

## Current Challenges of Financial Support for Territorial Communities: A Ukrainian Perspective

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### Abstract

This article discusses the main issues related to the current challenges of financial support for territorial communities.

Financial support for territorial communities is crucial for maintaining social cohesion, promoting economic growth, and developing democracy at the local level. In the context of rapid urbanisation, globalisation, and fiscal decentralisation, understanding the challenges to financial support for local communities is crucial for the development of effective policies and measures.

In the course of the analysis, the following challenges faced by territorial communities in the process of financial support were identified: corruption; low efficiency of the Ukrainian governance system; geopolitical pressure; structural deficiencies in the fiscal system.

The purpose of this study is to identify and analyse in detail the current challenges faced by territorial communities in ensuring adequate financial support. A comprehensive analysis of these challenges should enable the identification of potential solutions and policy recommendations aimed at strengthening the financial sustainability of local governments.

To achieve the goal, the following tasks were solved: to identify the key problems faced by territorial communities in the process of financial support; to consider the factors contributing to the lack of funding for territorial communities.

The following methods were used in the study: induction and deduction; statistical; analysis and comparison.

The analysis has identified several complex challenges that local communities face in their quest for financial sustainability. These include insufficient fiscal autonomy, excessive dependence on central government transfers, inefficient revenue generation mechanisms, limited access to financial markets, and vulnerability to economic crises.

Financial support to local communities is essential to achieving the

Sustainable Development Goals in Ukraine. By empowering local authorities to address economic, social, and environmental challenges, governments promote inclusive and sustainable development that improves the living standards of present and future generations. However, in order to realise the full potential of such support, it must be accompanied by strong governance mechanisms and complemented by other forms of assistance aimed at building local capacity and promoting sustainable practices.

Financial support to territorial communities in Ukraine involves the complex interaction of various functions, models, and methods aimed at ensuring adequate financial resources for local development. Despite the progress made in recent years through decentralisation reforms and increased financial autonomy, significant challenges remain in terms of resource allocation, governance capacity, and fiscal sustainability. Addressing these challenges requires ongoing efforts to enhance fiscal transparency, promote citizen participation, and expand economic opportunities at the local level.

Solving the current problems of financial support for territorial communities requires a comprehensive approach that includes policy reforms, institutional capacity building, and innovative financing mechanisms. Providing local governments with greater fiscal autonomy, intensifying efforts to mobilise local revenues, promoting intergovernmental cooperation, and improving financial management practices are important steps towards ensuring the long-term sustainability of local government structures.

The findings of this study are of international importance as they provide insights for countries facing similar challenges in financing local communities, contributing to the development of global strategies to support local governments.

**Key words:** Territorial Communities; Sustainable Development; Authorities; Financial Support; Decentralisation; Financing Policy.

## Introduction

The problems of financial support for territorial communities in the modern world are caused by many complex factors that reflect the evolution of governance, economy, and community development. In recent years, the decentralisation of power and resources to the local level has become increasingly widespread as governments seek to support local initiatives and strengthen local accountability. However, such devolution of powers entails a number of financial challenges that local communities must skilfully overcome in order to fulfil their obligations and meet the needs of their residents.

An important issue is that of fiscal autonomy and revenue generation. Many territorial communities rely heavily on transfers from central government or intergovernmental grants to finance their operations and provide basic services. However, these sources of funding can be unpredictable and subject to political decisions, leaving local authorities vulnerable to sudden budget constraints or funding cuts. In addition, the limited revenue-generating capacity of territorial communities, especially in regions with a weak economic base, increases their dependence on external support and limits their ability to invest in long-term development initiatives (Vdovichen, Vdovichena, Chychun, Zelich, & Saienko, 2023).

Another important challenge is related to the effective management and allocation of financial resources. Territorial communities often face resource constraints and competing priorities, which requires careful strategic planning and prudent financial management. However, capacity constraints, institutional inefficiencies, and insufficient financial expertise can hinder the optimisation of resource use and the efficient allocation of funds. In addition, a lack of transparency and accountability in financial decision-making can undermine public trust in local governments, further complicating the process of resource mobilisation and implementation of development initiatives (Fare, De Freitas, Meyer, 2015).

Territorial communities also have to deal with the effects of economic globalisation and rapid technological progress, which create both opportunities and challenges for local

economies (Kato, Delgado, & Romano, 2022). While globalisation can create new avenues for economic growth and investment, it also exposes local communities to increased competition, market volatility, and external shocks. At the same time, the digitisation of financial systems and the emergence of digital currencies pose new challenges for revenue collection, financial regulation, and fiscal management, requiring local communities to adapt their practices and policies to the transforming digital environment (Suprunenko, Pylypenko, Trubnik, & Volchenko, 2023).

The growing need to combat climate change and promote sustainable development adds another layer of complexity to the financial challenges faced by local communities. Mitigating and adapting to the negative effects of climate change requires significant investments in infrastructure, renewable energy, and environmental protection measures. However, the financial resources required to finance these initiatives are often insufficient, especially for small communities with limited financial resources and access to capital markets. Uncertainty about the future risks and costs of climate change complicates financial planning and decision-making, requiring innovative financing mechanisms and partnerships to mobilise resources and build resilience at the local level.

Many studies have focused on the historical development of territorial communities and their importance in governance systems (Bashtannyk, & Kudriavtseva, 2020; Sánchez-Zamora, Gallardo-Cobos, & Ceña-Delgado, 2014). The authors highlight how territorial communities have evolved from traditional forms of governance to modern administrative structures under the influence of factors such as urbanisation, globalisation, and technological progress (Bobrovska, 2018).

One of the leading topics in the academic literature is the role of territorial communities in governance and decision-making processes (Boiko, 2020). Researchers have been studying how these communities participate in democracy and local policy-making processes, as well as in joint decision-making with other stakeholders (Kalnysh, 2019). However, questions remain about the effectiveness of these

processes, especially in ensuring inclusiveness, equity, and accountability (Kovaliv, & Krykavska, 2018).

Territorial communities often perform natural resource and environmental management functions within their territories. The scientific literature (Sembiyeva, Zhagyparova, Zhusupov, & Bekbolsynova, 2023) on this issue examines how these communities manage resources such as land, water, and forests, as well as their role in promoting sustainable development practices. However, challenges remain in terms of resource conflicts, competing interests, and balancing economic development with environmental conservation (Khokhuliak, 2022).

Another area of research is the role of territorial communities in promoting the development of society and social capital (Shkilniak, Melnyk, Mykytiuk, Vasina, Dudkina, 2021). Studies examine how these communities promote social cohesion, preservation of cultural heritage, and economic activity through local initiatives and social movements (Popovych, 2018). However, the issues of overcoming inequality, promoting social inclusion, and strengthening community resilience in the face of external challenges remain unresolved.

The current scientific literature highlights the issue of integrating technology and innovation into modern territorial community management systems (Sofilkanych, Vesova, Kaminsky, & Kryvosheieva, 2023). This includes the introduction of smart city initiatives, digital governance tools, and data-driven decision-making processes (Kravtsova, Lashchenko, & Kravtsov, 2021). However, issues of digital divisions, data privacy concerns, and ensuring equal access to technological resources among community members remain unresolved.

Many scholars have explored the theoretical foundations of decentralisation and fiscal federalism, emphasising the importance of efficient allocation of financial resources between different levels of government (Smachnyi, 2019). While decentralisation aims to empower local governments, it often faces challenges related to fiscal autonomy, intergovernmental transfers, and revenue generation capacity at the local level (Sydorenko, & Prykhodko, 2022).

Studies (Agarwal, Kothari and Hiran, 2023) have analysed the dynamics of intergovernmental relations, including the formation of transfers, revenue sharing mechanisms, and fiscal regulation schemes (Liashchenko, Karpenko, Cherin, 2021). However, questions remain about the fairness and effectiveness of these mechanisms in redistributing resources and overcoming regional disparities.

The literature (Bezpalko, 2019) emphasises the importance of mobilising local revenues through taxation, fees, and charges as a means of increasing fiscal sustainability and accountability. However, current challenges, such as tax evasion, informality, and limited tax bases, limit the ability of territorial communities to generate sufficient revenues on their own.

Effective financial management practices, including budgeting, expenditure control, and transparency, are essential to ensure accountability and good financial management at the local level. However, many territorial communities face persistent problems related to corruption, weak institutional capacity, and imperfect financial reporting systems, as evidenced in the literature (Shkilniak, Melnyk, Mykytiuk, Dudkina, & Ovsianiuk-Berdadina, 2019).

The publications point to various challenges faced by territorial communities in modern governance systems, including globalisation, urbanisation, climate change, and socio-economic disparities (Hnydiuk, Datsenko, Krupelnytska, Kudyrko, & Prutska, 2021). Further research areas include the study of innovative governance models, enhancing community resilience, using technology for inclusive development, and addressing new challenges such as the impact of pandemics on community development dynamics.

This study has a review character, the prospects of which are a larger-scale study of specific problems of financial support of territorial communities and the development of ways to solve them that can be directly used in practice. This topic is quite relevant and important in the context of introducing an effective system of financing territorial communities, which will be developed on the basis of successfully implemented international cases.

## Methodology

The study applies a qualitative approach to the study of current challenges related to the financial capacity of territorial communities. Qualitative research methods are well suited for understanding complex phenomena and gaining insight into the perspectives and experiences of stakeholders involved in financial support mechanisms for territorial communities.

The study also used the questionnaire survey method, which involved 20 representatives of the leadership of territorial communities in Ukraine.

The study uses theoretical frameworks drawn from economics, public finance, and governance to provide a comprehensive understanding of the topic. The key theoretical approaches include fiscal federalism, decentralisation theory, public choice theory, and institutional economics. These approaches provide insight into the dynamics of financial relations between the central government and territorial communities, as well as the factors that influence decision-making processes regarding resource allocation and financial support mechanisms (Bashtannyk, & Kudriavtseva, 2020).

The research methodology combines theoretical approaches with qualitative methods to provide a thorough and comprehensive study of current challenges in the field of financial support for territorial communities.

## The main part

### The role of territorial communities in modern management systems

Territorial communities in modern governance systems are a rather complex and multifaceted concept, as they emphasise the relationship between geographical location, governance, and community development. The concept of territorial communities is based on the idea of territorial entities, such as cities, towns, regions, or districts, characterised by common physical boundaries, cultural heritage, economic activity, and social interaction. Communities serve as the basis of social organisation, determining the peculiarities of social development and the

collective identity of citizens, and are the centre of governance, public services, and civic initiatives.

The significance of territorial communities in modern governance systems lies in their ability to promote local activity, ensure sustainable development, and carry out effective governance. In the context of governance, territorial communities are important units of control and activity where policies, strategies, and measures are adapted to the specific needs and challenges of particular territorial entities. By taking into account the different conditions, demographics, resources, and expectations of each community, practitioners can develop more effective approaches to governance, planning, and resource allocation (Honiukova&Surzhyk, 2022; Kostyshyn, 2019).

One of the most important aspects of territorial communities in modern governance is their role as centres of social capital formation and collective action. Through local networks, civic associations, and community-based organisations, individual members of these communities mobilise resources, share knowledge and work together on initiatives aimed at improving local conditions, strengthening social cohesion, and pursuing common interests. Such local activism not only empowers residents to address pressing issues such as poverty, inequality, and environmental degradation but also fosters a sense of responsibility, belonging, and solidarity within the community (Hlyzner, 2019; Esparcia& Abbasi, 2020; Decoville, & Durand, 2017).

At the same time, territorial communities are important centres of economic development and innovation. As centres of economic activity, they host a variety of businesses, industries, and innovative projects that contribute to regional growth, job creation, and capital formation. By harnessing local resources, talent, and capabilities, communities develop economic systems that are resilient, inclusive, and sustainable, thereby enhancing their competitiveness and economic growth in the global marketplace. In addition, due to the proximity and interaction of actors within territorial communities, knowledge is disseminated, cooperation and exchange of

ideas takes place, which promotes innovation, creativity, and entrepreneurship (Meleshko, 2018).

In the system of governance, territorial communities play a crucial role in the development of democracy, decentralisation, and subsidiarity based on the active participation of citizens. By devolving powers, resources, and decision-making to the local level, governments can increase responsibility, accountability and legitimacy, ensuring that policies and programmes are in line with citizens' priorities and goals, as well as the interests of the state. In addition, territorial communities provide a platform for democracy and civic engagement, allowing citizens to actively participate in decision-making processes, contribute to policy-making, and hold elected officials accountable for their actions. This bottom-up approach to governance not only strengthens democratic values and practices but also promotes trust, transparency, and social cohesion in communities (Novakovsky, Novakovska, Bredikhin, Stetsiuk, &Skrypnyk, 2019).

Many studies are devoted to the historical development of territorial communities and their importance in governance systems (Bashtannyk, &Kudriavtseva, 2020). The authors highlight how territorial communities have evolved from traditional forms of governance to modern administrative structures under the influence of factors such as urbanisation, globalisation, and technological progress.

### **Peculiarities of financial support of territorial communities**

The key feature of financial support for territorial communities in Ukraine is the allocation of funds from the state budget. The state budget allocates financial resources to local governments through various mechanisms, including intergovernmental transfers and subsidies. Such resources are needed to provide basic services such as education, healthcare, infrastructure development, and social protection programmes. However, the allocation of these funds is often politically influenced and can be inconsistent, leading to disparities in the distribution of resources across regions.

In addition to allocations from the state budget, territorial communities in Ukraine can also generate revenue through local taxes and fees. Local governments have the right to levy taxes on property, land, business, and other sources of income within their jurisdiction. Such financial revenues provide communities with greater financial autonomy and discretion to address their specific needs and priorities. However, the effectiveness of local taxation depends on factors such as tax compliance, economic activity, and the overall tax structure of the community.

It should be noted that financial support to local communities in Ukraine is also provided through grants and loans from international organisations and so-called “donor agencies”. These external sources of funding play an important role in supplementing domestic resources and supporting specific development projects and initiatives. International grants and loans are most often directed to priority areas such as infrastructure modernisation, environmental protection, and local capacity-building programmes. However, reliance on external financing can often create problems in terms of financial dependence and sustainability (Kobets, 2022).

In terms of financial support models, Ukraine has adopted a mixed approach that combines elements of fiscal federalism with decentralised governance structures. The Constitution of Ukraine allocates powers and responsibilities between the central government, local governments, and territorial communities, providing a legal framework for fiscal decentralisation. However, the implementation of the decentralisation reform has been uneven, with differences in the extent of decentralised powers and financial resources across regions.

One of the models of financial support that has become widespread in Ukraine is participatory budgeting. Participatory budgeting involves citizens in the decision-making process for the allocation of public funds, enabling local communities to set their own priorities and allocate resources accordingly. This model not only increases transparency and accountability but also promotes citizen participation and ownership of local development.

In the course of the study, a questionnaire was developed on the main issues of financial support for territorial communities and 20 people were interviewed. The results of this survey are presented in Table 1.

**Table 1- Results of the survey of representatives of local communities**

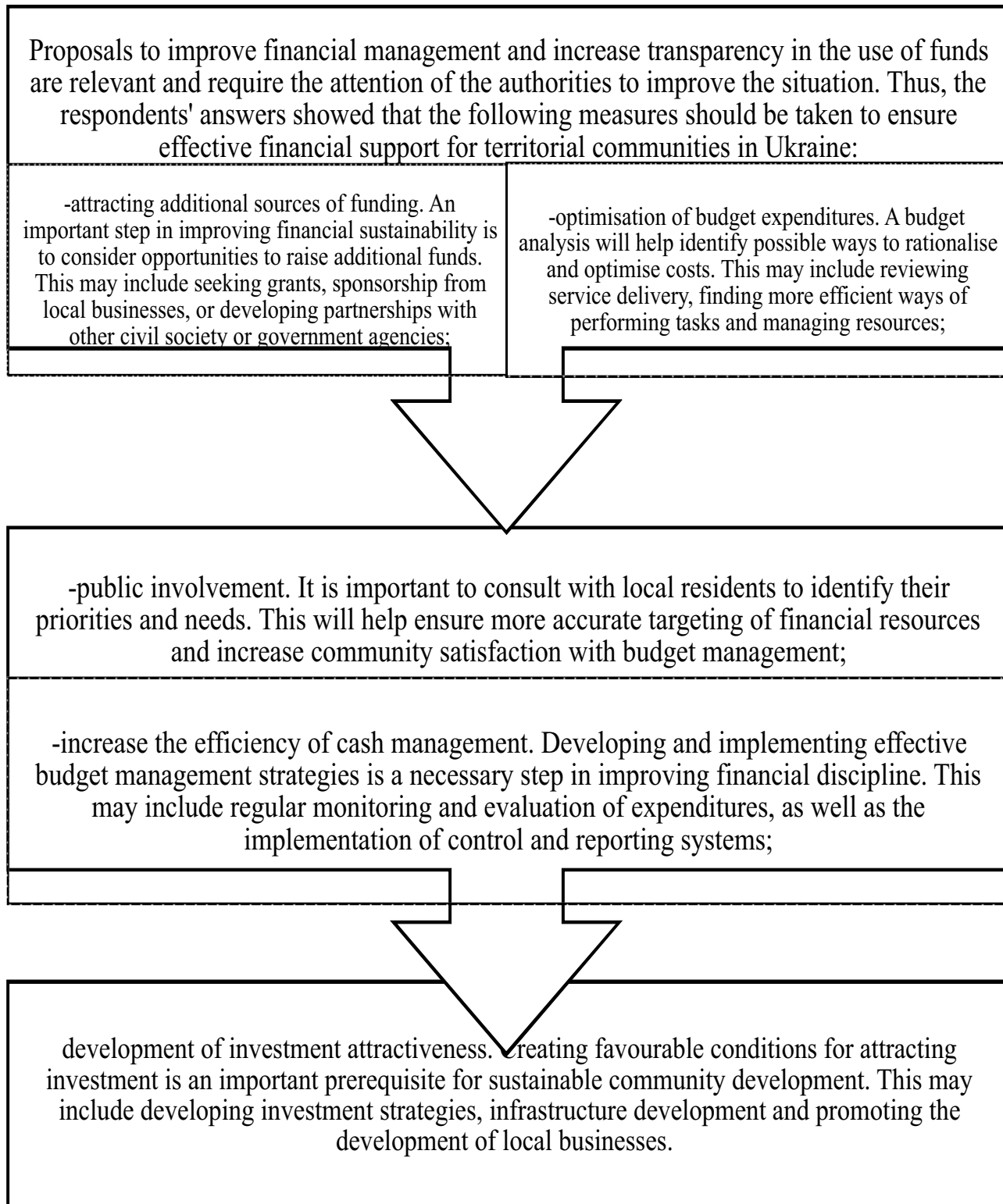
Questions in the questionnaires	Very unsatisfactory	Unsatisfactory	Moderate	Good	Very good
Assessment of the level of financial security	4	8	6	2	0
Do you think that the current level of funding is sufficient to meet the needs and development of the community?	6	6	6	2	0
Assessment of the effectiveness of the use of local budget funds	5	7	5	3	0
Is the current system of financial support for territorial communities in Ukraine effective?	7	4	6	2	1

Source : authors' own development

According to the survey results, it can be concluded that the majority of participants (80%) consider the current level of community funding to be insufficient to meet their needs and development.

The majority of participants consider the effectiveness of the use of local budget funds to be insufficient or only moderate.

Figure 1. Suggestions for improving financial management and increasing transparency of funds use



Source: authors' own development

In terms of instruments, improving fiscal transparency and accountability is important for effective financial support to local communities in Ukraine. In particular, this implies improving budget planning, reporting, and auditing processes at both the national and local levels to ensure the efficient use of public funds. Strengthening financial management capacities in local governments, including training programmes and technical assistance, is also crucial to implementing good fiscal practices and reducing the risks of corruption and mismanagement.

Promoting economic development and attracting investment at the local level is another important instrument of financial support for territorial communities in Ukraine. It is about creating a favourable environment for business development, attracting private business investment, and diversifying the local economy. Strategic planning and coordination between government agencies, private sector stakeholders, and civil society organisations are crucial to maximise the impact of economic development initiatives and promote sustainable growth.

In addition, exploring innovative financing mechanisms could further increase the financial support available to local communities in Ukraine. Public-private partnerships (PPPs) are a promising way to leverage the expertise and investment of private businesses to finance infrastructure projects and provide public services. By cooperating with private companies, local governments gain access to additional funding while sharing risks and responsibilities, thereby maximising the efficiency and effectiveness of public spending (Sydorenko, Prykhodko, 2022).

Exploring alternative sources of income, such as tourism, agriculture, and renewable energy, can diversify the sources of revenue for local communities. For example, promoting tourism in ecologically clean regions or investing in sustainable agriculture can not only generate income but also create jobs and stimulate economic growth. Similarly, harnessing the potential of renewable energy sources such as solar and wind power can reduce dependence on fossil fuels while providing a reliable source of income through energy production and exports.

At the same time, to optimise financial support for local communities in Ukraine, it is important to strengthen

interagency cooperation and coordination. This implies establishing a constant exchange of information and cooperation between central and local authorities to align priorities, optimise decision-making processes, and ensure fair distribution of resources. By strengthening partnerships and sharing best practices, governments at all levels can leverage their strengths and resources to address common challenges and achieve common goals more effectively.

Resource constraints have a strong impact on the ability of territorial communities to finance development initiatives and service delivery. A limited budget can lead to constraints in responding to community needs, as well as in implementing social and infrastructure projects. Insufficient funds can lead to important business decisions, such as scaling back programmes and services, delays in project implementation, or even staff reductions. This can lead to a deterioration in the quality of life of citizens and limited opportunities for their development. However, effective resource management and the search for alternative sources of funding can help reduce the negative impact of resource constraints on the development of territorial communities.

### **The importance of financial support for local communities in achieving sustainable development goals**

The importance of financial support for local communities in Ukraine cannot be underestimated given the overall objectives of sustainable development. Ukraine, like many other countries, faces significant challenges in achieving the Sustainable Development Goals (SDGs), ranging from economic imbalances to environmental degradation and social inequality. In this context, providing adequate financial support to territorial communities is not only a matter of administrative necessity but also a fundamental requirement for the implementation of the SDGs.

At its core, sustainable development aims to meet the needs of society without compromising the ability of future generations to meet their own needs. It requires a balance between economic growth, social inclusion, and environmental protection. However, achieving such a



balance is challenging, especially in Ukraine, which has experienced political turmoil, economic instability, and environmental degradation in recent years.

Territorial communities play a key role in achieving the Sustainable Development Goals, as they are the main units responsible for implementing policies and programmes at the local level. These communities include cities, towns, and villages, each with its own set of challenges and opportunities. By providing financial support to these communities, the government can help them meet their local needs in line with broader sustainable development objectives.

An important way in which financial support can contribute to sustainable development is by enabling local communities to invest in infrastructure and services that promote economic growth and social inclusion. For example, financing transport networks, energy systems, and communications technologies can improve connectivity and promote economic activity, especially in rural areas where access to such resources can be quite limited. Similarly, investments in health, education, and social welfare can improve the quality of life and reduce social inequalities in communities (Piren, Balakhtar, Shmanko, 2021).

Financial support helps territorial communities transition to more sustainable and resilient forms of development. This includes investments in renewable energy, sustainable agriculture, waste management, and climate change adaptation measures. By providing funding for these programmes, governments can encourage local communities to adopt practices that minimise their environmental impact and increase their ability to withstand the effects of climate change.

Financial support for territorial communities must be accompanied by accountability and transparency mechanisms that would guarantee the efficient and effective use of funds. In particular, this means establishing clear rules for the allocation of budget funds, monitoring project implementation, and involving local stakeholders in decision-making processes. By promoting good governance practices, governments can increase the

effectiveness of their investments in sustainable development.

Along with direct financial support, governments can also engage in other forms of assistance to achieve sustainable development goals in local communities. This may include technical assistance, capacity building, and knowledge-sharing initiatives aimed at increasing the capacity of local authorities to plan, implement, and evaluate sustainable development strategies (Perebyinis, Rohoza, Bezruk, & Vitriuk, 2023).

It should be noted that the importance of financial support for territorial communities in Ukraine is not only due to domestic reasons. It is also consistent with international commitments and the principles of sustainable development. Ukraine, like many other countries, has committed itself to the United Nations Sustainable Development Goals (SDGs), a global agenda aimed at addressing pressing global issues, including poverty, inequality, climate change, and environmental degradation.

Achieving the SDGs requires concerted action at all levels of government, as well as cooperation with the public, the public and private sectors, and international organisations. Territorial communities, which are at the forefront of implementing sustainable development initiatives, play a crucial role in these efforts. Through financial support to these communities, the Ukrainian government can show its commitment to the SDGs and contribute to global efforts to build a more sustainable and equitable society (Pylypiv, Piatnychuk, Halachenko, Maksymiv, & Popadynets, 2020).

Investing in sustainable development at the local level can have significant prospects that extend far beyond the local community. For example, initiatives aimed at improving energy efficiency or reducing greenhouse gas emissions can help global initiatives to mitigate climate change. Likewise, investments in education and health can strengthen human capital and promote economic development, thereby contributing to regional and global well-being (Tsyhan, 2019).

In the context of Ukraine's ongoing transition to a more sustainable and resilient economy, financial support for local communities is crucial to realising their potential as

drivers of growth and innovation. By investing in local infrastructure, services, and initiatives, the government can create the conditions for sustainable development that will promote economic growth, social cohesion, and environmental protection (Matveieva, 2021).

However, it is important to recognise that achieving sustainable development is a complex and multidimensional process that requires long-term efforts and ongoing costs. Financial support for territorial communities is only one part of the overall system. It should be complemented by consistent policies, effective governance structures, and constructive engagement with stakeholders at all territorial levels. In addition, it is important to address fundamental problems such as corruption, institutional weaknesses, and social inequality that can reduce the effectiveness of development measures.

### **Challenges and prospects for financial support of territorial communities in Ukraine**

The current challenges to financial support for local communities in Ukraine are due to a complex combination of socio-political, economic, and organisational issues. Since gaining independence in 1991, Ukraine has undergone significant political and economic transformations, including decentralisation reforms aimed at empowering local governments and promoting community development. However, despite these efforts, numerous challenges remain that impede effective financial support to local communities across the country.

One of the main problems is corruption and the inefficiency of the Ukrainian governance system. Corruption has long pervaded various levels of government, leading to mismanagement of funds, embezzlement, and a lack of transparency in financial transactions. This culture of corruption undermines trust in public institutions and discourages both domestic and foreign investment in local communities. Without proper oversight and accountability mechanisms, financial resources intended for community development often do not reach their intended beneficiaries, leading to socio-economic disparities and impeding overall progress (Khirivskiy, Cherevko, Yatsiv, Pasichnyk, Petryshyn, & Kucher, 2020).

Ukraine is facing a number of economic challenges, which are exacerbated by factors such as low GDP per capita, high poverty and unemployment, and dependence on outdated industrial sectors. These economic challenges limit the financial capacity of territorial communities to raise revenue through local taxes and impede their ability to invest in infrastructure, social services, and economic development initiatives. As a result, many communities are struggling to meet the basic needs of their residents and attract the business and investment needed for sustainable growth (Molokanova, Boiko, 2022).

The ongoing conflict in Ukraine and Russia's annexation of Crimea have further strained the country's financial resources and disrupted regional stability. The conflict has displaced millions of people, imposing additional social and economic challenges on local communities. In addition, the annexation of Crimea deprived Ukraine of valuable economic assets and natural resources, depriving territorial communities of potential sources of income and exacerbating existing financial pressures (Tkachuk, Melnychuk, Kyrlyuk, & Solodzhuk, 2020).

The global COVID-19 pandemic has added another layer of complexity to Ukraine's financial challenges, increasing economic vulnerability and straining healthcare systems. The pandemic has resulted in a decline in economic activity, reduced tax revenues, and increased demand for social services, which has put additional strain on the financial resources of territorial communities already facing budgetary constraints. In addition, the pandemic has highlighted the existing inequalities in Ukrainian society, underscoring the need for targeted financial support and social protection measures to mitigate its impact on vulnerable groups.

Successful financial support for local communities plays a key role in promoting development, infrastructure growth and overall well-being in a country. Around the world, many countries have implemented effective strategies to ensure that local communities receive adequate financial support for their development and successful functioning. From developed countries to emerging markets, different models are used to support local governments and enable them to meet the specific needs of their regions (Koshkalda,

Anopriienko, Klochko, Bieloborodova, Bessonova, 2022).

For example, the Norwegian government has introduced a comprehensive system of fiscal decentralisation, providing significant financial support to local municipalities. Through mechanisms such as the Equalisation Fund, revenue sharing, and grants, Norway ensures that even the smallest communities have access to resources to provide basic services such as education, healthcare, and infrastructure development. This approach promotes equality and allows municipalities across the country to maintain a high standard of living.

Germany uses a combination of intergovernmental transfers, local taxes, and shared revenue mechanisms to support its local communities. The Solidarity Pact, introduced after German reunification, aimed to reduce economic inequality between regions by transferring funds from richer to poorer states. In addition, local governments have the autonomy to set certain taxes, which allows them to generate revenue based on local needs and preferences.

In Canada, the federal government operates the Equalisation Programme, which redistributes funds to provinces and territories with lower fiscal capacity. This ensures that all regions can provide the same level of public services despite differences in economic resources. In addition, Canadian municipalities have access to a variety of federal grants for infrastructure projects, economic development initiatives, and social programmes that promote local growth and prosperity (Storonyanska, & Maksymenko, 2019).

Brazil has made significant progress in decentralising fiscal resources to support its territorial communities. The federal constitution provides for revenue sharing between the federal government, states, municipalities, and the Federal District. In addition, programmes such as the Social Security Fund and the Municipal Participation Fund provide direct financial assistance to local governments, especially in less developed regions, to address social inequalities and promote sustainable development (Storonyanska, Patytska, Hrynychshyn, Chemerys, 2020).

South Korea has introduced a system of local tax sharing to support its local communities. A portion of national tax

revenues is distributed to local governments based on population and other factors. The central government also provides grants to municipalities for specific purposes, such as education, public transport and environmental protection. This approach ensures that local governments have the necessary resources to meet the diverse needs of their communities (Burkinskyi, Laiko, & Talpa, 2020).

Australia uses a combination of revenue sharing mechanisms, grants and local taxes to support its territorial communities. Revenue from the Goods and Services Tax (GST) is shared between states and territories, and additional funding is provided through programmes such as Financial Assistance Grants and the Local Government Financial Assistance Programme. These initiatives enable local governments to provide essential services and invest in infrastructure projects that meet the priorities of their communities (Kozarezenko, & Tochylyna, 2018).

In India, the Finance Commission plays a crucial role in reallocating budgetary resources to support local communities. By transferring funds to the states and local governments, the commission ensures an equitable distribution of resources based on factors such as population, territory, and tax capacity. In addition, centrally funded programmes provide financial assistance to states for various development activities, strengthening the capacity of local governments to address regional disparities and promote inclusive growth (Gavkalova, Zilinska, Polatay, Liashevskaya, 2020).

In response to these challenges, the Ukrainian government has implemented a series of reforms aimed at improving fiscal decentralisation, increasing transparency and accountability, and promoting economic development at the local level. These reforms include measures to streamline administrative procedures, strengthen local government structures, and provide technical assistance and capacity-building support to local communities. However, the implementation of these reforms is uneven, and progress is hampered by political instability, bureaucratic resistance, and a lack of financial resources (Fuhelo, Zharikova, Blishchuk, Baranovska, & Gudzenko, 2022).

To effectively address these challenges, a concerted effort is needed to tackle corruption, strengthen institutional capacity, and promote inclusive and sustainable economic development. This requires the efforts of all stakeholders, including government, civil society organisations, the private sector, and international cooperation, to overcome vested economic interests and build a more transparent, accountable, and successful future for local communities in Ukraine. By addressing these challenges and creating a favourable environment for investment and growth, Ukraine can unlock the full potential of its territorial communities and pave the way for a better and more prosperous future (Vaskivska, Lyndyuk, Danyliuk, Kucher, & Vaskivskyy, 2023).

At the same time, one of the critical aspects that hinders financial support for territorial communities in Ukraine is the lack of effective mechanisms for revenue generation and fiscal autonomy. Although the decentralisation reform aims to transfer powers and resources to local governments, many communities still rely heavily on transfers from the central government, which limits their ability to respond to local needs and priorities. The current system of intergovernmental fiscal relations often leads to inconsistencies and unpredictability in the distribution of funds, which further exacerbates financial instability at the local level (Shkilniak, Melnyk, Zheliuk, Vasina, & Dudkina, 2023).

The complexity of Ukraine's tax system creates problems for territorial communities with the effective centralisation of local budget revenues. The large number of taxes, fees, and regulations is too complex for local governments, especially those with limited administrative capacity and experience. Simplifying the tax system, reducing bureaucratic barriers, and providing technical assistance to local governments are important steps to increase local budget revenues and promote financial sustainability at the local level (Rakhimov, 2023).

Alongside these organisational challenges, demographic trends are also affecting the financial capacity of territorial communities in Ukraine. Population decline, especially in rural areas, poses significant challenges for local

governments in terms of maintaining basic services and infrastructure. A declining population leads to a shrinking tax base and reduced revenue potential, making it more difficult for communities to finance public services and invest in economic development activities. Addressing demographic challenges requires comprehensive strategies aimed at improving living standards and quality of life, creating employment opportunities, and making rural areas more attractive, which will help to reverse the population decline and promote sustainable development (Davydchuk, & Dema, 2020).

Geopolitical factors, such as Ukraine's dependence on energy imports and its vulnerability to external influences, pose additional risks to the financial stability of local communities. Fluctuations in global energy prices, trade restrictions, and geopolitical tensions could have wide-ranging effects on Ukraine's economy and budgets, affecting the ability of local communities to access finance and plan for long-term economic development. Diversifying the economy, increasing energy efficiency, and strengthening regional cooperation are important strategies to mitigate these risks and build resilience at the local level (Bashtannyk, 2020).

## Conclusion

Thus, the concept of territorial communities reflects the relationship between geographic location, governance, and community development in modern governance structures. These communities serve as important units of analysis and action, where policies, strategies, and activities are tailored to local needs, promote sustainable development, and ensure responsive governance. By harnessing the social, economic, and political potential of territorial communities, practitioners can stimulate inclusive growth, empower local stakeholders, and build resilient and vibrant communities.

Financial support for local communities is essential to achieving the Sustainable Development Goals in Ukraine. By empowering local governments to address economic, social, and environmental challenges, governments promote inclusive and sustainable development that improves the living standards of present and future

generations. However, in order to realise the full potential of such support, it must be accompanied by strong governance mechanisms and complemented by other forms of assistance aimed at building local capacity and promoting sustainable practices.

Financial support to territorial communities in Ukraine involves the complex interaction of different functions, models, and methods aimed at ensuring adequate financial resources for local development. Despite the progress made in recent years through decentralisation reforms and increased fiscal autonomy, significant challenges remain in terms of resource allocation, management capacity, and fiscal sustainability. Addressing these challenges requires ongoing efforts to enhance fiscal transparency, promote citizen participation, and expand economic opportunities at the local level. By adopting a comprehensive approach to financial support, Ukraine can empower its territorial communities so that they can successfully develop and contribute to the overall welfare and development of the country.

Financial support to territorial communities in Ukraine faces numerous challenges related to corruption, economic vulnerability, geopolitical pressure, and structural weaknesses in governance and the fiscal system. Addressing these challenges requires comprehensive reforms that prioritise transparency, accountability, and inclusive economic development. By empowering local governments, increasing revenues, and promoting sustainable growth, Ukraine can unlock the potential of its communities and create the conditions for sustainable and robust economic development for every citizen.

The study of the current challenges of financial support to territorial communities is of practical value for local governments, policy makers and civil society organisations, as it provides information and recommendations for improving financial support mechanisms. Understanding the difficulties and obstacles faced by territorial communities in securing adequate funding will help stakeholders implement targeted strategies to effectively address these issues.

The findings of this study can be used by local governments

to optimise budget allocation processes, prioritise funding for essential services, and improve financial management practices. Policymakers can use these findings to promote policy reforms aimed at strengthening fiscal decentralisation, increasing revenue generation opportunities, and promoting equitable distribution of resources among local communities. Civil society organisations can use the findings to design capacity building programmes, provide technical assistance and facilitate cooperation among stakeholders to strengthen financial governance structures and increase transparency in resource use.

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