MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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BUDGET DECENTRALIZATION AS A TOOL FOR STRENGTHENING THE FINANCIAL CAPACITY OF LOCAL SELF-GOVERNMENT

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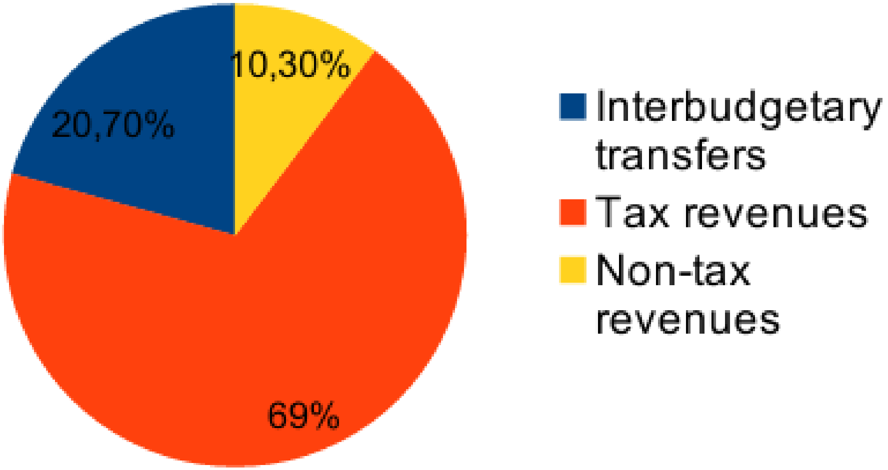
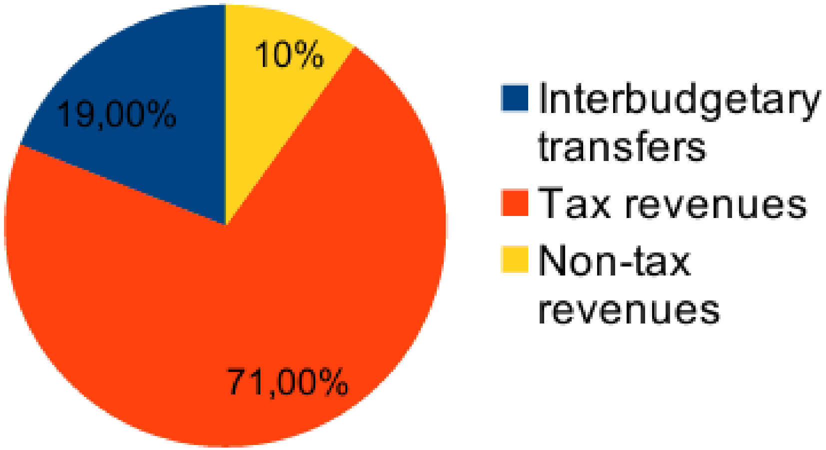
The structure of local budget revenues in Ukraine in 2020-2024

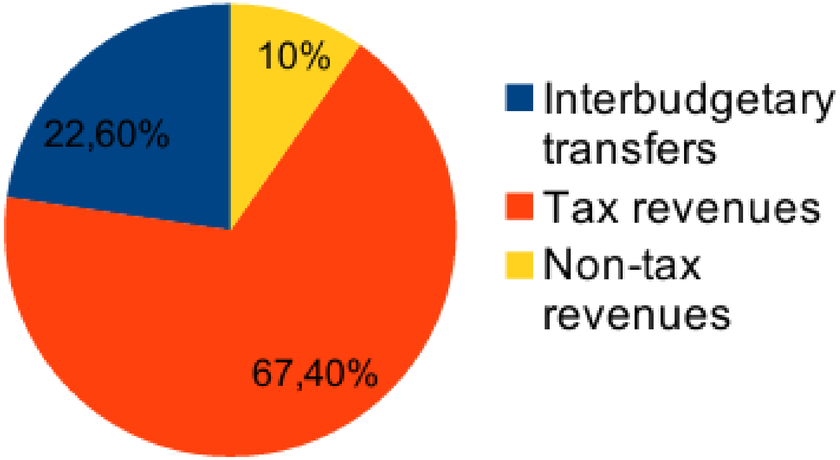


Local budget revenues in Ukraine in 2020

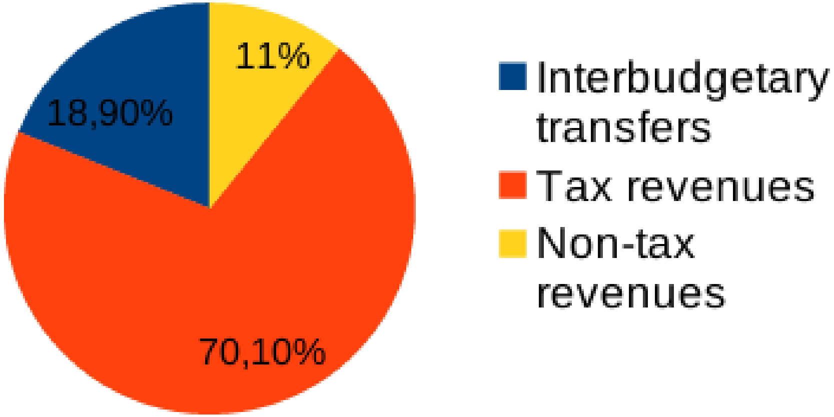


Local budget revenues in Ukraine in 2021

The structure of local budget revenues in Ukraine in 2020-2024

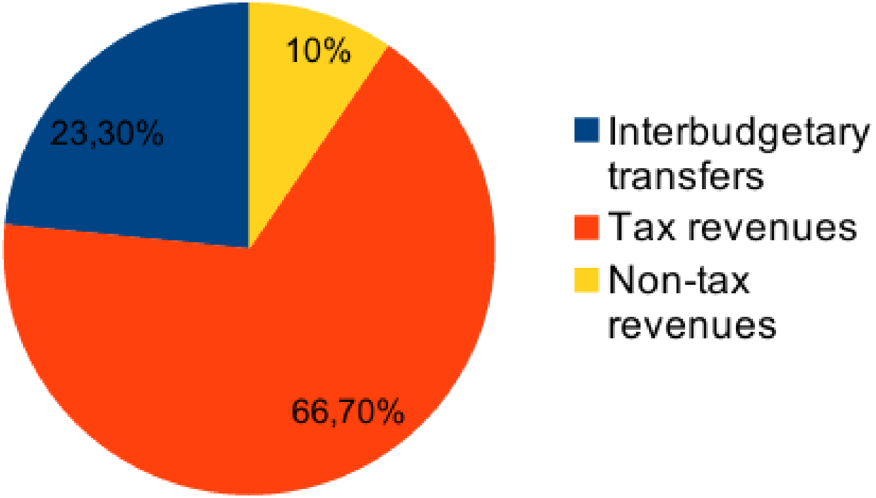


Local budget revenues in Ukraine in 2022



Local budget revenues in Ukraine in 2023

The structure of local budget revenues in Ukraine in 2020-2024



Local budget revenues in Ukraine in 2024

Interbudgetary transfers from the state budget to local budgets of Ukraine in 2020–2024

Year	Volume of intergovernmental transfers, billion UAH	Growth rates, %
2020	160.2	
2021	170	+6.1
2022	175	+2.9
2023	184	+5.1
2024	187.9	+2.1

Endogenous determinants that are formed directly within territorial communities

- Systemic reduction of the revenue base of local budgets due to the cessation of enterprise activities and the decline in the population's tax capacity.
- Exponential growth of expenditures on social protection of the population including support for internally displaced persons and those affected by military actions.
- Widespread destruction of economic infrastructure that leads to a reduction in the production potential of territories.
- Intensive population movement that changes the demographic structure of communities and impacts on the volume of budgetary needs.

Exogenous determinants formed outside the boundaries of territorial communities

- Fundamental transformation of the interbudgetary relations system through the redistribution of financial resources in favor of defense needs.
- Overall macroeconomic instability that is characterized by inflationary processes, devaluation of the national currency and decrease in GDP.
- Adaptation of regulatory and legal support for the functioning of local finances to the conditions of martial law.
- Activation of processes of attracting international financial assistance through grant funds and technical support from international donor organizations.

Practical recommendations for strengthening the financial capacity of territorial communities under martial law and economic instability

1. Comprehensive diagnostics of the financial condition of territorial communities.
2. Medium-term budget forecasting in crisis conditions.
3. Implementation of effective mechanisms for financial equalization and support of depressed areas in wartime conditions.
4. Establishment of effective system of financial control and audit.
5. Conceptualization of the theoretical foundations of adaptive financial management in crisis conditions.

Comprehensive assessment of the financial condition of territorial communities

- Assessment of the financial condition of communities
- Taking into account the specifics of each community, its demographic, socio-economic and geographical characteristics
- Identifying potential risks that could negatively affect the financial stability of communities, first of all, dependence on transfers from the state budget

Medium-term budget forecasting in crisis conditions

- The use of comprehensive scenario-based approach with econometric methods involving the analysis of macroeconomic indicators

- Development of alternative scenarios of event evolution. The forecast horizon should be 3-5 years with the possibility of adaptive adjustment through a system of continuous monitoring and rapid response to changes in the external environment.

Conclusions

- Implementation of effective mechanisms for financial equalization and support of depressed areas through the revision of the formula for the allocation of basic grants and subsidies from the state budget.
- Establishment of efficient system of financial control and audit of the use of budget fund.
- Development and implementation of integrated local development strategies based on a comprehensive consideration of local socio-economic, demographic and geographic characteristics.
- Intensification of multi-vector international cooperation with leading financial institutions and donor organizations to mobilize additional investment resources for the development of territorial communities.

Thank you for your attention!