

Chapter 3



Local Government
in Ukraine

by
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Developing New Rules in the Old Environment

Local Government in Ukraine

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Local Government in Ukraine

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1. Major General Indicators

Ukraine is a unitary state and a multinational country, home to representatives of over eighty ethnic groups and nationalities. The majority of the population is composed of the two largest ethnic groups, Ukrainians, who account for seventy-three percent of the population, and Russians, who account for twenty-two percent. Over two-thirds of Ukrainian citizens reside in cities and towns. Over half of the population is not of economically active age: there are approximately eleven million school-children and fourteen million pensioners. Further data on the population of Ukraine may be found in annex 3.1.

Per capita GDP only slightly exceeds USD 1,000, while the official unemployment rate is over eleven percent. According to some estimates, the “hidden” unemployment rate equals the official one. During the economic reforms, Ukraine experienced a period of hyperinflation. This has since been stabilized by monetary methods; in 1998, the inflation rate stood at twenty percent. Annex 3.1 provides indices of social and economic development in Ukraine in more detail.

The average number of inhabitants per administrative-territorial unit is a little over four thousand. Overall, there are thirty thousand independent settlements and over ten thousand local governments in Ukraine. It is expected that the number of local governments will be significantly reduced in the course of administrative reform. Further information on the administrative-territorial structure of Ukraine may be found in annex 3.2.

2. Legal and Constitutional Basis

2.1 Brief History of Local Government Reform

The Ukrainian state has deep historic roots, although the system of government and public administration has undergone much change in the twentieth century. In terms of the system of public administration, the most significant changes occurred in the 1990s. Because these changes reflected the struggle between reforming and conservative political forces, the evolution of the system of power and legal environment in Ukraine is characterized by controversy, inconsistency and complexity.

The reforms began with the election of the new *Verkhovna Rada* (Parliament) of the Ukrainian Soviet Socialist Republic and members of local councils in March 1990. These changes came about amidst the general transformation of the Soviet Union as a result of the Law on General Principles of Local Self-government and Local Economy in the Soviet Union (1990).

At the end of 1990, the new Verkhovna Rada passed the Law of the Ukrainian SSR on Local Self-government and Local Soviets of People's Deputies in the Ukrainian SSR. This marked the rebirth of democratic self-government in Ukraine. The historical significance of this law is that it laid the foundation for the increased political role of local councils and declared their financial autonomy. The law also outlined the sub-national tiers of power in Ukraine by *oblast*, *raion* and local (city, city district, town and village) soviets of people's deputies and their executive bodies. According to the Constitution of the Ukrainian SSR (1978), these local self-government bodies were responsible for public administration within the territories under their jurisdiction.

The Declaration on the State Sovereignty of Ukraine, adopted in July 1990, proclaimed the principle of the separation of power—legislative, executive and judicial. However, implementation of this principle began only after the election of the president in December 1991. The new model of state administration was enacted by the Law on Representatives of the President of Ukraine and the Law on Local Councils and Local and Regional Self-government in the beginning of 1992. This model established the “presidential vertical,” or the system of state administration. The executive bodies of oblast and raion councils were consequently made subordinate to the Cabinet of Ministers and headed by the appointed representatives of the president. Thus, true local self-government was retained only in individual settlements and in local councils at the regional level (in oblasts and raions).

This model remained in place until the pre-term presidential and parliamentary elections held in 1994. When the new balance of political forces came into power, they strengthened the role of local councils as the basis of public administration, eliminated the “presidential vertical” and restored the previous model of self-government. Nevertheless, the debate over a balanced model of territorial administration continued, and the need to adopt a new Constitution became apparent. The process was a long one, and eventually required a legally unique document: the “Constitutional Agreement,” signed in June 1995 by the president and Verkhovna Rada and valid for the period of one year. This agreement established a shared vision of the legislative and executive powers in a future model of public administration and declared the intention to draft and adopt a new Constitution by June 1996.

The Constitutional Agreement was a political compromise between the advocates of a strong vertical of executive power and the supporters of an efficient local self-government system. The executive vertical was restored and local state administrations were established at the oblast and raion levels. Their functions were twofold: first, to fulfill orders of the central government and second, to implement decisions of the oblast or raion council. In contrast to the previous model, the administration head was to be elected by inhabitants of the oblast or raion and subsequently appointed by presidential decree. At the first tier of local government, in individual settlements, the council chairman was

elected by the local population, instead of by council members as before. This system of public administration operated until the adoption of the new Constitution.

2.2 Constitutional Basis

The Constitution of Ukraine was adopted by the Verkhovna Rada on 28 June 1996. It established the separation of powers (article 6); the role of the president as head of state (article 102); the role of the Verkhovna Rada as the sole legislative body (article 75); the Cabinet of Ministers of Ukraine as the highest body in the system of executive power (article 113); and the Supreme Court of Ukraine as the highest judicial body (article 125).

Ukraine is declared to be unitary state (article 2), governed in the form of a republic (article 3). The system of administrative-territorial division consists of the Autonomous Republic of Crimea (ARC), oblasts, raions, cities, city districts, townships and villages (article 133). The ARC is an integral part of Ukraine; its Constitution is adopted by the ARC Verkhovna Rada and is approved by the Verkhovna Rada of Ukraine (article 135). The Constitutional Court of Ukraine is declared to be the only body of constitutional jurisdiction in the country (article 147).

Justice in Ukraine is administered exclusively by courts, whose jurisdiction covers all legal relationships in the country (article 124). Offices of the Public Prosecutor oversee the balance of interests in legal relationships (article 121).

2.3 Local Public Administration and Local Self-government

Article 118 of the Constitution establishes that “executive power in oblasts, raions and the cities of Kiev and Sevastopol is carried out by local state administrations.” Heads of local administrations oversee local administration activity and are appointed and dismissed from office by the president upon the recommendation of the Cabinet of Ministers. Article 118 also declares that “local state administrations are accountable in their activities to the higher executive bodies.” Their functions are stipulated in article 119 as follows:

- to ensure adherence to the Constitution and the laws of Ukraine, as well as the fulfillment of central government decisions and presidential decrees;
- to maintain law and order and ensure the observance of the rights and freedoms of citizens;
- to ensure the implementation of national and regional programs for social, economic and cultural development, environmental protection and others;
- to draft and implement oblast and raion budgets;
- to provide implementation reports on local budgets and programs;
- to coordinate with local self-governments;
- to ensure the execution of other authorities assigned by the central government or delegated by the corresponding councils.

Local state administrations cooperate with the oblast and raion councils within their territory. Their particular interaction determines the mechanism for distribution of competencies between the public executive bodies and local self-governments.

The political vocabulary was enriched by the distinction between “delegated authorities” and “own authorities.” The Constitution lists two types of delegated authorities. The first includes executive authorities of local self-governments of the regional level that are delegated by legislation to local state administrations. Article 118 stipulates that “local state administrations are accountable to and controllable by the local councils with regard to authorities delegated to them by the corresponding raion or oblast councils.”

The second type includes authorities delegated by the central government to local self-governments. Article 143 of the Constitution stipulates the observance of the two conditions: first, that the state must compensate for resources spent by local self-governments to fulfill these functions and second, that local self-governments are accountable to the central government for performance of these authorities. As currently envisaged by law, the system of delegated authorities means that the parties involved lack any degree of flexibility. Moreover, local self-governments are not free in their performance of delegated authorities; it is simply impossible in practice.

In addition, local self-governments have own authorities as determined by the law. Thus, all local self-government powers in Ukraine can be subdivided into delegated authorities and own authorities.

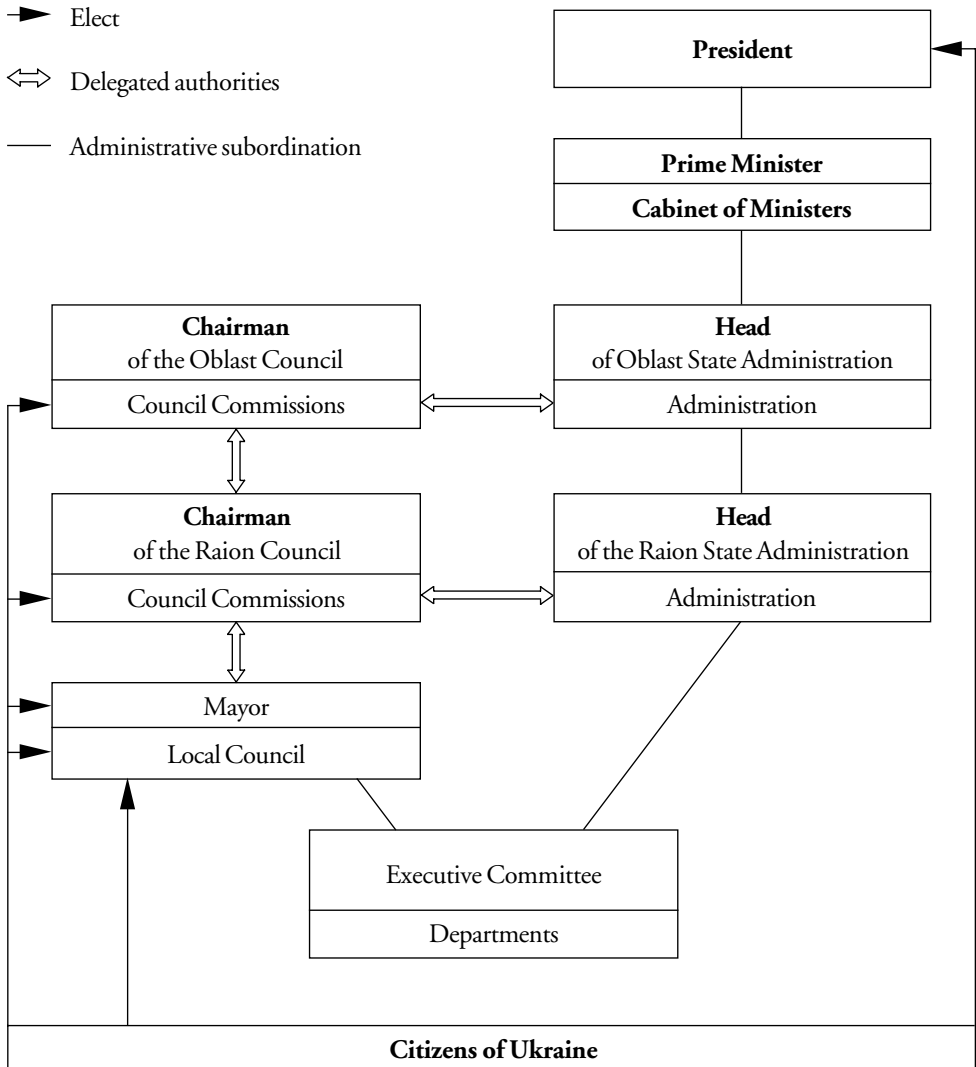
A simplified structure of executive power in Ukraine is given in figure 3.1. As shown there, the model of public administration established by the Constitution envisages two types of power at the oblast and raion levels: bodies of local self-government, or local councils, which are responsible for political and strategic decision-making, and executive power, or local state administrations, which implement these decisions.

2.4 System of Local Self-government

For the first time in recent history, the system of local self-government in Ukraine is recognized and guaranteed by the Constitution (article 7). The Constitution stipulates only the basic features of the system of self-government, and establishes that further principles of local self-government will be determined exclusively by the laws of Ukraine (article 92, item 15).

Within the administrative-territorial structure of Ukraine, local self-government bodies may be found at the municipal and regional levels. The municipal level refers to local self-governments in individual administrative units, such as cities, city districts, townships and villages. Local self-government in these units consists of local councils, which form the representative branch of local authority, and executive committees, which compose the executive branch.

Figure 3.1
Structure of Executive Power in Ukraine



The regional level is defined as oblasts and raions; local self-government at this level consists of oblast and raion councils, which represent the common interests of territorial *gromadas* (communities of citizens) such as villages, townships and cities. Oblast and raion councils delegate their executive authorities to their corresponding local public administrations.

Article 142 of the Constitution establishes that the “material and financial basis of local self-governments includes all assets and real estate, local budget revenues, other funds, land and natural resources owned by territorial communities.” The state assists in the creation of local budget revenues, supports local self-governments financially and compensates for expenditures on delegated authorities. Local self-governments are self-sufficient and independent from the state within their authorities, although they are accountable to executive bodies for the exercise of delegated authorities (article 143).

The Law on Local Self-government, adopted in 1997, further elaborates the concept of local self-government. (Hereafter, all references to specific articles of a law in this chapter refer to the Law on Local Self-government unless otherwise specified.) The territorial gromada is established as the primary unit of local self-government and defined as the community of inhabitants of a given village, township or city which constitutes an independent administrative-territorial unit. Article 1 also establishes the local council as the representative body of local self-government, with the authority “to represent the interests of communities and make decisions on their behalf.” Figure 3.2 illustrates a model structure of a first-tier local government.

Article 2 presents the concept of local self-government as the “state-guaranteed right and real capability of territorial communities to solve issues of local importance independently, or through local self-government bodies and officials, within the framework of the Constitution and laws of Ukraine.” Thus, communities may exercise their right to self-governance through forms of direct democracy as well as the establishment of local self-governments.

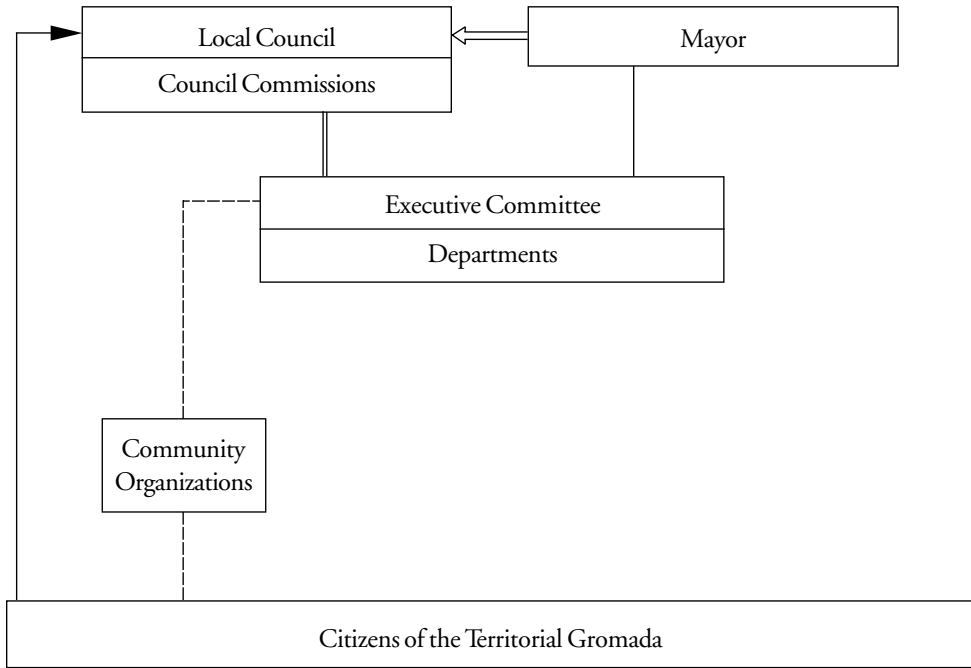
As seen in figure 3.2, the mayor and local council members are directly elected by local inhabitants. The elected mayor subsequently establishes the structure and staff of the executive body in coordination with the local council. The chairman is responsible for chairing council sessions as well as administering executive activities, but does not possess any other mandate.

According to article 5 of the Law on Local Self-government, the system of local self-government includes the following components:

- the territorial gromada;
- local councils at the municipal level;
- mayors of municipal governments;
- the executive branch of the local council;
- community organizations;
- raion and oblast councils.

The structure of local self-government at the regional level is shown in figure 3.3. The major difference between municipal and regional governments is that council chairmen are elected indirectly in the latter. According to legislation on local elections, all inhabitants of an oblast or raion elect their local council members, who then elect a council chairman from among their number at the opening session of the council. This chairman acts as speaker of the council. The council then establishes an executive office under the chairman to coordinate council commissions. The structure of the executive office and its senior staff are coordinated and approved by local council members.

Figure 3.2
Structure of a Municipal Self-government



➔ Elect

— Administer

--- Create

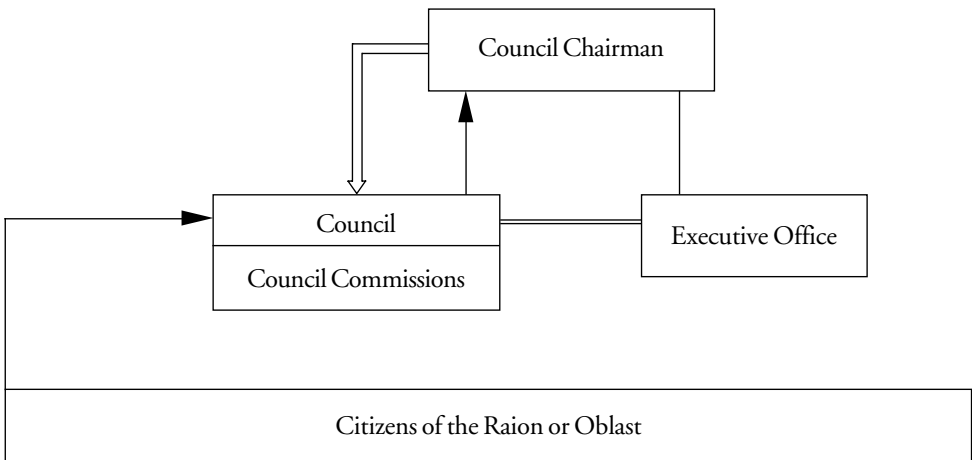
⇒ Chair

== Establish staff and structure

This system of local self-government, as established by the law, is the exclusive model of political leadership at the first tier of government. The only exceptions to this are villages with fewer than five hundred inhabitants, large cities containing city districts and cities with special status. Legislation provides small villages with the option to vest executive functions in the village head rather than set up executive committees. The specific features of local self-government in cities containing city districts and cities with special status are discussed below.

Most Ukrainian settlements follow a uniform, legally established model of local self-government. According to the Law on Local Self-government, local councils possess the right to make decisions on behalf of their communities (article 10), and may form executive bodies such as committees, divisions and departments to implement their decisions (article 11). These executive bodies are accountable to the local council, which may exercise control over their activities. The representative and executive branches of local government act according to the doctrine of separation of powers. The mayor is elected by the community as the highest public official in the local community (article 12), acts as speaker of the council and administers the activities of both the local council and its executive bodies, as stipulated in the Constitution and the Law on Local Self-government. Council secretaries also play an important role in the political life of settlements.

Figure 3.3
Structure of Local Self-government at the Raion or Oblast Level



- ➔ Elect
- Administer
- ⇒ Chair
- == Coordinate

In cities which are subdivided into city districts, there are two levels of local self-government, the city and district levels. The structure of the city self-government follows the model illustrated in figure 3.2. The major difference in the district self-governments is that they lack a directly elected head; instead, the council elects a chairman from among their number to manage activities of the council and its executive body. Several cities in Ukraine have recently adopted changes in the structure of city district administration, generally related to the centralization of government on city territory as

well as the elimination of city district councils and their executive bodies. These innovations and prospects for their development are described in more detail in section 10.

In the cities with special status, Kiev and Sevastopol, the system of local self-government coexists with the system of state administration. For example, the local self-government in Kiev, the capital of Ukraine, essentially possesses all of the elements found in cities with city districts. The inhabitants of Kiev elect a mayor, who then manages the Kiev City Council and its executive body. At the city district level, district councils elect a chairman from their number to act as head. The city state administration and city district state administrations represent public executive power; their functions are managed by the mayor and district council chairmen, respectively. The mayor appoints and dismisses his or her first deputy and other deputies in coordination with the president and the Cabinet of Ministers, respectively. These appointments are ratified by presidential decree. In addition to own and delegated authorities, Kiev administration bodies are responsible for the city's functions as capital. The Kiev budget is entered in a separate line of the State Budget of Ukraine and has special requirements for drafting and execution.

Finally, community organizations deserve mention as a component of local self-government. According to article 14 of the Law on Local Self-government, these organizations may be set up by citizen initiative or local council decision and may be assigned own authorities, funds and property. Community organizations play a significant role in the solution of issues of local importance, such as control over the quality of public services, consumer services and the observance of environmental requirements and regulations. Since these organizations are established at the initiative of local inhabitants, they can be classified as a form of direct self-governance.

3. Local Politics, Decision Making

3.1 Forms of Direct Democracy

The Constitution guarantees broad democratic rights to Ukrainian citizens. Article 36 of the Constitution grants citizens the right to associate freely to form political parties and public organizations, while article 38 stipulates their right to participate in the administration of public affairs, to take part in national and local referenda, to elect and to be elected to bodies of public administration and local self-government. People of Ukraine exercise their power directly and indirectly through public administration and local self-governments. These provisions are elaborated in the following laws:

- Law on Local Self-government (1997);
- Law on Elections of Local Councils and Village, Township and City Mayors (1998);
- Law on National and Local Referenda (1992).

The Law on Local Self-government specifies several methods of direct democracy, such as local referenda, general assemblies, local initiatives and public hearings.

Article 7 of the Law on Local Self-government defines local referenda as a “form of solving issues of local importance by a territorial community through direct democracy.” Local referenda may be called to address issues of great importance for a community, such as dismissing the mayor before the end of his or her term. Decisions made by local referendum are binding on the relevant territory.

General assemblies may be convened to solve issues of lesser impact, but which nonetheless require that local inhabitants be consulted (article 8). Procedures for general assemblies are defined by statute of the given community. Decisions made at a general assembly of citizens or their representatives are regarded as recommendations and are taken into account during the local government decision-making process. For instance, general assemblies may review draft resolutions to be submitted to the local council for consideration.

Members of the community have the right to initiate a local council review of any issue related to local self-government functions; this form of citizen participation is called a “local initiative” (article 9). The community charter or relevant council decision determines procedures for submitting local initiatives for council review. Local initiatives must be reviewed by the council in an open session and the findings are published, as stipulated by the community charter or council decision. A typical local initiative might be the review of the cost structure of public services or methods for their regulation.

Meetings of council members and municipal officers with community representatives are organized in the form of public hearings (article 13). Public hearings should be held at least once a year; their procedures are determined by community charter. Any proposals that result from public hearings must be reviewed by local self-government bodies. The most popular topics for public hearings in recent times have been issues of budget drafting and execution.² Decisions on holding public hearings are made by the local council. Since there are no clearly defined legal regulations for public hearings, councils solve any procedural issues independently. Their only requirement concerns criteria for representation.

Other traditional and well-established forms of direct democracy include local elections, the right to be elected to local councils and the organization of meetings and demonstrations. Less traditional are mechanisms of informal communication with the citizenry and the organization of joint sports or cultural events of local importance. Opportunities to involve inhabitants in the management of public affairs will be discussed in detail in Section 9. In conclusion, it should be noted that the current level of public participation among Ukrainian citizens is rather low. The only exception is during elections, which have seen active involvement.

3.2 Internal Structure of Local Government Decision Making

Under the conditions of centralized government that predominated in the USSR, real authority to influence the social process was vested in local executive bodies. This paradigm remained in the early stages of Ukrainian independence. With the adoption of the Constitution and the Law on Local Self-government, however, representative authorities were legally granted precedence over executive

bodies. Clearly, such cardinal changes in the power structure cannot happen overnight. This will be a long road, and any progress will reflect the currently dominating political will and the balance of political forces in society. It is premature to speak about the completion of this process, which is now ongoing in Ukraine. Consequently, this section will review the general structure of political leadership at the first tier of local government and the rather fluid decision making pattern before remarking on the actual state of affairs.

Local council members are elected for a four-year term on the basis of universal, equal and direct suffrage through secret ballot (article 45). Council members may exercise their powers through council sessions or standing commissions, which are council bodies formed by members to study, discuss and draft decisions on certain issues or to exercise control functions (article 47, item 1). Commission activities are headed by the commission chairman. Commissions have rather broad authorities, including the right to study the activities of government bodies, committees and departments under their control and the right to request and receive necessary information from these bodies and other enterprises and organizations (article 47, item 7). Local councils may also establish temporary commissions (article 48).

Council sessions are convened when necessary, at least four times annually. Article 46 of the Law on Local Self-government determines the main procedures for council session activities. Article 26 lists over fifty responsibilities exclusively assigned to the competence of local councils, which may be grouped into the following categories:

- to adopt the council agenda, to approve the structure of the executive branch and to appoint and dismiss its staff;
- to approve development programs, local budgets and budget execution reports, to establish and amend local taxes and fees and to organize loans;
- to manage and dispose of community property, to oversee the privatization of property, to regulate the use of land and other natural resources and to approve regulations for territorial improvement and urban development;
- to establish the municipal militia and other units or services of community and environmental control.

The executive branch of the local council consists of an executive committee and separate directorates, departments and services. The executive committee includes the mayor, the deputy mayor, the executive secretary, heads of directorates, departments, services and other individuals (article 51). The executive committee is responsible for the preliminary review of draft development programs, local budgets and other issues to be submitted to the council. It is also responsible for coordinating the activities of directorates, departments and services (article 52). According to article 53 of the Law on Local Self-government, executive committees operate primarily through sessions. Heads of directorates, departments and services are appointed and dismissed by decision of the mayor.

Directorates, departments and services implement decisions, provide public services and maintain local community interests. Ukrainian legislation regulates their functions by sector. Section 5 discusses

this issue in greater detail; it suffices to mention here that this sectoral approach impedes the clear delineation of authorities between local councils, executive bodies of local self-government and bodies of public administration for most functions.

The model of political governance described above predetermines the mechanisms of decision-making. According to current Ukrainian legislation, local councils have the right to make decisions in the interests of local communities. Through the interactions of its standing commissions with various directorates, departments and services, local councils determine prospects, analyze alternatives and make political decisions on community development. Executive bodies are enjoined by law to implement these decisions.

The mayor's responsibilities are twofold, as chairman of the council and manager of the executive body. The mayor's functions as chairman include executing the approved session agenda and signing council resolutions. Managerial functions include issuing instructions to coordinate the activities of directorates, departments and services. Special commissions and committees, standing or temporary, may be established to coordinate individual issues; these commissions include representatives from all interested parties.

The structure outlined above would indicate sufficient freedom for local self-government bodies to exercise own authorities. In reality, as will be illustrated in section 5, the bulk of local self-government activity is focused on implementing delegated authorities. If the degree of freedom depends on the length of one's leash, the leash in this instance refers to the financial resources left at the council's disposal. Currently, over ninety percent of local budget expenditures are allocated to compulsory, socially protected expenditures. At the same time, local taxes and fees do not exceed ten percent of local budget revenues, so all socially protected expenditures must completely depend on transfers from the national budget. Under such conditions, the executive bodies make decisions *de facto*, while the role of council is merely to establish these decisions *de jure*. In practice, therefore, local council leadership in determining community development strategies is limited due to the lack of financial and economic independence. Officially speaking, however, decisions such as approval of the budget are passed by a majority vote at a council session.

3.3 System of Local Elections

In the course of reforms, Ukraine has transformed from a one-party system to political pluralism. Officially, fifty-two parties and public associations took part in the elections of January 1998.³ By August 2000, their number exceeded one hundred. Despite their growth in numbers, only a handful of parties represent a real political power in society.

At the beginning of the transition period, elections were based on the majority system. The most recent elections to the Verkhovna Rada in March 1998 were organized according to a mixed majority and proportional system. Thirty parties and electoral coalitions registered at the Central Election

Committee (CEC) to contend for 225 seats in Parliament. According to the Law on Elections of People's Deputies (1997), representatives of parties which won an electoral margin of over four percent were eligible for parliamentary seats. According to CEC data, the 225 mandates were distributed among the leaders of eight parties and coalitions as shown in table 3.1.

Table 3.1
Political Parties in the Verkhovna Rada of Ukraine⁴

Political Party	Number of Mandates
The Communist Party	84
The People's Rukh ("Movement")	32
Coalition of the Socialist Party and the Agrarian Party "For Truth, for the People, for Ukraine"	29
The Green Party	19
The People's Democratic Party	17
The All-Ukrainian Association "Gromada" ("Community")	16
The Progressive Social Party	14
Social-Democratic Party	14

The remaining 225 seats in Parliament were distributed through single-mandate majority districts. These elections were distinguished by the discrepancy between the results produced by the two systems of voting, majority and proportional: most seats in the majority districts were won by independent candidates.⁵

Procedures for local council elections are established by the Law on Elections of Local Councils and Village, Township and City Mayors (1998). According to this law, local council elections are based on a majority system, with candidates nominated by enterprise collectives. Local election committees register candidates and monitor the election campaign process. Candidates are elected if they receive over half of the total vote. If none of the candidates obtains a majority of votes, then the election committee sets another election between the top two candidates. Due to this system of elections, parties influence local councils indirectly rather than directly.

As a rule, the political platform of a candidate is not a decisive factor for success, although party influence may be of great assistance during the campaign. This is primarily true of candidates which are supported by the most influential political parties, listed in table 3.1 above. Political advertising and direct campaigning are the most efficient mechanisms of party influence on local elections. In this case, a candidate supported by a given party has the opportunity to utilize the party network and its additional financial resources. Nevertheless, most candidates technically run as independents,

despite their party membership. Our research shows that the number of independent candidates for local councils increases from the oblast to the rural levels. For instance, in the 1998 elections in Dnepropetrovsk oblast, seventy-five percent of candidates ran as independents for the oblast council, eighty percent of candidates ran as independents for the Dnepropetrovsk city council and ninety-five percent ran as independents for township and village councils.

Party influence on the local elections also differs among regions. Parties of communist orientation tend to prevail in the eastern oblasts, while social democratic parties are more influential in western Ukraine.

Despite the weak influence of parties on the election process, they have significant impact on local council operations since, after elections, council members unite into factions based on party membership. Due to the instability of the political structure in Ukraine, members often move from one party coalition to another.

The size of local councils depends on the population of the administrative-territorial unit (as outlined below in table 3.2), but cannot exceed two hundred members.

Table 3.2
Size of Local Councils According to Population Size

Population	Number of Local Council Members
0–3,000	15–25
3,000–5,000	20–30
5,000–20,000	25–35
20,000–50,000	30–45
50,000–100,000	35–50
100,000–250,000	40–60
250,000–500,000	50–75
500,000–1,000,000	60–90
1,000,000+	25–120

3.4 Local Government Associations

The Constitution and the Law on Local Self-government stipulate the right of local self-governments to form voluntary associations. The only stated restriction is that they may not transfer local self-government authorities to these associations. Communities have the right to pool financial and economic resources for their joint use, for improving the variety and quality of community services and for implementing mutually beneficial projects.

Currently there are over twenty local government associations in Ukraine, based on territorial, functional and industrial interests. The Association of Ukrainian Cities is the most influential organization, uniting local self-governments from over 250 cities. Its activities include the following:

- establishing the legal basis for local self-government;
- providing information to improve city government functioning;
- supporting programs for municipal development;
- promoting the interests of municipal servants;
- fostering international cooperation.

The Association of Ukrainian Cities plays an active role in forming the system of governance in Ukraine. For example, the association developed and adopted the Charter of Ukrainian Cities as well as producing drafts of several important laws, including the Law on Local Self-government, the Law on Local Public Administration, the Law on Community Property and others. In recent years, the Association of Ukrainian Cities has held six national hearings on the most urgent issues of municipal reform. Due to the activity of association members, Ukraine was represented at the European Association of Local and Regional Governments.

4. Functional Structure of Local Government

The structure of local self-government consists of three components: the council, its executive committee and the mayor. Following is a review of their functions.

The local council, acting within its assigned authority, adopts legal acts in the form of council decisions, which are binding for all enterprises and organizations located within the given territory (article 59). Council decisions are adopted at plenary sessions and take effect upon their official publication or as determined in the decision. State control over local council decisions should not entail the interference of central government bodies in council activities within their authority (article 20). The mayor may suspend a council decision in the first five days after its adoption and send it for a second review by the local council (article 59).

The executive committee, acting within its assigned authority, makes decisions in order to implement local council decisions. If the mayor disagrees with an executive committee decision, he or she may suspend the decision and submit it for review by the council. Committee decisions adopted within its authority may be canceled by the local council (article 59). The executive committee consists of departments, services and directorates.

The mayor issues instructions within his or her competence and signs decisions passed by the council or by the executive committee.

Local inhabitants are informed of decisions passed by their local self-government. The community has the right to exercise control over the decisions of the council, executive committee and mayor

through different forms of community participation in the decision making process. Courts exercise control over the compliance of local self-government decisions with the Constitution and laws of Ukraine. Financial activities of local self-governments are controlled by fiscal organizations, such as the State Treasury and the Control and Auditing Department. There is no administrative control as such over local council activities by higher-level councils. However, because local executive bodies are dually subordinated to local councils and to the state administration, they fall under the administrative control of the relevant divisions of local state administration.

Most local self-government decisions are related to public service provision, necessitating cooperation between local self-governments and local enterprises. Enterprises in community ownership are subordinated to local self-governments, accountable to and controllable by them (article 17). Relationships with enterprises that are not in community ownership are formed on a contractual basis or regulated through taxation (article 18).

5. Public Service Provision

As mentioned above, local self-government functions are divided into own authorities, performed on behalf of community inhabitants, and delegated authorities, exercised on behalf of the state. As seen in table 3A.8, most public services are distributed among different levels of government in accordance with the principle of deconcentration. The Law on Local Self-government specifies the authorities of local authorities by sphere of activity. Table 3.3 below lists all functions of local self-government, grouped by sphere and subdivided into own and delegated responsibilities.

Table 3.3
Local Government Responsibilities in Public Service Delivery

Own Authorities	Delegated Authorities
MANAGEMENT OF COMMUNITY PROPERTY	
Managing and disposing of community property	Consultation regarding the nomination of managers of state-owned enterprises
Establishing procedures and exercising control over the use of revenues	
HOUSING, TRANSPORT, COMMUNICATIONS AND COMMUNAL FACILITIES	
Managing and maintaining local facilities	Supporting the improvement of housing and communal facilities, transport and communications
Registering inhabitants in need of housing	Control over the operation of local facilities
Registering housing construction cooperatives	Protecting consumer rights

Table 3.3 (continued)
Local Government Responsibilities in Public Service Delivery

Own Authorities	Delegated Authorities
Supplying facilities with heating, gas, electricity and water	Registering housing stock, providing social housing and exercising control over housing registration
Waste collection and utilization, municipal improvement	Registering non-residential property and other real estate objects
Organizing markets	
Establishing working schedules for the given services and a community transportation schedule	
SETTLEMENT CONSTRUCTION AND PLANNING	
Organizing construction, renovation and repair of community property objects	Overseeing maintenance of the land cadastre, construction and architectural control
Allocating land for urban planning and development, drafting and approving general urban development plans	Preserving historical, cultural and architectural monuments
Issuing construction licenses	
EDUCATION, HEALTH CARE, CULTURE, SPORTS AND TOURISM	
Managing related local facilities	Ensuring that education and medical services are available and free
Establishing conditions for raising children, facilitating secondary and vocational education	Developing all kinds of services related to education, health care, culture, sports and tourism
Providing free transportation for schoolchildren	Providing medicine to special categories of citizens
Creating conditions for creative activities, developing handicraft and home industries	Registering children for pre-school and primary school, organizing work with youths and orphans, ensuring state maintenance for special categories of children
Organizing medical services and catering in organizations of the social and cultural sphere	Resolving issues concerning the specific rights of special categories of the population (pensioners, youths, the disabled and students) to use certain facilities
Ensuring conditions for sports in residential areas	

Table 3.3 (continued)
Local Government Responsibilities in Public Service Delivery

Own Authorities	Delegated Authorities
REGULATION OF LAND RELATIONS AND ENVIRONMENTAL PROTECTION	
Determining rates for the land tax and fees for the use of natural resources	Control over compliance with land and environmental legislation
Approving environmental programs	Registering land ownership, organizing the land cadastre and resolving land disputes
Organizing natural reserves and sanctuaries	Taking measures to eliminate the consequences of catastrophes and natural disasters
	Coordinating land development projects
	Allocating territory for waste disposal
SOCIAL SECURITY	
Establishing additional guarantees	Approving employment and social security programs, organizing public works
Providing assistance to certain categories of inhabitants	Improving the life and financial conditions of special categories of the population and providing benefits
Organizing hostels, specific medical services, catering and ritual services for certain categories of inhabitants	Assistance to victims of natural disasters
	Control over the provision of social security to workers and employees, registering collective agreements
	Employment assistance for inhabitants in need of social protection
LAW ENFORCEMENT, MAINTENANCE OF PUBLIC ORDER AND PROTECTION OF RIGHTS AND FREEDOMS	
Establishing a municipal militia	Reviewing citizens' appeals
Rendering assistance to law enforcement bodies, courts and lawyers	Maintaining public order in times of natural disaster
	Deciding on the organization of public meetings and demonstrations
	Reviewing issues on administrative violations
	Registering acts of civil status, businesses and public organizations (NGOs)

As shown in table 3.3, local self-government powers are often vaguely formulated and are not structured in accordance with the established breakdown of functions. Consequently, it becomes difficult to clearly distribute responsibilities between local self-governments of different levels in terms of public service provision. Financial and material resources are correspondingly distributed in an equally indeterminate manner. Only a small proportion of services has one explicitly defined provider; generally these are services in the spheres of communal services or education. Annex 3.4 presents the distribution of public services in more detail.

Current legislation grants broad rights to local self-governments in determining the method of service delivery. They may pool the material and financial resources of different communities in order to set up additional services and organs (article 60). They may also delegate the provision of some services to the private sector in the interests of improving quality and more efficiently utilizing community resources. Additionally, they may choose to provide these services jointly with the private sector.

The existing methods of service delivery may be classified as follows:

- traditional (budgetary organizations or municipal services);
- alternative (contracting to private companies, concessions or consumer associations);
- joint ventures (cooperating with local governments or partnerships with the commercial sector).

Activities such as waste collection, territorial development, maintenance of housing stock, transportation and communication provide examples of cooperation between local governments and between the private and public sectors. Mechanisms of cooperation depend on the specific service. For example, a local government may sign a contract with a private company for the provision of waste disposal services, in which it specifies the quality and cost of services. These services are paid for by inhabitants; a special local organization collects payments and transfers them to the private company. In the case of transportation, local authorities issue licenses to private companies to provide services. The license specifies all necessary conditions and privileges. The private company then retains the prerogative to determine service costs and collect fees.

The concept for administrative reform determines two main areas of service provision: state services provided by public administration bodies and municipal services provided by local self-governments. Within these two areas, functions are further subdivided.

6. Local Finance, Local Property

6.1 Local Budgets

The system of local budgets differs for the municipal and regional levels of local government. At the municipal level, local self-governments independently draft, approve and implement local budgets (article 61). The independence of local budgets is guaranteed by own and allocated state revenues

and local governments possess the right to independently determine the areas of budget expenditures. The state supports local self-governments, provides some financial resources to local budgets to cover basic social needs and exercises control over the legality, appropriateness and efficiency of their use (article 62).

Local budgets consist of revenues and expenditures. Local budget revenues are divided into funds for the exercise of own authorities and funds for implementing delegated authorities. In addition, local budget revenues may be classified as funds for current expenditures (administrative budget) and development funds (capital budget) (article 63).

Local budget expenditures are allocated to maintain the needs of territorial communities and are structured similarly to local revenues. Expenditures may be classified as current expenditures for administration or capital expenditures for development. Administrative expenditures are allocated to organizations funded by the budget, whereas capital expenditures go towards the financing of local social and economic development programs, investments and their long-term maintenance. Local budget expenditures are also classified according to funds spent for the exercise of own authorities, and funds spent for the implementation of delegated authorities (article 64).⁶

At the regional level, local self-government budgets are not fully independent. Although raion and oblast councils approve local budgets, they are drafted and executed by raion and oblast state administrations. According to the Law on Local Self-government, these budgets are formed from two sources:

- state budget funds intended for redistribution among territorial communities within the raion or oblast;
- funds that are transferred to the regional budget through contracts with municipal budgets, which are intended for the implementation of joint social, economic and cultural programs or other projects (article 61).⁷

Table 3.4 below demonstrates the importance of revenues and expenditures of local budgets of all levels in the consolidated budget.

Table 3.4
Local Revenues and Expenditures [percentage of GDP]⁸

	1995	1996	1997	1998
Consolidated revenues	37.9	37.1	38.3	35.9
Local revenues (regional and municipal levels)	18.0	14.9	15.5	14.4
Consolidated expenditures	44.9	39.9	44.9	38.0
Local expenditures	17.9	14.9	15.4	14.5

The state is required by law to compensate local self-government expenditures for the exercise of delegated state authorities (article 67). Local self-governments are granted the right to participate in financial relationships, to take out loans, to issue local loans and to establish communal banks (article 70). They are also permitted to create extra-budgetary funds (article 68).⁹

6.2 Revenues

Local budget revenues are divided into tax and non-tax revenues. The first category includes local taxes and fees, as well as the share of national taxes allocated to the local budget. The second category includes all types of transfers from the national and subnational budgets.

The composition of taxes allocated from the national budget is established for oblasts, the ARC and the cities of Kiev and Sevastopol (in total, twenty-seven territorial units). Between 1995 and 1999, this rate was established on an annual basis. The aim of these allocations is to ensure financial equalization and achieve uniformity in revenue sources for different oblasts. The following national taxes and fees are allocated to administrative-territorial units of the subnational level:

- personal income tax;
- enterprise profit tax;
- excise tax on local goods;
- land fee;
- trade patent fee;
- tax on motor vehicles;
- tax on home industries;
- proceeds from privatization of state-owned and community property;
- stamp duty;
- fines for environmental pollution;
- fees for the maintenance and development of roads.

Only some of these taxes are entirely transferred to subnational budgets; in most cases, local budgets receive a fixed percentage. For instance, local budgets received eighty percent of the proceeds from privatization in 1998 and ninety percent in 1999. The Law on National Budget establishes these percentages annually for three major taxes and fees. These rates may vary between one hundred percent and ten percent. For example, national taxes transferred to Dnepropetrovsk oblast in 1999 were allocated at the following rates: one hundred percent of personal income tax, thirty percent of enterprise profit tax and fifty percent of excise tax on local goods. Deductions from taxes and fees dominate in the structure of local budget revenues, amounting up to eighty-five percent.

The structure of subnational local budget revenues is presented in the table 3.5.

In addition to deductions from national taxes and fees, local budgets also possess local taxes and fees. The Law on Local Taxes and Fees currently regulates this issue. The list of local taxes and fees was

established by the Cabinet of Ministers in 1993 and is supplemented by the Law on Taxation System. They include the following:

- hotel fees;
- parking fees;
- market fees;
- duty on the issue of housing billets;
- fee for pet owners;
- resort fee;
- race course fees;
- duties on horse race prizes;
- duties on bookmaker's activities;
- advertising tax;
- fee for the use of local symbols;
- fee for shooting videos or films;
- fee for organizing local auctions and lotteries;
- communal tax;
- auto transport tax for border crossings;
- fees for licensing trade outlets;
- tax on the sale of imported goods.

Table 3.5
Structure of Subnational Local Budget Revenues [percent]¹⁰

	1995	1996	1997	1998
National taxes distributed among territories, including:	87	88	79	83
Regulated taxes	77	74	65	68
Fixed (allocated) taxes	10	14	14	15
Local taxes and dues	1	2	2	3
State budget transfers	12	10	17	14
Total	100	100	100	100

The law requires local self-governments to utilize all listed local taxes and fees. In reality, only some of these taxes are economically justified, given the existing tax rates; these revenues generally do not cover the costs of their collection. The most important local taxes and fees are the communal tax, market fee, parking fee and hotel fee. These taxes represent an extremely small part of the local budget structure, accounting for just five percent. Only in a few settlements do local taxes and fees exceed ten percent of local revenues.

Market fees and the communal tax are the most stable sources of own revenues, comprising some eighty percent of all local taxes and fees. Since tax rates are centrally determined, local self-governments only have influence in assessing local taxes.

The category of own financial resources is key in the system of local finance. These are resources over which local self-governments have a degree of control and which they can independently plan and spend. This category includes local taxes and fees, as well as deductions from national taxes distributed to local governments at established rates. As shown in table 3.5 above, own resources account for less than twenty percent of total local budget revenues. This number roughly reflects the degree of independence that local self-governments possess in planning, drafting and using their financial resources. In other words, the degree to which budget funds are centralized—that is, the degree of state influence on the financial and budgetary activities of local self-governments—is over eighty percent.

Table 3.6 below presents the structure of revenues of local budgets, excluding transfers such as grants or subventions from the state budget.

Table 3.6
Structure of Local Budget Revenues Excluding State Transfers [percent]¹¹

	1992	1995
Enterprise profit tax	26.3	41.0
VAT	35.6	34.8
Personal income tax	25.6	9.9
Excise tax	5.4	1.2
Local taxes and fees	—	1.5
Other tax revenues	0.5	0.6
Fees, including land fees and proceeds from privatization	2.9	7.2
Other revenues	3.7	3.8
Total	100.0	100.0

3.3 Expenditures

According to current Ukrainian budget classifications, local budget expenditures are divided into the following items:

- public administration, including expenditures on local self-government and maintaining bodies of fiscal control and of the treasury;
- national defense, including the financing of local civil defense units;

- maintenance of public order and protection of rights, including the financing of local departments of the interior and the state road police;
- education;
- health care, including the provision of services to special categories of citizens;
- social security and social services;
- housing and communal services, including donations and capital repairs;
- culture and arts;
- mass media;
- physical culture and sports;
- construction, including tax credits;
- implementation of land reform;
- transport, maintenance of roads and communications;
- environmental protection activities;
- others, including the contingency fund.

Table 3.7

Structure of Local Budget Expenditures by Type of Local Government, 1997 [percent]¹²

	Oblasts	Cities of Oblast Sub-ordination	Raions	Cities of Raion Sub-ordination	Townships	Villages
1. Social and cultural expenditures	38.1	55.1	65.0	66.8	75.6	80.1
• Education	12.1	28.1	31.9	58.8	64.9	62.4
• Health care	23.4	25.2	30.1	6.0	7.9	11.8
• Culture	2.6	1.8	3.0	2.0	2.8	5.9
2. Social security	26.6	29.5	28.0	10.2	4.2	1.3
3. Housing and communal services	4.7	6.5	1.8	14.8	9.3	1.0
4. Administration	0.2	2.5	0.4	4.4	7.2	16.0
5. Assignments to the state budget	16.7	0	0	0	0	0
6. Budget loans	2.3	0.1	1.0	0	0	0.1
7. Other	5.5	3.7	2.8	2.3	2.1	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
State share in the funding of local self-government expenditures	34.0	37.0	21.0	2.0	2.0	4.0

The size of expenditures in a given category reflects the current distribution of service provision responsibilities between the levels of government. Table 3.7 presents the distribution of local budget expenditures by level of government, according to area of service.

As shown in table 3.7, local budget expenditures have a pronounced social orientation. Over fifty percent of oblast budget expenditures and over seventy-five percent of city budget expenditures are related to the provision of services in the spheres of education, health care and social security. At the lower levels of government, the share of social expenditures in the structure of local budgets is increasing. In total, over ninety percent of local budget funds at the municipal level are spent to provide public services to territorial communities.

Expenditures on social security and health protection are mainly funded from oblast and raion budgets, as well as those of cities of oblast subordination. In contrast, expenditures on education are higher for municipal self-governments. Table 3.8 below presents the structure of local budget expenditures from 1995 to 1998. Since existing budget classifications do not specify expenditures on the capital budget, they are not reflected in the statistical data.

Table 3.8
Structure of Local Budget Expenditures [percent]¹³

	1995	1996	1997	1998
1. Social and cultural expenditures	51	52	53	50
• Education	23	24	26	25
• Health protection	25	24	24	23
• Culture	3	3	3	2
2. Social security	28	27	26	18
3. Housing and communal services	8	7	5	8
4. Administration	3	4	2	3
5. Assignments to the state budget	2	3	6	3
6. Other	7	5	7	18
Total	100	100	100	100

6.4 Budget Process

The Law on the Budget System defines the budget process as the drafting, review, approval and execution of budgets of all levels. The law also stipulates procedures for fiscal and budgetary control.

The Cabinet of Ministers informs executive bodies in oblasts, the ARC and the cities of Kiev and Sevastopol of the draft figures for allocations, rates for deductions from state taxes, grants and

subventions. On the basis of these forecast indicators, the above-mentioned local administrations prepare draft budgets for the coming year and submit them to the local council for review by 10 December. The local council must then review and approve the local budget before 30 December.¹⁴

Control over local budget implementation is vested in the local councils. However, local executive committees, local state administrations and the Ministry of Finance of Ukraine together perform control over income and the use of financial resources allocated from the state budget. In recent times, the State Treasury has been vested with the authority to control cash flow in budgets of all levels.

The government of Ukraine, in particular the Ministry of Finance, has been implementing an active policy to significantly limit the use of non-monetary settlements in the budget and between budgets of different levels. Consistent efforts in this area have resulted in a noticeable decrease of barter transactions in the financial sector and have created an environment for legally prohibiting all forms of non-monetary settlements.

6.5 Local Property

Currently, there is no separate law which regulates local property rights, although several draft laws are under review by the Verkhovna Rada. The general framework for community property is determined in the Constitution and the Law on Local Self-government. Article 41 of the Constitution guarantees the right of citizens to use objects of community property, while article 60 of the Law on Local Self-government establishes that the community is the possessor of ownership rights over local property.

Local self-governments have the right to own, manage and dispose of community property on behalf of their respective community. They exercise this right through local council decisions, such as programs for the privatization of local property. The specially created community property fund is responsible for the immediate implementation of privatization programs. Methods of privatization include the issue of shares, usually for large objects, or sale by auction or tender, usually for small and medium-sized objects.

Local property includes movable and immovable property; local budget revenues; land and natural resources; communal enterprises, services and organizations; and housing and communal objects. Communities may acquire property through transfer from state ownership and or through purchase by the community. Objects of local property may be united on a contractual basis in order to implement joint projects. Raion and oblast councils administer objects in the joint ownership of different communities.

Most local property consists of objects transferred from the state, in a process that was implemented both slowly and controversially from about 1991 to 1995. At that time, it was possible to transfer large state-owned social, cultural and communal objects, such as hospitals, into the ownership of oblast and raion councils. It is now necessary to clarify the status of such objects.

Legislation allows local self-governments to utilize community property in order to provide municipal services and create conditions for community development. Local self-governments may accordingly sell or lease these objects; create new communal enterprises and services based on these objects; or grant concessions. Forms of cooperation between local authorities and private companies for the common use of community property have recently been increasing. Legislation requires that all transactions involving community property should not be to the detriment of local self-government finances.

The process of establishing community property remains incomplete, leaving many issues related to the administration of these objects unresolved.

7. Relationship between the State Administration and Local Self-governments

Relations between the state administration and local self-governments are based on the accepted distribution of authorities to provide own and delegated public services.

Local self-governments execute own authorities autonomously and independently. The state administration has the authority to control the legality of local self-government decisions and the suitable use of financial resources, but does not otherwise have the power to control the appropriateness of local self-government decisions made within their competence. If local council decisions violate legislation, presidential decrees or government resolutions, then they may be cancelled by the state administration. Unfortunately, this control is exercised not through the system of administrative courts (still under construction in Ukraine), but directly by state officials. For example, State Treasury officials can prohibit the transfer of funds from local budgets if they discover violations of procedures or mechanisms established by the government.

The state exercises control over the performance of delegated authorities by local self-governments and allocates funds for their implementation. Executive committees operate under a kind of dual subordination with respect to their delegated authorities. Since delegated authorities often outnumber own authorities, the principle of dual subordination prevails in the relations between local self-governments and the state administration.

In addition, local self-governments at the regional level delegate most of their executive functions to local state administrations. Raion and oblast councils control the implementation of these functions, but they are performed by local state administrations.

Thus, the principle of dual subordination permeates the relationship between local self-governments and the state administration. Most divisions of local executive committees are controlled by and accountable to both the local council and the respective division of local state administration.

Let us turn to the example of education in a city of oblast subordination. The city department of education, a structural division of the city executive committee, is responsible for educational services. In the oblast, however, this is the responsibility of the education department of the oblast state administration. Like all services, educational services are divided into own and delegated authorities. The city department of education is subordinated to the mayor in fulfilling decisions of the city council, and subordinated to the chairman of the oblast department for implementation of delegated authorities.

Thus, relationships between the local self-governments and central government bodies are based on administrative subordination rather than cooperation. Local self-governments are not independent even when executing own authorities, since their financial resources are controlled by the central government.

8. Local Government Employees

The Law on Public Service (1993) regulates the legal status of public servants, their conditions of service, conditions for terminating their service and their material and social benefits. Article 1 defines public servants as persons who hold certain positions in state organs, who fulfill organizational, administrative, consultative and deliberative functions and who receive salaries from state funds.

Article 4 of the Law on Public Service stipulates that all citizens of Ukraine have equal opportunities for entering public service. In order to implement state policy on public service, the Chief Department of Public Service was created under the Cabinet of Ministers of Ukraine. Service commences with the administration of the Oath of Public Service of Ukraine (article 17).

Public service positions are divided into seven grades, with the first being the highest and the seventh being the lowest, according to article 25 of the Law on Public Service. Each grade is subdivided into three ranks, with a total of fifteen ranks (article 26). Service is terminated either through dismissal or retirement (articles 30 and 31). Public servants are restricted from committing actions prohibited by the Law on Corruption, political affiliation and participating in strikes. The Chief Department of Public Service is the highest administrative and supervisory body of public service.

Currently, there is no law that specifically regulates municipal service. The Law on Local Self-government defines a local self-government official as a person who holds a position in the local self-government, who fulfills organizational, administrative, consulting or deliberative functions and who receives a salary from local budget funds. Local self-government employees, including mayors, have equivalent status to the corresponding grades and ranks of public service.

Public servants, including municipal employees, are appointed on a competitive basis subsequent to the public announcement of the opening. A special commission reviews the applications, conducts interviews and recommends a candidate to the hiring manager. The manager then issues an order affirming the appointment of the public employee. The new employee must take the Oath of Public Service within a month of being appointed.

There currently exists a uniform system for the training and continuing education of public and municipal employees. The main source of public and municipal service professionals is the Ukrainian Academy of Public Administration, under the Office of the President. Academy graduates receive a Master of Public Administration degree and are given preference for any openings in public service.

All public employees should undergo refresher courses with special curricula at least once every five years. For this purpose, every oblast has regional centers for the advanced training of public servants. Groups are sent for training courses by decision of the government head in coordination with the manager of a regional training center. On completion of the course, students receive a certificate of advanced training.

The level of training and qualification directly influences the career of public servants. As a rule, employees with an MPA diploma and a certificate of advanced training are preferred for promotion. Party affiliation may also indirectly influence the career of an employee. Promotions are made after employee assessments, which are regulated by law and required at least once every five years. Assessment results confirm whether an employee meets the requirements for his or her position. If employees pass, they may be promoted or listed in the top management reserve; if not, they may be dismissed from office.

In addition to government and self-government employees, there is a special category of citizens who receive salaries from the state budget. They are classified as state employees, and include doctors, teachers, workers in culture and arts and socially protected categories of the population. Their status is determined in special laws and regulatory documents. Table 3A.7 demonstrates the increase in the number of public servants in Ukraine between 1994 and 1999.

9. Legal Guarantees for Local Autonomy

The right of local self-governments to independently execute their responsibilities is guaranteed by the Constitution and laws of Ukraine. The Law on Local Self-government specifically stipulates the right of local self-governments and their officials to appeal violations of these rights in court. Acts of local self-government bodies and officials adopted within their competence are binding for all local government bodies, enterprises and organizations located within the territory of the local government (article 73 of the Law on Local Self-government).

Local self-government bodies and officials are responsible for their activities to their communities. If local self-governments should violate the Constitution or the laws of Ukraine, the community has the right to dissolve the local government before the end of its term (article 75). The local council may be terminated by a local referendum, initiated by the mayor upon the request of at least ten percent of all local inhabitants. The mayor may be dismissed in case of personal resignation, the termination of his or her citizenship, a court ruling declaring his or her incompetence, a court conviction or death (article 79). Based on these grounds, the mayor may be dismissed from office by local referendum or by a two-thirds vote of local council members. The Verkhovna Rada decides upon special elections of the local council or the mayor.

It is planned to develop a system of administrative courts designed to protect the rights and freedoms of citizens on issues related to executive power and local self-government. This system of administrative courts is expected to consist of the Supreme Administrative Court, local administrative courts and appellate courts.

10. Next Steps in the Transition Process

No government body has been established to address issues of developing local self-governments and local public administration. The need to create such a body, whether in the form of a separate ministry, department or commission, has been actively discussed. Its advocates point to the necessity to increase coordination of efforts and control over public administration reforms. Their opponents, on the other hand, fear that this will only reduce the already tenuous autonomy of local and regional governments.

This issue has been partially resolved by the Presidential Decree on the Establishment of the Coordination Commission on Administrative Reform in Ukraine, adopted in 1997. The main outcome of commission's activities was the adoption of the Administrative Reform Concept, which determines prospects for the further development of the system of executive power.

According to this concept, administrative reform is to be implemented in three stages. The objective of the first stage is to develop and adopt concepts and programs for reform (1998–1999). The second stage focuses on creating the organizational and legislative basis to reform key components of the public administration system (1999–2001). In the third stage, existing structures will be reformed and new organizational structures will be created (2001–2004).

The major direction of reform will be to harmonize the distribution of public service responsibilities between local public administrations and local self-governments, to redistribute financial and material resources accordingly and to implement administrative-territorial reform. These three directions are discussed in further detail below.¹⁵

10.1 Distribution of Authorities

Reform of the distribution of responsibilities for public service delivery will be based on the principles of decentralization and subsidiarity. Major goals of reform in local public administrations will include:

- increased efficiency in the execution of state policy at the territorial level;
- improved quality of state-provided services and the realization of the rights and freedoms of citizens;
- the harmonization of state and local interests, taking into account specific features of territorial development;
- support for establishing and developing local self-governments based on the clear differentiation of their functions.

Oblast state administrations will increase the efficiency of control and supervisory functions while reducing the number of executive functions. At the same time, they are to reinforce the administrative and executive functions of raion state administrations. Heads of oblast administrations and their first deputies will be accorded the status of political officials rather than government employees. Their responsibilities will primarily be to implement state policy in the given region, with due consideration of its specific features.

The powers of local self-governments will be extended in order to provide the necessary range and quality of municipal services. They will receive real independence, autonomy and responsibility in the conduct of their activities. The number of own local authorities will increase, with a corresponding reduction in the number of delegated authorities.

In addition, the system of public service will be reformed. Three types of government positions will be established: political, patronage and administrative. Only officials holding patronage and administrative positions will be considered public servants. For every position, the responsibilities and terms of reference will be clearly determined. Major goals of public service reform include strengthening ethical norms, improving the administrative culture within government bodies and increasing public confidence in government employees. In addition, steps will be taken to improve the system for recruiting, training, motivating and promoting government employees. Municipal service will also be established as an integral component of public service.

In order to implement these reforms, the legal environment must be improved through amending existing legislation and adopting new laws.

10.2 Redistribution of Resources¹⁶

Establishing an autonomous system of local self-government system is impossible without the reform of inter-budgetary relations. The new system will be based on a unified budget, incorporating certain elements of budgetary federalism, and will require the following reforms:

- delineating revenues and expenditures of different level budgets;
- delineating central and local taxes, as well as the taxation authorities of different levels of government;
- allocating a portion of central taxes to territorial communities.

Realizing the proposed changes will require new tools for the establishment of inter-budgetary relations. Instead of the existing financial equalization mechanisms, which are based on regulated revenues and norms for deductions, it is now planned to utilize the categories of own and transferred revenues, which will be fixed for an extended period of time. These mechanisms will increase the level of self-sufficiency up to eighty or ninety-five percent. Subsidies from the state budget are to become the main instrument for financial equalization, and will directly fund delegated authorities. Subventions will acquire the character of investments in territorial development. All other financial relationships between different tiers of government will take the form of budget loans. This set of tools for inter-budgetary relations will lead to a more just redistribution of state budget funds as well as a more transparent and predictable system. Significant efforts will be made to prevent non-monetary settlements between budgets of all levels.

Own and transferred revenues as well as transfers will be calculated according to an algorithm that takes into account minimum social standards for the public services provided by the different governments. Implementation of these reforms clearly requires amendments to existing legislation and the adoption of new laws.¹⁷

10.3 Administrative-territorial Reform¹⁸

The administrative-territorial structure of Ukraine will be reformed in order to create conditions for improving the efficiency of public administration and local self-governments.

In order to increase the efficiency of public administration, it is necessary to develop and implement a state regional policy, possibly by selecting five to seven pilot regions which possess sufficient economic and production potential. According to this concept, the number of oblasts and raions will be reduced. Local state administrations will be the conduits of state regional policy and will attempt to combine it with the interests of the regions. Issues of regional policy are currently under intense debate; although several concepts have been drafted, the final model has not yet been adopted.

In another move to increase the efficiency of local government, the number of municipalities will be reduced. This should be accomplished through the voluntary merging of municipalities. This process, termed “municipal reform,” will improve the financial, economic, organizational and human resource capabilities of local self-governments to provide quality services. A concept for its implementation has already been developed, although the Verkhovna Rada must pass the necessary resolutions to expedite the process of municipal reform.

Another major direction of municipal reform is improving the model of self-government within settlements. Recently, several Ukrainian cities, such as Lvov, Zaporozhje and Mariupol, have introduced significant innovations into their systems of city administration. These cities, which are divided into districts, have decided to establish city district administrations in place of city district councils and executive committees. These administrations have been authorized to execute decisions of the city council and the city executive committee as well as manage community property located in the city districts. Heads of these administrations were appointed by the city mayor.

Recent Publications on Local Self-government in Ukraine

Annual Statistical Report of Ukraine, 1999. Kiev: Ukrainian Encyclopedia, 2000. (In Ukrainian and English)

Belenchuk P. D., V. V. Kravchenko and N. V. Podmogilny. *Local Self-government in Ukraine: Municipal Law.* Kiev: Attica, 2000. (In Ukrainian)

Kravchenko, V. I. *Local Finance in Ukraine.* Kiev: Znaniye, 1999. (In Ukrainian)

Local Governments in Central and Eastern Europe. Budapest: OSI/LGI, 1994. (In Ukrainian and English)

“Main Social and Economic Indicators for Cities, Members of the Association of Ukrainian Cities.” *Ukrainian City. Magazine of the Association of Ukrainian Cities.* (1999). (In Ukrainian)

Parkhomenko, V. *Problems of Local Self-government in Ukraine in the 1990s.* Kiev: Institute of Democracy, 1999. (In Ukrainian)

Tkachuk, A., R. Agranoff and T. Brown. *Local Self-government: International and Ukrainian Experience.* Kiev: Zapovit, 1997. (In Ukrainian)

Ukrainian Legislation on Local Self-government: A Collection of Normative Acts. Kharkov: Odyssey, 1999. (In Russian)

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Glossary of Terms

- Cabinet of Ministers* — The highest body in the Ukrainian system of executive power
- Local self-government* — The right and real capability of a territorial community, guaranteed by the state, to resolve issues of local importance within the framework of the Constitution and laws of Ukraine, either independently or through local self-government bodies and officials
- Mayor* — The highest official in communities such as villages, townships or cities
- Raion and oblast councils* — Local self-government bodies that represent the common interests of territorial communities in raions and oblasts
- Representative local self-government body* — A council consisting of elected members, with the right to represent the interests of a territorial community and make decisions on its behalf in accordance with the law
- Territorial gromada* — A community of inhabitants united by permanent residence within the same administrative-territorial unit.
- Verkhovna Rada* — The Parliament, or legislative body of Ukraine

Annex 3.1

Major General Indicators

Area	603,700 square kilometers
Population (as of 1 January 1999)	50,100,000
Population density	83 people per square kilometer

Table 3A.1

Population in Ukraine by Place of Residence and Gender, 1989–1999¹⁹

	1989	1991	1996	1997	1998	1999
Place of Residence [millions]	51.7	51.9	51.3	50.9	50.5	50.1
Urban	34.6	35.1	34.8	34.5	34.3	34.0
Rural	17.1	16.8	16.5	16.4	16.2	16.1
Place of Residence [percent of total population]						
Urban	67	68	68	68	68	68
Rural	33	32	32	32	32	32
Gender [millions]						
Male	23.9	24.1	23.9	23.7	23.5	23.3
Female	27.8	27.8	27.4	27.2	27.0	26.8
Gender [percent of total population]						
Male	46	46	47	47	47	47
Female	54	54	53	53	53	53

Population (1998)	
Pensioners	14,500,000
School-age children	840,000

Table 3A.2
Population in Ukraine by Age and Place of Residence, 1998²⁰

	[thousands]			[%]		
	Total	Urban	Rural	Total	Urban	Rural
AGE						
0–1	437.6	271.8	165.8	0.9	0.8	1.0
1–4	2,004.3	1,257.3	747.0	4.0	3.7	4.6
5–9	3,312.4	2,206.9	1,105.5	6.6	6.5	6.8
10–14	3,888.5	2,629.2	1,259.3	7.7	7.7	7.7
15–19	3,640.1	2,575.9	1,064.2	7.2	7.6	6.5
20–24	3,628.1	2,568.6	1,059.5	7.2	7.6	6.5
25–29	3,429.9	2,451.4	978.5	6.8	7.2	6.0
30–34	3,420.5	2,413.6	1,006.9	6.8	7.1	6.2
35–39	3,949.8	2,867.6	1,082.2	7.9	8.4	6.7
40–44	3,681.5	2,717.5	964.0	7.3	8.0	6.0
45–49	3,516.9	2,605.5	911.4	7.0	7.7	5.6
50–54	2,250.3	1,583.4	666.9	4.5	4.7	4.1
55–59	3,288.7	2,158.6	1,130.1	6.6	6.3	7.0
60–64	2,760.3	1,723.5	1,036.8	5.5	5.1	6.4
65–69	2,574.4	1,497.0	1,077.4	5.1	4.4	6.6
70+	4,461.9	2,453.4	2,008.5	8.9	7.2	12.3
Total	50,245.2	33,981.2	16,264.0	100.0	100.0	100.0
AGE CATEGORY						
Below economically active age	10,384.2	6,872.3	3,511.9	20.7	20.2	21.6
Economically active age	28,208.1	20,222.5	7,985.6	56.1	59.5	49.1
Above economically active age	11,652.9	6,886.4	4,766.5	23.2	20.3	29.3
Total	50,245.2	33,981.2	16,264.0	100.0	100.0	100.0

Table 3A.3
Major Social and Economic Indicators²¹

	1996	1997	1998
GDP in real prices [UAH millions]	81,519	93,365	103,869
Per capita GDP [UAH]	1,595	1,842	2,065
Consolidated state budget [UAH millions]	30,218.7	28,112.0	28,441.1
Expenditures [UAH millions]	34,182.8	34,312.7	30,506.4
Deficit [UAH millions]	3,964.1	6,200.7	2,065.3
Investments in the basic capital, compared to 1996 prices [UAH billions]	12.6	11.5	12.0

Per capita GDP (1998)	USD 1,087
Consolidated state budget (1998)	UAH 28,441.1 million
Revenues as a proportion of GDP (1998)	27.8 percent
Expenditures as a proportion of GDP (1998)	30.0 percent

Table 3A.4
State and State-guaranteed Foreign Debt [millions USD]²²

1995	1996	1997	31 August 1998
8,217	8,839	9,555	10,243

Unemployment rate (1998)	11.3 percent
Inflation rate (1998)	20.0 percent

Table 3A.5
Consumer Price Index²³

	1992	1993	1994	1995	1996	1997	1998
	Times					[%]	
Consumer price index	21.0	102.6	5.0	2.8	1.4	110.1	120.0
Food items	17.9	121.8	4.7	2.5	1.2	114.1	122.1
Non-food items	21.1	112.0	4.7	2.2	1.2	102.9	124.1
Paid services	35.9	92.1	8.8	5.8	2.1	107.9	113.0
Price index of capital investments	27.6	37.8	10.2	5.7	1.7	108.3	105.4

Annex 3.2

Population, Settlements and Administrative Units²⁴

Table 3A.6
Number of Administrative-territorial Units by Region

	Raions	Cities		City Districts	Townships	Rural Settlements
		Total	Cities of Central and Oblast Subordination			
Autonomous Republic of Crimea	14	16	11	3	56	957
City of Kiev	—	1	1	14	1	—
City of Sevastopol	—	2	1	4	1	29
Vinnitsa oblast	27	17	4	3	30	1,467
Volyn oblast	16	11	4	—	22	1,053
Dnepropetrovsk obl.	22	20	13	18	48	1,441
Donetsk oblast	18	51	28	21	134	1,122
Zhytomir oblast	23	9	4	2	45	1,631
Zakarpattje oblast	13	10	3	—	2–	579
Zaporozhje oblast	20	14	5	7	23	921
Ivano-Frankovsk obl.	14	15	5	—	24	765
Kiev oblast	25	25	11	—	30	1,221
Kirovograd oblast	21	12	4	2	26	1,024
Lugansk oblast	18	37	14	4	109	792
Lvov oblast	20	43	7	5	34	1,854
Nikolayev oblast	19	9	5	4	17	908
Odessa oblast	26	19	7	8	33	1,139
Poltava oblast	25	15	5	5	21	1,854
Rovno oblast	16	10	4	—	17	1,004
Sumy oblast	18	15	7	2	20	1,500

Table 3A.6 (continued)
Number of Administrative-territorial Units by Region

	Raions	Cities		City Districts	Townships	Rural Settlements
		Total	Cities of Central and Oblast Subordination			
Ternopol oblast	17	16	1	—	19	1,017
Kharkov oblast	27	17	7	9	60	1,694
Kherson oblast	18	9	3	3	30	660
Khmelnitsky oblast	20	13	5	—	24	1,417
Cherkassy oblast	20	16	6	2	15	826
Chernovtsy oblast	11	11	1	3	8	398
Chernigov oblast	22	15	3	2	30	1,502
Total	490	448	169	121	897	28,775

Average municipal population (1999) 4,433

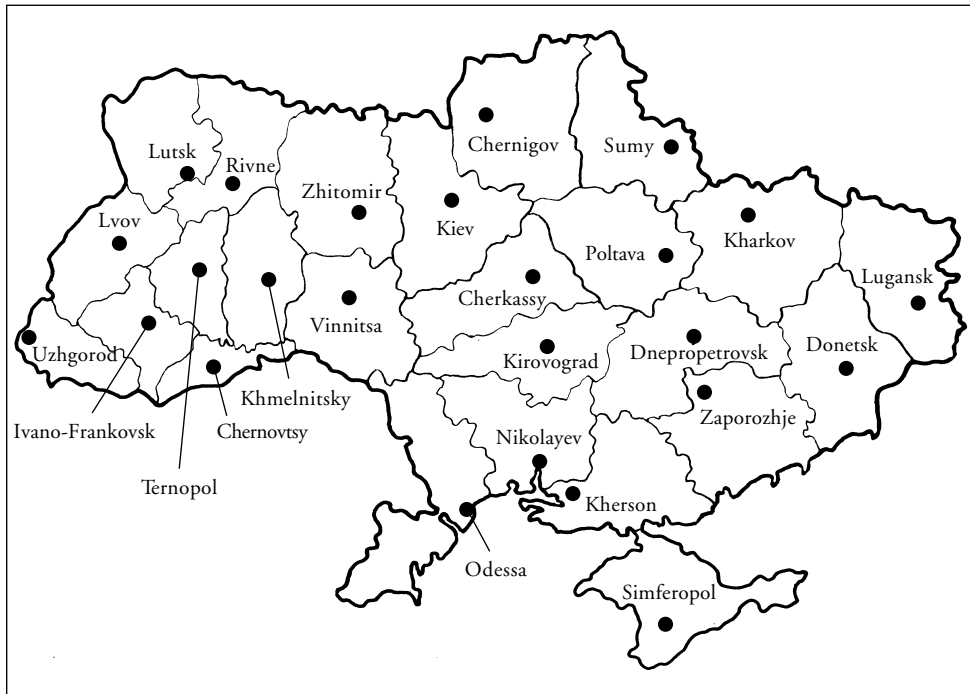
Table 3A.7
Number of Government Employees Paid from the State Budget, 1994–1999²⁵

	1994	1995	1996	1997	1998	1 January 1999
Public administration bodies, total	147,154	180,556	178,040	251,751	237,027	250,008
Legislative bodies	992	1,295	1,201	1,291	3,500	3,861
Presidential administration	375	590	590	590	1,513	1,513
Public executive bodies, total	145,787	178,671	176,249	249,870	232,014	244,634
Cabinet of Ministers	693	790	790	826	1,040	1,047
Staff of ministries, other central executive bodies and their territorial offices	56,493	75,502	66,419	66,266	61,670	70,496

Table 3A.7 (continued)
Number of Government Employees Paid from the State Budget, 1994–1999

	1994	1995	1996	1997	1998	1 January 1999
Local public administrations	—	—	—	69,811	65,511	64,043
Financial and fiscal bodies	88,590	102,368	109,009	112,924	103,735	108,990
Other organizations	11	11	31	43	58	58

Figure 3A.1
Administrative Map of Ukraine



Annex 3.3

Major Laws on Public Administration and Local Government

- Constitution of Ukraine (adopted 28 June 1996, at the Fifth Session of the Verkhovna Rada of Ukraine)
- Constitution of the Autonomous Republic of Crimea (adopted 21 October 1998, at the Second Session of the ARC Verkhovna Rada)
- Law on Local Self-government (1997)
- Law on Elections of Local Councils and Village, Township and City Mayors (1998)
- Law on National and Local Referenda (1992)
- Law on the Capital of Ukraine (1999)
- Law on Local Public Administration (1999)
- Law on the Budget System (1995)
- Law on the National Budget (adopted annually)
- Law on the Taxation System (1997)
- Law on Property (1991)
- Law on Public Service (1993)
- Presidential Decree on Measures to Implement the Concept of Administrative Reform in Ukraine (1998)

Annex 3.4

Responsibilities of Administrative Tiers

Table 3A.8
Specific Functions of Government Tiers in Ukraine

Functions	Cities, Townships, Villages	Oblast or Raion Governments	Central or Local Administrations
I. EDUCATION			
1. Pre-school	X		
2. Primary	X		
3. Secondary	X	X	
4. Technical	X	X	
5. Higher		X	X
II. SOCIAL WELFARE			
1. Nurseries	X		
2. Kindergartens	X		
3. Old people's homes	X	X	
4. Individual services for elderly and disabled people	X		
5. Special services (for homeless, families in crisis, etc.)	X	X	
6. State housing	X	X	
7. Unemployed	X	X	X
III. HEALTH SERVICES			
1. Primary health care	X		
2. Health protection	X	X	X
3. Hospitals	X	X	
4. Public health	X	X	X
5. Drug users		X	X

Table 3A.8(continued)
Specific Functions of Government Tiers in Ukraine

Functions	Cities, Townships, Villages	Oblast or Raion Governments	Central or Local Administrations
IV. CULTURE, LEISURE, SPORTS			
1. Theaters	X	X	X
2. Museums	X	X	X
3. Libraries	X	X	X
4. Parks	X		
5. Sports, leisure	X	X	X
6. Culture houses	X	X	
7. Protection of cultural heritage	X	X	X
V. ECONOMIC SERVICES			
1. Water supply	X		
2. Sewerage	X	X	
3. Electricity	X	X	X
4. Gas	X	X	X
5. Central heating	X	X	
6. Telecommunications	X	X	X
VI. ENVIRONMENT, PUBLIC SANITATION			
1. Waste collection	X		
2. Waste disposal	X		
3. Street cleaning	X		
4. Cemeteries	X		
5. Environment protection	X	X	X
6. Protection from natural/ man-made disasters		X	X
VII. TRAFFIC, TRANSPORT			
1. Roads	X	X	X
2. Street lighting	X		
3. Public transport	X		
4. Railroads			X

Table 3A.8(continued)
Specific Functions of Government Tiers in Ukraine

Functions	Cities, Townships, Villages	Oblast or Raion Governments	Central or Local Administrations
VIII. URBAN DEVELOPMENT			
1. Town planning	X	X	
2. Regional/spatial planning		X	X
3. Local economic development	X		
4. Tourism	X	X	X
5. Land surveying	X	X	
IX. GENERAL ADMINISTRATION			
1. Authoritative functions (licenses, etc.)	X	X	X
2. Other state administrative matters (electoral lists, etc.)	X	X	X
3. Municipal police		X	X
4. Fire brigades	X	X	X
5. Civil defense		X	X
6. Consumer rights protection	X	X	X

Notes

- ¹ Head of the Department of Public Administration and Local Self-government, Ukrainian Academy of Public Administration, Dnepropetrovsk branch; telephone/fax (380-56)744-3498; e-mail: navruzov@renaissance.dp.ua.
- ² The first public hearings in Ukraine on approving the local budget were held in Komsomolsk, Poltava oblast, in 1999. As of the end of 2000, this type of activity was steadily growing among urban populations.
- ³ N. Tomenko, *ABC of Ukrainian Politics* (Kiev: Smoloskyp, 1998), 71–73.
- ⁴ *Parliament of Ukraine: 1998 Elections* (Kiev: Parliamentary Publishing House, 1998), 30–31.
- ⁵ More detailed information about the elections results can be found in N. Tomenko, “Summing up the Parliamentary Elections in Ukraine,” *Politicheskaya Mysl* 2 (1998), 107–119.
- ⁶ In practice, the budget structure includes sections for expenditures and revenues. Only some local budgets specify administrative and development budgets. Currently, the drafting of budgets for own and delegated authorities is not practiced.
- ⁷ To date, this legal norm has not been applied. Instead, budget revenues are formed at the subnational level through fixed and regulated taxes, a mechanism is determined by the Law on the Budget System (1995).
- ⁸ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ⁹ Since 1999, all local governments funds kept in extra-budgetary accounts should be reflected in the local budgets.
- ¹⁰ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ¹¹ *Inter-budgetary Funding in Ukraine: A Reform Program*, Conference Proceedings (World Bank, 1999).
- ¹² *Inter-budgetary Funding in Ukraine: A Reform Program*, Conference Proceedings (World Bank, 1999).
- ¹³ *Inter-budgetary Funding in Ukraine: A Reform Program*, Conference Proceedings (World Bank, 1999).
- ¹⁴ In practice, these legally established terms are often not observed. It should be mentioned that creation of a political majority in the Verkhovna Rada has produced better compliance with the terms of approval for the state budget. This also has positive effects for the local budget process.
- ¹⁵ *Administrative Reform Concept in Ukraine* (Kiev: 1998), 24–42.

- ¹⁶ Kravchenko, V. I., *Local Finance in Ukraine* (Kiev: Znaniye, 1999), 247–282.
- ¹⁷ It should be noted that since mid-2000 up to the time of writing (mid-2001), Ukraine has significantly changed the system for redistributing budget funds among tiers of government. For instance, a Draft Budget Code was adopted, a method for calculating subsidies was developed and is coming into use and the Tax Code is being reformed. These and other measures help increase the self-sufficiency of local budgets.
- ¹⁸ *Administrative Reform Concept in Ukraine* (Kiev: 1998), 38–42.
- ¹⁹ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ²⁰ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ²¹ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ²² “Restoration of Growth on the Basis of Justice: Memorandum on the Economic Development of Ukraine” in *Economies in Countries of the World* (World Bank, 1999), 182.
- ²³ *Annual Statistical Report of Ukraine, 1999* (Kiev: Ukrainian Encyclopedia, 2000).
- ²⁴ Data as of 1 January 1999. “Main Social and Economic Indicators for Cities, Members of the Association of Ukrainian Cities,” *Ukrainian City* (1999), 3.
- ²⁵ *Economic Reforms Today*, 29 (2000), 50.

