

THE IMPACT OF MARTIAL LAW ON LOCAL BUDGETS OF UKRAINIAN COMMUNITIES

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Introduction. The introduction of martial law in Ukraine in 2022 has significantly transformed the financial management of local communities. Local governments have been granted additional responsibilities while simultaneously facing stricter legal and budgetary constraints. This research examines the impact of martial law on financial stability, budget allocation and the autonomy of local governments, highlighting key legislative changes, challenges and potential solutions.

Objectives. The main task of the research is to analyse the impact of martial law on the financial and budgetary systems of local communities in Ukraine. The study explores legislative changes, financial challenges and governance transformations to identify potential solutions for maintaining budget stability under wartime conditions.

Methods. To study the subject, we use methods of analysis and synthesis. The comparison method is used to compare different laws and normative acts.

The Budget Code of Ukraine has been amended to allow local governments to allocate funds for national defence, security, and emergency needs. A significant part of local budgets is now directed toward supporting military operations and civil protection measures. These changes have placed additional financial burdens on local governments.

In many regions where local councils are unable to function effectively due to war, military administrations have assumed full control over budgetary management. This shift has altered local governance structures, limiting the traditional role of elected councils in financial decision-making and increasing state control over budget allocation. Another major legislative change concerns the redistribution of financial resources between local and state budgets. Previously, local governments relied heavily on revenues from military personal income tax (PIT), which made up a substantial portion of their financial base. However, under new regulations, a significant share of these revenues has been redirected to the state budget.

The reduction of PIT revenues for local budgets has raised concerns about financial sustainability, especially in regions most affected by the war. Many communities struggle to maintain essential infrastructure, public services, and social programs due to reduced financial capacity. This shift has led to discussions on the need for financial compensation mechanisms.

The restrictions on holding local elections in territories under military administration have further impacted financial and political autonomy. Without elected representatives, budgetary decisions are increasingly centralized. The lack

of local participation has raised concerns about financial transparency and accountability. The absence of public oversight mechanisms and independent budgetary control increases the risks of inefficient spending. Communities have limited opportunities to influence financial decisions, which may result in the misallocation of resources or delays in addressing critical needs.

To address these challenges, several solutions have been proposed. One option is the creation of advisory councils within military administrations, allowing community representatives to participate in budgetary decisions. This measure could improve public engagement and ensure that local financial needs are considered. Another potential solution is allowing stable regions to restore development budgets. Reintroducing funding for local infrastructure and economic recovery would help communities sustain long-term financial stability despite ongoing wartime challenges. Additionally, stricter reporting requirements for military administrations could enhance financial transparency. Implementing clear budgetary reporting mechanisms would provide better oversight and accountability, ensuring responsible use of funds allocated under martial law conditions.

Results. Implementing these solutions would improve transparency, enhance oversight of budget expenditures, and minimize corruption risks. Restoring development budgets in stable regions supports long-term stability. A structured financial strategy under martial law would improve resource distribution and help maintain essential services. Increasing community involvement through advisory councils would promote accountability and address local financial needs.

Conclusion. Martial law has significantly altered the financial landscape of Ukrainian local communities. While some reforms have provided flexibility to address urgent security needs, they have also introduced new financial burdens and governance challenges. Future legislative improvements should balance national security priorities with financial sustainability and local self-governance, ensuring that communities remain resilient and capable of addressing their financial and social needs.

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