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DEVELOPMENT INITIATIVE FOR ADVOCATING LOCAL
GOVERNANCE IN UKRAINE (DIALOGUE PROJECT)

ANNUAL REPORT
for the Development Initiative for Advocating
Local Governance in Ukraine (DIALOGUE)
Project
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LIST OF ABBREVIATIONS

AUC – Association of Ukrainian Cities
AUC RO – Regional Office of the Association of Ukrainian Cities
CAS – Center for Administrative Services
CASE – Central Agency of the State Executive
CGA – Central Government Authority
CJSC – Closed Joint-Stock Company
CMU – The Cabinet of Ministers of Ukraine
CPLR – Center for Political and Legal Reforms
IFES – International Foundation for Electoral Systems
LGRAB – Local Government Regional Advisory Board
MOH – Ministry of Health Care
NA – News Agency
NEFCO – Nordic Environmental Finance Corporation
NJSC – National Joint-Stock Company
OSA – Oblast State Administration
PJSC – Private Joint-Stock Company
RSA – Rayon State Administration
STU – State Treasury of Ukraine
STVRC – State TV and Radio Company
TVRC – TV and Radio Company
UAROC – Ukrainian Association of Rayon and Oblast Councils
USA – United States of America
USAID – U.S. Agency for International Development
UWAVTC – Ukraine-Wide Association of Village and Town Councils
UWLGA – Ukraine-Wide Local Government Association
UWNGO – Ukraine-Wide Non-Governmental Organisation
VRU – Verkhovna Rada of Ukraine
ZhEK – housing neighbourhood maintenance unit

RESUME

The DIALOGUE Project is working to promote the environment conducive for local government reforms and to ensure a broad-based support for decentralisation from public servants, civil society organisations and the public at large.

Project implementation in July – September of 2014 yielded the following outcomes:

- DIALOGUE experts monitored **49** draft laws and **184** draft legal and regulatory documents, with **3** legislative documents coming into force,
- The Project finished its work on preparing **5** draft laws including amendments to the Budget and Tax Codes and the draft Law of Ukraine “On Local Government Police”;
- The Project conducted the Day of Reforms within the framework of the 10th Ukrainian Municipal Forum;
- The Project conducted **5** session of AUC Professional Groups;
- The Cabinet of Ministers took into account the position of AUC with regard to **6** regulatory and legal documents;
- The Verkhovna Rada of Ukraine approved **5** regulatory and legal documents to support local self-governance;
- DIALOGUE Project experts participated in **9** working sessions of **5** ad-hoc parliamentary committees to present and promote the AUC position on draft legislation initiated by National Deputies;
- The Project conducted **7** working sessions of Local Government Regional Advisory Boards and **16** meetings of AUC Regional Offices;
- The Project launched a series of «ЗМІСТОВНА Україна» [*CITY-minded Ukraine*] TV programs to promote the idea of local self-governance dedicated to the Local Government Reform. The Project aired **25** TV programs;
- The Project conducted **14** expert workshops in AUC ROs;
- Project experts provided **166** consultations to local governments; and
- The Project published **2** issues of the “Herald”, **2** issues of the “Legislation News” professional legal publications, **1** issue of the “Legal Consultations” and **1** issue of the “Sectoral Monitoring”.

Chapter 1. KEY ACHIEVEMENTS IN THE REPORTING PERIOD

July 02, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 07, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 08, the Project conducted an expert workshop in the Zhytomyr AUC RO, city of Zhytomyr;

July 09, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 10, the Project conducted a session of the Kirovohrad Oblast Local Government Regional Advisory Board and the regional press club, city of Svitlovodsk;

July 11, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 14, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 15, the Project conducted an expert workshop in the Odesa AUC RO, city of Odesa;

July 16, the Project conducted an expert workshop in the Cherkasy AUC RO, city of Cherkasy;

July 16, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 17, the Project conducted a session of the Zaporizzhya Oblast Local Government Regional Advisory Board and the regional press club, city of Zaporizzhya;

July 18, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

July 24, the Project conducted a kick-off meeting of the Sumy Oblast Local Government Regional Advisory Board and the regional press club, city of Sumy;

July 25, the Project conducted a kick-off meeting of the Chernivtsi Oblast Local Government Regional Advisory Board, city of Chernivtsi;

Late July, the Project published and disseminated the “AUC Herald” electronic publication (Issue #109)

Late July, the Project published and disseminated the forty-sixth issue of the “Legislation News”

Late July, the Project published and disseminated the fort-sixth issue of the “DIALOGUE Newsletter”

- August 07 – 08**, the Project conducted a session of the AUC Culture and Arts Professional Group, city of Chernivtsi;
- August 11**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 13**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 14 – 15**, the Project conducted a session of the AUC Land Resources Professional Group, city of Illichivsk;
- August 15**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 18**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 19**, the Project conducted a session of the Zhytomyr AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Zhytomyr;
- August 20**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 22**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- August 27**, the Project conducted an expert workshop in the Poltava AUC RO, city of Komsomolsk
- August 28**, the Project conducted an expert workshop in the Lviv AUC RO, city of Lviv;
- August 29**, the Project conducted an expert workshop in the Volyn AUC RO, city of Lutsk;
- Late August**, the Project published and disseminated the forty-seventh of the “Legislation News”
- Late August**, the Project published and disseminated the forty-seventh issue of the “DIALOGUE Newsletter”
- September 01**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local government Reform
- September 03**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- September 03**, the Project conducted a session of the Poltava AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Karlivka;
- September 04**, the Project conducted an expert workshop in the Rivne AUC RO, city of Rivne;
- September 04**, the Project conducted an expert workshop in the Zakarpattya AUC RO, city of Uzhgorod;

September 04, the Project conducted an expert workshop in the Kharkiv AUC RO, city of Lyubotyn;

September 05, the Project conducted a session of the Lviv AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Lviv;

September 05, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

September 08, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

September 09, the Project conducted a session of the Vinnytsya AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Vinnytsya;

September 09, the Project conducted a session of the Khmelnytskyi AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Khmelnytskyi;

September 10, the Project conducted a session of the Zakarpattia AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, village of Polyana;

September 10, the Project conducted a session of the Kherson AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Nova Kakhovka;

September 10, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

September 11, the Project conducted a session of the Volyn Oblast Local Government Regional Advisory Board and the regional press club, city of Lutsk;

September 11, the Project conducted a session of the Zhytomyr Oblast Local Government Regional Advisory Board and the regional press club, city of Zhytomyr;

September 11, the Project conducted a session of the Rivne Oblast Local Government Regional Advisory Board and the regional press club, city of Rivne;

September 11, the Project conducted a session of the Ternopil AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Ternopil;

September 11, the Project conducted a session of the Kharkiv AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Kharkiv;

September 11 – 12, the Project conducted a session of the AUC Local Government Lawyers Professional Group, city of Vinnytsya;

September 12, the Project conducted a session of the Dnipropetrovsk AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Dnipropetrovsk;

September 12, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

- September 15**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 16**, the Project conducted an expert workshop in the Mykolaiv AUC RO, city of Mykolaiv;
- September 17**, the Project conducted a session of the Chernivtsi AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Chernivtsi;
- September 17**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 18**, the Project conducted the Day of Reforms within the framework of the 10th Ukrainian Municipal Forum, city of Odesa;
- September 18**, the Project conducted the meeting of the National Press Club in Odesa
- September 19**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 22**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 24**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 24**, the Project conducted a session of the Mykolaiv AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Mykolaiv;
- September 24**, the Project conducted an expert workshop in the Odesa AUC RO, city of Odesa;
- September 25**, the Project conducted a session of the Volyn AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Lutsk;
- September 25**, the Project conducted session of the Kyiv AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Vyshneve;
- September 25 – 26**, the Project conducted a session of the AUC Public Education Professional Group, city of Odesa
- September 26**, the «ТОНІС» TV Channel broadcast the «ЗМІСТОВА УКРАЇНА» [*city-minded Ukraine*] program about the Local Government Reform
- September 26**, the Project conducted a session of the Cherkasy AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Cherkasy;
- September 29**, the Project conducted an expert workshop in the Ivano-Frankivsk AUC RO, city of Ivano-Frankivsk;
- September 30**, the Project conducted an expert workshop in the Vinnytsya AUC RO, city of Vinnytsya;

September 30, the Project conducted an expert workshop in the Ternopil AUC RO, city of Ternopil;

September 30, the Project conducted a session of the Rivne AUC RO to identify issues to be discussed by the Local Government Regional Advisory Board, city of Rivne;

September 30 – October 01, the Project conducted a session of the AUC Health Care Professional Group, city of Ivano-Frankivsk

Late September, the Project published and sent to the printing house the “AUC Herald” (Issue #110)

Late September, the Project published and disseminated the forty-eighth issue of the “Legislation News”

Late September, the Project prepared and disseminated the seventeenth issue of the “Legal Consultations” electronic publication

Late September, the Project prepared and disseminated the seventeenth issue of the “Sectoral Monitoring” electronic publication

Late September, the Project published and disseminated the forty-eighth issue of the “DIALOGUE Newsletter”

Chapter 2. PROJECT IMPLEMENTATION

2.1. Component 1: Legal framework

Activity 2.1.1. Legislation drafting based on local governments legislative needs

The Project worked on 49 draft laws and other legal and regulatory documents, 27 laws and regulations were sent for AUC concurrence including 19 concurred without reservations, 5 with reservations, with 3 not concurred with. Five pieces of legislation was prepared. Five pieces of local government-enhancing legislation came into effect.

Since its inception, the Project worked on 722 draft laws and other legal and regulatory documents, and enabled AUC to participate in the concurrence of 291 draft legislation and regulations (including 188 documents concurred without reservations, 66 concurred with reservations, 37 not concurred, and 25 draft laws were prepared). 51 pieces of local government-enhancing legislation came into effect.

Assessment of local government institutions needs in legislation drafting and activities on Local Government Technical Area Profiles

Over the reporting period, the activities of the Cabinet of Ministers and the parliament both supported and hampered the development of local self-governance at the same time. The work of these government institutions slowed down due to the recess of the parliament and the campaign for elections of the new composition of the Verkhovna Rada.

Over this time, Project experts worked on the Technical Area Profiles and added to the corresponding chapters dealing with the legislative framework the names and their registration data of the total of 5 regulatory and legal documents. These include the Law of Ukraine “On the Ratification of the Additional Protocol to the European Charter of Local Self-Governance on the Right to Participate in the Matters of the Local Government” of September 02, 2014 (this information was added to the Local Government Organisational and Legal Framework Profile), as well as 4 resolutions of the Cabinet of Ministers of Ukraine (these were added to the Social Protection and Health Care Technical Area Profiles. No regulatory and legal documents were excluded from the list in these Profiles.

Based on the findings of the monitoring of local government problem issues, AUC specialists did not find any new significant problems in the corresponding local government technical areas.

AUC experts revisited the Local Budgets and Financial Foundations of Local Self-Governance Profile and removed the part dealing with the tourist fee (due to the occupation of the Autonomous Republic of Crimea).

During the reporting period, the technical issue dealing with the “Improper Legislative Framework to Outline the Rights and Obligations of the Patient and the Doctor and Regulation of Their Relationships” became unimportant and was excluded from the Health Care Technical Profile.

Some problem issues from the Local budgets and Financial Foundations of Local Self-governance were grouped together.

Project experts made some informational edits about how problem issues are being resolved in such technical area profiles as: Local Budgets and Financial Foundations of Local Self-Governance, Public Education, Health Care, and Social Protection.

Local Government Technical Area Profile	As of the beginning of the reporting period	Added including the optimisation of problem issues identified earlier	Resolved, through editorial remarks or the issue became irrelevant	As of the end of the reporting period
Housing and municipal utilities	47	0	0	47
Land relations	19	0	0	19
Local budgets and financial foundations of local self-governance	39	0	6	33
Organisational and legal foundations of local self-governance	31	0	0	31
Local elections	16	0	0	16
Social protection	23	0	0	23
Health care	22	0	1	21
Public education	23	0	0	23
Culture and arts	25	0	0	25

In addition to this, certain editorial comments and improvements were made to some chapters in these Local Government technical Profiles.

Legislation monitoring

Working within the local government related legislation monitoring Project Component, the Project experts took part in legislation drafting, commenting and preparation of proposals and suggestions to **49** draft pieces of draft legislation.

DIALOGUE Project experts were involved in the AUC concurrence procedure with regard to **27** draft legislation and other legal and regulatory documents sent for concurrence / proposals or comments to AUC by the:

- Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine – **19**;
- Ministry of Social Policy of Ukraine – **2**;
- Ministry of Justice of Ukraine – **3**;
- State Committee of Ukraine for TV and Raio Braodcasting – **1**;
- National Agency of Ukraine for Automobile Raods – **1**; and,
- National Service of Ukraine for Archives – **1**.

Nineteen of these pieces of legislation were approved without reservations, **45** – concurred with reservations, and **3** – not concurred with, and the Project sent the proposals on how to integrate local government interests back to the authors. AUC has been engaged in the continuous active cooperation with the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine on concurring draft regulatory and legal documents.

Draft regulatory and legal documents were also sent to local governments for their feedback on how they reflect their interests.

Over the reporting period, the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine approved a number of regulatory and legal documents, which have a significant impact on local self-governance:

- On July 14, 2014, the Verkhovna Rada of Ukraine approved and, subsequently, on July 29, 2014, the President of Ukraine signed into the **Law of Ukraine “On Amending the Budget Code of Ukraine on Depositing Lease Payments for the Use of Water Resources to Local Budgets”** (Draft Law # 4076a). The approval of the document enables to channel the lease payments to the corresponding local budgets of those territories where the water facilities are located. DIALOGUE was supporting the suggested amendments, because they help to strengthen the financial foundations of local self-governance. AUC concurred with the draft document in the due manner.
- On July 17, 2014, the President of Ukraine signed the **Law of Ukraine “On Cooperation of Territorial Communities”** (Draft Law # 4756), which streamlines the mechanisms to unite the resources of territorial communities for the implementation of joint projects and provides for the state support for the implementation of such projects. This is the first law ever to be approved to promote the implementation of the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine. DIALOGUE Project experts participated in the preparation of this document and AUC concurred with the text of the document in the due legal manner.
- On July 31, 2014, the Verkhovna Rada of Ukraine approved and on August 02, 2014, the President signed into the **Law of Ukraine “On Amending the National Budget for 2014”** to disburse 1.8 billion UAH to the Kyiv City budget for representative functions of the capital city of Ukraine, and increase by 7.3 billion UAH subventions from the National Budget to local budgets to repay the debt associated with the difference in the tariffs for centralised heating, water supply and sewerage services, which were produced, transported and supplied to citizens, related to the discrepancy between the actual cost of heating and centralised water supply and sewerage services on one hand, and the tariffs set and/or approved by state executive authorities of local governments. Thus the total amount of the subvention constitutes 14 billion UAH. DIALOGUE insisted on necessity to allocate such subvention.
- On July 22, 2014, the Verkhovna Rada of Ukraine approved and on August 08, 2014, the President of Ukraine signed the **Law of Ukraine “On Amending Article 4 of the Law of Ukraine ‘On Transferring State-Owned and Communally-Owned Property Items’** (Draft Law # 4075a), which simplifies the mechanism of transferring immovable property to communal ownership to accommodate pre-school educational establishments. This will facilitate the development of the pre-school education, training of children and their better preparation for school. DIALOGUE supported the approval of the Law, because it offers solutions for local councils in organising the provision of high quality educational services and overcoming the shortage of slots in pre-school educational establishments. These legislative initiatives were well received and supported by experts of local councils during meetings of AUC Public Education Professional Group.
- On September 22, 2014, the parliament approved and on September 02, 2014, the President of Ukraine signed the **Law of Ukraine “On the Ratification of the Additional Protocol to the European Charter of Local Self-Governance on the Right to Participate in Matter of the Local Government”**. The Additional Protocol was signed on behalf of Ukraine on October 20, 2011. The ratifies provisions substantially increase the rights of citizens and spell out the warning against bribery or use of force or coercive forms of participation of people in social life of local communities, in other words obliges the parties (signatory countries) to establish appropriate conditions and restrictions that ensure that the right to participate citizen does not threaten ethical, citizen oriented and transparent functions and powers of local authorities. It is expected

that the signing of the Additional Protocol, its implementation in national legislation and the practical application of the standards it prescribes will promote the democratization of society.

Due to the well-coordinated and effective cooperation of experts with parliamentary committees, state executive agencies and the high quality of proposals and justifications submitted by AUC, DIALOGUE managed to achieve the following specific outcomes in the legislation drafting activities:

- On July 03, 2014, the Verkhovna Rada of Ukraine approved in the first reading the **draft Law of Ukraine “On the Foundations of the National Regional Policy”** (# 4069a). The draft law outlines the main legal, economic, social, environmental, humanitarian, and organisational framework of the national regional policy as a component of the internal policy of Ukraine. Earlier, AUC concurred with the draft document with reservations and a suggestion to introduce a mandatory legislative requirement to concur draft regulatory and legal documents with local government associations. On August 14, 2014, the draft document was sent for the repeated second reading. On September 16, 2014, the working group prepared a table with amendments for the repeated second reading and the finalised text of the draft document. The document is pending consideration by the parliament.
- On July 03, 2014, the Verkhovna Rada of Ukraine approved the **draft Law of Ukraine “On Voluntary Consolidation of Territorial Communities”** (# 4070a) in the first reading. The draft document introduces the mechanisms for consolidation of territorial communities of villages, towns and cities and provides for the state support for the consolidated communities, as well as legal terms and opportunities for consolidation through voluntary merging of territorial communities, and formation of viable territorial communities. The document also outlines the conditions to improve the system of local governments on the corresponding territory. AUC supported the draft law in the due manner. On August 14, 2014, the Verkhovna Rada of Ukraine sent the draft document to the parliament for the repeated second reading. The draft law is being elaborated at the ad-hoc parliamentary Committee on State Building and Local Self-Governance with the participation of DIALOGUE experts on board. In particular, the working group has streamlined the legal status of the new communities. The document is currently pending consideration by the parliament in the repeated second reading.
- On August 11, 2014, the Cabinet of Ministers submitted to the parliament the **draft Law of Ukraine “On Amending Certain Ukrainian Legislation Concerning the Implementation of Authority in the Sphere of Architectural and Construction Control and Improvements of the Urban Development Legislation of Ukraine”** (# 4465a). The draft document was prepared by the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine with the participation of DIALOGUE Project experts. The amendments envision the transfer, including the transfer to the local governments, of the authority to issue permit documents, to perform the inspection and commissioning of finished construction objects. These amendments are expected to make improvements in urban development activities and to increase the role of local governments in the integrated development of territories in the interests of territorial communities. The draft law was introduced to replace a similar draft law (under # 4629), which did not get the enough support votes of National Deputies of Ukraine in May of 2014. On September 16, 2014, the ad-hoc parliamentary Committee made a recommendation for the National Deputies of Ukraine to approve the draft law in the second reading and as a whole.
- On August 13, 2014, following the discussions, the ad-hoc Verkhovna Rada of Ukraine Committee came up with a recommendation for the parliament to approve in the second reading and as a whole the **draft Law of Ukraine “On Amending Article 30 of the Law of Ukraine “On Local Self-Governance in Ukraine” Concerning Records and Technical Inventory”** (# 2371) approved in the first reading in June. The draft law has a

suggestion to include the authority to keep records of immovable property items regardless of the type of ownership to the list of exclusive (local government) authority of executive agencies of village, town and city councils and to exclude, at the same time, these type of authority from the delegated authority. In addition to this, it was suggested to supplement the list of excluding local government authority of the executive agencies mentioned above with the authority to perform the technical inventory of the abovementioned property. The text of the draft law is in line with the provisions of the draft law prepared by DIALOGUE Project experts and was submitted to the parliament for consideration by members of the Inter-Faction Local Government Support Group (local government caucus).

- On August 15, 2014, the Cabinet of Ministers of Ukraine submitted to the parliament the **draft Law of Ukraine “On Amending Article 5 of the Law of Ukraine “On the Court Fee” (# 4520a)**. The document provides for exemptions for department of local state administrations and executive agencies of local governments working in the social protection sphere from the requirement to pay the court fee in case of appealing court decisions as defendants and court rulings. Taking into consideration the difficulties local governments face while calculating the required amount of the fees and permanent shortage of financial resources in local budgets, these amendments will substantially facilitate the protection of local government interests in courts and help local governments to better perform their social protection activities.
- On September 15, 2014, the Cabinet of Ministers submitted to the Verkhovna Rada of Ukraine the **draft Law of Ukraine “On Amending the Budget Code of Ukraine (concerning the reform of inter-budget relations)” (# 5078)**. This draft law was submitted to replace Draft Law # 4435a of August 08, 2014 “On Amending the Budget Code of Ukraine (concerning fiscal decentralisation)”, which did not fully reflect local government interests (the draft document was removed from the consideration, because it was not included into the agenda of the parliament session). The finalised Draft Law # 5078 takes into account most of proposals of the DIALOGUE Project in its part dealing with strengthening the financial foundations of local self-governance and almost copies the provisions of the draft law prepared within the framework of DIALOGUE in its part dealing with simplified mechanisms for local governments to receive loans from international financial institutions. DIALOGUE Project experts participated in the activities of structural departments of the Ministry of Finance of Ukraine during the preparation of the draft document and made sure local government interests have been fully incorporated in the draft law. On September 16, 2014, the draft document was not included in the agenda of the parliament session, therefore the probability of its approval by the current membership of the Verkhovna Rada of Ukraine is low (more details will be provided in the next chapter).
- On September 15, 2014, the Cabinet of Ministers submitted to the Verkhovna Rada of Ukraine the **draft Law of Ukraine “On Amending the Tax Code of Ukraine (concerning the reform of inter-budget relations)” (# 5079)**. This draft law reflects most of the provisions of the draft law on amendments to the Tax Code (concerning fiscal decentralisation) prepared within the framework of DIALOGUE. On September 16, 2014, the draft law was not included in the agenda of the parliament either, therefore the probability of its approval by the current membership of the Verkhovna Rada of Ukraine is low (more details will be provided in the next chapter).

In the reporting period, the Project worked on drafting the legislation to meet local government needs:

The Project finished its work on the following pieces of legislation prepared upon request of local governments:

- draft Law of Ukraine “On Amending the Budget Code of Ukraine (in the part dealing with simplification of mechanisms for local governments to get access to borrowings from international financial institutions)”;
- draft Law of Ukraine “On Amending the Tax Code of Ukraine (concerning fiscal decentralisation)”;
- draft Law of Ukraine “On the Local Government Police (municipal police)”.

In addition to this, DIALOGUE Project experts drafted:

- Amendments to the Law of Ukraine “On Local Government Associations”,
- Amendments to the Mechanism for Providing Local Guarantees Approved by Resolution of the Cabinet of Ministers of Ukraine # 541 of May 14, 2012.

Since its inception, DIALOGUE prepared 23 pieces of draft legislation.

Activity 2.1.2. Expert evaluation of conformity of draft legislation to the European Charter of Local Self-Governance

The Project did not conduct activities under this component in the reporting.

Activity 2.1.3. Introduction of institutional tools for local governments to participate in legislation drafting

Round table discussions in AUC Regional Offices and meetings of AUC Professional Groups

AUC Culture and Arts Professional Group

August 07 – 08, 2014, city of Chernivtsi

25 representatives of departments and subdivisions of culture departments from 10 oblasts of Ukraine participate in the meeting.

After the discussion of draft regulatory and legal documents, the meeting participants came up with some recommendations, namely:

- prepare a national strategy of cultural policy based on the current local programs in the sphere of culture;
- introduce the concert tour fee with the following distribution of its collections: 20% - to budgets of villages, towns and cities where the concerts take place; 40% - to oblast budgets, and 40% - to the National Budget to support concert tour events at the national level. These funds will provide yet another opportunity for local governments to keep their concert stages, communally-owned community leisure centers and other cultural facilities, municipal amateur groups, cinema houses, etc. in the proper condition, and, if concert tours become frequent, to organise and support new groups and facilities;
- revisit the standards of the per capita number of community leisure centers and libraries in rural areas to reflect the local demographic situation, and possibilities of financial support for them at the local level, transportation services, as well as the real need in services provided by cultural facilities and economic justification;
- introduce a contract based type of work relationships with managers of not only communally-owned and state-owned cultural establishments, but also with out-of-school establishments and libraries, as well as to introduce the mandatory contract type of work relationships with pension age managers. Introduction of the contract type work relations will provide incentives for the managers to improve the performance of establishments they manage, will increase the spectrum of services they offer, and will open opportunities for new types of work with citizens;

- abolish tender requirements for purchases of books, periodicals and other reading materials for libraries; musical instruments and technical equipment for communally-owned cultural facilities;
- change the mechanisms for the calculation of tuition payments in communally-owned art schools for children established by Resolution of the Cabinet of Ministers of Ukraine # 260 of March 25, 1997 “On Setting the Amount of Payments for Tuition in State-Owned Arts Schools for Children” to introduce the percentage based tuition fee tied to the minimum salary or average salary in the region;
- make of the recommendation nature the regulatory documents on payrolls for communally-owned and state-owned cultural facilities and envision the possibility of introducing a position of the “project work manager”; and,
- specify in the regulatory documents the right of employees of rural leisure centers and members of amateur groups to receive premium payments for the years they served on their positions.

In addition to this, a representative of the Ministry of Culture of Ukraine, presented the draft Concept for the Development of Culture in Ukraine: priorities for 2014 -2015 and supporting the framework for future reforms. This issue raised a very active discussion of the event participants. The heads of departments and structural subdivisions of culture welcomed the initiative of the Ministry to prepare the regulatory and legal document to outline the main directions for development in this sphere. However, the event participants mentioned the need to further elaborate the draft Concept and to continue the active dialogue between the Ministry, local governments and non-governmental organisations, as only with such a dialogue the Concept will get the proper format and content.

AUC Land Resources Professional Group

August 14 – 15, 2014, city of Illichivsk, Odesa oblast

Representatives of 20 cities from the Volyn, Rivne, Lviv, Ternopil, Vinnytsya, Poltava, Cherkasy, Mykolaiv, and Odesa oblasts were present at the event.

The event participants discussed the draft law of Ukraine “On Amending Certain Ukrainian Legislation Concerning the Promotion of Land Auctions”. The document was submitted by the National Agency for Land Resources of Ukraine to the Association of Ukrainian Cities for concurrence. The event participants supported the document in the part dealing with the following:

- deregulation of procurement of land management services in the course of the preparation of lots to sell state-owned and communally-owned land plots and identification of land sales implementer (amendments to Part Six of Article 136 of the Land Code of Ukraine);
- possibility for the land sale implementer to refund the costs associated with the land sales both through local budgets and through the funds of the buyer of the lot.

At the same time, the local government experts expressed their comments to the provisions of the Draft Law with regard to the following:

- concluding land lease agreements with the winner of land sales offering the highest price for the right to rent the corresponding land parcel (whereas the current version of the Land Code of Ukraine – the highest amount of the annual land lease payment);
- excluding from the list of documents, which are part of the solicitation, urban development requirements and limitations; and,

- requirements for concluding land sales agreements between the organiser of the land sales and the winner exactly on the day when the sales are conducted.

The expert opinion with regard to this Draft Law was submitted to the National Agency of Ukraine for Land Resources.

In the course of the meeting, the participants discussed the need to regulate the issue of the registration of termination of land lease agreements (breaking off such agreements) concluded before January 01, 2013, because the information about such agreements is not available in the State Registry of Real Property Rights and therefore one can not perform the corresponding registration actions. Representatives of cities believe it is worthwhile to transfer the authority to register the termination of such agreements to local offices of the National Agency of Land Resources of Ukraine, before these are the agencies, which have the complete information on this issue.

The event participants did not miss the opportunity to discuss the issue related to lack of reasons to cancel the state registration of communally-owned land parcels in the State Land Cadastre based upon the decision of the local government ordinance. The possibility to cancel the state registration upon the application of the owner (public government entity) would significantly facilitate the mechanism for the formation of the new land parcel on the location where the previously formed land parcel was located, because the mechanisms for the preparation of land management documents have been significantly streamlined.

Based on the discussions, the event participants prepared a number of proposals to introduce the necessary amendments to the Laws of Ukraine “On the State Land Cadastre”, “On the State Registration of Property Rights to Immovable Property and Their Limitations”. AUC will submit these draft documents to National Deputies to be later on submitted to the parliament.

AUC Local Government Lawyers Professional Group

September 11 – 12, 2014, city of Vinnytsya

37 representatives of legal departments from 13 oblasts of Ukraine participated in the event. The following main issues were discussed:

- The Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine. The Reform Concept was prepared with the participation of the Association of Ukrainian Cities and reflects its opinion in this direction. While discussing this issue, a representative of the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine placed an emphasis on communicating the main ideas of the reform to the event participants because they have a considerable impact on the formation of the opinion of local government officials and local council members in communities. The participants also became familiar with the implementation of the Concept of the Local Government Reform. The participants decided to support the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine approved by Instruction of the Cabinet of Ministers of Ukraine # 333-p of April 01, 2014 and actions and steps to implement it and to emphasise the necessity to implement the provisions of the Concept without fail. They decided to draw the attention of the Association of Ukrainian Cities to the need to specify in the legislation the general principles, scope, mechanisms and frequency of the state control over the activities of local governments to ensure its expediency, appropriateness and formal criteria.

- Concept of the Law of Ukraine “On Local Government Police” prepared by AUC. The system of local governments in Ukraine does not envision municipal law enforcement agencies, which poses barriers not only for the decentralisation of law enforcement, but also for the enforcement of a great number of decisions of local councils, which relate to such issues as urban improvements, sanitation, public safety and public order, land use, parking vehicles, etc. At the same time, long time ago many foreign countries established their municipal law enforcement agencies, and there is the apparent need to have similar entities in Ukrainian cities. The Concept envisions preparation of the draft Law of Ukraine “On Local Government Police” which would be based on best international practices tailored to the local Ukrainian context. The Concept also envisions transferring, within certain limits, the functions in maintaining public order to the local government police, providing guarantees for the rights and freedoms of the human being and citizen, as well as enforcing ordinances of the corresponding council (councils) and its executive agencies (approved within authority of the local government), and providing assistance to law enforcement agencies in their activities on the territory under the jurisdiction of the council (councils). The event participants decided to approve the Concept of the Law of Ukraine “On Local Government Police” prepared by the Association of Ukrainian Cities and to come up with a suggestion to continue working on this issue in the future. They also came up with a recommendation to emphasise the need of reflecting in the draft Law the possibility for local government police officers to use traumatic weapons in their regular duty, as well as to use firearms in the states of emergency or while countering armed individuals.
- Draft law on amendments to certain Ukrainian legislation on decentralisation of authority in the sphere of architectural and construction control and improvements of the urban development legislation registered under # 4465a of August 11, 2014. Currently, local governments have been deprived of executive functions in the sphere of architectural and construction control and have no influence on unscrupulous developers who refuse to pay their cost-sharing contribution for the development of the city infrastructure. The draft law provides, among other things, the opportunity for local governments to exercise the state architectural and construction control. This will help local governments to quickly react to the situation in the construction industry and make sure cost share contributions from developers come to local budgets. The participants of the event decided: 1) to support the draft law on amendments to Ukrainian legislation concerning the decentralization of authority in the architectural and construction control and improvements of urban development legislation registered under # 4465 of August 08, 2014 and 2) to take into account the following suggestions in the preparation of the draft law for the second reading: a) the declaration must provide the information about the complete implementation of the agreement on cost share contributions, not just the intention to comply with it (compliance could be partial and this, in some cases, can lead to abuse), b) introduce amendments to Article 31 (new paragraphs: Paragraph 11, Sub-Paragraph “a”, Part 1, Paragraph 7, Sub-Paragraph “b”, Part 1) of the Law of Ukraine “On Local Self-Governance in Ukraine” to vest local council executive committees with new powers. However, these suggestions have been formulated too vaguely and are unrealistic to be implemented by local governments.
- Draft law on amendments to the Civil Code of Ukraine concerning the place of the registration of heritage registered under # 5038 of September 05, 2014. The draft law has a suggestion to change the approaches to determine the territorial community to take the abandoned heritage. Currently, this is the last place of residence of the testator, whereas the suggestion was made to make it the location of the immovable property. This would provide territorial communities with more logical reasons to take the corresponding property rights. The participants of the event decided to come up with a suggestion for the

Verkhovna Rada of Ukraine Committee on Legal Policy to support the approval of the draft law mentioned above.

- Problem issues of dealing with electricity and natural gas supply facilities not owned by the authorised and specialised legal persons. Electricity and gas distribution companies abuse their monopoly position and take advantages of poor regulation of the corresponding issues. In doing so, they force local governments and certain groups of urban residents to transfer to them for free electricity line and distribution facilities, which are owned by the latter. The participants of the event decided to draft amendments to the corresponding laws of Ukraine to resolve the issue related to the transfer to specialised electricity companies of line and distribution facilities from physical persons and their associations, from territorial communities and other persons only after such companies reimburse the value of such facilities.

AUC Public Education Professional Group

September 25 – 26, 2014, city of Odesa

25 representatives of city and town departments and subdivisions for public education from 8 regions of Ukraine participated in the event.

Following the discussion of the draft regulatory and legal documents the participants of the Professional Group meeting decided to support the draft law “On Amendments to the Law of Ukraine “On Pre-School Education” (concerning the possibility of satisfying the needs of internally-displaced persons and Grouping in Pre-School Educational Establishments” (Registration # 4394a of July 30, 2014). The document envisions the possibility of increasing the number of children in groups of the pre-school educational establishment provided the founders (owners) of such establishments stay in compliance with the requirements of the Basic Component of the Pre-School Education and provides free access to citizens for the pre-school education for their children.

The event participants did not support the following draft laws:

- “On Amending Certain Ukrainian Legislation Concerning the Appointment, Dismissal, Incentives, and Holding Disciplinary Liable of Managers of Pre-School, Comprehensive and Out-of-School Educational Establishments” (Registration # 4052a of June 11, 2014)”. The draft law envisions the following:
 - supplementing the list of the exclusive authority of city councils for the right of mandatory approval of ordinances to concur with the appointment of managers of educational establishments, or initiating issues of holding them accountable;
 - introducing the requirement for managers of communally-owned educational establishments to report on how they use local budgets funds.

The participants of the event mentioned that it can have complications in its implementation, whereas the reporting requirements and mechanisms of appointing managers of educational establishments can lead to political speculations.

- “On Nutrition in Comprehensive Educational Establishments” (Registration # 4004a of June 03, 2014). The document envisions granting a special status for companies or institutions providing nutrition services in educational establishments. Also, the draft law has a suggestion to outline the general accountability for violations of the legislation on nutrition in educational establishments. Following the discussions, the representatives of city public education departments came up with a suggestion to simplify the nutrition services in educational

establishments through the abolishment of tender based purchase food and nutrition services. The participants came up with a suggestion to task the AUC Executive Board to send the letter to the corresponding parliamentary ad-hoc committees and ministries with regard to amending the Law of Ukraine “On Public Procurement”. In addition to this, the event participants expressed their suggestion to abolish the mandatory free of charge nutrition for schoolchildren in Grades 1-4 and increase of the list of privileged categories of children entitled for free nutrition in schools.

- “On Amending Certain Ukrainian Legislation on Public Education (concerning increasing access to comprehensive and pre-school education)” (Registration # 4888 of May 15, 2014). The document envisions the introduction of equal tariffs for all educational establishments regardless of their type of ownership and subordination. The decision was not to support the draft law, because the legislation already provides for equal tariffs for legal persons regardless of the type of ownership.

- “On Steps to Ensure the Implementation of Rights of the Child for Pre-School Education” (Registration # 4363a of July 24, 2014)”. The document envisions:

- introduction of the mechanism to transfer or to return buildings and premises of pre-school educational establishments to territorial communities, which should be done on a voluntary or forced basis through breaking off the property lease or purchase agreements and payment of the compensation for the price of property;
- compensation for the taken property for the owners; and,
- vesting local governments with the authority to determine the list of property items, which should be transferred to the community ownership and taking all the necessary steps to return it.

The participants of the event came to the conclusion that its implementation will require considerable financial resources for payments of the compensation for the owners for the premises of former pre-school educational establishments and for payments of court fees. Other complications with returning such premises include the poor technical conditions of the premises to be used for educational purposes. This was another reason for the participants not to support the draft law.

In the course of the discussions, the event participants decided to request the AUC Executive Board to address the Chairman of the Committee on Science and Public Education with a suggestion to elaborate the Draft Law “On Amending Certain Ukrainian Legislation (concerning increasing the image level of teacher work)” (Registration # 4104a of June 18, 2014). A recommendation was also made to give the same level of social protection to coach teachers in youth sports schools and for teachers of out-of-school educational establishments through the corresponding amendments to the Law of Ukraine “On Physical Culture and Sport”.

A representative of the Department for the Pre-School and Comprehensive Secondary Education of the Ministry of Public Education and Science of Ukraine took part in the event and informed the participants with the following steps of the national policy in the sphere of public education:

- changes in the independent knowledge assessment and overall knowledge evaluation;
- a moratorium on inspection checks of educational establishments;
- setting up and running the electronic depository of textbooks;
- updating the regulatory and legal framework for pre-school education and comprehensive secondary education;
- improving the legislation on introduction of inclusive education;
- introduction of specialised education; and,
- increasing the autonomy of educational establishments and granting them the right to use the financial resources of their special funds on their own discretion.

The participants of the event visited the local educational establishments and exchanged their experience.

AUC Health Care Professional Group

September 30 – October 01, 2014, city of Ivano-Frankivsk

20 heads and deputy heads of health care departments from 10 regions of Ukraine and 6 chief managers of communally-owned health care establishments from Ivano-Frankivsk participated in the event.

Based on the discussions of draft regulatory and legal documents with potential impact on local government powers, the participants came up with recommendations on the following draft laws:

- “On Hospital Funds” (Registration # 4560a of August 29, 2014). The draft law needs considerable elaboration including improvements of the provisions on financial support and compensation mechanisms for the medical services provided. The participants mentioned that the provisions suggested by the draft law are of the declaration nature and the document defines hospital funds as purely non-governmental organisations.

- Draft Law “On Amending Article 17 of the Law of Ukraine “On Foundations of Ukrainian Legislation on Health Care” (Registration # 4218a of July 02, 2014). The draft law introduces the prohibition for state-owned and communally owned health care establishments to engage in economic activities other than health care. Based on the discussion, the event participants did not support the draft law, because it envisions limitations for communally-owned health care establishments to provide medical services and to receive their own revenues from the provision of paid services.

- Draft Law “On State Social Medical Insurance” placed on the web site of the Ministry of health care for public discussion. Based on the discussions, the participants supported the idea of preparing the draft law, however, there is a need to elaborate the document. In particular, this relates to the parts dealing with concluding agreements, issuing insurance certificates for persons, setting up the membership and selecting the leadership of Insurance Fund, and changes in the Treasury administration of payments. In the course of the discussions, the event participants also expressed a proposal to expedite the approval and enactment of the law much earlier than in 2018 as was originally expected.

The Head of the Department for Health Care System Reform of the Ministry of Health Care who was present at the event presented the Concept of the New Health Care System. The discussion of the Concept caused a lively discussion of the ways to delineate the authority between local governments at various levels in term of provision of the first and secondary levels of medical assistance and the corresponding financial support.

The event participants took into consideration the urgent need to reform the health care system at the local level and expressed the following proposals on how to resolve problem issues of the reform through the following regulatory and legal documents:

- develop and approve the draft Laws of Ukraine “On Health Care Establishments” and “On Mandatory Medical Insurance”;
- develop and approve national standards for the provision of medical services, in particular, their financial component;

- develop a national program to finance local budgets for the period of 2015 – 2019 to implement the family medicine and to establish the network of outpatient establishments to support the family medicine;
- develop model charters for state-owned and communally-owned health care establishments;
- prepare a model work agreement with managers of state-owned and communally-owned health care establishments;
- prepare a model agreement for medical services provided citizens in other administrative and territorial units;
- develop a mechanism to determine the amount of financial resources and mechanisms to settle accounts related to the provision of medical services to citizens in other administrative and territorial units;
- abolish the moratorium introduced by the Law of Ukraine ‘On Introducing the Moratorium for Closing and Reorganisation of Health Care Establishments’;
- outline the main criteria for effectiveness of steps taken to reform the health care system in pilot regions, primarily economic and medical criteria to roll out best practices throughout the whole territory of the country;
- introduce the electronic system for registry and turnover of medical documents;
- introduce the unified Ukraine-wide medical electronic network to keep the data on patients;
- change the system to control the pharmaceuticals;
- improve the system of personnel support, training of specialists and general practitioners, as well as family medicine practitioners; and,
- introduce a forced treatment of open TB patients.

Following the discussions, the participants of the Health Care Professional Group decided to send their suggestions on regulatory and legal documents to the Ministry of Health Care of Ukraine and initiate the resolution of problem issues in the health care system.

On the next day, the participants of the Health Care Professional Group meeting visited the health care facilities in the city of Ivano-Frankivsk.

Setting up a network of lawyers to participate in legislation drafting

Currently, the network includes **394** local government lawyers from **24** oblasts.

As of now, **300** cities and **71** smaller towns delegated their representatives to work in the network. Currently, the network includes **394** local government representatives from **24** oblasts.

During the reporting period, the Project sent draft laws and other legislative and regulatory documents prepared by the central state executive agencies and draft legislative and regulatory documents sent to AUC for concurrence to lawyers to solicit their expert opinion.

In particular, AUC received comments and proposals concerning the following draft Laws of Ukraine: “On Amending the Constitution of Ukraine”, “On Amending Article 5 of the Law of Ukraine “On the Court Fee”, “On Elections of Deputies of the Verkhovna Rada of Ukraine, Members of Local Councils and Village, Town and City Mayors” (concerning increasing budget expenditures for local government elections)”, “On Introducing Amendments to the Budget Code of Ukraine (concerning fiscal decentralisation)”, “On Amending Article 4 of the Law of

Ukraine “On Transferring State-Owned and Communnally-Owned Property Items”, “On Reforming State-Owned and Communnally-Owned Media”, draft Resolutions of the Cabinet of Ministers of Ukraine “On Amending Paragraph 10 of the Mechanism for Covering Temporary Cash Shortages of Local Budgets”, “On Amending Paragraph 11 of Resolution of the Cabinet of Ministers of Ukraine # 65 of March 01, 2014”, “On Considering Void Certain Resolutions of the Cabinet of Ministers of Ukraine (concerning model manning schedules of local governments)”, “On Providing Incentives for the Replacement of the Natural Gas During the Generation of Heating Energy for Institutions and Organisations Financed through the National Budget and Local Budgets”, and instruxtions of the Ministry of Regional Development, Constryction, Housing and Municipal Utilities of Ukraine “On Approving the Mechanisms for Keeping the Registry of Cooperation of Territorial Communities”, “On Amending the Methodology for Determining the Renewable Value of Green Plantations”, etc.

The proposals and comments were used in the course of the preparation of the official position and expert opinion of the Association with regard to the draft regulatory and legal documents mentioned above.

2.2. Component 2: Policy dialogue

Activity 2.2.1. Increasing the participation of AUC member cities in the policy dialogue established by AUC at the national level

Day of Reforms at the 10th Ukrainian Municipal Forum

On September 18, the Project conducted a Day of Reforms in the city of Odesa within the framework of the 10th Ukrainian Municipal Forum. More than 232 representatives of local governments participated in the event.

The main message Vice-Prime Minister Groisman presented to territorial community representatives was: “The Local Government Reform is a key reform in the country. Its success will depend on decentralization and transfer of authority to the community level, and on decentralization of finance to ensure sustainability and viability of territorial communities”.

V. Groisman mentioned that as of today, the Cabinet of Ministers has prepared a package of draft laws whose approval will promote the implementation of the local government reform. For example, the parliament has already approved the Law “On Cooperation of Territorial Communities” and has approved in the first reading the draft law “On a Voluntary Consolidation of Territorial Communities”, whereas the Cabinet of Ministers prepared the Concept of the Law of Ukraine on local government police (municipal police).

The Vice Prime Minister expressed confidence that the new parliament that will be elected during early elections in October this year will approve all necessary laws to promote decentralisation of power and finance.

The implementation plan for the reforms looks as follows:

- completing the works to prepared the legislation framework for the local government reform by the end of 2014
- introducing the fiscal decentralisation model in January, 2015
- approving amendments to the Constitution of Ukraine and implementation of the whole package of laws by July of 2015
- implementation of pilot projects for community cooperation and consolidation during 2015 and,

- regular local government elections and complete implementation of the new system of local self-governance in October of 2015.

Reforming the system of administrative services, or decentralisation of authority in the sphere of these services is of equal importance for strengthening territorial communities. DIALOGUE has been involved in the preparation of the corresponding draft laws.

In 2014 – 2015, the government will gradually transfer to the local level of the authority to provide services in such spheres as: urban development and architecture; registration of the place of residence; registration of property rights and businesses; land relations; and, registration of transportation vehicles and issuance of driving licenses. The collections from fees for such services will go directly to the corresponding local budgets.

After the presentation of Vice Prime Minister V. Groisman, the participants engaged in the Q&A session. The Vice Prime Minister provided answers to questions from mayors.

The discussions of the Day of Reforms focused on three topics:

I. Current status of the budget sufficiency of territorial communities at the end of 2014 and AUC and CMU proposals for 2015

In the opening remarks for the discussion of budget, M. Pittsyk, Executive Director of AUC informed city mayors that the Cabinet of Ministers incorporated AUC suggestions in two its draft laws, such as draft amendments to the Tax Code of Ukraine and draft amendments to the Budget Code of Ukraine. Due to the close cooperation between the leadership of the Ministry of Finance and the participation of a representative of AUC in the Ministry of Finance working group, these draft documents reflect the requirements of local governments in the context of the budget reform. These draft laws introduce substantial improvements in the budget system, while local government budgets will increase by 20 billion UAH. This is a real victory, however, so far a virtual one. To make it happen, the parliament should approve the corresponding legislation. This is why it is important to elect those National Deputies who will support for these laws. Mayors running for parliament is a good sign in this context.

In his presentation O. Slobozhan, DIALOGUE expert, highlighted the draft laws the Cabinet of Ministers submitted to the parliament: amendments to the Budget Code and Tax Code (# 5078 and # 5079). The purpose of these draft documents is decentralisation of finance and increased the capacity and viability of communities.

Amendments to the Budget Code envision:

- an increased share of own local government resources in the overall local budget revenues through channelling some part of the income tax, profits tax (for commercial companies), excise collections from the retail sale of tobacco goods, alcoholic beverages and oil products, and increase share of collections from the environmental fee, administrative fines and payments for administrative services;
- line ministries will become main spending units for subventions (for public education, health care and social assistance) and will be responsible for these funds. The main purpose of this innovation is to reform the system of social standards and norms to ensure the 100% financial support for the implementation of the delegated mandate;
- expenditures to provide the financial support for the municipal police;
- a clear timeframe for the State Treasury offices to take actions on local government vouchers: 2 days for earmarked budget line items and 5 days for non-earmarked ones, with the accountability for the State Treasury in case these requirements have been violated;

- financial incentives for consolidation of communities as envisioned by the administrative and territorial reform: the budgets of consolidated communities will enjoy the same relationships with the National Budget as budgets of oblast significance cities; and,
- easier access for local governments to loans: all oblast significance cities will have the right to borrow; the amendments introduce the “quiet acquiescence” principle for the Ministry of Finance to approve the amount and terms of local borrowings, render the expenditures to serve the local debt to the category of earmarked expenditures, whereas the funds saved on borrowed loan funds will go to repay financial liabilities.

Amendments to the Tax Code envision:

- the land fee will be rendered to the category of local taxes;
- reformed tax on the immovable property: abolishment of significant preferences for the size of the property; and introduction of taxation of commercial property;
- introduction of the excise fee on retail trade (beer, alcoholic beverages, tobacco goods, and oil products), with the collection funds to be channelled to local budgets at the location of the corresponding trading facilities; and,
- streamlined payment of the land tax by those users who have not registered their land property rights.

As a separate note, one should mention that the Concept of the law on the local government police envisions the establishment of the unit to administer local taxes and fees.

II. Tasks and ways to ensure energy security in cities in the current environment

In the course of the discussions of energy efficiency and energy saving, the participants became familiar with the presentation of S. Odarych, Mayor of Cherkasy. He, in particular, made a suggestion to revisit the resolution on compensations for the use of alternative types of fuel other than gas used for the production of heat and suggested to add combined heat and power stations to the list of recipients of such compensation. He also urged the Cabinet of Ministers to simplify the system of subsidies granted for citizens to offset increased tariffs for utility services.

S. Savchuk, Head of the State Agency of Ukraine for Energy Efficiency and Energy Conservation, said that in the near future the government is planning to compensate 20% of the value of electricity and solid fuel boilers to encourage people to implement energy efficiency steps. Also, CMU is working to encourage investors to replace the natural gas in the production of heat in housing and utilities sector, namely, the introduction of bonuses for the reduced consumption and replacement of the natural gas.

Yu. Shevchuk, Head of the Representative Office of the Nordic Environment Finance Corporation (NEFCO) in Ukraine, made a presentation on the proposals of international financial institutions to support energy saving and alternative energy projects in Ukraine.

III. Problems of cities associated with the crisis situation in the east of Ukraine and ways to resolve them

S. Bochkovskiy, Head of Civil Service of Ukraine of Emergencies, made a presentation of the steps the Cabinet of Ministers takes to support temporary internally-displaced persons from the east of Ukraine to other regions of Ukraine and to eliminate the effects of military operations in the areas liberated from illegal armed groups. In particular, he informed about the following: the state executive is currently working on legal aspects of issues related to social security of internally displaced persons. According to the prepared draft laws, citizens will be provided assistance to cover their living costs, jobs will be created and stabilization and employment will take place in Donbas.

Following the Day of Reforms, the participants of the 10th Ukrainian Municipal Forum approved an Appeal expressing their support for the peaceful initiatives of President Poroshenko to normalize the situation in the east of Ukraine and appealed to higher government authorities to find a quick resolution of issues related to budget support for territorial communities by the end of 2014 and in 2015, of tasks of energy security in cities in the current conditions, as well as of problems cities face in the context of the crisis in the east of Ukraine.

Cooperation with central government authorities

Participation of the representative of Ukraine-wide local government association in sessions of the Cabinet of Ministers of Ukraine

M. Pittsyk, Executive Director of the Association of Ukrainian Cities, represented Ukraine-wide local government associations in the Cabinet of Ministers.

In the reporting period, the Cabinet of Ministers supported the following proposals coming from the Association of Ukrainian Cities in the following regulatory and legal documents:

- On July 17, 2014, the CMU approved **Resolution of the Cabinet of Ministers of Ukraine “On Amending Paragraph 11 постанови of Resolution of the Cabinet of Ministers of Ukraine # 65 of March 01, 2014” # 263**. The amendments will channel the payments under targeted environmental (green) investment projects and payments on compliance with the Kyoto Protocol to the UN Framework Convention on Climate Change to the category of high priority and full reimbursement payments. DIALOGUE has been actively lobbying for these changes. The last time the Project insisted on these amendments was on April 29, 2014, at the meeting of the AUC Board V. Groisman, Vice Prime Minister, and T. Slyuz, Head of the State Treasury Service of Ukraine. Both agreed with the arguments of the Project.
- On August 06, 2014, the CMU approved **Resolution of the Cabinet of Ministers of Ukraine # 385 “On Approving the National Strategy for Regional Development for the Period till 2020”**. The Strategy envisions the implementation of the policy to increase competitiveness of regions to take place with the best use of indigenous resources of each region and with the corresponding support from the state; equitable opportunities for regions to provide their citizens access to basic services, such as: public education, health care, information, urban public transportation, communication, market and non-market (public) services. The priorities of the regional policy include the development of cities as the nodes for economic growth, as well as the revival of rural territories. This is another area where the Concept of the Local government Reform approved by the Cabinet of Ministers is completely in line with the Strategy. AUC concurred with the draft Strategy without reservations in the due manner.
- On August 27, 2014, the CMU approved **Resolution of the Cabinet of Ministers of Ukraine # 379 “On Amending Article 10 of the Mechanisms for Covering Temporary Cash Shortages of Local Budgets”**. The amendments envisions coverage of cash shortages for health care in full in those populated areas, which have been enrolled for the pilot project to reform the health care sector. DIALOGUE was lobbying for such amendments for quite a long time.
- September 10, 2014:
 - The Cabinet of Ministers approved **Resolution # 444 “On Amending the Mechanism for Distributing Funds Coming to Special Accounts Set for Payments with Guaranteed Natural Gas Suppliers”** thus presenting the Mechanism in the new version. In particular, now, the requirement is to count in the debt beginning with the month the norms were first introduced, rather than the whole amount of the debt. Such an approach will allow, at least to some degree, to resolve the problem issue of all payment money

going to the supplier of the natural gas leaving heating companies no possibility to make the mandatory payments, pay salaries, perform repair works, etc. DIALOGUE Project has repeatedly lobbied these issues with the Ministry of Regional Development and during meetings in the Cabinet of Ministers.

- The Cabinet of Ministers approved **Resolution # 453 “On Incentives for Replacement of the Natural Gas in the Course of Generation of Heat for Institutions and Organisations Financed from Local Budgets”**. The Resolution provides for simplification of tariff setting mechanisms in the course of the production of heat energy from other types of fuel, which is supplied to the public sector. Its purpose of this mechanism is to bring the tariff for the heat energy produced from imported natural gas to the level of the tariff for heat energy generated through other types of fuel and energy. In general, the Resolution is a positive step, although it failed to incorporate the comments from DIALOGUE Project experts to set the tariff for heating using energy sources (except for the natural gas) 10% lower than the tariffs for such services using natural gas in order to motivate owners of boilers, as well as to reduce the timeframe of the Resolution.

- the Cabinet of Ministers approved **Resolution # 451 “On Introducing Amendments to Resolutions of the Cabinet of Ministers of Ukraine # 30 of January 29, 2014, and # 293 of July 09, 2014”**. The Resolution was prepared by the Ministry of Regional Development in pursuance of the requirements of the Law of Ukraine “On Amending the Law of Ukraine ‘On the National Budget of Ukraine for 2014’ (of August 31, 2014). The document envisions amendments to the corresponding mechanisms for distributing the subvention on the difference in tariffs to local budgets. AUC concurred with the draft document in the due manner.

- On September 23, 2014, upon the initiative of AUC. V. Groisman, Vice Prime Minister and Minister of Regional Development, Construction, Housing and Municipal Utilities issued an instruction to prepare the corresponding regulatory and legal documents to stop court enforcement actions to collect debt payments from heating companies with regard to the debts they have accumulated as the difference in tariffs.

The Cabinet of Ministers did not take into account the position of the Association of Ukrainian Cities in the course of the discussions of the **draft Law of Ukraine “On Amending Certain Ukrainian Legislation on Improvements of the Calculation of Energy Costs and Calculations to Repay the loans Received from international Financial Organisations”**. The document was prepared by the Ministry of Regional Development. On August 27, 2014, The Cabinet of Ministers approve the draft document, which envisions the introduction of special accounts for centralised water supply and sewerage companies to settle payments for the consumed electricity, as well as outlines the mechanisms to repay the loans received from international financial organisations. Such special accounts have already been introduced in the district heating sector. AUC opposed the idea of endorsing such a payment mechanism, because it contradicts with the principles of free entrepreneurship and discretionary use of the profit specified in the Economic Code of Ukraine. However, the Ministry of Regional Development emphasised this was the only possibility to ensure timely payments of energy bills in the context of the difficult financial situation the country is in now.

Cooperation with the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine with regard to scheduling and implementing the Local Government Reform

Following the relatively fruitful period of initiation of local government reforms, when in April of the current year the Cabinet of Ministers approved the Concept of the Local Government Reform, the President of Ukraine in June submitted to the parliament a draft law introducing amendment to the Constitution of Ukraine, and after the Verkhovna Rada of Ukraine in the same month approved the Law of Ukraine “On Cooperation of Territorial Communities”, the third

quarter may seem less productive, especially from the point of view of approval of legal documents.

For example, the Draft Law “On Voluntary Consolidation of Territorial Communities” (# 4070a of June 17, 2014), with its great importance for establishing the territorial foundations for viable communities, was approved by the parliament in the first reading on July 03. Following this approval, it was quickly prepared for the second reading by the working group established at the Committee for State Building and local Self-Governance with participation of AUC experts. However, in the course of the discussions in the second reading on August 14, this draft law was rejected and was sent by the parliament for the repeated second reading. The reason for this was the demarche staged by the Ukraine-Wide Association of Village and Town Councils which claims a higher up status for village chairs with some authority in addition to the representation authority. During August-September a trade-off version was compiled to satisfy all three local government associations, but during the reporting period it was not included in the agenda of the parliament, most likely for considerations of the coming elections campaign.

Another important area for the preparations of reforms is the preparation of amendments to the Budget and Tax Codes, which are supposed to ensure decentralisation, deconcentration of resources and strengthening the financial foundations of local self-governance. The corresponding amendments were prepared by the working group established at the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine with the participation of the Association of Ukrainian Cities. However, because of the resistance of the Ministry of Finance, AUC did not manage to incorporate all its suggestions in the document. So, the imperfect, from the point of view of the Association, draft law amending the Budget Code of Ukraine (concerning the fiscal decentralisation) was submitted by the Cabinet of Ministers on August 08 to the Verkhovna Rada of Ukraine for consideration and was registered under # 4435a.

However, following some very active AUC activities to safeguard local government interests Draft Law # 4435a remained in the parliament without consideration. To replace this draft law, the Cabinet of Ministers submitted on September 15 and registered under # 5078 the draft Law of Ukraine amending the Budget Code of Ukraine (concerning the reform of inter-budget relations) where most of AUC proposals were taken into account. At the same time, the Cabinet of Ministers registered Draft Law # 5079 amending the Tax Code of Ukraine. The similarities and differences between the Cabinet of Ministers versions of the draft laws and the AUC ones will be dealt with in a different chapter of this report.

Other steps aimed at the implementation of the Local Government Reform include the following:

- August 06, representatives of Ukraine-wide local government associations made a presentation in the Ministry of Regional Development of the preliminary draft of the new version of the Law of Ukraine “On Local Self-Governance in Ukraine”.
- August 14, the Ministry of Regional Development conducted the discussion of the first version of the draft Law of Ukraine “On Administrative and Territorial Arrangement” prepared upon the request of the Ministry.
- September 23, the Ministry of Regional Development made a presentation of the preliminary version of the draft Law of Ukraine “On Citizen Self-Organisation Bodies”.

According to the participants of these meetings including AUC experts, all these draft laws need serious further improvements. Besides, the future of draft laws on local self-governance and administrative and territorial arrangement directly depends on the corresponding amendments to the Constitution of Ukraine.

Other draft legislation to support the reforms include the draft Law of Ukraine “On Amending Certain Ukrainian Legislation on Increased Role of Local Governments in Administering State-

Owned Lands” prepared by the National Agency of Ukraine for Land Resources. The document is currently under public discussions. The National Agency for Civil Service is preparing a new version of the Law of Ukraine “On Service in Local Governments”, whereas the Ministry of Regional Development is engaged in the preparation of the draft Law “On Local Agencies of the State Executive”.

As for the preparation of the new version of the Law of Ukraine “On the Election of Deputies of the Autonomous Republic of Crimea, Local Council Members and Village, Town and City Mayors”, it is known that the Ministry of Justice attempts to extract this task from the Action Plan on implementation of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions on the grounds that substantial amendments to the Law were introduced in April this year by Laws # 1184-VII of April 04, 2014 and # 1197 -VII of April 04, 2014 and were tested in the course of the early local elections on May 25.

Cooperation with the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine on issues related to reforms in the housing and municipal utilities sector

The Association concurred with the draft Instruction of the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine “On Amending the Methodology for Determining the Renewable Value of Green Plantations”. The document incorporates the suggestions of the Association on how to simplify the methodology of determining the renewable value of green plantations, in particular, the part dealing with the calculation of this value based on the average cost of maintaining such plantations, which increases with the increase of the diameter of the trunk, with the latter being dependent on the age of the tree.

Experts of the Association of Ukrainian Cities participated in coordination meetings in the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine to iron out the differences in approaches to draft regulatory and legal documents and submitted their suggestions with regard to the following:

- draft resolution of the Cabinet of Ministers of Ukraine “On Approving the Mechanisms for Inspecting Commissioned Construction Objects”. The Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine agreed with the argumentation of the Association of Ukrainian Cities concerning the necessity to provide the corresponding calculations of the required financial support from local budgets to perform the inspection of communally-owned construction items. At the moment, the resolution has not been approved;
- draft Law of Ukraine “On Amending Certain Ukrainian Legislation on Improvements in the Sphere of Urban Development Activities”. The Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine agreed to take into account suggestions from the Association of Ukrainian Cities concerning the clarification the term ‘urban development needs’, vesting local governments with the authority to exercise control over the content of advertisements.

Based on the round table discussion conducted on July 24 by the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine on way to preserve technical inventory documentation archives, the participants made a decision to take into consideration the suggestions of the Association of Ukrainian Cities to vest local governments with the authority to use their own discretion while selecting the locations for such archives and persons who would be responsible for preserving inventory document packages.

Energy security measures

The Cabinet of Ministers adopted a number of regulatory and legal documents to stimulate the replacement of natural gas by other forms of energy. In particular, they are:

- CMU Resolution “On Encouraging Replacement of Natural Gas in Heating Supply” # 293 of July 09, 2014. The Resolution considers proposals of city mayors expressed in the course of the Dialogue Day on June 25, 2014, namely: compensating for the difference in tariffs on heating generated based on other than natural gas fuels. The above Resolution will allow to route the financial resources that were intended to purchase natural gas abroad to domestic market to buy alternative fuels and the associated equipment;
- CMU Resolution “On Encouraging Replacement of the Natural Gas in Heating Generation for Institutions and Organizations Financed from the National Budget and Local Budgets” # 453 of September 09, 2014 that came into force on October 01, 2014. The Resolution mentioned above provides for simplification of tariffs for alternative fuels energy production supplied to public sector. The essence of it lies in approximating the tariffs on heating generated from imported natural gas to the tariffs on heating generated by business entities using other fuels and energy; and,
- CMU Resolution “On Amending the Procedure for Using Funds Allocated in the National Budget for the Implementation of Measures to Maintain Efficient Use of Energy Resources and for Energy Conservation” # 491 of October 01, 2014. The Resolution allocated 50 million UAH on reimbursement for part of the principal of the loan for purchasing of electrical or solid fuel boilers by population. According to calculations of the National Agency of Ukraine for Energy Efficiency, the implementation of the program will allow saving about 200 million cubic meters of the natural gas.

At the same time, Resolution of the Cabinet of Ministers of Ukraine # 296 of July 09, 2014 ‘On Certain Aspects of Providing Population, Enterprises, Institutions and Organizations with Natural Gas till the End of the Heating Season of 2014 – 2015’ sets limits for the use of the natural gas use in the regions of Ukraine. In doing so, the Government declared the reduction in the natural gas consumption by 30%. According to the city council experts, it is only possible to expeditiously reduce the gas consumption by communally-owned enterprises through the regime of organizational measures to significantly limit quality and volume of district heating and hot water supply services. Considering the acceptable reduction of air temperature in consumer residencies, such savings would amount to no more than 15%. Proposals to allocate the necessary amounts of natural gas to enable sustainable heating during the whole season were included in the appeal of mayors adopted at the 10th Ukrainian Municipal Forum conducted on September 18, 2014, as well as in the joint address of the Association of Ukrainian Cities and the TeploKomunEnerho [*municipal heat and energy*] Association of September 05, 2014 dedicated to the problem issues of communally-owned heating companies.

Cooperation with the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine in the sphere of national standards for administrative, social and other services

On August 14, 2014, the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine conducted a meeting to discuss the preparation and approval in the due manner of national standards (norms) of the quality of administrative, social and other services rendered to citizens in the corresponding spheres. The preparation and approval of the national standards have been envisioned by Instruction of the Cabinet of Ministers of Ukraine # 591-p “On Approving the Action Plan for the Implementation of the Concept of the Local Government Reform and Reform of Territorial Arrangement of Government Institutions” of June 18, 2014.

The meeting was attended by representatives of the Ministry of Health Care, Ministry of Public Education and Science, Ministry of Labour and Social Policy, and Ministry of Economic Development and Trade of Ukraine, as well as Ukraine-wide local government associations including the Association of Ukrainian Cities.

The event participants came up with recommendations for the line ministries to continue the preparation of national social standards (norms) of the quality of administrative, social and other services, which are rendered to citizens in the corresponding spheres. V. Nehoda, First Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine emphasised that components of the national standards should include indicators of costs of social services.

In September of 2014, the Association of Ukrainian Cities responded to the official letter of the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine of August 26, 2014 under # 7/13-10228 and submitted the list of local government representatives to be included into thematic working groups established at central government authorities to prepare the joint position on the national standards (norms) of the quality of administrative, social and other services, which are rendered to citizens in the corresponding spheres (public education, health care, culture, and social protection). Pursuant to Instruction of V. Groisman, Vice Prime Minister of Ukraine and Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine # 34986/1/1-14 of September 23, 2014, the Ministry of Labour and Social Policy included the nominations offered by the Association of Ukrainian Cities to the membership of the corresponding working groups. These persons were also involved to the preparation of national standards of social services. Currently, the members of the working group are working on proposals on national standards of social services.

Budget consultations

On August 29, 2014, the Ministry of Finance of Ukraine conducted budget consultations with representatives of Ukraine-wide local government associations with regard to the draft Law of Ukraine “On the National Budget of Ukraine for 2015” in the part dealing with local budgets and inter-budget relations. The Association of Ukrainian Cities presented its comments and suggestions with regard to the financial support of territorial communities:

- 1) revisit the local budget expenditure indicators on performing delegated authority. Calculated by AUC experts, the shortage will amount to 17% (around 20 billion UAH). Local government budget allocations in the public sector amount to only 82.9% of the actual need. Among the branches with the lowest funding are “Physical Culture and Sports” - 33.5% and “Public Administration” - 41.8% of the actual need. Representatives of AUC mentioned that with such an approach of the Ministry of Finance, the budget sector employees will not have sufficient funds for salaries in the last quarter of 2015 (as in happened in 2012 - 2013) and there will be no funds to pay for utilities and energy carriers. The First Deputy Minister of Finance commissioned the Local Budgets Department with elaborating the AUC data and informed that the Ministry of Finance has now increased outlays on energy carriers to 1.1 billion UAH;
- 2) consider the eventual “freezing” of monetary income indexing, reviewing and approval of the new staffing rates, increasing the weekly workload of the budget sector employees and abolition of provisions on prohibition to close budget institutions. It was also agreed that the Ministry of Finance in cooperation with local government officials will continue working along these lines, because it will allow to reduce local government expenditures;
- 3) revisit the revenue base of local budgets for 2015, because they have been overestimated by almost 3 billion UAH. Representatives of the Ministry of Finance reported that adjustments to revenues of individual local government budgets will be made based on the

submitted materials form AUC. Additionally, the Ministry of Finance has expressed its readiness to support AUC suggestions (including the draft laws registered with the Verkhovna Rada and prepared within the framework of the Project) to introduce amendments the sectoral legislation in the part dealing with increasing the revenue base of the local budgets and budgetary savings;

- 4) write off the local budget indebtedness under the medium-term loans obtained in previous years (almost 9.7 billion UAH). The AUC proposal was taken into account in the bill on amending the Budget Code of Ukraine to reform the system of inter-budget relations (Registration # 5078 of September 09, 2014, CMU);
- 5) Switch over to targeted monetary assistance in terms of compensation for preferential urban public transportation services rendered to certain categories of citizens. The Ministry of Finance supported the idea of AUC;
- 6) envision the subventions to local budgets to compensate for the difference in tariffs. The Ministry of Finance representatives informed that it is currently not possible to determine exact amount of the subvention, because: a) changes are anticipated in the tariff setting mechanisms for the next year; b) more than 90% of the local government debt will be settled this year. AUC suggestions were taken into account in the decisions of the Cabinet of Ministers and supported by the parliament – almost UAH 14 billion will be channelled in 2014 to local budgets to address this problem issue;
- 7) resolve the problem of local budgets associated with financing of social services (education, health care, and social security) for temporarily internally displaced citizens from the ATO area and the Autonomous Republic of Crimea. The Ministry of Finance informed that it is currently collecting statistical information necessary to transfer financial resources to the local budgets in need; and,
- 8) improve the new model of financing local budgets and inter-budget relations (Draft Law of the Cabinet of Ministers # 4435a of August 08, 2014), primarily in terms of: a) simplifying non-treasury services for local budgets and procedures of local borrowing and b) deleting provisions on local budget funding of central government programs and institutions. An agreement was reached with the Ministry of Finance that the draft National Budget for 2015 should be developed based on the new budget and tax legislation that provides for significant strengthening of the financial basis of local self-governance. On September 09, 2014, the Cabinet of Ministers introduced to the Parliament Draft Law # 5078 (to replace Draft Law # 4435a) and Draft Law # 5079 (on tax reform), which take into account most of the AUC proposals.

At the moment, the draft National Budget for 2015 has not been submitted to the parliament by the Cabinet of Ministers. The Prime Minister of Ukraine made an official statement that the Cabinet of Ministers will submit this document only after the parliament approves amendments to the Budget Code (# 5078) and Tax Code (# 5079).

Fiscal decentralisation: amendments to the Budget and Tax Codes

DIALOGUE Project experts took an active part in the preparation of draft laws amending the Budget and Tax Codes in the context of fiscal decentralisation. Through its actions, the Association managed to persuade the Cabinet of Ministers to submit to the parliament on August 08, 2014 Draft Law under Registration # 4435a amending the Budget Code and on August 20, 2014 to make a presentation of the Concept of the Tax System Reform. However, these documents reflect only some parts of the proposals submitted by DIALOGUE.

DIALOGUE Project experts aiming at incorporating local government interests re-submitted through Vice Prime Minister V. Groisman their draft laws amending the Budget and Tax Codes (concerning fiscal decentralisation) to the Ministry of Finance. Following this, the Cabinet of Ministers on September 15, 2014 submitted to the Parliament Draft Laws # 5078 (to replace

Draft Law # 4435a) and Draft Law # 5079 (concerning the tax reform). These draft documents were drafted on the basis of the similar draft laws prepared by DIALOGUE.

Amendments to the Budget Code (# 5078) provide for:

1) increasing the volume of local self-governance own resources by directing: a) 60% of natural person income tax; b) 10% of private sector enterprise corporate profit tax; c) part of the excise tax on retail tobacco, alcohol and oil products; d) increasing the share of environmental tax deductions (from 35% to 80%); and, e) 100% of administrative fines and fees for administrative services, etc.;

2) securing 100% financial support for the implementation of local government authority by way of fixing correlation between the amount of funding and the cost of the public services in accordance with the social standards;

3) reallocation of spending powers of the state and local self-governance in accordance with the principle of subsidiarity;

4) enhancing the responsibility of line ministries for the implementation of the national policies in education, health care, social sectors by vesting them with authority of principal administrators of relevant subsidies thus creating preconditions for reforming the system of social standards and budget sufficiency indicators;

5) expanding the authority of local budgets in providing the financial support for municipal police departments;

6) development budget expenditures should constitute at least 10% of the total fund of the corresponding local government budget;

7) Ability to transfer local budget own resources from the treasury to the banking form of services; establishing clear terms (of up to 5 days) for processing local budget bank transfer order or vouchers;

8) incentives for communities to consolidate, because the consolidated communities will receive significant financial resources and direct inter-budget relations with the National Budget;

9) streamlining budget planning: a) prohibition for central government authorities to intervene in planning of the revenue and expenditure base of the local budgets; b) a new alignment system based on fixed state taxes (income tax and profit tax), depending on the level of per capita income; the remaining payments are not subject to equalization and remain at the disposal of local budgets;

10) simplifying local government access to cheap credit: a) “by-the-default” (or “silent acquiescence”) principle is pursued in the Ministry of Finance agreeing the scope and terms of local borrowing and providing local warranty; b) local budget outlays on local debt service are attributed to protected local spending budget group; and, c) borrowing can be resorted to by all oblast significance cities;

11) for the transitional period (till January 01, 2016), recognize as mandatory transfer from rayon budget to budgets of villages, towns, and rayon significance cities for the expenditures on delegated authority in the cultural sphere; and,

12) reimbursements for privileged urban public transportation services rendered to certain categories of citizens are made from the state budget, which creates preconditions for transition to targeted monetary social assistance.

Amendments to the Tax Code (# 5079) provide for:

1) attributing payments for land to the category of local taxes and its inclusion into the real estate tax;

2) Real estate taxation mechanism change: a) tax privileges depending on the size of the object or area were eliminated; b) commercial real estate tax introduced; and, c) formalizing the right of local governments to set tax rates of up to 2% of the minimum wage per 1 sq. m of total floor space, accounting for the category of the object and its location. The expected local budget revenues from this tax could reach almost 3 billion UAH;

3) introduction of the excise tax (the rate of up to 5% is set by local government bodies) on the retail sale of beer, alcoholic beverages, tobacco products, petroleum products, with the proceeds put to local budgets depending on location of the objects engaged in relevant activities. The anticipated local budget revenues from this tax could reach more than 8 billion UAH;

4) a significant reduction of benefits established by the state in taxes and fees payable to the local budget. The annual loss of local budget revenues because of these benefits accounted to more than 1 billion UAH. Local governments received the exclusive right to establish exemptions from local taxation. At the same time, they are prohibited from allowing to set benefits of individual nature;

5) abolition of inefficient local duties (administrative costs that exceed generated revenues); and,

6) levying administrative fee on vehicles parking services at the paid parking lots and designated areas and channelling the revenues from this tax to the relevant local budget.

As of the late September, the draft laws mentioned above were not included into the agenda of the parliament. The strategic goal for the Project at the moment is to promote the approval of these documents by the Verkhovna Rada of Ukraine.

Parliamentary local government inter-faction group (local government caucus)

In the reporting period, the local government caucus did not conduct any meetings. Starting from July, the parliament started preparations for the parliamentary elections scheduled for October 26, 2014.

In September, the Project prepared official letters to thank National Deputies who are members of the local government caucus for their law-drafting activities and support for the legislation prepared by AUC.

On July 07, 2014, DIALOGUE conducted a training event for aides National Deputies who are members of the Inter-Faction Local Government Support Group (local government caucus). 15 National Deputy aides, representative of the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, Polish experts and DIALOGUE Project specialists participated in the event.

In the course of the meeting, the National Deputy aides became familiar with the following presentations:

- Concept of the Local Government Reform and draft amendments to the Constitution of Ukraine in the part dealing with decentralisation;
- Action Plan of the Cabinet of Ministers of Ukraine to implement the Local Government Reform;
- Polish experience in reforming the system of local self-governance; and,
- DIALOGUE Project materials on fiscal decentralisation and changes in the territorial arrangement of government institutions in the context of the implementation of the Local Government Reform.

Following this, the event participants engaged in a lively discussion of the presented information and opinion exchange about the mechanisms for aides of National Deputies (local government caucus) to participate in legislation drafting to support the implementation of the Local Government Reform.

Participation in the work of parliamentary committees

Over the reporting period, the Project continued its cooperation with ad-hoc committees of the Verkhovna Rada of Ukraine. Project experts took part in **9** meetings of **5** parliamentary committees including:

- Budget Committee – 3 meetings;
- Committee on State Building and Local Self-Governance – 3 meetings;
- Committee on Construction, Urban Development, Housing, Municipal Utilities and Regional Policy – 1 meeting;
- Committee on Science and Public Education – 1 meeting; and,
- Committee on Social Policy – 1 meeting.

Verkhovna Rada of Ukraine Committee on State Building and Local Self-Governance

During the reporting period, the Committee conducted four meetings including three meetings where AUC representatives participated in the discussion of seven items on the agenda with significant impact on the promotion of rights and legitimate interests of local self-governance, formation of the legislative framework for reforms in the territorial arrangement of government institutions. In particular, this refers to the discussion of the following draft laws and conceptual framework documents:

- Concerning the draft Law of Ukraine “On Voluntary Consolidation of Territorial Communities” (Registration # 4070a, second reading). The Local Government Committee supported the AUC suggestion and came up with a recommendation for the Verkhovna Rada to approve the draft Law in the second reading. However, on August 14, 2014, the Verkhovna Rada of Ukraine of the 7th convocation made a decision to postpone the approval of this draft Law in the second reading and the document was sent to the Committee for consideration and preparation for the repeated second reading);
- Concerning the draft Law of Ukraine on amending Article 30 of the Law of Ukraine “On Local Self-Governance in Ukraine” with regard to keeping records and performing the technical inventory (Registration # 2371, second reading). On August 13, 2014, the Local Government Committee approved the draft document in the second reading and submitted it to the parliament for consideration. By doing so, the Committee supported the position of the Association whose experts recommended to approve the draft law in the second reading.
- Concerning the draft Law of Ukraine on amending certain Ukrainian legislation on establishing executive committee of oblast and rayon councils (Registration #4050, National Deputies Yu. Odarchenko, S. Kurpil, O. Chornovolenko and R. Ilyk). The Committee supported the position of the Association to reject the draft Law, because it is not in line with the Constitution of Ukraine. AUC experts came up with a recommendation to return to the discussion of legislative regulation of executive committees of rayon and oblast councils after the corresponding amendments to the Constitution of Ukraine are introduced;
- Concerning the draft Law of Ukraine “On Amending Certain Ukrainian Legislation with Regard to Limitations of Payments for Civil Servants and Officials in Local Government Service” (Registration # 4511, National Deputy Yu. Voznyuk). AUC experts came up with a recommendation to reject the draft Law. The Local Government Committee did not make any decision on this matter;
- Concerning the draft Law of Ukraine “On Amending the Law of Ukraine “On Regulation of Urban Development Documents” (with regard to ensuring a balanced social and cultural development of populated areas) (Registration # 3063, National Deputy O. Bryhinets); the Local Government Committee did not make a decision on this matter; and,
- Concerning draft Law of Ukraine on amending the Law of Ukraine “On Citizen Appeals” (concerning additional mechanisms for the implementation of governance of the people in

Ukraine through the introduction of the institution of people initiatives) (Registration # 3830, National Deputy S. Fayermak); the Local Government Committee did not make a decision on this matter;

Committee on Construction, Urban Development, Housing, Municipal Utilities and Regional Policy

On July 02, 2014, the VRU Committee on Construction, Urban Development, Housing, Municipal Utilities and Regional Policy at its meeting supported the draft Law “On the Framework of the National Regional Policy” (Registration # 4069a, CMU). On the next day, the draft Law was approved by the parliament in the first reading. The purpose of the draft Law is to establish the legislative framework for the implementation of the new national regional policy, which should cover a much broader set of issues, than simply support for regional development. Experts of the Association of Ukrainian Cities were invited to participate in the preparation of this draft Law.

Verkhovna Rada of Ukraine Budget Committee

Over the reporting period, DIALOGUE Project experts participated in 3 meetings of the VRU Budget Committee. Among the main issues under consideration that affected the interests of local governments were:

- 1) draft law on amending the Law of Ukraine “On National Budget of Ukraine for 2014” on adjustment of parameters (Registration # 4308a, CMU). It was possible to convince the Committee members to provide for the allocation of 1.8 billion UAH to Kyiv city budget to perform its functions as the capital city and increase by 7.3 billion UAH the volume of subventions to local budgets to compensate for difference in tariffs. The bill was passed by Parliament on July 31, 2014 and was signed by President of Ukraine on August 08, 2014.
- 2) draft law on amending the Budget Code of Ukraine concerning admission of water resources lease payments to local budgets (Registration # 4076a, CMU). They managed to convince the members of the Committee to support the draft law, because it offers the resolution of the problem issues of including water resources lease payments to local budgets and increase their revenues. On July 14, 2014, the Verkhovna Rada of Ukraine adopted it as a whole and on July 29, 2014, the President of Ukraine signed it into the law.
- 3) draft law on amending the Budget Code of Ukraine (regarding fiscal decentralisation) (Registration # 4435a, CMU). It was possible to convince the members of the Committee to approve this draft law only in the first reading with further elaboration as to full consideration of the interests of local governments.
- 4) distribution of the subvention from the National Budget to local budgets for the implementation of measures of social and economic development of certain areas (CMU Resolution “On Certain Aspects of Social and Economic Development of Certain Territories in 2014”, adopted at the meeting of the Cabinet of Ministers on August 08, 2014).

Committee on Social Policy and Labour

The participants of the session of the Committee on Social Policy and Labour conducted on September 03, 2014, came to a decision to take into account the position of the Association of Ukrainian Cities with regard to the draft Law “On Amending Article 31 of the Law of Ukraine “On Public Employment” (concerning the financial support for public works)” (Registration # 2770) and draft Law “On Amending the Law of Ukraine “ON Public Employment” (concerning the financial support for public works involving the jobless) (Registration # 4146a) (with the

same object for the legal regulation), namely: changing the mechanisms to provide the financial support for public works.

The Committee by its decision supported the draft Law “On Amending Article 31 of the Law of Ukraine ‘ON Public Employment’” (concerning the mechanisms for providing the financial support for public works) (Registration # 2770). The approval of this draft document will facilitate the resolution of problem issues local governments face while organising public working for the jobless who are in need of temporary employment.

Activity 2.2.2. Setting up advisory boards at the regional level with participation of AUC Regional Offices and local State Executive agencies at the oblast level

Working sessions of Local Government Regional Advisory Boards

Over the reporting period, the Project conducted 7 working session of the Local Government Regional Advisory Boards in 7 oblasts: Volyn, Zhytomyr, Zaporizzhya, Kirovohrad, Rivne, Sumy and Chernivtsi. One should mention that in the Sumy and Chernivtsi oblasts these were the kick off meetings. As of late September the activities of Local Government Regional Advisory Boards were resumed in 14 oblasts.

<p>Working session of the Kirovohrad Local Government Regional Advisory Board city of Svitlovodsk July 10, 2014</p>	<p>The event participants discussed amendments to the Constitution of Ukraine in the part dealing with the decentralisation and the current status of the State treasury administration of budgets of territorial communities in the oblast.</p> <p>Following the discussions of the first item on the agenda, the event participants supported the suggested amendments to the Constitution of Ukraine in the part dealing with decentralisation and came up with a decision to systematise their suggestions to the amendments and submit them to the Association of Ukrainian Cities for consideration. The suggestions were submitted within the timeframe specified.</p> <p>Following the discussions of the second item on the agenda, the leadership of the Oblast State Administration, taking into consideration the unstable situation in the country, tasked the Main Department of State Treasury Service in the oblast to develop within one week the mechanism for daily actions on local government vouchers to better meet the interests of populated areas in the region. According to the information from the Executive Director of the AUC Regional Office, no action was taken by the Treasury on local government expenditures in August.</p> <p>The meeting participants also came up with a decision to hold the sessions of the Local Government Regional Advisory Board on a quarterly basis.</p>
<p>Working session of the Zaporizzhya Local Government Regional Advisory Board city of Zaporizzhya July 17, 2014</p>	<p>The event participants discussed amendments to the Constitution of Ukraine in the part dealing with the redistribution of the authority state executive agencies and local governments, as well as plans for the fiscal decentralisation.</p> <p>The event participants also supported the arguments presented by M. Pittsyk and, having discussed it, came up with a decision to charge I. Biryukov, Secretary of the Local Government Regional Advisory Board, to collect suggestions from local governments and submit them to National Deputy of Ukraine Ye. Kartashov, Chairman of the Inter-Faction</p>

	<p>Local Government Support Group (local government caucus), for further elaboration.</p> <p>Ye. Kartashov participated in the event assured the event participants of his commitment to thoroughly discuss all the proposals from community leaders at the meeting of the Verkhovna Rada of Ukraine Local Government Sub-Committee.</p> <p>Also, following the session of the Advisory Board, the Project conducted a meeting of USAID representatives with city mayors who discussed key problem issues of local governments.</p>
<p>Kick-off Meeting of the Sumy Local Government Regional Advisory Board city of Sumy July 24, 2014</p>	<p>In the course of the meeting, the participants discussed amendments to the Budget Code of Ukraine and amendments to the Constitution of Ukraine in the part dealing with decentralisation.</p> <p>Following the discussion of these issues, the participants made a decision to ask city mayors who are members of the Local Government Regional Advisory Board to submit to the Department for Information and Public Relations of the Sumy Oblast State Administration their suggestions about the alternative sources of revenues to local budgets key issues related to the social and economic development of cities in general, amendments to the Constitution of Ukraine on decentralisation, and increased role of local governments.</p> <p>Also, in the course of the meeting the participants raised the issue of launching a systemic training program and on-the-job training for local government representatives in various technical areas. Following the discussion of these issues, the event participants came up with a decision to encourage city councils to submit their proposals to the corresponding department of the Sumy OSA for generalisation and discussion at the next meeting of the Local Government Regional Advisory Board.</p>
<p>Kick-off meeting of the Chernivtsi Local Government Regional Advisory Board city of Chernivtsi July 25, 2014</p>	<p>The event participants discussed amendments to the Constitution of Ukraine in the part dealing with the decentralisation and Local Government Reform and problem issues related to the implementation of local infrastructure development programs in the populated areas of the oblast.</p> <p>Following the discussion of the first item of the agenda, the event participants made a decision to support the suggested amendments to the Constitution of Ukraine and, aiming at improving the situation in the internal policies, to develop a Program for cooperation of local Agencies of the state executive, local governments, structural departments of political parties, and civil society institutions in the Chernivtsi oblast and to consider the first version of this Program at the next meeting of the Local Government Regional Advisory Board.</p> <p>In the course of the discussions of the second item of the agenda, the event participants spoke about the correlation of issues of implementation of the programs for local infrastructure development in populated areas in the oblast with the timely financial support for these programs. The event participants came up with a decision to prepare recommendations to assess the capacity of city, town and city councils to set priorities for local offices of the State Treasury to take actions on their vouchers taking into consideration the daily capacity and weekly quotas of these offices.</p>

<p>Working session of the Zhytomyr Local Government Regional Advisory Board city of Zhytomyr September 11, 2014</p>	<p>In the course of the meeting, the event participants discussed the action plan to implement the Concept of the Local Government Reform and the draft Law of Ukraine “On Amending the Budget Code of Ukraine on Fiscal Decentralisation”.</p> <p>With regard to the first item on the agenda, the event participants came up with a decision to support the action plan for the implementation of the Concept and mentioned that keeping to the plan and the schedule depends on timely financial support for actions aimed at implementation of this plan.</p> <p>Based on the discussion of the second item of the agenda, the event participants mentioned that the suggested draft law does not provide for the complete fiscal decentralisation and does not ensure strengthening of the financial sufficiency of local budgets. Taking into consideration the fact that the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine envisions changes in budgeting, it would be more expedient to approve a conceptually new document rather than amending the current Budget Code of Ukraine. The event participants will submit their suggestions on this issue to the Oblast State Administration and Oblast Council within one month.</p>
<p>Working session of the Volyn Local Government Regional Advisory Board city of Lutsk September 11, 2014</p>	<p>The event participants discussed the issues of sources of revenues for local budgets and ways to avoid budget losses at all levels.</p> <p>Taking into consideration the fact that avoiding paying of taxes both by hired workers and by companies represents the main reasons for local budget losses, V. Hunchyk, Chairman of the Volyn Oblast State Administration, gave an instruction for the local office of the State Fiscal Service and structural departments of the OSA to identify tax payment, study the materials on each company having tax payment debts and asked the OSA departments to work with the local office of the State Fiscal Service to prepare proposals for each of these companies to help them repay their debts.</p> <p>In the course of the meeting, the event participants discussed an additional issue related to improvements of the investment potential of cities in the oblast. To resolve this issue, the oblast authorities made a decision to prepare investment profiles of cities of the oblast, whereas the Head of the Volyn OSA charged the OSA structural departments with providing cities with technical assistance on this issue.</p>
<p>Working session of the Rivne Local Government Regional Advisory Board city of Rivne September 11, 2014</p>	<p>The event participants discussed the peculiarities of local government work in the context of the new land legislation and the outcomes of the implementation of the integrated oblast energy efficiency program.</p> <p>Based on the discussions of the first item of the agenda, and taking into consideration the numerous problems with the implementation of the new land legislation, the event participants came up with the following decision: after the reforms of inspection agencies, local government leaders should conduct meetings with the managers of the newly-established inspection agencies who are responsible for the enforcement of the land legislation to discuss and coordinate cooperation strategies.</p> <p>Based on the discussion of the second item of the agenda, the</p>

	<p>event participants came up with the decision to make a recommendation for local governments to prepare local energy saving and energy efficiency programs and to introduce amendments to the current programs in the part dealing with the use of heating meters and water supply equipment.</p> <p>The event participants came up with the decision to conduct meetings of the Local Government Regional Advisory Board on a quarterly basis.</p>
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Selection of issues to be discussed at meetings of Local Government Regional Advisory Boards in 2014 – 2015

During August – September of 2014, the Project conducted **16** meetings of AUC Regional Offices. These events were attended by **378** local government officials. During these events, the participants discussed the implementation of the Concept of the Local Government Reform, amendments to the Constitution suggested by the President of Ukraine, and discussed problem issues to be discussed at sessions of Local Government Regional Advisory Boards.

#	Name of the RO, date, number of participants	List of issues for discussion
1	Zhytomyr AUC RO , August 19, 2014, 22 participants, city of Zhytomyr	<ol style="list-style-type: none"> 1. On peculiarities of budgeting in territorial communities in 2015 in the context of fiscal decentralisation; 2. Discussion of amendments to the current Ukrainian legislation regulating organisational, legal, and budget aspects of local government activities; and, 3. On integration of territorial communities with the Oblast State Administration and natural monopoly companies.
2	Poltava AUC RO , September 03, 2014, 35 participants, city of Karlivka	<ol style="list-style-type: none"> 1. On budgeting and inter-budget relations in 2015; 2. On ensuring autonomy and financial independence of local budgets; 3. On increasing the number of stable revenue sources for local budgets; 4. On ensuring decentralisation of local council authority; 5. On necessity of introducing the effective system of solid waste management; 6. On implementation of projects by local governments; 7. on opportunities of using the services of banks to administer special funds of local budgets; and, 8. Land management issues. Elimination of permanent land use acts (with regard to communally-owned lands).
3	Lviv AUC RO , September 05, 2014, 45 participants, city of Lviv	<ol style="list-style-type: none"> 1. Possibilities and opportunities of economic development of cities in the oblast; 2. Ways to increase the investment attractiveness of cities; 3. attracting additional financial sources to provide support for initiatives of territorial communities. Oblast-level financial support programs and co-financing; 4. Ways to resolve problem issues in the housing and municipal utilities sector, construction and repairing road infrastructure; and, 5. On necessity of developing the tourism sector in the Lviv oblast cities.
4	Vinnytsya AUC RO September 09, 2014, 16 participants, city of Vinnytsya	<ol style="list-style-type: none"> 1. Problem issues with the implementation of the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine and steps to support its implementation;

		<p>2. Problem issues related to the work of the State Treasury Service of Ukraine and ways to resolve them;</p> <p>3. Mechanisms to provide the state support for local governments in terms of repairs of the housing stock, capital repairs of sewerage and water-supply systems, and avoiding risks of man-made disasters;</p> <p>4. Meaningful mechanisms to increase the investment attractiveness of territories;</p> <p>5. On Approving energy efficiency technologies, city road repairs programs and modernisation of urban infrastructure; subordination of utility service providers (gas, water, electricity) to local authorities; and,</p> <p>6. On rendering technical assistance in the sphere of land management in the context of new land legislation.</p>
5	Khmelnyskyi AUC RO , September 09, 2014, 29 participants, city of Khmelnytskyi	<p>1. On financial support for the preparation and organisation of the heating season in 2014 – 2015;</p> <p>2. On Local government reform and reform of the territorial arrangement of government institutions, as defined in the Concept approved by Cabinet of Ministers of Ukraine Resolution # 33 of April 01, 2014: in the sphere of financial support; social and cultural sectors; plans for local budget revenues; housing and municipal utilities sector; and high quality administrative service provisions.</p> <p>3. On priority sphere of local government activities related to introduction of alternative types of fuel;</p> <p>4. On improving public support for the Local Government Reform; and,</p> <p>5. On delineation of boundaries between state-owned and communally-owned lands with amendments to the current legislation.</p>
6	Zakarpattyia AUC RO , September 10, 2014, 20 participants, village of Polyana	<p>1. On priority areas of local government activities (energy saving and energy efficiency). Introduction of alternative types of fuel in the municipal energy sector;</p> <p>2. Local budgeting in 2015. Mechanisms to increase local government own resources. Local borrowings and planning. Improving the quality of State Treasury services;</p> <p>3. On the current status of roads in territorial communities; and,</p> <p>4. On the need to perform the delineation of state-owned and communally-owned lands on the territory of the oblast with the purpose of increasing the effective use of lands.</p>
7	Kherson AUC RO , September 10, 2014 20 participants, city of Nova Kakhovka	<p>1. On relationships between the National Budget and local budgets in 2015 and providing local governments with technical and consultative assistance and training in innovations in budget relationships;</p> <p>2. On ways to resolve issues in the housing and municipal utilities sector in populated areas in the oblast;</p> <p>3. On the use of resources of the special fund of the oblast budget; and,</p> <p>4. On ways to resolve problem issues in the course of the delineation of state-owned and communally-owned lands.</p>
8	Ternopil AUC RO , September 11, 2014, 25 participants, city of Ternopil	<p>1. On the financial sufficiency of local budgets. Financial support for the implementation of the delegated authority by local governments. State Treasury services;</p> <p>2. On the current status of preparations of populated areas</p>

		<p>for the coming autumn and winter period;</p> <p>3. On cooperation of local governments with local offices of the State Registration Service; and,</p> <p>4. On the strategy of the development of the oblast for the periods till 2020.</p>
9	Kharkiv AUC RO, September 11, 2014, 29 participants, city of Kharkiv	<p>1. On main provisions of the draft Law of Ukraine “On Voluntary Consolidation of Territorial Communities”;</p> <p>2. On the current status of State Treasury Administration of local budgets;</p> <p>3. On establishing and running Centers for Administrative Services;</p> <p>4. On ways to resolve problem issues local communities face in the sphere of road network maintenance and management and in the housing and municipal utilities sector.</p>
10	Dnipropetrovsk AUC RO, September 12, 2014, 20 participants, city of Dnipropetrovsk	<p>1. On the need to update the integrated strategy for the development of the Dnipropetrovsk oblast in the context of development strategies for territorial communities of oblast cities;</p> <p>2. On ways to improve the environmental situation in the oblast cities;</p> <p>3. On energy security of municipal infrastructure in cities: introduction of technologies aimed at replacing the natural gas with alternative types of fuel; and,</p> <p>4. On resolving problem issues in the sphere of budget support for territorial communities, additional ways to get more revenues to local budgets.</p>
11	Chernivtsi AUC RO, September 17, 2014, 18 participants, city of Chernivtsi	<p>1. On the need to prepare budgets of city and town councils in the context of changes of the tax legislation and other regulatory documents.</p> <p>2. On issues related to coordination between local governments and state executive agencies including law enforcement agencies and local offices of the state executive authorities.</p> <p>3. Provision of services to citizens in the sphere of permits for construction and reconstruction of small architectural forms and developing urban areas.</p> <p>4. Preparation of the strategic and master plans for populated areas in the oblast; and,</p> <p>5. On ways to increase the effectiveness of cooperation between local governments and local offices of the National Agency for Land Resources of Ukraine to facilitate resolution of problem issues in the sphere of land relations.</p>
12	Mykolaiv AUC RO, September 24, 2014, 10 participants, city of Mykolaiv	<p>1. On the need to develop and implement joint project in oblast communities;</p> <p>2. On promoting the environment for increasing the level of employment of population;</p> <p>3. On the need to resolve controversial approaches to road signage.</p> <p>4. On the current status of financial support for the implementation of delegated authority and ways to increase revenues to local budgets.</p> <p>5. On ways to increase the effective use of land resources of communities as a way to receive additional sources of revenues to local budgets.</p>
13	Volyn AUC RO,	<p>1. Resolving problem issues of social and economic</p>

	September 25, 2014, 14 participants, city of Lutsk	development of the regional and populated areas; 2. Decentralisation and capacity of local governments to exercise their authority; 3. On the need to balance out revenues and expenditures of local budgets in the context of amendments to the Budget Code and Tax Code of Ukraine; 4. Strategic planning and attritions of investments to local government budgets; 5. Problem issues related to effective mechanisms to support reforms in the housing and municipal utilities sector; and, 6. Problem issues related to finding effective ways to ensure stable operations of Centers for Administrative Services.
14	Kyiv AUC RO , September 25, 2014, 37 participants, city of Vyshneve	1. On the current status of the financial support for the implementation of authority delegated to local governments; 2. On ways to attract investments to the populated areas in the oblast; 3. On ways to open new jobs; 4. On the necessity to reform the management of land resources to ensure new sources of revenues to local budgets; and 5. Preparations and organisation of the heating season for 2014 – 2015.
15	Cherkasy AUC RO , September 26, 2014, 20 participants, city of Cherkasy	1. On the need to establish the oblast energy servicing company; 2. On the need to streamline the boundaries between populated areas; 3. On the need to build landfills for solid waste processing and disposal; 4. On the need to resolve problem issues associated with local budget revenues and State Treasury administration of local government vouchers; and, 5. On the current status of the development of the tourism sector and ways to improve it.
16	Rivne AUC RO , September 30, 2014, 18 participants, city of Rivne	1. Problem issues associated with local government operations in the context of amendments to the Land Code of Ukraine in the part dealing with increasing the scope of authority of local governments; 2. Energy saving, energy efficiency and energy security; 3. The role and possibility of local governments in improving the investment attractiveness of cities; and, 4. Discussion of the draft amendments to the Constitution of Ukraine and fiscal decentralisation.

Activity 2.2.3. Establishing formal and regular coordination mechanisms with other USAID supported activities and other donor organizations

Forum of Donor Organisations working in the local government sector

The Project did not conduct activities under this component in the reporting period.

Cooperation with other USAID projects and projects supported by other donor organisations

DIALOGUE conducted a number of meetings with representatives of the NEFCO Corporation to facilitate the preparation and promotion of amendments to the legislation to simplify the mechanisms for local governments to receive loans from international financial institutions.

The Project Conducted a meeting with representatives of the RADA Program to establish cooperation between the two projects in the area of assisting the Inter-Faction Local Government Support Group, establishing cooperation between Local Government Regional Advisory Boards and National Deputies who were elected in single-mandate districts in the corresponding oblasts, conducting a Dialogue Day in the parliament, as well as holding a number of training events for National Deputy aides (members Inter-Faction Local Government Support Group).

DIALOGUE Project experts also conducted a number of meetings with representatives of the Norwegian Association of Local and Regional Authorities to establish cooperation between the projects in the context of the increasing dialogue on social issues (public education, health care, and social protection) preparations of national standards (norms) in the corresponding sectors.

Project experts conducted a number of meetings with experts of the Council of Europe Program to elaborate the Law of Ukraine "On Municipal Police".

Project representatives also participated in the international conference and preparation of the expert review on the implementation of decentralisation reforms in Ukraine organised by the Council of Europe Program in Kyiv.

The Project conducted a number of meetings with representatives of the German Technical Cooperation Office project focused on the restoration of the historical part of the city of Lviv to discuss the joint preparation of the Urban Development Technical Area Profile and establishing the AUC Professional Group consisting of chief architects and directors of urban development and architecture departments.

On September 23, M. Yurchenko, Senior DIALOGUE Project Information Expert participated in the USAID Democracy and Governance Partner's Meeting. In the course of the event, the participants received presentations about the newly-opened USAID projects. The International Foundation for Electoral Systems (IFES) presented the findings of the public opinion survey conducted in September of 2014, as well as key findings of surveying media users. The participants also engaged in the discussion about the preparations for the coming parliamentary elections.

On September 24, O. Slobozhan, DIALOGUE Project expert, made a presentation on amendments to the budget and tax legislation in the part dealing with fiscal decentralisation. The presentation took place at the meeting of international partners of technical assistance organised by the USAID RADA Project. Representatives of the U.S. Agency for International Development, East Europe Foundation, Center for Political and Legal Reforms, Institute of Budget and Socio-Economic Research, Fair Justice Project, etc. participated in the event.

2.3. Component 3: Fostering Public Support for Reform

Activity 2.3.1. Implementation of the integrated Communication and Branding Strategy of AUC

DIALOGUE has been working on the implementation of its Branding Strategy, which is a component of the AUC information policy. A standard legend and logo are placed on all Project media materials, such as the AUC Newsletter, press releases, presentations, and AUC web-site.

Activity 2.3.2. Integration of communications into day-to-day operations of AUC

Members of AUC Professional Groups and the AUC Analytical Center keep submitting the information about their activities and Project events to the Information Center. Such updates serve as the key information for PR managers to prepare their information products for AUC web-site and Project publications. Thus, AUC uses its web-site to disseminate information about the participation of Project experts in the work of parliamentary committees, outcomes of this work, and AUC position. The information articles published on the Project web-site, in their turn, serve as the basic information for the Press news the Information Groups sends on a weekly basis to the interested journalists. Similarly, the Project prepares information for the AUC Newsletter (DIALOGUE Section) and for the English version of the DIALOGUE electronic publication.

Activity 2.3.3. Production and dissemination of tools for message delivery

DIALOGUE Project AUC web-site

DIALOGUE web site consists of the Ukrainian and English versions.

The English version offers the description of the Project, its components and the team. Visitors of the site have an opportunity to become familiar with the English language publications prepared within the framework of the Project. The main page places the information about the most recent local government events in Ukraine, Project news, outcomes and repost on Project events, and announcements of the coming Project events.

The Ukrainian language version offers information about Project Activities.

The main page places the current news and announcements of the coming activities conducted within the framework of the Project. The site also offers opinions of the AUC Analytical Center on draft legislation, approved legislation, decisions of the Cabinet of Ministers, etc.

The main page also has a section dedicated to the four components of DIALOGUE: Legislation Framework, Dialogue, Public Support for Reforms, and Legal Assistance.

The Legislation Framework Project Component and the section on the web site with the same name offer visitors an opportunity to use the interactive communication tools and become involved in the Discussion of Draft Legislation or to Send Proposals to the Current Legislation. Over the reporting period, the Project placed **18** draft documents for public discussion. In the same Section, the visitors may find the Monitoring Sub-Section offering the most recent local government legislation news from Ukraine (over the reporting period, the Project placed **11** documents). The Analysis Section offers the documents prepared by Project experts, such as local government technical area profiles. The Section has **9** technical area profiles prepared in the pdf format. The documents are easy to read or print. Over the reporting period, the web site placed an updated version of the “Local Budgets and Financial Foundations of Local Self-Governance” technical area profile.

The DIALOGUE Section offers the information about the dialogue at the national level, such as consultations with the Cabinet of Ministers and AUC and activities of Local Government Regional Advisory Boards. Over the reporting period, the Project placed **3** announcements about the dialogue at the national level, in particular, budget consultations (August 29, 2014) and Day of Reforms (September 18, 2014). Over the reporting period, this section placed the information about sessions of **7** Local Government Regional Advisory Boards.

The Public Support for Reforms Section offers a collection of video materials about how media covers local self-governance in Ukraine (including the «ЗМІСТОВНА Україна» [*CITY-minded Ukraine*] program prepared within the framework of DIALOGUE).

The Legal Assistance Section offers an opportunity to receive consultations from lawyers. The user may leave a question and his/her email address directly on the website. The site also places the responses to all questions. The responses are prepared by the lawyers who work for the AUC City Legal Assistance Center. Users may also receive questions by telephone, as the site provides the number for the mobile telephone line working within the framework of the Project.

The DIALOGUE web site also offers the publications prepared within the framework of the Project, such as the AUC Herald, as well as the Legislation News, Legal Consultations, Sectoral Monitoring, Sectoral Monitoring, Local Governance in Ukraine, and Dialogue Newsletter periodical publications. The site also places DIALOGUE Project quarterly reports.

The English language version of the Dialogue Newsletter offers the information with hyperlinks. The main chapters of this document include: the Topic of the Month, Protection of Local Government Interests, Regional Component, and Success Stories. The articles are accompanied with pictures.

The purpose of the Project web-site in the Internet is to serve as a platform for dialogue to promote local government development, improve its legislative framework, exchange managerial experience, as well as to provide timely and high-quality expert information about important local government events and Project achievements in this area. The web site and the information it places targets a wide audience of citizens who are interested in local government issues, representatives of international technical assistance projects and organisations, expert community, and media.

The number of its visitors is constantly growing. The DIALOGUE web site has been operational since March 01, 2011. The numbers of visitors for the reporting period are the following:

July 740
August 692
September 857

Also, with the purpose of popularising the Project activities, its outcomes and deliverables, the Association has set up its account of the Association in the Facebook.

Electronic and printed media

The information about the Project publications is presented in Table 1.

Table 1. DIALOGUE Project publications

Publication	Targeted audience	Description
The "Sectoral Monitoring" quarterly electronic publication	Central government authorities, expert community	<u># 17, September</u> presents the publications on: 1. Deployment of the Local Government Reform 2. Fiscal decentralisation: first step has been made! 3. Upcoming parliamentary elections and development of local self-governance 4. New tax revenues to local budgets: challenge for local governments 5. Law on the special status of local self-governance in the Donbas area and its

		<p>implications</p> <p>6. Problem issues associated with the preparations for the 2014 – 2015 heating season</p> <p>7. Contractual relations in the sphere of housing and municipal utility services: changes in the legislation</p> <p>8. Concept of reforms in the health care system</p> <p>9. Overview of draft regulatory documents in the sphere of social protection: one step forward and two steps back.</p>
The “AUC Herald” printed monthly publication	AUC member communities, AUC partner organisations	<p><u># 109, July</u>, The DIALOGUE Chapter features the materials about the following:</p> <ul style="list-style-type: none"> - “the overwhelming majority of amendments to the Constitution suggested by the President of Ukraine are related to decentralisation and strengthening the constitutional and legal status of local self-governance”. - amendments to the Constitution of Ukraine and suggestions of AUC experts (published according to the AUC Action Plan of discussions of the Constitution of Ukraine in the context of decentralisation approved on June 03, 2014) <p><u># 110, August – September</u>, A special issue dedicated to the Day of Reforms conducted in Odesa on September 18, 2014. These materials were also prepared in the printed format.</p>
The “DIALOGUE Newsletter” electronic monthly publication	International organisations and international technical assistance projects	<p>The English-language publication presents Project activities over a month and provides monthly highlights in detail:</p> <p><u># 46</u>, highlight of the month – First ever fruitful dialogue about fiscal decentralisation;</p> <p><u># 47</u>, highlight of the month – Budget consultations;</p> <p><u># 48</u>, highlight of the month – Day of Reforms (September 18, 2014, city of Odesa).</p>
The “Legal Counselling” electronic quarterly publication	Local government lawyers	<p><u>Issue # 17</u> included the following:</p> <ul style="list-style-type: none"> - generalised explanations of the legal status of war veterans; - explanations by the Verkhovna Rada of Ukraine Committee on State Building and Local Self-Governance of certain aspects of voting during local council sessions; - generalised responses (explanations) to certain questions submitted to the mobile telephone line (6). <p>The publication was sent out to AUC Regional Offices and local government lawyers</p>
The “Legislation News” electronic publication	Local government lawyers	<p><u># 43, July</u> features the information about 23 legal and regulatory documents related to local government interests either approved or taken effect and three draft laws under consideration by the Verkhovna Rada of Ukraine or its committees, or by central agencies of the state executive.</p> <p><u># 44, August - September</u> features the information about 27 legal and</p>

		regulatory documents related to local government interests either approved or taken effect and four draft laws under consideration by the Verkhovna Rada of Ukraine or its committees, or by central agencies of the state executive.
The “Press News” electronic weekly publication	Media	A selection of weekly news, publications, and announcements of major activities of the Association of Ukrainian Cities, news and events in cities, and key local government topics. Thirteen issues were prepared and published. The Press News is distributed to more than 241 media representatives, journalists and press offices of city councils. The mailing list is being constantly updated.
Short local government updates	USAID	The Project prepares and sends the publication to USAID on a weekly basis. The information is presented in two sections: DIALOGUE Project News and Local Government News. Thirteen were prepared and sent.

Radio coverage

The Project prepared three radio programs with comments and interviews of AUC experts, references to the AUC activities mentioned in the news by radio stations, and live interviews of AUC leadership. In particular, the radio programs were aired by the following radio stations:

July 07 – participation of Ya. Raboshuk, Project expert, in the live program discussion of changes in the housing and municipal utilities sector broadcast by the National Radio Company;
July 10 – comments of Ya. Raboshuk, Project expert, about the increase of tariffs for housing and municipal utility services in the Era FM Radio Station program; and,
September 23 – participation of O. Slobozhan, Project expert, in the live In the Air radio program of the Era FM Radio Station Program about what was envisioned in the draft National Budget for regions and how to provide the financial support to occupied territories.

TV coverage

DIALOGUE Project activities were covered by twenty-one TV programs aired on the following channels:

July 17 – a video story about the concept of amendments to the Budget Code with a live interview with M. Pittsyk, Executive Director of AUC on the TV-Gold Channel (Zaporizzhya);
July 17 – a video story about the prospects and problem issues of the Local Government Reform with live comments of M. Pittsyk, Executive Director of AUC on the TV-5 TV Channel (Zaporizzhya);
July 17 – a video story about the prospects and problem issues of the Local Government Reform with live comments of M. Pittsyk, Executive Director of AUC on the MTM TV Channel;
August 07 - a video story about the session of the AUC Culture and Arts Professional Group on the «ТБА» TV Channel (Chernivtsi);
September 09 - a video story about the session of the Vinnytsya AUC Regional Office on the «Вінтера» TV Channel (Vinnytsya);
September 10 – a video story about the session of the Khmelnytskyi AUC Regional Office on the «Micro» [city] TV Channel (Khmelnytskyi);
September 12 – a video story about the session of the Dnipropetrovsk AUC Regional Office on the «34» TV Channel (Dnipropetrovsk); and,

September 23 – participation of O. Slobozhan, DIALOGUE Project expert, in the evening In the Air program of the Era TV Channel.

Coverage of the Day of Reforms:

September 18 – the «Новини 24» [news 24] TV Channel

September 18 – the «Україна» TV Channel

September 18 – the «1+1» TV Channel

September 18 – the «5 канал» [5th channel] TV Channel

September 18 – the «Круг» [circle] TV Channel (Odesa);

September 18 – the «7 канал» [7th channel] TV Channel (Odesa);

September 18 – the «34 канал» [34th channel] TV Channel (Dnipropetrovsk);

September 18 – the «Глас» [voice] TV Channel (Odesa);

September 18 – the «Град» [city] TV Channel (Odesa);

September 18 – the «Репортер» TV Channel (Odesa);

September 19 – the «Рудана» TV Channel (Kryvyi Rih);

September 19 – the «Криворіжжя» TV Channel (Kryvyi Rih);

September 19 – the Odesa Oblast TVRC (Odesa).

«ЗМІСТОВНА Україна» TV program series

The Project continued to work on the «ЗМІСТОВНА Україна» [CITY-minded Ukraine] TV program series dedicated to the Local Government Reform and decentralisation. The series of programs are being prepared in cooperation with the GRP Information Agency and are aired by the «Тоніс» TV Channel in prime-time pm Mondays, Wednesdays and Fridays.

The TV Channel broadcasts two types of programs:

- thematic programs with the participation of city mayors, National Deputies and representatives of the state executive about the impact of reforms on various sectors;
- programs featuring the discussion of the Local Government Reform and decentralisation at meetings of AUC Regional Offices and other events organised by the Association.

Over the reporting period, the Project aired twenty-five TV programs:

July 02 – about the Dialogue Day organised on June 25 in Kyiv;

July 07 – about how rayons and oblasts will look like after the Local Government Reform. The studio guests included: A. Tkachuk, Scientific and Development Director of the Institute for Civil Society, and S. Chernov, President of the Ukrainian Association of Rayon and Oblast Councils and Chairman of the Kharkiv Oblast Council;

July 09 – about how the system of local governments will look like after the Local Government Reform. The studio guests included: V. Parkhomenko, Director of the AUC Analytical Center, and A. Fedoruk, Mayor of Bucha;

July 11 – about how state executive agencies will look like after the Local Government Reform. The studio guests included: V. Nehoda, First Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, and V. Baranov, Head of the Zaporizhzhya Oblast State Administration;

July 14 – about the social protection system in the context of the Local Government Reform. The studio guests included: L. Chorniy, Chairman of the Board of the Center for Public Expertise, and M. Romanyuk, Mayor of Lutsk;

July 16 – about the financial support for the implementation of exclusive local government authority after the Local Government Reform. The studio guests included: O. Slobozhan, expert of the Association of Ukrainian Cities, and O. Sin, Mayor of Zaporizhzhya;

July 18 – about the financial support for the implementation of the authority delegated to local governments after the Local Government Reform. The studio guests included: Yu. Hanuschak, expert, and N. Dzhuhan, Director of the Department for Financial Policy of the Cherkasy City Council;

August 11 – about how administrative services will look like after the Local Government Reform. The studio guests included: I. Koliushko, Chairman of the Board of the Center for Political and Legal Reforms, and Ye. Ischuk, Head of the Center for Administrative Services of the city of Vinnytsya;

August 13 – about the system of comprehensive education in the context of the Local Government Reform. The studio guests included: L. Hrynevych, National Deputy of Ukraine, and V. Bunyak, Director of the Department for Public Education of the Vinnytsya City Council;

August 15 – about the housing and municipal utilities sector in the context of the Local Government Reform. The studio guests included: S. Nadal, Mayor of Ternopil, and V. Saldo, National Deputy of Ukraine;

August 18 – about the health care system in the context of the Local Government Reform. The studio guests included: V. Karabutova, AUC expert, and F. Koshel, Head of the Health Care Department of the Lutsk City Council;

August 20 – about the city councils and urban development activities after the Local Government Reform. The studio guests included: V. Anushkevychus, Mayor of Ivano-Frankivsk, and S. Morhunov, Acting Mayor of Vinnytsya;

August 22 – about the land resources of territorial communities after the Local Government Reform. The studio guests included: L. Novakovskiy, AUC expert, and P. Kozyrev, Mayor of Ukrainka;

September 01 – about the session of the Zhytomyr AUC Regional Office. Speakers: L. Tsymbalyuk, Acting Mayor of Zhytomyr, V. Mazur, Mayor of Berdychiv, and A. Duzhko, Mayor of Baranivka;

September 03 – about the state control over the compliance of local government ordinances with legislation and over the quality of public services rendered to citizens. The studio guests included: V. Kravchenko, Director of the Association of Ukrainian Cities City Legal Assistance Center, and A. Fedorchuk, Mayor of Boryspil;

September 05 – about the local democracy after the Local Government Reform. The studio guests included: M. Stavniychuk, Head of the Main Department for Constitutional and Legal Modernisation of the Administration of the President of Ukraine, and O. Bakai, Mayor of Berdyansk;

September 08 – about the session of the Poltava AUC Regional Office. Speakers: S. Suprun, Mayor of Komsomolsk, V. Slyeptsov, Mayor of Karlivka, and H. Tsyb, Mayor of Vyrishalne;

September 10 – about the staffing support for local governments after the Local Government Reform. The studio guests included: V. Tolkovanov, Director of the Institute for Public Administration and Local Self-Governance of the National Academy for Public Administration at the Office of the President of Ukraine, and S. Suprun, Mayor of Komsomolsk;

September 12 – about the economic development of communities. The studio guests included: A. Sadovyi, Mayor of Lviv, and V. Udovychenko, Mayor of Slavutych;

September 15 – about the session of the Lviv AUC Regional Office. Speakers: A. Sadovyi, Mayor of Lviv, M. Savka, Mayor of Horodok, and I. Vereschuk, Mayor of Rava-Ruska;

September 17 – about the session of the Vinnytsya AUC Regional Office. Speakers: S. Morhunov, Acting Mayor of Vinnytsya, V. Kolomeytsev, Mayor of Ladyzhyn, and O. Kulbaba, Mayor of Yampil;

September 19 – about the session of the Khmelnytskyi AUC Regional Office. Speakers: S. Melnyk, Mayor of Khmelnytskyi, V. Sydor, Mayor of Slavuta, and A. Kushnir, Mayor of the village of Makiv;

September 22 – about the session of the Kherson AUC Regional Office. Speakers: V. Kovalenko, Mayor of Nova Kakhovka, O. Havryash, Mayor of Skadovsk, and S. Rokhalchuk, Mayor of the town of Novovorontsovka;

September 24 – about the session of the Zakarpattia AUC Regional Office. Speakers: I. Kovach, Mayor of Tyachiv, S. Bobyk, Mayor of Irshava, and V. Schur, Mayor of Mizhhirya; and,

September 26 – about the Day of Reforms organised on September 18 in Odesa within the framework of the 10th Ukrainian Municipal Forum.

Activity 2.3.4. Fostering media relations

Setting up a team of AUC speakers

Over the reporting period the composition of the team of AUC speakers has not changed (see Table 2). The AUC web site provides the update list of experts, as well as the contact information for the PR-coordinator to access AUC speakers.

Table 2. The team of AUC speakers who are authorised to present the position of the Association and provide explanations on decisions and documents approved by AUC in the following areas:

Name	Position
Current status and issues of local self-governance in Ukraine. AUC dialogue with central government agencies	
Yu. H. Vilkul	AUC President, Kryvyi Rih City Mayor
Myroslav V. Pittsyk	AUC Executive Vice President, DIALOGUE Project Senior Expert on Inter-Governmental Relations
Local Government Reform	
Myroslav V. Pittsyk	AUC Executive Vice President, DIALOGUE Senior Expert on Inter-Governmental Relations
Volodymyr H. Parkhomenko	DIALOGUE Project Analytical Center Director
Legal support to local government activities, AUC initiatives	
Volodymyr H. Parkhomenko	DIALOGUE Project Analytical Center Director
Victoria V. Sydorenko	DIALOGUE Project Senior Legal Expert
Local elections	
Volodymyr H. Parkhomenko	DIALOGUE Project Analytical Center Director
Local budget and finance	
Oleksandr Ch. Sin	Mayor of Zaporizzhya
Tetyana D. Taukesheva	President of City Finance Officer Association (CFOA), Deputy Kharkiv City Mayor, Director of the City Department for Budget and Finance
Natalya Dzhuhan	Director of the Department for Financial Policy of the Cherkasy City Council
Oleksandr V. Slobodzhan	DIALOGUE Project Legislation Monitoring Expert
Housing and utilities, city economy and infrastructure	
Serhiy V. Nadal	Mayor of Ternopil
Serhiy O. Odarych	Mayor of Cherkasy
Yaroslav O. Raboshuk	DIALOGUE Project Analyst
Local economic development	
Ivan I. Kulichenko	AUC Vice President, Dnipropetrovsk City Mayor
Big and medium-sized city issues	
Oleksandr O. Lukianchenko	AUC Vice President on Big Cities, Donetsk City Mayor
Anatoliy S. Fedorchuk	AUC Vice President on Medium-Sized Cities, Boryspil City Mayor, Kyiv oblast
Pavlo H. Kozyryev	AUC Vice President on Small Cities, Ukrainka City Mayor
Land relations	
Yaroslav O. Raboshuk	DIALOGUE Project Analyst
Public education, health care and culture	

Victoria V. Karabutova	DIALOGUE Project Analyst
Innovation development, introduction of effective management technologies	
Andriy I. Sadovyi	AUC Vice President, Mayor of Lviv
Volodymyr P. Udovychenko	AUC Board Member, Slavutyeh City Mayor

Implementation of mechanisms for regular communication between local governments and media

Working session of the National Press Club

The meetings of the National Press Clubs are held four times a year based on the decisions of the AUC Board Presidium, AUC Board, Ukrainian Municipal Forum and other AUC large-scale events.

<p>Topic: Day of Reforms</p> <p>Date: September 18, 2014</p> <p>Venue: city of Odesa</p>	<p>Yu. Vilkul, President of AUC, started at the Press Club. He informed that the purpose of the Day of Reforms is to examine steps of the Cabinet of Ministers towards the implementation of the Local Government Reform and decentralisation, and the action plan. The discussion was focused on three sets of issues: budget sufficiency of communities; energy security of cities in the current conditions; and problem issues of cities associated with the crisis in eastern Ukraine.</p>
<p>Participants:</p> <p>V. Groisman, Vice Prime Minister and Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine,</p> <p>Yu. Vilkul, AUC President and Mayor of Kryvyi Rih, S. Odarych, Mayor of Cherkasy, M. Pittsyk, Executive Director of AUC</p>	<p>V. Groisman informed the media that the package of draft laws was prepared and their approval by the parliament will support the implementation of the Local Government Reform. The Vice Prime Minister expressed his confidence that the new Parliament, which is elected during the pre-term elections in October, will approve these draft laws and the Cabinet of Ministers will begin decentralisation of power and finance.</p>
<p>Media representatives:</p> <p>The «1+1», «5 канал», «Україна», «Новини 24» [news 24], «Град» [city], «Глас» [voice], «Круг» [circle], «Академія», «ICTV», «34», «Тоніс» «Рудана», «34», Odesa Oblast TVRC, and «Одеса» TV Channels; the «Одессит» [Odesan] web site; the «Дзеркало тижня» [mirror weekly], «Одесские известия» [Odesa news]. «Gnews», «Укрінформ», «Вести» [news], and «Вечерняя Одесса» [evening Odesa] newspapers; Press Service of the Odesa City Council, etc.</p>	<p>Later on he dwelt upon on specific plans to implement the reforms. By the end of 2014, provided the developed draft laws are approved, the government will plan to introduce a model of fiscal decentralisation, while by July of 2015 the parliament is expected to approve amendments to the Constitution and enact the whole package of laws.</p> <p>V. Groisman also informed the media representatives that the Government intends to implement reforms in such spheres as: regional policy, administrative services system, civil service, e-governance, and energy efficiency in the housing and municipal utilities. According to V. Groisman, the issue of the natural gas is the issue of independence of Ukraine. Therefore, the reduction of the consumption of energy through the introduction of modern technologies and a substantial reduction of natural gas consumption in the housing and municipal utilities sector is the top priority for the Cabinet of Ministers.</p>
<p>Mentioning in the media after the event:</p> <p>Video stories about the Day of Reforms were aired by the following TV channels: «Новини 24» [news 24], «5 канал», «Україна», «Рудана» (Кривий Ріг), «Криворіжжя» [Кривий Ріг region],</p>	<p>In his closing remarks, the Vice Prime Minister expressed hope that the next 11th Municipal Forum will be dedicated to the discussion of the outcomes of the first year of the implementation of the high-quality Local Government Reform.</p> <p>M. Pittsyk provided more highlights on the theme of the budget reform. He informed the journalists that the proposals of the Association of Ukrainian Cities were incorporated in two Cabinet of Ministers documents: draft amendments to the Tax Code of Ukraine and draft amendments to the Budget Code of Ukraine. Due to the close cooperation with the leadership of the Ministry of Finance and a representative of the AUC working group</p>

<p>«Круг» [circle] (Odesa), Odesa Oblast TVRC, «7 канал» (Odesa), «34 канал» (Dnipropetrovsk), «Глас» [voice](Odesa), «Град» [city] (Odesa), and ТРК «Репортер» (Odesa). There were also more than 30 links to internet sites, on local council web sites and web sites of state agencies</p>	<p>established by the Ministry of Finance, these draft documents reflect the requirements of local governments, in particular: increasing the discretionary resources of local budgets, ensuring 100% financial support to local governments for the implementation of the delegated authority, improvements of the State Treasury services, simplification of borrowing mechanisms, and improvements of budget planning. This is a real victory, which will increase local government budgets by 20 billion UAH. But it is only in the draft documents so far. In order for it to become reality the parliament should approve the corresponding laws. It is therefore important that new National Deputies should be elected to the parliament who will vote for these draft laws, said M. Pittsyk.</p> <p>S. Odarych, Mayor of Cherkasy, commented on energy efficiency and energy saving issues. In general, he positively assessed the Cabinet of Ministers actions to reduce energy consumption and provide incentives for the introduction of alternative types of fuel, and came up with a suggestion to revisit the resolution on compensation for the use of fuels other than the natural gas for the production of heat. The list of beneficiaries of such compensation should include combined heat and power stations, which are capable of producing heat to citizens using coal, - said S. Odarych.</p> <p>Yu. Vilkul informed that based on the discussion on the Day of Reforms, city mayors endorsed the appeal to the top country leadership to resolve problem issues local governments face. Also, the participants of the Day of Reforms expressed their support for peaceful initiatives of Petro Poroshenko, President of Ukraine, to normalize the situation in the east of Ukraine.</p> <p>In his closing remarks, the AUC President said that the set of legislative initiatives of the Cabinet of Ministers incorporates the position of the Association of Ukrainian Cities and is supported by mayors. The future of reforms will depend on new parliament.</p>
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Working sessions of the Straight from the Source press-clubs

Working sessions of the regional press clubs are held in AUC Regional Offices twice a year based upon the outcomes meetings of Local Government Regional Advisory Boards.

Working session of the Kirovohrad Regional Press Club

<p>Topic: Main provisions of amendments to the Constitution of Ukraine regarding decentralisation</p>	<p>The meeting of the Press Club was dedicated to the discussion of the outcomes of the session of the Local Government Regional Advisory Board in the Kirovohrad oblast.</p> <p>A. Petik noted that the issue of efficient local government activities at all levels - from the basic to regional one is extremely important today. The country is facing radical changes, whereas the further development of local self-governance is possible only through devolution of power to territorial communities. This goal can be achieved only through the decentralization of power envisioned in the draft Law of Ukraine “On Amending the Constitution on Decentralisation” and in the Concept of Local Government Reform. He also stressed the importance of coordinating the proposed amendments with the citizenry, because the reform can be successful only if it is supported by the public at large.</p> <p>O. Chornoivanenko informed the press that the per capita income in Ukrainian cities is much smaller as compared with European cities. This is an indicator of the urgent need of reforms and it is</p>
<p>Date: July 10, 2014</p>	
<p>Participants: O. Petik, Head of the Oblast State Administration, O. Chornoivanenko, Chairman of the Oblast Council, S. Tsapyuk, Mayor of Oleksandriya and Head of the Kirovohrad AUC Regional Office, and Yu. Kotenko, Mayor of Svitlovodsk</p>	
<p>Media present at the event:</p>	

<p>The «Кіровоград» TV Channel; the «Весь Кіровоград» [<i>all Kirovohrad</i>], «0522», «Рідний Кіровоград» [<i>native Kirovohrad</i>], «Новини Кіровограда» [<i>Kirovohrad news</i>], and «Світловодськ» web sites</p>	<p>encouraging to realise that there is the corresponding political will in the top country leadership. According to the mayors, the main result to be achieved by decentralization is to establish a clear, simple and democratic system of governance, formation of self-sufficient territorial communities, thus allowing local governments to effectively perform their own and delegated authority and to provide high quality administrative services to the population.</p>
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Working session of the Zaporizhzhya Regional Press Club

<p>Topic: Draft amendments to the Constitution of Ukraine and initiatives aimed at fiscal decentralisation</p> <p>Date: July 17, 2014</p>	<p>The meeting of the Press Club was dedicated to the discussion of the outcomes of the session of the Local Government Regional Advisory Board in the Zaporizhzhya oblast.</p> <p>V. Baranov said he was convinced about the urgent need to implement the reform: “We should introduce the meaningful, genuine and true local self-governance at all level ranging from village to oblast councils. We should also need to revisit the scope of authority of local governments. We should receive the 100% financial support from the state for the implementation of the authority delegated to local governments and should have our own revenue base for local budgets.</p> <p>M. Pittsyk informed the media that the main objective of the reform is to increase the revenue base and their own resources at the local level: “Currently, the structure of local spending consists of 85% funds to support the delegated authority, whereas only 9.2% (on average) of funds earned at the local level stay in city and rayon budgets. At the same time, in other European countries local territories retain approximately 30% of their earnings”. "He also mentioned that AUC came up with a suggestion to specify in the Budget Code the provisions aimed at increasing the own local government resource base.</p> <p>O. Sin focused the attention of the journalists on the fact that the effective functioning of local governments require: increase of local government own resources revenues, ensuring 100% financial support for the authority delegate to local governments, improved State Treasury administration of local budgets, simplified local borrowing mechanisms, and improved budget forecasting.</p> <p>V. Mezheyko noted that the implementation of such a comprehensive reform is possible only if amendments to the Constitution of Ukraine are introduced.</p>
<p>Participants: V. Baranov, Head of the Oblast State Administration, V. Mezheiko, Chairman of the Oblast Council, O. Sin, Mayor of Zaporizhzhya and Head of the Zaporizhzhya AUC Regional Office, M. Pittsyk, Executive Director of AUC</p> <p>Media present at the event: The «ТВ-5» TVRC; the «Алекс», «МТМ», and «Запоріжжя» TV Channels; and the «Запорізька правда» [<i>Zaporizhzhya truth</i>] and «Запорізька Січ» newspapers.</p>	

Working session of the Rivne Regional Press Club

<p>Topic: Local government development in the current conditions and improvements of interaction between state executive authorities and local governments in the Rivne region</p> <p>Date: September, 11, 2014</p>	<p>The meeting of the Press Club was dedicated to the discussion of the outcomes of the session of the Local Government Regional Advisory Board in the Rivne oblast.</p> <p>T. Pustovit informed the media representatives that the participants of the Advisory Board decided to involve local government officials to discuss the draft Strategy for economic and social development of the Rivne oblast for the period till 2020.</p> <p>The meeting participants also discussed the energy saving issues and came up with a recommendation for city and town mayors to spur up the activities promoting energy saving steps and attraction of investments.</p> <p>M. Karapetyan drew media attention to the key local government problem issues as regular inspection of local government activities</p>
<p>Participants: T. Pustovit, Deputy Head of the Oblast State Administration, M. Karapetyan, Mayor of Radyvyliv</p>	

<p>Media present at the event: The «Рівне вечірнє» [<i>evening Rivne</i>] newspaper; the «Рівне1» TV Channel; and the «7днів» [7 days], and «Новини Рівного» [<i>Rivne news</i>] weeklies</p>	<p>by prosecutor's offices and late payments from the State Treasury. Also, the city mayor raised his concern about incorrect approaches to budgeting in cities, in particular, with regard to the funding for salaries of employees of executive committees. For three years, the Rivne AUC Regional Office has been lobbying for the allocation of funds for city hall staff salaries in proportion to the number of citizens, just as is the case for village councils. V. Karapetyan expressed his hope that these issues will be resolved in the course of the Local Government Reform and decentralisation.</p>
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Working session of the Volyn Regional Press Club

<p>Topic: Amendments to the Budget Code of Ukraine (concerning fiscal decentralisation). Problem issues of budgeting and ways to avoid potential losses in the course of budgeting at the local level</p>	<p>The meeting of the Press Club was dedicated to the discussion of the outcomes of the session of the Local Government Regional Advisory Board in the Volyn oblast. S. Kudryavtsev reported that the current system of local self-governance requires systemic changes to meet the European democratic standards. Therefore, the implementation of the Local Government Reform will provide a good impetus for the development of territories. To ensure the financial self-sufficiency of communities one has to introduce amendments to the Budget and Tax Codes of Ukraine, which will provide opportunities for territorial governments to earn money.</p>
<p>Date: September 11, 2014</p>	
<p>Participants: S. Kudryavtsev, First Deputy Head of the Oblast State Administration, V. Hodyk, Mayor of Horokhiv, V. Chui, Acting Head of the Main Department of the State Fiscal Service of the Volyn Oblast</p>	<p>V. Hodyk noted that today one should start looking for alternative sources of revenues to local budgets, analysing the current status of economic activities on the territory of communities, while the approval of amendments to the Budget Code of Ukraine with part of the tax proceeds retained by city and town budgets will represent the essential step towards real decentralisation. V. Chui informed that in case amendments to the Budget Code of Ukraine have been introduced, local communities will be able to prepare their own budgets without waiting for the approval if the National Budget, provided that they are prepared by December 25 this year.</p>
<p>Media present at the event: The Volyn Oblast TVRC and the «Волинські новини» [<i>Volyn news</i>] and «ВІП» internet publications</p>	

Working session of the Zhytomyr Regional Press Club

<p>Topic: Draft Law of Ukraine on amending the Budget Code of Ukraine concerning budget decentralisation</p>	<p>The meeting of the Press Club was dedicated to the discussion of the outcomes of the session of the Local Government Regional Advisory Board in the Zhytomyr oblast. L. Tsymbalyuk informed the journalists that local governments generally support amendments to the Budget Code concerning fiscal decentralisation. However, there are some concerns. In particular, there is a need to clearly define the mechanism of establishing direct relations between National Budget and local budgets.</p>
<p>Date: September 11, 2014</p>	
<p>Participants: V. Areshonkov, First Deputy Chairman of the Oblast Council, L. Tsymbalyuk, Acting Mayor of Zhytomyr, A. Dushko, Mayor of Baranivka, M. Kharchenko, Chairman of the Olevsk Rayon Council</p>	<p>A. Dushko pointed out that reforms in the public sector must be coordinated with reforms in other sectors (education, medicine, culture, etc.) and should be implemented along with the administrative and territorial reform. M. Harchenko noted that innovations in the area of treasury administration of local budgets, in particular, prioritising of payments and reducing the timeframe for actions to be taken on local government vouchers deserve support.</p>
<p>Media present at the event: The Zhytomyr Oblast TVRC, «Союз-ТБ», and «Ц-ТБ» TV</p>	<p>V. Aryeshonkov expressed his conviction that the Local Government Reform will mark the beginning of systemic changes in</p>

Channels; the Oblast Radio Station, «Крок-радіо», and «Житомирська хвиля» [Zhytomyr wave] radio stations; the «Пульс-норма», «Житомирщина» [Zhytomyr region], and «Місто» [city] newspapers; the «Житомир-інфо» and «Перший житомирський» [first Zhytomyr] websites	economic and political life of the oblast communities and the oblast as a whole. He also stressed that currently there is a need to use all available resources to ensure revenues to local budgets.
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2.4. Component 4: Legal Assistance and Protection

Activity 2.4.1. Expanding legal consultation services for navigating various laws and regulations

In the reporting period, DIALOGUE City Legal Assistance Center consultants provided 166 consultations to local government officials. Since its inception, the Project provided 2,760 consultations to local governments, their officials and local council members.

City Legal Assistance Center consultants provided **166** legal consultations through the mobile telephone line, mail, and AUC and DIALOGUE web-sites in the following areas:

- local elections – 3;
- local budgets and inter-budget relations – 9;
- land relations – 25;
- housing, municipal utilities and communally-owned property – 39;
- organisational and legal foundations of local self-governance – 87;
- public education – 2; and,
- culture – 1.

Expert workshops in AUC ROs

An Expert Workshop is a training event for local government officials who work in a given technical area held with the purpose of explaining provisions of legislation and exchanging city management experience. In addition to this, participants of expert workshops can initiate amendments to legislation and changes in municipal management activities. The topics for expert workshops have been identified by AUC ROs upon suggestions from local government officials.

In July – September of 2014, the Project conducted 14 expert workshops with the participation of 312 local government officials.

Date and venue	Topic	Description of the event
Odesa AUC RO city of Odesa July 15, 2014 20 persons – city mayors, local council secretaries, economic development experts	Economic development strategy of the region. Ways to attract investments and international technical assistance projects	The expert workshop moderator familiarised the event participants with modern approaches to strategic planning and focused their attention on its importance for the integrated and sustainable development of territorial communities. A particular attention was given to citizen involvement to these activities. The project and programs, which the city can implement with the financial support from donor organisations, may become the instruments for the implementation of

		the development strategy. The second part of the event was dedicated to discussing the effective ways to find financial assistance and writing congruent and successful project proposals. The expert workshop moderator stressed that communities in the Odesa oblast may get the financial support from the EU neighbourhood programs and under joint trans-border programs with Romania and Bulgaria. TO do so, one has to have partners in these countries.
Cherkasy AUC RO city of Cherkasy July 16, 2014 20 participants - Deputy city mayors, heads of departments/sub- divisions for housing and municipal utilities	Problem issues and opportunities of establishing condominium associations	The expert workshop participants discussed issues related to the establishment and operation of condominium associations; identified the main their main problems and ways to resolve them; and prepared amendments to the current legislation. The workshop participants exchanged information and experience and emphasises the need to resolve land issues to ensure effective operations of condominium associations; terms of contracts with natural monopoly companies and tariff setting in condominium associations. The participants discussed the potential ways to resolve these issues at the local level.
Poltava AUC RO city of Komsomolsk August 27, 2014 35 participants – city mayors	Participation of the young generation in decision making at the local and regional levels (sharing experience of the Komsomolsk City Council)	The expert workshop participants became familiar with the experience of the Komsomolsk City Council to involve the young generation to local government activities. The moderator discussed with the participants of the event the Strategy for Development of Social Services for Families, Children and Youth in Ukraine for the Period till 2009 – 2014. The workshop participants became interested in the prospects for the development of the youth non-governmental sector: volunteer activities; solutions of issues related to the rehabilitation of disabled children. In closing of the event and summarising the lessons learned and impressions, the workshop participants emphasised the innovative approaches offered by the young generation to resolving problem issues local communities face.
Lviv AUC RO city of Lviv August 28, 2014 30 participants – heads of departments/sub- divisions of city councils	Ways of improving the budget sufficiency of territorial communities	The expert workshop moderator focused the attention of the participants on the suggested amendments to the Budget and Tax Codes of Ukraine whose aim is to increase the financial sufficiency of local governments. The event participants discussed the possibilities to increase collections to the city budget and local borrowing practices. The participants became familiar with the experience of the city of Lviv in the following spheres: experience in issuing municipal bonds, schedule of payments from the city budget and financial credit of business entities and the loans taken under local or state guarantees.
Volyn AUC RO city of Lutsk August 29, 2014	Problem issues related to the housing and utilities sector and ways to improve them	The expert workshop moderator familiarised the participants with the modern tendencies of reforms in the housing and municipal utilities sector. The event participants discussed efficient

20 participants – city mayors, heads of department/sub-divisions of housing and municipal utilities of local councils		approaches and opportunities for interaction between the community and the local government aimed at improving the quality of housing and municipal utility services and other urban improvements. The mechanisms for involving off-budget and credit funds to reform the housing and municipal utilities sector in the Volyn oblast were also a priority for discussions at the event.
Rivne AUC RO city of Rivne September 04, 2014 21 participants – city and town mayors	Energy saving, energy efficiency and energy security	The first topic for the discussions was energy security in cities and their preparations for the upcoming heating season. The expert workshop participants focused their attention on limited natural gas quotas and the urgent need to switch over to other energy alternatives to ensure an uninterrupted heating season. This applies primarily communally-owned facilities, as in many cities the majority of population have already switched over to individual heating systems and use modern boilers, which are more efficient. The second part of the event was dedicated to the presentation of energy efficient equipment cities can use in their housing and municipal utilities sector. The event participants stressed the need to promote the environment conducive for the implementation in Ukraine public-private partnership projects, which would allow to introduce energy efficiency technologies and projects.
Zakarpattya AUC RO city of Uzhgorod September 04, 2014 26 participants – city, town and village mayors, secretaries of local councils	Barriers for effective activities and performance of local governments caused by increased centralisation of power over the recent years	The expert workshop participants discussed the functions and authority of local governments in Ukraine in the sphere of public services; principles of distribution of competences between public authorities. The participants reviewed the current status of financial support for the local government authority and discussed the potential areas of improvements of local government activities. The workshop moderator familiarised the participants with the experience of European countries in the distribution of authority according to the principle of subsidiarity.
Kharkiv AUC RO city of Kharkiv September 04, 2014 20 participants – city, town and village mayors, secretaries of local councils	Local Government Reform: aspects of the modernisation of municipal management	
Mykolaiv AUC RO city of Mykolaiv September 16, 2014 20 participants – deputy city mayors and specialists of local	Particularities of preparation of budgets in 2015 and problem issues associated with the implementation of budgets in 2014	The first part of event was dedicated to the presentation of the suggested amendments to the budget legislation. While discussing problem issues with the implementation of local budgets in 2014, the event participants emphasised the difficulties institutions in the public sector face during the heating season in the context of growing tariffs and limited supply of the natural

councils		gas. Participants also noted that the Basket Two (discretionary local budget funds) city budget revenues not provide the sufficient financial support for the network of out-of-school establishments, cultural and sport facilities, which leads to the increased social tension. The participants meeting confirmed that the problem of treasury administration of local budgets remains the main problem with local budget implementation in 2014, namely: failure of the State Treasury to take timely actions in city budget expenditures.
Odesa AUC RO city of Odesa September 24, 2014 20 participants – local council secretaries, deputy city mayors, local council specialists	Implementation of the Concept of the Local Government Reform in Ukraine	The expert workshop participants once again discussed the stages of the implementation of the Local Government Reform and the requirements that legislators will face in the course of the preparation of the Reform, as well as local government officials will face at the stage of its implementation. Interestingly, representatives of cities made a particular emphasis on the need to strengthen the financial foundations of local self-governance and considered it to be the main focus of the Reform. As far as the consolidation of local communities is concerned, the participants could not reach the consensus, although all participants expressed doubts about the possibility of the voluntary consolidation. As a separate topic, the participants discussed approaches to local elections and once again stressed the need to return to the majoritarian electoral system at the local level.
Ivano-Frankivsk AUC RO city of Ivano-Frankivsk September 29, 2014 20 participants – representatives of main departments for social protection of city and rayon youth services	Social protection and support to the young generation as one of ways to strengthen the civil society	The expert workshop moderator made a presentation for the participants about the current status and main directions of social work with young people: youth employment, recreation, adaptation of young people from disadvantaged families, legal support, and opportunities for employment for the first job. The participants learned about the experience in professional and ethical development of young people using the examples of youth organizations, such as “Student Brotherhood” and “Plast”. During the discussion, the participants prepared amendments to the current Ukrainian legislation.
Vinnytsya AUC RO city of Vinnytsya September 30, 2014 20 participants – secretaries of local councils, deputy city mayors, local council members	Expanding the scope of local government authority in the course of the implementation of the Concept of the Local Government Reform in Ukraine	The expert workshop participants discussed in detail the issues of fiscal decentralisation envisioned by the suggested amendments to the Budget and tax Codes. They supported the idea of separating local budget into conventional Baskets and the opportunity to get rid of State Treasury administration of local budgets. The participants also supported the idea of increasing opportunities to access loan funds. The event participants once again emphasised their support to the Vice Prime Minister Groisman in his work to use the principle of subsidiarity in distribution of powers between various levels of government. The expressed their

		hope that the Reform will return to local government the authority once taken from them and provide them with adequate financial support.
Ternopil AUC RO city of Ternopil September 30, 2014 20 participants – deputy city mayors	Regulation of activities of trading businesses by local governments	The expert workshop moderator familiarised the participants with mechanisms for placement and arrangement of summer trade facilities in the city. The participants were interested in the issues related to approving working schedules of trading facilities and service businesses; approving night working hours for trading and household service facilities, restaurants and entertainment facilities. In the course of the discussions, the event participants stressed the need to strengthen accountability for violations of legislation on trade, in particular, for violations committed by the facilities working in night hours and selling alcohol to minors, as well as violation concerning the peace at night. Also, the event participants discussed the enforcement of local council ordinances on forced dismantling of summer trading platforms.

Activity 2.4.2. Legal protection services

In the reporting period, the attorney services were provided to 2 local government officials. The attorney services were provided in the following key areas:

- protection of rights of local governments and their officials including in courts and/or with on-site visits of attorneys (Oleksandrivsk City Mayor, Luhansk oblast (3));
- legal assistance to local governments and their officials (Stakhanov City Mayor, Luhansk oblast (1)).

Monitoring of cases of harassment of local governments and their officials

The gross violation of right of local government officials and local council members on the part of separatists in the Luhansk and Donetsk oblasts of Ukraine continues. There were also many cases of detention of local government officials by Law Enforcement Agencies and Armed Forces on the territories mentioned above on charges of cooperation with terrorists.

There were also some hot cases:

- July 26, 2014, Mayor of Kremenchuk Babayev was assassinated;
- July 26, 2014, the house of Lviv Mayor Sadovyi was shot at

Chapter 3. IMPLEMENTATION PROBLEMS AND WAYS TO RESOLVE THEM

Due to the military conflict in the east of Ukraine, the Project suspended its activities in the Luhansk and Donetsk oblasts.

In view of the changes in the leadership of oblast state administrations and oblast councils in almost all oblasts of Ukraine, DIALOGUE faced the necessity to resume the activities of Local Government Regional Advisory Boards, with particular difficulties observed in the east and south of Ukraine (due to the military activities in the east and potential military activities in the south).

In the reporting quarter, the Project faced difficulties in communicating with the Verkhovna Rada of Ukraine due to the announcements of snap parliamentary elections and preparations for them. Following the summer recess, the parliament managed to conduct two sessions and failed to consider the legislation amendments so needed for the implementation of decentralisation reforms.

Chapter 4. SUCCESS STORIES

DIALOGUE EFFECTIVELY AFFECTS THE BUDGET DECENTRALIZATION EFFORTS

On 15 September, 2014, the Cabinet of Ministers registered in the parliament Draft Law # 5078 on amending the Budget Code of Ukraine (to reform inter-budgetary relations), and # 5079 to amending the Tax Code Ukraine (tax reform). Both draft laws will ensure new models local government budgeting and inter-budgetary relations. These draft laws incorporate most of suggestions of DIALOGUE as well as the project proposals were incorporated into the drafts.

STATE TREASURY UNBLOCKED LOCAL GOVERNMENT BUDGET ACCOUNTS

In July – September of 2014, according to DIALOGUE Project experts, the State Treasury unblocked local government accounts releasing almost 3 billion UAH to local budgets. The number of stalled local budget payments had been cut, thus the lobbying efforts of the project in the Cabinet of Ministers have been met in full.

COMMUNITIES GET MONEY TO SOLVE HOUSING AND UTILITIES ISSUES AND READY FOR THE HEATING SEASON

On 31 July 2014, the Verkhovna Rada introduced amendments to the National Budget for 2014 (Law of Ukraine # 1622-VII) to increment by 7.3 billion UAH the subvention from the National Budget to local budget to compensate the latter for the debts accumulated on the differences in tariffs. The total amount of the subvention constitutes more than 14 billion UAH. This will allow municipal district heating companies to pay their bills for the consumed natural gas arising from the economically unjustified tariffs set in the previous years. The reimbursement of the debts was paramount for the project to advocate for local government interests in the 2014 budget process.

LOCAL BUDGETS WILL HAVE EXTRA REVENUE SOURCES

On July 29, 2014, the President of Ukraine signed Draft Law # 4076a in the Law of Ukraine “On Amending the Budget Code of Ukraine to Channel Water Resources Lease Payments to Local Budgets”. The approval of the Law will provide opportunities to channel water resources lease payments to the corresponding budgets of the territories where the water facilities are located. DIALOGUE has been lobbying for these amendments for quite a long time, because they provide opportunities for strengthening the financial foundations of local governments.

DIALOGUE PROJECT EXPERTS MADE THE AUTHORITIES UNBLOCK THE ENVIRONMENT EARMARKED FUNDS

On July 17, 2014, the Cabinet of Ministers approved Resolution # 263 “On Amending Paragraph 11 of Resolution of the Cabinet of Ministers of Ukraine # 63 of March 01, 2014”. The amendments will channel the payments under targeted environmental (green) investment projects and payments on compliance with the Kyoto Protocol to the UN Framework Convention on Climate Change to the category of high priority and full reimbursement payments. DIALOGUE has been actively lobbying for these changes. On April 29, 2014, at the meeting of the AUC Board V. Groisman, Vice Prime Minister, and T. Slyuz, Head of the State Treasury Service of Ukraine, agreed with the arguments of the Project to make the project case.

COMMUNITY OWNED HEALTH FACILITIES HAVE BEEN FUNDED REGULARLY

On August 27, 2014, the Cabinet of Ministers of Ukraine approved Resolution # 379 “On Amending Paragraph 10 of the Mechanisms for Covering Temporary Cash Gaps in Local Budgets”. This document will enable local budgets to get interest free loans from the National Budget to cover their expenditures for health care. This Resolution will apply to the populated areas, which participate in the pilot project aimed at reforming the health care sector. In the

future, such changes will cover all local budgets. For quite a long time, DIALOGUE has been emphasising the need for such changes.

HOUSING AND UTILITIES TARIFF MAKING PROCESS HAS BEEN STREAMLINED

City councils have repeatedly addressed the Association with their complaints about significant forced delays with setting tariffs for housing and municipal utility services caused by the failure of the State Inspectorate for Prices to provide high quality and timely calculations of economically justified expenditures associated with the provision of such services. Such calculations used to be provided exclusively by the State Inspectorate for Prices, as the Inspectorate did not establish its territorial agencies as separate legal entities. This situation led to considerable delays (up to several months) on such calculations, and, consequently, to inability of local governments to make decisions on setting tariffs for housing and municipal utility services. In April of 2014, the Association of Ukrainian Cities addressed V. Groisman, Vice Prime Minister and Minister of Regional Development, Construction, Housing and Municipal Services, with an initiative to simplify the tariff setting process through abolishing the requirement to get a conclusion on the economic feasibility and justification of the housing and municipal utility tariffs.

In the result, on July 17, 2014 the Cabinet of Ministers approved Resolution» On Amending Resolution of the Cabinet of Ministers of Ukraine # 869 of June 01, 2011 to Ensure a Uniform Approach to Setting Tariffs for Housing and Municipal Utility Services” HUT tariff making. The Resolution will strip the State Inspectorate for Prices of the authority to provide calculations and economic justifications of tariffs for housing and municipal utility services.

ADDITIONAL INCENTIVES ARE PUT IN PLACE TO STIMULATE THE REPLACEMENT OF THE NATURAL GAS WITH ALTERNATIVE TYPES OF FUEL

On July 09, 2014, the Cabinet of Ministers approved Resolution # 293 “On Incentives for the Replacement of the Natural Gas in the District Heating Sector” of July 09, 2014. The Resolution reflects the suggestions of city mayors expressed during the Dialogue Day conducted on June 25, 2014 to provide compensations for the difference in tariffs for the generation of heat produced from the fuels other than the natural gas. Experts of the Association of Ukrainian Cities provided their comments during the discussions of this draft regulatory document. The approved Resolution will help to channel the funds originally earmarked for purchases of the natural gas abroad to domestic markets of alternative fuels and the corresponding equipment.

COURT ENFORCEMENT ACTIONS TO COLLECT DEBT ACCUMULATED BY HEAT SUPPLIERS HAVE BEEN PUT OFF

In view of the considerable debts on natural gas payments, the NaftoHaz Ukrainy National Joint-Stock Company (NJSC) has imposed court based fines for heat supply companies for the natural gas consumption they fail to pay for, whereas court officers put their accounts under arrest. Debts on natural gas payments is not the fault of these companies, as there is a gap between the centrally set heat energy tariffs and no subventions to fund the tariff differences. Consequently, the companies are not able either to pay salaries to their employees, or pay their due taxes. To resolve these issues, on 21 November 2013, the Union of Local Council Secretaries of AUC addressed the Cabinet of Ministers of Ukraine and in January of 2014 the UkrTeploKomunEnerho [*municipal energy and heating*] Association together with the Association of Ukrainian Cities addressed the VRU Committee on Construction, Urban Development, Housing, Municipal Utilities and Regional Policy on the same issue.

On July 03, 2014, the parliament approved the Law of Ukraine “On Amending Certain Ukrainian Legislation on Ensuring Payments in the Fuel and Energy Sector” to allow district heating companies to postpone their debt payments and, correspondingly, to put off court enforcement actions.

NEGATIVE CONSEQUENCES OF INTRODUCING DISTRIBUTION ACCOUNTS FOR COMMUNAL HEATING COMPANIES MINIMIZED

On June 18, 2014, the Cabinet of Ministers Ukraine approved Resolution # 217 to introduce the procedure to distribute the funds that come in operational accounts set for payments with natural gas suppliers. The Association of Ukrainian Cities opposed the idea of setting such accounts for communally-owned heating companies, because they would derail their stable operations, timely payments of salaries, taxes and electricity costs, creditworthiness (especially in the context of liabilities to international financial organisations and state-owned and commercial banks), or their capacity to fund production processes to ensure their safety.

In July of 2014, aiming at reducing the negative consequence of this Resolution, the Association of Ukrainian Cities together with the UkrTeploKomunEnerho [*municipal energy and heating*] Association sent a letter to the Cabinet of Ministers of Ukraine number of proposals. In the result, on September 10, 2014, the Cabinet of Ministers approved Resolution # 444 and presented a new version of the document. It has the requirements to count in the debt beginning with the month the norms were first introduced, thus leaving some funds with the heat suppliers to make salary and other appropriate payments.

VOLYN OBLAST. DIALOGUE ASSISTS IN RESOLVING ISSUES WITH MODERNISATION AND CLOSING DILAPIDATED BUILDINGS IN CITIES

In pursuance of the resolution of the Local Government Regional Advisory Board in the Volyn oblast, “On the Current Status of modernisation (closing) Dilapidated Buildings in the Oblast” of April 25, 2013, the oblast authorities over the reporting period performed the reconstruction of the sport school for children and youth, boiler systems in Vocational School # 4 and a comprehensive and sport school in the city of Rozhysche, capital repairs of the gymnasium in Specialized Grades I – III School in the city of Kovel, as well as capital repairs of the children arts school in the city of Kamin-Kashyrskiy.

VOLYN OBLAST. DIALOGUE HELPS COMMUNITIES INTRODUCE ENERGY EFFICIENCY.

In pursuance of the resolution of the Local Government Regional Advisory Board of April 25, 2013 “On the Current Status of the Implementation of the Regional Program to Promote Energy Efficiency in the Volyn Oblast”, the oblast authorities over the reporting period reconstructed the street lighting system (or repaired the broken lighting systems) in various streets and roads. The street lighting works were performed in 13 populated areas in the oblast, thus posting 289 street lights. The oblast budget allocated 622.35 thousand UAH for these purposes including 488.15 thousand AUC of budget funds and 134.2 thousand UAH of off-budget and investment funds.

In the course of the preparations for the 2014 - 2015 heating season, the oblast authorities reconstructed 53 boilers in the public sector, 11 of which switched over to gas replacement solid fuels.

ZHYTOMYR OBLAST IMPROVES THE PROVISION OF HIGH QUALITY ADMINISTRATIVE SERVICES TO CITIZENS

In pursuance of the resolution of the Local government regional Advisory Board in the Zhytomyr oblast of September 25, 2013 the sessions of the Oblast Council approved the E-Governance Zhytomyr Oblast Program to use oblast budget funds to link all city, town and village councils in the Zhytomyr region to the Internet services, thus improving the provision of administrative services.

ZAKARPATTYA OBLAST. DIALOGUE WILL HELP POPULATED AREAS IN THE OBLAST TO HAVE THEIR SOLID WASTE PROCESSING AND DISPOSAL LANDFILLS.

In pursuance of the resolution of the Local Government Regional Advisory Board in the Zakarpattya oblast of May 14, 2014, the oblast budget allocated the first tranche of funds for the construction of two modern solid waste processing and disposal landfills in the Berehove and Vynohradiv rayons in the oblast. The construction works and putting these facilities in operation is scheduled for late 2015. The capacity of the landfill in the Berehove rayon is approximately 20.000 tons and the one in the Vynohradiv rayon in 15.000 tons of solid waste.

KIROVOHRAD OBLAST. DIALOGUE PROMOTES SAVINGS DURING THE HEATING SEASON

In pursuance of the resolution of the Local Government Regional Advisory Board in the Kirovohrad oblast “On Urban Improvements of Territories in the Kirovohrad Oblast and Introduction of Energy Saving Technologies” of March 20, 2013, the oblast authorities installed a unit to generate coal gas that will fuel a boiler in time for the heating season. The installation of this system will allow annual savings of 3.1 million of cubic meters of the natural gas worth 13.4 million UAH.

KIROVOHRAD OBLAST. DIALOGUE HELPS TO RESTORE HOUSING INFRASTRUCTURE IN ITS CITIES.

In pursuance of the resolution of the Local Government Regional Advisory Board in the Kirovohrad oblast “On Urban Improvements of Territories in the Kirovohrad Oblast and Introduction of Energy Saving Technologies” of March 20, 2013, the oblast authorities spent 272 million UAH from the oblast budget to repair the housing stock in oblast and rayon significance cities, namely: repairs and replacement of doors in buildings and cellars of 250 residential buildings, repairs of door windows in 330 residential buildings, insulation of attics and roof premises in 165 residential buildings, insulation of 207 technological entrances, as well as repairs of water supply and sewerage networks in 3,906 residential buildings.

RIVNE OBLAST. DIALOGUE HELPS TO RENEW COMMUNALLY-OWNED EQUIPMENT POOLS

In pursuance of the protocol decision of the Local Government Regional Advisory Board in the Rivne oblast of May 14, 2014 on the necessity to attract the environment tax moneys coming to the oblast budget to renew the community owned equipment pools in the populated areas in the oblast, the authorities purchased two garbage trucks removers for the cities of Korets and Zdolbuniv.

Chapter 5. ESTIMATED SCHEDULE FOR THE NEXT QUARTER

Legislation Group

- Legislation drafting;
- Legislation monitoring;
- Participation in the work of parliamentary committees and advisory boards set by ministries;
- Conducting meetings of AUC Professional Groups;
- Preparations of the Energy Efficiency and Administrative Services Technical Area profiles;
- Preparation and public discussion of the report on the public opinion poll concerning the support for decentralisation

Dialogue Group

- Consultations with ministries;
- Conducting budget consultations;
- Participation in working sessions of the Cabinet of Ministers
- Establishing in the inter-faction parliamentary group (local government caucus) in the newly-elected parliament. Support for the activities of the local government caucus;
- Conducting a Dialogue Day with the Cabinet of Ministers;
- Conducting a meeting of the Energy Forum;
- Conducting working sessions of Local Government Regional Advisory Boards;
- Conducting study tours

Information Group

- Shooting and broadcasting TV programs;
- Holding meetings of national and regional press clubs;
- Beginning of the work on the Strategy of Communication Activities of AUC and the brand of reforms;
- Conducting a media event;
- Publication of the AUC Herald;
- Preparation and dissemination of the Press News, DIALOGUE Newsletter and publications for National Deputies

Legal Assistance Center

- Consultations for local governments and officials;
- Expert workshops in AUC Regional Offices;
- Conducting local government training need assessment;
- Assigning responsibilities for the preparation of training modules and programs;
- Monitoring of pressure on local government officials;
- Preparation and dissemination of the Legal Consultations electronic publication;
- Preparation and dissemination of the Legislation News electronic publication;
- Preparation and dissemination of the Sectoral Monitoring electronic publication