

Decentralization Reform in Ukraine: A Promising Force in the Fight Against Corruption

By

Angela Goulovitch

A thesis submitted in partial fulfillment

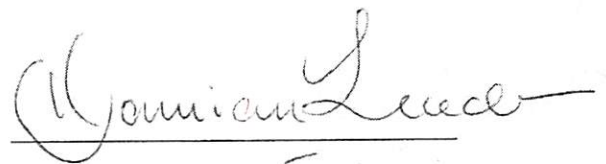
of the requirements for the degree of

Master of Arts

Program in International Relations

New York University

April, 2018



Professor Damian Leader



Professor Michael John Williams

We will be able to be the hosts on our own land with no interference from capital bribe-takers or bureaucrats, and eventually, live democratically, being not Soviet, but Ukrainian European citizens.

- In answer to “What will be the main result of the reform for people?”
Q&A section of Ukraine’s official decentralization website
decentralization.gov.ua

ACKNOWLEDGEMENTS

I am deeply thankful to Professor Damian Leader, my thesis adviser, for his kind support throughout the thesis writing process. He was always available to lend an ear and to provide helpful comments. His encouragement kept me calm and confident enough to reign in the facts while maintaining my personal passion for the subject.

Many thanks also to Professor Michael John Williams for his helpful feedback and suggestions. He managed to take the panic out of the thesis writing process and helped me to approach the work with confidence.

Finally, I am also very grateful to my husband, family, friends, and colleagues who suffered through hours of decentralization-related talk and helped me to work out my logic.

INTRODUCTION.....	1
PART I - FOUNDATIONS.....	3
LITERATURE REVIEW.....	3
<i>Corruption</i>	3
<i>Decentralization</i>	9
<i>Benefits of Decentralization</i>	11
<i>Dangers of Decentralization</i>	12
<i>Positive Relationship - Decentralization increases corruption</i>	13
<i>Negative Relationship - Decentralization decreases corruption</i>	15
<i>Nuanced Relationship</i>	16
METHODOLOGY.....	19
PART II – CONTEXT, CENTRALIZED GOVERNANCE AND CORRUPTION IN UKRAINE.....	21
BACKGROUND – SOVIET ORIGINS.....	21
<i>Institutional Soviet Legacy - Centralized and corrupt state</i>	22
<i>Societal Soviet Legacy - Weak civic society and norms of corruption</i>	23
THE NATURE OF CORRUPTION IN INDEPENDENT UKRAINE.....	26
MAIDAN - A BREAKING POINT?.....	32
<i>Anti-Corruption Reform since Maidan - Two steps forward, one step back</i>	35
<i>Summary of Context</i>	40
PART III - ANALYSIS, IMPACT OF DECENTRALIZATION ON CORRUPTION IN UKRAINE.....	41
BACKGROUND.....	41
DESCRIPTION OF UKRAINE'S DECENTRALIZATION REFORM.....	44
<i>International Support</i>	51
PROMISING EARLY RESULTS.....	56
<i>Reform Momentum</i>	56
<i>Institutional Changes</i>	58
<i>Societal Changes</i>	60
<i>Civil Society</i>	62
CHALLENGES AND DANGERS.....	65
CONCLUSION.....	72
BIBLIOGRAPHY.....	74

Introduction

Decentralization has been described as a “silent revolution sweeping the globe” since the 1980s.¹ Decentralization is a government reform in which more power is transferred from the central government to lower, more local, levels of governance. It has been hailed as bringing great benefits and cautioned as a source of problems. At the same time, the study of corruption has gained prominence as well. The causes and solutions to corruption have been posited by various disciplines; from academics, reformers, governments, and international organizations. Researchers have noted that decentralization can have an impact on corruption, but whether it is positive or negative remains contested.

The case of Ukraine presents a great opportunity to evaluate the potential effect of decentralization on corruption levels. What is more, ensuring a positive outcome is crucial to the future of the country. In 2014, Ukraine experienced a revolution that toppled its government and whose events have continued to reverberate within the country, throughout region, and the world. The greatest impetus for this dramatic turn of events was the Ukrainian society’s sense of frustration with the abuses of power of the Yanukovych regime specifically, but more generally, with the prevalence of corruption in their lives. The Maidan revolution, and the turmoil that followed it, demonstrate that reducing corruption is crucial to Ukraine’s political, economic, and territorial security. It is not surprising then that the new political leadership and reformers made fighting corruption reform among their greatest post-Maidan priorities.

Now four years after the dramatic events of the revolution, anti-corruption reform is widely seen as stalled, ineffectual, and protective of the same old corrupt system. Decentralization reform, on the other hand, while still incomplete, has been hailed as one of the

¹ Anwar Shah, "Corruption and Decentralized Public Governance," *World Bank Policy Research*, Working Paper 3824 (January 2006): 1, accessed January 15, 2018, ECONIS.

few reform success stories of post-Maidan Ukraine. Decentralization can bring many benefits to Ukraine, such as improved provision of public services, better budget allocations, and more economic growth. However, the key question is; How will it impact the problem of corruption in Ukraine? Will it help to increase or decrease it? Theoretical and empirical literature on the relationship between decentralization and corruption offers mixed predictions, indicating that rather than a universal model of reform expectations, a more context and country-specific analysis is warranted.

My analysis of the case study finds that decentralization can indeed reduce corruption in Ukraine in the long term based on the institutional, and especially societal, changes it creates. The experience of effective and accountable governance at a local level creates the empowered citizenry and civil society needed to exert continued pressure for meaningful anti-corruption reform and ultimately, to unseat the oligarchic interests from power on the national level.

Yet, the promise of decentralization in reducing corruption is not a foregone conclusion. Its positive effects must be ensured with a commitment to its completion and complemented by measures that increase accountability at all levels of government. Decentralization reform, if done right, has the potential to embed lasting democratic values in Ukraine that would pay dividends into the future toward the reduction of corruption. If it is not completed, or if done improperly, it also has the potential to maintain the status-quo, create corrupt local fiefdoms, and breed resignation toward a corrupt political system from top to bottom.

The essay is structured in three parts. Part I provides the foundation for my analysis; First, I will review the theoretical and empirical literature to better understand corruption, decentralization, and their possible relationship, with the aim to identify factors that can help predict the outcome in Ukraine. Second, I will discuss the research methodology of my analysis

and why Ukraine is a fitting and important case study. In Part II, I will set the context of corruption in Ukraine beginning with Soviet legacies, moving through the evolution of Ukraine's corruption since independence, and finally, looking at the changes since the Maidan revolution. In Part III, I will examine decentralization reform as it has occurred since 2014. I will then explore its promising results and remaining challenges in order to assess the potential interplay between decentralization and corruption in Ukraine and identify the factors that will be important to the outcome.

Part I - Foundations

Literature Review

The topics of corruption and the optimal structure of government touch on some of the most fundamental questions about the role and form of the state. It is not surprising then that there is a great amount of literature and differences on these subjects. Both subjects have been studied by a variety of disciplines; political science, economics, psychology, management, international organizations, and reform advocacy groups. In this section, I will provide an overview of the relevant theoretical and empirical literature on corruption, decentralization, and the relationship between the two. The goal is to ascertain the factors that would enable us to predict whether decentralization is likely to increase or decrease corruption.

Corruption

Corruption is defined as the “exercise of official powers against public interest”² and “the abuse of public office for private gains.”³ There are several types of corruption. Some of the

² Shah, "Corruption and Decentralized Public Governance," 3.

most common forms are grand corruption, petty corruption, patronage, and state or regulatory capture.⁴ Grand corruption is the abuse of power that occurs at the highest levels of the state where it is committed by presidents, legislators, or other political elite. Petty corruption is one that happens on the lower levels of government; it is the everyday corruption that is typically characterized by the acceptance or demands for bribes by various bureaucrats, police, and other servants of the state and the citizens they serve. Patronage corruption is based on networks of clientelistic relationships that are sustained by the exchange favors. Finally, state or regulatory capture refers to corruption in which private interests have “captured” the state by colluding with state officials for mutual gain.⁵

Although the definition of corruption and some of its subtypes seems fairly straightforward, it is difficult to apply one universal definition to all contexts. For example, whereas in one country a gift to a public official may be illegal, in another, such practice may be a cultural expectation. What one country might deem to be state capture, may be perfectly legal lobbying activity in another. For example, the “revolving door” of public officials entering private enterprises in America might be criticized, but is not considered to be corruption per se. Therefore the very definition of what constitutes a corrupt act is not without contestation and ambiguity.⁶

³ Maksym Ivanyna and Anwar Shah, "Decentralization and Corruption: New Cross-Country Evidence," *Environment and Planning: Government and Policy* 29, no. 2 (January 2, 2011): 344, doi:10.1068/c1081r.

⁴ Shah, "Corruption and Decentralized Public Governance," 4.

⁵ Ibid., 4.

⁶ Eugen Dimant and Thorben Schulte, "Nature of Corruption: An Interdisciplinary Perspective," *German Law Journal* 17, no. 1 (February 1, 2016): 57, accessed March 14, 2018, <http://www.heinonline.org/HOL/Page?handle=hein.journals/germlajo17&div=8>.

Earlier literature on the topic of corruption previously even disagreed on the nature of its impact. In the 1960's and 1970's, when corruption began to be studied more closely, particularly from the perspective of economic development, the views were mixed. For example, Nathaniel Leff argued that petty (or "bureaucratic") corruption can be beneficial to economic development in an "underdeveloped country" and enumerated the many potential benefits of corruption, including increased innovation, investment, and competition.⁷ Eugen Dimant and Thorben Schulte (2016) dismiss these earlier, more positive, views of corruption's influence as caused by a lack of data, questionable methodology, and other problematic research approaches.⁸ This disagreement has dissipated with the increased availability of cross-national data, enabling a rise of econometric and other empirical approaches. Dimant and Schulte conclude, "Today, this argument is settled by sound research, indicating that corruption above all is detrimental to the society."⁹

Studies show that corruption has numerous and varied negative effects on afflicted countries, including economic, social, political, and even psychological harm. Specifically, research has shown that corruption hurts economic growth,¹⁰ reduces the quantity and the quality of foreign direct investment,¹¹ increases fiscal deficits,¹² and has been shown to stimulate "brain

⁷ Nathaniel H. Leff, "Economic Development Through Bureaucratic Corruption," *American Behavioral Scientist* 8, no. 3 (November 1, 1964): 10-12, accessed March 14, 2018, doi:10.1177/000276426400800303.

⁸ Dimant and Schulte, "Nature of Corruption," 57.

⁹ Ibid., 58.

¹⁰ Andrei Shleifer and Robert W. Vishny, "Corruption," *The Quarterly Journal of Economics* 108, no. 3 (August 1993): 600, accessed March 14, 2018, doi:10.2307/2118402.

¹¹ Leon Zurawicki and Mohsin Habib, "Corruption And Foreign Direct Investment: What Have We Learned?" *International Business & Economics Research Journal* 9, no. 7 (July 2010): 7, accessed March 25, 2018, doi:10.19030/iber.v9i7.593.

drain,” that is, the emigration of highly skilled professionals.¹³ Political and social consequences include an erosion of political legitimacy of the state, reduced levels of political and civil rights, and a correlation with lower levels of health and human development.¹⁴ In addition, studies indicate that corruption is correlated with lower levels of happiness¹⁵ and social trust.¹⁶ Trust, according to Habibov et al. (2017), is eroded by corruption “... at all levels of the societal institutions including political parties, government and financial institutions, international investors, non-profit organizations, and trade unions.”¹⁷

The general consensus on the negative effects of corruption is in stark contrast to the multitude of different, and often differing, views on the causes of corruption. To provide an overview of the leading theories and studies, it is helpful to use the framework provided by Dimant and Schulte (2016). The authors place the explanations for corrupt behavior from a variety of disciplines along a spectrum of closeness to an individual: the micro level (an individual’s internal world), the meso level (the immediate social environment), and the macro level (the wider political, economic, and legal environment).¹⁸

¹² Eugen Dimant, "The Antecedents and Effects of Corruption - A Reassessment of Current (Empirical) Findings," *Munich Personal RePEc Archive*, no. 60947 (December 28, 2014): 19, accessed March 25, 2018, <https://mpira.ub.uni-muenchen.de/60947/>.

¹³ Eugen Dimant and Guglielmo Tosato, "Causes and Effects of Corruption: What Has Past Decades Empirical Research Taught Us? A Survey," *Journal of Economic Surveys* 32, no. 2 (January 23, 2017): 15, accessed March 12, 2018, doi:10.1111/joes.12198.

¹⁴ Dimant and Tosato, “Causes and Effects of Corruption,” 12-15.

¹⁵ Simeon Djankov, Elena Nikolova, and Jan Zilinsky, "The Happiness Gap in Eastern Europe," *Journal of Comparative Economics* 44, no. 1 (October 23, 2015): 108, accessed March 26, 2018, doi:10.1016/j.jce.2015.10.006.

¹⁶ Sean Richey, "The Impact of Corruption on Social Trust," *American Politics Research* 38, no. 4 (2010): 676, accessed March 26, 2018, doi:10.1177/1532673x09341531.

¹⁷ Nazim Habibov, Elvin Afandi, and Alex Cheung, "Sand or Grease? Corruption-institutional Trust Nexus in Post-Soviet Countries," *Journal of Eurasian Studies* 8, no. 2 (June 9, 2017): 172, accessed March 27, 2018, doi:10.1016/j.euras.2017.05.001.

¹⁸ Dimant and Schulte, “Nature of Corruption,” 59-70.

The micro level includes rational choice theories that explain corruption as arising out of cost-benefit analysis. These theories focus on individual decisions as the origin of corruption, and these are formed based on self-interested and rational calculations of the costs of committing a corrupt act versus its benefits. Many corruption experts have questioned the accuracy and value of this perspective.¹⁹ Indeed, Dimant and Schulte argue that the micro level of literature ignores the highly social nature of human beings and argue that, “it is the interplay with the social environment that impacts or overrides the internal world.”²⁰

The meso level of corruption literature is more focused on the societal environment to explain corrupt behavior which includes a culture’s values, norms, and rules.²¹ Some studies have examined the link between religion and corruption. For example, some research shows that countries with a history of Protestant religion have lower levels of corruption while more hierarchical forms of religion, such as Orthodoxy or Catholicism, have higher levels.²² In a similar vein, some research has asserted that more traditional societies have higher levels of corruption because their norms do not strictly separate the public and private spheres.²³ A study by Daniel Treisman (2000) found that colonial history had a very significant impact on rates of corruption, specifically, he found that former British colonies had lower levels of corruption.²⁴ Treisman also found that the longer a country was exposed to democratic governance, the less

¹⁹ Shah, "Corruption and Decentralized Public Governance," 4.

²⁰ Dimant and Schulte, “Nature of Corruption,” 63.

²¹ Ibid., 63.

²² Dimant, "The Antecedents and Effects of Corruption," 14; Daniel Treisman, "The Causes of Corruption: A Cross-national Study," *Journal of Public Economics* 76, no. 3 (2000): 399, doi:10.1016/s0047-2727(99)00092-4.

²³ Cited in Treisman "The Causes of Corruption," 404.

²⁴ Treisman, "The Causes of Corruption," 418.

corrupt it is (regardless of its level of democracy during the study period).²⁵ Additionally, countries with greater rates of internet use in their population have been correlated with lower levels of corruption.²⁶

The macro level of theories regarding the determinants of corruption look at institutional, legal, and economic systems to identify what factors might increase or decrease corruption. This perspective is one of the most dominant in literature on corruption. Its goal is to find the institutional factors that contribute to corruption in order to inform reforms that change these structures. Some of the factors that have been identified as associated with higher levels of corruption are: weak government and legal institutions,²⁷ proportional representation systems and presidential systems,²⁸ and inefficient bureaucracy.²⁹ Among the factors associated with lower rates of corruption are; an independent judiciary and prosecution agencies,³⁰ democratic government,³¹ economic freedom,³² and adoption of eGovernment systems for the provision of public services.³³ The size and structure of governments is another major factor that has been studied extensively for their potential impact on levels of corruption. Most importantly for this

²⁵ Ibid., 433-35.

²⁶ Dimant and Tosato, "Causes and Effects of Corruption," 9.

²⁷ Dimant and Schulte, "Nature of Corruption," 68.

²⁸ Cited in Daniel Lederman, Norman Loayza, and Reis Rodrigo Soares, "Accountability and Corruption: Political Institutions Matter," *ECONOMICS AND POLITICS* 17, no. 1 (March 2005): 8, doi:10.1596/1813-9450-2708.

²⁹ Dimant and Tosato, "Causes and Effects of Corruption," 2.

³⁰ Stefan Voigt and Jerg Gutmann, "On the Wrong Side of the Law - Causes and Consequences of a Corrupt Judiciary," *International Review of Law and Economics* 43 (2015): 156, accessed March 27, 2018, doi:10.2139/ssrn.2214728.

³¹ Dimant and Tosato, "Causes and Effects of Corruption," 5.

³² Rajeev K. Goel and Michael A. Nelson, "Economic Freedom Versus Political Freedom: Cross-Country Influences On Corruption," *Australian Economic Papers* 44, no. 2 (June 2005): 121, accessed March 27, 2018, doi:10.1111/j.1467-8454.2005.00253.x.

³³ Dimant and Tosato, "Causes and Effects of Corruption," 9.

paper, this area of study specifically looks at centralized versus decentralized structures.³⁴ This literature will be discussed more extensively after an overview of the general literature on decentralization reform.

As this section demonstrates, the study of corruption includes many different levels and varieties of perspectives and from many different disciplines; from psychologists and sociologists to economists and political scientists. Given the multiplicity of views from micro, meso, and macro levels on the determinants of corruption, it is likely that the drivers of corruption entail a degree of all three perspectives. Although every corrupt act arises from an individual's decision making, it is largely shaped by the norms of one's social environment, and the opportunities or costs for such an act are determined by the institutional structure. Environments where the norms of trust, accountability and civic engagement are strong would be more likely to expect that their government officials be answerable to them. Moreover, institutional design determines not only what rent-seeking activity might be available to an individual, but also the chances of being detected in wrongdoing and the form of costs he or she might face.³⁵

Decentralization

Decentralization (sometimes also referred to as devolution, localization, deconcentration, or local government reforms based on the specific kind of reform), has been a strong global trend since the 1980's. James Manor, wrote in 1999 that, "Nearly all countries worldwide are now experimenting with decentralization."³⁶ Countries that have undertaken decentralization reform

³⁴ Ibid., 4.

³⁵ Lederman, Loayza, and Soares, "Accountability and Corruption," 10-11.

³⁶ James Manor, *The Political Economy of Democratic Decentralization* (World Bank), 4.

vary in their economic development level and type of political system, from the wealthy to the poor, to the longtime democratic to longtime autocratic.³⁷ Moreover, international organizations such as the International Monetary Fund (IMF), World Bank, and the United Nations have been promoting it all over the world.³⁸ Naturally, it is important to better understand what it is, what the processes it entails, to what aims, and finally, what is its likely outcome.

Decentralization is defined as “the transfer of authority and responsibility for public functions from a central government to subordinate governments” and “involves the devolution of different decision-making powers and responsibilities to sub-units of the government.”³⁹ Further, there are several types of decentralization, which vary depending on the responsibility or decision-making power being delegated. Some of the most prevalent forms of decentralization are:

- Administrative decentralization - delegates more responsibility, resources, and decision making power in the provision of public services at a local level, including employment decisions.⁴⁰
- Political decentralization - gives greater autonomy to the elected representatives of subnational governments, including the potential to legislate “over areas already covered by the central government.”⁴¹
- Fiscal decentralization - greater authority to raise revenue locally and greater discretion over local budgets.⁴² Also referred to as “fiscal federalism.”

³⁷ Manor, *The Political Economy of Democratic Decentralization*, 6.

³⁸ Rajeev K. Goel et al., "Different Forms of Decentralization and Their Impact on Government Performance: Micro-level Evidence from 113 Countries," *Economic Modelling* 62 (April 2017): 171, accessed March 6, 2018, doi:10.1016/j.econmod.2016.12.010.

³⁹ Joachim Von Braun and Ulrike Grote, "Does Decentralization Serve the Poor?" *IMF Conference on Fiscal Decentralization*, November 2000, 3, accessed March 28, 2018, doi:10.4324/9780203219997_chapter_4.

⁴⁰ Different Forms of Decentralization, accessed March 28, 2018, http://www.ciesin.org/decentralization/English/General/Different_forms.html.

⁴¹ Lederman, Loayza, and Soares, "Accountability and Corruption," 27.

Benefits of Decentralization

The “first generation” of decentralization literature focused on the benefit of decentralization in improving “preference matching,” that is, by bringing the government closer to the people, their preferences would be better voiced, understood, and served. It was Charles Tiebout who first provided this model, arguing that fiscal decentralization in particular, would improve the efficiency in provision of public goods.⁴³ His logic was that local governments would have more information on the preferences for public goods and that citizens can also express their preferences by moving to a locality that satisfies their needs.⁴⁴ Similarly, Wallace Oates argued greater fiscal autonomy at a local level would basically create marketplace of public goods that would provide more diverse, efficient, and preferred public services to citizens.⁴⁵ These early positive views of decentralization helped to stimulate the popularity of the reform, but subsequent literature on the topic has found numerous other benefits of decentralization, while other scholars have warned of the dangers of decentralization.

Later literature on decentralization examined the benefits of decentralization aside from provision of public services. Proponents of decentralization have argued that it “brings government ‘closer to the people’, increasing personal liberty and embedding democracy at a local level.”⁴⁶ Decentralization is also seen as way to reduce separatist tendencies by giving

⁴² Shah, "Corruption and Decentralized Public Governance," 1.

⁴³ Charles R. Hankla, "When Is Fiscal Decentralization Good for Governance?" *Publius: The Journal of Federalism* 39, no. 4 (November 06, 2008): 633-634, accessed March 12, 2018, doi:10.1093/publius/pjn034..

⁴⁴ Charles M. Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64, no. 5 (October 1956): 416, 423, accessed March 11, 2018, doi:10.1086/257839.

⁴⁵ Cited in Hankla, "When Is Fiscal Decentralization Good for Governance?" 634.

⁴⁶ Daniel Treisman, *The Architecture of Government: Rethinking Political Decentralization* (Cambridge, UK: Cambridge University Press, 2007), 4.

diverse populations greater autonomy.⁴⁷ An empirical study by Ligthart and van Oudheusden (2015) finds that fiscal decentralization increases trust in government related institutions due to greater responsiveness of governments.⁴⁸ Additional studies show that various types of decentralization are correlated with an increase in political participation,⁴⁹ innovation,⁵⁰ and even subjective well-being.⁵¹ Moreover, Von Braun and Grote (2000) find that decentralization (of all three types) benefits the poor. They caution, however, that decentralization is not a panacea and that the “sequencing and pace” of the reform are an important factor.⁵²

Dangers of Decentralization

Caution regarding decentralization is certainly warranted according to some scholars. Rémy Prud’homme likened decentralization reform to drugs, “... when prescribed for the relevant illness, at the appropriate moment and in the correct dose, they can have the desired salutary effect; but in the wrong circumstances, they can harm rather than heal.”⁵³ Prud’homme warned that the harmful effects of decentralization may include macroeconomic instability, reduced efficiency in providing public services due to loss of economies of scale, and increased

⁴⁷ Von Braun and Grote, "Does Decentralization Serve the Poor?" 6.

⁴⁸ Jenny E. Ligthart and Peter Van Oudheusden, "In Government We Trust: The Role of Fiscal Decentralization," *European Journal of Political Economy* 37 (March 2015): 117-118, accessed March 12, 2018, doi:10.1016/j.ejpoleco.2014.11.005.

⁴⁹ Cited in Hankla, "When Is Fiscal Decentralization Good for Governance?" 635.

⁵⁰ Kotsogiannis, Christos, and Robert Schwager. "On the Incentives to Experiment in Federations." *Journal of Urban Economics* 60, no. 3 (2006): 484-97. Accessed March 20, 2018. doi:10.1016/j.jue.2006.04.008.

⁵¹ Christian Bjørnskov, Axel Drehe, and Justina A.v. Fischer, "On Decentralization and Life Satisfaction," *Economics Letters* 99, no. 1 (April 2008): 149, accessed March 27, 2018, doi:10.1016/j.econlet.2007.06.016.

⁵² Von Braun and Grote, "Does Decentralization Serve the Poor?" 25.

⁵³ Rémy Prud’homme, "The Dangers of Decentralization," *The World Bank Research Observer* 10, no. 2 (August 1995): 201, accessed March 10, 2018, doi:10.1093/wbro/10.2.201.

regional inequalities.⁵⁴ Some of these concerns have been borne out empirically. For example, William Fox and Christine Wallich examine the case of Bosnia-Herzegovina, a state that was structured in a highly decentralized way in order to prevent further national fragmentation. Their analysis finds that, at least in the short term, this devolution resulted in “inefficiencies in service delivery, diseconomies of small scale and large horizontal imbalances...”⁵⁵ Finally, a fierce critic of decentralization, Daniel Treisman, has criticized the very notion that one can predict the effects of decentralization and questioned the utility of investing in the reform given this uncertainty.⁵⁶

It is evident that decentralization is generally a highly contested field of study despite the continued popularity of the reform around the world. Beyond these general questions on decentralization, one of the most spirited debates in the field revolves around the potential relationship between decentralization and corruption.

Positive Relationship - Decentralization increases corruption

Raymond Fisman and Roberta Gatti wrote that “while there is a sense that decentralization and government corruption are closely linked, there is much disagreement on what the net relationship between them should be.”⁵⁷ On one side of the debate are scholars that believe that “bringing the government closer to the people” through decentralization would allow

⁵⁴ Ibid., 202-209.

⁵⁵ William Fox and Christine Wallich, "Fiscal Federalism in Bosnia and Herzegovina: Subsidiarity and Solidarity in a Three-Nation State," *Public Finance and Management* 3, no. 4 (2003): 460, accessed March 28, 2018, doi:10.4337/9781781007617.00024.

⁵⁶ Treisman, *The Architecture of Government*, 5-6.

⁵⁷ Raymond Fisman and Roberta Gatti, "Decentralization and Corruption: Evidence across Countries," *World Bank Policy Research Working Papers*, no. 28202 (October 1999): 3, accessed February 9, 2018, doi:10.1596/1813-9450-2290.

public officials to engage in more rent-seeking activities. Shleifer and Vishny (1993) use a theoretical model to conclude that decentralization would likely increase corruption because there would be a greater number of bureaucrats in a decentralized state with the potential to extract bribes and could “lead to agency fiefdom and anarchy”.⁵⁸ Prud’homme (1995) argued that corruption is more likely to be widespread at the local rather than national level because there are more opportunities for it and the local officials have more discretionary power than national official. Therefore, he asserts, that “decentralization automatically increases the overall level of corruption.”⁵⁹ Additionally, he argues that local bureaucrats are more independent and less monitored on the local level, giving them more leeway to engage in corrupt behavior.⁶⁰ Tanzi (1995 and 2002) also put forth several theoretical arguments for how decentralization would increase corruption. For starters, because local officials tend to be from the community, they are likely to have personal relationships with the citizens they serve, thus giving them greater powers. This dynamic would likely result in increased patronage corruption.⁶¹ Additionally, he argued that local institutions are less developed in most countries than the national institutions because they do not attract the most well-trained officials and are less likely to receive foreign technical assistance. The resulting weakness of local institutions would impair their ability to control the corruption of local public officials.⁶² This view of decentralization as exacerbating corruption levels has been demonstrated by an empirical study. An econometric study by Fan et al (2009) found that countries with a greater number of government levels (or

⁵⁸ Shleifer and Robert W. Vishny, "Corruption," 616.

⁵⁹ Prud’homme, "The Dangers of Decentralization," 211.

⁶⁰ Ibid., 211.

⁶¹ Vito Tanzi, "Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects," *Annual World Bank Conference on Development Economics*, no. 1995 (January 1995): 301.

⁶² Tanzi, "Fiscal Federalism and Decentralization," 7-8.

“tiers”) and local public employees are associated with a greater incidence and magnitude of bribery.⁶³

Negative Relationship - Decentralization decreases corruption

On the other side of the debate are those that believe that by bringing the government closer to the people, citizens are better able to monitor public officials and to hold them accountable. In an examination of the direct relationship between fiscal decentralization and corruption, an econometric study by Fisman and Gatti (1999) finds that it is “consistently associated with lower measured corruption,” a result that is “highly statistically significant.”⁶⁴

Several studies approach the relationship in a less direct way. For example, some scholars have examined the social and psychological aspects in the negative relationship between decentralization and corruption. Using a mathematical modeling analysis, Seabright (1996) concludes that decentralization in general increases perceptions of government accountability and performance.⁶⁵ In an empirical study of local and national elections in India, Khemani (2001) found that there is “greater voter vigilance and government accountability in more local elections.”⁶⁶ Further, an empirical study by Ligthart and van Oudheusden (2015) finds that fiscal decentralization is associated with increased trust in government institutions. Moreover, their

⁶³ C. Simon Fan, Chen Lin, and Daniel Treisman, "Political Decentralization and Corruption: Evidence from around the World," *Journal of Public Economics* 93, no. 1-2 (February 2009): 32, accessed March 8, 2018, doi:10.1016/j.jpubeco.2008.09.001.

⁶⁴ Fisman and Gatti, "Decentralization and Corruption," 3.

⁶⁵ Paul Seabright, "Accountability and Decentralisation in Government: An Incomplete Contracts Model," *European Economic Review* 40, no. 1 (1996): 66, accessed March 28, 2018, doi:10.1016/0014-2921(95)00055-0.

⁶⁶ Stuti Khemani, "Decentralization and Accountability: Are Voters More Vigilant in Local than in National Elections?" *Policy Research Working Papers*, no. WPS2557 (February 28, 2001): abstract, accessed March 6, 2018, doi:10.1596/1813-9450-2557.

analysis finds evidence that it is decentralization that causes trust (rather than vice versa).⁶⁷ This is an important finding considering that other research has shown that low institutional trust may worsen corruption and increased corruption further lowers institutional trust, thus creating a vicious cycle.⁶⁸ Finally, another indirect benefit is demonstrated in a study by Oto-Peralías et al. (2013). The authors find that fiscal decentralization in highly corrupt countries “mitigates the adverse effects of corruption on the public deficit.”⁶⁹ Therefore, even setting aside the potential of decentralization to reduce corruption, this study demonstrates that it can at least reduce the economic harm of corruption.

Nuanced Relationship

Finally, a third side in the debate presents a more nuanced view of the relationship between decentralization and corruption. It includes views that some conditions should be met first, that not all types of decentralization have a positive effect, or that decentralization must be complemented by other initiatives, or that the design of localizing reform matters.

In his study of the relationship, Anwar Shah (2006) concludes that “Power corrupts and absolute power corrupts absolutely.”⁷⁰ He finds that decentralization “is conducive to reduced corruption in the long run” because of its ability to “break the monopoly on power at the national

⁶⁷ Ligthart and Van Oudheusden, “In Government We Trust,” 117.

⁶⁸ Nazim Habibov, Elvin Afandi, and Alex Cheung, “Sand or Grease? Corruption-institutional Trust Nexus in Post-Soviet Countries,” *Journal of Eurasian Studies* 8, no. 2 (July 2017): 172, accessed March 27, 2018, doi:10.1016/j.euras.2017.05.001.; Eric C. C. Chang and Shih-hao Hunang, “Corruption Experience, Corruption Tolerance, and Institutional Trust in East Asian Democracies,” *Taiwan Journal of Democracy* 12, no. 1 (July 2016): 27-28, accessed March 29, 2018.; Wonbin Cho and Matthew F. Kirwin, “A Vicious Circle of Corruption and Mistrust in Institutions in Sub-Saharan Africa: A Micro-level Analysis,” *Afrobarometer Working Papers* 71 (September 2007): 1-2, accessed March 29, 2018.

⁶⁹ Daniel Oto-Peralías, Diego Romero-Ávila, and Carlos Usabiaga, “Does Fiscal Decentralization Mitigate the Adverse Effects of Corruption on Public Deficits?” *European Journal of Political Economy* 32 (December 2013): 206, accessed March 12, 2018, doi:10.1016/j.ejpoleco.2013.07.005.

⁷⁰ Shah, “Corruption and Decentralized Public Governance,” 23, quoting British historian Lord Acton.

level and bring decision making closer to the people”.⁷¹ However, for this to be the case, the first priority should be reform that strengthens rule of law and citizen empowerment in order to create accountability mechanisms. This is especially the case in countries where corruption levels are high, where indirect approaches to fighting corruption should be used in order to avoid efforts by the political elite to stymie or weaponize anti-corruption efforts. In countries with medium levels of corruption, decentralization would increase accountability and further reduce corruption.⁷²

In a thorough econometric study of drivers of corruption, Lederman et al. (2005) find that political decentralization is associated with increased corruption while fiscal decentralization reduces corruption.⁷³ The authors ascribe the increased corruption to the overlapping jurisdictions that can result from political decentralization, creating an “overgrazing” effect where the same citizens are elicited for bribes by different levels of government. They suggest this might be remedied by more clearly delineating responsibilities of the various levels of government and creating competition at all levels of government, so if one agency demands a bribe, the citizen can access another one.⁷⁴

Another study also casts doubt on the value of political decentralization. In a study of Colombia by Escobar-Lemmon and Ross (2014) found that administrative and fiscal decentralization improved citizens’ perceptions of accountability, while political decentralization did not.⁷⁵

⁷¹ Shah, "Corruption and Decentralized Public Governance," ii.

⁷² Shah, "Corruption and Decentralized Public Governance," 13-15.

⁷³ Lederman et al. (2005), 27.

⁷⁴ Lederman, Loayza, and Soares, "Accountability and Corruption," 28.

⁷⁵ Maria Escobar-Lemmon and Ashley D. Ross, "Does Decentralization Improve Perceptions of Accountability? Attitudinal Evidence from Colombia," *American Journal of Political Science* 58, no. 1 (January 2014): 186, accessed September 27, 2017, doi:10.1111/ajps.12043.

Finally, additional studies further emphasize the need to take a more careful and context-specific approach to designing decentralization reform. A micro level empirical study by Goel et al. (2017) examined survey data of businesses and found that administrative and fiscal decentralization have a positive impact on government performance (which includes corruption control). Their findings, however, also show that different types of decentralization have different levels of impact on various aspects of government performance. Therefore, they argue that decentralization should be designed based on the situation in the specific country and the aspect of governance being targeted.⁷⁶ In an even more forceful stress on this point, Hankla (2008) warns that, “The consequences can be dire ... when decentralization is done poorly.” Further, he asserts “the impact of strengthening subnational institutions, whether positive or negative, *depends sensitively on case-specific details*” (emphasis added).⁷⁷

In Sum

As this review of literature on corruption, decentralization, and their interplay suggests, consensus on anything is in short supply. There are theoretical and empirical works that directly contradict each other or criticize each other’s methodology. This disagreement suggests that for each of these phenomena and for their relationship, a generalized universal approach doesn’t work. Just as the drivers of corruption are likely to be a confluence of micro, meso, and macro level factors, decentralization also has complex and varied effects. It is clear that a nuanced approach is warranted.

As previously discussed, corrupt behavior is likely to be driven mostly by the social and institutional environment in a country. A social environment with norms and expectations of

⁷⁶ Goel et al., "Different Forms of Decentralization and Their Impact on Government Performance," 172.

⁷⁷ Hankla, "When Is Fiscal Decentralization Good for Governance?" 637.

trust, accountability, and civic engagement would certainly create a difficult climate for corruption to thrive. On the macro level, the institutional environment is both shaped by and shapes the social environment. It establishes the political, legal, and economic frameworks within which people live their daily lives. It circumscribes or empowers decisions and therefore also has the potential to create norms, which are then embedded within a society. Therefore, the institutional environment, particularly the political and legal frameworks, have an enormous impact on the potential to engage in corrupt activity. A political framework that empowers citizens, civil society, along with a legal framework that provides mechanisms for accountability, would best reinforce the social environment described above. Decentralization can redefine the public's relationship with the government and can create a social and institutional environment that is conducive to the reduction of corruption. Based on research that shows a nuanced relationship, administrative and fiscal decentralization appear to be the most effective in increasing accountability. Political decentralization, however, should be undertaken carefully and designed to ensure that local leadership is answerable to its citizens. Without this provision, political decentralization has the potential to instead create powerful and corrupt local governments.

Methodology

As the above literature review suggests, there are many issues that remain contested. This includes, the fundamental drivers of corruption, the likely outcome of decentralization reforms, and the potential interrelation between corruption and decentralization. Post-Maidan Ukraine presents a unique opportunity to examine these phenomena. It is a country with high levels of corruption (its ranking on Transparency International's Corruption Perception's Index is 130 out

of 180)⁷⁸ but one that has recently made serious progress in decentralizing its government. Moreover, due to the high profile of the issue of corruption in Ukraine, it has been closely monitored by Western experts and Ukrainian reformers. Western collaboration and technical assistance in decentralization reform also makes available extensive documentation of the reform approach and process (at least from the Western perspective), including polls that gauge popular awareness and reception of the reform and local governance. Therefore, the case of Ukraine since the Maidan revolution provides a great natural experiment on the potential impact of decentralization on corruption. My interpretive analysis will be primarily qualitative. Sources will include government documents, reform working group meeting notes and presentations, policy and issue briefs, statistics, polls, academic research, news, and personal observations.

A major caveat is the relatively short time span of the reforms, making it impossible to definitively assess the outcome because for one, it has not been completed, and, secondly, enough time hasn't elapsed to empirically study the result. Furthermore, although Ukraine presents a case that is very conducive to analyzing the relationship between decentralization and corruption, it is not possible to decisively rule out the influence of other factors on the levels of corruption or reform process. Nonetheless, the nearly four years of decentralization reform have resulted in major changes and developments, but also continue to face obstacles. Examining these early results within the context of Ukraine's society and political system can help to make an informed prediction on the impact of decentralization reform on its entrenched corrupt system.

⁷⁸ Transparency International E.V., "Corruption Perceptions Index 2017," www.transparency.org, accessed March 29, 2018, https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

Part II – Context, Centralized Governance and Corruption in Ukraine

Background – Soviet Origins

Ukraine's highly centralized political structure and the corrupt patronal networks that permeate it are closely related outgrowths of its Soviet legacy. Johan Engvall writes "As a political entity, the Soviet Union was based on the idea of total centralized power" and further, "the all-encompassing socialist state provided fertile ground for widespread corruption."⁷⁹ The central control of material wealth and privilege meant citizens and officials began to develop strategies to circumvent the state's monopoly "through intricate schemes of informal exchange, regional and industrial lobbying, and a variety of practices for cheating the system."⁸⁰ The term *blat* (in Russian) refers to this widespread Soviet phenomenon meant to overcome supply shortages of goods and the strict formalities of the state. *Blat* functioned as a currency within personal networks and was based on informality and the barter of goods or favors.⁸¹ Official positions within the state were then particularly lucrative for earning *blat* based on favorable treatment. Informality permeated the state apparatus and officialdom increasingly became a vehicle for personal gain (in some places public offices were sold with the buyer anticipating recouping that cost through illicit income). Although the Soviet Union disintegrated, the relationship it fostered between the state, society, and its elites proved to be lasting. Engvall

⁷⁹ Johan Engvall, "License to Seek Rents: "Corruption" as a Method of Post-Soviet Governance," in *Paradox of Power: The Logics of State Weakness in Eurasia* (University of Pittsburgh Press, 2017), 75.

⁸⁰ Alena V. Ledeneva, *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business* (Cornell University Press, 2006), 1.

⁸¹ Alena V. Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge: Cambridge University Press, 1999), 1.

summed it up this way, “As a legacy of the Soviet Union, the state remains, both in its physical presence and in the shared beliefs among people, a central structure of authority.”⁸²

Institutional Soviet Legacy - Centralized and corrupt state

As the Soviet state was breaking up, the elites and entrepreneurs in the Soviet system had the connections and resources to take advantage of the chaos and either created new networks of patronage or reworked old ones. The result of this was the emergence of oligarchs across the former Soviet Union, including Ukraine.⁸³ Much like in the Soviet era, these networks of personal connections were established through formal and informal transactions that established patron and client relations. These interactions often continued across the newly established borders of now-independent Soviet states, a pattern still evident today; neighboring post-Soviet countries (with the exception of Baltic states) are also neighbors in corruption level rankings.⁸⁴

Not only did the elites in these societies enrich themselves at the expense of the state during periods of privatization, many continued to view official positions either as the source of power which can be translated into material wealth or as an institution to influence with wealth in order to get favorable treatment. In what has been hailed a “masterwork,”⁸⁵ Henry Hale’s monograph on post-Soviet regime dynamics dubs them as *patronal*, where “the sinews of power... tend to be roughly hierarchical *networks* through which resources are distributed and

⁸² Engvall, "License to Seek Rents," 76.

⁸³ Henry E. Hale, *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective* (Cambridge: Cambridge University Press, 2014), 98.

⁸⁴ Transparency International E.V., "Corruption Perceptions Index 2017," www.transparency.org, accessed March 29, 2018, map.

⁸⁵ Stephen E. Hanson, "Henry E. Hale, *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective*," *Slavic Review* 75, no. 1 (January 2016): 152, accessed April 11, 2018.

coercion applied.” (emphasis in original)⁸⁶ These networks, according to Hale, have tended to coalesce around a “chief patron,” resulting in “the creation of a single pyramid of authority, a giant political machine based on selectively applied coercion and reward, on individualized favor and punishment.”⁸⁷ Widespread adoption of presidentialist constitutions after independence meant that the “chief patron” at the top of the pyramid was usually the president (except in the case of Moldova where the parliamentary constitution nonetheless produced a single pyramid of power led by that institution). According to Hale, the elites in patronalistic societies (oligarchs, regional political machine bosses, and other public officials) coalesce and reinforce this power vertical with the expectation that the leader will continue to wield unrivaled power and provide rewards or punishments for his or her “clients.”⁸⁸ As a result, the vertical nature of power in post-Soviet states is built on networks of relationships sustained by informal and corrupt transactions with the aim of maximizing rent-seeking opportunities. Ukraine’s over-centralization and pervasive corruption, therefore, rather than distinct problems, are integral aspects of its post-Soviet political system.

Societal Soviet Legacy - Weak civic society and norms of corruption

Another legacy of the authoritarian Soviet regime was a society that has a paternalistic relationship with the state; citizens are simultaneously reliant and distrustful of it. In the words of one Ukrainian citizen, “During 70 years of living in the Soviet Union, our people got used to

⁸⁶ Hale, *Patronal Politics*, 10.

⁸⁷ *Ibid.*, 11.

⁸⁸ *Ibid.*, 11.

having someone tell them what to do and how to live. No one wants to solve problems on their own.”⁸⁹

Civil society in post-communist states has been noted as particularly weak, with low levels of participation and membership.⁹⁰ According to research by Marc Morjé Howard, the top cause of this is due to the negative relationship citizens had with Soviet civic organizations whose membership was usually mandatory, where behavior was closely monitored, and where ideologically deviant behavior could lead to reprisal. As a result, these citizens retained a distrustful attitude to organizations in general even after membership became voluntary.⁹¹ A Russian man interviewed in 1998 echoes this bias, “... the Soviet system, it instilled an antipathy or aversion, because any experience with organizations was unpleasant.”⁹² Similarly, an East German woman in the same time period reported, “I have to say that in GDR times, we were forced to join many of these kinds of organizations. And after the *Wende*,⁹³ I said to myself, I’m not joining anything ever again.”⁹⁴ After decades under a totalitarian regime, norms of individual agency and civic engagement were underdeveloped and avoided due to mistrust.

Further, patronage norms that resulted out of the use of favors, barter, and other informal practices during the Soviet era normalized corrupt informality not only the elites, but also the wider society. Indeed, Henry Hale argues that rather than comparing corruption to a disease on the body politic, in highly patronalistic societies, it is more accurate to view it as its

⁸⁹ International Alert and Ukrainian Center for Independent Political Research (UCIPR), *Decentralisation in Ukraine: Achievements, Expectations and Concerns*, 978-1-911080-58-9 (2017), 13.

⁹⁰ Marc Morjé Howard, *The Weakness of Civil Society in Post-Communist Europe* (New York: Cambridge University Press, 2003), 1.

⁹¹ *Ibid.*, 122-123.

⁹² *Ibid.*, 125.

⁹³ German reunification in 1990.

⁹⁴ Howard, *The Weakness of Civil Society in Post-Communist Europe*, 123.

“lifeblood.”⁹⁵ A bribe may often be the only way to get something done. According to Huseyn Aliyev, because most Ukrainians during the Soviet era either held low-paying jobs in the cities or were agrarian contributors to collective farms, *blat* “functioned as an essential private safety net.”⁹⁶ During the Soviet regime, “... the Ukrainian population became conditioned to use Soviet ways of circumventing communist formal institutions and employing informal networks to obtain services and favors from the state.”⁹⁷ Further, because corruption via informal transactional relationships is so deeply embedded, even if an individual may personally condemn corrupt practices, to buck these norms would mean facing negative consequences.⁹⁸ To get things done, it is necessary to use these widely accepted and expected informal means. Despite the anti-corruption priority of the Maidan Revolution, this is still evident in Ukraine today. A 2017 poll shows that although corruption is widely condemned, perceived as immoral, and viewed as one of the greatest problems of the country, 25% of respondents admitted to paying a bribe within the past year and 44% viewed it as fully or partially justified.⁹⁹

Ukraine’s informal political structure, corruption, and the social environment all have roots in the Soviet regime. Since independence, Ukraine made attempts to rip these out, with varying success. In his study of patronalistic post-Soviet states, Hale asserts that none of them have made a full transition to democracy, with a “lone exception for a time,” Ukraine, during the period of 2005-10 after the Orange Revolution. The next section will provide an overview of

⁹⁵ Hale, *Patronal Politics*, 19.

⁹⁶ Huseyn Aliyev, *When Informal Institutions Change: Institutional Reforms and Informal Practices in the Former Soviet Union* (Ann Arbor: University of Michigan Press, 2017), 145.

⁹⁷ *Ibid.*, 148.

⁹⁸ Hale, *Patronal Politics*, 20.

⁹⁹ "Corruption in the Everyday Lives of Ukrainians: For What Do We Give Bribes? To Whom and Why?" Ilko Kucheriv Democratic Initiatives Foundation, October 31, 2017, accessed April 10, 2018, <http://dif.org.ua/en/article/corruption-in-the-everyday-lives-of-ukrainians-for-what-do-we-give-bribes-to-whom-and-why>.

Ukraine's political trajectory since independence, during which corruption appeared to be increasingly entrenched and centralization increased. This will be followed by a dive into revitalized anti-corruption and decentralization priorities in the wake of the Maidan Revolution. Can these renewed efforts, with stakes higher than ever, help Ukraine again become a democratic exception in its geopolitical neighborhood of hybrid or regressive regimes? And this time for good?

The Nature of Corruption in Independent Ukraine

Upon gaining independence, Ukraine retained many of the same communist-era elites, institutions, and norms of informality. Indeed, Taras Kuzio asserts that “The new state was often simply built on the old. Many institutions were simply renamed.”¹⁰⁰ The first president of independent Ukraine, Leonid Kravchuk, was no different; prior to independence, he was third in command of the Communist Party leadership of Ukraine. These early years were characterized by somewhat chaotic and fragmented competition among informal networks of elites that came to be known as “clans.” Some of the most dominant clans were the Dnepropetrovsk and Donetsk Clans, which had access to the industrial resources of their regions. According to Aliyev, to navigate this divisive landscape, Kravchuk leveraged informal connections and deal-making to maintain some semblance of order and to preserve the status-quo for the elites.¹⁰¹ Serhiy Kudeila characterized this period as “Atomized Corruption,” where grand corruption was rampant but

¹⁰⁰ Quoted in Aliyev, *When Informal Institutions Change*, 148.

¹⁰¹ Aliyev, *When Informal Institutions Change*, 149.

“decentralized and devoid of a unified political purpose.”¹⁰² The result was “the near bankruptcy of the Ukrainian state and the dispersion of wealth across different elite networks.”¹⁰³

This changed with the 1994 election of Leonid Kuchma, a leading member of the Dnepropetrovsk Clan.¹⁰⁴ Kuchma immediately set to centralizing both his formal and informal powers, particularly after the passage of a presidentialist constitution in July 1996.¹⁰⁵ With his newly formalized position at the top of the power pyramid, he became the ultimate patron of the country’s informal networks, strengthening and expanding his patronage network by providing the spoils of the state to “select business clans.”¹⁰⁶ Thus, it was primarily under Kuchma’s leadership that powerful oligarchs and their networks emerged through their access to capital either from the state and private enterprises, and by successfully (and usually informally) collaborating between the two spheres.¹⁰⁷ One example is Yulia Tymoshenko, former prime minister and current leader of the populist opposition party “Fatherland.” She began a network of video salons in the late Soviet era with the help of connections of her father-in-law, who was a senior city party official, and the connections of Serhy Tihipko, who was the region’s Komsomol chief. After independence, she used the capital of her video salon business to become head of Ukraine’s Energy Systems and earned herself the nickname of “gas princess.”¹⁰⁸ Many other oligarchs similarly parlayed their personal connections and access to capital to profit during the

¹⁰² Serhiy Kudeila, "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" in *Beyond the Euromaidan: Comparative Perspectives on Advancing Reform in Ukraine* (Stanford University Press, 2016), 67-68.

¹⁰³ Ibid., 68.

¹⁰⁴ Aliyev, *When Informal Institutions Change*, 150.

¹⁰⁵ Hale, *Patronal Politics*, 146.

¹⁰⁶ Kudeila, "Corruption in Ukraine," 69.

¹⁰⁷ Hale, *Patronal Politics*, 132.

¹⁰⁸ Hale, *Patronal Politics*, 100.

privatization process and to secure monopolies. As is evident in the case of Tymoshenko and President Petro Poroshenko (nicknamed the “Chocolate King” for his large candy company), they also often entered politics or at the very least had extensive political connections. In the words of Henry Hale, “It is important to recognize that the rise of Ukraine’s oligarchs was not purely spontaneous process... also involved close collusion with elements of the state, primarily under Leonid Kuchma during his time as prime minister and later president.”¹⁰⁹

In addition to establishing dominance over business elites through material incentives, Kuchma also consolidated his influence over state officials. He established patronal relations with existing officials to gain access to state assets under their control¹¹⁰ and also used his new constitutional powers over governor appointments to put in place loyalists or to punish ineffective or disloyal governors.¹¹¹ Alongside incentives, Kuchma also relied on violence and repression to solidify his power vertical. He used the state security apparatus to coerce possible competitors¹¹² and to repress critics; the infamous “Kuchma Tapes” (secret recordings by the president’s bodyguard) implicate him in the assassination of muckraking journalist Georgiy Gongadze.¹¹³ The scandal surrounding the tapes and the growing perception of Kuchma as a source of widespread corruption tanked his approval ratings early into his second term. His announced decision to not seek re-election prompted a fragmentation of his power pyramid and

¹⁰⁹ Ibid., 101.

¹¹⁰ Kudeila, “Corruption in Ukraine,” 69.

¹¹¹ Hale, *Patronal Politics*, 147.

¹¹² Ibid., 148.

¹¹³ RFE/RL, “Transcript: What Do Melnychenko's Tapes Say About Gongadze Case?” RadioFreeEurope/RadioLiberty, April 08, 2008, accessed April 9, 2018, <https://www.rferl.org/a/1057789.html>.

hold over the landscape of patronal networks, again intensifying the competition among elites for the top spot in the 2004 elections.¹¹⁴

The primary contenders for the election emerged as: Viktor Yushchenko, Kuchma's former prime minister, campaigning on an anti-corruption platform; and Viktor Yanukovych, an oligarch from the Donetsk Clan and then-prime minister picked by Kuchma as an heir to his corrupt power vertical. Each competitor led a political party: Yanukovych led the Party of Regions (which according to Aliyev was a "facade for the Donetsk Clan");¹¹⁵ Yushchenko the Our Ukraine party; and Tymoshenko also entered the fray by creating the "Fatherland" party. While the creation of competing political parties might seem like a positive development for Ukraine, perhaps indicating a step towards democratization, Serhiy Kudeila has likened political parties in Ukraine as "party cartels." Rather than functioning as instruments to align political views, they instead effectively function as investment vehicles for oligarchs to receive patronage benefits.¹¹⁶ According to Kudeila, "Major political parties remain the locus of graft in Ukraine."¹¹⁷

During the 2004 election, Kuchma and Yanukovych leveraged a great deal of their informal resources to swing the outcome in Yanukovych's favor, including widespread voter intimidation and electoral fraud in the run-off vote.¹¹⁸ This flagrant fraud prompted large protests that became known as the Orange Revolution supported by the parties of Yushchenko and Tymoshenko who formed the "Orange Coalition." The vote was annulled, a new election took place in which Yushchenko won and named Tymoshenko his prime minister.

¹¹⁴ Hale, *Patronal Politics*, 183.

¹¹⁵ Aliyev, *When Informal Institutions Change*, 157.

¹¹⁶ Kudeila, "Corruption in Ukraine," 70-74.

¹¹⁷ Ibid., 75.

¹¹⁸ Aliyev, *When Informal Institutions Change*, 154.

It is during the period of Yushchenko's presidency, that Hale asserts Ukraine "...became the *only* post-Soviet country to experience a real breakthrough to democracy."¹¹⁹ In the midst of the election crisis, constitutional amendments were passed that reduced the power of the president, changing it from a presidentialist political system to a parliamentary-presidential. This undid the overly hierarchical patronal presidency that Kuchma built. Writing in an op-ed, Yushchenko declared, "On my watch, the corruption that has historically emanated from the president's office ceased."¹²⁰ However, despite the constitutional changes and the anti-corruption agenda of the Orange Coalition, grand corruption not only continued, some assert that oligarchs during this period "became stronger, richer, and more confident."¹²¹ The nature of corruption changed to more closely resemble the "Atomized Corruption" of Kravchuk's presidency, where highly corrupt elites competed for power. Yushchenko's reform progress was hampered by infighting within the Orange coalition and obstruction by corrupt elites. Moreover, Ukraine was hit hard by the 2008 economic crisis, and society yet again found itself having to rely on personal connections and "private safety nets" to weather the crisis.¹²² Therefore, although fighting corruption was already a top priority of the public and some political leaders, it continued to flourish both at the top and bottom of society.

Against the backdrop of political instability, ongoing corruption, and economic hardship, Yushchenko lost his 2010 reelection bid to Yanukovych. Although an immense amount of patronal resources were mobilized by all three presidential candidates during the campaign

¹¹⁹ Hale, *Patronal Politics*, 5.

¹²⁰ Viktor Yushchenko, "Viktor Yushchenko - Building a Democracy," The Washington Post, November 29, 2006, accessed April 11, 2018, <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/28/AR2006112801278.html>.

¹²¹ Aliyev, *When Informal Institutions Change*, 156.

¹²² Aliyev, *When Informal Institutions Change*, 155.

(Yushchenko, Yanukovych, and Tymoshenko), the election itself is regarded as fairly clean and legitimately reflecting the will of the voting public.¹²³ The election of Yanukovych marked a return to the centralized patronal regime similar to and then above that of Kuchma's. The fierce competition of the election demonstrated to elites which basket would be the most beneficial to their eggs and therefore they mostly consolidated under Yanukovych.¹²⁴ Yanukovych quickly moved to ascend to the pyramid of power, both formally and informally.

Formally, Yanukovych and his Party of Regions maneuvered quickly to have the Constitutional Court invalidate the 2004 constitutional amendments, returning to the presidentialist constitution - "the same one Kuchma enjoyed as a patronal president."¹²⁵ Informally, he brought Donetsk Clan members into the top echelons of the state where he and his insiders "... not only explicitly prioritized informal institutions over formal ones but made little effort to harmonize informal relations within the public sphere, as Kuchma had endeavored to do."¹²⁶ Yanukovych also clamped down on other competing elites; Tymoshenko was jailed on what were widely viewed as politically motivated charges.¹²⁷ His centralization allowed him to deliver immense benefits to himself, his patronage clients, and even his family members (for example, his dentist son who became one of the richest men in Ukraine).¹²⁸ The graph below tracks Ukraine's rank in its "Control of Corruption," a measure of governance within the World

¹²³ Hale, *Patronal Politics*, 336.

¹²⁴ Ibid., 342.

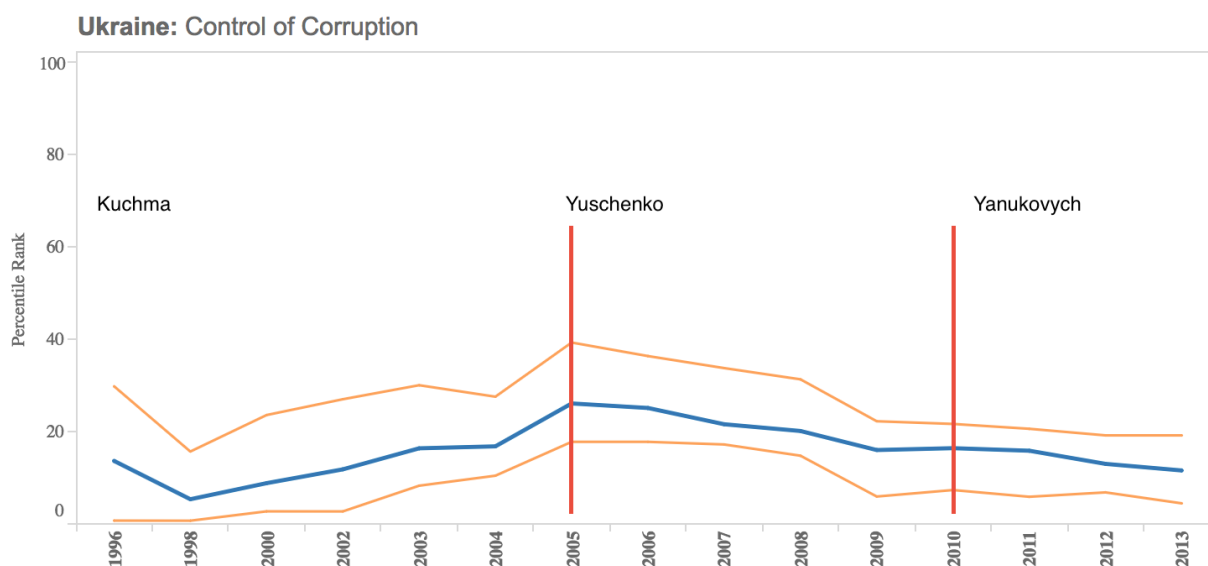
¹²⁵ Ibid., 345.

¹²⁶ Aliyev, *When Informal Institutions Change*, 160.

¹²⁷ Ellen Barry, "Former Ukraine Premier Is Jailed for 7 Years," *The New York Times*, October 11, 2011, accessed April 11, 2018, <https://www.nytimes.com/2011/10/12/world/europe/yulia-tymoshenko-sentenced-to-seven-years-in-prison.html>.

¹²⁸ Tsoukanova, Ania. "President's Millionaire Son Doubles Wealth on Ukraine Rich List." *Daily Monitor*. March 31, 2013. Accessed April 11, 2018. <http://www.monitor.co.ug/News/National/President-s-millionaire-son-doubles-wealth-on-Ukraine-rich-list/688334-1735294-4vpqm4z/index.html>.

Bank's "Worldwide Governance Indicators" Index. It shows how patterns of corruption levels closely tracked presidencies in Ukraine.¹²⁹



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), *The Worldwide Governance Indicators: Methodology and Analytical Issues*. World Bank, *Worldwide Governance Indicators*: www.govindicators.org
 Presidency information in the graphic added by author.

The burst of civic engagement and reforms during the 2004 Orange revolution increased the control of corruption but then faltered through the remainder of Yushchenko's tenure. The decline in corruption control increased under Yanukovich, and the country returned to nearly the same levels of Kuchma's regime. Further, the sharper dip in 2008 may be indicative of the increased levels of corruption throughout society due to the economic crisis.

Maidan - A Breaking Point?

The EuroMaidan Revolution of 2014 (also referred to as "Maidan" or the "Revolution of Dignity") seemed to mark a societal breaking point with the status-quo. The primary driver for

¹²⁹ World Bank Group - The Worldwide Governance Indicators (WGI). Accessed April 12, 2018. <http://info.worldbank.org/governance/wgi/index.aspx#home>.

the widespread protests among the population was the perception of a corrupt and increasingly authoritarian government. They were sparked in November 2013 when Yanukovich abruptly pulled out of signing an Association Agreement with the European Union in lieu of joining the Eurasian Union promoted by Russian president, Vladimir Putin. Ukrainian society hoped that by moving closer to Europe economically, Ukrainian government would be forced to undertake institutional reforms that would reduce corruption and stimulate economic growth. Protesters desired to be closer to the EU's more rational bureaucracy, respect for human rights, and other "European values," and away from Putin's Russia with its highly vertical, corrupt, and economically stagnant system. The flagging protest intensified and expanded in scope when "Berkut" police officers and hired thugs, called *titushkas*, attempted to disperse protesters with violence in late November.¹³⁰ In the words of a young protester, "It was not about Europe anymore, but about stopping the violence against peaceful protesters, ensuring justice and demanding the resignation of the criminal government and its president."¹³¹ Spurred by this outrage, protesters withstood frigid winter temperatures for months. A crackdown on the protest on February 18, 2014 broke out in violence and Berkut police forces opened fire on demonstrators, ultimately resulting in 73 dead protesters and 11 police officers.¹³² The loss of life was shocking to the public; the casualties became martyrs of the revolution and are usually

¹³⁰ Hale, *Patronal Politics*, 235.

¹³¹ Fishwick, Carmen. "'We Were so naive and optimistic': Ukraine Euromaidan Protesters Tell Us What's Changed for Them." *The Guardian*. March 04, 2014. Accessed April 12, 2018. <https://www.theguardian.com/world/2014/mar/04/ukraine-crisis-protesters-kiev-euromaidan-independence-square>.

¹³² "Ukrainians Commemorate Heaven's Hundred Heroes Massacred Three Years Ago on Euromaidan." *Euromaidan Press*. February 19, 2017. Accessed April 12, 2018. <http://euromaidanpress.com/2017/02/18/ukrainians-commemorates-heroes-of-heavens-hundred-killed-three-years-ago-in-euromaidan-massacre/>.

referred to as the “Heavenly Hundred.” On February 22, Yanukovych fled the country, later emerging in Russia.

Beyond the aspirations for democracy and justice, the revolution was also in large part driven by elites, the very same ones that benefit from grand corruption. According to Aliyev, “...Euromaidan became primarily a battlefield for informal power actors marginalized by Yanukovych.”¹³³ Oppositional networks, such as those of Tymoshenko (who was released from prison when Yanukovych fled) and those of other Orange Coalition members, united to support and encourage protesters. Furthermore, the violence of government crackdown made many of Yanukovych’s own supporters see the writing on the wall, leading many of them to defect. On February 21, 2014, elites in parliament, including the Party of Regions, joined forces and voted to restore the 2004 constitution and declared Yanukovych unfit to serve as president, scheduling new presidential elections for that May.¹³⁴ Petro Poroshenko, an oligarch and a former member of the Orange Coalition, won the presidency. While many within Yanukovych’s Donetsk Clan were completely discredited and also fled Ukraine (such as Mykola Azarov and Dmytro Firtash), some have managed to stay and hold on to their elite position. For example, oligarch Rinat Akhmetov rebranded himself as a peace and humanitarian aid broker in the volatile Donbas region.¹³⁵

The Maidan was a unique moment when the interests of most oligarchic networks and their “party cartels” in parliament aligned with those of the wider public, resulting in the

¹³³ Aliyev, *When Informal Institutions Change*, 160.

¹³⁴ Hale, *Patronal Politics*, 237.

¹³⁵ "Ukrainian Tycoon Rinat Akhmetov Confronts Rebellion." BBC News. May 20, 2014. Accessed April 12, 2018. <http://www.bbc.com/news/world-europe-27483719>.

overthrow of a highly corrupt and increasingly authoritarian president. These interests, however, diverged soon after the completion of this goal.

Anti-Corruption Reform since Maidan - Two steps forward, one step back

Ukrainian citizens had very high hopes for reform in the wake of the revolution. A poll conducted in March 2014, after the annexation of Crimea, shows that despite Russia's military incursion, a majority of respondents prioritized fighting corruption for the new government (50%), while the second top priority was defense-related (24%).¹³⁶ The loss of life during the Revolution of Dignity is still seen as an ultimate sacrifice toward this goal, to be honored with a substantive fight against the corrupt system. Even years later, this loss continues to be a major emotional driver for commitment to reform; An article by an anti-corruption NGO decrying the lack of judicial reform in October 2017 asks, "Were their families' hopes justified and expectations met? [Were] those losses in vain?" it then demands that the President take action, "so that [you] will not waste the chances our country received thanks to sacrifices of the Heavenly Hundred Heroes."¹³⁷

Meanwhile, the ruling elites of the country continued to be primarily that of oligarchic networks with substantial material incentives to resist an end to the corruption that they profit so greatly from. This tendency, however, was not obvious from the beginning. The Maidan anti-corruption reform mandate, Russia's aggression, and the economic crisis caused by instability,

¹³⁶ International Republican Institute, "Public Opinion Survey Residents of Ukraine March 14 – 26, 2014", April 5, 2014, Slide 119.

¹³⁷ Roman Maselko, "The Families of the Heavenly Hundred Heroes Are Shocked with the Supreme Court Selection Results and Demand President to Hold to His Promises," Anti Corruption Action Centre, October 18, 2017, accessed April 25, 2018, <https://antac.org.ua/en/publications/vthe-families-of-the-heavenly-hundred-heroes-are-shocked-with-the-supreme-court-selection-results-and-demand-president-to-hold-to-his-promises/>.

meant that Western donors had unprecedented leverage over the Ukrainian government. Further, Ukrainian civil society, increasingly stronger and influential, pressed for reform. This confluence has resulted in some notable successes of post-Maidan anti-corruption reforms.

First, the return to the 2004 constitution prevents the emergence of a highly powerful patronal president (though as the periods of “atomized corruption” show, this doesn’t in itself mean an effective reduction of corruption). One of the most important accomplishments was the creation of several government institutions in 2015 that specifically fight corruption, such as the National Anti-Corruption Bureau of Ukraine (NABU), the National Agency for the Prevention of Corruption (NAPC), and the Specialized Anti-Corruption Prosecutor (SAP).¹³⁸ Moreover, police forces, so discredited by the violence of the Maidan, were completely replaced in major cities. Another change was a greater accessibility of parliamentary seats, allowing some Maidan activists to win seats and eliminating outright informal transactions for seats. Additionally, according to Aliyev, the political changes since Maidan, including the damage to the Donetsk Clan, have resulted in a decline of the “clan-based informal power networks.”¹³⁹ The less hierarchical and close-knit nature of patronal networks may mean that the corrupt centralization, like that undertaken by Kuchma and Yanukovych, may no longer be possible in Ukraine (at least not without controversial constitutional changes). Measures were also implemented to grow e-governance and increase transparency, including the introduction of an online government procurement system (ProZorro) and an online asset declaration system required of all public

¹³⁸ Olena Makarenko, "The Successes and Downfalls of Ukraine's War against Corruption -," Euromaidan Press, July 06, 2016, accessed April 13, 2018, <http://euromaidanpress.com/2016/07/06/ukrainian-corruption-hunter-investigated-for-corruption/>.

¹³⁹ Aliyev, *When Informal Institutions Change*, 166.

officials.¹⁴⁰ The asset declarations of public officials were shocking to the public and embarrassing for the elites. They revealed the immense and ostentatious wealth of Ukraine's politicians,¹⁴¹ most of who are at least millionaires in a country where the average monthly wage is three hundred dollars per month.¹⁴² Finally, the gas sector has undergone some successful anti-corruption reforms, such as the elimination of a multiple priced system that was a boon for corrupt rent-seeking and a drain on the state budget, along with a modernization of the state-owned Naftogaz company.¹⁴³

Despite this progress, significant problems remain unaddressed while others have been backsliding. Among the top unaddressed issues is the absence of an independent anti-corruption court. The creation of the court, seen as a critical step to creating accountability for corruption and recommended by the Venice Commission, has been stalled for months. This waffling has been viewed as intentional obstruction by President Poroshenko of meaningful reform, drawing criticism from Western donors and causing the IMF to put the latest tranche of bailout loans on hold.¹⁴⁴ Additionally, although the gas sector has been somewhat cleaned up, other opportunities for rent-seeking have been found; corruption in the defense sector has increased to the point that

¹⁴⁰ Olena Halushka, "[Opinion] Ukraine's Fight against Corruption Has Started to Work," EUobserver, February 12, 2018, accessed April 13, 2018, <https://euobserver.com/opinion/140946>.

¹⁴¹ Miller, Christopher. "Assets On Parade: Ukraine Officials Made To Declare Their Bling." RadioFreeEurope/RadioLiberty. October 31, 2016. Accessed April 13, 2018. <https://www.rferl.org/a/ukraine-assets-declarations-bling-millions-poroshenko-hroysman/28086804.html>.

¹⁴² As of February, 2018 - "Ukraine Average Monthly Wages 1996-2018 | Data | Chart | Calendar." Ukraine Average Monthly Wages | 1996-2018 | Data | Chart | Calendar. Accessed April 13, 2018. <https://tradingeconomics.com/ukraine/wages>.

¹⁴³ Polityuk, Pavel, and Alessandra Prentice. "Exclusive: Ukraine to Propose New Gas Price Formula to IMF as Reforms Stumble." Reuters. October 06, 2017. Accessed April 13, 2018. <https://www.reuters.com/article/us-ukraine-crisis-reforms-exclusive/exclusive-ukraine-to-propose-new-gas-price-formula-to-imf-as-reforms-stumble-idUSKBN1CB1VN>.

¹⁴⁴ Cooper, Alex. "Organized Crime and Corruption Reporting Project." Ukraine Inches Closer to Adopting Anti-corruption Court Law. March 5, 2018. Accessed April 13, 2018. <https://www.occrp.org/en/daily/7726-ukraine-inches-closer-to-adopting-anti-corruption-court-law>.

some citizens have accused the government of having an interest in continued conflict as a money making scheme.¹⁴⁵ Another internationally decried initiative is a law introduced and passed by Poroshenko's party that requires anti-corruption activists to file asset declarations. The move is an attack and intimidation of the civil society that has been pushing for meaningful reform (and likely petty revenge for having to declare their own assets). Despite the Western and civic pressure, parliament didn't overturn the law and activists were forced to file their declarations.¹⁴⁶

Another major issue has been some scandals indicate a high level attack on the independence, sustainability, and effectiveness of newly created anti-corruption institutions. The appointed Prosecutor General, Yuriy Lutsenko, a former member of Poroshenko's party, has been accused of working to undermine National Anti-Corruption Bureau of Ukraine (NABU) and Specialized Anti-Corruption Prosecutor (SAP). In November of last year, Lutsenko exposed a major investigation of corruption occurring in the State Migration Service and uncovered the NABU undercover agents in the case.¹⁴⁷ Additionally, late last year, the President's party in parliament, along with the party of former prime-minister Yatsenyuk, came close to passing legislation that could destroy the independence of NABU by dismissing its head, Artem Sytnyk. Western governments and international organizations reacted with condemnation and Ukrainian activists started a viral campaign to #saveNABU. This pressure ultimately forced parliament to

¹⁴⁵ Author's informal conversations with several Ukrainian citizens, 2016-2017.

¹⁴⁶ Makarenko, Olena. "After Year of Empty Promises, Anti-corruption Activists in Ukraine Forced to Declare Assets." Euromaidan Press. April 11, 2018. Accessed April 13, 2018. <http://euromaidanpress.com/2018/04/11/anti-corruption-activists-in-ukraine-forced-to-declare-assets-after-year-of-empty-promises/>.

¹⁴⁷ Sukhov, Oleg. "NABU Chief Says Authorities Foiled All of Bureau's Undercover Operations." KyivPost. December 01, 2017. Accessed April 13, 2018. <https://www.kyivpost.com/ukraine-politics/nabu-chief-says-authorities-foiled-bureaus-undercover-operations.html>.

drop the law.¹⁴⁸ More recently, a probe was launched to investigate the head of SAP, Nazar Kholodnytsky, who was secretly recorded ordering his subordinates to drop certain investigations, coaching an official implicated in bribery on how to make fraudulent statements, and tipping off targets of investigations on incoming raids. At this early stage of investigation, and given the long-time weaponization of corruption charges by corrupt interests, it is unclear whether this recent compromising revelation is genuine or yet another attempt to undermine the independence of the institution, as Kholodnytsky claims.¹⁴⁹ Unfortunately, it is also possible that both scenarios are true.

Anti-corruption obstruction by national elites is not limited to the President's and his allies' parties, this has also been the case with opposition parties such as that of Tymoshenko's "Fatherland" or Oleg Lyashko's "Radical Party." Tymoshenko vehemently opposed gas sector price reforms, labeling them as "genocidal." This characterization is particularly ironic coming from the "gas princess" who benefitted from the confusion of prices and opaque negotiations. Tymoshenko and her political party frequently use virulently populist rhetoric to oppose other reforms that are ripe for rent-seeking, such as land, healthcare, and pension reform.¹⁵⁰ While reform did make some positive changes to the composition of national elites, many loopholes still remain so that top positions of power are generally held by wealthy, well-connected, and

¹⁴⁸ Miller, Christopher. "Ukrainian Reform Activists Derail Effort To 'Destroy' Anticorruption Body." RadioFreeEurope/RadioLiberty. December 07, 2017. Accessed April 13, 2018. <https://www.rferl.org/a/ukraine-nabu-imf-world-bank-anti-corruption-efforts-thwarted/28902554.html>.

¹⁴⁹ "Anti-graft Prosecutor Tipped off Probe Targets on Upcoming Raids, NABU Director Claims." UNIAN Information Agency. March 30, 2018. Accessed April 13, 2018. https://www.unian.info/politics/10063037-anti-graft-prosecutor-tipped-off-probe-targets-on-upcoming-raids-nabu-director-claims.html?utm_source=unian&utm_medium=related_news&utm_campaign=related_news_in_post.

¹⁵⁰ Haring, Melinda. "Opinion | The Window for Reform Is Closing in Ukraine." The Washington Post. July 11, 2017. Accessed April 13, 2018. https://www.washingtonpost.com/news/democracy-post/wp/2017/07/11/the-window-for-reform-is-closing-in-ukraine/?utm_term=.31abd469d975.

corrupt elites resistant to implementing changes that would eliminate sources of their rents.¹⁵¹

Rents are not only direct wealth for the corrupt public official, but also act as the fuel on which their political machines run.

Summary of Context

In the literature review section, it became evident that corruption is driven by societal and institutional factors that exert pressure on the individual. The society and institutions that Ukraine inherited from its 70 years within the Soviet Union created conditions for corruption to thrive, particularly through informal patronage networks at the national level. This includes informal patronage practices, a highly centralized state, and a weak civic society. After independence, a pattern of grand corruption emerged in which vertical corrupt systems were built and subsequently dismantled for a more horizontal, though not less corrupt, systems. Petty corruption is also prevalent and seems to follow economic conditions; in times of crisis, more Ukrainians will resort to bribery and nepotism to weather it.

The Maidan revolution was an important turning point. Although recent events show that its success in reducing corruption has been limited, it did reshape the institutional environment back to a more horizontal structure. Furthermore, it did succeed in creating a social environment where there is greater empowerment and commitment to eradicating corruption. The progress that was achieved in 2014 is not to be taken for granted, though. Ukraine's previous post-revolution experience shows that a return to, or even worsening of corruption is a very real possibility. It has now been over four years since the revolution, but recent events show an alarming regression in the fight against corruption. This lends support to Shah's assertion that

¹⁵¹ Kudeila, "Corruption in Ukraine," 75.

direct attacks on corruption in very corrupt countries can be counterproductive, and the fight should instead be waged indirectly.¹⁵²

To cement the progress has been achieved and to create a toxic environment for corruption, it will be necessary to further implement institutional changes and to reduce societal tolerance for corruption. Decentralization reform, not only has the potential to achieve this, it has already shown to produce some of these benefits. It can be an effective indirect attack on the corruption of national elites and on the culture of patronage. However, as previously discussed, the relationship between corruption and decentralization is nuanced, meaning that it is certainly no silver bullet and is not without challenges and risks. In the context of Ukraine, the completion of reform depends highly on whether reform efforts can overcome obstruction by vested interests.

Part III - Analysis, Impact of Decentralization on Corruption in Ukraine

Background

In the words of Balázs Jarábik and Yulia Yesmukhanova, “Discussion of decentralization reform is as old as independent Ukraine.”¹⁵³ Legal frameworks on local governance began with the 1996 constitution and the 1997 “Law on Local Self-Governance in Ukraine,” but both were vague and largely unenforced. Decentralization reform was attempted during the Yushchenko administration but failed, as much of his other initiatives, due to infighting within his administration and pushback from vested interests. The centralizing efforts by Yanukovich on

¹⁵² Shah, "Corruption and Decentralized Public Governance," 13-15.

¹⁵³ Jarábik, Balázs, and Yulia Yesmukhanova. "Ukraine's Slow Struggle for Decentralization." Carnegie Endowment for International Peace. March 8, 2017. Accessed March 30, 2018. <https://carnegieendowment.org/2017/03/08/ukraine-s-slow-struggle-for-decentralization-pub-68219>.

the other hand, both through formal and informal avenues, meant reduced local autonomy. Yanukovych's Donetsk Clan-based Party of Regions functioned as a political machine that aligned local governance with the interests of the center and integrated local officials into the growing vertical of power.¹⁵⁴ As a result, "Governance at the local level was a facade for a rigidly centralized system."¹⁵⁵

Territorial-administrative organization has been a central element of decentralization reform in Ukraine because it establishes the basic unit of government to which greater power will be delegated (for example, in America, that unit is most often a state's county). In addition to delineating that fundamental unit (and thereby impacting how large it is and its makeup), it also sets the hierarchy of government through its various subnational tiers. Therefore, alongside discussions of the degree and type of decentralization to pursue (fiscal, administrative, and/or political), territorial reform tends to be the starting point of the conversation.

As previously mentioned, upon becoming independent, Ukraine did little to restructure its state architecture. Territorial organization was particularly stagnant; regional divisions remained largely unchanged since 1940.¹⁵⁶ In the early years of independence, decentralization and territorial reform were delayed out of fear that greater regional autonomy could result in the breakup of the country along its cultural divisions of East and West (a fear persists to some

¹⁵⁴ Sean R. Roberts and Oleksandr Fisun, *Local Governance And Decentralization Assessment: Implications Of Proposed Reforms In Ukraine*, report, September 3, 2014, 5-7, accessed March 30, 2018, [https://www.usaid.gov/sites/default/files/documents/1863/LOCAL GOVERNANCE ASSESSMENT FINAL.pdf](https://www.usaid.gov/sites/default/files/documents/1863/LOCAL_GOVERNANCE_ASSESSMENT_FINAL.pdf).

¹⁵⁵ Galushko, Vladyslav, and Yaryna Zhurba. "Ukraine Needs Decentralization, Done Right." Open Society Foundations. October 15, 2014. Accessed February 12, 2018. <https://www.opensocietyfoundations.org/voices/ukraine-needs-decentralization-done-right>.

¹⁵⁶ Paweł Swianiewicz, "Poland and Ukraine: Contrasting Paths of Decentralisation and Territorial Reform," *Local Government Studies* 32, no. 5 (November 2006): 602, accessed April 14, 2018, doi:10.1080/03003930600896228.

degree).¹⁵⁷ Therefore, writing about Ukraine's territorial organization in 2006, Pawel Swianiewicz asserted that, "In Ukraine there has been basically no change, except for gradual progress of territorial fragmentation..."¹⁵⁸ This fragmentation and lack of territorial reform has resulted in political units that are too numerous to coordinate, vary wildly in size, and many are much too small to be able to competently wield increased administrative, fiscal, or political powers.

In the wake of the Maidan revolution, decentralization reform was given a high priority. It was seen as a strategy to undo the centralization of Yanukovich's regime, improve the provision of public services to the population, stimulate economic development, and increase accountability of local officials.¹⁵⁹ In a nutshell, all of the benefits that literature on decentralization has promoted. It was also a high priority of Western donors and was stipulated by the EU Association Agreement. The EU, US, other European countries, and international organizations, such as the UNDP and World Bank, have been very much invested in the implementation of decentralization. In addition to the benefits outlined above, they also envisioned the reform as a solution to the separatism in the East, democratization, and most importantly to this analysis, as a tool for reducing corruption. In a 2014 report created to inform USAID's decentralization support program, the authors found that, "... a well-designed decentralization plan could help to dismantle the vertical power structures that have been the primary forms of political power since independence, hence improving efficiency of governance

¹⁵⁷ Ibid., 600-601.

¹⁵⁸ Ibid., 601.

¹⁵⁹ Nazar B. Demchyshak, Mariia B. Shvets, and Viktoriia V. Mamchuk, "The Decentralization and Directions of Strengthening the Local Government in Ukraine in View of Foreign Experience," *Biznes Inform* 6, no. 473 (2017): 28-29, accessed March 22, 2018.

and reducing at least the largest scale corruption that has continually plagued the country.”¹⁶⁰

Since the writing of that report, decentralization reform has progressed “against all odds,”¹⁶¹ and the question naturally, is, did it live up to its potential to reduce corruption?

Description of Ukraine’s Decentralization Reform

Decentralization reform began soon after the 2014 revolution with the passage of the *Concept of Reforming Local Self-Government and Territorial Organization of Power* on April 1, 2014.¹⁶² The concept set out a program for decentralization, which included relevant constitutional amendments. Because Western donors saw decentralization as a solution to separatism in the East, these amendments were tied up with the requirements of the Minsk agreements that required increased autonomy for separatist regions. To be clear though, these requirements, which were demanded by Russia during the negotiating process, were to be achieved through federalization rather than decentralization per se. Federalization would have made these regions akin to quasi-states within Ukraine with broader authority, including setting their own foreign policy.¹⁶³ These controversial concessions were seen by the public as rewarding separatism and as a tool for Russian influence within the country. The vote spurred deadly protests by nationalist groups outside of Ukraine’s parliament, and the amendments failed

¹⁶⁰ Roberts and Fisun, *Local Governance And Decentralization Assessment*, 7.

¹⁶¹ Jarábik and Yesmukhanova, "Ukraine's Slow Struggle for Decentralization," 3.

¹⁶² Denys Zapysnyy, "Decentralisation And Local Self-Government Development As Key Issues Of Public Administration Reform In Ukraine: Current State And New Objectives To Be Attended," *Baltic Journal of Economic Studies* 2, no. 3 (2016): 71, accessed March 21, 2018, doi:10.30525/2256-0742/2016-2-3-69-76.

¹⁶³ Galushko and Zhurba, "Ukraine Needs Decentralization, Done Right."

to win the necessary votes.¹⁶⁴ As a result, the government has been forced to undertake the bulk of the reform through existing constitutional rights of local self-government, introduction of legislation, and changes to budget and tax codes.

Despite this rough start, the reform has made significant progress, largely on the initiative of now Prime Minister, Volodymyr Groysman (formerly the Vice Prime Minister and Minister of Regional Development, Construction and Housing and Communal Services (MinRegion)), the ministry he used to lead, MinRegion, and with backing of President Poroshenko. It is important to point out, however, the executive branch-led effort makes these reforms more vulnerable to future rollback than the constitutional amendments would have been. Much depends on the continued political will to complete the reform.

Territorial Amalgamation

Aside from the controversial constitutional amendments, the Concept also laid out the plan for territorial-administrative reform. Ukraine, a unitary country, has primarily three tiers of subnational government; *oblasts* (regions), *rayons*, and *hromadas* (municipal level). The goal of the reform is to make *hromadas* the primary political unit, and apply to them the European subsidiarity principle, that is, to “ensure that powers are exercised as close to the citizen as possible.”¹⁶⁵ Working around the failure to pass constitutional amendments, the *Law on the Voluntary Amalgamation of Territorial Communities* passed on February 5, 2015, and has

¹⁶⁴ Walker, Shaun. "Ukrainian Guardsman Killed in Protests against Vote on Rebel Autonomy." The Guardian. August 31, 2015. Accessed April 14, 2018. <https://www.theguardian.com/world/2015/aug/31/blast-kiev-parliament-ukraine-mps-back-more-autonomy-for-rebels>.

¹⁶⁵ "Fact Sheets on the European Union." The Principle of Subsidiarity | EU Fact Sheets | European Parliament. Accessed April 14, 2018. http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.2.2.html.

provided the legal basis for the voluntary unification of *hromadas* (be they towns, settlements, or villages). Regional (*oblast*) authorities review and approve a *hromada*'s request for amalgamation, and once granted, the new community can then hold elections to determine the leadership of the new community; its council and a head. Although there has been a degree of fiscal and administrative decentralization for all communities, greater political, administrative, and fiscal powers are granted to amalgamated communities. These amalgamated *hromadas*, thereby become the fundamental unit of governance and their continued formation is a crucial component of successful reform. Thus, the process of decentralization in Ukraine begins with a community's petition to amalgamate, political decentralization through the holding of elections for new local councils and greater decision-making powers, fiscal decentralization through increased access to revenue and budgetary discretion; and administrative decentralization through increased responsibility of amalgamated communities to provide and control public services. Moreover, the institution of *starosta* was created to include an elected village head to represent the interests of the smallest villages and rural populations in amalgamated communities.¹⁶⁶

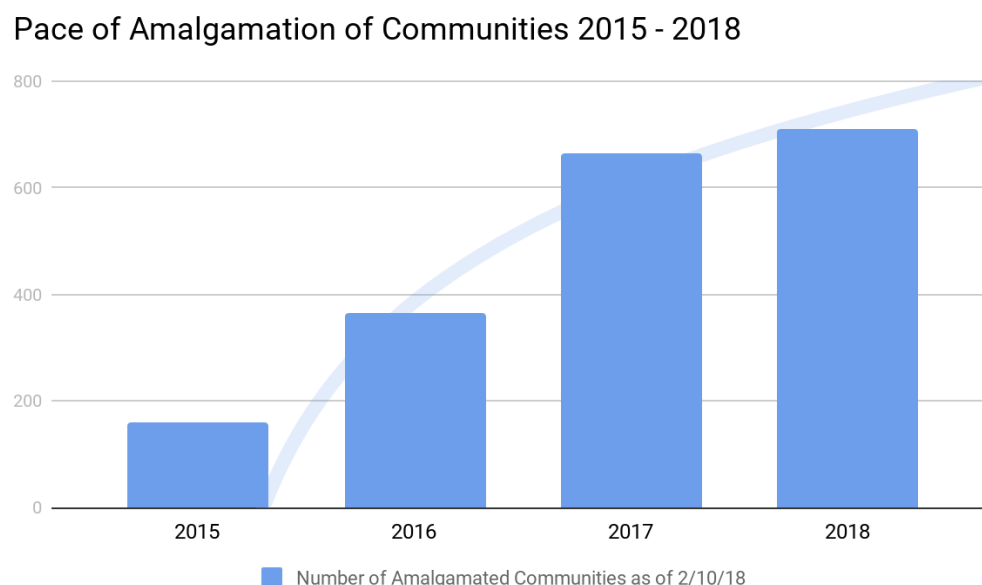
The first amalgamated communities held their elections on October 25, 2015 and despite the skepticism that these small communities would take the initiative, 159 merged municipalities were created by election day, comprising 794 former *hromadas*.¹⁶⁷ The goal is to reduce the number of *hromadas* from approximately 15,000 to about 1,200.¹⁶⁸ As of February 2018, 710

¹⁶⁶ "Starosta." Децентралізація в Україні. Accessed April 12, 2018.
<http://decentralization.gov.ua/en/starosta>.

¹⁶⁷ Zapysnyy, "Decentralisation And Local Self-Government Development," 71-72.

¹⁶⁸ Roberts and Fisun, *Local Governance And Decentralization Assessment*, 14.

amalgamated communities have been formed, unifying 3,313 communities with over 6 million citizens, and more amalgamations are in the pipeline.¹⁶⁹



Data source: MinRegion presentation¹⁷⁰

In addition to finally undertaking territorial-administrative reform, a series of changes to the Budget and Tax Code starting in 2014 have achieved significant and unprecedented progress in fiscal decentralization.¹⁷¹ These changes transferred to communities greater budgetary authority, new sources of local tax revenue, and greater share of existing sources.¹⁷² Moreover, it has been designed to incentivize the amalgamation of communities by offering even greater

¹⁶⁹ Decentralization.gov.ua. "Моніторинг процесу децентралізації влади та реформування місцевого са..." LinkedIn SlideShare. February 13, 2018. Accessed April 14, 2018. <https://www.slideshare.net/Decentralizationgovua/12-2018?ref=http://decentralization.gov.ua/news/8247>.

¹⁷⁰ Ibid.

¹⁷¹ Zapysnyy, "Decentralisation And Local Self-Government Development," 73.

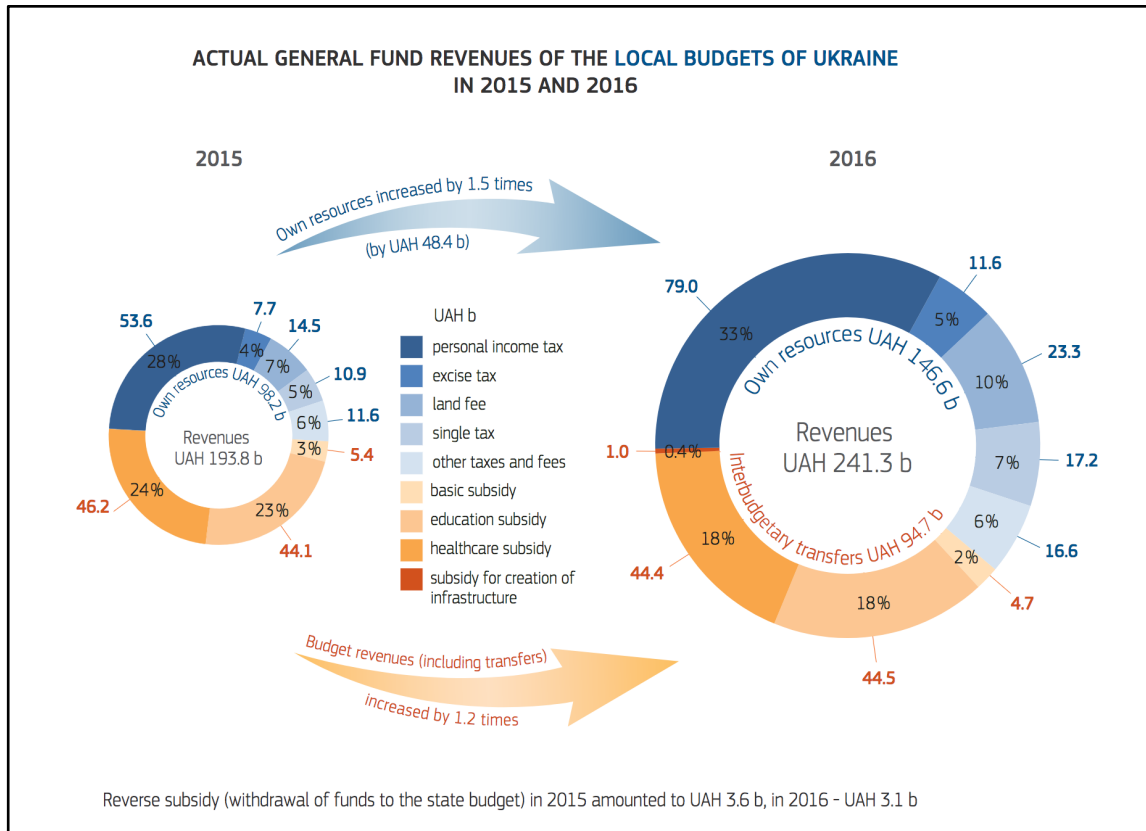
¹⁷² Demchyshak, Shvets, and Mamchuk, "The Decentralization and Directions," 29.

share of tax revenue and federal subsidies upon unification. It is likely precisely due to fiscal decentralization that amalgamation has steadily progressed.¹⁷³ In another design win, one of the new sources of revenue is an excise tax; not only does this encourage communities to be attractive business environments, Demchyshak et al. (2017) write that, “For the first time, local authorities [have] a real interest in local control of illegal production and circulation, as well as smuggling of excisable goods to fill their own budgets.”¹⁷⁴ As the graphic below shows, the early result of these changes was a 120% increase of all local budgets between 2015 and 2016, and what’s more, an increasing proportion of this budget is locally produced. Even more dramatically, the budgets of amalgamated communities during the same period increased nearly seven times over.¹⁷⁵ This is an especially remarkable feat considering the modest economic resources of Ukraine’s municipalities and bearing in mind the background of economic crisis and currency devaluation. Rather than indicating previously hidden economic municipal powerhouses (although there is potential future economic development), this change helps to illuminate the extent of fiscal centralization and reliance on federal transfers prior to reform.

¹⁷³ Zapysnyy, "Decentralisation And Local Self-Government Development," 72.

¹⁷⁴ Demchyshak, Shvets, and Mamchuk, "The Decentralization and Directions," 29.

¹⁷⁵ "Фінансова децентралізація і бюджети перших 159 об'єднаних громад в деталях - експертна стаття (презентація)." Децентралізація в Україні. April 18, 2017. Accessed April 14, 2018. <http://decentralization.gov.ua/en/news/5244>.



Source: MinRegion presentation¹⁷⁶

In addition to increased budgets and ownership over revenue, amalgamated communities were given greater fiscal autonomy. They no longer have to appeal to the centrally appointed *rayon* administrations for their allocation in the regional budget decisions. This regional budget was a subset of the national budget, therefore not only did the centrally appointed authorities at the *rayon* level have immense power over the funds received by municipal communities, the regional authorities were essentially a local arm of the national government.¹⁷⁷ Federal transfers are now coming directly to the amalgamated community from the national government and are

¹⁷⁶ "Фінансова децентралізація і бюджети перших 159 об'єднаних громад в деталях - експертна стаття (презентація)." Децентралізація в Україні. April 18, 2017. Accessed April 14, 2018. <http://decentralization.gov.ua/en/news/5244>.

¹⁷⁷ *Local and Regional Government in Ukraine and the Development of Cooperation between Ukraine and the EU*, report, The Aston Center for Europe, Aston University, 2011, 15-16, accessed September 13, 2017, DOI: 10.2863/59575.

based on transparently set grant formulas.¹⁷⁸ Not only has this given them more predictable and steady income, it also removed the lobbying and negotiation process which previously allowed for greater informal patronage transactions and corrupt skimming off the budget.¹⁷⁹

A great deal of the increased local budgets are intended to finance and support expanded responsibilities of *hromadas* to provide high-quality public services to the local population. Whereas previously, local administrative offices with centrally appointed officials performed much of the decision-making for community councils, elected local officials now have greater authority to set spending priorities. Soon after the amalgamation process, these communities typically create a new administrative services center for services such as the issuance of licenses, registration, certificates. Administrative responsibilities also include providing primary healthcare, education, waste management, and other public infrastructure.¹⁸⁰ At a recent national forum on decentralization, President Poroshenko reported that in the course of 2017 alone, 27,000 new kindergarten spots were created and 21 brand new schools were built. He characterized these as “unprecedented” and “revolutionary” changes.¹⁸¹ The newly local responsibility for issuing permits has made the process more efficient and business-friendly. It eliminates a permit system that previously required documents from multiple levels of government and was often accompanied by demands for bribery by the bureaucrats or offers of bribes by businesses to speed the process.¹⁸²

¹⁷⁸ Zapysnyy, "Decentralisation And Local Self-Government Development," 73.

¹⁷⁹ International Alert and UCIPR, *Decentralisation in Ukraine*, 8.

¹⁸⁰ "What Is Local Self-government?" Децентралізація в Україні. Accessed April 15, 2018. <http://decentralization.gov.ua/en/questions/2?page=2>.

¹⁸¹ "Video Quotes from Expanded Governmental Meeting on Decentralisation." Децентралізація в Україні. Accessed April 15, 2018. <http://decentralization.gov.ua/en/news/8653>.

¹⁸² International Alert and UCIPR, *Decentralisation in Ukraine*, 9.

The following statement by Vasyl Miryavets, the *starosta* of a village near the border of Romania, eloquently sums up the changes:

We had no doubt about amalgamation, because there was no other way out. I will tell you the following thing: since we entered the *hromada*, we have built a road, repaired one kindergarten, replaced [its] heating system, [and] all the windows and doors in the other one. We have an artificial surface mini-football field of 40 by 22 meters. We have repaired the outpatient clinic and opened a Greco-Roman wrestling gym. Every year, since the *hromadas*' amalgamation, at least 200 thousand *hryvnia* have been spent on the repairs of each of our schools. Besides, the school in Ruske Pole received 2.5 million *hryvnia* for capital expenditures. I am scared to recall the times when I asked [for] 53 thousand *hryvnia* from the *rayon* administration to repair the roof of the village council, and got refusals. At the end of the year, 20 thousand *hryvnia* were allocated, which I did not manage to master. After all, it is impossible to repair only half of the roof! The village council has never managed its own funds before. And we could even have money on our accounts, but could not use it without permission from Kyiv. What do I want to say by this? [I] Want to say that everything has changed dramatically. And I'm in favor of these changes. That's my political position.¹⁸³

International Support

Western support of Ukraine's decentralization reform has been significant, both in terms of financial resources and technical expertise. Although Western donors, such as the World

¹⁸³ Synyak, Dmytro. "Sheriff for Ruske Pole: Dream of Municipal Public Order Guard in Tyachivska AH." Децентралізація в Україні. March 22, 2018. Accessed April 16, 2018. <http://decentralization.gov.ua/en/news/8535>.

Bank, are involved in other reform efforts like anti-corruption or energy sector, their collaboration on developing local governance seems to be more meaningful and successful. For one, the reform has been modeled on foreign experience, particularly that of Poland, thereby making European advice invaluable. Further, because there is high political will from Groysman's government, Western contributions to the reform have been given greater leeway and can operate more directly, down at the local level.

The primary donors to reform include America (via USAID), European Union, Poland, Estonia, Denmark, Germany, Switzerland, Sweden, United Nations (primarily via UNDP and UN Women), Canada, OSCE, Council of Europe, OECD, and the East Europe Foundation. Each entity is acting through unilateral programs and also in collaborative projects. The donors and the Ukrainian government (through MinRegion) have formalized their collaboration by creating a "Common Results Framework," forming the "Donor Board on Decentralization Reform in Ukraine," and creating working groups depending for each specific decentralization issue. They helped to create a government website dedicated to decentralization (decentralization.gov.ua) and operate in a fairly transparent way. Monitoring of the reform and Western projects, aid amounts, and even working group meeting notes are all publicly available via the website.¹⁸⁴ Additionally, donor projects are frequently undertaken with collaboration with MinRegion and Ukrainian civic organizations, such as Ukrainian Crisis Media Center. Their committed aid to

¹⁸⁴ "Donor Board on Decentralization Reform in Ukraine." Donors Map. Accessed April 16, 2018. http://donors.decentralization.gov.ua/en/donor_board.

supporting decentralization totals nearly \$300 million dollars.¹⁸⁵ The projects supported by the donors, include:¹⁸⁶

- Local democracy and administrative service training via 27 national training centers
- E-governance training and support
- Gender sensitive local budgeting
- Conduct polls and monitoring
- Publicity campaigns
- Economic development
- Supporting horizontal cooperation among amalgamated *hromadas*
- Infrastructure development

These goals have been spearheaded in some innovative and interesting ways. One was the airing of a slick contest-style reality TV show called “*Hromadas for a Million*” to publicize and promote the benefits of decentralization.¹⁸⁷ In it, five amalgamated communities compete by tackling challenges such as attracting investment, providing aid to vulnerable members of their communities, and demonstrating the unity of their newly created communities. Although the show is very much focused on Ukraine’s communities and the challenges they face, individuals from the Western partners appear throughout the season and lend the issues of municipal affairs greater cachet. For example, the Austrian Ambassador appeared in one episode followed by a

¹⁸⁵ Based on currency conversion provided by Google.com as of 4/16/18 and based on information published - "Усі проекти - Карта донорів." Donors Map. Accessed April 16, 2018. <http://donors.decentralization.gov.ua/en/projects>.

¹⁸⁶ "Усі проекти - Карта донорів." Donors Map. Accessed April 16, 2018. <http://donors.decentralization.gov.ua/en/projects>.

¹⁸⁷ "Children's Dream Comes True in 48 Hours: How Decentralization Changes Lives in Ukraine." Ukraine Crisis Media Center. April 7, 2018. Accessed April 16, 2018. <http://uacrisis.org/65962-decentralization-changes-lives>.

visit to an Austrian village by a challenge winner.¹⁸⁸ As part of a twist ending, the finale featured a surprise appearance by Barry Reed, an official from USAID's DOBRE program.¹⁸⁹



Source: Video still of “Hromadas for a Million” on website of Channel 1+1, <https://1plus1.ua/gromada-na-miljon/video/gromada-na-miljon-final-7-vipusk>

In another recently launched initiative, five amalgamated communities are being paired with sister EU member communities with the aim of “developing economic plans, training local government officials, the issues of education, health and culture, as well as supporting rural

¹⁸⁸ "Громада на мільйон - 4 випуск." Офіційний сайт каналу 1+1. Accessed April 16, 2018. <https://1plus1.ua/gromada-na-miljon/video/gromada-na-miljon-4-vipusk>.

¹⁸⁹ "Громада на мільйон. Фінал - 7 випуск." Офіційний сайт каналу 1+1 - 1plus1.ua. Accessed April 16, 2018. <https://1plus1.ua/gromada-na-miljon/video/gromada-na-miljon-final-7-vipusk>.

areas, small and medium-sized enterprises, and tourism development.”¹⁹⁰ Such local level collaboration between the highly provincial Ukrainian communities and more modernized European ones, can be a very effective way to fulfill the Maidan desire for Ukraine to join the European community.

Finally, another recent pilot project created a mobile administrative service center to reach more isolated communities. The launch of the first vehicle was personally attended by the Vice Prime Minister of Ukraine, Ambassador of Sweden to Ukraine, the Delegation of the European Union to Ukraine, and other high level officials; an honor that must have been unheard-of for the community. Currently, 26 such mobile units are planned with the aim of creating 600 by the end of 2020.¹⁹¹ The prestige of the international community is likely to aid the effectiveness of donor initiatives. The European reputation as non-corrupt technocratic societies also helps to increase trust in reform efforts. Moreover, this initiative could go a long way in assuaging local populations that amalgamation could mean traveling further to a new administrative center.

In sum, Western support of Ukraine’s decentralization efforts has been substantial, hands-on, and active at the local level. Not only has it been a boon for the Ukrainian government in terms of receiving helpful resources, but it is also a boon for the West. Their efforts to promote Western values, democracy, transparent and efficient governance are best served through these efforts and enabled by ongoing decentralization reform.

¹⁹⁰ "EU, Ukraine Launch Five Projects on Decentralization of Local Government." Ukrinform News. March 9, 2018. Accessed April 16, 2018. <http://www.ukrinform.net/rubric-economy/2418702-eu-ukraine-launch-five-projects-on-decentralization-of-local-government.html>.

¹⁹¹ "Innovations in Decentralization: The Very First in Ukraine Mobile Administrative Service Centre Began Operating in Slavuta community with Support of U-LEAD with Europe Programme." Децентралізація в Україні. December 1, 2017. Accessed April 16, 2018. <http://decentralization.gov.ua/en/news/7724>.

Promising Early Results

It has now been almost four years since Ukraine embarked on decentralization reform but it has already achieved some important changes to institutional structures and societal norms that promise to help get at the roots of corruption in the country. Although much remains to be done, challenges and risks continue to exist, the reform is nonetheless one of the few bright spots in the reform landscape after the Maidan.

Reform Momentum

For starters, while other reform has stalled or even regressed, the critical component of decentralization, amalgamation of communities, has maintained a steady pace and would be difficult to reverse. In large part, this is due to the voluntary and local nature of the reform. The oligarchic national elites are less able to stymie these efforts while paying lip service to reform because it is more difficult to fake devolution. The approval ratings national government institutions (president, parliament, bureaucracy) are at tragically low levels, but subnational entities enjoy higher ratings and these grow the more local they are.¹⁹² Undoing or undermining these reforms could be met with unrest as it is considered to be the biggest reform achievement of Poroshenko's administration.¹⁹³ The financial incentives that attend amalgamation created highly visible and long-awaited benefits to communities, spurring neighbors to do the same. Polls show that the most noticed improvement of decentralization reform is first, repaired roads

¹⁹² International Republican Institute. "Fourth Annual Ukrainian Municipal Survey, 20 January – 10 February, 2018". March 22, 2018. Raw data. Slides 151-168.

The survey was conducted by Rating Group Ukraine on behalf of the Center for Insights in Survey Research. This survey was funded by the National Endowment for Democracy. The previous three surveys were funded by the Government of Canada.

¹⁹³ "Decentralisation Is Poroshenko's Biggest Reform Success - Poll." Bne IntelliNews. March 23, 2018. Accessed April 16, 2018. <http://www.intellinews.com/decentralisation-is-poroshenko-s-biggest-reform-success-poll-138803/>.

and second, increased local budgets.¹⁹⁴ It would be difficult to prevent more communities to amalgamate without inflaming resentments.

Momentum for the reform is also sustained by the high level advocate it has in the prime minister. Volodymyr Groysman is not only in the formal institution of President Poroshenko's administration, he is also within his informal network that has origins in Vinnytsia. This is an *oblast* where Poroshenko staged his political comeback as a representative to parliament. The capital city, also named Vinnytsia, is also home to two of his chocolate factories and to a fountain donated by the company, which cost almost three million dollars.¹⁹⁵ Decentralization has been an interest of Groysman's before he joined the national government, possibly spurred by his own experience as a local official, he was the mayor of the city of Vinnytsia from 2006 until he joined Poroshenko's government in 2014. He has even written scholarly articles that extoll the benefits decentralization reform.¹⁹⁶

In sum, the first major success of decentralization reform is that it is actually proceeding and according to experts, "Generally, the reform is now perceived as irreversible."¹⁹⁷

¹⁹⁴ "Decentralization and the reform of local self-governance". February 27, 2018. Raw data. Page 33.

Survey conducted by Kyiv International Institute of Sociology (KIIS) in October-December 2017 on the request of Council of Europe Program "Decentralization and territorial consolidation in Ukraine" in cooperation and coordination with the Council of Europe experts, experts on local self-governance and the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine (MinRegion).

¹⁹⁵ Про проект. Accessed April 17, 2018. <https://www.roshen.com/sotsialni-proekty/kulturno-sotsialni/fontan-u-vinnytsi/pro-proekt>.

¹⁹⁶ Groysman, Volodymyr. "Processes Centralization and Decentralization in Contemporary Public Administration." *Державне управління та місцеве самоврядування*, УДК35, 2, no. 25 (May 19, 2015): 26-37.

[https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKewjItbemjdjaAhUD0YMKHX_gBRwQFghBMAM&url=http://www.dridu.dp.ua/vidavnictvo/2015/2015_02\(25\)/5.pdf&usg=AOvVaw2NYVIbuGsukEqAGi7bXB27](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKewjItbemjdjaAhUD0YMKHX_gBRwQFghBMAM&url=http://www.dridu.dp.ua/vidavnictvo/2015/2015_02(25)/5.pdf&usg=AOvVaw2NYVIbuGsukEqAGi7bXB27).

¹⁹⁷ Volodymyr Udovychenko et al., "Decentralization Reform in Ukraine: Assessment of the Chosen Transformation Model," *European Spatial Research and Policy* 24, no. 1 (September 01, 2017): 38, accessed January 30, 2018, doi:10.1515/esrp-2017-0002.

Institutional Changes

One of the most important benefits of decentralization reform is that it has reshaped relationships among different levels of government. A report on decentralization asserts that the relationship “between national authorities and the amalgamated territorial communities have gradually been transformed from subordination to partnership, and become more pragmatic.”¹⁹⁸ For one, it removed the opaque budget negotiation process that previously allowed for corrupt behavior. Secondly, it removed substantial amounts of the national budget from the discretion of oligarchic elites in Kyiv or in regional governments. It also means that these funds “pass through fewer hands - and end up in fewer pockets - before returning to the people.”¹⁹⁹ Third, it reduces the informal influence that the capital’s networks can exert on the local level to further their own agenda because it “leaves no room for the centralized use of ‘administrative resources’ during elections and corruption during resource allocation.”²⁰⁰ Fourth, it reduces corrupt relations between business interests and public officials by streamlining the process of obtaining permits or licenses and also by incentivizing the formalization of local business due to the excise tax. Finally, the reform creates better local business environments as well as intercommunity cooperation, thereby helping to modernize the economy. This has the potential to stimulate Ukraine’s economic development, which along with improved public services, can reduce the economic pressures that force so many Ukrainians to turn to informal networks to weather crises.

The persistence of oligarchic elites controlling the highest levers of power in Ukraine is partially the result of the lack of serious alternatives. Decentralization reform also creates a

¹⁹⁸ International Alert and UCIPR, *Decentralisation in Ukraine*, 8.

¹⁹⁹ Bila, Yuliya. "Decentralize or Perish." *Foreign Policy*. April 14, 2015. Accessed April 16, 2018. <http://foreignpolicy.com/2015/04/14/decentralize-or-perish-ukraine-kyiv-russia/>.

²⁰⁰ International Alert and UCIPR, *Decentralisation in Ukraine*, 8.

growing number of empowered and accountable political leaders that may eventually fill parliamentary seats, without belonging to a network or clan. This new cadre of local elites can eventually compete for power with the oligarchic national elites.

Additionally, accountability at the local level is in theory more possible, which in the long-term can also reduce levels of corruption. While data on corruption on national versus local level has been difficult to find, anecdotal evidence indicates that this has been true in Ukraine. My observations of a Facebook discussion board of one Ukrainian village in the Vasilkiv *rayon* over the course of at least one year indicates increased public monitoring of local budgets and council decisions. As these are now available online, group members have scrutinized what they found to be suspicious transactions or self-interested acts. This village is not part of an amalgamated community, but nonetheless there has been an increase in civic engagement and vocal citizens of the village have been working to take advantage of the decentralization reforms that apply to it. Moreover, less powerful and well-connected officials are less able to avoid prosecution for corrupt behavior. Case-in-point, the head of this village was recently charged by regional prosecutors for exacting bribes for the sale of public land's earth.

As the above anecdote suggests, e-governance can be a helpful tool in increasing accountability, and this includes online asset declarations. These are publicly available and required for all government officials. The details of a local official's assets have become another object of scrutiny by local citizens. For example, one can view the declared assets of even the officials that participated on the reality TV show; their real estate, bank accounts, and other belongings of their family are available for review. Of course some national elites have developed strategies to obfuscate the full extent of their wealth. Yet local officials are less able to hide their prosperity from the community in which they live and unlawful omissions can be more

easily flagged. Research on the impact of asset declarations on municipal elections in Russia suggests that they are correlated with lower corruption largely because corrupt individuals are less willing to run for public office if they have to file asset declarations.²⁰¹ Therefore, online asset declarations not only give communities an opportunity to hold their public officials accountable, they deter entering and using the public sphere for self-enrichment in the first place.

The changes brought by decentralization reform have completely reshaped the institutional organization of the country. The political unit of amalgamated communities creates more independent local officials and deprives national elites of local endpoints of their informal networks. Growing governance efficiency and accountability at the local level raises expectations of citizens, making it possible for them to more effectively demand the same from their national leaders.

Societal Changes

The potential of decentralization reform to reduce corruption, more than anything else, rests on the societal changes it creates. This has been the argument of academic literature, the aim of Western donors, and the belief of Ukrainian reformers. It changes the relationship between citizens and the state and it also stimulates greater trust and participation of civil society. As a result, more empowered citizens, with the support of strengthened activists and NGOs are then more able to hold public officials accountable, at the local and national levels. There are indications that this process has already begun.

Decentralization uproots the deeply embedded Soviet legacies of paternalism. In an op-ed, Yulia Bila argues that “this paternalism has nurtured a ruthless oligarch-politician class

²⁰¹ Szakonyi, David. "Anti-Corruption Campaigns and Political Selection: Evidence from Russia." *SSRN Electronic Journal*, March 21, 2018. Accessed April 10, 2018. doi:10.2139/ssrn.3101123.

which has succeeded in exploiting public institutions to achieve private gain.”²⁰² The amalgamation component of decentralization reform has been especially key in this process. In an article by four reformers that designed an amalgamation plan for the Kyiv *oblast*, the authors discuss the many problems of the voluntary model versus an expert-designed one. Despite the numerous issues, they ultimately conclude that, “The voluntary model proved to be quite useful in awakening civic initiatives and people’s direct interest in territorial development” and further, “the reform establishes [a] fundamentally new relationship between government and society.”²⁰³ Similarly, Jarábik and Yesmukhan report that there is already anecdotal evidence that citizens of amalgamated communities are more politically engaged in local affairs.²⁰⁴

The proliferation of engaged and empowered citizens, used to holding their local officials accountable and seeing the benefits in their daily lives, will be more capable of demanding the same of their national government. Just as the institutional changes create more competent public officials capable of influencing national politics, these societal changes create a more competent electorate. Although only little over a half of the envisioned amalgamated communities have been created so far, “The system of governance under which the country lived even two years ago, is now history.”²⁰⁵

²⁰² Bila, "Decentralize or Perish."

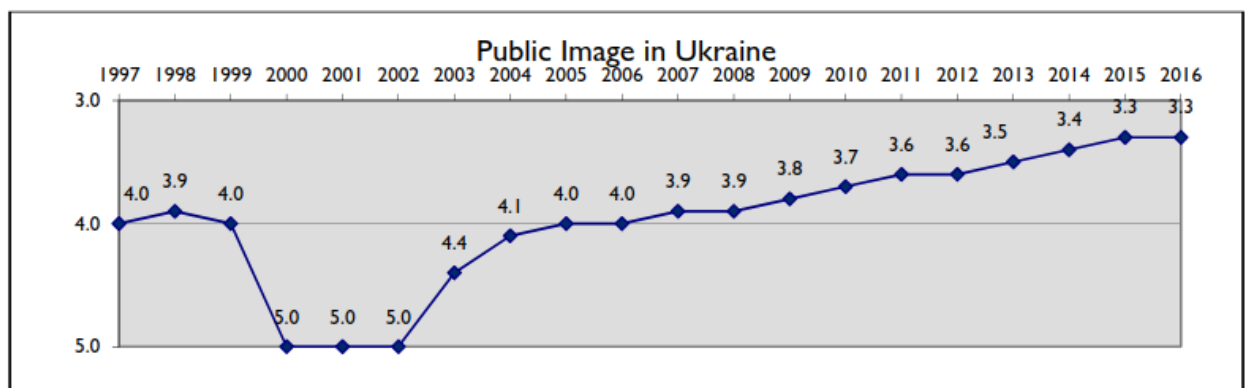
²⁰³ Udovychenko et al., "Decentralization Reform in Ukraine," 38.

²⁰⁴ Jarábik and Yesmukhanova, "Ukraine's Slow Struggle for Decentralization," 5.

²⁰⁵ Кузуб, Віктор. "П'ять проблем децентралізації, або Як стати господарем у своєму місті." Українська правда - новини онлайн про Україну. November 16, 2017. Accessed April 16, 2018. <https://www.pravda.com.ua/columns/2017/11/16/7162180/>.

Civil Society

Another important societal change has been the population's changed relationship with civil society and the latter's steady growth. This is a very important development since "any successful decentralization reform will require strong civil society involvement in oversight of local governance."²⁰⁶ As mentioned previously, the coercive nature of civic participation in the Soviet era, created a great deal of mistrust toward civil society organizations (CSOs) after independence. As the graph below shows, the public image of CSOs has improved dramatically and continues its steady climb.



Source: *The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, 247.

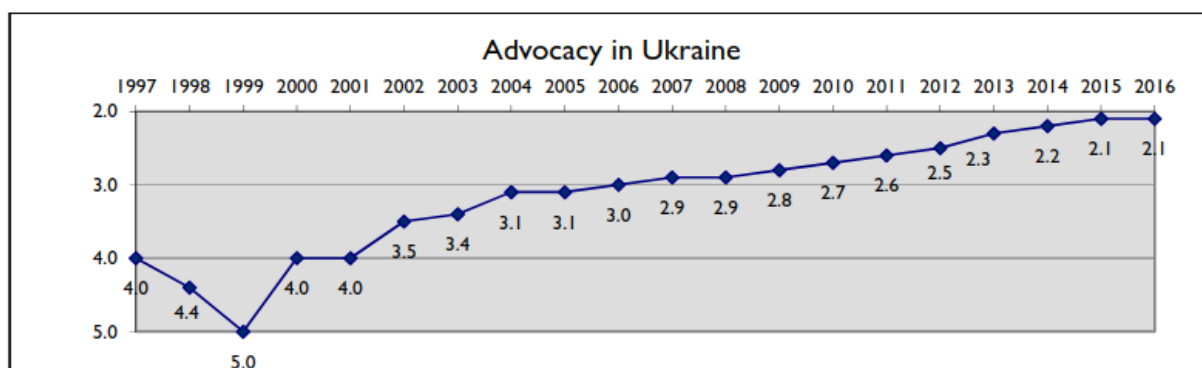
This improvement is undoubtedly due to the burst of civic participation in the Orange Revolution, and even more so from the experience of the Maidan revolution. This attitude shift is also reflected in a recent poll, which shows high levels of public approval for NGOs, volunteers, and neighborhood associations.²⁰⁷ Ukrainian citizens are no longer extremely wary of CSOs and are more supportive of their work. There is still much progress to be made in terms of translating this into greater membership numbers and public financing of NGOs, but nonetheless, this

²⁰⁶ Roberts and Fisun, *Local Governance And Decentralization Assessment*, 5.

²⁰⁷ International Republican Institute. "Fourth Annual Ukrainian Municipal Survey, 20 January – 10 February, 2018". March 22, 2018. Raw data. Slides 188-192.

approval of civil society greatly empowers organizations to lobby and monitor the government for accountability.²⁰⁸ Stewart and Dollbaum find that “Overall, general trust in civil society organizations is growing and so is their mandate to monitor the state.”²⁰⁹

Fortunately, civil society is now more capable of fulfilling this mandate. The power of civil society in Ukraine has been growing steadily after an extremely low point in the 90s, as the graph below shows.²¹⁰



Source: *The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, p. 245²¹¹

According to USAID, “Civil society continues to be one of the strongest actors in Ukraine’s democratic transition.”²¹² What’s more, the report finds that “Cooperation between governments and CSOs markedly improved in 2016.”²¹³ It points out that Groysman not only held meetings with leading NGOs to get their input on the state agenda and draft budget, he also “instructed

²⁰⁸ Susan Stewart and Jan Matti Dollbaum, "Civil Society Development in Russia and Ukraine: Diverging Paths," *Communist and Post-Communist Studies* 50, no. 3 (September 2017): 210, accessed April 9, 2018, doi:10.1016/j.postcomstud.2017.08.001.

²⁰⁹ Ibid., 218.

²¹⁰ *The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, report, United States Agency for International Development Bureau for Europe and Eurasia Technical Support Office (TSO), Democracy and Governance (DG) Division, 20th ed. (July, 2017), 245, accessed April 9, 2018, https://www.usaid.gov/sites/default/files/documents/1866/CSOSI_Report_7-28-17.pdf.

²¹¹ USAID, *The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, 245.

²¹² Ibid., 241.

²¹³ Ibid., 245.

other Cabinet members to set up similar meetings.”²¹⁴ In addition to increased cooperation, civil organizations have also been effective in their oppositional activities. These efforts have been particularly successful when coordinated with Western governments and organizations, to exert pressure on the government to push forward or prevent the rollback of reform.²¹⁵ The previously mentioned activist outcry to the attack on NABU independence, along with Western pressure, prevented the weakening of this anti-corruption institution.

An important development alongside the more empowered, and politically engaged civil society is its increasing presence on the local level. Writing early in the reform process, Yulia Bila predicted that “Civil society activism - currently concentrated around the decision-making nodes of the capital - could finally begin to develop across the rest of Ukraine.”²¹⁶ In just the three years since that article was written, this process has already begun. According to Stewart and Dollbaum (2017), the post-Maidan politically active role of NGOs has been particularly engaged on the local level. Even in 2011, during the Yanukovich presidency, 80% of polled NGOs reported that they saw major improvements in their work with local government authorities (only 25% reported the same for the national authorities).²¹⁷ Moreover, a growing share of NGO funds are coming from local donors such as citizens, businesses, and foundations.²¹⁸ Some civic organizations campaigned for improved provision of public services

²¹⁴ Ibid., 245.

²¹⁵ Beyerle, Shaazka, and Miranda Rivers. "To Curb Corruption and Violence, the 'Sandwich' Effect." United States Institute of Peace. November 08, 2017. Accessed April 16, 2018. <http://www.usip.org/blog/2017/11/curb-corruption-and-violence-sandwich-effect>.

²¹⁶ Bila, "Decentralize or Perish."

²¹⁷ *The 2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, report, United States Agency for International Development Bureau for Europe and Eurasia Office of Democracy, Governance and Social Transition, 15th ed., 215, accessed April 16, 2018, http://cesd.az/new/wp-content/uploads/2011/05/2011CSOSI_Index_complete.pdf.

²¹⁸ USAID, *The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, 244.

that local authorities now provide. As a result of these efforts, “Local authorities learned how to improve the quality of and better utilize limited funds for administrative services.”²¹⁹ Probably unaccustomed to working on the local level, their local advocacy in 2016 was still “weak and not-well organized.”²²⁰ Nonetheless, the increased trust and support of civil society on the local level, along with greater demand for their capacity to “control the actions of political authorities,” can further translate into increased accountability of local governments.²²¹

As noted previously, low institutional trust begets corruption, which begets low institutional trust; creating a vicious cycle.²²² Although decentralization reform does not directly touch national politics (towards which there is an overwhelming amount of distrust), on the local level, it reduces the cynicism and apathy toward government authority. It increases trust. The experience of improved, more efficient, more transparent, and more accountable governance in their daily lives, gives citizens the tools, engagement, and optimism needed to build a better government also at the national level. It can be the end to a self-fulfilling prophecy that all governance is corrupt and doesn’t represent the interests of its citizenry.

Challenges and Dangers

The rosy assessment of decentralization reform is not to say that it is a panacea for corruption, or that it doesn’t face obstacles and pose risks. For starters, its positive effects are part of a long-term process, meaning that the prevalence of grand corruption, which is so costly in a multitude of ways, will continue for some time. Further, the reform has not been completed

²¹⁹ Ibid., 246.

²²⁰ Ibid., 246.

²²¹ Stewart and Dollbaum, “Civil Society Development in Russia and Ukraine,” 217.

²²² See note number 68 on page 16.

and the lack of constitutional force makes it vulnerable to attack. Additionally, it does not go far enough, other subnational tiers are highly centralized, and in turn are also highly dependent on the center. The president appoints *oblast* governors and this capability can be used to reward cronies with a cushy government position.

Elite resistance, both at the national and the regional level, harm the reform progress. For example, national elites seem to be undermining it with the 2018 federal budget, which shifts a great deal of expenses to local budgets. According to one lawmaker, “They will just fail to cope with them.”²²³ In another example, in a recent forum on decentralization the moderator reported that one of the biggest obstacles to the reform is “unimaginable, sometimes even despotic, opposition from the central government.”²²⁴ Naturally, the oligarchic national leaders are loathe to lose their power over budgets and resources.

There is also resistance on the regional level. To give one example, Zakarpat’ska *oblast* has the lowest amount of amalgamated communities (six), though it is not for the lack of trying by communities. Applications for amalgamation are being rejected, and some believe that more villages and towns don’t join the amalgamation processes due to pressure from the regional government. The governor, Gennadiy Moskal, has publicly railed against decentralization reform as unconstitutional, and as an attempt to rob and dismantle the regional government by “so-called reformers”.²²⁵ The MinRegion was petitioned to intervene and they have been publicly

²²³ Romanyshyn, Yuliana. "Budget 2018: Realistic, but Comes with Some Downsides." KyivPost. December 9, 2017. Accessed April 17, 2018. <https://www.kyivpost.com/ukraine-politics/budget-2018-realistic-comes-downsides.html>.

²²⁴ "На Форумі у Львові стан місцевого самоврядування в Україні." YouTube. March 24, 2018. Accessed April 16, 2018. <https://www.youtube.com/watch?v=UBYnMfwid-o>.

Transcribed and translated remarks begin at 2:00.

²²⁵ Когутич, Тетяна. "Москаль і "псевдореформатори". Біла пляма на карті децентралізації." Новини Укрінформ. February 26, 2018. Accessed April 17, 2018. <http://www.ukrinform.ua/rubric-regions/2410935-moskal-i-psevdoreformatori-bila-plama-na-karti-decentralizacii.html>.

increasing the pressure on Moskal to stop hindering the reform. Recently, their monitoring data calls out the oblast specifically and projects a loss of 1.5 million hryvnia in would-be subsidies had more amalgamation proceeded. This was then reported in local news, which may give citizens and civic organizations the fuel to exert more pressure on Moskal.²²⁶

Additionally, while amalgamation has been proceeding, there is some opposition to it even at the local level, both from citizens and local elites. There is still a high degree of ignorance and misinformation about the reform, which exacerbates citizens' fears about its implications and makes them vulnerable to manipulation. Some of the most common myths are that amalgamation will mean the elimination of some social infrastructure facilities, that the constituent councils of villages will not be represented in the new local-government, that access and quality of administrative services will suffer, and that local officials will derelict on their new duties.²²⁷ In addition, there are some citizens who felt that the amalgamation process was not voluntary because it was undertaken by local elites without advance notice and their input.²²⁸ Additionally, the support for amalgamation is highly dependent on whether their own village or town becomes the new center of the amalgamated community.²²⁹

Another important aspect of decentralization that has been held up is the creation of the institution of "prefects" which were included in the failed constitutional amendments. These would have been highly trained civil servants, appointed by the president, whose role would be to monitor the decisions of local governments to ensure they abide by federal laws. This reform

²²⁶ "Через деструктивну позицію Москаля Закарпаття не отримало 1,5 млрд гривень лише інфраструктурної дотації для ОТГ - РВ АМУ." Закарпаття онлайн. March 4, 2018. Accessed April 17, 2018. <http://zakarpattya.net.ua/News/179389-Cherez-destruktyvnu-pozytsiiu-Moskalia-Zakarpattia-ne-otrymalo-15-mlrd-hryven-lyshe-infrastrukturnoi-dotatsii-dlia-OTH---RV-AMU>.

²²⁷ International Alert and UCIPR, *Decentralisation in Ukraine*, 10.

²²⁸ Ibid., 17.

²²⁹ "Decentralization and the reform of local self-governance". February 27, 2018. Raw data. 11-12.

has been resisted because opposition parties view it as an attempt by President Poroshenko to increase his influence at the local level. While this is certainly a valid concern and understandable in light of recent experience with a centralizing president, this is a necessary component to ensure that local officials are not establishing local fiefdoms and engaging in corrupt behavior. It is possible to design this position with reduced dependence on the president, if Poroshenko is willing to concede greater influence and the parliamentary opposition is willing to undertake an effort that would enhance decentralization reform.²³⁰ This willingness to compromise is currently absent, and the approaching 2019 elections make it increasingly less likely. The institution of prefects has also become another point of misinformation for some local citizens who are not well-informed about the scope of *prefect* powers; a participant in a study argued that if created, “With the appearance of prefects, decentralization is gradually turning into centralization.”²³¹ Opposition parties looking to score political points are certainly motivated to continue blocking this institution and to propagate myths about its nature.

An important factor in the continued progress and support of the reform will be sustained political will in the national government and sustained commitment by Western donors. Given that decentralization has been the pet project of Groysman and is greatly enabled by his strong influence on the Ministry he used to head, MinRegion; much rests on his political future. As a Poroshenko guy, he has little chance of staying in his position if someone else wins in 2019, and recent polling indicates that this is a highly likely scenario.²³² In addition, while Western donors have shown a high degree of commitment to the reform, this is also not a given. A recent trend in

²³⁰ Demchyshak, Shvets, and Mamchuk, "The Decentralization and Directions," 31.

²³¹ International Alert and UCIPR, *Decentralisation in Ukraine*, 17.

²³² Melkozerova, Veronika. "Poroshenko Comes in 4th Place in Presidential Poll." KyivPost. March 20, 2018. Accessed April 17, 2018. <https://www.kyivpost.com/ukraine-politics/poroshenko-comes-4th-place-presidential-poll.html>.

Europe has been “Ukraine fatigue” as a result of frustration with the stalling of reform on corruption, this has already translated into abandonment of some initiatives, such as the 36-million-dollar EU-led border checkpoint project.²³³ Western support of the reform is necessary not only for the trust it lends to the process, but also for the immense resources and knowhow it provides. Local self-governments sorely need the expertise, training, and resources of Western donors to improve the capacity of *hromadas* in fulfilling their newfound rights and responsibilities.

Along with the risk of losing the support of Ukraine’s Western neighbors, Ukraine’s Eastern neighbor is another complicating factor for the reform. The unwise decision to package decentralization reforms with those of Minsk agreements’ federalization reforms, led to a confusion between the two concepts, making it easier to manipulate public opinion if the reform is seen as fragmenting the nation. Putin himself seems to have recognized this and has been intentionally mixing the terms in his statements to imply their equivalence. In a 2014 interview he says, “We must have understanding what all of these concepts imply: decentralization, federalization and regionalization. Dozens of new terms could be coined.”²³⁴ In another instance, Putin said, “People in the eastern regions are talking about federalization, and Kiev has at long last started talking about de-centralization,” as if the two processes are the same.²³⁵ Ukrainian citizens in the East who watch Russian media are especially vulnerable to this misinformation. It

²³³ Vasina, Olena. "Exclusive: EU Scraps Border Projects as 'Ukraine Fatigue' Grows." Reuters. February 20, 2018. Accessed April 18, 2018. <https://www.reuters.com/article/us-ukraine-eu-grants-exclusive/exclusive-eu-scraps-border-projects-as-ukraine-fatigue-grows-idUSKCN1G41GT>.

²³⁴ "Putin Says He Supports Federalization of Ukraine." UNIAN Information Agency. November 17, 2014. Accessed April 17, 2018. <https://www.unian.info/politics/1010147-putin-says-he-supports-federalization-of-ukraine.html>.

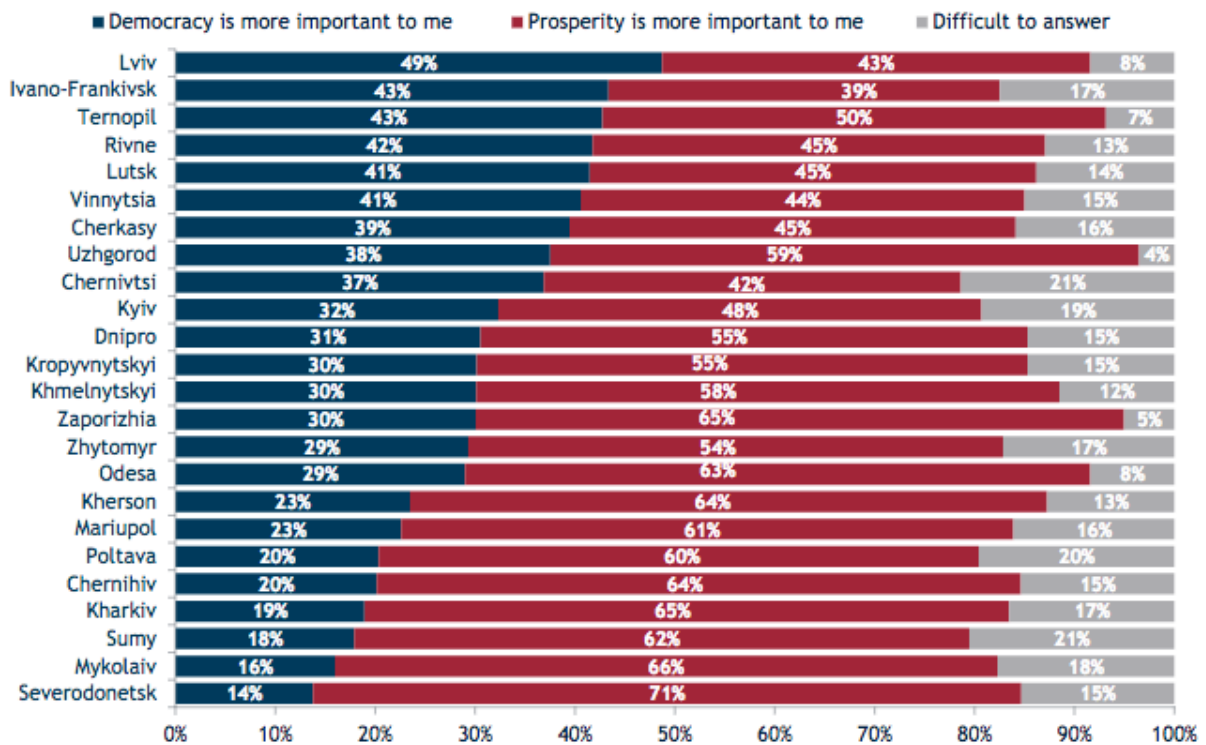
²³⁵ "Transcript: Vladimir Putin's April 17 Q&A." The Washington Post. April 17, 2014. Accessed April 17, 2018. https://www.washingtonpost.com/world/transcript-vladimir-putins-april-17-qanda/2014/04/17/ff77b4a2-c635-11e3-8b9a-8e0977a24aeb_story.html?utm_term=.bce312f5e89d.

is certainly not in Putin's best interests that Ukraine successfully complete this reform and reap its benefits. For one, it contrasts starkly with the autocratic power vertical he built in Russia. And secondly, it is not in his interests that Ukraine finally tackle its problem of corruption.

Kleptocracy is Russia's top export after energy, and a powerful tool of influence. If the citizens of Russia saw that post-Soviet oligarchic elites were capable of being dislodged from the state, they might call for the same in their own country.

Finally, social attitudes formed over such a long period are difficult to change and paternalistic attitudes are still very prevalent. The sphere of politics is still considered the purview of rich elites with connections. I have had personal encounters with this mindset. In a recent taxi ride in Kyiv, the driver upon learning that I study international relations asked me "Why? Are you a deputy's daughter?" Moreover, he was unfamiliar with decentralization reform but instinctively reacted with cynicism and distrust; when I informed him of its general process, he exclaimed, "It will never happen! *They* will never give up power!" Moreover, as the following disheartening poll shows, economic growth is still valued more than democracy.

If you could have only one or the other, which is more important to you: a democratic system of government or a prosperous economy?



Source: International Republican Institute. "Fourth Annual Ukrainian Municipal Survey, 20 January–10 February, 2018". March 22, 2018. Raw data. Slide 18.

These results suggest that many might prefer a benevolent autocracy or oligarchy to the unpredictability and messiness of self-rule. To be fair though, recent developments in the West show how economic anxieties can translate into the rise of populist and autocratic sentiment even in the wealthiest and oldest democracies. Additionally, the local self-governance that decentralization reform brings is much more true to democratic values than the experience of hybrid democracy Ukrainians have lived with since independence. The reform can change the way democracy is perceived and valued.

Conclusion

As was expected, the impact of decentralization on levels of corruption in Ukraine is nuanced and highly dependent on its context. The context, however, is fairly conducive to making positive changes in the long term. Specifically, the corruption in Ukraine is in large part an outgrowth of its overly centralized political system, which not only gives self-interested elites a monopoly on power and wealth, but also keeps the citizenry in a state of disillusioned, cynical, political apathy. Decentralization not only weakens this oligarchic grip through institutional changes, it fosters the empowerment of local officials, civic, and civil society through societal changes.

Given this great potential, Ukraine cannot afford to abandon the reform, or in the words of Yuliya Bila, it must “Decentralize or perish.”²³⁶ The failure to tackle its corruption not only has stark implications for its citizens who have demonstrated a willingness to revolt twice in one decade, but also for the international community. As recent scandals surrounding Paul Manafort show, corrupt networks don’t respect state borders. As the downing of flight MH17 shows, state weakness and conflict also spill over borders. A botched decentralization effort and continued growth of corruption would not only alienate much needed allies, but would make Ukraine more vulnerable to aggression and manipulation by the Kremlin. This scenario would be a complete betrayal of the Maidan hopes and sacrifices that brought the current elites to power.

It is too soon to assert that decentralization reform has reduced corruption because it is still ongoing and vulnerable to rollback. The realization of its great potential is not yet assured. Additionally, decentralization reform alone is unlikely to reduce the informality pervading the country (particularly without judicial reform, establishment of anti-corruption court, and continued independence of anti-corruption agencies). However, the institutional and societal

²³⁶ Bila, "Decentralize or Perish," title.

changes it has already created, have already touched millions of Ukrainian citizens and redefined their relationship with governance. The resulting empowerment and growing expectations of accountability enable civil society, with the support of citizens and international allies, to not only defend existing anti-corruption efforts, but to push for more. Sixty-three newly amalgamated communities will be holding their first elections later this month, thus beginning their first experience of effective self-governance at the local level and possibly someday, on the national level. Because as the saying goes, “All politics is local.”

Bibliography

Different Forms of Decentralization. Accessed March 28, 2018.

http://www.ciesin.org/decentralization/English/General/Different_forms.html.

World Bank Group - The Worldwide Governance Indicators (WGI). Accessed April 12, 2018.

<http://info.worldbank.org/governance/wgi/index.aspx#home>.

Про проект. Accessed April 17, 2018. <https://www.roshen.com/sotsialni-proekty/kulturno-sotsialni/fontan-u-vinnytsi/pro-proekt>.

International Republican Institute. "Public Opinion Survey Residents of Ukraine March 14 – 26, 2014". April 5, 2014. Raw data.

The survey was conducted by the public opinion and market research company Baltic Surveys/The Gallup Organization on behalf of the International Republican Institute. The field work was carried out by Rating Group Ukraine. The survey was funded by USAID.

International Republican Institute. "Fourth Annual Ukrainian Municipal Survey, 20 January – 10 February, 2018". March 22, 2018. Raw data.

The survey was conducted by Rating Group Ukraine on behalf of the Center for Insights in Survey Research. This survey was funded by the National Endowment for Democracy. The previous three surveys were funded by the Government of Canada.

"Decentralization and the reform of local self-governance". February 27, 2018. Raw data.

Survey conducted by Kyiv International Institute of Sociology (KIIS) in October-December 2017 on the request of Council of Europe Program "Decentralization and territorial consolidation in Ukraine" in cooperation and coordination with the Council of Europe experts, experts on local self-governance and the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine.

About the Source Euromaidan Press Staff. "Ukrainians Commemorate Heaven's Hundred Heroes Massacred Three Years Ago on Euromaidan." Euromaidan Press. February 19, 2017.

Accessed April 12, 2018. <http://euromaidanpress.com/2017/02/18/ukrainians-commemorates-heroes-of-heavens-hundred-killed-three-years-ago-in-euromaidan-massacre/>.

Aliyev, Huseyn. When Informal Institutions Change: Institutional Reforms and Informal Practices in the Former Soviet Union. Ann Arbor: University of Michigan Press, 2017.

"Anti-graft Prosecutor Tipped off Probe Targets on Upcoming Raids, NABU Director Claims." UNIAN Information Agency. March 30, 2018. Accessed April 13, 2018.

https://www.unian.info/politics/10063037-anti-graft-prosecutor-tipped-off-probe-targets-on-upcoming-raids-nabu-director-claims.html?utm_source=unian&utm_medium=related_news&utm_campaign=related_news_in_post.

- Barry, Ellen. "Former Ukraine Premier Is Jailed for 7 Years." *The New York Times*. October 11, 2011. Accessed April 11, 2018. <https://www.nytimes.com/2011/10/12/world/europe/yulia-tymoshenko-sentenced-to-seven-years-in-prison.html>.
- Beyerle, Shaazka, and Miranda Rivers. "To Curb Corruption and Violence, the 'Sandwich' Effect." *United States Institute of Peace*. November 08, 2017. Accessed April 16, 2018. <http://www.usip.org/blog/2017/11/curb-corruption-and-violence-sandwich-effect>.
- Bila, Yuliya. "Decentralize or Perish." *Foreign Policy*. April 14, 2015. Accessed April 16, 2018. <http://foreignpolicy.com/2015/04/14/decentralize-or-perish-ukraine-kiev-russia/>.
- Bjørnskov, Christian, Axel Drehe, and Justina A.v. Fischer. "On Decentralization and Life Satisfaction." *Economics Letters* 99, no. 1 (April 2008): 147-51. Accessed March 27, 2018. doi:10.1016/j.econlet.2007.06.016.
- Braun, Joachim Von, and Ulrike Grote. "Does Decentralization Serve the Poor?" *IMF Conference on Fiscal Decentralization*, November 2000, 68-96. Accessed March 28, 2018. doi:10.4324/9780203219997_chapter_4.
- Braun, Joachim Von, and Ulrike Grote. "Does Decentralization Serve the Poor?" *IMF Conference on Fiscal Decentralization*, November 2000, 1-31. Accessed March 28, 2018. doi:10.4324/9780203219997_chapter_4.
- Chang, Eric C. C., and Shih-hao Hunang. "Corruption Experience, Corruption Tolerance, and Institutional Trust in East Asian Democracies." *Taiwan Journal of Democracy* 12, no. 1 (July 2016): 27-44. Accessed March 29, 2018.
- "Children's Dream Comes True in 48 Hours: How Decentralization Changes Lives in Ukraine." *Ukraine Crisis Media Center*. April 7, 2018. Accessed April 16, 2018. <http://uacrisis.org/65962-decentralization-changes-lives>.
- Cho, Wonbin, and Matthew F. Kirwin. "A Vicious Circle of Corruption and Mistrust in Institutions in Sub-Saharan Africa: A Micro-level Analysis." *Afrobarometer Working Papers* 71 (September 2007). Accessed March 29, 2018.
- Cooper, Alex. "Organized Crime and Corruption Reporting Project." *Ukraine Inches Closer to Adopting Anti-corruption Court Law*. March 5, 2018. Accessed April 13, 2018. <https://www.occrp.org/en/daily/7726-ukraine-inches-closer-to-adopting-anti-corruption-court-law>.
- "Corruption in the Everyday Lives of Ukrainians: For What Do We Give Bribes? To Whom and Why?" *Ilko Kucheriv Democratic Initiatives Foundation*. October 31, 2017. Accessed April 10, 2018. <http://dif.org.ua/en/article/corruption-in-the-everyday-lives-of-ukrainians-for-what-do-we-give-bribes-to-whom-and-why>.

International Alert, and Ukrainian Center for Independent Political Research. Decentralisation in Ukraine: Achievements, Expectations and Concerns. 978-1-911080-58-9. 2017. 1-24.

This document has been produced with the financial assistance of the European Union through International Alert. The contents of this document are the sole responsibility of International Alert and UCIPR and can in no way be taken to reflect the views of the European Union.

"Decentralisation Is Poroshenko's Biggest Reform Success - Poll." Bne IntelliNews. March 23, 2018. Accessed April 16, 2018. <http://www.intellinews.com/decentralisation-is-poroshenko-s-biggest-reform-success-poll-138803/>.

Demchyshak, Nazar B., Mariia B. Shvets, and Viktoriia V. Mamchuk. "The Decentralization and Directions of Strengthening the Local Government in Ukraine in View of Foreign Experience." *Biznes Inform* 6, no. 473 (2017): 27-32. Accessed March 22, 2018.

Dimant, Eugen. "The Antecedents and Effects of Corruption - A Reassessment of Current (Empirical) Findings." Munich Personal RePEc Archive, no. 60947 (December 28, 2014). Accessed March 25, 2018. <https://mpira.ub.uni-muenchen.de/60947/>.

Dimant, Eugen, and Thorben Schulte. "Nature of Corruption: An Interdisciplinary Perspective." *German Law Journal* 17, no. 1 (February 1, 2016): 53-72. Accessed March 14, 2018. <http://www.heinonline.org/HOL/Page?handle=hein.journals/germlajo17&div=8>.

Dimant, Eugen, and Guglielmo Tosato. "Causes And Effects Of Corruption: What Has Past Decades Empirical Research Taught Us? A Survey." *Journal of Economic Surveys* 32, no. 2 (January 23, 2017): 335-56. Accessed March 12, 2018. doi:10.1111/joes.12198.

Djankov, Simeon, Elena Nikolova, and Jan Zilinsky. "The Happiness Gap in Eastern Europe." *Journal of Comparative Economics* 44, no. 1 (October 23, 2015): 108-24. Accessed March 26, 2018. doi:10.1016/j.jce.2015.10.006.

"Donor Board on Decentralization Reform in Ukraine." Donors Map. Accessed April 16, 2018. http://donors.decentralization.gov.ua/en/donor_board.

E.V., Transparency International. "Corruption Perceptions Index 2017." [Www.transparency.org](http://www.transparency.org). Accessed March 29, 2018. https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

Engvall, Johan. "License to Seek Rents: "Corruption" as a Method of Post-Soviet Governance." In *Paradox of Power: The Logics of State Weakness in Eurasia*, 73-87. University of Pittsburgh Press, 2017.

Escobar-Lemmon, Maria, and Ashley D. Ross. "Does Decentralization Improve Perceptions of Accountability? Attitudinal Evidence from Colombia." *American Journal of Political Science* 58, no. 1 (January 2014): 175-88. Accessed September 27, 2017. doi:10.1111/ajps.12043.

- "EU, Ukraine Launch Five Projects on Decentralization of Local Government." Ukrinform News. March 9, 2018. Accessed April 16, 2018. <http://www.ukrinform.net/rubric-economy/2418702-eu-ukraine-launch-five-projects-on-decentralization-of-local-government.html>.
- "Fact Sheets on the European Union." The Principle of Subsidiarity | EU Fact Sheets | European Parliament. Accessed April 14, 2018. http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.2.2.html.
- Fan, C. Simon, Chen Lin, and Daniel Treisman. "Political Decentralization and Corruption: Evidence from around the World." *Journal of Public Economics* 93, no. 1-2 (February 2009): 14-34. Accessed March 8, 2018. doi:10.1016/j.jpubeco.2008.09.001.
- Fishwick, Carmen. "'We Were so Naive and Optimistic': Ukraine Euromaidan Protesters Tell Us What's Changed for Them." *The Guardian*. March 04, 2014. Accessed April 12, 2018. <https://www.theguardian.com/world/2014/mar/04/ukraine-crisis-protesters-kiev-euromaidan-independence-square>.
- Fisman, Raymond, and Roberta Gatti. "Decentralization and Corruption: Evidence across Countries." *World Bank Policy Research Working Papers*, no. 28202 (October 1999): 1-19. Accessed February 9, 2018. doi:10.1596/1813-9450-2290.
- Fox, William, and Christine Wallich. "Fiscal Federalism in Bosnia and Herzegovina: Subsidiarity and Solidarity in a Three-Nation State." *Public Finance and Management* 3, no. 4 (2003): 460-504. Accessed March 28, 2018. doi:10.4337/9781781007617.00024.
- Galushko, Vladyslav, and Yaryna Zhurba. "Ukraine Needs Decentralization, Done Right." *Open Society Foundations*. October 15, 2014. Accessed February 12, 2018. <https://www.opensocietyfoundations.org/voices/ukraine-needs-decentralization-done-right>.
- Goel, Rajeev K., and Michael A. Nelson. "Economic Freedom Versus Political Freedom: Cross-Country Influences On Corruption*." *Australian Economic Papers* 44, no. 2 (June 2005): 121-33. Accessed March 27, 2018. doi:10.1111/j.1467-8454.2005.00253.x.
- Goel, Rajeev K., Ummad Mazhar, Michael A. Nelson, and Rati Ram. "Different Forms of Decentralization and Their Impact on Government Performance: Micro-level Evidence from 113 Countries." *Economic Modelling* 62 (April 2017): 171-83. Accessed March 6, 2018. doi:10.1016/j.econmod.2016.12.010.
- Groysman, Volodymyr. "Processes Centralization and Decentralization in Contemporary Public Administration." *Державне управління та місцеве самоврядування, УДК35*, 2, no. 25 (May 19, 2015): 26-37. [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKEwjItbemjdjaAhUD0YMKHX_gBRwQFghBMAM&url=http://www.dridu.dp.ua/vidavnictvo/2015/2015_02\(25\)/5.pdf&usg=AOvVaw2NYVIbuGsukEqAGi7bXB27](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKEwjItbemjdjaAhUD0YMKHX_gBRwQFghBMAM&url=http://www.dridu.dp.ua/vidavnictvo/2015/2015_02(25)/5.pdf&usg=AOvVaw2NYVIbuGsukEqAGi7bXB27).

- Habibov, Nazim, Elvin Afandi, and Alex Cheung. "Sand or Grease? Corruption-institutional Trust Nexus in Post-Soviet Countries." *Journal of Eurasian Studies* 8, no. 2 (June 9, 2017): 172-84. Accessed March 27, 2018. doi:10.1016/j.euras.2017.05.001.
- Habibov, Nazim, Elvin Afandi, and Alex Cheung. "Sand or Grease? Corruption-institutional Trust Nexus in Post-Soviet Countries." *Journal of Eurasian Studies* 8, no. 2 (July 2017): 172-84. Accessed March 27, 2018. doi:10.1016/j.euras.2017.05.001.
- Hale, Henry E. *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective*. Cambridge: Cambridge University Press, 2014.
- Halushka, Olena. "[Opinion] Ukraine's Fight against Corruption Has Started to Work." *EUobserver*. February 12, 2018. Accessed April 13, 2018. <https://euobserver.com/opinion/140946>.
- Hankla, Charles R. "When Is Fiscal Decentralization Good for Governance?" *Publius: The Journal of Federalism* 39, no. 4 (November 06, 2008): 632-50. Accessed March 12, 2018. doi:10.1093/publius/pjn034.
- Hanson, Stephen E. "Henry E. Hale, *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective*." *Slavic Review* 75, no. 1 (January 2016): 152-55. Accessed April 11, 2018.
- Haring, Melinda. "Opinion | The Window for Reform Is Closing in Ukraine." *The Washington Post*. July 11, 2017. Accessed April 13, 2018. https://www.washingtonpost.com/news/democracy-post/wp/2017/07/11/the-window-for-reform-is-closing-in-ukraine/?utm_term=.31abd469d975.
- Howard, Marc Morjé. *The Weakness of Civil Society in Post-Communist Europe*. New York: Cambridge University Press, 2003.
- "Innovations in Decentralization: The Very First in Ukraine Mobile Administrative Service Centre Began Operating in Slavuta community with Support of U-LEAD with Europe Programme." *Децентралізація в Україні*. December 1, 2017. Accessed April 16, 2018. <http://decentralization.gov.ua/en/news/7724>.
- Ivanyna, Maksym, and Anwar Shah. "Decentralization and Corruption: New Cross-Country Evidence." *Environment and Planning: Government and Policy* 29, no. 2 (January 2, 2011): 344-62. doi:10.1068/c1081r.
- Jarábik, Balázs, and Yulia Yesmukhanova. "Ukraine's Slow Struggle for Decentralization." *Carnegie Endowment for International Peace*. March 8, 2017. Accessed March 30, 2018. <https://carnegieendowment.org/2017/03/08/ukraine-s-slow-struggle-for-decentralization-pub-68219>.

- Khemani, Stuti. "Decentralization and Accountability: Are Voters More Vigilant in Local than in National Elections?" Policy Research Working Papers, no. WPS2557 (February 28, 2001). Accessed March 6, 2018. doi:10.1596/1813-9450-2557.
- Kotsogiannis, Christos, and Robert Schwager. "On the Incentives to Experiment in Federations." *Journal of Urban Economics* 60, no. 3 (2006): 484-97. Accessed March 20, 2018. doi:10.1016/j.jue.2006.04.008.
- Kudeila, Serhiy. "Corruption in Ukraine: Perpetuum Mobile or the Endplay of Post-Soviet Elites?" In *Beyond the Euromaidan: Comparative Perspectives on Advancing Reform in Ukraine*, 61-79. Stanford University Press, 2016.
- Ledeneva, Alena V. *Russia's Economy of Favours: Blat, Networking and Informal Exchange*. Cambridge: Cambridge University Press, 1999.
- Ledeneva, Alena V. *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business*. Cornell University Press, 2006.
- Lederman, Daniel, Norman Loayza, and Reis Rodrigo Soares. "Accountability and Corruption: Political Institutions Matter." *ECONOMICS AND POLITICS* 17, no. 1 (March 2005): 1-35. doi:10.1596/1813-9450-2708.
- Leff, Nathaniel H. "Economic Development Through Bureaucratic Corruption." *American Behavioral Scientist* 8, no. 3 (November 1, 1964): 8-14. Accessed March 14, 2018. doi:10.1177/000276426400800303.
- Ligthart, Jenny E., and Peter Van Oudheusden. "In Government We Trust: The Role of Fiscal Decentralization." *European Journal of Political Economy* 37 (March 2015): 116-28. Accessed March 12, 2018. doi:10.1016/j.ejpoleco.2014.11.005.
- Local and Regional Government in Ukraine and the Development of Cooperation between Ukraine and the EU. Report. The Aston Center for Europe, Aston University. 2011. Accessed September 13, 2017. DOI: 10.2863/59575.
- Makarenko, Olena. "The Successes and Downfalls of Ukraine's War against Corruption -." Euromaidan Press. July 06, 2016. Accessed April 13, 2018. <http://euromaidanpress.com/2016/07/06/ukrainian-corruption-hunter-investigated-for-corruption/>.
- Makarenko, Olena. "After Year of Empty Promises, Anti-corruption Activists in Ukraine Forced to Declare Assets." Euromaidan Press. April 11, 2018. Accessed April 13, 2018. <http://euromaidanpress.com/2018/04/11/anti-corruption-activists-in-ukraine-forced-to-declare-assets-after-year-of-empty-promises/>.
- Manor, James. *The Political Economy of Democratic Decentralization*. World Bank.

- Maselko, Roman. "The Families of the Heavenly Hundred Heroes Are Shocked with the Supreme Court Selection Results and Demand President to Hold to His Promises." Anti Corruption Action Centre. October 18, 2017. Accessed April 25, 2018. <https://antac.org.ua/en/publications/vthe-families-of-the-heavenly-hundred-heroes-are-shocked-with-the-supreme-court-selection-results-and-demand-president-to-hold-to-his-promises/>.
- Melkozerova, Veronika. "Poroshenko Comes in 4th Place in Presidential Poll." KyivPost. March 20, 2018. Accessed April 17, 2018. <https://www.kyivpost.com/ukraine-politics/poroshenko-comes-4th-place-presidential-poll.html>.
- Miller, Christopher. "Assets On Parade: Ukraine Officials Made To Declare Their Bling." RadioFreeEurope/RadioLiberty. October 31, 2016. Accessed April 13, 2018. <https://www.rferl.org/a/ukraine-assets-declarations-bling-millions-poroshenko-hroysman/28086804.html>.
- Miller, Christopher. "Ukrainian Reform Activists Derail Effort To 'Destroy' Anticorruption Body." RadioFreeEurope/RadioLiberty. December 07, 2017. Accessed April 13, 2018. <https://www.rferl.org/a/ukraine-nabu-imf-world-bank-anti-corruption-efforts-thwarted/28902554.html>.
- Oto-Peralías, Daniel, Diego Romero-Ávila, and Carlos Usabiaga. "Does Fiscal Decentralization Mitigate the Adverse Effects of Corruption on Public Deficits?" *European Journal of Political Economy* 32 (December 2013): 205-31. Accessed March 12, 2018. doi:10.1016/j.ejpoleco.2013.07.005.
- Polityuk, Pavel, and Alessandra Prentice. "Exclusive: Ukraine to Propose New Gas Price Formula to IMF as Reforms Stumble." Reuters. October 06, 2017. Accessed April 13, 2018. <https://www.reuters.com/article/us-ukraine-crisis-reforms-exclusive/exclusive-ukraine-to-propose-new-gas-price-formula-to-imf-as-reforms-stumble-idUSKBN1CB1VN>.
- Prudhomme, Rémy. "The Dangers of Decentralization." *The World Bank Research Observer* 10, no. 2 (August 1995): 201-20. Accessed March 10, 2018. doi:10.1093/wbro/10.2.201.
- "Putin Says He Supports Federalization of Ukraine." UNIAN Information Agency. November 17, 2014. Accessed April 17, 2018. <https://www.unian.info/politics/1010147-putin-says-he-supports-federalization-of-ukraine.html>.
- Richey, Sean. "The Impact of Corruption on Social Trust." *American Politics Research* 38, no. 4 (2010): 676-90. Accessed March 26, 2018. doi:10.1177/1532673x09341531.
- Roberts, Sean R., and Oleksandr Fisun. *Local Governance And Decentralization Assessment: Implications Of Proposed Reforms In Ukraine*. Report. September 3, 2014. Accessed March 30, 2018. https://www.usaid.gov/sites/default/files/documents/1863/LOCAL_GOVERNANCE_ASSESSMENT_FINAL.pdf.

- Romanyshyn, Yuliana. "Budget 2018: Realistic, but Comes with Some Downsides." KyivPost. December 9, 2017. Accessed April 17, 2018. <https://www.kyivpost.com/ukraine-politics/budget-2018-realistic-comes-downsides.html>.
- Seabright, Paul. "Accountability and Decentralisation in Government: An Incomplete Contracts Model." *European Economic Review* 40, no. 1 (1996): 61-89. Accessed March 28, 2018. doi:10.1016/0014-2921(95)00055-0.
- Shah, Anwar. "Corruption and Decentralized Public Governance." World Bank Policy Research, 3824th ser., no. Working Paper (January 2006). Accessed January 15, 2018. ECONIS.
- Shleifer, Andrei, and Robert W. Vishny. "Corruption." *The Quarterly Journal of Economics* 108, no. 3 (August 1993): 599-617. Accessed March 14, 2018. doi:10.2307/2118402.
- "Starosta." Децентралізація в Україні. Accessed April 12, 2018. <http://decentralization.gov.ua/en/starosta>.
- Stewart, Susan, and Jan Matti Dollbaum. "Civil Society Development in Russia and Ukraine: Diverging Paths." *Communist and Post-Communist Studies* 50, no. 3 (September 2017): 207-20. Accessed April 9, 2018. doi:10.1016/j.postcomstud.2017.08.001.
- Sukhov, Oleg. "NABU Chief Says Authorities Foiled All of Bureau's Undercover Operations." KyivPost. December 01, 2017. Accessed April 13, 2018. <https://www.kyivpost.com/ukraine-politics/nabu-chief-says-authorities-foiled-bureaus-undercover-operations.html>.
- Swianiewicz, Paweł. "Poland and Ukraine: Contrasting Paths of Decentralisation and Territorial Reform." *Local Government Studies* 32, no. 5 (November 2006): 599-622. Accessed April 14, 2018. doi:10.1080/03003930600896228.
- Synyak, Dmytro. "Sheriff for Ruske Pole: Dream of Municipal Public Order Guard in Tyachivska AH." Децентралізація в Україні. March 22, 2018. Accessed April 16, 2018. <http://decentralization.gov.ua/en/news/8535>.
- Szakonyi, David. "Anti-Corruption Campaigns and Political Selection: Evidence from Russia." SSRN Electronic Journal, March 21, 2018. Accessed April 10, 2018. doi:10.2139/ssrn.3101123.
- Tanzi, Vito. "Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects." *Annual World Bank Conference on Development Economics*, no. 1995 (January 1995): 295-315.
- The 2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia. Report. United States Agency for International Development Bureau for Europe and Eurasia Office of Democracy, Governance and Social Transition. 15th ed. Accessed April 16, 2018. http://cesd.az/new/wp-content/uploads/2011/05/2011CSOSI_Index_complete.pdf.

The 2016 CSO Sustainability Index for Central and Eastern Europe and Eurasia. Report. United States Agency for International Development Bureau for Europe and Eurasia Technical Support Office (TSO), Democracy and Governance (DG) Division. 20th ed. July, 2017. Accessed April 9, 2018.

https://www.usaid.gov/sites/default/files/documents/1866/CSOSI_Report_7-28-17.pdf.

Tiebout, Charles M. "A Pure Theory of Local Expenditures." *Journal of Political Economy* 64, no. 5 (October 1956): 416-24. Accessed March 11, 2018. doi:10.1086/257839.

"Transcript: Vladimir Putin's April 17 Q&A." *The Washington Post*. April 17, 2014. Accessed April 17, 2018. https://www.washingtonpost.com/world/transcript-vladimir-putins-april-17-qanda/2014/04/17/ff77b4a2-c635-11e3-8b9a-8e0977a24aeb_story.html?utm_term=.bce312f5e89d.

RFE/RL. "Transcript: What Do Melnychenko's Tapes Say About Gongadze Case?" *RadioFreeEurope/RadioLiberty*. April 08, 2008. Accessed April 9, 2018. <https://www.rferl.org/a/1057789.html>.

Treisman, Daniel. "The Causes of Corruption: A Cross-national Study." *Journal of Public Economics* 76, no. 3 (2000): 399-457. doi:10.1016/s0047-2727(99)00092-4.

Treisman, Daniel. *The Architecture of Government: Rethinking Political Decentralization*. Cambridge, UK: Cambridge University Press, 2007.

Tsoukanova, Ania. "President's Millionaire Son Doubles Wealth on Ukraine Rich List." *Daily Monitor*. March 31, 2013. Accessed April 11, 2018. <http://www.monitor.co.ug/News/National/President-s-millionaire-son-doubles-wealth-on-Ukraine-rich-list/688334-1735294-4vpqm4z/index.html>.

Udovychenko, Volodymyr, Anatoliy Melnychuk, Oleksiy Gnatiuk, and Pavlo Ostapenko. "Decentralization Reform in Ukraine: Assessment of the Chosen Transformation Model." *European Spatial Research and Policy* 24, no. 1 (September 01, 2017): 23-40. Accessed January 30, 2018. doi:10.1515/esrp-2017-0002.

"Ukraine Average Monthly Wages 1996-2018 | Data | Chart | Calendar." *Ukraine Average Monthly Wages | 1996-2018 | Data | Chart | Calendar*. Accessed April 13, 2018. <https://tradingeconomics.com/ukraine/wages>.

"Ukrainian Tycoon Rinat Akhmetov Confronts Rebellion." *BBC News*. May 20, 2014. Accessed April 12, 2018. <http://www.bbc.com/news/world-europe-27483719>.

Vasina, Olena. "Exclusive: EU Scraps Border Projects as 'Ukraine Fatigue' Grows." *Reuters*. February 20, 2018. Accessed April 18, 2018. <https://www.reuters.com/article/us-ukraine-eu-grants-exclusive/exclusive-eu-scraps-border-projects-as-ukraine-fatigue-grows-idUSKCN1G41GT>.

"Video Quotes from Expanded Governmental Meeting on Decentralisation." Децентралізація в Україні. Accessed April 15, 2018. <http://decentralization.gov.ua/en/news/8653>.

Voigt, Stefan, and Jerg Gutmann. "On the Wrong Side of the Law - Causes and Consequences of a Corrupt Judiciary." *International Review of Law and Economics* 43 (2015): 156-66. Accessed March 27, 2018. doi:10.2139/ssrn.2214728.

Walker, Shaun. "Ukrainian Guardsman Killed in Protests against Vote on Rebel Autonomy." *The Guardian*. August 31, 2015. Accessed April 14, 2018. <https://www.theguardian.com/world/2015/aug/31/blast-kiev-parliament-ukraine-mps-back-more-autonomy-for-rebels>.

"What Is Local Self-government?" Децентралізація в Україні. Accessed April 15, 2018. <http://decentralization.gov.ua/en/questions/2?page=2>.

Yushchenko, Viktor. "Viktor Yushchenko - Building a Democracy." *The Washington Post*. November 29, 2006. Accessed April 11, 2018. <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/28/AR2006112801278.html>.

Zapysnyy, Denys. "Decentralisation And Local Self-Government Development As Key Issues Of Public Administration Reform In Ukraine: Current State And New Objectives To Be Attended." *Baltic Journal of Economic Studies* 2, no. 3 (2016): 69-76. Accessed March 21, 2018. doi:10.30525/2256-0742/2016-2-3-69-76.

Zurawicki, Leon, and Mohsin Habib. "Corruption And Foreign Direct Investment: What Have We Learned?" *International Business & Economics Research Journal* 9, no. 7 (July 2010): 1-9. Accessed March 25, 2018. doi:10.19030/iber.v9i7.593.

"Громада на мільйон - 4 випуск." Офіційний сайт каналу 1+1. Accessed April 16, 2018. <https://1plus1.ua/gromada-na-miljon/video/gromada-na-miljon-4-vipusk>.

"Громада на мільйон. Фінал - 7 випуск." Офіційний сайт каналу 1+1 - 1plus1.ua. Accessed April 16, 2018. <https://1plus1.ua/gromada-na-miljon/video/gromada-na-miljon-final-7-vipusk>.

Когутич, Тетяна. "Москаль і "псевдореформатори". Біла пляма на карті децентралізації." *Новини Укрінформ*. February 26, 2018. Accessed April 17, 2018. <http://www.ukrinform.ua/rubric-regions/2410935-moskal-i-psevdoreformatori-bila-plama-na-karti-decentralizacii.html>.

Кузуб, Віктор. "П'ять проблем децентралізації, або Як стати господарем у своєму місті." *Українська правда - новини онлайн про Україну*. November 16, 2017. Accessed April 16, 2018. <https://www.pravda.com.ua/columns/2017/11/16/7162180/>.

Decentralizationgovua. "Моніторинг процесу децентралізації влади та реформування місцевого са..." LinkedIn SlideShare. February 13, 2018. Accessed April 14, 2018. <https://www.slideshare.net/Decentralizationgovua/12-2018?ref=http://decentralization.gov.ua/news/8247>.

"На Форумі у Львові стан місцевого самоврядування в Україні." YouTube. March 24, 2018. Accessed April 16, 2018. <https://www.youtube.com/watch?v=UBYnMfwid-o>.
Transcribed and translated remarks begin at 2:00.

"Усі проекти - Карта донорів." Donors Map. Accessed April 16, 2018. <http://donors.decentralization.gov.ua/en/projects>.

"Усі проекти - Карта донорів." Donors Map. Accessed April 16, 2018. <http://donors.decentralization.gov.ua/projects>.

"Фінансова децентралізація і бюджети перших 159 об'єднаних громад в деталях - експертна стаття (презентація)." Децентралізація в Україні. April 18, 2017. Accessed April 14, 2018. <http://decentralization.gov.ua/en/news/5244>.

"Через деструктивну позицію Москаля Закарпаття не отримало 1,5 млрд гривень лише інфраструктурної дотації для ОТГ - РВ АМУ." Закарпаття онлайн. March 4, 2018. Accessed April 17, 2018. <http://zakarpattya.net.ua/News/179389-Cherez-destruktyvnu-pozytsiiu-Moskalia-Zakarpattia-ne-otrymalo-15-mlrd-hryven-lyshe-infrastrukturnoi-dotatsii-dlia-OTH---RV-AMU>.