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## “Dezentralisation Reform in Ukraine“

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Decentralization reform in Ukraine is currently focusing on the local level – and has made considerable progress in a relatively short period of time in fiscal and sectoral decentralization, regional development and the merger process of small municipalities. The European Union is fully backing the reform. A significant level of support has been mobilized by different international donors, more than 200 Mio. Euros in total - including EU which provides in total 102 Mio. Euros within ULEAD to support this reform (further support is provided by the US, Canada, Poland, Denmark, Germany, Switzerland, Norway, Sweden and Estonia). This project has been opened by Commissioner Hahn and the Ukrainian Prime Minister Groisman on 15 September 2016, demonstrating the commitment of both the government and the EU to support this reform.

Within less than two years, 1744 municipalities amalgamated **voluntarily** into 366 newly united territories. An impressive success, never expected by experts.

On the basis of the fiscal decentralization reform cities and newly merged municipalities receive 60% of locally generated income tax. For the first time in Ukrainian history, there is now a budgetary incentive for local leaders to foster economic growth. To get used to the new conditions municipalities need now reliable and predictable revenue flows for the long term.

But successful decentralization on local level is not enough. Efforts for decentralization reforms at regional level have to be started and the discussion on this sensible issue should be opened. Ukrainian government should remain open for discussions on a possible way forward.

I want to encourage our Ukrainian friends to intensive reflections on how to proceed further with the reform of state administration and self-government bodies at **regional level**. Europe has to offer many different examples for the organization of multi-level governance. The Ukrainians know best what their needs are. It is up to the Ukrainians to decide about what form of decentralization they would like to see at regional level – but there should certainly be significant shift of responsibilities from the regional state

administrations to regional self-governance bodies, while maintaining the unitary character of the state. They are welcome to take inspiration from various experiences and examples with different concepts of decentralisation of the Member States of the Union.

The topic of our panel discussion is „Ukraine’s Decentralization Reform. In search of an Acceptable Model“. I will try to give some short proposals for such a Model.

There should be a three-level structure of sub-national self governance consisting of

1. Regions (oblast), responsible for regional development, regional strategies, decisions on spending money from EU-structure and cohesion funds.
2. Counties (rayons), supra-local zones for public services (hospitals, secondary education, interventions on the labor market, inspections ect.)
3. Communes (cities and towns), in charge of all public services that can be provided at local community level. Big cities of more than 100.000 inhabitants would perform the functions of a commune and a county at the same time.
4. Powers given to local and regional authorities should be full and exclusive.
5. Transfer of powers to subnational levels of self-government must be accompanied by the necessary funding by decentralization of public finances. The whole regional budgets and a larger part of local resources should derive from central taxes; however, a smaller part of local budgets should come from local taxes and charges. Financially weaker regions and communes should be protected by a special system to correct the effects of unequal distribution (financial equalization procedures).
6. In all regions (oblast), counties (rayons), cities and communes the councils resp. Assemblies should be elected in a proportional ballot.
7. Heads and members of executive organs (governors, mayors etc.) should be elected by the simple majority of the councils or assemblies. Governors/Presidents are not any more appointed by the president. The executive organs must always be fully subordinate to the assemblies or councils. Direct elections of mayors are not recommended, at least as long as corruption is not eliminated. If there should still exist prefects as purely administrative institutions, they should be appointed by the government and not by the president.

A strengthening of the regional level within the current political system of Ukraine while facing an external aggression of course has certain risks but also big chances. We know

that among Ukrainian citizens decentralization enjoys a high level of support and likely is the most popular reform.

Such radical change does not come easily. It is clear that the decentralization reforms will require an outstanding re-enforcement in administrative capacities at hromada, rayon and oblast levels and a significant change in political culture both by the electorate as well as by the elected representatives in understanding their new roles.

It is absolute necessary to raise the capacity of elected members of councils and administrative staff of the multi-level local government structures to enable them exercises their authority and modernize the management of their work in line with newly acquired responsibilities resulting from the decentralization process.

The decentralization and regional development policy reform is designed to bring benefits for ALL citizens of the country, at all levels: local, regional and national. It is also aimed at strengthening good governance.

I hope it will mean better services, better healthcare and education, less bureaucracy and more economic growth. I hope too, that it will mean responsible, accountable and transparent government that people can trust.

The EU supports the independence sovereignty, unity and territorial integrity of Ukraine. The EU also supports the implementation of the Minsk agreements. So I am convinced, that Ukraine will only survive peacefully and sustainable in its current borders if it is strongly regionalized and decentralized with strong self-governed regions and strong municipalities.