

## DEVELOPMENT OF LOCAL BUDGETS IN THE CONDITIONS OF WAR (ON THE EXAMPLE OF LVIV REGION)

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**Abstract.** *The article examines the peculiarities of the functioning of local budgets in Ukraine during the war. A structural review of the organizational and legal support for the functioning of local budgets in Ukraine was carried out. The composition and structure of the budget of Lviv region for 2018-2022 was analyzed. A comparative analysis of the average values of the main indicators of the local budgets of Ukraine and Lviv region in 2021-2022 was carried out, taking into account the influence of war conditions. The directions of development of local budgets in Ukraine based on foreign experience are substantiated.*

**Keywords:** *local budgets, income, expenses, transfers, budget regulation.*

In Ukraine, the need to solve the problem of optimizing the budget process at the local level to increase the revenue part of budgets, without excessive fiscal pressure and rational use of budget funds in conditions of war, is becoming more and more actualized.

The theoretical foundations of the study of local budgets in the works of Ukrainian scientists cover principles and concepts related to decentralization, fiscal regionalism, income diversification, participatory budgeting, performance-based budgeting, inter-budgetary relations, as well as budget transparency and accountability.

The main factor in the transformation of the local budgeting system in Ukraine in the last decade was the decentralization reform. At the same time, the success of decentralization is determined by the quality of organizational, legal and

economic levers that form a systemic and effective character. Organizational and legal support for the functioning of local budgets in Ukraine is regulated by various laws, regulatory acts and administrative and procedural actions. In addition, it is critically important to have a modern network of financial institutions and organizational connections that ensure a stable and effective system of relationships.

For a better understanding of the composition, structure and features of the development of local budgets in the conditions of war, it is necessary to consider a typical regional budget. The budget of the Lviv region in terms of main indicators practically corresponds to the average values for Ukraine, so its analysis will provide a generalized understanding of the budget process at the local level in the country.

In recent years, the balance of the budget of the Lviv region has been characterized by a

deficit, primarily due to a significant share of special fund expenditures. Such an imbalance of the regional budget is caused, first of all, by the war, in addition, such factors as a significant deficit of the state budget, which causes a decrease in the volume of budget transfers to regional budgets, have a significant impact on this. Also, a decrease in investment activity in the region, an increase in spending on measures related to military needs, currency fluctuations, a decrease in the economically active population and other factors caused pressure on the budget of the Lviv region, leading to its imbalance.

It is worth noting that local fiscal imbalances tend to fluctuate less than central ones, implying a smaller countercyclical effect than at the national government level. Thus, in times of war,

as in times of systemic economic crisis, local budgets are forced to cut spending in order to comply with fiscal rules, thus creating a pro-cyclical effect.

In general, the organizational and legal provision of local budgets in Ukraine is aimed at promoting fiscal decentralization, expanding the powers of local authorities and ensuring effective financial management at the local level. However, problems such as insufficient sources of revenue, budget deficits and capacity constraints can hinder the effective functioning of local budgets and require constant reforms and improvements. Therefore, among the priority tasks of budget policy, the leading place is the development of scientifically based concepts for the formation and distribution of revenues of local budgets in order to build an optimal model of the budget system.

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