



## POLICY NOTE WORKING PAPER 5.22

### Local governance and social cohesion in Ukraine

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#### OBJECTIVE

The main objective of this paper is to analyse the reasons behind the lack of the development of local governance in Ukraine and to explore different visions of its reforms. Furthermore, we wanted to explore perceptions of the levels of participation in local government and its impact on major public services; such as education, health care, social services and the support for SMEs. And finally, we inquired about the levels of trust and the importance of networks in the everyday life of Ukrainian population.

#### SCIENTIFIC/RESEARCH METHODS

Local governance is commonly understood as participation in the exercise of power by a variety of actors who are parts of different networks and who are expected to behave responsibly in a manner that promotes the common good rather than personal gain. Participation also means the empowering of the local population within the structure of the state.

The best way to approach social cohesion is by concentrating on social exclusion and by employing social inclusion mechanisms to develop a socially cohesive society. Social inclusion mechanisms primarily relate to policies which alleviate poverty, unemployment, low levels of education and poor health. (Atkinson, Marlier, Nolan, 2004, pp. 6-12) These mechanisms address both individuals and their households. Social cohesion entails, on the one hand, inclusion, which also means that certain groups may be excluded. Therefore, the above listed dimensions address also exclusion and the deprivation of an individual, in the form of his/her inability to participate in the social, political and economic life; especially to participate in distributional and relational aspects of the state. The former aspect perceives the state as a distributor of welfare due to lack of individual and/or household resources while the latter concentrates on the disruption of social ties in a society since state institutions are not able to integrate individuals. On the other hand, these dimensions address social capital understood as network building and trust between different individuals and their communities, organisations and institutions. Putman (2000) sees social capital as 'horizontal associations' between people and as 'networks of civic engagement'. Coleman (1988) adds the layer of vertical associations that is clubs, political parties, companies *etc.*, while North (1990) includes formal as well as informal organisations. Social capital is not only viewed as bonding and bridging

social capital but also includes state institutions, as well as a wide spectrum of social, economic and political institutions.

Although social cohesion and local governance are important political principles in Ukraine there are many obstacles to their effective implementation. Social cohesion and social capital both entail participation based on a process of inclusion, cherishing trust and developing networks. However, trust and networks are processes of exclusion as much as inclusion since they set boundaries. It depends very much on its members how these boundaries are perceived and kept. Participation also means inclusion and the blurring of boundaries. Therefore, a space for negotiations depends on dialogue between its citizens, civil society organisations and state institutions.

All the quantitative research shows that the Ukrainians hardly trust their politicians, political parties, the President and its government. (The European Quality of Life Survey, European Working Conditions Survey, European Social Survey, EBRD Life in Transition Survey) However one has to bear in mind they also do not trust organisations which belong to Ukrainian civil society since they feel betrayed by the majority of them. They strongly believed in them in the time of the Orange Revolution and, together with the oppositional politicians, “they did not deliver”.<sup>1</sup> There is widespread corruption amongst Ukrainian politicians and growing social inequalities. As a result, civil society, which is vital for democracy to develop and function, is on the margins of the society. If there is hardly any trust between the majority of population and political elite there is trust among family members and close friends and these networks are important for the survival of many people in Ukraine.

Decentralization never figured prominently in the rhetoric of the political elite in Ukraine as it did in some other countries of Eastern Europe. When there was a discussion about it, it usually finished with a verbal declaration only.<sup>2</sup> In 2009, the Ministry of Regional Development and Construction of Ukraine drafted two laws, Draft Concept on Administrative and Territorial Structure Reform in Ukraine and The Concept of Local Self-Government. He and his colleagues felt and he still argues today that “(P)robably for the first time in Ukrainian history, two interconnected documents appeared simultaneously, providing answers to real questions and outlining not only how territorial demarcation in the jurisdiction between executive power and local government bodies should be carried out, but also how competences should be distributed between executive bodies and local self-government bodies and between local self-government bodies of different levels of the administrative and territorial structure, as well as how the state should exercise control over legality of decisions made and actions performed by local self-government bodies.” (Tkachuk *et al.*, 2012, p.77) As Hanushchak pointed out, after four years the ruling elite is “still thinking about it”.

There is a deconcentration of power to local level with some elements of delegation. (Litvack, and Seddon, eds., 1999, p.3) Only oblast and rayons are given more powers to make decisions in relation to public facilities while they have hardly any financial resources to support these facilities despite the changes introduced with the Budget Code. The Budget Code allocated a stable list of its own revenues as well as shares in

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<sup>1</sup> Interview with Interview with Volodymyr Tarnoy, 16<sup>th</sup> May 2013.

<sup>2</sup> Interview with Oleksandr Demyanchuk, 15<sup>th</sup> May 2013.

national taxes to individual tiers of sub-national government and introduced the formula-based allocation for major services (health, education and social services). This formula-based allocation was simplified, “as a number of people and a norm by customers”, and it did not vitally change how the services were financed.<sup>3</sup> Importantly the local political elite is still not able to take over the running of local government. The majority of them are still tuned into the centralised model and they do not have the political education to run their local councils independently. Both the psychology of local politicians and administrative structure still favour the centralised model. The Ukrainian population trusts local politicians more than central government but the levels of trust are very low. The last banking crisis of 2008 impoverished the majority of the population which as a result had to engage in developing survival strategies. They turned towards family and friends in a time of need. It is therefore possible to conclude that Ukraine is a highly centralised and socially fragmented country in which local governance is not on the political agenda.

The starting point of our research concentrated on the lack of the development of local governance in Ukraine as well as on the decline of the quality of life of the Ukrainian population. During the field-work it was decided to address the issues of the current state of local government as well as explore differing visions of its reforms; the involvement of the local politicians as well as local population in local government and their opinions on major public services; that is health, education and social services as well as support for SMEs and, finally, to gain a mosaic of different opinions on participation in local community and government as well as the levels of trusts and the importance of networks.

### **POLICY VALUE-ADDED**

As we stated above, local governance and social cohesion are important political principles which feature prominently in Ukrainian politics but there are many obstacles to their effective implementation. Despite many discussions about the need for the reform of local government, both in political institutions as well as in civil society, there is no political will to draft a plan and an action plan with a view to implement it. A divided political opposition and diminished civil society mean that there is little impetus to reform the system. The local political elite is still not able to take over the running of local government. The majority of them are still tuned into the centralised model and they do not have the political education to run their local councils independently. Both the psychology of local politicians as well as the administrative structure still favour the centralised model. Centralisation has been taking place since 2010 and political and economic power is concentrated in the office of the President and the ruling elite.

The 2008 crisis, on top of the 20 years of economic problems, impoverished the majority of the Ukrainian population which exacerbated their retreat from the political sphere. They felt and still feel that the ruling elite does not want them in the corridors of power. They are invited and wooed to vote but are not encouraged to actively engage in politics. They also perceive the ruling elite as corrupt and guided by their economic interests. The Ukrainian populace is also deterred from engaging actively in politics as a result of the need to concentrate on developing economic survival strategies. Networks play an important role in developing and supporting the strategies of survival. These networks are a backbone of Ukrainian state and society

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<sup>3</sup> Interview with Yurii Hanushchak, 22<sup>nd</sup> May 2013.

and as such they are a vital structure of and play an important function in all different groups of Ukrainian society. As much as they are helping some Ukrainians to survive they are also helping a smaller minority to enrich themselves.

Since Ukrainian society embraced market forces, financial transactions have become more important in these networks. Corruption has become endemic to Ukrainian society and has permeated not only the economic sphere but also public services such as education, health care and social services. As a result of political centralisation, only lip service is paid to the reform of local government and to the process of decentralization. The process of centralization together with the economic recession and high levels of corruption is creating a fragmented society in which there are increasingly less connections between different groups in society.

In relation to the above summary of our research results we recommend the following:

1. To discuss, amend and implement the draft laws of 2009; Draft Concept on Administrative and Territorial Structure Reform in Ukraine and The Concept of Local Self-Government.
2. To be able to fulfil the task above it is important to build capacity to discuss, amend and implement the draft laws:
  - 2.1. There are already provisions in the Ukrainian legislation and they need to be put in practice. To enable to put them in practice there is a need to invest in human capital;
    - 2.1.1. To address the standard of education in primary and secondary schools, as well as regional differences and differences in rural and urban areas.
    - 2.1.2. Number of universities have gone up and the level of education has gone down. The Bologna Agreement needs to be implemented. There is a brain-drain taking place especially among the best educated.
    - 2.1.3. There is a need for citizenship or civic education. The ruling elite is still immersed in communist legacy and it is there to rule not to serve. As a result a majority of population has withdrawn from the political sphere.
3. To address still high levels of corruption in Ukrainian society. Corruption is spread in all stratas of Ukrainian society.
4. To invest in the development of civil society which has been diminishing in the aftermath of the Orange Revolution.

In sum, Ukraine is a highly centralised state and fragmented society. Political decision are made by a small ruling elite that combine political and commercial interests. Centralization has been taking place since 2010 and the ruling elite pays lip service to the reform of the local government so the present political situation in Ukraine is characterised by the absence of decisions.<sup>4</sup> Ukrainian ruling elite does not promote let alone strengthens local government, capacity building and citizens' democratic participation at local and regional level. Civil society is too weak to put pressure on the President and the Parliament and Ukrainian citizens show little interest since they do not trust the ruling elite.

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<sup>4</sup> Interview with Sergiy Tolstov, 14<sup>th</sup> May 2013.

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