# Kyiv Dialogue

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## HOW TO STRENGTHEN DECENTRALIZED DEMOCRACY AND LOCAL RESILIENCE IN UKRAINE

Summary and Recommendations of the 19th Kyiv Dialogue Annual Conference

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## Summary and Recommendations of the 19th Kyiv Dialogue Annual Conference

*The decentralization reform remains among the most successful reforms that Ukraine has undertaken in the past decade. It has never been a mere administrative reform for the improvement of local management and municipal services. It is a strategic political reform, shifting from a top-down Soviet-style governance model to a bottom-up approach, where citizens feel responsible for managing their own local affairs. **This mindset is not only critical for Ukraine's resilience during the war and its ongoing recovery efforts but also essential for its EU accession aspirations.***

*During Kyiv Dialogue's 19th annual conference, 160 experts from civil society, ministries, academia, and politics from Ukraine, Germany, and Poland discussed the current state of local democracy in Ukraine, formulated main shortcomings, and concluded a series of recommendations for the improvement of transparency and inclusion of the local level into the recovery and EU accession process.*

## I. Decentralisation as a Ukrainian success story

Experts from Ukraine reported that despite almost half of the energy infrastructure being destroyed and daily shellings exhausting civilian lives, the **EU accession is a shared value** within Ukrainian society and among political leaders[1]. This commitment is encouraging for local self-governance and for civil society both at local and national levels, which continue to advocate for deeper democratic reforms.

Some experts noted, however, that while speed is important, it must be balanced with thorough scrutiny of implemented reforms, particularly in fundamental areas such as judicial reform.

The implementation of the EU accession plan is widely on track with 50% of international assistance stemming from the EU. Approximately 70 % of EU laws and regulations need to be implemented at the local level, requiring a robust administration and a professional cadre of civil servants across all levels of governance.

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[1] September 2024: 73,7% of respondents in Ukraine vote for a fast EU accession; https://razumkov.org.ua/napriamky/sotsiologichni-doslidzhennia/pidtrymka-gromadianamy-vstupu-ukrainy-do-yevropeiskogo-soiuzu-ta-nato-stavlennia-do-inozemnykh-derzhav-stavlennia-do-myrnykh-peregovoriv-veresen-2024r

**How to strengthen decentralized democracy and local resilience in Ukraine**

Many conference speakers emphasized that local self-governance and their communities are best positioned to identify their priorities and needs when it comes to both local recovery and preparation for the EU accession and that **local actors should therefore play a leading role** in the process. Representatives of Ukrainian municipalities underpinned the financial stability of local self-government as a precondition for their democratic resilience and political independence from the state authorities. Both personal income tax and the reverse funds should be fixed in the 2025 **state budget for the local level,** which needs this income to cope with war-related expenses in the communities.

**State control over the local self-government should be reduced** in accordance with the European Charter of Local Self-Government. Currently, 26 different state institutions control the activities of the municipal level – often competing and counteracting among themselves. The **lack of legal regulation of competences** (draft law 4298) leads to high administrative costs, lack of transparency, and permanent legal disputes.

The elaboration of a **new urban planning legal codex** was highlighted as an important attempt to enshrine autonomy and responsibility of local self-government in the urban development processes.

## II. Local democracy as a basis for recovery and EU integration

The **EU Ukraine Facility** allocates 1 bln € from its first pillar as non-repayable grants for the sub-national level. According to the Ukraine Facility (Article 16, 17) and the Ukraine Plan, their disbursement is conditional to the establishment and functioning of mechanisms to involve sub-national authorities in the recovery process. Participants reported that currently **local self-governance is widely excluded from the planning and allocation process** of international recovery assistance.

The national government has so far failed to establish functioning mechanisms and transparent methods that would guarantee the involvement of municipalities in decision-making processes concerning local recovery projects on equal terms. Also, well-established technical tools such as the DREAM platform cannot compensate for this omission. Among the over 750 projects currently uploaded on the platform's Single Project Pipeline, the overwhelming majority has been initiated from the regional or national level.

Municipalities are solely involved in the implementation, not in the planning processes. Experts expressed the need to legally regulate the implementation of the Ukraine facility and thereby guarantee the involvement of local self-government bodies.

Next to legal and budgetary questions, participants mentioned human resources as a main challenge for communities: Due to the war and destruction, many communities are experiencing an extreme shortage of people, as residents have either fled or joined the Armed Forces. Several communities report varying levels of exhaustion, **limited personnel, administrative and intellectual capacity, and financial resources** to address the numerous challenges they face.

To strengthen local reconstruction efforts, participants highlighted the need to **enhance the absorption capacity** of local and regional authorities to effectively apply for, manage, and disburse funds, as well as implement projects. Capacity building and specific training for local administration are highly needed.

# III. No reforms, no recovery, no democracy without security

Experts agreed: No reforms or reconstruction efforts will be sustainable without proper security guarantees for the country. The destruction of local democracy in Ukraine is one of Russia's war targets. Russia perceives itself to be at war with the West, and any hope that the conflict can be contained through cautious security support for Ukraine is an illusion. With the very situation of the Ukrainian state at stake and the European security order under attack, Ukraine and its Western partners cannot win this brutal war through restraint or a mindset of de-escalation.

The political debate at the close of the conference made a compelling case that Germany's military support for Ukraine was always significant but never sufficient. **Europe has failed to provide timely and sufficiently to the Ukrainian army** and failed to develop a strategic security policy. The costs of aiding Ukraine in its fight against Russian aggression are far lower than the **costs of inaction**, which could lead to a Russian victory —or partial victory—that renders large parts of Ukraine uninhabitable and would **further shake Europe's security**.

Significant investments are urgently needed in Ukraine's defense, its recovery efforts, and in bolstering Germany's and Europe's own defense capabilities. Without these measures, Ukraine's remarkable local resilience will eventually be exhausted, and its defenses could be overrun. The time to defend Ukraine's local democracy is now – before it is too late.

## IV. Recommendations to political stakeholders

**To the Ukrainian government:**

▸ The decentralization reform remains the foundation of Ukrainian resilience and one of the most successful, though incomplete, reforms. **Completion of this reform** - as enshrined in Article 72 of the Ukraine Facility and confirmed by the Government of Ukraine on March 18, 2024 – is an important political priority in the EU accession process.

▸ The Ukrainian government and administration must ensure mechanisms and funding schemes that allow a **transparent, participatory, and needs-based distribution of international financial support** to municipalities.

▸ The Ukrainian government and administration must actively **involve cities, municipalities, and their representatives in the establishment and coordination of recovery plans** and in the allocation of regional and local funds, including those from the EU accession process and the EU Facility.

▸ Ukraine's state budget should provide municipalities with sufficient and stable **access to tax revenue**, enabling them to deliver essential services to their communities during wartime and beyond. Ensure 64% personal income tax allocation to community budgets in 2025 and cease the reversal subsidy transfer from local to state budgets in 2025.

▸ The **transparency of the DREAM Platform** must be improved: upgrade the DREAM platform to provide detailed information about project requirements, selection criteria, and progress updates.

▸ Municipalities must be enabled to **influence investment priorities** directly affecting their communities. The current level of **participation of local governments in the reform of public investment management is neither systematic nor sustainable.**

▸ **Limit and streamline central government control** over local self-government in accordance with the European Charter of Local Self-Government, introduce more precise regulation for the establishment and removal of military administrations, and establish appropriate transitional structures for the involvement and active citizen participation.

## How to strengthen decentralized democracy and local resilience in Ukraine

**To Ukraine's international partners:**

▶ EU members and institutions should actively **support the local and regional associations** in Ukraine and facilitate their inclusion in and exchange with EU counterparts on national and EU levels.

▶ International donors and partners should focus on **strengthening the absorption and implementation capacities** of communities through training and capacity building to ensure they can effectively manage and utilize national, international, and EU funding.

▶ EU should closely monitor the implementation of Article 16 (2) (e) of the Ukraine Facility and of the Ukraine Plan calling for **mechanisms to involve sub-national authorities**, in particular municipalities, as well as civil society organizations, in decision-making on the use of support in the reconstruction process.

▶ International donors need to invest in projects that foster the **empowerment of civil society** as active supporters of capacity building and implementation of reforms on the local level.

▶ Europe should step up in **providing military support** and reliable security guarantees and do anything needed and possible to protect Ukraine's local democracy against Russia's war of aggression.

# Kyiv Dialogue

Kyiv Dialogue is a non-partisan and independent platform for deepening and consolidating the dialogue between Ukraine and Germany. Set up in 2005, Kyiv Dialogue brings together opinion-forming multipliers from politics, the media, and civil society in both countries. Since 2014, Kyiv Dialogue began supporting civil society initiatives and local municipalities in the Ukrainian regions to strengthen local democratic structures. Since 2014, Kyiv Dialogue has been working with more than 40 local communities across 15 Ukrainian regions. Since the full-scale invasion in 2022, the focus has shifted to the social integration of internally displaced persons and the reconstruction of Ukrainian municipalities.

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