



CDIE

Impact Evaluation

United States Agency for International Development

DEMOCRATIC LOCAL GOVERNANCE IN UKRAINE

Despite major impediments presented by Ukraine's newly independent status, democratic local governance is beginning to play an important role in the country's progression from communism to democracy.

SUMMARY

After centuries of foreign domination, cultural suppression, and economic exploitation, Ukraine became independent in 1991, gaining control over its destiny for the first time. Now the country is at a historic crossroads, taking the initial faltering steps toward becoming a modern nation-state, while struggling with the vestiges of communism and an economy in shambles. Ukraine's 1996 Constitution gives local government the right to resolve local matters independently, increasing local government powers and responsibilities to enable them to do so. But the legal framework to implement the constitution's local government provisions is missing; and the structure and operations of government remain as they were before independence.

USAID is working to bolster democratic local governance in Ukraine. Through its Municipal Finance and Management project, the Agency has been supporting efforts in three pilot cities to increase the effectiveness, accountability, and openness of local governments, and boost citizen involvement. From July 1993 through July 1996, the Agency spent \$7 million on this project and added another \$700,000 to help replicate its accomplishments in other Ukrainian cities.

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USAID also supports democratic local governance through programs to bring about private ownership of housing units and link national housing policy with local privatization demonstration projects. In addition, the Agency supports private voluntary organizations working to increase citizen participation and input in local government.

Despite daunting obstacles, signs of emerging democratic local governance in Ukraine are visible. Mayors of the pilot cities in the Municipal Finance and Management project have begun to involve the citizenry in developing the municipal budget and are actively seeking their input on other local government matters.

In these same cities, local governments have become more open and accountable, while improving delivery of essential municipal services. Individuals are also beginning to get involved politically at the local level, organizing to improve housing, challenge business interests, and help others for whom the government no longer provides.

Among the lessons learned from USAID's experience with democratic local governance in Ukraine:

- Building democracy can and should be included in efforts to strengthen traditional areas of local government, such as public administration and service delivery.
- Donors need to do more to link democracy and governance programming with other areas of development activity.
- Donor assistance should be coordinated and comprehensive, including a viable legal framework, enhanced local government capacity, and increased citizen involvement.
- Donors need to shore up resolve at the national level to create and sustain the necessary enabling environment.
- Advocacy organizations are needed at the national level to represent the interests of local governments.
- USAID should support valid alternative models of democratic local governance.
- Study tours in the United States are valuable because they take visiting local government officials beyond abstract notions and give them concrete examples to follow or adapt.
- On-site resident advisers can boost a project's overall success because of their sustained, hands-on involvement.

INTRODUCTION

Democratic local governance in Ukraine is caught up in problems and uncertainties that reflect its status as an insecure, newly independent postcommunist nation.

Among these problems and uncertainties are an economy in shambles, the residual effects of centuries of authoritarian rule, an underdeveloped national identity, and an almost total lack of understanding of democratic governance.

However, despite these difficulties, there are signs that democratic local governance is beginning to play an important role in Ukraine's conversion from communism to democracy. For example, in a small but growing number of cities, mayors have begun to involve the public in local government in ways unheard of under communist rule.

In 1995 the mayor of Kharkiv, the largest city in eastern Ukraine, held the first-ever public meeting on the city's budget. The meeting was televised and gave viewers an on-air opportunity to call in with questions and comments. The mayor has continued this practice and, seeing

its positive results, mayors of other cities have begun to involve the public in their budget process and other government matters.

At the local level individuals have begun to take initiative in their public actions, a democratic concept all but eradicated under communism. For instance, in the capital, Kiev, one woman, spurred by concern over the safety of her school-age children, organized the residents of her apartment building to improve its security and appearance. Equally notable, this caught on quickly in a building across the courtyard.

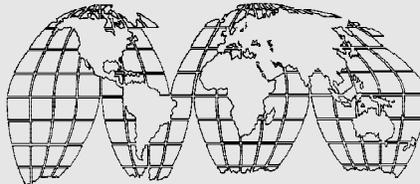
Organizations have sprung up to work in behalf of local governments in ways that would have been unimaginable previously. A group of mayors representing more than 160 cities as part of Ukrainian Association of Cities has advocated for local governments at the national level for several years.

Recently the association started publishing regular pieces in the parliament's newspaper under the title, "Ukraine Cities, Yesterday, Today, and Tomorrow." The newspaper is widely read by opinion-makers and those interested in legislative policy, so it offers an excellent way to educate government officials and the public about local government issues.

A Country at the Crossroads

Ukraine means borderland, and its history and development bear witness to its name. Strategically located at the crossroads of Europe and Asia, it has no natural borders. Ninety-five percent of the land is plains. As a result, over the

centuries it was subject to waves of invasion and occupation by Mongols, Turks, Poles, and Austro-Hungarians. For the last 350 years or so it was ruled by Russia's tsars and their Soviet successors. Foreign domination and the economic exploitation and suppression of Ukrainian culture that accompanied it are defining features of Ukrainian history. In a sense, Ukraine has been stateless—a people and culture in a frustrated quest for sovereignty. As one historian wrote recently:



“THE CHARACTERISTICS THAT SHAPED UKRAINIAN LIFE FOR SO LONG ... HAVE LARGELY DISAPPEARED. BUT ... ITS FUTURE AS A MODERN DEMOCRATIC NATION—STATE REMAINS UNCERTAIN.”

economic exploitation and suppression of Ukrainian culture that accompanied it are defining features of Ukrainian history. In a sense, Ukraine has been stateless—a people and culture in a frustrated quest for sovereignty. As one historian wrote recently:

In most national histories the acquisition and development of the nation-state is a paramount feature, but in the Ukrainian case the opposite is true. ...The Ukrainian past is largely the history of a nation that has had to survive and evolve without the framework of a full-fledged national state.*

With independence in 1991, Ukraine gained control over its destiny for the first time. The country is now in flux, experiencing growing pains that reflect a past that offers little on which to build a nation and a national identity. The characteristics that shaped Ukrainian life for so long—imperial rule, economic exploitation, and cultural repression—have largely disappeared. But the country is unstable and its future as a modern democratic nation-state remains uncertain.

THE STUDY

In July and August 1996, a CDIE evaluation team spent three weeks in Ukraine examining the impact of donor efforts to promote demo-

* Orest Subtelny, *Ukraine: A History* (2nd edition), University of Toronto Press, 1994, p. xiii.

cratic local governance. This study is second in a series that includes Bolivia, Honduras, Mali, and the Philippines.

The assessment is an outgrowth of USAID's recent emphasis on democracy and governance and its desire to examine the results of this activity systematically for the first time. The findings from the country studies will be synthesized in a report laying out an analytical framework for USAID programming in democratic local governance.

The team consisted of a CDIE evaluation specialist, a political scientist with expertise on decentralization and democratic local governance, and the director of USAID's Center for Democracy and Governance.

The assessment explored several questions.

- What are the essential elements of democratic local governance in Ukraine?
- How successful have efforts been to establish and implement democratic local governance there?
- What assistance have USAID and other donors provided and what effect has it had on democratic local governance in Ukraine?
- What lessons could be applied to democratic local governance strategies for other countries?

To answer these questions, the team conducted interviews, examined documents, and observed local government activities in Ternopil and Lviv (a small and large city, respectively, in the west), Kharkiv, a large city in the east, and the capital, Kiev. The team met with national, regional, and local government representatives, including finance ministry officials, a governor, mayors, city council members, and key municipal staff responsible for administration and city services.

In addition, the team met with national association officials, leaders of nongovernmental organizations (NGOs), former members of the government and parliament, political party leaders, media representatives, academics, business people, and citizens. USAID Mission and American Embassy staff provided information, as did officials of the World Bank, European Union, and other bilateral donors. The team also talked with contractors involved in implementing donor-sponsored democratic local governance activities.

OVERVIEW

The legal basis for local governance in Ukraine is confused and incomplete. It has been altered dramatically several times since 1991. The key operative law is the 1992 Law on Local *Radas* (elected councils) of People's Deputies and Local and Regional Self-Governance. It defines local governance as:

the territorial self-organization of the population for independent resolution, or resolution through the bodies elected by them, of all issues of local life within the limits of the Constitution of Ukraine, laws of Ukraine, and the financial and economic base of its own.

The 1992 law includes in local government cities, towns, and villages, to be distinct from the state administrative apparatus. The law remains in effect, but changes in 1994 and 1995 have weakened the power of local governments, leaving them more subject to national control.

The June 1996 Constitution sets out a legal framework considerably stronger than its precedents. It states, for example, "local self-government is the *right* of territorial communities ... to *independently* resolve matters of local significance." [emphasis added]

The constitution increases local governments' powers and responsibilities by establishing

direct election of city council members and mayors, and asserting local government rights to own property, set budgets, raise revenue, and implement projects. However, these and other provisions on local government are broadly sketched and, according to experts CDIE interviewed, will require up to 20 laws to implement.

Four-Level Structure Retained

Structurally, local governance remains unchanged since the Soviet period. The state is unitary, with four levels of government. At the top is the national government, with the president and parliament (Supreme Rada). In descending order below are intermediate administrative units of government (*oblasts*); cities and rural regions; and urban districts, towns, and villages.

The 24 oblasts vary in population from just under one million to more than five million. The cities of Kiev and Sevastopol and the autonomous Republic of Crimea are also treated as oblasts. Each of these 27 oblasts has its own elected council or rada. Elected governors headed the 24 territorial oblasts until mid-1996, when a constitutional agreement made the position part of local state administrations, to be headed by presidential appointees.

Under oblast administration are 444 cities (162 large jurisdictions and 282 smaller ones) and 489 rural regions (*raions*). Each city and raion has an elected rada, whose members elect a mayor or chairman. With the council's approval, the mayor or chairman appoints the principal municipal officials, except the heads of the local finance department and tax inspectorate, who must also be approved at the national level.

The mayor or chairman also appoints an executive committee, subject to council approval, which is responsible for day-to-day municipal operations. The executive committee usually

includes a half-dozen or so members chosen from among the local administration's senior managers.

Urban districts, towns, and villages constitute the fourth level of government. There are about 100 urban districts in 25 cities, ranging from 60,000 to 300,000 inhabitants. Ukraine has 807 towns and 9,982 villages. Most urban districts, towns, and villages are headed by a chairman or mayor and have elected councils.

The hierarchy of the Soviet system remains relatively unchanged. Each of the three levels below the national government—oblasts; cities and rural regions; and urban districts, towns, and villages—is subordinate to the one above.

Local governments, for instance, have some measure of fiscal control, but limited independence when it comes to budget and finance functions. As a result, mayors are often hamstrung in responding to local needs because both the oblast finance department and Ministry of Finance in Kiev must be involved in decisions about resource allocations.

On top of this, the national government controls 80 percent of local revenue. From year to year it can significantly alter the amounts localities receive. (Many taxes are shared between the national and local level, an arrangement that could work satisfactorily if the percentages were constant. However, local shares for these taxes vary from year to year and place to place.)

Government Operations Unchanged

Oblasts, cities, urban districts, towns, and villages still perform many of the same functions they carried out before independence. For example, an oblast's primary responsibility remains to administer and oversee implementation of national policy by localities, state-owned enterprises, and other institutions within its borders, and to allocate resources to govern-

ment units below it. Cities still own and operate many businesses, as well as the majority of the housing stock. They continue to be responsible for basic services, such as transportation, energy, education, health, and waste disposal.

The executive branch is generally more powerful than the legislative branch at all levels. In cities and urban districts elected councils tend to be disorganized and weak, largely because they can be easily dominated by the mayor. They are also limited in what they can do because they are subordinate to the oblast councils and national parliament. For example, since parliament has sole responsibility for enacting laws, local councils are pretty much restricted to adopting legislation that implements provisions of those laws.

USAID'S ROLE

USAID's democratic local governance efforts in Ukraine are part of the Agency's "New Independent States: Democratic Pluralism Initiatives," a regional project to help states of the former Soviet Union move from communism to democracy politically and socially. Launched in April 1992, the project has four major objectives, one of which addresses democratic governance and public administration. According to the project memorandum, the objective assumes that "credible, functional local government bodies" are essential to "developing local-level ownership of democracy," and that "decentralization to democratically elected local governments will help inculcate democratic values...and make democracy more visible and meaningful for the local population."^{*}

^{*} Since USAID developed its strategic framework (a set of strategies illustrating the links between the Agency's overall mission and identified national interest considerations) in 1995, democratic local governance activities in Ukraine have been incorporated under the Mission's strategic objective "more effective, responsive, and accountable local government."

The sole USAID activity specifically addressing democratic local governance in Ukraine is the Municipal Finance and Management project, run by Research Triangle Institute. The project contract was signed in July 1993. As of July 1996, the end of the project's three-year life span, about \$6.8 million of the original \$7 million budgeted had been spent or committed. On September 30, 1996, the project contract was extended to March 1997, and \$700,000 was added to support efforts to replicate accomplishments in the project's three pilot cities. Depending on further extensions, this effort could involve more than 20 Ukrainian cities in the next 15 months.

The project aims to transform, modernize, and democratize municipal government and finance and, in so doing, support the decentralization process. The project concept embraces three elements: selecting reform-oriented cities to participate, documenting successful practices, and developing ways to replicate positive results. The objectives are to

- improve efficiency and effectiveness of local government
- increase local government transparency and accountability
- improve local government services
- increase local government influence at the national level

The three cities selected were Lviv and Ternopil in the west and Kharkiv in the east. Officials in the participating cities signed a memorandum of understanding with USAID, prepared a work plan outlining how project objectives would be achieved, and agreed to work with a resident adviser initially assigned for 18 months. Resident advisers played a pivotal behind-the-scenes role in the pilot cities, working closely with the mayors in all facets of project planning and implementation.^{*}

Project activity in each city centered primarily on information systems, management training, and technical assistance. It included an initial study tour of five U.S. cities to observe their governments' best practices. Mayors and other local officials then began to see the need for input on matters affecting their cities, such as national legislation. The project subsequently expanded to include training and support for groups advocating at the national level in behalf of local governments, such as the Ukrainian Association of Cities and the Association of Democratic Councils.

Other Mission activities affect democratic local governance because they involve local governments and democratization. For example, through organizations such as the Planning and Development Collaborative International, USAID supports local government efforts to make ownership of housing units private and improve maintenance and communal services. USAID has helped link national policy issues with local demonstration projects to privatize housing and state-owned maintenance entities. It has also trained city officials, homeowners, and other housing reform stakeholders.

In addition the Mission has supported efforts by the Eurasia and Counterpart foundations, and the National Democratic and International

Republican institutes to promote increased citizen participation in local government. (Both institutes have worked as USAID grantees as well as independently with funding from Congress through the National Endowment for Democracy.)

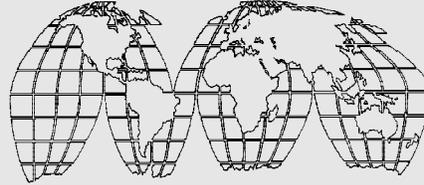
The Eurasia and Counterpart foundations have centered primarily on improving NGO's organizational skills and capabilities. The two institutes have been working to induce local-level political factions and parties to form coalitions as part of the broader process of developing a self-sustaining, pluralistic party system.

USAID Helps Improve Local Governance

USAID assistance has helped local governments

- become more responsive and inclusive
- function more efficiently and effectively
- establish a presence at the national level

USAID-sponsored activities have helped local governments become more open and responsive. They foster transparency in city government operations, public accountability of local officials, and increased citizen participation. In all three Municipal Finance and Management pilot cities, for example, the idea of open, competitive procurement has been introduced successfully. The cities' mayors have gone out of their way to open up the budget process. Since 1995, as noted above, Kharkiv's mayor has held televised public hearings on the city budget, convened focus groups, and published detailed budget information in newspapers. All



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* According to the end-of-project assessment report, local government officials “praised” the resident advisers “for being well informed ... and ... giving timely recommendations as well as taking an interest ... in the political and social issues that affect citizens in each city.” (Tom Cook and Brenda Linton, *Performance Assessment for Ukraine*, Research Triangle Institute, Washington, DC, July 1996, p. 23.)

this, the mayor told CDIE, is intended to inform the public and encourage citizen input in decision-making.

The city governments in Ternopil and Kharkiv are publishing public annual reports for the first time. Ternopil's initial version (June 1995) was modeled after those its mayor saw on the project-sponsored study tour of U.S. cities. It includes a directory of city personnel, details on the local economy, and an organization chart that lists the citizens of Ternopil at the head. The Lviv city government developed an integrated information handling system that will enable staff to track performance of municipal services. The mayor emphasized that its design incorporates input from public hearings, where citizens expressed concern about procedures for handling emergency calls and complaints.

Increased citizen participation is also evident in the Social Initiative Fund, a Kharkiv group established in early 1996 by a self-described dogooder. The fund, supported by a Eurasia Foundation grant, provides counseling to those most in danger of falling through the postcommunist social safety net—pensioners, families with handicapped children, single mothers, and veterans. It also provides information on coping with reduced state assistance, privatization, and legal problems. The fund director told CDIE one of the main reasons she started it was to help the city's Social Protection Department, which she said had fallen on hard times owing to reduced social welfare funding.

With guidance from the Planning and Development Collaborative International, residents of an apartment complex in Kharkiv organized to fight the city's decision to dedicate the major entrance of the complex to commercial use, restricting residents to a back door. Under the leadership of a resident, the organization sued the new lessor and the city. The case is unresolved, but residents came to trust each other enough to begin working together. In the pro-

cess, they developed and used basic democratic principles nonexistent under communism. This interpersonal trust, or social capital, is a building block of the democratic process, particularly as it paves the way for the development of civil society.

USAID assistance has also helped cities become more efficient and effective in administration and service delivery. The Municipal Finance and Management project cities have made significant strides in upgrading office equipment and improving staff capabilities. A high-level finance department official in one city told CDIE her staff has only been using calculators for the last five years. As recently as the late 1980s city employees were still using the abacus. Project cities have also worked to modernize personnel, information, and communication systems. Kharkiv reformed its personnel system, introducing competitive hiring, employee profiles, probation periods, and other modern administrative practices. As part of this effort, 185 employees have been trained in basic office software applications in a program the personnel department will soon operate entirely on its own.

In Lviv, land purchases that used to involve 20 offices are now handled by two, the mayor told CDIE. The city's new central dispatch service will save at least \$30,000 a year because its installation also involved replacing the city government's internal phone system. Such consolidations in city administration will increase efficiency and help reduce corruption, he stressed.

Improvement in city services is exemplified by Ternopil's refurbishing its aging fleet of electric trolley-buses. About \$182,000 was used to repair six buses and buy critically needed spare parts for others, increasing by one third the number in service. In 1990 the city had 105 trolley-buses, 93 of which were in service, according to the company's director. Five years later the fleet was down to 90, only 59 of which were running.

The project “helped us survive the winter of 1995,” the director said, especially important given public reliance on bus transportation. Ternopil’s experience has sparked similar efforts by other public transportation companies, five of which have entered into a joint agreement to purchase used buses and spare parts, refurbish other vehicles, and repair engines.

USAID’s support of the Ukraine Association of Cities has helped it become the strongest organization advocating for local autonomy at the national level. Assistance helped the association establish a permanent office in Kiev and paid for mayors from member cities to go on the study tour of U.S. cities. In his meeting with CDIE, Kharkiv’s mayor underscored the importance of this tour, describing it as “exceptionally useful.” For example, he and his colleagues began to understand the changes they needed to make for their organization to succeed after meetings with leaders of their association’s U.S. counterpart, the National League of Cities. As he put it, “up until then, our association had been amateur.”

USAID assistance also helped the association play an important part in establishing a legal basis for local government in the June 1996 Constitution. At the time of CDIE’s visit, association officials were working with the president and parliament on laws to implement the constitution’s general principles, including, most notably, legislation to firmly establish local governments’ fiscal independence.

OTHER DONOR ASSISTANCE

In addition to USAID, other international donors have been working to further democratic local governance in Ukraine. Foremost is the European Union (EU). The EU works through the 37-member Council of Europe, which represents all European nations, and its 1985 Eu-

ropean Charter of Local Self-Government.* The charter sets forth “basic rules guaranteeing the political, administrative and financial independence of local authorities ... [and] embodies the conviction that the degree of self-government enjoyed by local authorities may be regarded as a touchstone of genuine democracy.”

The EU has provided some modest technical assistance to cities that want to adopt the charter and has also supported democratic local governance through its Phare and Tacis programs. These programs provide grants of up to \$250,000 to NGOs partnered with EU-based organizations.

The purpose of the grants is to promote governmental transparency, citizen participation, civil society strengthening, civic education, and media development. Tacis also sponsors a twin city program, in which Ukrainian cities are matched with EU counterparts that provide support and participate in local technical assistance for local governance activities.

The World Bank has helped improve infrastructure at the local level in areas such as housing, transportation, and water supply. It has also worked with Ukrainian authorities in closing the inefficient coal mines of the Donetsk area. Other World Bank initiatives address political and socioeconomic concerns. For example, one small grant project in Odessa will help the city government develop ways to assess citizen concerns so it can be more responsive. Another will improve social welfare monitoring, an area of increasing challenge as funding for the state’s system for providing social services declines and its responsibilities are handed over to local governments.

* The 15-member European Union of industrialized western European countries constitutes the reorganized European Community. Its executive arm is the European Commission, which, among other things, provides assistance to developing countries, including some of the Eastern European and new independent states.

A housing assistance project seeks to cushion the transition from Soviet-era rent subsidies to self-sustainability by developing a system of householder-government copayments.

The Soros Foundation, British Know-how Fund, and Canadian International Development Agency (CIDA) have supported democratic local governance to a lesser degree. Working through its in-country affiliate, the International Renaissance Foundation, Soros helps train city managers and build civil society organizations at the local level. Know-how Fund assistance centers on a public administration program run through the University of North London that trains managers both in-country and in the United Kingdom.

CIDA is operating a program to strengthen the Ukrainian Academy of Public Administration, which trains civil servants for top government posts. CIDA also supports NGO-strengthening activities, teaming Ukrainian NGOs with partners in Canadian universities, professional groups, and women's organizations.

Donor Impact

Owing to its status as a symbol of European experience and standards, the Council of Europe's model European Charter of Local Self-Government has had a direct impact on Ukraine's movement toward increased democratic local governance. Officials and leaders at the national and local levels see the charter as the touchstone of legitimacy in constructing local governance. To an appreciable extent, they have structured democratic local governance

efforts to meet its requirements. In a broader sense, many political leaders view the charter's implementation as a key step in Ukraine's quest for legitimacy in the eyes of western Europe and full membership in the European Union.

It is too early to gauge the impact of assistance provided by other donors. For example, while CIDA's public administration project has trained a sizeable number of officials, it is too soon to assess what impact the training has had on their performance.

The same can be said of the efforts of the British Know-how Fund, Soros Foundation, and World Bank.

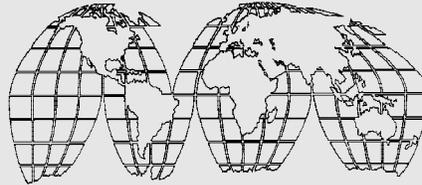
Obstacles and Problems

While donor support has accomplished much, democratic local governance in Ukraine faces numerous obstacles and problems. A faltering economy, an underdeveloped sense of national identity, and the legacy of Soviet rule, among other things, have stood continuously in the way of efforts to promote its development.

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Economic Woes

Without a doubt the most serious problem hindering democratic local governance is Ukraine's economy. In recent years the country has experienced decreasing production, hyperinflation (nearly 10,000 percent in 1993), reduced and delayed wages, declining living standards, and energy shortages. In Ternopil, for example, unemployment was over 50 percent at the start of the Municipal Finance and Management pilot project, according to some



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estimates. And many of the large local enterprises were operating only 10 percent to 20 percent of the time. According to the July 1996 Municipal Finance and Management project assessment report, "the current macroeconomic crisis has provoked severe hardship at the local level." That has affected democratic local governance activities in the pilot cities. In Kharkiv, for example, project counterparts said a lack of budget resources "continually hampered our progress in computerization and software development." In Ternopil, counterparts said the "weak local economy resulted in a lack of city funds to implement several of the initiatives...[and also] resulted in project delays."

Homo Sovieticus Lives On

Another major obstacle is the attitudes and behavior that persist in what one informant referred to as "homo sovieticus." Most political leaders and government employees are holdovers from the Soviet period who often resist change and reform. They continue to think and act as they did under the previous regime, for example, by waiting to be told what to do, not taking initiative and responsibility, or showing absolute obedience to higher authority.

It is not surprising, therefore, that instances of "recentralization" occur regularly at all levels of government. For example, the president and parliament recently agreed that the oblast governors elected in 1994 would continue to serve in their position subject to the president's approval. Since then, at least half the elected governors have been replaced by presidential appointees; the remainder stay on at the president's pleasure. The worsening economic situation has also reinforced deep-seated tendencies to rely on the national government. In 1994, for example, parliament gave the president extraordinary powers to deal with the economy, including the right to govern by decree.

The attitudes of "homo sovieticus" also live on in the public consciousness as well as in the minds of many in government. Public mistrust of and lack of confidence in the government is one manifestation. "People don't complain about government services, because they don't expect results in the first place," an official from Kharkiv told CDIE. Lviv's mayor estimates it will take three generations of competent, honest city officials before the average citizen will begin to trust any local official.

Similarly, recent surveys show the vast majority of Ukrainians believe "people like themselves" have no influence on decisions at the national or local levels. In a 1994 survey conducted by a Ukrainian group, the Democratic Initiatives Research and Educational Center, nearly 66 percent of respondents said they would not be able to do anything about a government "decision that infringes on the interests of the people," and 57 percent said they thought they had no recourse for decisions by local authorities.

Others emphasized that Ukrainians are "politically illiterate" and do not understand the system of government evolving in the wake of communist rule. For instance, recent surveys show that people see no difference in the national, regional, and local levels of government because they still view them as part of an undifferentiated state apparatus. Nor does the public understand basic democratic tenets—that government serves the people, that government employees are accountable, and that responsibilities accompany rights. In a discussion with NGO leaders, almost all agreed with one colleague's assertion that "Ukrainian voters aren't ready" to carry out their electoral responsibilities. In a similar vein, for all the above-mentioned Social Initiative Fund director has accomplished, it never occurred to her to advocate before local government authorities in behalf of those she was helping—a given in more advanced democratic settings.

A Lack of Cohesion

Ukraine's underdeveloped sense of national identity and political cohesiveness also causes problems. Of the country's four regions—western, central, eastern, and southern—only the western is fully committed to Ukrainian sovereignty.

With hundreds of years of Russian assimilation and decades of Soviet dominance, the eastern and southern regions (the Crimea) have become the focal point of concerns that too much decentralization could exacerbate already prominent separatist tendencies. (Premier Nikita Khrushchev ceded the Crimea to the Soviet Ukraine in 1954 to mark the 300th anniversary of Ukrainian union with Russia. Today it is an autonomous republic, whose population is primarily ethnic Russians.)

Because of its unique history and ethnic composition, the Crimea has experienced serious political unrest. In 1992, for example, pro-Russian groups publicly called for secession and annexation by Russia. A 1994 survey found nearly one in three citizens in these regions would support a socialist or communist for parliament and favor restoration of the Soviet Union (see box).*

Essential Legal Framework Incomplete

Still unresolved is when or if parliament will enact the 20-some laws needed to implement the new constitution's local government provisions. While unlikely, speedy enactment of these laws, and particularly those needed to ensure that local governments are fiscally autonomous, is essential for democratic local governance to continue to evolve. The president is ambivalent about local governance. In some quarters, such as the finance ministry, opposition remains strong. In parliament, the communist party and its allies are a sizeable and powerful opposition force, while other deputies do not view local government as a priority.

Donors Avoid Democracy Issues

Donors, for their part, tend to rely on what they have experience doing. Thus, in the area of local government they emphasize traditional development approaches, ignoring basic democratic concepts, such as informed citizen participation and accountable government in-

* Adrian Karatnycky in "Ukraine at the Crossroads," *Journal of Democracy*, Vol. 6, Number 1, January 1995.

A Question of Identity

Linguistic differences, reflective of Ukraine's history of foreign domination and forced cultural assimilation, symbolize the difficulties the people and the government face in developing a national identity.

In the eastern city of Kharkiv, links to the Russian and Soviet past are among the strongest in the country. A man-in-the-street radio show highlights the language issue. The show's interviewer and host is aware that the central government pro-

motes Ukrainian as the national language and he depends to some degree on state support for programming. So he poses the questions in Ukrainian. Without exception, however, residents answer in Russian.

In the western city of Lviv, by contrast, people are fervent about retaining Ukrainian language and culture. There, Russian speakers may be rebuffed and admonished to speak Ukrainian.

stitutions. For example, USAID and other donors are most experienced and skilled at public administration. When the time comes to decide on program focus and resource allocation, they typically go with their perceived strengths. Donors avoid democracy issues because their intrinsic political nature makes them uncomfortable. Instead, donors provide training and help strengthen institutions and build administrative capacity.

Contractors and Mission staff discussed the problems that can result from this predisposition. Contractors, for example, couldn't get Mission support to link opportunities in their project (helping people set up and operate NGOs) to the next step in democratic practice—political advocacy. Similarly, the team found the Mission was not looking at the effect of its economic restructuring programs on areas with a natural local government tie-in, such as intergovernmental finance.

One contractor working on housing reform at the local level said that during his two years in Ukraine he had no contact with USAID-supported democratic local governance activities. That held true even in cities where both his group and the Municipal Finance and Management project were operating.

A Plethora of Needs

Finally, progress in democratic local governance is hindered by the multitude of competing needs arising in virtually every sector of Ukraine's political and economic life. Aside from the problems already mentioned, local governments have to contend with

- a weak civil society at an early stage of development after being suppressed under communism
- a nascent private sector that has no sense of civic responsibility and sees local government as an opponent rather than an ally

- the media, which are still subject to government control
- political parties that play a limited role because of public mistrust
- ineffective judicial, tax, and regulatory systems, which prompt illegal business dealings* (see box)

SUMMING UP

Chipping away at the local governance structure inherited from the Soviet era, donor support of democratic local governance in Ukraine has produced some promising initial results. Pilot cities in USAID's demonstration project have improved administrative operations, management capability, delivery of essential services, and access to national government. In one city, a critical part of the transportation system was upgraded, improving service and setting an example that other Ukrainian localities have already begun to emulate. In the other two, major organizational reforms have consolidated city functions, improved personnel systems, and increased staff capabilities.

USAID assistance has also helped pilot project governments become more open, accountable, and receptive to citizen input and involvement. Two cities have produced annual reports on government activities. The other established an information-handling system that includes a component responding to public concerns about emergency calls and citizen complaints. All three cities, moreover, now publicize their

* According to the Municipal Finance and Management performance assessment report (p. 22), "the rise of organized crime has undermined the stability of the emerging democratic system in Ukraine. ... Current tax structures, surcharges on business activities, and the widespread use of bribes ... have created disincentives to the creation and expansion of legitimate businesses. As a result, a shadow economy is thriving."

budgets and have instituted ongoing, concrete procedures to inform and involve the public. Support for NGOs and other grass-roots activities has helped citizens and groups work with or constructively confront local government authorities.

In addition, efforts by other donors—the European Union, World Bank, CIDA, Soros, British Know-how Fund—have had a positive impact. Most notably, through its support of efforts to implement the provisions of its Charter of Local Self-Government, the European Union has provided a model many Ukrainians believe will help their country achieve legitimacy as an independent, democratic state. Ukrainians widely perceive this as an important stepping stone to full membership in the European Community and the economic and political benefits that accrue from this status.

However, numerous obstacles and problems stand in the path of continued progress in building on these achievements. These include

- pervasive economic difficulties
- institutional and attitudinal vestiges of the Soviet era
- regional differences and lack of national identity
- the unresolved legal and fiscal basis for local governance
- the need for donors to balance assistance focused on traditional aspects of local government development with efforts to promote democracy at the local level

While there are no easy answers or pat formulas to help overcome these problems, the incremental gains already realized do hold promise for the future. Indeed, Municipal Finance and Management project results have already begun to be replicated. To the extent that this succeeds, it will further what has been accomplished and, quite possibly, play a part in

facilitating Ukraine's overall progression from communism to democracy. As a project resident advisor noted in reflecting on his experience working in one of the pilot cities:

Any problem, regardless of size or complexity, can be reduced over time. Given a situation where the capital needs...are 1,000 times the annual budget of the city administration, there might well be a tendency for...people to throw up their hands in despair. Over the life of the project...city people

The Need for Change: No Easy Answers

The director of Ternopil's government-owned electric trolley-bus company provided an example of the kinds of problems local governments face. Because company operations are funded half from fares and half from city subsidies, one of his priorities has been increasing passenger revenue.

One obvious strategy would be to increase fares. This has proven difficult, however, because the oblast government sets fares and there are dozens of categories of exemptions. Because of the exemptions, 40,000 of the city's 250,000 inhabitants ride free. While there is general agreement on exemptions for pensioners, veterans, and other such groups, the director said many of the categories are unnecessary. One, for instance, exempts a city plant disease inspector. Making things still more difficult, the director added, any change to the fare structure requires action at the national level.

and...[project] staff tackled several problems and began chipping away at the major aspects. ...This year for the first time, there are several street surfacing...and building reconstruction projects going on. Sidewalks are being relaid. Utility lines are going in. The volume of work being done is small compared with the total work to be done, but citizens can see something happening and that is important.

LESSONS LEARNED

Efforts to promote democratic local governance in Ukraine suggest a number of lessons learned.

1. Emphasize getting the democracy in democratic local governance. Efforts to build democracy often take a back seat to traditional aspects of local government development because they are either much harder to do, do not show concrete results as readily, or are simply not a priority. In Ukraine, results were mixed in this regard. The Municipal Finance and Management project showed that democracy elements can be incorporated into efforts to strengthen traditional areas of local government development, such as public administration. However, other contractors and Mission staff paid little or no attention to these possibilities.

2. Link democracy programming to other sectors. Missions and other donors need to do far more to link democracy and governance elements with other sectors, such as economic restructuring and privatization, where natural tie-ins are apparent. In housing reform, for example, privatization has an obvious tie-in through its efforts to help apartment building residents organize owners' associations and develop the property tax base needed to finance local government activities.

3. Assistance should be coordinated and comprehensive. To maximize chances for suc-

cess, democratic local governance assistance should focus on efforts to develop:

- *A viable legal framework.* The absence of a stable and explicit legal foundation has been one of the greatest obstacles in Ukraine. The June 1996 Constitution provides broad outlines for democratic local governance, but a series of laws is still required to flesh it out and it is not certain if or when this will take place.

- *Local government capacity.* Local governments must be able to deliver services to inspire public confidence and support. This is one reason the Ternopil electric trolley-bus refurbishment was so important and has been quickly emulated by other city governments. Critical to success in this area is ensuring that local governments are financially independent and have a stable tax base from which to generate needed revenue.

- *A supportive and involved citizenry.* It is essential that citizen involvement be an integral part of program activities from the outset and not be viewed as something that should await completion of other democratic local governance assistance efforts. Such was the case in the Municipal Finance and Management pilot cities, much to the project's overall benefit.

- *A multi-layered approach.* Connections among the national government, local governments, and citizenry need to be understood and emphasized. In particular, Ukrainian counterparts have to be educated on the importance of these relationships in promoting democratic local governance.

4. Shore up national government support. In developing and implementing democratic local governance programs, donors must take into account the need to shore up resolve at the national level to create and sustain the necessary enabling environment. In Ukraine's case,

such support has been neither steadfast nor clear cut, owing largely to the country's fragile status as a newly independent nation. Ukraine's geopolitical, economic, ethnic, and linguistic problems mean that decentralizing and centralizing tendencies exist side by side. Consequently national leaders often approach local governance issues with caution and ambivalence.

5. Promote local government advocacy organizations. While not among the original Municipal Finance and Management project objectives, the need for an organization to coordinate project activities and represent the interests of local governments at the national level quickly became a priority. Organizations like the Ukrainian Association of Cities and Association of Democratic Councils have become effective advocates of local governments in Kiev, making important contributions to the new constitution and draft legislative proposals being considered to implement its provisions. These groups have also been forums for local officials to share experiences and best practices, which is essential to multiplying project successes and promoting reform.

6. Support other promising democratic local governance models. Where possible, USAID should support valid alternative democratic local governance models, both directly and through collaboration with other donors. In the eyes of many Ukrainians one such model is the

Council of Europe's Charter on Local Self-Government. Ukrainians see the charter as closer to their experience than U.S. models. They see it as a key benchmark for full membership in the European Community. USAID should build on this and integrate its democratic local governance offerings with the European framework many Ukrainians believe is most appropriate for them.

7. Include study tours in the United States. By design, the Municipal Finance and Management project included study tours in the United States early in its implementation. Mayors and other officials said meeting with their American counterparts and observing local governments in action were tremendously beneficial. Experiencing "the real thing" firsthand, they said, helped them move beyond abstract notions of how local governments function in a democratic setting.

8. Include on-site resident advisers. Long-term, on-site resident advisors played a major part in the Municipal Finance and Management project's overall success. They focused not just on city hall but everyday life in a sustained, hands-on manner that exposed them both to the problems as well as ways to deal with them. Local government officials with whom they worked emphasized their contributions, praised them for their knowledge, timely advice, and interest in their citizens' welfare.

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