

MUNICIPAL REVIEW - Q1 2026

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KEY FINDINGS

In Q1 2026, Ukrainian municipalities operated in an environment where wartime pressure, fiscal adjustment, governance reform, and recovery planning increasingly overlapped. Municipalities remain central to Ukraine's resilience: they continue to deliver basic services, absorb security shocks, manage constrained budgets, and adapt cooperation mechanisms to practical wartime needs. But the data point to growing territorial divergence: safer municipalities generally preserved or expanded their revenue base, while frontline and heavily affected areas faced deeper fiscal, security, and infrastructure pressures. Policy reforms in public investment, division of powers, recruitment, and territorial classification may improve coordination and targeting over time, but they also create near-term implementation risks for municipalities with limited administrative capacity.

Ukraine's regional policy and public investment management framework is becoming more structured and strategically oriented, but its effectiveness will depend on whether new planning and governance requirements are matched with clear responsibilities, adequate resources, and sufficient municipal capacity. Draft legislation on the division of powers could make the roles of the state, regions, and municipalities more predictable, but the absence of a concrete list of functions for each level creates a risk that municipalities may receive unfunded mandates – additional responsibilities without the necessary financial, institutional, or staffing support. At the same time, local strategic planning is becoming increasingly important for access to public investment and recovery financing, as regional development strategies, medium-term priority investment plans, and single project pipelines are expected to guide project selection and funding decisions. This can improve the targeting of limited resources and strengthen the link between recovery needs, strategic priorities, and budget allocations. However, this risks favoring better resourced municipalities, as municipalities without approved planning documents or sufficient technical capacity may face delays in launching investment projects. Moreover, early implementation gaps between planning requirements and actual funding decisions show that the new system still needs stronger coordination across all levels of government.

Local government budgets remained broadly stable in Q1 2026, but this stability masked widening territorial disparities and a growing shift toward operational rather than development spending. Locally generated (own) revenues increased broadly in line with inflation, supported mainly by PIT growth amid rising nominal wages, while other local revenue sources showed mixed dynamics: the unified tax (a simplified tax for small businesses) expanded only modestly, land fee revenues were nearly flat, real estate tax remained limited in scale, and excise duty became one of the fastest-growing sources. However, revenue growth was concentrated mainly in safer western and central regions, while frontline and war-affected territories, including Kherson and Donetsk oblasts, continued to face sharp fiscal pressure due to population loss, business disruption, and the direct territorial impact of the war. Although total central transfers increased, largely due to higher education subvention and equalization support, targeted assistance for the most war-affected municipalities declined, potentially reflecting changes in allocation formulas rather than an actual improvement in local conditions. On the expenditure side, municipalities continued to prioritize core service delivery, with education, social protection, healthcare, and culture absorbing most spending, while capital expenditures contracted sharply. This suggests that local budgets are increasingly focused on

¹ Single project pipeline is a prioritised list of public investment projects and programmes that have passed the required assessment and selection procedures and may be considered for financing from public or international sources. It is intended to align investment decisions with strategic priorities and make project selection more coordinated, transparent and accountable

maintaining basic public services and operational stability, while investment capacity remains constrained by wartime uncertainty, uneven revenue performance, and new public investment management requirements.

The security burden on municipalities intensified sharply in Q1 2026, as attacks became more damaging, more aerial in nature, and more geographically dispersed. Municipalities are typically responsible for the immediate civilian consequences of attacks, including emergency response coordination, temporary shelter provision, debris removal, repair of municipal infrastructure, support for displaced residents, and the restoration of basic public services. Municipalities under Ukrainian government control recorded 8,182 attacks and 1,912 incidents of civilian infrastructure damage, with infrastructure damage rising much faster than the number of attacks compared with Q1 2025. This indicates that the material impact of attacks has become significantly more severe, particularly for urban municipalities, which accounted for less than half of all attacks but almost 70% of recorded civilian infrastructure damage due to the concentration of housing, energy systems, schools, hospitals, and public services. At the same time, the growing dominance of air and drone strikes – which accounted for 81% of all recorded attacks in Q1 2026 – shows that security risks are no longer limited to traditional frontline artillery zones and increasingly affect a wider range of municipalities, including rural, settlement, and non-frontline areas. The declining concentration of attacks and damage in the top 10 most affected municipalities further suggests that the security burden is spreading across more territory. As a result, a single category of “war-affected municipality” is no longer analytically sufficient: frontline municipalities require flexible operating support and rapid repair capacity, urban municipalities need larger-scale infrastructure recovery, rural and settlement municipalities need stronger preparedness for aerial threats, and non-frontline centers require continuity planning for sudden shocks.

Intermunicipal cooperation became increasingly practical and service-oriented in Q1 2026, reflecting municipalities' growing reliance on cooperation as a tool for sustaining essential functions under prolonged wartime constraints. The 56 newly registered cooperation agreements were focused mainly on joint financing, maintenance of institutions, delegation of tasks, and service provision, with education, inclusive education, social support, veterans' services, assistance to displaced residents, healthcare, and administrative functions forming the core areas of cooperation. Most agreements remained local in nature, concluded within the same oblast and often within the same rayon, confirming that municipalities primarily rely on nearby partners to address operational needs. At the same time, more strategic wartime uses of cooperation are emerging, including support for relocation, housing, and reconstruction, as illustrated by cooperation between Kamianske and Pokrovsk. International municipal cooperation also became broader and more recovery-oriented, covering areas such as the economy, healthcare, education, infrastructure, digitalisation, veterans' policy, civil protection, clean technologies, logistics, and the environment, even though formal registrations remained limited. The visible role of regional military administrations further suggests that wartime cooperation is increasingly developing not only through direct municipal partnerships, but also through broader regional coordination frameworks.

REGIONAL POLICY AND MUNICIPAL DEVELOPMENT: WHAT'S NEW?

Q1 2026 demonstrated growing attention to the institutional capacity of local self-government in the context of recovery. Most key initiatives focused not on launching new reforms, but on improving the mechanisms for implementing reforms already underway – ranging from strategic planning and regional policy to public sector staffing, multilevel governance, and the management of international assistance. Although many of these changes remain at the stage of development, they point to a gradual transition towards a more coherent model of governance capable of supporting recovery and Ukraine's EU integration.

Clarifying the distribution of powers between state, regions, and municipalities emerged as one of the key governance reforms during Q1 2026. Parliament adopted in the first reading a draft law introducing criteria for assigning responsibilities to different levels of governance, the principle of subsidiarity, which provides that decisions should be taken as closely as possible to citizens, and general requirements for the financial, institutional support of delegated powers. The future model of multilevel governance remains under development, as the practical allocation of functions between different levels of government will continue to be shaped through subsequent sectoral reforms. The proposed model has generated debate regarding its practical implementation, the scale of legislative changes required for its introduction, its consistency with the principles of the European Charter of Local Self-Government, and the financial implications of future transfers of responsibilities to municipalities.

Ukraine is moving towards a more differentiated regional development policy by classifying municipalities according to their development challenges, recovery needs, and growth potential. During Q1 2026, the Government continued the practical implementation of this approach by assigning municipalities to functional territory categories based on a unified set of criteria. Municipalities are categorized as recovery territories, territories with special development conditions, sustainable development territories, or regional growth poles based on socio-economic, demographic, environmental, and security-related criteria. The classification system is intended to guide the allocation of state support and international assistance according to the specific needs and development challenges of different territories. It also provides a framework for differentiated policy instruments tailored to particular categories of municipalities (e.g., frontline, mountainous, low-density, or economically vulnerable areas). In the longer term, the new approach is expected to strengthen the territorial targeting of public policies and support a more needs-based allocation of development and recovery resources.

Strengthening municipalities' capacity to attract and manage international assistance became a clearer policy priority in Q1 2026. Efforts focused on creating additional incentives for municipalities to engage in international projects and grant programs, particularly by improving their ability to retain staff involved in project implementation and cooperation with international partners. The proposed approach reflects growing recognition that effective access to international funding depends not only on available resources but also on institutional capacity at the local level. In the longer term, the changes are expected to support more effective use of international assistance and strengthen municipalities' ability to compete for external funding without creating additional pressure on local budgets.

A decision has been taken to gradually restore competitive recruitment in public administration and local self-government after several years of wartime exceptions. The reform is intended to strengthen merit-based personnel management and re-establish

more transparent and competitive recruitment practices across the public sector. During the first quarter, Parliament adopted in the first reading legislative changes providing for the phased restoration of competitive recruitment procedures, the creation of a personnel reserve, and new career development mechanisms, while maintaining simplified arrangements for territories affected by active hostilities or temporary occupation.

Local democracy and citizen participation remained on the reform agenda during Q1 2026. Following the failure of an earlier legislative initiative that had been under discussion for several years, a new effort was launched to continue the modernization of the legal framework for bodies of self-organization of the population. The proposed changes aim to expand opportunities for residents to participate in addressing local issues, improve interaction between communities and local self-government bodies, and provide municipalities with more flexible mechanisms for community self-organization. The renewed reform effort reflects continued attention to local participation mechanisms, particularly in the context of recovery and reconstruction.

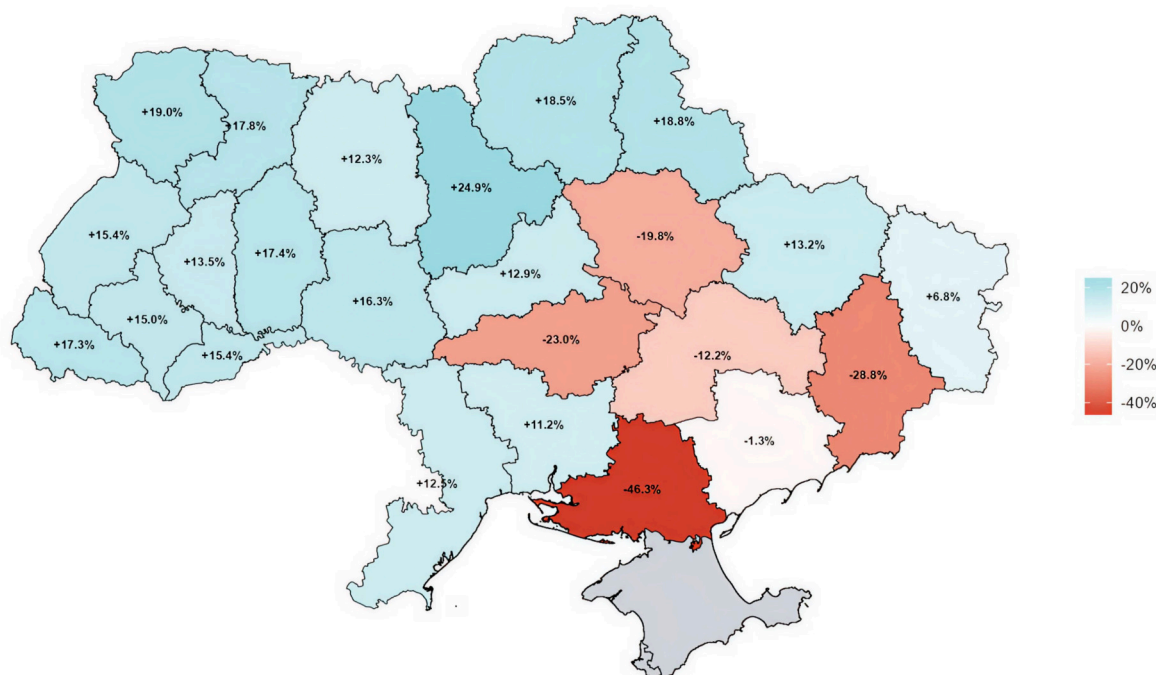
FINANCIAL SITUATION IN THE REGIONS: TRENDS IN LOCAL BUDGETS

Municipal own revenues remained broadly stable in real terms in Q1 2026, suggesting that local budgets generally preserved their purchasing power, although growth was uneven across territories. Own revenues of municipalities – the general fund² excluding transfers from the central government – rose by 7.8% in US dollar terms and by 11.8% in hryvnia terms y-o-y, broadly matching cumulative inflation of 11.7% between January 2025 and March 2026. By 1 April 2026, total own revenues reached \$2.2 bn. Revenue growth exceeded the national average in 17 of Ukraine’s 24 oblasts, indicating that municipalities located away from active fighting continued to maintain a relatively solid revenue base (Fig. 1).

Revenue dynamics in Q1 2026 point to a deepening fiscal divide between safer interior regions and municipalities more directly affected by the war, creating growing challenges for equalization and recovery planning. Double-digit growth was recorded across much of western and central Ukraine, reaching as high as 24.9% in one northern region (Fig. 1). By contrast, municipalities closest to the front line saw revenues fall sharply, including by 46.3% in Kherson oblast and 28.8% in Donetsk oblast, reflecting the loss of taxpayers, businesses, and taxable territory. This divergence shows that local fiscal capacity is increasingly shaped by geography and security conditions, with safer municipalities retaining a stronger revenue base while frontline areas become more dependent on targeted support. Over time, this widening gap may complicate redistribution between stronger and weaker municipalities and make future reconstruction financing more difficult to plan.

FIGURE 1.

Growth rate of general-fund revenue (excl. transfers), Q1 2026 vs Q1 2025, %



Source: OpenBudget

² The main, recurring part of a municipal budget that finances day-to-day public services

Personal income tax remained by far the largest source and main growth driver of local revenues, providing 51.5% of municipal own revenues despite labor market pressures from mobilization and population displacement. PIT receipts reached \$1.1 bn in Q1 2026, up 8.7% y-o-y, driven mainly by rising nominal wages, as average wages increased by 21.7% between January 2025 and March 2026, from \$534.31 to \$650.24.³

The unified tax⁴ continued to provide an important but relatively weak source of local revenue growth, suggesting that the expansion of small business activity has not yet translated into a comparable increase in municipal tax receipts. In Q1 2026, receipts reached \$385.1 mn, only 2.8% higher than a year earlier, but still remained the second-largest source of municipal own revenues, accounting for 17.5% of the total. This modest increase was mainly linked to higher minimum wage and subsistence minimum rates, which are used to calculate fixed tax payments for many small entrepreneurs, rather than to a strong increase in taxable business activity. At the same time, the small-business sector continued to expand: the number⁵ of registered individual entrepreneurs exceeded 2.1 mn in March 2026, increasing by 63,500 over the year. This suggests that small businesses remain active and adaptive under wartime conditions, but their contribution to local budget growth remains limited.

Land fee revenues remained constrained in Q1 2026, showing that this traditionally important local tax is still limited by weak valuation growth and the direct territorial effects of the war. Receipts amounted to \$205.6 mn, or 9.3% of municipal own revenues, remaining broadly flat compared with Q1 2025. This stagnation partly reflects the modest 1.08 indexation rate set by the State Tax Service for the official normative valuation of land, which forms the tax base for both land tax and rent payments on state- and municipally-owned land. At the same time, the loss of taxable land in occupied or contested territories continues to weaken the revenue potential of this source. Strengthening land fee revenues will therefore remain a key longer-term challenge for local fiscal recovery, particularly in municipalities where land used to be an important part of the revenue base.

Excise duty became one of the strongest-growing local revenue sources in Q1 2026, supported by inflation, higher fuel demand, rate increases, and stronger compliance tools. Receipts rose by 24.6% y-o-y to \$196.3 mn. The increase was partly driven by higher fuel consumption, including for generators, which have become essential for households, businesses, and public institutions during recurrent power outages. External price pressures also contributed, as the ongoing conflict in the Middle East pushed up global oil and fuel prices. At the same time, administrative reforms strengthened tax compliance: electronic excise stamps for alcohol, tobacco, and e-cigarette liquids, piloted from March 2025, became mandatory from 2026.

Real estate tax revenues continued to grow modestly in Q1 2026, but remained a relatively small component of municipal own revenues compared with PIT, the unified tax, land fees, and excise duty. Receipts reached \$51.7 mn, increasing by 5.9% y-o-y, mainly reflecting the link between tax rates and the statutory minimum wage. In Ukraine, real estate tax for legal entities is calculated as a share of the minimum wage in force at the start of the year; therefore, the higher minimum wage as of 1 January 2025 translated into higher tax liabilities in 2026. Together with PIT, the unified tax, land fees, and excise duty, real estate tax forms part of the core locally raised revenue base, although its fiscal role remains limited in scale (Fig. 2).

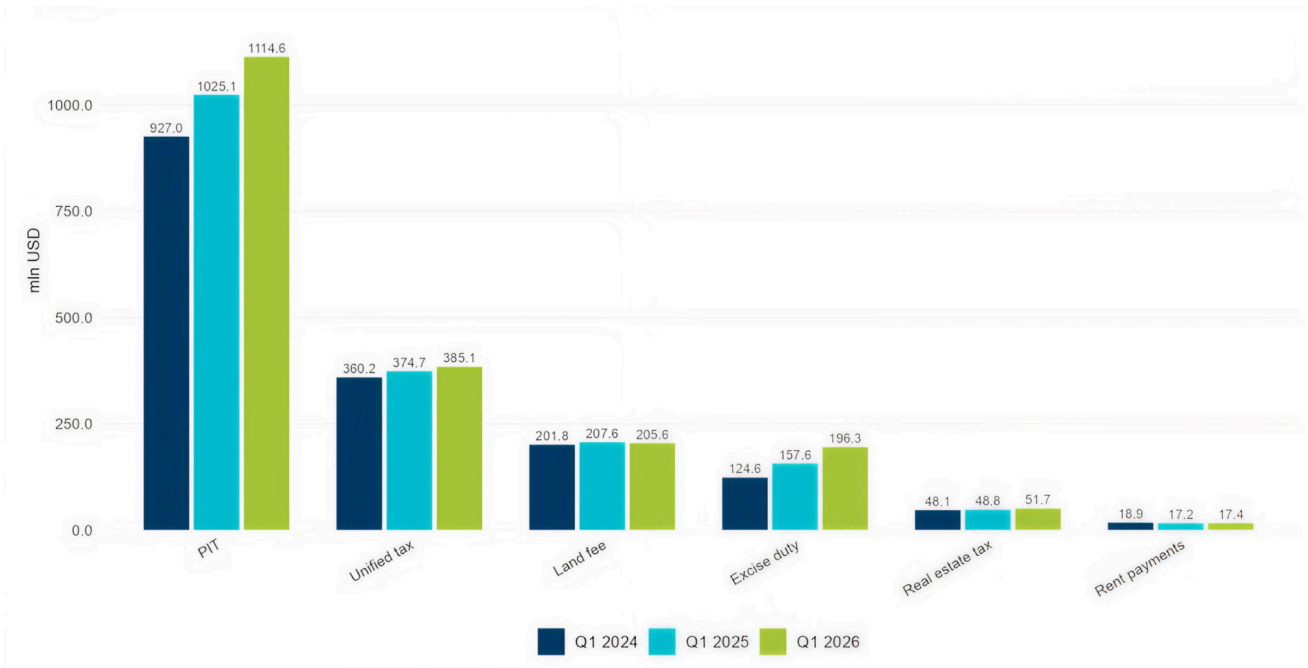
³ According to the recruitment portal work.ua

⁴ Simplified tax for individual entrepreneurs and small businesses

⁵ According to OpenDataBot

FIGURE 2.

Major taxes accruing to local budgets (excl. transfers), Q1 2024–2026, \$mn



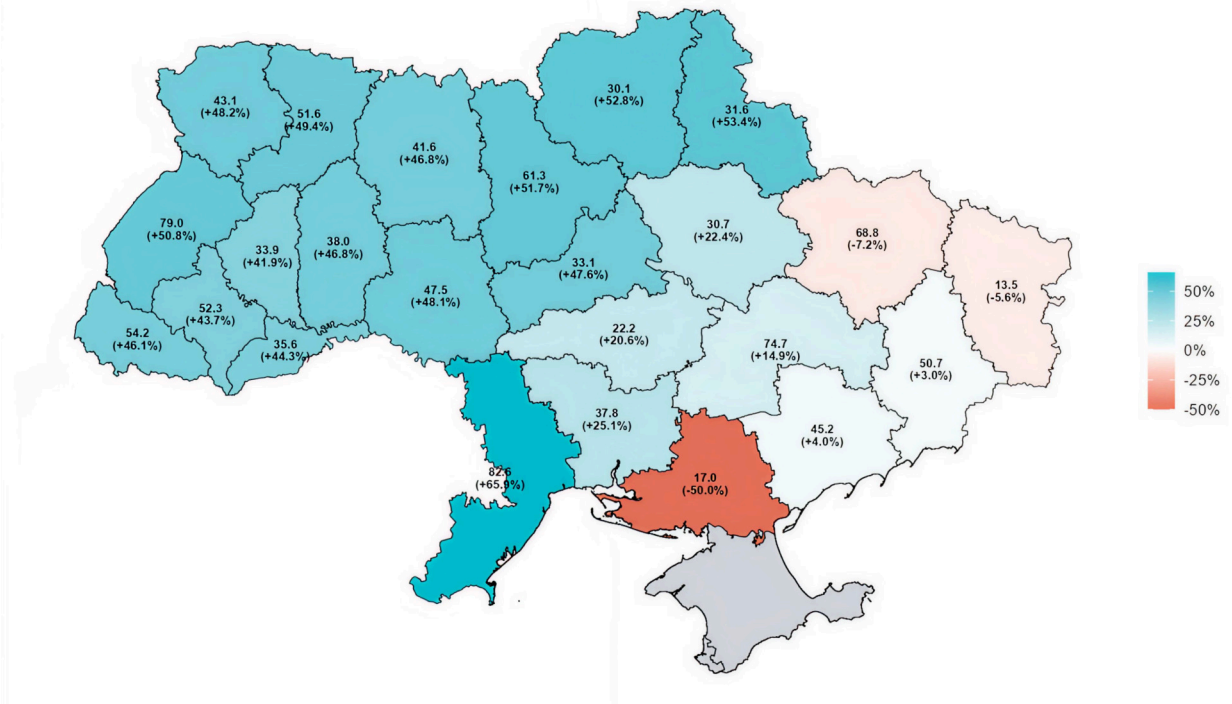
Source: OpenBudget

The strong increase in central government transfers in Q1 2026 primarily reflected higher state financing for delegated responsibilities, especially education, rather than a broad expansion of discretionary support to municipalities. Transfers to local budgets rose by 29.5% y-o-y, driven mainly by higher education financing and equalization support. The education subvention – the main earmarked transfer used to finance teacher salaries – increased by 26.1%, largely reflecting the 30% pay raise for teaching staff introduced on 1 January 2026 as part of the government’s effort to address long-standing underpayment in the sector. The basic equalization grant – which reallocates resources to municipalities with weaker tax bases – rose by 13.9%. At the same time, transfer dynamics varied significantly across regions, with some oblasts receiving increases of more than 50%, while others recorded reductions, highlighting the uneven territorial distribution of state support and delegated expenditure needs (Fig. 3).

Despite the overall expansion of transfers, support targeted at war-affected municipalities declined sharply. The additional grant for the municipalities hardest hit by Russia’s full-scale aggression fell by 28.6% y-o-y. This grant is designed to offset financial imbalances, ensure stable public-sector wage payments and compensate for revenue losses linked to the war (in PIT, property tax and unified tax); it is allocated quarterly based on actual losses. The decline likely reflects methodology-driven changes in how losses are measured rather than an improvement in conditions on the ground, and deserves closer attention from international partners supporting front-line areas (Figure 4).

FIGURE 3.

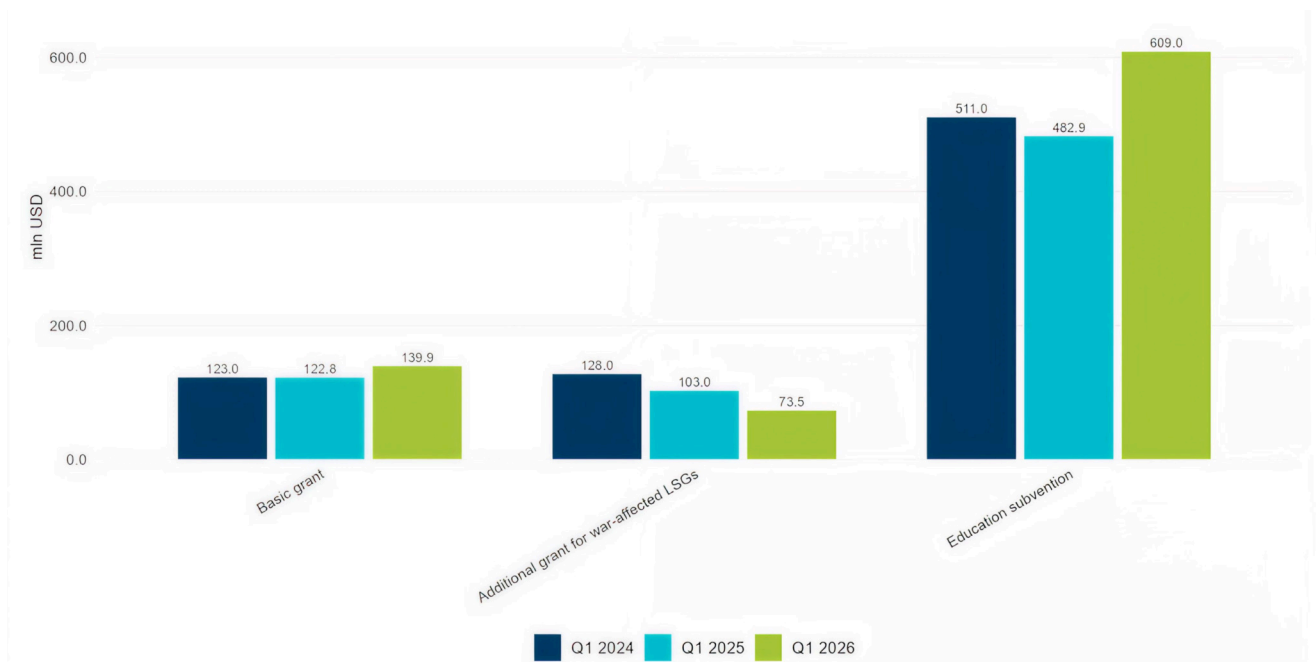
Intergovernmental transfers received by local budgets in Q1 2026 (\$mn) and their growth vs Q1 2025, % of general fund



Source: OpenBudget

FIGURE 4.

Major intergovernmental transfers received by local budgets, Q1 2024–2026, \$mn



Source: Ministry of Finance, OpenBudget

The reverse grant – the counter-flow paid from wealthier municipalities back to the state budget under the equalization mechanism – rose by 21.4% to \$191.4 mn. This payment applies to municipalities whose per-capita PIT revenues exceed a set threshold,

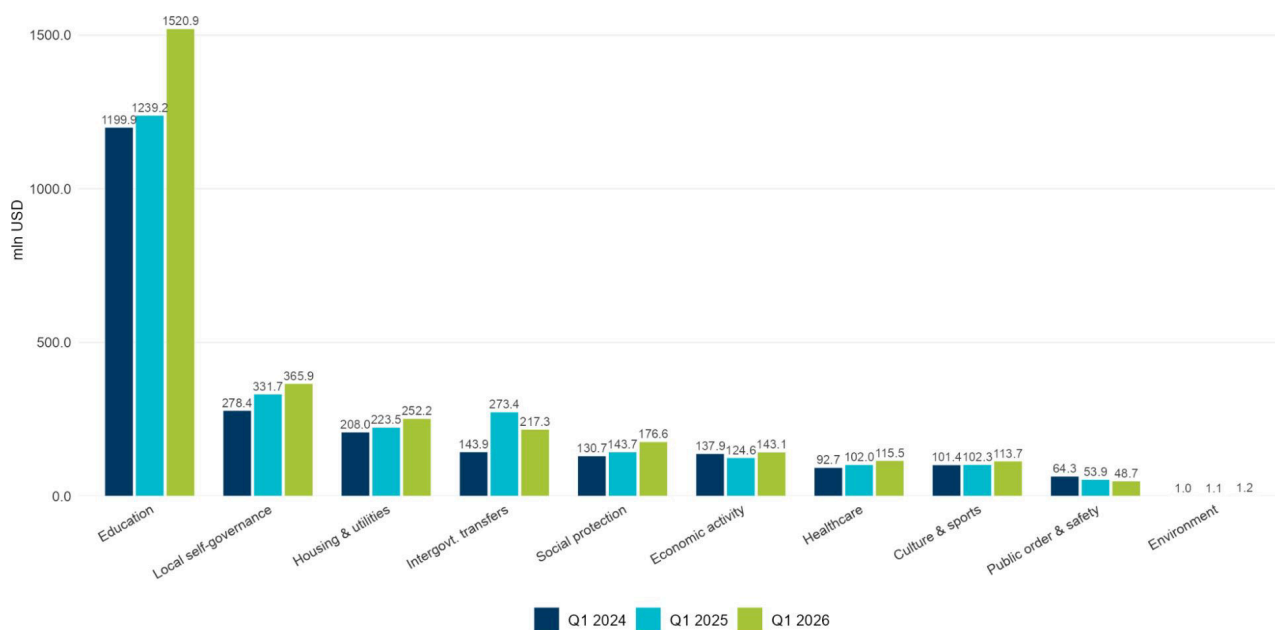
and is the mirror image of the basic grant that supports lower-revenue municipalities. Its rapid growth signals a widening gap between richer and poorer municipalities and a more active redistribution within the local fiscal system. This points to both the resilience of fiscally stronger municipalities and the growing interconnection between revenue flows.

The rapid growth of the reverse grant in Q1 2026 points to a widening fiscal gap between stronger and weaker municipalities, while also showing that a redesign of the equalization system is becoming more important for redistribution within the local budget system. Redistribution between municipalities is becoming more active, making the redesign of the equalization system increasingly important for balancing fiscal resilience with support for war-affected and lower-revenue municipalities.

Total municipal expenditures rose by 13.9% y-o-y to \$2,960.6 mn in Q1 2026, with spending heavily concentrated in service delivery. Funding for public-sector institutions accounted for 65.1% of total spending – including education (51.4%), social protection (6.0%), healthcare (3.9%) and culture, religion and sports (3.8%). The remainder went to local self-government bodies (12.4%), housing and communal services (8.5%), transfers to other budgets (7.3%) and economic activity (4.8%). The breakdown (Fig. 5) confirms that education remains by far the largest single spending category, consistent with the priority placed on protecting the school system during the war.

FIGURE 5.

Structure of municipal expenditures by functional classification, Q1 2024–2026, \$mn

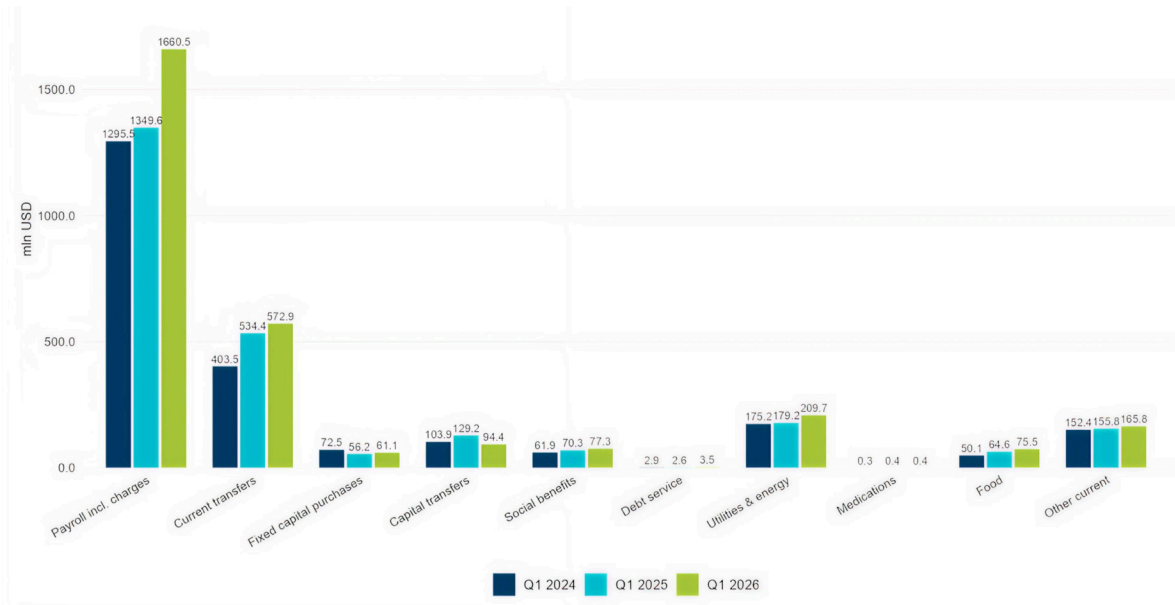


Source: OpenBudget

The spending mix tilted further toward day-to-day costs, while capital investment contracted sharply. Current spending reached \$2.8 bn in Q1 2026 – 93.4% of total spending and 17.3% higher than a year earlier – while capital spending fell to \$194.9 mn, a 19.2% drop, accounting for just 6.6% of the total. Payroll and current transfers have grown rapidly over 2024–2026, while purchases of fixed assets and capital transfers have stagnated or declined (Fig. 6). The drop in capital spending may reflect Ukraine’s new public investment management rules, which require municipalities to adopt medium-term priority investment plans before they can finance new projects; in practice, municipalities without an approved plan cannot start new investments from their own budgets.

FIGURE 6.

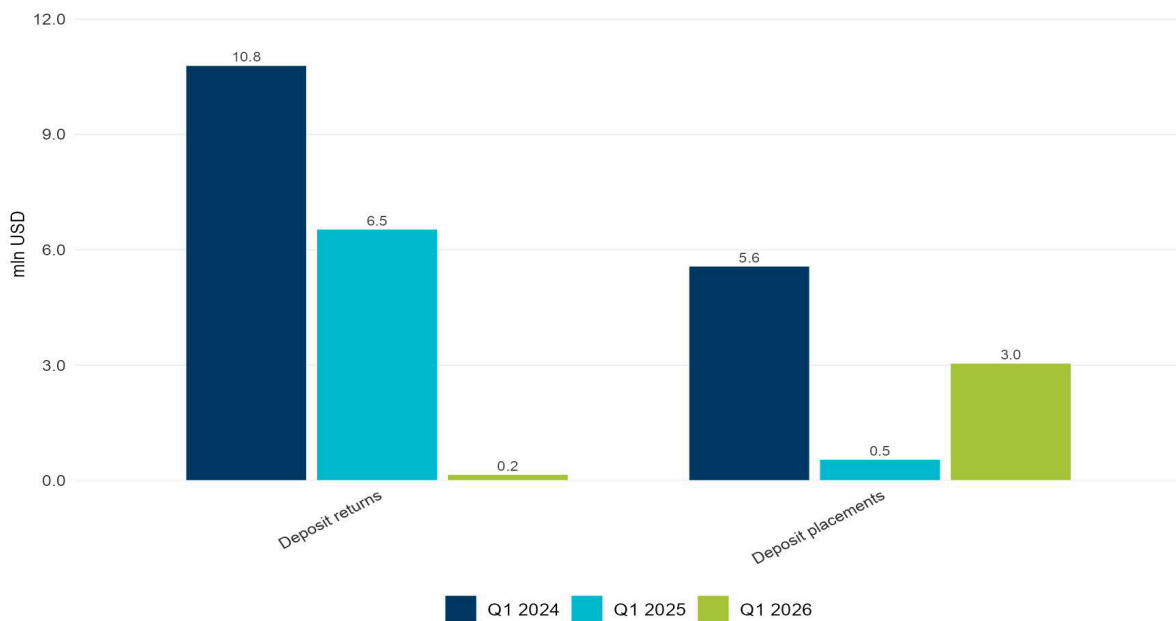
Municipal expenditures by economic classification, Q1 2024–2026, \$mn



Source: OpenBudget

FIGURE 7.

Municipal expenditures by economic classification, Q1 2024–2026, \$mn



Source: OpenBudget

The squeeze on capital investment is also visible in a steep fall in transfers to the development budget and a shift in how municipalities manage their cash. Transfers from the operating side of the local budget to the development budget – the part of the local budget that funds capital investment – fell by 71.3% y-o-y to \$54.9 mn in Q1 2026. At the same time, placements of temporarily free funds in bank deposits and Ukrainian government domestic bonds rose to \$3 mn, six times the level of Q1 2025, while repayments of earlier deposits dropped sharply (Figure 7). Together, these patterns suggest that municipalities are building up cash reserves rather than putting resources into new capital projects – a trend international partners may wish to monitor closely given the country's large medium-term reconstruction needs.

PUBLIC INVESTMENT MANAGEMENT (PIM): INSTITUTIONAL PROGRESS AND LOCAL CHALLENGES

Ukraine made progress in putting its new public investment management system into practice in early 2026, as strategic planning and project prioritisation started to become operational across all levels of government. As of February 2026, medium-term public investment plans for 2027–2029 had been approved by 23 regional military administrations and 877 municipalities, while single project pipelines had been approved by 21 regional military administrations and 722 municipalities. At the national level, the Strategic Investment Council updated Ukraine’s Single Project Pipeline of Public Investments for 2026 in March, adding 18 new investment projects and two revised public investment programmes. Recovery and resilience needs continued to dominate investment planning, with most updates concerning energy, municipal infrastructure, transport, healthcare, education and science, and the environment. As a result, the national public investment portfolio now includes 149 projects and 64 programs, indicating that Ukraine is moving closer to a full-cycle system in which strategic priorities, medium-term planning, and project selection are increasingly connected.

The institutional framework for public investment management was also strengthened in Q1 2026, with new rules making investment decisions more closely linked to strategic planning and future project evaluation. Resolution No. 189 established the procedure for the final evaluation of implemented public investment projects, defining responsible institutions, reporting deadlines, and common approaches to assessing economic, social, environmental, and financial results. This creates a more structured basis for understanding whether public investment projects deliver the expected outcomes after implementation. In parallel, Resolution No. 361 regulated the development, monitoring, and evaluation of strategies that form the basis for public investment proposals. By linking strategic documents, medium-term priority investment plans, programmes, and individual public investment projects, the new rules strengthen the connection between planning, project preparation, and financing decisions. However, their practical impact will depend on the capacity of state, regional, and municipal institutions to prepare strategies, investment plans, project proposals, and evaluation reports in line with the new requirements.

Despite this institutional progress, Q1 2026 also revealed coordination gaps between planning requirements and actual budget allocations at the municipal level. Some municipalities received state budget subventions for public investment projects, including under the New Ukrainian School program, but had not approved their medium-term priority public investment plans, which effectively prevented them from using these funds under the Budget Code requirements. The opposite situation was also observed: some municipalities had approved their medium-term plans and identified relevant investment priorities, but did not receive state budget financing for these areas. These cases point to a partial mismatch between strategic planning and funding decisions. If left unaddressed, this mismatch may delay the implementation of local investment projects and weaken the practical effectiveness of the new PIM system, even where formal planning documents are already in place.

SECURITY SITUATION IN MUNICIPALITIES: STATUS AND TRENDS

Q1 2026 marked a sharp escalation in the security burden on municipalities,⁶ with infrastructure damage growing much faster than the number of attacks. In January–March 2026, municipalities recorded 8,182 attacks and 1,912 incidents of civilian infrastructure damage. The number of attacks increased by 45.7% y-o-y, while infrastructure damage rose by 221.3% y-o-y. Compared with Q1 2024, the increase is even more striking: attacks more than doubled, while damage to civilian infrastructure grew more than sevenfold.

TABLE 1.

Comparison by year of number shellings and drone attacks in Q1 2024-2026

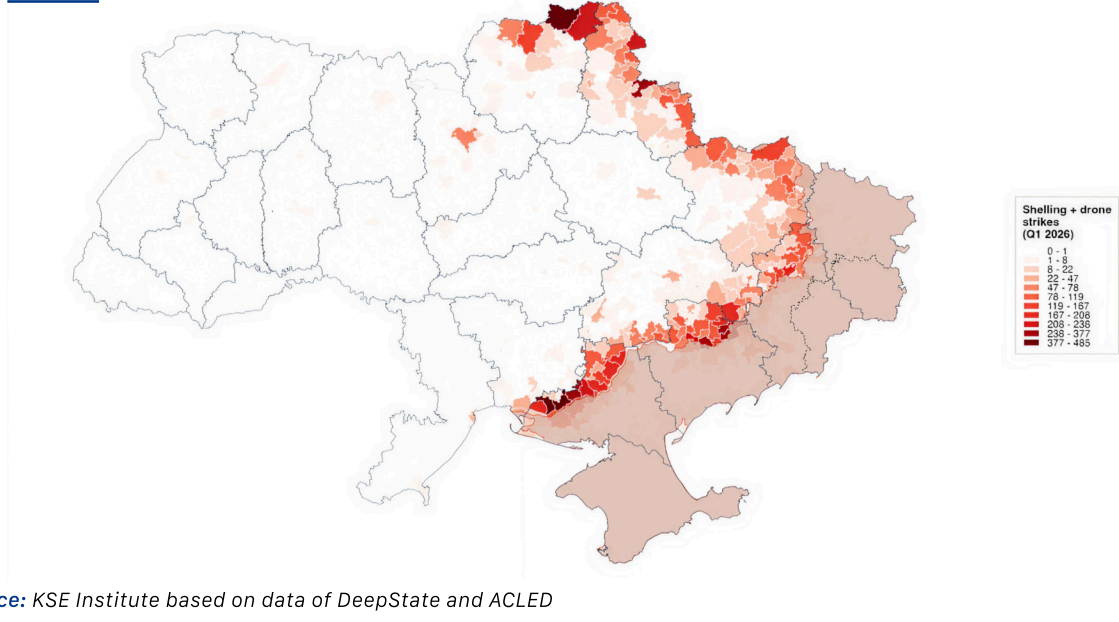
Type of attack event	Q1 2024	Q1 2025	Q1 2026	Change 2025/2026
Air and drone strikes	1,012	3,032	6,627	+118.6%
Shelling, artillery and missile attacks	2,696	2,582	1,555	-39.8%
Civilian infrastructure damage	258	595	1,912	+221.3%

Source: KSE Institute based on data of DeepState and ACLED

The effects of the war at the local level are becoming less defined by classical frontline artillery attrition and much more by aerial pressure over a wider municipal geography. In Q1 2024, air and drone strikes made up 27.3% of all recorded attacks in non-occupied municipalities. By Q1 2026, this share had risen to 81%, while the number of shelling, artillery and missile attacks fell from 2,582 to 1,555 over the same period.

FIGURE 9.

Number of shellings and drone attacks by municipality in Q1 2026 (interactive map)



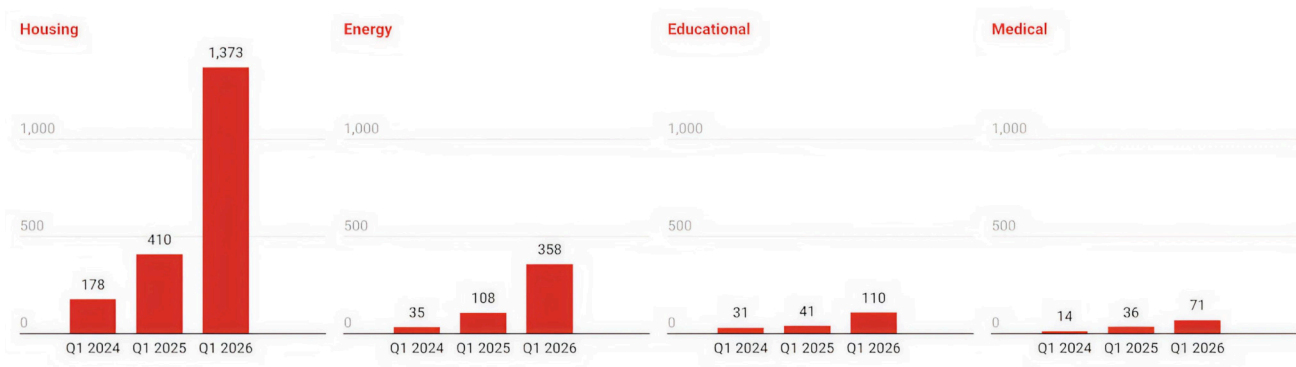
Source: KSE Institute based on data of DeepState and ACLED

⁶ This section uses KSE Institute data based on ACLED data. We use data only about municipalities under Ukrainian government control.

The material footprint of the war in Q1 2026 was overwhelmingly residential. Of the 1,912 recorded incidents of civilian infrastructure damage, 1,373 affected residential infrastructure, or 71.8% of all damage. Energy infrastructure accounted for 358 cases (18.7%), educational infrastructure for 110 (5.8%) and medical infrastructure for 71 (3.7%). Energy damage carries a particularly wide cascading effect: though fewer in number than housing losses, energy incidents can disrupt heating, water supply, public transport, business activity and the functioning of municipal services across entire communities.

FIGURE 10.

Comparison by year of number of infrastructure damages and drone attacks in Q1 2024-2026



Source: KSE Institute based on data of DeepState and ACLED

Urban municipalities remained the main space where attacks translated into material losses. In Q1 2026, city municipalities recorded 3,632 attacks and 1,333 incidents of civilian infrastructure damage – 44.4% of all attacks but 69.7% of all infrastructure damage. The reason is structural: cities have higher density of housing, energy systems, public institutions, schools, hospitals and transport infrastructure.

TABLE 2.

Comparison by municipality type (city, settlement, village) in Q1 (2024-2026)

Municipality type	Number of municipalities	Attacks, Q1 2026	Average attacks per municipality (Q1 3 month)	Infrastructure damage, Q1 2026	Average damage per municipality (3 month)	Share of air/drone strikes
City	330	3,632	11.01	1,333	4.04	75.8%
Settlement	379	2,144	5.66	373	0.98	79.7%
Village	567	2,406	4.24	206	0.36	90.0%

Source: KSE Institute based on data of DeepState and ACLED

The security burden on rural and settlement municipalities has grown substantially. The average number of attacks on village municipalities increased from 1.71 per municipality in Q1 2024 to 4.24 in Q1 2026, with 90.0% of those attacks being air and drone strikes. Settlement municipalities similarly moved into a much higher-risk position, with average attack burden rising from 2.29 to 5.66 and average infrastructure damage increasing from 0.07 to 0.98 incidents per municipality. The war is entering rural space not through the old logic of artillery range, but through aerial pressure capable of reaching smaller and more dispersed settlements.

Frontline municipalities⁷ remained the core zone of security pressure, but non-frontline municipalities also faced growing risks. In Q1 2026, 194 frontline non-occupied municipalities recorded 7,505 attacks (91.7% of all attacks) and 1,554 incidents of civilian infrastructure damage (81.3% of all damage) – an average of 38.69 attacks and 8.01 damage incidents per municipality.

TABLE 3.

Comparison by municipality type (frontline or not) in Q1 (2024- 2026)

Territory type	Municipalities	Attacks Q1 2024	Attacks Q1 2025	Attacks Q1 2026	Damage ⁸ Q1 2024	Damage Q1 2025	Damage Q1 2026
Frontline	194	3,517	5,241	7,505	188	416	1,554
Non-frontline	1,082	191	373	677	70	179	358
Total	1,276	3,708	5,614	8,182	258	595	1,912

Source: KSE Institute based on data of DeepState and ACLED

Attacks on non-frontline municipalities increased from 373 in Q1 2025 to 677 in Q1 2026, while civilian infrastructure damage doubled from 179 to 358. The absolute burden remains much higher near the frontline, but the risk is no longer confined to frontline municipalities. Aerial and drone strikes allow security pressure to spread into territories that are well beyond frontline classification.

TABLE 4.

Main non-frontline outliers by attacks and infrastructure damage, Q1 2026

Non-frontline municipality	Oblast	Attacks Q1 2026	Infrastructure damage Q1 2026
Kyiv city	Kyiv city	56	43
Kryvyi Rih	Dnipropetrovsk	37	22
Konotop	Sumy	28	19
Dnipro	Dnipropetrovsk	25	19
Mykolaiv	Sumy	22	11
Chernihiv	Chernihiv	17	7
Poltava	Poltava	16	10
Blizniuky	Kharkiv	16	8
Nizhyn	Chernihiv	14	7

Source: KSE Institute based on data of DeepState and ACLED

⁷ Analysis of non-occupied municipalities, including frontline one (in accordance with Cabinet of Ministers of Ukraine Resolution No. 1364 of December 6, 2022)

⁸ Damage here and in other tables refer to Civilian Infrastructure Damage (Housing, Energy, Educational and Medical)

Attack intensity and infrastructure damage were concentrated in different oblasts, pointing to distinct support needs. The highest number of attacks was recorded in Kherson and Zaporizhzhia oblasts, alongside Sumy and Chernihiv – reflecting persistent aerial and drone pressure. The heaviest material losses, however, were concentrated in Kharkiv, Sumy, Dnipropetrovsk and Donetsk oblasts, where attacks more frequently translated into direct damage to housing, energy, education and health infrastructure. This distinction matters for programming: Kherson and Zaporizhzhia require operational support for functioning under chronic aerial pressure, while Kharkiv, Sumy, Dnipropetrovsk and Donetsk require larger recovery and repair capacity.

A relatively stable group of municipalities has borne the heaviest attack burden across the past three years. Six municipalities were among the top 10 most attacked non-occupied municipalities in Q1 2024, Q1 2025 and Q1 2026: Kherson, Semenivka, Bilozerka, Dariivka, Tyahynka and Beryslav. Five municipalities appeared in the top 10 for civilian infrastructure damage in all three years: Kherson, Nikopol, Kharkiv, Seredyna-Buda and Odesa.

TABLE 5.

Municipalities with repeated civilian infrastructure damage in Q1, 2024–2026

Municipality	Oblast	Damage Q1 2024	Damage Q1 2025	Damage Q1 2026
Kherson	Kherson	24	46	125
Nikopol	Dnipropetrovsk	17	22	115
Kharkiv	Kharkiv	19	22	54
Seredyna-Buda	Sumy	16	22	48
Odesa	Odesa	12	34	47

Source: KSE Institute based on data of DeepState and ACLED

At the same time, the burden is spreading. In Q1 2024, the top 10 most attacked municipalities accounted for 52.7% of all attacks; by Q1 2026, only 36.5%. A similar trend appears for infrastructure damage: the top 10 share fell from 52.7% in Q1 2024 to 37.3% in Q1 2026. The chronically attacked core remains, but pressure is dispersing across a broader set of municipalities.

A single category of 'war-affected municipality' is no longer analytically sufficient. Frontline municipalities carry the overwhelming burden of attacks and damage, and need flexible operating support, emergency repair capacity and rapid response resources. Urban municipalities need larger-scale recovery support because attacks more often convert into damage to housing, energy infrastructure, schools and health facilities. Rural and settlement municipalities need preparedness and resilience investment as aerial pressure spreads beyond visible urban centres. Non-frontline centers – including large cities such as Kyiv, Kryvyi Rih and Dnipro – face lower but increasingly visible aerial risk and require continuity planning for sudden shocks. Programming should distinguish between **frontline chronic pressure, urban infrastructure damage, rural aerial exposure** and **non-frontline shock risk**.

COOPERATION BETWEEN MUNICIPALITIES

INTERMUNICIPAL COOPERATION

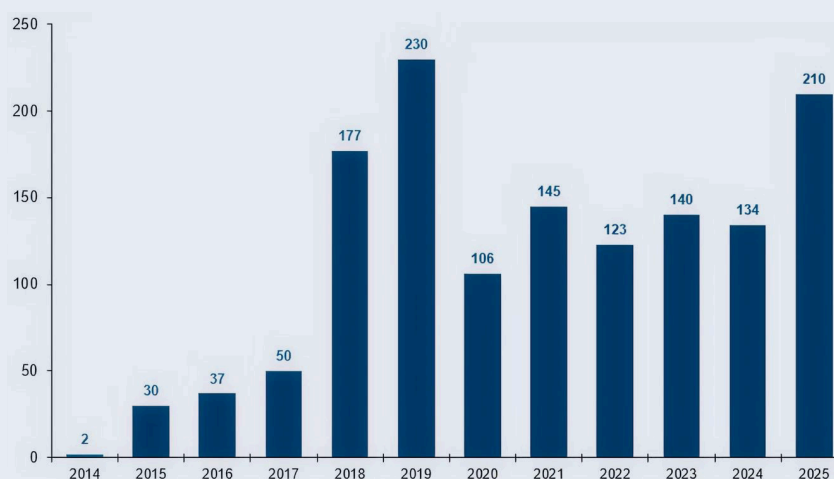
In Q1 2026, partnerships between municipalities became less about formal cooperation and more about keeping services operational under wartime pressure. The number of newly registered inter-municipal cooperation agreements declined from 31 in January to 14 in February and 11 in March, but their content became more practical. In January, most agreements focused on basic social services, especially inclusive education, social support and primary healthcare, with stronger urban municipalities often acting as service hubs for neighboring municipalities. In February, all 14 new agreements were concluded within one oblast, and most were also within one rayon, confirming that cooperation remains primarily local and neighborly.

GENERAL TRENDS IN INTERMUNICIPAL COOPERATION

Intermunicipal cooperation in Ukraine is developing unevenly, maintaining steady positive momentum even under wartime conditions and gradually strengthening as a tool for organizing public services at the local level. After the peak period of 2018–2019, when the maximum number of new cooperation agreements was recorded, the pace of concluding cooperation agreements slowed significantly during the full-scale war: in 2022–2024, only 120–145 agreements were concluded annually. Against this backdrop, 2025 was a turning point – during the year, around 210 new agreements were signed, which is the highest figure for the entire period since the start of the full-scale invasion. This growth occurred despite martial law and occupation of some municipalities and was likely supported by regulatory [changes](#) that simplified cooperation procedures: municipalities were allowed to continue negotiations even if one of the participants withdrew, to combine several forms of cooperation in a single agreement, mandatory annual reporting was abolished, and monitoring of agreement implementation was limited to clear statistical indicators, which reduced the administrative burden on local authorities.

FIGURE A.

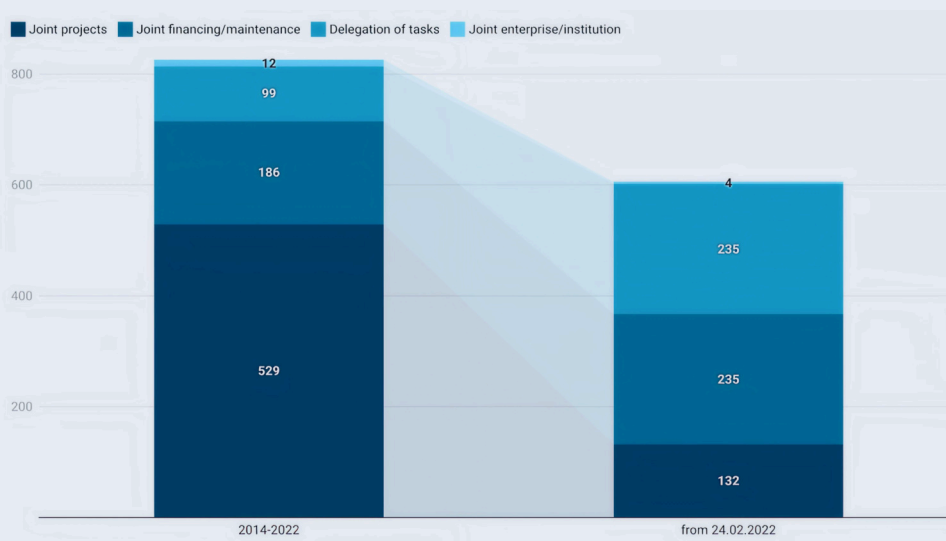
Dynamics of concluding cooperation agreements between municipalities by year



Source: KSE Institute based on Ministry for Communities and Territorial Development data

FIGURE B.

Format of municipal cooperation agreements before and after 24 February 2022



Source: Ministry of Development of Municipalities and Territories, KSE Institute

Following the start of the full-scale invasion, inter-municipal cooperation in Ukraine shifted from the implementation of individual development projects to the provision of basic services and the transfer of functions. Prior to 24 February 2022, the register was dominated by agreements in the form of joint projects – 529 contracts, or 63.4% of all new registrations during that period, while joint financing and maintenance accounted for 22.3%, and the delegation of tasks accounted for just 12%. However, after the start of the full-scale war, the structure became almost the exact opposite. Of the 606 agreements registered between 24 February 2022 and 30 March 2026, 38.8% (235 agreements) relate to joint financing and maintenance and the delegation of tasks, while the share of joint projects fell to 21.8% (132 agreements). Cooperation is increasingly functioning less as a tool for individual development initiatives and more as a practical mechanism for funding services, transferring functions, and organizing the daily life of municipalities in wartime conditions.

Recent registrations confirm that municipalities are using cooperation primarily to address practical administrative and social challenges. In 2025 and the first quarter of 2026, the structure of new agreements has already stabilized around two main forms: joint financing and maintenance (40.6%, or 108 agreements) and delegation of tasks (37.6%, or 100 agreements), while joint projects have lost prominence (21.4%, or 57 agreements). Joint financing and maintenance⁹ involves the long-term pooling of municipal resources to support existing facilities and cover operating costs, whereas the implementation of joint projects is temporary, results-oriented and aimed at creating or modernising infrastructure. Most of the new agreements during this period concerned education, social services, healthcare and administrative functions. In other words, municipalities most often cooperate when it is necessary to maintain access to services, sustain an institution or organise services for people in the context of displacement, staff shortages or security pressures.

⁹ In accordance with Article 4 of the Law of Ukraine 'On Cooperation between Municipalities' (No. 1508-VII), joint financing (maintenance) and joint projects differ in terms of time horizon, type of expenditure and level of institutional integration.

The main trend is not simply the number of agreements, but the practicality of cooperation. In Q1 2026, municipalities used cooperation primarily to maintain services, share costs and transfer functions, rather than to launch large development projects. Of the 56 agreements, 31 agreements were concluded in the form of joint financing or maintenance of municipal institutions and infrastructure, 13 as joint projects, and 12 as delegation of tasks.

TABLE 6.

New inter-municipal cooperation agreements by type, Q1 2026

Type of agreement	January	February	March	Q1 2026	Share of Q1 2026
Joint financing / maintenance	18	10	3	31	55.4%
Joint projects	6	3	4	13	23.2%
Delegation of tasks	7	1	4	12	21.4%

Source: Ministry of Development of Municipalities and Territories, KSE Institute

The sectoral structure of Q1 2026 agreements shows that municipalities cooperate where service delivery is most difficult to sustain alone. The largest thematic cluster was education and inclusive education – around 14 agreements, including inclusive resource centers (special needs education hubs) and professional development centers for teachers. Social support, veterans' services and assistance to displaced residents formed another major cluster, with around 11 agreements. Administrative and back-office functions accounted for around 10 agreements, while healthcare, utilities, infrastructure, culture and security appeared less frequently. This is consistent with the January finding that cooperation is concentrated around basic social, educational and medical functions, while infrastructure and development projects remain secondary.

Cooperation remained predominantly local and neighborly, but Q1 also showed the first signs of more strategic wartime use. In the uploaded register, 55 of 56 Q1 agreements were concluded within one oblast, and 43 agreements were within one rayon. This confirms that municipalities still use this instrument mainly with close neighbours, where transaction costs are lower and service-delivery problems are shared. At the same time, March introduced an important exception: the agreement between Kamianske and Pokrovsk on the construction of multi-story residential buildings in Kamianske. We see these cases as evidence that intermunicipal cooperation can also support relocation, housing and reconstruction when one municipality provides safer space while another finances services for displaced residents.

The 'hub' model of cooperation became more visible in Q1. Intermunicipal cooperation increasingly functions through service hubs, where more capable municipalities organise provision for smaller or less resourced neighbors. Stronger municipalities often assumed organizational, reporting or service-provider roles for neighboring municipalities. This was especially clear in January, when urban municipalities were responsible for reporting and leading in 17 of 31 agreements, despite rural municipalities making up more than half of the participants.

March showed that military administrations are becoming more visible actors in intermunicipal cooperation. Several March agreements involved local military administrations, especially in Donetsk oblast, and addressed social support, critical infrastructure and territorial defence. The most important example was the group of

agreements linked to the 'YaMariupol', 'YaMariupol.Care' and 'YaMariupol.Family' network. These agreements show that cooperation is not only about ordinary social services, but can also help preserve the institutional presence of a displaced municipality that has lost control over its territory while continuing to serve its residents.

| INTERNATIONAL COOPERATION

International cooperation developed more slowly in numerical terms, but became broader and more operational in substance. In January–March 2026, we recorded seven international territorial cooperation agreements and two additional agreements registered in March.

The substance of international cooperation is moving beyond traditional twinning and towards multi-sectoral recovery partnerships. Early-2026 agreements covered a broad set of areas, including economy, healthcare, education, culture, infrastructure, digitalisation, veterans' policy, civil protection, youth policy, clean technologies, logistics and the environment.

Regional military administrations played a particularly important role in international cooperation during Q1. In January, two of three registered international agreements were signed not by municipalities but by a regional military administration. This can be seen as an example of wartime adaptation: regional military administrations may have stronger coordination capacity and faster access to state and donor channels, albeit with a shift from targeted municipal partnerships towards broader regional frameworks.

Overall, Q1 2026 shows two parallel cooperation trends. Domestically, intermunicipal cooperation is becoming a routine instrument for keeping services functional, especially in education, social support, healthcare and administration. *Internationally*, cooperation is becoming more strategic, multi-sectoral and recovery-oriented, but the formal register captures only part of the activity because of approval and registration delays. The practical insight for municipalities is clear: cooperation is most valuable when it is treated not as a symbolic agreement, but as a mechanism for solving specific capacity gaps – sharing specialists, maintaining institutions, supporting displaced residents, protecting critical services, or connecting recovery needs with external partners.