Polaris Supporting Multilevel Governance in Ukraine

DEPUTY PRIME MINISTER'S OFFICE FOR EUROPEAN AND EURO-ATLANTIC INTEGRATION OF UKRAINE

EU Integration & Local Authorities: Overview of the "Local Europe in Ukraine" Report

Sweden Sverige

Implementer SALAR International

EU integration and local governance in Ukraine

Joining the EU has a profound impact on local authorities. The EU's Committee of the Regions estimates that over 70 per cent of EU legislation is implemented at the local and regional level, yet in the past local authorities have **not been sufficiently engaged** in the accession process. Without early and proactive involvement, mayors risk being under-prepared for the commitments made on their behalf. Ensuring that municipalities are equipped to meet these standards and fully leverage EU funding opportunities is essential to avoid implementation gaps that could affect the country's overall progress.

Local authorities need to **build capacity** – both human and financial – to play their part in moving towards EU standards. Otherwise, accession could lead to **unintended recentralisation**, where certain functions shift back to central government or its territorial branches.

Ukraine's situation is **unique among the candidate countries,** due not only to the war but also to the speed of the accession process so far, the high degree of decentralisation following the post-2014 reforms, and the strong support from the EU for the continuation of these reforms. This raises the stakes for municipalities and makes the role of **local government associations** (LGAs) even more important in representing local interests at state level and in preparing their members for the day-to-day work of implementing EU standards.

Chapters of the EU acquis – key issues for local authorities in Ukraine

The EU 'acquis' (the body of common rights and obligations that is binding on all EU member states) is divided into 35 chapters, of which more than half raise concrete issues for local authorities. From environmental standards to public procurement, these chapters define how municipalities will operate, invest, and provide services within the European Union.

The table below outlines the key chapters, ranked by their significance for local authorities. This prioritization is based on an analysis of the experience of local government associations (LGAs) in other candidate countries—specifically their level of involvement in negotiating groups and their conduct of impact assessments on the local level. This analysis is further informed by expert assessments of investment needs, human resource development, as well as potential risks and opportunities for Ukraine. See the full report for many more examples.

Chapter	Selected key issues identified in other candidate countries	Selected key issues identified in Ukraine
27. Environment & Climate Change	Direct relevance for core municipal responsibilities in waste management, water and sanitation, air quality, noise, environmental inspections, nature protection and more. Substantial investment costs to upgrade municipal infrastructure, but also administrative requirements – e.g. environmental information, environmental impact assessments (EIAs). Long transition periods likely for key EU targets in e.g. waste and water, but municipalities should aim to ensure realistic commitments and sufficient capacity and resources. Potential problems include lack of capacity to carry out measurements (e.g. water quality), lack of awareness on need for EIAs, infringements (and ultimately fines) for (e.g.) failure to meet deadlines for closing landfills or upgrading wastewater treatment.	• Lack of financial resources and expertise to build and renovate waste, water and other municipal infrastructure. • New legislation on **waste management** not yet operational, but will require 200 new facilities costing over EUR 40m each. • Over 6,000 official **landfills** in Ukraine, with a total area of c. 9,000 hectares, will need to be closed and recultivated. • Only half of **wastewater** undergoes full biological treatment; a third is discharged into water bodies untreated. • Lack of administrative capacity and expertise to conduct **environment impact assessments** for projects. • Limited scope to **monitor CO2 emissions, air and noise pollution** and develop data-based local policies to achieve EU standards.
22. Regional policy & coordination of structural instruments	Defines the framework for EU structural and cohesion funding, part of which is allocated on a regional basis. National responsibility, but local reps should have a say in institutional arrangements and ensure inclusion in the ‘partnership’ responsible for programming and monitoring. LGAs should also help members to build capacity by participating in projects funded by pre-accession assistance. Potential problems include difficulties in accessing EU funds managed by line ministries, failure for the country as a whole to maximise absorption, and recovery of funds due to project management errors.	• The **State Fund for Regional Development** needs to be strengthened financially and administratively, with a role for local reps in determing priorities. • Further arrangements for **operation of EU structural funds** needed at both national and regional levels, including regional EU integration offices. • Municipalities need greater clarity on **procedures for selecting projects through the DREAM** digital tool. • Financial instruments (e.g. a revolving fund) needed to ease obstacles to **pre-financing and co-financing** of municipal involvement in EU-funded projects.
5. Public procurement	EU rules to ensure public purchases are open to companies throughout the EU. Applied through national legislation, but sometimes ‘over-implemented’ (e.g. making appeals procedures for lower-value contracts more onerous than EU rules require). Benefits from increased competition and transparency, but less flexibility, and significant administrative capacity (or joint procurement) needed to ensure correct procedures. Potential problems include delays to services and legal costs/damages in the event of appeals.	• Municipalities generally well-prepared thanks to implementation of EU procurement rules as part of the Association Agreement. • More flexibility needed for **qualitiative assessments** (not only lowest price criterion) to improve practical implementation.

11. Agriculture & rural development	Rules on agricultural markets etc. mostly for national authorities, but parts of EU rural development funding are relevant for municipalities. For example, funds can be used for local infrastructure, for municipal-owned forests, or for LEADER, whereby Local Action Groups (LAGs) of public, private and civil society stakeholders implement local development strategies. The question is how well-prepared local authorities are to make use of such opportunities. Croatia (among others) had to negotiate down the amount reserved for LEADER because not enough LAGs were ready.	• New Strategy for agriculture and rural development to 2030 not yet fully operational. • Several pilot projects to form LAGs, but no systematic nationwide approach yet. • Paying agency and managing authority needed for Ukraine to access EU rural development funding.
19. Social policy and employment	EU rules on working time, temporary contracts, health and safety, etc. directly affect local authorities as employers. Where local authority associations are recognised as employers' associations, they can be involved in shaping legislation through the EU social dialogue. In addition, local authorities often play an important role in social protection, and input into non-binding EU policy coordination could be a channel for local influence at national level. Opportunities for funding from the European Social Fund.	• Key role for local authorities in social services to vulnerable groups (children, orphans, elderly, veterans, etc.) through home care, palliative care, counseling, in-kind assistance, transportation services, advocacy, information, etc. • New system due for **procurement of social services** in line with EU acquis. • Significant implications for obligations of local governments towards employees.
8. Competition policy	Local authorities must comply with the EU treaty rules on state aid (briefly, subsidies or other advantages to economic undertakings that may distort competition and trade). No scope for changing the rules, but awareness and preparation are essential. Aid found to be illegal must be repaid, which could lead to disruption of services and insolvency of recipients, including (e.g.) public utilities, municipal housing companies or local transport providers. Problems can often be avoided by ensuring that conditions for exemptions are fulfilled, or by carefully defining public service obligations and putting contracts out to tender.	• Need for **awareness-raising** of state aid principles in project implementation. • Possible implications for **tax incentives** to attract investment and stimulate local economic development (e.g. industrial parks).

23. Judiciary & fundamental rights	Fundamental rights include most EU rules on gender equality, non-discrimination, personal data protection and access to information of public importance, with direct relevance for sub-national governments as employers, service providers and public authorities. Political influence over local media is an issue in some countries. Potential problems include fines for breaches of anti-discrimination or data protection legislation (though there is national flexibility as to whether sanctions apply to public bodies). Also positive potential for municipalities to lead the agenda, e.g. as 'human rights cities'.	• Accessibility of buildings and other types of infrastructure at local level, especially in the context of reconstruction efforts. • Municipalities struggle to provide social, medical and other services to growing number of people with disabilities/veterans/IDPs.
28. Consumer & health protection	Municipal service providers must comply with EU rules on consumer protection, while local authorities often have a role in inspections, enforcement, information, dispute resolution, etc. Depending on local competences in healthcare, local authorities may also be affected by binding rules on e.g. cross-border patients' rights or serious health threats as well as non-binding policy coordination on public health. They may also benefit from funding opportunities such as the EU4 Health programme.	• Municipalities have significant powers under consumer rights legislation but only two-thirds have established consumer protection departments. • Municipal hospitals and outpatient clinics are vital to building a resilient healthcare system. Issues include alignment of the Ukrainian e-healthcare system with the European Health Data Space and the common risk assessment system for cross-border disease threats.
34. Institutions	The key question here is representation in the Committee of the Regions. This includes all levels of sub-national government, but it is up to each country to decide on the balance between (e.g.) regions and municipalities. LGAs usually have a role in selecting and preparing members and often serve as the secretariat, also for the Joint Consultative Committee (JCC) established prior to accession. Potential issues include coordination among different LGAs or levels of sub-national government, or lack of resources for JCC members to participate.	• **Ukraine's JCC** will be established in 2026, but LGAs have been involved in the process only to a limited extent thus far.

15. Energy	Directives on energy efficiency, energy performance of buildings and use of renewables directly affect local authorities as energy suppliers and major consumers (buildings, street lighting, etc.). Implications also for planning and support to private households on energy efficiency. Notable requirements include consumption-based billing, phasing out of fossil fuels in e.g. district heating systems, and (for municipalities with over 45,000 inhabitants) local cooling and heating plans.	• Municipalities will need to increase use of renewables by municipal utility companies. • Modernisation of municipal-owned heat generating enterprises requires major financial resources. Energy efficiency in district heating is a related challenge. • Ending the moratorium on raising heat and hot water tariffs might give positive impetus for development of local utility companies. • Minimum energy efficiency performance levels for buildings. • Municipalities may need to draft **Sustainable Energy and Climate Action Plans** to help achieve climate neutrality.
14. Transport policy	Limited relevance in air and maritime, but many implications for local authorities with responsibility for local roads, public transport and urban planning. Urban nodes must have Sustainable Urban Mobility Plans and submit data on urban mobility. There are regulations on passenger rights for bus and rail transport, numerous measures on road safety, and requirements on energy efficiency and emissions of vehicles, to give a few examples. Also significant EU funding available e.g. through the Connecting Europe Facility.	• Meeting norms on accessibility of municipal transport will require substantial investment. • Decarbonisation of public transport – the recent state strategy notes the need for local plans for sustainable urban mobility in cities and strong focus on development of green transport and micromobility (bicycles, walking routes, etc.), though without giving clear concrete guidance. Burden of renovating public transport will likely fall on local authorities. • Also specific public procurement issues in transport.
10. Information society & media	Telecoms and media regulation mainly for central authorities, but local authorities affected by requirements for digitalised services and standards for interoperability, cybersecurity and accessibility (including e.g. for disabled users). Possible role in digital literacy and inclusion initiatives or in enabling roll-out of infrastructure (e.g. in rural areas). EU rules on audiovisual media also relevant if local authorities provide or fund local broadcasting. Some EU funding available e.g. through the Creative Europe programme.	• Municipalities will need additional **cybersecurity, risk management, and incident reporting measures.**

16. Taxation	Generally concerns national authorities but could be highly relevant to local authorities if local taxes and fees are incompatible with the acquis (as happened e.g. in Austria with a local tax on alcoholic drinks). Adjustments may be needed (as e.g. in Sweden) to compensate local authorities for VAT paid on inputs for tax-exempt activities.	• Local budgets receive a share (13.44% in 2025) of excise duties on fuel. EU minimum excise duty rates could increase local revenue, although (given a large budget deficit) the state might be tempted to reduce the local share.
32. Financial control	The main issue for local administrations (and utility companies, etc.) is sufficient administrative capacity to implement accepted international standards for public internal financial control. Local reps should ensure sufficient clarity in national regulations and budget systems, and that capacity-building efforts (training, manuals, etc.) consider the needs of local budget users.	• Municipalities will need to apply new Global Internal Audit Standards, with benefits for financial management. While more capable Ukrainian municipalities have established internal control and audit units, many (especially smaller rural ones) lack the capacity. • Compliance here is relevant for access to EU funding after Ukraine becomes an EU member.
Other chapters	Several other chapters and areas not mentioned in the table (see the full report).	• The **public investment management system** (part of public administration reform) requires municipalities to review local development strategies, develop project pipelines, and more. • Or under ch. 25, Science and research, municipalities need to align their local development strategies with regional strategies based on ‘smart specialisation’, while more active involvement in the Horizon programme (including the New European Bauhaus initiative) is needed to promote green and inclusive recovery.

What could municipalities in Ukraine do to be more engaged in EU accession?

So far, LGAs have not been deeply involved in discussions surrounding the accession process (one of the four associations, the Ukrainian Association of District and Regional Councils, was invited to participate in the negotiation working group on chapter 22, but as the table shows, this is only one of several important areas).

There is an evident need to **establish an intergovernmental coordination group** on EU integration impact on local governance for more systematic consultation on EU integration related laws.

The commitment to allocate over EUR 1 billion of the **Ukraine Facility**, the EU's financial assistance programme for Ukraine, to sub-national authorities is without parallel in the other candidate countries and signals EU support for decentralisation.

However, there is a need for greater clarity over the additionality of these funds at sub-national level and how much say local authorities will have over their use. Arrangements for managing future EU funds at regional level, including cooperation between municipalities and the newly established Deputy Heads of regional administrations on EU integration, also need to be developed.

Municipalities should take advantage of EU **territorial cooperation** and **thematic programmes** to prepare for practical implementation of EU policies (including the green and digital transitions, support to SMEs, improving services, etc.) and to develop project management capacities.

Ukraine participates in 7 Interreg programmes and 14 thematic EU programmes. However, large parts of the North and East of the country, among those most affected by the war, are ineligible for cross-border cooperation programmes, so there may be a need to consider their specific needs.

The four **LGAs** could benefit from **closer cooperation on EU-related questions.**

They have a common interest, for example, in participation in additional negotiation working groups (e.g. on environment or rural development), involvement in discussions on Ukraine's CoR JCC, greater local involvement in determining priorities for the use of EU funds (including monitoring arrangements for the Ukraine Facility and the State Fund for Regional Development), and advocacy for financial mechanisms to facilitate pre-financing and co-financing of EU projects.

Among other steps taken by LGAs in the candidate countries:

- Further in-depth **work on the impact of EU accession at local level** could help to strengthen both advocacy and local preparations. One obvious area of interest is local government access to EU-funded projects. Other areas might include recovery (including spatial planning and the many aspects of EU standards that influence this) and management of communal enterprises.

- **EU networks and/or committees** of local government representatives and/or practitioners with an interest in EU-related questions might be considered as a way to improve coordination and strengthen capacities.

- **Capacity-building** for local governments on EU integration is needed. Ideally, a tailored programme would be agreed with the government for inclusion in Ukraine's next reform agenda. This could include sub-grants (or similar) for activities and small investments to improve capacity to implement the EU acquis and Ukraine Plan reforms.

Maintaining **dialogue between LGAs and the EU institutions** is also highly recommended. Keeping EU representatives informed of issues faced by local authorities could help to resolve problems given the EU's encouragement for decentralisation. Local authorities should aim to serve as constructive contributors to the accession process. They are trusted actors who can play a vital role in explaining to citizens the obligations and opportunities that come with EU membership, not least in times of pervasive disinformation campaigns.

When martial law ends, local elections will be held, constitutional amendments to complete the decentralisation process should be on the agenda, and Ukraine may be on the verge of joining the Union. This would be a critical juncture at which to ensure that new mayors and local administrations are as well-prepared as possible for implementing EU standards, making good use of EU funds, and engaging in dialogue with citizens on what EU integration means in practice. Perhaps then Ukraine will also have something to teach the rest of the EU about the value of local democracy.

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