

# LOCAL SELF-GOVERNMENT AND HUMAN RIGHTS: FINANCIAL AND LEGAL MECHANISMS FOR SUSTAINABLE DEVELOPMENT

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**Abstract.** The decentralisation of public administration in Ukraine is a fundamental component of the country's administrative and municipal reforms. The primary objective of the programme is to strengthen local self-government and enhance the economic sustainability of local authorities. Nevertheless, the ongoing war and persistent financial constraints have placed considerable strain on the capacity of these bodies to operate effectively. In order to ensure the resilience and functionality of local self-government, it is essential to advance fiscal decentralisation, improve the legal and regulatory framework, and adopt human rights-based approaches in local self-government. The present study explores the financial and legal mechanisms that underpin sustainable local self-government, with particular emphasis on budgetary autonomy, public financial management, and the role of international co-operation and assistance. This research employs a dual-pronged approach, integrating legal and economic analysis to scrutinise Ukrainian legislation and identify optimal practices. The focus of this text is twofold: firstly, to examine the role of local self-government bodies in upholding human rights; and secondly, to explore how these bodies manage financial limitations and implement sustainable development strategies in the context of the Sustainable Development Goals (SDGs). The findings indicate that, despite the evident increase in autonomy granted to subnational authorities by decentralisation, ongoing financial reliance on external sources and the repercussions of martial law continue to pose considerable challenges. The study emphasises the significance of effective financial administration, transparent budgeting policies, and the implementation of innovative financial instruments as pivotal factors in consolidating local self-government in Ukraine. The report offers practical recommendations for policymakers and local self-government bodies, including the diversification of financial resources, enhanced transparency, and strengthened institutional capacity. The research also emphasises the importance of international partnerships and the promotion of local and regional economic development as fundamental conditions for the establishment of sustainable self-government. These conclusions contribute to broader debates on decentralisation, public administration and sustainable development, and provide concrete proposals for Ukraine's post-war recovery and long-term resilience.

**Keywords:** local self-government, municipal governance, local and regional authorities, regional authorities, public finance, decentralisation, good governance, economic sustainability, human rights, sustainable development, sustainable development goals (SDGs).

**JEL Classification:** K30, K38

## 1. Introduction

In Ukraine, decentralisation represents a substantial political reform and a mechanism for enhancing the protection of human rights alongside the empowerment of local self-government. In the context of the nation's

shift from a centralised administrative model to a more decentralised system, local self-government bodies have assumed a pivotal role in the delivery of essential public services, the maintenance of economic stability, and the promotion of human rights. However,

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the introduction of martial law has had a disruptive effect on the decentralisation process, creating new challenges for local self-government bodies that are now expected to manage crisis conditions without fully developed financial and legal autonomy. In this context, the establishment of a sustainable legal framework and the adoption of innovative financial strategies are imperative to support long-term local development, ensure equitable access to public services, and reinforce social cohesion.

The *present article explores* the intersection of local self-government, economic sustainability, and human rights, with a focus on the financial and legal mechanisms that enable local self-government bodies to operate effectively. The study explores the capacity of these entities to address financial constraints, implement the Sustainable Development Goals (SDGs), and fulfil human rights obligations within a decentralised model of public administration. It is imperative to emphasise that particular attention is given to best practices in these areas. The article provides an overarching analysis of the interaction between financial autonomy, legal frameworks and the protection of human rights in shaping the future of local self-government in Ukraine. The text emphasises the importance of a human rights-based approach and offers policy recommendations with the aim of strengthening local governments. These findings contribute to the broader debate on governance, decentralisation and sustainable community development, and provide guidance for policy makers, researchers and practitioners involved in rebuilding Ukraine's wartime local government system to make it more resilient and able to respond to current and future challenges.

The *methodology* employed in this study is predicated on critical analysis of national legal texts, evaluated in relation to international standards established by the Council of Europe. This approach facilitates a comparative examination of the legal foundations and economic mechanisms that support effective public administration, with particular attention to their alignment with democratic governance and human rights principles.

## **2. Local Self-Government as a Pillar of Democracy and Human Rights**

Local self-government plays a fundamental role in the protection of human rights by ensuring that citizens have access to essential public services and a meaningful voice in local decision-making. Local self-government bodies represent the primary governmental institution closest to the population. Consequently, they frequently function as the initial point of contact between citizens and the state, addressing critical issues such as housing, healthcare, education, and social welfare. The subjects' geographical

proximity to hromada (community) facilitates a more effective response to local needs, as well as the design and implementation of policies that are tailored to the specific socio-economic context of each region.

In Ukraine, the right to local self-government is enshrined in the Constitution and recognised as a core element of democratic governance. According to Article 140 of the 1996 Constitution, local self-government is defined as the right of a hromada, which comprises residents of a village or a voluntary association of residents of several villages, towns or cities, to independently resolve matters of local significance within the limits established by the Constitution and national legislation. Article 142 delineates the material and financial foundations of local self-government. It stipulates that the basis of local self-government comprises movable and immovable property, revenues from local budgets, other financial resources, land and natural resources owned by the hromada, as well as jointly owned assets managed by district and oblast councils. Article 143 specifies the scope of the competence of local self-government bodies. According to the *Constitution of Ukraine (1996)*, hromadas either directly or through the local self-government bodies they establish manage communal property, approve and oversee socio-economic and cultural development programmes, adopt local budgets and monitor their implementation. These constitutional provisions form the legal foundation for the functioning of local self-government in Ukraine. These institutions are indispensable for the realisation and protection of human rights at the local level, and for the advancement of sustainable development in accordance with international democratic standards.

These constitutional provisions are further elaborated in Ukraine's domestic legislation, primarily in the Law of Ukraine "On Local Self-Government in Ukraine" (*The Law of Ukraine "On Local Self-Government in Ukraine"*, 1997). In accordance with Article 25 of the aforementioned legislation, local and regional councils are granted the authority to address and resolve issues that have been delegated to them by the Constitution and other legislative instruments. The extensive range of competencies possessed by local self-government bodies is instrumental in their capacity to serve as primary custodians of human rights at the local and regional levels. This responsibility is paramount in ensuring that policy decisions are aligned with the distinct requirements and priorities of their respective hromadas. By exercising these general powers, local self-government bodies are able to implement measures that promote social inclusion, protect vulnerable populations, and improve access to essential public services such as healthcare, education, and housing. Consequently, the remit of local

self-government extends "beyond administrative functions" (Drozd, 2021), actively contributing to the protection of citizens' rights and overall well-being.

Furthermore, Article 26 of the aforementioned Law explicitly grants local self-government bodies the exclusive authority to adopt socio-economic and cultural development programmes for their respective administrative-territorial units. These programmes exert a direct influence on the realisation of fundamental rights, as well as the sustainable development of the localities concerned, by establishing strategies for public welfare, infrastructure investment, and social protection at the local level.

Since 2024, local self-government bodies in Ukraine have been granted the right to participate in European territorial co-operation agreements, as stipulated in Article 26, paragraph 21-2 of the same Law. This provision enables local self-government bodies to align their governance practices with international human rights standards and the Sustainable Development Goals (SDGs). It is evident that such mechanisms enable local self-government bodies to reinforce democracy and good governance, whilst concomitantly promoting the integration of human rights principles and the SDG agenda into public administration at the grassroots level.

However, Ukrainian local self-government bodies require an appropriate legal framework and adequate financial resources to fully exercise these functions. These are essential to empower them to act autonomously while remaining accountable to the relevant hromada. Without a clearly defined framework for protecting human rights and supporting sustainable development at a local level, decentralisation risks becoming nothing more than the redistribution of administrative responsibilities, rather than serving as a genuine tool for strengthening democracy and advancing social resilience.

### **3. Challenges and Opportunities in Public Finance for Local Self-Government Bodies**

A significant challenge confronting local self-government bodies in Ukraine pertains to the absence of a stable financial and material foundation that is conducive to their effective operation. This predicament predates the onset of hostilities and has since been compounded. In accordance with Article 16 of the Law of Ukraine "On Local Self-Government in Ukraine", the financial provision for local self-government bodies is derived from a combination of immovable and movable property, revenues from local budgets, and community-owned resources, including land and natural assets. However, despite this legal framework, "many local and regional authorities face budgetary constraints, limited fiscal autonomy and overreliance

on state transfers" (Borysenko, 2022). These financial limitations significantly hinder the ability of local self-government bodies to implement development programmes independently, deliver quality public services and respond to urgent social needs. The situation has become even more acute during wartime, as reconstruction of damaged infrastructure requires substantial resources and internal migration, driven by the search for safety, has placed additional strain on hromada budgets in relatively secure regions.

In this context, it is vital to strengthen fiscal decentralisation and enhance local revenue-generation mechanisms in order to empower local self-government bodies. These measures are critical not only for restoring post-war resilience but also for ensuring that these bodies can fulfil their legal and social responsibilities effectively and autonomously.

In response to the financial pressures caused by the ongoing conflict, Ukraine has undertaken a series of fiscal reforms. The aim of these reforms is twofold: firstly, to strengthen local self-government and secondly, to improve revenue generation. A fundamental component of these endeavours, as acknowledged by the European Commission, is the implementation of the "National Revenue Strategy 2024–2030", which was endorsed in December 2023. The Strategy is centred on three key pillars: the enhancement of tax collection, the alignment of national tax legislation with European Union standards, and the modernisation of IT infrastructure with a view to enhancing the efficiency of tax administration. The overarching objective of the initiative is to enhance the financial autonomy of local self-government entities, thereby empowering them to respond more efficiently to the evolving requirements of their respective communities during this period of crisis (European Commission, 2024). The strategy has been recognised as one of the country's most effective practices in the area of fiscal decentralisation.

Another significant initiative is the implementation of *Prozorro.Sale*, an online auction platform designed to facilitate the transparent and efficient sale and lease of public assets. By ensuring open access and fair competition, *Prozorro.Sale* has significantly enhanced the capacity of local self-government bodies to generate additional revenue. As of March 2025, electronic auctions conducted via the *Prozorro.Sale* platform had contributed over 3.5 billion USD (approximately 107 billion UAH) to the budgets of public bodies at various levels, clearly demonstrating the platform's effectiveness in promoting fiscal transparency, boosting local budgets and supporting decentralised governance.

In order to address the immediate fiscal requirements of the nation during the war, Ukraine implemented a series of tax reforms in late 2024. These reforms encompassed an escalation in the personal income



tax, designated as the "war tax", from 1.5% to 5%, in addition to an augmentation in the taxation on commercial bank profits to 50%. It is anticipated that these measures will yield approximately 140 billion UAH (3.4 billion USD) in additional revenue in the subsequent fiscal year, thereby providing essential financial support for defence and reconstruction initiatives. These initiatives are indicative of Ukraine's commitment to the enhancement of fiscal decentralisation and the augmentation of the financial autonomy of local self-government bodies (Reuters, 2024), thus enabling them to more effectively serve the relevant hromada during this challenging period.

At the same time, local self-government bodies have significant opportunities to optimise their financial management and expand their revenue base (Sokolova, 2021). Ukrainian financial legislation recognises direct sources of revenue for local self-government, as well as communal ownership of land and natural resources. These can be leveraged for economic development and sustainable investment. Public-private partnerships, local taxation policies and the effective management of local government assets can also strengthen financial stability.

Furthermore, enhancing financial transparency and accountability mechanisms can ensure efficient resource allocation, reduce the risk of corruption, and build trust in local self-government bodies. In this context, it is imperative for these bodies to enhance their institutional capacity and adopt optimal financial management practices. This will be crucial for them to surmount fiscal challenges and assume a more substantial role in sustainable regional development, thereby complementing the nation's endeavours to accomplish the SDGs.

The enhancement of fiscal decentralisation necessitates not only the establishment of mechanisms for revenue generation but also the delineation of explicit expenditure responsibilities. According to Bird and Smart (2002), an effective fiscal decentralisation system ensures that local self-government bodies have both the resources and the authority to make decisions regarding the provision of public services. In Ukraine, the reconciliation of local fiscal autonomy with expenditure obligations is a challenging task, particularly due to the financial pressures caused by the ongoing war and internal displacement. The relevant theory (Oates, 1999) posits that local self-government bodies are best positioned to deliver public services efficiently, provided they are endowed with adequate financial resources and decision-making authority. Consequently, enhancing the intergovernmental fiscal transfer system and ensuring a balance between local taxation powers and national redistribution mechanisms will be essential to maintain the financial sustainability of local self-government.

In order to enhance financial resilience at the local and regional levels, it is essential to implement improved financial planning and risk management strategies. Research on municipal financial sustainability (Martinez-Vazquez & Timofeev, 2010) emphasises the significance of medium-term budget frameworks and multi-year investment planning to ensure stability during periods of economic uncertainty. In Ukraine, improving local and regional financial forecasting and incorporating performance-based budgeting practices could help local self-government authorities to optimise resource allocation and enhance service delivery. Furthermore, adopting international public financial management standards, such as those recommended by the International Monetary Fund and the Organisation for Economic Co-operation and Development, can strengthen transparency and accountability. This will ultimately contribute to the long-term sustainability of fiscal decentralisation reforms. These organisations could assist Ukrainian local self-government bodies with resources (not just financial, but also human resources, including specialists and training).

#### 4. Best Practices in Sustainable Development at the Local and Region Level

In the context of the Ukraine war, local self-government bodies have been shown to play a crucial role in promoting sustainable development at both the local and regional levels. Since 2024, Article 26 of the Law of Ukraine "On Local Self-Government in Ukraine" has endowed village, settlement, and city councils with exclusive competencies. These include the approval of local plans with the aim of reducing anthropogenic greenhouse gas emissions and enhancing climate change adaptation strategies (The Law of Ukraine "On Local Self-Government in Ukraine", 1997). A notable example of local self-government's commitment to sustainability is the co-operation between Ukrainian and Polish local self-government bodies, facilitated by the Solidarity Fund PL (SFPL) in partnership with U-LEAD with Europe. This initiative has been developed to strengthen the capacity of Ukrainian local self-government bodies through targeted programmes, to foster international co-operation, and to share best practices in local self-government (Decentralisation.gov.ua, 2024). Such collaborations are imperative for enhancing institutional capacity and fostering sustainable development at both the local and regional levels.

Furthermore, Ukrainian cities are increasingly adopting all-encompassing food security strategies that address every stage, from cultivation to waste management. These policies cover production, packaging, transport, processing, distribution, sales, consumption and food waste management. The aim is

to create resilient local food systems (*Decentralisation.gov.ua*, 2023). Embracing such holistic approaches improves the sustainability of hromada and ensures the well-being of its residents.

The implementation of the Law of Ukraine "On the Basic Principles of State Climate Policy" serves to further consolidate Ukraine's dedication to sustainability. The law establishes a target of achieving climate neutrality by 2050 through a socially equitable and economically efficient transition. The strategy provides a framework for low-carbon and sustainable development, with a focus on environmental, food, and energy security (*Ukraine's strategy*, 2024). Local self-government bodies play an instrumental role in achieving these national goals by implementing local and regional strategies that align with the provisions of the law. In order to effectively implement these initiatives, local self-government bodies must prioritise capacity building, stakeholder engagement, and the integration of sustainable practices into urban planning. By leveraging legal frameworks, fostering international co-operation, and adopting comprehensive local and regional strategies, Ukrainian local self-government bodies can advance sustainable development, enhance resilience, and contribute significantly to both national and global sustainability goals.

Another critical aspect of sustainable community development is the promotion of resilience to environmental challenges. Local self-government bodies are increasingly incorporating climate adaptation strategies into their governance frameworks, in accordance with this Law. These strategies encompass the implementation of local and regional plans for the reduction of greenhouse gas emissions, the promotion of renewable energy projects, and the adoption of nature-based solutions for the purpose of environmental protection. The cities of Lviv and Vinnytsia have set an example by introducing green infrastructure projects, such as urban reforestation and sustainable water management systems. By integrating environmental policies into local and regional development plans, local self-government bodies contribute not only to national climate targets but also to global sustainability efforts, as outlined in the UN Sustainable Development Goals.

In conclusion, the role of local self-government bodies in sustainable development extends beyond infrastructure and economic growth to encompass environmental management and long-term resilience planning. The decentralisation reform in Ukraine has engendered novel opportunities for local self-government bodies to implement policies tailored to regional and hromada-specific needs. Nevertheless, it is imperative that these opportunities are further supported through sustained financial investment, robust legal frameworks, and knowledge-sharing initiatives.

Through collaborative governance, inter-municipal co-operation, and international partnerships, Ukrainian local and regional authorities can assume a leading role in fostering sustainable, inclusive, and climate-smart development in the post-war reconstruction process.

## 5. Conclusions

The decentralisation of public administration in Ukraine has had a profound impact on local self-government, empowering local self-government bodies to play a more active role in decision-making and public administration. Nevertheless, the ongoing war and the associated financial constraints present significant challenges to the effective implementation of human rights protection and sustainable development projects at the local and regional levels. This study has highlighted that achieving sustainable development and ensuring the protection of human rights requires a multifaceted approach that integrates both economic and legal strategies.

In the future, it is imperative for Ukraine to enhance international collaboration, augment financial autonomy at the local and regional levels, and incorporate human rights considerations into the routine operations of local self-government entities. These steps are essential not only for building resilience but also for ensuring the long-term sustainability of the decentralisation process.

In order to facilitate such reconstruction and modernisation, policymakers may wish to consider the promotion of local and regional economic development, with a view to securing diverse funding sources and utilising international expertise. In particular, the development of robust financial management systems, the expansion of local tax bases, and the establishment of stronger links with global sustainability networks will enable local self-government bodies to better serve their hromada.

Furthermore, the integration of human rights into governance frameworks should be prioritised. This includes addressing issues such as access to essential services, environmental justice, and the protection of vulnerable groups in post-war reconstruction efforts. The incorporation of these considerations is likely to enhance the efficacy of the local self-government framework, whilst concomitantly ensuring that development efforts are inclusive and equitable.

These measures are intended to facilitate the post-war reconstruction process, whilst concomitantly contributing to the broader objectives of decentralisation and sustainable development. The successful implementation of these strategies will position Ukraine's local self-government bodies as important drivers of both national and global sustainability goals, fostering a more resilient, inclusive, and climate-conscious future.

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