

DOMESTIC AND INTERNATIONAL DIMENSIONS OF UKRAINE'S DECENTRALIZATION: KYIV'S LOCAL GOVERNANCE REFORM AND POST-SOVIET DEMOCRATIZATION

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Abstract: This article examines Ukraine's decentralization in 2014-21 in light of Russia's initially hybrid war against Ukraine and the full-fledged military invasion since February 2022. While not a panacea for the social defects that have undermined Ukrainian political and economic development since independence, Ukraine's local governance reform has improved the capacity of public authorities to deliver basic services; increased Ukraine's cohesion and resilience; and supported the country's ongoing Europeanization. Its cross-border diffusion potential makes the Ukrainian reform relevant for democratizing transitions in other states both within and beyond the post-communist space.

In spite of Russia's start of a full-scale war of annihilation against Ukraine on February 24, 2022, the country has managed to survive both as a state

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and as a nation. There are several reasons for high Ukrainian resilience vis-à-vis the massive Russian assault.¹ Among the socio-political determinants of Ukraine's unexpected organizational capacity is the country's deep transformation during and since the so-called Revolution of Dignity of 2013-2014.²

The apparently substantive revolutionary and post-revolutionary changes were not confined to the much-vaunted Ukrainian civil society.³ The events of 2022 showed that long-term Western support for Ukrainian democratic state-building had not been for nothing.⁴ Indeed, as the country's staunch resistance against Russia's ruthless attack has demonstrated, the Ukrainian national and sub-national administrative system is better than its foreign and domestic reputation would (at least until recently) have suggested.⁵ Though it has gone largely unnoticed in the West, Ukraine's local governance reform has been one of the most consequential transformations in the country since the 2014 Euromaidan uprising. It has helped to increase Ukrainian social, economic, and even military resilience.^{6,7}

¹ Anton Oleinik. 2018. *Building Ukraine from Within: A Sociological, Institutional, and Economic Analysis of a Nation-State in the Making*. Stuttgart: *ibidem*-Verlag; Jakob Hedenskog. 2023. "Explaining Ukrainian Resilience." *SCEEUS Report Series on Ukrainian Domestic Affairs* 2 (April 5), At <https://sceeus.se/en/publications/explaining-ukrainian-resilience/>.

² Olga Bertelsen, ed. 2018. *Revolution and War in Contemporary Ukraine: The Challenge of Change*. Stuttgart: *ibidem*-Verlag; Mychailo Wynnyckyj. 2019. *Ukraine's Maidan, Russia's War: A Chronicle and Analysis of the Revolution of Dignity*. Stuttgart: *ibidem*-Verlag.

³ See, for example, Natalia Shapovalova and Olga Burlyuk, eds. 2018. *Civil Society in Post-Euromaidan Ukraine: From Revolution to Consolidation*. Stuttgart: *ibidem*-Verlag.

⁴ Oksana Myshlovska. 2015. "Democratising Ukraine by Promoting Decentralisation? A Study of Swiss-Ukraine Cooperation." *International Development Policy Working Papers* (May 4), At <http://journals.openedition.org/poldev/2010>; Duncan Leitch. 2019. *Assisting Reform in Post-Communist Ukraine 2000–2012: The Illusions of Donors and the Disillusion of Beneficiaries*. Stuttgart: *ibidem*-Verlag.

⁵ Marian Madela. 2018. *Der Reformprozess in der Ukraine 2014-2017: Eine Fallstudie zur Reform der öffentlichen Verwaltung* [The Reform Process in Ukraine 2014-17: A Case Study of the Reform of Public Administration]. Stuttgart: *ibidem*-Verlag.

⁶ Among the first analyses published in Germany were Ruben Werchan. 2015. "Dezentralisierung: Der Weg zu einer effizienteren Regierung, Wirtschaftswachstum und dem Erhalt der territorialen Integrität?" [Decentralization: The Path to a More Efficient Government, Economic Growth and Preservation of Territorial Integrity?]. In Evgeniya Bakalova *et al.*, eds., *Ukraine – Krisen – Perspektiven: Interdisziplinäre Betrachtungen eines Landes im Umbruch* [Ukraine – Crises – Perspectives: Interdisciplinary Observations of a Country in Change]. Berlin: WVB, 187-212; and Natalia Shapovalova. 2015. "Mühen der Ebenen: Dezentralisierung in der Ukraine" [Efforts of the Planes: Decentralization in Ukraine]. *Osteuropa* 65: 4: 143-152.

⁷ Among early seminal Ukrainian-language surveys were Anatolii Tkachuk. 2013. *Derzhavna rehionalna polityka: Vid asymetrii do solidarnosti (robochy zoshyt)* [State Regional Policy: from Asymmetry to Solidarity (Working Paper)]. Kyiv: Lehalnyi status; Yuriy Hanushchak. 2015. *Reforma terytorial'noi orhanizatsii vlady* [Reform of the Territorial Organization of Power], 3rd ed. Kyiv: DESPRO; Anatolii Tkachuk. 2014. *Pro detsentralizatsiiu, federalizatsiiu, separatystiv ta ul'tymatymy: zapytannia ta vidpovidi* [Regarding Decentralization, Federalization, Separatists and Ultimatums: Questions and Answers]. Kyiv: Lehalnyi status.

The rearrangement of political power and public finances within the Ukrainian state over the last nine years is often simply labelled “decentralization.”⁸ This unpretentious label, the largely technical character of the reform, and the provincial locus of the transition have meant that this remake of Ukrainian state-society relations has remained below the radar of many Western journalists and analysts.⁹ Yet such inattention is unjustified: Ukraine’s decentralization is not only domestically significant,¹⁰ but also has repercussions for the geopolitics of Eastern Europe at large.¹¹

In the first part of the article, we explain how the 2014-21 decentralization efforts changed center-periphery relations in Ukraine. The primary objective of Ukraine’s local governance reform was to improve municipalities’ capacity to provide basic services to their populations. Yet, as we illustrate, the implications of this transition go beyond public service delivery. Prior to the reform, the key actors in Ukraine’s center-periphery relations were centrally appointed regional executives. By contrast, the local amalgamation policy empowered democratically elected politicians on the municipal level, a change underpinned by fiscal decentralization that changed the distribution of finances and responsibilities across regional, subregional, and local authorities. These institutional and fiscal rearrangements reduced the authority of regional and subregional executives over local authorities and connected newly amalgamated territorial communities (ATCs) more closely to the center.

In the second part, we explore various domestic and international dimensions of Ukraine’s local governance reform. These include decentralization’s effects on the general resilience, internal cohesion, and Europeanization of the Ukrainian state, as well as its potential role as a template for reform for other countries in the post-Soviet space and beyond. Ukraine’s decentralization has geopolitical implications insofar as it will influence future stability and change not only in Ukraine, but also in other parts of the post-communist world.

⁸ Balazs Jarabik and Yulia Yesmukhanova. 2017. *Ukraine’s Slow Struggle for Decentralization*, At carnegieendowment.org/2017/03/08/ukraine-s-slow-struggle-for-decentralization-pub-68219.

⁹ Maryna Rabinovych, Anthony Levitas, and Andreas Umland. 2018. “Revisiting Decentralization After Maidan: Achievements and Challenges of Ukraine’s Local Governance Reform.” *Kennan Cable* 34, At www.wilsoncenter.org/publication/kennan-cable-no-34-revisiting-decentralization-after-maidan-achievements-and-challenges.

¹⁰ Jurij Hanuschtschak, Oleksij Sydortschuk, and Andreas Umland. 2017. “Die ukrainische Dezentralisierungsreform nach der Euromajdan-Revolution 2014–2017: Vorgeschichte, Erfolge, Hindernisse” [The Ukrainian Decentralization Reform after the Euromaidan Revolution 2014-2017: Pre-History, Successes, Barriers]. *Ukraine-Analysen* 18: 2–11.

¹¹ Valentyna Romanova and Andreas Umland. 2019. “Decentralising Ukraine: Geopolitical Implications.” *Survival* 61: 5: 99–112.

Why and How Decentralization Began

The government launched the decentralization reform in the fateful month of April 2014. At that time, Ukraine was facing the new challenge of Russian hybrid warfare: Russia had just annexed Ukraine's Autonomous Republic of Crimea, as well as Sevastopol, and was starting to trigger a pseudo-civil war in the Donets Basin (Donbas).¹² Notwithstanding this contravention of Ukraine's territorial integrity, the policymakers who came to office as a result of the Euromaidan used the post-revolutionary window of opportunity to introduce various domestic reforms—among them decentralization. As a result, after 25 years of inconclusive attempts to reset center-periphery relations, Kyiv moved quickly from the declaration of decentralization to implementation and concrete policymaking.¹³

Ukraine's eagerness to finally commence a genuine devolution of power to the local level following the Revolution of Dignity reflected, at least in part, many politicians' desire to prevent federalization.¹⁴ Remaking Ukraine into a federation was then—and to some degree still is—a popular idea among actors in both Russia and the West.¹⁵ These foreign advisors have, of course, very different motives for promoting the empowerment of Ukrainian regions rather than municipalities.¹⁶ For its part, Moscow sees federalization as an instrument for weakening, subverting, or even decomposing the Ukrainian state. Many in the West, in contrast, believe that a Ukrainian federation would function as well as those of the US, Germany, or Switzerland. The latter federations, however, enjoy the luxury of not having long borders with an irredentist would-be empire. Not that most Ukrainians would formulate their concern in precisely these terms—their categorical rejection of federalization is driven mainly by Ukraine's historical experience of the Russian Empire, the Soviet Union, and Putin's Russia, as well as an awareness of what “federalism” means within the Russian Federation today.

Two weeks after Russia illegally annexed Crimea and a few

¹² Jakob Hauter. 2023. *Russia's Overlooked Invasion: The Causes of the 2014 Outbreak of War in Ukraine's Donbas*. Stuttgart: *ibidem*-Verlag.

¹³ Valentyna Romanova and Andreas Umland. 2019. “Ukraine's Decentralization Reforms Since 2014: Initial Achievements and Future Challenges.” *Chatham House Research Paper* (September), At www.chathamhouse.org/sites/default/files/2019-09-24-UkraineDecentralization.pdf.

¹⁴ Jørn Holm-Hansen and Sabine Kropp. 2021. “The Regional Diversity of Ukraine: Can Federalization Be Achieved?” In Aadne Asland and Sabine Kropp, eds., *The Accommodation of Regional and Ethno-Cultural Diversity in Ukraine*. Basingstoke: Palgrave Macmillan, 23-53.

¹⁵ Mykola Rjabčuk. 2014. “Dezentralisierung und Subsidiarität: Wider die Föderalisierung à la russe” [Decentralization and Subsidiarity: Against Federalization a la Russe]. *Osteuropa* 64: 5-6: 217-225.

¹⁶ Marguerite Marlin. 2016. “Concepts of ‘Decentralization’ and ‘Federalization’ in Ukraine: Political Signifiers or Distinct Constitutionalist Approaches for Devolutionary Federalism?” *Nationalism and Ethnic Politics* 22: 3: 278-299.

days before the Kremlin-guided pseudo-civil war in the Donbas began, the post-Euromaidan interim government published, on April 1, 2014, a so-called “Concept of Reforming Local Self-Government and the Territorial Division of Power.” This seminal document outlined an ambitious reform agenda. Initially, it included three core objectives. First, it aimed to strengthen local self-governance by amalgamating weak municipalities into larger territorial communities that would be better able to provide basic public services and foster local development. Second, the reformers planned to restructure the territorial division of the state: at the local level, via community amalgamation, and at the subregional level, as a result of merging rayons. Third, they intended to strengthen regional and subregional self-government by granting both levels the constitutional right to establish their own executive committees.

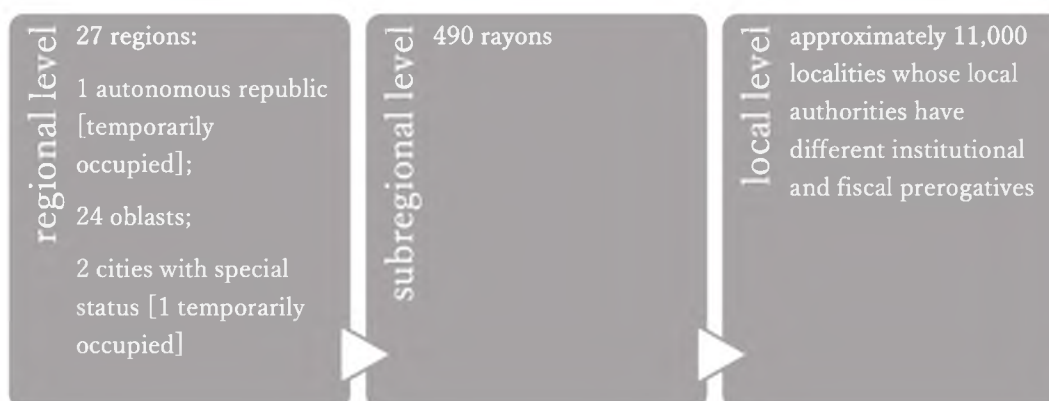
Prior to Russia’s full-scale invasion into Ukraine in 2022, two of these three policy objectives had been achieved. Local amalgamation was completed within six years. Approximately 11,000 localities were—partly voluntarily—amalgamated into 1,469 ATCs. After local amalgamation was concluded in June 2020, Ukraine merged its hitherto 490 rayons into 136 larger rayons in July 2020. Neither of these profound changes required amending the Constitution. In contrast, the third policy objective would require constitutional reform; it remains incomplete.

Why Ukraine’s Decentralization Has Been Overlooked

In addition to those discussed above, there are arguably two more reasons why Ukraine’s decentralization has not drawn greater foreign attention. First, following the decentralization reform, Ukraine continues to have three administrative-territorial tiers: regional, subregional, and local (see Figures 1 and 2). The regional tier, moreover, has not been subject to reform. In line with the 1996 Constitution, there remains one asymmetric entity, the Autonomous Republic of Crimea (ARC). In addition to the ARC, there are 24 oblasts and two cities with special status—Kyiv, the capital of Ukraine, and Sevastopol, located in Crimea.

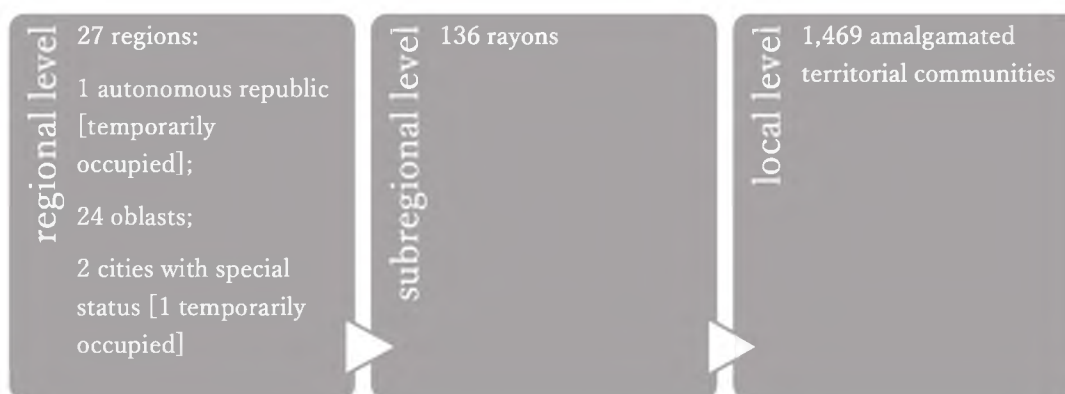
The upper subregional tier changed radically when 490 smaller rayons were merged into 136 big rayons. It proved easier to rearrange the geographical composition of these districts, however, than to change the terms of their functioning. A far more substantive rearrangement occurred in the local administrative-territorial tier as a result of community amalgamation. The earlier types of localities—cities, towns, villages, and settlements, which used to have different templates of subordination to superior substate authorities—became parts of ATCs. Before the reform, the 187 so-called “cities of oblast significance” were set apart by the fact that they were not subordinated to the rayons. Most of these differences vanished with the emergence of ATCs with similar prerogatives.

Figure 1. Ukraine's Administrative-Territorial Tiers before Amalgamation



Source: Compiled by the authors.

Figure 2. Ukraine's Administrative-Territorial Tiers after the Amalgamation Reform in 2020



Source: Compiled by the authors.

Second, the decentralization reform did not significantly change the composition of the regional and subregional authorities. This was in contrast to the ATCs, where the amalgamation affected local authorities and reduced the number of municipal councils in Ukraine. Once two or more smaller communities had merged into one ATC, its residents elected a new mayor and/or local council representing the interests of the newly amalgamated unit.

The composition of the executive committees of local councils also changed. In Ukraine, only bodies of *self-government*— i.e., elected mayors and councils—operate at the municipal level. The mayors (a) suggest candidates for local councils' executive committees; (b) chair these executive committees; and (c) can veto the decisions of councils and their executive committees. Executive committees are accountable to local councils with respect to matters of municipal governance. Regional and subregional executives, who are appointed by the president of Ukraine,

continue to have the right to supervise executive committees on their levels and ensure that they are fulfilling the duties that the state has delegated to them.

Once an ATC had been established, voters residing outside the ATC's administrative center were, according to the initial reform plan, supposed to directly elect so-called *starostas* (elders) of their villages and settlements. These elders were supposed to join the ATC's executive committee. However, during the 2020 local elections, there were no direct elections of *starostas*. Instead, each newly elected local council appointed *starostas* at the suggestion of its mayor.

Nevertheless, local democracy has been a big winner from the decentralization reform. First and foremost, in 2015-19, community amalgamation was initially voluntary. Although the procedure included some top-down components, local authorities and active residents of the involved communities participated in—often heated—debates regarding the design of potential ATCs.¹⁷ The amalgamation process concluded with local snap elections following the legal establishment of an ATC. Last but not least, participatory budgeting was introduced at the local level in 2015. As a result, residents of an increasing number of municipalities could involve themselves in their local authorities' decision-making regarding the usage of public funds.

In contrast, the composition of regional and subregional governmental structures—i.e., directly elected councils and centrally appointed executives—has remained unchanged. Regional executives implement both the central government's decisions relating to the subnational level and the decisions made by their regional councils. The responsibilities of regional and subregional executives thus remain blurred. As “(self) governments[,] the character of oblasts and rayons [has continued to be] compromised by the national government appointment of their governors.”¹⁸

This duality has been a core issue of most attempts to reform center-periphery relations in Ukraine since independence. “A specific feature of the local reforms in Ukraine [has been] the status of regional and district [i.e., rayon] authorities, which have been repeatedly municipalized in times of decentralization and stratified in times of centralization.”¹⁹ To date, centrally appointed regional and subregional administrative bodies

¹⁷ Lily Salloum Lindegaard and Neil Webster. 2018. *Decentralization in Ukraine: Supporting Political Stability by Strengthening Local Government*, At https://pure.diiis.dk/ws/files/2543996/DIIS_Report_07_Ukraine_WEB.pdf.

¹⁸ Tony Levitas and Jasmina Djikic. 2017. *Caught Mid-Stream: “Decentralization,” Local Government Finance Reform, and the Restructuring of Ukraine's Public Sector 2014 to 2016*, At <http://sklinternational.org.ua/wp-content/uploads/2017/10/UkraineCaughtMid-Stream-ENG-FINAL-06.10.2017.pdf>, 4.

¹⁹ Kimitaka Matsuzato. 2000. “Local Reforms in Ukraine 1990–1998: Elite and Institutions.” In Osamu Ieda, ed., *The Emerging Local Governments in Eastern Europe and Russia: Historical and Post-Communist Development*. Hiroshima: Keisuisha, 45.

continue to act as executive committees of directly elected councils; directly elected councils do not have the constitutional right to establish their own executive bodies.

Changing Ukraine's Center-Periphery Relations without Constitutional Reform

Although Ukraine's governance reform did not alter regional executives' dual responsibility to the center and to the elected councils, it changed their prerogatives. Prior to fiscal decentralization, which began in 2014, "most municipal budgets, i.e., those of cities of rayon significance, towns, villages and rural settlements, [were] not individualised in the national accounts but managed according to the traditional matrioshka budgetary model and embedded in their rayon's budgets, on which they depend[ed] for allocations."²⁰ The fiscal rules implied that the center determined budget allocations and then passed funding to regions.

Regional executives determined further distribution of budget allocations among subordinate subnational authorities. "[T]he regional budget would act as an intermediary between the state and the city budget when allocating subventions."²¹ Local budgets, apart from those of the so-called "cities of oblast significance," were "embedded in their rayon's budgets."²² As regional governors were responsible for the distribution of financial resources across substate budgets in a given region and because this process required bargaining, their subnational authority was strong. Regional executives were in charge of implementing centrally determined policies in a given region, while subregional authorities focused on local public service provision.

These fiscal and institutional rules prompted regional executives to become chief vote-mobilizers during elections for the benefit of their main superior: the President and/or the presidential party. Although they could theoretically mobilize electorates by improving public service provision in a given region, many regional executives opted for a more expedient alternative: they employed so-called "administrative resources" to put pressure on their subordinates and exploited their bargaining advantage when cooperating with regional interest groups represented in regional councils.²³ Such were the means and aims of transforming regional executives into

²⁰ OECD. 2018. *Maintaining the Momentum of Decentralization in Ukraine*, At www.oecd.org/countries/ukraine/maintaining-the-momentum-of-decentralization-in-ukraine-9789264301436-en.htm, 178.

²¹ Daria Platonova. 2020. "Local Elites and the Donbas Conflict: A Comparative Case Study of Kharkiv City and Donets'k Region." PhD diss., King's College London, 149.

²² OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 178.

²³ Kimitaka Matsuzato. 2001. "All Kuchma's Men: The Reshuffling of Ukrainian Governors and the Presidential Election of 1999." *Post-Soviet Geography and Economics* 42: 6: 416–439.

leading political actors at sub-state level.

When the reformers launched decentralization in 2014, however, their intent was not primarily to undermine the power of regional executives. Rather, their goal was to address the deficiencies of subnational public service provision.²⁴ To that end, the center delegated tasks and prerogatives from the regional and subregional authorities to the newly amalgamated territorial communities (ATCs). Schooling, provision of administrative services, and social protection were among the most important responsibilities devolved to the ATCs. In particular, primary and secondary education became the chief responsibility of the local authorities in the ATCs. In addition, local councils were entitled to provide administrative services in ATCs and, thus, to funnel administrative fees into local budgets. Step by step, the government has been decentralizing provision of social services.

Apart from broadening ATCs' delegated responsibilities, the government granted them property rights on land between the administrative boundaries of those municipalities that comprised an ATC. This measure simplified urban planning, increased ownership as well as responsibility, and helped foster local development.

To enable ATCs to cope with their new responsibilities, in December 2014 the government rearranged fiscal relations by introducing changes to the tax and budget codes. ATCs received their own local budgets, which were assigned significant shares of taxes, most notably 60% of the Personal Income Tax (PIT). Prior to 2014, only the so-called "cities of oblast significance" had been allocated this relatively high share of the PIT; ordinary local budgets had received only 25%. Their higher share of the PIT had enabled "cities of oblast significance" to improve the quality of public service provision and foster local development. By assigning the same share of the PIT to ATCs, the government indicated that it perceived "cities of oblast significance" as examples for the newly amalgamated communities to emulate.

In addition to the PIT, ATCs were also assigned shares of other national taxes and 100% of all local taxes. Furthermore, until 2020, the ATCs received special subsidies from the state budget to build up new institutions: grants for the development of their infrastructure and for social and economic territorial development.²⁵

Finally, fiscal rules became more transparent. Prior to 2014, the subsidies from the central budget to subnational budgets had comprised "one equalization grant and one social grant, together representing 90%

²⁴ Levitas and Djikic, *Caught Mid-Stream*, 15.

²⁵ Oleksiy Hamaniuk. 2018. "Subventsiia na sotsialno-ekonomichnij rozvytok" [Subvention of Socio-Economic Development]. *VoxUkraine*. June 12, 2018, At <https://voxukraine.org/subventsiyi-na-sotsialno-ekonomichnij-rozvytok-yak-zupiniti-politichnij-rozpodil-byudzhetnih-koshtiv>.

of all transfers.”²⁶ Experts on fiscal relations had criticized this practice for its lack of transparency and low efficiency.²⁷ In December 2014, the reformers substituted these subsidies with so-called block grants and a new equalization grant.

The block grants are “formula-based central government transfers earmarked to fund sectoral expenditures.”²⁸ They are intended to cover the cost of those responsibilities that the government has delegated to ATCs, for instance those in the field of education.²⁹ The new equalization grants were calculated on the basis of communities’ revenues. An OECD publication explained the complicated equation as follows:

[L]ocal governments with taxation capacity [*podatkospromozhnist*] above the Ukrainian average by at least 10% will keep 50% of the revenue surplus. Poorer local governments, with tax capacity below 90% of the national average, will receive a basic grant that amounts to 80% of what is required to catch up with the average. Local governments with revenues between 90% and 110% of [the] country’s average will not be subject to either compensation or deduction.³⁰

The 2014 fiscal reform also introduced direct inter-budgetary relations between the central budget and ATC budgets.³¹ The central government incentivized ATCs to use their new financial resources to promote local economic growth. To foster local development, the government rearranged its State Fund for Regional Development. Until 2014, only regional authorities were eligible to apply. After amalgamation, the ATCs could apply for funding to implement projects that aligned with local development strategies and the so-called State Strategy for Regional Development (the latter was, prior to Russia’s full-scale invasion, intended to be valid until 2027).

Although at the constitutional level Ukraine’s center-periphery relations remained the same, the new fiscal rules produced “profound changes in the distribution of powers ... [and] paved the way for a new balance

²⁶ OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 189.

²⁷ Levitas and Djikic, *Caught Mid-Stream*, 4.

²⁸ OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 189.

²⁹ Jan Herczyński. 2021. *Review of the Current Allocation Formula for Education Subvention*, At <http://sklinternational.org.ua/wp-content/uploads/2016/11/SN-39-review-current-formulaENG.pdf>.

³⁰ OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 191.

³¹ Angela Boci. 2018. “Latent Capacity of the Budgets of Amalgamated Territorial Communities: How Can It be Unleashed?” *Vox Ukraine*. August 30, At voxukraine.org/en/latent-capacity-of-the-budgets-of-amalgamated-territorial-communities-how-can-it-be-unleashed/.

of powers among subnational governments.”³² In December 2018, for instance, the National Institute for Strategic Studies, a government think tank in Kyiv, reported: “The size of financing for the development of territories from the [central] state budget rose from UAH0.5 billion in 2014 to UAH19.3 billion in 2018. In comparison to 2014, the [central] state support for the development of territorial communities and the improvement of their infrastructure rose by 39 times.”³³

The new fiscal rules reduced the power of regional and district authorities over local communities. They limited the scope for nontransparent bargaining and affected vertical power relations within Ukraine’s multilevel polity. The reformers rearranged duties and finances across subnational authorities rather than devolving more power from the center.³⁴ Once ATCs became capable of fulfilling the duties of the regional authorities in terms of public service provision, regional executives’ bargaining power and their “administrative resources” declined. Although perhaps an unintended consequence of the center’s effort to improve local-level public services provision, center-periphery relations changed significantly.

Challenges Facing the Reformers

Having introduced fiscal decentralization in December 2014, Ukraine’s unicameral national parliament, the Verkhovna Rada (Supreme Council), passed, in early 2015, the Law “On Voluntary Amalgamation of Territorial Communities.” Soon thereafter, the central government also approved a so-called “Methodology for Establishing Sustainable Territorial Communities,” after which a bottom-up amalgamation process began.³⁵

In comparison to other European states, the speed of Ukraine’s voluntary fusion of local communities was impressive.³⁶ Still, like local governance reforms elsewhere in Europe, voluntary amalgamation in Ukraine faced two major challenges: (i) resistance among the existing

³² OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 206.

³³ Ya. A. Zhalilo et al. 2018. *Detsentralizatsiia vlady: Iak zberehty uspishnist' v umovakh novykh vyklykiv?* [Decentralization of Power: How to Maintain Success while Facing New Challenges?]. Kyiv: NISD, 12-13.

³⁴ Olena Lennon. 2021. *Ukraine’s Decentralization Will Empower the Center, but Not in Ways You Think*, At <https://www.wilsoncenter.org/blog-post/ukraines-decentralization-will-empower-center-not-ways-you-think>.

³⁵ Kabinet ministriv Ukrainy [Cabinet of Ministers of Ukraine]. 2015. *Postanova vid 8 kvitnya 2015 r. No. 214, Kyiv, “Pro zatverzhennia Metodyky formuvannia spromozhnykh terytorial’nykh hromad”* [Decree of 8 April 2015 No. 214, Kyiv, “On Approving the Methodology of Establishing Sustainable Territorial Communities”], At <https://www.kmu.gov.ua/npas/248113527>.

³⁶ Centre of Expertise for Local Government Reform of the Council of Europe. 2017. *Report on Municipal Amalgamation and Possible Impact on Territorial Reform of Upper Tiers of Government (2017)*, At http://www.slg-coe.org.ua/wp-content/uploads/2017/12/CoE_Report_Municipal_amalgamation_CELGR_2017_4_.pdf.

institutions at regional and subregional level; and (ii) inertia among the potential participants of amalgamation within the local authorities (see Table 1).³⁷ Some subregional and regional executives and councils did not want to lose their duties and funds to ATCs. Certain large localities, such as the “cities of oblast significance,” declined to fuse with their poorer neighbors until they were obliged to do so in May 2018.

Other local communities were reluctant to voluntarily amalgamate because their residents preferred poor public facilities located around the corner to decent ones located further away. A number of local authorities wanted to keep representing local interests in local councils and preserving the identity of local communities that way.³⁸ For voluntary amalgamation to succeed, the different—and sometimes conflicting—priorities of small and large localities had to be discussed and accommodated.

Table 1. Main Challenges to Ukraine’s Voluntary Local Amalgamation

Country	Inertia among the existing [mainly regional and sub-regional] institutions	Inertia among small villages [potential participants of local amalgamation] due to:			
		Accessibility of local administration	Identity of local communities	Fear of not being represented	Conflicts among different parts of the new (amalgamated) municipality
Ukraine	x	x	x	x	x

Note: This table is adapted from Paweł Swianiewicz. 2010. “If Territorial Fragmentation Is a Problem, Is Amalgamation a Solution? An East European Perspective.” *Local Government Studies* 36: 2: 191-192.

As time went on, the voluntary amalgamation of local communities became undermined by a widening expectation-capability gap. First, there

³⁷ Paweł Swianiewicz. 2010. “If Territorial Fragmentation Is a Problem, Is Amalgamation a Solution? An East European Perspective.” *Local Government Studies* 36: 2: 191-192.

³⁸ Samoorg. 2018. *Analitichnyi daidzhest #10: Konflikty v OTH* [Analytical Digest No 10: Conflicts in ATCs], At <http://samoorg.com.ua/blog/2018/12/20/analitichniy-day-dzhest-10-konflikty-v-obyednanih-teritorialnih-gromadah>; Iaroslav Zhalilo, Olha Shevchenko, and Valentyna Romanova. 2019. *Detsentralizatsiia vlady: Poriadok denniy na serednostrokovu perspektyvu* [Decentralization of Power: The Medium Term Agenda]. Kyiv: NISD.

was a difference between those public services that were affordable and those that were desirable. The improved funding of ATCs' delegated functions did not fully cover the additional costs of their new public service delivery.³⁹ In practice, improving the quality of public services required not only building brand-new facilities, such as Centers for Administrative Service Provision, subordinated to local authorities, but also optimizing the existing networks of social infrastructure.⁴⁰ Directly elected local authorities did not always want to take responsibility for the unpopular decisions that needed to be taken.

Second, there were gaps between the expected direction of the reforms and their actual evolution. The implementation and outcomes of the reforms were sometimes difficult to predict. For instance, in 2016, the Ministry of Health decided to recentralize Ukraine's healthcare.⁴¹ In 2018, it introduced a centrally managed single-payer healthcare system. Fund allocation across subnational budgets was also more volatile than expected: in 2015-2016, the new fiscal rules most benefited ATCs and the "cities of oblast significance," whereas in 2017, the allocation appeared to be most advantageous to the oblast and—to some degree—rayon levels.⁴²

In the process of amalgamating local communities, the reformers were able to correct some of their early mistakes, partly with the help of foreign and domestic experts who made policy suggestions to the government.⁴³ At this stage, the input of external donors and international technical assistance programs was difficult to overestimate. Once the reform started, its implementation quickly became a major focus of Western developmental organizations such as America's USAID, Germany's GIZ, and Sweden's SIDA. The latter two have been implementing an especially comprehensive and systematic EU-funded project called "U-LEAD with Europe" (U-LEAD = Ukraine Local Empowerment, Accountability and Development Programme).⁴⁴ Following the announcement of the decentralization reform, U-LEAD established regional offices tasked with identifying the pitfalls of the reform implementation process on the ground and drafting potential policy solutions for presentation to the central government.

³⁹ OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 214.

⁴⁰ Jan Herczyński. 2021. *Estimating the Optimization of School Networks*. Kyiv: SIDA-SKL, At <http://sklinternational.org.ua/wp-content/uploads/2022/02/SN-133-optimization-assessment.pdf>.

⁴¹ Levitas and Djikic, *Caught Mid-Stream*, 55.

⁴² William Dudley. 2019. "Ukraine's Decentralization Reform." *SWP Research Division Eastern Europe and Eurasia: Working Papers* 1: 19, At https://www.swp-berlin.org/publications/products/arbeitspapiere/Ukraine_Decentralization_Dudley.pdf.

⁴³ Zhalilo et al., *Detsentralizatsiia vlady: Iak zberehty uspishnist' v umovakh novykh vyklykiv?*

⁴⁴ European External Action Service. 2016. *U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme*, At www.eeas.europa.eu/delegations/ukraine/u-lead-europe-ukraine-local-empowerment-accountability-and-development_en.

Finally, the reformers made sure to complete the amalgamation of territorial communities throughout Ukraine ahead of the 2020 local elections. In June 2020, the central government approved the final design of all 1,469 ATCs. Simultaneously, it was decided to assess the actual capacity of local governments to fulfill their duties on the basis of their performance in three calendar years. The government outlined tentative criteria for such an assessment, including the ATCs' financial sustainability. This included local taxes as a share of local budgets, the quality of basic public services, and the pace of local development. However, the center's goal of assessing ATCs did not proceed very far in practice. Arguably, one reason for this was the more urgent need to reconsider the duties of the newly merged rayons—a task that has not been fully completed thus far.

Boosting Local Authority under the Surface

On the surface, the local governance reform looked like it affected only local governments and finances. Small communities were merged into larger, more sustainable, and more powerful self-governing units. Responsibilities in fields such as school education and other public services were handed over to amalgamated self-governing communities. However, the local amalgamation policy, underpinned by the amended fiscal rules, also changed the pattern of Ukraine's center-periphery relations. The centrally appointed regional and subregional administrative agencies were stripped of their old prerogatives to the benefit of elected territorial and city councils. Budgetary and legal competencies were devolved from regional and subregional organs to the municipal level.

The reform reduced the dependence of local authorities in ATCs on their rayon- and oblast-level superiors while limiting the “administrative resources” and bargaining capacities of the latter. Simultaneously, the reform brought ATCs closer to the center, primarily by establishing direct inter-budgetary relations between the central and local budgets. The new balance of power did not require any constitutional changes.

Moreover, its key beneficiaries—local authorities in ATCs—appear to be capable of working together. They joined forces, for instance, to oppose a draft law on constitutional reform that President Zelenskyy had submitted to parliament in December 2019 and which would have allowed regional executives to gain additional supervision and oversight rights over local authorities.⁴⁵

Decentralization's Intended and Originally Unintended Implications

Until the escalation of Russian aggression against Ukraine in early 2022, it looked as though the Ukrainian decentralization reform had affected only

⁴⁵ Valentyna Romanova. 2022. *Decentralization and Multilevel Elections in Ukraine: Reform Dynamics and Party Politics in 2010-2021*. Stuttgart: *ibidem*-Verlag.

domestic urban and rural politics. In retrospect, however, it is clear that the reform also helped Ukraine to stay strong in the face of the Kremlin's hybrid aggression in 2014-2021⁴⁶ and its conventional military attack since February 2022.⁴⁷ Improved local self-government has increased the Ukrainian state's capacity to take care of civilians and their needs, as well as to form and sustain territorial self-defense units during the war. Although there have been a handful of instances of collaboration with Moscow by individual actors in subnational councils and administrations, city mayors and municipal councils have by and large resisted the Kremlin's pressure to collaborate, instead protecting people in line with Ukrainian law.⁴⁸ Democratically legitimized city and territorial executive organs have been participating actively in local security measures and defense efforts.

These and similar positive effects of decentralization are particularly significant in the Ukrainian context in view of the country's status as one of Europe's territorially largest nations, a democratic frontier state, a crucial post-Soviet republic, and a geopolitical pivot country. There are military, economic, political, and other reasons to expect Ukraine to eventually win the war against Russia. Such a victory will have larger implications for pan-European security and stability, post-communist socio-economic development, and Eastern European liberalization and democratization.

Due in part to its improved center-periphery relations, Ukraine can be reconstituted as a more resilient, cohesive, Western, and successful nation-state with EU candidate status and a medium-term accession timetable. Such a development will support the spread of European values across the Eurasian continent, as well as helping to increase their impact. Ukraine's decentralization has geopolitical repercussions in at least four ways.

Local Governance Reform Has Increased Resilience

First, as already indicated, local governance reform has made Ukraine more resilient as a state and as a nation. Ukraine has suffered for much of the last 30 years from informal regionalization into semi-autonomous fiefdoms controlled by rent-extracting political-economic magnates and their mafia-like structures. Behind the scenes, "oligarchs," bureaucrats, or politicians functioned—and to some degree still function—as powerful

⁴⁶ Valentyna Romanova. 2022. *Ukraine's Resilience to Russia's Military Invasion in the Context of the Decentralisation Reform*, At <https://www.batory.org.pl/wp-content/uploads/2022/05/Ukraines-resilience-to-Russias-military-invasion.pdf>.

⁴⁷ Tymofii Brik and Jennifer Brick Murtazashvili. 2022. "The Source of Ukraine's Resilience: How Decentralized Government Brought the Country Together." *Foreign Affairs*. June 28, At <https://www.foreignaffairs.com/articles/ukraine/2022-06-28/source-ukraines-resilience>.

⁴⁸ Detsentralizatsiia. 2022. *Viacheslav Nehoda at CDDG Meeting: "I Am Asking for Support to Protect Local Government Officials from Abductions and Torture,"* At <https://decentralization.gov.ua/news/14834>.

patrons of clientelist networks subverting official governmental, non-governmental, and commercial organizations.⁴⁹ The reach of this or that oligarchic clan could cover a specific macro-region, like the Donets Basin (Donbas), one particular oblast (region), or a certain larger city and its surroundings.⁵⁰

In addition, linguistic, cultural, and religious differences have been sharpening territorial divisions within the formally centralized Ukrainian state. Ukraine's unregulated regional crypto-regimes have been undermining the rule of law, hindering economic growth, and preventing political development. Even today, domestic and foreign investors alike sometimes become the victims of raiding attacks and expropriation by a regional clan.⁵¹

The sharply subregional focus of Ukraine's governance reform does not fully neutralize regionally organized clan-like structures, but it does help to weaken them. Specifically, Ukrainian decentralization devolves power to a lower level than that at which most of the old informal networks operated. This may not render state capture by private interests impossible, but it complicates the subversion of the public sphere by private interests.⁵²

Sometimes decentralization simply transfers the locus of a corrupt network from the national or regional level to the local one.⁵³ In certain cases, it can benefit clans that have already been functioning in the municipal context.⁵⁴ Nevertheless, the transparency of resource allocation has improved, and opportunities to engage in corrupt practices within vertical decision-making processes have been reduced.⁵⁵

Since Russia's invasion in February 2022, municipal self-governing organs have also played a surprising role in Ukraine's territorial defense. In line with the 2021 law on national resilience, local authorities have been

⁴⁹ Henry E. Hale. 2015. *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective*. Cambridge: Cambridge University Press.

⁵⁰ Oleksandra Keudel. 2022. *How Patronal Networks Shape Opportunities for Local Citizen Participation in a Hybrid Regime: A Comparative Analysis of Five Cities in Ukraine*. Stuttgart: *ibidem*-Verlag.

⁵¹ United Nations Development Program. 2019. *Integrity and Inclusiveness of the Democratic Process in Ukraine: Analysis of Interim Research Findings in the Regions*, At https://www.ua.undp.org/content/ukraine/en/home/library/democratic_governance/integrity-and-inclusiveness-of-the-democratic-process-in-Ukraine.html.

⁵² UCIPR. 2017. *Decentralisation in Ukraine: Achievements, Expectations and Concerns*, At https://www.international-alert.org/sites/default/files/Ukraine_Decentralisation_EN_2017.pdf, 12.

⁵³ Dudley, "Ukraine's Decentralization Reform."

⁵⁴ Max Bader. 2021. "The Risk of Local Elite Capture in Ukraine's Decentralization Reform." *Vox Ukraine*. January 25, At <https://voxukraine.org/en/the-risk-of-local-elite-capture-in-ukraine-s-decentralization-reform/>.

⁵⁵ Oesten Baller. 2017. "Korruptionsbekämpfung und Dezentralisierung auf dem Prüfstand des Reformbedarfs in der Ukraine" [Fight Against Corruption and Decentralization in Light of the Reform Requirements of Ukraine]. *Jahrbuch für Ostrecht* 2: 235-268.

providing institutional and financial support for the establishment of local armed volunteer formations under central military command. Whereas *teroborona* (territorial defense) units had only limited prerogatives before the large-scale invasion, since May 3, 2022, they have been allowed to fight on the battlefield. For example, on May 16, 2022, a Kharkiv territorial defense battalion reached the Ukrainian-Russian border and forced the invaders to retreat to Russia.

That being said, the new center-periphery relations have suffered both institutionally and financially from martial law. Centrally appointed regional executives subordinate to the president and accountable to the government have become directly involved in defense and other matters. Many previous heads of the regional state administration and subregional state administration have been reappointed as heads of the corresponding military administration.⁵⁶ Moreover, under martial law, centrally appointed military administrations can be established at the local level. This has led to an increase in the power of executive authorities at the expense of local self-government. Local authorities acknowledge that their opinions are not always heard in Kyiv or in their regional administration.⁵⁷ During the large-scale war, centrally appointed and elected authorities are becoming involved in a new form of intergovernmental coordination.

Meanwhile, since Russia openly invaded Ukraine in February 2022, Ukraine's economy has shrunk due to the enormous damage caused by the war and the decline in economic activity. This economic contraction was particularly detrimental to local budgets during the first months of the military invasion. However, by the end of 2022, the budgets of ATCs were on average 15% higher than in 2021. Although local budgets vary significantly, even some localities heavily affected by the war—like the cities of Dnipro and Odesa—have seen an increase in their revenues. Municipal authorities maintain the local public infrastructure; sustain economic activities; and find opportunities to implement various social initiatives, which may be launched by the center and/or financially supported by foreign partners.

⁵⁶ Ihor Popov. 2023. "Detsentralizatsiia 2.0: Iakymy budut vidnosyny tsentru i rehioniv pislia viyny?" [Decentralization 2.0: How will Post-War Center-Periphery Relations Look?] *Ukrainian Institute for the Future*, June 7, 2023, At <https://uifuture.org/publications/decentralizacziya-2-0-yakymy-budut-vidnosyny-czentru-i-regioniv-pislya-vijny/>.

⁵⁷ 2022. "Mer Dnipra Borys Filatov: 'Ja poky ne zustrichav zhodnoho mera, iakyi buv by zadovolenyi komunikatsieiu z tsentral'noiu vladoiu' [City Mayor of Dnipro Borys Filatov: "I Have Not Yet Met a Mayor Satisfied with His/Her Communication with the Central Authorities"]. *Dzerkalo tyzhnia*. November 25, At <https://zn.ua/ukr/internal/mer-dnipra-boris-filatov-ja-poki-ne-zustrichav-zhodnoho-mera-jakij-buv-bizadovolenij-komunikatsijeju-iz-tsentralnoju-vladoju.html>; "Pereselentsi, iak i ekonomika, maut staty chastynoiu nashoi peremohy—vykonavchyi dyrektor AMU Oleksandr Slobozhan" [IDPs, as Well as the Economy, Should Become Part of Our Victory—Oleksandr Slobozhan, head of AMU.] *ZN.ua*. April 2, At <https://zn.ua/ukr/internal/pereselentsi-jak-i-ekonomika-majut-stati-chastinoju-nashoji-peremohi-vikonavchij-direktor-amu-oleksandr-slobozhan.html>.

Decentralization Improves Cohesion

Second, in addition to making Ukraine's state more solid, many Ukrainian politicians see decentralization as a peculiar antidote to Russia's hybrid warfare. Deeper involvement of ordinary Ukrainians in governmental affairs via decentralization supports the national cohesion of Ukraine's population and the civic spirit of the country's citizenry. Then-Speaker of the Verkhovna Rada Andriy Parubiy argued during the 2nd All-Ukrainian ATCs Forum in Kyiv in December 2017 that "[t]he path of decentralization was an asymmetrical response to the aggressor [i.e. Russia]. In fact, the process of capable communities formation was a kind of sewing of the Ukrainian space."⁵⁸

Moscow's tactic in 2014-2015 was to support the capture of certain regions and their capitals by the Russian state's allies, proxies, and agents within Ukraine.⁵⁹ These operations focused on either the traditional oblasts—and the Autonomous Republic of Crimea—or imagined macro-regions like the aforementioned Donets Basin and *Novorossia* (New Russia), which embraces Ukraine's entire Russophone east and south.⁶⁰ Russians visualize their own country as consisting either of oblasts, krais and republics or of macro-regions (e.g., Siberia, the Urals, etc.). As a result, many Russian politicians likewise conceptualize the Ukrainian state in such terms. Until 2014, powerful regional clans and oblast administrations in Ukraine's mainly Russophone east and south indeed provided entry points for Russian operations designed to foment anti-centralist autonomism, pro-Russian separatism, and pan-Slavic nationalism.⁶¹

⁵⁸ Detsentralizatsiia. 2017. *How European Ukraine Is Being Sewn of Amalgamated Hromadas*, At decentralization.gov.ua/en/news/7747.

⁵⁹ For an early debate about the weight of domestic versus foreign factors in the outbreak of the Donbas War, see Sergiy Kudelia. 2014. "Domestic Sources of the Donbas Insurgency." *PONARS Eurasia Policy Memos* 351, At www.ponarseurasia.org/memo/domestic-sources-donbas-insurgency; Andreas Umland. 2014. *In Defense of Conspirology: A Rejoinder to Serhiy Kudelia's Anti-Political Analysis of the Hybrid War in Eastern Ukraine*, At www.ponarseurasia.org/article/defense-conspirology-rejoinder-serhiy-kudeliias-anti-political-analysis-hybrid-war-eastern; Sergiy Kudelia. 2014. *Reply to Andreas Umland: The Donbas Insurgency Began at Home*, At www.ponarseurasia.org/article/reply-andreas-umland-donbas-insurgency-began-home; Yuriy Matsiyevsky. 2014. *The Limits of Kudelia's Argument: On the Sources of the Donbas "Insurgency,"* At www.ponarseurasia.org/the-limits-of-kudelia-s-argument-on-the-sources-of-the-donbas-insurgency/; Sergiy Kudelia. 2014. *Getting to the Bottom on the Sources of the Donbas Insurgency*, At www.ponarseurasia.org/getting-to-the-bottom-on-the-sources-of-the-donbas-insurgency/. For a recent update on this debate, see Jakob Hauter. 2023. *Russia's Overlooked Invasion: The Causes of the 2014 Outbreak of War in Ukraine's Donbas*. Stuttgart: ibidem-Verlag, 2023.

⁶⁰ For example, Gwendolyn Sasse and Alice Lackner. 2018. "War and Identity: The Case of the Donbas in Ukraine." *Post-Soviet Affairs* 34: 2-3: 139-157; Elise Giuliano. 2018. "Who Supported Separatism in Donbas? Ethnicity and Popular Opinion at the Start of the Ukraine Crisis." *Post-Soviet Affairs* 34: 2-3: 158-178.

⁶¹ Nikolai Mitrokhin. 2015. "Infiltration, Instruction, Invasion: Russia's War in the Donbass." *Journal of Soviet and Post-Soviet Politics and Society* 1: 1: 219-250; Andrew Wilson. 2016.

The devolution of power to the local level has been depriving Russia's various hybrid warriors of their customary institutional frames, as well as of critical entry points for seditious action.⁶² Decentralization without federalization has complicated the targeting and planning of irredentist operations similar to those carried out in Simferopol, Donetsk, and Luhansk in 2014. As regional capitals and governments gradually lose political relevance, it has become more difficult for the Kremlin to clearly delineate territories where it may want to support secession and/or engage in annexation.

Ukraine's sub-national governance system continued to function even after the Kremlin attacked Ukraine on February 24, 2022, and Russia occupied Ukrainian territories:

[M]ayors and sub-state councils have been making decisions that undermine the enemy's attempts to stage "referenda" on the occupied territories. In response to democratically elected councilors' fears about potential attempts by the Russian military to do so in occupied Kherson oblast, the regional council held a session on 12 March 2022 to address the president, parliament, government and people of Ukraine. It announced that it would not approve any attempts to hold a potential referendum proclaiming any kind of "people's republic" in the region. The Mykolaiv regional council made a similar decision on 26 April 2022.⁶³

Since the start of the 2022 war, there have admittedly been instances of collaboration by municipal administrators and deputies. However, it has often appeared that collaboration, whether voluntary or forced, has occurred on an individual basis. We have found no evidence that an entire council—as an institution—has opted to collaborate with the invaders.

Even while helping to fight the enemy and supporting each other, local authorities have been providing temporary shelter and basic support to internally displaced persons (IDPs), sometimes when facing military and other threats.⁶⁴ Telling examples are the Kharkivska and Dnipropetrovska

"The Donbas in 2014: Explaining Civil Conflict Perhaps, but not Civil War." *Europe-Asia Studies* 68: 4: 631-652; Jakob Hauter, ed. 2021. *Civil War? Interstate War? Hybrid War? Dimensions and Interpretations of the Donbas Conflict in 2014–2020*. Stuttgart: *ibidem*-Verlag.

⁶² For an early deliberation on this issue, see Hennadiy Poberezhnyy. 2006. "Detsentralizatsiia yak zasib vid separatyizmu" [Decentralization as a Tool to Prevent Separatism]. *Krytyka* 11: 3–7, At <http://krytyka.com/ua/articles/detsentralizatsiya-yak-zasib-vid-separatyizmu>.

⁶³ Romanova, *Ukraine's Resilience to Russia's Military Invasion in the Context of the Decentralisation Reform*.

⁶⁴ Yuri Hanushchak. 2022. "Hromady—oplot Ukrainy: Iak detsentralizatsiia dbae pro peremohu" [Communities—The Foundation of Ukraine: How Decentralization is Taking Care of

Oblasts: these regions, which have been suffering under harsh Russian missile attacks since the first days of the war, were hosting approximately 300,000 IDPs each in Autumn 2022 and nearly 500,000 IDPs each by Spring 2023.⁶⁵ Local authorities in ATCs report that taking care of IDPs is their second priority after supporting the Armed Forces of Ukraine.⁶⁶ While the center covers most costs associated with hosting IDPs, local authorities have acknowledged that they also rely on municipal budgets.⁶⁷ International technical assistance programs that had been supporting the local governance reform in Ukraine prior to 2022 are now helping those ATCs with which they previously cooperated.

In addition, local authorities have become involved in preparing the ground for the post-war recovery. They are expected to play an active role in the upcoming postwar reconstruction, alongside other stakeholders and international organizations. During the ongoing relocation of businesses from the east, the south, and sometimes the north to the west of the country, ATCs in relatively safe locations have become instrumental to hosting and supporting the relocated businesses, thereby contributing to the economic resilience of the country. Experiences of horizontal cooperation between ATCs during the war may provide the impulse for intermunicipal cooperation during postwar reconstruction. Although the law on intermunicipal cooperation was approved in 2014, ATCs did not take full advantage of it prior to the war. In 2021, for instance, just 296 of 1,469 ATCs were implementing a mere 153 projects of intermunicipal cooperation.⁶⁸ Intermunicipal cooperation might become more popular among ATCs in the future due to the need to tackle common problems together and benefit from economies of scale.

Decentralization Supports Europeanization

A third, geopolitical aspect of Ukraine's decentralization is that it supports Ukraine's ongoing integration into the EU's political and legal space in

Ukraine's Victory]. *Dzerkalo tyzhnia*. March 14, At <https://zn.ua/ukr/internal/hromadi-oplot-ukrajini-jak-detsentralizatsija-dbaje-pro-peremohu.html>.

⁶⁵ IOM. 2022. *Ukraine Area Baseline Report Line 10: Internal Displacement Figures Recorded at Oblast and Raion Level*, At https://displacement.iom.int/sites/g/files/tmzbd11461/files/reports/DTM%20Ukraine_Rd%2010%20-%208-19August_Recorded_IDP_21_Oblasts_2022_Public_Raion_Eng_0.pdf.

⁶⁶ Detsentralizatsiia. 2022. *Za rezultatamy doslidzhennia potreb ta zapytiv hromad, poviazanykh z vyklykamy, iaki zivlylysia vnaslidok povnomasshtabnoho vtorhnennia RF*, At https://decentralization.gov.ua/uploads/attachment/document/1096/%D0%B7%D0%B2%D1%96%D1%82-2022-new_08.08.pdf.

⁶⁷ Ibid.

⁶⁸ Detsentralizatsiia. 2022. *Monitoring of Power Decentralization and Local Self-Government Reform in Ukraine*, At <https://decentralization.gov.ua/uploads/library/file/800/10.01.2022.pdf>.

connection with the Eastern Partnership program started in 2009, the Association Agreement signed in 2014, and the country's Union candidacy since 2022. Decentralization helped Kyiv make a successful application for, and will be conducive to its eventual attainment of, full membership in the Union. For instance, the EU-Ukraine Association Agreement encourages transborder regional cooperation (Chapter 27), which presupposes properly empowered local and regional authorities.

Much, if not most, of the ongoing remake of the Ukrainian state's laws and institutions has been triggered, conditioned, and/or modified by the policies of Western institutions. These include, for instance, such reform drivers as the EU's Visa Liberalization Action Plan, the IMF's stand-by agreements, and the Council of Europe's interventions via opinions of the Venice Commission or decisions of the European Court of Human Rights regarding Ukraine. In contrast, the transformation of Ukraine's system of local self-governance since 2014 originated from within the country. To be sure, a number of concepts in the relevant legislation were inspired by examples from abroad, above all Poland's decentralization in the 1990s.⁶⁹ Moreover, Western countries like Switzerland, the UK, Sweden, and Germany had been providing funding for the preparation, discussion, and formulation of reform plans for a number of years before their implementation eventually began in April 2014.⁷⁰

Nevertheless, the peculiar design of—and specific synthesis of templates in—Ukraine's decentralization reform makes it largely a native product, with no pre-eminent debt to Warsaw, Brussels, Washington, Berlin, or Stockholm. Ukrainian decentralization is thus *not* part of Ukraine's "Europeanization," in the narrow and more technical sense of the word. It is *not* an aspect of the mechanical transposition of the EU's *acquis communautaire* into domestic law under the 2014 Association Agreement between Kyiv and Brussels. At the same time, Ukrainian decentralization can—precisely because of its domestic rather than foreign impetus—be seen as proof of Ukraine's *deep* Europeanization, in the broader sense of

⁶⁹ World Bank. 1992. *Poland: Decentralization and Reform of the State*. Washington, DC: World Bank; Anthony Levitas and Jan Herczyński. 2003. "Decentralization, Local Governments and Education Reform and Finance in Poland: 1990–1999." In Kenneth Davey, ed., *Balancing National and Local Responsibilities: Education Management and Finance in Four Central European Countries*. Budapest: CEU Press, 113–191; Paweł Swianiewicz. 2006. "Poland and Ukraine: Contrasting Paths of Decentralisation and Territorial Reform." *Local Government Studies* 32: 5: 599–622; Yuriy Gorodnichenko and Donna Kim. 2014. "Poland Local Government Reform: Division of Responsibilities." *Vox Ukraine*. July 14, At vox-ukraine.org/en/37/; Anthony Levitas. 2017. "Local Government Reform as State Building: What the Polish Case Says About 'Decentralization.'" *Studies in Comparative International Development* 52: 23–44.

⁷⁰ For example, Myshlovska, "Democratising Ukraine by Promoting Decentralisation?"; Duncan Leitch. 2017. "International Assistance to Democratic Reform in Ukraine: An Opportunity Missed or an Opportunity Squandered?" *Democratization* 24: 6: 1142–1158.

the word. While not formally a part of the ongoing association process, Ukraine's local governance reform is an important aspect of the country's gradual approximation to general EU norms and principles as a result of the successful Revolution of Dignity in 2014.

As a Ukrainian project not modelled on any one foreign example and not following any pre-defined Western recipe, decentralization is significant in two ways. First, it is a visible manifestation of Ukraine's turn away from the Tsarist and Soviet centralist traditions of its past within the former Russian empire. The decentralization reform provides practical proof of the civil, pluralist, and open—or, so to speak, “European”—character of Ukraine's political culture.

Second, the continuing transition's accumulating results are making Ukraine increasingly compatible with the Union. The countries of the EU are all more or less decentralized.⁷¹ To one degree or another, they too continue to further decentralize. The Union's members, moreover, follow the well-known subsidiarity principle in their relations with both Brussels and their own regions and municipalities. The more deconcentrated and subsidiary Ukraine becomes, the more similar it will thus look to other European nations, and the better prepared the country will be for full accession to the EU.

Besides introducing the principle of subsidiarity, Ukraine has transformed its subregional units in a way that largely corresponds to the NUTS-3 level used in the EU. After local amalgamation was completed in 2020, the government proceeded to enhance the state's public administration capacity at the subnational level. For these purposes, in the middle of that year, it merged Ukraine's 490 rayons into 136 novel subregional entities.

Another example of Europeanization is Ukraine's attempt to foster regional development in line with EU practices. In 2014, the parliament approved the so-called “State Strategy for Regional Development to 2020,” and, in 2020, it approved the “State Strategy for Regional Development in 2021-2027.” Both documents apply planning and budgeting standards and methods consistent with those used in the EU.

Since the start of Russia's invasion, Ukraine's local authorities have been approaching their counterparts around the globe, mainly in EU countries, and initiating various forms of cooperation. In addition to emergency measures, regional and local authorities in the EU and Ukraine have been establishing partnerships aimed at sustaining their cooperation in the long run and switching from securing Ukraine's survival to preparing the ground for a postwar recovery. In June 2022, the European Committee of the Regions launched the European Alliance of Cities and Regions for the

⁷¹ Andreas Ladner et al. 2019. *Patterns of Local Autonomy in Europe*. Cham: Palgrave Macmillan.

Reconstruction of Ukraine, which brings together European and Ukrainian networks of local and regional authorities prepared to support Ukraine's reconstruction from the bottom up. The expected input of Ukraine's local governance into the postwar reconstruction of the country, in cooperation with EU regions and municipalities, will provide an additional impulse to the grassroots Europeanization of Ukraine.

While this has never been its primary aim, decentralization continues to support Ukraine's European integration and inclusion in the Atlantic community in a number of ways. Insofar as the Ukrainian local governance reform furthers Kyiv's integration into the West, it indirectly contributes to the ongoing remake of the geopolitics of Eastern Europe. In sum, Ukraine's decentralization is an important aspect of the Westernization of the post-communist space as a whole.

Decentralization Provides a Model

A final—and so far speculative—geopolitical aspect of the ongoing transformation of Ukrainian self-governance concerns its cross-national diffusion potential. The model of Ukraine's reformed center-periphery relations might, in the future, provide policy directions and institutional templates suitable for other states. This would be particularly helpful for countries that, like pre-reform Ukraine, suffer from over-regionalization, insufficient authority of local governments, and/or malfunctioning municipal democracy. The primary (though not the only) potential addressee of such a diffusion could be Russia, for which decentralization along Ukrainian municipal lines rather than the Russian federalist paradigm may one day become relevant.⁷²

The possibility or even goal of cross-border diffusion is implicit or explicit in many reform concepts and efforts around the world.⁷³ The Ukrainian local governance reform may have particular geopolitical salience because of its aforementioned nation-building and anti-secessionist repercussions.⁷⁴ The Ukrainian type of decentralization—municipaliza-

⁷² Rjabčuk, "Dezentralisierung und Subsidiarität."

⁷³ Jörn Grävingholt and Christian von Haldenwang. 2016. "The Promotion of Decentralization and Local Governance in Fragile Contexts." *DIE Discussion Papers* 20.

⁷⁴ Relevant analyses of generic aspects of this issue include, in chronological order: Ugo Panizza. 1998. "Decentralization as a Mechanism to Prevent Secession." *Economic Notes* 27: 2: 263-267; Bruno S. Frey and Simon Luechinger. 2004. "Decentralization as a Disincentive for Terror." *European Journal of Political Economy* 20: 2: 509-515; Dawn Brancanti. 2006. "Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?" *International Organization* 60: 3: 651-685; Axel Dreher and Justina A.V. Fischer. 2009. "Government Decentralization as a Disincentive for Transnational Terror? An Empirical Analysis." *IZA Discussion Papers* 4259; François Vaillancourt, Edison Roy-Cesar, and Richard Miller Bird. 2010. "Is Decentralization 'Glue' or 'Solvent' for National Unity?" *Andrew Young School International Studies Program Working Paper* 3; Jürgen Ehrke. 2011. *Zur Stabilisierung fragmentierter Staaten: Dezentralisierung, Entwicklungszusammenarbeit*

tion—is not only an instrument for improving state-society relations, but also a tool for stabilizing regionally divided states threatened by separatist tendencies. In the same way that devolving power to the local level helps Ukraine to hold its territory together, this decentralization model may one day help other post-Soviet states to remain unified. This may be particularly valuable for Russia, as the country's sheer size and multi-ethnic character make it especially vulnerable to autonomism and secessionism.

Over the last twenty years, the formally federalist Russian state has increasingly been recentralized under President Vladimir Putin. Russia is today a de facto unitary state for which the label "Federation" may be a misnomer—even if the Russian government often uses liberal language with regard to regional and local affairs and conducts manipulated elections to present itself as a supposedly federal democracy.

As history has shown, excessive centralization is no bulwark against secessionism. The pseudo-federalist and totalitarian constitution of the supposed Soviet federation did not prevent the USSR's break-up. On the contrary, it helped to trigger the centrifugal tendencies that eventually shattered the seemingly stable Union. A similar prospect may be looming for the post-Soviet Russian centralized state with its para-totalitarian regime.⁷⁵

Despite (or perhaps because of) its seemingly strong one-man rule, the Russian state is not insured against deep crisis.⁷⁶ In times of disarray, not only the ethno-nationally defined republics, but also other self-sufficient Russian regions may come to support plans to weaken the pseudo-federation—or even to leave and become partly or fully sovereign units. The successful departure of a single Russian so-called "federal subject" could trigger a domino effect among regions once they come to believe that they would be better off as separate states.

A decentralized Russia with strong local self-governments—i.e., a Russian Federation where cities and territorial communities (rather than Moscow, federal districts or oblast capitals) hold the power and control the finances—would be far less imperialistic and internationally ambitious than the current Putin regime. Once Russian local communities start having the last word in much political decision-making, the country's appetite for great-power grandeur and external expansion will give way to more mundane concerns of socio-economic advancement on Russia's vast and largely underdeveloped territory. School education, public health,

und das Gespenst des Separatismus [On the Stabilization of Fragmented States: Decentralization, Developmental Cooperation, and the Specter of Separatism]. Potsdam: Universitätsverlag Potsdam.

⁷⁵ Andreas Umland. 2021. "Russia's New 'Special Path' After the Orange Revolution: Radical Anti-Westernism and Paratotalitarian Neo-Authoritarianism in 2005-8." *Russian Politics and Law* 50: 6: 19-40.

⁷⁶ Martin Kragh. 2020. "Russia in 2045: A Scenario Analysis." *UI Report 2*, At www.ui.se/english/publications/ui-publications/2020/russia-in-2045-a-scenario-analysis/.

road-building, energy efficiency, attracting investment, and environmental protection—rather than claims of continental hegemony or to new territory—will become the tasks of the day.

A properly decentralized state would also be a more stable entity than the current Russian Federation. The contemporary macro-regional and regional administrative division of Russia may, in a crisis, facilitate secessionist moves. In the same way that the kind of decentralization Kyiv has implemented is, as then-speaker of the Verkhovna Rada Andriy Parubiy put it, “sewing [together] the Ukrainian space,”⁷⁷ a municipalized governance structure may one day also help Moscow to keep Russia together. In view of the state’s considerable centrifugal potential, Moscow may, in fact, find it even more imperative to carry out Ukrainian-style decentralization than Ukraine does itself.

There is already evidence that Ukraine’s pattern of center-periphery relations has the potential to provide a model for other countries. In 2021, Claudia Luciani, Director of Human Dignity, Equality and Governance for the Council of Europe, stated:

Today, we are using [the] Ukrainian experience as a paragon for other countries. And not just thanks to the results, but also due to the process[’] organization[al] efficiency—changes are being implemented in close cooperation with the Council of Europe, the Government, the Parliament, associations and the civic society. For us the Ukrainian decentralization is a pattern, applied by us when we need to convince some countries to start making changes.⁷⁸

To give another example, Ukraine’s decentralization reform has been mentioned among examples that may inform British reformers’ efforts to rearrange the UK’s local governance in the aftermath of Brexit.⁷⁹

This by no means suggests that local governance in Ukraine is perfect. Although the scope of local fiscal autonomy in Ukraine has increased, the municipalities’ “tax revenues are mostly generated from tax sharing with the central government.”⁸⁰ It will take work for Kyiv to deepen the budgetary autonomy of Ukrainian local communities.⁸¹ “The

⁷⁷ Detsentralizatsiia, *How European Ukraine Is Being Sewn of Amalgamated Hromadas*.

⁷⁸ Detsentralizatsiia. 2021. *The Ukrainian Decentralization Is a Success Story for the Countries, Not Daring to Make Changes,—a Representative of the Council of Europe*, At <https://decentralization.gov.ua/en/news/13414>.

⁷⁹ Anthony Breach and Stuart Bridget. 2022. *Centralization Nation: Britain’s System of Local Government and Its Impact on the National Economy*. London: Centre for Cities, 55-58.

⁸⁰ OECD, *Maintaining the Momentum of Decentralization in Ukraine*, 194.

⁸¹ Manuela Söller-Winkler. 2021. “Financial Autonomy: At the Heart of Local Government!”

growth of both the share and the real value of local government revenue demonstrates a remarkable commitment by the national government to adequately fund local governments in the face of recession.”⁸² However, opportunities for ATCs to invest in local development remain limited.

At present, the allocation of the Personal Income Tax is a particular pitfall. In Ukraine, this tax is paid not on the basis of where taxpayers live, but on the basis of where they are employed.⁸³ Large enterprises that generate legal income may be located in rural areas, but they are usually registered in large cities.⁸⁴ Thus, 60% of the PIT that these taxpayers pay (64% since the 2022 fiscal year) will be allocated to the local budgets of those large cities rather than to the budgets of the villages where employees work and live. The remaining share of the PIT goes to the budget of the oblast where the enterprise is registered and to the central budget. The government’s current draft plan for Ukraine’s recovery thus contains the objective of ensuring that the PIT is paid on the basis of where taxpayers live.⁸⁵

The government of Ukraine has also declared its intention to grant regional and subregional councils the right to establish their own executive committees during Ukraine’s postwar reconstruction.⁸⁶ As early as 2014, one of us pointed out that policy suggestions to increase regional authority in Ukraine might be overlooking security concerns, which had already grown rapidly following the onset of Russia’s hybrid warfare against Ukraine.⁸⁷ Once Russia openly invaded Ukraine in 2022, regional councils in southern Ukraine—contrary to some expectations—supported the country’s territorial integrity and condemned attempts to undermine this with the help of pseudo-referenda. Nevertheless, introducing independent executive committees of regional and subregional councils should be *Detsentralizatsiia*, At <https://decentralization.gov.ua/en/news/13610>.

⁸² Tony Levitas and Jasmina Djikic. 2019. *Subnational Governance Reform and Local Government Finance in Ukraine: 2014-2018*. Kyiv: SKL/SIDA.

⁸³ Detsentralizatsiia. 2021. *Reorhanizovani hromady vzhe pratsuiut, nastav chas onovyty funktsii raioniv, - Georg Milbradt* [The Reorganized ATCs Are Already Working; It Is Time to Renew the Functions of the Rayons—Georg Milbradt], At <https://decentralization.gov.ua/news/13860>; Tony Levitas. 2021. “How Should the Personal Income Tax be Shared with Ukrainian Local Governments?” *Detsentralizatsiia*, At <https://decentralization.gov.ua/en/news/13780>.

⁸⁴ Levitas and Djikic, *Caught Mid-Stream*.

⁸⁵ The National Council for the Recovery of Ukraine from the Consequences of the War. 2022. *Draft Ukraine Recovery Plan: Materials of the “Public Administration” Working Group*, At <https://www.kmu.gov.ua/storage/app/sites/1/recoveryrada/eng/public-administration-eng.pdf>, 124.

⁸⁶ Ibid.

⁸⁷ Valentyna Romanova. 2014. “Zistavlennia metodolohii demokratychnoho vriaduvannia ta detsentralizatsii vlady z ohliadu na natsionalnu bezpeku derzhavy [Comparison of Methodologies for Democratic Governance and Decentralization of Power with Regard to National Security].” *Magisterium: Politychni studii* 58: 20-24, At <https://ekmair.ukma.edu.ua/handle/123456789/3289>.

considered carefully when prioritizing reforms in postwar Ukraine. It is particularly important to clarify the division of responsibilities between (sub)regional executives and councils, as blurred duties may become an even larger problem than underrepresented (sub)regional interests.

Conclusion: Decentralization as an Underestimated Reform Agenda

This article does not intend to suggest that the Ukrainian center-periphery relations that have taken shape since 2014 are a panacea for Ukraine and other post-Soviet states. Yet their Europeanizing and anti-separatist aspects, as well as their diffusion potential, make them a salient, interesting, and consequential aspect of one European country's socio-political transformation. In the context of some specifically post-Soviet political challenges, the empire-subverting and state-supporting dimensions of municipalizing decentralization imbue this particular reform in Ukraine with larger meaning. It has more profound implications than substantively similar processes in other parts of the world for devolving power from the national and regional levels to the local one. Neither the overcoming of the tsarist and communist political traditions nor the formation of new nation-states are yet "finished business" in the post-Soviet world. Decentralization could do the trick—or at least serve as one of the main instruments for effectively meeting both daunting challenges.

When local communities—whether within an urban, rural, or mixed context—take over major political tasks and public funds, both imperialism and separatism lose their allure. Moreover, as we have illustrated, decentralization can help to facilitate European integration. Ukraine's ongoing local governance reform thus merits greater attention from national governments, the mass media, civil society, and academic researchers around the world. Studying more deeply the concepts, elements, and experiences of the ongoing Ukrainian reset of local self-government may reveal useful ideas and lessons for advocates of administrative reform in other post-Soviet countries and beyond.