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

QUARTERLY REPORT

for the Development Initiative for
Advocating Local Governance in Ukraine
(DIALOGUE) Project

October – December, 2014

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LIST OF ABBREVIATIONS

ATO – Anti-Terrorist Operation
AUC – Association of Ukrainian Cities
AUC RO – Regional Office of the Association of Ukrainian Cities
BYuT – Yulia Tymoshenkoo Block
CAMIA – Chief Authority of the Ministry of Internal Affairs of Ukraine
CAS – Center for Administrative Services
CASE – Central Agency of the State Executive
CGA – Central Government Authority
CJSC – Closed Joint-Stock Company
CMU – Cabinet of Ministers of Ukraine
CPLR – Center for Political and Legal Reforms
GIZ – Gesellschaft fur Zusammenarbeit (German Agency for Technical Cooperation)
IBSER – Institute for Budget and Socio-Economic Research
IFES – International Foundation for Electoral Systems
IMF – International Monetary Fund
LGRAB – Local Government Regional Advisory Board
MIA – Ministry of Internal Affairs
MOH – Ministry of Health Care
NA – News Agency
NEFCO – Nordic Environmental Finance Corporation
NGO – Non-Governmental Organisation
NJSC – National Joint-Stock Company
OSA – Oblast State Administration
PACE – Parliamentary Assembly of the Council of Europe
PJSC – Private Joint-Stock Company
PPB – Petro Poroshenko Block
RSA – Rayon State Administration
SMS – State Migration Service
STU – State Treasury of Ukraine
STVRC – State TV and Radio Company
TVRC – TV and Radio Company
UAROC – Ukrainian Association of Rayon and Oblast Councils
UBR – Ukrainian Business Resource
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

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 October – December of 2014 yielded the following outcomes:

- DIALOGUE experts worked on **78** draft legal and regulatory documents;
- The Project finished its work on preparing **6** draft legal and regulatory documents;
- The Project conducted a survey of public opinion on the attitude towards decentralisation;
- The Project conducted **5** working sessions of AUC Professional Groups and established the Administrative Services Professional Group;
- The Cabinet of Ministers took into account the position of the AUC with regard to **5**;
- The Verkhovna Rada of Ukraine approved **8** regulatory and legal documents to support local self-governance including amendments to the Budget and Tax Codes and the Law of Ukraine “On the National Budget of Ukraine for 2015” in the new financial basis;
- DIALOGUE Project experts participated in **15** working sessions of **4** ad-hoc parliamentary committees to present and promote the AUC position on draft legislation initiated by National Deputies;
- The Project conducted a kick-off meeting of the Interaction Local Government Support Group of National Deputies (local government caucus);
- The Project conducted **4** working sessions of Local Government Regional Advisory Boards and **16** meetings of AUC Regional Offices;
- The Project conducted **3** national cohesion exchange study tours;
- The Project finished a series of «ЗМІСТОВА Україна» [*CITY-minded Ukraine*] TV programs dedicated to the Local Government Reform. The Project aired **19** TV programs. The TV programs were given to **21** regional channels for rebroadcasting;
- The Project conducted **16** expert workshops in AUC ROs;
- The Project provided **107** consultations to local governments; and,
- The Project published and disseminated **3** issues of the “Herald” and **3** issues of the “Legislation News” professional legal publication, and **1** issue of the “Sectoral Monitoring”.

Chapter 1. KEY ACHIEVEMENTS IN THE REPORTING PERIOD

October 01, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

October 03, the Project conducted a kick-off meeting of the Kirovohrad Oblast Local Government Regional Advisory Board and the regional press club, city of Kirovohrad

October 03, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

October 03, the Hromadske [*public*] Radio station broadcast a program about the local government reform

October 05, the Project conducted a meeting of the Zaporizzhya AUC Regional Office to identify issues to be discussed by the LGRAB in 2015

October 6, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

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

October 08, the Hromadske [*public*] Radio station broadcast a program about the local government reform

October 09 - 10, the Project conducted a working session of the AUC Social Protection Professional Group, city of Lviv

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

October 11, the Project conducted a meeting of the Zaporizzhya AUC Regional Office to identify issues to be discussed by the LGRAB

October 13, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

October 15, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

October 15, the Project conducted a kick-off meeting of the Cherkasy Oblast Local Government Regional Advisory Board and the regional press club, city of Cherkasy

October 15, the Hromadske [*public*] Radio station broadcast a program about the local government reform

October 17, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform

- October 20**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- October 22**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- October 22**, the Hromadske [*public*] Radio station broadcast a program about the local government reform
- October 24**, the Project conducted a kick-off meeting of the Kyiv Oblast Local Government Regional Advisory Board and the regional press club, city of Brovary
- October 24**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- October 27**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- October 29 – 30**, the Project conducted a working session of the Ukrainian Association of City Finance Officers, city of Cherkasy
- October 30 - 31**, the Project conducted a working session of the AUC Housing and Municipal Utilities Professional Group, city of Kharkiv
- October 29**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- October 29**, the Hromadske [*public*] Radio station broadcast a program about the local government reform
- October 31**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- Late October**, the Project published and disseminated the 111th issue of the “AUC Herald” electronic publication
- Late October**, the Project published and disseminated the forty-fifth issue of the “Legislation News” electronic publication
- Late October**, the Project published and disseminated the forty-ninth issue of the “DIALOGUE Newsletter” electronic publication
- November 03**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- November 05**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- November 05**, the Hromadske [*public*] Radio station broadcast a program about the local government reform
- November 06, 2014**, the Project conducted an expert workshop in the Zaporizhzhya AUC RO

- November 07, 2014**, the Project conducted an expert workshop in the Zhytomyr AUC RO
- November 07**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- November 10**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- November 12**, the «Тоніс» TV Channel broadcast the «ЗМІСТОВНА Україна» [*city-minded Ukraine*] program about the Local Government Reform
- November 19, 2014**, the Project conducted an expert workshop in the Lviv AUC RO
- November 21, 2014**, the Project conducted an expert workshop in the Dnipropetrovsk AUC RO
- November 21, 2014**, the Project conducted an expert workshop in the Volyn AUC RO
- November 25, 2014**, the Project conducted an expert workshop in the Vinnytsya RO
- November 27, 2014**, the Project conducted an expert workshop in the Sumy AUC RO
- November 27, 2014**, the Project conducted an expert workshop in the Ivano-Frankivsk AUC RO
- November 27, 2014**, the Project conducted an expert workshop in the Zakarpattya AUC RO
- November 27 - 28**, the Project conducted a working session of the AUC Administrative Services Professional Group, city of Kyiv
- Late November**, the Project published and disseminated the 112th issue of the “AUC Herald” electronic publication
- Late November**, the Project published and disseminated the forty-sixth issue of the “Legislation News” electronic publication
- Late November**, the Project published and disseminated the fiftieth issue of the “DIALOGUE Newsletter” electronic publication
- December 10, 2014**, the Project conducted an expert workshop in the Kirovohrad AUC RO
- December 11, 2014**, the Project conducted an expert workshop in the Mykolaiv AUC RO
- December 11, 2014**, the Project conducted an expert workshop in the Odesa AUC RO
- December 15 - 16**, the Project conducted the informational seminar for representatives of regional media in Kyiv on the local government reform in Ukraine
- December 17, 2014**, the Project conducted an expert workshop in the Luhansk AUC RO
- December 17**, the project conducted a working session of the Union of Local Council Secretaries, city of Kyiv
- December 18, 2014**, the Project conducted an expert workshop in the Poltava AUC RO

December 19, 2014, the Project conducted an expert workshop in the Kyiv AUC RO

December 23, 2014, the Project conducted an expert workshop in the Rivne AUC RO

December 29, the Project conducted a kick-off meeting of the Sumy Oblast Local Government Regional Advisory Board and the regional press club, city of Sumy

Late December, the Project published and disseminated the 113th issue of the “AUC Herald” electronic publication

Late December, the Project published and disseminated the forty-seventh issue of the “Legislation News”

Late December, the Project prepared and disseminated the eighteenth issue of the “Sectoral Monitoring” electronic publication

Late December, the Project published and disseminated the fifty-first issue of the “DIALOGUE Newsletter” electronic publication

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 78 draft laws and other legal and regulatory documents, 23 laws and regulations were sent for AUC concurrence including 15 concurred without reservations, 5 with reservations, with 3 not concurred with. Five pieces of legislation was prepared. Eight pieces of local government-enhancing legislation came into effect.

Since its inception, the Project worked on 800 draft laws and other legal and regulatory documents, and enabled the AUC to participate in the concurrence of 314 draft legislation and regulations (including 203 documents concurred without reservations, 71 concurred with reservations, 40 not concurred, and 25 draft laws were prepared). 59 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 legislation drafting activities of the Cabinet of Ministers and the parliament, entailing both resolution of local government issues and emergence of new problem issues, slowed down. The reasons for the deceleration were elections of the new composition of the Verkhovna Rada, preoccupation of the newly-elected parliament with internal organisational issues and formation of the new Cabinet of Ministers, and, later on, on the preparation and approval of the National Budget.

The Project prepared a profile for such local government technical area as energy efficiency and energy safety. The Current Legislation Framework chapter of the document has the names and registration details of the following current regulatory and legal documents:

- 8 laws of Ukraine;
- 18 resolutions of the Cabinet of Ministers of Ukraine;
- 5 instructions of the Cabinet of Ministers of Ukraine;
- 2 instructions of the Ministry of Regional Development and Trade of Ukraine; and,
- 9 instructions of the state executive agency in the areas of energy efficiency.

The profile outlines 14 major key issues, which need to be resolved.

The Project continues to work on the Administrative Services Technical Area Profile, which has to be finished in January of 2015.

The Project updated the Statistics and Sociology chapters in the Organisational and Legal Framework of Local Self-Governance and Local Elections technical area profiles with the findings of sociological surveys the AUC conducted in 2014.

Over this period, Project experts added to the Current Legislative Framework of other technical area profiles the names and registration data on 3 regulatory and legal documents: resolutions of the Cabinet of Ministers (to the Social Protection and Health Care technical area profiles).

5 names of regulatory and legal documents, which became void, were excluded from the Current Legal Framework chapters, namely: 1 law, 3 resolutions of the Verkhovna Rada of Ukraine, as

well as 1 CMU resolution (from the Organisational and Legal Framework of Local Self-Governance profile).

The problem issues, which were resolved, are:

- lifting by the Verkhovna Rada of the moratorium for local governments to optimise the system of their educational establishments on the corresponding territories. This will provide an opportunity to improve the quality of educational services to schoolchildren and to better use local budget funds to maintain educational establishments;
- abolishment by the Cabinet of Ministers of its Resolution # 1349 of December 03, 1997 “On the Financial Support for Activities of Local Government Bodies”. This will provide an opportunity for local governments to use their own discretion to approve the total number of local government staff and the corresponding expenditures independently without the need to take into account regulatory documents of the Cabinet of Ministers and model manning schedule requirements;
- a number of issues related to the budget sufficiency of territorial communities resolved by the approval by the Verkhovna Rada on December 28, 2014 of new versions of the Budget and Tax Codes.

Serious reformatting and editing should be made to the Local Budgets and Financial Foundations of Local Self-Governance Technical Area Profile, because quite a big number of problem issues were resolved after the new versions of the Budget and Tax Codes were approved. This work will be performed after the fiscal data for the 1st quarter of 2015 are available.

Table 1. Current status of problem issues by technical area profile

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	17
Organisational and Legal Foundations of Local Self-Governance	31	0	1	30
Local Elections	16	0	0	16
Social Protection	23	0	0	23
Health Care	22	0	1	21
Public Education	23	0	1	22
Culture and Arts	25	0	0	25
Energy Efficiency and Energy Security	0	14	0	14

Studying the public opinion on decentralisation and its aspects

The success of the decentralisation and local government reform policy proclaimed by the President of Ukraine and the Cabinet of Ministers of Ukraine heavily depends on the public perception of this policy in general and some of its aspects. On November 05 – 16, 2014, upon the request of the Association of Ukrainian Cities, the Democratic Initiatives Foundation in

cooperation with the Ukrainian Sociology Service conducted a nation-wide survey of urban population in Ukraine.

The main tasks of the survey were:

- 1) identify the main social problem issues of urban population of Ukraine by the level of their significance and citizen satisfaction with the way these problem issues were resolved;
- 2) identify the level of city resident satisfaction with the activities of regional government authorities and local self-governance;
- 3) identify the level of citizen awareness about the activities of local governments and role of various sources of information and media outlets;
- 4) identify the opinion of city residents concerning decentralisation of power and local government reform;
- 5) identify the readiness of city residents for a wider participation in local self-governance and public activities; and,
- 6) identify the public opinion concerning reforms of the system of elections to local authorities.

Along with the survey, there was a survey of local government officials on other issues.

The main findings of the survey are:

- Every other city resident is not satisfied with the living standards in his populated area, which gives yet another set of arguments for the need to reform local self-governance. Urban public transportation is the only sphere where citizens are satisfied with the quality of services. As far as city council officials are concerned, their evaluation of how effectively they resolve problem issues was somewhat higher: while citizens gave low scores to the way issues are resolved, local government officials provided mostly mid-level scores.
- Most city residents are interested in the activities of local governments to a certain degree, although they admit they know little about it. At the same time, despite the high popularity of the Internet, most citizens consider this channel of communication with local government bodies to be ineffective. This speaks about the necessity to improve the administration of city council web sites.
- Two thirds of citizens are aware about the intention of the central government to perform decentralisation, however the absolute majority of them have no understanding of this initiative. At the same time, more than one fourth of surveyed officials mentioned about their sound understanding of the Concept, while two thirds mentioned about their awareness about the document in general terms. In this context, most of surveyed persons from both categories support the key idea of decentralisation and expanding the authority of local governments, as well as giving them a leading role in managing issues at the local level.
- Certain planned steps towards decentralisation also receive predominantly positive comments. At the same time both citizens and government officials did not support the idea of optimisation of the public education system by closing schools with few schoolchildren attending them. This testifies to the fact that there is a need to explain to citizens the correlation between the optimisation of school networks and increased quality of educational services.
- Not all citizens will be willing and prepared to participate in managing city affairs if such new opportunities arise. Participation in elections remains the most popular form for citizens to participate in the local government management.
- Citizens and local government officials expressed different attitudes to the optimal system of electing local council members. The relative majority of citizens (about 30%) consider the system where they can have influence on choosing the composition of elected council

members, whereas 48% of local government officials share the opinion that the best system is represented by single mandate districts where the influence of voters is the strongest. At the same time, 54% of citizens and 58% of officials supported the idea of preserving the one-round system of electing city mayors.

- In general, according to the findings of the survey, there is a considerable level of support for decentralisation in Ukraine, given the high scores given to it by both city residents and local government officials.

The detailed findings of the sociological survey could be found in the 18th issue of the “Sectoral Monitoring”.

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 **78** draft pieces of draft legislation.

DIALOGUE Project experts were involved in the AUC concurrence procedure with regard to **23** draft legislation and other legal and regulatory documents sent for concurrence / proposals or comments to the AUC by the.

- Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine – **18**;
- Ministry of Economic Development and Trade of Ukraine – **2**;
- Ministry of Justice of Ukraine – **2**; and.
- National Agency of Ukraine for Automobile Raods – **1**

Fifteen of these pieces of legislation were approved without reservations, **5** – 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. The 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:

- The Verkhovna Rada of Ukraine approved and, subsequently, the President of Ukraine signed into the Law of Ukraine “**On Prosecutor’s Office**” of October 14, 2014. The document outlines the legal framework for the organistaion and activities of the Prosecutor’s Office of Ukraine, status of prosecutors, the manner to eercise prosecutor’s self-governance, as well as the system of prosecutor’s offices in Ukraine. In accordance with the Law, in particular, prposecutor’s offices will be deprived of the function of the general oversight over comliance of local governments with the law. Therefore, once the law comes into force, one can appeal local government ordinances only in the court. The law will come into force on April 25, 2015.
- On November 05, 2014, the President of Ukraine signed the Law of Ukraine of October 20, 2014 “**On Introducing Amendments to Certain Ukrainian Legislation on Some Issues Related to Heritage**”. The introduction of amendments envisioned by the draft

law will make it easier for citizens to register their right to heritage and will make the corresponding services more accessible for citizens; and will provide opportunities for local governments in rural areas to render life-sustaining services of better quality to residents of these populated areas.

- On December 28, 2014, the parliament approved and the President of Ukraine signed on the same day the Law of Ukraine “**On Introducing Amendments to the Budget Code of Ukraine Concerning the Reform of Inter-Budget Relations**” (Draft Law # 1557). The draft law regulates legal relationships between budgets, which arise with the introduction of a new model of financial support for local budgets and inter-budget relations. The document also improves the treasury administration of local budget funds. In particular, the document envisions the following: increased budget and financial autonomy of local budgets; expanded revenue base of local budgets; introduction of new types of transfers; decentralisation of the expenditure autonomy in the social and cultural sector and clear distribution of competence according to the principle of subsidiarity; vesting local governments with the right to independently choose the institution (either State Treasury offices or banks) to administer funds in the development part of local budgets and own revenues of public sector (budget financed) institutions, simplified methodology for obtaining local guarantees and making borrowings from international financial organisations, etc.
The Law comes into force on January 01, 2015.
- On December 28, 2014, the parliament approved and the President of Ukraine signed on the same day the Law of Ukraine “**On Introducing Amendments to the Tax Code of Ukraine Concerning the Tax Reform**” (Draft Law # 1578). The document introduces new mechanisms for local taxation. In particular, the law increases the scope of local government authority related to setting rates and preferences for local taxes and fees; assigns 5% of excise fees to local budgets; introduces taxation of commercial and non-residential property; and reestablishes the local transportation tax.
- On December 28, 2014, the parliament approved and the President of Ukraine signed on the same day the Law of Ukraine “**On Introducing Amendments and Considering Void Certain Ukrainian Legislation**” (Draft Law # 1577). The document introduces amendments to 42 pieces of legislation with the purpose of stabilisation of the financial situation in the country and improving some aspects of the social policy. This law, in particular, abolishes a number of preferences and allowances for certain categories of persons, changes the way to assign them and introduces a new level of social guarantees. For example, starting of June 01, 2015, the provisions allowing certain categories of persons to have urban public transportation privileges will be abolished, which is likely to have a beneficial impact on the financial condition of urban public transportation companies and significantly improve the quality of services they provide.
The Law will come into force on January 01, 2015.
- On December 31, 2014, the President signed the Law of Ukraine “**On the National Budget of Ukraine for 2015**”, prepared on the basis of the new versions of the Budget and Tax Codes and approved by the Verkhovna Rada on December 29, 2014. This document envisions the 2015 local budget revenues to be 34.1 billion UAH (or 14.7%) higher than in the previous year provided the scope of the local government authority has not changed. At the same time, the amount of own (discretionary) resources of local governments almost tripled. The number of subsidised budgets, which would be dependent on decisions made at the central level decreased by 22%.

- Resolution of the Cabinet of Ministers of Ukraine # 532 of October 01, 2014, **introduced amendments to its Resolution # 869 of June 01, 2011 “On Ensuring a Unified Approach to the Formation of Tariffs for Housing and Municipal Utility Services”**. The document envisions the approval of the Methodology for the formation of tariffs for centralised water supply services and sewerage. The approved Methodology is binding for the National Commission for Regulation of Municipal Utility Services and local governments when they set tariffs for business entities, which provide the corresponding services and will promote further transition to economically justified tariffs. This will improve the financial condition of the relevant municipal utility companies and will help them increase the quality of services they provide.
- On November 05, 2014, the Cabinet of Ministers approved the Resolution **“On Introducing Amendments to the Mechanism for Providing Local Guarantees (approved by Resolution of the CMU # 541 of May 14, 2012)”**. The Resolution envisions the introduction of the “quiet acquiescence” principle for the Ministry of Finance of Ukraine to approve the size and conditions for local guarantees. The text of the draft Resolution was prepared by DIALOGUE Project expert.
- On November 26, 2014, the Cabinet of Ministers of Ukraine approved Resolution # 664 **“On Considering Void Some Resolutions of the Cabinet of Ministers of Ukraine”**. The document abolishes Resolution of the Cabinet of Ministers of Ukraine # 1349 of December 03, 1997 “On Financial Support for the Activities of Local Governments”. Thus, with this Resolution being approved, local governments will have the right to independently approve the overall manning schedules of the secretariat of their local councils, its executive bodies and the expenditures for their salaries.
- December 24, 2014, the Cabinet of Ministers of Ukraine approved Resolution # 722 “On Certain Issues Related to the Provision of Information about Registered Real Property Rights and Their Limitations. The document approves the **Mechanism for state executive officials, local governments, courts, offices of the Ministry of Internal affairs, prosecutor’s offices, State Security Service of Ukraine offices, notaries, and attorneys to access the State Registry of Real Property Rights and the Mechanism for Providing Information from the State Registry of Real Property Rights to Physical and Legal Persons**. This Resolution significantly expands the list of persons who have direct access to the information resource mentioned above and simplifies the mechanism for access itself, in particular, for local governments. The Resolution will come into force starting of January 01, 2015, except for Paragraph Two of Item 5 of the Mechanism for Providing Information from the State Registry of Real Property Rights to Physical and Legal Persons, which was approved by this Resolution and which comes into force starting of March 01, 2015.

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 the AUC, the DIALOGUE Project managed to achieve the following specific outcomes in the legislation drafting activities:

- On November 27, 2014, the Verkhovna Rada of Ukraine registered **draft Law “On the Principles of the National Regional Policy”**. The document was prepared by the Ministry of Economic Development and outlines the main legal, economic, social, environmental, humanitarian and organisational foundations of the national regional policy as a component of the internal policy of Ukraine.

- On November 27, 2014, the Verkhovna Rada registered **draft Law on introducing amendments to Article 30 of the Law of Ukraine “On Local Self-Governance in Ukraine” concerning record keeping and technical inventory**. The document was prepared by National Deputies of Ukraine S. Hordiyenko, S. Klininkarov, S. Honcharov, Ye. Kartashov, M. Fedoruk and has a suggestion to transfer the authority of executive bodies of village, town and city councils to keep records of immovable property regardless of the type of ownership form the category of delegated authority to the category of own local government authority and to supplement this authority with technical inventory as the technological activity closely related to and inalienable from record keeping.
- On December 22, 2014, the Cabinet of Ministers submitted to the parliament for consideration the **draft Law “On Introducing Amendments to Certain Ukrainian Legislation Concerning the Decentralisation of Authority in the Sphere of Architectural and Construction Control and Improvements of Urban Development Legislation” (# 1546)**. The document was prepared with the participation of DIALOGUE Project experts and was concurred by the AUC without reservations. The purpose of the draft law is to channel the corresponding functions and authority from the national to the local level. The document, in particular, provides for the right of executive bodies of village, town and city councils dealing with state architectural and construction control to provide (receive and register) the documents giving permits to perform preparatory and construction works or state architectural and construction control and commission finished construction objects – with regard to all objects located on the territory of their populated areas.

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 stakeholders:

- draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation on Preventing Corruption in the Sphere of Land Relations”,
- a package of regulatory and legal documents to support the implementation of legislation on energy efficiency.

The Project started to work on:

- methodology and draft resolution of the Cabinet of Ministers of Ukraine on long-term perspective plans for the formation of territorial communities,
- methodology and draft Law of Ukraine “On Territorial Arrangement of Ukraine in the Part Dealing with Arrangement of Rayons”.

In addition to this, DIALOGUE Project experts drafted:

- draft Law of Ukraine “On Considering Void Law of Ukraine “On Introducing the Moratorium on Closing and Reorganisation of Health Care Establishments” # 772-VII of February 23, 2014;
- draft Resolution of the Verkhovna Rada of Ukraine “On Considering Void Resolution of the Verkhovna Rada of Ukraine #1520-VII “On Introducing the Moratorium on Closing State-Owned and Communally-Owned Comprehensive Educational Establishments”; and,
- draft Law of Ukraine “On Introducing Amendments to the Housing Code of Ukraine” (concerning vesting executive bodies of village, town and city councils with the right to transfer residential buildings to the category of non-residential buildings).

Experts of the AUC Center for Analysis and Legislation participated in the preparation of proposals to:

- Coalition Agreement in the part dealing with the directions for the local governments reform and budget policy;
- Law of Ukraine “On the National Budget of Ukraine for 2015”;
- draft law “On Citizen Self-Organisation Bodies” prepared upon request of the Ministry of Regional Development;
- methodology for the provision of financial support for social services and the system of their provision in selected rayons of the Donetsk and Luhansk oblasts with the special regime of local self-governance; and,
- draft Law of Ukraine “On Service in local Governments” prepared by the National Agency of Ukraine for Civil Service.

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 period.

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 Social Protection Professional Group

October 09 – 10, 2014, city of Lviv

27 heads and deputy heads of structural departments of city councils on labour and social protection, as well as managers of territorial center for social services participated in the event. The participants represented 16 regions of Ukraine.

Based on the discussion of draft regulatory and legal documents, which have impact on the local government authority in the sphere of social protection. Following the discussion, the participants came up with the recommendation to support:

- draft Instruction of the Ministry of Social Policy “On Approving the Methodological Recommendations for Informing Citizens about Social Services”. The document envisions the mechanism for coordination of activities to inform citizens about social services. In addition to collecting, reviewing and exchanging information about social services, the document outlines the means for the information with citizens.
- draft Resolution of the Cabinet of Ministers of Ukraine “On Introducing Amendments to the Rules to Register Citizens on Social Housing Waiting Line, Keeping and Taking Them off the Waiting Line”. The purpose of this resolution is to resolve the problem issue of taking the homeless persons on social housing waiting line.
- draft Instruction of the Ministry of Labour and Social Policy “On Approving the Methodology to Calculate the Cost of Social Services”.
- draft Instruction of the Ministry of Labour and Social Policy “On Introducing Amendments to the Model Provisions on Social Service Institutions for the Homeless and Centers for Social Adaptation for the Persons Who Served Their Sentence through the Limitations of Freedoms or Deprivation of Freedoms for a Certain Time”. The document envisions the introduction of provisions to clarify the arrangements of work of institutions for homeless persons.

- draft Law “On Introducing Amendments to Article 5 of the Law of Ukraine “On the Court Fee” (Registration # 4520a of August 15, 2014). The draft law offers a suggestion to exempt social protection authorities from paying the court fee on all court cases of assigning and payment of state social allowance, compensations, bonuses and salary raises specified by the legislation including the court cases where they serve as defendants.
- draft Law “On Social Services” prepared by the Ministry of Labour and Social Policy. In addition to organisational and legal aspects of the provision of social services, the draft document envisions vesting local governments with additional exclusive local government authority in the sphere of social services provision in the format of the social request. This amendment is associated with reforms in the sphere of social services and corresponding organisational support based on assessing the actual need of citizens for such services, as well as with the identification of entities to provide such services.
- draft law “On the Foundations of Ukrainian legislation on Care for Adult Disabled Persons and Persons Whose Capacity Is Limited and Their Social Protection”. The draft document outlines the main legal, organisational and social foundations of the national policy in the sphere of care for adult disabled persons and persons whose capacity is limited and their social protection.

The event participants also discussed the following some problem aspects in the sphere of social protection:

- complicated implementation of the differentiated payments for the provision of social services without the proper compensation;
- lack of proper financial support for territorial centers for social services;
- improper formulas to calculate the amount of inter-budget transfers;
- absence of national standards of social services and approaches to calculate their cost;
- improper legislation regulating the establishment and financial support of social facilities for children and persons with special needs;
- absence of the national standard of the early intervention service to provide support services for children with special needs; and,
- absence of the unified mechanism to determine and compensate expenses of low income citizens with regard to payments for municipal utility services.

Following the discussions at the working session of the AUC Professional Group, the Association sent letter to parliamentary committees and the Ministry of Social Policy with proposals on how to improve legislation and resolve problem, issues relate to local government activities in the sphere of social protection.

Working session of the Association of Ukrainian City Finance Officers

October 29 – 30, 2014, city of Cherkasy

28 persons participated in the event, including: a) heads of local government finance offices from 13 oblasts of Ukraine; b) Cherkasy City Mayor and his deputy; c) Director of the Department of Finance of the Cherkasy Oblast State Administration; d) Director General of the Institute of Budget and Socio Economic Research (IBSER) and his deputy; and, e) representatives of the executive office of the Cherkasy Regional Office of the AUC and DIALOGUE Project.

The main issues for the discussion included the following:

1. Amendments to the Budget and Tax Codes of Ukraine concerning budget decentralisation.
2. Current status and prospects of financial support for territorial communities in 2014.
3. Necessity to improve legislation in the sphere of local budgets and inter-budget relations

The event participants:

- Approved the decision to finalise the draft laws introducing amendments to the Budget Code (Registration # 5078) and Tax Code (Registration # 5079) in the parts dealing with better reflection of local government interests. They mentioned that these draft laws should be approved as soon as possible. The National Budget for 2015 should be approved on the basis of these documents.
- Came up with the proposals for the Ministry of Finance of Ukraine with regard to the introduction of amendments to the Law of Ukraine “On the National Budget of Ukraine for 2014” in the part dealing with the allocation from the National Budget of an additional subvention to local budgets (at least 4 billion UAH) to enable them to pay salaries, energy bills and utility bills of institutions and organisations in the public sector.
- Prepared a package of suggestions on introducing amendments to the legislation to resolve local government problem issues local governments face with local budgets and inter-budget relations. V. Zubenko, IBSER Director General came up with a suggestion to work together with the DIALOGUE Project to increase the transparency of budgeting.

Outcomes:

1. On December 22, 2014, the Cabinet of Ministers submitted to the parliament finalised draft laws to introduce amendments to the Budget Code (Registration Number #1557) and Tax Code (Registration Number #1578). These draft laws were approved on December 28, 2014. The National Budget for 2015 was approved on a new budget and financial basis.
2. On November 26, 2014, the Cabinet of Ministers allocated an additional subvention from local budgets in the amount of 2.7 billion UAH to pay salaries for employees in the public sector.
3. The parliament approved Law #76-VIII of December 29, 2014 reflecting the proposals to optimise the network of institutions in the public sector at the level of local self-governance.

AUC Housing and Municipal Utilities Professional Group

October 30 – 31, 2014, city of Kharkiv

25 representatives of AUC member municipalities from five regions of Ukraine (Dnipropetrovsk, Zhytomyr, Kyiv, Kharkiv, and Chernivtsi oblasts).

The main issues for the discussion included the following:

1. Implementation of Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation on Improvements of Payments for Energy” # 1198 of April 10, 2014 (combination in one entity of the producer and manufacturer of services).
2. The necessity of improving the legislation on introducing the administrative accountability for evading the conclusion of the agreement for solid waste management services.

3. State expert evaluation of cost estimate documents for capital repairs of facilities in the housing and utilities sector.
4. Problem issues of housing and municipal utility services in apartment blocks.

Following the discussions, the event participants decided to:

- support the draft Law “On Introducing Amendments to Certain Ukrainian Legislation on Decentralisation of Authority in the Sphere of Architectural and Construction Control and improvements of Urban Development Legislation” (Registration # 4465a) in the part dealing with abolishing the requirement for performing the state expert evaluation of the cost estimate documents in cases the value of the construction project cost under 300 thousand UAH. This would allow to cut local budget expenditures in this sphere.
- jointly prepare a draft law, which would regulate the issue related to taking apartment blocks off the books of utility companies and city councils in case 100% of apartments in these apartment blocks have been privatised; and;
- initiate the amendments, which would simplify the mechanisms for holding persons who committed urban beautification violations administratively accountable.

Working session of the AUC Administrative Services Professional Group

November, 27 – 28, 2014, city of Kyiv

51 representatives of cities, as well as representatives of the Ministry of Economic Development and Trade, and the Ministry of Regional Development, Construction, Housing and Municipal Utilities. The following main issues were discussed:

- On the Draft Law "On Amendments to Certain Ukrainian Legislation Regarding Empowerment of Local Governments and Optimisation of Administrative Services". The draft law provides for delegation to local governments (primarily oblast significance cities) of a wide range of powers in the area of state registration (residence registration of physical person; registration of legal entities and individual entrepreneurs; rights to immovable property and their limitation; and, registration of vehicles), providing them with information from the State Land Cadastre and granting the right of issuing a driver's license. The draft law also provides for operational simplification of the administrative services. These services are expected to be provided through the centers of administrative services (CAS). The event participants decided to support the draft law, however to keep in mind that a number of its provisions need to be streamlined (namely: with regard to introduction of register of territorial community residents, establishing CASs in rayon significance and rayon center towns), while the introduction of the time terms of the law should take into account for financial and organisational capabilities of local governments.
- On legislative initiatives of the Ministry of Economic Development in the area of administrative services. The Ministry has prepared the draft Law of Ukraine “On the List of Administrative Services and the Fee (Administration Fee) for Their Provision”, which is the next step in establishing a new system of providing such services. Results of the Ministry work on a new wording of the Law of Ukraine “On Administrative Services” were also presented (combining the above law with the Law of Ukraine “On Permits System in the Area of Economic Activities”) on improving administrative control, streamlining CAS working schedules, etc., as well as on current issues in bringing sectoral legislation in line with the present Law. The participants decided to approve the draft Law of Ukraine “On the List of Administrative Services and the Fee (Administration Fee) for Their Provision”. To support, in general, initiatives of the Ministry of Economic Development in elaborating the Law of Ukraine “On Administrative Services” and provide local government proposals to the draft law in the due manner.

- Problem issues concerning the introduction of the State Migration Service (SMS) administrative services provision through CASs. Starting with October 01 this year, administrative services of registration of the residence of the physical person and de-registration from the previous residence of the physical person were to be provided through CASs. However the introduction of such services encountered a number of problems that made it impossible to provide the services. The majority of the problems was associated with inaction or interference on the part of SMS (failure to submit legislative drafts in the prescribed manner; improper design of information cards and samples of required documents; procedural violations of the paper work; working schedule mismatch; refusal to engage SMS employees to work at CASs, etc.), and the lack of a unified electronic database. As to provision of other administrative SMS services (issuance of passports), similar issues are expected starting from January 01 next year. The event participants acknowledged that the provision of administrative SMS services through CASs can only be feasible after changes in legislation and SMS leadership attitude. It should be recommended to the interested parties to make an effort to support existing legislative initiatives in this direction and to communicate current problems in this area to the Government.

Working session of the AUC Local Council Secretaries Professional Group

December 17, 2014, city of Kyiv

The meeting of the AUC Local Council Secretaries Professional Group took place on December 17, 2014 in the city of Kyiv (in the premises of the Kyiv City Council). Thirty secretaries of local councils from almost all regions of Ukraine participated in the meeting. V. Klychko, Mayor of Kyiv, greeted the participants. The event participants discussed the following issues:

- On the participation of the Association in the preparation of legislative framework for the Local Government Reform. This topic was presented by O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, who presented the proposals prepared by the AUC experts to the budget and tax legislation to promote budget decentralisation. In the course of the discussions of this issue, the event participants unanimously supported the need for the parliament to urgently approve the suggested amendments, because this will provide opportunities to approve local budgets for 2015 on the basis of the new legislative framework. The emphasis was made on the need to spur up the cooperation between local councils with National Deputies of Ukraine, in particular single-mandate National Deputies to promote the draft laws mentioned above.
- On the action plan to implement three EU directives concerning energy efficiency. M. Kovynyev, AUC expert, made a presentation on this topic. He provided a detailed overview of the provisions of the action plan whose implementation will allow to improve the regulatory and legal framework for energy efficiency of buildings, commercial accounting in such sectors as district heating, water supply and sewerage, energy audits, energy marking of goods, etc. The event participants expressed their support to the components of the action plan.
- On the new area of AUC activities within the framework of the DIALOGUE Project. This area will deal with the professional development and capacity building of local government officials and local council members. V. Sydorenko, Director of the AUC Center for Professional Development and Legal Assistance made a presentation on this topic. She familiarised the event participants with the findings of the survey to identify the priority areas for the development of training programs for local council secretaries and village, town and city mayors. The Project will engage in the development of such programs in 2015 to ensure training events are available right after the regular local government elections in October 2015. The event participants supported the idea of

introducing training as a new local government technical area for AUC activities. They also discussed the potential forms and methods of such training events. In particular, they came up with a suggestion to involve to such training events chairmen of local council standing commissions and to conduct such training events for representatives of local governments of on to three neighbouring regions. In the opinion of event participants, this would allow for the opinion exchange regarding the implementation of best practices in municipal management in local government operations.

- On introducing amendments to the legislation on local elections. V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting, made a presentation on this topic. In particular, he familiarised the event participants with the findings of the opinion survey of local government representatives the AUC conducted in 2013 to find out their position on the conceptual framework of the new law on local elections. This issue raised a lively discussion. The event participants insisted on the following key issues: first, local elections should be conducted within the timeframe specified by the Constitution of Ukraine, namely: in October of 2015. However, prior to the elections the government has to conduct the administrative and territorial reform and clearly lay out the territorial and organisational foundations of local self-governance (in other words, what local government entities will be elected: the ones existing as of today (village, town and city councils), or local governments of consolidated communities); second, the elections of village, town and city mayors should be conducted according to the majoritarian system of the relative majority (in other words, in one round); and, third, elections of members of village, town and city councils should be conducted only according to the majoritarian system.

The members of the AUC Union of Local Council Secretaries elected Oleksiy Reznikov, Secretary of the Kyiv City Council, the Chairman of the Union.

Following the discussions, the event participants made a decision to approve the text of the appeal to the state executive of Ukraine. The appeal is available on the AUC web site.

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 the AUC for concurrence and to lawyers to solicit their expert opinion.

In particular, the AUC received comments and proposals concerning the following draft Laws of Ukraine: draft laws of Ukraine “On Foundations of Ukrainian Legislation Guardianship and Care for Adult Disabled Persons and Persons with Limited Capacity and Their Social Protection”, “On Introducing Amendments to the Budget Code of Ukraine (concerning the reform of inter-budget relations)”, ‘on Introducing Amendments to the Tax Code and Certain Other Laws of Ukraine (concerning the tax reform)”, “On Introducing Amendments to Certain Ukrainian Legislation Concerning Vesting Local Governments with the Authority to Administer State-Owned Lands and Increasing the the State Control over the Use and Protection of Lands”, “on Introducing Amendments to the Civil Code of Ukraine (concerning the place for the registration of heritage)”, “On Introducing Amendments to Certain Ukrainian Legislation Concerning the Increased Scope of Authority of Local Governments and Optimisation of the Provision of Administrative Services”, On Service in Local Governments”, “On Citizen Self-Organisation

Bodies”, draft Resolution of the Cabinet of Ministers of Ukraine “On Introducing Amendments to Annexes 1 and 3 to the Methodology for Commissioning Finished Construction Objects”, 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.

In December of 2014, local councils in all AUC member communities received letter with the proposal to update or provide information about the responsible officer and the email address for the network of local government lawyers. In January of 2015, the database of the network will be updated.

2.2. Component 2: Policy dialogue

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

Day of Reforms at the 10th Ukrainian Municipal Forum

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

Cooperation with central government authorities

Participation of the representative of Ukraine-wide local government associations in working 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 October 16, 2014, the Cabinet of Ministers approved Resolution # 642 “On Approving the Methodology for Concluding Contract with the Manager of State-Owned, Communally-Owned Health Care Establishment and the Model Format with the Manager of the State-Owned, Communally-Owned Health Care Establishment”. The document regulates the mechanisms for concluding the contracts and promotes the environment for a wider use of contract based activities in communally-owned health care establishments. The Association of Ukrainian Cities has repeatedly initiated the contract based type of work with managers of such establishments.
- On October 21, 2014, the Cabinet of Ministers approved the Resolution “On Introducing Amendments to Resolution of the Cabinet of Ministers of Ukraine of September 24, 2008 # 866 “On Issues Related to the Activities of Guardianship and Care Offices Associated with the Protection of Children Rights”. The document provides for the increase of the scope of authority of guardianship and care offices established by local governments and local agencies of the state executive.
- On November 05, 2014, the Cabinet of Ministers approved Resolution # 638 “On Introducing Amendments to the Mechanism and Conditions for Provision in 2014 of the Subvention from the National Budget to Local Budgets to Repay the Debt Associated with the Difference in Tariffs for Heating, Centralised Water Supply and Sewerage Services Generated, Transported and Delivered to Citizens, Which Was Accumulated Due to the Discrepancy between the Actual Cost of Heating and Centralised Water Supply and Sewerage Services Set and/or Approved by State Executive Bodies or Local

Governments”. In accordance with these amendments the distribution of this subvention will be tailored to the debts on payments of penalty calculated according to the court decision. This will provide the opportunity to resolve the issue of repayment of 587 million UAH of such penalties charged by the NaftoHaz Ukrainy National Joint-Stock Company from heating companies and to be paid from the National Budget.

- On November 05, 2014, the Cabinet of Ministers approved the Resolution “On Introducing Amendments to the Methodology of Providing Local Guarantees (approved by Resolution of the CMU # 541 of May 14, 2012)”. The Resolution envisions the introduction of the principle of the “quiet acquiescence” for the Ministry of Finance of Ukraine to approve the size and conditions for local guarantees. The draft text of the Resolution was prepared by DIALOGUE Project experts.
- On December 29, 2014, the Cabinet of Ministers approved Resolution # 725 “On Introducing Amendments to the Methodology for the Distribution of Funds Coming to Special Operational Accounts to Settle Payments with the Guaranteed Supplier of the Natural Gas”. The amendments will allow to postpone till March of 2015 the negative consequences of the introduction of separated accounts for communally-owned heating companies.

In addition to this, on November 05, the Cabinet of Ministers supported the position of the representative of the AUC and rejected the **draft Law of Ukraine on introducing amendments to Article 288 of the Tax Code of Ukraine (concerning the rent payment for water management facilities)**. The document implied the reduction of revenues to local budgets. The draft law had a suggestion to apply the 3% of the unified rate of pecuniary valuation to the lands plots, which are used for aquiculture (fishery) instead of the existing range of 3 to 12%.

Next steps towards decentralisation of power

The reporting period coincided with the elections of the new composition of the Verkhovna Rada. During October, the country was engaged in the elections campaign and the parliament and its committee almost stopped their work. National Deputies of the previous convocation of the parliament managed to become noticeable in decentralisation matters by registering on November 27 an important and long time lobbied for by the AUC draft Law on introducing amendments to Article 30 of the Law of Ukraine “On local Self-Governance in Ukraine” Concerning Record Keeping and Technical Inventory” (National Deputies S. Hordiyenko, S. Kilinkarov, S. Honcharov, Ye. Kartashov, M. Fedoruk). The draft law has a suggestion to transfer the local government authority in keeping records of immovable property from the category of delegated authority to the category of own local government authority and supplement it with the authority to keep technical inventory as an integral part of record keeping.

The new composition of the parliament convened only in late November, whereas the legislation work itself started only in December. With this regard one should mention that the lion’s share of this work was focused on the consideration and improvements of the draft law “On the National Budget of Ukraine for 2015”, as well as on the related draft laws on amendments to the Budget and Tax Codes. Over the 4th quarter, the parliament did not approve any significant decentralisation supporting legislation.

As far as documents of the Cabinet of Ministers are concerned, over the reporting period the CMU approved Resolution # 664 of November 26, which annuls CMU # 1349 of December 03, 1997 “On the Financial Support for Activities of Local Government Bodies”. The Association of Ukrainian Cities has been lobbying for the abolishment of this document for a long time. With the approval of Resolution # 664 local councils received the right to make discretionary and independent of regulations of the Cabinet of Ministers decisions on the number of their staff and

corresponding expenditures, which has become yet another step towards implementation of the organisation autonomy of local governments.

At the same time, the newly elected Verkhovna Rada formed up the parliamentary coalition and signed the Coalition Agreement, which specified the position of the new parliamentary majority with regard to further steps for the development of Ukraine. Its Chapter VII “Decentralisation and Public Administration Reform” prepared with the active participation of the AUC experts envisions, in particular, making the following steps already during 2015 before the regular local elections: vesting local governments at the basic (lowest) level with the real authority based on the principle of subsidiarity (Paragraph 1.1.1); providing the right to rayon and oblast councils to establish their executive bodies (Paragraph 1.1.2); and, introducing transparent mechanisms to exercise oversight over compliance of local governments with the legislation, which would not block local government work in case controversial issues arise (Paragraph 1.1.4).

With regard to the proper resource support for the local government authority, the following steps have been envisioned for the 1st quarter of 2015: approve the necessary amendments to the Budget and Tax Codes (in fact, they were approved already in December) and other laws to achieve the same goal (Paragraph 1.2.1); provide local councils with the financial resources in accordance to their authority and ensure the financial autonomy of local budgets in compliance with the new Budget and Tax Codes (Paragraph 1.2.2); assign to local budgets the stable sources of revenues, expand their revenue base and ensure the unified ratios for the deductions from the income tax and profits tax for all local budgets (Paragraph 1.2.3); ensure the payment of income tax solely at the place of work of the worker (Paragraph 1.2.5); vest local councils with the right to administer revenues and special fund expenditures of local budgets in banking institutions (Paragraph 1.2.6); vest local governments with the right to set the ratio for the property tax according to the law (Paragraph 1.2.7); introduce formula based calculation of sectoral transfers in accordance with updated standards of service provisions and financial standards of such services (Paragraph 1.2.9); and, simplify the mechanism for local governments to access credit resources (Paragraph 1.2.10).

With regard to ensuring the formation of capable communities in 2015, the document envisions: ensure the ubiquity of the jurisdiction of local governments of communities (Paragraph 1.3.1); identify the criteria for the formation of administrative and territorial units at the basic level keeping in mind the 30-minute cap for the accessibility of urgent services (Paragraph 1.3.2.);

Chapter V “Reform of Law Enforcement Agencies” envisions (Paragraph 4.1) the approval of the law on municipal police, which will give local councils the right to use their budget funds to establish their own law enforcement agencies. The corresponding police authority and functions to maintain public safety should be transferred to the municipal police. As was reported, the draft law “On Local Government Police” was prepared by the Ministry of Regional Development with the participation of AUC in the previous reporting period.

On December 22, the Cabinet of Ministers submitted the draft Law “On Amending Certain Ukrainian Legislation Concerning Decentralisation of Authority in the Sphere of Architectural and Construction Control and improvements of Urban Development Legislation” to the parliament for consideration. The document was prepared with the participation of DIALOGUE experts. The purpose of the document was to transfer the functions and authority to issue permits for preparatory and construction works, exercise state architectural and construction control, and to commission finished construction objects from state executive agencies to executive bodies of local councils.

In December, the Verkhovna Rada Committee engaged two working groups with the participation of AUC experts who prepared for the second reading two important

decentralisation supporting draft laws “On Voluntary Consolidation of Territorial Communities” and “On the Framework of the National Regional Policy”.

Cooperation with the Ministry of Regional Development concerning planning and introduction of the local government reform

The Association of Ukrainian Cities took an active position in the discussion of the draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation Concerning Increased Local Government Authority and Optimisation of the Provision of Administrative Services”. The document was prepared by the Ministry of Regional Development. The draft law envisions transferring to centers for administrative services of city councils certain types of authority of state executive agencies (administrative services) related to the state registration of legal persons and entrepreneurs represented by physical persons, real property rights, registration and issuing passports of Ukrainian citizens (including foreign travel passports), registration of the place of residence of the physical persons, and providing data from the State Land Cadastre. The document also implies improvements of the mechanisms to provide such administrative services. AUC prepared a number of proposals and comments to the draft law. AUC representatives participated in 2 meetings to discuss the controversial issues. The draft law was discussed at the meeting of the AUC Administrative Services Professional Group. The final version of the draft law does not require any comments.

Cooperation with the ministry of Regional Development on reforming the housing and utilities sector

The Ministry of Regional Development together with representatives of the Association prepared the draft Law of Ukraine “On Amending Certain Ukrainian Legislation Concerning the Increased Authority of Local Governments in Administration of Land Plots Including the Land Plots Located outside Populated Areas”. These, in particular, include amendments to the Land Code of Ukraine, Law of Ukraine “On Farming”, and Law of Ukraine “On the Mechanism to Allocate Land plots in Kind (on the Locality) for Owners of Land Shares”. The document has a suggestion to vest local governments with the authority to administer state-owned agricultural land plots for all purposes; for water farming and for construction of objects related to the provision of services to citizens of territorial communities. In addition, this draft law incorporates AUC proposals to increase the local government authority in issues related to the self-governance control.

On November 27 – 28, the Ministry of Regional Development with the support of the Association conducted in Lviv the National Conference on dissemination of best European practices of inter-municipal cooperation in the sphere of solid waste management in Ukraine. About 150 representatives of local agencies of the state executive and local governments, managers of companies and organisations who work in the sphere of solid waste management, representatives of non-governmental organisations and foreign companies participated in the event.

Cooperation with the Ministry of Regional Development on the preparation of legislation on municipal police

In cooperation with the Ministry of Regional Development the project organised and conducted a round table discussion of the draft Law of Ukraine “On Local Government Police” on December 23, 2014. The document was prepared by DIALOGUE Project experts. V. Nehoda, First Deputy Minister of Regional Development personally participated in the event.

During the discussion of the draft law, the participants of the round table expressed the following main comments and proposals concerning the organisation and activities of the local government police:

- one should make the following clarification in the list of tasks of the local government police: the police does not enforce the implementation of decisions of local councils, but only supports such implementation;
- provide that the local government police can also operate outside the territory under the jurisdiction of the Council (Councils) in the case of prosecutions of criminals in the surrounding territory;
- clarifications were made concerning the provision regarding the activities of business entities on the territory under the jurisdiction of the local government police (in the part dealing with the provision of catering services, repair works, etc.);
- clarifications were made concerning the provisions on coordination of the local government police with entities of the Ministry of Internal Affairs of Ukraine, with the head of the corresponding local state administration being responsible for such coordination;
- clarifications were made concerning the provision on accountability and responsibility of the local government police chief. In particular, it was specified that he is accountable and responsible to the territorial community, the corresponding local council (councils), city mayor, chairman of the rayon council, and, in cases envisaged by the law, to the head of the relevant territorial authority of the Ministry of Internal Affairs of Ukraine;
- the document envisions the obligation of the local government police to provide to the territorial authority of the Ministry of Internal Affairs of Ukraine information on administrative offences to be included in the automated databases;
- clarifications were made concerning the provisions on detention by the local government police of offenders bringing them to offices of the Ministry of Internal Affairs and to medical institutions for sobering up;
- clarifications were made concerning the provisions for fingerprinting detainees, in particular, it was specified that such actions are possible in case of implementation of electronic devices for fingerprinting;
- the document provides for the right of the local government police officials to use shooting means, rubber bullets, etc.

The draft law was elaborated in the context of all proposals expressed and was submitted to the Ministry of Regional Development. V. Nehoda, Deputy Minister of Regional Development, reassured that the Ministry will support and expedite the navigation of the draft law by all possible means.

Cooperation with the National Agency of Ukraine for Land Resources

The National Agency of Ukraine for Land Resources in cooperation with the Association of Ukrainian Cities conducted preparatory works for the implementation of the pilot project on the provision of access to the State Land Cadastre to local governments. Preliminary, there were 12 city councils selected to participate in this project. The city council were familiarised with the requirements of the National Agency for Land Resources, equipment and software, and provided confirmation about their ability to meet these requirements. Currently, the National Agency for Land Resources is taking steps to promote the approval of the corresponding regulatory and legal document of the Cabinet of Ministers of the launch of this project.

Cooperation with the National Agency for Civil Service of Ukraine on improvements to the legislation on service in local governments

The National Agency for Civil Service developed a draft Law of Ukraine "On Service in Local Governments" (new version), which involves the introduction of a large number of innovations. Over the reporting quarter, the AUC provided its comments and proposals to the draft law twice. Its representative participated in 3 meetings to coordinate positions. Some significant AUC proposals were taken into account. The proposals about the autonomy of local governments to define, within the law, the terms of remuneration of their employees, and special conditions of their pensions were partially taken or not taken into account.

Budget decentralisation: amendments to the Budget and Tax Codes

DIALOGUE Project experts actively participated in the preparation of amendments to the legislation on budget decentralisation. The main goal of the Project was to promote the approval of the Budget and Tax Codes (further on referred to BCU and TCU) and the approval of the National Budget for 2015 on their basis.

Over the reporting period, the Project activity was performed in the following areas: 1) cooperation with the Cabinet of Ministers; 2) preparation of the Coalition Agreement; and, 3) cooperation with the parliament.

Cooperation with the Cabinet of Ministers

Following the early parliamentary elections, the government withdrew the draft laws introducing amendments the Budget Code of Ukraine (# 5078) and the Tax Code of Ukraine (# 5079). There was the threat these draft laws would not be approved at all. On December 12, 2014, the Cabinet of Ministers submitted to the parliament a draft National Budget for 2015 prepared based on the old legislation. Upon the initiative of the DIALOGUE Project, the Ministry of Finance and Ministry of Regional Development established working groups to prepare amendments to the Budget and Tax Codes and to re-submit them to the parliament.

On December 08, 2014, H. Zubko, Vice Prime minister, organised and presided at the expanded meeting on fiscal decentralisation. Based on the discussion, the Ministry issued an instruction prepared by DIALOGUE Project experts. The instruction envisioned the prompt submission of finalised amendments to the Budget and Tax Codes to the Cabinet of Ministers for consideration. On December 22, 2014, the Cabinet of Ministers submitted a package of bills on fiscal decentralisation.

Work on the Coalition Agreement

Following the early parliamentary elections, a coalition of political parties was formed. Its membership included the Petro Poroshenko Block (PPB), People's Front (PF), Lyashko Radical Party (LRP), Samopomich, and Yulia Tymoshenko Block (BYuT). The work on the preparation of the Coalition Agreement Started. The purpose of this document was to outline the principles of the work of the coalition and priorities in legislation drafting.

DIALOGUE Project experts were involved in the preparation of the Agreement. PPB offered its version of the Agreement, which took into account the basic proposals on fiscal decentralisation suggested by the DIALOGUE Project. PF provided its version, which does not have any proposals from the DIALOGUE Project. As a result of the work on the Agreement conducted over two weeks, the document was initiated on November 20, 2014. The DIALOGUE Project managed to put in the Agreement a separate section with clear objectives and timeframe of the local government reform. There is a separate section dedicated to fiscal decentralisation, which has all DIALOGUE Project proposals and the requirement to urgently approve amendments to the budget and tax legislation.

Cooperation with the parliament

Following the registration of amendments to the Budget and Tax Codes and of the draft National Budget for 2015 in the parliament, the ad-hoc Committees established working groups. DIALOGUE Project expert were included in the membership of these groups. There was a threat the draft laws on fiscal decentralisation would be rejected. The DIALOGUE Project with the support of National Deputies who are members of the Inter-Faction Local Government Support Group (local government caucus) managed to defend the provisions of the Coalition Agreement and to eliminate this threat. On December 25, 2014, the amendments to the Budget and Tax Codes and the draft National Budget for 2015 were approved by the parliament in the first reading.

The DIALOGUE Project also prepared and submitted through National Deputies supplements to these documents concerning the need to:

1. remove the requirement for city, town and village councils to provide the financial support for national level programs. Partially taken into account. The documents stipulates that such expenditures would be done from all levels of local budgets;
2. earmark for local budgets 4.5 billion UAH in the National Regional Development Fund. There will be a mandatory requirement to channel some part of these funds to the development of infrastructure in consolidated communities. Partially taken into account. 3 billion AUC were earmarked;
3. write off the local budget debit on mid-term loans. Partially taken into account. The document stipulates that the Cabinet of Ministers will submit a separate draft law to regulate this problem issue. Before this, the Ministry of Finance will not withdraw this debt from local budgets;
4. include the provisions concerning the reform of social standards and norms to enable local governments to properly perform their authority delegated by the state. Completely taken into account. The line Ministries have been obliged to perform this work by June 01, 2015;
5. line ministries should serve as the main spending units for the subvention from the National Budget for the public education and health care sectors. Completely taken into account;
6. expand the revenue base of development funds of local budgets. Not taken into account;
7. spell out a clear timeframe for actions taken on local government vouchers and increase the responsibility of State Treasury agencies for the failure to comply with these timeframes. Partially taken into account. It was envisioned that the action on vouchers should taken within 5 days, provided the Consolidated Budget of Ukraine has been implemented;
8. introduce clear criteria for the selection of banks where local governments may administer their budgets. Not taken into account;
9. exclude the requirement for local governments to coordinate with the State Treasury the appointment of chief bookkeepers for local government institutions. Completely taken into account;
10. do not apply the regulatory legislation on the new local taxes and fees. This will provide the possibility to introduce them already starting from January 01, 2015. Completely taken into account;
11. return the local transportation tax, tourist fee and parking fee to local government budgets. Completely taken into account.

At the same time, National Deputies narrowed down the tax base for the real property tax. They also introduced preferences for certain floor space of residential property. In 2015, the rate for the commercial property tax was reduced to 1%.

The result of the Project work in the areas mentioned above was the approval on December 28, 2014 of amendments to the Budget and Tax Codes and approval on December 29, 2014 of the National Budget for 2015. It was envisaged that based on the results of the first quarter of 2015 the budget and tax legislation will be improved. The DIALOGUE Project will continue to work to lobby for its positions, which were not taken into account.

Achievements of the budget decentralisation

The amendments to the budget and tax legislation substantially changed the quality of the financial support of territorial communities:

1. the amount of financial resources of local budgets increased by 34.1 billion UAH (or by 14.7%) as compared with 2014;
2. the own local resources of local budgets almost tripled. Local governments received real resources to resolve issues of local importance (housing and municipal utilities, urban beautifications, local social and economic programs, and improvements of infrastructure);
3. the amount of the financial support increased for such sectors as public education (by 13%) and health care (by 12%) as compared with 2014. The responsibility of line ministries for proper financial support for the public education and health care sectors increased. These ministries were obliged to reform the system of social standards and to update the financial standards of budget sufficiency. This is the first step towards the 100% financial support for local governments to implement the authority delegated by the state;
4. the number of subsidised local budgets decreased by 22% (from 96.3% in 2014 to 74.6% in 2015). A new system of equalisation will provide the opportunity to retain the bigger share of funds at the local level. Local governments became less dependant on the decisions made at the central government level;
5. the number of donor budgets increased by 11.5% (from 3.7% in 2014 to 15.2% in 2015). A system of incentives to even out the financial capacity of territorial communities was introduced. Only 50% of extra funds of donor budgets are withdrawn to the National Budget, while earlier all extra funds of local budgets were withdrawn;
6. 10.2% of local budgets became completely balanced out. These local governments are now in a position to provide services of higher quality in the public sector. In 2014, there were no such budget at all;
7. 3 billion UAH were earmarked in the National Regional Development Fund. These funds will have to go to support infrastructure improvements in consolidated territorial communities;
8. the land fee was transferred to the category of local taxes and fees. This is the first step towards the implementation of the principle of ubiquity of local self-governance, because it is the exclusive authority of local governments to establish the rates and preferences for land payments even for the land located outside populated areas;
9. 5% of excise collections from the sales of tobacco goods, alcoholic beverages and oil products (the expected collections constitute 8.1 billion UAH) were assigned to local budgets. In 2015, these funds may be used by local governments to make improvements

- in the communally-owned road network. In previous years, cities, towns and villages had to wait for the funds to improve their roads to come in the form of the subvention from the National Budget (2.4 billion UAH) and this subvention came very irregularly. The state instructed local governments what objects need to be financed and the amount of the financial support. According to the new system, local governments will receive these funds directly from excise collections and will use their discretion how to use them;
10. the local transportation tax was returned (the expected collections from this tax are 0.4 billion UAH);
 11. the tax on commercial and non-residential property was introduced (the estimated additional revenues to local budgets constitute 1.7 billion UAH);
 12. the scope of local government authority to set rates and preferences on local taxes and fees was increased. The savings of local budgets in the context of the absence of national level preferences may constitute 1 billion UAH;
 13. 182 cities received the right to engage in local borrowings. There only 16 such municipalities, which had the right to borrow. Bureaucratic barriers for local borrowings and for the provision of local guarantees were removed. Servicing of the local debt was rendered to the category of earmarked (protected) expenditures. Therefore, investors received legal guarantees of the protection of their funds;
 14. local governments received the right to administer their own revenues and collections of budget financed institutions, as well as development funds in state-owned banks; and,
 15. mechanisms to provide incentives for communities to consolidate have been laid out. The communities, which will consolidate in accordance with the long-term perspective plan, will receive the revenue base and the expenditure authority similar to the oblast significance cities.

Parliamentary Local Government Support Inter-Faction Group of National Deputies (local government caucus)

To ensure the protection of local government interests the parliament of the 7th convocation established the Inter-Faction Local Government Support Group of National Deputies (local government caucus) whose membership constituted of 35 National Deputies. The local government caucus was established upon the initiative of the AUC within the framework of the DIALOGUE Project.

Following the early parliamentary elections, the DIALOGUE Project started to establish a new local government caucus in the parliament of the 8th convocation. The purpose of the caucus is to promote draft legislation prepared by the Project to support the implementation of the local government reform and decentralisation of governance.

The following package of documents for the local government caucus was prepared: 1) regulations on the Inter-Faction Local Government Support Group of National Deputies in the Verkhovna Rada of Ukraine on the 8th convocation; 2) format of the application for local government caucus membership; 3) list of local government caucus members; 4) application to the Chairman of the VRU for the establishment and registration of the local government caucus.

On December 27, 2014, the local government caucus conducted its kick-off meeting. In membership included 26 National Deputies from various political factions who used to work for local governments. I. Kulichenko, (Petro Poroshenko Block) was elected the Chairman, M.

Fedoruk (People's Front) and O. Berezyuk (Samopomich) were elected Deputy Chairmen. S. Melnyk, (Petro Poroshenko Block) was elected the Secretary.

The official registration of the local government caucus and the announcement about its establishment at the plenary session by the Chairman of the Verkhovna Rada of Ukraine were scheduled for early 2015.

The local government caucus is expected to establish subgroups, which will work in various areas of legislation making: budget and tax legislation, land relations, housing and municipal utilities, urban development, general foundations of local government activities, social sector, etc.

Participation in the work of parliamentary committees

In the reporting period, the Project continued its cooperation with ad-hoc committees of the Verkhovna Rada of Ukraine. Project experts took part in **15** meetings of **4** parliamentary committees including:

- Budget Committee – 7 meetings;
- Committee on State Building, Regional Policy and Local Self-Governance – 4 meetings;
- Committee on Tax Policy – 3 meetings; and,
- Committee on Fuel and Energy Complex – 1 meeting.

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

During the reporting period, the Committee conducted ten meetings including four meetings where AUC representatives participated in the discussion of eleven 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, and particularities of exercising local self-governance on the territories under the ATO regime or territories liberated from separatists. In particular, this refers to the discussion of the following draft laws and conceptual framework documents:

1. Concerning the draft Law on considering void Law of Ukraine # 1680-VII “On Special Mechanisms for Local Self-Governance in Certain Rayons of the Donetsk and Luhansk Oblasts” of September 16, 2014 (Registration # 1011, National Deputies O. Turchynov, A. Parubiy, and S. Pashynskiy); on the draft Law on considering void the Law of Ukraine “On Special Mechanisms for Local Self-Governance in Certain Rayons of the Donetsk and Luhansk Oblasts (Registration # 1011-1, National Deputy Yu. Tymoshenko). The Committee made a decision, which considers with suggestions expressed by the AUC, namely: based on the discussions of these draft laws in the first reading make a recommendation for the Verkhovna Rada of Ukraine to approve each of these draft laws as laws.

2. Concerning the draft Law on introducing amendments to the Law of Ukraine “On Special Mechanisms for Local Self-Governance in Certain Rayons of the Donetsk and Luhansk Oblasts” (Registration # 1130, National Deputy V. Barvinenko). The Committee took into account AUC proposals and made a recommendation for the Verkhovna Rada of Ukraine to reject this draft law based on the discussions of the document in the first reading.

3. Concerning the draft Law on introducing amendments to the Budget code of Ukraine (with regard to the reform of inter-budget relations) (Registration # 1557, CMU, A. Yatsenyuk). In his presentation at the meeting of the Committee, M. Pittsyk, representative of the AUC, drew the

attention to the need to specifically regulate the following issues in the draft law: local government debt accumulated on mid-term loans, updating financial standards of budget sufficiency, free and discretionary use of remaining funds of the subvention to the public education and health care sectors, introducing timeframe limits for actions on local government vouchers, and depositing own local government resources in banks. The Committee made a decision to consider it appropriate to make a suggestion for the Budget Committee to come up with a recommendation for the Verkhovna Rada of Ukraine to consider the draft Law of Ukraine on introducing amendments to the Budget Code of Ukraine (concerning the reform of inter-budget relations) (Registration # 1557) submitted by the Cabinet of Ministers of Ukraine and based on the discussions approve it in the first reading.

4. Concerning the draft Law on introducing amendments to the Tax Code of Ukraine and certain Ukrainian legislation (with regard to the tax reform) (Registration # 1578, CMU, A. Yatsenyuk). The Committee approved the proposals presented by M. Pittsyk, AUC representative, and made a decision to consider it worthwhile for the Committee on Tax and Customs Policy to come up with a recommendation for the Verkhovna Rada of Ukraine to consider draft law, in accordance with Paragraph 1 of Part One of Article 114 of the By-Laws of the Verkhovna Rada of Ukraine, and based on the discussions approve it in the first reading.

5. Concerning the draft Law on the National Budget of Ukraine for 2015 (Registration # 1000, elaborated, CMU, A. Yatsenyuk). The Committee took into account the AUC proposals on the formation of the National Regional Development Fund and resolved that the Budget Committee while elaborating the draft Law of Ukraine on the National Budget of Ukraine for 2015 (Registration # 1000 of December 12, 2014, *elaborated*) submitted by the Cabinet of Ministers of Ukraine to envision the establishment of the National Regional Development Fund in the amount of not less than 1% of the projected amount of revenues of the general fund of the National Budget of Ukraine for the next budget period.

6. Concerning the establishment of the Working Group of the Committee on discussion and preparation for the second reading of the draft Law of Ukraine “On the Foundations of the National Regional Policy” (Registration # 0908). The AUC proposal to include in V. Parkhomenko, AUC representative, in the Working Group was taken into account.

7. Concerning the establishment of the Working Group of the Committee on discussion and preparation for the second reading of the draft Law of Ukraine “On the Voluntary Consolidation of Territorial Communities” (Registration # 0908). The AUC proposal to include in V. Parkhomenko, AUC representative, in the Working Group was taken into account.

8. Concerning the proposals of the Committee to prepare for the second reading the draft Law of Ukraine on introducing amendments to the Budget Code of Ukraine (concerning the reform of inter-budget relations) (Registration # 1557). The Committee approved the proposals to prepare for the second reading the draft Law of Ukraine on amendments to the Budget Code of Ukraine (concerning the reform of inter-budget relations) (Registration # 1557) that, in general, take into account the position of the AUC.

9. Concerning the proposals of the Committee to prepare for the second reading the draft Law of Ukraine on introducing amendments to the Tax Code of Ukraine and certain Ukrainian legislation (on the tax reform) (Registration # 1578). The Committee approved the proposal to prepare for the second reading the draft Law of Ukraine on introducing amendments to the Tax Code of Ukraine and certain Ukrainian legislation (on the tax reform) (Registration # 1578) that, in general, take into account the position of the AUC.

10. Concerning the proposals of the Committee to the Draft Law of Ukraine on the National Budget of Ukraine for 2015 (Registration # 1000). The Committee approved the proposals to the draft Law of Ukraine “On State Budget of Ukraine for 2015” (Registration # 1000), which, in general, take into account the position of the AUC.

Verkhovna Rada of Ukraine Budget Committee

Over the reporting period, DIALOGUE Project experts participated in 7 meetings of the VRU Budget Committee. Among the main issues under consideration that affected the interests of local governments were:

- 1) approval of the redistribution of the National Budget expenditures in favour of local budgets for the payment of salaries for the employees in the public sector; legal mechanisms for writing off local budget debts on mid-term loans local governments took in previous years;
- 2) proposals of the President of Ukraine to the Law of Ukraine “On Introducing Amendments to the Budget Code Concerning Bringing Its Provisions in Line with the Constitution of Ukraine”. The document incorporates AUC proposals to increase transparency of activities of government institutions in the course of the budget process;
- 3) draft law introducing amendments to the Budget Code concerning the reform of inter-budget relations; and,
- 4) draft law on the National Budget of Ukraine for 2015.

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 4 working session of the Local Government Regional Advisory Boards in 4 oblasts: Kirovohrad, Kyiv, Khmelnytskyi, and Cherkasy. One should mention that in the Cherkasy oblast this was the kick off meeting.

<p>Working session of the Kirovohrad Local Government Regional Advisory Board city of Kirovohrad October 03, 2014</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> 1. On the preparation for the 2014 – 2015 heating season. The instruction was given to the Directorate of the TeploOblKomunEnerho [<i>oblast communal heating and energy</i>] Company to work together with local councils to submit to the Oblast State Administration before October 15, 2014 the information about the preparations for the 2014 – 2015 heating season and potential ways for energy savings. The information on the status of preparations for the 2014 – 2015 heating season was provided to the Oblast State Administration in a timely manner. As far as the ways for energy savings, this information was submitted only by the Kirovohrad, Novomyrhorodka, Dolynsk, and Oleksandria city councils and the Kompaniyivka town council. The energy saving steps include, first of all, switching boilers to solid fuel (pellets and firewood). 2. On technology for the substitution of the natural gas in the urban economy. The event participants listened to the presentation of the Oleksandria City Council experience in the implementation of investment projects to reform the housing and municipal utilities sector and energy savings. The participants of the meeting resolved: <ol style="list-style-type: none"> a) disseminate the experience of the Oleksandria City Council
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	<p>to the whole territory of the oblast.</p> <p>b) establish a working group to identify and implement housing and municipal utilities investment projects in cities.</p>
<p>Kick-off meeting of the Cherkasy Local Government Regional Advisory Board city of Cherkasy October 15, 2015</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> 1. On the establishment of the Local Government Regional Advisory Board in the Cherkasy oblast. To establish the Local Government Advisory Board with the following membership – Cherkasy AUC RO member municipalities, OSA and Oblast Council leadership, and chairmen of rayon councils of the oblast, as well as to conduct its meetings at least twice a year. 2. On the status of the treasury administration of local budgets of the territorial communities in the oblast. Within a month, local councils should submit to the OSA their proposals concerning vesting local governments with the legislative right to use some parts of their budgets in banks, rather than in State Treasury offices. The proposals were submitted to the OSA, processed, sent to the Verkhovna Rada of Ukraine and, at the legislative level (Part 2 of Article 78 of the Budget Code of Ukraine) local councils received the right to keep the funds of the development part of local budgets, as well as their own revenues in state-owned banks. This provision was part of the amendments to the Budget Code, which were prepared and lobbied for by the AUC. 3. Concerning problem issues in performing scheduled and capital repairs of roads in the Cherkasy oblast. The problem was with the need to get the approval of the Oblast State Administration of the list of local roads in need of repair. The LGRAB decided to prepare the instruction of the OSA Head for the CherkasyOblAvtoDor [<i>Cherkasy oblast automobile roads</i>] company to give local governments the right to independently determine the roads in need of repair.
<p>Working session of the Kyiv Local Government Regional Advisory Board city of Brovary October 24, 2014</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> 1. On resuming the activities of the Local Government Regional Advisory Board in the Kyiv oblast. The members of the meeting decided to resume the activities of the Local Government Regional Advisory Board in the Kyiv oblast, as well as reviewed and finalised its By-Laws. 2. On the current status of the treasury administration of budgets of territorial communities in the oblast. The event participants agreed to develop a mechanism for city councils of the Kyiv oblast to interact with the Oblast State Administration to address issues related to the timely allocation of funds by the State Treasury for local councils. As a result, State Treasury agencies provide on a monthly basis a report on the administration of local budgets, and, currently, there is almost no debt on local government funds for the implementation of their own authority. 3. On the need for practical energy efficiency measures during the 2014 – 2015 heating season. The event participants decided to charge rayon state administrations and local councils to submit within one month to the OSA their proposals on practical energy efficiency steps and potential investment opportunities in this sector.

<p>Working session of the Khmelnytskyi Local Government Regional Advisory Board city of Khmelnytskyi December 29, 2014</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> 1. On resuming the activities of the Local Government Regional Advisory Board in the Khmelnytskyi oblast. The members of the meeting decided to resume the activities of the Local Government Regional Advisory Board in the Khmelnytskyi oblast, conduct its activities at least once in a quarter and to invite the National Deputies of Ukraine who were elected to the parliament on the territory of the oblast to its activities. 2. On the priority steps in populated areas in the oblast in the area of implementation of the territorial reform and the local government reform. The members of the LGRAB decided to give the instruction to representatives of local authorities to conduct the public awareness campaign for the population about the benefits of the territorial reform. The oblast authorities together with communities should start the work on the preparation of spatial plans to achieve self-sufficiency of territorial communities. <p>The Oblast State Administration and rayon state administrations should verify the names of village councils in the oblast, because there are some discrepancies. This issue is important both in the context of the reform and for the registration of heritage. The Department of Internal Policy of the Oblast State Administration was tasked to develop and submit to the Oblast Council for consideration unified samples of documents for heritage registration on the territories of village councils.</p> <p>In addition to this, the members of the LGRAB appealed to the top country leadership with a request to immediately approve the Law of Ukraine “On the Local Referendum”.</p>
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Selection of issues to be discussed at working meetings of Local Government Regional Advisory Boards in 2014 – 2015

During October – November of 2014, the Project conducted **2** meetings of AUC Regional Offices. These events were attended by **48** local government officials. During these events, the participants discussed the problem issues to be discussed at working sessions of Local Government Regional Advisory Boards.

#	Name of the RO, date, number of participants	List of issues for discussion
1	<p>Zaporizzhya AUC RO, October 15, 2014, 25 participants, city of Zaporizzhya</p>	<ol style="list-style-type: none"> 1. On introducing amendments to the Tax Code of Ukraine to regulate the correlation of places for the registration of business entities as tax payers with the place of their actual business activities. 2. On ways to improve the effective use of local government land resources. 3. On setting tariffs for housing and municipal utility services. 4. On resolving urban development and territorial development problem issues.
2	<p>Odesa AUC RO, November 11, 2014, 23 participants, city of Odesa</p>	<ol style="list-style-type: none"> 1. On the status of the implementation of the administrative and territorial reform in the oblast. 2. On interaction of local governments with the local

	<p>offices of the National Agency of Ukraine for Land Resources and improvements of land lease legislation.</p> <p>3. On transferring automobile roads to the books of local governments.</p> <p>4. On issues related to the reform and financial support for the housing and municipal utilities system, ways to resolve them and peculiarities of the tariff policy.</p> <p>5. On problem issues related to the economic development of the oblast.</p> <p>6. On resolving environmental problems in the region.</p> <p>7. On prospects for the development of the energy sector in the oblast.</p>
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Activity 2.2.3. A series of the National Cohesion Exchange Study Tours

Exchange study tours conducted within the National Cohesion program promote the exchange of professional experience of local government officials and unite participants from different parts of Ukraine.

The topics and cities for the study tours have been identified through a survey of AUC member municipalities and selected from the data base of best practices. The schedule visits has been prepared to enable representatives of cities in the south and east of Ukraine to visit their peers in the center and the west and vice versa. It is expected that these seminars will serve as the “unity dialogue” and will promote and strengthen the importance of national unity.

Over the reporting period, the Project conducted three such study tours.

Topic: Studying the city council best practices in attracting businesses to solid waste management and recycling	<p>On the first day of the visit, the participants became familiar with the activities of the Rada specialised environmental solid waste disposal and recycling company. City representatives also had a chance to become familiar with the complete cycle of the enterprise ranging from separated solid waste collection to sorting and sending waste to produce recyclables: ecowool, manhole covers and fittings for sewerage, downpour receiver gratings etc.</p> <p>On the second day of the visit, the participants became familiar with the Bucha experience in upgrading heating system of the city. Representatives of utility companies and mayors from different regions of Ukraine saw the boilers that run on alternative fuels, and learned about the implemented housing insulation projects. It was interesting to learn that the city uses the ecowool produced by the local Rada recycling company to insulate the buildings.</p> <p>The study tour participants expressed their interests in learning the examples of cooperation between businesses and the local authorities. “Everything I learned inspires for the active work”.</p>
Date: November 24 – 25, 2014	
City: city of Bucha (Kyiv oblast)	
Participants: city mayors and managers of utility companies from the Vinnytsya, Zaporizzhya, Luhansk, Lviv, Mykolaiv, Odesa, Rivne, Sumy, Kherson, Khmelnytskyi, and Ternopil oblasts. Total	

<p>Topic: Studying the city council best practices in the implementation of energy efficient projects, re-equipment of boiler houses, switching them to alternative types of fuel, and attraction of investments in the housing and municipal utilities sector</p>	<p>During the visit, participants had the opportunity to study the experience of Zhytomyr in energy saving and to become familiar with the energy efficiency program till 2020. Local experts thoroughly briefed the participants about the activities of the program, including: a comprehensive modernisation of heating boilers, projects to reduce the costs and losses in heating and street lighting in Zhytomyr. As for the cost of the implementation of such projects, they presented, in particular, the following figures: the project development for the district heating in the city cost 15 million EUR; reconstruction and development of the water supply system will cost 30 million USD; innovative technologies in the district heating system will cost 685 thousand EUR, and the reconstruction of five pre-school educational establishments will cost 15 million CHF. Later on, the mayors and managers of utility companies discussed the ways of attracting investment and grants for the implementation of energy efficiency projects in urban areas. Participants learned how the city of Zhytomyr managed to fully meet the relatively strict selection criteria of the Swiss Cooperation Office and receive 12 million CHF and 3 million CHF for the reconstruction in 2015 – 2019 of boiler houses and insulation of pre-school establishments respectively. In addition to this, Zhytomyr also managed to enter in agreement with the NEFCO Corporation about the thermal modernisation of about 19 social facilities, including educational and medical institutions. The city is working with the German Agency for International Cooperation, which renders assistance in energy management and energy monitoring. Following the two-day training seminar, representatives of Ukrainian cities prepared a joint resolution on the dissemination of experience in energy saving among municipalities.</p>
<p>Date: November 27 – 28, 2014</p>	
<p>City: city of Zhytomyr</p>	
<p>Participants: city mayors, managers of utility companies from cities of the Zaporizzhya, Vinnytsya, Dnipropetrovsk, Luhansk, Mykolaiv, Lviv, Odesa, Kharkiv, and Kherson oblasts</p>	
<p>Topic: Experience in introducing e-governance in executive bodies of the Vinnytsya City Council</p>	<p>Officials learned about information technology introduced in the Vinnytsya City Council. In particular, they learned about the activities of the Transparent Office and its affiliations, activities of the Daily Guard rapid response office, the official web site of the City Council and its services for citizens, electronic document management system of the local government, public sector institutions and utility companies, as well as with the automated system for housing and municipal utility services and tools to integrate them with GIS. The participants of the study tour also became familiar with the results of the 100 Cities - a Step Forward Nationwide Survey about the participation of non-governmental organisations in implementing e-governance. The study tour participants expressed their interest in the city experience in introducing e-governance and had a chance to exchange their contacts for further cooperation.</p>
<p>Date: December 11 – 12, 2014</p>	
<p>City: city of Vinnytsya</p>	
<p>Participants: city mayors, deputy city mayors, local council secretaries, city clerks and heads of executive departments of city councils from the Dnipropetrovsk, Zaporizzhya, Kyiv, Luhansk, Mykolaiv, Poltava, Sumy, Kharkiv, and Cherkasy oblasts.</p>	

Activity 2.2.4. Establishing formal and regular coordination mechanisms with other USAID supported activities and other donor organisations

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

DIALOGUE Project 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.

DIALOGUE Project conducted a number of meetings with representatives of GIZ projects on cooperation for the implementation of budget decentralisation and on-the-job training for local government officials.

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

In October, DIALOGUE Project experts participated in the focus group on “Rapid integration in the European community: reflection of the required improvements of qualifications of Ukrainian government officials” conducted by the Ukrainian-Norwegian Project and in the USAID Municipal Energy reform Project seminar on preparing and improving sustainable energy development action plans.

Project experts conducted a meeting with representatives of the Norwegian Association of Local and Regional Authorities project dedicated to the support to the decentralisation reform in Ukraine. The participants discussed opportunities for cooperation to promote budget decentralisation and the local government reform.

Project experts participated in the meeting of DESPRO Project partners and were involved in the discussion of decentralisation reforms, as well as presented three reform models prepared by DIALOGUE Project experts.

AUC organised a meeting with the IMF technical mission on budget decentralisation. Project experts prepared a presentation of the members of the mission presented Project materials in this area and provided responses to questions.

DIALOGUE Project experts participated in the meeting organised by the Ministry of Regional Development for the delegation of the Council of Europe Congress of Local and Regional Authorities of Europe post-monitoring visit to Ukraine. They presented the position of the AUC and familiarised the participants with the materials to promote local government reform and decentralisation.

DIALOGUE Project specialists conducted a working meeting with representatives of the World Bank about the «Ukraine Urbanization Review». They provided information about the mechanisms of budget support for territorial communities in Ukraine and possibilities for local governments to influence urban planning activities.

2.3. Component 3: Fostering Public Support for Reform

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

The DIALOGUE Project 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.

The Project started working on a new communications strategy of the AUC.

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

Members of the 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, the 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

The Internet resources of the DIALOGUE Project are accessible for users at dialogueauc.org.ua. The DIALOGUE Project web site has been operational since March 01, 2011.

The DIALOGUE Project web site consists of the Ukrainian and English versions. The main page also has a section dedicated to the four components of the DIALOGUE Project: 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 9 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 17 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 working sessions of 4 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 the DIALOGUE Project).

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 numbers of visitors for the reporting period are the following:

October – 864

November – 1032

December – 976

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 2.

Table 2. DIALOGUE Project publications

Publication	Targeted audience	Description
The "Sectoral Monitoring" quarterly electronic publication	Central government authorities, expert community	# 18, <u>December</u> presents the findings of the public opinion survey on local government problem issues and attitude towards decentralisation
The "AUC Herald" printed monthly publication	AUC member communities, AUC partner organisations	# 111, <u>October</u> , The DIALOGUE Project Chapter features the materials about the following: legislation framework for the local government reform as prepared with the participation of the Association of Ukrainian Cities. # 112, <u>November</u> , The DIALOGUE Project Chapter features the materials about the following: local governments will receive 2.7 billion UAH to write off the local budget shortfall on the implementation of the delegated authority. # 113, <u>December</u> , The DIALOGUE Project Chapter features the materials about the

		<p>following: amendments to the Budget Code of Ukraine may hamper the formation of capable territorial communities.</p> <p>All these issues were prepared in the printed format and placed on the web site.</p>
<p>The “DIALOGUE Newsletter” electronic monthly publication</p>	<p>International organisations and international technical assistance projects</p>	<p>The English-language publication presents Project activities over a month and provides monthly highlights in detail:</p> <p><u># 49</u>, highlight of the month – Amendments to the Budget and Tax Codes will be improved (DIALOGUE Project experts in cooperation with the Ministry of Finance will prepare draft laws to be submitted to the newly-elected parliament);</p> <p><u># 50</u>, highlight of the month – The Coalition Agreement envisions the local government reform and budget decentralisation;</p> <p><u># 51</u>, highlight of the month – The parliament initiates the establishment of the inter-faction local government support group (local government caucus).</p>
<p>The “Legislation News” electronic publication</p>	<p>Local government lawyers</p>	<p><u># 45, October</u> features the information about 25 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># 46, November</u> features the information about 20 legal and 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.</p> <p><u># 47, December</u> features the information about 20 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>The “Press News” electronic weekly publication</p>	<p>Media</p>	<p>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 210 media representatives, journalists and press offices of city councils. The mailing list is being constantly updated. In December, the Project increased the mailing list due to the formation of the group of regional journalists (100). On the week when study tours are conducted the press news offer a special National Cohesion Dialogue section (November 28 and December 12).</p>
<p>Short local government updates</p>	<p>USAID</p>	<p>The Project prepares and sends the publication to USAID on a weekly basis. The information is</p>

		presented in two sections: DIALOGUE Project News and Local Government News. Fourteen issues were prepared and sent.
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Radio coverage

The Project prepared **nine** 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 the AUC leadership. In particular, the radio programs were aired by the following radio stations:

October 13 – participation of Ya. Raboshuk, Project expert, in the live «Голос столиці» [*voice of the capital city*] Program about the transparent formation of tariffs for heating;

November 11 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live «Голос столиці» Program about the conditions for local borrowings;

November 12 – participation of V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting, in the live «Голос столиці» Program about openness of local governments;

December 22 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live «Обідня перерва» [*lunch break*] Program on the Radio Era Radio station about the draft National Budget for 2015 and budget decentralisation reform; and,

December 24 – commentary of O. Slobozhan, Director of the AUC Center for Analysis and in Legislation Drafting in the live «Голос столиці» Program about the draft National Budget for 2015.

Mentioning about the information seminar for regional media representatives

December 19 – information in the news section of the Chortkiv Radio;

December 19 – information in the news section of the «Новий Чернігів» [*new Chernihiv*] Radio;

December 21 – radio program based on the discussions at the seminar on the administrative reform on the «Радіо Ладижин» [*Ladyzhyn radio*] Radio;

December 24 – a separate radio program about the reform based on the discussions at the seminar in the news section of the Chortkiv Radio.

TV coverage

DIALOGUE Project activities were covered by **thirteen** TV programs aired on the following channels:

October 20 – participation of M. Pittsyk, Executive Director of the AUC, and O. Kaspruk, Mayor of Chernivtsi, in the «Пряма відповідь» [*direct answer*] program on the «Чернівці» TV Channel about the direction for cities to cooperate with international technical assistance projects;

October 22 – participation of Ya. Raboshuk, in the «Важливо. День» [*important. day*] Program on the «БТБ» TV Channel about the beginning of the heating season;

November 27 – a video story on the Zhytomyr Oblast TVRC about the study tour of local government officials from southern and eastern regions to Zhytomyr;

December 04 – a telephone interview of V. Baranov, Deputy Director of the AUC on reform issues, in the morning live program on the TVi TV Channel about the local government reform and decentralisation;

December 22 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the «Бізнес» [*business*] Program on the «Першому діловому» [*first business*] TV Channel about the draft National Budget for 2015; and,

December 24 – commentary of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, about the introduction of the property tax in a program on the «UBR» TV Channel.

Video stories about the informational seminar for regional media representatives

December 19 – information in the news section on the «Новий Чернігів» [*new Chernihiv*] TV Channel;

December 19 – mentioning in the «Медіакрат» Program on the «Новий Чернігів» TV Channel;

December 19 – information in the news section on the «Лозовая» TVRC;

December 20 – mentioning in the news section on the «Миргород» TV Channel;

December 20 – mentioning in the news section on the «ТВ-Бердянськ» TV Channel;

December 20 – a video story on the «МТМ» TV Channel (city of Zaporizhzhya);

December 21 – a video story on the «М-Студіо» TV Studio (city of Mukacheve).

«ЗМІСТОвна Україна» TV program series

Working within the framework of the cooperation with the GRP Communications Agency, the Project finished the 50 TV programs of the [*CITY-minded Ukraine*] TV program series dedicated to the local government reform include:

- 29 thematic programs featured the impact of the local government reform on various sectors with the participation of city mayors, National Deputies and representatives of the state executive;

- 21 programs featured discussions of the local government reform and decentralisation at meetings of AUC Regional Offices, as well as during the Dialogue Day and Day of Reforms organised by the Association.

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.

Over the reporting period, the Project aired **nineteen TV programs**:

October 01 – about the working session of the Ternopil AUC Regional Office. The studio guests included: S. Nadal, Mayor of Ternopil, N. Stankovska, Mayor of Skalat, and V. Pletyuk, Mayor of Shumsk;

October 03 – about the working session of the Kharkiv AUC Regional Office. The studio guests included: V. Demchenko, Mayor of Kupiansk, T. Zaporozhets, Secretary of the Lozova City Council, and T. Dyachenko, Secretary of the Merefa City Council;

October 06 – about the working session of the Dnipropetrovsk AUC Regional Office. The studio guests included: I. Kulichenko, Mayor of Dnipropetrovsk, I. Metelytsya, Mayor of Pavlohrad, and V. Protenyak, Mayor of Apostolove;

October 08 – about the working session of the Volyn AUC Regional Office. The studio guests included: M. Romanyuk, Mayor of Lutsk, V. Hodyk, Mayor of Horokhiv, and B. Ius, Mayor of Lokachi;

10 October – about ways to promote energy security in modern conditions. The studio guests included: S. Savchuk, Head of the National Agency for Energy Efficiency and Energy Saving of Ukraine, A. Bilousov, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities, and S. Odarych, Mayor of Cherkasy;

13 October – about the working session of the Kyiv AUC Regional Office. The studio guests included: A. Fedoruk, Mayor of Bucha, A. Fedorchuk, Mayor of Boryspil, and V. Udovychenko, Mayor of Slavutych;

15 October – about the working session of the Cherkasy AUC Regional Office. The studio guests included: S. Odarych, Mayor of Cherkasy, V. Ohnivenko, Secretary of the Chornobaivka Town Council, and M. Kotko, Mayor of the Village of Chervona Slobidka;

17 October – about the introduction of the municipal police. The studio guests included: V. Kravhenko, Director of the AUC City Legal Assistance Center, and S. Nada, Mayor of Ternopil;

20 October – about the reform of inter-budget relations. The studio guests included: H. Markovych, Deputy Director of the Department for Local Budgets of the Ministry of Finance, and O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting;

22 October – about the working session of the Mykolaiv AUC Regional Office. The studio guests included: Yu. Hranaturov, Mayor of Mykolaiv, V. Lukov, Mayor of Voznesensk, and M. Topchyi, Mayor of Ochakiv;

24 October – about the working session of the Rivne AUC Regional Office. The studio guests included: V. Khomko, Mayor of Rivne, I. Olshevskiy, Mayor of Zdolbuniv, and M. Karapetyan, Mayor of Radyvyliv;

27 October – about the working session of the Kirovohrad AUC Regional Office. The studio guests included: S. Tsaptuk, Mayor of Oleksandria, L. Kravchenko, Mayor of Bobrynets, and P. Mahda, Mayor of the village of Hlodosy;

29 October – about the working session of the Chernivtsi AUC Regional Office. The studio guests included: O. Kaspruk, Mayor of Chernivtsi, Ya. Tsurkan, Mayor of Zastavna, and M. Karliychuk, Mayor of Storozhynets;

31 October - about the working session of the Sumy AUC Regional Office. The studio guests included: O. Lysenko, Mayor of Sumy, Yu. Zarko, Mayor of Bilopillya, and A. Troyan, Mayor of Lebedyn;

November 03 – about the introduction of e-governance in the context of the local government reform. The studio guests included: O. Ryzhenko, Head of the National Agency for E-Governance, and O. Levchenko, Executive Director of the Podillya Agency for Regional Development NGO;

November 05 – about the local government reform and introduction of principles of the European democracy. The studio guests included: M. Koshelyuk, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities, and O. Kaspruk, Mayor of Chernivtsi;

November 07 – about amendments to the legislation on local elections and local government reform. The studio guests included: V. Parkhomenko, AUC Expert, and V. Udovychenko, Mayor of Slavutych.

10 November – about the working session of the Zaporizzhya AUC Regional Office. The studio guests included: O. Sin, Mayor of Zaporizzhya, N. Musienko, Mayor of Vilnyansk, and I. Kotelevskiy, Mayor of Tokmak; and,

12 November (final one) – about the review of the package of draft legislation aimed at decentralisation of finance and authority in the context of the local government reform and AUC participation in the preparation of the legislative framework for the reform. The studio guests included: M. Pittsyk, Executive Director of the AUC.

All the films from the series of TV programs on decentralisation were uploaded on the special file exchange server.

References to the video *were sent to 21 local TV channels*, which expressed their interests in rebroadcasting the programs. Links to the video were also provided to the Cherkasy, Odesa, and Zhytomyr city councils, which expressed their interest in placing the videos on their official city web sites.

Radio program series

Working within the framework of the Agreement with the Public Radio the Project aired *six programs* with the participation of DIALOGUE Project experts:

October 03, Topic: Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine, key provisions and expected outcomes. Speaker: M. Pittsyk, Executive Director of the AUC;

October 08, Topic: Decentralisation of the financial system and budget reform. Speaker: O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting;
October 15, Topic: Impact of the local government reform on the housing and municipal utilities sector. Speaker: Ya. Raboshuk, DIALOGUE Project expert;
October 22, Topic: Impact of the local government reform on the system of administrative services. Speaker: V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting;
October 29, Topic: Impact of the local government reform on the social protection system. Social service standards. Speaker: V. Karabutova, DIALOGUE Project expert; and,
November 05, Topic: local government reform and the introduction of the municipal police. Speaker: V. Kravchenko, deputy Director of the AUC Professional Development and City Legal Assistance Center.

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 3). 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 3. The team of AUC speakers who are authorised to present the position of the Association and provide explanations on decisions and documents approved by the 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
Oleksandr V. Slobozhan	DIALOGUE Project Center for Legislation Analysis and Drafting Director
Volodymyr H. Parkhomenko	DIALOGUE Project Center for Legislation Analysis and Drafting Deputy Director
Legal support to local government activities, AUC initiatives	
Volodymyr H. Parkhomenko	DIALOGUE Project Center for Legislation Analysis and Drafting Deputy Director
Victoria V. Sydorenko	DIALOGUE Project Center for Professional Development and City Legal Assistance
Local elections	
Volodymyr H. Parkhomenko	DIALOGUE Project Center for Legislation Analysis and Drafting Deputy 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 Center for Legislation Analysis and Drafting Director
Housing and utilities, city economy and infrastructure	
Serhiy V. Nadal	Mayor of Ternopil
Yaroslav O. Raboshuk	DIALOGUE Project Center for Legislation Analysis and Drafting Expert
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
Land relations	
Yaroslav O. Raboshuk	DIALOGUE Project Center for Legislation Analysis and Drafting Expert
Public education, health care and culture	
Victoria V. Karabutova	DIALOGUE Project Center for Legislation Analysis and Drafting Expert
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.

The working session of the National Press Club was scheduled for December 02, the date of the AUC Conference. Due to the rescheduling of the Conference, the date of the event was also changed.

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

Topic: Preparation fore the heating season. Introduction of energy saving projects and natural gas replacement technologies	The speakers answered questions from journalists on the preparation for the heating season, the introduction of energy efficient technologies and other measures to reduce the natural gas consumption. S. Kuzmenko noted that in a difficult economic and political situation the burden of responsibility for the livelihoods of each populated area was placed on community leaders. Authorities at all
Date: October 03, 2014	

<p>Participants: S. Kuzmenko, Head of the Kirovohrad Oblast State Administration, S. Tsapyuk, Mayor of Oleksandriya and Chairman of the Kirovohrad AUC Regional Office</p> <p>Media present at the event: The «Кіровоград» TV Channel; the «Златопіль», «Світловодськ вечірній» [<i>evening Svitlovodsk</i>], and «Вільне слово» [<i>free word</i>] Internet publications; and, the «Олександрійський тиждень» [<i>Oleksandriya week</i>], «Народне слово» [<i>people's word</i>], and «Вечірня» [<i>evening</i>] newspapers</p>	<p>levels should make every effort to stabilise the situation in the country. He emphasised the importance of attracting investment and loan funds for the implementation of energy efficiency projects and said that a working group with the participation of mayors has been established to review investment proposals and programs of international institutions.</p> <p>S. Tsapyuk informed that there will be an extremely tense situation in the country associated with gas supplies in wintertime. Therefore, leaders of territorial communities should pay the highest degree of attention and responsibility for the preparation of housing and social facilities for the heating season and take the necessary measures to promote energy saving. The mayor said what was done in this sphere in Oleksandriya. In particular, the city envisions installation of mini boilers on solid fuel, insulation of facades, basements and technical floors, replacement of old windows with new repoussage ones in a number of educational and health care facilities.</p>
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Working session of the Cherkasy Regional Press Club

<p>Topic: Kick-off meeting of the Local Government Regional Advisory Board</p> <p>Date: October 15, 2014</p>	<p>N. Dankovska informed that the Local Government Regional Advisory Board was established to ensure the continued effective cooperation of local councils with oblast level state executive authorities with the purpose of resolving urgent problems of territorial communities. The meetings of the Advisory Board are held with the assistance of the DIALOGUE Project. N. Dankovska spoke about the issues discussed at the first meeting, in particular, the performance of local offices of the State Treasury and about the need to enable the local governments use the services offered by banks; about the expediency of using the State Regional Development Fund financial resources for training local government officials in preparing projects and programs; as well as improvements of the tender legislation.</p> <p>O. Sayenko informed that following the discussions the event participants adopted the Appeal to the parliament and the Cabinet of Ministers, which included the following proposals from mayors:</p> <ul style="list-style-type: none"> - increase the threshold of the procurement of goods and services for local governments to 300 thousand UAH; - purchase the natural gas and electricity without employing tender mechanisms; and, - simplify, or abolish at all tender requirements for purchases of military equipment and supplies during the period of the ATO operations.
<p>Participants: O. Sayenko, Mayor of Zvenyhorodka, N. Dankovska, Executive Director of the Cherkasy AUC Regional Office</p> <p>Media present at the event: The «Вікна» [<i>windows</i>] TVRC; the «Черкаський край» [<i>Cherkasy land</i>] and «Нова доба» [<i>new day</i>] newspapers; and, the «Прочерк» [<i>dash</i>] and «Вчасно» [<i>timely</i>] Internet publications</p>	

Working session of the Kyiv Regional Press Club

<p>Topic: Energy saving and practical anti-crisis steps</p> <p>Date: October 24, 2014</p>	<p>V. Shandra informed the media representatives that the agenda of the Regional Advisory Board meeting included the discussion of the reduction of the consumption of the natural gas, ways to save energy in the housing and municipal utilities sector, and increased use of alternative energy sources. City and town mayors received a recommendation to intensify their work on the introduction of energy efficiency projects and investment promotion. Given the complexity of this year's heating season, V. Shandra emphasised the readiness of the Oblast State Administration to cooperate with the AUC Regional Office AUC and to provide assistance to cities and towns.</p>
<p>Participants: V. Shandra, Head of the Kyiv Oblast State Administration, Ya. Dobryanskyi, First Deputy Chairman of the Kyiv Oblast Council</p> <p>Media present at the event:</p>	

The «Наше місто» [<i>our city</i>] TV studio; the «Київщина» [<i>Kyiv region</i>] magazine; and, the «Новини Броварщини» [<i>news of eh Brovary region</i>] Internet portal	Ya. Dobryanskyi noted that energy savings represents the urgent need for the country, therefore this joint meeting of representatives of the central state executive agencies and local governments helps to find solutions to critical problems in the sphere of energy security.
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Working session of the Khmelnytskyi Regional Press Club

<p>Topic: Priority steps in the populated areas of the oblast in the context of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine</p> <p>Date: December 29, 2014</p>	<p>V. Adamskyi informed that based on the results of the early parliamentary elections the parliament formed the majority, so there is hope that the new government will embark on reforms aimed at decentralisation of governance authority and resources and making services closer to people. Moreover, the Coalition Agreement incorporates important provisions for the local government reform, which would serve as the foundation for the future changes, namely: the efficient allocation of powers, proper resource support local governments, the formation of self-sufficient communities, and the new territorial organisation of government institutions at the local level.</p>
<p>Participants: V. Adamskyi, First Deputy Chairman of the Khmelnytskyi Oblast Council, V. Kalnichenko, Deputy Head of the Khmelnytskyi Oblast State Administration, P. Kalynyuk, Executive Director of the AUC Regional Office</p> <p>Media present at the event: The Khmelnytskyi Oblast TVRC; the «Подільські вісті» [<i>Podillya news</i>] newspaper; and, the «Всім» [<i>for all</i>] and «Пульс» Internet portals</p>	<p>V. Kalnichenko commented on the issue of establishment of new administrative and territorial units. Since the consolidation of communities will be held exclusively on a voluntary basis, special attention should be paid to the public awareness campaign, especially in terms of the methodology and timeframe and the establishment of consolidated communities, he said.</p> <p>P. Kalynyuk informed the local media representatives about the resumption of the work of the Local Government Regional Advisory Board in the oblast and expressed his hope for fruitful cooperation between the new leadership of the oblast and local councils on issues related to community development and implementation of the local government reform.</p>

Informational Seminar for regional media representatives

December 15 – 16, 2014, city of Kyiv

Topic: Local Government Reform in Ukraine

Purpose: to explain to journalists the essence and content of reforms. The Workshop is expected to help them to provide the objective and user-friendly coverage of this topic, which will promote the increase of the support for decentralisation and local government reform from the public at large.

90 representatives of local and regional media outlets, press services of local councils from 23 oblasts and the city of Kyiv participated in the event.

The first day of the seminar was dedicated to the discussions of the key aspects of the local government reform and expected outcomes on various sectors of local government activities, and, therefore, on the living standards of territorial communities.

M. Pittsyk, Executive Director of the AUC, opened the workshop and made a presentation about the Association and its activities to advocate for local government interests. He provided the details of problem issues in the sector and the need for reforms. M. Pittsyk stressed that for several years already the Association has been tirelessly working to support decentralisation of power and financial resources. During the recent years, the AUC activities in this sphere have

been significantly strengthened due to the joint DIALOGUE Project implemented in cooperation with USAID.

O. Sayenko, Advisor to the parliament Speaker, greeted the event participants on behalf of the Chairman of the Verkhovna Rada of Ukraine. He mentioned that the year of 2014 became the year of concrete actions towards decentralisation, while today, the AUC has a powerful partner in the face of Speaker V. Groisman, with the Local Government Reform being an integral part of the Coalition Agreement.

DIALOGUE Project experts made presentations for the journalists.

The presentation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting consisted of two parts. First, he spoke about the content of reforms and expected outcomes, steps towards its implementation and the current status. The second part was dedicated to financial decentralisation and increased capacity of territorial communities. He also presented the amendments to the Budget and Tax Codes prepared by the Association in the context of the USAID funded project and supported by the Cabinet of Ministers.

V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting spoke about the consolidation of communities as the first step towards the local government reform.

O. Mazurchak, First Deputy Executive Director of the AUC, presented his own experience and recommendations on how to minimise corruption in local governments.

V. Baranov, Deputy Executive Director of the AUC on Reforms, spoke about citizen participation in local self-governance as a factor promoting openness and transparency of local government activities.

V. Nehoda, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities joined the event participants after the coffee break, greeted the event participants on behalf of the line Minister and spoke about the importance of such event for representatives of regional media. "Without the understanding of the importance of this topic in the society all expectations for the success of reforms will be useless", he said. He also made a presentation of the steps the Ministry took to promote reforms and the draft law it prepared. He made a special emphasis on the work and participation of AUC specialists in the preparation of the legislative framework for the future reforms.

Ya. Raboshuk, DIALOGUE Project expert, provided the detailed explanations of the proposed reforms in the sphere of land resources management, advantages of the ubiquity of local self-governance, as well as on the importance of decentralisation in urban development.

V. Karabutova, DIALOGUE Project expert, informed the event participants about the impact of the local government reform on such sectors as public education, social protection, and health care.

V. Myahkokhod, DIALOGUE Project expert, presented the ways and direction of increasing the scope of local government authority in the provision of administrative services.

Following each speech or presentation, the event participants put many questions to the speakers. Most of their questions were about the direct influence of the reforms on the living standards in cities, towns and villages, as well as on the well-being of every citizen.

The second day of the seminar began with the discussion of M. Pittsyk, Executive Director of the AUC with the local journalists. He answered their questions and invited to cooperation. M. Pittsyk stressed that it is the journalistic community with its understanding of the nature and purpose of the reforms, is in the position to influence the formation of public support for reforms and simultaneous pressure on politicians to expedite the approval of the corresponding legislation. He invited journalists to use the information prepared by DIALOGUE Project experts and published by the AUC and DIALOGUE Project web sites. In response to the comments of the journalists who mentioned it was better to see than to tell people, M. Pittsyk expressed his intention to appeal to international partners, including Polish ones, to organize press tours to Poland to examine the results of implemented reforms.

Later on the participants listened to the presentations and received answers to their questions from representatives of the following USAID projects and programs: RADA, Municipal Energy Reform, Public-Private Partnership Initiative, HIV Program in Action.

This seminar became the first large scale event the DIALOGUE Project conducted for media representatives. According to the participants, this was also the first event of its kind where they were provided an opportunity to learn about the expected outcomes of the reform. In the opinion of the participants, the contacts they established both with DIALOGUE Project experts and their colleagues from other cities were also important.

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 107 consultations for local government officials. Since its inception, the Project provided 2,867 consultations to local governments, their officials and local council members.

Consultants of the *Center for Professional and City Legal Assistance* provided 107 legal consultations through the mobile telephone line, mail, and the AUC and DIALOGUE Project web-sites in the following areas:

- local budgets and financial foundations of local self-governance – 9;
- land relations – 12;
- housing, municipal utilities and communally-owned property – 30;
- organisational and legal foundations of local self-governance – 50;
- social protection – 3; and,
- culture – 3.

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 October – December of 2014, the Project conducted 16 expert workshops with the participation of 335 local government officials.

Date and venue	Topic	Description of the event
<p>Zaporizzhya AUC Regional Office, city of Tokmak November 06, 2014</p> <p>20 persons – city mayors</p>	<p>Hands-on experience of the Tokmak City Council and its executive bodies to promote investments to the alternative energy sector</p>	<p>The expert workshop moderator introduced the experience Tokmak City Council in the implementation of pilot projects to replace electricity and the natural gas with alternative types of fuel. The moderator emphasised the economic component of these projects, because it potentially leads to significant savings in resources, especially at a time when you have to buy them in the aggressor country. In addition to this, these projects use alternative energy sources that are renewable, such as solar energy for street lighting lamps or making hot water. The participants of the meeting discussed the main areas of alternative energy and heat supply, discussed economic aspects of transferring institutions in the public sector to alternative types of fuel to help reduce budget expenditures and to raise the quality level of public services.</p>
<p>Zhytomyr AUC Regional Office city of Zhytomyr November 07, 2014</p> <p>20 persons – heads of financial department of local councils</p>	<p>Peculiarities of the preparation of local budgets in 2015. Fiscal decentralisation</p>	<p>The expert workshop participants of the expert workshop became familiar with the main planned amendments to the budget and tax legislation and discussed the principles of the preparation of local budgets for 2015. They outlined the main directions of financial support for key public sector institutions, improvements of municipal targeted social programs; provision of salaries for employees in the public sector, and the provision of high quality services to residents in cities. The participants learned the experience of the Zhytomyr City Council in attracting foreign investments.</p>
<p>Lviv AUC Regional Office city of Lviv November 19, 2014</p> <p>20 persons - city and town mayors</p>	<p>Discussion of opportunities of the Law of Ukraine “On Cooperation of Territorial Communities”</p>	<p>The expert workshop moderator familiarised the participants with the basic provisions and “problem areas” of the Law of Ukraine “On Cooperation of Territorial Communities”: institutional and legal framework for cooperation of communities, principles, forms, mechanisms such cooperation, possibilities for providing incentives for such cooperation, and financial support and control. The workshop participants engaged in a lively discussion of the opportunities provided to communities by the law, as well as its relevance to the proposed local government reform. The expert workshop participants discussed the legal requirements and gained practical skills needed in the context of new challenges and opportunities of the Law mentioned above.</p>
<p>Dnipropetrovsk AUC Regional Office city of Dnipropetrovsk November 21, 2014</p> <p>20 persons – heads of department for housing and municipal utilities</p>	<p>Effective use of energy and energy saving in the municipal infrastructure</p>	<p>The expert workshop moderator familiarised the participants with the main challenges cities face in terms of energy saving and problems that exist and slow down the implementation of energy efficiency projects in cities. These include both the lack of resources, as well as the lack of staff ready to prepare and implement energy efficiency projects. The event participants also tried to</p>

of local councils		identify solutions to these problem issues. The participants became familiar with the Strategy of Energy Development of Dnipropetrovsk, which is one of the first documents of this kind prepared in Ukraine. The city has set several priorities, including reducing annual heat consumption, replacement of the natural gas consumption with alternative types of fuel, and reducing CO2 emissions. The participants thoroughly reviewed energy planning stages, defined amounts and sources of financing, and investment tools. The event participants also visited the exhibition of energy saving products that was opened those days in the city council.
Volyn AUC Regional Office city of Lutsk November 21, 2014 20 persons – city, town and village mayors, and secretaries of local councils	Discussions and opportunities of the implementation of the Law of Ukraine “On Purification of Government”	The expert workshop moderator familiarised the participants with the provisions of to the Law of Ukraine “On Purification of Government” and the peculiarities and consequences of their application in practice. The participants discussed the mechanisms of legal protection of legitimate rights and interests of those who did not pass the lustration inspection; concept of the lustration and approaches to the lustration process in the world; standards of lustration measures elaborated by the Venice Commission and PACE principles that are recommended for application in the course of drafting and implementing the lustration legislation in the Council of Europe member states. The event participants were primarily interested in the following questions: who will be responsible for the implementation of the law; what shall be lustration procedure look like; what should be the evidence of non-compliance with the lustration criteria of government officials; and what are the mechanisms for the persons who did not pass the lustration inspection to appeal the decision the inspection body. The event participants entered a discussion about the problems that they have faced in the course of their preparations for inspections with regard to compliance of individuals with the lustration criteria.
Vinnytsya AUC Regional Office city of Vinnytsya November 25, 2014 20 persons – secretaries of local councils	Hands-on experience of secretaries of local councils concerning the preparation, holding and implementation of decisions of local councils of cities	The expert workshop participants became familiar with the experience of the Bar and Vinnytsya city councils. They discussed the organisation of activities of the city councils; procedure for the preparation of city council sessions; peculiarities of meetings of local council standing commissions; technical support of activities of the city councils; participation in meetings of representatives of municipal media, use of the official website of the city councils for posting announcements about convening regular (extraordinary) session of the city councils, draft ordinances, decisions taken and protocols of the sessions. The participants entered into a lively discussion about the compliance with the current Law of Ukraine “On Access to Public

		Information”. The expert workshop participants came up with a proposal to amend the law mentioned above and to regulate the need to make public draft ordinances of the city council in local media.
<p>Sumy AUC Regional Office city of Sumy November 27, 2014</p> <p>20 persons – city mayors, deputy city mayors, and secretaries of local councils</p>	<p>Peculiarities of the implementation of the new anti-corruption legislation of Ukraine in local governments</p>	<p>The expert workshop moderator familiarised the event participants with the key provisions of the introduced system for preventing and fighting corruption and requirements of ethic behaviour of the persons who authorised to perform the functions of local government. The participants discussed the “Rules Declaration of Assets, Income, Expenditures and Financial Obligations” prepared by the Ministry of Justice of Ukraine and received guidelines for preventing and fighting corruption in state executive and local government bodies. The event participants were interested in the methodology for actions while calculating bonuses for the mayor, receiving gifts, holding celebrations, declaring income and other assets, taking lustration actions, etc. Moderator provided responses to questions from the participants and invited the participants to use the telephone hotline for clarifications and resolving difficult problem issues.</p>
<p>Ivano-Frankivsk AUC Regional Office city of Ivano-Frankivsk November 27, 2014</p> <p>20 persons – representatives of departments for social protection</p>	<p>Peculiarities of activities of employment agencies in the current context with internally-displaced persons from eastern and southern parts of the country and from the Autonomous Republic of Crimea</p>	<p>The expert workshop participants discussed the main aspects of work with Internally-displaced persons and the main difficulties including psychological alertness and concerns, long painful process of adaptation to the new conditions of life, psychological traumas, and financial insecurity and uncertainties. The key problem issues also included compliance with the national standards for social adaptation of internally-displaced persons and opportunities for their employment; spiritual adaptation of families of internally-displaced persons (promoting the development of moral values, providing internally-displaced persons with opportunities to learn about the historical and cultural heritage of the region, working with children, and opportunities for their leisure activities). The expert workshop participants made suggestions about hot to improve the legislation of Ukraine regulating the issue mentioned above, as well as declared the need to open resource and information center for internally-displaced persons, etc.</p>
<p>Zakarpatya AUC Regional Office city of Uzhgorod November 27, 2014</p> <p>20 persons – heads of departments of finance of local councils</p>	<p>Reforms of inter-budget relations and optimisation of the expenditure part of local budgets for 2015</p>	<p>The expert workshop moderator familiarised the participants with the structure of inter-budget relations and with the legislative framework for their formation. The event participants outlined the problems of the current system of inter-budget relations and potential ways to resolve them. Participants reviewed the directions of the reform of inter-budget relations, the draft law “On Amendments to the Budget Code of Ukraine” suggested by the Cabinet of Ministers of</p>

		September 15, 2014 and came up with recommendations concerning the amendments needed to be introduced in line with the Budget Code of Ukraine in its part dealing with the reform of inter-budget relations. The participants noted the numerous amendments to the draft budget for 2015, namely: redistribution of not only resources but also the tasks and responsibilities at the national, regional and local levels; new approaches to the formation of policy of budget transfers and inter-budget relations.
<p>Kirovograd AUC Regional Office city of Kirovohrad December 10, 2014</p> <p>20 persons – heads of city and town department of finance</p>	<p>Peculiarities of the formation of local budgets in 2015. Budget decentralisation</p>	<p>The expert workshop moderator reviewed a number of conceptual proposals for introducing comprehensive amendments to the Budget and Tax Codes of Ukraine concerning decentralised finance, and strengthening the material and financial foundations of local governments. While considering key trends in amendments to the Budget Code, the participants focused their attention on strengthening the responsibility of line ministries for balancing out financial resources and sectoral policies, in particular through the mechanism of earmarking educational and medical subventions, subventions for training workers, providing financial support from local budgets for the implementation of individual budget programs and institutions that are currently funded from the National Budget. The workshop participants made their suggestions on fiscal decentralisation, including the implementation of the principle of subsidiarity by transferring powers and financial resources from the central government level to regional and local levels. It is also important to make a clear distribution of the expenditure authority between the state and local governments and provide local governments the opportunity to independently calculate their budgets and set rates for local taxes and fees. After reviewing the proposed changes the participants became convinced that the central government will give local authorities greater authority, functions and resources.</p>
<p>Mykolaiv AUC Regional Office city of Mykolaiv December 11, 2014</p> <p>20 persons – secretaries of city councils, heads of subdepartments for economy and investments of departments of investments and economic development</p>	<p>Preparation of the concept note within the EU assistance programme for Ukrainian Cities</p>	<p>The expert workshop moderator familiarised the participants with the strategy and tactics of financial support for implementation of programs and projects; potential announcements of new programs and prospects; project management, and, with peculiarities and specific terminology of European programs. The participants discussed topics for potential project proposals for cities from the Mykolaiv AUC Regional Office. The practical class was dedicated to the work of participants on development of ideas and a sketch of a concept note. The participants hope that with the knowledge gained at the expert workshop they will be able to increase the quantity and quality of concept notes for participation in programs supported by the European Union; and increases</p>

		the number of winners (cities will receive additional funds to address pressing problem issues).
<p>Odesa AUC Regional Office city of Odesa December 11, 2014</p> <p>20 persons – heads of city and town departments of finance, specialists of local councils</p>	<p>Improvements of local budgets and inter-budget relations within the framework of the local government reform in Ukraine</p>	<p>The expert workshop moderator analysed baseline indicators for the formation of the National Budget (by three models and the corresponding calculations according to them), as well as basic indicators of local budgets in 2015. The participants discussed the principles and directions of fiscal decentralisation, in particular, focused their prime attention on performance program budgeting; prospects and threats for the institutional support for the current budget reform. The participants came up with suggestions about how to replenish the revenue base of local budgets, including: channelling to budgets of territorial communities 75% collections from the personal income tax; returning to the system of taxation, whereby companies pay taxes at the place they actually do their business; regulation of the land tax based on the territorial location of lands, etc.</p>
<p>Luhansk AU Regional Office city of Severodonetsk December 17, 2014</p> <p>20 persons – city and town mayors</p>	<p>Problem issues of cities of Luhansk AUC Regional Office under the current conditions</p>	<p>The expert workshop participants learned about the mechanisms for the allocations of funds from the Reserve Fund of the National Budget to provide the financial support for projects and measures to restore the social infrastructure in the Donbas region, as envisioned by Resolution of the CMU # 1082-r of November 21, 2014. The event participants had a separate discussion on List of documents required for submission to the Cabinet of Ministers, approaches to preparing applications for financial support and discussed the Methodology for the calculation of funds to be allocated from the Reserve Fund of the National Budget.</p> <p>The expert workshop participants also identified a list of key topics they will be interested in at future meetings. The first of these topics was the restoration of the housing and municipal utilities infrastructure in the context of the wintertime and military confrontation.</p>
<p>Poltava AUC Regional Office city of Khorol December 18, 2014</p> <p>35 persons – deputy city mayors</p>	<p>Effective use of alternative energy sources and ensuring energy efficiency in the municipal infrastructure</p>	<p>The expert workshop participants learned the experience of the Myrhorod City Council in ensuring energy savings in the municipal infrastructure: they became familiar with the production of energy from biomass and from solar batteries. The event participants discussed the search and implementation of effective technical, infrastructure, functional, and investment solutions of problems related to large-scale substitution of the natural gas consumption by municipal infrastructure facilities; analysed the current legislation, regulatory documents, and the tax policy. The event participants visited and got acquainted with the work of the Resource and Logistics Center for the development of</p>

		bioenergy, where they learned about the presentation of the Energy Efficient Rehabilitation of Kindergarten # 5 “Sun” Project. This project is engaged in activities aimed at the preservation of heat (wall insulation, replacement windows and doors). The expert workshop participants also learned about the Modernisation of Street Lighting with the Use of Innovative Energy Efficiency Measures with the Renewable Energy (Solar) Sources in the City of Myrhorod Project, the activity promoting the use of solar panel powered street lighting. The participants also prepared their recommendations for the Cabinet of Ministers on how to quickly transfer public utilities to alternative energy sources.
Kyiv AUC Regional Office city of Kyiv December 19, 2014 City mayors, deputy city mayors of local councils	Discussion of anti-corruption legislation	The expert workshop moderator introduced the participants to the amendments in the anti-corruption legislation of Ukraine; the provisions of the Law of Ukraine “On the Foundations of the Anti-Corruption Policy in Ukraine (Anti-corruption Strategy) for 2014 – 2017”, as well as the peculiarities and consequences of their application in practice. The event participants discussed ways to prevent corruption in cities and towns to further the welfare of their communities. The expert workshop moderator provided practical advice on prevention of corruption in local governments.
Rivne AUC Regional Office city of Rivne December 23, 2014 20 persons – city/town mayors, secretaries of local councils	Role of Centers for Administrative Services in improving the activities of local governments	The expert workshop moderator familiarised the participants with the requirements of the Law of Ukraine “On Administrative Services”. The event participants also discussed in detail Instruction of the Cabinet of Ministers of Ukraine # 523-r of May 16, 2014 “On Some Aspects of Administrative Services of State Executive Agencies Provided through Centers for Administrative Services”. The expert workshop participants noted that the opening of centers for administrative services at city councils represents a real step towards the future decentralisation of authority to provide administrative services, which means delegation of the responsibility to provide such services to local governments. The event participants visited and learned the experience of the Rivne and Dubno centers for administrative services.

Activity 2.4.2. Legal protection services

In the reporting period the Project did not conduct any activities under this component.

Monitoring of cases interpreted as harassment of local government institutions and their officials

over the reporting period 18 such cases were identified including:

- a) with regard to city mayors – 18;
- b) with regard to village and town mayors – 3; and,

c) with regard to local council members and other local government officials – 7.

The hottest cases were:

- seizure of the premises of the Zaporizzhya City Council with the demand for the City Mayor and the Secretary of the City Council to. Being under the pressure of armed persons led by National Deputy O. Lyashko, the local government officials mentioned above wrote resignation letters, however members of the City Council did not discuss their resignation for the reasons of the absence of the quorum – December 10, 2014. DIALOGUE Project addressed the Security Service of Ukraine for the official interpretation of these events;
- a storm of the premises of the Kharkiv City Council by rally members with the demand for the City Mayor to resign – December 24, 2014.
- a conflict between O. Mamai, Mayor of Poltava and S. Kaplin, National Deputy of Ukraine. The latter accused the City Mayor, in particular, of his failure to pay the allowances for the ATO members allocated by the decision of the City Council;
- blocking on November 26, 2014 of the premises of the Kryvyi Rih City Council. Several hundreds of rally members demanded the resignation of the City Mayor. They tried to put up tents and announced an indefinite protest rally against the city government;
- the city mayor of Merefa was accused of demanding and obtaining through a middleman of a bribe in the amount of 40 thousand UAH from a business person for allocating premises for his ownership. The businessman had an intention to use the communally-owned boiler house for his commercial purposes – October 07, 2014; and,
- in the Odesa region, officers of the Main Authority for the State Service in Fighting Economic Crimes of the Main Department of the Ministry of Internal Affairs of Ukraine charged with corruption the Acting Mayor of Artsyz. She faces charges of 3 thousand USD for issuing permits to place a café bar within the boundaries of the city – October 15, 2014.

Monitoring of pre-term local government elections

In December of 2014, the Verkhovna Rada of Ukraine registered 24 draft resolutions to schedule pre-term elections of local councils and city mayors including:

- scheduling pre-term elections (on the same day) of city council members and city mayors – 2 (Zaporizzhya, Kirovohrad);
- scheduling pre-term elections of city mayors – 22 (Khmelnyskyi, Berestechko, Ukrainsk, Mykolaivka, Kurakhove, Prymorsk, Zolote, Schastya, Sosnivka, Yavoriv, Henichesk, Nikopol, Chyhyryn, Kramatorsk, Sloviansk, Novohorodivka, Kremenchuk, Drohobych, Shepetivka, and Uman).

Activity 2.4.3. Professional development of local government officials

Assessment of training needs of local government officials

Aiming at conducting the assessment of training needs of local government officials, the AUC sent to local councils of its member municipalities a questionnaire with a suggestion to answer the questions related to the potential training programs, as well as preparation of topics for such training.

As of December 31, 2014, the AUC received 370 questionnaires including: from city mayors (39), from secretaries of local councils (47), from local council members (69), as well as from other local government officials (215). 92.5 % of the interviewees expressed their support for the

AUC idea to establish an on-going professional training system for local government officials, 45.4 % - chose the short term training events and workshops as the most appropriate format of training events, 41.9% chose seminars and round table discussions as the most effective and interesting training events, whereas 35.7% - chose the on-hands training activities where one can freely communicate with experts and exchange experience with colleagues. 49.1 % of the interviewees supported the necessity to conduct the traditional Summer Schools for village, town and city mayors. The percentage of mayors who represent the direct participants of these events constituted – 82.1.

Also based on the expressed interest in the training topics, the Association identified 9 training topics for the distance learning curriculum to be designed for local government officials:

- Forecasting and managing the financial resources of the territorial community;
- Planning the development of the territorial community;
- Energy efficiency in the municipal sector;
- Management of land resources of the territorial community;
- Legal support for the activities of local governments;
- Fundraising, preparation and implementation of international technical assistance projects;
- Provision of administrative services in the municipal sector;
- Local initiatives and citizen participation in local self-governance; and,
- Management of communally-owned property.

Updating distance learning courses

The Project did not conduct any activities under this component during the reporting period. Next year, the Project will announce the competition and will start updating training programs based on the identified training needs.

Chapter 3. IMPLEMENTATION PROBLEMS AND WAYS TO RESOLVE THEM

Because of the military conflict, the project suspended its activities in the Donetsk oblast. There are problems associated with travel and participation in Project exchange events by local government officials from the territories adjacent to the ATO territories.

In view of the changes in the leadership of oblast state administrations and oblast councils in almost all oblasts of Ukraine, the DIALOGUE Project 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 period, the legislation drafting activities of the Cabinet of Ministers and the parliament, which may actually either resolve local government problem issues or pose new ones, slowed down. The reasons for the slow-down included: elections of the new membership of the Verkhovna Rada, busy schedule of the new parliament and preoccupation with organisational issues, formation of the new membership of the Cabinet of Ministers, and, later on, preoccupation of the top government authorities with the preparation and approval of the National Budget.

Changes in the composition of the Cabinet of Ministers and the appointment of the new Vice Prime Minister slowed down the preparation of the local government and decentralisation reforms.

Chapter 4. SUCCESS STORIES

THE PROJECT PREVENTED DISRUPTION OF THE HEATING SEASON

On July 31, 2014, the Parliament approved amendments to the State Budget for 2014 (Law # 1622-VII). Thanks to all the DIALOGUE Project efforts a UAH 7.3 billion increase in National Budget subvention to local budgets was secured to repay the arrears accumulated as a result of difference in tariffs. However, these funds never made it to the local budgets, which put at risk the heating season. On October 8, 2014, at the request of the DIALOGUE Project, the Prime Minister of Ukraine commissioned executive authorities with ensuring the funds arrive to local budgets promptly. The directive had been executed. Municipal heating enterprises were able to repay their arrears for the natural gas they consumed. The debts originated from the economically unjustified tariffs set in the past. Communally-owned heating companies were able to become prepared for the 2014 – 2015 heating season.

DIALOGUE ADVOCATES FOR THE REDUCTION OF THE SHORTFALL OF LOCAL BUDGETS

In the course of developing and approving the National Budget for 2014, the experts drew attention to the shortfall of local budgets. According to the calculations of the DIALOGUE Project, local budgets lacked funds to pay salaries as well as for energy and utility services delivered in the public sector in the 4th quarter of 2014. Efficiency and optimisation measures were taken on the ground by local governments and more than 6 billion UAH were allocated to pay off the shortfall. The Cabinet of Ministers cut down expenditures from the National Budget and local budgets. As a result the budget local shortfall dropped down to 4 billion UAH. The local governments were unable to cover for the deficit on their own. So, on November 26, 2014, due to the efforts of the DIALOGUE Project, the Cabinet of Ministers channelled 2.7 billion UAH of the additional subsidy to local budgets (Instruction # 1162-P). This step allowed paying the whole amount of salaries to employees in the public sector.

LOCAL GOVERNMENT REFORM IS ONE OF THE KEY TASKS OF THE NEWLY ELECTED PARLIAMENT

DIALOGUE Project experts were invited to take part in drafting the Coalition Agreement of the parties representing the parliamentary majority. The Coalition Agreement is intended to identify the principles and directions of the legislative work of the newly elected parliament. Experts managed to secure a separate chapter in the Coalition Agreement dedicated to decentralisation and local government reform. The chapter specifies clear objectives with specific implementation timeframe. These objectives include the following: to implement an effective division of powers between local governments and central public authorities; to reform the system of local state administrations into prefecture-type entities; to secure proper resources allocation to local governments; to ensure ubiquity of local self-governance by changing the administrative-territorial arrangement in the country. The Coalition Agreement put into operation the mechanisms of forming sustainable and capable territorial communities. It was stipulated that the Constitution will be amended to implement a large-scale reform of local self-governance.

BUDGET DECENTRALISATION AMONG GOVERNMENT PRIORITIES

On December 11, 2014, the Parliament approved the Cabinet of Ministers of Ukraine Program of Actions (Resolution # 26-VIII). The document contains the basic objectives of Cabinet of Ministers activities in 11 priority areas. The Program constitutes an integral part of the Coalition Agreement. The Program reflects the principal requirement of the experts on priority of the fiscal decentralisation (Chapter 2 “New Public Administration Policy”).

CITIES ACCOMPLISHED THE FIRST PHASE OF SUCCESSFUL FISCAL DECENTRALISATION

On December 28, 2014, following the long preparatory work, the parliament approved amendments to the Budget and Tax Codes concerning the budget decentralisation. The legislative developments prepared by the DIALOGUE Project were laid in the basis of these changes. The changes include an increase in local budget own resources and increasing the scope of authorities of local government bodies. Land payments were rendered to the category of local taxes. Local budgets will also get 5% of collections from the excise tax on tobacco products, alcoholic beverages and petroleum products. Taxation of commercial and non-residential real estate property was introduced. Local transportation tax was restored. Local governments received more authority in establishing rates and preferences with regard to local taxes and fees. The prohibition for central government authorities to intervene in planning the local budget revenues and expenditures was introduced. Local governments were allowed to use the services of state banks to administer local budget funds. All cities of oblast significance were granted the right to exercise local borrowings. Bureaucratic barriers have been removed for local borrowing and in providing local guarantees. Local borrowings servicing was attributed to the earmarked (protected) expenditures of local budgets. Incentives system was introduced to level up territorial capacities of territorial communities through financial means. Incentives mechanisms have been put in place to encourage communities to consolidate. Communities united in accordance with the long-term perspective plan will get the revenue base and the scope of expenditure authority similar to cities of oblast significance. The liability of the line ministries responsible for sufficient funding of public education and health care sectors will be enhanced. They have been obliged to reform the system of social standards and update financial standards of budgetary sufficiency.

THE STATE BUDGET OF 2015 WAS APPROVED ON THE BASIS OF THE NEW BUDGET AND TAX LEGISLATION

Due to the DIALOGUE Project efforts, the Draft Law on the National Budget of Ukraine for 2015 was approved on the basis of the new budget and tax legislation. As a result of this, the volume of the local budget financial resources as compared with 2014 increased by 34.1 billion UAH (or 14.7%). The amounts of local government own (discretionary) resources have increased almost threefold. The number of subsidised local budgets dropped by almost 22% (from 96.3% in 2014 to 74.6% in 2015). 15.2% of local budgets in 2015 will be among the donor budgets (non-subsidised budgets) versus 3.7% in 2014. 10.2% of local budgets are now completely balanced. Expenditures of the National Regional Development Fund are planned at the level of 3 billion UAH. These expenditures will be aimed at creating the infrastructure for the consolidated territorial communities.

AN IMPORTANT STEP TOWARDS REAL ORGANISATIONAL AUTONOMY FOR LOCAL SELF-GOVERNANCE

On November 26, 2014, the Cabinet of Ministers of Ukraine adopted Resolution # 664 “On Recognising Some Resolutions of the Cabinet of Ministers of Ukraine as Null and Void”. Thanks to the many years of advocacy efforts of the issue on the part of the Association of Ukrainian Cities, the CMU resolution of December 03, 1997 “On Financial Support of Local Government Bodies” was also pronounced null and void. With this resolution having been cancelled, local government bodies were allowed to decide on their own staffing and maintenance expenditures without the need to refer to previously approved by the central government manning standards, which implements the principle of institutional autonomy of local governments.

LOCAL SELF-GOVERNMENT AUTHORITY IN ESTABLISHING LAND TAX AND PREFERENCES

According to the provisions of the Tax Code of Ukraine, land payments were included in the category of state taxes and tax rates were established solely by the Tax Code of Ukraine. At the same time, a number of special lowering ratios for tax rates for certain land categories, among them lands under railroads and mining enterprises were established by the law. Business entities using land plots on a permanent basis had preferences in paying the land tax as compared with tenant farmers. As a result, local budgets that were supposed to receive the land payments incurred certain losses.

On December 28, 2014, the parliament approved the Law of Ukraine “On Introducing Amendments to the Tax Code of Ukraine and Certain Ukrainian Legislation on the Tax Reform”. This law attributed land payments to the category of local taxes and fees. In other words, local governments not only were granted the right to establish land tax rates within the prescribed limits, but also the upper tax rates limit for all categories of land other than agricultural land was increased three times. At the same time, a number of special land tax rates for certain categories of land were abolished. Simultaneously, for business entities that use land plots on a permanent basis, but according to the Land Code may not use those land plots on these terms the maximum rate was increased up to 12% of the standard money value, in other words to the maximum rent limit for state-owned and communally-owned land plots. The law also abolished almost all land tax preferences for legal and physical persons, thus increasing the scope of authority of local councils in establishing the tax preferences by their own decisions.

The approval of this law significantly increased the scope of authority of local governments in forming the revenue part of local government budgets with regard to the land tax. From now on, the village, town and city councils have gained full independence and responsibility for income generation in this sector.

A SOURCE HAS BEEN IDENTIFIED TO REPAY MUNICIPAL ENTERPRISES PENALTIES INDEBTEDNESS

Utility companies have significant debt to the “NaftoHaz Ukrainy” company for the natural gas consumed. However, the debt accumulated through no fault of utilities, since heat tariffs were approved at the central level and the outlays on subsidies to repay the difference in tariffs were not funded from the National Budget. However, the arrears accrued penalties, fines and other financial sanctions, which further complicated the whole situation, since utilities had no means to cover the expenditure.

In the Appeal of the village, town and city mayors, approved on September 18, 2014 in the course of the 10th Ukrainian Municipal Forum it was suggested that the Cabinet of Ministers of Ukraine should consider writing off penalties, fines and other financial sanctions accrued for consumed energy carriers.

On November 05, 2014, the participants of the working session of the Cabinet of Ministers approved the Resolution “On Introducing Amendments to the Methodology and Terms for Providing in 2014 a Subvention from the National Budget to Local Budgets to Repay the Difference in Tariffs on Heat Energy, Centralised Water Supply and Sewerage Produced, Transported and Delivered to Population That Emerged Due to the Difference in the Actual Cost of Heat Energy and Water Supply and Sewerage Services and the Tariffs That Were Set and/or Approved by State Executive Authorities and Local Governments”. As per the above amendments, the allocation of the subvention will be performed considering arrears in repayment of penalties (fines) charged in accordance with court decisions. This will provide opportunities to settle the issue of repaying 587 million UAH in such penalties charged by “NaftoHaz Ukrainy” to the district heating companies at the expense of the National Budget.

NEGATIVE CONSEQUENCES THAT RESULTED FROM INTRODUCTION OF DISTRIBUTION ACCOUNTS FOR HEAT ENTERPRISES HAVE BEEN REDUCED

Cabinet of Ministers of Ukraine Resolution # 217 of June 06, 2014 established the Procedure of funds distribution upon their having arrived to special regime current accounts used for settlements with secure natural gas supplier. The Association of Ukrainian Cities objected against introduction of this type of accounts for heating companies, since it endangered stable operation of the district heating companies and prevented timely payment of wages, taxes and bills for the cost of electricity consumed, fulfillment of the obligations on loans servicing to international financial institutions, government and commercial banks; it would not allow companies to fund technological processes associated with ensuring a trouble-free operation. In particular, as a result of the implementation of this Resolution, as early as in January of 2015, all fees for natural gas supply services would have been withdrawn from accounts of heating companies.

In order to avoid a critical situation like this, the Association of Ukrainian Cities jointly with the “UkrTeploKomunEnerho” [*Ukrainian municipal heat and energy*] Association sent a number of proposals to the Cabinet of Ministers of Ukraine in December of 2014. As a result, the Cabinet of Ministers approved Resolution # 725 of December 29, 2014 “On Introducing Changes in the Mechanism for the Distribution of Funds Received on Special Regime Current Accounts for Settlements with Guaranteed Supplier of the Natural Gas”. The changes allow postponing the negative for communal heating enterprises consequences of the introduction of the distribution accounts till March of 2015.

VOLYN REGION. DIALOGUE PROMOTES ENERGY EFFICIENCY IN THE SOCIAL FIELD IN THE CITIES

Pursuant to the decision of the Local Government Regional Advisory Board of April 25, 2013, the oblast budget allocated funds to install heating meters at the social services institutions of the city of Novovolynsk in the total amount of 60,000 UAH and to install electric heaters and solid fuel boilers in medical institutions of Lutsk, totalling 204.32 thousand UAH. These measures provided an opportunity to control the cost of heating energy in the city of Novovolynsk, and in Lutsk the savings are expected to amount to 15% of the funds allocated on energy carriers for health care institutions.

ZHYTOMYR OBLAST. DIALOGUE HELPS IMPROVING THE QUALITY OF ADMINISTRATIVE SERVICES

Pursuant to the decision of the Local Government Regional Advisory Board of September 09, 2013, the Oblast Council at its session approved the “Electronic Zhytomyr Region” program, which is to provide oblast budget funding for the establishment of the Internet connection for all city, town and village councils in the Zhytomyr oblast during 2014 – 2015 with the purpose of improving the administrative services system. As of the end of 2014, 100% of city councils (11), 84% of village councils (34), and 61% of rural councils (350) were connected to the Internet.

ZAKARPATTYA OBLAST. THE WORK ON CONSTRUCTION OF LANDFILLS FOR RECYCLING AND UTILISATION OF SOLID HOUSEHOLD WASTE WAS CONTINUED

In continuation of the Local Government Regional Advisory Board decision of May 14, 2014, the oblast budget allocated 2 million UAH for the construction of the landfill for processing and disposal of solid household waste for populated areas in the Berehove rayon. The construction of the landfill is being performed in the village of Yanoshi with the completion phase scheduled for late 2015. The capacity of the landfill will constitute approximately 20 tons of solid household waste annually.

ZAKARPATTYA OBLAST. DIALOGUE PROMOTES ENERGY CONSERVATION IN THE SOCIAL SPHERE

Pursuant to the protocol decision of the ordinance of the Head of the Oblast State Administration that came about as a result of the working session of the Local Government Regional Advisory Board on May 15, 2014, the oblast budget allocated funds to purchase solid fuel boilers of 80% efficiency coefficient to be installed at schools and kindergartens of 30 village councils in the oblast. As a result, the majority of social facilities in territorial communities of these village councils will give up using the natural gas.

KIROVOHRAD OBLAST. DIALOGUE SUPPORTS TIMELY FUNDING OF THE LOCAL COUNCIL EXPENDITURES

Pursuant to the protocol decision of Local Government Regional Advisory Board of July 10, 2014 on the status of the state treasury administration of local government funds, the situation was brought under control of the Department of Finance of the Oblast State Administration. From now on, the State Treasury offices will submit information on funding of local budgets expenditures to the Oblast State Administration on a monthly basis. Due to this, as of the end of 2014, all local council expenditures on the implementation of their own authority have been provided for and there were almost no arrears in funding of the delegated authority.

RIVNE OBLAST. THANKS TO DIALOGUE ENERGY EFFICIENCY MEASURES ARE BEING IMPLEMENTED IN COMMUNITIES

Pursuant to the protocol decision of the Local Government Regional Advisory Board of April 14, 2014, gas boilers in Mlyniv, Kostopil and Rivne were upgraded at the expense of the oblast budget to use solid fuel. Also, in the cities of Rivne, Korets, Ostroh, Dubno, Kostopil, Berezne and Radyvyliv incandescent street lighting was replaced with LED lamps. Thanks to such steps the use of the natural decreased by 10% and electricity consumption decreased by 15%.

TERNOPIL OBLAST. DIALOGUE HELPS TO RESTORE TOURISM INFRASTRUCTURE AND CREATE JOBS

Pursuant to the decision of the Local Government Regional Advisory Board of June 21, 2011 "On the Promotion of the Tourism Industry in the Oblast", a local castle was overhauled in the city of Skalat with the total amount of 3 million UAH. Today, the castle is open for tourists and around 30 locals have been employed on the premises.

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 and establishment of the corresponding AUC Professional Groups;
- Public discussion of the report on the public opinion poll concerning the support for decentralisation
- Preparation of the Status of Local Self-Governance in 2014 Report;
- Preparation and dissemination of the “sectoral Monitoring” electronic publication

Dialogue Group

- Consultations with ministries;
- Submitting proposals for the Budget Declaration;
- Participation in working sessions of the Cabinet of Ministers;
- Coordinating the work of the inter-faction parliamentary group (local government caucus) in the newly-elected parliament. Support for the activities of the local government caucus;
- Conducting training events for National Deputy aides;
- 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;
- Conducting a media event;
- Publication of the AUC Herald
- Beginning of the work on the Strategy of Communication Activities of the AUC and the brand of reforms;
- 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;
- Monitoring of pressure on local government officials;
- Conducting local government training need assessment;
- Assigning responsibilities for the preparation of training modules and programs;
- Preparation and dissemination of the Legal Consultations electronic publication;
- Preparation and dissemination of the Legislation News electronic publication;