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DECENTRALIZATION IN UKRAINE

Since independence in 1991, Ukraine has done little to reform the style of governance created during Soviet rule. New constitutional amendments by President Poroshenko offer the chance to change that. However fears that decentralization will serve big business and separatists in the east mean some in Ukraine want to stall the process. This would be wrong. It is urgent that decentralization proceed in a careful, transparent and participatory way.

A new Ukraine cannot develop within the old dictatorial system. Then as now the real decision-making power resided in the capital; governance at the local level was a façade for a rigidly centralized system. Instead the government should sequence reform, spell out the devolution of decision-making and fiscal authority, and engage the public in discussion on and implementation of these changes.

Today, the public can't expect local government to address its concerns after years of neglectful centralized governance. After the disastrous presidency of Viktor Yanukovich led to the Revolution of Dignity in early 2014, President Poroshenko introduced a set of constitutional amendments to promote decentralization and realign the balance of power between parliament, president and cabinet of ministers. This needs rethinking.

The new Ukrainian government has set out decentralisation and reform of local government as a top priority. The Arseniy Yatseniuk's government had approved of local government reform on 1 April 2014, but most of the legislative changes were not adopted before the presidential elections on 25 May. The incoming President Petro Poroshenko spoke about decentralisation in his inaugural speech, in particular addressing the residents of the turbulent Donetsk and Lugansk regions. He promised to respect regional diversity in Ukraine, so that the rights of local communities to

‘distinct historical memory, pantheon of heroes and religious traditions’ and the use of regional languages are ensured. Decentralisation, along with early local elections and special status for the Russian language, are part of Poroshenko’s peace plan for Donbas. On 3 July, he presented a proposal on constitutional change to Parliament. It included a component designed to reform centre-periphery relations. Government plans view decentralisation as a means of strengthening the power and institutional capacity of local communities, putting an end to the dominance of state administrations. A basic level of self-government would be concentrated at community level – cities, towns and groups of villages – which would be empowered with their own resources. Local government reform will probably go hand-in-hand with territorial reorganisation. The number of existing local councils and rayons is to be reduced by merging them into bigger units. By increasing the size of local communities and the share of revenue that goes to local administrations, the reform seeks to allocate more resources to the community level to improve local authority provision of services.

In general, decentralisation will transfer a degree of power to local communities and authorities. This should bolster local democracy and improve prospects for local and regional development, provided that adequate mechanisms are established to ensure accountability and transparency. The reform also requires fiscal and budget decentralisation which can be achieved through amendments to the Tax and Budget codes so that local authorities have their own revenues and budget autonomy to better serve local communities. Whereas the government aims to gain legislative approval for the reform as soon as possible, it is unlikely to make it possible for citizens to elect their new representatives in the local elections scheduled for 2015. The proposed changes of centre-periphery relations are part of a package of amendments to the constitution that also include heavily contested issues such as the balance of power between the president, cabinet of ministers and parliament. Ukraine is heading towards parliamentary elections in October, and only if a new parliament is convened quickly and meets the necessary majorities for a constitutional change on the full package in two necessary readings, will the changes come into effect next

year.

Public demand for better local governance expressed during the Euromaidan protests has increased the drive towards decentralisation. The momentum for decentralisation should be maintained and not derailed by upcoming elections and changing political interests as has happened so often in the past. Preparations for implementation – that can also help keep momentum – need to be effective to be able to hit the ground running after approval by a new parliament, hopefully early next year. Decentralisation reform is however not the short-term answer to resolving the current armed insurgency and pro-Russian separatism in Donbas. Indeed implementation of decentralisation in Donbas will only be possible if and when the security situation in that region has normalised. But when this is the case, decentralisation will be an essential ingredient of winning trust of Donbas residents. A difficult task as Russia is likely to continue pushing for Ukraine's federalisation. This makes a realistic and nationally agreed decentralisation plan all the more imperative for Ukraine.