

CIVIL SOCIETY PARTICIPATION AS A FACTOR OF LOCAL ECONOMIC DEVELOPMENT IN THE CONTEXT OF EUROPEAN INTEGRATION

Liudmila Kornuta¹, Serhii Ishchuk², Vitalii Oliinyk³

Abstract. The *subject* of the present study is the legal, institutional and economic framework of civil society participation in local economic development in Ukraine in the context of European integration. The paper focuses on the role of civil society in strategic planning, local budget processes, public investment, entrepreneurship support, employment initiatives, social entrepreneurship, reconstruction projects, public oversight, and digital monitoring of economic decisions at the community level. This text focuses on the interaction between local self-government bodies, civil society organisations, business actors, and residents within participatory and multi-level governance mechanisms. *Methodology.* The research is based on a combination of comparative legal, systemic, institutional and public governance methods. It integrates an analysis of Ukrainian legislation concerning local self-government, regional policy, public consultations and civic participation, alongside European approaches to multi-level governance, collaborative governance, partnerships and citizen involvement in decision-making processes. The study also draws on academic research concerning participatory governance, institutional co-operation, decentralisation, community resilience, and local responses to wartime challenges in Ukraine. This methodological approach enabled the identification of the relationship between civic participation, the quality of local decision-making and the allocation of public resources, institutional capacity, public accountability and community economic resilience. The work *aims* to determine the role of civil society participation in local economic development, and to develop recommendations for strengthening participatory governance in Ukrainian territorial communities within the context of European integration and future reconstruction. This article clarifies how civic participation can influence strategic priorities, budgetary and investment decisions, local economic initiatives, public oversight, and interaction quality between local authorities, businesses, and community stakeholders. The *results* of the study show that when connected with strategic planning, the allocation of resources, the implementation and monitoring of projects, and the evaluation of their results, civil society participation contributes to local economic development. Although Ukrainian legislation has expanded the legal forms of participation and decentralisation has increased the responsibility of territorial communities (hromadas), formal consultation procedures, unequal institutional capacity, limited access to expertise and weak links between public proposals and final economic decisions remain significant problems. European integration creates incentives for closer collaboration between the local government, businesses and civil society, as well as for more transparent and accountable decision-making processes. The wartime experience of Ukrainian communities further highlights the importance of civic networks in fostering resilience and facilitating future reconstruction. This includes participating in the setting of reconstruction priorities, monitoring public and international funds, supporting employment and social entrepreneurship, and utilising digital platforms and open data for public oversight. *Conclusion.* Participation of civil society should be regarded as an institutional factor in local economic development, as it influences strategic decision-making, the allocation of public resources, the accountability of local authorities and the capacity of communities to mobilise knowledge and resources. Further developing

Received on: June 27, 2026 **Accepted on:** September 20, 2026 **Published on:** October 14, 2026

¹ National University "Odesa Law Academy", Ukraine (*corresponding author*)

E-mail: kornuta02@gmail.com

ORCID: <https://orcid.org/0000-0001-7130-6347>

² The National University of Ostroh Academy, Ukraine

E-mail: ishchuk@gmail.com

ORCID: <https://orcid.org/0000-0002-3080-3870>

³ The National University of Ostroh Academy, Ukraine

E-mail: vitalii.oliinyk@gmail.com

ORCID: <https://orcid.org/0009-0001-8163-6486>



This is an Open Access article, distributed under the terms
of the Creative Commons Attribution CC BY 4.0

participatory governance in Ukraine requires stronger links between civic participation and economic decision-making, balanced co-operation between local government, businesses, and civil society, support for communities with weaker institutional capacity, and the wider integration of digital tools into strategic, budgetary, and investment processes. In the context of European integration, these mechanisms could lead to more accountable local governance, stronger community resilience and more effective post-war reconstruction.

Keywords: civil society, local economic development, local self-government, participatory governance, multi-level governance, collaborative governance, decentralisation, strategic planning, participatory budgeting, public investment, social entrepreneurship, public oversight, digital participation, territorial communities, European integration, Ukraine.

JEL Classification: R11, R58, H77, H72

1. Introduction

The growing importance of local communities in economic governance has transformed the understanding of the relationship between public authorities, businesses and civil society. Local economic development cannot be viewed as solely the result of administrative decisions made by local authorities or the consequence of private entrepreneurial activity. The success of this system increasingly depends on the ability of different local actors to co-operate in identifying development priorities, allocating available resources, implementing projects and monitoring their results. In this system, civil society becomes a key stakeholder in local economic processes, influencing the quality of public decision-making and the efficient use of local resources.

The European model of local governance is a particularly useful framework through which to understand this transformation. According to the European Charter of Local Self-Government, local self-government is defined as the right and ability of local authorities to independently regulate and manage a significant proportion of public affairs in the interests of the local population. Concurrently, the Charter acknowledges the entitlement of citizens to engage in the governance of public affairs, underscoring that this entitlement can be realised most directly at the local level (Council of Europe, 1985). Consequently, the development of economically capable communities cannot be separated from the creation of effective mechanisms through which residents and civil society organisations can participate in determining local priorities.

European integration further emphasises the importance of this approach for Ukraine. Contemporary European governance now views civic participation as an essential component of democratic resilience, transparency, accountability and good governance, rather than merely as a form of political consultation. The European Democracy Action Plan highlights the importance of enhancing democratic participation and civil society involvement in public decision-making processes (European Commission, 2020).

For Ukraine, therefore, gradual approximation to European governance standards requires institutional and legislative adaptation, as well as the development of practical mechanisms enabling meaningful civil society participation in local development.

This issue has assumed particular significance in the context of decentralisation, wartime challenges, and the future reconstruction of Ukraine. In the contemporary context, territorial communities (*hromadas*) are being placed under an increasing obligation to determine their own economic priorities, attract investment and external resources, support entrepreneurship, restore infrastructure, and create conditions for employment and social stability. At the same time, the complexity and scale of these tasks render a purely administrative model of local development increasingly inadequate. Effective economic governance necessitates collaboration between local authorities, businesses, civil society organisations, professional associations, volunteers and residents.

The involvement of civil society may exert an influence on local economic development through a number of interconnected mechanisms. These include participation in strategic and budgetary planning, public consultations, local initiatives, participatory budgeting, monitoring of public expenditure, development of community projects, support for entrepreneurship and social enterprises, and oversight of reconstruction and investment projects. Such participation can help to identify local needs more effectively, improve the legitimacy of economic decisions, reduce the asymmetry of information between public authorities and residents, and strengthen public control over the allocation of financial resources.

However, the existence of formal participatory mechanisms does not automatically ensure economic effectiveness. A significant challenge lies in transforming participation from a consultative process into one that can measurably influence local development decisions. This requires an appropriate legal framework, institutional capacity, access to information and digital tools, as well as established procedures for incorporating the outcomes of public participation.

This article examines the role of civil society in local economic development in the context of European integration. It aims to determine the main legal and institutional mechanisms through which civil society influences local economic governance and to identify ways to strengthen its role in Ukraine. Particular attention is paid to the relationship between civic participation, local economic decision-making, European governance principles and the emerging needs of the reconstruction and sustainable development of Ukrainian territorial communities (hromadas).

2. Theoretical and Legal Foundations of Civil Society Participation in Local Economic Development

The participation of civil society in local economic development should be considered in the context of the broader transformation of relations between public authorities, local communities and economic actors. Under the traditional administrative model, responsibility for local development was mainly concentrated within public institutions, with citizens primarily treated as recipients of public services. However, contemporary governance increasingly departs from this approach, viewing community development as a process involving local authorities, businesses, civil society organisations, professional associations, educational institutions, informal civic groups and individual residents.

In this context, civil society is not limited to formally registered non-governmental organisations. At the local level, it encompasses public associations, charitable organisations, neighbourhood groups, professional and business associations, volunteer initiatives, advisory bodies and residents who participate in collective decision-making processes. These groups play a key role in articulating local interests, identifying community needs, providing expertise, initiating projects, monitoring public institutions and participating in the formulation and implementation of public policy.

Similarly, local economic development should be understood as more than just growth in municipal revenues or the number of enterprises operating within a territory. It is a multidimensional process that aims to strengthen a community's economic capacity, improve employment opportunities, develop infrastructure, support entrepreneurship, attract investment, improve public services and ensure the sustainable use of local resources. The effectiveness of local economic development depends not only on available financial resources, but also on the quality of institutions and the ability of different stakeholders to coordinate their interests.

The economic significance of civil society participation is most evident at this institutional level. Local authorities have formal decision-making

powers, businesses control substantial investment and productive resources, and residents and civil society organisations have detailed knowledge of local needs and the practical consequences of public decisions. Their interaction can reduce information asymmetry and improve decision-making concerning infrastructure, public services, spatial development, business support, investment priorities and the allocation of public funds.

However, it is important to distinguish between formal and substantive participation. The mere existence of hearings, consultations, advisory bodies or electronic petitions does not demonstrate meaningful influence. Participation becomes substantive when citizens have access to the necessary information and sufficient time to formulate and submit proposals, and when there is a clear procedure in place and a realistic possibility of influencing the final decision. Accordingly, OECD guidelines emphasise that participation should take place where there is genuine scope for public influence, and where the authorities provide feedback on how citizens' contributions were considered (OECD, 2022).

This distinction is particularly significant given that local economic decisions involve the allocation of scarce resources. Infrastructure projects, municipal property management, development programmes, transport, social services, environmental policies and investment incentives may benefit certain groups while imposing costs on others. Therefore, civil participation performs an allocative function as well as a democratic one by making competing interests visible before public resources are committed.

The legal framework of local democracy in Ukraine has gradually shifted towards a more expansive interpretation of participation. The Law of Ukraine 'On Local Self-Government in Ukraine' recognises the territorial community (hromada) as the primary subject of local self-government, providing mechanisms through which residents can participate in resolving matters of local significance (The Law of Ukraine 'On Local Self-Government in Ukraine' of May 21, 1997, No. 280/97-VR). This framework was substantially expanded by Law No. 3703-IX of 9 May 2024, which systematised the forms of participation available at the level of territorial communities (The Law of Ukraine 'On Amendments to Certain Laws of Ukraine Concerning the Rule of the People at the Level of Local Self-Government' of May 9, 2024, No. 3703-IX).

The legislation now provides for general meetings of residents, local initiatives, public hearings, participation in local budget planning and distribution, public consultations, advisory bodies, the public evaluation of local authorities and opportunities for youth participation. This is important because civic participation is being incorporated into the formal legal framework of local governance rather than being treated as an additional communication channel.

Local initiatives enable residents to raise issues directly with their local council. From an economic perspective, this mechanism can be used to raise issues relating to infrastructure, municipal services, development programmes, land use, business conditions, transport, environmental protection and public spaces. Public hearings perform a similar, yet distinct, function by providing a forum in which public authorities and residents can openly discuss decisions with direct territorial and economic consequences.

The effectiveness of such mechanisms depends on the stage at which participation occurs. If a hearing or consultation takes place after the key political or financial decisions have been made, its role becomes largely informational. However, if it takes place while alternatives remain open, it can have a real impact. The Council of Europe distinguishes between several levels of participation, ranging from information and consultation to dialogue and partnership (Council of Europe, 2019).

Information is the most basic level. Residents have access to draft decisions, budget documents, development programmes, investment proposals, procurement information and implementation reports. The next level is consultation, which allows citizens and organised groups to submit comments, proposals, objections and alternative solutions. Dialogue presupposes ongoing interaction between the authorities and stakeholders, whereas partnership involves shared responsibility at various stages of the policy cycle, including design, implementation, monitoring and evaluation (Council of Europe, 2019).

Participatory budgeting is one of the clearest examples of the shift from consultation to direct influence over economic decisions. Ukrainian legislation expressly recognises residents' right to participate in the planning and distribution of local budget funds. This mechanism allows citizens to suggest projects and help decide how public resources should be allocated (The Law of Ukraine 'On Local Self-Government in Ukraine' of May 21, 1997, No. 280/97-VR; The Law of Ukraine 'On Amendments to Certain Laws of Ukraine Concerning the Rule of the People at the Level of Local Self-Government' of May 9, 2024, No. 3703-IX).

Its economic importance lies in its various functions. It helps to reveal local preferences, make budgetary trade-offs more visible and increase understanding of financial constraints. It can also improve the territorial targeting of small-scale infrastructure and social projects. However, its influence should not be overstated. Where only a very small part of the local budget is open to citizen participation, its impact is limited. It should therefore be considered as part of a broader system of participatory economic governance.

Public consultations are another important mechanism. The Law of Ukraine 'On Public Consultations' (No. 3841-IX), adopted in June 2024, establishes the principles of openness, transparency, accessibility, accountability, effectiveness and proportionality. The law provides for electronic and targeted consultations, as well as public discussions, and requires that information on the results of consultations and their impact on final decisions be made public (The Law of Ukraine 'On Public Consultations' of June 20, 2024, No. 3841-IX).

This framework is important for local economic development because it links civic input to the policy-making process. Authorities are expected to identify problems, formulate alternatives, determine affected stakeholders, consider proposals and explain how these influenced the final decision. However, the Law has not yet come into force. Its principal provisions will take effect twelve months after martial law is terminated or cancelled. Until then, local consultations will continue to be largely regulated by the decisions of local councils within the general framework of local self-government legislation (The Law of Ukraine 'On Amendments to Certain Laws of Ukraine Concerning the Rule of the People at the Level of Local Self-Government' of May 9, 2024, No. 3703-IX; The Law of Ukraine 'On Public Consultations' of June 20, 2024, No. 3841-IX).

Advisory bodies provide greater continuity than one-off consultations or hearings. They facilitate regular interaction between local authorities, civil society, business representatives and professional communities. However, their effectiveness depends on transparent composition, access to information, regular meetings, publication of recommendations and feedback from public authorities. Without these elements, advisory bodies risk becoming formal rather than substantive mechanisms of participation.

Therefore, the principle of openness is central to participatory economic governance. Openness should not be limited to the publication of final decisions. Citizens need access to information while decisions can still be influenced. Draft strategies, budget assumptions, financial justifications, investment priorities and implementation reports are more valuable if published before adoption. According to OECD standards, meaningful participation is connected to transparency, access to information, inclusion, accountability, and evaluation (OECD, 2022).

Digital mechanisms further increase the opportunities for participation. Electronic consultations, petitions, online surveys, open-data platforms and digital monitoring tools reduce communication costs, making participation possible for those who cannot attend physical meetings. The Council of Europe recognises e-participation as a cross-cutting mechanism that can

support participation at every stage of the decision-making process (Council of Europe, 2019).

At the same time, digitalisation should not be equated with genuine participation. If citizens are invited to comment only after the decisive choices have already been made, or if there is no explanation of how submitted proposals were considered, a digital consultation remains formal. Therefore, digital mechanisms should complement, rather than replace, traditional forms of civic participation.

The principle of partnership is particularly significant in the context of European integration. The European Union's cohesion policy incorporates civil society participation directly into the governance of development resources. According to Article 8 of Regulation (EU) 2021/1060, comprehensive partnerships must be established for the preparation and implementation of programmes, expressly including regional and local authorities, economic and social partners, and civil society organisations. It also links partnerships to multi-level governance and a bottom-up approach (European Parliament & Council of the European Union, 2021).

This approach is important for Ukraine because it shows that the participation of civil society is not just an additional, external element of economic policy. Rather, it is incorporated into the management, programming, monitoring and evaluation of development resources. The principle of partnership thus links democratic participation directly to financial and economic governance.

Subsidiarity complements this logic. It requires decisions to be made as close as possible to citizens, provided that the relevant level of government is capable of acting effectively. However, it should not be understood as merely the transfer of powers from the state to municipalities. If a local authority receives greater autonomy but does not involve residents, it may simply reproduce centralised decision-making at a lower territorial level.

For this reason, although they are related, decentralisation and civic participation are distinct processes. Decentralisation involves the transfer of powers and resources, while participation determines how these are exercised. However, economic decentralisation without meaningful participation may strengthen local authorities without necessarily strengthening local democracy.

Good governance provides the broader normative framework that connects these principles. In the context of local economic development, this requires legality, transparency, accountability, effectiveness, responsiveness, inclusiveness and the ability to reconcile competing interests. Civil society contributes to this by bringing extra information, expertise, scrutiny and accountability to the decision-making process.

At the same time, civil society is not homogeneous. Different organisations and groups have different levels of resources, expertise and access to decision-makers. Therefore, a formally open participation mechanism can reproduce inequality if public authorities only interact with the most visible or best-organised actors. Effective legal design should consequently ensure reasonable accessibility, advance notice, clear documentation, sufficient time for responses, various participation formats and transparent reporting on results.

Feedback is particularly important. Participation loses much of its institutional value if public authorities collect proposals but do not explain how they were used. Providing feedback confirms that participation was meaningful, requires the authorities to justify rejecting significant proposals and creates a record of alternative policy options.

For meaningful participation in local economic development, it should be connected to the entire policy cycle: identifying problems, disclosing information, formulating alternatives, adopting decisions, allocating resources, implementing, monitoring and evaluating. The most effective model is not necessarily the one with the greatest number of formal participatory instruments, but rather the one in which these instruments are linked to genuine economic decisions.

Participation from civil society contributes to local economic development by reducing information asymmetry, improving the targeting of public expenditure, mobilising local knowledge, identifying risks before resources are committed and strengthening accountability for implementation. Therefore, its economic value lies not in participation itself, but in its ability to enhance the institutional environment in which local economic decisions are made.

This understanding is increasingly reflected in the evolution of Ukrainian legislation. The expansion of local democratic forms, recognition of participation in budget planning, development of public consultation legislation and use of digital tools all indicate movement towards a more structured model of participatory governance. The key challenge now is not to continuously expand the formal catalogue of participation mechanisms, but to ensure that these mechanisms measurably influence strategies, budgets, programmes and other economically significant decisions.

3. Civil Society Participation in Local Economic Governance and Community Development

The practical significance of civil society for local economic development is particularly evident when it is involved in strategic planning, public finance, investment decisions, entrepreneurship, employment

and the implementation of development projects. At this level, civic participation becomes directly relevant to the economy because local authority decisions determine the use of municipal assets, infrastructure priorities, conditions for business activity and access to external financing.

One of the principal areas in which this relationship develops is strategic planning. Territorial development strategies set out long-term priorities and provide a framework for investment projects, sectoral programmes, infrastructure measures and budget decisions. Ukrainian regional policy legislation defines strategic planning as an integral part of state and territorial development, and allows interested parties to be involved in preparing and implementing development policy (The Law of Ukraine 'On the Principles of State Regional Policy' of February 5, 20156 No. 156-VIII).

Involving civil society improves the quality of strategic planning, as different participants contribute different types of information. Local authorities possess administrative and financial data. Businesses, on the other hand, can provide information on investment conditions, labour demand, logistics and regulatory barriers. Civil society organisations can identify social needs, territorial disparities and the practical effects of economic decisions. This is particularly important for Ukrainian communities that are facing population displacement, damaged infrastructure and changes in the labour market. These communities also need to determine their priorities for reconstruction.

The OECD's approach to locally led development similarly underscores the significance of engaging local authorities, civil society, community organisations, and other territorial actors in delineating development priorities. The efficacy of participation is diminished when local actors are incorporated only after the establishment of major objectives and resource allocations (OECD, 2026).

The connection between strategic planning and budgeting is particularly significant. Without financial planning, a strategy has limited practical value. Civil society organisations can analyse draft budgets, assess whether expenditure aligns with stated priorities, monitor local programmes and pinpoint underfunded areas. Business associations can contribute proposals regarding infrastructure and regulatory conditions. Community organisations can provide information on the territorial distribution of public services.

Therefore, budget transparency has a direct relationship with civic participation. The Open Budget portal provides access to information on state and local budgets, enabling citizens to examine the revenues and expenditure of territorial communities (Ministry of Finance of Ukraine, n.d.). Having access to this kind of information enables public discussion to shift from

general criticism to an evidence-based evaluation of particular spending decisions.

Civil society may also influence investment policy. Territorial communities are increasingly competing for grants, international assistance, state financing and private investment. The quality of project selection depends on strategic relevance, technical preparation, economic justification and alignment with local needs. Civic organisations can contribute to identifying local demand, evaluating the social impact of projects and monitoring their implementation.

Co-operation between local authorities, businesses and civil society is also important for fostering entrepreneurship and creating employment opportunities. Such partnerships can support business development programmes, vocational training, employment initiatives, infrastructure redevelopment, and projects for vulnerable groups. The economic value of these partnerships lies in their ability to combine public authority, private resources, and local knowledge within one development process.

Social entrepreneurship illustrates this interaction particularly clearly. By combining economic activity with defined social objectives, it can create employment, provide local services, support vulnerable groups and mobilise resources outside municipal budgets. Research by the OECD and the European Commission has found a link between social entrepreneurship and employment, social inclusion, and community development (OECD & European Commission, 2013). Therefore, for territorial communities (hromadas), co-operation with social enterprises may contribute to the diversification of the local economy and the improvement of social services.

The role of civil society continues even after a development project has been approved. It is important to monitor implementation because the economic impact of public investment depends on cost, quality, timing and usefulness. Public scrutiny may reveal delays, unjustified changes in project costs, procurement irregularities or discrepancies between the planned and completed works.

Ukraine's Prozorro system provides an institutional basis for this type of monitoring. It makes procurement plans, tender documentation, participants, contracts and results available as open data, and includes mechanisms for public monitoring of procurement procedures (Prozorro, n.d.). This is economically significant because inefficient procurement reduces the amount of infrastructure and public services that can be financed from available resources.

The same logic applies to international assistance and reconstruction projects. Donors require evidence that funds are being used for their intended purposes, and that the implementation of projects can be verified. Alongside administrative and financial control, public

access to information creates an additional level of accountability.

The DREAM ecosystem strengthens the link between public investment and digital transparency. It covers the various stages of the public investment cycle, from project preparation and prioritisation to implementation, monitoring, completion and assessment of results. Its public interface enables users to track projects and analyse relevant data (DREAM, 2026).

This creates opportunities for civil society to compare project costs, financing sources, implementation stages and territorial distribution. Civic organisations can assess whether reconstruction priorities align with stated strategies and identify projects requiring closer public scrutiny. Digital transparency can therefore promote accountability and enhance the investment capacity of communities.

However, open data does not automatically lead to effective control. Budgetary, procurement and investment information can be technically complex. Smaller organisations and ordinary residents may lack the analytical capacity required to interpret large datasets. Therefore, the development of civic oversight should include the creation of accessible tools that connect financial information with strategic objectives and project outcomes.

It is important to distinguish between transaction transparency and development accountability. While information about the cost of an infrastructure project may be publicly available, the question of whether this project represented the best use of community resources may remain unanswered. Therefore, effective public control should concern project selection, financing, implementation and subsequent results.

In order to establish a coherent model of local economic governance, it is necessary to establish interconnectedness between these stages. Civil society may contribute to strategic planning by identifying needs, to budgeting by assessing the allocation of resources, to project preparation by evaluating expected effects, to implementation by monitoring expenditure, and to completion by assessing results.

This model is particularly relevant for Ukraine in the context of reconstruction and European integration. Access to international and public financing is increasingly dependent on project quality, transparency, strategic consistency and demonstrable outcomes. Civil society can bolster these aspects by providing local knowledge and public oversight.

Therefore, the economic contribution of civil society should be assessed based on its influence on the quality of local governance. This can be seen in the better identification of priorities, closer correspondence between expenditure and community needs, stronger monitoring of public investment, development of local

partnerships and mobilisation of additional resources for territorial development.

4. European Integration and Prospects for Strengthening Civil Society Participation in Ukraine

European integration has created a new institutional context for the development of civil society participation in Ukraine. This has implications that extend beyond the approximation of national legislation to European legal standards. Integration into the European political and administrative space is gradually changing the way relations between the state, local government, businesses and citizens are organised. The European governance model places great importance on interaction between different territorial levels, as well as on the involvement of non-governmental organisations in developing and implementing public policy.

The concept of multi-level governance is a useful theoretical framework through which to explain this process. As demonstrated by Hooghe and Marks (2001), European integration has altered the traditional concentration of public authority within the nation-state. Decision-making now involves a variety of actors, including supranational institutions, national governments, regional authorities, municipalities and organised social groups. Rather than being concentrated within a single administrative hierarchy, authority becomes distributed across interconnected levels. This approach is directly relevant to Ukraine because it is developing European integration alongside decentralisation and the increasing economic responsibility of territorial communities (hromadas).

In such a system, the role of the local government changes considerably. Communities become connected to national development policy, European programmes, international donors, neighbouring municipalities, business networks and civil society organisations. Consequently, local economic development increasingly depends on the ability of local institutions to coordinate these stakeholders. The principles set out in the European Charter of Local Self-Government form the legal basis for local autonomy. The practical European model builds on this by promoting partnership, consultation, accountability and co-operation between different levels of governance.

This perspective also alters our understanding of public participation. Fung (2006) argues that the value of participatory institutions hinges on their design. Three questions are particularly important: The first concerns who is able to participate. The second concerns how participants communicate and reach conclusions. The third concerns the relationship between the results of participation and actual public decisions. These criteria are highly relevant to Ukraine, where the mere

existence of a public participation procedure says little about its actual influence.

While a consultation involving a small group of active organisations may formally comply with procedural requirements, it can exclude groups that are directly affected by a decision. A public discussion can generate numerous proposals without altering the adopted policy. Similarly, a digital consultation can attract a large number of participants while remaining disconnected from budgetary or strategic decisions. Therefore, the central problem concerns the institutional connection between participation and authority.

Fung's approach is useful for explaining one of the most persistent weaknesses of participatory governance. Participation can become merely ceremonial if public institutions retain full control over the agenda, the selection of participants and the outcomes of consultations. In this case, the number of meetings, hearings or proposals submitted becomes an inadequate measure of democratic quality. A more relevant indicator is whether participation alters the information available to decision-makers, influences the selection of policy alternatives, or prompts a considered response from the relevant authority (Fung, 2006).

The theory of collaborative governance offers an important alternative perspective. After analysing 137 cases of collaborative governance, Ansell and Gash (2008) identified several conditions that affect the success of co-operation between public institutions and non-state actors. These include previous co-operation or conflict histories, participation incentives, resource and power differences, institutional design, leadership, trust and the development of a shared problem understanding.

These findings are highly relevant to Ukrainian territorial communities. The formal establishment of councils, working groups, or consultation procedures cannot create co-operation between local authorities, civil society, and business alone. Participants enter the process with different resources and capacities. For example, a large enterprise may possess financial resources and direct access to local decision-makers. An established civil society organisation may have professional staff and donor support. In contrast, a small community initiative may represent a significant number of residents, but lack legal expertise and administrative experience. Therefore, equal formal access does not necessarily create equal influence.

This issue is particularly important for developing a model of co-operation between the local government, businesses and civil society. For a productive partnership, rules are needed to reduce the risk of domination by the strongest participant. All participants should have access to information. Procedures should allow different interests to be expressed. Decisions should be accompanied by explanations. Conflicts of interest must be identifiable.

Continuity of co-operation is also important because trust rarely emerges from a single consultation.

Ansell and Gash (2008) emphasise the importance of incremental progress and positive experiences in strengthening collaborative processes. This insight is particularly relevant to Ukrainian communities, where the relationship between the authorities and civil society actors can vary significantly. Networks created through co-operation in areas such as humanitarian response, assistance to displaced persons, volunteering, or infrastructure restoration can be useful for economic planning and reconstruction later on. However, excluding civic organisations from post-crisis decision-making processes could destroy the trust that was built up during wartime co-operation.

Recent empirical studies of Ukraine provide evidence of the importance of local networks. For example, Rabinovych et al. (2024) examined the resilience of Ukrainian territorial communities (*hromadas*) during the full-scale invasion, finding a significant relationship between community resilience and various factors connected with the decentralisation reform, such as political, administrative, geographical and economic factors. They found that local institutional capacity developed prior to the invasion was an important factor in communities' ability to respond to extraordinary conditions.

This finding has implications for post-war development. Reconstruction will take place in communities that have very different levels of institutional capacity. Some municipalities have experienced administrations, active civil society organisations, well-established relations with international partners and project management experience. Others have weaker administrative resources, damaged institutions, significant population losses and limited organised civic activity. Therefore, a uniform participation model may produce very different practical outcomes.

Inequality in institutional capacity is one of the central problems of the Ukrainian model. While European standards can establish common principles, the practical ability to implement them depends on local resources. For example, a small municipality may have the same participation procedures as a large city, but lack the staff to organise consultations, process proposals, prepare investment projects and maintain digital platforms. Civil society organisations are distributed unevenly across the country. Consequently, strengthening participation requires institutional support for communities where the capacity for participation remains weak.

The wartime experience also shows that civic capacity can emerge outside of established organisations. In their study of the responses of Ukrainian communities to internal displacement, Keudel and Huss (2025) describe a polycentric model in which local authorities and civil society actors responded through overlapping

networks rather than a strictly hierarchical system. Their research, which was based on a survey of 241 local governments, as well as interviews and focus groups, highlights the importance of co-operation between formal institutions and civic actors when it comes to addressing complex local issues.

This experience is particularly relevant to reconstruction. Restoring housing, social infrastructure, employment, education, healthcare, energy systems and local economies will create interconnected problems that cannot be managed effectively by separate administrative structures. Local authorities will therefore need to co-operate with businesses, volunteer organisations, professional groups, educational institutions, international partners and residents.

Post-war reconstruction should therefore seek to preserve the networks of co-operation that developed during the war, adapting them to a different institutional environment. Emergency co-operation is typically characterised by speed, personal trust, informal communication and immediate response to needs. However, reconstruction requires longer planning cycles, formal financial procedures, public procurement, monitoring and accountability. The central institutional challenge will be to transform wartime civic mobilisation into stable forms of participation while retaining the flexibility that made these networks effective.

Similarly, Melnykovska and Sokhey (2025) connect Ukraine's resilience with civic agency, informal local networks, decentralised governance, and communities' capacity to adapt under extreme conditions. They place particular emphasis on the local level, where, during the invasion, municipalities, civil society organisations and citizens maintained services, mobilised resources and developed new forms of co-operation. They argue that civic participation should be considered an integral part of institutional capacity for recovery, rather than an additional procedural requirement imposed after reconstruction priorities have been established.

At the same time, wartime mobilisation cannot automatically be interpreted as evidence that participatory governance functions effectively in all areas. The incentives that encourage citizens to co-operate during an existential crisis differ from those that operate during ordinary economic decision-making processes. Reconstruction will involve competition for resources, land, contracts, infrastructure projects, investment and political influence. The transition from solidarity-based mobilisation to distributive decision-making could lead to new conflicts among local stakeholders.

For this reason, clearer institutional rules are required for the post-war participation model. Citizens and civil society organisations must have the opportunity to

influence the identification of reconstruction priorities before project portfolios are finalised. Business participation should be organised in a way that utilises economic expertise without granting privileged access to decision-making processes. Local authorities need procedures that facilitate consultation and prevent constant participation from hindering decision-making.

The European integration process can provide external incentives for institutional development. The European Commission's 2025 assessment of Ukraine acknowledges the progress made in strengthening the legal framework for public and civil society engagement at national and local levels. However, the Commission also emphasises the need to prepare for the implementation of the newly adopted legislation following the end of martial law, and to ensure the meaningful engagement of civil society in decision-making processes. The report also continues to link decentralisation with a clearer distribution of competencies, adequate local government financing, and local-level public investment management (European Commission, 2025).

The concept of meaningful engagement is particularly important. It shifts the focus from the quantity of participation mechanisms to their impact on outcomes. In Ukraine, there is still a risk that consultations will become an additional stage in the preparation of documents rather than an integral part of policy formation. This issue arises when draft decisions are presented after basic political compromises have already been reached, when public proposals receive no detailed response, or when the final document bears no identifiable relationship to the consultation results.

Therefore, a more mature model of participatory governance should create a traceable connection between civic input and public decisions. This does not mean that authorities must accept every proposal. Public institutions remain responsible for ensuring that decisions are legal, financially feasible, strategically coherent and in the interests of the entire community. However, they should be able to explain which proposals were accepted or rejected and the reasons behind the final decision.

Digitalisation can facilitate traceability. Ukraine already has considerable experience in digital public administration and open data. The next stage should involve connecting participation platforms with strategic, budgetary and investment processes. Residents who participate in discussions about development projects should be able to follow their subsequent progress from proposal to approval, financing, procurement, implementation and evaluation.

Digital participation should also address the issue of unequal institutional capacity. Standardised technological solutions can reduce the administrative burden on smaller municipalities by providing common tools for consultations, document publication, proposal

submission, and feedback. At the same time, however, digital mechanisms should also preserve alternative channels for groups with limited access to technology.

This institutional architecture should be centred around a partnership between local government, businesses and civil society. Its purpose is to integrate different resources into local development. The local government provides democratic legitimacy, regulatory authority and control over municipal resources. Businesses contribute investment, employment, technologies and market knowledge. Civil society introduces local knowledge, social networks, public oversight and representation of interests that might otherwise remain unarticulated.

This partnership should remain procedurally structured. Research in collaborative governance shows that co-operation becomes vulnerable when significant differences in resources enable one party to dominate the process (Ansell & Gash, 2008). Therefore, transparent selection of participants, disclosure of interests, public access to documents and clear decision-making rules are important for protecting the legitimacy of partnership arrangements.

European integration provides Ukraine with the opportunity to combine the institutional outcomes of decentralisation with the civic capacity demonstrated during the war. The main challenge is to transition from sporadic participation to a stable system in which civil society can influence development priorities through consistent processes. This requires capable local authorities, organised civic actors, transparent relations with businesses and digital infrastructure connecting participation to the entire decision-making process.

Therefore, the prospects for strengthening civil society participation depend less on creating new formal mechanisms than on improving the institutional quality of existing ones. Fung's analysis highlights the relationship between participants, deliberation and actual authority. Meanwhile, Ansell and Gash demonstrate the importance of trust, institutional design, and balanced resources. Research on Ukrainian resilience shows that decentralisation and civic networks have already laid significant groundwork for community-level co-operation (Fung, 2006; Ansell & Gash, 2008; Rabinovych et al., 2024; Keudel & Huss, 2025; Melnykovska & Sokhey, 2025).

These developments can be consolidated through European integration if civic participation is embedded in strategic planning, reconstruction, public investment and the evaluation of local development policies. The expected result would be a governance model in which communities have enough autonomy to develop their own strategies and residents have effective ways of influencing how this autonomy is exercised. This institutional arrangement would strengthen accountability and increase communities' capacity

to adapt development policies to local economic and social conditions.

5. Conclusions

The study confirms that the participation of civil society has become an important component of local economic development, as well as an increasingly significant element of the European model of territorial governance. The economic relevance of civil society participation stems from citizens' and organised civic actors' capacity to influence the identification of local priorities, the allocation of resources, the preparation of development projects, the monitoring of public expenditure and the assessment of results achieved.

The analysis shows that participation is only effective when it is connected to actual decision-making. Public hearings, consultations, advisory bodies, participatory budgeting and digital tools have limited developmental value if they are not integrated into strategic planning and financial decision-making processes. However, their contribution increases when proposals submitted by citizens can be traced through subsequent stages such as consideration, financing, implementation and evaluation. This establishes a direct link between civic participation and the quality of economic governance.

Ukraine has already established a substantial legal and institutional framework for participation. Decentralisation has increased the responsibilities and resources of territorial communities (hromadas), and recent legislative developments have broadened the range of mechanisms available to residents for participating in local affairs. The wartime experience further demonstrated the ability of municipalities, civic organisations, volunteers, businesses and residents to co-operate in the face of severe institutional pressure. These networks are an important resource for future reconstruction efforts.

At the same time, significant limitations remain. For example, participatory procedures may retain a formal character if consultation begins after the main aspects of a decision have already been determined. Territorial communities (hromadas) vary greatly in terms of their administrative capacity, financial resources, digital infrastructure, experience with international projects and the strength of organised civil society. The influence of public proposals on final decisions also remains inconsistent. These differences could be particularly significant during reconstruction, when communities will compete for investment and international financial resources.

European integration provides an institutional framework for addressing these issues. The principles of subsidiarity, partnership, multi-level governance, openness, accountability and meaningful participation

are well-suited to the needs of Ukrainian territorial development. Implementing these principles requires greater attention to the quality of participation and the institutional relationship between civic input and public authority.

A sustainable model should integrate civil society participation into every stage of local economic governance. Residents and civic organisations should be given the opportunity to contribute to the identification of development priorities, the discussion of investment choices, the monitoring of the use of public and international funds, and the assessment of completed projects. Digital platforms can strengthen this connection by increasing transparency in decision-making and resource allocation, provided that digital access is accompanied by clear procedures for providing feedback and ensuring public accountability.

Particular attention should be given to the relationship between local government, business and civil society. Each participant possesses resources that are important for the development of the local area. Local authorities have public powers and are responsible for community resources. Businesses contribute investment, employment, technologies and market knowledge. Civil society provides local expertise, social networks, independent monitoring and channels for representing

community interests. Stable co-operation between these stakeholders can enhance communities' institutional capacity and improve the quality of development decisions.

Post-war reconstruction will be a significant challenge for this model. The scale of the required investment and the limited availability of resources will necessitate difficult decisions regarding infrastructure, employment, housing, social services, economic specialisation and territorial priorities. Public confidence in these decisions will depend substantially on transparent decision-making processes and the opportunity for communities to participate before resources are allocated.

Therefore, civil society participation should be regarded as an institutional factor in local economic development. Its practical contribution can be seen in the more accurate identification of community needs, stronger control over public resources, greater mobilisation of local knowledge and increased accountability for economic decisions. In Ukraine's case, strengthening these mechanisms is part of the wider process of European integration, creating institutional conditions for reconstruction, sustainable territorial development and greater economic resilience in local communities.

References:

- Ansell, C., & Gash, A. (2008). Collaborative governance in theory and practice. *Journal of Public Administration Research and Theory*, 18(4), 543–571. <https://doi.org/10.1093/jopart/mum032>
- Council of Europe. (1985). *European Charter of Local Self-Government* (European Treaty Series No. 122). <https://www.coe.int/en/web/conventions/full-list?module=treaty-detail&treatynum=122>
- Council of Europe. (2019). *Revised Code of Good Practice for Civil Participation in the Decision-Making Process* (CG37(2019)16final). <https://rm.coe.int/revised-code-of-good-practice-for-civil-participation-in-the-decision-/1680980cb1>
- DREAM. (2026). *The Government approved the concept of a unified digital ecosystem for public investment management*. <https://dream.gov.ua/ua/news/article-131>
- European Commission. (2020). *Communication from the Commission on the European Democracy Action Plan*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0790>
- European Commission. (2025). *Ukraine report 2025*. https://enlargement.ec.europa.eu/document/download/17115494-8122-4d10-8a06-2cf275eecd7_en
- European Parliament & Council of the European Union. (2021). Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund. *Official Journal of the European Union*, L 231, 159–706. <https://eur-lex.europa.eu/eli/reg/2021/1060/oj/eng>
- Fung, A. (2006). Varieties of participation in complex governance. *Public Administration Review*, 66(s1), 66–75. <https://doi.org/10.1111/j.1540-6210.2006.00667.x>
- Hooghe, L., & Marks, G. (2001). *Multi-level governance and European integration*. Rowman & Littlefield Publishers. <https://www.bloomsbury.com/us/multilevel-governance-and-european-integration-9780742510203/>
- Keudel, O., & Huss, O. (2025). Polycentric crisis response and societal resilience: How local communities address internal displacement in Ukraine due to the Russian full-scale invasion. *Post-Soviet Affairs*, 41(5), 436–458. <https://doi.org/10.1080/1060586X.2025.2480529>
- Melnykovska, I., & Sokhey, S. W. (2025). The local and regional dimension of Ukraine's resilience during Russia's full-scale invasion: An introduction. *Post-Soviet Affairs*, 41(5), 401–410. <https://doi.org/10.1080/1060586X.2025.2545626>
- Ministry of Finance of Ukraine. (n.d.). *Open Budget: State web portal of the budget for citizens*. <https://openbudget.gov.ua/>

- OECD. (2022). *OECD guidelines for citizen participation processes*. <https://doi.org/10.1787/f765caf6-en>
- OECD. (2026). *Practical guidelines for supporting locally led development: Menu of options for shifting agency and resources to local actors*. <https://doi.org/10.1787/eaecf72b-en>
- OECD & European Commission. (2013). Policy brief on social entrepreneurship: Entrepreneurial activities in Europe. *OECD Local Economic and Employment Development (LEED) Papers*, No. 2013/16. <https://doi.org/10.1787/13d53589-en>
- Prozorro. (n.d.). *Public control of public procurement*. <https://prozorro.gov.ua/page/control>
- Rabinovych, M., Brik, T., Darkovich, A., Savisko, M., Hatsko, V., Tytiuk, S., & Piddubnyi, I. (2024). Explaining Ukraine's resilience to Russia's invasion: The role of local governance. *Governance*, 37(4), 1121–1140. <https://onlinelibrary.wiley.com/doi/10.1111/gove.12827>
- The Law of Ukraine 'On Local Self-Government in Ukraine' of May 21, 1997, No. 280/97-VR. *The Official Bulletin of the Verkhovna Rada of Ukraine (BVR)*, 1997, No. 24, Art. 170. <https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80>
- The Law of Ukraine 'On the Principles of State Regional Policy' of February 5, 2015 No. 156-VIII. *The Official Bulletin of the Verkhovna Rada of Ukraine (BVR)*, 2015, No. 13, Art. 90. <https://zakon.rada.gov.ua/laws/show/156-19>
- The Law of Ukraine 'On Amendments to Certain Laws of Ukraine Concerning the Rule of the People at the Level of Local Self-Government' of May 9, 2024, No. 3703-IX. *The Official Bulletin of the Verkhovna Rada of Ukraine (BVR)*, 2025, No. 4, Art. 8. <https://zakon.rada.gov.ua/laws/show/3703-IX>
- The Law of Ukraine 'On Public Consultations' of June 20, 2024, No. 3841-IX. *The Official Bulletin of the Verkhovna Rada of Ukraine (BVR)*, 2024, No. 47, Art. 266. <https://zakon.rada.gov.ua/laws/show/3841-20>