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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

January – March, 2015

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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 Tymoshenko Block  
CALD – Center for Analysis and Legislation Drafting  
CAS – Center for Administrative Services  
CMU – Cabinet of Ministers of Ukraine  
EB – Executive Board  
ESCO – Energy Service Company  
Ltd. – Limited  
MIA – Ministry of Internal Affairs  
NA – News Agency  
NEFCO – Nordic Environmental Finance Corporation  
NGO – Non-Governmental Organisation  
NJSC – National Joint-Stock Company  
OSA – Oblast State Administration  
PPB – Petro Poroshenko Block  
RADA – USAID Responsive Accountable and Democratic Assembly Project  
RSA – Rayon State Administration  
SACI – State Architectural and Construction Inspection  
SFS – State Fiscal Service  
STVRC – State TV and Radio Company  
TA – technical assistance  
TVRC – TV and Radio Company  
UBR – Ukrainian Business Resource  
UNDP – United Nations Development Programme  
USA – United States of America  
USAID – United States Agency for International Development  
UWLGA – Ukraine-Wide Local Government Association  
VRU – Verkhovna Rada of Ukraine

## 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 **60** draft legal and regulatory documents,
- The Project finished its work on preparing **6** draft legal and regulatory documents;
- **12** regulatory and legal documents to support local self-governance came into effect;
- The Project conducted **6** working sessions of AUC Professional Groups and established the AUC Energy Efficiency and Energy Security Professional Group;
- DIALOGUE Project experts participated in **25** working sessions of **6** ad-hoc parliamentary committees to present and promote the AUC position on draft legislation initiated by National Deputies;
- The Project conducted two consultative seminars to promote the decentralisation reforms for representatives of rayon significance cities and villages;
- The Project conducted **6** working sessions of Local Government Regional Advisory Boards;
- The Project conducted **7** national cohesion exchange study tours;
- The Project conducted **30** expert workshops in AUC ROs;
- The Project provided **300** 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 annual “Local self-Governance in Ukraine in 20\_\_” publication.

**Chapter 1. KEY ACHIEVEMENTS IN THE REPORTING PERIOD**

**January 13, 2015**, the Project conducted an expert workshop in the Vinnytsya AUC RO

**January 14, 2015**, the Project conducted an expert workshop in the Chernivtsi AUC RO

**January 15, 2015**, the Project conducted an expert workshop in the Ternopil

**January 20, 2015**, the Project conducted an expert workshop in the Ivano-Frankivsk AUC RO

**January 21, 2015**, the Project conducted an expert workshop in the Kherson AUC RO

**January 22, 2015**, the Project conducted an expert workshop in the Khmelnytskyi AUC RO

**January 22, 2015**, the Project conducted an expert workshop in the Kyiv AUC RO

**January 22-23, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Cherkasy

**January 23, 2015**, the Project conducted an expert workshop in the Zaporizhzhya AUC RO

**January 27 – 28, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Boryspil (Kyiv oblast)

**January 28, 2015**, the Project conducted an expert workshop in the Kharkiv AUC RO

**January 28, 2015**, the Project conducted an expert workshop in the Cherkasy AUC RO

**January 29 – 30, 2015**, the Project conducted a working session of the AUC Social Protection Professional Group, city of Ternopil

**January 30, 2015**, the Project conducted a working session of the Zhytomyr Oblast Local Government Regional Advisory Board and the regional press club, city of Zhytomyr

**January 30, 2015**, the Project conducted an expert workshop in the Luhansk AUC RO

**January 30, 2015**, the Project conducted an expert workshop in the Odesa AUC RO

**January 31, 2015**, the Project conducted an expert workshop in the Volyn AUC RO

**Late January**, the Project published and disseminated the 114<sup>th</sup> issue of the “AUC Herald” electronic publication

**Late January**, the Project published and disseminated the forty-eighth issue of the “Legislation News” electronic publication

**Late January**, the Project published and disseminated the fifty-second issue of the “DIALOGUE Newsletter” electronic publication

**February 09, 2015**, the Project conducted a meeting of the Municipal Energy Forum, city of Kyiv

**February 10**, the Project conducted a working session of the Kirovohrad Oblast Local Government Regional Advisory Board and the regional press club, city of Kirovohrad

**February 11, 2015**, the Project conducted an expert workshop in the Zhytomyr AUC RO

**February 13**, the Project conducted a consultative seminar for representatives of rayon significance cities to promote decentralisation reforms

**February 18 - 19**, the Project conducted the National Cohesion exchange study tour to the city of Kharkiv

**February 19**, the Project conducted a consultative seminar for representatives of towns and villages to promote decentralisation reforms

**February 19 - 20**, the Project conducted a working session of the AUC Public Education Professional Group, city of Sumy

**February 19, 2015**, the Project conducted an expert workshop in the Zakarpattya AUC RO

**February 19, 2015**, the Project conducted an expert workshop in the Volyn AUC RO

**February 20, 2015**, the Project conducted an expert workshop in the Dnipropetrovsk AUC RO

**February 23, 2015**, the Project conducted an expert workshop in the Ivano-Frankivsk AUC RO

**February 25, 2015**, the Project conducted a working session of the Rivne Oblast Local Government Regional Advisory Board and the regional press club, city of Rivne

**February 25, 2015**, the Project conducted a working session of the Ivano-Frankivsk Oblast Local Government Regional Advisory Board and the regional press club, city of Ivano-Frankivsk

**February 26 – 27, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Myrhorod (Poltava oblast)

**February 26 – 27, 2015**, the Project conducted a working session of the AUC Energy Efficiency and Energy Security Professional Group Safety, city of Kyiv

**Late February**, the Project published and disseminated the 115<sup>th</sup> issue of the “AUC Herald” electronic publication

**Late February**, the Project published and disseminated the forty-ninth issue of the “Legislation News” electronic publication

**Late February**, the Project published and disseminated the fifty-third issue of the “DIALOGUE Newsletter” electronic publication

**Late February**, the Project published and disseminated the annual “Local self-Governance in Ukraine in 2014” publication

**March 05, 2015**, the Project conducted a working session of the Zakarpattya Oblast Local Government Regional Advisory Board and the regional press club, city of Uzhgorod

- March 10, 2015**, the Project conducted an expert workshop in the Lviv AUC RO
- March 12 – 13, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Oleksandriya (Kirovohrad oblast)
- March 13, 2015**, the Project conducted an expert workshop in the Zaporizzhya AUC RO
- March 17, 2015**, the Project conducted a working session of the Khmelnytskyi Oblast Local Government Regional Advisory Board and the regional press club, city of Khmelnytskyi
- March 17, 2015**, the Project conducted an expert workshop in the Kirovohrad AUC RO
- March 18 – 19, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Ternopil
- March 19 – 20, 2015**, the Project conducted a working session of the AUC Health Care Professional Group, city of Khmelnytskyi
- March 19, 2015**, the Project conducted an expert workshop in the Poltava AUC RO
- March 20, 2015**, the Project conducted an expert workshop in the Rivne AUC RO
- March 24, 2015**, the Project conducted an expert workshop in the Vinnytsya AUC RO
- March 24, 2015**, the Project conducted an expert workshop in the Kyiv AUC RO
- March 25, 2015**, the Project conducted an expert workshop in the Mykolaiv AUC RO
- March 25, 2015**, the Project conducted an expert workshop in the Ternopil AUC RO
- March 27, 2015**, the Project conducted an expert workshop in the Volyn AUC RO
- March 27, 2015**, the Project conducted an expert workshop in the Sumy AUC RO
- March 26 – 27, 2015**, the Project conducted a working session of the AUC Local Government Lawyers Professional Group, city of Odesa
- March 30 – 31, 2015**, the Project conducted a working session of the Ukrainian Association of City Finance Officers, city of Ivano-Frankivsk
- March 31 – April 01, 2015**, the Project conducted the National Cohesion exchange study tour to the city of Lviv
- March 31, 2015**, the Project conducted an expert workshop in the Odesa AUC RO
- Late March**, the Project published and disseminated the 116<sup>th</sup> issue of the “AUC Herald” electronic publication
- Late March**, the Project published and disseminated the fiftieth issue of the “Legislation News” electronic publication
- Late March**, the Project published and disseminated the fifty-fourth issue of the “DIALOGUE Newsletter” electronic publication

**Late March**, the Project prepared and disseminated the nineteenth issue of the “Sectoral Monitoring” electronic publication

**Late March**, the Project prepared and disseminated the eighteenth issue of the “Legal Consultations” 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 60 draft laws and other legal and regulatory documents, 24 laws and regulations were sent for AUC concurrence including 14 concurred without reservations, 4 with reservations, with 3 not concurred with. Twelve 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 35 draft laws were prepared). 63 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 Project continued to work on technical area profiles, thus performing the legislation drafting need assessment and legislation monitoring.

Over the reporting period, the Project prepared a new Administrative Services Technical Area Profile in addition to the existing 10 technical profiles.

Its Current Legal Framework chapter provides the names and registration information of the current regulatory and legal documents, which regulate this technical area. The Profile outlines 31 problem issues, which need to be resolved. These problem issues have been identified based on the findings of the thematic survey of local councils conducted in 2014 and based on the meeting of the AUC Administrative Services Professional Group. The Technical Area Profile also offers statistical and sociology data on the status and quality of administrative services.

During the reporting period, the Project withdrew from the Organisational and Legal Framework of Local Self-Governance Profile the names of 11 regulatory and legal documents, which regulate the provision of administrative services, because over the same period a separate Administrative Services Technical Area Profile was prepared, which includes these documents.

Over the same period the Project supplemented the Current Legislative Framework chapters in other profiles with the names and registration data of 28 regulatory and legal documents including 1 Decree of the President of Ukraine, 3 laws of Ukraine, 11 Resolutions of the Cabinet of Ministers of Ukraine, and 13 instructions of ministries. The names of 8 resolutions of the CMU and 2 instructions of ministries, which became void, were excluded from the profiles.

As to the resolved problem issues, it is worthwhile mentioning the following:

- Ukraine has got a legal mechanism for the formation of territorial basis for capable communities due to the approval of the Law of Ukraine “On Voluntary Consolidation of Territorial Communities”;

- Increased discretionary resources of local budgets;
- improved methodology for calculating the formula-based distribution of transfers, which are provided to local budgets;
- more simple access for local governments to cheap credit resources;
- increased scope of local government authority in budgeting, etc.

#### 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
Local Budgets and Financial Foundations of local Self-Governance	33	3	8	28
Housing and Municipal Utilities	47	0	0	47
Land Relations	19	0	0	19
Organisational and Legal Foundations of Local Self-Governance	30	2	1	31
Local Elections	16	0	0	16
Social Protection	23	0	0	23
Health Care	21	0	0	21
Public Education	22	0	0	22
Culture and Arts	25	0	0	25
Energy Efficiency and Energy Security	14	18	0	32
Administrative Services	0	31	2	29

#### *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 **60** pieces of draft legislation.

DIALOGUE Project experts were involved in the AUC concurrence procedure with regard to **21** 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 – **13**;
- Ministry of Public Education and Science – **3**;
- Ministry of Labour and Social Policy – **2**;
- National Agency of Ukraine for Civil Service – **1**;
- National Architectural and Constriction Inspection – **1**; and,
- National Energy and Municipal Utilities Regulation Commission – **1**.

**Fourteen** of these pieces of legislation were approved without reservations, **4** – 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:**

- On January 30, the President of Ukraine signed the Law of Ukraine **“On Introducing Amendments to the Budget Code of Ukraine Concerning Clarifications and Bringing Some of Provisions in Compliance with Provisions of the Current Legislation”** (Draft # 1766), which was approved by the Verkhovna Rada on January 15, 2015. The purpose of this document is to bring some provisions of the Budget Code of Ukraine in compliance with the provisions of the Tax Code of Ukraine, Law of Ukraine “On the National budget of Ukraine for 2015”. The law, in particular, provides for the following:
  - providing incentives for inter-municipal cooperation and community consolidation projects through the state support for the corresponding territorial communities at the expense of the National Regional Development Foundation;
  - providing resolution of problem issues associated with the financial support for the implementation of the delegated authority of local governments in rayon significance cities, towns and villages for the interim period before the capable communities have been established through consolidation;
  - ensuing the 100% collection of local taxes and fees to local government budgets; and,
  - offering a mechanism for the proper collecting enough funds to ensure capital expenditures of local budgets.
- On February 05, 2015, the parliament approved the Law of Ukraine **“On Open Use of Public Funds”** (Draft # 0949). The purpose of the document is to ensure public access to and information openness for the use of public funds and taxpayer money. This document mandates local governments to publish on a quarterly basis on the special web portal the information on the use of public funds.
- On March 01, the President of Ukraine signed the Law of Ukraine **“On the Foundations of the National Regional Policy”**. The document was approved by the parliament on February 05. The Law, in particular, establishes a transparent and democratic mechanism for projecting the use of funds from the National Regional Development Fund, which is, in particular, important to ensure the state support for the infrastructure development of consolidated territorial communities.
- On March 03, the President of Ukraine signed the Law of Ukraine **“On Voluntary Consolidation of Territorial Communities”** (Draft # 0915). The document was approved by the parliament on February 05, 2015. The purpose of the law mentioned above is to establish a mechanism for consolidation of territorial communities of villages, towns and cities and to provide the state support for consolidated territorial communities, as well as setting the legislative framework and opportunities for:
  - consolidation through voluntary amalgamation of territorial communities, which is an important factor for increasing the capacity of local self-governance and enhancing its role in deciding upon issues of local importance;
  - establishment of capable territorial communities whose main task will be to ensure high quality of basic social and administrative services, improvements of conditions for sustainable development of the corresponding territories, and more effective use of budget funds and other resources.

- On March 10, the President of Ukraine signed the Law of Ukraine “**On Introducing Amendments to the Budget Code of Ukraine**” (Draft # 2209). The parliament approved the Law on March 02, 2015. The reason to approve the law was dictated by the need to provide a mechanism for the additional distribution and redistribution of general subventions envisioned by Articles 103<sup>2</sup> - 103<sup>5</sup> of this Code between local budgets in compliance with the provisions of Article 24 of the Law of Ukraine “on the National Budget of Ukraine for 2015”, namely, the amount of expenditures envisioned by the budget program called “Steps to optimise the system of central agencies of the state executive and to reduce the number of inspection agencies”.
- On March 10, the President of Ukraine signed the Law of Ukraine “**On Introducing Amendments to the Law of Ukraine “On the National Budget of Ukraine for 2015”**”. The parliament approved the law on March 02, 2015. The document envisions channelling to local budgets the total of 5.2 billion UAH in additional transfers for social and economic development of territorial communities.
- On March 18, 2015, the Verkhovna Rada of Ukraine approved the Law of Ukraine “**On Introducing Amendments to the Tax Code of Ukraine Concerning the Taxation of Certain Non-Profit Organisations**” (Draft # 1892). The document provides opportunities to avoid the unjustified taxation of revenues and collections of condominium associations, housing owner associations and housing construction cooperatives, which are, in fact, non-profit organisations.
- On January 14, 2015, the Cabinet of Ministers of Ukraine approved resolution # 6 “**Certain Issues Related to the Provision of the Educational Subvention from the National Budget to Local Budgets**”. The document outlines the methodology to provide the subvention for the public education sector from the National Budget to local budgets and allows educational establishment to make during the budget period the expenditures, which are outlined in Article 103<sup>2</sup> of the Budget Code of Ukraine, simultaneously from the National Budget and local budgets and/or simultaneously from various local budgets.
- On January 23, 2015, the Cabinet of Ministers of Ukraine approved Resolution # 11 “**Certain Issues Related to the provision of the Medical Subvention from the National Budget to Local Budgets**”, which approved the procedure and conditions for the provision of the medical subvention from the National Budget to local budgets and provided the appropriate instructions to oblast, Kyiv city and rayon state administrations concerning its implementation. At the same time, in particular, the corresponding local councils and consolidated territorial communities have the right to distribute the remaining funds of the subventions they have accumulated by the end of the budget period through the corresponding ordinances, and, additionally, to plan and make payments from local budgets on their current and capital expenditures of health care establishments and on programs in the health care sector in excess of the subvention amount.
- On January 23, 2015, the Cabinet of Ministers of Ukraine approved Resolution # 12 “**On Introducing Amendments to the Methodology for the Recalculation of Inter-Budget Transfers**”. This significantly improves the system of transfers. For example a basic subsidy and subventions from the National Budget (education subvention, subsidy for training blue collar workers, and medical subvention) will be transferred by the Treasury to oblast, city, (for the city of Kyiv and cities of oblast importance), and rayon budgets and other local government budgets, for which the National Budget has envisioned inter-budget transfers. These funds will be transferred in equal amounts every ten days on the last decade day in accordance with spending rules of the National Budget. Another innovation envisioned in the Methodology is the reverse subvention to the National Budget from the oblast, city, (for the city of Kyiv and cities of oblast importance), and rayon budgets, as well as other local government budgets, for which the National Budget has envisioned inter-budget transfers. These funds will be transferred by territorial offices of the State Treasury in oblasts and in the city of Kyiv in equal amounts every ten days

on the last decade day in accordance with spending rules of the National Budget at the expense of actual collections to the general funds of the local budget.

- On January 29, 2015, the National Commission for the State Regulation in the Sphere of Energy and Municipal Utilities approved Resolution # 80 **“On Establishment of the Threshold Level of Prices for the Natural Gas for Institutions and Organisations Funded from the National Budget and Local Budgets»**. The document introduced the threshold (maximum) level of the price for the natural gas, which is sold to institutions and organisations financed from the National Budget and local budgets: - 5,700.00 UAH for 1,000 m<sup>3</sup> (not counting the value added tax, fee in the form of the extra charge to the current tariff for the natural gas for consumers representing all types of ownership, which is paid in the amount of 2 percent, as well as not counting the tariffs for the services related to the transportation, distribution and supply of the natural gas according to the regulated tariff).
- On March 04, 2015, the Ministry of Finance of Ukraine issues Instruction # 288 **“On Introducing Amendments to Paragraph 1 of the Supplement to the Methodology for Evaluation of the Performance of Chief Bookkeeper of the Public Sector Institution of is/Her Authority and Considering Certain Instructions of the Ministry of Finance of Ukraine Void”**. The document also considers void Instruction of the Ministry of Finance of Ukraine # 214 of February 21, 2011 **“On the Methodology for Appointing and Dismissing the Chief Bookkeeper of the Public Sector Institution”**. In other words, since the enactment of Instruction # 288, there is not need to get approval from the State Treasury Service of Ukraine for hiring or dismissing the manager of the accounting office of the public sector institution (chief bookkeeper) including chief bookkeepers of local government bodies.

**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 January 13, 2015, the parliament approved in the first reading the draft Law of Ukraine **“On Introducing Amendments to Certain Ukrainian Legislation Concerning Decentralisation of Authority in the Sphere of Architectural and Construction Control and Improvements of Urban Development Legislation”** (# 1546). The draft law envisions the transfer of authority to exercise the architectural and construction control and to engage in permit and approval activities in the construction sphere (issuing construction permits and commissioning buildings) from state executive agencies (State Architectural and Construction Inspection) to local government bodies.
- On February 05, 2015, the parliament approved in the first reading a draft Law of Ukraine **“On Introducing Amendments to the Budget Code of Ukraine (concerning the introduction of new investment opportunities, guaranteeing rights and legitimate interests of business entities and conducting a large-scale energy modernisation)”** (# 1409). The draft laws have the following provisions, which were included in the draft documents prepared within the framework of the DIALOGUE Project: a) providing opportunities for public sector institutions to enter into energy servicing agreements (through ESCO mechanisms) for the timeframe more than one year; b) providing guarantees for investors to pay an award for the proven saving of energy resources within the framework of the energy servicing agreement.
- On February 06, 2015, National Deputies of Ukraine including I. Nasalyk and others introduced to the parliament for consideration a draft Law of Ukraine **“On Introducing Amendments to the Budget Code of Ukraine (concerning the financial support to provide coverage for temporary cash shortages of local budgets)”** (Registration # 2062). The draft law has a suggestion to exclude the provisions, whereby a selective approach was used to deprive certain territorial communities of the right to obtain short-term loans from the National Budget to cover temporary cash shortages of their local

budgets associated with the funding for protected line items of the budget general fund (such as salaries, energy bills, etc.) in case these territorial communities made decisions to use banks for administration of their special fund money (development part of their budgets and local government own collections).

- On March 11, 2015, S. Melnyk, National Deputy of Ukraine, submitted to the parliament for consideration a draft Law of Ukraine **“On Introducing Amendments to the Law of Ukraine “on Regulation of Urban Development Activities” concerning cost-share contributions for the development of the infrastructure of the populated area”** (Registration # 2361). The draft law streamlines the mechanisms to calculate and regulate the payment by development companies of the cost share contribution for the development of infrastructure of the populated area and increases the financial self-sufficiency of territorial communities by making development companies pay their cost share for the development of infrastructure of the corresponding populated areas in full and on a timely basis.
- On March 24, 2015. National Deputy of Ukraine O. Berezyuk and others submitted to the parliament for consideration a draft Law of Ukraine **“On Citizen self-Organisation Bodies”** (Registration # 2466). The draft law envisions improvements of the mechanism to establish citizen self-organisation bodies and the methodology for vesting them with certain local government powers, as well as funds to implement this authority.
- On March 30, 2015, the Cabinet of Ministers submitted too the parliament for consideration a draft Law of Ukraine **“On Service in Local Governments”** (Registration # 2489). The draft law envisions the establishment of the legal framework for: improving the image of the local government service; transparent hiring for local government service; incentives for career growth; and, a new model for compensation, which would minimise the subjective approach of the supervisor.

**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 legal and regulatory documents:

- Methodology for the establishment of capable communities and draft Resolution of the Cabinet of Ministers of Ukraine to approve it;
- draft Law of Ukraine “On Territorial Arrangement in the Context of the Rayon Division” concerning the formation of the sub-regional level of local self-governance (to include outline maps of oblasts with the suggested rayon division and characteristics of the rayons, as well as their population);
- draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation to Streamline Contractual Relations in the Sphere of the Provision of Housing and Municipal Utility Services”; and,
- draft Law of Ukraine “On Introducing Amendments to the Law of Ukraine “On Elections of Deputies of the Verkhovna Rada of Crimea, Members of Local Councils and Village, Town and City Heads” to bring it in compliance with the requirements of the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine, as well as the provisions of the Coalition Agreement concluded by the factions representing the parliamentary Majority in the Verkhovna Rada of the 8<sup>th</sup> convocation.

The Project started to work on the draft Law of Ukraine “On the Foundations of the Territorial Arrangement of Ukraine? Concerning the mechanisms to set, abolish and draw boundaries, names of administrative and territorial units, populated areas and rendering them to certain categories.

In addition to this, DIALOGUE Project experts drafted:

- draft law on introducing amendments to the Budget Code of Ukraine to clarify some of its provisions and bring them in compliance with the provisions of the current legislation (Registration # 1766);
- draft law on introducing amendments to the Law of Ukraine “On the National Budget of Ukraine for 2015” concerning writing off 9.8 billion UAH of the local budget debt they accumulated on mid-term loans taken in previous years;
- draft law on introducing amendments to the Budget Code of Ukraine concerning increasing the scope of authority of local governments of villages, towns and rayon significance cities;
- draft law on introducing amendments to the Tax Code of Ukraine concerning increasing the scope of authority of local governments of villages, towns and rayon significance cities;
- draft law on introducing amendments to the Tax Code of Ukraine concerning resolving problem issues associated with the payment of the land tax and land lease payments; and,
- draft law in introducing amendments to certain legislation concerning the renewal of guarantees of the pension support for elected local government officials.

### **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

January 29 – 30, 2015, city of Ternopil

21 representatives of structural departments of city councils responsible for labour and social protection issues from the following cities: Boryspil, Vinnytsya, Zhytomyr, Ivano-Frankivsk, Kirovohrad, Konotop, Lutsk, Lviv, Mykolaiv, Odesa, Rivne, Ternopil, Khmelnytskyi, and Cherkasy. All in all, representatives of 14 regions of Ukraine attended the event. The meeting of the Professional Group was also attended by S. Nadal, Mayor of Ternopil, V. Muzychenko, Director of the Department of State Allowances of the Ministry of Labour and Social Policy of Ukraine, V. Ivanov, Deputy Director of the Department of the Social Policy of the Ternopil Oblast State Administration, and A. Reva, Deputy Mayor of Vinnytsya.

The main item on the agenda was the discussion of the Methodology for the calculation and allocation subsidies to offset citizen expenditures for the payment of housing and utility services, purchase of liquefied gas, as well as solid and liquid fuels for ovens.

In his presentation, the representative of the Ministry of Social Policy stressed that after the increase of housing and municipal utility services tariffs for the population, the number of households who have the right to receive subsidies has increased up to 3.5 million. In case the tariffs continue to increase during the year, the number of those who are eligible for subsidies will increase up to 7 million families. This is why it is so important to develop such Methodology, because its approval will facilitate the calculation of subsidies for the population and the corresponding financial support.

The discussion of the draft Methodology caused a lively discussion. The heads of city social protection departments who were present at the event presented their suggestions and comments for the following technical areas:

- identification of the category of persons who are eligible for subsidies;
- package of documents to be submitted for the subsidy and the way they should be submitted;
- authority and powers of social inspectors who will assess the financial condition of households;
- interaction of government agencies, companies and organizations to exchange the information about the family composition, registered persons and the housing and municipal services provided; and,
- the way the family composition certificate should be obtained.

Following the discussions, the event participants made a decision to revisit the draft Methodology and to present their written proposals to the document for further generalization and submission to the Ministry of Social Policy.

V. Sulyma, Acting Head of the Department of Social Policy of the Ternopil City Council, made a presentation about the Ternopil city experience in providing social protection services for citizens and about the network of social protection facilities, financial support provided from the city budget, payments and subsidies. The event participants expressed great interest in the city social welfare and protection programs.

V. Karabutova, Expert of the AUC Center for Analysis and Legislation Drafting, presented for the public discussion draft regulatory and legal documents, which are supposed to increase the local government authority in the sphere of social protection. Following the discussion, the event participants made a decision to support the following documents:

- draft Law of Ukraine “On Amending Article 2 of the Law of Ukraine “On Public Procurement” (to simplify procurement of raw materials, other materials, semi-finished products and components for technical and other means for the rehabilitation of disabled children and other categories of the population), which will make significant improvements and simplify the production of rehabilitation means;
- draft resolution of the Cabinet of Ministers of Ukraine “On Certain Issues Related to the Implementation of the Right to Labour and Social Protection from Unemployment of Internally-Displaced Persons”, which envisions a special mechanism for granting such status who were displaced due to the Russian invasion in the east of Ukraine;
- draft Instruction of the Cabinet of Ministers of Ukraine “On the Model Methodology for the Day Care Department for the Elderly and the Disabled”, which will improve the provision of social services in territorial communities and will vest local governments with the right to resolve the corresponding organizational issues; and,;
- draft Instruction “On Approving the Methodology for the Evaluation of Proposals for the Competition on Best Social Projects Funded from the Local Budget”, which outlines the major requirements for the content and format of solicitation announcements, information about social services, its placement, exchange of information on social services between structural departments and social sector institutions.

Working within the format of the meeting of the AUC Social Protection Professional Group, the event participants paid visits to:

- Main Department for Social Policy of the Ternopil City Council;
- Territorial Center for Social Services;

- charity canteen and hairdresser's; and,
- Geriatric Center.

### AUC Public Education Professional Group

February 19 - 20, 2015, city of Sumy

24 representatives of the cities of Boryspil, Izyum, Kirovohrad, Konotop, Kupiansk, Lebedyn, Lozova, Lyubotyn, Mykolaiv, Pervomaisk, Sumy, Kherson, Shostka, Chernivtsi, and Chuhuiv. All in all, 7 regional of Ukraine were represented at the event.

An expert of the Association of Ukrainian Cities familiarised the event participants with draft regulatory and legal documents, which deal with the local government authority in the sphere of public education and are currently under consideration in the parliamentary committees. Based on the discussions, the participants came up with the following recommendations:

- to support the draft law “On Introducing Amendments to the Law of Ukraine “On Pre-School Education” (concerning the opportunities for providing public education services for internally-displaced persons and forming up groups in pre-school educational establishments)” Registration # 1182 of December 02, 2014), whereby the founder (owner) of the pre-school educational establishment is vested with the right to discretionally determine a different number of children in groups in pre-school educational establishments under the condition that this establishment complies with the main requirements of the pre-school education and Basic Requirements of the Pre-School Education Component. The draft law envisions one of the ways to resolve the problem issue of shortage of slots in pre-school educational establishments, however, there are concerns about the provision on recommended number of children in groups.
- to support the draft law “On Introducing Amendments to the Law of Ukraine “On Pre-School Education” (concerning increasing opportunities for parents to provide education for children in state-owned and communally-owned pre-school educational establishments” (Registration # 1437 of December 11, 2014), whereby pre-school educational establishments will enroll additional groups (with 3 to 15 persons) on a commercial basis with the financial support provided by parents or persons who substitute them, as well as other physical or legal persons.
- not to support the draft law “On Introducing Amendments to Certain Ukrainian Legislation on Providing Schoolchildren of Grades 1 – 4 of Comprehensive Educational Establishments with Free Nutrition” (Registration # 1834 of January 23, 2015), whereby the National Budget will allocate a subvention to provide funding for nutrition of schoolchildren. The proposed provision to provide budget allocations for nutrition of schoolchildren will be difficult to implement and will hardly resolve the issue of proper nutrition of children in schools. The event participants expressed the idea that abolishing the requirement to conduct tenders for the procurement of foodstuffs and nutrition services in educational establishments will be a way to improve the situation with nutrition in educational establishments.
- support the draft law “On Introducing Amendments to Certain Ukrainian Legislation on Free Supply of Textbooks for Pupils of Comprehensive Educational Establishments and Teachers” (Registration # 1857 of January 27, 2015), whereby pupils of comprehensive educational establishments and teachers will be provided with textbooks, manuals and teaching and didactics materials. While supporting the draft law in general, the event participants expressed their concerns about the right of comprehensive educational establishments to come up with official request for such materials. In the opinion of heads of city public education departments this is the authority departments for education, which serve as spending units of public funds.

- to support the draft law “On Introducing Amendments to Closing Provisions of the Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation and Considering Some Laws Void” Concerning the Continuation of Activities of Teacher Guide Offices” (Registration # 2056 of February 06, 2015), whereby the provision with the requirement to take steps to improve the network of rayon (city) teacher guide offices and cut down the corresponding expenditures will be abolished. While supporting the draft law, the event participants mentioned that the optimisation of the network of teacher guide offices is necessary, however the corresponding decisions should be made by the corresponding local governments upon the submission of departments of education.

In the course of the discussions, the heads of city/town departments of education discussed certain problem issues and came up with proposals to resolve them.

Following the discussion, the participants decided to assign the task for the Executive Board of the Association of Ukrainian Cities to send draft decision notes to ad-hoc parliamentary committees on the corresponding draft laws and proposals on how to improve regulatory and legal framework for the public education sector.

The participants of the Professional Group meeting visited local communally-owned pre-school, comprehensive and out-of-school facilities in the city.

#### AUC Energy Efficiency and Energy Security Professional Group

February 26 - 27, 2015, city of Kyiv

The participants of the AUC Professional group meeting discussed the following draft regulatory and legal documents dealing with energy efficiency and are currently under consideration in the VRU committees or line ministries:

- Draft Law of Ukraine “On Introduction of New Investment Opportunities, guarantees of the Rights and Legitimate Interests of Business Entities for Large-Scale Energy Modernisation” (Registration # 1313 of December 09, 2014) and draft Law of Ukraine “On Introducing Amendments to the Budget Code of Ukraine (concerning the introduction of new investment opportunities, guarantees of the rights and legitimate interests of business entities for large-scale modernisation)” (Registration # 1409 of December 11, 2014). The approval of these documents will provide opportunities to attract investments to support energy efficiency projects in public sector institutions without increasing local or national debts and without local or state guarantees. The event participants supported the draft laws.
- Draft Law of Ukraine “On Energy Efficiency of Buildings” (Registration # 1566 of December 22, 2014), which caused a lively discussion. Given the fact that the draft law contains corruption risks, the introducing additional bureaucratic procedures and permits will not resolve the main intended goal, namely: the promotion of the environment for the reduction the consumption of energy in buildings, the AUC came up with a proposal to withdraw the document.
- Draft Law of Ukraine “On Introducing Amendments to the Tax Code of Ukraine” (concerning incentives for the use of alternative sources of electricity) (Registration # 1821 of January 22, 2015). The draft law was supported by the event participants.
- Draft Law of Ukraine “On Introducing Amendments to certain Ukrainian Legislation to Promote the Competitive Environment for the Generation of Electricity from Alternative Sources of Energy” (Registration # 2010 of February 03, 2015). The

event participants supported the draft law with a suggestion to elaborate it in the context of proposals to be submitted by the participants later on.

- Draft Resolution of the Cabinet of Ministers of Ukraine “On Introducing Amendments to Resolutions of the cabinet of Ministers of Ukraine of March 01 2010 # 243 and of October 17 2011 # 1056” (concerning incentives for the population and condominium associations to introduce energy efficiency projects). The event participants supported the draft resolution.
- Draft Law of Ukraine “On Introducing Amendments to Article 24 of the Law of Ukraine “On Energy Supply” Concerning Concluding Long-Term Agreements for the Supply of Heat Energy” (prepared by the National Agency for Energy Efficiency of Ukraine). The event participants supported the draft law.

The members of the Professional Group expressed their interest in discussing legal and regulatory documents in the sphere of energy efficiency, which come to the relevant ministries and VRU Committees and expressed the need to obtain these documents in order to respond quickly to legislative initiatives and provide their proposals.

#### AUC Health Care Professional Group

March 19 - 20, 2015, city of Khmelnytskyi

22 heads (deputy heads) of structural departments for health care from AUC member municipalities, such as: Vinnytsya, Ivano-Frankivsk, Zhytomyr, Kamianets-Podilskyi, Kirovohrad, Lutsk, Lviv, Odesa, Rivne, Ternopil, Khmelnytskyi, Kherson, and Chernivtsi participated in the meeting. The event participants represented 12 oblasts of Ukraine. The event was also attended by 10 chief doctors of communally-owned health care establishments from the city of Khmelnytskyi.

M. Vasylyshyn, Director of the Department for Health Care of the Khmelnytskyi City Council, made a presentation about the network of communally-owned health care establishments, peculiarities of their operations, and the current status of financial support.

V. Karabutova, DIALOGUE Project expert, presented the following draft regulatory and legal documents for the discussion:

- draft law “On Introducing Amendments to the Basic Ukrainian Legislation on Health Care (concerning securing constitutional guarantees of free medical assistance for citizens)” (Registration # 1483 of December 16, 2014). The event participants believe that the draft law needs some revisions, although some of the suggested provisions are appropriate. In particular, this refers to the development and implementation of national standards of health care and calculation of the cost of medical services, and approval of the state guaranteed minimum of health care services.
- draft law ‘on Introducing Amendments to the Law of Ukraine “On the Basic Ukrainian Legislation on Health Care” (concerning social guarantees of employees in the health care sector)” (Registration # 1332 of December 10, 2014). Representatives of cities supported the draft law in general, however they emphasised the need to provide the financial support to the guarantees provided for the draft law.
- draft law “On the Continuation of the Health Care System Reform in the Vinnytsya, Dnipropetrovsk and Donetsk Oblasts and in the City of Kyiv” (Registration # 2050 of February 06, 2015). Local government experts did not support the draft law and emphasised that the official outcomes of the reform in the pilot projects have not been presented yet, so there is no need to disseminate this experience.

- draft law ‘On Introducing Amendments to the Basic Ukrainian Legislation on Health Care’ (author – Ministry of Health Care). The proposed changes are intended to specify in the legislation the right of the central executive body charged with the development of the national public policy in the health care sector to approve the procedure for providing health care establishments (regardless of type of ownership) and doctors who conduct commercial medical practice activities (as entrepreneurs represented by physical persons) with medical certificates of unfitness for work. The event participants supported the draft law.
- draft law “On State Social Medical Insurance”. The event participants supported the necessity of preparing and introduction of medical insurance in Ukraine.

In the course of the discussions, local government medical experts expressed a number of proposals concerning reforms in the health care system including the following:

- prepare and approved national standards for medical services;
- perform the administrative and territorial reform aiming at further optimisation of the network of establishments and formation of hospital districts;
- preserve the network of secondary level establishments in oblast significance cities;
- provision of consultative, diagnostic and therapeutic medical services by centers of primary health care;
- put in place the regulatory and legal framework for services to citizens in other populated areas and oblast significance cities;
- develop and approve the regulations on the professional load on the family doctor and other health care workers in health care establishments;
- put together a clear list of diseases and medical conditions to be treated in secondary and tertiary levels health care establishments and revisit the list of diseases whose treatment is to be provided at the primary level, i.e. by family doctors;
- expand the list of paid services that may be provided by health care establishments; and,
- develop regulatory and legal documents to introduce health insurance and the involvement of citizens in co-financing health care services.

During the second day of activities of the Professional Group, the local government experts exchanged their professional experience and visited communally-owned health care establishments of Khmelnytskyi.

Based of the discussions, the DIALOGUE Project experts will take into account the proposals of city representatives and will prepare their proposals to the Ministry of Health Care of Ukraine to resolve problem issues in the sector.

#### AUC Local Government Lawyers Professional Group

March 26 - 27, 2015, city of Odesa

26 representatives of legal services from 12 oblasts of Ukraine, as well as a representative of the Ministry of Regional Development, Construction, Housing and Municipal Utilities participated in the event. The following main issues were discussed:

1. *On voluntary consolidation of the territorial communities and other issues related to the territorial arrangement of government institutions in Ukraine.* The government is planning to perform the voluntary consolidation of territorial communities in line with the corresponding Law and according to the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine, as approved by Resolution of the Cabinet of Ministers of Ukraine # 333-p of April 01, 2014.

In the course of the discussions, the representative of the Ministry of Regional Development put the main emphasis on the proper articulation of the main ideas of the reform to the participants as experts who play the key role in the formation of the opinion of the local government community and local council members in at the local level. The event participants decided to support in general the voluntary consolidation of territorial communities as the first stage in changing the territorial arrangement of government institutions. To pay attention of the Ministry of Regional Development and the Association of Ukrainian Cities to the necessity of the methodological support and financial incentives for the activities mentioned above.

2. *On the draft Law of Ukraine ‘On Service in Local Governments’ prepared by the National Agency for Civil Service of Ukraine.* The draft law reflects the main comments of the AUC concerning the autonomy of local governments to identify the conditions for compensation, as well as avoiding the possibility for state inspection agencies to interfere with local government activities. The event participants decided to support the draft Law of Ukraine “On Service in Local Governments”, as well as the position of the AUC concerning this document. To submit in the due manner the proposals on technical improvements of the draft law in the course of its consideration in the ad-hoc parliamentary committee.
3. *On the draft Law of Ukraine “On Administrative Procedures”.* The document was prepared by the Ministry of Justice of Ukraine. The draft Law deals with the mechanisms for local governments to approve and register individual action decisions aimed at acquiring, modifying or terminating rights and obligations of a physical or legal person (administrative acts) in all areas of local government activities. At the same time, the implementation of the law will make local government activities more difficult and will lead to the prolongation of consideration of various issues and more reasons to appeal local government actions in courts. The event participants decided to support the position of the AUC concerning the need to substantially elaborate and simplify the draft Law of Ukraine “On Administrative Procedures”, as well as to revisit the concept of this law.
4. *On Draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation Concerning Decentralisation of Authority in the Sphere of Architectural and Construction Control and Improvements of the Urban Development Legislation” # 1546 of December 22, 2014.* Local government have the authority in the sphere of architectural and construction control that do not provide the tools for effective influence on unscrupulous developers who evade the payment of cost share contributions for the development of the city infrastructure, as well as commit other offenses. The draft law envisions the corresponding authority for local governments. The draft law was approved in the first reading, but there are problems with the preparation of the document for the second reading. The event participants decided to support 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” # 1546 of December 22, 2014.
5. *On the draft Resolution of the Cabinet of Ministers of Ukraine “On Introducing Amendments to Annexes 1 and 3 to the Mechanisms for Commissioning Finished Construction Objects”.* The draft Resolution envisions the inspection of whether the developer has concluded and is in full compliance with the agreement of cost share contribution for the development of the city infrastructure. This will provide opportunities to substantially limit abuse on the part of developers. The Cabinet of Ministers removed the draft document from consideration. The event participants decided to come up with a recommendation for the Cabinet of Ministers and Ministry of Regional

Development, Construction, Housing and Municipal Utilities to come back to the consideration of this issue and to approve the corresponding resolution.

### Association of City Finance Officers of Ukraine

March 31 – April 01, 2015, city of Ivano-Frankivsk

36 persons participated in the event: a) heads of local government finance offices from 14 oblasts of Ukraine; b) Deputy Mayor of Ivano-Frankivsk; c) Deputy Director of the Department of Finance of the Ivano-Frankivsk Oblast State Administration (OSA); d) First Deputy Head of the Main Authority of the State Fiscal Service in the Ivano-Frankivsk oblast; e) Manager of the UNDP Program; f) InterNews Project Coordinator; and f) representatives of the Executive Office of the Ivano-Frankivsk AUC Regional Office, AUC Council for Smaller Cities and the DIALOGUE Project.

The main issues for the discussion included the following:

- Amendments to the Budget and Tax Codes of Ukraine concerning the budget decentralisation.
- Draft laws registered in the parliament, which have a direct influence on the budget sufficiency of territorial communities: # 1759 (reducing from 80% to 40% of collections from the environmental tax to local budgets), # 1899 (resolving problem issues related to the taxation at the local level), # 1900 (changing the system of inter-budget balancing), # 2036 (financing medical and educational institutions both through subsidies and own resources of local budgets), # 2062 (excluding provisions depriving local governments from the right to receive short-term loans in case they use services of the state-owned bank to administer their local budgets), # 2096 (splitting the unified treasury account to sub accounts to administer local budgets), # 2241 (excluding the requirement for having no debt, on earmarked budget line items as a condition for financial support for public sector institutions provided from budgets at various levels).
- Preparation of proposals concerning amendments to the Law of Ukraine “On the National Budget of Ukraine for 2015”.
- Outlining the key areas for the preparation of regulatory and legal documents to resolve problem issues in the sphere of local budgets and inter-budget relations.

In addition to this, UNDP and InterNews representatives made a presentation for the event participants of the software to monitor the transparency of budgeting at the local government level.

The event participants came to the following conclusions:

1. Made a decision of the necessity to amend the Budget and Tax Codes in the parts dealing with: a) increased accountability of employees of the State Treasury for the failure to administer local government payments in a timely manner; b) improvements to the mechanism for administering immovable property tax; c) increasing the tax base for the transportation tax; d) collecting land fees as of the date specified in local council ordinances; e) introducing the practice of payments of the personal income tax to the budget of the populated areas where economic activities take place; f) providing more opportunities for local budgets to use bank services to administer their special funds without losing the right to obtain short-term loans from the National Budget; g) introducing a subvention to local budgets at the expense of 15% of the national level excise collections for the maintenance of roads between populated areas, etc.

2. Came up with a suggestion to support Draft Laws ## 1899, 2062, and 2096; to reject Draft Laws ##1759, 2036, and 2241; and, to elaborate Draft Law # 1900 to balance out the system to level up budgets, exclude provisions to provide the financial support for educational and medical institutions both through subventions and local budget funds, etc.
3. Prepared proposals to the Ministry of Finance of Ukraine concerning the need to introduce amendments to the Law of Ukraine ‘On the National Budget of Ukraine for 2015’ based on the performance during the 9 months of this year in the part dealing with increased amounts of the educational and medical subventions for salaries of employees of such institutions, and payments for energy and utility bills of public sector institutions.
4. Prepared a package of proposals to introduce amendments to the legislation to resolve the following local government problem issues: a) writing off debts of local budgets accumulated on mid-term loans they received in previous years; b) optimisation of the network of public sector institutions; c) using services of banks to administer local budgets; d) revisiting budget classification codes; e) approving national social standards (both in terms of narrative descriptions and cost equivalent) for each type of authority delegated to local governments by the state, etc.

*Setting up a network of lawyers to participate in legislation drafting*

Currently, the network includes **377** local government lawyers from **24** oblasts.

Based on the updated information from the network of local government lawyers received through the questionnaire submitted by local governments in January of 2015, **365** local government bodies from **257** cities of cities, **71** smaller towns, and **8** villages delegated their representatives to work in the network. Currently, the network includes **377** local government representatives from **24** oblasts.

Table 1. Network of local government lawyers by oblast

Oblast	Number of cities / towns	Number of persons	Oblast	Number of cities / towns	Number of persons
Autonomous Republic of Crimea	0	0	Mykolaiv	7	7
Vinnitsya	14	14	Odesa	14	14
Volyn	12	15	Poltava	30	35
Dnipropetrovsk	16	17	Rivne	15	17
Donetsk	4	5	Sumy	6	6
Zhytomyr	7	9	Ternopil	16	19
Zakarpattia	6	7	Kharkiv	18	21
Zaporizzhya	13	16	Kherson	12	12
Ivano-Frankivsk	15	17	Khmelnitskyi	16	17
Kyiv	26	28	Cherkasy	15	15
Kirovohrad	17	18	Chernivtsi	14	14
Luhansk	6	8	Chernihiv	10	10
Lviv	28	35	<b>Total:</b>	<b>336</b>	<b>377</b>

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 to lawyers soliciting their expert opinion.

In particular, the AUC received comments and proposals concerning the following draft regulatory and legal documents: draft laws of Ukraine “On Elections of Deputies of Autonomous Republic of Crimea, Members of Local Councils and Village, Town and City Heads, Village Starostas”, “On Certain Steps to Increase the Role of Territorial Communities in Managing Land Resources” (Registration # 1159), “On Introducing Amendments to the Tax Code of Ukraine (concerning increasing the financial capacity of territorial communities)” (Registration # 1899), “On Introducing Amendments to the Budget Code of Ukraine (concerning increasing the financial capacity of territorial communities)”, “On Introducing Amendments to the Budget Code of Ukraine (concerning increasing the financial capacity of territorial communities)” (Registration # 1900), “On Introducing Amendments to Certain Ukrainian Legislation Concerning increasing the Scope of Local Government Authority in Managing Land Plots and Exercising Control over the Use and Protection of Lands” (prepared by the Ministry of Regional Development), “On Introducing Amendments to Certain Ukrainian Legislation Concerning Increasing the Scope of Local Government Authority in Managing Land Plots and Exercising Local Government Control over the Use and Protection of Lands” (prepared within the framework of the DIALOGUE Project), “On Introducing Amendments to Certain Ukrainian Legislation Concerning Ensuring Free Access for Citizens to Shores and Banks of Public Water Resources” (Registration # 1107), and “On Introducing Amendments to the Law of Ukraine “On Local Self-Governance in Ukraine (concerning clarification of the mechanisms for exercising certain types of authority)” (Registration # 1473); and draft Resolution of the Cabinet of Ministers of Ukraine “On the Main Directions of the Budget Policy for 2016”, “On Approving the Methodology for the Establishment of Capable Territorial Communities” 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.

Taking into consideration the fact that the decentralisation reform will touch primarily smaller municipalities (rayon significance cities) and based on the discussion with mayors of rayon significance cities dedicated to the next steps to implement the local government reform, which took place on February 13, 2015 in the city of Kyiv, the Project established a Small City Council within the AUC. The Small City Council represents a working group consisting of mayors of rayon significance cities under the chairmanship of B. Husak, Mayors of Rakhiv. The purpose of the group is to make sure interests of smaller municipalities are taken into account during the preparation of laws and other regulatory documents of the Cabinet of Ministers to support decentralisation. The Council activities will be to provide concurrence with and expert opinion and proposals to draft regulatory and legal documents in electronic format. The proposals of the Council members will be taken into consideration in the course of the preparation of AUC expert opinion.

Over the reporting period, the Small City Council provided expert opinion on the draft regulatory and legal documents mentioned above, which were disseminated through the network of local government lawyers.

The personal composition of the AUC Small City Council is the following:

#	Name, surname and patronymic	Position
1.	Volodymyr S. Husak, Chairman of the Council	Mayor of Rohatyn (Ivano-Frankivsk oblast)
2.	Serhiy I. Zelenokorinnyi	Mayor of Dolynska (Kirovohrad oblast)
3.	Vasyl S. Ravlyk	Mayor of Sokyryany (Chernivtsi oblast)
4.	Volodymyr A. Slyaptsov	Mayor of Karlivkka (Poltava oblast)

5.	Pavlo M. Shymko	Mayor of Bakhmach (Chernihiv oblast)
6.	Natalya O. Musiyenko	Mayor of Vilnyansk (Zaporizzhya oblast)
7.	Mykhailo P. Bukhtiyarov	Mayor of Bilyaivka (Odesa oblast)
8.	Yaroslav V. Dumyn	Mayor of Rakhiv (Zakarpattya oblast)

## 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 Ukrainian Municipal Forum*

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

#### *Municipal Energy Forum*

The Forum took place on February 09, 2015 in Kyiv. National Deputies, representatives of government agencies, local governments, municipal utility companies, as well as international and Ukrainian experts participated in the event.

In his opening remarks, M. Pittsyk, Executive Director of the AUC, mentioned that the Forum convened all key players who work in the energy saving sector including city mayors, politicians, business entities and international organisations. The purpose of the event was to prepare the key components of the road map for the stabilisation of the critical condition of the municipal energy sector in Ukraine. The two main issues for the discussion in this context included: replacement of the natural gas with other types of fuel and increasing the energy efficiency of heating services provided to social facilities and residential housing.

O. Dombrovskiy, First Deputy Chairman of the Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety stressed that the energy efficiency today means energy safety and, correspondingly, energy independence of the country. The National Deputy came up with a suggestion to focus the attention of three sectors of energy consumption where the state needs to immediately bring the tariffs to the economically justified levels: population, budget institutions, and municipal utility companies. In his opinion, the Association of Ukrainian Cities, Cabinet of Ministers and the Verkhovna Rada have to focus their attention on acceleration of energy reforms and preparation of the corresponding draft laws.

A. Babak, Deputy Chairman of the Verkhovna Rada Committee on Construction, Urban development, Housing and Municipal Utilities, focused her presentation on key issues of the implementation of energy saving technologies. In her opinion, cities and owners of buildings are quite interested in saving energy resources and have to develop their corresponding action plans. First of all, one has to verify whether the tariffs specified by the National Commission for the State Regulation in the Sphere of Energy and Municipal Utilities are reasonable, because users (population and public sector institutions) pay only 30% of the heating cost. With regard to the cooperation with investors there is one question: would cities be willing to wait for five years before investments begin to repay? The National Deputy sees the way out in the approval by the Verkhovna Rada of the laws, which allow individual apartment blocks to prepare their requests for energy saving projects.

A. Bilousov, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine spoke about the future plans to reduce the consumption of the natural gas in

thee housing and municipal utilities sector in 2015. He informed the participants that in 2014 the country managed to reduce the natural gas consumption from 8.3 to 5.8 billion cubic meters (or by 30%) due to the replacement 300 kilometers of heat distribution networks and switching 1,020 boiler houses from the natural gas consumption over to alternative types of fuel. A. Bilousov mentioned that this sector needs investments, because the funds allocated by the National Regional Development Fund are insufficient to support the implementation of energy saving technologies. To make this happen, one should promote the corresponding market environment, namely: introduce proper tariffs for the natural gas with the corresponding compensation mechanisms for low-income groups of citizens.

S. Dubovyk, Deputy Head of the National Agency for Energy Efficiency of Ukraine, in his presentation emphasised the need to immediately establish a well-developed network of condominium associations. In his opinion, it will be condominium associations, which will be actively engaged in energy saving activities through the installation of individual heating points (IHP), glass pack windows and metering devices. Compensations for loans should be used as incentives for condominium associations to do so. He also mentioned that the experience with compensations for costs associated with the replacement of gas boilers and solid fuel ones has paid off: citizens took 1,600 loans for the total amount of 29.5 million UAH and 20% of this sum was compensated by the state.

City mayors shared their hands-on experience. S. Odarych, Mayor of Cherkasy, supported the idea of the general transfer to the condominium association system, whereby citizens will be responsible for maintenance of their own buildings. In Cherkasy 9% of multi-storeyed buildings were equipped with IHP, thus providing opportunities to save 36% of energy resources. A. Fedorchuk, Mayor of Boryspil mentioned that the loan for energy saving projects already allowed the city to save 34% of electricity, however, due to the decrease of the hryvnia exchange rate it is very difficult to repay the loan.

Yu. Shevchuk, Senior Adviser of the Office of the Nordic Environmental Financial Corporation (NEFCO) in Ukraine, informed that as of today, cities and their municipal utility companies are not ready to take loans in hard currency for the implementation of energy saving projects due to the unstable hryvnia exchange rate. A. Mitskan, Deputy Director of the USAID Municipal Energy Reform in Ukraine Project, only confirmed this information. According to his information, more than 50 cities of Ukraine already took loans from international banks to implement energy efficiency projects and now they are facing huge problems with the repayment of these funds.

The event participants recognised the fact that today, as never before, the country faces a particular need for support for reforms: high tariffs do not immediately mean high level of payments, because proper accounting and savings can significantly reduce the price. A. Nesterenko, representatives of the U.S. Agency for International Development, informed that USAID has increased its budgets for activities related to informing citizens about tariff increases and implementation of reforms, however, to make this initiative successful, one critically important document is missing: the structural plan for the reforms.

Summing up the discussion, M. Pittsyk, Executive Director of the AUC, reassured the participants of the Municipal Energy Forum that experts of the Association of Ukrainian Cities will generalise and systematise the proposals presented in the course of the discussion and will use them for the preparation of the road map of reforms to stabilise the situation in the municipal energy sector.

### ***Implementation and rolling out the decentralisation reform: further steps***

In the reporting period, the parliament finished the discussion of the draft law "On the Voluntary Consolidation of Territorial Communities". In early January, the Local Government Committee supported the draft law, while on February 05, the law was discussed at the plenary session and was approved by the parliament.

Despite the fact that the law mentioned above was signed by the President of Ukraine only on March 03, and came into force only several days afterwards, the Association of Ukrainian Cities right after the law was approved started to receive requests from city councils for the interpretation of this law and how to implement the rights of communities to consolidate. Taking into consideration the fact that most of such requests came from rayon significance cities, as well as from towns and villages, which are members of the AUC, the Project quickly engaged in the preparation and holding seminars with town, rayon significance city and village mayors.

The findings of such seminars were used in the course of the preparation of the Methodology for the establishment of self-sustainable communities. The document was prepared by the working group set up at the Ministry of Regional Development with the leading role of AUC experts. In particular, the document took into account the recommendation to conduct mandatory consultations with authorised representatives of territorial communities and citizens in the course of the establishment of consolidated communities and preparation of the long-term perspective plan for the formation of self-sustainable territorial communities envisioned by the Law of Ukraine "On the Voluntary Consolidation of Territorial Communities". The draft document was submitted for consideration by the Cabinet of Ministers of Ukraine and the CMU will consider it during one of its meetings in April.

AUC policy is aimed at ensuring the environment to promote the consolidation of the critical mass of territorial communities before the next regular local government elections scheduled for October 25 this year. This is a critical condition for the implementation of the local government reform.

#### Dialogue with stakeholders to promote reform implementation

In February, the Association of Ukrainian Cities and the Project conducted two important events in Kyiv whose purpose was to support the dialogue on decentralisation reforms with mayors of rayon significance cities and town and village mayors.

#### Meeting with mayors of rayon significance cities

The meeting was conducted on February 13. More than 100 city mayors from rayon significance cities from all oblasts of Ukraine, National Deputies of Ukraine, representatives of the Cabinet of Ministers, and experts participated in the event.

The event participants discussed problem issues rayon significance cities face in the course of the implementation of the new budget and tax legislation and the local government reform.

M. Pittsyk, Executive Director of the AUC, chaired the meeting. In his welcoming remarks he outlined a set of issues, which should be discussed with mayors of rayon significance cities in the context of decentralisation processes and local government reform, as well provided explanations to the participants why the decentralisation is so important and so needed in the country today.

O. Berezyuk, Chairman of the Samopomich faction, presented his vision of further steps aimed at the implementation of the local government reform and of what laws need to be approved to

facilitate the reform. Following his presentation he provided answers to questions from city mayors.

H. Zubko, Vice Prime Minister of Ukraine and Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, spoke about the government plan to further promote decentralisation and establishment of self-sustainable communities. He, in particular, informed that the administrative and territorial reform envisions the establishment of 750 territorial communities instead of 468 rayons. These communities are expected to be more accessible for the provision of administrative services. The Vice Prime minister mentioned that issues related to decentralisation should be considered specifically at the level of oblast councils to be able to figure out how the communities should be formed and what further development opportunities they should have. According to this government official, to do so the Cabinet of Ministers has the intention to open offices of authorised CMU commissioners in every oblast center city who will be charged with the development of the algorithm for the formation of consolidated communities.

“The Association of Ukrainian Cities being a promoter of local government initiatives has come up with the algorithm to implement the current legislation supporting local government reform according to the decentralisation principle. We support this algorithm, while the implementation itself will be done by the offices of the authorised CMU commissioner on local government reform, which will be opened in every oblast. The commissioners will not be appointed by the central government. Communities in every region will have to come up with their suggested candidates for these positions and will have to competitively select who will be entrusted with this assignment”, - mentioned Vice Prime Minister Zubko.

Later on, the Vice Prime Minister provided answers to the questions from mayors. Most of them were interested about the budget support and the future consolidation of communities.

Yu. Hanuschak, expert on territorial reform, made a presentation on the territorial arrangement of government institutions and provided more detailed explanations of the future reforms and mechanisms for consolidation of communities, as well as answered questions from the city mayors.

In his remarks to the participants of the meeting, V. Nehoda, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, mentioned that communities will be formed in the basis of rayon significance cities and called upon all city mayors to cooperate. The deputy minister pointed the attention of the event participants to the important role the Association plays in establishing and maintaining a dialogue between the Cabinet of Ministers and city mayors in the course of the implementation of decentralisation reforms.

All in all, in the course of the meeting, mayors of rayon significance cities raised 29 questions and requests for clarifications about the implementation of reforms, budget issues, future consolidation of communities, etc.

#### Meeting with village and town mayors

The meeting took place on February 19 with the participation of approximately 70 mayors of town and village AUC member communities, representatives of the Verkhovna Rada of Ukraine, Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, and experts.

The participants discussed problem issues towns and villages face with regard to the application of the new budget and tax legislation and implementation of the local government reform.

At the beginning of the event, M. Pittsyk, Executive Director of the AUC, spoke about the essence and implementation of decentralisation reforms and presented the info graphics prepared by the AUC explaining the mechanisms of the local government reform, such as the definition of the “self-sustainable community”, algorithm for consolidation of communities, scope of authority and revenues of consolidated communities, and formation of territories of consolidated communities.

V. Nehoda, Deputy Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, told about steps taken by the Ministry of Regional Development to support the reform and presented the vision of further steps to promote the implementation of the reform.

A. Matvienko, National Deputy of Ukraine, I. Kulichenko, Head of the Local Government Support Inter-Faction Group of National Deputies (local government caucus), and Yu. Hanuschak, Director of the Institute for Development of Territories, made their presentations and provided answers to questions from the participants.

The event participants came up with a proposal to establish within the Association of Ukrainian Cities a sub-association of towns and villages, which would represent and promote their interests and unanimously supported this proposal. M. Pittsyk, Executive Director of the AUC, informed that in accordance with the AUC Charter this issue will be presented for discussion at the nearest meeting of the AUC Board.

In general, during the meeting, the village and town mayors came up with 22 questions and information inquiries for explanations of the new budget legislation, approaches to consolidation of communities, land resource management issues, etc.

Bawd on the two meetings, the Executive Director of the AUC gave directives for the Association Experts, in particular, to prepare technical recommendations and explanations of the proper use of the new budget and tax legislation for the interests of communities; come up with a recommendation not to transfer the material assets of cultural establishments and educational establishments for children to rayon councils; and to prepare the mechanisms for placing local budget funds in banks. Experts of the Association of Ukrainian Cities will also prepare proposals on the Methodology for the consolidation of communities drafted by the Cabinet of Ministers; suggestions on ways to expedite the formation of the land cadastre; improvements of performance of State Treasury offices in administering local budgets; and on ways to get rid of requirements to conduct tenders while purchasing services provided by natural monopolies. Upon the request of Vice Prime Minister H. Zubko, the Association of Ukrainian Cities together with mayors will prepare trustworthy information about the financial support for the implementation of authority delegated to local governments by the state. With assistance from its regional offices, the Association of Ukrainian Cities will prepare proposals on suggested candidates to work as authorised Cabinet of Ministers commissioners in the oblast to promote decentralisation.

### *Cooperation with central government authorities*

#### Participation of the representatives of Ukraine-wide local government associations in working sessions of the Cabinet of Ministers

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

In the reporting period, the Cabinet of Ministers took into consideration and supported the position of the Association of Ukrainian Cities in the following regulatory and legal documents:

- On January 14, 2015, the Cabinet of Ministers approved Resolution # 6 **“Certain Issues Related to the Provision of the Subvention for the Public Education Sector from the National Budget to Local Budgets”**. The document approved the Mechanism and conditions for the provision of the subvention for the public education sector from the National Budget to local budgets and allowed local governments to cover the expenditures of educational establishments during the budget year identified in Article 103<sup>2</sup> of the Budget Code of Ukraine simultaneously from the National Budget and local budgets and/or simultaneously from various local budgets.
- On January 23, 2015, the Cabinet of Ministers of Ukraine approved Resolution # 11 **“On Certain Issues Related to the Provision of the Subvention for the Health Care Sector from the National Budget to Local Budgets”**. The document approved the Mechanism and conditions for the provision of the subvention for the health care sector from the National Budget to local budgets and provides instructions to oblast, Kyiv City and rayon state administrations about its implementation. At the same time, in particular, the corresponding local councils and consolidated communities receive the right to distribute the funds of the subvention remaining at the end of the budget period through the corresponding ordinances. They also receive the right to incur and cover additional current and capital expenditures of health care establishments and health care programs in excess of the subvention amount.
- On January 23, 2015, the Cabinet of Ministers of Ukraine approved Resolution # 12 **“On Introducing Amendments to the Methodology for the recalculation of Inter-Budget Transfers”**. At the same time, the government made considerable improvements in the system for recalculation of transfers. For example, the basic subsidy and subventions from the National Budget (allocated for public education sector, training of blue collar workers and health care subvention) will be transferred by the State treasury to oblast, city (for the city of Kyiv and oblast significance cities), rayon and other local government budgets, which have a separate inter-budget transfers envisioned in the National Budget. These funds will be transferred in equal parts on the last decade day in compliance with the schedule of National Budget allocations. Another innovation is for the territorial outreach offices in oblasts and in the city of Kyiv of the State Treasury to channel the reverse subsidy to the National Budget from oblast and city (for the city of Kyiv and oblast significance cities), rayon and other local government budgets, which have a separate inter-budget transfers envisioned in the National Budget, on every decade in equal parts on the last day in compliance with the schedule of National Budget allocations. These funds will be channelled at the expense of actual collections to the general fund of the local budget.

Cooperation with the Ministry of Regional Development concerning scheduling and implementation of the Local Government Reform.

In the reporting period, on February 05, the Verkhovna Rada of Ukraine approved two laws, which had been under preparation for quite a long time in close cooperation between the Ministry of Regional Development and AUC. These are the Laws of Ukraine “In the Framework of the National Regional Policy” and “On Voluntary Consolidation of Territorial Communities”.

Following the approval of the Law of Ukraine “On Voluntary Consolidation of Territorial Communities” by the Verkhovna Rada of Ukraine, the Association in cooperation with the Ministry of Regional Development conducted meetings with mayors of rayon significance cities and village and town mayors on February 13 and 19 respectively. The events were conducted in the form of the open discussion of goals and problem issues of community consolidation.

Based on the discussion, the Association in cooperation with its experts prepared the draft Methodology for the formation of self-sustainable territorial communities. The document was later on finalised by the working group established at the Ministry of Regional Development with active participation of AUC specialists. At the same time, the working group, in particular, took into account the need to conduct mandatory consultations with authorised representatives of territorial communities and citizens in the course of the formation of communities and preparation of the long-term perspective plan for the reformation of community territories envisioned by the law on community consolidation.

The draft resolution of the Cabinet of Ministers of Ukraine, which was concurred with by the AUC, was submitted to the Cabinet of Ministers for consideration and will be discussed at one of the nearest meetings of the Cabinet of Ministers in April.

In March, the AUC also received the text of the resolution of the Cabinet of Ministers “On Issues of the Implementation of the Local Government Reform, Reform of the Territorial Arrangement of Government Institutions and Regional Development” for concurrence. The document envisioned the establishment of the reform management entity in the form of the Inter-Governmental Steering Commission for Regional Development headed by the Vice Prime Minister of Ukraine who is in charge of the implementation of tasks and authority of the Cabinet of Ministers of Ukraine in the sphere of regional development. The Commission was supposed to include top managers from a number of central executive agencies. Originally, the draft regulations on this Commission vested it with the authority to ensure the coordination of the local government reform implementation along with the authority given to it in accordance with the Law of Ukraine “On the Foundations of the National Regional Policy”.

The AUC refused to concur with the document mentioned above, because it believes that such coordination of the local government reform implementation when it is performed by the agency, which meets not often and discusses reform issues together with other issues, will not be effective.

Instead, the suggestion was made to construct the system of local government reform management based on the successful Polish experience, whereby government ministers are subordinate on local government reform issues to the reform coordinator who should be at the rank of the Vice Prime Minister. This model also implies the establishment of the entity with permanent employees at the office of the Vice Prime Minister. These employees should be engaged only in the reform issues, such as its legal, regulatory, organisational, and informational support. At the same time, each region should have Offices for Reform Implementation Support, which perform their activities to promote the preparation and implementation of long-term perspective plans for the formation of territories of self-sustainable communities in close cooperation with heads of local state administrations and local governments.

In its turn, the Association of Ukrainian Cities promised to request help from international technical assistance projects to support such Reform Offices.

Following this, the AUC together with the Ministry of Regional Development started the preparatory work to establish the legal framework for the work of these Reform Offices and submitted the corresponding proposals.

Another successful worked perform jointly by the AUC and Ministry of Regional Development was the draft Law “On Introducing Amendments to Certain Ukrainian Legislation in the Sphere of Architectural and Constriction Control and Improvements of Urban Development Legislation” (Registration # 1546) of December 22, 2014. The document envisions returning to local governments the authority in the sphere of urban development, which were taken from them by the Law of Ukraine “On the Foundations of Urban Development Activities” of

December 2010. Already in January 13, 2015, the draft law was approved by the parliament in the first reading. Over the reporting period, the working group in cooperation with experts from the Ministry of Regional Development and the AUC worked with the Verkhovna Rada of Ukraine Committee on Construction, Urban Development, Housing and Municipal Utilities to prepare this draft document for the second reading. By late March, this work was accomplished. The consideration of this draft law in the second reading is expected in April.

Cooperation with the Ministry of Regional Development and Ministry of Justice to increase the scope of local government authority and optimisation of the provision of administrative services

In January, the Association of Ukrainian Cities concurred with the draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation Concerning Increasing the Scope of Local Government Authority and Optimisation of the Provision of Administrative Services”. The draft document was prepared by the Ministry of Regional Development. The document envisions the transfer to city council CAS the powers of state executive authorities (administrative services) with regard to the state registration of legal persons and entrepreneurs represented by physical persons, immovable property rights, issuing passports of citizens of Ukraine (including foreign travel passports), registration of the place of residence of physical persons, and providing information from the State Land Cadastre. The document also envisions improvements of the mechanisms to provide such administrative services. Over the reporting period, AUC representatives participated in 4 meetings conducted by the Chairman of the Verkhovna Rada to discuss the draft law mentioned above. Simultaneously, the AUC established cooperation with the Ministry of Justice to improve the legislation regulating the state registration of legal persons and entrepreneurs represented by physical persons and immovable property rights (alternative draft laws).

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

In 2014, the National Agency of Ukraine for Civil Services prepared a draft Law of Ukraine “On Service in Local Governments” (new version). The document incorporated only some part of essential proposals from the AUC. At the same time, the draft law did not incorporate the proposal concerning the autonomy of local governments to determine, within the scope of the law, the conditions for employee compensation, as well as the recommendation to limit the interference of state executive authorities in local government activities. In the course of the consideration of the draft law in the Secretariat of the Cabinet of Ministers of Ukraine, the AUC presented its conceptual, technical and legal comments, as well as initiated the corresponding appeal of the Congress of Local Governments (three Ukraine-wide local government associations). This move persuaded the CMU to return the draft document for further elaboration. On March 09, 2015, the AUC organised and conducted a coordination meeting of three Ukraine-wide local government associations with the leadership of the National Agency of Ukraine for Civil Service to elaborate the draft Law of Ukraine “On Service in Local Governments” to reflect the comments expressed earlier. Following the joint work to elaborate the draft law, the agreed upon version of the draft law, which reflected key proposals from the AUC, was submitted to the Cabinet of Ministers on March 13, 2015. The draft law was registered in the parliament under #2489 of March 30, 2015.

Initiatives to introduce amendments to the legislation regulating the sphere of land resources management

The Association prepared the draft Law of Ukraine “On Introducing Amendments to Certain Ukrainian Legislation on Prevention of Corruption in the Sphere of Land Relations”. The purpose of the draft law is to minimise corruption in the land management sector through: reducing the number of government entities participating in decision making on land issues; simplification of mechanisms for transferring to ownership and lease of land plots; abolishing

permits for the right to carry out activities in the land sector; and refusing the idea of giving land plots to the ownership of physical persons for free. In addition to this, the draft law envisions the transfer of a considerable part of state-owned land plots to the communal ownership, which will ensure transparent decision making.

A group of National Deputies registered this draft law in the parliament (Registration # 1906 of February 02, 2015), however, for unknown reasons, already on February 17, this document was recalled.

During December of 2014– March of 2015, National Deputies registered eight pieces of draft legislation concerning the increase of the scope of local government authority in administering land parcels located beyond the boundaries of populated areas. These, in particular, include the draft Law on certain actions to increase the role of territorial communities in managing land resources (Registration # 1159 of December 02, 2014); draft Law of Ukraine on introducing amendments to Article 122 of the Land Code of Ukraine concerning vesting village, town and city councils with the right to transfer state-owned land plots to ownership of use (Registration # 1277 of December 08, 2014); and, draft Law of Ukraine on introducing amendments to certain Ukrainian legislation concerning increasing the scope of local governments in the sphere of land relations (Registration # 1252 of December 04, 2014). However, each of the draft laws had its own approach to the implementation of the principle of ubiquity of local self-governance.

The Association of Ukrainian Cities prepared its own draft law “On Introducing Amendments to Certain Ukrainian Legislation Concerning Increasing the Scope of Local Government Authority to Manage Land Plots and Exercising Local Government Control over the Use and Protection of Lands”. The draft law consolidates various principles and approaches to decentralisation in the sphere of land relations into a single document. In particular, the draft suggested the following:

- state-owned lands located outside the boundaries of populated areas shall be transferred to the communal property “by the force of the law”;
- the state ownership shall retain the lands where state-owned property items are located;
- local governments shall administer state-owned lands upon agreement with state executive authorities; and,
- local governments receive real authority to exercise the local government control.

The draft law was presented on March 11 at the meeting of the Expert Group to provide the legislative support for decentralisation and local government reform under the chairmanship of Volodymyr Groisman, Chairman of the Verkhovna Rada of Ukraine. Based on the discussions, the participants decided to give a directive to the Institute of Legislation of the Verkhovna Rada of Ukraine, Secretariat of the Verkhovna Rada of Ukraine to join the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, State Service of Ukraine for Geodesy Cartography and cadastre, representatives of the expert community, and Office of the Council of Europe in Ukraine to elaborate this draft law, in particular, in the part dealing with incentives for the voluntary consolidation and binding nature of requirements for the availability of the zoning plan or detailed outline map of the territory. Currently, the work to elaborate the law is underway.

#### Decentralisation in the sphere of the architectural and construction control

On January 13, 2015, the Verkhovna Rada of Ukraine approved in the first reading the draft Law of Ukraine on introducing amendments to certain Ukrainian legislation concerning decentralisation of authority in the sphere of architectural and construction control and improvements of urban development legislation (Registration # 1546 of December 22, 2014). The draft was prepared by the Ministry of Regional Development, Construction, Housing and Municipal Utilities as early as early 2014 with the participation of representatives of the Association of Ukrainian Cities. The draft law envisions the transfer of authority in the sphere of

exercising architectural and construction control from state executive agencies to local governments, in particular, the authority to issue permits for the beginning of construction works, commissioning finished construction objects, and exercising control in this sphere. The VRU Committee on Construction, Urban development, Housing and Municipal Utilities established a working group with representatives of the Association of Ukrainian Cities to elaborate this draft law for the second reading. During February – March this working group elaborated the draft law and prepared it for the second reading. According to the version of the draft law prepared for the second reading, village, town and city councils, once they establish their structural departments dealing with architectural and construction control, receive a certain scope of authority related to issuing permits for beginning of construction works, commissioning construction objects and architectural and construction control. Executive committees of village and town councils will exercise the management in this sphere with regard to Complexity Category I, II, and III construction objects, whereas executive committees of city councils will exercise the management in this sphere with regard to Complexity Category I, II, III, and IV construction objects. The state executive authority engaged in the implementation of the state policy in the sphere of state architectural and construction control will perform its authority on those territories where local governments have not assumed this responsibility, as well as with regard to Complexity Category V construction objects. While discussing this law during the second reading, representatives of the AUC followed the position of increasing the scope of authority of inspections for state architectural and construction control not only in oblast significance cities (as was before), but also in smaller cities, towns and villages. At the same time, they offered a flexible mechanism, whereby in case cities for the reasons of lack of capacity or other reasons fail to establish their offices for architectural and construction control, such authority will stay with the state executive agencies (Inspections for State Architectural and Construction Control).

It is important to note that the draft law envisions the binding nature of the information about the payment of the cost-share contribution for the development of populate area infrastructure to be presented in the finished construction declaration or in the act to commission the construction object. This approach would allow to reduce the number of cases when developers try to avoid the payment of their const-share contribution. In addition to this, the draft law has a suggestion to abolish the requirement for the mandatory state inspection of cost estimate documents in case the total estimated value of construction works, reconstruction or capital repairs of state-owned and communally-owned property does not exceed 300 thousand UAH. This will provide opportunities to reduce local budgets expenditures.

#### Cooperation with the Ministry of Finance on issues related to the formation of main direction of the budget policy for 2016

The main task for DIALOGUE Project experts was to make sure the draft Main Directions include the provisions promoting the local government reform and territorial arrangement of government institutions. Due to the cooperation with the Ministry of Finance and Ministry of Regional Development, the Cabinet of Ministers issued Instruction #314-p of March 31, 2015 to approve the draft Main Directions for the Budgetary Policy for 2016. The document incorporates the following proposals from the DIALOGUE Project:

- reorganisation of local state administration into prefecture type agencies;
- strengthening the tax potential of territories through: implementation of mechanisms for horizontal fiscal equalisation; improvements of the system for administration of taxes, fees and other mandatory payments channelled to local budgets;
- delegation to local governments of the proper scope of authority to provide staple services;
- transferring consolidated communities to direct inter-budget relations with the National Budget;

- application of formula-based calculations for sectoral transfers calculated based on new per capita (per consumer) standards for service provision and financial standards of budget sufficiency;
- providing state financial support to promote the introduction of inter-municipal cooperation and territorial community consolidation projects;
- approving model manning schedules for public sector institutions;
- optimisation of the network of comprehensive educational establishments due to consolidation of schools with small number of schoolchildren;
- switching certain cultural establishments for the self-sustainable performance; and,
- reforming the current system of urban public transportation preferences and a step-by-step transfer to personalised targeted allowances.

### *Interaction with the parliament*

#### Participation in working groups at the office of the Chairman of the Verkhovna Rada of Ukraine

Aiming at coordination of activities to provide the legislative support for decentralisation and local government reform, expert evaluation of draft legislation, and preparing proposals to improve the current legislation, the Chairman of the Verkhovna Rada of Ukraine issued an instruction to establish two expert groups and a working group. Their membership includes representatives of factions in the Verkhovna Rada of Ukraine, Ukraine-wide local government associations (AUC and DIALOGUE Project experts), central executive authorities, Ukrainian and international experts.

(1) Expert Group for legal support for decentralisation and local government reform (Instruction of the VRU Chairman # 167 of February 05, 2015). Over the reporting period, the group conducted three meetings.

The Group outlines the list of draft laws for legal support for decentralisation and local government reform, estimated schedule for their navigation in the Verkhovna Rada of Ukraine and approaches to law-making activities. The draft legislation is to be prepared by National Deputies of Ukraine, local government associations, representatives of the expert community and then it will be discussed at the meeting of the Expert Group. Following this, the members of the Group will develop a unified draft law, which will be sent to the VRU Legislation Institute for expert opinion and then will be submitted to the parliament.

The Group members discussed the conceptual framework of the draft law introducing amendments to certain Ukrainian legislation to increase the scope of local government authority in the sphere of land relations regulation. Currently, the draft law is being elaborated by the Verkhovna Rada of Ukraine Legislation Institute, VRU secretariat with the participation of the Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine, State Service of Ukraine for Geodesy, Cartography and Cadastre, and DIALOGUE Project experts.

(2) Working Group for reforms of basic level territorial communities (Instruction of the VRU Chairman # 377 of March 11, 2015). The Group conducted one meeting. The Group members sent an appeal of the Chairman of the Verkhovna Rada of Ukraine to the President of Ukraine and Prime Ministers of Ukraine to introduce an additional position of the deputy head of the oblast (city) state administration responsible for the implementation of reforms (Outgoing Number #01-8/63 of March 16, 2015).

The Ministry of Regional Development, Construction, Housing and Municipal Utilities of Ukraine in cooperation with DIALOGUE Project experts finalised the draft Methodology for the establishment of self-sustainable territorial communities. The proposed Methodology received

high appraisal from all members of the working group. The VRU Chairman promised to promote and expedite the approval of the Methodology by the Cabinet of Ministers.

The group members developed a mechanism for interaction between the parliament, Cabinet of Ministers and Ukraine-wide local government associations concerning the reform of administrative and territorial arrangement of Ukraine. The group supported the initiative of the Association of Ukrainian Cities to establish and provide the organisational support for Offices for Local Government and Decentralisation Reform Implementation Support within the framework of the DIALOGUE Project. DIALOGUE Project experts prepared the corresponding documents concerning the legal support for activities of Reform Offices.

(3) *An Expert Group to prepare the draft law “On Elections of Deputies of the Verkhovna Rada of the Autonomous Republic of Crimea, Local Councils and Village, Town and City Mayors”* (Instruction of the VRU Chairman # 225 of February 18, 2015).

The working group conducted its meeting on February 19, 2015 to define the main principles of the draft Law of Ukraine “On Elections of Deputies of the Verkhovna Rada of the Autonomous Republic of Crimea, Local Councils and Village, Town and City Mayors”. The draft law prepared by the Association of Ukrainian Cities within the framework of the DIALOGUE Project was taken as the basic text of the document.

The draft law incorporates the following:

- provisions of the Concept of the Local Government Reform and Reform of the Territorial Arrangement of Government Institutions in Ukraine and the Law of Ukraine "On Voluntary Consolidation of Territorial Communities";
- provisions of the Coalition Agreement concluded by representatives of factions constituting the majority in the Verkhovna Rada of Ukraine of the 8<sup>th</sup> convocation;
- suggestions of AUC member local councils based on the findings of surveys conducted in their cities; and,
- findings of the public opinion survey conducted in November of 2014.

The draft law, in particular, envisions the following:

- elections of members of village, town and city (for cities with the population under 300 thousand) councils according to the electoral system of relative majority in single-mandate districts;
- elections of members of city (for cities with the population above 300 thousand) councils according to open elections lists and the mechanism to conduct such elections;
- reducing the number of local council members approximately by half;
- elections of mayors of oblast center cities and cities with the population over 300 thousand according to the absolute or considerable (in the leader of the race beats the nearest candidate by 20% or more) majority; elections in the remaining cities, as well as village and town mayors and village starostas based on the relative majority and in one round;
- elections of members of rayon and oblast councils according to the multiple-mandate majoritarian system with the proportional (but not direct proportional) representation of territories with regard to their population;
- in addition to the list of candidates one should envision the possibility of offering lists of independent candidates;
- possibility for self-nomination for the position of the council member or for the position of the village, town or city mayor or the village starosta;
- mandatory requirement for all categories of candidates or electoral lists to present their programmes; and,

- mandatory requirement for all categories of candidates starting with the level of the city council to present their income declarations.

The draft law was presented and discussed during the round table discussion, which took place on March 12 and was organised by the Verkhovna Rada of Ukraine Committee on Legal Policy and Justice. The draft law was sent to AUC member municipalities for comments and proposals.

#### Inter-Faction Local Government Support Group (local government caucus)

In the reporting period, the Project facilitated the preparation of a package of documents establishing the legal framework for the activities of the local government caucus. The package was also officially submitted to the Chairman of the Verkhovna Rada of Ukraine. The Inter-Faction Local Government Support Group includes sub-groups reflecting technical areas of law-drafting activities, such as: 1) budget support for territorial communities; 2) land relations; 3) general framework for local government activities; 4) housing and municipal utilities and urban development; and, 5) social sector.

The work was focused on the two main areas:

- preparation and registration of draft laws necessary for the implementation of the local government reform and reform of the territorial arrangement of government institutions;
- rejecting legislative initiatives aimed at curtailing the reform and limiting the local government authority.

The local government caucus managed to do the following:

- 1) prevent amendments to the Budget Code of Ukraine, whereby 60% of local excise tax collections would go to oblast budgets;
- 2) prevent amendments to the Tax Code of Ukraine abolishing local excise tax collections going to village, town and city budgets;
- 3) prevent the parliament from approving amendments to the Budget Code introducing the “manual” administration of transfers between local budgets (Registration # 2209);
- 4) make sure the parliament approved the Law on voluntary consolidation of territorial communities with the provisions outlining the practical mechanism for the formation of capable communities;
- 5) make sure the parliament introduced amendments to the National Budget for 2015, whereby the amount of transfers to local budgets were increased by 5.2 billion UAH;
- 6) make sure the parliament approved amendments to the Budget Code of Ukraine (Registration # 1766) to resolve problem issues related to the budget support for territorial communities of smaller populated areas;
- 7) make sure the parliament approved amendments to the Tax Code of Ukraine (Registration # 1892), whereby condominium association of housing construction cooperatives will be exempt from taxation;
- 8) make sure the parliament approved in the first reading the law on decentralisation of authority in the sphere of construction and architectural control and improvements of urban development legislation (Registration # 1546).

#### Participation in the activities of parliamentary committees

In the reporting period, the Project cooperated with ad-hoc Committees of the Verkhovna Rada of Ukraine. Project experts participated in **25** working sessions of **6** parliamentary committees including:

- Budget Committee – 5 meetings;

- Committee on State Building, Regional Policy and Local Self-Governance – 6 meetings;
- Committee on Public Education and Science – 4 meetings;
- Committee on Health Care – 2 meetings;
- Committee on Tax Policy – 3 meetings; and,
- Committee on Fuel and Energy Complex – 5 meetings.

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

During the reporting period, the Committee conducted 8 working sessions, with six sessions being attended by AUC representatives to participate in the discussion of 14 agenda items. These issues are of considerable importance in the context of protection of rights and legitimate interests of local governments, preparation of the legal framework for the reform of territorial arrangement of government institutions, particularities of exercising local self-governance on territories under the ATO zone or those liberated from terrorists. In particular, this refers to the issues related to the discussion of the following draft legislation:

- On the Draft Law of Ukraine on the temporary mechanism to perform the local self-governance authority for the period of the anti-terrorist operation (Registration # 1529). This draft document was submitted by A. Artemenko, National Deputy of Ukraine. The Committee supported the AUC expert opinion about the necessity to elaborate the draft law. The Committee made a decision to establish a Working Group to elaborate the Draft Law of Ukraine on the temporary mechanism to perform the local self-governance authority for the period of the anti-terrorist operation (Registration # 1529) in the context of the requirements of the Constitution of Ukraine. V. Kravchenko, representative of the AUC, was involved in the Working Group.
- On the Draft Law of Ukraine on voluntary consolidation of territorial communities (Registration # 0915, second reading). The Committee supported the AUC proposal to make a recommendation for the Verkhovna Rada of Ukraine to approve based on the discussions during the second reading the Draft Law of Ukraine on voluntary consolidation of territorial communities (Registration # 0915) in the second reading and as a whole in accordance with Paragraph 3 of Part One of Article 123 of Verkhovna Rada of Ukraine By-Laws.
- On the Draft Law of Ukraine on the principles of National regional Policy (Registration # 0908, second reading). The Committee supported the AUC proposal to make a recommendation for the Verkhovna Rada of Ukraine to approve based on the discussions the Draft Law of Ukraine on the principles of National regional Policy (Registration # 0908) in the second reading and as a whole in accordance with Paragraph 3 of Part One of Article 123 of Verkhovna Rada of Ukraine By-Laws.
- On the Draft Law of Ukraine on introducing amendments to Article 30 of the Law of Ukraine “On Local Self-Governance in Ukraine” concerning the record keeping and technical inventory (Registration # 0914, second reading). The Committee supported the proposal of the AUC to make a recommendation for the Verkhovna Rada of Ukraine to approve the document in the second reading and as law.
- On the Draft Law of Ukraine on introducing amendments to certain Ukrainian legislation concerning enhancing the financial sufficiency of territorial communities (Registration # 1898, elaborated, National Deputies Yulia Tymoshenko, I. Kyrylenko, V. Ivchenko, Yu. Derevyanko, and S. Yevtushok). The Committee supported the proposal of the AUC to make a recommendation for the Verkhovna Rada of Ukraine to approve the document in the first reading.
- On the Draft Law of Ukraine on introducing amendments to certain Ukrainian legislation concerning enhancing increasing the scope of local government authority in the sphere of

land relations (Registration # 1252). The committee supported the AUC approval of the draft document and came up with a recommendation to approve, based on the discussions of the first reading, the draft law in the first reading with an option to take into account the presented comments during the preparation of the draft document for the second reading.

#### Verkhovna Rada of Ukraine Budget Committee

DIALOGUE Project experts participated in 5 working sessions of the VRU Budget Committee. The main issues for the discussion related to local government interests were the following:

- 1) on introducing amendments to the Budget Code concerning the introduction of energy efficiency activities in public sector institutions (Registration # 1409 and 1409-1). THE draft laws have the provisions prepared earlier within the framework of the DIALOGUE Project, namely: a) granting public sector institutions the possibility to conclude energy servicing agreements (through ESCO mechanisms) for the period of time exceeding one year and b) providing guarantees for investors of bonus payments for energy savings under the energy servicing agreements. The VRU Budget Committee supported these draft laws and the parliament approved them in the first reading on February 05, 2015;
- 2) on introducing amendments to the Budget Code concerning the collections of local taxes and fees and resolving problem issues smaller populated areas face (Registration # 1766);
- 3) on introducing amendments to the National Budget for 2015 (Registration # 2147);
- 4) on the Accounting Chamber of Ukraine (Registration # 2072). On March 05, 2015, the parliament approved the document in the first reading. The document incorporates the comments of DIALOGUE Project experts about the right of the Accounting Chamber to perform audits of local budgets only in the context of using the transfers from the National Budget;
- 5) on introducing amendments to the Budget Code (Registration # 1900) concerning the return to the old system of providing financial support for territorial communities. Taking into consideration the position of the Association of Ukrainian Cities, the Committee did not make an official opinion on this draft law. The Committee established a working group to study the problem issues related to the application of the new budget legislation and preparation of a comprehensive draft law to follow the principle of decentralisation;
- 6) on introducing amendments to the Budget Code of Ukraine (Registration # 2209) to change the mechanism for the distribution of transfers between local budgets.

#### VRU Committee on Tax and Customs Policy

Over the reporting period, DIALOGUE Project experts participated in 3 working sessions of the VRU Committee on Tax and Customs Policy. The main issues for the discussions related to local governments interests were:

- 1) on introducing amendments to the Tax Code of Ukraine (Registration # 1899) concerning changes in the mechanisms for local taxation. DIALOGUE Project experts provided a number of comments to the draft law, namely: a) excluding the provisions, which would limit the rights of local governments to impose taxes on immovable property, and b) coordinating the Tax Code with the Economic Code, as well as with the civil and land legislation. The Committee made a decision to reject the draft law and to send it for elaboration;
- 2) on introducing amendments to the Tax Code of Ukraine (Registration # 1892) to restore condominium association and housing construction cooperatives in the list of non-profit organisations, which are not subject to taxation;

- 3) on introducing amendments to the Tax Code of Ukraine (Registration # 2226) concerning exempting religious organisations from the immovable property tax. DIALOGUE Project experts noted that in case its provisions are implemented, they will considerably narrow down the rights of local governments and reduce the revenue flow to local budgets. The Committee offered a compromise decision: to provide tax exemptions only for temples.
- 4) on introducing amendments to the Tax Code of Ukraine (Registration # 1850 and 1850-1) concerning the exemption of nature preservation organisations and educational establishments of all types of ownership from payments of the land tax. DIALOGUE Project insisted that the introduction of preferences from the state will reduce revenue flow to local budgets and narrow down the rights of local governments, which represents a departure from the principles of budget decentralisation. The Committee made a decision to make a recommendation for the Cabinet of Ministers of Ukraine to find compensatory mechanisms for local budgets in the context of such preferences.

### **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 6 working sessions of the Local Government Regional Advisory Boards in 7 oblasts: Zhytomyr, Zakarpattia, Ivano-Frankivsk, Kirovohrad, Rivne, and Khmelnytskyi.

<p><b>Working session of the Zhytomyr Local Government Regional Advisory Board</b> city of Zhytomyr January 30, 2015</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> <li>1. First hand events in populated areas in the oblast in the sphere of energy saving. The participants noted that the modernisation of the housing and municipal utilities sector represents one of the priority areas, because it tells on the interests of both citizens and national economy as a whole. In the course of the discussions of the energy saving action plan for 2015, the participants took into consideration the experience in implementation of projects and programs, as well as the availability of natural resources in the oblast. Decisions made: to appeal to members of the Oblast Council to introduce amendments to the Program for reforms in the water supply and sewerage networks in the Zhytomyr oblast for the period of 2012 – 2020; to take inventory of boiler houses to identify the entities to be modernised at the expense of funds of the National Budget subvention; to accomplish the work on preparation and publication of the Energy Map of the oblast, which will provide an opportunity to set up an interactive database of the current status of the fuel and energy complex in the oblast; and, to identify the potential ways to reduce energy consumption in the region, provide proposals on the introduction of energy saving technologies at the local level, as well as to set up an effective system to attract private investments in the energy sector in the region.</li> </ol>
<p><b>Working session of the Kirovohrad Local Government Regional Advisory Board</b></p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> <li>1. Local Government Reform. Representatives of cities</li> </ol>

<p>city of Kirovohrad February 10, 2015</p>	<p>who were present at the event expressed their support to community consolidation and made a decision to use the AUC as a vehicle to send a proposal to Verkhovna Rada deputies to conduct parliamentary hearings on rayon significance cities, which arise in the course of the local government reform.</p> <p>2. The 2015 Budget: amendments and supplements. The financial support for pre-school educational establishments in rayon significance cities and nutrition of children in schools represented the topics for a lively discussion. Representatives of city councils asked the oblast leadership to assist in resolving this problem issue. Based on the discussions, the event participants decided to address the AUC with a request to appeal to the Cabinet of Ministers to revisit and introduce amendments to the Budget Code of Ukraine to allocate from rayons budgets inter-budget transfers in the amounts no less than actual expenditures in 2014 for pre-school education, culture, and delegated authority in the sphere of public administration.</p>
<p><b>Working session of the Ivano-Frankivsk Local Government Regional Advisory Board</b> city of Ivano-Frankivsk February 25, 2015</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> <li>1. Problem issues related to the financial sufficiency of territorial communities and administration of taxes at the local level. Based on the discussions of the first item of the agenda, the participants decided to prepare proposals on how to improve budget sufficiency of rayon significance cities, villages and towns and to prepare proposals concerning amendments to the Tax Code of Ukraine to improve administration of local taxes.</li> <li>2. Discussions of the Law of Ukraine "On Voluntary Consolidation of Territorial Communities": proposals and hands-on experience in implementation at the local level. Based on the discussions of the second item on the agenda, the event participants expressed their support for the implementation of the law mentioned above in the Ivano-Frankivsk oblast and came to a decision to establish a working group to prepare the long-term perspective plan for the formation of capable communities in the oblast.</li> <li>3. Cooperation between the Regional Offices of the Association of Ukrainian Cities and the Association of Village and Town Council of Ukraine in the Ivano-Frankivsk oblast. The decision on this issue was the following: to coordinate the daily activities representing common interest for both Associations and to provide the information and contact support for each other.</li> </ol>
<p><b>Working session of the Rivne Local Government Regional Advisory Board</b> city of Rivne February 25, 2015</p>	<p>The event participants discussed the following issues:</p> <ol style="list-style-type: none"> <li>1. Social and economic situation in the Rivne region. The participants mentioned that local government representatives did not take the active part in the implementation of the Rivne Oblast Economic and Social Development Strategy for the Period till 2020, therefore there is an urgent need to revisit local plans for</li> </ol>

	<p>the implementation of the Strategy. They decided to continue resolving energy supply issues and implementation of projects aimed at effective use of energy resources, as well as switching boiler houses to alternative types of fuel through amending current programs to install heat meters and water metering devices.</p> <p>2. Legal support in streamlining land relations in the context of decentralisation of governance in Ukraine. The event participants discussed the peculiarities of activities of local governments in the context of the implementation of the Law of Ukraine on delineation of state-owned and communally-owned lands, as well as administration of the tax on immovable property other than the land plot. They came to a decision to draw attention of local governments to the peculiarities of working in the context of the approved Law of Ukraine on delineation of state-owned and communally-owned lands.</p> <p>3. Priorities of the budget policy in 2015 in the context of decentralisation of governance. The event participants discussed the recent amendments in the budget legislation and came to a decision to appeal to the Cabinet of Ministers of Ukraine to reduce the number of tranches of the subventions to the public education and health care sectors from three to two. The city/village mayors came up with a recommendation to prepare a list of excise tax payers on the territory of their populated areas.</p>
<p><b>Working session of the Zakarpattya Local Government Regional Advisory Board</b> city of Uzhgorod March 05, 2015</p>	<p>The event participants discussed the following issues:</p> <p>1. On the future prospects for the development of local self-governance in the context of the implementation of the Law of Ukraine “On the Foundations of the National Regional Policy”. Based on the discussions, the Head of the OSA gave directives to heads of structural departments of the Oblast State Administration and oblast level agencies to provide technical recommendations and all possible consultations including on-site visits if needed to ensure the effective implementation of reforms suggested by the Cabinet of Ministers for the benefit of communities in the Zakarpattya oblast.</p> <p>2. On the regional strategy for the development of the Zakarpattya oblast for the period till 2020. Based on the discussions of this issue, the Chairman of the Oblast Council made a decision to submit the regional strategy for the development of Zakarpattya for discussion and approval by Oblast Council members. Executive committees of city and town councils received an instruction to take steps aimed at the implementation of the tasks outlined in the strategy, prepare draft local development strategies for the period till 2020 within six months and to submit them for consideration by</p>

<p><b>Working session of the Khmelnytskyi Local Government Regional Advisory Board</b> city of Khmelnytskyi March 17, 2015</p>	<p>corresponding councils.</p> <p>The event participants discussed the peculiarities of activities of local governments in the Khmelnytskyi oblast in the context of the local government reform and practical implementation of the Laws of Ukraine “On the Foundations of the National Regional Policy” and "On Voluntary Consolidation of Territorial Communities". The decisions made were the following: the Oblast Council should cooperate with local outreach offices of Ukraine-wide local government associations and state executive agencies for successful consolidation of territorial communities in the oblast; each rayon and blast significance city should set up a commission for community consolidation and assign responsibility; rayon-level commissions to review the proposals to the long-term perspective plan for the formation of capable communities. Conduct an opinion poll in communities.</p> <p>With regard to the second item on the agenda related to the financial ways to promote decentralisation, the active discussion was focused on excise tax collections and financial support for pre-school educational establishments in rayon significance cities, as well as nutrition for children in educational establishments. The event participants made a decision to prepare proposals on how to improve the financial sufficiency of rayon significance cities and submitted them to the AUC.</p>
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*Selection of issues to be discussed at working meetings of Local Government Regional Advisory Boards in 2014 – 2015*

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

**Activity 2.2.3. A series of the National Cohesion Exchange Study Tours**

National cohesion exchange study tours conducted within the framework of the DIALOGUE Project promote the professional exchange for local government officials and unite their participants from various parts of Ukraine.

The topics and participating cities for the study tours have been selected with the help of the opinion survey of AUC member municipalities and using the database of best practices. The schedule of the study tours visits has been put together in such a way so that representatives from cities from the south and east of Ukraine are able to visit southern and eastern Ukrainian cities and vice versa. It is expected that these study tours will become, in fact, become a true national cohesion dialogue and local government officials will realise the importance of the national unity.

Eight national cohesion exchange study tours were conducted over the reporting period.

<p><b>Topic: Introduction of energy efficiency projects in the city of Cherkasy. Achievements and perspectives</b></p>	<p>Experts from the city of Cherkasy presented their experience in the implementation of local energy efficiency programs by the Cherkasy City Council and municipal utility companies. The event participants became familiar with the outcomes of restructuring the city</p>
<p>Date: January 22 – 23, 2015</p>	

City: Cherkasy	district heating and street lighting systems, as well as with a project to modernise sewerage and pumping stations. In addition to this, the participants agreed on the need to better cover the program supporting condominium associations and the related issue of thermal insulation of residential buildings with co-funding from the city budget, as well as the experience in setting up individual heating points.
Participants: city mayors, deputy city mayors, local council secretaries, heads of city and town departments of executive committees from cities of the Zaporizzhya, Kyiv, Luhansk, Mykolaiv, Odesa, Rivne, Sumy, Ternopil, Kharkiv, and Kherson oblasts	The representatives of city councils mentioned that the city experience they learned could be well implemented in their own cities. They also thanked the event organisers for the opportunity to visit the modernised municipal utility companies and received answers to their questions.
<b>Topic: Organisational support for the work of social services in the city</b>	The participants of the national cohesion exchange study tour became familiar with a number of social projects of the Boryspil City Council. The projects, which drew a particular attention from the audience included the implementation of the information and technological card to enable war disabled persons to receive compensation payments for the unused recreational center treatment and the «Турбота» [ <i>care</i> ] integrated city Program allowing pensioners to receive discounts in a number of facilities (supermarkets, hairdresser's, etc.). City guests also had a chance to become familiar with electronic information stands placed in facilities and establishments belonging to various types of ownership. A particular attention was paid to issues related to the preparation of a special passport to evaluate the level of city accessibility for persons with special needs.
Date: January 27 – 28, 2015	
City: Boryspil (Kyiv oblast)	
Participants: city mayors, deputy city mayors, secretaries of local councils, heads of city and town departments of executive committees of city councils from the Zaporizzhya, Luhansk, Mykolaiv, Odesa, Poltava, Sumy, Ternopil and Kherson oblasts	According to the event participants, the agenda of the study tour was very informative and the experience of the Boryspil City Council will provide opportunities to optimise the work of social services in other cities.
<b>Topic: Experience of the one-stop-shop office to pay for housing and municipal utility services, city beautification inspection and introduction of energy efficiency technologies in urban infrastructure</b>	In the course of the visit, experts from the city of Kharkiv spoke about the activities aimed at increasing the level of energy efficiency within the framework of the program to modernise the city district heating system approved by the City Council. Also, the study tour participants became familiar with other local energy efficiency projects and paid visits to modernised municipal utility companies. The event participants were particularly interested in the experience in making improvements of the territory of markets in the city, because such experience is particularly useful for those cities facing serious difficulties with resolving similar problem issues. In addition to this, the organisers of the study tour highlighted the issue of compliance with the garbage transportation rules, taking away unsanctioned small architectural constructions, ambrosia control, burning dry leaves, green plantations in the city, etc. The Head of the Department for Territory Beautification and Utility Services of the Ministry of
Date: February 18 – 19, 2015	
City: Kharkiv	
Participants: city mayors, heads of city and town departments of local councils from the Volyn, Zaporizzhya, Mykolaiv, Odesa, Poltava, Sumy, Ternopil, Khmelnytskyi, and Kharkiv oblasts	

	<p>Regional Development, Construction, Housing and Municipal Utilities and many of the study tour participants highly praised the Kharkiv experience in city beautification.</p> <p>Exchange of practical experience and contacts and discussion of the outcomes of the study tour turned to be the national cohesion factors of this event organised for local government officials.</p>
<p><b>Topic: Energy efficiency as a way to ensure the sustainable development of territorial communities</b></p>	<p>The study tour participants became familiar with the experience in using the alternative sources of energy and with the activities of the Resource and logistics Center for Bio-Energy Development established at the Myrhorod City Council. They also paid a visit to the pilot boiler house (the one where the bio-module is being erected to use straw as fuel), as well as visited the company where bio-fuel will be stored.</p> <p>Local experts presented to the audience the local energy management system prepared in Myrhorod, as well as findings of the monitoring of the use of energy resources. They spoke about the findings of the energy sanitation of the kindergarten and about the project to modernise the street lighting system using solar energy. In addition to this, city representatives received information about the introduction of energy efficiency projects with the help of grant and credit funds of international donor organisations. They also learned about the outcomes and future prospects for the USAID Local Alternative Sources of Energy: City of Myrhorod (MADEM).</p> <p>Based on the discussions during the study tour, the participants expressed the belief that the Myrhorod experience will help them to introduce energy efficiency technologies in their cities.</p>
<p>Date: February 26 – 27, 2015</p>	
<p>City: Myrhorod (Poltava oblast)</p>	
<p>Participants: city mayors, heads of city and town departments of local councils from cities of the Dnipropetrovsk, Zhytomyr, Zaporizzhya, Kyiv, Kirovohrad, Luhansk, Lviv, Mykolaiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kherson, Khmelnytskyi, and Cherkasy oblast.</p>	
<p><b>Topic: Reforms in the housing and municipal utilities sector, work of the unified customer system</b></p>	<p>The national cohesion study tour participants became familiar with the steps to reform the housing and municipal utilities sector in the city of Oleksandriya. Thanks to the Unified Client System established on the basis of a municipal utility company, private funds of resident of apartment blocks will be accumulated on the bank account opened for each apartment block, whereas the residents themselves through the apartment block manager will request he necessary services. The quality of works improved, citizen trust to municipal services increased, and the percentage of payments for utility services increased too.</p> <p>The event participants also had an opportunity to become familiar with the modernisation of the housing stock, installation of modern closed garbage containers, and covering the adjacent territories and other related improvements, etc.</p> <p>At the same time, the participants studied the experience in the implementation of energy saving technology and</p>
<p>Date: 12 – 13 March 2015</p>	
<p>City: Oleksandriya (Kirovohrad oblast)</p>	
<p>Participants: heads of city ad town departments of local councils from cities of the Zhytomyr, Kyiv, Lviv, Odesa, Poltava, Sumy, and Kharkiv oblasts.</p>	

	<p>visited social sector facilities in the town of Dymytrove where solid fuel boilers were installed. The city guests also had an opportunity to see the work of one of the 6 reconstructed natural gas module boiler houses with contact water heaters, which are controlled from the central dispatcher center.</p> <p>According to the study tour participants, the agenda of the event was interesting, informative and useful.</p>
<b>Topic: Use of IT technologies in city management</b>	<p>The agenda of the national cohesion study tour was full of events. The Ternopil city experience in introducing a system of payments for municipal utilities through the Internet, bank offices and UkrPost, as well as the experience of the centralised video surveillance in the city represented the particular interest of the participants. The study tour participants became familiar with the work of the dispatcher service center and saw how actually the surveillance system for the urban public transportation works. The national cohesion study tour participants asked many questions about the free Wi-Fi services in the city parks and trolleybuses in Ternopil.</p> <p>The event participants also visited the Ternopil Center for Administrative Services and learned about the work of web-sites of the Ternopil City Council. Also, the were offered a presentation of the Open City platform, the “Слово і Діло” [<i>word and action</i>] project to facilitate monitoring of the local government promises, as well as received the information how to make use of social networks as a communication tool between the community and local government.</p>
Date: March 18 – 19, 2015	
City: Ternopil	
Participants: city mayors, heads of city and town departments of local councils from cities of the Zhytomyr, Zaporizzhya, Kyiv, Luhansk, Odesa, Poltava, Sumy, Kherson, Cherkasy, and Chernivtsi oblasts.	
<b>Topic: City management</b>	<p>In the course of the study tour to Lviv, the participants had an opportunity to exchange with their colleagues the hands-on experience in resolving various problem issues related to various aspects of city activities. They learned about the city of Lviv experience in interacting with the citizenry, supporting entrepreneurship and volunteer movements, as well as in implementing the Integrated Concept for the Development of the Lviv Downtown. The city representatives visited the business incubator for IT-startuppers. The City Institute presented its materials on the cluster review of economy, city economic development strategy, as well as on how to engage citizens, business community and city government to discuss important issues within the «Urban Café» platform.</p> <p>The Lviv experts offered a presentation on the methodology for working with clusters as one of components of the City Strategy. Most cities were very much interested in this topic, especially in the work of the tourism cluster, because the group of event participants included representatives of the cities with considerable, yet nascent tourism potential.</p>
Date: March 30 – 31, 2015	
City: Lviv	
Participants: city and town mayors, deputy city mayors, heads of city and town departments of local councils from cities of the Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zaporizzhya, Zakarpattya, Luhansk, Mykolaiv, Odesa, Poltava, Sumy, Ternopil, Kharkiv, Kherson, Khmelnytskyi, Cherkasy, and Chernivtsi oblasts.	

#### **Activity 2.2.4. Establishing formal and regular coordination mechanisms with other USAID supported activities and other donor organizations**

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

The DIALOGUE Project conducted a number of working meetings with representatives of the projects finance by the German Technical Cooperation Office concerning implementation of budget decentralisation and improving the professional qualifications and skills of local government officials.

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

The Project conducted a working meeting with the InterNews representatives and reached an agreement for cooperation in the implementation of the project aimed at ensuring transparency of budgeting at the local government level.

The DIALOGUE Project conducted a number of meetings with representatives of the Swedish Association of Local and Regional Authorities dedicated to the support for the decentralisation reform in Ukraine. The two sides discussed the possibility to cooperate to support implementation of budget decentralisation and to promote reforms.

A Project expert took part in the informational meeting organised by the RADA Project and presented the first achievements of the fiscal decentralisation in Ukraine.

On February 05, Project experts took part in the round table discussion dedicated to increasing the institutional capacity of the Ministry of Public Education and Science of Ukraine in developing new mechanisms of financial support in the sector in the context of decentralisation reforms in Ukraine. The Ukrainian-Swedish project to support decentralisation was a co organiser of this event.

On February 18, DIALOGUE Project experts took part in the working meeting on regional policy with the participation of representatives of the Verkhovna Rada of Ukraine, Cabinet of Ministers Secretariat, Ministry of Regional Development, EU Representation Office in Ukraine, Support for Ukraine Regional Development Policy Project, and Ukraine-wide local government associations.

On February 26 – 27, and March 12, Project experts participated in working meetings of the Expert Group to identify pilot cities for the implementation of the joint Council of Europe and European Commission Community-Led Urban Strategies in Historic Towns Project (COMUS).

On March 12, DIALOGUE Project experts participated in the working sessions of the Committee for Local and Regional Authorities of Europe post-monitoring group dedicated to the current status of the implementation of Congress Recommendations 348 (2013) on the state of local and regional democracy in Ukraine.

On March 12, DIALOGUE Project experts participated in the international conference dedicated to future prospects of e-parliaments, openness, transparency and accountability, as well as contemporary decisions for communication between National Deputies and voters.

On March 24, DIALOGUE Project experts participated in the working session of the steering committee of the EU Support for Ukraine Regional Policy Development Project.

On March 26, DIALOGUE Project experts participated in the 2<sup>nd</sup> Ukrainian-Czech Conference dedicated to the promotion of the investment platform, municipal utilities and energy efficiency of Ukraine for the period till 2020.

## **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. The purpose of this work is to promote an effective environment for the implementation of the local government reform and enhancing public support for decentralisation. Therefore, the preparation and dissemination of strategic messages about the meaning and expected outcomes of the reform became an important component of the Project activities during the preparation and implementation of the reform. To be able to promote the reforms, the DIALOGUE Project uses various instruments to reach out to targeted audiences, communicate with media, and to deliver information to broad public audiences. In the reporting period, the Information group began to use info graphics as a new tool of visual messages.

The AUC Board approved the brand for reforms: a special sign symbolising consolidated communities with the following slogan: “CAPABLE COMMUNITIES. STRONG STATE”. The brand mark will be used to mark informational products concerning decentralisation and local government reform.

The AUC web site opened a new section called “DECENTRALISATION”. It is marked with the brand mark and features various informational materials on the corresponding topics, in particular those developed by the DIALOGUE Project experts.

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

Project experts keep submitting the information about their activities and Project events to the Information Group. Such updates serve as the key information for PR managers to prepare their information products for AUC web-site and Project publications (for example, the DIALOGUE Section in the AUC Herald and the DIALOGUE electronic publication. By doing so, 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. In addition to this, based on the sectoral monitoring, the Project prepares special Hot Topic press updates for media.

### **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 visitors at: [www.dialogueauc.org.ua](http://www.dialogueauc.org.ua). The web-site became operational on March 01, 2011.

The main page of the web-site features the current news and announcements of the events, which take place within the framework of the DIALOGUE Project. The web-site also presents the expert opinion of the AUC Center for Analysis and Legislation Drafting on the draft legislation, approved legislation, resolutions of the Cabinet of Ministers of Ukraine, etc.

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 **3** 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 **21** documents). The Analysis Section offers the documents prepared by Project experts, such as local government technical area profiles. The Section has **8** technical area profiles prepared in the pdf format. The documents are easy to read or print. The “Local Budgets and Financial Foundations of Local Self-Governance” technical area profile is being prepared in a new version, because since the beginning 2015, a new system of inter-budget relations has been put in place and local budgets are being prepared on a new basis.

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 **2** announcements about the dialogue at the national level, in particular, about the AUC position about the approved amendments to the Budget Code of Ukraine (January 05) and on introducing amendments to the Budget Code of Ukraine, which will ensure the financial support to smaller populated areas at the level not less than in 2014 (March 12). Over the reporting period, this section placed the information about working sessions of **6** 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 (annual report), and Dialogue Newsletter periodical publications. The site also places DIALOGUE Project quarterly reports.

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:

January 1,177

February 996

March 1,289

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
<b>Local Self-Governance in 2014</b>	Central government authorities, local governments, and expert community	The publication offers the following materials: <ul style="list-style-type: none"> <li>- Local Government Reform;</li> <li>- Budget decentralisation;</li> <li>- Trends in budget sufficiency of territorial communities in 2014;</li> <li>- Reforms of the system of administrative services</li> <li>- Current status and future prospects for amendments in the legislation on service in local governments;</li> <li>- Current status of the citizen right to vote at the local level;</li> <li>- Current status and tendencies for budget sufficiency in the housing and municipal utilities sector;</li> <li>- Energy supply at the local level: tendencies, problem issues and prospects for the future;</li> <li>- Implementation of the principle of ubiquity of local self-governance;</li> <li>- Current status of interaction between local governments and citizens; and,</li> <li>- Main directions for the development of local self-governance in the nearest future.</li> </ul>
<b>The "Sectoral Monitoring" quarterly electronic publication</b>	Central government authorities, expert community	<u># 19, March</u> . presents the publications on: <ul style="list-style-type: none"> <li>- Issues related to the implementation of the Law of Ukraine "On Voluntary Consolidation of Territorial Communities";</li> <li>- Current status of the budget sufficiency of territorial communities;</li> <li>- Service in local governments;</li> <li>- Implementation of decentralisation reforms in the land management sphere;</li> <li>- Possibilities for local governments to regain their authority in the urban development sphere;</li> <li>- New opportunities for territorial communities in the sphere of energy efficiency; and,</li> </ul>

<p><b>The “AUC Herald” printed monthly publication</b></p>	<p>AUC member communities, AUC partner organisations</p>	<p>- - Development of the local democracy.  <u># 114, January.</u> The DIALOGUE Project Chapter features the materials about the working session of the Steering Committee on Local Self-Governance at the Office of the Chairman of the Verkhovna Rada of Ukraine with the participation of city mayors.  <u># 115, February.</u> The DIALOGUE Project Chapter features an article about the summaries of the meeting with mayors of rayon significance cities (February 02) and mayors of towns and villages (February 19).  <u># 116, March.</u> The DIALOGUE Project Chapter features the materials about the draft Methodology for the establishment of capable communities. The materials were prepared by the DIALOGUE Project experts.                      All publications were prepared and disseminated in the printed version, as well as placed on the web-site.</p>
<p><b>The “DIALOGUE Newsletter” electronic monthly publication</b></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:  <u># 52,</u> highlight of the month – V. Groisman: Local Government Reform as the key national reform (about the working sessions of the Steering Committee on Local Self-Governance at the Office of the Chairman of the Verkhovna Rada of Ukraine with the participation of city mayors).  <u># 53,</u> highlight of the month – the highlight section features the material about the future steps to implement the Local Government Reform (in February the AUC conducted two important events in Kyiv whose main goal was to promote the dialogue on decentralisation reform issues with mayors of rayon significance cities, towns and villages).  <u># 54,</u> highlight of the month – Methodology for the establishment of capable communities prepared with the participation of DIALOGUE Project experts.</p>
<p><b>The “Legislation News” electronic publication</b></p>	<p>Local government lawyers</p>	<p><u># 48, January</u> features the information about 16 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.  <u># 49, February</u> features the information about 17 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.  <u># 50, March</u></p>

		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.
<b>The “Legal Counselling” electronic quarterly publication</b>	Local government lawyers	<p>Issue # 18 included the following:</p> <ul style="list-style-type: none"> <li>- explanations about the hands-on application of the provisions the Tax Code of Ukraine in the part dealing with the introduction of local taxes and fees in 2015;</li> <li>- explanations about the hands-ob application of the provisions of Annex # 10 of the Law of Ukraine “On the National Budget of Ukraine for 2015”. The document offers a list of establishments, institution, organisations and events in the public education, culture, health care and physical culture and sport, which are moved to the financial support from local budgets;</li> <li>- explanatory letters from the State Fiscal Service of Ukraine # 1519/7/99-99-19-03-03-17 of January 20, 2015 (excerpt) concerning the payment of the excise tax on the retail sales;</li> <li>- generalised answers (explanations) to certain questions, which came to the hot mobile telephone line.</li> </ul> <p>The publication was sent out to AUC Regional Offices and local government lawyers.</p>
<b>The “Press News” electronic weekly publication</b>	Media	A selection of weekly news, publications, and announcements of major activities of the Association of Ukrainian Cities, news and events in cities, and key local government topics. Eleven issues were prepared and published. The Press News is distributed to more than 210 media representatives, journalists and press offices of city councils, as well as 100 regional journalists. The Flashnews for the week when the study tour is conducted include a special section called “National Cohesion Exchange Study Tours”.
<b>Short local government updates</b>	USAID	<p>The Project prepares and sends the publication to USAID on a weekly basis. The information is presented in three sections: DIALOGUE Project News, Local Government News and Sectoral News.</p> <p>Eleven issues were prepared and sent out.</p>

### ***Info graphics***

“DECENTRALISATION: simple and user-friendly messages about reforms”

Based on the material prepared by the AUC Center for Analysis and Legislation Drafting, the Information Group prepared info graphics materials about the meaning, mechanisms and expected outcomes of decentralisation and local government reform, which provide answers to the question why decentralisation is needed, what a capable community means, what types of authority local governments in consolidated communities will receive, and what revenues they

will have. Also, the info graphics show how oblasts and rayons will look like after the reform and what the algorithm of community consolidation looks like.

The info graphics was disseminated through hand out materials during meetings with mayors of rayon significance cities (February 13, 2015) and mayors of town and villages (February 19, 2015). These materials were also used in presentations of AUC experts and were disseminate with the help of the following means:

- through the informational resources of the AUC: web-site, the AUC Herald, AUC Facebook page;
- through media and other Internet resources, such as: the «Гурт» and «Громадський простір» web-portals, as well as the «Децентралізація» and UNIAN News Agency web-sites.

#### “ACHIEVEMENTS OF THE INTER-BUDGET RELATIONS REFORM”

Based on the materials prepared by the AUC Center for Analysis and Legislation Drafting, the Information Group prepared info graphics about the meaning and implications for territorial communities of amendments to the tax and budget legislation approved by the Verkhovna Rada of Ukraine.

The materials were published on the AUC web-site, on the AUC Facebook page, and were used by experts in AUC presentations.

#### *Promotion of reforms in social networks (Facebook)*

To promote the theme of the local government reform and to facilitate the decentralisation, as well as to provide the proper coverage of the Project activities, the AUC has opened its Facebook account to place its materials and products there.

During the reporting period, the AUC Facebook page published 62 postings. Over this time, the page the Facebook page collected 446 new likes. Over three months, more than 6 thousand persons read the postings on this site.

#### *Publications in media*

##### *Radio Coverage*

The Project prepared five 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:

January 17 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live «Суботня студія» [*Saturday studio*] program. Topic: amendments to the CBCU1 and local budgets.

March 10 – comments of Ya. Raboshuk, expert of the AUC Center for Analysis and Legislation Drafting, in the Radio Era Station about the possibilities of saving heat energy.

March 12 – comments of V. Karabutova, expert of the AUC Center for Analysis and Legislation Drafting, on the Radio Era Station about the mechanisms for registering and obtaining subsidies to compensate the cost of housing and municipal utility services bills.

March 12 – comments of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the program aired by the «Голос столиці» [*voice of the capital city*] program about the implementation of decentralisation reforms.

March 25 – participation of V. Baranov, Deputy AUC Executive Director on reforms, in the «Велика країна» [*big country*] program aired by the Radio Era Station. Topic: decentralisation and local budgets.

### **TV coverage**

The AUC activities and live interviews of DIALOGUE Project experts were aired by eighteen TV programs on the following channels:

January 30 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live «Позиція» [*position*] program aired by the «Рада» TV Channel. Topic: decentralisation and budget reform.

February 02 – an interview of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live news section of the «Гамма» TV Channel. Topic: budget decentralisation.

February 04 – references to comments of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the «Постскрипtum» [*post scriptum*] program aired by the «34» TV Channel (Dnipropetrovsk). The interview was provided through Skype. Topic: budget decentralisation and State Treasury servicing of local budgets.

February 04 – a video story on the ІНТБ (city of Ternopil) about the working session of the AUC Social Protection Professional Group.

February 11 – comments by V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting, about the Law of Ukraine "On Voluntary Consolidation of Territorial Communities". The program was aired by the «Еспресо TV» TV Channel.

February 12 - comments by V. Parkhomenko, Deputy Director of the AUC Center for Analysis LGR1 and Legislation Drafting, about the Local Government Reform aired by the «1+1» TV Channel, news section.

February 14 – a video story on the Tonis TV Channel about the working session of mayors of rayon significance cities. The program included comments of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting.

February 14 – participation of O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the live “East Meets West: DECENTRALISATION” joint program of the UNIAN News Agency and Civil Society Institute. Topic: Local Government Reform and new budget system in Ukraine. The program was aired by the «Уніан-ТБ» TV Channel.

February 15 – a video story on the Першому діловому [*first business*] TV Channel about the working session of the mayors of rayon significance cities.

February 19 – a video story about the study tour of city representatives to Kharkiv. The program was aired by the «Харьковские известия» [*Kharkiv news*] TV Channel.

February 28 – participation of by V. Parkhomenko, Deputy Director of the AUC Center for Analysis and Legislation Drafting, in the live “East Meets West: DECENTRALISATION” joint program of the UNIAN News Agency and Civil Society Institute. Topic: decentralisation for Ukraine: myths about decentralisation. The program was aired by the «Уніан-ТБ» TV Channel.

March 12 – comments of Ya. Raboshuk, expert of the AUC Center for Analysis and Legislation Drafting, about legislative initiatives to regulate solid waste management. The program was aired by the «Рада» TV Channel.

March 13 – participation of V. Baranov, Deputy AUC Executive Director on reforms, in the round table discussion in the UNIAN News Agency. Topic: tariff policy. The program was aired by the «Уніан-ТБ» TV Channel.

March 18 – a video story about the study tour of city representatives to Ternopil. The program was aired by the ІНТБ TV Channel (Ternopil).

March 18 – a video story about the study tour to Ternopil. The program was aired by the «TV-4» TV Channel (Ternopil).

March 19 – a video story about the working session of the AUC Health Care Professional Group. The program was aired by the municipal «Місто» [city] TVRC (Khmelnyskyi).

March 26 – comments by O. Slobozhan, Director of the AUC Center for Analysis and Legislation Drafting, in the «Вікно в Європу» [window to Europe] program aired by the Channel 5 TV Channel.

March 30 – a video story about the Municipal Forum in Lviv with comments of Yu. Vilkul, President of the AUC. The program was aired by the «Рудана» TVRC (Kryvyi Rih).

### ***Printed and electronic media***

Interviews and comments of DIALOGUE Project experts on the topic of decentralisation reforms were published in 48 publications and printed media, as well as in the Internet media.

### ***A joint project with nation-wide publications***

Public support for government actions is an important component of the successful reform implementation. Aiming at promoting the idea of decentralisation and increasing citizen understanding of the meaning and purpose of the local government reform, the Project started to cooperate with the «Урядовий кур'єр» [government courier] nation-wide publication.

The «Урядовий кур'єр» newspaper is in the top three publications with the widest circulation. Its audience includes approximately 30 thousand readers. Its materials not only target civil servants, local government officials and sectoral lawyers, but also citizens at large. It is important to note that all the materials are also published on the newspaper web-site.

The first publication about the local government reform under the topic: “Authority Supported with Resources” was published in Issue # 58 of March 31.

### ***TV Project***

The purpose of the TV Project within the framework of the Public Support for Reforms component is to fill the “gap” in the TV medium on decentralisation and local government reform, to enliven the interest of the audience of prime TV channels, and to draw the attention of citizens at large to the issues of the local government reform.

To promote the local government reform, explain the meaning and expected outcomes of the reform, and to form the proper public opinion, the Project has envisioned the preparation and dissemination of the following TV products on a nation-wide TV channel:

1. A series of social video clips. Purpose: to draw the attention of the public at large and large-scale TV audience to the meaning and impact of decentralisation reforms on various aspects of every-day-life of ordinary citizens.
2. A series of talk-shows to explain the meaning and implications of the reform and to discuss its implementation. Purpose: to enliven the interest of the TV audience through discussion on decentralisation and local government reform issues.

The Project conducted a tender to select the company to develop and broadcast TV products. The selection committee announced the Channel 5 TV Channel to be the winner of the competition and made a recommendation for the DIALOGUE Project to cooperate with it within the framework of the TV program component.

The first talk-show programs are expected to come out in April, whereas the social video clips will be broadcast in May and June.

### 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
<b>Current status and issues of local self-governance in Ukraine. AUC dialogue with central government agencies</b>	
Yu. H. Vilkul	AUC President, Kryvyi Rih City Mayor
Myroslav V. Pittsyk	AUC Executive Vice President, DIALOGUE Project Senior Expert on Policy Dialogue at the National Level
<b>Local Government Reform</b>	
Myroslav V. Pittsyk	AUC Executive Vice President, DIALOGUE Project Senior Expert on Policy Dialogue at the National Level
Valeriy, O. Baranov	Deputy AUC Director on Reform Issues
<b>Legal support to local government activities, AUC initiatives</b>	
Oleksandr V. Slobozhan	Director of the AUC Center for Analysis and Legislation Drafting
Volodymyr H. Parkhomenko	Deputy Director of the AUC Center for Analysis and Legislation Drafting
<b>Local elections</b>	
Volodymyr H. Parkhomenko	Deputy Director of the AUC Center for Analysis and Legislation Drafting
<b>Local budget and finance</b>	
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. Slobozhan	Director of the AUC Center for Analysis and Legislation Drafting
<b>Housing and utilities, city economy and infrastructure</b>	
Serhiy V. Nadal	Mayor of Ternopil
Yaroslav O. Raboshuk	Expert of the AUC Center for Analysis and Legislation Drafting
<b>Land relations</b>	
Yaroslav O. Raboshuk	Expert of the AUC Center for Analysis and Legislation Drafting
<b>Public education, health care and culture</b>	
Victoria V. Karabutova	Expert of the AUC Center for Analysis and Legislation Drafting
<b>Innovation development, introduction of effective management technologies</b>	
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.

Over the reporting period, the Project did not conduct meetings of the National Press Club.

Working sessions of regional 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 Zhytomyr Regional Press Club**

<p><b>Topic:</b> First priority tasks in the sphere of energy saving in populated areas of the Zhytomyr oblast</p>	<p>R. Hodovanyi provided the information about the work of the Local Government Advisory Board. He informed that the participants discussed the heating season activities, implementation of energy efficiency and other types of activities in the oblast communities aimed at reducing the natural gas consumption. Representatives of cities shared their experience in introducing energy efficiency projects and expressed their proposals to the action plan for energy efficiency work for 2015. Deputy Oblast Council Chairman summarised that due to the work, which was conducted in the oblast in 2014, the region managed to reduce the consumption of the natural gas by 18.9 million cubic meters.</p> <p>L. Tsymbalyuk explained that the biggest savings were reported by the municipal utility companies, which were most actively engaged in switching their boilers to alternative types of fuel.</p> <p>T. Kukharska noted that to popularise the idea of energy saving for community residents the Local Government Advisory Board gave an instruction for the Zhytomyr AUC Regional Office to organise in 2015 public awareness activities to promote the “energy efficient” style of living.</p>
<p><b>Date:</b> January 30, 2015</p>	
<p><b>Participants:</b>                  R. Hodovanyi, Deputy Chairman of the Oblast Council, L. Tsymbalyuk, Acting City Mayor of Zhytomyr and Head of the Zhytomyr AUC Regional Office, T. Kukharska, Executive Director of the Zhytomyr AUC Regional Office</p> <p><b>Media present at the event:</b>                  Oblast TV Channel, the «Союз-ТВ» TV Channel; the «Житомирська хвиля» [Zhytomyr vawe] radio station; and, the «Житомирщина» [Zhytomyr region] newspaper.</p>	

**Working session of the Kirovohrad Regional Press Club**

<p><b>Topic:</b> Local Government Reform, National Budget for 2015: amendments and supplements</p>	<p>S. Kuzmenko emphasised that during the period of complicated political, social and economic situation in the country the successful implementation of the public administration reform programs prepared by the Office of the President and Cabinet of Ministers depends on the proper</p>
<p><b>Date:</b> February 10, 2015</p>	

<p><b>Participants:</b> S. Kuzmenko, Head of the Oblast State Administration, O. Chornoivanenko, Chairman of the Oblast Council, S. Tsapyuk, City Mayor of Oleksandrivka and Head of the Kirovohrad AUC Regional Office</p> <p><b>Media present at the event:</b> The «Кіровоград» TV Channel; the «Златопіль», «Кіровоградська правда» [<i>Kirovohrad truth</i>], «Народне слово» [<i>people's word</i>], «Вільне слово» [<i>free word</i>], and «Акула» [<i>shark</i>] Internet publications.</p>	<p>cooperation between state executive authorities and local governments.</p> <p>O. Chornoivanenko emphasised that the approval of Laws of Ukraine "On Voluntary Consolidation of Territorial Communities" and "On the Foundations of the National Regional Policy" will provide opportunities to introduce new managerial mechanisms, develop an effective regional policy, and improve the material and resource support for the development of regions. In addition to this, he also informed about the activities of the Oblast Council to prepare proposed amendments to legislation on decentralisation and mentioned that community leaders should more actively engage in this work.</p> <p>Based on the discussions of the Law of Ukraine "On Voluntary Consolidation of Territorial Communities", city mayors agreed upon the need to prepare a road map for implementation of decentralisation reforms in the Kirovohrad region, - informed S. Tsapyuk. He also mentioned that the proposals on decentralisation at the local level expressed in the course of meeting will be sent to the President of Ukraine.</p>
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#### Working session of the Rivne Regional Press Club

<p><b>Topic:</b> Development of local self-governance in the Rivne region within the framework of cooperation between state executive authorities and city/town councils</p> <p><b>Date:</b> February 25, 2015</p>	<p>Yu. Pryvarskyi informed about the current social and economic situation in the Rivne region and plans and financial prospects for the development of the oblast for 2015. He told that in 2014 the oblast approved the draft Strategy for Economic and Social Development of the Rivne Oblast for the period till 2020 and local government officials received the suggestion to become more actively engaged in its implementation. He also pointed the attention of the audience to the fact that local governments received recommendations to spur up the work in the energy saving sphere, in particular to revisit local programs in the parts dealing with the use of heat meters and water supply meters.</p> <p>L. Bilyak spoke about amendments to the budget legislation including the most important amendment to allow the direct inter-budget relations for new consolidated communities. She reassured that the Oblast State Administration to have rayon significance cities to submit their proposals concerning the potential consolidation of communities.</p> <p>M. Karapetyan informed that city mayors from the Rivne oblast expressed their readiness to prepare proposals concerning the establishment of capable communities in accordance with the Law of Ukraine "On Voluntary Consolidation of Territorial Communities".</p>
<p><b>Participants:</b> Yu. Pryvarskyi, First Deputy Head of the Oblast State Administration, L. Bilyak, Director of the Financial Department of the Oblast State Administration, and M. Karapetyan, City Mayor of Radyvyliv</p> <p><b>Media present at the event:</b> The «Рівне вечірнє» [<i>evening Rivne</i>] newspaper; the «Рівне1» TV Channel, and the «7ДНІВ» [<i>7 days</i>] and «Новини Рівного» [<i>Rivne news</i>] weekly publications.</p>	

#### Working session of the Ivano-Frankivsk Regional Press Club

<p><b>Topic:</b> Key issues of decentralisation of governance and development of self-governed territories in the Ivano-Frankivsk region</p>	<p>V. Harazd informed about the problem issues with the financial support for smaller cities and villages. Different interpretations of the provisions of the Budget Code of Ukraine by rayon councils is one of the most painful problem issues and represents a barrier for stable operations of</p>
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<p><b>Date:</b> February 25, 2015</p> <p><b>Participants:</b> V. Harazd, City Mayor of Dolyna, V. Husak, City Mayor of Rohatyn</p> <p><b>Media present at the event:</b> The «Галичина» Oblast TV Channel, «Вежа» [tower] City TV Channel, the «3 студія», «24 канал – Івано-Франківськ» TV Channels; the Oblast Radio Station; and the «Фіртка» [gate] and «Правда ІФ» [truth IF] Internet publications.</p>	<p>kindergartens. For example, local governments in various populated areas concluded different agreements to provide the financial support for pre-school educational establishments, i.e. whether they should be transferred to the ownership of rayon councils, managed by a third entity, leased on preferred terms, or should continue to receive the financial support from the city budget.</p> <p>V. Husak shared his vision about how the consolidation of communities takes place and barriers on this way. The city mayor spoke about the benefits of consolidated communities, such as financial support, increased scope of authority, improved provision of services at the local level, avoiding duplication of responsibilities, and development of democratic institutions. Mayor Husak also expressed his position about the upcoming local government elections and stressed the importance of preserving the majoritarian system of elections in rayon significance cities and the possibility for citizens to self-nominate themselves for the position of the mayor.</p>
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**Working session of the Zakarpattya Regional Press Club**

<p><b>Topic:</b> Future prospects for the development of local self-governance in the context of the implementation of the Law of Ukraine “On the Foundations of the National Regional policy”</p>	<p>I. Revtyi spoke about the development of the Zakarpattya Oblast Development Strategy prepared in the context of the Law of Ukraine “On the Foundations of the National Regional Policy”. The document envisions development of rayons, decentralisation of governance, and increased professional level of the local government service. He mentioned that the Strategy will serve as the foundations for the preparation and implementation of regional development projects. The document provides key features of the oblast, such as the natural, resource, human, economic, scientific, technical and infrastructure potential, strategic goals, development scenarios, implementation risks, etc.</p>
<p><b>Date:</b> March 05, 2015</p>	
<p><b>Participants:</b> V. Hubal, Head of the Oblast State Administration, M. Laba, Mayor of the village of Nevyske, I. Revtyi, Executive Director of the Zakarpattya AUC Regional Office</p> <p><b>Media present at the event:</b> The «Тисал» and «М-студіо» TV Channels; the «Нове Закарпаття» [new Zakarpattya region] web portals,; and the «Калейдоскоп» and «РІО» newspapers.</p>	<p>M. Laba informed that in addition to the law mentioned above, the President of Ukraine recently changed the Law of Ukraine "On Voluntary Consolidation of Territorial Communities". Therefore, it is high time to implement this law in reality. To do so, it is important for city, town and village mayors to immediately start the dialogue about the establishment of new consolidated communities. Thanks to the work of experts of the Association of Ukrainian Cities, the Zakarpattya AUC Regional Office has all the resources and technical recommendations needed for this work.</p> <p>V. Hubal informed that he is ready for cooperation with representatives of local governments for the purposes of the oblast development. He emphasised that the consolidation of communities aimed at good future of communities is the main task at the moment.</p>

**Working session of the Khmelnytskyi Regional Press Club**

<p><b>Topic:</b> Strategic goals of local governments of the Khmelnytskyi region to reform the territorial arrangement of</p>	<p>Ya. Honchar emphasised that essentially new activities aimed at inter-municipal cooperation and voluntary consolidation of territorial communities should begin in the context of the</p>
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<p>government institutions</p> <p><b>Date:</b> March 17, 2015</p>	<p>Local Government Reform. The new self-sustainable communities should possess the material, financial and other resources in the amount necessary for the effective implementation of local self-governance and provision of high quality services for citizens. In addition to this, the state is obliged to speak about the benefits of the administrative and territorial reform for its participants and stakeholders, as well as for ordinary citizens.</p> <p>M. Zahorodnyi emphasised that only the joint work of local governments and state executive authorities is in the position to promote the implementation of a number of reforms so necessary to switch the country over to a new model of government institution arrangement. He stressed that the country is entering the most important stage: preparation of long-term perspective plans and formation of the territorial arrangement of the future capable communities.</p> <p>V. Sydor spoke about the peculiarities of activities of local governments of the Khmelnytskyi AUC Regional Office in the context of the local government reform and informed that the proposals prepared in the course of the working session of the Local Government Regional Advisory Board will be generalised and submitted to the central agencies of the state executive and the Verkhovna Rada of Ukraine.</p>
<p><b>Participants:</b> Ya. Honchar, Chairman of the Oblast Council, M. Zahorodnyi, Head of the Oblast State Administration, V. Sydor, City Mayor of Slavutych and Head of the Khmelnytskyi AUC Regional Office</p> <p><b>Media present at the event:</b> The Khmelnytskyi OTVRC, the «Місто» [city] TRC, the Channel 33 TV Channel and the «Голос України» [voice of Ukraine] and «Проскурів» newspapers.</p>	

## 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 305 consultations to local government officials. Since its inception, the Project provided 3,172 consultations to local governments, their officials and local council members.*

The **City Legal Assistance Center** consultants provided **305** legal consultations through the mobile telephone line, mail, and AUC and DIALOGUE web-sites in the following areas:

- organisational and legal foundations of local self-governance – 126;
- housing, municipal utilities and communally-owned property – 60;
- local budgets and financial foundations of local self-governance – 53;
- land relations – 43; and,
- social protection – 23.

#### **Assistance to Luhansk and Donetsk**

The DIALOGUE Project was engaged in the work to resolve issues to write off the local budget debts, to develop mechanisms for returning local government bodies to the controlled territories, as well as to streamline the payment of salaries to employees of local governments and companies, establishments and organisations located on the temporarily uncontrolled territories of the Donetsk and Luhansk oblasts. In particular, the Project assisted in developing the corresponding draft Resolution of the Cabinet of Ministers of Ukraine “On Certain Issues Related to the Payment of Salaries to Employees of Local Governments and Companies, Establishments and Organisations Located on the Temporarily Uncontrolled Territories”. The

purpose of this document is to resolve the problem issues mentioned above within the framework of the current Ukrainian legislation. To support the position of the DIALOGUE Project, the corresponding appeals to the President of Ukraine (of January 21, 2015) and Vice Prime Minister and Minister of Regional Development, Construction, Housing and Municipal Utilities of Ukraine (of January 14, 2015) were prepared and sent.

On January 28, 2015, the Cabinet of Ministers received for its consideration the draft Resolution of the Cabinet of Ministers of Ukraine “On Introducing Amendments to Resolution of the Cabinet of Ministers of Ukraine # 595 of November 07, 2014 “Certain Issues of Financial Support of Public Sector Institutions, Making Social Payments for the Population and Providing the Financial Support for Selected Companies and Organisations of the Donetsk and Luhansk Oblasts”. This document significantly narrows down the list of public sector institutions, which can be moved from the temporarily uncontrolled territory to the populated areas where state executive agencies exercise their authority in full, as well as envisions the resumption of the State Treasury administration of local budget expenditures and of credit financing only after these territories are moved back under the control of the Ukrainian government. In addition to this, the proposed draft document did not envision the mechanism to implement its provisions and was not concurred with by the AUC as required by the Law of Ukraine “On Local Government Associations” and By-Laws of the Cabinet of Ministers of Ukraine. In this regard, the representative of Ukraine-wide local government associations in the Cabinet of Ministers initiated the elaboration of the draft resolution to make it better reflect local government interests.

DIALOGUE Project experts participated in the work of the expert group to prepare the draft resolution. The expert group was established at the Ministry of Finance of Ukraine.

***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 Regional Offices upon suggestions from local government officials.

In January – March of 2015, the Project conducted 30 expert workshops with the participation of 600 local government officials.

<b>Date and venue</b>	<b>Topic</b>	<b>Description of the event</b>
Vinnytsya AUC RO, city of Hnyvan January 13, 2015  20 participants – city mayors and heads of financial departments of local councils	Making projections local budgets for 2015 in the context of amendments to the budget and tax legislation	The expert workshop moderator together with the event participants discussed unified approaches for the preparation of local budgets in cities of the Vinnytsya AUC Regional Office taking into consideration the requirements of the new budget and tax legislation. The participants became familiar with the new provisions of the budget and tax legislation, pointed the attention to problem issue of rayon significance cities in the course of the preparation of budgets for 2015, and discussed potential ways to resolve them. The city mayors expressed the opinion about the need to immediately approve the Law of Ukraine "On Voluntary Consolidation of Territorial Communities", as well as to introduce

		amendments to the Constitution of Ukraine in the part dealing with the territorial arrangement of government organisations (abolishment of oblast and rayon state administrations and establishment of executive committees of oblast and rayon councils).
Chernivtsi AUC RO city of Chernivtsi January 14, 2015  20 participants – city and town mayors	Effective use of energy and energy saving in the municipal economy	The expert workshop moderator familiarised the event participants with the methodology of evaluation, review and planning in the energy sector; experience in introducing energy saving projects (programs) in the housing and municipal utility sector, as well as in the housing construction sphere. The participants researched and learned about the details of a wide spectrum of issues related to management and sparing use of energy resources on all stages of their generation, transportation to big distances, distribution and consumption by companies and institutions. The expert workshop participants improved their knowledge in new technologies of energy management and municipal management: they learned how to make tactical and strategic decisions in energy consumption to ensure the sustainable local and regional development.
Ternopil AUC RO city of Ternopil January 15, 2015  29 participants – city and town mayors	New provisions of the tax and budget legislation. Particularities of the preparation of local budgets in 2015	The expert workshop moderator familiarised the event participants with the Laws of Ukraine “On Introducing Amendments to the Budget Code of Ukraine Concerning the Reform of Inter-Budget Relations” #71-VIII of December 28, 2014 and “On Introducing Amendments to the Tax Code of Ukraine and Certain Legislation Concerning the Tax Reform” # 79-VIII of December 28, 2014. The event participants discussed the details of the transfer of educational establishments from the communal ownership to rayon or oblast ownership due to the transfer of the financial support of these establishments to a different level of local self-governance. The expert workshop participants agreed that some additional explanations are needed for amendments on local taxes and fees, namely: setting the rates for the excise fee for the excisable goods sold by commercial companies. The expert workshop participants exchanged their opinions and received responses from the moderator concerning the peculiarities of the preparation of local budgets for 2015.
Ivano-Frankivsk AUC RO city of Ivano-Frankivsk January 20, 2015  20 participants – city, town and village mayors, and bookkeepers of local councils	Key issues for the preparation of local budgets for smaller cities, towns and villages for 2015	The expert workshop moderator discussed with the participants the main problem issues of the preparation and implementation of budgets of smaller cities, towns and villages. The expert workshop participants received expert recommendations on how city, town and village councils should prepare their budgets for 2015. They also prepared concrete proposals concerning amendments to the new Budget Code of Ukraine dealing with budgeting in smaller cities, towns

		and villages. The event participants also exchanged their experience in the preparation and implementation of budgets at the local level.
<p>Kherson AUC RO city of Kherson January 21, 2015</p> <p>20 participants – village mayors, deputy city mayors, and financial experts of local councils</p>	<p>Preparation of local budgets in the context of introduced amendments to the Budget Code of Ukraine and Tax Code of Ukraine</p>	<p>The expert workshop moderator familiarised the event participants with the peculiarities of the preparation of local budgets in the context of amendments to the budget and tax legislation of Ukraine. The expert workshop participants discussed the hands-on application of the main legislative documents regulating the sequence of actions of local government entities in the course of the preparation and approval of local budgets, as well as focused their attention on local taxes and fees. The expert workshop moderator provided recommendations on how to use the current legislation in every-day work of local governments. The event participants exchanged their experience in the preparation of local budgets for 2015.</p>
<p>Khmelnyskyi AUC RO city of Khmelnytskyi January 22, 2015</p> <p>20 participants – town and village mayors, technical specialists of local councils</p>	<p>Financial support and work of the State Migration Service of Ukraine</p>	<p>The expert workshop participants familiarised with the main tasks of the State Migration Service of Ukraine, such as: implementation of the national policy in the sphere of migration including countering the illegal migration, citizenship, and registration for physical persons, internally-displaced persons and other categories of migrants. The expert workshop moderator emphasised that the State Migration Service exercises its authority directly, as well as through its territorial outreach offices and Migration Service main departments in oblasts, city of Kyiv and rayons. The event participants received explanations about the financial support for offices of the State Migration Service: this financial support has been envisioned through a separate line item in the National Budget or could they could be co-financed from local budgets. The discussion of the peculiarities of issuing biometrical passports has become one of the key issues of the expert workshop.</p>
<p>Kyiv AUC RO city of Kyiv January 22, 2015</p> <p>20 participants – city mayors, heads of financial departments of local councils</p>	<p>Practical aspects of the implementation of the new budget and tax legislation of Ukraine</p>	<p>The expert workshop moderator provided the explanation of the peculiarities of the application of provisions of the Budget Code of Ukraine and Tax Code of Ukraine with a special emphasis on the questions from representatives of towns and rayons significance cities. The event participants received answers to their questions about land fees; transportation tax; tourist fee; about the fees for parking lots; about the tax on immovable property other than the land plot; about the peculiarities of payments of the unified tax; about setting excise tax rates; about approving provisions on rates for local taxes and fees on the city territory; and, about the preparation and approving local ordinances on city budgets for 2015.</p>
Zaporizzhya AUC RO	Problem issues arising	The expert workshop moderator focused the

<p>city of Zaporizzhya January 23, 2015</p> <p>20 participants – heads of city and town financial departments of local councils</p>	<p>in the course of the preparation of local budgets</p>	<p>attention of the expert workshop participants on approaches to prepare the revenue part of local budgets, to increase the general fund of local budgets and how to decrease the special fund of local budgets. She provided detailed explanations of financing local budget expenditures, in particular how to use the public education and health care subventions from the National Budget. The expert workshop participants were interested to know about amendments to the tax legislation in the context of the unified tax payments, personal income tax, and the introduction of the property tax. The event participants discussed the main ways to promote the implementation of the new provision of legislation concerning local budgets and generalised the supplements to be introduced to certain provisions of the corresponding laws.</p>
<p>Kharkiv AUC RO city of Kharkiv January 28, 2015</p> <p>20 participants – city and town mayors, their deputies, secretaries of local councils</p>	<p>Problem issues with the 2014 – 2015 heating season and introduction of separated accounts (CMU Resolution # 217 of June 18, 2014)</p>	<p>The expert workshop moderator provided explanations how to use the regulatory documents and Ukrainian legislation on activities of heating companies in Ukraine. The expert workshop participants learned the details of the mechanism to apply CMU Resolution # 217 of June 18, 2014, as well as amendments to it, which were introduced by CMU Resolution # 725 of December 29. The event participants also discussed problem issues of the heating season and shared their work experience. They expressed a particular interest in learning how the Kharkiv Heating Network Company is engaged in borrowings from international institutions and uses the funds to replace heating systems and equipment to introduce energy saving technologies and replace pipes. Having reviewed the problem issues and having studied the experience of their colleagues, the expert workshop participants identified the priorities for their work aimed at improving the quality of services rendered to citizens in territorial communities in the future.</p>
<p>Cherkasy AUC RO city of Cherkasy January 28, 2015</p> <p>15 participants – city mayors, heads of financial departments of local councils</p>	<p>Amendments to the legislation on local government activities in terms of budgeting and economic development</p>	<p>The expert workshop moderator provided explanations of amendments to the legislation and dwelt on the questions and problem issues arising in the course of the approval of city budgets. The event participants became familiar with amendments to the Tax Code of Ukraine and Budget Code of Ukraine, which came into force on January 01, 2015. They also discussed a number of problems to be resolved at the legislative level, in particular, the delineation of authority into the delegated authority and the own authority in the system of local governments and state executive agencies at various levels of administrative and territorial arrangement and other types of authority, as well as the provisions on local taxes and fees. The expert workshop participants prepared their proposals to the current</p>

		regulatory documents to improve operations of territorial communities.
<p>Luhansk AUC RO city of Severodonetsk January 30, 2015</p> <p>20 participants – heads of city and town departments for housing and municipal utilities of local councils</p>	<p>Issues related to operations of the housing and municipal utilities sector in the Luhansk region in the context of the proximity to the ATO zone</p>	<p>The expert workshop moderator focused on damaged items of the water, gas, electricity and heat supply of cities and towns of the Luhansk oblast bordering on the ATO zone. According to the preliminary calculations, the actual losses the Luhansk oblast incurred due to the military activities constitute 4.4 billion UAH, whereas the funds needed to restore the housing and municipal utilities infrastructure on the liberated territories of the Luhansk oblast constitutes 1.1 billion UAH. The event participants discussed the necessity to reform the housing and municipal utilities sector; problem issues of internally-displaced persons caused by military activities in the Donbas region; potential mechanisms and sources of financial support from international donor organisations and charity foundations to rebuild the infrastructure facilities for normal operations of life-sustaining institutions and organisations in the city.</p>
<p>Odesa AUC RO city of Odesa January 30, 2015</p> <p>20 participants – heads of city and town departments of finance of local councils</p>	<p>Practical aspects of the implementation of the new budget and tax legislation of Ukraine in the course of the preparation of local budgets for 2015: assistance in calculations of budgets for smaller cities</p>	<p>The expert workshop moderator paid a special attention to the effective use of the new revenue sources of local budgets suggested by the LU1 “On the National Budget of Ukraine for 2015”. The expert workshop participants discussed the mechanisms to pay the property tax (in the context of changes to the way to calculate and administer the tax on immovable property other than the land plot and the transportation tax); excise tax on selling excisable goods by business entities engaged in the retail sale. The participants reviewed the opportunities and prospects to change the way of paying the unified tax. The expert workshop participants prepared their proposals on how to improve the application of the new budget and fiscal legislation of Ukraine in the course of the preparation of budgets for 2015. Smaller cities and villages of the Odesa AUC Regional Office received practical assistance in doing the calculations of their budgets for 2015.</p>
<p>Volyn AUC RO city of Lutsk January 31, 2015</p> <p>20 participants – heads of city and town departments of finance of local councils</p>	<p>Budget decentralisation in 2015: declaration of intentions and hands-on experience</p>	<p>The expert workshop moderator familiarised the participants with the peculiarities of budget programs in the context of decentralisation of governance; new provisions in the current legislation; peculiarities of setting rates for local taxes and fees; sources of revenues to local budgets; rights and obligations of local governments in the course of the preparation and implementation of budgets. The issues suggested for the discussion included the priority ones, such as the potential problem issues of the implementation of Law of Ukraine #71-VIII of December 28, 2014 “On Introducing Amendments to the Tax Code of Ukraine and Certain Other Ukrainian Legislation Concerning the Tax</p>

		Reform”. The event participants discussed way out of the critical situation in the course of the preparation and implementation of local budgets in 2015.
Zhytomyr AUC RO city of Zhytomyr February 11, 2015  20 participants – sectoral deputy city mayors and heads of city and town departments of municipal utilities	Problems of the housing and municipal utilities sector and ways to resolve them	The expert workshop participants discussed the key problem issues in the housing and municipal utilities sector, as well as the financial support for this area of city infrastructure. The event moderator paid special attention to the legislative framework of Ukraine as a tool to resolve problem issues in the housing and municipal utilities sector. The issue of calculation and setting tariffs for housing and municipal utility services caused a lively discussion. The event participants identified several reasons for poor financial support for housing and municipal utility companies including poor paying capacity of citizens, failure to sign agreements for the provision of housing and municipal utility services, etc. The expert workshop participants decided to outline the ways to resolve problem of the housing and municipal utility sector, namely: improvements of the regulatory and legal framework; improvements of the managerial system with due regard to market relations; and, financial stabilisation and technical modernisation of the sector.
Zakarpattia AUC RO city of Uzhgorod February 19, 2015  20 participants – city mayors, deputy city mayors of local councils	Management of land resources in local governments	The expert workshop moderator familiarised the participants with provisions of Laws of Ukraine on registering communally-owned lands: “On Introducing Amendments to the Land Code of Ukraine” and “On Introducing Amendments to Certain Legislative Documents Concerning the Delineation of State-Owned and Communally-Owned Lands”. The event participants outlined problem issues associated with the delimitation of the right of the communal property and mechanisms to register rights to own and use land parcels located outside populated areas: discrepancies between the actual status of things and statistical reports; absence of a nation-wide software to assist in keeping inventory of land parcels within the boundaries of populated areas, discrepancies between the index plans and the boundaries of populated areas; and, the failure of the land legislation to coordinate the land survey documents with local governments in the course of the preparation of documents by the National Agency for Land Resources to register rights to use state-owned land parcels.
Volyn AUC RO city of Lutsk February 19, 2015  20 participants – representatives of local governments	Peculiarities of personnel policy in the context of amendments to the legislation of local government service	The expert workshop moderator familiarised the participants with the provisions of the national personnel policy in the current social and political conditions; role and place of local governments in the formation of the national personnel policy, as well as with the main provisions of the Law of Ukraine “On Service in Local Governments”. The

		<p>event participants submitted their proposals to the draft law: qualification requirements to have the completed higher education should apply not only to local government servants, but also to elected local government officials (village, town and city mayors); the document should introduce the age limit for persons to stay in the local government service both for appointed and elected officials; and, the draft law should envision the possibility to have an extra pay for the grade of the local government official, as envisioned by the current legislation.</p>
<p>Dnipropetrovsk AUC RO city of Dnipropetrovsk February 20, 2015</p> <p>20 participants – representatives of city councils who are responsible for the introduction of e-governance and/or provisions of administrative services</p>	<p>Introduction of e-governance in local government activities. Smart City</p>	<p>The expert workshop moderator familiarise the event participants with the need to introduce electronic governance in local government activities as one of the tools to promote the information society, as well as with the Smart City principles. The expert workshop participants studied the city experience in introducing and using certain aspects of electronic governance in the Dnipropetrovsk Oblast Council and City Council. The event participants discussed and came up with their proposals on how to optimise the performance of the local authorities and to introduce amendments to the Ukrainian legislation. The expert workshop participants believe that the suggested amendments to the legislation will promote the future introduction of electronic services in Ukraine, introduction of the unified state portal for administrative services, and promote electronic communication between government authorities.</p>
<p>Ivano-Frankivsk AUC RO, city of Ivano-Frankivsk February 23, 2015</p> <p>20 participants – town and village mayors, secretaries of local councils from smaller cities</p>	<p>Establishing cooperation between local council members on issues related to the development of small communities</p>	<p>The expert workshop moderator familiarised the event participants with the peculiarities of the history and development of small communities in the Ivano-Frankivsk region in close cooperation with local council members. The participants discussed the provisions of the Law of Ukraine "On Voluntary Consolidation of Territorial Communities" and amendments to the Budget Code of Ukraine. The expert workshop participants came to the agreement that the main issues related to the preparation and implementation of budgets in smaller cities, towns and villages are explained by the limited tax capacity of these populated areas; failure of the legislation to regulate the relations between the rayon on one hand and cities, towns and villages on the other; lack of clarity in the administration of local taxes and fees; and, improper system to ensure the provision of high quality services to citizens in territorial communities. The participants prepared a number of specific proposals concerning the voluntary consolidation of territorial communities and how to improve the development of their infrastructure and government systems.</p>

<p>Lviv AUC RO city of Lviv March 10, 2015</p> <p>20 participants – city mayors, deputy city mayors and specialists from local councils</p>	<p>Cooperation of local governments with centers for legal information and consultations as a tool to establish social networks in territorial communities</p>	<p>The expert workshop moderator familiarised the event participants with the legal aspects of cooperation between local governments with centers for legal information and provided interpretations of the Law of Ukraine “On the Free Legal Assistance”. The expert workshop participants reviewed the capacity of the centers mentioned above, namely: increasing the level of citizen awareness; increased level of legal protection of low-income and socially vulnerable persons, dissemination of materials and experience in the legal protection of local government officials, non-governmental organisations, interested persons, and how to increase the level of trust to alternative ways to resolve legal problem issues.</p>
<p>Zaporizzhya AUC RO city of Melitopol March 13, 2015</p> <p>20 participants – city mayors and their deputies</p>	<p>Experience of the Melitopol City Council in the provisions of services for persons with special needs</p>	<p>The expert workshop participants studied the experience of the Melitopol City Council in the provision of services for persons with special needs. The moderator explained the details of the integrated approach to rehabilitation: department for social rehabilitation of disabled children (aged from 2 to 18 years old) and the department for social rehabilitation of disabled persons (aged above 18 years old). Having studied the Law of Ukraine “On Rehabilitation of Disabled Persons in Ukraine” the expert workshop participants discussed problem issues arising in the course of the provision of services in the Rehabilitation Center. The head of the department for rehabilitation and social rehabilitation of disabled children and a physiotherapist conducted master classes for the event participants in the rehabilitation physical training (oxygen foam), art-therapy, ergo therapy, psychological training about the subconsciousness and its potential.</p>
<p>Kirovohrad AUC RO city of Kirovohrad March 17, 2015</p> <p>20 participants – heads of department for land management of local councils</p>	<p>Land legislation of Ukraine. Practical recommendations for issues to be discussed by local councils</p>	<p>The expert workshop moderator familiarised the event participants with the new provisions in the land management legislation in Ukraine: approved amendments to the Land Code of Ukraine, Laws of Ukraine “On Land Management”, “On the State Land Cadastre”, etc. He focused the attention on the peculiarities and problem issues related to management of land relations in local governments. The expert workshop participants discussed issues related to the use of land designated for residential and public development; purpose and content of land cadastres of populated areas; and registration of land parcels as object of private and communal ownership. The event participants confirmed that amendments to the legislation considerable changed the ways to resolve issues with acquiring property rights to land parcels including those belonging to the communal ownership. The event participants received practical recommendations on how to consider land management issues in their local councils.</p>

<p>Poltava AUC RO city of Myrhorod March 19, 2015</p> <p>20 participants – city mayors</p>	<p>Peculiarities of the implementation of the new anti-corruption legislation of Ukraine in the context of local self-governance</p>	<p>The expert workshop moderator introduced to the participants selected articles of the Law of Ukraine “On Prevention of Corruption”, outlined the issues related to the protection of local government leaders from intrusion into their private lives (with regard to the information provided in anti-corruption declarations). The expert workshop participants discussed the peculiarities of dealing with conflicts related to the pre-term termination of powers (term of office) of local government officials in case they are held accountable for corruption-related offences, as well as factors for successful anti-corruption activities. The event moderator provided to the expert workshop participants methodological recommendations on how to fill in and submit anti-corruption declarations.</p>
<p>Rivne AUC RO, city of Rivne March 20, 2015</p> <p>20 participants – city mayors</p>	<p>Peculiarities of implementation of the new anti-corruption legislation of Ukraine by local governments</p>	<p>The event participants familiarised with the provisions of the Law of Ukraine “On the Prevention of Corruption”, studied and discussed amendments in the modern anti-corruption legislation. The expert workshop moderator put an emphasis on the preventive anti-corruption mechanisms: limitations for the abuse of the official position; limitations on combining positions; limitations on gifts (charity); limitations on hiring close persons; and, limitations on persons who resigned from certain positions or stopped working on positions related to civil service or service in local governments. The expert workshop participants discussed the peculiarities of the Law of Ukraine “On the National Anti-Corruption Bureau of Ukraine” and became familiar with the mechanisms for state executive authorities and local governments to interact with the National Anti-Corruption Bureau.</p>
<p>Vinnytsya AUC RO March 24, 2015 city of Vinnytsya</p> <p>20 participants – city mayors</p>	<p>Best practices of activities of executive agencies of the Vinnytsya City Council aimed at implementation of the Vinnytsya City Open for Children Program</p>	<p>The expert workshop participants became familiar with the best practices of activities of executive agencies of the Vinnytsya City Council aimed at implementation of the Vinnytsya City Open for Children Program. The event moderator made a presentation on the legal aspects of the protection of children in Ukraine, focused on the city experience in the implementation of city programs to work with children of various categories, activities of the Univer teenager club network, implementation of the AflaTown International Program for Social and Financial Training for Children in City Comprehensive Educational Establishments; inclusive decisions for equitable and responsive society. A separate attention was paid to the presentation of the public office for children rights commissioner, children ombudsman, as well as the program to assist the Family Center and to develop new approaches to work with children and youth. The expert workshop participants studied the experience in</p>

		working with various categories of children and teenagers and learned a lot of professional materials.
<p>Kyiv AUC RO March 24, 2015</p> <p>20 participants – heads of city and town departments for housing and municipal utilities of local councils</p>	<p>The experience of cities of the Kyiv AUC Regional Office in conducting the 2014 – 2015 heating season.</p>	<p>The expert workshop moderator presented to the participants the summary of the 2014 – 2015 heating season in the Kyiv AUC Regional Office cities. She mentioned that the heating season was conducted without any significant complications and without any breaks in service. The heat was supplied to communally-owned health care institutions and educational establishments on time. The region had favourable weather conditions to properly maintain the network of streets and roads in populated areas. The event participants from Berezan, Vyshneve, Myronivka and Fastiv shared their experience in switching natural gas boilers to alternative types of fuel, etc. The expert workshop participants emphasised that they had to get well prepared before the next heating season starts, because they observed a significant increase the use of gas in the public sector and in the commercial sector. To get well prepared one should use the best experience of Ukrainian companies in preserving energy resources, insulating residential buildings, etc.</p>
<p>Mykolaiv AUC RO city of Voznesensk March 25, 2015</p> <p>20 participants – deputy city mayors and experts of city and town councils</p>	<p>Document turnover and business style language, electronic system for document turnover in local governments</p>	<p>During the expert workshop, the participants became familiar with the Instruction for document turnover prepared by the Executive Committee of the Voznesensk City Council. The moderator explained the detail for the preparation of official documents, such as: letters, reply letters, draft city council ordinances and decisions of the executive committee. During the practical class, the expert workshop participants discussed the navigation of official letters and mechanisms to take action on the executive documents. The event participants received theoretical knowledge about how to work in the electronic document turnover system and had an opportunity to work with sample documents, make up letter and develop draft ordinances using the electronic document turnover software. The expert workshop participants believe that the introduction of the electronic document turnover system should take place at the national level and will provide opportunities for each city council to be in the equal condition.</p>
<p>Ternopil AUC RO, city of Ternopil March 25, 2015</p> <p>20 participants – city and town mayors, lawyers of local councils</p>	<p>Legislative changes in the sphere of urban development and architecture</p>	<p>The expert workshop moderator dwelt on the Ukrainian legislation in the sphere of urban development: she familiarised the event participants with the Law of Ukraine “On Introducing Amendments to the Law of Ukraine “On Regulation of Urban development Activities” with regard to commissioning construction objects erected without the license for construction works. She also emphasised the good aspect of this: local governments introduced the tax rate for the immovable property, which can be applied only to</p>

		the property items, which were commissioned in the due manner. This will provide opportunities properly register them in the future and to get more revenues to local budgets. The expert workshop participants discussed the concept for decentralisation of authority in the sphere of architectural and construction control and improvements of the urban development legislation. In the course of the discussions at the expert workshop the participants received explanations about how to conclude agreements on const share contributions of developers for the development of infrastructure of populated areas.
Volyn AUC RO city of Lutsk March 27, 2015  20 participants – city mayors and deputy city mayors	Consolidation of territorial communities as a mechanism to ensure the sustainable development	The expert workshop moderator familiarised the participants with peculiarities of the Law of Ukraine "On Voluntary Consolidation of Territorial Communities" focusing their attention in regulatory and legal aspects of formation of capable territorial communities. The draft Methodology for the formation of capable communities prepared by experts of the Ministry of Regional Development and specialists of the Association of Ukrainian Cities caused a lively discussion. This Methodology is expected to become the technical background for the preparation of long-term perspective plans for the reformation of territories of communities. The expert workshop moderator emphasised that the implementation of this effective mechanism for community consolidation will lead to effective operations of local governments, development planning, and introduction of effective managerial tools fore regional territorial development. The event participants mentioned the need to perform thorough economic calculations of benefits the new consolidated communities will receive.
Sumy AUC RO, city of Sumy March 27, 2015  20 participants – secretaries of local councils	Daily work and duties of local councils secretaries, local council members for the preparation of local council sessions and monitoring implementation of approved ordinances	The expert workshop moderator familiarised the participants with the organisational aspects of operations of the Sumy City Council. The event participants learned the local experience in preparation of city council sessions, peculiarities of holding standing commission meetings, experience of communal media in participating in city council sessions, and the use of the official city web site to publish announcements about the upcoming regular (extraordinary) sessions of the City Council. The expert workshop participants engaged in an active discussion of functions of local council members and their influence on the preparation of local council ordinances and control over their implementation. The expert workshop participants also touched upon the issues related to the voluntary consolidation of territorial communities.
Odesa AUC RO, city of Odesa March 31, 2015	Functioning of capable territorial communities: discussion of the Law	The expert workshop moderator familiarised the participants with the provisions of the Law of Ukraine "On Voluntary Consolidation of

23 participants – city, town and village mayors	of Ukraine Voluntary Consolidation Territorial Communities"	"On of	Territorial Communities". He spoke about the peculiarities of the consolidation of communities, local budgets in the context of fiscal decentralisation, and preparation of long-term perspective plans for formation of community territories in the oblast. The expert workshop participants discussed the regulatory and legal foundations for the formation of capable territorial communities and main provisions of the draft Methodology, which include the identification of administrative centers of the future capable communities and areas of their influence. The event participants received practical recommendations on how to engage in community consolidation.
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#### **Activity 2.4.2. Legal protection services**

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

#### ***Monitoring of cases of harassment of local governments and their officials***

Over the reporting period, the Project identified 37 such areas including:

- with regard to city and town mayors – 8;
- with regard city mayors – 11; and,
- with regard to members of city councils and other local government officials – 18.

The hottest cases were:

- aggravation of the situation in the Kryvyi Rih City Council. In particular, on January 28, 2015 about 300 persons dashed into the premises of the City Council and sent a telegram to the President of Ukraine with the requirement to send his representative to the city. The protesters also demanded the resignation of Yu. Vilkul, Mayor of the city;
- On February 11, 2015, Vasyl Zakharov, Oleksandrivka City Mayor, was detained in Kirovohrad during the attempt to receive a bribe for the permit to place a commercial object in the town of Oleksandrivka. The total amount of the bribe constitutes 12 thousand UAH;
- The Zaporizzhya Mayor received a notification about a potential charge. He was called to interview to the Prosecutor's Office on March 04, 2015;
- The Dnipropetrovsk City Council terminated the authority of the Secretary of the City Council and Acting Mayor of Dnipropetrovsk Vasyl Romanenko because of potential charges of corruption;
- B. Chuprinchuk, Head of the Communal Property Fund of Ivano-Frankivsk, was detained with charges of illegal profits; and,
- the Novozavodskiy Court of the city of Chernihiv conducted a trial to remove Oleksandr Sokolov, Mayor of Chernihiv from office in connection with the criminal investigations of the crime associated with the illegal transfer of more than 4.7 million UAH to the account of a private company. The court did not satisfy the claim from the Prosecutor's Office and reinstated Mayor Oleksandr Sokolov in his office.

#### ***Monitoring of the pre-term local government elections***

During January – March, 2015, the Verkhovna Rada of Ukraine registered 263 draft resolutions to schedule pre-term local government elections including: 22 resolutions to schedule pre-term elections of mayors (in particular 2 resolutions on oblast center cities of Kirovohrad and Khmelnytskyi) and 241 resolutions to schedule pre-term elections of village and town mayors.

During the reporting period, the parliament did not approve any resolutions to schedule pre-term local government elections.

### **Activity 2.4.3. Professional development of local government officials**

The Project performed the local government training need assessment in the previous reporting period.

### **Activity 2.4.4. Updating distance-learning courses**

During the reporting period, the Project conducted a competition to select the best developer of training programs for distance-learning courses designed for local government officials and prepared the corresponding technical requirements and specifications.

The DIALOGUE Project started to prepare 5 of 9 training programs for distance-learning courses designed for local government officials:

- Territorial community development planning;
- Energy efficiency in the municipal sector;
- Provision of administrative services in the municipal sector;
- Local initiatives and involvement of citizens to local self-governance; and,
- Fund raising, preparation and implementation of international technical assistance projects.

Taking into consideration the insufficient quantity of proposals and/or poor content of proposals, the Project decided to postpone the decision on the competition winner with regard to the following training programs:

- Planning and management of financial resources of the territorial community;
- Management of land resources of territorial community;
- Legal support for activities of local governments; and,
- Management of communal property.

The Project announced the competition for the preparation of 3 training programs.

(1) for city, town and village mayors

The purpose of the program is to get village, town and city mayors who have been elected during the regular local elections to realise the scope and content of his authority, rights and duties as the key official of the territorial community, approaches to the management of territorial community and its social and economic development, ways to apply new techniques in municipal management, etc.

The targeted audience consists of village, town and city mayors. First of all, the program is aimed at village, town and city mayors who have been elected during the regular local elections.

(2) for local council secretaries

The purpose of the program is to get local council secretaries, in particular those who have been elected for the first time to this position to realise the scope and content of his authority, rights and duties, organisational aspects of activities of the representative agency of the territorial community, approaches how to work with local council members and how to put together a team focused on the integrated development of the territorial community, etc.

The targeted audience consists of local council secretaries. First of all, the program is aimed at those local council secretaries who have been elected by the local councils formed up during the regular local elections.

(3) for local council members

The purpose of the program is to get the local council members who have been elected during the regular local elections to realise the scope and content of his authority, rights and duties, as well as forms and ways to implement them for the benefit of the territorial community, ways to interact with the community, their role in the formation of the municipal policy, budgeting and organisational aspects of territorial community development planning, etc.

The targeted audience consists of local council secretaries. First of all, the program is aimed at those local council members who have been elected during the regular local elections.

### **Chapter 3. IMPLEMENTATION PROBLEMS AND WAYS TO RESOLVE THEM**

Certain political forces are trying to use the parliament and the Cabinet of Ministers to push forward some legislative initiatives aimed at restoring the old system of financial support for territorial communities. This represents certain risks for the future of the local government reform and reform of the territorial arrangement of government institutions. In particular, during the reporting period, the parliament registered legislative initiatives, which imply the return to the centralised system of budget equalisation depriving local budgets some part of excise collections from retail sales of excisable goods, limitations of the local government powers in the sphere of local taxation, introduction of biased distribution of budget transfers to go to local budgets, switching the responsibility for the implementation of targeted programs from the state to local governments, and decrease of the total amount of the National Regional Development Fund resources.

One can predict that in the future such lobbying activities will become even stronger. This is explained by the fact that the new system of local budgeting actually works against the usual corruption schemes, reduced the influence of certain bureaucrats and National Deputies on managerial decision making, help to legalise shadow capital, deprives certain businesses entities of local taxation privileges, and envisions a severe responsibility and transparency in the use of public funds.

In addition to this, certain political forces resort to populist slogan only to receive the electoral support.

The Project resolves the problem issues mentioned above through consultations and the cabinet of Ministers, cooperation with ministries, support from the Inter-Faction Local Government Support Group (local government caucus), through expert groups established at the office of the Verkhovna Rada of Ukraine Chairman, as well as through cooperation with media.

## Chapter 4. SUCCESS STORIES

### **DIALOGUE seeks legislative framework to specify practical mechanisms for the formation of capable of communities**

Filed for the second reading a draft law on voluntary amalgamation/consolidation of territorial communities (# 0915 of November 27, 2014) did not contain basic provisions. They were excluded by the BYuT faction for political reasons. These provisions defined a practical mechanism for the formation of capable territorial communities. Due to lack of such mechanisms was not possible to implement the next stage of the Local Government Reform. DIALOGUE Project experts working together with National Deputies who are members of the Inter-Faction Local Support Group (local government caucus) and with the support of the Rada Speaker managed to get those provisions back to the draft law. On February 05, 2015, the parliament with 265 National Deputies supported the draft law. Thus, the Cabinet of Ministers received effective tools for the administrative and territorial reform.

### **The amendments to the National Budget for 2015 increased the financial resources of local budgets**

In order to implement the agreements with the IMF, the Cabinet of Ministers submitted a draft law to the Verkhovna Rada of Ukraine to clarify and streamline the specifications of the National Budget for 2015. DIALOGUE Project experts, during its revision by the Verkhovna Rada Budget Committee, were able to prevent the reduction of the amounts in the National Regional Development Fund, and apportioned another 5.2 billion UAH of additional transfers to local budgets to repay the difference in tariffs, upgrade the rolling stock of municipal electric public transportation companies, and to provide housing for the ATO military. On March 10, 2015, the draft law was approved by the parliament. Consequently, local governments will receive resources for spending on capital expenditures.

### **Positive trends of fiscal decentralization**

The performance indicators of the local budgets for the first quarter of this year confirm the positive trend of reform of intergovernmental fiscal relations (fiscal decentralization).

In particular, in the first quarter of 2015, the revenues to increase the general fund of local budgets as compared with the first quarter of 2014 (in comparable terms, excluding the territories that are not controlled by Ukrainian authorities) constitute 35.4% or 5.5 billion UAH. Amendments to the budget and tax legislation allowed to provide an increase in the tax revenue collections to local budgets, in particular:

- personal income tax - 14.1% or 1.3 billion UAH;
- payment for land use - 23.3% or 0.6 billion UAH;
- property tax 45.5 million UAH, just for the first quarter as compared with 44.9 million UAH for the entire 2014; and,
- excise tax on excisable goods sold through retail networks, which was introduced on January 01, 2015, provided another 1.1 billion UAH.

It should be mentioned, that according to the State Fiscal Service and the Ministry of Finance, all tax revenues of local budgets on average in Ukraine showed a stable performance with regard to projected indicators, and reached to the predicted indicators, while in previous years the first quarter has always been difficult in terms of predictable performance indicators, especially concerning personal income tax and land tax.

These improvements can be explained by changes in the system of budget planning, for which, beginning from 2015, exclusively local governments are in charge of.

### **DIALOGUE Project experts correct government mistakes**

The process of approval of amendments to the Budget and Tax Codes on fiscal decentralization was extremely difficult. Consequently, the final versions of both Codes contained a number of inconsistencies, and lacked technical and legal specifications. This led to conflicts between local governments and central government authorities in the course of the adoption of local budgets. Most problems arose in small towns. The state fiscal authorities denied them the right to administer the land tax and local fees. Some rayon councils planned to fund the transfers for the delegated authority of village, town, and city (cities of oblast significance) councils by smaller amounts than their actual needs. Local state administrations made attempts to forcibly remove property from municipal budgetary institutions of small settlements. DIALOGUE Project experts have developed a draft law aimed at solving the problem issues mentioned above (Registration # 1766), which was registered in Parliament on January 15, 2015 on behalf of the Chairman of parliament and other leaders of the factions of the Coalition, and passed on the same day, and subsequently signed by the President of Ukraine on January 30, 2015.

### **DIALOGUE Project provides the practical implementation of provisions of the new budget and tax legislation**

Amendments to the Budget and Tax Codes fundamentally changed the system of budget provision for territorial communities. State and local executive authorities raised many questions about the practical application of the revised legislation. Central government authorities failed to form a relevant system of bylaws and regulatory documents. DIALOGUE Project experts prepared the corresponding recommendations on the use of the Budget and Tax Codes that helped local governments to make the decision to approve local budgets, introduce local taxes and fees in a timely manner, and in full in accordance with the current legislation.

### **DIALOGUE Project prevented the manual distribution of transfers to local budgets**

On February 23, 2015, the government submitted to parliament a draft law on amendments to the Budget Code (Registration # 2209). The bill provided for the right of the Cabinet of Ministers to rule to reallocate amounts on education and medical subventions to local budgets. This was contrary to the principles of fiscal decentralization, because such transfers are exclusively distributed via a formula based on objective criteria. DIALOGUE Project experts intervened and the Parliament approved the wording to amend the draft law, which stipulates that the transfers can be made exclusively under the Law on the National Budget, and only in the part on the reserve funds.

### **Condominium association attributed to non-profit organizations**

The Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Other Ukrainian Legislation on Tax Reform” of December 28, 2014, # 71-VIII presented a new version of Chapter III of the Tax Code of Ukraine. However, the list of non-profit organizations, as defined in the new wording of the Chapter, did not include condominium associations, associations of owners of residential buildings, and housing co-operatives. In other words, starting from January 01, 2015, the above entities have been the subject to unjustified taxation on their revenues, including contributions and funds of condominiums accumulated for major repairs and energy efficiency activities in their buildings. In fact, this means the withdrawal by the state of the funds accumulated by co-owners together for joint activities. In addition to this, it would negatively affect further the establishment of such associations.

Given the fact that the promotion of the condominium associations is one of the priorities of local governments aimed at the formation of responsible owners, the Association in early March appealed to the Chairman of the Verkhovna Rada of Ukraine, heads of parliamentary factions to

support and to urgently consider the draft law “On Amendments to the Tax Code of Ukraine Concerning the Taxation of Certain Non-Profit Organizations” (Registration # 1892 of January 30, 2015), the adoption of which by the end of March of this year would solve the problem issue mentioned above. On March 18, the parliament approved this law in the first reading, and on the whole (as law). The adoption of this law returned to condominiums and housing cooperatives the status of non-profit organizations, which restored the conditions for the accumulation and utilization of condominium funds for energy efficiency projects in these houses.

### **Negative implications of distribution accounts for heat suppliers reduced**

The Cabinet of Ministers of Ukraine resolved on June 18, 2014 (Registration # 217) to approve the procedure for distribution of funds received on current accounts with special use for payment to a guaranteed supplier of the natural gas. The Association objected to the introduction of such accounts for municipal heat supply companies, because it threatened the stable operation of the district heating companies and prevents timely payment of wages, taxes, and the cost of electricity consumed, the obligations undertaken to service loans taken from international financial institutions, government and commercial banks, and did not provide opportunities for these companies to fund processes associated with ensuring their trouble-free operation.

In order to avoid a critical situation associated with the so-called distribution accounts, the Association of Ukrainian Cities together with the Ukrteplokominenerho [*Ukrainian municipal heat and energy*] Association in December 2014 submitted a number of proposals to the Cabinet of Ministers of Ukraine. In addition to this, the Association of Ukrainian Cities continued to work on relevant meetings of the Committee on Regional Development of the Cabinet of Ministers of Ukraine, and the Cabinet of Ministers itself to prevent cost-splitting for district heating companies by 100% in favour of the NaftoHaz Ukrainy National Joint-Stock Company. In the result, the Cabinet of Ministers of Ukraine approved the Resolution on 18 March 2015 (Registration # 116) “On Introducing Amendments to the Distribution of Funds Received on Current Accounts with Special Use for the Payment with a Guaranteed Supplier of the Natural Gas”. These amendments withdraw payments indicators  $P_p$ ,  $P_{prr}$ , and  $P_{p1}$ , which took into account the level of payments for previous periods. The corresponding amendments will have a positive impact on the financial situation of district heating and heat generating companies in municipalities for the natural gas used for heat production.

### **The National Budget partly provides for a difference in tariffs for utilities**

The government debts to compensate for the difference in tariffs for heating energy exceed 3.3 billion UAH, for the services of centralized water supply and sewerage they amounted up to 5.7 billion UAH. At the same time, the National Budget for 2015 does not provide for the difference in tariffs for heating energy, services, water supply and sewerage that are produced, transported and supplied to the population, which arose due to the discrepancies between the actual cost of heating energy and services of centralized water supply and sewerage tariffs that were approved and / or agreed by the public or local authorities. Therefore, to provide sources for timely payments for the natural gas and electricity by utilities, the Association appealed to the Cabinet of Ministers with a request to envision such expenditure in the National Budget as compensation for the difference in tariffs.

On March 02, 2015, the Verkhovna Rada of Ukraine approved the Law of Ukraine “On Introducing Amendments to the Law of Ukraine “On the National Budget of Ukraine for 2015”, which provided 2.9 billion UAH for the repayment of the difference in tariffs for heating energy and services of centralized water supply and sewerage.

### **Simplified work of centers of administrative services**

The structure of administrative services centers included as a separate unit called a permit center, whose activities are regulated by a separate law, which led to difficulties in the organisation of

work of Centers for Administrative Services. Due to the repeated requests of the AUC, a law was passed to eliminate the special status of permit centers and their services will be performed by Centers for Administrative Services under a single procedure.

#### **Another step made towards strengthening centers for administrative services**

A number of laws have not really made it possible to ensure the separation of administrative services for document receiving administrators (front office), and separately for documents processors (back office). Thanks to the active position of the AUC, the appropriate changes that allow administrators to accept documents from the applicants and exclude the possibility of resolving the issues outside centers for administrative services were made.

#### **Improved orders for special audits under anti-corruption legislation**

Special investigation inspection was mandatory for all candidates for positions in local governments. This led to significant delays in resolving personnel issues. In its turn, such a check for candidates for elected positions significantly complicated the process and created an opportunity to block the work of individual local governments. AUC experts helped to consider in the new Law of Ukraine “On Prevention of Corruption” such verification only for the most susceptible to corruption positions (senior management staff), and its implementation after the occupation of elected positions.

#### **Softer responsibility for insignificant violations of anti-corruption legislation**

Previously, there was a wide range of offenses for which the legal responsibility included the dismissal, and the ban to occupy some positions for one year. It is not always consistent with the nature of the law violation and made it impossible to correct offending behaviour. The opinions of experts of the Association of Ukrainian Cities were taken into account in the new law, which provided these hard sanctions for minor offenses only when committed again.

#### **Vinnitsya oblast: extra collections to local budgets as a result of fiscal decentralization**

During the expert workshop dedicated to planning of local budgets for 2015 to reflect changes in the budget and tax legislation conducted in January of 2015, city mayors became familiar with innovations in the budget and tax legislation, voiced their problems, while forming budgets for 2015, and worked out paths to solve those problems. Analyzing the state of implementation of local budgets in the first quarter of 2015, we note that there are extra revenues due to their innovations. For example, the budget (for the first quarter) of the town of Kalynivka was executed at 130%, town of Illintsi - 120%, and town of Yampil - by 196.3%, which constitutes in absolute terms 714,922 UAH.

#### **Volyn oblast. Energy-saving measures in the region**

Pursuant to the decision of the Local Government Regional Advisory Board # 2/2 “On the Status of the Regional Energy Efficiency Program of Volyn Oblast for 2011-2015” of April 25, 2013 the state of funding for energy efficiency in the Volyn region in 2014 was discussed. So, as of February 01, 2015, there were 869 heating boilers in the region that provide heat for public sector institutions and municipal district heating enterprises. 25 sites were refurbished from gas to alternative types of fuel, which took 2.4 million UAH, thus saving 710,000 cubic meters of the natural gas. As for annual savings, after conversion from gas to solid fuels, cities managed to save about 2 million cubic meters of the natural gas.

#### **Poltava oblast. Consolidation kicks off**

The participation of heads of local councils in the events organized for representatives of rayon significance cities, towns, and villages to consider the Law of Ukraine “On Voluntary Consolidation of Territorial Communities” made it possible to engage actively in the implementation of this law. Virtually all communities held their sessions at which decisions were

taken to initiate the consolidation. (Myrhorod, Kremenchuk, Komsomolsk, Lubny, Hadyach, Karlivka, Chervonozavodske, Kobelyaky, Myshivka, Hoholeve).

## Chapter 5. ESTIMATED SCHEDULE FOR THE NEXT QUARTER

- |                                |   |
|--------------------------------|---|
| <b>Legislation Group</b>       | <ul style="list-style-type: none"> <li>- Legislation drafting;</li> <li>- Legislation monitoring;</li> <li>- Participation in the work of parliamentary committees and advisory boards set by ministries;</li> <li>- Conducting meetings of AUC Professional Groups;</li> <li>- Work on Technical Area profiles;</li> <li>- Preparation and dissemination of the Sectoral Monitoring</li> </ul>   |
| <b>Dialogue Group</b>          | <ul style="list-style-type: none"> <li>- Consultations with ministries;</li> <li>- Participation in working sessions of the Cabinet of Ministers</li> <li>- Coordination of activities of the inter-faction parliamentary group (local government caucus) in the newly-elected parliament. Support for the activities of the local government caucus;</li> <li>- Conducting training for aides of National Deputies;</li> <li>- Conducting a Dialogue Day;</li> <li>- Conducting working sessions of Local Government Regional Advisory Boards;</li> <li>- Conducting national cohesion exchange study tours</li> </ul> |
| <b>Information Group</b>       | <ul style="list-style-type: none"> <li>- Shooting and broadcasting Your Government TV programs;</li> <li>- Publishing materials in the «Урядовий кур'єр» [<i>government courier</i>] newspaper;</li> <li>- Holding meetings of national and regional press clubs;</li> <li>- Publication of the AUC Herald;</li> <li>- Preparation and dissemination of the Press News and the DIALOGUE Newsletter</li> </ul>   |
| <b>Legal Assistance Center</b> | <ul style="list-style-type: none"> <li>- Consultations for local governments and officials;</li> <li>- Expert workshops in AUC Regional Offices;</li> <li>- Monitoring of pressure on local government officials;</li> <li>- Preparation of training modules and programs;</li> <li>- Preparation and dissemination of the Legal Consultations electronic publication;</li> <li>- Preparation and dissemination of the Legislation News electronic publication.</li> </ul>  |