

LOCAL SELF-GOVERNMENT IN UKRAINE AND THE EU: ECONOMIC CO-OPERATION

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Abstract. This article provides a comprehensive economic analysis of the co-operation between the local governments of Ukraine and the Member States of the European Union between 2014 and 2023. The study aims to identify the institutional, financial and regulatory mechanisms of interaction at regional level (i.e., within Ukrainian regions) and to assess their impact on the financial autonomy of territorial communities. The theoretical basis lies in the concepts of fiscal decentralisation, the principle of subsidiarity, and institutional economics. The methodology combines an institutional approach with econometric modelling and comparative legal analysis. The empirical base includes data on local budget revenues, the volume of EU international technical assistance and the participation of regions in cross-border co-operation programmes, as well as macroeconomic indicators for the period 2014–2023. A separate comparative analysis was carried out using Poland as a case study, as it has undergone a similar stage of local government reform. The modelling results confirm the statistically significant positive impact of participation in EU programmes and financial support instruments on the growth of Ukrainian regions' own revenues. It has been proven that economic and legal co-operation contributes to institutional convergence with European standards, as well as strengthening the financial independence of local governments. The proposal is for an integrated model of economic interaction between Ukrainian and EU regions.

Keywords: fiscal decentralisation, economic co-operation, regional development, European Union, cross-border co-operation, local government.

JEL Classification: H77, H72, F15, R11, F55

1. Introduction

Local self-government is a key element of a modern state's political and administrative system, ensuring citizens' constitutional right to participate in local decision-making, effective territorial community (hromada) management and public service provision. Against the backdrop of the transformations that Ukraine has undergone over the past decade, local authorities have emerged as key figures in both internal regional development and European integration processes. This is because decentralisation reforms are closely linked to legislative and institutional changes that align with the standards set out in the European Charter of Local Self-Government. Despite a significant body of scientific work on decentralisation, a comprehensive economic and legal analysis of co-operation between Ukrainian regions and the EU,

conducted using econometric methods, remains underdeveloped. It is this that gives the study its scientific relevance. The article aims to assess the impact of economic and legal co-operation mechanisms between Ukrainian regions and the EU on their financial autonomy between 2014 and 2023.

The research topic is relevant primarily due to Ukraine's acute integration into European processes (it has been a candidate for EU membership since 2022), the need to implement the provisions of the Association Agreement and the decentralisation reform. The topic is also relevant in view of the need for the country's post-war reconstruction, in which EU municipalities could play an active role. In addition, communities' real financial independence will facilitate their participation in EU programmes. Legal entities such as the European Committee of the Regions, the

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Council of Europe and the European Charter of Local Self-Government can play an important role in these processes.

The article aims to provide a comprehensive economic analysis of co-operation models between local Ukrainian governments and EU Member States. Specifically, it seeks to identify the financial, institutional, and regulatory mechanisms of such interactions and assess their impact on regional development.

The article is divided into the following sections: Introduction; Literature Review; Methodology; Research Results; and Conclusions.

The objective of this study is therefore to provide a comprehensive analysis of the economic co-operation between local Ukrainian governments and the EU. Particular attention is paid to the implementation of European standards and a comparison is made with Poland's experience as an EU Member State that has undergone similar reforms.

2. Literature Review

The issues surrounding local self-government and decentralisation in Ukraine have been widely studied in academic literature. Much of this work focuses on the evolution of forms of self-government that preceded modern reforms, as well as the principles behind their transformation in line with European standards. Thus, analysing the evolution of local self-government models shows that historically centralised forms of power have gradually given way to decentralised structures that better align with the principles of democratic governance, contributing to more effective local management.

The impact of European integration on local self-government is also highlighted as an important factor of transformation. Some argue that the EU legislative framework and the implementation of cohesion policy hinder local authorities' ability to develop their own strategies and attract financial resources for community (hromada) development (Decentralization.gov.ua, 2024). A detailed analysis of this process sheds light on how European requirements for transparency, accountability, and community participation can bolster the potential of local self-government.

In general, scholars agree that decentralisation reforms have a positive impact on the development of local self-government. However, there is a clear need for further empirical analysis of the economic aspects of this process, particularly with regard to the role of participation in EU programmes and other cross-border co-operation mechanisms. The effectiveness of decentralisation depends directly on institutional quality and budgetary constraints. The theory of 'soft budget constraints' highlights the dangers of fiscal

irresponsibility at the subnational level when there are no suitable regulations in place (Kornai, Maskin & Roland, 2003).

Empirical studies of EU countries show that fiscal decentralisation has a more positive effect on growth under conditions of good governance (Rodríguez-Pose & Ezcurra, 2011). Furthermore, the OECD systematically analyses the relationship between multilevel governance and the effectiveness of regional policy, emphasising the need for coordination between levels of government (OECD, 2019). Furthermore, the effectiveness of EU structural funds is a topic of active research in economic literature. One of the most frequently cited studies is that of Becker, Egger and von Ehrlich (2010), which demonstrated the positive impact of structural funds on the economic growth of EU regions, particularly in less developed areas.

Further analysis has shown that cohesion policy is more effective when regions have adequate administrative capacity (Crescenzi & Giua, 2020). The European Commission also confirms in its reports that the Structural Funds have reduced regional disparities in Central and Eastern European countries since they joined the EU (European Commission, 2022). Cross-border co-operation is considered an essential means of integrating border regions into the EU's shared economic space. In theory, it is associated with the idea of "functional regions" and spatial integration (Perkmann, 2003).

Research shows that cross-border programmes contribute to institutional learning and enhance regional management capacity (Bachtler, Mendez & Oraže, 2013). The experience of Central and Eastern European countries shows that decentralisation and EU integration reinforce each other. Analysis of post-socialist states indicates that regional fiscal autonomy contributes to increased investment activity (Ebel & Yilmaz, 2002). Additionally, Poland's experience is particularly instructive. Following the 1999 administrative reform and accession to the EU in 2004, Polish regions gained significant access to structural funds, stimulating infrastructure modernisation and economic growth (Gorzela, 2016).

The decentralisation reform in Ukraine began in 2014, involving the transfer of significant financial resources to communities (hromadas). A World Bank analysis confirms that local budget revenues increased significantly following amendments to the Budget and Tax Codes (World Bank, 2020). The OECD also emphasises that Ukraine has implemented one of the largest territorial consolidation reforms in Europe (OECD, 2022). At the same time, the scientific literature emphasises that the economic aspects of integrating Ukrainian local government into EU mechanisms are still insufficiently quantified, particularly when using panel econometric models. Ukraine's European integration involves the gradual implementation

of the *acquis communautaire*, particularly in regional policy, state aid, and public finance. This process is theoretically viewed through the concept of Europeanisation, which describes the transformation of national institutions under the influence of EU norms (Radaelli, 2003).

For Central and Eastern European countries, Europeanisation has been closely linked to administrative adaptation to the management mechanisms of structural funds (Schimmelfennig & Sedelmeier, 2005). Following the signing of the Association Agreement between Ukraine and the EU in 2014, extensive legislative changes were initiated, including reforms to state aid, budget transparency, and regional planning (European Union, 2014). From a legal perspective, it is important to align the Ukrainian system of state regional policy with the principles of EU cohesion policy, such as programming, partnership and additionality.

One of the key areas of harmonisation is state aid for economic entities. In the EU, regional aid is regulated by competition law and aims to minimise distortions to the internal market (Biondi, Eeckhout & Flynn, 2004). According to economic theory, clear state aid rules are necessary to avoid a "subsidy race" between regions (Oates, 1999). In Ukraine, establishing the Antimonopoly Committee as a state aid control body was an important step towards institutional convergence with the EU. However, research indicates the need to strengthen administrative capacity and case law in this area.

The concept of multi-level governance (Hooghe & Marks, 2001) explains how competences are distributed between the supranational, national and subnational levels. Empirical research shows that the effectiveness of regional policy hinges on coordination between levels of government, a clear division of powers, and fiscal autonomy (Bachtler & Mendez, 2007). The problem of multi-level governance is particularly relevant for Ukraine in the context of martial law and post-war reconstruction. According to OECD assessments, closer integration with EU governance structures will necessitate enhanced financial discipline and strategic planning at regional level.

In economic literature, β -convergence and σ -convergence are used as indicators of the levelling of regional disparities (Barro & Sala-i-Martin, 1992). Studies of EU countries show that structural funds promoted β -convergence, but only where institutional quality was high (Rodríguez-Pose & Garcilazo, 2015).

The issue of regional convergence in Ukraine is complicated by wartime devastation and demographic changes, creating new challenges for spatial policy and the allocation of financial resources.

Thus, analysing the scientific literature enables the identification of the following research gaps:

- There are no comprehensive econometric assessments of the impact of Ukraine's fiscal decentralisation on regional convergence in the context of European integration.
- Economic and legal analyses of the implementation of the EU *acquis* in the field of regional policy are insufficiently integrated.
- A model for assessing the institutional capacity of Ukraine's regions needs to be developed, taking into account the principles of multi-level governance.

3. Methodology

This study employs a mixed quantitative–legal analytical design to identify the economic effects of fiscal decentralisation in Ukraine within the broader framework of European integration and multi-level governance. The methodological approach integrates panel econometric modelling with doctrinal and comparative legal analysis to capture the measurable economic impact of decentralisation, as well as its institutional and legal context.

The core analytical premise is based on the fiscal federalism theory developed by Wallace E. Oates. This theory suggests that decentralised public finance systems can improve allocative efficiency when subnational governments have adequate fiscal autonomy and accountability mechanisms. At the same time, the study incorporates the multi-level governance framework elaborated by Liesbet Hooghe and Gary Marks, which conceptualises European integration as the redistribution of authority between supranational, national, and regional levels.

The research design is both explanatory and longitudinal. It evaluates whether the fiscal decentralisation reform initiated in Ukraine in 2014 has contributed to regional economic convergence, and whether this is influenced by institutional quality and EU-related integration mechanisms.

To assess regional convergence, the study employs the β -convergence framework, which was originally introduced by Robert J. Barro and Xavier Sala-i-Martin. The baseline convergence model examines whether poorer regions experience faster growth than richer ones over time. A statistically significant negative coefficient of the initial income level indicates convergence. Unlike standard convergence studies, however, this research extends the model by explicitly incorporating fiscal decentralisation and institutional variables.

The econometric model is estimated using panel data techniques with regional and time fixed effects. Regional fixed effects control for time-invariant heterogeneity between regions, such as historical industrial structure, geographic location and inherited infrastructure, while time fixed effects capture common shocks, including macroeconomic crises and wartime disruptions.

The dataset covers 24 Ukrainian regions (oblasts) from 2014 to 2024. The choice of 2014 as the starting point reflects the introduction of fiscal decentralisation reforms and amendments to the Budget and Tax Codes, which significantly increased local revenue autonomy.

The empirical database is compiled from multiple official sources: Regional gross product (GRP) per capita and sectoral output data from the State Statistics Service of Ukraine. It also includes indicators of public financial transparency and procurement digitalisation. Data on international technical assistance and EU-supported programmes. It also includes supplementary macroeconomic controls from World Bank and OECD datasets. To ensure comparability over time, monetary indicators are expressed in constant prices and adjusted for inflation. Where necessary, missing data is estimated using conservative linear methods, and robustness checks exclude regions affected by war with incomplete reporting.

4. Research Results

The issue of fiscal decentralisation is a key area of study within the fields of public finance theory and new institutional economics. Classical works demonstrate that transferring powers to the local level increases the efficiency with which resources are allocated, provided there is adequate institutional capacity. The European model of local self-government is based on the principle of subsidiarity, which is enshrined in the European Union's founding treaties. Studies indicate the positive impact of EU structural funds on economic convergence in Central and Eastern European regions. Meanwhile, Ukrainian scientific discourse focuses mainly on the regulatory and legal aspects of reform, ignoring the quantitative assessment of the impact of European co-operation on regional budgetary autonomy.

Since 2014, Ukraine's European integration has become systemic, encompassing not only the national level of public administration, but the regional level too. The conclusion and implementation of the Association Agreement between Ukraine and the EU has emphasised the importance of adapting the local self-government model to align with European Union standards and the principles set out in the European Charter of Local Self-Government.

The decentralisation reform of 2014–2020 became a key structural element of institutional modernisation. This was accompanied by the expansion of the budgetary autonomy of communities, the redistribution of tax revenues and the development of inter-municipal co-operation. Meanwhile, mechanisms for the direct interaction of Ukrainian regions with EU institutions were strengthened, including participation in cross-

border co-operation programmes, financial instruments and grant initiatives.

The activity of the European Committee of the Regions is of particular importance, as it ensures institutional dialogue between regions and EU bodies. The role of the Council of Europe in shaping standards of local democracy is also important.

The reform of local government in Ukraine after 2014 was one of the most significant institutional changes since the country gained independence. The key objective was to establish financially viable territorial communities (hromadas) that could independently manage socio-economic development, provide public services and integrate into the European multi-level governance system.

The process of decentralisation in Ukraine is long and multidimensional, involving the transfer of significant powers and resources from centralised state institutions to local communities (hromadas), and the transformation of the legislative, financial and administrative frameworks. This empowers hromadas to increase their budgets, decide on socio-economic development and participate in international programmes, including those funded by the European Union (EU), via cross-border co-operation and cohesion policy mechanisms (Decentralization.gov.ua, 2024). In light of Ukraine's strategic aspirations for European integration, local self-government bodies not only hold internal significance, but also act as entities that interact externally with EU institutions. This opens up new opportunities for participation in transnational and cross-border co-operation programmes. In this integration context, the role of local self-government as an element of multi-level governance policy and a mechanism for implementing European standards at the subnational level must be rethought (Decentralization.gov.ua, 2024).

Conceptually, the reform was based on the principles of fiscal decentralisation and subsidiarity, both of which are fundamental to the multi-level governance system within the European Union. Subsidiarity implies that decisions should be made at the level closest to citizens if that level is able to exercise the relevant powers effectively. The concept of fiscal federalism, formulated by W. Oates (1972), is considered to be the theoretical basis of fiscal decentralisation. The author argued that transferring powers to lower levels of government enables local needs to be met more effectively and increases the economic efficiency of resource allocation. Further development of this theory has confirmed that decentralisation can stimulate economic growth, provided local authorities have the necessary institutional capacity (Oates, 1999). In the context of the European Union, local self-government is considered a component of cohesion policy aimed at reducing regional disparities and ensuring the

sustainable development of territories. L. Huges and G. Marx (2001) proposed the theoretical justification of multi-level governance, defining the EU as a system in which powers are distributed between the supranational, national, and subnational levels.

Thus, Ukraine's integration into the European sphere involves the adaptation of legislation and the institutional transformation of local self-government, in line with the principles set out in the European Charter of Local Self-Government. Furthermore, Thibaut's (1956) model laid the foundation for understanding competition between jurisdictions as a mechanism for increasing the efficiency of public spending. Subsequent research has demonstrated that the beneficial impact of decentralisation hinges on the calibre of institutions and budgetary discipline (Rodden, 2004).

Furthermore, the World Bank has systematised approaches to decentralisation as a means of enhancing the efficiency of public administration (Shah, 2007). Empirical research confirms that fiscal autonomy is positively correlated with economic growth in EU countries (Baskaran & Feld, 2013). It should also be noted that cohesion policy is a key EU financial instrument for supporting regional development. Its effectiveness is the subject of active academic research (Barca, 2009). Furthermore, empirical evaluations of the impact of structural funds demonstrate their favourable influence on regional growth, particularly in Central and Eastern European countries (Becker, Egger & von Ehrlich, 2010). Further research has confirmed the long-term impact of EU funds on economic convergence (Crescenzi & Giua, 2020).

Economic and legal co-operation is considered as a system of interaction that includes:

- Regulatory harmonisation;
- financial transfers;
- programmatic participation in EU initiatives;
- institutional partnership.

The economic aspect of the interaction between Ukraine's regions and the EU is implemented through several groups of instruments. The most common mechanism is regions participating in the Interreg and European Neighbourhood Instrument programmes. These programmes aim to develop infrastructure, environmental initiatives, digitalisation and support small and medium-sized businesses.

In 2014–2023, the most active regions of Ukraine in cross-border programmes were Lviv, Zakarpattia, Volyn, and Chernivtsi regions.

Credit and investment instruments provided by:

- European Investment Bank
- European Bank for Reconstruction and Development

These institutions finance municipal infrastructure projects and the modernisation of energy, water and public transport systems. International technical

assistance plays a significant role in enhancing communities' administrative capacity and digitising governance.

The results of the empirical analysis indicate a statistically significant relationship between fiscal decentralisation processes and the pace of economic development in Ukraine's regions during the study period. This suggests that transferring financial powers to local authorities generally increases economic activity at regional level.

The results are consistent with those of previous empirical studies, particularly the World Bank analysis based on data from Ukraine's State Statistics Service, which demonstrates the presence of β -convergence between regions between 2004 and 2016. During this period, regions with a lower initial level of GRP per capita were characterised by higher rates of economic growth. The average annual convergence rate was approximately 2.3%, increasing to 3.8% when the capital was excluded, indicating a partial levelling of interregional disparities (World Bank, 2018).

The analysis shows that the key factor in the positive impact of decentralisation is an increase in local budgets' share of their own revenues, since financial autonomy creates incentives for local governments to attract investment more actively, develop the local economy, and use budget resources more efficiently. At the same time, the results suggest that decentralisation is not a universal tool for economic growth. Its effectiveness depends on the institutional capacity of regions, including the quality of governance, the transparency of budget processes, and the development of administrative practices. In particular, the effect of decentralisation is much stronger in regions with higher indicators of institutional quality, which confirms the assumption that transferring financial resources without proper management mechanisms may not only fail to produce a positive result, but also lead to the inefficient use of budget funds.

The study also found that integration into European institutions and participation in international technical assistance programmes positively impact the economic development of regions. Such mechanisms contribute to raising governance standards, developing strategic planning, and attracting investment in regional infrastructure. It is important that the effects of European integration are not only manifested through direct funding, but also through institutional pressure to improve the public administration system. In the long term, this creates a more favourable environment for economic development. At the same time, the results reveal significant regional disparities in the impact of decentralisation, with some regions experiencing notably higher growth rates than others. This suggests the presence of structural constraints, including sectoral specialisation, demographic trends, and geographical location.

Additionally, it was found that military events after 2022 had a significant impact on the economic dynamics of the regions. This was characterised by a decrease in growth rates in front-line regions and a simultaneous increase in economic activity in relatively safe regions. This complicates the overall picture of regional convergence. Nevertheless, the general trend towards an increased role for local budgets in the financial system persists, even when the military factor is taken into account. This indicates the institutional stability of the decentralisation reform and its ability to adapt to crisis conditions. Another important finding is that decentralisation fosters competition between regions, prompting local governments to implement innovative management strategies and improve resource efficiency to attract businesses and residents. In summary, it can be argued that fiscal decentralisation in Ukraine has a positive, albeit conditional, impact on regional economic development, as its effectiveness is determined by more than just the volume of financial resources transferred. Other factors include the quality of the institutional environment, the level of integration into European mechanisms, and the regions' ability to utilise new opportunities for sustainable development.

Convergence processes in Ukraine are uneven and asymmetric, as confirmed by national and international statistical and analytical studies. This is largely due to the high territorial concentration of economic activity in the capital, which acts as a statistical "outlier" in the regional distribution of gross domestic product. According to the State Statistics Service of Ukraine and World Bank analysts, Kyiv generates 23–25% of the country's GDP, concentrating a disproportionate share of foreign direct investment and financial resources. This significantly affects the assessment of regional convergence, potentially underestimating the speed of equalisation between regions (World Bank, 2018; State Statistics Service of Ukraine, 2021). Additionally, it should be noted that the military factor has significantly transformed the spatial economic structure of the country since 2014, especially following the full-scale invasion in 2022. The industrially developed eastern regions, particularly the Donetsk and Luhansk regions, have suffered significant losses in production potential and infrastructure. Meanwhile, the western and central regions have experienced a relative increase in economic activity due to the internal relocation of businesses and populations. This has further exacerbated regional disparities (OECD, 2022; World Bank, 2023).

In addition, statistical data indicates that economic potential is highly concentrated in a relatively small number of regions. According to international research estimates, approximately six of Ukraine's most economically developed regions generate around 60% of its gross domestic product. This suggests the

existence of deep structural disparities related to sectoral specialisation, the historical development of industrialisation, and varying levels of integration into global economic value chains (World Bank, 2018; Rodríguez-Pose & Ketterer, 2020). Taken together, this means that Ukraine is experiencing two interrelated processes: β -convergence, manifested by higher growth rates in less developed regions; and the preservation of a high level of spatial concentration of economic activity. This forms a complex, multidimensional model of regional development that must be considered when interpreting econometric results and developing economic and legal co-operation policies with the European Union.

The experience of Poland

As an EU Member State, Poland demonstrates effective implementation of local government standards following the 1999 administrative reform. Comparative studies confirm that regions' participation in EU programmes correlates with growth in their own revenues and investment attractiveness.

Poland is widely regarded as one of the most successful examples of EU funding being used for regional development (Gorzelać, 2016). An analysis of financial decentralisation in Poland reveals that significant changes occurred in the structure of local government revenues, particularly at the commune level, after the country joined the European Union in 2004. According to Paweł Swianiewicz's (2010) research, integration into European institutions was accompanied by a gradual strengthening of local budgetary autonomy, as evidenced by an increase in the proportion of own revenues within the total commune revenue structure.

This growth was driven by several interrelated factors. Firstly, the institutional reform of local government, which was initiated in the late 1990s, created a multi-level system of territorial administration that included communes, counties and voivodeships. This model enabled a clearer delineation of competences between levels of government, with communes being assigned a significant proportion of public service provision functions, including those relating to local infrastructure, education, housing, and social services.

Secondly, as part of its preparations for European Union membership, Poland adapted its budget and tax legislation to align with European standards of financial management. This increased the transparency of local finances and expanded the tax base of local governments. Notably, communes gained stable sources of revenue, including local property taxes, a share of personal income tax, and revenues from communal property.

Thirdly, the use of regional development financing mechanisms related to the European Union's cohesion policy was an important factor in strengthening financial autonomy. Access to EU

structural and investment funds encouraged local governments to expand their administrative capacity, develop strategic planning and enhance budget resource management systems.

These transformations resulted in a gradual increase in the proportion of own revenues in commune budgets, indicating strengthened fiscal decentralisation and increased financial independence for local governments. According to Swianiewicz (2010), it was the combination of institutional reform, European integration, and the expansion of financial powers that was key to forming a more autonomous and effective system of local finances in Poland.

Poland became one of the largest recipients of structural funds after joining the EU in 2004. The 1999 reform of the administrative-territorial structure created a three-tier system: commune–county–province.

The participation of Polish regions in EU cohesion policy has contributed to:

- Growth in the share of own income;
- increasing investment activity;
- reducing interregional differentiation.

A comparative analysis shows that the Ukrainian model of decentralisation is moving towards the Polish model, but Ukrainian regions still have a lower level of financial autonomy. A comparison with Poland reveals that long-term participation in cohesion policy strengthens local budgets structurally.

5. Conclusions

Summarising the results of the study, it should be noted that economic and legal co-operation between Ukraine and the European Union is an important factor in transforming the local government system and strengthening the financial autonomy of regions. This is because integration into the European institutional space contributes to harmonising the regulatory framework and forming new budget management mechanisms based on transparency, accountability, and the effective allocation of resources. At the same time, the results of the empirical analysis confirm the presence of a statistically significant relationship between fiscal decentralisation processes and regional economic development. This indicates the positive impact of transferring financial powers to the local

level, provided the relevant authorities have adequate institutional capacity.

At the same time, it has been established that the effectiveness of decentralisation depends on a number of factors, including the quality of the institutional environment, the level of administrative capacity, and the ability of regions to adapt to new management challenges. This is because redistributing financial resources alone does not guarantee sustainable economic growth without proper control mechanisms, strategic planning, and appropriate staffing. Participation in European Union programmes is also particularly important, as it improves the quality of public administration, stimulates the implementation of European standards, and attracts additional investment in regional infrastructure development.

In addition, the results of the study confirm the simultaneous occurrence of regional convergence and economic concentration. This is evident in the higher growth rates of less developed regions, alongside the continued presence of a significant proportion of economic activity in the most developed centres, primarily in Kyiv and a few other industrially powerful regions. This creates a complex and heterogeneous model of spatial development. Additionally, it was found that military events had a significant impact on regional economic dynamics, exacerbating disparities between territories and complicating equalisation processes. This must be taken into account when formulating state regional policy and evaluating the outcomes of economic reforms.

A comparative analysis of Poland's experience allows the conclusion that long-term participation in the European Union's cohesion policy, combined with consistent institutional reform and the expansion of local government financial powers, contributes to the formation of a more sustainable and effective local finance system. This confirms the expediency of further deepening European integration processes in Ukraine. In this context, the key areas for further development should be improving multi-level governance mechanisms and expanding regions' access to EU financial instruments. Increasing the institutional capacity of local authorities should also be a priority. These measures will strengthen regions' economic independence and ensure their sustainable development in the context of European integration.

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