

THE BACKGROUND AND IMPACT OF DECENTRALIZATION IN UKRAINE ON THE COUNTRY'S EUROPEAN INTEGRATION

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Abstract

In Ukraine, the so-called decentralization reform began in 2014 with the aim of fundamentally transforming the country's administrative structure. It is beyond dispute that this large-scale reform (one that does not occur every decade) has faced extraordinary challenges from the outset. First, its implementation was disrupted by the COVID-19 pandemic and subsequently by the outbreak of war, which continues to shape both the pace and the scope of the reform process. Moreover, despite having been launched more than eleven years ago, the reform has not yet fully completed its implementation phase as of December 2025.

Nevertheless, the experiences, lessons, and partial results accumulated over the past eleven years provide a solid basis for examining the reform from a scientific perspective, particularly with regard to the changes initiated in the context of European integration and harmonization. Numerous studies have assessed the effectiveness of the reform across various sectors, while mass media sources increasingly report that, due to the ongoing crises, further radical changes may still lie ahead.

The aim of the present study is to explore the background of the decentralization reform and its practical implementation through a review of the relevant scholarly literature and empirical research.

Keywords: Ukraine, decentralization, reform, European integration.

The Theoretical Approach to Decentralization

According to the academic literature, the decentralization of power does not constitute a single, autonomous, or isolated reform. Rather, it represents a set of interrelated measures aimed at the deliberate and systematic transformation of the administrative system, implemented consistently and incrementally through a step-by-step process [12, pp. 68–70].

The *Concept for the Reform of Local Self-Government and the Territorial Organization of Power in Ukraine*, approved in April 2014, set as its primary objectives the decentralization of power, the strengthening of local communities, and the improvement of the quality of public services. Adopted in the immediate aftermath of the Revolution of Dignity, this policy document sought to establish a more efficient and citizen-oriented system of local governance, while simultaneously fostering the development of direct democracy and balancing the interests of the state and territorial communities.

Although the Concept was not adopted as a law, it nonetheless provided a crucial framework for regulating and implementing the decentralization reform. Structured around the identification of key problems, the formulation of objectives, and the definition of fundamental principles, tasks, and stages, the document highlighted systemic deficiencies such as the poor quality of public services, the limited competences of local decision-making bodies, and the underdeveloped mechanisms of direct democracy.

The Concept identified four main priorities:

1. ensuring access to public services;
2. clearly delineating competences between local self-government bodies and executive authorities;
3. establishing a rational territorial basis for the organization of public authority;

4. creating adequate financial conditions for local self-government bodies [9].

The necessity of the reform was further underscored by the shortcomings of the existing local self-government system at the time. In practice, only regional centers and cities of regional significance functioned effectively, while smaller settlements lacked sufficient financial and material resources and were therefore unable to provide public services at an appropriate standard [9].

Historical Overview

Following the attainment of independence, Ukraine made several attempts to address issues related to administrative reform. The first step toward establishing an independent administrative system was taken after 1990. On 7 December 1990, the Law of Ukraine “*On Councils of People's Deputies and Local Self-Government*” was adopted, marking the beginning of administrative reform in independent Ukraine [10]. This date is still commemorated as the Day of Local Self-Government.

In 1997, Ukraine ratified the *European Charter of Local Self-Government*. Adopted in Strasbourg in 1985, the Charter is one of the cornerstone documents of democratic governance. It aims to strengthen local self-government and protect its autonomy, based on the principle that democracy can function effectively only when citizens are able to participate directly in the management of public affairs, particularly at the local level. The Charter stipulates that the right to local self-government must be guaranteed by the constitution or by law, and that local authorities must have the right, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility.

Furthermore, the Charter requires that the powers and responsibilities of local self-government bodies be clearly defined by law and that adequate organizational, human, and financial resources be ensured. Financial autonomy is recognized as a fundamental principle: local authorities must possess their own financial resources commensurate with their responsibilities and must be entitled to participate in determining local taxes and charges. The Charter also emphasizes the right of local authorities to associate, enabling cooperation with other municipalities and the establishment of international relations. Another key element is legal protection, which grants local authorities the right to seek judicial remedies when their autonomy is violated [2].

Contracting states are required to consider at least twenty provisions of the Charter as binding, including ten core articles, thereby ensuring that the principles of local self-government are genuinely integrated into national legal systems and governance practices. As such, the Charter constitutes the fundamental European framework for local democracy, decentralization, and community participation.

The overarching goal of the decentralization reform is to establish effective local self-government and a coherent territorial organization of power capable of creating and maintaining a full-fledged living environment for citizens, ensuring high-quality and accessible public services, developing institutions of direct popular sovereignty, and harmonizing the interests of the state and local communities. Within this framework, local self-government bodies are accountable to residents for the effectiveness of their activities and to the state for their legality [8, p. 113].

Another significant milestone occurred on 22 July 1998, when President Leonid Kuchma signed Decree No. 810/98 *On Measures for the Implementation of the Concept of Administrative Reform in Ukraine*. Although innovative in scope, the 1998 Concept largely remained theoretical in nature and reflected partially developed Soviet–European reform ideas [13, p. 102].

Between 2000 and 2013, several further attempts were made to restructure local administration in Ukraine; however, these initiatives either failed or produced limited results [13, p. 100].

The decentralization process gained real momentum in 2014 with the adoption of the 2014 Concept and the enactment of key legislative acts, including the Law “On Cooperation of Territorial Communities” (17 June 2014), the Law “On Voluntary Amalgamation of Territorial Communities” (5 February 2015), and amendments to the Budget Code and the Tax Code aimed at implementing financial decentralization [13, p. 104].

At the outset of the reform, only six regions in Ukraine were financially self-sustaining, resulting in significant regional disparities in living standards and service quality. These imbalances underscored the urgent need for comprehensive reform in public administration, local government, and the territorial organization of power [12, pp. 68–70].

The decentralization reform stimulated the development of local self-government as the level of authority closest to citizens. Through the voluntary amalgam-

ation of territorial communities, newly established local governments acquired powers and resources previously reserved for cities with county rights. Citizens’ interests within amalgamated communities are represented by elected mayors, representative councils, and executive bodies exercising legally defined competences. In settlements belonging to these communities, local self-government and access to public services are ensured by locally elected leaders (*starosts*).

Democracy remains the most widely valued form of socio-political organization, as it enables citizens not only to elect their leaders but also to exercise control over public power. Despite its challenges, democratic governance is best equipped to respond to the complexities of contemporary society.

Prior to decentralization, the excessive concentration of power in Ukraine resulted in:

- strong regional dependence on the central government;
- low investment attractiveness;
- weak communities in terms of infrastructure, finances, and human resources;
- rural decline;
- unfavorable demographic trends;
- low-quality public services;
- widespread distrust of authorities;
- high levels of corruption;
- low efficiency in decision-making [13].

Practical Results of the Reform

As a result of the reform process, and in line with the principles of the European Charter of Local Self-Government, a strong and functional basic level of local governance has been established through the system of united territorial communities (OTG). Over six years, 1,070 OTGs were formed, incorporating 4,882 municipalities through voluntary amalgamation. Of these, 936 communities held their first local elections.

The government approved community formation plans in all 24 regions, covering their entire territories. The new OTGs encompass approximately 47% of Ukraine’s territory, while more than 70% of the population resides in these communities and in cities with county rights. Pursuant to Law No. 562-IX of 16 April 2020, the Cabinet of Ministers designated administrative centers and approved the boundaries of 1,470 viable territorial communities. Local elections were subsequently held in 2020 based on the new territorial structure.

Inter-municipal cooperation further expanded the capacity of local governments by enabling resource coordination and the implementation of joint projects. Within this framework, 1,354 communities concluded a total of 604 cooperation agreements [11].

Decentralization and European Integration

The criteria and rules established at the 1993 Copenhagen European Council meeting determine whether a country is eligible to join the European Union. According to these criteria, states applying for EU membership must possess stable institutions guaranteeing democratic governance, the rule of law, and the protection of human rights, as well as a functioning market

economy. In addition, candidate countries are required to accept and implement the obligations arising from EU membership.

These requirements are further reflected in Article 49 of the Treaty on European Union (TEU), which stipulates that any European state wishing to accede to the EU must fulfil the following conditions:

- the existence of stable political institutions and guarantees of human rights and the rule of law;
- economic stability and a functioning market economy capable of coping with competitive pressure and market forces within the EU;
- acceptance of the *acquis communautaire*, that is, the body of EU law developed since the beginning of European integration in the 1950s [1, p. 25].

Decentralization is directly linked to the political criteria of EU accession. By strengthening local self-government and redistributing power away from the central level, decentralization enables citizens to participate more actively in decision-making processes, increases transparency, and reduces opportunities for corruption. In this way, decentralization brings Ukraine closer to the democratic standards expected by the European Union.

The European Commission consistently emphasizes the importance of supporting local governments so that they can independently design and implement local policies, contribute to sustainable development, and improve the quality of public services. From this perspective, the decentralization reform is closely connected to the EU accession process, as it fosters the development and consolidation of democratic institutions [5].

The decentralization reform is closely linked to the criteria for accession to the European Union, as it promotes the strengthening of democratic institutions, increased transparency, and the rule of law in decision-making at the national and local levels. The EU's accession requirements, as set out in the Copenhagen criteria and Article 49 of the TEU, require candidate countries to have stable political institutions, to ensure the protection of human rights and the rule of law, and to have a functioning and transparent public administration system.

In Ukraine, the decentralization of power strengthens local authorities and brings decision-making closer

to citizens, enabling broader public participation in the management of community and public affairs. Greater autonomy of local communities allows residents to exercise direct control over local decision-making, including budgetary matters, infrastructure development, and the provision of public services. This, in turn, enhances transparency, limits the potential for corruption, and strengthens public trust in both local and national institutions.

Democratic mechanisms such as the election of local representative bodies and mayors, as well as citizen involvement in community-level decision-making, play a key role in ensuring the rule of law. These mechanisms ensure that power is exercised within a legal framework and in the interests of the local population. Furthermore, financial autonomy – an essential component of decentralization – enables local governments to manage their own revenues and allocate resources according to local priorities, thereby promoting sustainable economic development and more efficient public administration.

From the EU's perspective, transparency and the rule of law are not merely formal requirements but fundamental conditions for effective governance that can be monitored and evaluated by citizens. Accordingly, Ukraine's decentralization reform strengthens not only administrative capacity but also political accountability and democratic values, directly contributing to the fulfilment of EU accession criteria.

Overall, the strengthening of local self-government, the introduction of direct participation mechanisms, the assurance of financial and legal autonomy, and transparent and accountable decision-making all contribute to the development of democratic institutions, the enforcement of the rule of law, and the reduction of corruption. These factors support Ukraine's alignment with European Union expectations while simultaneously enhancing citizens' trust and active participation in local community life [6].

EU Recommendations and Support Mechanisms

Since the launch of the decentralization reform in 2014, the European Union has supported its implementation through a wide range of financial instruments, policy guidance, and technical assistance measures, contributing significantly to the reform's progress and overall effectiveness.

Table 1.

Projects supporting decentralization implemented or planned with EU involvement

Project Name	Regions (Oblasts)	Communities (Hromadas)	Project Start	Project End	Funding Amount
U-LEAD Programme	All regions	All communities	2016-01-01	2027-12-31	EUR 217 million
Council of Europe Programme	All regions	All communities	2023-01-01	2025-03-31	EUR 1.5 million
DECIDE Project	5 regions	20 hromadas	2020-02-01	2025-05-31	CHF 13.65 million
RFA Project	n/a	n/a	2025-02-21	2031-03-31	n/a
OCORD Project	6 regions	n/a	2022-12-01	2026-11-30	CHF 16.9 million
Polaris Programme	All regions	All communities	2024-06-01	2028-06-01	SEK 250 million
USAID DOBRE Programme	10 regions	60 hromadas	2016-06-08	2025-09-30	USD 107 million
USAID HOVERLA Project	12 regions	74 hromadas	2021-03-19	2027-03-18	USD 150 million
SOERA Project	All regions	All communities	2021-04-26	2028-04-25	USD 100 million
PROSTO Project	All regions	All communities	2021-09-13	2024-01-31	SEK 47 million
SALAR International Programme	All regions	All communities	2014-09-08	2024-01-31	SEK 79.95 million
SURGe Project	7 regions	n/a	2019-10-01	2025-01-31	n/a

Source: <https://decentralization.gov.ua/donors>

Among the twelve programmes that have been implemented and/or are currently being implemented, the U-LEAD with Europe Programme stands out in terms of both its scale and financial volume. The programme has been implemented with the participation of the European Union, Germany, Poland, Denmark, and Slovenia since 2016 and is scheduled to continue until 2027.

The U-LEAD with Europe Programme aims to strengthen the capacity of local governments and territorial communities through several complementary areas of activity. On the one hand, it supports the implementation of local self-government reform by providing political and legal advice, promoting transparency and integrity in public administration, and contributing to the harmonization of reforms in preparation for Ukraine's accession to the European Union. On the other hand, it offers training and professional advisory support to local communities, with particular attention to the challenges posed by war and post-war reconstruction. Through these activities, the programme enhances the organizational and operational capacities of territorial communities.

In addition, U-LEAD supports local development and digital transformation processes, facilitating the planning and implementation of reconstruction projects and encouraging cooperation between Ukrainian and EU municipalities. These activities also include the development of educational infrastructure, such as the establishment of schools and digital learning centers. Finally, the programme provides direct material assistance to local communities by supporting the restoration of war-affected areas through the provision of construction materials, repair equipment, and means of transport [4].

Another noteworthy initiative is the Council of Europe Programme on Strengthening Local Governance (SLG-COE). Its support activities are structured around three closely interconnected components. First, the programme seeks to improve the legal environment

by promoting the alignment of Ukraine's legal framework with European standards, transferring international best practices, and strengthening the legal foundations of decentralization reform. Second, it focuses on improving the quality of public services, particularly in metropolitan areas, by supporting local authorities in delivering services in an efficient and professional manner. Third, the programme aims to strengthen public support for democratic governance by raising citizens' awareness of European norms and standards and increasing societal demand for the enforcement of democratic principles.

The tools used within the Council of Europe Programme include legal expertise and policy advice, capacity-building training, experience-sharing initiatives, study visits, and partnership programmes with Council of Europe member states. These instruments are tailored to Ukraine's current needs and the stage of reform implementation. The integrated approach of the programme contributes to the strengthening of multilevel governance, enhances the institutional capacity of local authorities, and promotes the broader adoption of democratic practices [3].

Beyond direct programme support, the European Union and its institutions have also played an important role in reviewing and evaluating the decentralization reform process. In this context, the Venice Commission has issued several opinions and recommendations during different phases of the reform, providing legal expertise and guidance in line with European constitutional standards [7].

Summary

This study examined the background, development, and outcomes of Ukraine's decentralization reform, with a particular focus on its relationship to the country's European integration process. The research aimed to present the theoretical foundations, historical evolution, and practical effects of the reform. Methodologically, the study was based on a combination of

document analysis and a comprehensive review of the relevant academic and policy literature.

The decentralization reform was launched in 2014 with the objective of fundamentally transforming Ukraine's administrative system and promoting broader social participation in governance. This large-scale reform process has been significantly influenced by external crises, most notably the COVID-19 pandemic and the Russo-Ukrainian war. As a result, even by the time of writing this study (December 2025), the reform cannot be considered fully completed.

Decentralization in Ukraine should not be viewed as a single, isolated measure, but rather as a system of interrelated and mutually reinforcing steps. The Reform Concept adopted in 2014 defined the core principles and directions of the reform, identifying four main priorities: a clear division of powers, a rational territorial structure, improved accessibility of public services, and the establishment of adequate financial conditions.

One of the key outcomes of the reform has been the creation of new local self-government units through the voluntary amalgamation of communities, a process that continues to shape the territorial organization of local governance.

The reform is closely linked to the Copenhagen criteria, particularly with regard to democracy, the rule of law, and transparency. Moreover, financial decentralization plays a crucial role in supporting sustainable economic functioning at the local level. The European Union has been actively involved in supporting this process through a wide range of international programmes, including U-LEAD with Europe and initiatives implemented by the Council of Europe. In addition, the Venice Commission has provided continuous legal review and advisory support throughout the reform process.

In conclusion, the decentralization reform, which has been underway for more than a decade, demonstrates that decentralization in Ukraine is not merely an administrative restructuring. Rather, it represents a profound democratic and political transformation that directly contributes to meeting the conditions for European Union accession.

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