

DECENTRALIZATION IN UKRAINE

This monthly newsletter is a brief overview of Ukrainian authorities' work on implementation of Reform #1 in Ukraine

JUNE 2017



The Earned Revenues of Local Budgets are Increasing

In January through May 2017, UAH 72.3 billion was paid to the general fund of local budgets, which amount totals 44.5% of the planned annual targets approved by local councils.

The addition of revenues, in comparison with the same period of the previous year, totalled 34.3 % or UAH 18.5 billion. In this connection, the growth rate of revenues in 19 Oblasts was ensured to be higher than average in Ukraine.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

Budgets of the Amalgamated Communities are Growing

The 207 amalgamated communities which were established in 2016 and, therefore, transferred to direct inter-budgetary relations with the state budget only in this year have received three times more own resources. Prior to the amalgamation, that is, over the period from January to May 2016, that indicator totalled UAH 400 million, today it totals UAH 1.5 billion.

The 159 amalgamated communities which have been operating under the new budgetary and financial conditions for two years, have increased earned revenues to their budgets by 42% (+ UAH 455 million). This indicator is higher than average in Ukraine (34%).

Consequently, the earned revenues of local budgets of the 366 amalgamated territorial communities have increased by more than twice and totalled UAH 3.2 billion (+ UAH 1.6 billion).

Inclusive of inter-budget transfers from the state budget, the revenues of the general fund of local budgets of the 366 amalgamated territorial communities totalled UAH 6.9 billion.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

Payments to Local Budgets will Increase up to UAH 533 Billion by 2020

On 14 June 2017, the Cabinet of Ministers of Ukraine approved a draft of the Main Lines of Budgetary Policy for 2018-2020, which draft provides for the transfer to medium-term budget planning in the country.

In particular, the draft provides for an increase of payments to local budgets up to UAH 533 billion by 2020.

In 2018, the amount of resources will total almost UAH 500 billion, that is by 16% more than in 2017; and by 2020, that amount will total UAH 533 billion.

Anticipated amount of revenues of local budgets will also increase from UAH 248 billion in 2018 to UAH 284 billion in 2020.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

The Budget Policy is being Systematically Changed in Ukraine

On 14 June 2017, the Cabinet of Ministers of Ukraine approved a draft of the Main Lines of Budgetary Policy for 2018-2020, which draft provides for the transfer to medium-term budget planning in the country.

The continued decentralisation and strengthening of local budgets, increase of social standards, promotion of industry, and creation of new jobs are priority tasks.

Ensuring the independence of local budgets, enhancing their financial capacity, and increasing the transparency and efficiency of budgetary funds management at the local levels were determined to be of highest priority in terms of inter-budget relations for a medium-term period.

It provides for the growth of Ukrainian economy by 4%, decline in inflation to 5%, reduction of the budget deficit to 2%, and decrease of the debt/GDP ratio to 55% by 2020.

"The introduction of medium-term planning at the local level will ensure the consistency of budgetary policy, as well as its predictability at the regional and local levels. Such planning will also ensure a strategic approach to determining priority measures for the development of a territory and respective allocation of resources", Halyna Markovych, Coordinator of the focus area "Local Budgets" of the Project Office for Sectoral Decentralisation.

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The Rating of Oblasts in Terms of Establishing Capable Territorial Communities has been Published

On 20 June 2017, the Ministry of Regional Development published a rating of Oblasts (regions) in terms of establishing capable territorial communities. The top five include: Khmelnytskyi (1st place), Zhytomyr (2nd place), Chernihiv (3rd place), Zaporizhia (4th place), and Dnipropetrovsk (5th place).

The following four parameters were analysed: the number of amalgamated territorial communities; the area of the ATCs; the territorial communities (local councils) which have amalgamated; the number of amalgamated territorial communities having less than five thousand residents.

*"The indicators on the basis of which the rating was formed are not just the figures but the reflection of performance factor of Oblast State Administrations and the Centres of Local Self-Government Development in terms of implementation of the reform tasks. Those lagging behind have to see it and make every endeavour to improve the situation. And the leading ones have not to lose steam and move forward to the completion of the reform", **First Deputy Minister of Regional Development, Construction, and Housing and Communal Services of Ukraine Viacheslav Nehoda.***

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

120 Amalgamated Communities are Prepared for the First Elections

As of 30 June 2017, applications for calling the first elections of local chairpersons and members of councils in 120 amalgamated territorial communities (ATCs) composed of 576 former local councils, which applications have been filed by Oblast State Administrations, are pending for consideration by the Central Elections Commission.

Altogether, as of 30 June, 211 amalgamated communities are at the final stages of their formation: 120 ATCs are waiting for the decision to be made by the Central Elections Commission, while Oblast State Administrations are preparing applications with respect to 5 ATCs, which applications are to be filed with the Central Elections Commission, 56 ATCs are in the process of making their final decisions on the amalgamation, and 30 ATCs are waiting for the opinion to be prepared by Oblast State Administrations.

As is known, 413 amalgamated territorial communities, altogether, have been established in Ukraine over the period of 2015 through 2017, which communities are composed of 1971 former local councils.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

Experts Studied Financial Capacity of the Amalgamated Communities

On 20 June 2017, the Financial Monitoring Team of the Central Office for Reforms operating at the Ministry of Regional Development presented its study of financial capacity of the first 159 amalgamated communities established in Ukraine (in 2015).

The sources of analysis included demographic, statistical, and financial indicators for 2016.

The analysis was carried out on demographic grounds in terms of four groups of the amalgamated territorial communities: group 1 with the number of residents exceeding 15 thousand; group 2 with the number of residents of 10 to 15 thousand; group 3 with the number of residents of 5 to 10 thousand; group 4 with the number of residents up to 5 thousand.

The Financial Team worked at 27 indicators pertaining to the activities of the amalgamated territorial communities, 4 of which were determined to be the most significant and which reflect the financial capacity of the amalgamated territorial communities, as well as have direct impact on it.

General conclusion: the larger is the number of residents in an amalgamated community, the higher are the indicators of earned revenues per one resident of the community. On the other hand, communities with a low number of residents have a limited capability for sustainable development and provision of all required services to its residents.

*"Such financial monitoring allows the bodies of local self-government seeing their vulnerable spots, drawing conclusions, and making respective decisions. Also, those financial indicators will be useful for modeling study of future amalgamated communities and developing long-term plans of Oblasts", - **Yanina Kaziuk, Financial Decentralisation Coordinator of the Central Office for Reforms at the Ministry of Regional Development (with the assistance of the U-LEAD Programme).***

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The Government Grant for Infrastructure has been Allocated to the Amalgamated Communities

On 21 June, the Committee of the Verkhovna Rada of Ukraine on Budget approved the allocation of a government grant from the state budget to local budgets for the purposes of formation of the infrastructure of the amalgamated territorial communities for 2017.

In 2017, the government grant for the purposes of formation of infrastructure of the 366 amalgamated communities which were established in 2015-2016 has totalled UAH 1.5 billion.

The funds of the government grant shall be allocated among budgets of the amalgamated communities in proportion to their area and the number of rural population, whereas each of these factors has equal weight.

The largest amount of the government grant shall be for Khmelnytskyi (UAH 167 million), Zhytomyr (UAH 155 million), and Dnipropetrovsk Oblast (region) (UAH 135 million).

"Thus, 366 amalgamated territorial communities will receive in 2017 the financial support to improve the quality of services granted thereby, establish Administrative Service Centres, renovate social infrastructure facilities, schools, kindergartens, repair and construct roads, bridges, water supply facilities, introduce energy efficient measures, purchase transportation means, etc.", **Vice-Prime Minister - Minister of Regional Development, Construction and Housing and Utilities of Ukraine Hennadii Zubko**

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

First UAH 765 Million have been Already Channelled from the State Budget to Support Regional Development Projects

On 7 July 2017, the Cabinet of Ministers of Ukraine distributed the first tranche in the amount of UAH 765 million from the State Fund for Regional Development for the implementation of infrastructure projects in the regions of Ukraine.

The funds will be used for more than 100 facilities all over the country.

Special attention is paid to sports infrastructure - construction of stadiums and athletic fields, as well as to road construction and repair of transportation facilities, in particular, the Kherson Airport.

In general, the State Fund for Regional Development for 2017 has totalled UAH 3.5 billion.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

Government has Improved the Land Resources Management System at the Local Level

On 7 June 2017, the Cabinet of Ministers of Ukraine approved the resolution, the implementation of which would facilitate the elimination of abuses related to land at the local level and ensure the transparency and openness of those processes.

The amendments provide that lands will be leased out through auctions only. In this connection, the land will be leased for a period not exceeding 7 years and the amount of land which may be transferred free of charge shall not exceed a quarter of land plots with respect to which the auction procedures have been carried out.

It is expected that local budget revenues from the lease of state-owned land will exceed UAH 1 billion just in a year and a half. In this connection, an efficient anti-corruption mechanism will be introduced in the area of land relations.

SOURCE: [DECENTRALIZATION OF POWER WEB-SITE](#)

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Press center of Government Initiative "[Decentralization of Power](#)"

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