

Notes for the 2024 Ukraine Recovery Conference, by Roger Myerson

The master of the Kremlin launched this war to prevent Ukraine from becoming a model of successful democracy, which would make it harder for him to hold the Russian people under his autocratic rule. He could still achieve this goal, even after the defeat of his armies, if Ukraine remained in ruins after this war. So there should be generous offers of postwar recovery assistance from Europe and America and nations throughout the world, as such aid can benefit the broad global interests of the donors as well as the recipients.

Ukraine may indeed offer a valuable lesson in democratic development for the world. The decentralization reforms of 2014-2020 should be recognized as a key part of this. Local self-government was organized in over 1400 municipalities (or *hromadas*) throughout Ukraine, which were given responsibility for spending about 1/4 of national tax revenues. I first came to Ukraine in 2014 as an economic theorist to testify about the importance of locally accountable local government for successful democracy, but the experience of Ukraine has shown this better than any theory. Locally accountable local governments have earned people's trust by providing improved public services, and have opened wider opportunities for citizens to engage in self-government. And when Russia's full-scale invasion began in 2022, elected local officials in every part of Ukraine provided vital local leadership to mobilize their communities for national defense.

Responsible democratic local governments can and should play a key role in Ukraine's postwar development, by accountably providing local public goods and services that are essential for prosperous communities. In rebuilding local public goods that serve a few communities, priorities should be determined by the people of these communities, and their elected local officials should lead the process of formulating and implementing their priorities. If the demands of reconstruction sometimes challenge the administrative capacity of small municipal governments, this should be taken as evidence of the need for donors to support local governments in developing greater capacity; and this may include support for the development of inter-municipal partnerships among neighboring hromadas, for local public goods that benefit them all. Support for extending municipalities' project-management capabilities may be counted as one of the most potentially valuable investments in Ukraine's future, because a strong system of local self-government will be essential for the future democratic development of Ukraine.

Before the war, as I noted, Ukraine's development of responsible local self-government depended on fiscal reforms that directed about 1/4 of the nation's tax revenue to the new municipalities. So donors who would help maintain the strength of these institutions should consider dedicating at least this fraction of their aid to supporting the work of Ukraine's elected local authorities.

But most importantly, to help strengthen Ukraine's elected local governments, donors must listen to them. In planning the overall structure of recovery-assistance programs, leading donors should solicit mayors' views from their national associations of cities and communities. Then throughout the period of active assistance, at least one major donor should maintain an aid-coordination field office in every region, to ensure that local authorities in every part of Ukraine can readily get the support that they need in proposing and managing projects that meet the needs of their communities. And when problems in aid delivery arise, the donors' regional coordinators should hear local mayors' concerns and communicate them to the donors' top policy-makers. In fact, the EU already has regional offices in the U-LEAD organization. But top policy makers should understand that such regional offices for reaching out to Ukraine's elected local authorities may be vital for the whole direction of their mission, to support a recovery in Ukraine that fulfills its people's hopes for a better future, for which they have given so much.

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