

# Peculiarities of Local Budget Revenues Management in Ukraine Under Martial Law

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**Abstract:** Local budgets are the financial basis for the development of territorial communities. Effective management of local budget revenues to fulfill social and financial responsibilities is extremely important. In wartime, the impact of a number of factors is difficult or impossible to predict and take into account when planning and executing the budget. Theoretical approaches to the management of local budget revenues and the experience of filling the revenue side of local budgets in foreign countries are considered. The methodology of ABC-analysis and XYZ-analysis of local budget revenues is considered, and the distribution by groups is proposed to be carried out according to the Pareto rule. The authors analyze the number and dynamics of the composition of local budget revenues of Ukraine and the structure of local budget revenues in 2019-2022, and form a matrix of results of the ABC-XYZ analysis of local budget revenues in 2019-2022. The authors propose to use the ABC-analysis and XYZ-analysis algorithm in the management of local budgets of territorial communities in practice, in order to effectively manage the forecasting process and ensure a sufficient level of local budget revenues in Ukraine.

**Keywords:** State budget, local budget, sources of local budget revenues, management of budgetary resources, transfers, ABC-analysis, XYZ-analysis.

**JEL classification:** H 72; R 50; R 51.

## 1. INTRODUCTION

With the beginning of the military invasion on February 24, 2022, Ukraine began to live in a format unknown before, as the following factors influencing the socio-economic state of the state's functioning appeared, which had not been there before, namely: active hostilities, shelling of peaceful cities, destruction of civilian and critical infrastructure, resulting in the processes of internal and external migration of the population, and the emergence of a large number of internally displaced persons. Businesses have also faced the same problems, with the destruction of industrial facilities or the threat of such destruction forcing businesses to either close their businesses altogether, partially reduce their business activities, or look for safer places to evacuate their production facilities. The President of Ukraine issued Decree No. 64/2022 on the introduction of martial law throughout Ukraine (On the introduction of martial law in Ukraine, 2022), so the traditional challenges faced by state and local

authorities before the outbreak of a large-scale war were supplemented by new ones, as martial law provides for the granting of powers to state authorities, military command, military administrations and local governments necessary to avert threats, repel armed aggression and ensure national security. Therefore, in order to ensure these groups of expenditures, the priority is to ensure that the budgets of all levels are filled, but local governments still bear the greatest burden in terms of financial support for the growing social needs of residents of territorial communities, which is in line with the principles of decentralization (Osypenko S., Yarema L. & Shcheblykina I., 2022).

Local budgets are the financial basis for the development of territorial communities, while their revenues are an instrument for implementing budget policy at the local level. That is why the task of effective management of the process of ensuring a sufficient level of local budget revenues for the further fulfillment of social and financial responsibilities and functions assigned to local governments is extremely relevant. In addition, under martial law, the management of budgetary resources of both local governments in particular and the state as a whole is characterized by differences and

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peculiarities that show signs of influence of a number of factors that are difficult or impossible to predict and take into account when planning and directly executing the budget.

## 2. LITERATURE REVIEW

### Theoretical Foundations of Local Budget Revenue Management in the Context of Decentralization in Ukraine

Ukraine's ratification of the European Charter of Local Self-Government and the adoption of the Concept of Local Budget Reform by the Cabinet of Ministers of Ukraine require measures to increase the financial independence of local budgets and the level of financial security of delegated powers and to improve the system of regulation of intergovernmental relations. The budget of a territorial community, as a plan for the formation and use of financial resources to ensure the fulfillment of the functions and tasks assigned to local governments, includes revenues and expenditures. Local budget revenues play a special role, as they are used to finance programs and activities in the fields of education, healthcare, social protection and social security, etc. Local budget revenues are one of the main components of the material and financial basis of a city's territorial community, because without financial support of administrative-territorial units with their own monetary base, the very essence of the local self-government institution is lost due to its incapacity. Therefore, there is a need for effective planning and management of budget revenues based on the use of advanced methods of revenue assessment and analysis, which will allow territorial communities to be transformed from subsidized entities into entities that can independently ensure the public welfare of their residents (Tkachuk N., 2023).

Since 2014, as a result of the annexation of the Autonomous Republic of Crimea and parts of Donetsk and Luhansk region by the Russian Federation, as well as the ongoing hostilities within these regions, Ukraine has been plunged into a systemic crisis that has affected all spheres of public life, as well as industries and sectors of the economy at all levels of government. Accordingly, there was an urgent need to build a democratic society and implement reforms aimed at stabilizing the country's political, economic and financial systems, as well as Ukraine's European integration and strengthening its sovereignty. One of the key reforms in this area was the decentralization reform, which aimed to form an effective local government and territorial organization of power to create and maintain a full-fledged living environment for citizens, provide high-quality and accessible public services, establish institutions of direct democracy, and align the interests of the state and territorial communities (A new Council of Europe Action Plan for Ukraine with a vector for local government development is expected, 2022).

Local finances are the basis for the formation of the socio-economic potential of the state, so the welfare of individual communities and the level of welfare in the state depends on the efficiency of their formation and use. The legal framework of Ukraine regulates the mechanisms and instruments for the distribution of state revenues that are allocated to local governments to finance delegated and own powers. Accordingly, the stable development of territorial communi-

ties is closely linked to the provision of local governments with the financial resources necessary to perform their functions. However, in wartime, the principles of local finance management are characterized by significant peculiarities, given the unforeseen situations associated with military operations and the need to redistribute funds for priority needs in time of war. Such circumstances are not typical for peacetime, and therefore cause many problems and inconveniences related to the formation, distribution and use of local finances (Blishchuk K., 2022).

In the context of martial law, public authorities must respond quickly and make prompt decisions to meet the vital needs of residents of territorial communities. On March 11, the Cabinet of Ministers of Ukraine adopted Resolution No. 252, which defined the peculiarities of the formation and execution of local budgets during martial law. It states that during martial law, in order to ensure the smooth functioning of public sector institutions and utilities, the execution and formation of local budgets is carried out in accordance with budget legislation, taking into account certain peculiarities (Some issues of formation and execution of local budgets during martial law, 2022).

The reforms of the administrative-territorial structure, public administration, and local self-government in Ukraine have led to the emergence and active use of a number of new categories and concepts, as well as mechanisms and tools that are used to implement the changes envisaged by strategic plans. For many years now, scholars and practitioners have been actively working to improve the tools for ensuring the independence of local budgets, as declared by the Budget Code of Ukraine (2001 and 2010). The reform of local self-government and territorial organization of power launched in 2014, which includes financial decentralization, including budgetary decentralization, necessitated the substantiation of the conceptual framework and development of practical mechanisms for implementing the principle of financial independence of local self-government. The amalgamation of territorial communities in 2015-2020 led to the emergence of such new definitions as "capable territorial community", "financial autonomy of a territorial community", "financial potential of a territorial community", "financial capacity of a territorial community", "financial self-sufficiency of a territorial community", "financial capabilities of a territorial community", etc. The distinction between the essence of these conceptual constructs is necessary not only from the point of view of streamlining the theory of local self-government and local finance, but also from a practical point of view, since their consideration in the organization of local finance will contribute to the success of the proclaimed reforms (Kyrylenko O., 2022).

Regarding the financial support of the united territorial communities, since January 1, 2015, a number of amendments have been made to the Budget Code of Ukraine (On Amendments to the Budget Code of Ukraine on the Reform of Intergovernmental Fiscal Relations, 2014), which actually form the basis for encouraging communities to amalgamate and strengthening their functional capacity by establishing a mechanism for the transition of united territorial communities to direct interbudgetary relations with the state budget. The main powers of local state administrations have been

transferred to local self-government bodies, while the executive branch retains only the right to exercise control. At the same time, communities have their own budgets, the ability to combine efforts and finances. They will have the resources to independently address pressing issues and further develop. Amalgamated territorial communities acquire the status of cities of regional significance. The most important issue in stimulating and implementing the amalgamation of territorial communities is state financial support, which consists in providing funds from the State Fund for Regional Development for projects aimed at supporting the voluntary amalgamation of territorial communities prepared in accordance with the Budget Code, and providing funds in the form of subventions from the state budget for the formation of appropriate infrastructure in accordance with strategic programs for the development of territories and plans for socio-economic development. To financially support their powers, the amalgamated territorial communities will receive financial resources, the main of which is 60% of the personal income tax (Budget Code of Ukraine, 2010). The practice of forming local government budgets from personal income tax revenues is common in many European countries, thus local communities are interested in stimulating entrepreneurial activity on their territory.

The issue of searching new ways to develop administrative-territorial units has been relevant at all times and today the discussions on this issue are becoming even more lively. This is due to the fact that at the turn of the XX and XXI centuries, the concept of sustainable development of territories has spread, and thus it quickly became popular in scientific circles. The concept of sustainable development quickly gained widespread popularity in scientific circles. Despite the fact that this theory has both its supporters and critics, it is mainly evaluated as the most balanced and promising theory of the XXI century. It is believed that the further development of human civilization will be determined within the framework of the concept of sustainable development (Koshkalda I., Hoptsi, D., Morozova, H., Scoromna, O. & Gurskiene, V., 2023).

### **Global Experience in Managing Local Budget Revenues**

It is worth noting that, unlike Ukraine, in many foreign countries, local taxes and fees are the basis of local budget revenues, the share of which exceeds all tax revenues of their budgets. For example, in the total revenues of local budgets in Austria, such taxes account for 72%, and in Japan - 55%, while in Ukraine they do not even reach 25% (Bondaruk T., 2021). European countries have different histories of implementing decentralization reform, which makes it possible to evaluate this process from different perspectives. For example, Denmark has a long history of local government formation and development, which began in 1849 with constitutional protection, and the last significant changes were observed in 2007, which consisted of reducing the number of municipalities from 270 to 98 and reducing the number of regions (counties) from 13 to 5. In Latvia, the decentralization reform began in 1992 after the country gained independence, during which time there has been a noticeable trend towards a decrease in the number of municipalities and counties (from 612 in 1992 to 42 municipalities in 2020) (Young D., Krook S. & Falcon L., 2020). The decentralization pro-

cess in Poland began in 1989 with political and administrative decentralization, which was accompanied by the creation of 2478 municipalities (Okunovska Y., Hyzhko A., Prymush M. & Polovyi M., 2020). Germany, like Denmark, has a long history of independent municipal government dating back to 962, but the current state began to take shape after 1945 (Fuhr H., Fleischer J. & Kuhlmann S., 2018). In addition to political and administrative decentralization, financial decentralization also plays an important role. Decentralization reforms have been accompanied by the provision of municipalities with their own financial resources and powers, as resources are important and this gives them financial autonomy. In European countries, there are 4 main categories of revenues to local budgets: tax revenues, non-tax revenues, capital gains, and transfers, but the main sources of revenue are taxes and grants and subventions. In Germany, all taxes and their distribution are set by the federal government and the Bundestag, with further approval by the Bundesrat. Tax revenues include both local taxes and taxes distributed among different levels of government. The distributed taxes include personal income tax (about 37% of all municipal tax revenues) and value added tax (about 5% of tax revenues). The municipalities' own local taxes in Germany include: local business tax (Gewerbesteuer), periodic real estate tax (Grundsteuer), as well as some minor taxes such as trade tax, local entertainment tax and dog tax. Danish municipalities have a local personal income tax (accounting for almost 90% of all tax revenues), periodic real estate taxes (about 10% of tax revenues) and a church tax. It should be noted that the local personal income tax is levied by the central government together with the national personal income tax, but local governments are free to set the rate of this tax. Other shared taxes include: corporate tax, science tax and real estate tax. Latvia's tax system is unique, as municipalities do not actually have their own taxes, and all revenues of local budgets come from shared taxes. The most important are the personal income tax (accounting for about 85% of all tax revenues), the property tax (100% of revenues are redistributed to municipalities), as well as the lottery and gambling tax and the tax on the use of natural resources. The Polish tax system is similar to the German and Danish ones, as municipalities use both their own taxes and revenues from distributed taxes. Own taxes include property tax, land tax, building tax, agricultural land tax and forest tax. Taxes subject to distribution are personal income tax and corporate tax. Non-tax revenues in these countries are generated by revenues from administrative fees and charges for public services. Therefore, although the revenue structure of municipalities in different countries differs significantly, it has common features, namely, revenues from shared taxes and the availability of own tax revenues to local budgets through local taxes and fees.

Sources of local budget revenues in Ukraine.

In Ukraine, in addition to the portion of revenues from the distribution of personal income tax, according to the requirements of the Budget Code, the revenues of local budgets are made up of the revenues shown in Fig. (1).

Non-tax revenues include the following types of revenues: income from property and business activities; administrative fees and charges, income from non-commercial and side

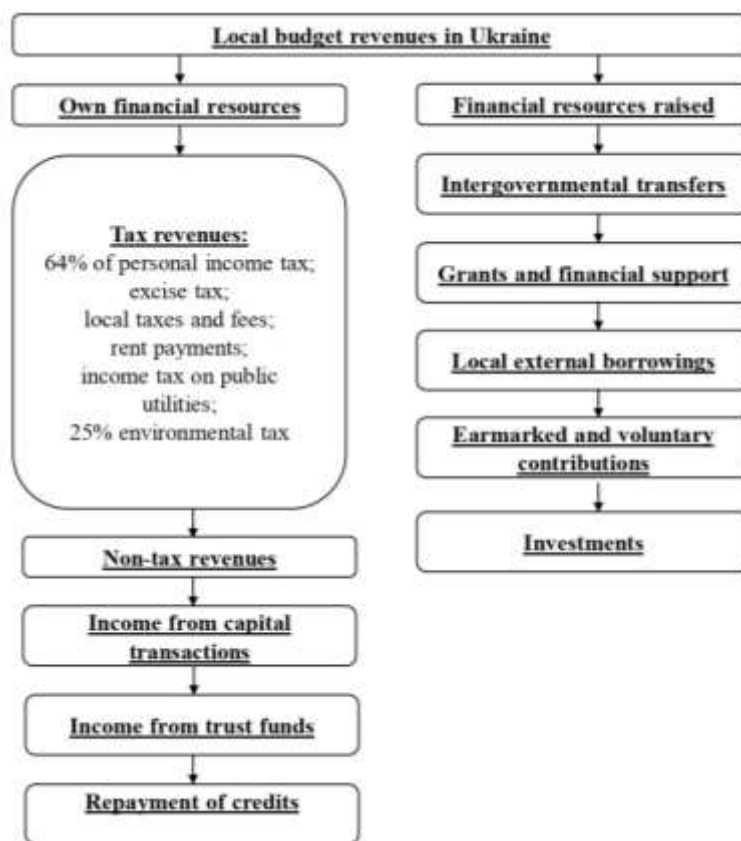


Fig. (1). Sources of local budget revenues in Ukraine.

sales; revenues from fines and financial sanctions; and other non-tax revenues. Transfers are funds that are transferred free of charge and irrevocably from one budget to another. For example, these are funds that come from the state budget to local budgets in the form of grants or subventions. Local budget revenues are the basis for assessing the tax potential of a territory. This is due to the fact that the amount of local budget revenues affects the amount of budget transfers transferred to local budgets from the state budget. In accordance with the provisions of the Budget Code, local budget revenues are formed on the basis of a basket of local government revenues for the budgets of territorial communities. This basket is a set of sources of revenues to local budgets that are permanently assigned to the budgets of local governments and are taken into account when determining the amount of intergovernmental transfers to the respective budgets.

Today, the EU countries mutually exchange municipal management technologies as part of the process of transferring management innovations. The systematic implementation of elements of the municipal management toolkit in the activities of local governments in Ukraine is blocked by a number of organizational, legal, financial and economic problems. Creating appropriate conditions for the formation of a full-fledged local government and ensuring the implementation of the principles laid down in the European Charter of Local Self-Government is a prerequisite for Ukraine's integration into the European Union, as the management of the development of grassroots communities is one of the objects of constant monitoring by the Council of Europe (Monastyrskyi G., 2014).

In order to bring the model of local self-government in Ukraine closer to the European one, it is necessary to: carry out functional and procedural reforms of local self-government both through a clear division of powers by levels of government and in the field of administrative and territorial structure in order to legislate the status of administrative and territorial units and the criteria for their separation, introduce executive bodies of local self-government; formulate a state policy on the amalgamation of territorial communities; improve the directions of forming the material and financial basis of local self-government in Ukraine by: ensuring compliance between the powers and financial support of local governments; improving the system of local taxes; forming a system of municipal financial and credit institutions that will allow the use of the loan mechanism: local securities, municipal lending, etc. as a source of financing for investment programs (Lelechenko A., 2011).

Consideration of the experience of managing local budget revenues in different countries allows us to draw the following conclusions: vesting local governments with certain state powers promotes the implementation of local public authorities in the system of public administration, their growth and mutual enrichment; which requires the development of further steps for the development of the local self-government system of Ukraine and their consolidation at the legislative level; given the diversity of subjects of legal regulation, as well as the fact that the new laws still work in an unprepared manner. A necessary condition for the viability of local self-government is the availability of a sufficient financial and economic base for its implementation. In the future, more

attention should be paid to the study of the principles and methods of collecting and disseminating positive experience in municipal property management both in Ukraine and in some countries of the world (Drohobetsky I., 2022).

### Dynamics Analysis of the Local Budget Revenues in Ukraine

Local budgets are an important tool for the effective implementation of financial policy at the local level. The budget is an important instrument of macroeconomic regulation. It distributes and redistributes the gross domestic product between the country's regions, economic sectors, and population groups in order to improve the efficiency of the state's financial policy, provide funding for social and cultural facilities, public administration, and environmental protection, etc. The decentralization reform has had a significant impact on the number of local budgets and their condition (Tymots M., 2022). The total number of local budgets in Ukraine at the end of 2022 is shown in Table 1.

**Table 1. Number of local budgets of Ukraine as of January 01, 2023.**

Types of Local Budgets	Total Local Budgets	of which are Related to the State Budget
regional budgets	25	24
budgets of cities of republican/regional significance	13	1
district budgets	136	119
budgets of united territorial громада	1469	1438
budgets of districts in cities of regional significance	35	0
budgets of cities of district significance	6	0
budgets of urban villages	39	0
budgets of village councils (villages)	229	0
Total	1952	1582

As of January 1, 2023, 1582 local budgets interacted with the state budget, and 368 operated exclusively at their own expense.

The financial basis of local budgets is revenues, so it is worth examining the dynamics of the composition of revenues to local budgets in 2019-2022 (Table 2).

The analysis shows that in 2022, local budget revenues from tax revenues increased by UAH 46.79 billion and funds from the EU, foreign governments, and international organizations by UAH 0.16 billion. At the same time, the amount of non-tax revenues decreased by UAH 5.18 billion, and transfers from public authorities decreased by UAH 65.73 billion. The same situation is observed with trust funds (-UAH 0.27 billion) and revenues from capital transactions (-1.16 billion). In general, local budget revenues in 2022 decreased by UAH 25.40 billion compared to 2021.

Despite a slight decrease in local budget revenues, the financial indicators of 2022 show that local self-government in Ukraine is sustainable and able to adequately withstand any challenges, including financial ones, even under martial law. The year was difficult for the entire country, but local governments were able to provide adequate support to the territorial defense forces, the Armed Forces and national security, as well as to internally displaced persons who lost their homes in the areas of hostilities and temporary occupation of a number of territories and needed the necessary assistance and protection. The organization and support of territorial defense units, logistical assistance to the Armed Forces of Ukraine, and the involvement of foreign partners are the things that local governments have been supporting since the beginning of the shameful invasion of Russia, while ensuring that all areas of citizens' lives are constantly supported at the local level (assistance to internally displaced persons, support for relocated businesses, organization of shelters, and continued provision of high-level services), despite the daily shelling. And all this is due to the effectively implemented decentralization reform, which allowed local governments to receive autonomous, independent, adequate financial resources, which played a significant role in confronting the challenges.

Of course, the uncertainty that arose in the first months of the war had a rather negative impact on the financial and

**Table 2. Dynamics of the revenues composition of local budgets in Ukraine in 2019-2022, UAH billion.**

Local budget revenues	2019	2020	2021	2022	Absolute deviation, 2022/21 years	Structure, %, 2022
Tax revenues	270,55	285,57	346,71	393,50	46,79	70,86
Non-tax revenues	26,11	21,46	27,18	22,00	-5,18	3,96
Income from capital transactions	2,93	3,47	3,46	2,30	-1,16	0,41
Transfers from public authorities	260,30	160,18	202,73	137,00	-65,73	24,67
From the EU, foreign governments, international organizations	0,04	0,15	0,04	0,20	0,16	0,04
Trust funds	0,60	0,65	0,57	0,30	-0,27	0,05
Total	560,53	471,48	580,70	555,30	-25,40	100

Source: calculated by the authors on the basis of: 19-22.

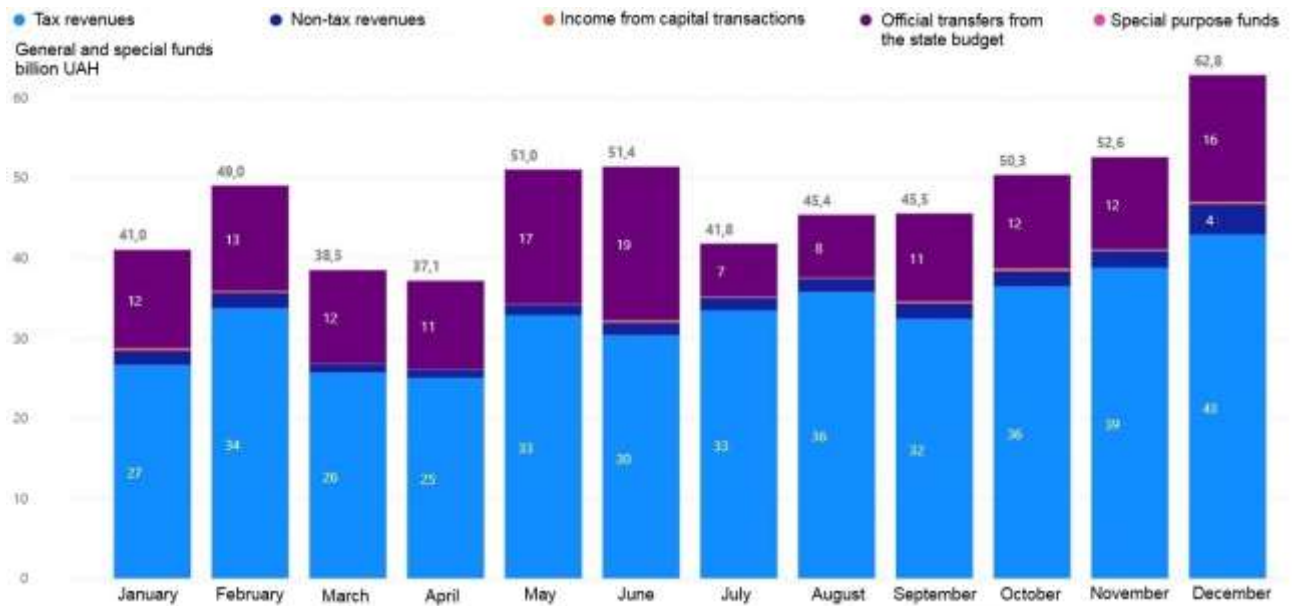


Fig. (2). Local budget revenues in 2022 by type of revenue

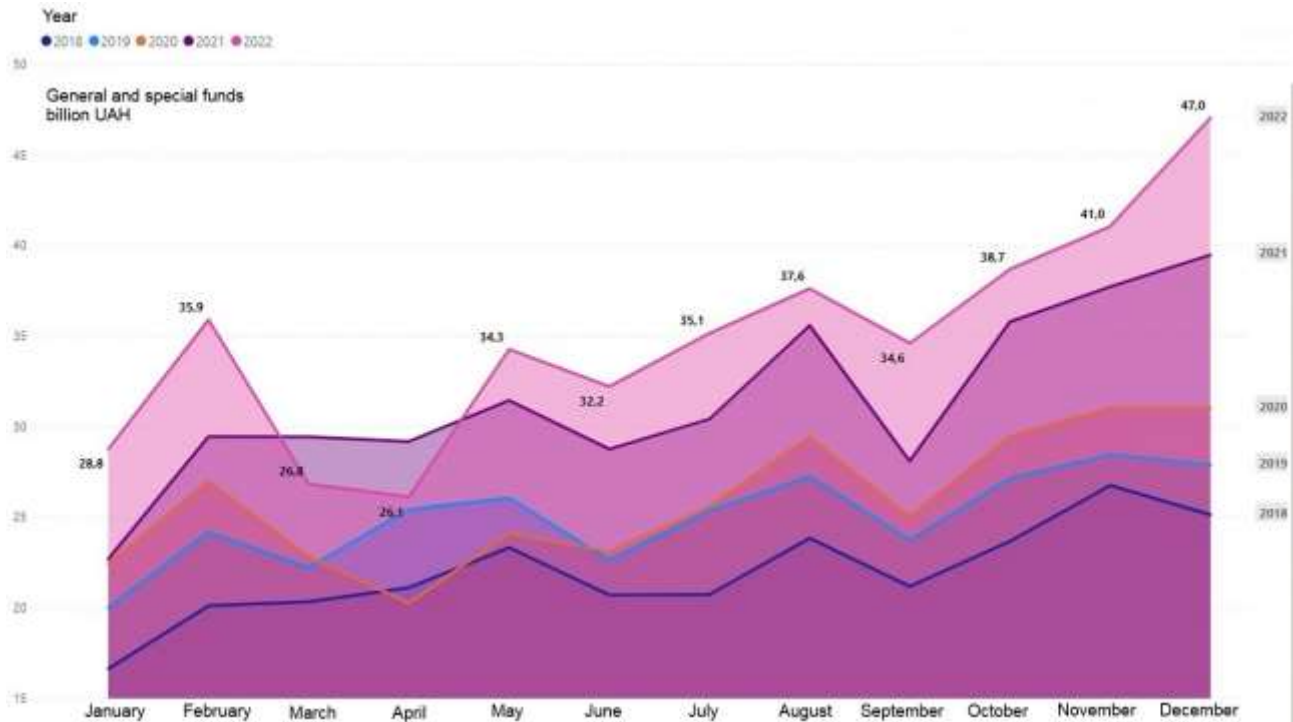


Fig. (3). Monthly dynamics of local budget revenues in 2018-2022

material foundations of local governments. In addition, the state had to ensure stable economic conditions for business, so it introduced a number of tax incentives, to which local governments also had to adapt. And local governments performed this task perfectly, because in the following months they supported business from their own funds and formed various programs to support business entities.

Below is a graph of monthly revenues to local budgets in 2022 by type of revenue:

Fig. (2) shows that in February and March, tax revenues decreased significantly, but in May, the previous rates were

restored, allowing local budget revenues to increase. The Government slightly adjusted the state transfer policy when amending the state budget, so the amount of subventions from the state budget was significantly lower than last year and ranged from UAH 7 billion to UAH 19 billion per month. In total, in 2022, local budgets received UAH 555.1 billion in revenues from general and special funds. Of course, the largest share was made up of tax revenues of UAH 393.5 billion, or 70.9% of all revenues. Official transfers amounted to almost 25%, or one fourth of all revenues. It is also worth noting that in 2022, the share of local budgets in consolidated budget revenues increased significantly.

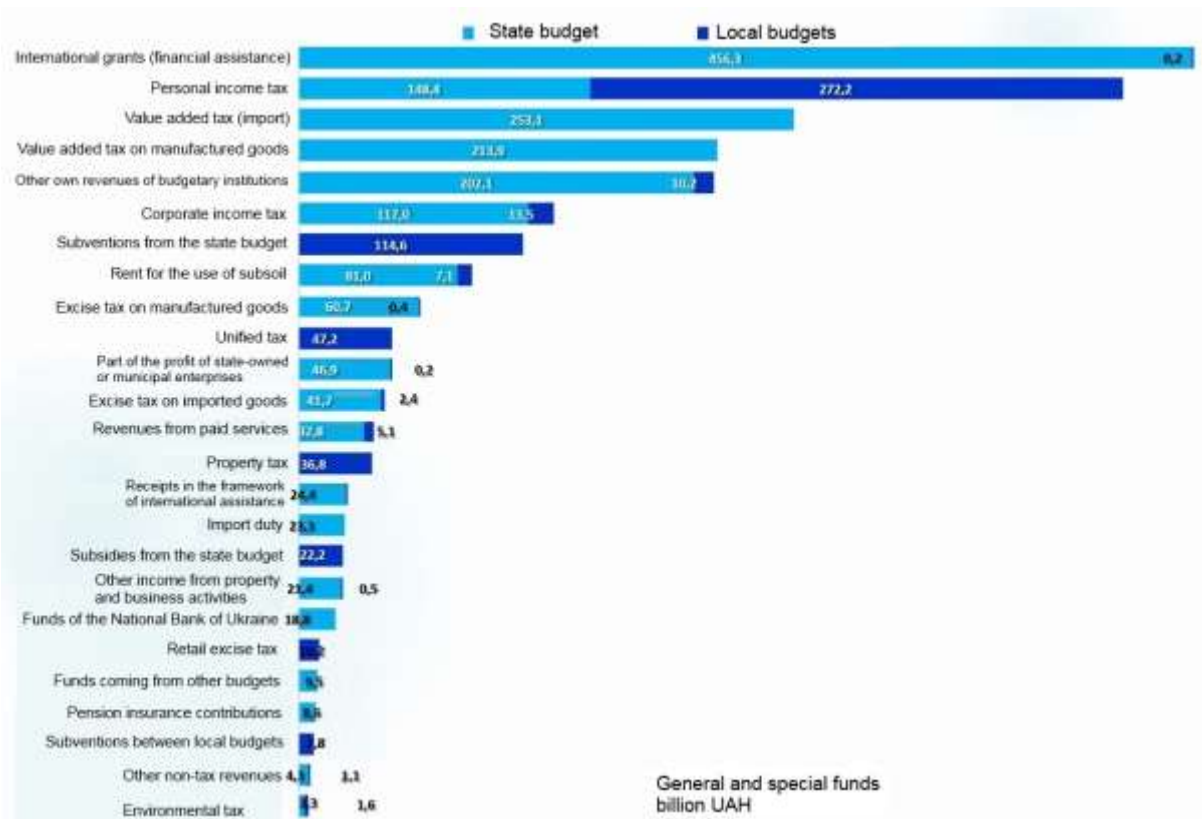


Fig. (4). Sources of revenues to the state and local budgets in 2022

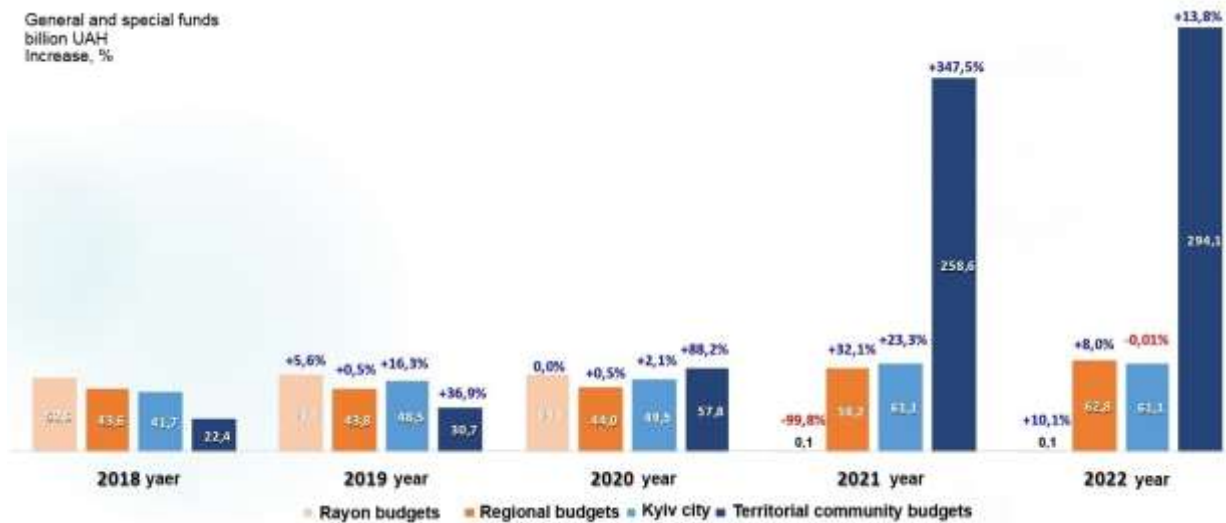


Fig. (5). Revenue dynamics by type of local budget for 2018-2022

Considering the monthly dynamics of local budget revenues compared to the corresponding periods of previous years, we can see a significant drop in March-April and a resumption of growth rates starting in May. It is also noticeable that revenues in March-April fell below the level of the previous year, but not below 2019, in contrast to the impact of the pandemic in 2020, when revenues in April fell below 2018. Significant growth rates are also expected in 2022, after business activity recovers. At the same time, given that the security and defense sector is under the authority of the state, there is a significant increase in the expenditures of the state budget. In contrast, local budgets did not experience such

fluctuations relative to the state budget. In November 2022, the state budget deficit reached its highest ever level (over UAH 170 billion per month). The overall figure for local budgets throughout the year (except for December) was positive. Overall, local budgets were executed with a surplus in 2022, unlike the state budget. Excluding lending and financing, local budget revenues in 2022 exceeded expenditures by UAH 70.8 billion. In contrast, the state budget had a negative value of UAH 918.0 billion.

But now there are many further challenges: resolving imbalances between the levels of development of different com-



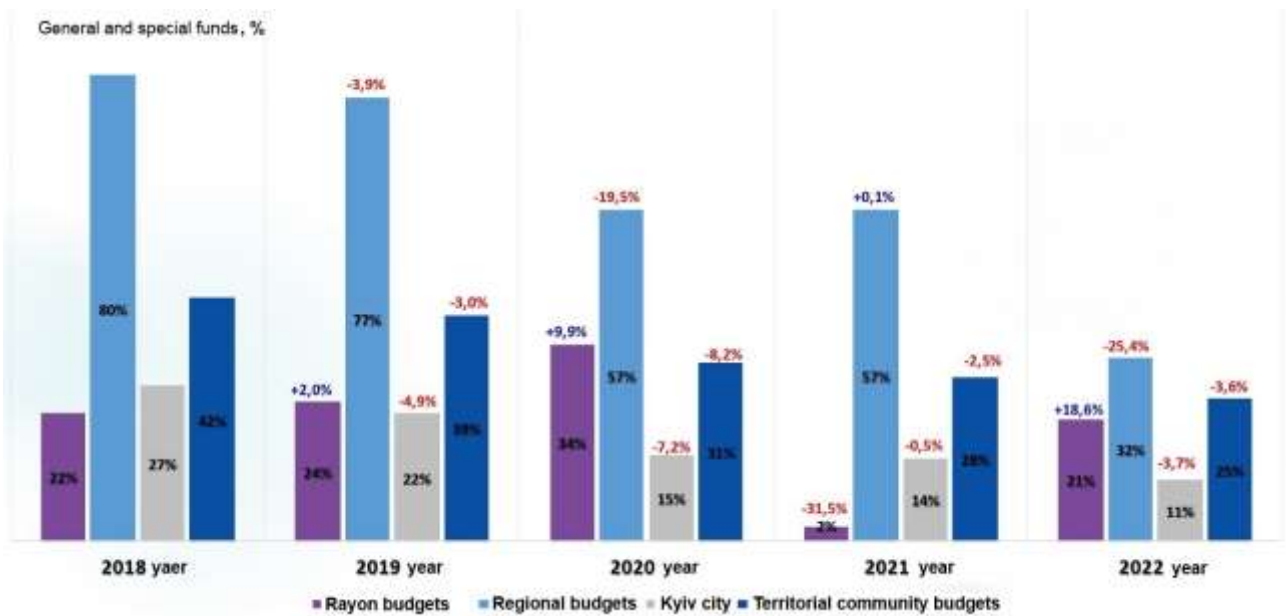


Fig. (6). Share of transfers from the state budget in local budget revenues in 2018-2022

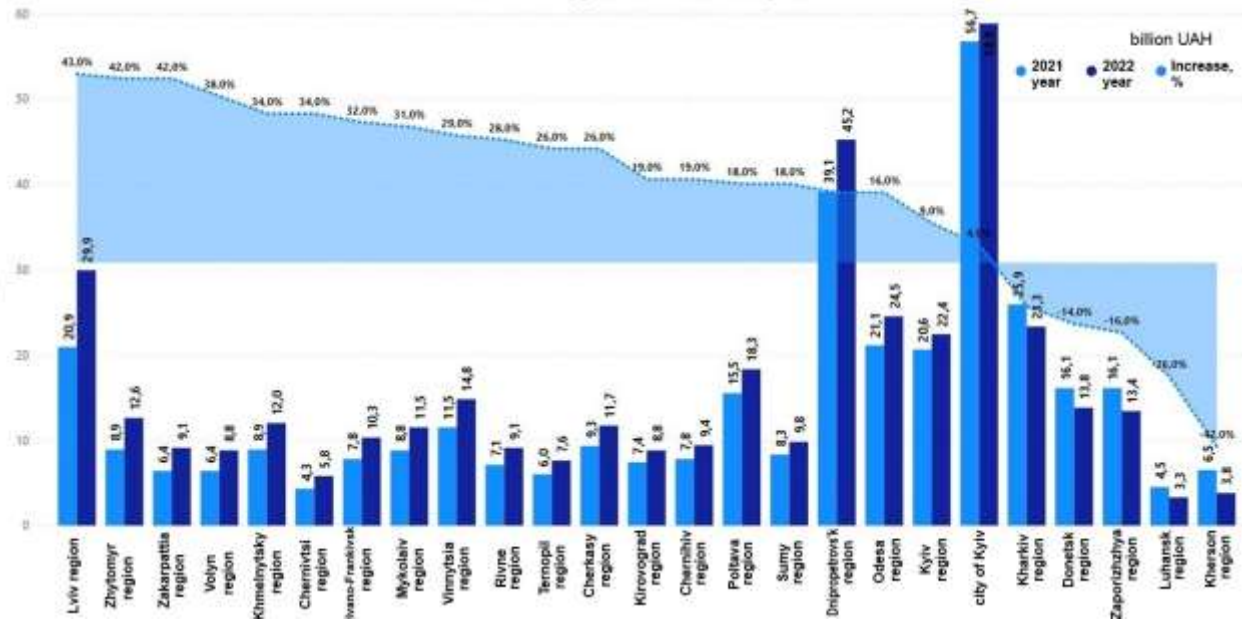


Fig. (7). Local budget revenues by region in 2021-2022

munities, ensuring sustainable development, restoring damaged infrastructure, clearly delineating powers between all levels, and supporting democratic decision-making.

Looking at the largest sources of revenues to the state and local budgets, it is clear that the key ones are personal income tax, international grants, value added tax, and income tax.

The first months of the war proved to be a real test for local governments, which they passed and showed that they are able to withstand any threats and obstacles. The decentralization reform has shown the true result of the strength of the financial basis of territorial communities and their ability to quickly adapt to the situation.

Communities where there were no hostilities were able to adequately accommodate internally displaced persons, provide them with proper infrastructure and public services at the appropriate level. In addition, revenues to local budgets in communities that did not suffer from military aggression allowed them to fill the single treasury account during the war. And even with significant tax benefits, communities managed to fill their budgets at the level of the previous year and resume growth. On the other hand, it is the communities that are responsible for financing a significant part of the powers, both delegated and their own (which are still not delineated in the Budget Code). But they are also the basis for the strength of local budgets, as local government budgets are the basis for the sustainability of local financial resources.



From year to year, the budgets of territorial communities show the highest revenue growth rates, which once again confirms the effectiveness of the reforms and the efficiency at the local level. By taking over the powers of the district level, territorial communities have shown that they are able to effectively manage and increase the financial resources they receive. Considering only the growth rates of the general fund, we can see the dominance of growth in local government budgets. It is worth noting that all budgets suffered losses as a result of the war, but regional budgets were not as negatively affected as the budgets of territorial communities, which, in turn, were able to quickly adapt to the current conditions and restore a much larger increase.

Most of the funds are redistributed through oblast budgets. That is, oblast budgets largely perform their functions at the expense of subventions from the state budget. The graph below shows a certain dependence of different levels of local government on transfers from the state budget in the exercise of their powers. Of course, the lion's share of transfers is made up of targeted transfers (subventions) - 83%. Grants account for only 17%. This indicates a significant dependence of local budgets on targeted transfers from the state budget and low autonomy in the management of funds received from the state budget, as subventions are targeted and do not allow local governments to freely dispose of such funds. This, in turn, reduces the autonomy of local budgets. Of course, the situation in individual communities varies significantly, which requires an immediate response. However, communities have shown that they are able to effectively manage and increase the financial resources they receive, respond adequately to unforeseen challenges and ensure a high level of service delivery in any environment, as well as quickly adapt to new conditions. Communities have shown that local government budgets form the basis for the sustainability of local financial resources.

By region, the peculiarities of individual oblasts and changes in business activity by region are immediately apparent. There is a noticeable decline in revenues in the regions where hostilities are (were) taking place. On the other hand, in the regions where a large number of internally displaced persons are located and business activity has resumed, there is a significant increase compared to the corresponding period last year.

In 2022, the Government implemented 52 programs of state regional support for the development of territories, for which more than UAH 150 billion was allocated. This support was allocated to various areas. Central executive authorities were the main administrators of such funds and responsible executors of budget programs, the beneficiaries of which were the regions, in particular, local executive authorities and local governments. The state directed all these financial resources to the local level to create conditions for dynamic and balanced development of the territories.

No matter how strong we are in spirit, war is primarily about high-quality weapons, ammunition, fortifications and money. It is money that is a tool for rebuilding destroyed buildings, purchasing humanitarian aid and supporting our country's economy. It would have been extremely difficult to defeat the enemy on our own, so other countries almost immediately rushed to our aid, sending a lot of money.

Let's summarize how much money Ukraine has received since the beginning of the full-scale war and from whom. According to the Ministry of Finance, in 2022, Ukraine received about \$27.5 billion in financial aid. The NBU estimates that by the end of the year, this amount could exceed \$31 billion.

International aid will continue to come in next year: it is known that the European Parliament has agreed to provide Ukraine with \$18 billion in 2023 despite Hungary's veto.

An agreement has also been preliminarily reached to receive \$10 billion from the United States.

However, who has already sent aid this year and how much? The first thing to understand is that there are two types of aid: grants (as a gift) and loans (with subsequent repayment). The total financing need since February has exceeded \$45 billion, and the lack of funds from international partners was covered by monetary financing from the NBU and domestic borrowing.

Other sources of financing the State Budget of Ukraine during the war were military bonds, loans from international financial organizations, as well as bilateral loans and grants from foreign countries (Fig. 8). The largest funding for the State Budget of Ukraine from February 24 to December 30, 2022, came from the National Bank of Ukraine, which opened a special foreign currency account to raise funds for the army. The second largest amount of financial assistance provided to Ukraine came from international organizations (IMF and EU), with their assistance accounting for 21.7% of the total amount of international funding during the year of war (Vatamaniuk-Zelinska U., Pritsak Y. & Zelinsky M.-P., 2023).

It is worth noting that during the period of martial law in Ukraine, the importance of local and state budgets has increased significantly not only in terms of ensuring the full development of individual territorial units, but also to guarantee the financial security of our country as a whole. Thus, local governments finance various measures related to Russia's full-scale military aggression against Ukraine, in particular: territorial defense needs; food for the population; evacuation of civilians from the area of hostilities and dangerous areas to safe places; arrangement of places of accommodation for citizens who have left their place of residence due to hostilities and ensuring proper conditions for relocated enterprises (Vatamaniuk-Zelinska U., Shtunder I. & Havryliuk S., 2022).

Military operations on the territory of Ukraine have severely affected all spheres of life and had a negative impact on the main plan of state revenues and expenditures. In order to ensure stable functioning of the economy and protection of the population, our state has taken a number of measures to fill the budget and distribute funds. Defense and social security expenditures were prioritized. Under the pressure of these expenditures, the approaches to filling the budget have also changed, with tax revenues and assistance from external partners becoming the main sources. In today's environment, it is necessary to focus on filling local budgets through the effective actions of local authorities, which have received additional powers as a result of the decentralization reform. The revenues of the State Budget of Ukraine will be based

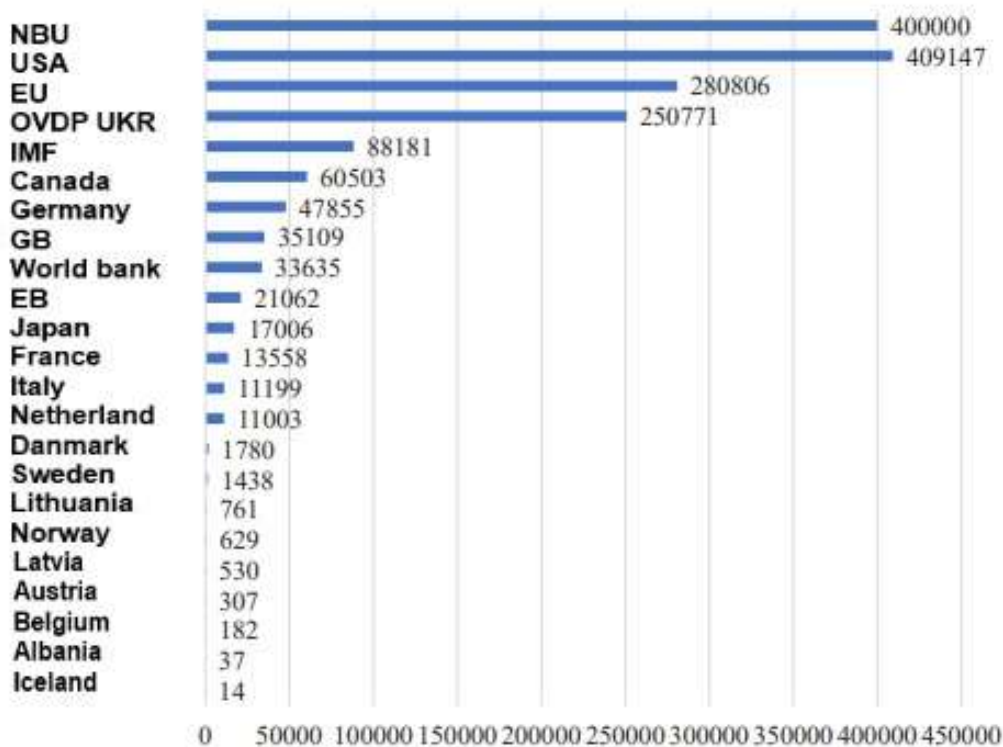


Fig. (8). Sources of international financing of the State Budget of Ukraine from countries that support its sovereignty, UAH million.

on international financial assistance, and the public debt will grow in the current war. It is necessary to ensure efficient spending of budget funds. Improving the business climate in the country by guaranteeing a fair, equal, predictable and transparent tax policy and fair competition will help boost domestic entrepreneurship. In addition, it is necessary to protect investments and property rights, as well as to ensure the consistency of the regulatory environment for potential investors from countries that support Ukraine's sovereignty. Intensification of investment activity and stimulation of entrepreneurship will contribute to additional revenues to the budgets of different levels (Vatamaniuk-Zelinska U., Pritsaky Y. & Zelinsky M.-P., 2023).

### 3. METHODOLOGY

The local budget, as a plan for the formation and use of financial resources to ensure the fulfillment of the functions and tasks assigned to local governments, includes revenues and expenditures. Local budget revenues play a special role, as they are used to finance programs and activities in the fields of education, healthcare, social protection and social security, etc. Local budget revenues are one of the main components of the material and financial basis of a city's territorial community, because without financial support of administrative-territorial units with their own monetary base, the very essence of the local self-government institution is lost due to its incapacity. Therefore, there is a need for effective planning and management of budget revenues based on the use of advanced methods of revenue assessment and analysis, which will allow territorial communities to be transformed from subsidized entities into entities that can independently ensure the public welfare of their residents

(Tkachuk N., 2023). Paying tribute to the significant contribution of scientists to the study of this issue, there is a need to substantiate the possibilities of using the ABC-XYZ analysis method to manage the sources of local budget revenues.

Despite the existence of absolute values of revenues for each type of local budget revenues, their significant number necessitates their division (ranking) into groups with a view to setting priorities in the administration and management of the local budget revenue base. Local governments that have the authority to manage local budget revenues should pay attention to budget revenues characterized by the following features in the process of their formation

- the likelihood and possibility of direct or indirect influence of the local government on the amount of revenues or the process of administering local budget revenues;
- the importance of the share of revenues by the respective types of local budget revenues;
- the presence of significant deviations of the actual indicators of revenues for the relevant type of local budget revenues from the planned values.

In order to comprehensively take into account the following two signs of compliance of local budget revenues, we propose to use the ABC-XYZ analysis method, which is a combination of two methods of analysis: ABC-analysis and XYZ-analysis. The ABC-analysis method involves the identification and evaluation of a small number of quantitative values that are the most valuable and have the largest share in the total set of all value indicators. Using this method of analysis, the entire set of indicators is divided into three groups according to the selected criterion: A, B, C, in order

to concentrate resources on the critical minority, leaving aside the trivial majority. Subsequently, optimal management decisions are developed and determined for each group A, B or C. The classical boundaries are as follows: group A - the most important and valuable budget revenues, group B - intermediate budget revenues, group C - the least valuable and important revenues in the formation of the local budget (Stetsenko T., Yaremenko V. & Ovcharenko K., 2019). It should be noted that the division into groups is usually done according to the Pareto principle (80/20 rule, the law of the "important minority"). Wilfredo Pareto was an Italian economist who in 1906 discovered that 80% of Italian land belonged to 20% of the population. Therefore, according to the Pareto principle, for many events, 80% of the effects follow from 20% of the causes. Therefore, managing these 20% of the causes makes it possible to manage the situation by 80%. The formulation of the Pareto principle can vary depending on the scope of its application. The Pareto principle generally confirms the imbalance between causes and effects, and the 80/20 ratio is only an approximate average of this imbalance. It should also be noted that since 80% relates to effects and 20% to causes (i.e., different things), their sum does not have to equal 100%, but can be either less or more. With regard to the need to manage the formation of local budget revenues, the Pareto principle may look like this:

- 80% of budget revenues are generated by 20% of tax revenues;

- 80% of budget revenues are generated from 20% of non-tax revenues; - 80% of budget revenues are generated from 20% of capital gains;

- 80% of budget revenues are generated by 20% of official transfers. (Tkachuk N., 2023).

The distribution of territorial community budget revenues into classes in the process of ABC analysis is carried out in the following stages:

- (1) Determination of the objects of analysis - territorial community budget revenues.

- (2) Selection of the parameter (criterion) by which the objects will be analyzed - the share of income groups in the formation of the territorial community budget.

- (3) Distribution of objects in descending order of the value of the selected parameter.

- (4) Determination of groups A, B, C; for this it is necessary:

- determine the share of the parameter (revenue group) in the total amount of the parameters (territorial community budget revenues);

- calculate this share as a cumulative (cumulative) percentage;

- assign a specific group to the selected local budget revenues according to their respective percentage values. Thus, ABC-analysis is a method of research that involves dividing local budget revenues into groups A, B and C, which make up 80, 15 and 5% of total budget revenues, respectively, and provides for different approaches to managing these groups of revenues. We will divide all local budget revenues into nine groups, taking into account their role in the formation of total budget revenues, the possibilities of forecasting their

volumes and the level of uncertainty. The result should be groups of budget revenues from groups A-X (budget-forming revenues with effective planning and execution mechanisms) to groups C-Z (the smallest revenues by share with a significant level of uncertainty). It should be borne in mind that a permanently significant or high level of fluctuations in the values of revenues (about 100%) will indicate the existence of problems with their revenues to local budgets. To take into account the factor of randomness in the formation of local budget revenues, we will use the XYZ-analysis method, which makes it possible to assess the stability of certain types of revenues to the local budget. Therefore, the purpose of the XYZ-analysis is to rank the items of local budget revenues by the degree of stability of their execution and the accuracy of their planning and forecasting. The algorithm of the XYZ analysis includes the following steps:

- (1) Determining the coefficients of variation of the territorial community's budget revenues for certain periods.

- (2) Grouping of budget revenues according to the growth of the coefficient of variation.

- (3) Distribution of local budget revenues by categories X, Y, Z. Group X includes only those local budget revenues that are characterized by high stability of revenues and high probability of forecasting; the value of the coefficient of variation for this group is in the range from 0 to 10%. Group Y includes those budget revenues that have some fluctuations in their revenues and are characterized by medium possibilities of their modeling, and the value of the coefficient of variation is in the range from 11% to 25%. Group Z includes local budget revenues with unstable revenues and poor accuracy of their forecasting, and the value of the coefficient of variation is in the range of 26-100%. After performing both types of analysis, a final matrix is compiled, the assessment of which allows for optimal formation of the local budget and improvement of its revenue structure. To perform the XYZ analysis, it is necessary to determine the following statistical indicators

- coefficient of variation, which will show the level of fluctuation (variability) of local budget revenues and is determined by the formula:

$$V = \sigma / x, \quad (1)$$

where V is the coefficient of variation; in its calculation, instead of the arithmetic mean, we use the value  $x = 100\%$ , which characterizes the desired level of execution of all local budget revenues;

x is the standard deviation calculated by the formula:

$$\sigma = \sqrt{\frac{\sum_{i=1}^n (x_i - x)^2}{n}}, \quad (2)$$

where x is the arithmetic mean of local budget revenues, calculated by the formula:

$$x = \frac{\sum_{i=1}^n x_i}{n}, \quad (3)$$

where  $x_i$  is the i-th value of the statistical series (the amount of territorial community budget revenues) in the respective year;

Table 3. Dynamics of the volume and structure of local budget revenues in 2019-2022.

№	Income Groups	Years				Deviations in 2022, (+,-) vs:		
		2019	2020	2021	2022	2019	2020	2021
1	<i>Tax revenues</i>							
	Volume, billion UAH.	270,55	285,57	346,71	393,50	122,95	107,93	46,79
	Growth rate, %.	-	105,55	121,41	113,49	-	7,94	-7,92
	Share, %.	48,27	60,57	59,71	70,86	22,60	10,29	11,16
2	<i>Non-tax revenues</i>							
	Volume, billion UAH.	26,11	21,46	27,18	22,00	-4,11	0,54	-5,18
	Growth rate, %.	-	82,22	126,65	80,93	-	-1,28	-45,72
	Share, %.	4,66	4,55	4,68	3,96	-0,70	-0,59	-0,72
3	<i>Income from capital operations</i>							
	Volume, billion UAH.	2,93	3,47	3,46	2,30	-0,63	-1,17	-1,16
	Growth rate, %.	-	118,58	99,69	66,43	-	-52,15	-33,26
	Share, %.	0,52	0,74	0,60	0,41	-0,11	-0,32	-0,18
4	<i>Transfers from public authorities</i>							
	Volume, billion UAH.	260,30	160,18	202,73	137,00	-123,30	-23,18	-65,73
	Growth rate, %.	-	61,54	126,57	67,58	-	6,04	-58,99
	Share, %.	46,44	33,97	34,91	24,67	-21,77	-9,30	-10,24
5	<i>From the EU, foreign governments, and international organizations</i>							
	Volume, billion UAH.	0,04	0,15	0,04	0,20	0,16	0,05	0,16
	Growth rate, %.	-	330,53	24,62	554,94	-!	224,41	530,32
	Share, %.	0,01	0,03	0,01	0,04	0,03	0,00	0,03
6	<i>Trust funds</i>							
	Volume, billion UAH.	0,60	0,65	0,57	0,30	-0,30	-0,35	-0,27
	Growth rate, %.	-	107,87	87,99	52,50	-	-55,37	-35,49
	Share, %.	0,11	0,14	0,10	0,05	-0,05	-0,08	-0,04
Total income		560,53	471,48	580,70	555,30	-5,23	83,82	-25,40

n - number of values in the statistical series (number of years for analysis) (Tkachuk N., 2023).

#### 4. RESULTS AND DISCUSSION

Local budget revenues include the following components: tax revenues, non-tax revenues, income from capital transactions, transfers from public administration, the EU, foreign governments, international organizations, and trust funds. Let's analyze local budget revenues by these groups.

The analysis of the indicators in Table 3 shows that local budget revenues are 50-70% generated by tax revenues, the share of which in 2022 amounted to 70.86%, and their volume in absolute terms amounted to UAH 393.50 billion, which is 11.16% more than in 2021 and 22.60% more than in 2019. During the study period, the value of the tax reve-

nues indicator increased both in absolute and percentage terms. Since tax revenues are the most reliable and stable source of any budget, a decrease in their share in local budget revenues may indicate shortcomings in the current system of revenue distribution between individual parts of the budget system of Ukraine and excessive centralization of taxes, but in 2019-2022, Ukraine saw an increase in the share of tax revenues in local budget revenues from 48.27% to 70.86%. Another significant indicator of local budget revenues is transfers from public administration, although during the study period, the value of this indicator decreased from 46.44% in 2019 to 24.67% in 2022, or by UAH 65.73 billion, due to the need to take into account global changes caused by the full-scale invasion of the aggressor state, which affected the Ukrainian economy and created an urgent need to change the state's financial system. During the mar-

**Table 4. Results of the ABC-analysis of local budget revenues in 2022.**

Indicator.	Fulfillment, UAH Billion	Share in Revenues, %.	Accumulated Share, %.	Class
Tax revenues	393,5	70,86%	70,86%	A
Transfers from public authorities	137,0	24,67%	95,53%	B
Non-tax revenues	22,0	3,96%	99,50%	B
Income from capital transactions	2,3	0,41%	99,91%	C
Trust funds	0,3	0,05%	99,96%	C
From the EU, foreign governments, international organizations	0,2	0,04%	100,0%	C
<b>Total</b>	<b>555,3</b>	<b>100,0%</b>	<b>x</b>	<b>x</b>

**Table 5. Indicators of XYZ-analysis of local budget revenues in 2019-2022.**

Indicator	Years				Coefficient Variation	Group
	2019	2020	2021	2022		
Non-tax revenues	26,11	21,46	27,18	22,00	10%	X
Tax revenues	270,55	285,57	346,71	393,50	15%	Y
Income from capital transactions	2,93	3,47	3,46	2,30	16%	Y
Transfers from public authorities	260,30	160,18	202,73	137,00	25%	Y
Trust funds	0,60	0,65	0,57	0,30	26%	Z
from the EU, foreign governments, international organizations	0,04	0,15	0,04	0,20	65%	Z

tial law, Ukraine faced new challenges and tasks to ensure the effective functioning of the budget system, reorientation of the goals previously set by the state, redistribution of limited budget funds, provision of social benefits to citizens, increase in defense spending, review of budget revenues and attraction of international financial assistance.

As shown in Table 4, in 2022, the nomenclature of local budget revenues was not diverse: Group A (contributing up to 80% of total local budget revenues) includes only tax sources, whose revenues account for almost 70.86% of local budget revenues. Group B includes such sources of revenues as transfers from public administration and non-tax revenues, which account for 28.63% of local budget revenues (the contribution to total local budget revenues does not exceed 15-30%). Group C is represented by three items of budget revenues (50% of their total), which make it possible to generate only 0.5% of local budget revenues. Based on the results of the execution of local budgets by revenues in 2022, it should be noted that the organization of the planning and execution of the revenue side of local budgets is quite high, as all

budget-forming revenues and most revenues of Group B are characterized by stability of execution, and the deviation from 100% does not exceed four percentage points.

An analysis of the indicators in Table 5 shows that only the value of the non-tax revenues indicator is characterized by a high level of predictability and an effective administration mechanism with a coefficient of variation within 0-10% and can be attributed to group X. Revenues from tax payments, capital gains and transfers from general government are characterized by medium forecasting and modeling capabilities and belong to group Y. Such local budget revenues as revenues from trust funds and revenues from the EU, foreign governments, and international organizations belong to group Z and are characterized by rather poor forecasting accuracy. The following matrix provides an opportunity to prioritize and prioritize management decisions on improving the mechanisms for planning and executing relevant revenues or to justify time and cost savings in the absence of active management actions with respect to insignificant revenues (Table 6).

**Table 6. Results of ABC-XYZ analysis of local budget revenues in 2019-2022.**

Revenue group	X	Y	Z
A	-	Tax revenues	-
B	Non-tax revenues	Transfers from general government	-
C	-	Income from capital transactions	Trust funds, from the EU, foreign governments, international organizations

As shown in Table 6, tax revenues are the most budget-forming sources of local budget revenues with a high probability of forecasting, as they are characterized by high stability of revenues and a high probability of forecasting (Group A-Y). Non-tax revenues of local budgets have a somewhat lower share in the formation of their revenues, but at the same time they are characterized by high stability of revenues and probability of forecasting (group B-X). Revenues in the form of transfers from public administration are characterized by a sufficient amount, but forecasting such revenues is complicated by the fact that the decision to provide them is regulated by the Budget Code of Ukraine and is made either by the state or by a higher-level local government (group B-Y). Local budget revenues from capital transactions are characterized by some fluctuations in revenues and medium possibilities of their modeling, but with a small share in total budget revenues (group C-Y). Local budget revenues from trust funds and from the EU, foreign governments, and international organizations are an unstable source of budget revenues with the smallest share in total budget revenues and poor accuracy of their forecasting (Group C-Z).

## 5. CONCLUSIONS

Military actions on the territory of Ukraine have a negative impact on all spheres of life, so in order to ensure stable and efficient functioning of the economy and fulfill its social functions, our state has implemented a number of measures to fill and execute local budgets and attract the necessary funds to them. Today's situation requires innovative approaches to filling local budgets, including through effective actions of local authorities, which have received additional preferences through the implementation of the decentralization reform. An assessment of the current state of local budgets in Ukraine allows us to conclude that the decentralization process has brought about some positive changes, such as an increase in local budget revenues from tax revenues and a certain decrease in transfer payments, which indicates an increase in the level of financial autonomy of local budgets. However, the analysis of the structure of local budget revenues makes it possible to identify a number of problems, for example, there is a need to expand the sources of local budget revenues, which will provide additional opportunities for the accumulation of financial resources and allow territorial communities to become even more financially stable and independent. After all, in times of war, revenues to the state budget of Ukraine are mainly based on the receipt of international financial and humanitarian aid, which requires ensuring the efficient use of budget funds. Therefore, the results obtained in the course of the study make it possible to use the methods of ABC-analysis and XYZ-analysis to assess local budget revenues, which, in turn, makes it possible to substantiate the need and sequence of management of the processes of planning and forecasting the level of local budget revenues and the actual implementation of such plans, taking into account a certain level of stability of their implementation and additional opportunities for their modeling and forecasting. The proposed methods for analyzing local budget revenues should also be used to identify the financial potential of local governments in the course of managing, planning and executing the revenues of territorial communities.

## CONFLICT OF INTEREST

The authors declare no potential conflict of interest regarding the publication of this work. In addition, the ethical issues including plagiarism, informed consent, misconduct, data fabrication and, or falsification, double publication and, or submission, and redundancy have been completely witnessed by the authors.

## FUNDING

The author(s) received no financial support for the research, authorship, and/or publication of this article.

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Received: Feb 02, 2024

Revised: Feb 09, 2024

Accepted: Feb 15, 2024

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