

The Need for Direct Funding for Municipalities

Position Paper

This position is aimed at EU policymakers, investors, and banks to highlight the necessity of providing local municipalities with direct access to funding, free from excessive barriers.

Amid the ongoing war and Ukraine's recovery, there is a critical need for direct financial inflows to municipalities. This document emphasizes the need to reform financing approaches, focusing on the importance of transparency, efficiency, and decentralization in the use of international aid.

✓ Key Issues

The primary financial resources allocated to Ukraine are usually distributed through state institutions, which leads to a lack of transparency and delays in implementing projects at the local level. Specifically,

- **Inefficiency of Government Structures:** State authorities are often unable to respond promptly to municipal needs. For example, none of the 5,700 solar panels promised by Ursula von der Leyen in March 2023 were installed.
- **Limitations of International Funding:** Many international financial organizations are not focused on the specific needs of municipalities, making it difficult for them to access funding.

★ Recommendations

Direct Cooperation with Municipalities

- Priority should be given to direct cooperation between donors and municipalities to ensure the efficient allocation of resources.
- Mechanisms should be created to allow small municipalities to join forces in attracting funding together.

Support for Decentralization

- Financial instruments should guarantee that access to support is independent of government actions or decisions by central authorities.

Transparency and Accountability

- It is recommended to implement transparent reporting mechanisms for fund usage, enabling municipalities to demonstrate the effectiveness of their projects to donors.
- Support the development of the DREAM platform for collecting requests from municipalities. Municipalities should be encouraged to create projects through this platform, and donors should stimulate its use.

Development of Flexible Financial Instruments

- Access to loans in national currency with fixed interest rates and simple administrative procedures must be ensured.
- Consider the possibility of securing grants at the level of 30-50% and reducing interest rates to 3-5%.

Technical Support

- Municipalities should be provided with technical support and training to enhance their capacity to work with international organizations.

! Conclusion

Direct funding for municipalities is crucial for the effective use of international aid in Ukraine. Implementing the proposed recommendations will ensure greater transparency, timeliness, and accountability in financing local-level projects, contributing to the country's sustainable development during the war and recovery period. The government, international financial organizations, and donors must focus on implementing changes that allow the public sector to become an active participant in the recovery process.

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