Ukraine’s decentralisation reform has a new face. On 29 August 2019, Mrs. Alyona Babak took over as head of the new Ministry of Development of Communities and Territories in Ukraine (in its current English translation), following on from the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine (MinRegion). While the name of the ministry has changed, her appointment comes with the consistency that the decentralisation reform is still high on the agenda with continued commitment to the European Union (EU).

AN EXPERIENCED PARTNER

After the EU-Ukraine Summit on 8 July and parliamentary elections on 21 July, President Zelenskyy moved to address the reform directly. Alyona Babak is the new minister in charge of the reform. Her appointment follows on from her tenure as a member of a working group on reforming housing and communal services with MinRegion. The single goal, she states, is to raise Ukraine’s position in the human development rating, adding, “Ukraine’s economic growth is not possible without strong hromadas.” The priority for the ministry is for Ukrainians to have a decent life.

COMMITTED TO EUROPEAN VALUES

Commitment to Europe remains strong in this field. “The administrative order will continue to correspond to the European division of territorial units,” said Alyona Babak. Likewise, the overarching framework for carrying out the reform is still the same it was five years ago. “Ukraine remains committed to its strategic goal of European integration. The main aim is to implement reforms, including performance of agreements within the framework of the Association Agreement with the EU,” the minister adds.

Ukraine and Europe will continue their cooperation in implementing the decentralisation reform.

COOPERATION WITH THE EU AND U-LEAD

In first talks after her appointment with representatives of Germany and U-LEAD with Europe in Kyiv, Babak met Anka Feldhusen, German Ambassador to Ukraine, Georg Milbradt, Special Envoy of the Government of Germany, and Bastian Veigel, GIZ Programme Director of U-LEAD with Europe. She thanked the German government and U-LEAD for their comprehensive support to the reform of local self-government and territorial organisation of power in Ukraine. “We expect strong expert support,” she concluded.
As far back as the late 15th century, 124 cities in Ukraine introduced the Magdeburg rights, today considered the building block of modern Europe. Regulating the degree of internal autonomy within cities and villages, the rights or charters enabled citizens to live in liberty and self-determination in the context of municipal self-government.

"Local authorities are one of the main foundations of any democratic regime," reads the prelude to the European Charter of Local Self-Government. Ukraine became a signatory to this charter in 1997. The pledge to building democracy through local self-government (LSG) is based on the principle that powers should be exercised as close to the citizens as possible.

"Back to the Future", therefore, is a suitable slogan for the ambitions of Ukraine's reform efforts to strengthening LSG through the ongoing territorial and decentralisation reforms granting new responsibilities and resources to amalgamated hromadas (AHs). It is these reforms that are reviving the idea of Magdeburg and striving to live up to the requirements prescribed in the charter.

While much has been achieved since 2014, a great deal of action is still needed to empower AHs to become true local self-government bodies. In line with the European Charter, LSG involves the right of local authorities to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population, within the limits of law.

For AHs to make use of this right, it is essential to provide for the necessary enabling environment. A critical element to empowerment is building a public financial system where resources match the scope of functions and responsibilities accorded to AHs. AHs as local self-government bodies should be entitled to financial resources of their own, of which they can dispose freely within the framework of their powers. This degree of autonomy allows AHs to be more flexible in their response to priorities and needs of their local population and to fulfill their tasks more efficiently and effectively. As much as possible, grants to local authorities should thus not be earmarked for specific projects.

So, how far are AHs on their journey into the future of LSG, particularly when it comes to managing their expenditures and revenues at the local level? Drawing on the results of the first round of public financial management assessment in AHs conducted by U-LEAD with Europe, the feature in this edition of the U-LEAD with Europe Dynamics newsletter provides valuable insights. The pilot assessments shed light on the state-of-play of AHs' financial management capacities, which are still limited, and discuss key recommendations for the Ukrainian government to improve the current financial system to empower local governments and live up to the requirements of the European Charters.

On the way “back to the future”, it is especially important to be guided by the key principle ‘funds follow functions’ when assessing and assigning financial powers of the local level.

U-LEAD IN THE SPOTLIGHT

KYIV

OLYMPIAN HROMADA CONFERENCE

Alyona Babak from the Ministry of Development of Communities and Territories of Ukraine, the Union of Ukrainian Entrepreneurs, the Civil Society Institute, Partnership for Every Child, the European Centre for Minority Issues and the Association of Volunteer Fire Brigades of Republic of Poland were but a handful of the partners to join U-LEAD with Europe for the HROMADA FOR EVERYONE conference at the NSC “Olimpiyskiy” conference centre in Kyiv. The conference showcased the results of the support U-LEAD with Europe provided with partners between 2018 and 2019 for improving municipal services and overall development potential in amalgamated hromadas. The panels, presentations, talks and roundtables covered topics like providing quality services for everyone in hromadas, developing new social services, mentoring AHs and schools for systemic changes, diversity management for socio-economic development and rural-urban partnerships.

KYIV

TREMBITA IMPLEMENTATION MOVING FORWARD

33 executive agencies have signed agreements on connecting to the Trembita system for interoperability between local self-government bodies, seven of which have already been connected. Two authorities are already interacting, the National Health Service of Ukraine and the State Drugs and Drug Control Service. It lets them check the legality of receiving compensation from the state budget for medicines dispensed to citizens as part of the programme for affordable medicines.

UKRAINE

VIDEOS FOR EFFECTIVE MANAGEMENT

"Writers concentrate on writing, artists on painting, but a head of a hromada needs to look at everything. From all sides and all angles", said Savchuk Yaroslav Bohdanovych, head of Korshivska amalgamated hromada in Ivano-Frankivsk Oblast recently. He had been taking part in a day of discussion with a dozen other heads from Chernivsti, Ternopil and Ivano-Frankivsk Oblasts during a Steps for Leaders workshop on strategic management. Accompanying the workshop, U-LEAD recently published a new video on setting a clear direction in amalgamated hromadas. Short as it may be, the small clip presents the bigger picture of problems hromada heads may face and how to put strategies into practice with the right concepts and tools. To see effective management come alive in image and text, the new video on strategic management is on the U-LEAD with Europe YouTube channel now.

UKRAINE

FIRST ASCS OF ROLL-OUT PHASE OPENED

New ASCs were opened in the Mamavivtsi AH in Chernivtsi Oblast, Popilnya AH in Zhytomyr Oblast, Merefa AH in Kharkiv Oblast, and the city of Chasiv Yar in Donetsk Oblast. ASCs have been provided with modern furniture, IT equipment, as well as a programme complex “Vulyk” with the support of U-LEAD. The Programme has also completed support of three other hromadas: Sokolivka AH in Kirovograd region, Shpola AH in Cherkasy region and Romny in Sumy Oblast. All hromadas received institutional support for the establishment and modernization of the ASCs, and the centres’ staff completed five-module training courses. All ASCs are accessible to people with disabilities and are equipped with children’s corners.

UKRAINE

VIDEO LECTURES ON HOW TO ESTABLISH AN ASC IN THE AH

The team of the U-LEAD with Europe’s Support to Improved Administrative Service Delivery has launched a series of video lectures on YouTube on how to establish a well-functioning ASC in the hromada. The topic of the first lecture is “What is a well-functioning ASC?” Viktor Tymoshchuk, the Programme’s chief expert on administrative services explains the most important aspects of a well-functioning Administrative Service Centre, its peculiarities, services to be provided, benefits of the ASC establishment in the hromada, and debunks the most common myths about provision of services in the ASCs. Together with the Manuals developed by the U-LEAD experts, video lectures will help the hromadas to establish a well-functioning system of high-quality service delivery to the residents.
Money is the lifeblood of the amalgamated hromada (AH). But money alone does not keep an AH alive. Funds must follow functions. If local self-government (LSG) responsibilities are not matched with an adequate budget, local public service delivery can be weakened. Moreover, if AHs cannot manage their own finances, the principle of LSG and closeness to the citizen is no longer given.

To be successful, AHs need the means and capacity to manage finances. Higher income may translate to better quality and quantity of services for citizens, but does not always mean better financial management. Heads of AHs need a structured approach towards municipal finances to fulfil legal obligations and reach ambitions. One aspect of U-LEAD with Europe support to AHs is to understand where more capacity is needed locally. Between November 2018 and March 2019, U-LEAD with Europe supported by the regional municipal finance service conducted public financial management (PFM) assessments to understand the state-of-play of AH financial management capacities, identify good practices and challenges, and define common problems for addressing nationally. The survey analysed ten AHs from five oblasts to draft an action plan with practical recommendations for AH managers.

DIFFERENT HROMADAS, SIMILAR CHALLENGES

The AHs are different sizes, economies, geographies, histories and cultures. In practice, they face similar challenges and difficulties. Besides the lack of capacity, the unclear national legislation and rapid changes in the fiscal and political environment pose challenges. AHs often fail to live up to their full potential due to uncertainty of future budget allocation, the lack of regulation, lack of local autonomy in the freedom to manage their own financial resources and difficulties in collecting a share of own revenues. The next step must be to transform local self-government to reform processes and more multi-level dialogue. Local conditions and challenges need to be taken into account as a basis for informed policy making.

EXPOSING LOCAL REALITIES AND DIFFERENCES

The system of local taxes and fees illustrates this need. De jure, responsibility for collecting revenues is generally low. Hromadas can only collect four individual revenue sources, where they can influence tax revenue by controlling the tax rate. These include the single tax, property tax, tourist fee and parking fee. Local revenues that the AHs can levy directly, like the single tax, property tax, tourist fee and parking fee, are not always collected and seldom needed in practice.

In the AHs surveyed, parking fees totalled zero, as villages or small towns rarely collect them. This example underlines the need for awareness of local realities. The type of revenue, the amount of revenue – both local taxes and non-tax revenues – and mechanisms for managing revenues need to be considered comprehensively in the legislative and budgetary framework to increase financial capacity of municipalities and grant enough flexibility.

REINFORCING MULTI-LEVEL COORDINATION AND COOPERATION BETWEEN LOCAL AND NATIONAL

The survey also found AH financial specialists and the State Fiscal Service need more coordination and cooperation, to improve the ability to govern local taxes and fees. Local governments need objective information about local taxpayers and fees, their tax obligations and proper control over these taxes and fees. All of the AHs assessed struggle with managing Personal Income Tax (PIT) from legal entities. Even if some companies work in AHs, they pay taxes where their head offices are registered in the cities. Budget and tax legislation need to increase involvement of local government in the administration of local taxes and fees and to regulate relationships with fiscal authorities.

EAGER AND MOTIVATED

“All assessed hromadas were eager and motivated to learn about shortcomings and receive recommendations on how to improve their financial management,” says U-LEAD with Europe Local Government Finance Advisor Yuliia Sybirianska. The AHs were quick to react to problems, manage issues and ready to rethink approaches. Capacity is needed in methodology and practical experience in budget planning and execution, accounting and financial oversight. Support measures to AHs by U-LEAD with Europe, including Steps for Leaders workshops in municipal finance, address these issues. In early September, five AHs from the assessment also joined a study tour to Germany in local finances and the history of local self-government.

WHAT NEXT?

The AHs all received an in-depth report with results. U-LEAD with Europe supported by the regional municipal finance adviser will follow up with direct assistance in adopting the recommendations. A summary of the assessment will be published on the decentralisation.gov.ua website in October 2019. See the website or the U-LEAD with Europe Facebook page for updates.
ANASTASIIA YERMOSHENKO
PROJECT MANAGER OF NIRAS SWEDEN AB, U-LEAD WITH EUROPE’S SUPPORT TO IMPROVED ADMINISTRATIVE SERVICE DELIVERY

QUALITY ADMINISTRATIVE SERVICES IS ONE OF THE CRITERIA FOR SUCCESSFUL AND EFFECTIVE WORK IN LOCAL AUTHORITIES

What is the progress of institutional support provided in the hromadas for the establishment of the ASC?

As of the beginning of September we have fully completed the institutional support for 28 hromadas. As for training of employees, 91 hromadas have completed all five training modules, and another 5 hromadas have completed almost half of the training course. Based on the results of three rounds, nearly 8,000 employees of future ASCs and local self-government representatives will undergo the training course.

Of course, there are many difficulties and nuances in the arrangement of the institutional support. SKL International colleagues help us very much in this matter – they have developed and constantly update various methodological materials, and we often turn to them for help and clarifications. Most often, this is a matter of cooperation between the hromadas and the establishment of joint ASCs.

Within the Roll-Out Phase, the work is organised in such a way that the hromadas renovate the premises at their own expense. Co-funding is one of the key conditions for participation in the Programme. We provide mainly IT equipment and furniture. Each procurement takes place through a tender. The volumes are huge, so we practice trial purchases for a small number of hromadas using a simplified procedure and then extend the process to all hromadas within one round.

As of mid-September, we completed the supply of furniture and equipment to the hromadas involved in the first round by 15%. Physical assistance is provided as follows: first the furniture and signs, then the equipment and software, and the last stage is installation of the information system “Vulyk” in the ASCs.

Based on the results of three out of four rounds, we supply and install over 30,000 pieces of furniture and 37,000 pieces of equipment in almost 500 hromadas across Ukraine. The EGOV4UKRAINE team installs the “Vulyk” information system to automate the work of more than 3,000 employees of ASCs and remote work places.

Yes, it’s incredibly inspiring. Moreover, it is only the top of the iceberg. We try to work comprehensively and address the matters of gender equality, ecological efficiency and corruption risks with the hromadas. Our Programme (U-LEAD with Europe) is built so that the assistance received by the hromadas lies not only in the formation of a proper system of public service delivery at sites, but also involves many valuable aspects, a sort of intangible investments that affect the hromada’s development and its growth potential. This approach yields very good results.

Which volumes are we talking about?

We have seen the figures. Establishing ASCs in the hromadas from rounds 1-3 will make quality administrative services accessible to five million people. Every second citizen in Ukrainian AHs will benefit from your activity. This is impressive.

Questions prepared by: U-LEAD with Europe Support to Improved Administrative Service Delivery, Communications Team.
In the photo sharing app Instagram, almost 5,000 images bear the hashtag “klevan”. Look up “tunnel of love”, and many of the 35,000 images for the search show a railway tunnel in different hues of lush green. The Tunnel of Love in the amalgamated hromada of Klevanska in Rivne Oblast is a draw for tourists and influencers from Ukraine and abroad. The AH behind this success is a case in point of how sound strategic and financial management can turn a municipality into more than a romantic backdrop.

LOCOMOTIVE FOR DEVELOPMENT

The tunnel has, of course, been attracting visitors before the country’s decentralisation reform and guarantees a steady income. No surprise that today’s hromada leadership went to lengths to assess the value of amalgamating with the neighbouring village of Orzhiv. The two councils give back to the oblast. As hromada head, Dmytro Zhovtyanskyi, explains, however, “We weighed the pros and cons and calculated in detail at what expense the new status as an AH would come.” It was the option of being able to manage finances by themselves that was as appealing and luring as the tunnel is to tourists.

Zhovtyanskyi and his team were able to calculate how much revenue they could rely upon. “We knew we will live at the expense of our own funds, almost without a ‘carrot’ from the state,” he says. In their case, the main ‘carrot’ was the 60% of personal income tax now in the local treasury since switching to interbudgetary relations at the beginning of 2018. “It beats what we had before,” he adds. While money may be the lifeblood for AHs, managing cashflow for local economic development is a cardio exercise for a municipality.

LIGHT AT BOTH ENDS OF THE TUNNEL

It’s one thing for tourists to come and pay money to see a sight. It’s another thing for them to stay and pay more for the pleasure. The strategic task following amalgamation in October 2017 was to create favourable conditions for investors. Following the amalgamation of the two councils of Klevan and Orzhiv, representatives took part in support measures by U-LEAD with Europe, including Steps for Specialist workshops in medium-term budget planning, seminars in involving citizens in hromada management, and writing regional development projects.

The council allocated the funds to build car park facilities near the tunnel, a playground and shopping stalls. With a better quality of service and hospitality, more are now coming, with peak months counting tens of thousands of visitors. They can even charge a small fee of two hryvnias for parking. The funds are spent on waste disposal and maintaining the tunnel, the village’s calling card.

ON THE RIGHT SIDE OF THE TRACKS

“It is as if one plus one equals three,” says Dmytro Zhovtyanskyi. It isn’t just the head that holds this view. “Klevan is a place you want to live,” says Nati, a local resident, referring to the number shops the village has. An entrepreneurial spirit has gripped the municipality.

To encourage business owners, the council dropped single taxes from 20% to 15%. Now, five hundred companies operate in a municipality of a little under 12,000 population. With this much activity, there are also jobs for youth too. As Nati adds, she works as a ‘seamstress, sewing bags for a private company. My husband produces furniture. What’s the reason to move abroad?’
PHOTOGRAPHY CONTEST WINNERS
BREAKING STEREOTYPES TO SHOW
STRONG WOMEN IN THEIR HROMADAS

The All-Ukrainian “Breaking Stereotypes - Strong Women of My Hromada” photo contest held by U-LEAD with Europe explores, defines and raises awareness of the roles women play in their communities. The jury received over 700 photos that capture countless moments of how modern women accept challenges in Ukraine. These winning entries showed the greatest potential for forming new role models to empower women, especially younger generations and young women who take an active part in their economic, political, cultural and social environment.

The photo shows Dasha, a famous singer in her amalgamated hromada. A young female artist with a bright future ahead of her. After graduating from school in 2019 she is taking her first steps towards adulthood. The photo was taken in Zelenyy Pid in Kherson Oblast, especially for the competition.

The jury voted this picture winner as the portrait shows strength is not purely physical. It comes from within and manifests itself in what women think, how they process ideas and what they turn into action. Like angel's wings, Dasha's muscular arms are symbols of the strength she shares with other women.
The Way to Victory. In 2011, the Ukrainian women's football team playing Hungary and winning. The photo shows Alina Horobets, the Ukrainian team's leading striker and female football world champion in 2009.

Ukraine's female footballers have been bending it like Beckham both at home and on the international stage for some years. This image sends a powerful message. This is one match that makes men quiver in their boots!
Lidiya Mugii is a Mariupol-based activist and former member of the Executive Committee. She does a lot for female activism in her hometown. The image shows her attending a session of the city council.

In Ukraine, women make up over half the population but only represent a fifth of the country's parliament. The jury felt this image of Lidiya Mugii conveys the idea that women need to do things for themselves to break with stereotypes and gender inequality in affairs of the state.
We, the representatives of the European Union, are very interested in the decentralisation reform in Ukraine. We know that Zaporizhzhia Oblast is one of the most advanced in terms of amalgamation process. Today, I visited the Regional Centre of U-LEAD with Europe in Zaporizhzhia and met starostas from amalgamated hromadas. Yesterday, I attended the opening of the Central District Hospital Policlinic in Prymosr. This is also one part of rebuilding Ukraine that goes hand in hand with our support to the health sector reform.

Annika Weidemann
Deputy Head of the EU Delegation in Ukraine

Due to cooperation with the Programme, our hromada established a modern and comfortable administrative service centre, where residents will be able to receive high-quality services in a convenient way. Moreover, training sessions from Programme experts helped the ASC personnel to improve their skills and learn about the best practices in the area of administrative services. I am sure that our hromada will show great results and we will continue our fruitful cooperation with the partners.

Oleh Mozharivskyi
Head of Popilnia AH, Zhytomyr Oblast

The ASC in Merefa is a great example of cooperation between our international partners, the U-LEAD with Europe Programme, the Government, the Ministry of Social Policy and local authorities for the benefit of hromada residents. We are grateful to all partners for their contribution to the development of our region and hope that in the future even more residents of the region will receive high-quality administrative services. Therefore, we will continue our work on the development of the network of modern ASCs and on the extension of services they provide.

Yulia Svitlychna
Head of Kharkiv Regional State Administration

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