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# MANAGING THE EFFICIENCY OF LOCAL BUDGET EXPENDITURES IN THE CONTEXT OF WAR-TIME CHALLENGES

## ABSTRACT

The issue of effective spending of local budgets has been a topic of interest in the scientific community for several centuries. However, new stages of social development or locally determined socio-political changes in individual countries have led to an intensification of research in this area, to find ways to solve new tasks or problems. In this context, the issue of the effectiveness of local budget expenditures in Ukraine during wartime also warrants further study, especially given the uncertain prospects for the end of hostilities and a return to peaceful life.

The methodological basis of the study was formed by general scientific and specialized methods of economic theory, specifically methods of theoretical generalization, comparative analysis, and critical evaluation, to comprehensively examine the issue under study. The study used data from the official state portal Openbudget, the State Statistics Service of Ukraine, the Vinnytsia, Zhytomyr, and Khmelnytskyi regional military administrations, as well as the Unified State Register of Declarations of Officials, and processed them using statistical analysis methods (comparison, grouping, determination of proportions, calculation of average values), methods of ranking, systematization, establishing cause-and-effect relationships, and graphical representation of results.

Based on a study of the latest developments in local budget expenditure management by representatives of individual academic schools and international organizations, a range of issues related to the effective use of budget funds has been identified. To compare the expenditure side of local budgets, the Vinnytsia, Zhytomyr, and Khmelnytskyi regions were selected for the study, based on considerations of their similar proximity to the line of combat operations and, at the same time, their permanent presence in the zone of impact during air attacks. The dynamics of the revenue and expenditure components of regional budgets were studied, with expenditure items ranked with an emphasis on wartime changes. An analysis of the costs associated with maintaining personnel and top management of regional authorities was also conducted. Specific ways of implementing the basic elements of further formation of effective local budget expenditure management systems were proposed and justified.

**Keywords:** local budgets, public finances, expenditures, efficiency, performance management, wartime conditions, expenditure regulation

**JEL Classification:** H72, H75, H77, H56, H61, H68, E62, O23

## INTRODUCTION

General description of the problem and its connection with important scientific or practical tasks. In achieving sustainable development goals in highly developed countries, local authorities are increasingly responsible for providing public goods and services, including managing public funds. At the same time, according to experts from the International Monetary Fund (Manmohan S. Kumar, 2007), the fundamental factor for the effective implementation of this responsibility is fiscal discipline, i.e., "the ability to spend only as much as is permissible in terms of one's future financial health and in accordance with national or local macroeconomic goals." Experts from the Organization for Economic Cooperation and Development (OECD) (Allen R., Tommasi D., 2001) also note

fiscal discipline as the basis of any public finance, but emphasize that it consists of “effective control and setting spending limits”.

In addition, the OECD recommendations for transition economies (Allen R., Tommasi D., 2001) identify two additional factors for effective public finance management: allocation efficiency, i.e., the ability to set priorities in the budget, allocate resources based on government priorities and program effectiveness, and redirect resources from old priorities to new ones or from less productive activities to more productive ones; and promoting efficient service delivery, i.e., the ability to implement programs and deliver services at the lowest cost (e.g., by minimizing unit costs).

World Bank experts (Shah, Anwar M., 2007), in turn, focus considerable attention on protection against corruption in local public procurement as the basis for effective management of local expenditures, justifying possible ways and directions for regulatory regulation and control of corruption risks at the regional level.

In other words, the issue of effective management of local budget expenditures is far from new and, being in the spotlight of both the scientific community and government officials of various countries and international organizations, has been addressed through the development of a wide range of practical approaches, methods, and tools. At the same time, the full-scale war on Ukrainian territory, accompanied by the use of a full range of military, ideological, financial, economic, and even cyber weapons against our state, has created entirely new conditions for the functioning of both central and local authorities, presenting them with a whole range of highly complex challenges and, opposed demands from specific segments of society. In such a situation, the issue of ensuring the effectiveness of local government spending becomes particularly relevant in terms of how the challenges and conditions of wartime are changing approaches to the management of effective resource spending and whether the level of control over such expenditure is sufficient to eliminate corruption.

## LITERATURE REVIEW

The scientific community has widely researched the effective management of local budget expenditures. In particular, the latest developments by foreign authors (Maños S., Jorge S., Moura P., 2023) focus on assessing the effectiveness of local budget expenditures in terms of sustainable development goals and establishing a range of variables for measuring long-term impact; researching the relationship between fiscal decentralization and the effectiveness of municipalities (Bucci V., Ferrara G., Resce G., 2023); researching the relationship between the volume and areas of local budget expenditures and the cost of housing based on panel data (Shihao L., 2018); assessing the effectiveness of local budget expenditures on the provision of public services (Akbar D. S., Rudiana I. F., Prawiranegara B., Aryanti M., 2022), etc. It is worth noting that, based on the research subject area, the authors focus on aspects and characteristics of local budget expenditures specific to their countries. In the Ukrainian context, the scientific community is actively discussing the issue of the effectiveness of local spending. Thus, S. Arkhipenko (Arkhipenko S., 2023) focuses on the peculiarities of Ukraine's budget legislation and, in particular, on the problem of the absence of procedures, methodologies, and criteria for assessing the effectiveness of local budget spending, despite the existence of an established norm regarding the necessity of conducting such assessments. This raises a key problem: expenditure efficiency is replaced by strict compliance with current budget legislation in its implementation and distribution.

The authors from Dnipropetrovsk State Agroecomic University (Lysiak L., Kachula S., Hrabchuk O., Filipova M., Kushnir A., 2020) focus on assessing the financial stability of local budgets and ways to improve it in Ukraine, considering international practice. In particular, based on a summary of global best practices, a system of indicators for assessing the financial stability of local budgets is justified, and measures are specified that will contribute to a systematic approach to evaluating the economic stability of local budgets in Ukraine.

Pysmenny V. (Pysmenny V., 2024) focuses on corruption risks in the management of local community finances in the context of the Russian-Ukrainian war and develops several proposals for their elimination, the key ones being the prevention of corruption, the practice of inevitable punishment, and the development of analytical systems for assessing probable corrupt acts and risks.

As part of the USAID DOBRE Program (USAID DOBRE, 2024), a study was conducted on the war's impact on local communities' budgets, focusing on changes in local budget revenues and legislative regulation of their filling, changes in the volume of state subsidies, and areas of expenditure. There are also much narrower analytical studies of the impact of security challenges on local budgets (Bielialov T., Kolesnyk T., Matsiievych T., Kozenko A., 2025) and, in particular, the dependence of the tax capacity index of citizens on the level of subsidies to their communities' budgets, which, however, do not offer any specific solutions to the identified problems or actions based on the identified dependencies.

Thus, in general, scientific discourse constantly returns to the issue of the effectiveness of local budget spending, considering new elements of social development or locally determined changes in individual countries. In this context, the issue of the effectiveness of local budget expenditures in Ukraine during wartime also requires further study, especially given the lack of clear prospects for the end of hostilities and a return to peaceful life.

## AIMS AND OBJECTIVES

This study aims to conduct a comparative analysis of the expenditure side of local budgets in selected regions of Ukraine to identify the factors influencing full-scale war and justify possible ways and approaches to ensuring the effectiveness of local budget expenditures. Achieving this goal involves solving the following tasks:

1. Analyze scientific sources and international experience managing local budget expenditures, particularly in crisis and war conditions.
2. Identify key factors that influence the effectiveness of budget expenditures of local communities in Ukraine during a full-scale war.
3. Conduct a comparative analysis of the expenditure side of local budgets in selected regions of Ukraine, considering structural changes caused by military actions.
4. Assess the current level of control and counteraction to corruption risks in local expenditures.
5. Develop practical proposals to improve the efficiency and effectiveness of local budget resources, focused on ensuring fiscal discipline, optimizing funding priorities, and transparency in the distribution of funds.

## METHODS

The methodological basis of the study consisted of general scientific and special methods of economic theory, in particular, methods of theoretical generalization, comparative and critical analysis, to comprehensively examine the issue under study. The research used data from the official state portal Openbudget, the State Statistics Service of Ukraine, the Vinnytsia, Zhytomyr, and Khmelnytskyi regional military administrations, as well as the Unified State Register of Declarations of Officials, and processed them using statistical analysis methods (comparison, grouping, determining proportions, calculating average values), methods of ranking, systematization, establishing cause-and-effect relationships, and graphical representation of results.

## RESULTS

In the most general sense, efficiency and effectiveness in terms of budget expenditures consist of performing the necessary range of works, activities, functions, etc., with the lowest level of costs and the highest indicators of results and achievements. However, it is also worth emphasizing such a parameter as the expediency of expenditures. Today, Ukrainian legislation, which contains a precise classification of types of budget expenditures (nakaz MFU № 793, 2017), supplemented since the beginning of the full-scale war by some items related to measures to support territorial defense and internally displaced persons, practically does not regulate the issue of the expediency of their implementation. In other words, local governments are free to choose specific items of budget expenditure, with the main condition being that they correspond to the target purpose. Thus, the basic foundations for the low efficiency level of the expenditure side of local budgets have been laid, since there is freedom in the choice of expenditure items and the distribution of funds among them. Still, there is no real mechanism for the population of the relevant community to influence this distribution.

The issue of expediency, as a key condition for the effective use of local budget funds, becomes critical in wartime, when the revenue base is precarious, expenditure needs are growing exponentially, and, in addition, the financial capabilities of local authorities are limited by decisions of the central government: state subsidies and subventions were reduced (USAID DOBRE, 2024) in 2023, and tax revenues have been reduced due to the "transfer of personal income tax from the taxation of income in the form of monetary allowances, monetary rewards, and other payments received by military personnel, police officers, and persons of enlisted and commanding ranks, in full to the State Budget of Ukraine" (USAID DOBRE, 2024).

Based on the above and to compare the expenditure side of local budgets, Vinnytsia, Zhytomyr, and Khmelnytskyi regions were selected for the study, guided by considerations of similar conditions of their remoteness from the line of combat

operations and, at the same time, permanent stay in the impact zone during air strikes. The study's time frame was chosen from 2018 to 2025 to identify any peculiarities in the expenditure side of local budgets under martial law (Table 1).

**Table 1. Dynamics of revenue and expenditure volumes of regional budgets of selected regions of Ukraine in 2018–2024.** (Source: constructed by the author based on materials from OpenBudget)

Region	Year						
	2018	2019	2020	2021	2022	2023	2024
Regional budget revenues, UAH million							
Vynnytsia region	10866.3	8795.6	4808.95	5280.5	4254.5	5560	4439.1
Zhytomyr Region	8798.2	7188.3	3906.8	4121	3420.8	4891.5	3640.8
Khmelnyskiy region	8582.2	6987.6	3579.7	4610.3	3460.2	4199.1	3497.4
Regional budget expenditures, UAH million							
Vynnytsia region	10877	8871.1	5013.93	5286.8	5013.9	5378.8	4961.3
Zhytomyr Region	8812	7119.7	4126.7	3879.1	2715.2	3879.1	3879.1
Khmelnyskiy region	8705.9	7118.9	3579.6	4479.8	3014.6	4274.8	3585.4
Regional budget execution by revenue, %							
Vynnytsia region	101.5	96.7	96.4	101.3	81.5	98.8	105.2
Zhytomyr Region	99.6	95.4	96.3	99.4	77.9	97.7	103.6
Khmelnyskiy region	100	97.2	99.5	102.1	88.3	109.6	104.7
Regional budget execution by expenditure, %							
Vynnytsia region	96.4	92	92.3	97.2	68.9	86.6	99.3
Zhytomyr Region	95.7	89.7	90.6	88	55.6	68.3	80
Khmelnyskiy region	96.3	94.7	94.4	95.1	72.9	96.7	91.9

According to the data presented, the revenues and expenditures of the regional budgets were declining in the first year of the full-scale invasion. However, it should be noted that the revenues of local budgets at the regional level and their expenditures began to decline as early as 2019. If, for example, we compare the revenue figures for regional budgets in 2020 with those in 2018, they have fallen by more than 50%. More specifically, the revenues of the Vynnytsia and Zhytomyr regional budgets decreased by 55%, and the Khmelnytskyi regional budget by 58%, and the reason for this was exclusively a political decision at the national level.

In this context, a significant restriction of the financial capabilities of regional local self-government bodies, if this was done as a way to reduce corruption risks, can hardly be considered positive. After all, the concentration of the broadest possible powers and resources in the central government does not solve the corruption problem, but transfers it to a higher and, therefore, more unattainable level.

As for the performance indicators of regional budgets, in 2022, there was a significant shortfall in revenue, which several objective reasons can explain. However, the situation improved in the following years of the war, and by the end of 2024, regional budgets exceeded their revenue targets in each of the regions studied. As for the implementation of the expenditure part of regional budgets, in this case, the Zhytomyr region stands out, which was generally characterized by constant underperformance of the regional budget, but in the first two years of martial law, expenditures in the area were financed by no more than 70% of the planned level. In this case, it is worth mentioning the specific shortcomings in the work of this regional local government body.

Analyzing the composition of the expenditure part of the regional budgets under review, each of the three regional local government bodies has specific approaches to distributing budget funds. However, if we look at the ranking of expenditure items by volume, only four areas of expenditure were included in the top three in each region in a different order during the period under review (Table 2).

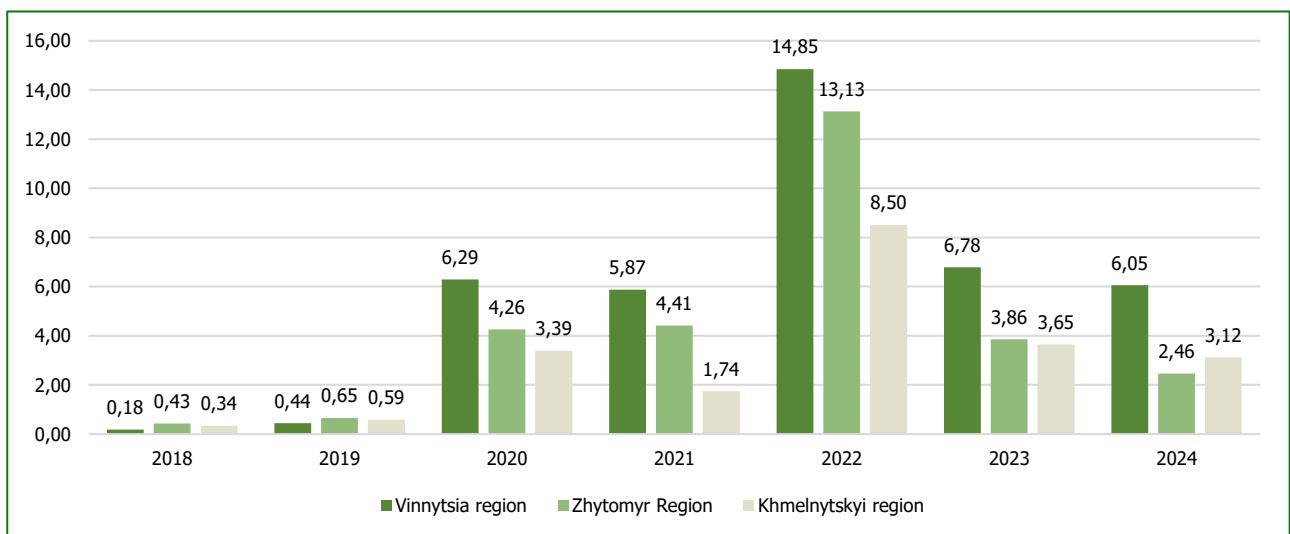
**Table 2. Ranking of regional budget expenditure areas in 2018–2024 by volume of expenditure.** Note: The ranking was carried out in descending order: from the maximum to the minimum value, where the maximum amount of expenditure in the period was assigned a rating of 1. (Source: constructed by the author based on materials from Openbudget)

Expense account	Year						
	2018	2019	2020	2021	2022	2023	2024
Top 3 in terms of expenditure in the Vinnytsia regional budget							
National functions	1	1					2
Economic activity			1	2	3	2	
Healthcare	2	2	3	3	2	3	3
Education	3	3	2	1	1	1	1
Top 3 in terms of expenditure in the Zhytomyr regional budget							
National functions	1	1	3	3		3	2
Economic activity	3		1	1	2	2	3
Healthcare	2	2			3		
Education		3	2	2	1	1	1
Top 3 in terms of expenditure in the Khmelnytskyi regional budget							
National functions	1	1		1			2
Economic activity			1	3	3	2	
Healthcare	2	2	3		2	3	3
eEducation	3	3	2	2	1	1	1

The data presented above shows that from 2018 to 2020, the regional budgets we studied were financed according to a standard pattern, with the largest share of expenditures going to “national functions”. As for the national functions themselves, this expenditure item is divided into three main areas:

- maintenance of regional government bodies;
- performance of other general government functions;
- interbudgetary transfers.

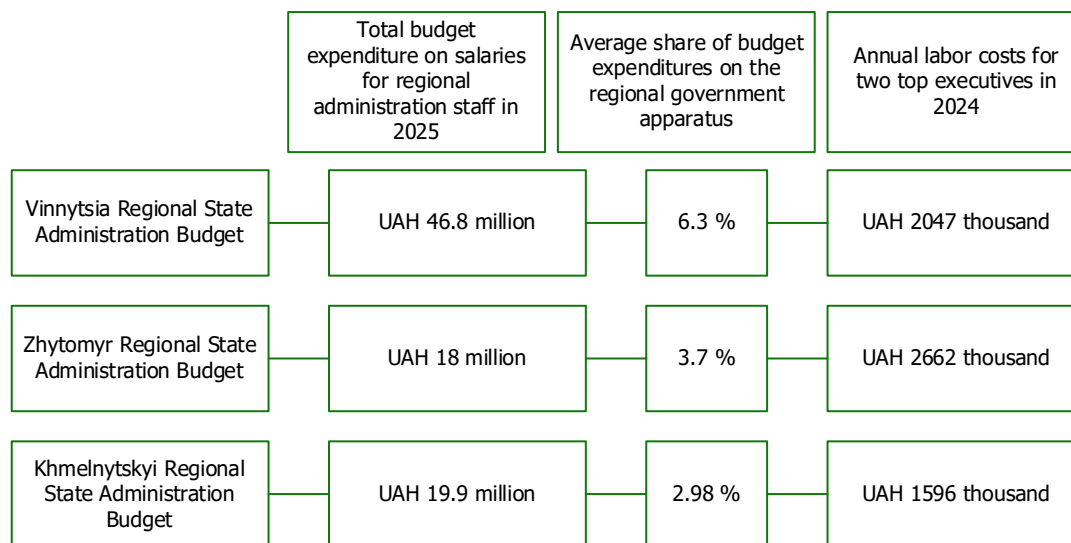
An analysis of the share of expenditures on the maintenance of regional government bodies (Figure 1) suggests that a significant increase occurred in 2020, i.e., when regional budget revenues were reduced by almost half.



**Figure 1. Dynamics of the share of expenditures on maintaining regional self-government bodies in 2018–2024.** (Source: calculated and constructed by the author based on OpenBudget materials)

Of course, 2022 is an exception to the general trend, as it was the first year of full-scale war, during which funding for almost all budget expenditures was suspended, except for spending on labor costs and maintenance of local self-government bodies. That is why the share of expenses for the maintenance of regional authorities during this period is particularly high.

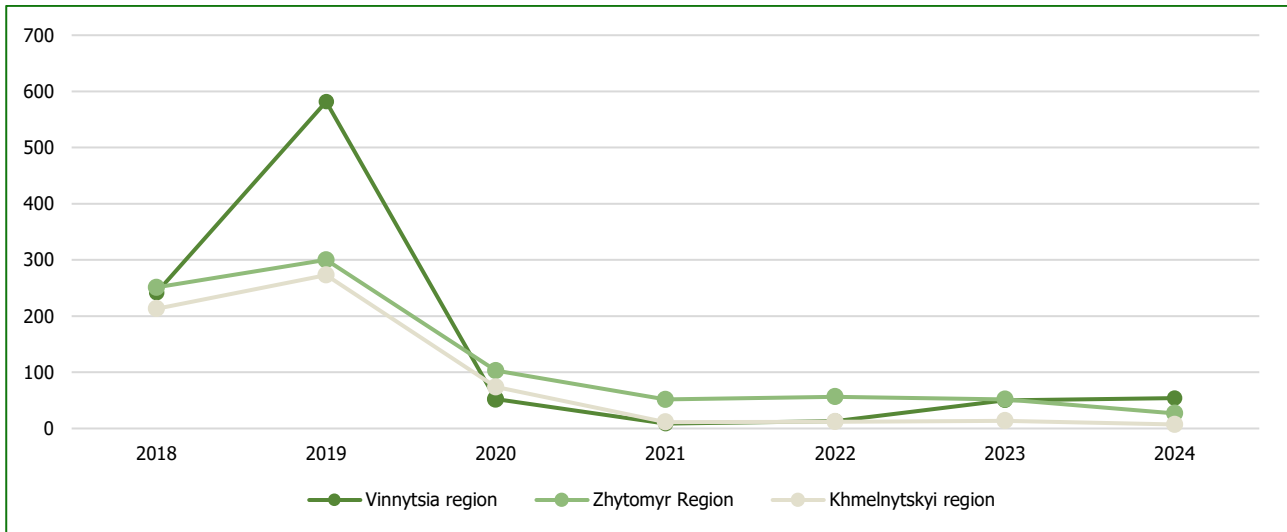
The following observation is that the share of expenditures for the maintenance of regional government bodies from the Vinnytsia regional budget is significantly higher, at around 7%, while the corresponding figures for the Zhytomyr region are around 4.5% and for the Khmelnytskyi region, no more than 4%. It should be noted that our analysis of the declarations of the heads of regional military administrations in the areas under study and their first deputies in the Unified State Register of Declarations (NAZK) revealed no correlation between the share of expenditures on the maintenance of regional government bodies and the amount of spending on the salaries of their heads (Figure 2).



**Figure 2. Indicators of personnel and top Management costs of regional authorities in 2024–2025.** (Source: calculated and constructed by the author based on materials [NAZK; Vinnytska OVA, 2024; Zhytomyrska OVA, 2025; Khmelnytska OVA, 2024])

Considering that the revenues of the Vinnytsia regional budget in 2024 were more than 22% higher than the revenues of the Zhytomyr and Khmelnytskyi regional budgets, it seems pretty logical to allocate more funds to support the activities of the Vinnytsia regional military administration. However, as the data show, in 2025, funding for the activities of the Vinnytsia Regional Military Administration will be 2.3 times higher than similar expenditure items in neighboring regions, which raises questions about the appropriateness of such expenditures. Although it should be noted here that, compared to 2024 expenditures, there are plans to reduce spending on the maintenance of the Vinnytsia Regional Administration, since in 2024 they amounted to UAH 58.2 million. Another aspect worth paying attention to is the estimated labor cost of an average Vinnytsia Regional Military Administration employee. Thus, if we take into account the number of employees of the Vinnytsia Regional Military Administration, which is 101 people (Vinnytska OVA, 2024) and exclude two top managers and their annual income, then, taking into account the amount of personnel maintenance expenses included in the budget, the average cost per employee will be about UAH 440,000 per year or about UAH 37,000 per month. However, on the administration's website, in the "Vacancies" section (Vinnytska OVA, 2024), the salary for leading specialists is listed as UAH 11–13 thousand per month, although senior management, according to declarations, receives about UAH 120 thousand in salary. In this context, it is worth discussing the effectiveness of such expenditures and their expediency, especially in times of war and permanent cuts in budget expenditures on education, health care, and social protection. The most striking example, in our view, is the dynamics of spending by the local governments studied on the maintenance of polyclinics, outpatient clinics, and emergency and urgent care departments (Figure 3).

Thus, we see a clear upward trend in their volumes in all regions studied in 2018–2019, i.e., during the period of active development and application of the achievements of decentralization reform at the local level. In particular, if we talk specifically about the expenditures of the Vinnytsia Regional State Administration, they reached almost UAH 600 million in 2019, but in 2020 amounted to only UAH 52.1 million. Of course, this situation is common to the budgets of all three regions and testifies to a change in the course of the central government and, most problematically, the reversal of the achievements of decentralization.



**Figure 3. Dynamics of regional budget expenditures on financing the activities of individual healthcare institutions in 2018–2024.**  
 (Source: summarized and compiled by the author based on materials from OpenBudget)

In the second and third years of full-scale war, as shown in Figure 3, expenditures on maintaining outpatient clinics, polyclinics, and emergency and urgent care departments in the Vinnytsia region increased. However, at the same time, the region's budget for 2024 allocated UAH 53.97 million for these purposes, while UAH 46.8 million was earmarked for the salaries of the OVA staff alone. Thus, the issue of the effectiveness of budget expenditures in combination with the question of their expediency arises very clearly: almost UAH 47 million was allocated for the salaries of hundreds of executive staff, while only UAH 54 million was allocated for the entire region's population to cover the full range of necessary needs for maintenance, financing, and provision of the required resources, materials, equipment, medicines for polyclinics, medical clinics, and emergency stations.

For a more objective assessment, let us compare the capital expenditures of other local budgets in the Vinnytsia region and their labor costs in the budgetary sphere (Table 3).

**Table 3. Comparison of local budget expenditures in the Vinnytsia region in 2024.** (Source: summarized and compiled by the author based on materials from the Finance Department of the Vinnytsia Regional State Administration, 2024)

Budget	Salary costs and payroll taxes		Expenses for utilities and energy carriers		Capital expenditures	
	UAH million	%	UAH million	%	UAH million	%
Vinnytsia regional budget	1319.8	26.5	169.1	3.4	1155	23.1
District budgets						
Vinnytsia	4.3	8.6	0.3	0.6	40.3	81.8
Haisyn	1.5	5.2	0.08	0.3	25.2	86.1
Zhmerynka	1.4	32	0.06	1.3	1.4	30.9
Mogyliiv-Podilskyi	1.5	10.9	0.09	0.7	11.5	83.1
Tulchyn	1.6	17.9	0.11	1.3	4.7	55.2
Khmilnytskyi	1.6	8.2	0.12	0.6	14.8	77.3
Budgets of municipal ATCs						
Kalinivsky	369.7	60.9	25.5	4.2	60.7	10
Ilyinets	175.8	56.7	9.9	3.2	44.7	14.4
Bars	290.7	67.6	20.8	4.8	23.9	5.5
Nemyriv	239.7	65.4	17.7	4.8	35.8	9.8
Tulchyn	306.5	59	27.1	5.2	52.8	10.2
Vinnytsia	2526.4	34.2	265.2	3.6	1560.4	21.1
Khmilnytskyi	348.7	63.3	20.4	5.6	48.6	7.2
Zhmerynka	388.2	50	34.0	4.4	146.1	18.8
Bershad	313.5	66	28.4	6	34.1	7.2

(continued on next page)

Table 3. Continued.

Budget	Salary costs and payroll taxes		Expenses for utilities and energy carriers		Capital expenditures	
	UAH million	%	UAH million	%	UAH million	%
Haisyn	357.2	48.4	39.4	5.3	170.6	23.1
Koziatyn	261.9	52.2	28.8	5.7	76.2	15.2
Ladyzhyn	217.8	32.8	13.3	2	172	25.9
Lypovets	176	64.6	11	4	17.6	6.4
Mogyliiv-Podilskyi	298.1	51.7	38.4	6.7	67.5	11.7
Pohrebyshche	226.1	64.2	17.4	4.9	16.3	4.6
Sharhorod	184.8	70.1	11.2	4.3	11.2	4.2
Yampil	239.2	68.1	17.4	5	14.8	4.2
Budgets of settlement-level ATCs						
Dashivsky	81.1	68.5	8.4	7.1	7.3	6.1
Orativsky	126.5	71.1	10.6	6	10.7	6.0
Tomashpilsky	107.4	63.9	7.8	5.2	13.1	7.8
Shpykivsky	159.1	64	15.3	6.4	19.9	8.0
Hlukhovetsky	179.1	63.9	17.6	6.5	10.8	3.9
Bratslavsky	112.1	68.4	10.3	6.8	8.2	5.0
Trostanetsky	93.4	57.4	12	7.3	21	12.9
Tepilsky	61.1	63.3	4	4.2	6	6.2
Litynsky	183.7	61.3	20.2	6.7	20.3	6.8
Sutysky	126.7	55.6	9.7	4.2	33.5	14.7
Vendyansky	185	70.2	17	6.4	9.9	3.7
Kopaygorodsky	37.2	50	3.6	6	3.2	5.3
Kryzhopilsky	88.7	66.2	7.6	5.7	10.5	7.8
Murovanokurylovetky	51.9	69.4	3.9	5.2	5	6.7
Stryzhavsky	152.4	64.9	11.8	5.0	16	6.8
Tivrivsky	146.3	67	13.2	6.0	16	7.3
Turbivsky	146.2	44.2	13.2	3.9	103.1	30.6
Chernivetsky	101.7	62.6	10.4	6.3	18.8	11.4
Chechelnytsky	128.0	69.6	6.8	3.7	12.1	3.7
Dashivsky	112.9	68.3	9	5.4	21.3	12.7
Orativsky	88.6	67	6.9	5.2	10	7.2
Budgets of rural ATCs						
Studensky	47.4	70.8	3.6	5.4	1.9	2.9
Babchynets	38.3	61.2	2.7	4.4	6.4	10.2
Zhdanivsky	57.1	91.9	5.2	5.6	7.9	8.5
Dzhulinsky	114.4	69.7	9.7	5.9	11.3	6.9
Raigorodsky	66.2	73.5	4.5	5	4.6	5.2
Severynivsky	58.6	77.1	3.3	4.4	3.6	4.7
Murafsky	96.4	74	8.8	6.8	5.6	4.3
Yakushinets	138.8	49	17	6	71.7	25.3
Kunkivsky	36.8	63.5	4	6.9	3.4	5.9
Ivanivsky	103.6	78.8	3	2.3	7.0	5.4
Luka-Meleshkovsky	103.8	70.1	8.1	5.5	5.5	3.7
Krasnopilsky	57.6	59	7.3	7.5	6.6	6.8
Sobolivsky	59.8	68	4.8	5.5	7.8	8.8
Makhnovsky	70	60.1	4.8	4.1	14.5	12.4
Agronomichny	83.1	70.2	8.2	6.9	8.6	7.2
Gorodkovsky	86.7	44.5	6.2	3.2	72.1	37
Dzhurinsky	83.8	73.4	6.9	6.1	5.4	4.7
Obodivsky	66.6	66.8	10.6	10.7	3.9	4
Olhopilsky	56.2	68.9	3.4	4.2	3.6	4.5
Samhorodoksky	74.5	66.8	13.7	12.2	2.9	2.6
Stanislavchitsky	50	59.6	4.4	5.2	11.9	14.2
Ulanivsky	118.6	54.5	10.1	4.6	43.3	19.9
Yaryshivsky	54.2	53.1	3.3	3.3	22.8	22.4

First of all, it should be noted that it is currently impossible to thoroughly compare the performance of local budgets in Zhytomyr and Khmelnytskyi regions for 2024, as such information is not published or detailed, and official administrators provide only fragmentary data upon request. That is why we focused on researching such data in the Vinnytsia region.

Analyzing the data presented, we should note that only a quarter of the Vinnytsia regional budget is spent on maintaining the staff of budgetary institutions, subordinate organizations, and the administrator of funds itself. We should not consider similar indicators for district budgets, which are significantly lower due to the scope of their powers. In that case, regional budget funds are used with a relatively high focus on development rather than consumption.

As for district budget expenditures, the figures for the Zhmerynka district differ significantly from others, with more than 30% of budget funds spent on salaries and an extremely low share of capital expenditures. In this case, it is likely a critical shortage of the budget's revenue base and the need to work in this direction.

When it comes to the local budgets of urban amalgamated communities, they are distinguished by both large expenditures on utilities and energy carriers and excessively high shares of labor costs. In settlement and rural amalgamated territorial communities, budget expenditures on utilities are significantly lower compared to, although they are practically at the same percentage. While the average share of spending on utilities and energy carriers in urban budgets is 4.7%, in urban and rural communities it is 5.7%.

On the other hand, assessing the effectiveness of budget expenditures by simply comparing their amounts or shares in terms of individual items cannot be objective, because even in the most simplified understanding, the effectiveness of specific actions should be determined based on the results obtained from them. However, in the context of budget expenditures and, in particular, the maintenance of budgetary institutions and establishments, it may even be problematic to identify specific performance indicators or parameters.

For example, it is possible to assess the budgetary costs of educating one student over a year and compare the results dynamically and with similar indicators from neighboring communities (districts, regions), as shown in Figure 4.

	Total budget expenditure on vocational education in 2024	Number of applicants for vocational and technical education in 2024, persons	Annual expenditure per applicant
Vinnytsia Regional State Administration Budget	UAH 534 million	12176	UAH 43.8 thousand
Zhytomyr Regional State Administration Budget	UAH 295.1 million	6838	UAH 43.2 thousand
Khmelnytskyi Regional State Administration Budget	UAH 434.1 million	9715	UAH 44.7 thousand

**Figure 4. Indicators of vocational and technical education expenditure in the regions 2024.** (Source: calculated and compiled by the author based on materials (Vinnytska OVA, 2024; Zhytomyrska OVA, 2025; Khmelnytska OVA, 2024; Derzhavna sluzhba statystyky Ukrainy, 2022)

However, in this case, it is impossible to talk about the effectiveness of expenditures. Thus, the data we have provided shows that training one employee in a particular profession is cheapest for the budget of the Zhytomyr region, but this in no way proves that this training is of the highest quality.

Therefore, based on the above, efficiency is laid down in the planning and distribution process when managing budget expenditures. At the same time, while efficiency will not always be achieved at a lower level of expenditure, it will always be achieved provided that local budget expenditure is based on clear criteria or parameters of expediency.

The next stage is understanding which local budget expenditures are most appropriate for wartime challenges. It is worth noting here that, since we deliberately chose regions quite distant from the line of contact for our study, no particularly noticeable changes in the structure of their expenditures were observed, except for the 2022 indicators. Thus, the least essential expenditure of regional self-government bodies was housing and communal services, environmental protection, and public order. At the same time, in the Zhytomyr region, activities aimed at helping to solve the housing problem became much more active, with UAH 23.8 million and UAH 14.3 million allocated from the regional budget in 2023–2024,

respectively, while in the Khmelnytskyi region, the regional budget expenditure items were supplemented by social protection for other categories of the population, with UAH 101 million and UAH 74.6 million allocated for this purpose in 2023 and 2024, respectively (Openbudget).

The next question is who will determine these parameters or set the criteria for the expediency of expenditures for local budgets. Managing the effectiveness of local budget expenditures is within the purview of the budget administrators themselves, which is why significant amounts are spent on salaries and bonuses for management, maintenance, and resource support for their administrators, etc. At the same time, all other items are financed according to the principle of minimalism in covering existing needs.

Hence, it would be more appropriate if the management of the effectiveness of local budget expenditures were, on the one hand, indirectly carried out by the state, i.e., through clear legislative criteria and norms for the expenditure of funds under individual items, and, on the other hand, by the community of a particular locality. There may be many reservations about the influence of the community in the context that the majority of the population does not understand public finance issues and may be focused on obtaining specific, understandable benefits – social support, material assistance, increased pension payments, etc. However, if the community had real direct leverage over the distribution of budget funds, it would not allow them to be overspent on maintaining a specific local government body.

## DISCUSSION

Without downplaying the importance of the work done by contemporary researchers on the issue of managing the effectiveness of local budget expenditures, we must note that most of them focus on aspects or features characteristic of their localities, countries, and so on. Therefore, we cannot unequivocally support all of the authors' conclusions. Thus, while agreeing with the expressed opinion on the need to “adjust the structural and regional proportions of public expenditures at the state level” (Shihao L., 2018), we consider it necessary to emphasize the need for precise regulation of local expenditures at the state level. In other words, exact proportions for the distribution of funds must be established by regulation, especially about spending for the maintenance of the administrator itself, and, at the same time, the limits of such expenditures must be defined in percentage terms.

Similarly, while fully supporting the approach of several Norwegian scholars (Matos S., Jorge S., Moura P., 2023) to building a model for assessing the effectiveness of local expenditures in the context of achieving social development goals, we must note that it is maximally oriented towards application in fully democratic societies with a high level of civic activity and control. In other words, its application in the Ukrainian context does not seem appropriate; therefore, it is necessary to develop approaches or models for assessing effectiveness that are as closely adapted as possible to our country, its regulatory framework, and its specific challenges.

As for Ukrainian researchers working on this issue, we fully agree with the conclusions of S. Arkhyenko (Arkhyenko S., 2023) that the existence of a significant problem of effective spending of local budgets is inherent in the regulatory framework of our country, or more precisely, in the absence of approved procedures, methodologies, and criteria for assessing the effectiveness of spending. However, we cannot agree with her opinion that “effective implementation of the local budget in terms of expenditures is the actual implementation of planned measures and programs for the development of territories”.

Also, while fully supporting V. Pysmenny's statement that “corruption is one of the most serious problems leading to the inefficient allocation of local budget financial resources” (Pysmenny V., 2024), we cannot support the author in his belief that strengthening control, introducing anti-corruption education, or even applying modern analytical systems for identifying potential corruption risks will solve the existing problems with the efficiency of local budget expenditures in our country, especially during wartime.

Thus, taking into account existing approaches to studying the issue of local budget expenditure management and considering the realities of Ukrainian self-government, the regulatory framework, and, in particular, the specifics, requirements, and demands of wartime, we have identified the key elements of a nationwide approach to providing the entire set of necessary levers and conditions for local self-government bodies to manage local budget expenditures effectively.

## CONCLUSIONS

Based on the above, we can propose basic elements for the further development of effective local budget expenditure management systems:

1. Standardization of expenditure on the maintenance of local government bodies. While fully compliant with the law, this item of local government expenditure remains one of the most problematic, as it allows for the uncontrolled (with only an upper limit set) monthly accrual of bonuses to officials. In addition, under this expenditure item, local officials incur expenses for the maintenance of local government premises, their repair, resource provision for activities, etc., a significant part of which can hardly be considered expedient, especially in conditions of war or constant cuts in spending on education, health care, and culture in the territories.

The specified regulations should stipulate some parameters regarding the distribution of local budget funds, setting limits (in percentages) on the volume of expenditures for individual items, or a clear ratio of consumption expenditures:

- First, upper thresholds (as a percentage of budget expenditures) should be set to finance the activities of the budget administrator. For example, no more than 15% of the total budget fund expenditure will include expenditures on labor costs, building maintenance, payment for energy and other types of utilities, and material support for activities. As for the regulation of spending from the special fund of local budgets, the issue of their effectiveness is more complex and requires additional research.
  - Second, the parity of expenditures on material support for the budget administrator and its subordinate institutions should be enshrined in law. There should be no situations where, for example, only one road administration department of the regional state administration can spend about UAH 200,000 on toilet paper, towels, and napkins (Publichni zakupivli). In particular, the Hushchynets Higher Vocational School, a state educational institution, receives UAH 25,000 from the regional budget, according to official data from the Vinnytsia Regional State Administration (Publichni zakupivli), and must use these funds to purchase office supplies, household goods, tools, pay for access to an electronic journal, and pay for the production of educational documents. For example, the municipal institution "Obodivska Special School" of the Vinnytsia Regional Council receives only UAH 2,100 for the same purposes, i.e., toilet paper, handkerchiefs, hand towels, and napkins. At the same time, according to official data (Vinnytska oblast ISUO), 41 people work at this educational institution, and 108 students receive education there, while, for comparison, only 25 people work in the Road Administration (Structura upravlinnia dorozhnoho hospodarstva).
2. Effective public control. Today, there are official websites and social media pages for each local government body, and there is popular representation in each elected local government body—deputies who are called upon to promote the needs of the population that has delegated such powers to them, etc. However, no fundamental principle of popular sovereignty enshrined in the Constitution of Ukraine. Thus, the community of a given territorial unit has virtually no mechanisms to influence the distribution of expenditures. Of course, such mechanisms exist in theory and law. Still, it is impossible to force deputies, as representatives of a particular territory, to ensure the financing of the real needs of the population of that territory. And let's talk about the regional context, i.e., about deputies of regional councils, who distribute budget expenditures at the regional level. There are no real mechanisms for the local population to influence this process.

Therefore, in this regard, the mechanism for forming the expenditure part of budgets at the local level needs to be changed to ensure that the population of the relevant territories has a real opportunity to influence the goals and volumes of budget expenditures. In this regard, the national experience of organizing online voting on petitions to the authorities based on personal identification may be helpful. At the same time, such voting should not be carried out in the form of petitions, but in the form of the population of specific territories choosing the priority areas to allocate budget funds.

Another essential element of effective public control is transparency. In particular, our research gives us reason to say that in each regional military administration, some of the information on expenditures is not disclosed or is disclosed in such an impersonal form that it creates extraordinary difficulties for ordinary citizens who would like to have a clear understanding of the distribution of funds from the relevant local budget. Thus, a significantly larger number of citizens could understand the scale and directions of budget spending if specific infographics on planned expenditures were published at the budget formation stage, broken down by specific departmental organizations and names of goods (services).

The third element of public control is budget literacy, i.e., understanding the nature of local budgets and the regulatory framework and principles for their distribution. To develop this literacy, local authorities must first and foremost ensure complete transparency and clarity for citizens regarding the reasons for decisions made and their consequences, as well as promote active citizenship. Unfortunately, however, the opposite processes are currently

observed in Ukraine, and it is primarily the authorities at both the state level and the level of individual local self-government bodies that are interested in them.

As for the eradication of corruption as the basis for effective management of local budget expenditures, which is emphasized by some authors (Pysmennyi V., 2024), given Ukraine's experience in fighting corruption, we can say that no new bodies, structures, or norms will be able to change the situation. In addition, our research has shown that the issue of budget expenditure efficiency is not limited to corruption. Much deeper are the problems of the expediency of expenditures and their absolute disparity for individual departmental institutions, when the administrator of funds finances his activities to the maximum extent possible, and all departmental organizations are financed on a residual basis.

Prospects for further research include an in-depth study of issues related to the regulation of extraordinary fund expenditures in local budgets, the development of methodological approaches to assessing the effectiveness of spending, taking into account criteria of expediency, social significance, and economic efficiency, as well as modeling the optimal ratio of administrative and social expenditures. Further analysis is needed on the development of tools for the digitalization of public control processes over budget funds, particularly the creation of a single national online platform for citizen participation in determining the priorities for financing local programs. An important area for further scientific research is the improvement of the regulatory and legal framework for transparency in the use of funds, as well as increasing the level of budget literacy among the population, which is a prerequisite for the formation of effective mechanisms of public control and ensuring the balanced development of territories.

## ADDITIONAL INFORMATION

### AUTHOR CONTRIBUTIONS

*All authors have contributed equally.*

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## УПРАВЛІННЯ ЕФЕКТИВНІСТЮ ВИДАТКІВ МІСЦЕВИХ БЮДЖЕТІВ В АСПЕКТІ ВИКЛИКІВ ВОЄННОГО ЧАСУ

Проблематика ефективного витрачання коштів місцевих бюджетів перебуває в полі зору наукової спільноти вже кілька століть поспіль, проте нові етапи суспільного розвитку чи локально обумовлені суспільно-політичні зміни в окремих країнах обумовлюють активізацію її досліджень у контексті пошуку напрямів виконання нових завдань чи розв'язання проблем. І в цьому контексті питання ефективності видатків місцевих бюджетів в Україні воєнного часу також потребує додаткового вивчення, особливо з урахуванням відсутності чітких перспектив завершення бойових дій і повернення до мирного життя.

Методологічну основу дослідження склали загальнонаукові та спеціальні методи економічної теорії, зокрема методи теоретичного узагальнення, порівняльного й критичного аналізу з метою всебічного розгляду досліджуваного питання. У процесі дослідження було використано дані офіційного державного порталу Openbudget, Державної служби статистики України, Вінницької, Житомирської та Хмельницької обласних військових адміністрацій, а також Єдиного державного реєстру декларацій посадових осіб і опрацьовано їх із використанням методів статистичного аналізу (порівняння, групування, визначення часток, розрахунків середніх значень), методів рейтингування, систематизації, установлення причинно-наслідкових зв'язків і графічного представлення результатів.

На основі вивчення новітніх напрацювань із проблематики управління ефективністю видатків місцевих бюджетів і представників окремих наукових шкіл, і міжнародних організацій окреслено коло проблемних моментів у частині ефективного витрачання бюджетних коштів. Із метою порівняння видаткової частини місцевих бюджетів було обрано для дослідження Вінницьку, Житомирську та Хмельницьку області, керуючись міркуваннями щодо схожих умов їх віддаленості від лінії бойових дій і при цьому перманентного перебування в зоні враження під час повітряних

атак. Досліджено динаміку обсягів доходної та видаткової частин обласних бюджетів, проведено рейтингування статей видатків з акцентом на змінах воєнного часу, здійснено аналіз витрат на утримання персоналу й топкерівництва органів регіональної влади. Запропоновано й обґрунтовано конкретні шляхи впровадження базисних елементів подальшого формування систем ефективного управління видатками місцевих бюджетів.

**Ключові слова:** місцеві бюджети, публічні фінанси, видатки, ефективність, управління ефективністю, умови воєнного часу, нормування видатків

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