

UDC 336.1:352

Chorny O.O.

candidate of higher education for the second (master's) level
Central Ukrainian National Technical University
Kropyvnytskyi, Ukraine

SOURCES OF FINANCIAL SUPPORT FOR LOCAL SELF-GOVERNMENT IN THE CONTEXT OF FINANCIAL DECENTRALIZATION

Financial decentralization in Ukraine aims to empower local self-governments by providing them with the financial autonomy to address local issues independently.

This process involves various sources of financial support for local governments, which are crucial for the effective functioning and development of territorial communities.

Main Sources of Financial Support for Local Governments are next:

1. State Fund for Regional Development: provides funds for regional development projects, helping local governments address socio-economic challenges [1].

2. Subventions and Transfers: includes subventions for socio-economic development, infrastructure projects, and social and cultural initiatives. These funds are transferred from the state budget to local budgets [2].

3. Local Taxes and Fees: local budgets benefit from a share of national taxes, such as personal income tax, and local taxes and fees. This has increased the revenue potential of local budgets, allowing for more balanced and effective local development [4].

4. International Technical Assistance Programs: local governments can access funds from international programs by submitting projects according to legal procedures. This includes grants and technical assistance aimed at local development [1].

5. Budget Cooperation: encourages collaboration between different territorial communities to optimize budget resources and enhance financial management [3].

6. Public-Private Partnerships (PPPs): local governments can engage in PPPs to attract private investment for local projects, particularly in infrastructure and energy efficiency [6].

Among the problems that arise when searching for sources of financial support for local self-government bodies, the following can be distinguished:

1. Financial Instability: despite the growth in local revenues, financial instability remains a challenge due to fluctuating transfers from the state budget. Strengthening the revenue base through local taxes and fees is essential.

2. Legal and Institutional Framework: there is a need for clear legal definitions and frameworks to ensure proper use and distribution of funds. Enhancing the legal capacity of local governments to manage taxes and other revenues is crucial [5].

3. Post-Conflict and Occupied Territories: special attention is required for financial support in post-conflict and temporarily occupied territories to ensure equitable development [2].

Financial decentralization in Ukraine has significantly enhanced the financial capacity of local governments by diversifying their sources of revenue. Key sources include state funds, subventions, local taxes, international assistance, and public-private partnerships. However, challenges such as financial instability and the need for a robust legal framework persist. Addressing these issues through improved financial management and legal reforms will further strengthen the financial independence and effectiveness of local self-governments.

References:

1. Durman O., Barych-Tinovska L. Financial Decentralization and Instruments of Support for the Development of Territorial Communities Electronic scientific publication «Public Administration and National Security». 2022. Vol. 5. URL: <https://doi.org/10.25313/2617-572x-2022-5-8239>
2. Fuhelo P., Zharikova O., Blishchuk K., Baranovska T., Gudzenko N. Financial Support of Territorial Communities of Ukraine in the Context of Decentralization. *Independent Journal of Management & Production*. 2022. Vol. 13. URL: <https://doi.org/10.14807/ijmp.v13i3.1979>

3. Diachenko S. Public Administration Decentralization and Institutional Transformations of Local Finance System in Ukraine. *Bulletin of Taras Shevchenko National University of Kyiv. Public Administration*. 2023. Vol. 18. URL: <https://doi.org/10.17721/2616-9193.2023/18-7/14>
4. Violetta R. Financial Capacity of Financial Budgets in a Decentralized Environment: Problems and Ways to Solve Them. *BULLETIN OF CHERNIVTSI INSTITUTE OF TRADE AND ECONOMICS*. 2022. Vol. 4. URL: <https://doi.org/10.34025/2310-8185-2022-4.88.06>
5. Laba A. Financial Basis for the Functioning of Local Self-Government in the Context of Decentralization of Power. *Innovative Solution in Modern Science*. 2022. Vol. 3. URL: [https://doi.org/10.26886/2414-634x.3\(55\)2022.4](https://doi.org/10.26886/2414-634x.3(55)2022.4)
6. Ostrovskiy I., Yukhnov B. International Experience in Providing Financial Support for Local Investment Projects. *Municipal Economy of Cities. Series: Economic science*. 2020. Vol. 5. URL: <https://doi.org/10.33042/2522-1809-2020-5-158-79-84>