

International assistance for Ukraine should not ignore the elected local authorities

Assistance for Ukraine's defense and reconstruction is an investment in world peace. Even after a military defeat of Russia's invasion, if Ukraine were left in ruins then Putin could still achieve his goal of preventing Ukraine from showing Russians how democracy can succeed.

Ukraine can indeed offer important lessons on how to build democracy in a post-Soviet society. In particular, after the Revolution of Dignity in 2014, the foundations of Ukrainian democracy were significantly deepened by decentralization reforms, which in 2015-2020 established local self-government in over 1400 municipalities (*hromadas*) throughout Ukraine. These responsible democratic local governments have earned people's trust and so have helped to strengthen Ukraine's national resilience against Russia's full-scale invasion since 2022.

Democratic local governments can and should play a vital role in Ukraine's postwar development, by accountably providing local public goods and services that are essential for prosperous communities. Even when funded by foreign aid, public spending in Ukraine must be under the direction of the Ukrainian people's elected officials. In the system of government that the people of Ukraine are fighting to defend, these elected officials include local mayors as well as the national President, and a substantial fraction of public revenue (about 25%) has been devolved to the elected local authorities since the decentralization reforms.

Thus, to truly support Ukraine's democratic system of government, international recovery assistance should include support for elected local governments as well as for the national government. If international donors were to channel all their support through an office of the national government, then their assistance could become an implicit force for centralization in a country where political decentralization is a new and fragile achievement. But while war prevents democratic elections in Ukraine, national leaders' support for donors' engagement with local governments can be a vital expression of commitment to constitutional democracy.

In rebuilding local public goods that primarily serve a few communities, priorities should depend on the preferences of people in those communities. Elected officials of the local municipal governments are best positioned to lead the process of determining these priorities. This process may appropriately begin with broadly inclusive public discussions about local reconstruction priorities, since such public consultation has been a common practice for Ukraine's municipalities. But the elected local authorities should have primary responsibility for leading these discussions and then for formulating a local reconstruction plan that responds to people's needs. In cases where a local public investment could serve the needs of people in several neighboring municipalities, these municipalities may be encouraged to cooperate in formulating a joint plan for financing and rebuilding shared public-service facilities, which they might jointly manage through an inter-municipal partnership.

So international donors should plan to provide substantial funding for local reconstruction projects that are directed by the elected local authorities in each part of Ukraine. To ensure that the priorities for these local public investments are determined by people in the recipient communities, not by the foreign donors, donors must listen to people from the communities that they are trying to assist. During the period of active recovery assistance, major donors should maintain regular channels of communication with elected local authorities, through field offices in the regions of Ukraine.¹

¹ The U-LEAD with Europe program has such a network of regional offices; see <<https://u-lead.org.ua/en>>.

To design aid programs that appropriately involve the local authorities, donors can begin by soliciting mayors' views from the existing national associations of municipal authorities, which can also help with distributing best-practice information to their members.² Then leading donors should appoint local aid coordinators who can help municipal authorities to propose projects and manage them with appropriate fiscal controls. The costs of support for improving municipalities' project-management capabilities may be counted as a valuable investment in local self-government, which can be vital social capital for Ukraine's long-term development.

Sending aid coordinators to work with local authorities throughout Ukraine can also help to improve monitoring of how assistance funds are used. If a nationally-administered program failed to deliver its promised local benefits, aid coordinators may hear about the problem from their contacts in adversely affected communities. Conversely, the use of assistance funds by local governments should be monitored by appropriate agencies of the national government. Thus, an active engagement with Ukrainian officials at both local and national levels can help a foreign assistance agency to identify problems with the use of its funds at either level.

Even with the best oversight, however, contractors must expect profits for managing risks, and political leaders may steer lucrative contracts to businesspeople on whom they have relied. If these profits are concentrated among a small group of businesspeople who have connections to the top national leadership, then the result could be to create a new class of oligarchs to dominate Ukraine in future years. Decentralization of authority for planning reconstruction can reduce the concentration of profits among such connected businesspeople.

Donors should provide assistance to local authorities in the form of grants rather than loans. If foreign-assistance loans allowed some irresponsible officials to mortgage their communities' future revenues for mismanaged projects, the result could be to leave some communities ruined without any means for recovery. Risks of such long-term harm can be avoided when foreign assistance is in the form of grants, which could be matched by contributions from current local revenues.

A basic lesson from the Marshall Plan for postwar recovery of Europe in 1948 was that foreign reconstruction assistance is most effective when it helps to promote reforms that will be fundamental for successful future development. The establishment of local self-government in Ukraine has been a reform of fundamental importance for the people of Ukraine, offering accountable provision of local public goods and services that can be vital for democratic development. So while the largest portion of international assistance may support reconstruction programs of Ukraine's national government, major donors should also reach out to Ukraine's elected local governments as partners in local reconstruction, and a substantial fraction of assistance should be allocated for their work.

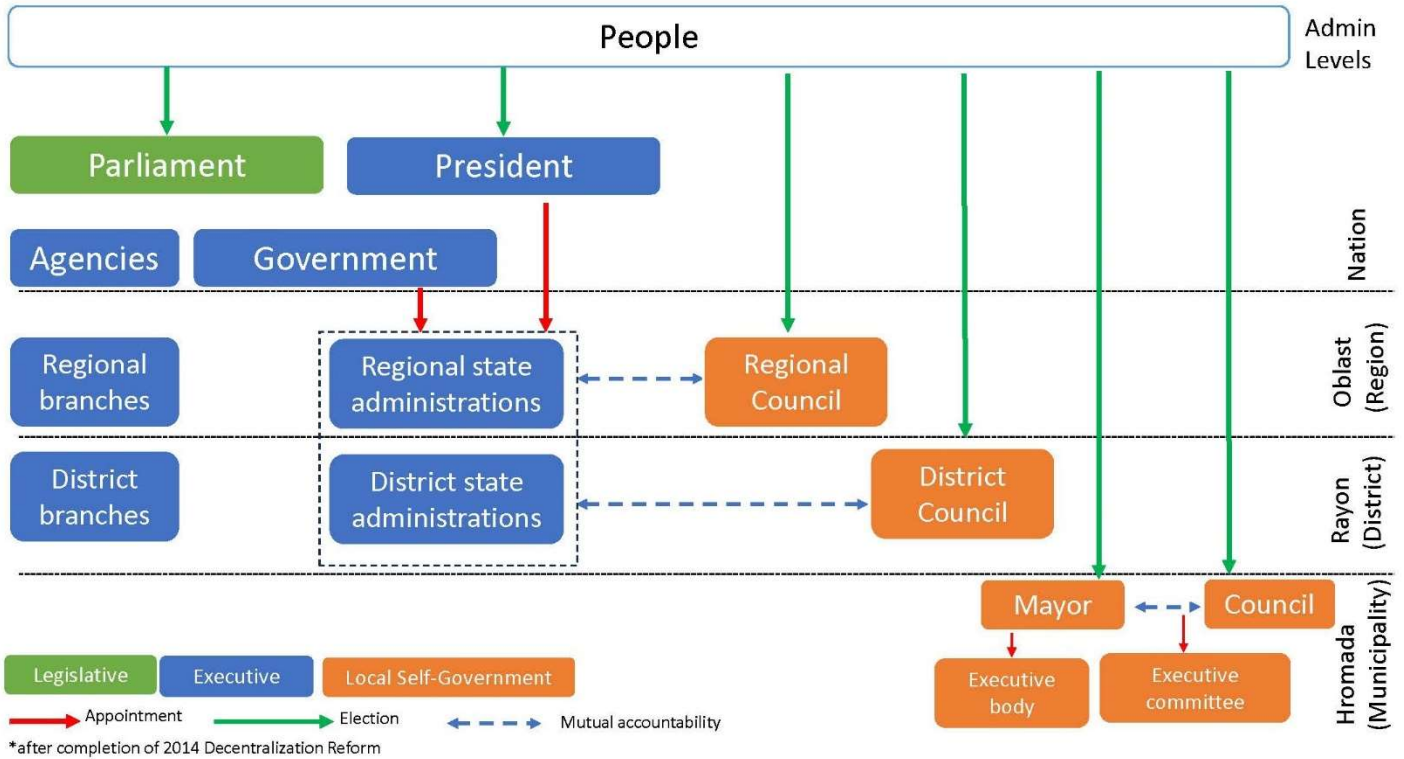
Roger Myerson, November 2023,

<https://home.uchicago.edu/~rmyerson/ukraineaid.pdf>

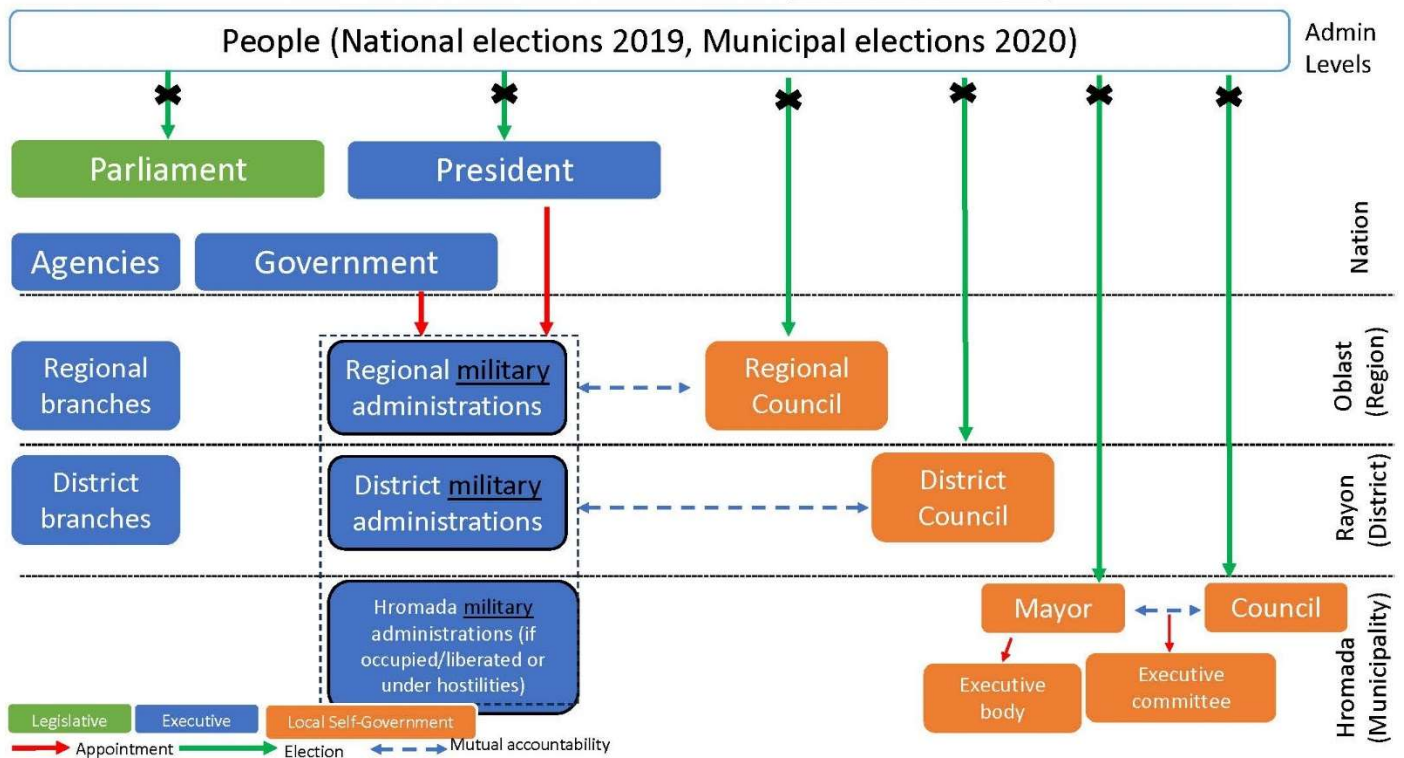
See also: <https://home.uchicago.edu/~rmyerson/ukrainelocal2023.pdf>

² Municipal authorities in Ukraine have formed three associations with broad membership: the Ukrainian Association of Amalgamated Territorial Communities <<https://hromady.org/about/>>, the All-Ukrainian Association of Communities <<https://communities.org.ua/en/about-the-association/>>, and the Association of Ukrainian Cities <<https://auc.org.ua/>>.

Multi-Level Governance Structure in Ukraine 2020-2022*



Multi-Level Governance Structure of Ukraine since 2022 Martial Law



Charts by Oleksandra Keudel.