

Decentralisation in Ukraine
**SUPPORTING POLITICAL STABILITY BY
STRENGTHENING LOCAL GOVERNMENT**

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LIST OF ABBREVIATIONS

AATC	Association of Amalgamated Territorial Communities
AH	Amalgamated Hromada
ASC	Administrative Service Centre
AUC	Association of Ukrainian Cities
CoE	Council of Europe
DANEP	Danish Neighbourhood Programme
DCAFTA	Deep and Comprehensive Free Trade Area
DESRPO	Decentralisation Support in Ukraine
DOBRE	Decentralisation Offering Better Results and Efficiency
EU	European Union
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoU	Government of Ukraine
LGDC	Local Government Development Centres
MinRegion	Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine
MNC	Multinational Corporation
UAH	Hryvnia
U-LEAD	Ukraine-Local Empowerment, Accountability and Development Programme
SDC	Swiss Cooperation Office
SFRD	State Fund for Regional Development
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

Ukraine's political stability is of crucial importance to the country and has a bearing on broader political stability and geopolitical dynamics in Europe. Following the Maidan Revolution of 2014, the Russian annexation of the Crimean Peninsula and armed conflict in the east, stabilisation efforts have focused on addressing the immediate concerns of armed conflict and strengthening the national state. This study suggests that political stabilisation will also hinge on state-building at the local level, which can provide a basis for economic development, as well as an avenue for strengthened relations between the state and its citizens. Successful local state-building can thus support well-functioning democracy, with the potential to limit destabilising tendencies and influences.

Currently, local government in Ukraine is undergoing considerable change. The Government of Ukraine (GoU) is implementing decentralisation reforms designed to bring about a more efficient and effective form of local government. While successful reforms can contribute to political stabilisation, unsuccessful reforms may exacerbate existing tensions and instability. Understanding and supporting the role of decentralisation reforms in political stabilisation is therefore pressing.

Building on recognition of the importance of local governance to the condition of the state and its government in Ukraine, this study has three main aims:

- To analyse the current state of the decentralisation reform agenda and its implementation in Ukraine.
- To assess the relationship between regional and local state institutions and citizens' engagement with these institutions.
- To reflect on the future prospects for local governance in Ukraine, not least in relation to the Minsk II agreement.

The study draws on two weeks of fieldwork in Ukraine during which interviews were conducted with key stakeholders in governance reform at the national, regional, district and local levels. It also draws on field visits, documents collected during the fieldwork and secondary material, both published and unpublished. Due to time and funding constraints, the fieldwork and interview data are limited, but they nonetheless support an informed analysis of the complex dynamics of the ongoing local government reforms.

The study offers six findings on ongoing decentralisation efforts in the Ukraine and their implications for political stability:

- Decentralisation is seen as providing greater political stability.
- Decentralisation continues to be implemented in a tense and fragile political context.
- Decentralisation can improve local political stability.
- Decentralisation is increasing the political influence of the local level.
- Development outcomes require a long-term perspective.
- Continued decentralisation requires renewed political commitment.

On the basis of these findings, there are also several significant policy implications:

- The importance of continued support to state-building.
- The need for well-coordinated and better communicated reforms.
- To approach decentralisation with attention to its potential for increasing political stability.
- To reduce the potential for conflict with decentralisation.
- To strengthen the role of EU membership in promoting political stability.
- To pursue coherence in the provision of political and military support to Ukraine.

RESUMÉ

Ukraines politiske stabilitet er af afgørende betydning for landet og har indflydelse på den overordnede politiske stabilitet samt den geopolitiske dynamik i Europa. Efter Euromajdan i 2014, den russiske annektering af Krim-halvøen og den væbnede konflikt i øst har stabiliseringsindsatserne i landet været fokuseret på løsning af de umiddelbare problemer med den væbnede konflikt samt styrkelse af nationalstaten. Denne undersøgelse peger på, at politisk stabilisering også vil afhænge af statsopbygning på lokalt plan, hvilket kan skabe grundlag for økonomisk udvikling samt mulighed for styrkede forbindelser mellem staten og dens borgere. Vellykket statsopbygning på lokalt plan kan således understøtte et velfungerende demokrati og har potentiale til begrænsning af destabiliserende tendenser og påvirkninger.

I øjeblikket undergår de lokale styreformere i Ukraine store ændringer. Den ukrainske regering (UR) er ved at gennemføre decentraliseringsreformer, som er designet til at skabe en mere effektiv form for lokalt selvstyre. Mens vellykkede reformer kan bidrage til politisk stabilisering, kan mislykkede reformer forværre eksisterende spændinger og ustabilitet. Forståelse og understøttelse af decentraliseringsreformernes rolle i henhold til politisk stabilisering er derfor af yderste vigtighed.

Med udgangspunkt i anerkendelsen af den påvirkning, som lokalt selvstyre har på statens tilstand samt dens styring af Ukraine, har denne undersøgelse tre hovedmål:

- At analysere de nuværende planer for decentraliseringsreformen og dens implementering i Ukraine.
- At vurdere forholdet mellem regionale og lokale statsinstitutioner samt borgernes involvering med disse institutioner.
- At reflektere over fremtidsudsigterne for lokale styreformere i Ukraine – ikke mindst i forhold til Minsk II-aftalen.

Undersøgelsen bygger på to ugers feltarbejde i Ukraine, hvor der blev gennemført interviews med nøglepersoner for styringsreformer på nationalt, regionalt, distriktsmæssigt og lokalt plan. Ydermere bygger den på feltbesøg, dokumenter indsamlet under feltarbejdet samt udgivet og ikke-udgivet sekundært materiale. Pga. tidsmæssige og økonomiske begrænsninger er mængden af data indsamlet

via feltarbejde og interviews begrænset, men den understøtter ikke desto mindre en velinformeret analyse af de komplekse dynamikker, der er i spil i forbindelse med de igangværende reformer af de lokale styreformer.

Undersøgelsen fremsætter seks konklusioner vedrørende de igangværende decentraliseringsindsatser i Ukraine samt deres implikationer for den politiske stabilitet:

- Decentralisering ses som noget, der giver større politisk stabilitet.
- Decentralisering bliver fortsat implementeret i en anspændt og sårbar politisk kontekst.
- Decentralisering kan øge den lokalpolitiske stabilitet.
- Decentralisering styrker den politiske indflydelse på lokalt plan.
- Udviklingsresultaterne kræver et langsigtet perspektiv.
- Fortsat decentralisering kræver fornyet politisk engagement.

På baggrund af disse resultater er der også flere væsentlige politiske implikationer:

- Vigtigheden af den fortsatte støtte til statsopbygning.
- Behovet for bedre koordinerede og bedre formidlede reformer.
- At tilgå decentralisering med henblik på dets potentiale for styrkelse af politisk stabilitet.
- At reducere risikoen for konflikt via decentralisering.
- At styrke den rolle, som EU-medlemskab har i fremmelsen af politisk stabilitet.
- At søge en koordineret sammenhæng i ydelsen af politisk og militær støtte til Ukraine.

1. STUDY AIM AND SCOPE

Challenges to political stability in Ukraine have a bearing on broader political stability and geopolitical dynamics in Europe more generally. Stabilizing Ukraine in order to prevent further internal conflict and Russian interference in Ukraine's domestic politics is therefore critical for both Ukraine and the rest of Europe. Achieving greater political stability requires understanding the many drivers of instability that currently exist. This study is concerned with political stability and, by extension, statebuilding at the local level. Local government in Ukraine is undergoing a process of considerable change as the Government of Ukraine (GoU) implements a set of decentralisation reforms designed to bring about a more efficient and effective form of local government in the country. This study suggests that successful implementation of these reforms can strengthen citizens' relations with the state and thereby contribute significantly to political stability in the country.

This report presents findings on Ukraine's decentralisation reforms and their policy implications relevant to Denmark's engagement with Ukraine. Danish engagement is 'based on the understanding that a peaceful and stable Europe...depends heavily on the development of democratic societies with accountable governments, vibrant civil societies, free media, well-functioning markets, sustainable economic growth and conflict resolution mechanisms' (Danish Ministry of Foreign Affairs, 2017a: 1). Supporting such outcomes in Ukraine is considered to be 'of key strategic importance to Europe and the wider international community and is Ukraine's best answer to Russian aggression' (Danish Ministry of Foreign Affairs, 2018b). Yet in the context of political stabilisation in Ukraine, considerable attention has been paid to opposing the armed secession of the Crimea and the Donetsk and Luhansk regions and to strengthening national governance in the wake of the 'Maidan Revolution' of

2014. In the case of the latter, an early post-Maidan focus on strengthening local governance has been weakened by political manoeuvres centrally and a tendency to pursue a 'top-down' approach to the implementation of the decentralisation reform agenda.

At the same time, there is increasing awareness of the importance of local-level state-building in strengthening political stability across Ukraine. Stemming the conflict in the East is crucial, but long-term political stability will also hinge on the establishment of a well-functioning political system that is accountable, transparent, responsive to its citizens and to civil society, and able to provide adequate services and local development for its citizens and thereby mitigate destabilising forces. This informs the study's focus on citizen-state relations at the local level and on the reforms' approach to citizen engagement. These in turn shape the nature of local democracy, forms of citizen participation and the role of local representatives in promoting the interests and needs of citizens in different localities.

Ukraine's local politics have for many decades been shaped by the top-down delivery of public services, resources and assets. Citizens' engagement and 'voices' have not been encouraged, or even permitted. Local development has been linked to citizens' rights, but these have also been centrally determined. While the local state sought to implement citizens' rights, it did so based on guidance and resources from the national level and on centralised processes of planning and implementation. Change towards a more citizen-based approach requires reforms, as well as increased political engagement by citizens. Decentralisation reforms provide the framework and mechanisms for greater citizen participation in government. By means of the reforms, the aim is to link citizen and community aspirations for better economic conditions to greater political engagement. Achieving change will require citizens and communities to engage with these new mechanisms, thus shifting local political culture through many small 'Maidan revolutions'. This transformation is particularly important in many peri-urban and rural hromadas, local administrative areas where infrastructure is poorest, services are more stretched and economic opportunities fewer.

The importance of decentralisation reforms in supporting local development has long been recognised elsewhere, both theoretically (e.g. Smith, 1985; Hickey and Mohan, 2004; Törnquist et al., 2009) and in policy areas, with bilateral¹ and multi-lateral support being given to a wide range of government programmes designed to reform and strengthen local government (e.g. Smoke, 2010; Crook and Manor, 1994; Kersting et al., 2009). While Ukraine is in many ways unique, the type of political and economic transformation underway and its fragility rooted in armed conflict are not.

In the case of Ukraine, the decentralisation reforms entail strengthening local governments' capacity to deliver public services and promote a better environment for local economic development based on improved human and financial resources within local government. The Ministry of Regional Development states that through decentralisation, 'The basis for the strong country is being formed: Powers, resources and responsibilities are transferred from the central authorities to the ground, because only thus can a strong state, resistant to internal political changes and external encroachment, be built' (MinRegion, 2018a).

While the transformation of local governance is based on promoting greater local democracy (citizen engagement and voices), it also risks strengthening existing political interests. Locally, there is a risk of strengthening the position of local political elites, often those who previously held local political power through the Communist Party. This in turn is prone to foreign influence, as elites seek to maintain local power and influence.

Regional differences are another important political factor in Ukraine that have contributed to the state's fragility, as is most evident in eastern Ukraine. A weak national state, initially without effective armed forces, lacking an inclusive economic development strategy and with significant levels of corruption in national politics, led many to expect a domino effect, with oblasts turning to Russia or creating a domestic crisis of governance. That this did not happen highlights the importance of local political conditions and the state of local government for Ukraine's political stability.

Based on a recognition of the importance of local governance to the condition of the state and its government in Ukraine, this study has three main aims:

- To analyse the current state of the decentralisation reform agenda and its implementation in Ukraine.
- To assess the relationship between regional and local state institutions and citizens' engagement with these institutions.
- To reflect on the future prospects for local governance in Ukraine, not least in relation to the Minsk II agreement.²

The scope of the study is limited due to constraints of time and funding. It does not attempt to provide a review of local state-building initiatives in Ukraine generally, but focuses on the transformation being attempted in local communities. It looks specifically at rural and peri-urban communities, as these are seen as the most vulnerable to being 'left behind' in economic and political terms. Their subsequent potential as a basis for broad political opposition to the national government is assumed to be considerable based on experiences elsewhere, not just in rural areas but through migration to urban centres in which their marginalised condition is a source of frustration and political tensions.³

The main research question (RQ) guiding the study is:

In what ways is the continued strengthening of local institutions and of citizen engagement contributing to greater political stability in Ukraine?

This question will be investigated through the following sub-questions (SQs):

- SQ1: How far has the voluntary amalgamation of local governments (hromodas) been successful, and what factors have proved significant in this regard?
- SQ2: To what extent are the local governance reforms beginning to enhance service provision and offer a basis for local economic development?
- SQ3: Is citizen involvement in local government increasing, if so in what ways, and does this suggest the emergence of a more responsive and accountable form of local government?
- SQ4: What are the challenges that are seen to accompany the present decentralisation reform process, and how might these affect political stability more generally?

SQ 1 is premised upon the argument that prior to the amalgamation policy hromodas were generally too small to provide key public services in an efficient and effective manner. However, the government could not achieve the revision of the constitution that would have required hromodas to amalgamate, leaving it to be a voluntary decision taken by the hromodas themselves. As the study will show, this unintended approach carries both advantages and risks that could achieve significant improvements, but also result in greater inequality in the short to medium term.

SQ 2 builds upon SQ 1 by looking at the realization of the potential benefits that the decentralisation reform agenda was originally developed to achieve, with important benefits for local communities.

SQ 3 examines the involvement of local populations with their local governments, the premise underlying the question being that such involvement will strengthen the relationship between (local) government and their populations, thereby (re-)constituting a stronger relationship between the state and its citizens based on a stronger social contract between the two.

SQ 4 takes the study into a series of reflections based upon the findings of SQs 1-3 and a number of more general discussions that arose during the study's interviews in Ukraine and with independent experts subsequently.

The following chapter presents the study's approach and scope. Chapters 3 and 4, respectively on the Ukraine country context and Denmark's engagement with Ukraine, provide a background for approaching local political stabilisation through decentralisation in Ukraine. Chapters 5 and 6 then offer a description of decentralisation processes, progress and outlook, including challenges and intersections with other key factors. Chapter 7 discusses citizens' perceptions and engagement, which will be crucial in achieving improved governance, development and stabilisation outcomes through decentralisation. On the basis of this analysis, Chapter 8 presents the study's key findings on the process of political stabilisation through local government reforms, while Chapter 9 discusses policy implications of the findings.

2. STUDY APPROACH AND METHODS

There is no 'theory of decentralisation' that can neatly be applied to the study of a specific context such as that in Ukraine. There is a simple 'theory of change'⁴ suggesting that activities that can increase the efficiency and effectiveness of resource use will improve local economic conditions and development. Making such processes accountable, both downwards and upwards, will enhance the impact of such activities. Linked to this, aiming to reduce inequalities will make the resulting transformation more sustainable and greater in the longer term. This theory of change supports the study's working hypothesis that the successful implementation of decentralisation reforms in Ukraine can strengthen citizen-state relations in the country and thereby contribute significantly to its political stability.

The study works with a number of concepts that are considered important in achieving the above transformation, including greater political stability:

Citizen denotes the status of an individual in relation to the state of which he or she is a member. The nature of that relationship, the rights and duties that are conferred on each party, defines the state of citizenship. By extension, this also defines citizen-to-citizen relations where government provision and practice is involved. In a politicized context in which the state is mandated to secure the rights of all its citizens, it can be required to target those who are marginalised or have been excluded from rights to which they are legally entitled with measures designed to raise their status in relation to other citizens, and for those other citizens to be a party to that policy. This can involve several different social and economic dimensions that characterize forms of economic marginalization and

social exclusion, for example, gender, age, poverty, locality, religion or ethnicity. Active citizenship, or citizen engagement, describes the agency of citizens in pursuing their rights or those of their fellow citizens. It suggests the existence of a voice in the claiming of rights. It also involves activities such as planning, implementing, monitoring and assessing government activities and service provision.

Participation and participatory democracy describe processes through which individuals and social groups engage with government to secure their rights, for example, access to public education and health services, to public resources and assets central to their livelihoods, to conditions of employment or access to private assets according to the state's laws, rules and regulations. Participation in itself can be quite technocratic in character. Some writers have been critical of the tendency to pursue participation uncritically as a goal in itself, and for failing to stress the transformative agenda that participatory democracy can also promote (see Hickey and Mohan, 2004). In participatory democracy, citizen engagement is described as empowering when it has effects on citizens' livelihoods. It also predicates a degree of deliberation in decision-making that leads to these effects, whether they are intended or not. Finally, it also carries a degree of responsibility, first on the part of the state, which is mandated to act as the duty bearer in response to its citizens as rights holders; and secondly on the part of the citizen to contribute to the work of government in areas such as planning and monitoring, but also in the payment of taxes, fees and duties.

Representative democracy denotes a political relationship in which a politician is elected for a specific period to represent the interests of his or her constituents in a government forum such as a council, assembly or parliament. The representation might be based upon such factors as a social or cultural identity, an ideology, a specific set of policies or membership of a political party. The form of representation can be substantive or symbolic, representatives either acting for or merely standing for their 'voter group'. They can represent the interests of all their constituents, or explicitly those in their support group. At the heart of these forms of representation lies the idea of authorization – how it is secured beyond the actual election, and for whom is it maintained, for example, those who voted for a candidate, or all the voters in a constituency? While participatory democracy has been the subject of considerable research, not least in relation to local development, representative democracy thus far has not been. Instruments and mechanisms that might

strengthen the citizen-politician relationship in between elections and that maintain the broadly accepted authorization of the representative to act on a constituency's behalf are critical to local development if democracy and its responsibility for development are to be effective, efficient and not least accountable.

Accountability is critical to local governance if inclusive development is to be achieved in a sustainable manner. Upward accountability tends to be the norm for both the political and administrative pillars of government. It usually combines institutional and individual dimensions, the former in audits, performance measures, monitoring and evaluation mechanisms, the latter in individual performance measures and assessments. Downward accountability tends to be less of a norm for these two pillars of government. Elected politicians require electoral support, but this can be mobilized through other 'performance' measures, such as the awarding of contracts, the location of infrastructure and providing benefits to their 'own' people. Leverage based on incentives and sanctions is important for downward accountability to be able to support a citizenship approach in local governance. Civil society is often seen as an important actor in promoting and securing downward accountability in the absence of adequate state provisions such as conditional grants linked to institutional performance that includes social inclusion and citizen engagement, or public and social audits on projects implemented by local government. It is with the latter instruments that administrative officials can also be encouraged to practice downward accountability.

Social mobilization is presented in a number of ways in discourses on democracy. In this study, social mobilization is defined as strengthening the human capabilities of citizens generally and of economically marginalised and socially excluded groups in particular. It involves improving their knowledge, critical awareness and analytical skills so that they can build their collective political capabilities to think and act as citizens (Kabeer and Sulaiman, 2015). Voice and engagement are central to this definition, extending to economic empowerment and not just political empowerment.

Together, these concepts inform the study's approach to assessing the potential role of local government reform in political stabilisation in Ukraine.

The study draws on two weeks of fieldwork in Ukraine, during which interviews were conducted with key governance reform stakeholders at national, regional, district and local levels. (See Annex I.) Field visits were also conducted, with visits to all levels of sub-national governments as well as to local development projects. The study also draws on documents collected during the fieldwork and secondary material, both published and unpublished. Due to time and funding constraints, the fieldwork and interview data are limited. In themselves, they do not provide an adequate scientific basis for analysis. During the fieldwork, the study's limited scope also contributed to a reliance on established institutional frameworks. This was specifically the case in sub-national visits, which relied partly on the Local Government Development Centres (LGDCs) established through the Ukraine – Local Empowerment, Accountability and Development Programme, known as U-LEAD. These centres, and U-LEAD's role in decentralisation, may therefore be over-represented. However, the field visits and interviews offer valuable insights into the complex dynamics of the local government reforms.

A night scene of a protest or riot. In the foreground, several people are silhouetted against a bright orange and yellow fire that is burning in the background. One person on the right is wearing a red hard hat and has their arms raised in a gesture of protest. In the center, a tall, thin monument with a decorative top stands against a dark blue sky. The ground is littered with debris, and the overall atmosphere is one of chaos and conflict.

3. COUNTRY CONTEXT

Decentralisation reforms take place in a context of broader political and economic changes. Ukraine is a young nation, having won sovereignty in 1991 after the fall of the USSR. It is home to roughly 45 million people, and its land area of 603,628 km², including Crimea, makes it the largest country in Europe. Since independence, the Ukrainian state has struggled to provide political stability and economic development for its population. The post-independence period has been characterized by corruption and elite control of politics and the economy. This has been punctuated by reform efforts, which have largely been unsuccessful. The country has also experienced formative shocks, notably the Orange Revolution (2004) and Maidan Revolution (2014).

These domestic dynamics are at play in a larger geopolitical context coloured by Ukraine's shifting relationship between Russia and Western Europe. A series of historical conflicts and tensions between what are now Ukraine and Russia continue to influence present-day relations between the two countries, including Russia's annexation of the Crimean Peninsula and the conflict in eastern Ukraine. This chapter presents these various aspects to inform the context for current decentralisation efforts, specifically the political context, the economic context, the broader reform agenda and other key factors and challenges.

3.1 THE POLITICAL CONTEXT

The political context is shaped by domestic dynamics, foreign relations and the conflict in eastern Ukraine. In terms of domestic dynamics, there are several factors which are highly relevant for decentralisation reform, including:

Government characteristics. The structure of public administration consists of a central government and three levels of sub-national government, from the regional level (oblasts), to districts (rayons) to small towns and settlements (hromadas). There are currently 24 oblasts and 490 rayons, as well as 185 larger cities with rights and responsibilities similar to those of rayons. Hromadas are currently undergoing a process of amalgamation to join small units together and make them more sustainable in terms of service provision and local governance and development. This process was envisaged as creating roughly 1,200 hromadas out of some 12,000.

Government in Ukraine has been highly centralised since independence, a legacy of the centrally planned Soviet system. In addition, politics and government institutions have been seen as dominated by elites. These characteristics contributed to a 'supply-driven' approach to governing whereby the higher levels of government delivered policies and programmes down to the local levels. At the lowest level of the hromada, administrations had neither the capacity nor the budgets to initiate local projects or development initiatives and relied largely on earmarked monetary transfers from the central level. This has been a major structural issue limiting local decision-making, development and service provision, which current decentralisation reforms seek to address. Lingering supply-driven governance, due to its top-down nature, lends itself to the mismanagement of public expenditures, corruption and political clientelism, where political elites trade favours for support.

Government in Ukraine has been highly centralised since independence, a legacy of the centrally planned Soviet system.

Domestic politics. Relations with Russia and Western Europe, particularly the EU, have been at the forefront of domestic politics and reflect different visions of future development and prosperity. The violent Maidan Revolution of 2014 (see Box 1) was driven largely by this issue, as President Yanukovich sought to distance himself from the EU by not signing a prepared association agreement. A new government was formed after the revolution headed by the current President Petro Poroshenko. This government has committed itself to significant reforms across sectors, with support from EU member states, the IMF and the EU (among others), but with mixed results (Jarábik and De Waal, 2018).

BOX 1. THE MAIDAN REVOLUTION

The Maidan Revolution, also called the EuroMaidan or Revolution of Dignity, began as public protests in Kiev's Maidan Square in November 2013. It culminated in deadly clashes between activists and police and a change of government in early 2014.

Initial protests were prompted by the Ukrainian government's sudden decision not to sign an association agreement that had been drawn up with the European Union. Then President Viktor Yanukovich, widely known for corruption, chose instead to court closer relations with Russia. Protests soon called for the resignation of President Yanukovich and his government, and protests and clashes increased after police and legal efforts of suppression. At the height of the protests, over 200,000 gathered in Maidan Square in Kiev, and protesters in other parts of the country occupied government buildings. Protests grew violent, culminating in intense fighting in Kiev in February 2014 in which almost 100 activists and 17 police officers were killed.

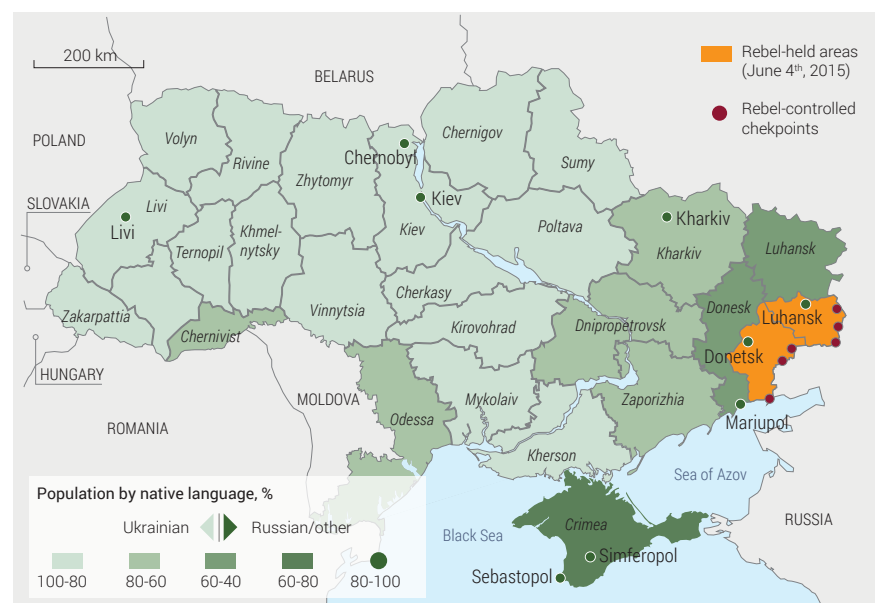
President Yanukovich responded with political concessions and subsequently fled the country, along with several other high-ranking government officials. He eventually fled to Russia. Subsequently, parliament removed Yanukovich from office and established an interim government until elections could be held.

National presidential and parliamentary elections will be held in 2019. Despite limited political engagement from Ukrainian citizens, polls show that there is dissatisfaction with the current government, which has low approval ratings, and that President Poroshenko is polling behind opposition candidates (Melkozerova, 2018). Political assessments suggest that the focus on implementing reforms is being eclipsed by a growing focus on electoral politics (Jarábik and De Waal, 2018). This is supported by the study's interviews with a variety of stakeholders involved in the decentralisation reforms. The domestic political situation may become even more precarious after the 2019 elections. Pre-election polls indicate that voters are fragmented, with none of several presidential candidates having strong support (Maçães, 2018).

Regional roles and differences. There is continued uncertainty regarding the role of the oblast and rayon levels of government (corresponding to the regional and district levels), which complicates domestic politics and decentralisation. Clarifying the role of the 24 oblasts in Ukraine (see Figure 1) poses questions of regional authority and autonomy that are highly political and that partially impact on the armed conflict in the east. In addition, there are considerable diversities and inequalities both between and within regions. When these increasingly coincide with a growth in economic inequalities between communities and social groups, political instability can increase, as dissent and grievances feed into political and social unrest. Specific differences include:

- A marked rural-urban divide. A historical focus on urban development has concentrated growth in the cities and towns. Rural areas have lacked investment, development and service delivery. Current reform efforts, including decentralisation and territorial amalgamation, increasingly attempt to address this issue by promoting development and service provision locally (Danish Ministry of Foreign Affairs, 2017b).
- Different economic activities, with eastern Ukraine having more heavy industry and the remainder of the country being more agricultural.
- Different ethnic and cultural backgrounds. Crimea and the provinces to the east have a greater number of ethnic Russians and Russian speakers, though the Russian language is widely used throughout Ukraine (see Figure 1).
- Diverging views on foreign relations.

Figure 1. Map of Ukraine



Source: The Economist (2015). 'Crisis in Ukraine.'
 Available at: <https://www.economist.com/graphic-detail/2015/06/04/crisis-in-ukraine>.
 Note: Crimea has been annexed by Russia without Ukraine's acceptance.

Citizen engagement and public opinion. Civic engagement in the form of an active citizenry has not been a part of the political culture in Ukraine. Such engagement was not seen as necessary or desirable by national and local political leaderships, nor feasible by local communities or individuals within them. Indeed, there was little space for such engagement or permitted means of engaging. A 'demand-driven' approach to governance, one that responds to local needs and interests as voiced by local populations, ran very much counter to the dominant political culture.

Today, public opinion surveys clearly indicate a staggering lack of trust in government, which can only be seen as a crisis. This sentiment relates to perceived political failings, but also largely to the economic situation in Ukraine, discussed further below. A 2017 survey by the Council of Europe indicates that non-governmental authorities, such as the Church and experts or scientists, are trusted above any level or body of government. Since a similar study in 2015, the percentage of respondents who say they trust no one has grown from 27% to 34% (CoE, 2017a).

In terms of its foreign relations, Ukraine's foreign policy has focused on increasing ties with the EU since the Maidan Revolution. In June 2014, Ukraine signed an association agreement with the EU, which includes extensive governance reforms. Some parts of the agreement were provisionally introduced in November 2014, but implementation largely began at the start of 2016. The agreement came into full force on September 1, 2017. Russia repeatedly attempted to weaken the association agreement and successfully delayed its implementation to 2016 (Ukraine Reform Monitor Team, 2015).

Civic engagement in the form of an active citizenry has not been a part of the political culture in Ukraine. Such engagement was not seen as necessary or desirable by national and local political leaderships, nor feasible by local communities or individuals within them.

The agreement seeks to bring Ukraine closer to the EU in a variety of ways. There are a range of political and economic reforms geared towards harmonizing laws and standards with EU and international practices, and the agreement also provides a road map for the reform process. There are also many mutual benefits. Under the Deep and Comprehensive Free Trade Area (DCFTA), which is part of the association agreement, Ukraine is aligning its market and business practices with those of the EU. The movement of goods and services is enabled, and there is increased cross-border economic engagement. There are already visible results from this agreement: Ukraine's exports to the EU have increased, and the EU is now its main trading partner (EEAS, 2017).

The alignment resulting from the association agreement promises greater integration of Ukraine into the EU neighbourhood,⁵ with the intention of creating greater stability. At the same time, Russia has continued to attempt to undermine stability in Ukraine through misinformation campaigns, cyber attacks and disruptions to energy supplies (Danish Ministry of Foreign Affairs, 2017b).

While the EU wants to avoid escalation, the US has recently provided missiles and launch units to Ukraine, contributing to the increased militarization that threatens to undermine any attempt towards a political settlement.

The conflict in eastern Ukraine is also a formative part of the political context of decentralisation. The violent Maidan Revolution prompted the ousting of President Yanukovich, not least due to his anti-EU agenda. A new government was appointed but it was not recognised by Russia. Immediately afterwards Russia annexed Crimea, and Russian and separatist forces engaged with Ukrainian troops in the Donbas region of eastern Ukraine.

BOX 2. LOCAL AUTHORITIES' ROLE IN THE EAST

It was local authorities in the east that took a pro-Russian position, undoubtedly with support from Russia and with the expectation that more would follow suit. Others did not, and the subsequent conflict was effectively limited to areas of Luhansk and Donetsk – only two of Ukraine's 24 regions.

This situation illustrates the centrality of local government and local leaders to the integrity of Ukraine as a nation-state. When there was no effective army, it was the local authorities and popular support that resisted the possible 'domino effect' of other provinces falling to separatism and foreign interference. The surrounding regions' continued commitment to the Ukrainian state is a clear extension of the early commitment shown by these authorities.

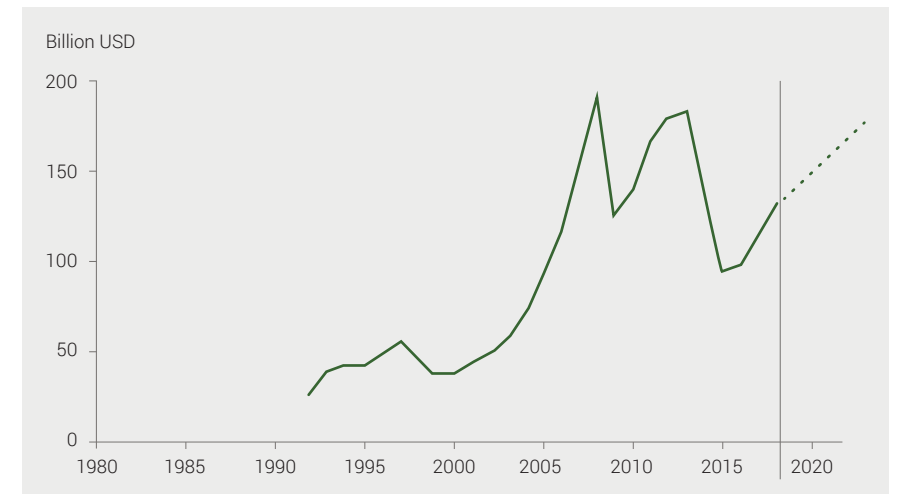
In 2015, the Minsk II agreement was brokered in order to stem the eastern conflict, which has now claimed roughly ten thousand lives. Analysts suggest that, while little progress has been made in implementing Minsk II, there are no viable alternatives (Pifer, 2017). Conflict continues in the east of Ukraine, with daily shelling and continued casualties (De Waal, 2018). Some 1.5 million Ukrainians have been displaced (IOM, 2017), adding to the ongoing situation of protracted political uncertainty and instability (Pifer, 2017). The situation is made more difficult by the fact that the EU and US have differing views on how best to manage the conflict.

While the EU wants to avoid escalation, the US has recently provided missiles and launch units to Ukraine, contributing to the increased militarization that threatens to undermine any attempt towards a political settlement (Sasse, 2018).

3.2 THE ECONOMIC CONTEXT

The Ukrainian economy struggled in the years after independence, finally reaching pre-independence levels again around 2005. In this period, growth was partially dependent on under-priced inputs from Russia that were used to produce goods for export. This and other deep structural weaknesses were not addressed, and the economy failed to diversify, leaving it vulnerable to market shifts and shocks (Sutela, 2012). From 2005-8, GDP grew rapidly, but then dropped significantly after the 2008 financial crisis. After recovering to its position prior to the crisis, the economy entered an even steeper decline after the events in Ukraine in 2014 (see Figure 2, below). Ukraine's economy is now on the path to recovery after halving dramatically from €183 billion in 2013 to €91 billion in 2015. Growth in GDP was 2.4% in 2016 and 2.5% in 2017, with 3.5% expected in 2018 (Council of the European Union, 2018).

Figure 2. GDP of Ukraine



Source: IMF (2018). 'GDP, current prices.' Available at: <https://www.imf.org/external/datamapper/NGDPD@WEO/UKR>.

Economic reforms that provide inclusive development will be important aspects of building and maintaining political stability. Adequately implementing political and economic reforms will be necessary in order to repay the public debt and provide for government spending (World Bank, 2018). Greater economic stability and integration with Western economies also provides a valuable non-military avenue to limit Russian influence (Council on Foreign Relations, 2015). Creating domestic stability requires managing economic disparities and providing growth across the population. The Danish DANEP programme (see Chapter 4) therefore includes the goal of ‘strengthening sustainable and inclusive economic growth’ (Danish Ministry of Foreign Affairs, 2017a). In the Ukraine country programme, this translates into the thematic programme entitled ‘Sustainable and Inclusive Growth’ (Danish Ministry of Foreign Affairs, 2017b).

Creating domestic stability requires managing economic disparities and providing growth across the population. The Danish DANEP programme (see Chapter 4) therefore includes the goal of ‘strengthening sustainable and inclusive economic growth’.

There remain significant economic challenges undermining political stability. Of particular relevance to this study are corruption and related mistrust, significant regional differences, and challenges to inclusive local economic growth. Corruption and related inefficiencies limit growth and weaken political unity, as well as undermining citizens’ trust in both the bureaucracy and their elected leaders, who maintain their power by providing political networks with kick-backs and favours. The bureaucracy runs on bribes, with citizens typically paying to access government services such as health care. One analyst suggests that corruption, rather than merely affecting the political system, constitutes the political system in Ukraine (De Waal, 2016). This has produced deep cynicism and distrust in the state, especially as everyday Ukrainians have seen their own economic situation stagnate while their leaders remain wealthy (De Waal, 2016).

Beyond the swings evident in Figure 2, there are also significant disparities across regions. These are partly related to the different economic activities in different regions, with more industry in eastern Ukraine and more agriculture in the central and western regions. Ukraine’s aggregate economic indicators obscure

these regional differences. In 2014, for instance, industrial production in Ukraine fell by 10%. Setting aside the conflict-affected Donetsk and Luhansk oblasts, this becomes a more modest fall of 4.6% (The Economist, 2016). Such regional differences are significant for national and regional politics. There is also a significant urban-rural divide in Ukraine, with poverty remaining high in rural areas (Danish Ministry of Foreign Affairs, 2017b).

In addition, sustainable local economic growth has been elusive. While households have generally seen improvements in their economic situation (International Republican Institute, 2018), recent slumps and crashes have entailed hardship for households in the form of shrinking incomes, higher prices, inflation and fewer economic opportunities. Gross national income per capita fell from \$8199 in 2013 to \$7361 in 2016 (UNDP, 2016). There is also a lack of affordable housing and poor housing conditions, exacerbated by the removal of fuel subsidies – implemented to free Ukraine from energy reliance on Russia – that recently sent the price of heating soaring (Webster and Fejerskov, 2017). Since independence, it has been difficult for small communities to invest in their own development. They have been dependent on earmarked transfers from the national government, had few resources they could allocate themselves and had limited capacity for development planning and financial management. Current decentralisation reforms aim to address these issues. Amalgamated communities will retain more local tax revenues, have larger administrations with greater capacity and have access to regional development funds.

Corruption and related inefficiencies limit growth and weaken political unity, as well as undermining citizens’ trust in both the bureaucracy and their elected leaders.

Ensuring inclusive economic growth – across localities, the rural-urban divide and across regions – will be especially important in mitigating poverty, inequalities and related political grievances, which can contribute to instability. The importance of development as a tool for political stabilisation has been highlighted by Prime Minister Volodymyr Groysman, who notes that, ‘If the currently occupied Donetsk, Crimea and Luhansk had opportunities, they would flourish, they would have the resources to give a new quality of life to their citizens’ (U-LEAD, 2018a).

3.3 REFORMS AND CHALLENGES

Decentralisation intersects with other ongoing reforms and challenges, complicating the context for implementing decentralisation, which may nonetheless offer solutions. The government that took power in 2014 promised change, to achieve which it pledged reforms. In 2014 to 2015 several reforms were passed through national legislation, and many reform processes are still ongoing. For current reform priorities, see Box 3 below.

BOX 3. UKRAINE'S REFORM PRIORITIES	
2017 Priority areas	2018 Priority areas
<ul style="list-style-type: none">■ Pension reform■ Education reform■ Health care reform■ Public administration reform■ Privatization and SOE reform■ Land market reform	<ul style="list-style-type: none">■ Privatization and SOE reform■ Business climate improvement■ Logistics and infrastructure development■ Energy reform■ Land market reform■ Innovation development■ Anticorruption and rule of law■ Public administration reform

Source: Ukraine Reform Conference (2018). Reforms in Ukraine: Progress in 2017 and Priorities for 2018. Available at: <https://www.kmu.gov.ua/storage/app/media/reform%20office/book-web-smallest-size.pdf>.

Since 2014, the Ukrainian government has established or reformed several key institutions, including the police, the Supreme Court and anti-corruption institutions. In addition, the country has rolled out reforms in education, health care, public administration, the banking and energy sectors, pensions and decentralisation, often with the help of its development partners and at their behest. Implementation of many of these reforms will continue, though the government's focus is shifting, and progress may stall in the face of the upcoming elections (Jarábik and De Waal, 2018). Yet there are still several areas that need attention, including weak rule of law, corruption and elite capture, where the powerful have disproportionate control of

public resources, which they can use for their own benefit. In respect to decentralization, the many simultaneous reform processes means that fiscal decentralisation and the assumption of associated responsibilities are complicated by the changes to systems and local government roles, as in relation to education, taxation and land management.

The broader reform agenda outlined above intersects with a range of other key factors and challenges. One of these is the rule of law, which remains weak in Ukraine. There is endemic corruption, shifting legislation and sometimes weak and corrupt law enforcement and judicial systems. Of these, corruption has been the most prominent. The IMF estimates that corruption takes two percentage points off Ukrainian GDP annually (Polityuk and Zinets, 2018), and Ukraine ranks 130 out of 180 countries in Transparency International's Corruption Perceptions Index (Transparency International, 2018). Ukrainian politics and the country's economy are both heavily influenced by oligarchs and elites. Many of these were previously part of the Soviet state and were in a position to capture both the emerging political system and industries that were privatized after the fall of the Soviet Union. Western aid to Ukraine is partially dependent on the implementation of new anti-corruption measures and institutions. Several reforms are seeking to limit the opportunities for corruption, for instance by promoting greater transparency in public financing and procurement.

There is endemic corruption, shifting legislation and sometimes weak and corrupt law enforcement and judicial systems. Of these, corruption has been the most prominent.

Ukraine's unstable legislative arena contributes to weaknesses in the rule of law. Legislative measures often stall or are quickly repealed or replaced (Danish Ministry of Foreign Affairs, 2017b). This is a concern for the decentralisation reform, with some fearing that a new government might attempt to roll back current decentralisation efforts. Attention has also been paid to the law enforcement and judicial systems, which are also seen as being corrupt and as failing to uphold the rule of law. The lack of stability across this range of key governing institutions contributes to citizens' distrust, disincentivizes both local entrepreneurs and foreign investment, and creates a general climate of political and personal insecurity. Many of these areas are therefore targeted by reforms and will be essential for establishing political stability and a well-functioning democracy.

Another current challenge for Ukraine is the high number of IDPs. The latest UN estimates of internal displacement in Ukraine from 2017 indicate that 1.5 million people had been displaced at that time. In total, about 1.8 million have either been displaced or otherwise affected by conflict (UNHCR, 2018).⁶ Many of those who remain in the east are reluctant to leave their homes and livelihoods and may not have the means to move and re-establish themselves in other parts of Ukraine. In addition, it has been extremely difficult for both displaced and conflict-affected people to access government services and social payments, including pensions. A recent survey found that the financial situation of many IDPs is worsening, with many below the poverty line and struggling to meet basic needs (IOM, 2018). At the same time, the areas into which they have been displaced have experienced great strains. Some temporary assistance has been provided, but there is a lack of long-term solutions in the face of the protracted conflict in the east. Some interviewees indicate that policy-makers have shied away from long-term solutions and investments, such as building additional housing or other infrastructure, as this may signal acceptance of the long-term nature of the conflict itself.

Locally, this has resulted in increasingly negative attitudes towards IDPs, with the feeling that they are straining already limited resources and infrastructure. There is no resolution to this situation in sight, and it has the potential to contribute to political tensions and instability. With the failure of central-level support or solutions for dealing with IDPs, local government will need to step in. This will be difficult for unamalgamated hromadas, which have limited unallocated resources. Amalgamation and decentralisation of funds may allow local areas to address the challenge of IDPs more effectively.

3.4 THE CONTEXT OF DECENTRALISATION

Decentralisation has long been recognised as important for remedying Ukraine's top-down political structure, but the political will to enact decentralisation reforms has largely been lacking. Other post-communist republics, in contrast, such as Poland and Georgia, have already implemented decentralisation reforms. In Ukraine there were repeated attempts at decentralisation in the years after independence. These were primarily fiscal, relating to government revenues and spending. They tended not to address the administrative and territorial issues of small local

government areas with limited administrative capacities and largely failed to have major impacts on government structure and practices. Some strides were taken in the areas of monetary transfers and shifting greater responsibilities to regional administrations, but these efforts were followed by the recentralization of political power from 2010 under former President Viktor Yanukovich.

Political support for the necessary constitutional reform fell victim to the conflicting political interests that quickly emerged at the national level. Decentralisation reforms have since been conducted on a voluntary basis by local governments.

The dramatic events and changes to government in February 2014 catalysed the reform of local government and decentralisation (International Alert and Ukrainian Center for Independent Political Research, 2017). A 'Concept of the reform of local self-government and the territorial organization of power in Ukraine' was passed on 1st April 2014 (Verkhovna Rada, 2014). Many point out that for it to be passed so quickly, the draft must already have been prepared before the change in government (see Box 4). However, the constitutional changes necessary to mandate these territorial and administrative changes could not be made. Political support for the necessary constitutional reform fell victim to the conflicting political interests that quickly emerged at the national level. Decentralisation reforms have since been conducted on a voluntary basis by local governments. The situation is further complicated by the need to undertake other sectoral reforms (education, health, energy, etc.).

BOX 4. TIMELINE OF REVOLUTION, DECENTRALISATION REFORM AND CONFLICT WITH RUSSIA

■ November 2013-February 2014

Maidan Revolution. Protests against the government's failure to sign an Association Agreement with the EU.

■ February 2014

New government formed. A temporary government installed after President Yanykovich and his government were ousted.

■ February 2014

Annexation of Crimea and conflict in the East. Backed by Russia in response to the new government.

■ April 2014

Ukrainian Cabinet Resolution No. 333. 'Concept of the reform of local self-government and the territorial organization of power in Ukraine'.

■ February 2015

Package of Measures for the Implementation of the Minsk Agreement. Ukraine commits to completing decentralisation reform by the end of 2015 for certain districts of Donetsk and Luhansk.

■ February 2015

Law for voluntary amalgamation. Law passed allowing for the voluntary amalgamation of territorial communities.

■ August-September 2015

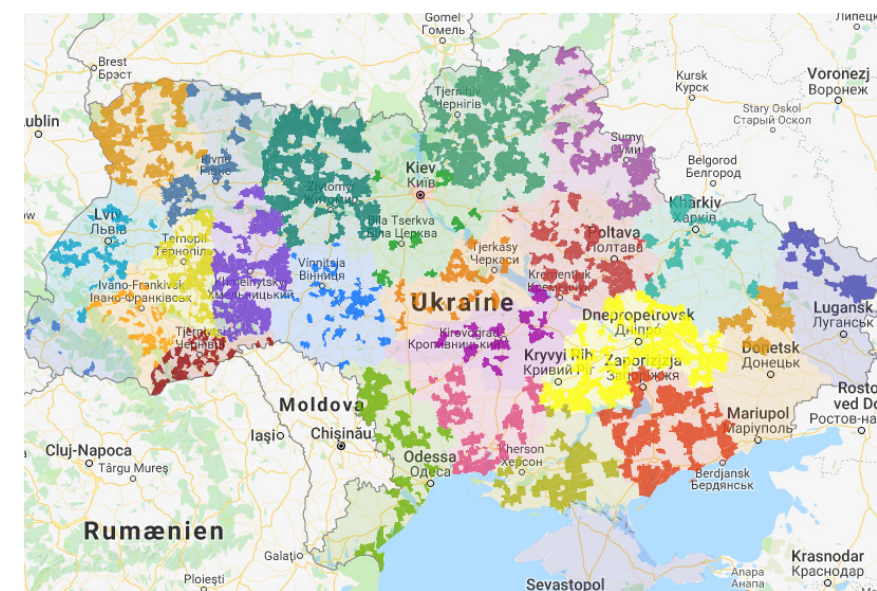
Protests against constitutional reforms. Protests against constitutional reform organized by right-wing nationalists turn violent. The reform provided for decentralisation, including greater autonomy in some separatist-held areas of eastern Ukraine.

■ Ultimo 2015

Failed constitutional reform. The constitutional reform does not have enough support to pass, primarily due to the controversial provisions for some areas in eastern Ukraine. Amalgamation and decentralisation continue in a voluntary manner.

The current decentralisation policy includes dual processes of territorial amalgamation and the decentralisation of finances and responsibilities to local governments. Here, we refer to them jointly as decentralisation. Fiscal decentralisation boosts sub-national budgets and is paralleled by the transfer of state responsibilities, for instance for service provision, downwards to local levels. Fiscal decentralisation is supported by the territorial amalgamation of local communities, which have been so small that they lack basic capacities, including for service provision. A 2015 law supported the consolidation of territorial units so that small towns and villages can voluntarily combine to increase their capacity and improve governance, service provision and local development. It envisages Ukraine's some 12,000 towns, villages and settlements being combined into roughly 1,200 hromadas, or communities. Territorial amalgamation has been gaining momentum across the country in all regions (see Figure 3).

Figure 3. Territorial amalgamations of hromadas across Ukraine



Source: MinRegion (2018c). 'Map.' Available at: <https://decentralisation.gov.ua/en/map>.

Note: Each colour represents an oblast, the darker colour in each oblast indicates areas where hromadas have amalgamated.


The Ukrainian government's efforts to support ongoing decentralisation through various legislative and structural measures are continuing in 2018. Planned activities include:

- 'Addressing the issue of Ukraine's administrative and territorial structure at the legislative level.
- Legislating for the transfer of jurisdiction over land plots outside the limits of city/town/locality to amalgamated territorial communities and enabling investment attraction through reasonable territory planning.
- Laying down the legislative framework for sectoral decentralisation' (Ukraine Reform Conference, 2018).

Decentralisation is argued by its opponents as supporting 'self-government' in the Ukrainian context, leading to increased autonomy and political fragmentation. Some even oppose decentralisation as playing into Russia's interests if it weakens the integrity of the country and its government. Yet decentralisation can play a key role in improving state cohesion. Decentralisation creates robust links between the national and local levels through direct monetary transfers from the former to the latter. This not only institutionalizes a strong relationship between these levels, it also provides greater stakes for the local level to engage in national processes, in a way encouraging local buy-in to national processes. In a top-down system, there are few mechanisms or incentives for local-level engagement, which can contribute to passive local governments and communities unengaged in political processes. This challenge is recognised at the highest levels of the Ukrainian government, for instance, by Prime Minister Groysman, who sees the potential of decentralisation reforms to contribute to strong local government (U-LEAD, 2018a). Strong local governments and their integration into national processes provide an important foundation for a stable state.

In a more decentralised system, local governments can play a greater role in governance processes. They can take decisions on local spending and investments and function as advocates for local needs and perspectives, including upwards to higher levels of government. This may be especially relevant in the political context of Ukraine, which is often dominated by elites and where the population has little faith in national elected leaders. A greater role for local governments in governance can

provide greater cohesion, responsiveness and legitimacy to the national state in that an active citizenry in local governance has the potential to bring local needs and interests into national deliberations, thereby strengthening the national social contract in citizen-state relations.



Strong local governments and their integration into national processes provide an important foundation for a stable state.

Russia has advocated for a more federalist approach towards decentralisation involving substantial rights being granted to regional governments, including influence on foreign policy and the right to secede (Shevtsova, 2014; Young, 2014). Decentralisation is included in Minsk II and is mentioned in three of the fifteen points in the agreement. One point became a political flashpoint, as it would entail giving special status to certain areas of the Luhansk and Donetsk regions, implying a closer relationship between these areas and Russia. This politicization of decentralisation contributed to the failure to secure the constitutional reforms for decentralisation (see Box 4). The implications of decentralisation for power and stability are discussed further in Chapter 6.

4. DENMARK'S ENGAGEMENT WITH UKRAINE

Denmark's current engagement with Ukraine is based on the Danish Neighbourhood Programme (DANEP, 2017-2021) for Ukraine and Georgia and a targeted Ukraine Country Programme (2017-2021). These include two thematic areas: 1) promoting human rights and democracy; and 2) strengthening sustainable and inclusive economic growth (Danish Ministry of Foreign Affairs, 2017a, 2017b, 2018a). Danish support seeks to target niches, areas that have been 'orphaned' without other sources of support, as well as areas matching Danish strengths and capacities. These translate into concrete programmes and support in a variety of areas, including civil society, the media, equality, human rights, anticorruption, decentralisation, growth and employment, and energy effectiveness. Denmark takes a multilateral approach, working with a variety of other development partners (ibid.).

On an overarching level, the Neighbourhood Programme seeks to contribute to a peaceful and stable Europe, as well as supporting the development of democratic societies with well-functioning political authorities, civil societies and markets (Danish Ministry of Foreign Affairs, 2017a). This is part of Denmark's general foreign policy priority to achieve a peaceful and stable Europe. In Ukraine, Danish support to stabilisation has been channelled towards the defence and security sectors through multiple avenues, including advisory support, training and financial support. Specifically, support includes the deployment of various advisors, including crisis management, police and NATO advisors, and the deployment of peace and stabilisation response experts to Ukraine. Denmark has also led teams of international observers tasked with inspecting the status of the conflict and humanitarian situation in eastern Ukraine. Additional support has included training for Ukrainian military forces and the Ukrainian government and support to security reforms in

Ukraine, both bilaterally and multilaterally, including through NATO (Danish Ministry of Defence, 2016a; Danish Ministry of Defence, 2016b). From 2018, as part of a new comprehensive stabilisation programme for Ukraine, the Danish Government will increase Denmark's contributions to reforms in the Ukrainian defence sector. The contribution will total some 3.6 million Euros annually from 2018 to 2021 and will be provided by the Danish Peace and Stabilisation Fund. The Fund takes a comprehensive approach to stabilisation that integrates foreign policy, development and military efforts (Danish Ministry of Defence, 2018).

Danish engagement in decentralisation falls under Thematic Programme 1: Promoting human rights and democracy. There are also decentralisation components in both the Neighbourhood and Country programmes (see Box 5). These programmes highlight the role of decentralisation in providing enhanced service provision, economic growth and inclusive democratic processes.

BOX 5. DANISH ENGAGEMENT WITH DECENTRALISATION

In the Neighbourhood Programme:

'With the decentralisation reform process, political, administrative and fiscal authority is devolved to the local level... The Danish input will allow for a targeted approach, focusing explicitly on needs that are currently not met with support and that are in line with Danish priority areas. This includes:

- Supporting local level service delivery, not only to the citizens but also to small and medium size enterprises as well as allowing for economic development in small and medium sized towns and promoting growth in the two countries beyond the major cities. This is furthermore expected to enhance the tax revenues and increase the service level.
- Providing support to decentralised units of other line agencies to allow for e.g. improved service provision to young people in terms of career advice and linking young people's career path with the needs of the business sector.
- Enhancing women's role in the political system by further strengthening local level democracy and women's representation at decentralised level. This will also include support to gender budgeting processes as well as gender sensitive service delivery.'

(Danish Ministry of Foreign Affairs, 2017a: 4)

In the Ukraine Country Programme:

'...decentralisation remains a key priority area. The magnitude of the decentralisation process, versatility of its aspects (both administrative and sectoral), as well as substantial uncertainties means that decentralisation will remain a major area in need of support for the next decade at least. There are opportunities for linking with the sustainable and inclusive growth objective of the DANEP programme by strengthening local governments' ability to deliver services to the private sector as well as ensuring energy efficiency. There is also a need to support civic oversight at the local level.'

(Danish Ministry of Foreign Affairs, 2017b: 5)

Danish support to decentralisation is directed through the Ukraine – Local Empowerment, Accountability and Development Programme, or U-LEAD, its current phase running from 2016 to 2020 (U-LEAD, 2018b). U-LEAD is funded by the European Union, as well as by Denmark, Estonia, Germany, Poland and Sweden, and supports amalgamation, decentralisation and service provision (Government of Ukraine, 2016). The programme's overarching goal is to 'contribute to the establishment of multilevel governance, which is transparent, accountable and responsive to the needs of the population' (Danish Ministry of Foreign Affairs, n.d.). To this end, Denmark has contributed 47 million Danish Kroner to U-LEAD's total budget of some 100 million Euros (ibid.). U-LEAD is the primary programme of decentralisation support in Ukraine and works in all 24 provinces to support communities through the amalgamation and decentralisation processes.

The programme's overarching goal is to 'contribute to the establishment of multilevel governance, which is transparent, accountable and responsive to the needs of the population'.

Denmark's engagement with the U-LEAD project is considered to be coherent with Denmark's broader support to civil society and governance in Ukraine. In addition, by supporting decentralisation through the U-LEAD programme, Denmark will be able to provide input and follow the progress of decentralisation and local governance reforms, as well as gaining access to government and donor community networks around decentralisation.

As already noted, the political gains from successful decentralisation reforms include strengthening local commitment to the national state. When the gains also include economic improvements in terms of employment opportunities and better livelihoods, they can be described as transformational. At present, neither the Neighbourhood Programme nor the Country Programme for Ukraine links decentralisation explicitly to political stabilisation. When discussing stability and stabilisation, they focus on the conflict, not the state of governance or the ongoing decentralisation reforms.

Taking a broad stabilisation perspective may be possible through Denmark's coming engagement in Ukraine supported by the Danish Peace and Stabilisation Fund (The Prime Minister's Office, The Ministry of Foreign Affairs, The Ministry of Defence and The Ministry of Justice, 2017). The Fund's comprehensive approach to stability, which takes policy, development and military dynamics into account, will be especially relevant in the conflict-affected areas and conflict zone to the east. However, the long-term effectiveness of such efforts will hinge on the establishment of a stable foundation for governing across the country.

5. THE DECENTRALISATION PROCESS



The role of decentralisation in strengthening political stabilisation lies in its potential to address dissatisfaction, disparities and political disaffection. In the case of Ukraine, the decentralisation reforms aim to strengthen local government's capacity to deliver public services and promote local economic development. In many ways this is a very technical process, as described below in sections 5.1 and 5.2, involving new administrative bodies and procedures, as well as new monetary transfers and budgeting. These technical interventions are part of a supply-driven reform process, yet they provide a basis for cultivating demand-driven government and greater citizen engagement. By increasing the capacity, responsibility and discretion of local governments, decentralisation reforms bring decision-making on local development closer to the population. Further, by increasing transparency and accountability, the reforms provide crucial avenues for citizen engagement. However, decentralisation reforms face many challenges, as described in section 5.3, and improved local governance, development and quality of life are not givens.

By increasing the capacity, responsibility and discretion of local governments, decentralisation reforms bring decision-making on local development closer to the population.

The following sections provide insights into the decentralisation and amalgamation processes, decentralisation outputs and outcomes, and decentralisation challenges. Together, they provide an understanding of decentralisation processes and a basis for considering the progress and outlook of decentralisation reforms in Chapter 6 and citizens' perceptions and engagement in Chapter 7.

5.1 DECENTRALISATION AND AMALGAMATION PROCESSES

The process of decentralisation starts with the territorial amalgamation of hromadas, followed by the decentralisation of responsibilities and finances to the newly amalgamated hromadas, referred to here as amalgamated hromadas (AHs). Amalgamations are based on a plan produced for the entire country by MinRegion outlining initial amalgamations of some 12,000 hromadas to 1,200 AHs. This provides a basis for a hromada to make an agreement with a neighbouring hromada or hromadas to amalgamate.

There are a variety of key actors involved in decentralisation throughout the regions and across administrative levels. These include those in the central government, sub-national actors and development partners. An overview of these actors is provided here: ⁷

BOX 6. KEY ACTORS IN DECENTRALISATION

Central government actors

Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine (MinRegion), Verkhovna Rada (National Parliament) of Ukraine, Prime Minister Groysman, Deputy Prime Minister of Regional Development, Construction and Housing and Communal Services Gennadiy Zubko, and First Deputy Minister of Regional Development, Construction and Housing and Communal Services Vyacheslav Negoda.

Sub-national actors

Oblast and Rayon governments, Hromada radas, or elected councils, U-LEAD Local Government Development Centres (LGDCs), the Association of Ukrainian Cities (AUC), the Association of Amalgamated Territorial Communities (AATC) and political parties and business interests.

Development partners

There are a range of development partners working with the Government of Ukraine. Here we list those central to the overall reform process and to decentralisation reforms particularly: The EU, the International Monetary Fund (IMF), the Council of Europe (CoE), Gesellschaft fuer Internationale Zusammenarbeit (GIZ), Sida, USAID, UNDP, Swiss Cooperation Office (SDC) and development support from Denmark, Estonia and Poland.

Coordination between actors functions differently at different levels. At the national policy level, decentralisation is coordinated by a Working Group on Decentralisation. The working group was originally established by donors as one of several working groups within the Donor Board, which coordinates their activities. MinRegion has increasingly taken ownership of the decentralisation working group, for instance, using it to identify and fill gaps in decentralisation activities. The group's activities are guided by a Common Results Framework, which was first developed at the initiative of the EU and guides donor activities.

Sub-nationally, coordination occurs partly through U-LEAD's LGDCs, which are present in all 24 oblasts. They offer support to hromadas, including support with the amalgamation process, training, development planning support, service provision support, and visits and events to see and hear about best practices in other amalgamated hromadas. The LGDCs also link local hromadas to national processes and provide them with relevant information, for instance, about national legislation on local government and intersecting reforms.

For amalgamation, the elected council of each hromada must pass legislation accepting the proposed amalgamation and produce the associated paperwork. This paperwork is then sent to the oblast, which determines whether the proper legislation and paperwork is in place and, if so, approves the amalgamation. After an amalgamation has been approved, elections can be held in the new AH. Such local elections are held twice annually for all new AHs established in the previous half year. U-LEAD's LGDCs support hromadas in amalgamation planning, paperwork and the subsequent transition.

BOX 7. AMALGAMATION IN PRACTICE

Amalgamation aims to establish the local government capacity necessary to decentralise power, administrative responsibilities and finances. Yet there are many considerations and challenges in the process of amalgamation itself. Here are some of the considerations of various actors involved in the amalgamation process, as described in interviews:

Newly-elected leader of a non-AH

'The community is in the process of amalgamating. It didn't amalgamate previously because there was no support from the village leadership. They had been working here for twenty years and didn't want change. People also wanted to avoid amalgamating with the nearby city, so that they would retain more independence. Now we're amalgamating with nine other small hromadas... Different communities wanted different things from amalgamation. They all wanted better services and quality of life, but due to different local situations and economic activities, they have different needs and priorities.'

Leader of an AH

'We amalgamated in 2015, and our budget went from 8 to 48 million hryvnia, with our own income increasing from 4 to 17 million... But amalgamation was challenging because we amalgamated so early. We just did what we thought was best. Now, the legislation has caught up, and it is easier for those amalgamating now. There is more support.'

Head of a rayon council.

'The decentralisation process is urgent. They should have done it long ago, but the necessary legislation was lacking. It is more logical to make larger rayons and hromadas. The main stimulus is finances, increased local budgets – money for socio-economic development from the state budget.'

Local Government Development Center, decentralisation expert

'The oblast administration is quite strong, and the LGCD has experienced tensions with the administration, which has made the amalgamation process more difficult... Sometimes because of the political situation, the oblast won't give AHs permission to hold elections. One AH has been waiting for half a year. They say that the paperwork is not in order, but everything is there.'

5.2 DECENTRALISATION OUTPUTS AND OUTCOMES

Decentralisation entails a range of reform outputs that can support the outcomes of improved local government capacity and enhanced quality of life. These outcomes are not a given but require commitment to implementing reforms. They can provide the basis for greater citizen engagement and improved citizen-state relations, further examined in Chapter 7. Together, these processes can contribute to political stabilisation in Ukraine.

Local government capacity

As part of the reforms, local governments have been given increased responsibilities for local infrastructure and services, for instance, in maintaining local education and health infrastructure and providing administrative services. Yet uncertainties in the exact roles and responsibilities of local government officials remain due to a lack of clarity regarding public administration responsibilities generally. As Prime Minister Groysman noted in February, 'We need to determine...the spheres of responsibility and competence of all levels of government. We should clearly indicate who is responsible for what. Then we will have quite different quality of public administration' (Interfax-Ukraine, 2017).

There is a need to recruit new staff with the necessary technical skills, which is not easy, as the salaries are low, career opportunities limited, and rural locations in often remote localities are not popular.

There are concerns as to whether the new AHs possess the necessary capacity to take on greater responsibilities in fiscal administration, development planning and service provision. There is considerable variation from one administration to another, though the new AHs receive support for budgeting, etc., from U-LEAD's Local Development Centres and other agencies. There is a need to recruit new staff with the necessary technical skills, which is not easy, as the salaries are low, career opportunities limited, and rural locations in often remote localities are not popular. Field interviews for this study indicate that, to win support for amalgamation, some local governments are trying to guarantee positions for as many existing staff as possible after amalgamation. This may help win support for amalgamation, but it undermines the reform if they lack the required competencies (OECD, 2018).

Training of staff can partly offset the challenge and has already been identified as a key need in the local government reform process (CoE, 2017b). Some training is already being provided by U-LEAD's local government development centres.

Improved quality of life through increased local resources and development

AHs receive greater budgets, including:

- Special infrastructure funds, provided from the national budget as an incentive to amalgamate. In 2016, one billion hryvnia (UAH) was set aside to provide these infrastructure improvement funds to AHs, and it was made clear that those that amalgamated more quickly would get a larger share than those amalgamating later. The grants total some 5-7 million UAH a year, the exact amount being based on the AH's territory and the size of its rural population. They are provided over five years.
- Access to the new State Fund for Regional Development (SFRD), established in late 2014. The SFRD receives 1% of planned state revenues and provides funding, awarded on a competitive basis, for regional development projects (International Alert and Ukrainian Center for Independent Political Research, 2017).
- 60% percent of local personal income taxes, increased power to levy their own taxes and special subventions, or transfers from the national government allocated for specific responsibilities (International Alert and Ukrainian Centre for Independent Political Research, 2017).
- Increased control over land and income from land taxes. This is an area in which legislation is expected to be passed shortly, though a Decision by the Cabinet of Ministers has already transferred control of land, e.g. agricultural land, between hromadas which amalgamate to form an AH (MinRegion, n.d.a). This land had previously been controlled by the rayons, but as of October 2018 479 AHs have already been given control of 938,700 hectares of land (MinRegion, 2018b). This change has prompted some AHs to initiate land surveys to clarify boundaries and ownership for purposes of taxation. In addition to being a valuable source of income for hromadas, improved documentation of ownership also provides legal protection and recourse for landowners.
- After amalgamation, AHs can also apply for support from U-LEAD for an Administrative Service Centre (ASC), an easily-accessible and service-oriented centre providing many government services.

It is unclear if these finances will be sufficient for AHs to carry out their new responsibilities. Amalgamation brings in greater income, as AHs receive new sources of tax income from the local area which previously would have gone directly to higher levels of government. Yet it also comes with greater costs, as AHs must take on new responsibilities in service provision and maintenance of local infrastructure. The extent, nature and costs of AHs' new responsibilities remain unclear.

Decentralisation is taking place at the same time as a host of sectoral reforms, meaning significant change not just in the role of different levels of government, but also in the set-up and operation of sectors such as education and health care. The simultaneous reform processes and lack of clear responsibilities and related costs make it difficult to determine whether AHs' incomes will be sufficient to fulfil their new responsibilities, which may result in underfunded public services. As decentralisation has been presented as a way for local governments to gain access to more resources, this has the potential to undermine the reform.

A related concern is whether AHs are using additional funding, particularly development grants, with a long-term development perspective. This study found that many have made capital investments in, for example, local infrastructure, which, while visible, may not contribute to economic development. On the other hand, such investments may be valuable in boosting public confidence in decentralisation.

Inequalities between communities are beginning to emerge as a growing number of AHs receive development grants and larger budgets, leading to a growing disparity with poorer communities that have not amalgamated. Field interviews indicate several challenges: there are cases of wealthy hromadas being reluctant to share their resources, and poor, rural hromadas may be unattractive to amalgamate with. Incentives are offered to address this – the infrastructure grant provided to newly amalgamated hromadas is calculated on the basis of the AH's territory and rural population. Yet the risk of exacerbating inequalities and relating political grievances remains. It is to some extent addressed by equalization grants between communities, but these are unpopular among some communities, which find themselves providing support to other communities through the grants. Equalization grants also fail to address the root causes of disparities.

5.3 DECENTRALISATION CHALLENGES

There are also key challenges in the process of decentralisation, identified through interview data and documentation of decentralisation. These challenges may impede decentralisation or lead to negative outcomes. Addressing these issues will be important in enabling stabilisation through decentralisation. Challenges include:

Tensions within the public administration. The decentralisation process may prompt tensions within the public administration system, for instance, between the various levels of the administration (MinRegion, 2018b). Decentralisation has in some cases been actively hindered at the oblast and rayon levels. AHs are taking on responsibilities that were previously the purview of rayons (OECD, 2018). Once all the hromadas within a rayon become amalgamated and take on greater responsibilities, rayon administrations become redundant. As of May 2018, this had occurred in 16 of 454 rayons. This problem can only be addressed through a constitutional reform that would change the administrative structure of the Ukrainian state. While this is a pressing issue, the political will to attempt to address it – or 'make hard decisions', as one respondent described it – is lacking in light of the upcoming 2019 elections.

From interviews it was also very much apparent that amalgamations are highly dependent on the role of local leaders in the hromadas, rayons and oblasts, as these have great influence over local decision-making and thereby the amalgamation process.

Gaps in amalgamation. Also of major concern, according to actors supporting the decentralisation process, are several rayons in which no hromadas have been amalgamated. Supporters of decentralisation hope that communities will be convinced to amalgamate once they see the positive outcomes in practice. Supporters therefore see areas with no AHs as worrisome. The process of decentralisation is also seen as a way to bypass the oblast and rayon administrations and thereby the threat of regionalization. Some oblast and rayon administrations have responded by actively impeding amalgamations, for instance, by claiming that amalgamation paperwork is not in order or by offering financial grants to rival the development grants provided upon amalgamation.

Reticence of hromadas. In addition, hromada leaders who are responsible for leading the amalgamation process may also be against it. This could happen for a variety of reasons, a prominent one being the threat of losing their jobs due to administrations being combined and individual hromada councils being replaced by a single council for the AH. One LGDC describes how local council heads communicate negative aspects of the decentralisation to their citizens, with the LGDC attempting to counter this by explaining the reforms and communicating their positive aspects.

Unplanned amalgamations. There have been cases where hromadas, when they do amalgamate, do not follow the amalgamation plan developed by MinRegion. The plan seeks to provide the best outcomes for all and looks at indicators of the sustainability of the new AHs, such as population figures and maximum distances to services. When one set of communities chooses to amalgamate in a different way, it changes the context for all the surrounding communities and can affect their potential sustainability. Several reasons for amalgamating differently emerged during interviews. These include local communities pushing their own preferences and a growth in the interest shown by businesses, including multinational corporations (MNCs), but also political interests. These interests in how the amalgamation process is implemented indicate the success of amalgamation in transferring power down to the local level. From interviews it was also very much apparent that amalgamations are highly dependent on the role of local leaders in the hromadas, rayons and oblasts, as these have great influence over local decision-making and thereby the amalgamation process.

6. DECENTRALISATION: PROGRESS AND OUTLOOK

While initially, it was planned to create 1,200 AHs, this number is now being revised upwards to 1,600, as some of the amalgamations have turned out smaller than envisaged in the initial amalgamation plan. Progress towards decentralisation is notable. In May, when the interviews for this report were conducted, there were some 730 AHs covering 34% of Ukraine's territory and 18% of its population (70% of Ukraine's population lives in cities, which at that time could not amalgamate with surrounding communities). As of the beginning of August 2018, 803 AHs had been established (MinRegion, n.d.a.). While the continuation of amalgamations is promising, after two and a half years the rate is slowing, and some experts are concerned that the window for reform may be closing.

6.1 THE RATE OF DECENTRALISATION

Factors which may affect the future rate of amalgamations and further decentralisation include:

Waning political focus. The momentum of reforms, including decentralisation, seems to be slowing as the political focus shifts to the national presidential and parliamentary elections in 2019. This is, for instance, evident in the lack of political will to address the challenges posed by (and for) amalgamations, such as obsolete rayon administrations whose responsibilities have been eclipsed by new AHs.

The changing impetus for amalgamations. Interviews suggest that an initial wave of amalgamations, carried out by innovative and forward-looking local leaders, has largely culminated. Now many amalgamations are being carried out by communities convinced by others' success, or where there is a push to amalgamate from local business and political interests. This subsequent wave of amalgamations will be significant in continuing the momentum of the local government reforms, but it will be important to ensure that proposed amalgamations driven by business or political interests also reflect the interests of local communities. There are examples where this is not the case, for instance, amalgamation based on powerful interests in land.

Expanded opportunities for amalgamation. A new law has just been passed that allows urban areas to amalgamate with neighbouring communities. Previously, smaller, non-urban communities could only amalgamate with each other. The law will create new opportunities for amalgamation, which may well boost the momentum of the decentralisation process, increase the total territory and population living in amalgamated communities, and significantly decreasing the feasibility of rolling back decentralisation reforms.

Voluntary nature of amalgamation. Due to the voluntary nature of amalgamations, stakeholders acknowledge that they are not going to cover 100% of the relevant territory or population. Many suggest that, while the voluntary nature of the amalgamations has led to unplanned and sometimes haphazard outcomes, it has also provided an opportunity for bottom-up change in what would otherwise have been a top-down process. However, most if not all of those interviewed acknowledged that the amalgamation process must become mandatory and that this will only become possible after the 2019 elections. One suggestion is to set a deadline for voluntary amalgamations, after which amalgamation will be mandatory and conducted according to MinRegion's updated amalgamation plan.

6.2 POLITICAL SUPPORT FOR DECENTRALISATION

The outlook for maintaining and improving support for decentralisation will depend on the level of political commitment and ensuring equitable development opportunities across hromadas and oblasts.

Political commitment. While progress has been made, much remains to be done, and there are many uncertainties. The political commitment to reform in the upcoming elections and in the form of a constitutional reform will be crucial.

■ Much depends on the upcoming elections. The outcome of the presidential and national parliamentary elections in 2019 will be crucial for determining the future of the decentralisation and other reforms. In the worst-case scenario, a new government could attempt to roll back the reforms. When interviewees were asked about this possibility in May, most thought that the extent to which the decentralisation reforms had already been implemented would ensure that any attempted reversal would fail. Others thought that this turning point, though close, had not quite been reached. The continuation of amalgamations since May and the new law allowing smaller communities to amalgamate with cities have further entrenched the reforms and their continued momentum.

■ The full implementation of local governance reform will eventually require a constitutional reform to change the administrative structure of the Ukrainian state. This will not only address the amalgamation of hromadas, it is likely also to include a drastic reduction in the number of rayons, as provided for in the constitutional reform of 2014 that failed to pass. Some stakeholders expect that there will be an opportunity to pass a constitutional reform after the national elections in 2019, while others think it may occur in conjunction with the local government elections in 2020. As the last constitutional reforms failed due to their links with the Minsk agreement and Russian influence, it will be important that any new effort for reform mitigates this possibility.

Ensuring equitable development opportunities. A final aspect of the outlook for decentralisation will be a transition from a focus on amalgamating hromadas to ensuring equitable, sustainable development and improved governance across hromadas, rayons and oblasts. This will entail a continued focus on improving local service provision, infrastructure, citizen engagement, economic growth that provides local jobs and incomes, and responsive, transparent and accountable local government. These aspects of local government reform are already receiving support, for instance, through the U-LEAD program. Sustaining this focus will be crucial for the long-term success of local government reforms and their potential for stabilisation.

6.3 INTERSECTIONS WITH OTHER KEY FACTORS

Local government reforms intersect with a range of other key factors, including other reforms and political challenges. Some of these may pose difficulties for decentralisation reforms, while in some cases local government reforms may help address them. These intersections underline the need for a broad perspective and integrated approach to political stabilisation in Ukraine, with an eye to various political processes, conflict-related issues and other factors.

The first key factor is the broader governance context in which local government reforms are being implemented. This context will also be crucial for long-term political stabilisation. Local governments have very little control over the broader governance context, but establishing well-functioning local government has the potential to support demand-driven local governance and development despite the presence of broader governance challenges.

Lack of coherence between sectors. This is linked to the hierarchical and 'silo' nature of the approach to governing in Ukraine that remains from Soviet times. It is also due to the lack of administrative capacity and sufficient political will to secure coherence across sectors in policy, legislation and in the design, implementation, monitoring and assessment of programmes. As noted previously, administrative roles and responsibilities are unclear and are shifting significantly due to the sectoral reforms. These changes, combined with the historical lack of coherence between sectors, pose a major challenge for the new AHs if they are to provide sustainable, adequate services and avoid shortcomings and resource gaps.

Sub-national governments' rights and responsibilities. These are neither clear, due to shifting administrative responsibilities, nor enforced. There are multiple examples of sub-national governments overstepping their rights and responsibilities without oversight or repercussions. Among the stakeholders who were interviewed, some see this lack as a major systemic weakness, while others see it as secondary to more pressing concerns. There is agreement, however, that it must be addressed, probably in a constitutional reform. This would also improve citizen-state relations by increasing trust in government; 88% of the population believes that it is necessary to establish state supervision over local government bodies (CoE, 2017a).

- Interviews reveal examples of rayon and oblast administrations actively working to undermine the reform through misinformation, offering competing funding opportunities and hindering the approval process itself. While some of this may not be illegal, it illustrates the manner in which administrations work independently in pursuit of their own interests, often reliant on the influence of key individuals in their leadership.

- There have been cases in which sub-national governments have taken on rights reserved for the central government without repercussions, a phenomenon described in interviews with development partners. Improving the functioning of the Ukrainian state will require clarifying and enforcing these rights. For the local government reform in particular, such enforcement is lacking after failing to be passed as part of the attempted constitutional reform (the prefect system).

Corruption. Corruption remains entrenched within the bureaucracy and economic elite and contributes to widespread public distrust of public authorities (Stewart, 2016). Continued reforms aim to address corruption in a variety of ways, including improved procurement practices and transparent online systems, where information such as government budgets are publicly accessible. Local government reform may play a role in mediating corruption:

- The decentralisation of finances down to the local level and the right of AHs to keep certain tax revenues means a smaller national budget, which may limit the possibilities for siphoning off funds.

- Local governance reforms include establishing transparent online systems that provide access to local government budgets and services. The former can increase accountability, while the latter limits the prospect of local corruption in the form of bribes for services.

- In public opinion surveys, however, 21% of the population expect that local governance reform will increase corruption, while only 13% expect it will reduce corruption (CoE, 2017a).

Local governance reforms will also overlap with a range of other reform processes, complicating the process of establishing local capacities and systems and planning for future development:

Land reforms. These will be extremely important to AHs, which now have increased control over local land. In Ukraine agricultural land is mainly owned by local individuals, many of whom lease it out for small sums to large agricultural producers. The latter amass large tracts of land through many such agreements. This situation stems from the ownership of agricultural land in Ukraine, most of which was divided among the members of the state agricultural cooperatives at independence. While they own the land, they have not had the right to sell it due to a temporary 'land moratorium' on agricultural land sales, which has been repeatedly extended by parliament since independence. The moratorium was initially meant to prevent the elite capture of land, provide livelihoods for rural Ukrainians and keep the land under cultivation (Registrar of the Court, 2018).

- Few rural landowners have the means to work the land themselves, prompting them to lease it to large, sometimes foreign agribusinesses for negligible returns. One individual interviewed described how his household earns roughly 50,000 UAH a year by selling excess produce from a small plot. In contrast, they earn only 3,500 UAH a year from leasing their agricultural land.
- Land reform enabling owners to sell such land has been pushed by development partners and was previously a condition for IMF support. A recent ruling by the European Court of Human Rights held that the moratorium on land sales violates the protection of property in the European Convention on Human Rights and that legislative measures should be taken to address this (Registrar of the Court, 2018).
- Land reform is a political flashpoint, as public opinion is against it. Ukrainians are worried about powerful economic interests, both domestic and foreign, buying up and controlling the land. The issue has also been taken up by right-wing populist movements who are against foreign influence.

Health and education reforms. There is also an overlap between decentralisation and health and education reforms. AHs receive greater responsibilities in these areas at the same time as broader national reforms, such as a new health-care system, are being rolled out. One of the goals of amalgamation and decentralisation is to provide better health and education (including childcare) services by combining smaller clinics and schools into larger, better-resourced entities with improved services. This entails trade-offs for some citizens, who will have longer distances to the nearest school or clinic.

Other factors that are important in the political landscape in Ukraine and are relevant to the decentralisation reform include Ukraine's relationship with the EU and IDPs:

Ukraine's relationship with the EU. Commitment and progress towards reforms will be crucial in strengthening Ukraine's relationship with the EU, as well as their prospect for eventual membership. The prospect of membership is a valuable incentive in the potential for socio-economic development. The importance of a good relationship with the EU may help justify less popular reforms, as Ukrainians may feel that they are getting something in return. However, it is important that Ukrainians do not feel the EU is applying undue pressure and that they are being forced into a reform, as in the case of the Minsk agreements and constitutional reform.

IDPs. Providing housing, services and financial transfers such as pensions to IDPs is a continued problem with no national solution. Interviews indicate a growing fatigue among the general population in addressing the issue of IDPs, expressed in decreasing support for measures to address IDP-related challenges, especially if these draw on resources from their own areas. Through greater local discretion and funds, decentralisation may allow for local solutions to addressing the needs of IDPs. On the other hand, a greater transfer of responsibilities to local levels without associated funding streams for IDPs may create a significant burden for areas with higher numbers of IDPs.

||| **It is important that Ukrainians do not feel the EU is applying undue pressure and that they are being forced into a reform.**



7. CITIZENS' PERCEPTIONS AND ENGAGEMENT

The success and significance of Ukraine's decentralisation reforms is closely linked to citizens' trust, perceptions and engagement. Reforms are being implemented against the challenging backdrop of very low levels of citizen trust in public authorities (Council of Europe, 2017). Successful reforms, which improve accountability and responsive local governance, have the potential to improve trust in local governance and, by extension, citizen-state relations. Continued commitment to implementation will depend much on citizens' perceptions of improved local government and local conditions through initial reforms. Yet overall, citizen engagement in politics seems to be waning in Ukraine. Decentralisation's capacity to support demand-driven, responsive government may provide an avenue to address this waning engagement and related political disaffection.

Reforms are being implemented against the challenging backdrop of very low levels of citizen trust in public authorities.

Demand-driven governance is not an automatic outcome of decentralisation reforms. Successful decentralisation can merely provide the environment necessary for citizen engagement and demand-driven governance. It still requires that local governments can reach out to citizens, providing opportunities for engagement and participation, and that citizens respond. Both actions entail a significant shift in the political culture. A consideration of citizens' perspectives, including trust, political engagement and perceptions of reforms, is therefore crucial in understanding the progress being made with decentralisation reforms and their potential for increasing political stability.

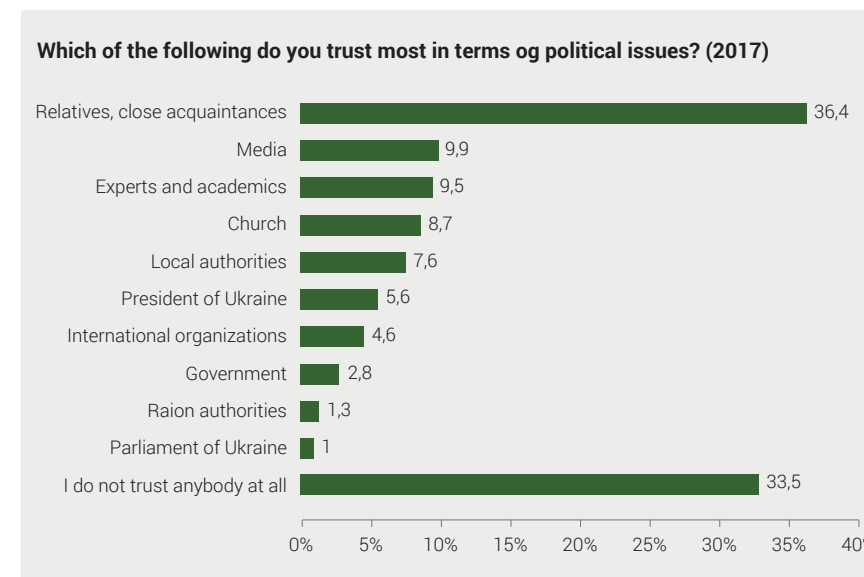
7.1 CITIZENS' TRUST IN PUBLIC AUTHORITIES

Attempts to secure positive perceptions will occur against the backdrop of low levels of citizens' trust in Ukrainian authorities. In relation to political issues, when Ukrainians are asked whom they trust most, the significant majority point either to relatives and close acquaintances (36%) or to no one at all (34%). No single political institution or level performs over 10% (CoE, 2017a) (see Figure 4).

Yet, in terms of enhancing political stabilisation, an emphasis on local authorities may be a promising approach. Local government has the highest level of trust of any government body, with some 8% in 2017, though this has fallen slightly from

12% in 2016 and 10% in 2015. While these numbers are quite poor, their edge over trust in other levels of government (with rayon, oblast and parliament all receiving 1% in a 2017 poll asking who citizens trusted most – see Figure 4) suggests there is potential for cultivating improved citizen–state relations locally (CoE, 2017a).

Figure 4. Citizens' trust in public authorities in Ukraine



Source: CoE (2017a). Decentralisation and Reform of Local Self-Government: Results of the Third Wave of Sociological Research. Council of Europe Analytical Report.

Local authorities perform better than any other political institution. Still, only 8% of respondents say they trust local authorities most in terms of political issues, and this has fallen in the last two years. Overcoming this distrust in public authorities will be difficult.

7.2 CITIZENS' PERCEPTIONS OF DECENTRALISATION

Regarding citizens' perceptions of reforms, positive perceptions of improved local government and local conditions will be crucial for continued support for reforms. Local governments provide or support many of the conditions that contribute to quality of life: asphalted roads, schools with adequate staff and resources, clinics with medical resources and staff, clean drinking water, properly insulated buildings (not least with windows and roofs) and conditions that support local employment.

Expectations of decentralisation are more positive than negative. Overall, 46% of Ukrainians expect that decentralisation will improve the general situation in Ukraine, and a much smaller 9% expect that it will worsen (CoE, 2017a). In terms of community development, 40% of the population believe that decentralisation will improve development, while 36% do not believe it will (ibid.). Successful examples of amalgamation, various communications initiatives and consultative amalgamation processes are all being used to address local concerns and continue the amalgamation process.

Informed citizens. In addition, the more citizens know about the reform, the more they believe it will provide improvements and contribute to community development. Of those who know nothing about the reform, only 27% expect it will lead to improvements and 17% that it will lead to development. These numbers jump to 62% for improvements and 58% for development among those who are well-informed about the reform (CoE, 2017a). Citizens' expectations of the outcomes of decentralisation reform, however, are changing. Expectations of reduced corruption and the facilitation of conflict resolution in the east of the country are falling. These are being replaced by greater expectations of service improvements and prosperity (CoE, 2017a), which are more probable outcomes in the short term.

Citizens' concerns. However, citizens have several concerns regarding decentralisation. One central concern is the future of their current hromada once it has been combined with others in an AH. Polls measuring support for amalgamation indicate that if their hromada became the centre of an AH, 62% would support amalgamation, while 20% would oppose it. If their hromada did not become the centre, only 20% would support amalgamation, while 59% would oppose it. This reflects residents' concerns that centres of service provision or schools would be combined and be at a greater distance than is currently the case.

In addition, there is the issue of representation. When asked whether they would support amalgamation if it improved service provision, although their own hromada council would be eliminated, only 15% of residents would support amalgamation, with 48% opposed. In cases such as these local starostas are elected, who then represent the community in the new elected council (MinRegion, n.d.b). Clearly, however, citizens are concerned about losing representation and influence in local government.

Another concern is the intersections between social identities and minorities and the decentralisation process, particularly if amalgamated communities are able to cultivate shared identities and interests, as well as the implications of decentralisation in areas with significant national minorities (International Alert and Ukrainian Centre for Independent Political Research, 2017).

Experiences of decentralisation are positive. Citizens report tangible results from increased local government budgets. The majority of Ukrainians (61%) have either seen or heard of improvements in their local communities. This is generally in the form of infrastructure, especially roads, which are notoriously poor in Ukraine, as well as public lighting, social infrastructure (playgrounds, parks, etc.) and communal buildings (schools, clinics, etc.) (International Alert and Ukrainian Center for Independent Political Research, 2017).

The majority of Ukrainians (61%) have either seen or heard of improvements in their local communities.

These findings are promising, especially given the fact that the process of decentralisation is still in its early stages: the legal basis for amalgamation was passed only in 2015, hromadas have to consult and agree on amalgamation, then there is a legal and administrative approval process, and finally the amalgamation is approved and elections can be conducted. Yet, despite initial improvements, interviews suggest that many Ukrainians feel that decentralisation is progressing too slowly, reflecting an impatience with the status quo not meeting their aspirations.

Yet, there is a risk of overpromised reform outcomes. Continued felt improvements in the concrete conditions outline above – schools, clinics, roads, etc. – will be crucial. However, as mentioned in the discussions in previous sections, providing improvements may be challenging, especially in the short time-frame in which citizens expect to see improvements. Specifically, there is a concern that authorities have overpromised in terms of the outcomes of decentralisation, that local leadership and capacity may not initially be adequate to shoulder local governments' new responsibilities, and that decentralisation, despite improving the quality of services, will mean a greater distance to access them.

Adequacy of funding. It remains unclear if local budgets are being funded sufficiently to provide the new services local governments are now responsible for. This possible discrepancy led one key stakeholder to question whether public authorities and development partners have overpromised in terms of the tangible outcomes of the decentralisation reforms for local conditions and quality of life. A discrepancy here would be damaging in terms of citizens' perceptions of decentralisation, possibly undermining trust further if the promises of certain outcomes are not fulfilled.

Local capacity and leadership. Implementing the reforms will require local capacity around fiscal administration, development planning and service provision. This is not yet in place in many areas and will require recruitment and training. Local leadership will also be important in decision-making and planning. Specifically, new leaders will face important decisions regarding trade-offs between short-term capital expenditure such as improving roads, which may be more visible, and long-term investments in local development, such as improving child care and educational programs. Finding a balance that meets local needs will be challenging, but it will also be important for the success of decentralisation reforms.

Quality but distance. Decentralisation reforms may also involve trade-offs for local communities between the proximity of local institutions and services and their quality (economies of scale etc.). In addition, while decentralisation may lead to improvements in local services when measured against certain indicators, local citizens may evaluate the changes differently. For them, having a local village school may be preferable to having a larger school for all villages in the surrounding area, even if the local school has fewer resources for each student. This also touches on issues of local identity. Acknowledging different perceptions of improvements will be central in providing demand-driven governance and positive perceptions and outcomes.

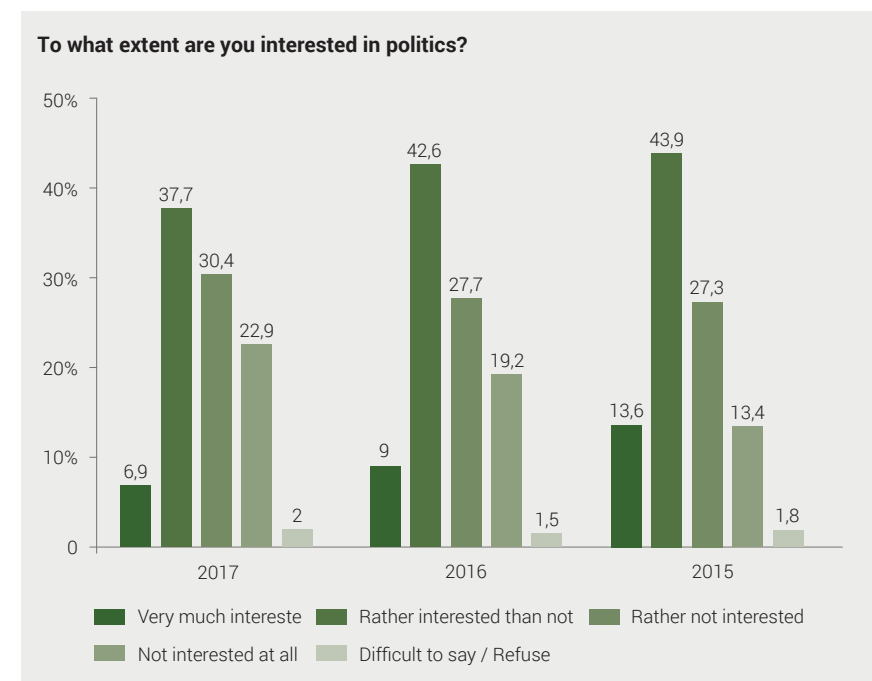
The communication of reforms will be crucial in influencing citizens' perceptions. Perceptions are not just about actual changes, but also about how improvements are communicated. Disseminating information about reform successes is therefore critical to retaining support for reforms. At the sub-national level, both LGDCs are active in providing information on reforms through social media, websites and sometimes printed materials. AHs interviewed also actively provided local residents with information on new improvements, investments and continued reform processes, including through web pages and local papers specifically dealing with local government reforms. Television, however, remains by far the main source of information and news for most Ukrainians (CoE, 2017a), so it will be important to incorporate it into awareness-raising campaigns.

7.3 CITIZEN ENGAGEMENT

Creating opportunities for greater citizen engagement is seen as a key potential of decentralisation reforms. This is reflected, for instance, in the term 'self-governance', which is generally used in Ukraine to describe the local government reforms. Yet overall, citizen interest and engagement in politics seems to be waning in Ukraine. Decentralisation's capacity to provide demand-driven, responsive government may address this waning engagement and related political disaffection.

In Ukraine, there is dwindling citizen engagement in politics. Citizens' interest in politics has been falling slowly over the last few years, from 58% of the population interested in 2015 to 45% in 2017 (see Figure 5) (CoE, 2017a). Over the course of these three years, the balance has tipped from most of the population being interested in politics to most not being interested. The higher numbers in 2015 and 2016 may reflect increased interest in politics after the Maidan revolution, which then waned over time.

Figure 5. Citizens' interest in politics



Source: CoE (2017a). Decentralisation and Reform of Local Self-Government: Results of the Third Wave of Sociological Research. Council of Europe Analytical Report.

When asked why they were disinterested in politics, Ukrainians described a situation of deep political disaffection. Of those not interested in politics in 2017 (53% of respondents), most attributed this to distrust of politicians or the authorities or to the sense that they have no influence in political processes (CoE, 2017a).

Of those not interested in politics in 2017 (53% of respondents), most attributed this to distrust of politicians or the authorities or to the sense that they have no influence in political processes.

Decentralisation has the potential to provide demand-driven, responsive governance. The success of decentralisation in increasing the political influence of the local level is already evident in the form of increased activity of political parties and political and economic interests at this level. In addition, the newly-established Association of Amalgamated Territorial Communities (AATC), which developed organically and resisted external political influence, represents the interests of AHs regionally and nationally. It will be crucial to link this growing influence to local citizens' interests and needs. It is already clear that citizens are concerned about having adequate representation after amalgamation. Yet a significant percentage of the population does see decentralisation as providing more opportunities to influence authorities' decisions, a figure that jumped from 30% in 2015 to 40% in 2017 (CoE, 2017a).

8. FINDINGS

The following key findings present various aspects of decentralisation relevant to its potential for political stabilisation, as well as regarding its context, outcomes and prospects:

FINDING 1.

Decentralisation is seen to provide greater political stability

Post-Maidan, decentralisation was held to be a key component in securing long-term political stability in Ukraine. Explicitly or implicitly, the key actors this study engaged with attribute decentralisation with the ability to:

- Moderate inequalities and differences across and within the country's regions.
- Integrate the local and national more closely, thereby strengthening the state as a whole and perhaps mediating the power of the regions.
- Offer a viable path to development for the population as a whole and for conflict-affected areas in the east.

These expectations continue to inform decentralisation efforts, but more pragmatic expectations linked to improvements in local development and service provisions are being argued for today. These outcomes are easier to achieve in the short term and could well contribute to political stability in the medium to long term.

FINDING 2.

Decentralisation continues to be implemented in a tense and fragile political context

The decentralisation reforms in Ukraine operate in a political context that is both tense and fragile. The main factors in this are:

- The way it has been linked to the conflict in eastern Ukraine, including in the Minsk agreements.
- Its dependence on volatile national political processes, including the national elections in 2019.
- Resistance from some oblasts and rayons, whose officials are actively working against the reform to preserve their own influence.
- Resistance from political, administrative and private-sector actors at the national level who see decentralisation as a threat to their position and interests.

FINDING 3.

Decentralisation can improve local political stability

Successful decentralisation can contribute to local political stability by mitigating the effects of broader political shifts and dynamics at the local level. It can also address some of the causes of inequality across regions. This includes by:

- Strengthening the capacity for local governments to control and manage their affairs in ways that are less subject to the politics of power and control practised at the rayon and oblast levels.
- Managing resources to counter social and economic inequalities between localities (urban–rural, different types of economies, etc.), thereby addressing sources of political grievance and conflict.
- Weakening the dependence of local communities' development on access to political networks and elites for resources and investments.

FINDING 4.

Decentralisation is increasing the political influence of the local level

Decentralisation is producing new forms of citizen engagement and enhancing the role of the local level in shaping the political environment in Ukraine. This is evident in the operations of the AATC and the increasing activity of political parties at the local level. If linked to stronger representation and downward accountability, it can transform Ukrainian governance to be more demand-driven and more accountable.

FINDING 5.

Development outcomes require a long-term perspective

Current outcomes linked to decentralisation suggest that it can have a positive influence on local development. This is dependent on the ability of local leaders to leverage new funds and balance short-term with long-term goals.

- Short-term goals, such as improved infrastructure and better services, must be clearly visible to the population to ensure continued support for the reform agenda and mitigate political disaffection.
- Long-term goals will be crucial in enabling sustainable local development, for example, investments in public-sector capacity, improved childcare or support to local SMEs. In turn they require a clear strategic long-term plan, with annual implementation plans having clear and verifiable indicators.

FINDING 6.

Continued decentralisation requires renewed political commitment

While new amalgamations of hromadas continue, the pace is slowing. Some are concerned that the window for decentralisation is closing with serious consequences for those hromadas that have not amalgamated. This could lead to uneven development within and between regions. Continued progress on decentralisation will require renewed political commitment involving:

- A refocusing of support on the reforms in the face of the upcoming national elections in 2019. A renewed commitment to reform in and after the elections is important to secure existing gains and maintaining the momentum of decentralisation.
- The need to carry through the necessary constitutional reforms. Ideally, this would include reworking the roles and responsibilities of the various political levels (centre, oblast, rayon, hromada), clarifying political oversight and making local government reforms mandatory. At the very least, it should enable the completion of the amalgamation process by making it finally mandatory.

9. POLICY IMPLICATIONS



The report's presentation of the following policy implications is based on the findings presented above. The aim is to point to core issues that should be considered when looking towards the near and medium future in Ukraine. The implications do not constitute recommendations as such. The six policy implications from the findings are:

POLICY IMPLICATION 1.

The importance of continued support to state-building

Continued support to state-building through decentralisation and other reforms in the coming years will be extremely important for long-term stability in Ukraine. Specifically, attention should be given to:

- Ensuring the coherence of reform processes across different sectors and at different levels of government. The extent of the ongoing reform processes in Ukraine is significant, and their coordination will continue to be a challenge due to the uncertain political context and the risk of lack of coherence across the different areas of reform (sectors) and between the different government actors involved.
- Supporting the capacity of newly amalgamated local governments. Locally, greater responsibility is coming to rest with local government. Their capacity building and resource provision will be crucial for state-building in Ukraine.

POLICY IMPLICATION 2.

Well-coordinated and better communicated reforms

Going forward, local government reform efforts can be supported by a greater focus on coordination between stakeholders. The communication of the reforms, the benefits that can be realized and the progress achieved will also be important. Such efforts can help get the most out of existing reform programmes.

- Those involved in the implementation of local government reforms should be encouraged to focus on ensuring their coordination. Local government is responsible for a number of different sectors, acting as the local implementing agency for each. National government should be encouraged to coordinate matters in such a way that the different programmes do not conflict at the local level; local government should be represented in national forums to help ensure this coordination and coherence.
- The vision, processes and outcomes for local government reforms should be clearly communicated to the public. Such communication should aim to set realistic expectations of reform among the public. Special attention should be given to the media's role in communicating the reforms.
- Monitoring the local government reforms will be important in demonstrating progress with the reforms to the public. Monitoring can also help identify geographical areas and aspects of the reform that need special attention.

POLICY IMPLICATION 3.

Decentralisation with attention to stabilisation

Decentralisation must be implemented with attention to national cohesion and stabilisation, as well as local services and development. This entails giving greater attention to economic and social differences across Ukraine, including rural/urban, regional, economic and ethnic differences.

It will be important to identify and respond to the needs of localities or social groups that are being 'left behind' in the reform process and to have a strategy to mitigate such 'exclusions'. Close monitoring at disaggregated levels (oblast and hromodas) will be important. A strategy for responding quickly to emerging inequalities should be put in place, for example, reviews of local economic conditions and identification of needs, backed by packages including additional short-term funding and human resources for local government.

POLICY IMPLICATION 4.

Limiting disruptive influences in decentralisation

Decentralisation processes should also be carried out with an emphasis on limiting the political and economic interests that may negatively influence decentralisation processes, outcomes and the reform's legitimacy. This includes limiting disruptive influences from:

- Rayons and oblasts that are against the reform or that unduly influence outcomes, for instance, the influence of oblasts in the distribution of regional development funds.
- Other political and economic interests influencing reforms, such as multinational corporations (MNCs) and Ukrainian oligarchs. Such actors have supported amalgamations that may not reflect local interests.

POLICY IMPLICATION 5.

The role of EU membership in promoting stabilisation

The EU and its member states should reflect on their role in stabilisation, as current political tensions in Ukraine are linked to the conflicting influences of the EU and Russia. It is worth considering how this relates to EU relations and possible membership, particularly:

- Whether it is the right time to push for EU membership or not. Pressure from the EU may disrupt Ukraine's political situation further.
- Ensuring that ongoing cooperation is transparent, i.e. following a clear framework with mutually agreed goals to work towards.
- Ensuring that both parties – the EU and Ukraine – feel that they are benefitting from their cooperation. If this is the case, the EU may be able to support less popular reforms by offering additional opportunities for cooperation.

POLICY IMPLICATION 6.

Balancing political and military strategies

For purposes of stabilisation, Ukraine needs a political strategy that is supported by the military strategy and is not subordinated to it. A focus on the immediate need for various forms of military support should not eclipse the political strategy for stabilisation, of which decentralisation is a central component.

- Successful decentralisation leading to local development has the potential to incentivize separatist-controlled areas to remain in Ukraine. Initially, this may be through an agreement on the part of the separatist forces to establish some form of relationship with Ukraine. Success with local development will serve to stabilize this relationship in the longer term.
- Any tendency towards the militarization of local government in areas close to the conflict region needs to be linked to a clear political strategy for local development.

NOTES

- 1 Denmark's bilateral development assistance to decentralisation in partner countries covered amongst others Bangladesh, Bhutan, Malawi, Mozambique, Nepal, Tanzania and Uganda.
- 2 The Minsk II agreement was brokered to stem the eastern conflict. See section 3.1.
- 3 Anti-democratic tendencies are emerging in a number of East European countries for a variety of reasons. A failure to experience expected economic improvements is being linked to a rejection of globalization and its assumed effects, including migration, increasing inequalities and declining public services.
- 4 This term is used to capture the process of transformation that a set of activities should bring about, that is, activities leading to the achievement of a set of outputs that are designed to have an impact on selected outcomes, such as improving economic growth, strengthening aspects of governance or reducing levels of inequality in a country.
- 5 Here, neighbourhood refers to the region in and to the east of Europe, as referred to in the Danish 'neighbourhood' program. See Chapter 4.
- 6 The World Bank (2017) puts these numbers much higher, at 2.7 million people displaced and 4 million conflict-affected.
- 7 For more information on these actors, see Annex II.

Annex

I. MEETINGS HELD

The time-frame and resources available for the study did not permit a large and scientifically rigorous collection of data. The twelve days for fieldwork were used to take interviews from key informants at national and local levels together with several group meetings involving local government officials at oblast, rayon, and hromada levels. The qualitative data these interviews and meetings provided are the basis for the study's informed analysis of the decentralisation reforms and their current status.

The meetings and interviews for the study were conducted between 2018, May 14 and May 25. In Kiev interviews were conducted with all the main development partners providing support to the decentralisation reforms and several of their advisers responsible for implementing programmes of support. Representatives included officials from the EU delegation, the Council of Europe, UNDP, GIZ, Sweden, Denmark, and Switzerland.

Meetings with staff from the U-LEAD programme were important for the study as the programme brings a number of development partners together to support the government's decentralisation reform agenda. Programme officers also provided the study team with support in accessing officials at oblast, rayon, and hromada levels. Several government and independent advisers and experts were also interviewed in the capital.

Outside Kiev, programme officers from U-LEAD (Oblast level) and from UNDP's Recovery and Peacebuilding programme were interviewed as were officials from local government associations. Field visits were made to three oblasts, one rayon, and three hromadas. Meetings were held with officials and elected representatives in the administrative offices of each local government body.

II. KEY ACTORS IN DECENTRALISATION

Central government actors

- Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine (MinRegion): MinRegion is a central national-level actor in the decentralisation process. As indicated by its name, MinRegion has a range of responsibilities, including regional development, construction and utilities.
- Verkhovna Rada (National Parliament) of Ukraine. The Rada must provide the necessary legal foundation for amalgamation and decentralisation. While constitutional reforms did not pass, the Rada has passed several pieces of legislation to support amalgamation and decentralisation, including laws on voluntary amalgamation and budget and tax reforms. There are currently several other pieces of legislation under consideration (MinRegion, n.d.a).
- Prime Minister Groysman. Prime Minister Groysman has been a key figure in promoting decentralisation reforms. In 2014, as the Minister of Regional Development, he approved the Concept of Reforming Local Self-Government and Territorial Structure of Power, which provided the basis for implementing the reform. He continues to support the decentralisation process now as Prime Minister (ibid.).
- Deputy Prime Minister of Regional Development, Construction and Housing and Communal Services Gennadiy Zubko.

- First Deputy Minister of Regional Development, Construction and Housing and Communal Services Vyacheslav Negoda.

Sub-national actors

- Oblast and rayon governments. Oblast and rayon governments also have influence in the decentralisation process and can either support or hinder it. See more below.
- Hromada radas. The hromada radas, or elected councils, are responsible for passing the legislation to approve amalgamation for their hromada. Supportive local councils are therefore necessary for implementing the reform.
- U-LEAD Local Government Development Centres (LGDCs). U-LEAD has set up one LDC in each of Ukraine's 24 regions to support the decentralisation process. These centres support hromadas through the amalgamation process, including by helping with paperwork, communications with residents, sharing best practices, and supporting planning, budgeting and service provision after amalgamation.
- The Association of Ukrainian Cities (AUC). The AUC was established in 1992 and represents Ukraine's urban municipalities.
- The Association of Amalgamated Territorial Communities (AATC). The AATC was established in 2015 and represents amalgamated hromadas.
- Other sub-national actors, e.g. political parties and business interests. Political parties and business interests have been increasingly active in influencing amalgamation processes at the local level

Development partners

There are a range of development partners working with the Government of Ukraine. Here we list those that have been central to the overall reform process and to decentralisation reforms in particular.

- EU. The EU and Ukraine are now cooperating through an association agreement. Ukraine's reform agenda is closely linked to EU best practices and legal frameworks, and the EU offers extensive support to ongoing reforms in Ukraine, including decentralisation reforms and the U-LEAD program, through financing (Council of the EU, 2018).
- IMF. The IMF has also offered significant financial support to Ukraine, linked to various reforms.
- CoE. The Council of Europe has standards in the field of local government and extensive expertise in decentralisation. As part of the Council of Europe Action Plan for Ukraine for 2015-2017, the CoE implemented the Programme for Decentralisation and Territorial Consolidation in Ukraine. It continues to work with the government and other development partners on reforms.
- Gesellschaft für Internationale Zusammenarbeit (GIZ). GIZ supports decentralisation, specifically in funding U-LEAD and implementing U-LEAD Component 1: strengthening the capacity to implement reforms, decentralisation and regional policies.

- Sida. Sida supports decentralisation by funding U-LEAD and is responsible for the implementation of U-LEAD Component 2, which focuses on improved administrative service delivery and public awareness of local governance (U-LEAD, n.d.).

- USAID. USAID supports decentralisation through the Decentralisation Offering Better Results and Efficiency (DOBRE) programme (2016-21), which provides technical and financial assistance.

- UNDP. UNDP conducts a range of projects and initiatives in Ukraine with the aim of supporting democratic governance and reform.

- Swiss Cooperation Office (SDC). SDC is funding the Decentralisation Support in Ukraine (DESRPO) project, which has been running in three phases from 2007. DESPRO initially started with a focus on local service provision and has now expanded to support decentralisation more broadly.

- Denmark, Estonia and Poland also support decentralisation by funding the U-LEAD program.

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