drafting legislation to complete the aforementioned reforms has virtually stopped.

The election of the new composition of the Parliament led to the formation of a one-party majority, and as a result, a new one-party government on August 29, 2019.

Thus, the new Government received the following state of affairs in the field of local self-government reform and territorial organization of power:

- 1)** the previous Government approved 23 prospective plans, which envisage the formation of 1 356 UTCs, uniting 9 702 territorial communities (504.4 thousand km², or 87.6% of the total territory of Ukraine; 32.8 million people, or 83.8% of the total population of Ukraine (data excluding temporarily occupied territories). 936 UTCs were created;
- 2)** Ukrainians are consistently highly supportive of decentralization – over 60%;
- 3)** there are several major international technical assistance programs for decentralization support in Ukraine, employing hundreds of consultants to assist in reform and train local government officials to work under the new conditions;
- 4)** health reform proceeds to the deployment of the secondary care, which is not always clear to different sectors, groups, politicians, specialists;

5) the reform was joined by new politicians (first of all, MPs of Ukraine) and new leaders in newly formed ministries and regional state administrations (RSAs) who were not sufficiently familiar with the logic, tasks and tools of the reform, but had already begun to influence it.

For the first time, the Government's program of activities has been drawn up by other templates, and among its key indicators there is no such indicator as the completion of the reform of local self-government and territorial organization of government or the introduction of a new state regional policy.

The development and implementation of policies in these areas in the Government's action program are within the competence of the Ministry of Communities and Territories of Ukraine (Ministry of Regional Development) and are concentrated on the following aims:

10.1. Ukrainians are living in comfortable cities and villages; 10.2. Ukrainians living in "depressed regions" have sufficient opportunities for development; 0.3. Ukrainians have a real opportunity to influence the organization of their living space as residents of empowered communities.

In order to achieve the set goals, the Ministry of Regional Development is planning appropriate measures aimed at completing the first phase of decentralization before the next local elections on 25 October 2020.

The Parliament has taken a step towards accelerating the development of prospective plans for the formation of empowered communities in the oblasts by removing the oblast councils from this process (Law No. 348-IX of December 5, 2019). By February 14¹, all RSAs had to submit corrected / updated perspective plans for the formation of empowered communities to the CMU for approval.

In order to speed up the process of approval of the administrative and territorial units of the base and district levels, on 17 January 2020, the Parliament adopted in first reading the bill No. 2653, which gives the Government the right to

approve the centres and territories of communities and submit drafts of district formation acts to the Parliament.

2. Current challenges / issues in the relevant policy area

Despite some revitalization of work aimed at completing local government reform and territorial organization, some serious challenges both to complete the reform and to develop communities in the future still remain:

1)) Lobbying during the formulation of prospective plans

The removal of oblast councils from the process of formulating prospective plans did not remove the problem of lobbying. As a result, either too small or too large territorial communities are still being formed, which will complicate the possibility of their balanced development in the future.

2) Lack of dialogue with regional elites and political parties

The introduction of the Bill on Amendments to the Constitution of Ukraine on Decentralization (No. 2598), which significantly changed approaches to the formation of regional and subregional administrative-territorial units and their legal status, the status and powers of the prefect, aroused concern among regional elites, local authorities, experts and scholars, as well as political parties, which do not belong to the parliamentary majority. Even further withdrawal of the bill did not facilitate the issue of understanding the essence of the changes and their impact on Ukraine's future.

3) Time correlation of forthcoming regular local elections and elections in the occupied territories of Donbas

Ukrainians, who lost about 15,000 people in the Donbas, are rather tense about the possibility of holding local elections in the Donbas at the same time with Ukrainian ones. Encouraging such elections could undermine the October

¹ At the time of writing this material, there is no information on the approval of prospective plans for all the regions.

2020 local elections altogether.

4) Financial challenges

Budget revenue problems that emerged in late 2019 - early 2020 create risks for local budgets, including receiving subsidies under different budget programs. Even greater is the problem of using funds from the State Regional Development Fund in 2020, whose mechanism for allocating funds to regional development projects was virtually destroyed and switched to manual mode. The Bill on Amendments to Article 24-1 of the Budget Code of Ukraine (BCU) No. 2202, which solves this problem, has not been considered.

5) Institutional challenges

The recent destruction of the state service, the frequent change in management, central executive bodies of middle-level, as well as regional and district state administrations have significantly weakened the possibilities for effective policy development and implementation at the national and regional levels. The lack of regulations on the salaries of heads of public authorities and oversight of the activities of local governments creates the basis for the independence of local government from the policy of the state, which poses a danger to stability in the circumstances of the ongoing war.

3. Recommendations for priority actions in 2020-2021, in particular, for the agenda of Parliament's second session

1. To strengthen the capacities of institutions. To supply RSA/DSA with the qualified personnel. To stabilize the middle management link. To regulate the determination of the level of salaries of heads of public authorities and to approve a new net of salaries of employees of local self-gov-

ernment bodies.

2. For the Parliament – to approve the Bill No. 2653. For Government – to approve administrative-territorial units by May 2020. To submit proposals of the district division to the Parliament and to ensure the adoption of the decision by June 2020.

3. To abstain from linking the completion of the reform to the amendments of the Constitution of Ukraine. Failure to approve these changes will only jeopardize the completion of the reform and create problems for the new post-election period 2020-2025.

4. To adopt the Law on State Strategic Planning, which should remove contradictions in strategic planning carried out by different ministries and harmonize sectoral and spatial planning.

5. To restore the possibility of implementing national regional policy on the basis of strategic planning rather than manual allocation of funds and approve amendments to Article 24-1 of the BCU (Bill No. 2202) during March 2020.

6. To complete the formation of a system of strategic planning documents - the National Development Strategy of Ukraine, the State Strategy for Regional Development, the General Scheme of Planning of the Territory of Ukraine, regional development strategies in 2020. However, to also account for the fact that there can be no plan without funding and no financing in the absence of a plan.

Dialogue and dialogue once again. No policy will succeed if society does not understand it, unless various organized actors are involved in the discussions on policy documents. Therefore, broad policy discussions with entrepreneurs, the public, and academics should become a common practice for the Government, Parliament and the President.