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The balance between unification and adaptation in legislative harmonisation: A case study of institutional support for the budget process at the local level

Illia Diedushev

Postgraduate Student

National Academy of Internal Affairs

03035, 1 Solomjanska Sq., Kyiv, Ukraine

<https://orcid.org/0009-0005-6836-397X>

Nadiia Morhun*

PhD in Law, Associate Professor

National Academy of Internal Affairs

03035, 1 Solomjanska Sq., Kyiv, Ukraine

<https://orcid.org/0000-0002-2997-9975>

Abstract

In today's globalised world, the issue of legislative harmonisation has gained particular relevance, especially in the context of institutional support for the budget process at the local level. The aim of this study was to determine the optimal balance between unification and adaptation in the process of legislative harmonisation concerning the institutional framework of the local budget process. To achieve this objective, a comprehensive research methodology was employed, including comparative legal analysis, historical-legal method, formal-legal method, as well as systemic, institutional, and functional analysis of the regulatory frameworks of Central and Eastern European countries. The study revealed that the Polish and Estonian approaches demonstrate an effective model of balancing standardisation with localisation, whereby general principles of the budget process are established while preserving flexibility for municipalities. It was established that institutional coordination mechanisms, particularly advisory councils and specialised committees involving representatives from various levels of government, play a key role in achieving this balance. A comprehensive approach to legislative harmonisation was proposed, combining centralised guidance with decentralised implementation, ensuring both adherence to general principles and consideration of local specificities. Key institutional challenges in harmonisation were identified, including insufficient professional training of financial department staff and limited technical capacity in Ukraine and Serbia compared to Poland and Estonia. The necessity of enhancing the institutional capacity of local self-government bodies was substantiated through the introduction of mandatory professional development programmes, improving the regulatory framework by eliminating contradictions between declared local budget autonomy and actual restrictions, and strengthening coordination between national and local levels through specialised mechanisms such as

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*Corresponding author



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Poland's Joint Commission. The findings of this study can be utilised in developing legislative harmonisation strategies for countries pursuing European integration and in refining existing mechanisms for coordinating the budget process across different levels of government

Keywords:

self-government; legal regulation; fiscal decentralisation; European integration processes; medium-term planning

Introduction

Contemporary processes of globalisation and regional integration present new challenges for national legal systems, particularly in the context of improving institutional support for the budget process. Legislative harmonisation serves as a key instrument for ensuring coherence among legal norms across different jurisdictions, thereby facilitating more effective interaction between subjects of international relations. However, legislative harmonisation is not a uniform process and requires striking an optimal balance between the unification of legal norms and their adaptation to national and regional specificities.

The issue of finding an optimal balance between unification and adaptation has gained particular relevance in the context of contemporary global challenges and institutional transformations. The analysis and development of theoretical foundations for legislative harmonisation and unification in the context of regional integration have been explored in studies by T. Nurmatov (2022) and a group of scholars led by N. Parkhomenko (2024). These works contribute to an understanding of legislative harmonisation processes, identifying key challenges and obstacles. T. Nurmatov's (2022) definition of harmonisation as a coordinated policy of legal regulation, along with N. Parkhomenko *et al.* (2024) analysis of the specificities and problematic aspects of EU law implementation into national legislation, enhances the comprehension of harmonisation processes. R. Ghetti (2018) focuses on harmonisation as a process aimed at reducing legal diversity between jurisdictions but overlooks the specific context of local budgets and the need for adaptation to national particularities.

Modern scholarly literature contains a significant number of studies addressing various aspects of legislative harmonisation and institutional support for the budget process. Particular attention should be paid to works examining the institutional foundations of budget planning within the system of macroeconomic regulation. A thorough analysis of this issue is presented in the study by I. Chugunov & I. Liubchak (2023), who emphasise the importance of adapting the institutional environment to social and economic changes. By comprehensively analysing the essence of the institutional environment of budget planning and elucidating the content of the budget institution and the institution of budgetary policy, the authors establish a theoretical foundation for systematising conceptual approaches to studying the institutional framework of the budget process.

An important contribution to the development of theoretical foundations in this field is made by studies identifying factors influencing the capacity of local authorities to implement adaptation measures. A significant contribution to understanding these issues was made by N. Rogers *et al.* (2023), who in their study identified two key factors: authority and adaptive capacity. The value of their approach lies in identifying key institutional barriers to municipal adaptation, among which the lack of support from elected local self-government leaders occupies a prominent place. Such analysis allows for a deeper understanding of institutional challenges in implementing changes at the local level and outlines potential solutions in other contexts, particularly in the realm of budget process support. These findings are complemented by the conclusions of A. Sáez-Martín *et al.* (2021), who, examining factors influencing the level of institutional support for legislative implementation at the local level, demonstrated that indicators such as municipal size, budget surplus, and political support have a positive impact on institutional backing for local legislative implementation.

Substantial scholarly interest lies in research examining relevant legislative changes in the implementation of local budgets. In this context, the conclusions drawn by A. Harbinska-Rudenko *et al.* (2022) are particularly significant, as they emphasise the importance of streamlining regulatory acts to ensure prompt responses to the needs of territorial communities. By investigating the principles of efficient, proper, and continuous implementation of local budgets and analysing regulatory changes in this sphere, the authors have made a substantial contribution to understanding adaptive mechanisms in the local budget process.

Empirical evidence underscoring the importance of regional strategic governance in implementing adaptive measures at the municipal level is presented in the study by N. Bonnett & S. Birchall (2022). The authors' analysis, based on the case of local authorities in British Columbia (Canada), not only established the critical role of regional leadership in initiating adaptive measures but also identified limitations in their practical implementation due to the absence of detailed, evidence-based policies. The value of this research lies in its emphasis on the importance of collaboration and leveraging the strengths of different governance levels to overcome adaptation barriers.

Despite the substantial body of scholarly work dedicated to the theoretical foundations of legislative harmonisation and institutional questions concerning the adaptive capacity of regional authorities to regulatory challenges, the issue of institutional support for the local budget process remains under-researched. Particularly relevant is the analysis of the specificities of legislative harmonisation in the context of decentralisation and the growing role of local budgets in ensuring the socio-economic development of territories. Therefore, the objective of this study was to identify approaches that would ensure an optimal balance between unification and adaptation in the process of harmonising legislation concerning the institutional framework of the local budget process. To achieve this objective, the following tasks were defined:

- 1) elucidate the theoretical and methodological foundations of legislative harmonisation and examine conceptual approaches to the interplay between the processes of unification and adaptation of legal norms;
- 2) analyse international experience in balancing standardisation and localisation in the legal regulation of the budget process;
- 3) develop recommendations for improving the institutional framework of the local budget process, taking into account the optimal balance between the unification and adaptation of legal norms.

Materials and Methods

The methodology of this study was based on a comprehensive, multi-level approach to examining the processes of legislative harmonisation concerning the institutional framework of the local budget process. The selected methodology enabled the identification of patterns, specificities, and problematic aspects in achieving a balance between the unification of legal norms in accordance with EU requirements and their adaptation to the national contexts of different countries. The foundational basis of the research was the analysis of the regulatory framework, which consists of two primary levels: supranational (EU legislation) and national (legislation of Poland, Estonia, Croatia, Ukraine, Georgia, and Serbia).

The analysis of the supranational level involved the examination of key EU directives and regulations

that establish the fundamental requirements for budgetary processes at all levels, including the local level. In particular, the following were subjected to detailed analysis: Council Directive No. 2011/85/EU "On Requirements for Budgetary Frameworks of the Member States"¹, which sets out the core principles of budgetary planning, reporting, and control, including fiscal discipline requirements for subnational authorities; Regulation No. 473/2013 "On Common Provisions for Monitoring and Assessing Draft Budgetary Plans"², which strengthens coordination mechanisms between national and local levels of budgetary planning; Regulations of the European Structural and Investment Funds 2014-2020³, which define the rules for financial support for regional and local development and include requirements for the preparation and implementation of regional programmes; Regulation No. 2021/241⁴, which introduces new fiscal sustainability requirements, including provisions for local budgets in the post-crisis recovery context. The study of these documents allows for the determination of the rigidity of EU requirements for local budgetary processes and the degree of flexibility retained by Member States and candidate countries for adaptation.

At the national legislative level, the regulatory acts of the selected countries governing budgetary processes at the local level were analysed. The examination of these documents enabled the tracing of the evolution of legal norms in the harmonisation process and the identification of national adaptation peculiarities. For a comprehensive analysis of the legislative harmonisation processes regarding the institutional framework of the budgetary process at the local level, the regulatory frameworks of six countries were examined, each representing a distinct harmonisation experience. Poland was considered as an example of successful harmonisation through the analysis of three key laws: Public Finance Act of Poland⁵, which establishes the general framework of the budgetary process, including the local level; the Local Government Revenue Act of Poland⁶, regulating the financial basis of municipalities; and the Act on Commune Self-Government of Poland⁷, defining the institutional structure of local self-government. Estonia was studied as a model of innovative approaches

¹ Council Directive No. 2011/85/EU "On Requirements for Budgetary Frameworks of the Member States". (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

² Regulation of the European Parliament and of the Council No. 473/2013 "On Common Provisions for Monitoring and Assessing Draft Budgetary Plans and Ensuring the Correction of Excessive Deficit of the Member States in the Euro Area". (2013, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0473>.

³ Regulation of the European Parliament and of the Council No. 2021/1058 "On the European Regional Development Fund and on the Cohesion Fund". (2021, June). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1058>.

⁴ Regulation of the European Union No. 2021/241 "On the Recovery and Resilience Facility". (2021, February). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R0241>.

⁵ Public Finance Act of Poland. (2009, August). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20091571240/U/D20091240Lj.pdf>.

⁶ Law of Poland "On Local Government Revenue". (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

⁷ Law of Poland "On Commune Self-Government". (1990, March). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU19900160095/U/D19900095Lj.pdf>.

through the analysis of the Local Government Organisation Act of Estonia¹, which forms the institutional foundation of local self-government, and the Municipal and Urban Budget Act of Estonia², outlining the specifics of the budgetary process at the local level. Croatia was examined as an example of the most recent harmonisation based on three laws: the Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law"³, establishing general rules for the budgetary process; the "Local and Regional Self-Government Act"⁴, defining the competences of local authorities; and the Financing of Local and Regional Self-Government Units Act⁵, setting out financial mechanisms. Ukraine was analysed as a case of a country in the initial stage of harmonisation through the study of the Budget Code of Ukraine⁶, regulating the budgetary process at all levels; the Law of Ukraine No. 280/97-BP "On Local Self-Government in Ukraine"⁷, establishing the institutional framework; and the Law of Ukraine No. 907-IX "On Amendments to the Budget Code of Ukraine on Harmonisation of Budget Legislation in Connection with the Completion of Administrative and Territorial Reform"⁸, reflecting the adaptation process of budgetary legislation. Georgia was reviewed as an example of a country with a distinct starting point based on the analysis of the Local Self-Government Code⁹, comprehensively regulating the organisation and functioning of local self-government. Serbia was investigated as an example of a prolonged adaptation process through the analysis of the Law of Serbia "On Budget System"¹⁰, setting the general framework for the budgetary process; the Local Self-Government Act¹¹, defining institutional foundations; and the Law "On Local Self-Government Finance"¹², governing financial aspects.

To conduct the research, a comprehensive methodology involving six interrelated methods was applied. The comparative legal analysis identified common and

distinct features in the regulation of the budgetary process across different countries. The historical-legal method traced the evolution of legal regulation. The formal-legal method facilitated the analysis of the structure and content of normative acts. Systemic analysis allowed for the examination of the budgetary process as a complex system. Institutional analysis investigated the formal and informal institutions of the budgetary process. Functional analysis assessed the effectiveness of legal regulation.

Results and Discussion

Theoretical and methodological foundations of legislative harmonisation in local budgets in the context of European integration. The harmonisation of legislation in the field of local budgets is a complex and multifaceted process that requires thorough theoretical and methodological consideration, particularly in the context of European integration. Legislative harmonisation is not limited to the mere convergence of legal norms across different jurisdictions but entails the formation of a coherent legal regulatory system that ensures an optimal balance between unification and adaptation of norms. The first theoretical approach, which can be characterised as unificationist, envisages the maximum convergence and standardisation of legal norms across different jurisdictions. Among its advantages are the simplification of interstate interaction, ensuring legal certainty, the formation of uniform standards, and the facilitation of international cooperation. However, its drawbacks include the disregard for national specificities, potential reductions in regulatory effectiveness, possible resistance at the national level, and complications in adapting to local conditions.

The second approach, adaptationist, emphasises the necessity of accounting for national particularities and ensuring flexibility in legal regulation. This allows for better consideration of legal traditions, enhanced

¹ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

² Municipal and Urban Budget Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/530062014001/consolide/current>.

³ Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

⁴ Law of Croatia "On Local and Regional Self-Government Act". (2013, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2013_02_19_323.html.

⁵ Law of Croatia "On Financing of Local and Regional Self-Government Units". (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_12_2874.html.

⁶ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁷ Law of Ukraine No. 280/97-BP "On Local Self-Government in Ukraine". (1997, May). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-bp>.

⁸ Law of Ukraine No. 907-IX "On Amendments to the Budget Code of Ukraine on Harmonisation of Budget Legislation in Connection with the Completion of Administrative and Territorial Reform". (2020, September). Retrieved from <https://zakon.rada.gov.ua/laws/show/907-20>.

⁹ Local Self-Government Code of Georgia. (2014, February). Retrieved from <https://matsne.gov.ge/en/document/download/2244429/15/en/pdf>.

¹⁰ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

¹¹ Law of Serbia "On Local Self-Government". (2007, December). Retrieved from https://www.paragraf.rs/propisi/zakon_o_lokalnoj_samoupravi.html.

¹² Law of Serbia "On Local Self-Government Finance". (2006, April). Retrieved from https://www.paragraf.rs/propisi/zakon_o_finansiranju_lokalne_samouprave.html.

effectiveness in norm implementation, the preservation of legal diversity, and experimentation with various legal solutions. Nevertheless, it is associated with certain disadvantages, such as complicating interstate interaction, creating obstacles to integration processes, discrepancies in legal application, and the potential for circumventing international obligations.

Both approaches have advantages and disadvantages, necessitating the search for an optimal balance between them. The theoretical and methodological foundations of legal harmonisation are expanded by the concepts of synchronisation and facilitation. R.F. Pontoh *et al.* (2023) propose considering institutional linkages and the legislative formalisation of regional regulatory acts as a multidimensional process encompassing synchronisation, harmonisation, and facilitation, thereby creating an additional theoretical framework for analysing the balance between unification and adaptation. In the context of European integration processes, the harmonisation of legislation in the sphere of local budgets acquires particular significance, as local budgets constitute the financial foundation for addressing numerous socio-economic issues at the local level. S. Chikanayev (2023) characterises harmonisation as a theoretical basis for international and regional legal regulation, though his definition lacks specificity regarding local-level budgetary relations and fails to emphasise the balancing of unification with adaptation.

An important aspect of legislative harmonisation in local budgeting is its methodological framework. For instance, the Act on Local Government Revenue of Poland¹ in Articles 19-24, establishes a formula for calculating equalisation grants that accounts for the fiscal capacity of territories and demographic indicators. In contrast, the Budget Code of Ukraine² in Articles 97-108, provides a less differentiated mechanism based primarily on population size. The Estonian Local Government Organisation Act³ in Articles 35-38, grants municipalities the right to impose local taxes and fees, ensuring a higher degree of financial autonomy compared to Georgian legislation. A comparative analysis of regulatory acts across different countries reveals significant differences in the mechanisms governing budgetary

relations. The Polish and Estonian models demonstrate greater alignment with the principles of the European Charter of Local Self-Government⁴ and the EU *acquis*, particularly regarding fiscal autonomy and subsidiarity. Complex equalisation formulas incorporating multiple factors, as in the Polish model, create a fairer resource distribution system than simplified mechanisms based solely on population size. The right to impose local taxes, as provided by Estonian legislation, complies with the requirements of Directive No. 2011/85/EU⁵ concerning local authority autonomy and strengthens financial independence – a key element of effective local self-government in European practice.

A comparative analysis of statistical indicators of budgetary process efficiency, conducted using data from the International Monetary Fund (2023), demonstrated that countries with a higher degree of systemic integration in legislative acts exhibit better outcomes. In Estonia and Poland, local budgets account for 30-35% of total public expenditures, whereas in Serbia, this figure does not exceed 15%. The fiscal autonomy index of local self-government in Estonia is 0.72 (on a scale of 0 to 1), in Poland – 0.65, while in Ukraine – 0.43, and in Serbia – 0.38 (Alexandru & Guziejewska, 2023).

Institutional analysis of legislation has revealed that Estonia and Poland have established effective mechanisms for coordinating the budgetary process. In particular, Articles 61-63 of the Estonian Local Government Organisation Act⁶ provide for the establishment of an advisory council on local finances, comprising representatives of municipalities and the Ministry of Finance. The Act on Local Government Revenue of Poland⁷ in Articles 42-43 establishes a Joint Commission of the Government and Territorial Self-Government to coordinate budgetary policy. In contrast, the legislation of Ukraine and Serbia lacks such institutional coordination mechanisms (Gavkalova *et al.*, 2022). Furthermore, a systematic analysis of Ukraine's budgetary legislation has identified inconsistencies between the provisions of the Budget Code⁸ and the Law of Ukraine No. 280/97-BP "On Local Self-Government in Ukraine"⁹. For instance, Article 61 of the Law declares the autonomy of local budgets, whereas Articles 75-76 of the

¹ Law of Poland "On Local Government Revenue". (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

² Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

³ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁴ European Charter of Local Self-Government. (1985, October). Retrieved from <https://rm.coe.int/european-charter-for-local-self-government-english-version-pdf-a6-59-p/16807198a3>.

⁵ Council Directive No. 2011/85/EU "On Requirements for Budgetary Frameworks of the Member States". (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

⁶ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁷ Act on Local Government Revenue of Poland. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

⁸ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁹ Law of Ukraine No. 280/97-BP "On Local Self-Government in Ukraine". (1997, May). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-bp>.

Budget Code¹ impose strict limitations on the formulation and approval of local budgets. A similar conflict has been identified in the Georgian Local Self-Government Code², where Articles 94-97, regulating the budgetary process, contradict Article 165, which restricts local borrowing powers.

The Polish and Estonian approaches most comprehensively align with Directive No. 2011/85/EU³. The Estonian “Municipal and City Budgets Act”⁴ implemented requirements for medium-term budgetary planning (Articles 12-15) and transparency in the budgetary process (Articles 23-25). The Polish Public Finance Act⁵ (introduced fiscal rule mechanisms (Article 40) and reporting requirements (Articles 41-44). In Ukraine and Georgia, implementation has been limited to partial adoption of reporting requirements, without adequate provision for medium-term planning (Kanninen & Pekkola, 2023). Serbia and Croatia have introduced medium-term planning mechanisms (Articles 28-32 of Serbia’s Budget Law⁶ and Articles 33-35 of Croatia’s Budget Act⁷), but without ensuring sufficient transparency and accountability in the budgetary process (Harasymiv, 2023). Notably, in Serbia, where the Budget System Law⁸ enforces highly standardised budgetary procedures without accounting for local specificities, there is a low level of local self-government autonomy and insufficient efficiency in the budgetary process. Local budgets account for no more than 15% of total public expenditures, indicating limited fiscal decentralisation. By contrast, in Estonia and Poland, where legislation ensures a balance between standardisation and localisation, the budgetary process is significantly more effective. Estonia’s Local Government Organisation Act⁹ establishes general principles while allowing municipalities flexibility in adaptation.

A detailed analysis of Croatia’s budgetary legislation, particularly the Law of Croatia “On Financing of Local and Regional Self-Government Units”¹⁰, demonstrated a gradual shift from rigid unification towards a more balanced approach. The introduction of budgetary transparency provisions was accompanied by a 28% increase in citizen engagement in budgetary

processes and higher resident satisfaction rates. Comparative analysis of fiscal equalisation mechanisms revealed that systems with complex yet transparent formulae – combining standardised approaches with local considerations – deliver the highest efficiency. Poland’s Act¹¹ establishes a mechanism accounting for territorial fiscal capacity, demographic indicators, and socio-economic development levels, creating a transparent and predictable transfer system.

An institutional analysis of local self-government bodies in the studied countries, conducted by J.P. Kanninen & E. Pekkola (2023), found that the key factor in successful implementation is the institutional capacity of local authorities. However, researchers overlooked informal institutional practices, which often play no less significant a role than formal structures. This is particularly relevant in transition economies, where the gap between legislative norms and their practical implementation can be substantial. Poland and Estonia report a higher proportion of finance department specialists with relevant qualifications (over 70%) compared to other studied countries, where this figure does not exceed 50%. Technical support for the budgetary process also differs significantly: in Estonia and Poland, the vast majority of municipalities use integrated digital systems, whereas in Ukraine and Serbia, fewer than half do so (Gavkalova *et al.*, 2022). Analysis of professional development systems demonstrated that countries with more effective legislative implementation have mandatory regular training programmes for financial officers, absent in other studied jurisdictions. This combination of factors directly impacts the quality of the budgetary process, as evidenced by higher efficiency indices in Poland and Estonia compared to other regional countries (International Monetary Fund, 2023).

These findings align with and corroborate the theoretical propositions of E. Carbonara & F. Parisi (2007) on the “paradox of legal harmonisation”. While the concept provides a robust theoretical foundation, it does not fully account for the dynamic nature of harmonisation under crisis conditions and force majeure circumstances. This is particularly pertinent in

¹ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

² Local Self-Government Code of Georgia. (2014, February). Retrieved from <https://matsne.gov.ge/en/document/download/2244429/15/en/pdf>.

³ Council Directive No. 2011/85/EU “On Requirements for Budgetary Frameworks of the Member States”. (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

⁴ Municipal and Urban Budget Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/530062014001/consolide/current>.

⁵ Public Finance Act of Poland. (2009, August). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20091571240/U/D20091240Lj.pdf>.

⁶ Law of Serbia “On Budget System”. (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

⁷ Decision of the President of Croatia “On the Proclamation of the Law on Amendments and Supplementation to the Budget Law”. (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

⁸ Law of Serbia “On Budget System”. (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

⁹ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

¹⁰ Law of Croatia “On Financing of Local and Regional Self-Government Units”. (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_127_2874.html.

¹¹ Act on Local Government Revenue of Poland. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

contemporary realities, where legislation must rapidly adapt to unforeseen challenges. The synthesis of the obtained data allows us to assert that effective harmonisation of legislation in the field of local budgets is only possible through the establishment of a multi-level system for coordinating the budgetary process, akin to Poland's Joint Commission of the Government and Territorial Self-Government or Estonia's Advisory Council on Local Finances, which combines general standardised requirements with flexibility in local-level implementation. Poland's experience demonstrates the pivotal role of formalised mechanisms for municipal representatives' participation in the harmonisation process (as stipulated in Articles 42-43 of the Act on Local Government Revenue of Poland¹), which ensured the consideration of regional specificities in the development of the financial equalisation formula. Estonia's approach to harmonisation highlights the effectiveness of digitising the budgetary process and creating integrated systems at the national level with differentiated local implementation (in accordance with Articles 12-15 of the Estonian Law²), enabling the combination of transparency and standardisation with adaptability to the needs of individual communities.

The analysis of European countries' experiences in the harmonisation of budgetary legislation has revealed a number of trends and patterns. In particular, it has been established that the most successful harmonisation processes are those based on the principles of subsidiarity, proportionality, and flexibility. The principle of subsidiarity stipulates that decisions should be made at the lowest possible level of authority capable of ensuring their effective implementation. The principle of proportionality requires that harmonisation measures do not exceed what is necessary to achieve the stated objectives. The principle of flexibility ensures the adaptability of legal norms to national specificities. The experience of Poland, which initiated the process of budgetary harmonisation in the 1990s, demonstrates the importance of a comprehensive approach to reform. According to the Act on Commune Self-Government of Poland³ and the Act on Public Finances⁴, the country systematically implemented the principle of subsidiarity, granting local authorities broad powers in budget formulation and execution. Research by D. Alexandru &

B. Guziejewska (2023) confirms that this contributed to the increased efficiency of the budgetary process and improved the quality of public services. Estonia's experience demonstrated the implementation of innovative approaches to the budgetary process at the local level. Under the Municipal and Urban Budget Act of Estonia⁵, the country introduced a system of medium-term budgetary planning at the local level and digitised the budgetary process. As noted by J.P. Kanninen & E. Pekkola (2023), the Estonian model is characterised by a high degree of flexibility, allowing municipalities to adapt budgetary procedures to local specificities while maintaining the fundamental principles established at the national level. This approach achieved a balance between standardisation and localisation of legal regulation. It should be noted that such flexibility, despite its evident advantages, creates risks of excessive diversification of practices, which may complicate nationwide monitoring and evaluation of the effectiveness of budgetary processes. The balance between flexibility and standardisation requires continuous reassessment in the context of a changing socio-economic environment. Croatia, as one of the newest EU member states, demonstrates the importance of a phased approach to legislative harmonisation. An analysis of the "Budget Act" of Croatia⁶ and the Law of Croatia "On Financing of Local and Regional Self-Government Units"⁷ shows that the country pursued the harmonisation of budgetary legislation in accordance with the principle of proportionality, initially focusing on the most critical aspects, such as fiscal discipline and transparency in the budgetary process. In contrast to these successful examples, the experience of Serbia, as analysed in the study by T. Harasymiv (2023), highlights the risks of an overly centralised approach to legislative harmonisation. While centralisation may ensure greater uniformity and control, Serbia's experience compellingly demonstrates that it can suppress local initiatives and diminish the motivation of local self-government bodies to actively participate in reforms. Excessive standardisation without accounting for regional specificities often leads to the formal fulfilment of requirements without achieving the desired practical outcomes. The Budget System Act of Serbia⁸ establishes rigid frameworks for the budgetary process at all levels, limiting the ability

¹ Act on Local Government Revenue of Poland. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

² Municipal and Urban Budget Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/530062014001/consolide/current>.

³ Law of Poland "On Commune Self-Government". (1990, March). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU19900160095/U/D19900095Lj.pdf>.

⁴ Public Finance Act of Poland. (2009, August). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20091571240/U/D20091240Lj.pdf>.

⁵ Municipal and Urban Budget Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/530062014001/consolide/current>.

⁶ Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

⁷ Law of Croatia "On Financing of Local and Regional Self-Government Units". (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_127_2874.html.

⁸ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

to adapt legal norms to local particularities. This has resulted in the formal compliance with EU requirements without substantive changes in budgetary practices at the local level, underscoring the importance of adhering to the principles of subsidiarity, proportionality, and flexibility in the legislative harmonisation process.

An essential aspect of harmonising legislation in the field of local budgets is ensuring the transparency and accountability of the budgetary process. An analysis of legal norms concerning budgetary transparency in the studied countries has identified three levels of regulation: high (Estonia, Poland), medium (Croatia), and basic (Serbia, Ukraine, Georgia). Estonian legislation, particularly the Municipal and Urban Budget Act of Estonia¹, explicitly stipulates requirements for public access to budgetary documents, mandatory publication of draft budgets, public consultations, and regular reporting on budget execution. The Act establishes that “all municipal budgetary documents shall be mandatorily published on the official website no later than five working days after their approval” (Article 23). A comparative analysis of the practical implementation of these norms, based on statistical data and reports from international organisations, demonstrates a direct correlation between the level of regulatory transparency and the actual openness of the budgetary process. For instance, in Estonia and Poland, the local budget transparency index stands at 76 and 72 points, respectively (on a 100-point scale), whereas in Serbia, this indicator does not exceed 42 points. Particular attention was paid to examining accountability mechanisms in the budgetary process. An analysis of legal acts revealed that the most effective accountability mechanisms are established in Polish legislation. The “Public Finance Act”² introduces a multi-tier system of internal and external control over the use of budgetary funds, including regular audits, parliamentary oversight, and public monitoring. Article 41 of this Act stipulates that “the report on the execution of the local self-government budget shall be subject to mandatory external review and public discussion”. The study identified a positive correlation between the level of budgetary transparency and the efficiency of budgetary fund utilisation. Municipalities with higher transparency levels

demonstrate better socio-economic development indicators and higher public satisfaction with the quality of public services. In Estonian municipalities, where online platforms for real-time budget execution monitoring have been implemented, public trust in local authorities is 32% higher compared to municipalities with traditional reporting methods. An analysis of Ukrainian legislation, particularly the Budget Code³ and the Law of Ukraine No. 280/97-BP “On Local Self-Government in Ukraine”⁴, revealed the existence of basic transparency and accountability requirements; however, the lack of detailed regulation regarding their enforcement mechanisms creates legal gaps that diminish the effectiveness of budgetary control at the local level.

The findings of the study allowed for the identification of three key stages in the harmonisation of local budget legislation: preparatory, implementation, and monitoring. An analysis of the budgetary process as a complex system requires a detailed understanding of its key stages and components. A. Khan (2024) distinguishes four critical stages of the budgetary process: preparation, approval, execution, and audit, which are implemented differently in the national legislation of the studied countries. The preparatory stage involves an analysis of existing legislation, identification of its shortcomings, and the development of a harmonisation strategy. The implementation stage entails legislative amendments and the establishment of necessary institutional mechanisms for their execution. The monitoring stage focuses on evaluating the effectiveness of legislative harmonisation and introducing necessary adjustments. The delineation of these stages was achieved through an analysis of EU official documents, particularly the European Commission’s “Common Methodology for Legislative Approximation”^{5,6}, which establishes a systematic approach to harmonisation by distinguishing preparation, implementation, and monitoring phases. An examination of national harmonisation strategies in Serbia⁷ and Croatia⁸ confirmed the structuring of these processes into three sequential stages. A case study of Poland’s budgetary legislation adaptation, presented in the work of D. Alexandru & B. Guziejewska (2023), clearly demonstrated a tripartite approach: analysis and preparation (1998-2000),

¹ Municipal and Urban Budget Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/530062014001/consolide/current>.

² Public Finance Act of Poland. (2009, August). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20091571240/U/D20091240Lj.pdf>.

³ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁴ Law of Ukraine No. 280/97-BP “On Local Self-Government in Ukraine”. (1997, May). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-bp>.

⁵ Regulation of the European Parliament and of the Council No. 473/2013 “On Common Provisions for Monitoring and Assessing Draft Budgetary Plans and Ensuring the Correction of Excessive Deficit of the Member States in the Euro Area”. (2013, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0473>.

⁶ Regulation of the European Parliament and of the Council No. 2021/1058 “On the European Regional Development Fund and on the Cohesion Fund”. (2021, June). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1058>.

⁷ Law of Serbia “On Local Self-Government of Serbia”. (2007, December). Retrieved from https://www.paragraf.rs/propisi/zakon_o_lokalnoj_samoupravi.html.

⁸ Decision of the President of Croatia “On the Proclamation of the Law on Amendments and Supplementation to the Budget Law”. (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

implementation (2001-2006), and monitoring and adjustment (2007-2010). The theoretical foundation of these stages is outlined in the research of J. Lubis *et al.* (2024), who distinguish the “pre-harmonisation stage, direct implementation stage, and subsequent control stage”. The work of N. Gavkalova *et al.* (2022) demonstrated that the implementation stage, beyond legislative changes, includes the creation of institutional mechanisms and training. The features of the monitoring stage are best observed in Poland, where, according to D. Alexandru & B. Guziejewska (2023), an effective implementation monitoring system was established, ensuring timely corrections of shortcomings.

An analysis of European experience in harmonising local budget legislation underscores the importance of ensuring active participation of all stakeholders in this process. Specifically, an examination of legislative reforms in Poland revealed that extensive consultations with local self-government associations, academic institutions, and civil society organisations significantly contributed to the successful implementation of the Law¹. Documentation of these consultations demonstrates that stakeholder feedback led to substantial improvements in the initial draft law, particularly regarding equalisation mechanisms. An in-depth analysis of this aspect reveals several key patterns. The effectiveness of consultative processes in Poland is directly linked to their institutionalisation through the Joint Commission of the Government and Territorial Self-Government, which established a formal mechanism for systematic dialogue. Research by P. Swianiewicz & J. Łukomska (2023) demonstrates that the structured nature of consultations enabled the transformation of this process from a formal discussion into a genuine policy co-creation tool. This finding holds significant value; however, it is important to note that the effectiveness of such consultations depends not only on their formal structure but also on political culture and the willingness of authorities to engage in genuine dialogue. In countries with underdeveloped traditions of public participation, even the most well-structured consultations may remain a decorative element of the decision-making process. An analysis of the Commission’s meeting records from 1997-1998 revealed to researchers that over 60% of proposals from local self-government associations were partially or fully incorporated into the final version of the law. A key element of success was the diversification of stakeholder engagement formats. In addition to formal consultations, the Polish government organised a series of regional roundtables where representatives of various types of municipalities could articulate their specific needs. This allowed for regional

particularities to be considered in designing the equalisation grant distribution formula.

An analysis of the geographical distribution of changes in funding following the law’s implementation shows that the new system better addressed the differentiated needs of various types of municipalities, reducing funding disparities by 27% compared to the previous model (Kowalczyk, 2021). The Polish experience demonstrates the effectiveness of multi-level engagement with the academic community, which provided evidence-based arguments for legislative decisions. An examination of analytical documents prepared by experts from the University of Warsaw and Jagiellonian University reveals their substantial influence on shaping the criteria for distributing tax revenues across government levels.

Research conducted by D. Alexandru & B. Guziejewska (2023) confirms that this inclusive approach led to higher acceptance rates and more effective local-level implementation. Similarly, Estonia’s experience with the digitalisation of the budgetary process demonstrates that active engagement of municipal representatives at the design stage was crucial in resolving practical implementation challenges. Conversely, an analysis of Serbia’s less successful attempts to harmonise budgetary legislation revealed limited stakeholder involvement. The Law on the Budgetary System² was drafted with minimal consultations with local authorities, leading to implementation difficulties and local resistance, as documented in the comparative study by T. Harasymiv (2023). Research by J.P. Kanninen & E. Pekkola (2023) on harmonisation and unification in the European higher education space contains important conclusions applicable to local budget legislation. Their work illustrates how combining centralised guidance with decentralised implementation creates an effective balance between standardisation and adaptation. This approach has proven successful in many policy areas requiring multi-level governance solutions. Ensuring budgetary procedures align with the principles of good governance has been a key aspect of legislative harmonisation, based on national legislation. The study examined how principles of transparency, accountability, efficiency, and public participation are incorporated into the budgetary legislation of various countries. For instance, Croatia’s “Budget Act”³ included specific transparency provisions requiring municipalities to publish budgetary documents in standardised, citizen-friendly formats. Poland’s introduction of participatory budgeting mechanisms through amendments to local self-government legislation demonstrated how principles of public engagement

¹ Act on Local Government Revenue of Poland. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

² Law of Serbia “On Budget System”. (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

³ Decision of the President of Croatia “On the Proclamation of the Law on Amendments and Supplementation to the Budget Law”. (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

can be effectively codified. Municipalities that implemented these mechanisms reported improved alignment between budgetary priorities and community needs (Gavkalova *et al.*, 2022). Research by A.H. Naji *et al.* (2024) emphasises the importance of these principles for effective budgetary processes and highlights the necessity of integrating strategic planning with budgeting to ensure coherence between expenditures and strategic development goals.

The conducted content analysis of national legislative acts has revealed that fiscal decentralisation entails both positive and negative consequences, depending on the specific conditions of its implementation. Firstly, the improved efficiency of budgetary fund utilisation stems from local authorities' enhanced understanding of local needs, enabling more precise targeting of resources towards addressing priority community issues. Poland's experience demonstrates that the devolution of budgetary powers to the local level was accompanied not only by quantitative improvements but also by qualitative transformation of resource planning and control mechanisms. Secondly, the increased accountability of local authorities manifests through the establishment of a direct link between budgetary decision-making and its consequences for communities, fundamentally altering governance approaches. Thirdly, the enhanced quality of public service delivery results from greater flexibility in determining service formats and standards, alongside the capacity for rapid responsiveness to changing population needs. Following the local government reform in Poland and the implementation of fiscal decentralisation, the public expenditure efficiency index increased by 23% during the first five years, with this growth being accompanied by significant changes in expenditure structure and improved citizen satisfaction with service quality (Alexandru & Guziejewska, 2023).

Simultaneously, as evidenced by the analysis of Serbian and Croatian experience in T. Harasymiv's (2023) study, excessive or insufficiently prepared fiscal decentralisation may exacerbate regional disparities, diminish macroeconomic regulation quality, and increase administrative costs. In Serbia, for instance, the coefficient of variation in per capita local budget revenues rose from 0.32 to 0.47 during the first three years following fiscal decentralisation reform implementation, as noted T. Harasymiv (2023).

For a deeper understanding of institutional challenges, an analysis was conducted of several legislative acts, including Serbia's Budget System Law¹, Croatia's Budget Act², and Ukraine's Budget Code³. A comprehensive comparative analysis of these normative documents revealed fundamental differences in the architecture of budgetary relations and fiscal accountability mechanisms. The Serbian law establishes a centralised budget process model with a dominant role for the national Ministry of Finance, which under Article 31 of the Budget System Law⁴ holds extensive powers regarding setting local borrowing limits and approving regional investment programmes, substantially constraining subnational entities' financial autonomy. Conversely, Croatia's system, pursuant to Articles 18-23 of the Budget Act⁵, features greater decentralisation with clear distribution of fiscal powers across government levels and implementation of special fiscal consolidation mechanisms, including medium-term budget planning and automatic stabilisers for local budgets during economic fluctuations. Ukraine's Budget Code⁶, particularly Sections IV and V, presents a hybrid model incorporating both centralisation elements (regarding intergovernmental transfers and fiscal rules establishment under Articles 97-108 and decentralisation components (concerning expenditure powers and local borrowing rights under Articles 16 and 74). Common shortcomings across all three systems included insufficient clarity in defining accountability for budget law violations (Article 121 of Ukraine's Budget Code, Article 103 of Serbia's law⁷, Article 125 of Croatia's law⁸, limited mechanisms for public budget oversight, absence of comprehensive performance-based expenditure evaluation systems, and imperfect institutional mechanisms for fiscal-monetary policy coordination – particularly acute during macroeconomic instability and requiring systemic public finance legislation reforms in all three studied countries. This analysis, supplemented by research from S. Yesimov (2024) and I. Stetsiv (2024), identified several problems arising during local budget legislation harmonisation processes. Notable among these were institutional problems relating to underdeveloped institutional infrastructure; normative-legal problems stemming from legislative gaps and conflicts; organisational problems concerning insufficient coordination between government bodies; and financial problems arising from limited resources for legislative harmonisation.

¹ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budžetskom_sistemu.html.

² Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

³ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁴ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budžetskom_sistemu.html.

⁵ Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

⁶ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁷ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budžetskom_sistemu.html.

⁸ Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

Based on comparative analysis of successful Polish and Estonian practices outlined in J.P. Kanninen & E. Pekkola's (2023) study, a comprehensive set of measures was developed to enhance local budget legislation harmonisation effectiveness. The comparative analysis of Polish and Estonian experience reveals substantial differences in budgetary legislation harmonisation approaches that significantly influenced process effectiveness. The Polish model features a phased harmonisation approach emphasising local self-government institutions' capacity-building prior to legislative changes. Poland's experience demonstrates the effectiveness of establishing specialised central structures responsible for harmonisation coordination, particularly the National Council for European Integration, which provided methodological support and monitored local-level implementation.

The Estonian model, by contrast, is characterised by a high level of digitalisation in the legislative harmonisation process, with the active use of electronic platforms to coordinate the actions of various government bodies and conduct consultations with stakeholders. As noted by J.P. Kanninen & E. Pekkola (2023), Estonia's experience demonstrates the effectiveness of an Integrated Legal Drafting System, which ensures automated compliance analysis of draft regulatory acts with European standards and identifies potential conflicts with existing legislation. An analysis of the Estonian model's performance indicators reveals a 42% reduction in the time required for drafting and coordinating regulatory acts and an improvement in their quality, evidenced by a 28% decrease in the number of necessary amendments post-adoption compared to the previous period. A common feature of both models that has ensured their success is the systematic involvement of academic experts in the harmonisation process, regular monitoring of the effectiveness of implemented changes, and flexibility in adjusting strategies based on identified issues. However, an analysis of these practices also reveals significant differences in approaches to funding the harmonisation process: the Polish model is characterised by substantial reliance on European funds (approximately 73% of the total harmonisation programme budget), whereas the Estonian model is more oriented towards domestic funding sources, with an emphasis on cost optimisation through process digitalisation. A comparison of these models with the European Commission^{1,2} shows a high degree of alignment between both approaches and the key principles of effective legislative harmonisation, particularly regarding process inclusivity,

strengthening institutional capacity, and enhancing interagency coordination. At the same time, the comparative analysis highlights the need to adapt these practices to the national context, taking into account the level of digital readiness, institutional capacity, and financial capabilities of a given country.

The standardisation of budget reporting and ensuring compliance with international standards.

Particular attention in the context of harmonising local budget legislation should be paid to the standardisation of budget reporting and ensuring its compliance with international standards. Directive No. 2011/85/EU³ establishes fundamental principles of fiscal transparency and standardisation of budget reporting. An analysis of this document shows that the European Union has developed a comprehensive approach to harmonising budgetary legislation, based on three key principles. First, the Directive sets clear requirements for government accounting and statistical reporting systems (Section II, Articles 3-4), which must ensure timely and regular access to budgetary data for all sub-sectors of government. Second, the document introduces mandatory medium-term budgetary planning (Section III, Articles 9-10), covering a period of at least three years and including clear target indicators for budgetary aggregates. Third, special attention is given to requirements for budget data transparency and comprehensive budget accounting (Section IV, Articles 12-14), particularly through the identification and documentation of all transactions that may affect budgetary indicators. The practical implementation of these principles in the national legislations of Member States has led to a significant improvement in the comparability of budgetary data and created the preconditions for more effective coordination of fiscal policies at the EU level. Research by S. Kenno *et al.* (2020) confirms that institutional diversity influences budgeting and strategic planning formats, which should be considered when harmonising legislation. Meanwhile, the study by A. Naji *et al.* (2024) focuses on the impact of budget reporting standardisation on the effectiveness of budget planning in countries with varying levels of economic development. Using panel data from 35 countries (2011-2023) and applying a difference-in-differences methodology, the authors found a statistically significant positive effect of implementing standardised budget reporting formats on budget forecasting accuracy and fiscal discipline. Specifically, countries that adopted standards similar to Directive demonstrated 12-15% lower errors in medium-term budget forecasts and were 18% less

¹ Regulation of the European Parliament and of the Council No. 473/2013 "On Common Provisions for Monitoring and Assessing Draft Budgetary Plans and Ensuring the Correction of Excessive Deficit of the Member States in the Euro Area". (2013, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0473>.

² Regulation of the European Parliament and of the Council No. 2021/1058 "On the European Regional Development Fund and on the Cohesion Fund". (2021, June). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1058>.

³ Council Directive No. 2011/85/EU "On Requirements for Budgetary Frameworks of the Member States". (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

likely to violate established fiscal rules compared to the control group (Naji *et al.*, 2024). The researchers found that the most significant standardisation effect was observed when combined with the establishment of independent fiscal institutions and the implementation of electronic budget monitoring systems, confirming the need for a holistic approach to reforming public financial management systems (Naji *et al.*, 2024). These results align with conclusions on the importance of a systemic approach to harmonising budgetary legislation and the necessity of combining legal, institutional, and technological aspects of reform.

Based on a systematisation of the analysis of EU legislation, national regulatory acts, and academic research, it has been determined that the harmonisation of local budget legislation in the context of European integration should be based on the following principles: the rule of law principle, which prioritises human rights and freedoms in the development and implementation of budgetary policy; the transparency principle, ensuring openness of the budgetary process to the public; the accountability principle, requiring public authorities to be answerable for the use of budgetary funds; the efficiency principle, demanding maximum results with minimal expenditure; the participation principle, ensuring public involvement in the budgetary process. These principles clearly correlate with those of the European Charter of Local Self-Government¹ and are supported by the research of W. van Gerven (2004). However, it should be noted that formal compliance with the Charter's principles does not always guarantee their effective implementation in practice, particularly in countries with underdeveloped democratic traditions,

where declarative norms may significantly diverge from actual governance practices.

The study of practical aspects of legislative harmonisation was deepened by an analysis of the functioning of amalgamated territorial communities, as presented in the work of N. Gavkalova *et al.* (2022). The authors identify several challenges arising during decentralisation and the amalgamation of territorial communities and propose solutions, which are crucial for harmonising legislation in this area. Although the authors provide valuable empirical material, their conclusions require careful interpretation due to the relatively short observation period and limited geographical sample. Additional longitudinal research could significantly enrich the understanding of the long-term effects of legislative changes on the functioning of amalgamated communities.

Based on the presented theoretical and methodological analysis of legislative harmonisation in local budgets, it is advisable to develop a table systematising the key aspects of this process (Table 1). This table clearly illustrates the principal conceptual approaches to the harmonisation of legislation in the field of local budgets, their advantages and disadvantages, methodological approaches, and implementation principles. It enables the systematisation of theoretical knowledge in this area and identifies the optimal approach to legislative harmonisation under specific conditions. The comprehensive (balanced) approach appears to be the most effective, as it combines the advantages of unification and adaptation approaches, ensuring an optimal balance between standardisation and the consideration of national particularities.

Table 1. Conceptual approaches to the harmonisation of legislation in the sphere of local budgets

Aspect	Unification Approach	Adaptation Approach	Comprehensive (Balanced) Approach
Essence of the approach	Maximum alignment and standardisation of legal norms across different jurisdictions	Consideration of national specificities and ensuring flexibility in legal regulation	Achieving an optimal balance between the unification and adaptation of legal norms
Advantages	Simplification of interstate cooperation; Enhanced legal certainty; Establishment of uniform standards	Incorporation of national legal traditions; Higher implementation efficacy; Preservation of cultural diversity	Combination of the benefits of both approaches; Flexibility while maintaining standardisation; More effective adaptation to diverse contexts
Disadvantages	Disregard for national specificities; Potential reduction in regulatory efficacy; Resistance at the national level	Possible complications in interstate cooperation; Potential obstacles to integration processes; Divergences in legal enforcement	Complexity in achieving an optimal balance; Need for more sophisticated monitoring mechanisms; Longer implementation process
Methodological approaches	Normative approach; Comparative legal analysis; Standardisation	Sociocultural approach; Contextual analysis; Localisation	Systemic approach; Institutional analysis; Functional approach
Implementation principles	Universality; Predictability; Uniform standards	Flexibility; Subsidiarity; Cultural sensitivity	Proportionality; Subsidiarity; Flexibility; Rule of law; Transparency; Accountability; Efficiency; Public participation
Stages of harmonisation	Analysis of discrepancies; Development of uniform standards; Full implementation of standards	Analysis of national context; Identification of areas for adaptation; Gradual adaptation considering national specificities	Preparatory stage (legislative analysis, identification of shortcomings); Implementation stage (introduction of amendments, establishment of institutional mechanisms); Monitoring stage (evaluation, assessment, adjustments)

¹ European Charter of Local Self-Government. (1985, October). Retrieved from <https://rm.coe.int/european-charter-for-local-self-government-english-version-pdf-a6-59-p/16807198a3>.

Table 1, Continued

Aspect	Unification Approach	Adaptation Approach	Comprehensive (Balanced) Approach
Practical application	Standardisation of budgetary reporting; Uniform fiscal rules	Fiscal decentralisation; Consideration of local specificities in the budgetary process	Combination of centralised guidance with decentralised implementation; Integration of strategic planning and budgeting

Source: compiled by the authors based on R. Ghetti (2018), J.P. Kanninen & E. Pekkola (2023) and A. Vdovichen *et al.* (2021)

Thus, the theoretical and methodological foundations of legislative harmonisation in the field of local budgets under European integration are based on a comprehensive approach, which entails ensuring an optimal balance between the unification and adaptation of legal norms, accounting for the institutional specificities of each jurisdiction, guaranteeing transparency and accountability in the budgetary process, implementing modern methods of budgetary planning, and ensuring legislative compliance with the principles of good governance and the European Charter of Local Self-Government¹.

Analysis of budgetary legislation adaptation models. The adaptation of budgetary legislation in Central and Eastern European (CEE) countries to the requirements of European law is a complex and multidimensional process, demonstrating various models and approaches. The study of these models allows for the identification of key trends, challenges, and successful practices that are crucial for countries aspiring to European integration. An analysis of the EU regulatory framework in the field of budgetary regulation enables the identification of key directives and regulations that establish the general framework for the adaptation of national legislation. Council Directive No. 2011/85/EU² lays down fundamental principles of budgetary planning and reporting. Specifically, this directive requires the implementation of robust, effective, and comprehensive budgetary frameworks that ensure compliance with fiscal rules established at the EU level. The directive also emphasises the necessity of medium-term budgetary planning, which “shall include projections for each major expenditure and revenue item of general government for the forthcoming budget year and subsequent years, on a no-policy-change basis”.

Regulation No 473/2013³ on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficits in eurozone Member States complements Directive No. 2011/85/EU⁴, establishing more detailed requirements for the budgetary process. This regulation introduces the concept of “independent fiscal institutions”, which are tasked with overseeing compliance with fiscal rules at the national level. According to the regulation, “Member States shall have in place independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States to monitor compliance with fiscal rules”⁵.

A comparative analysis of budgetary legislation adaptation in various CEE countries reveals several characteristic models, differing in the degree of centralisation, the level of local government autonomy, financial equalisation mechanisms, and other parameters. Estonia presents an adaptation model characterised by a high level of integration with European standards and extensive use of digital technologies in the budgetary process. The Local Government Organisation Act establishes general principles for the functioning of local self-government, including financial aspects. According to this law, “local governments are independent in imposing and collecting taxes and establishing obligations at the local level”⁶. The Estonian law regulates in detail the process of drafting and executing local budgets. This law provides for the implementation of medium-term budgetary planning at the local level, in line with the requirements of Directive No. 2011/85/EU⁷. Specifically, the Law⁸ stipulates that “a rural municipality or city council shall adopt a budget for one budgetary year, taking into account the medium-term budgetary strategy”. A distinctive feature of the Estonian model is the

¹ European Charter of Local Self-Government. (1985, October). Retrieved from <https://rm.coe.int/european-charter-for-local-self-government-english-version-pdf-a6-59-p/16807198a3>.

² Council Directive No. 2011/85/EU “On Requirements for Budgetary Frameworks of the Member States”. (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

³ Regulation of the European Parliament and of the Council No 473/2013 “On Common Provisions for Monitoring and Assessing Draft Budgetary Plans and Ensuring the Correction of Excessive Deficit of the Member States in the Euro Area”. (2013, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0473>.

⁴ Council Directive No. 2011/85/EU “On Requirements for Budgetary Frameworks of the Member States”. (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

⁵ Regulation of the European Parliament and of the Council No 473/2013 “On Common Provisions for Monitoring and Assessing Draft Budgetary Plans and Ensuring the Correction of Excessive Deficit of the Member States in the Euro Area”. (2013, May). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0473>.

⁶ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁷ Council Directive No. 2011/85/EU “On Requirements for Budgetary Frameworks of the Member States”. (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

⁸ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

high level of transparency in the budgetary process and the widespread use of electronic systems for budget planning, execution, and oversight. This ensures effective monitoring of compliance with fiscal rules and facilitates public participation in the budgetary process.

Croatia demonstrates a budgetary legislation adaptation model characterised by a combination of centralised control and elements of fiscal decentralisation. The "Budget Act" of Croatia¹ establishes general principles for the budgetary process at all levels of government. This law provides for the implementation of programme-based budgeting, ensuring a link between budgetary expenditures and outcomes. The Local and Regional Self-Government Act of 2013² defines the competences of various levels of local self-government, including their financial powers. According to this law, "units of local self-government have their own revenues and may dispose of them freely within their autonomous scope".

The Law of Croatia "On Financing of Local and Regional Self-Government Units"³ regulates in detail the revenue sources of local budgets and financial equalisation mechanisms. This law stipulates that "the financing of local and regional self-government units shall be based on their own revenues, shared taxes, and transfers from the state budget". At the same time, the financial equalisation mechanism aims to ensure a minimum level of services across the entire country, regardless of the fiscal capacity of individual local self-government units.

Ukraine is in the process of adapting its budgetary legislation to European standards within the context of European integration processes. The Budget Code of Ukraine of 2010⁴, with subsequent amendments, establishes the legal framework for the functioning of Ukraine's budgetary system. This document provides for a three-tier budgetary system comprising the state budget, the budget of the Autonomous Republic of Crimea, and local budgets. The Law of Ukraine No. 280/97-BP⁵ defines the powers of local self-government bodies in budgetary and financial matters. According to this law, "local budgets are independent, and

their adoption and execution are not contingent upon the adoption and execution of other budgets, including the state budget"⁶. This provision aligns with the principle of financial autonomy of local self-government enshrined in the European Charter of Local Self-Government⁷. The Law of Ukraine No. 907-IX⁸ aims to adapt budgetary legislation to the new administrative-territorial structure of the country. This law stipulates that "the budgets of amalgamated territorial communities shall have direct interbudgetary relations with the state budget", thereby strengthening the financial autonomy of local self-government.

Georgia demonstrates a model of budgetary legislation adaptation characterised by significant reforms aimed at decentralisation and enhancing the transparency of the budgetary process. The Local Self-Government Code of 2014⁹ establishes the legal framework for the functioning of local self-government, including financial aspects. According to this code, "a municipality has the right to independently, under its own responsibility and within the legislation of Georgia, decide on any matter that, under Georgian law, does not fall within the competence of another authority and is not prohibited for the municipality". This provision corresponds to the principle of subsidiarity, which is one of the key principles of European local self-government.

A distinctive feature of the Georgian model is the implementation of programme-targeted budgeting at the local level and active public engagement in the budgetary process. This enhances the efficiency of budgetary fund utilisation and ensures that budgetary expenditures align with the needs of local communities. Serbia, a candidate for EU accession, demonstrates a model of budgetary legislation adaptation aimed at gradual alignment with European standards. The Law on the Budgetary System of 2009¹⁰ establishes the general principles of Serbia's budgetary system. This law provides for the introduction of medium-term budgetary planning and programme-targeted budgeting, in line with the requirements of Directive No. 2011/85/EU¹¹. The Law on Local Self-Government of 2007¹²

¹ Decision of the President of Croatia "On the Proclamation of the Law on Amendments and Supplementation to the Budget Law". (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

² Law of Croatia "On Local and Regional Self-Government Act". (2013, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2013_02_19_323.html.

³ Law of Croatia "On Financing of Local and Regional Self-Government Units". (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_12_2874.html.

⁴ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁵ Law of Ukraine No. 280/97-BP "On Local Self-Government in Ukraine". (1997, May). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-bp>.

⁶ Ibidem, 1997.

⁷ European Charter of Local Self-Government. (1985, October). Retrieved from <https://rm.coe.int/european-charter-for-local-self-government-english-version-pdf-a6-59-p/16807198a3>.

⁸ Law of Ukraine No. 907-IX "On Amendments to the Budget Code of Ukraine on Harmonisation of Budget Legislation in Connection with the Completion of Administrative and Territorial Reform". (2020, September). Retrieved from <https://zakon.rada.gov.ua/laws/show/907-20>.

⁹ Local Self-Government Code of Georgia. (2014, February). Retrieved from <https://matsne.gov.ge/en/document/download/2244429/15/en/pdf>.

¹⁰ Law of Serbia "On Budget System". (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

¹¹ Council Directive No. 2011/85/EU "On Requirements for Budgetary Frameworks of the Member States". (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

¹² Law of Serbia "On Local Self-Government of Serbia". (2007, December). Retrieved from https://www.paragraf.rs/propisi/zakon_o_lokalnoj_samoupravi.html.

defines the powers of local self-government bodies, including their financial authority. According to this law, “local self-government bodies have the right to secure original and transferred revenues, to freely dispose of revenues, and to independently adopt budgets”. The Law “On Financing of Local Self-Government” of 2006¹ regulates in detail the revenue sources of local budgets and financial equalisation mechanisms. This law stipulates that “the financing of local self-government units’ competences is carried out through original revenues, shared revenues, transfers, debt revenues, and other revenues. At the same time, the financial equalisation mechanism aims to ensure a minimum level of financial provision for all local self-government units.

A comparative analysis of budgetary legislation adaptation models in CESEE (Central, Eastern, and South-Eastern Europe) countries reveals both common features and differences among them. Common features include the implementation of medium-term budgetary planning, in line with the requirements of Directive No. 2011/85/EU². All examined countries have introduced or are introducing medium-term budgetary planning mechanisms at all levels of government. There is also a trend towards strengthening fiscal decentralisation and local self-government autonomy. All examined countries seek to ensure an adequate financial base for local self-government, although the degree of decentralisation varies. Enhancing the transparency of the budgetary process and public engagement is another common feature – all examined countries are implementing mechanisms to ensure budgetary process transparency and public participation in budgetary decision-making. The use of programme-targeted budgeting is yet another shared characteristic, as most examined countries have introduced or are introducing programme-targeted budgeting, which ensures a link between budgetary expenditures and outcomes.

At the same time, there are significant differences between the models of budgetary legislation adaptation in various Central and Eastern European countries. An analysis of these countries’ budgetary systems reveals substantial variation in the degree of centralisation of the budgetary process, reflected in the legislative distribution of powers among national, regional, and local levels (International Monetary Fund, 2023). The Polish model demonstrates a moderate level of decentralisation, with a three-tier local self-government system and

a clear distribution of functions and financial resources among gminas, powiats, and voivodeships³. The Hungarian system, particularly after the 2011 constitutional amendments, is characterised by increased centralisation, with a significant portion of budgetary powers shifted to the national level. The Estonian model offers a balanced approach, with developed autonomy of local authorities in managing their own revenues while maintaining centralised control over compliance with fiscal rules (Kanniainen & Pekkola, 2023). The Czech system stands out for its high degree of financial autonomy for municipalities, with a limited role for the intermediate regional level (Smolinska, 2022). The Slovak model has evolved from a centralised to a more decentralised one, with a gradual expansion of the budgetary powers of local authorities and the introduction of fiscal responsibility mechanisms (Ahn *et al.*, 2023). Research on international practices of fiscal decentralisation conducted by D. Alexandru & B. Guziejewska (2023) revealed significant differences in approaches to the distribution of financial powers across government levels. Poland implemented a three-tier system of local self-government (gmina, powiat, voivodeship) with a clear delineation of powers and financial bases at each level. Under the Act on Commune Self-Government of Poland⁴ and the Act on Revenues of Local Self-Government Units⁵, gminas were granted extensive powers regarding the formulation and execution of their own budgets, including the right to a share of national taxes and the authority to impose local levies. Research by N. Gavkalova *et al.* (2022) confirms that the Polish model is characterised by a high degree of fiscal decentralisation, with local budgets accounting for approximately 31% of total public expenditures.

The Estonian decentralisation model, analysed in the works of J.P. Kanniainen & E. Pekkola (2023), is distinguished by a high level of local self-government autonomy alongside a compact administrative-territorial structure. The “Local Government Organisation Act”⁶ grants municipalities exclusive powers in the sphere of local finances, while the “Municipal and City Budgets Act”⁷ stipulates that “municipalities and cities independently formulate, approve, and execute their budgets” (Chapter 3, Article 5).

In contrast, Serbia and Croatia maintain more centralised models of budgetary regulation. According to the analysis by T. Harasymiv (2023), the Serbian model

¹ Law of Serbia “On Local Self-Government Finance”. (2006, April). Retrieved from https://www.paragraf.rs/propisi/zakon_o_finansiranju_lokalne_samouprave.html.

² Council Directive No. 2011/85/EU “On Requirements for Budgetary Frameworks of the Member States”. (2011, November). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0085>.

³ Law of Poland “On Commune Self-Government”. (1990, March). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU19900160095/U/D19900095Lj.pdf>.

⁴ Ibidem, 1990.

⁵ Act on Local Government Revenue of Poland. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

⁶ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁷ Ibidem, 1993.

is characterised by a high degree of dependence of local budgets on transfers from the state budget (over 40% of revenues) and limited opportunities for own-source revenues. The Budget System Act of Serbia¹ establishes strict frameworks for the budgetary process at the local level, constraining the discretionary powers of local self-government bodies. A similar situation is observed in Croatia, where centralised management of public finances remains the dominant model even after the adoption of the Law of Croatia “On Financing of Local and Regional Self-Government Units”².

An analysis of the legislation and practical application of these mechanisms, conducted by S. Smolinska (2022) and A. Ahn *et al.* (2023), identified three primary models. The Polish fiscal equalisation model, enshrined in the Act on Local Government Revenue of Poland³, is based on a complex formula that takes into account the fiscal capacity of territories, demographic indicators, and the level of socio-economic development. The system includes “horizontal equalisation” (redistribution of funds between wealthier and poorer gminas) and “vertical equalisation” (grants from the state budget). According to assessments by D. Alexandru & B. Guziejewska (2023), the Polish system ensures a high level of transparency and predictability of transfers, facilitating effective local-level budgetary planning.

The Estonian model, analysed in detail in the work of J. Omukuti *et al.* (2022), is characterised by an emphasis on equalising the expenditure needs of municipalities while preserving incentives for enhancing their own tax base. The Municipal and City Budgets Act of Estonia⁴ establishes an “equalisation fund” mechanism, the resources of which are distributed based on objective criteria such as population size, territorial area, the number of school-age children, and elderly individuals. A distinctive feature of the Estonian model is its integration with digital budgetary planning systems, ensuring maximum transparency and efficiency in resource allocation.

In contrast to these models, the fiscal equalisation mechanisms in Ukraine and Serbia, as per the research of S. Yesimov (2024), are characterised by lower transparency and greater dependence on political factors. In Ukraine, under the Budget Code⁵, the transfer system includes basic and reverse grants, as well as educational and medical subventions, but the formulas for their calculation are frequently amended, complicating

long-term planning at the local level. In Serbia, as noted by I. Stetsiv (2024), the equalisation mechanism is based on a system of targeted transfers, which are often allocated on a discretionary basis, reducing their effectiveness in ensuring fiscal equity.

The level of local self-government autonomy in taxation demonstrates significant variations among CEE countries. Estonia and Poland exhibit the highest degree of tax autonomy. In Estonia, under the Local Government Organisation Act of Estonia⁶ (Article 36), municipalities have the right to introduce local taxes and fees, including advertising tax, street closure tax, pet ownership tax, entertainment tax, and others. As noted by J.P. Kanninen & E. Pekkola (2023), Estonian municipalities also receive a fixed share (11.96%) of personal income tax, creating a stable financial base and incentives for economic development of territories.

An important factor influencing the adaptation of budgetary legislation in CEE countries is access to European funds. The regulations governing the European Structural and Investment Funds (ESIF) for the 2014-2020 period set out detailed requirements for the management and control of these funds, necessitating corresponding adjustments to national legislation. Regulation of the European Union No. 2021/241⁷ on the Recovery and Resilience Facility (RRF) imposes additional requirements on national budgetary systems regarding access to its funding. According to this regulation, “Member States shall ensure sound financial management in the use of Recovery and Resilience Facility funds”. This requires the implementation of appropriate planning, monitoring, and control mechanisms for the use of these funds.

Based on the analysis of budgetary legislation adaptation models in Central and Eastern European (CEE) countries, it is expedient to present the key characteristics of these models in the form of a comparative table (Table 2), which clearly illustrates their common features and differences. Analysis of budget legislation adaptation models in CEE countries reveals a number of challenges these states face. In particular, ensuring a balance between fiscal stability and fiscal decentralisation poses a significant difficulty. CEE countries strive to guarantee sufficient financial autonomy for local self-government while maintaining fiscal stability at the national level. Another issue is the harmonisation

¹ Law of Serbia “On Budget System”. (2009, February). Retrieved from https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html.

² Law of Croatia “On Financing of Local and Regional Self-Government Units”. (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_127_2874.html.

³ Law of Poland “On Local Government Revenue”. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

⁴ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁵ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

⁶ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolide/current>.

⁷ Regulation of the European Union No. 2021/241 “On the Recovery and Resilience Facility”. (2021, February). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R0241>.

of national legislation with European standards while preserving national specificities. The adaptation of budget legislation to European norms must not result in the loss of domestic traditions and distinctive features. Ensuring the effective use of European funds presents an additional challenge – CEE countries seek to maximise the efficient allocation of EU funding,

which requires corresponding adjustments to budget legislation. The implementation of modern budgeting methods and digital technologies also entails certain difficulties, as transitioning to programme-based budgeting and integrating digital tools into the budgetary process demands substantial investment and organisational reforms.

Table 2. Comparative analysis of budgetary legislation adaptation models in CEE countries

Criterion	Poland	Estonia	Croatia	Ukraine
Degree of budgetary system centralisation	Low	Low	Medium	Medium
Level of local self-government autonomy	High	High	Medium	Medium
Implementation of medium-term budgetary planning	Fully implemented	Fully implemented	In progress	In progress
Financial equalisation mechanisms	Complex system with high transparency	Complex system with high transparency	Moderate complexity	Moderate complexity
Application of programme-targeted budgeting	Fully implemented	Fully implemented	In progress	In progress
Degree of digital technology implementation	High	Very high	Medium	Low
Transparency of the budgetary process	High	Very high	Medium	Medium
Public participation in the budgetary process	High	High	Medium	Low
Key legislative acts	Public Finance Act ¹ , Local Government Revenue Act ² , Act on Commune Self-Government of Poland ³	Local Government Organisation Act ⁴ , Rural Municipalities and Cities Budget Act ⁵	“Budget Act” ⁶ , Local and Regional Self-Government Act ⁷ , Financing of Local and Regional Self-Government Units Act ⁸	Budget Code of Ukraine ⁹ (2010), Law of Ukraine No. 280/97-BP ¹⁰ , Law of Ukraine No. 907-IX ¹¹
Adaptation specifics to EU requirements	Gradual and consistent adaptation	High level of integration with European standards	Combination of centralised control with elements of fiscal decentralisation	Adaptation within the context of European integration processes

Source: compiled by the authors

At the same time, the adaptation of budget legislation creates new opportunities for CEE countries. These include improved efficiency in budgetary expenditure through the introduction of programme-based budgeting and medium-term budgetary planning. Furthermore, fiscal decentralisation and local self-government

autonomy are strengthened, enabling better responsiveness to the needs of local communities. Enhanced transparency in the budgetary process and greater public engagement foster trust in authorities and improve the effectiveness of public spending. Finally, access to European funding, which can be allocated to

¹ Public Finance Act of Poland. (2009, August). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20091571240/U/D20091240Lj.pdf>.

² Law of Poland “On Local Government Revenue”. (2003, November). Retrieved from <http://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20032031966/U/D20031966Lj.pdf>.

³ Local Government Organisation Act of Estonia. (1993, June). Retrieved from <https://www.riigiteataja.ee/en/eli/ee/509012014003/consolidate/current>.

⁴ Ibidem, 1993.

⁵ Ibidem, 1993.

⁶ Decision of the President of Croatia “On the Proclamation of the Law on Amendments and Supplementation to the Budget Law”. (2015, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_15_277.html.

⁷ Law of Croatia “On Local and Regional Self-Government Act”. (2013, February). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2013_02_19_323.html.

⁸ Law of Croatia “On Financing of Local and Regional Self-Government Units”. (2017, December). Retrieved from https://narodne-novine.nn.hr/clanci/sluzbeni/2017_12_12_2874.html.

⁹ Budget Code of Ukraine. (2010, July). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17>.

¹⁰ Law of Ukraine No. 280/97-BP “On Local Self-Government in Ukraine”. (1997, May). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-bp>.

¹¹ Law of Ukraine No. 907-IX “On Amendments to the Budget Code of Ukraine on Harmonisation of Budget Legislation in Connection with the Completion of Administrative and Territorial Reform”. (2020, September). Retrieved from <https://zakon.rada.gov.ua/laws/show/907-20>.

critical infrastructure and social projects, constitutes a significant advantage of budget legislation reform.

Based on the analysis of practices across various countries and the identified challenges in harmonising legislation concerning the institutional framework of the budgetary process, it is recommended to strengthen the institutional capacity of local self-government bodies. This can be achieved through mandatory upskilling programmes for financial department personnel, establishing budgetary competence centres, and providing technical support for the implementation of modern budget planning methods. Refinements to the legal framework should focus on eliminating discrepancies between the declared autonomy of local budgets and their de facto limitations, harmonising terminology across legislative acts, and delineating clear accountability boundaries for different levels of government. The creation of a multi-tiered budgetary coordination system would facilitate effective interaction between national and local levels, combining centralised oversight with decentralised implementation. A key aspect of harmonisation should involve expanding the use of digital technologies in local-level budgetary processes, particularly integrated planning, monitoring, and reporting systems that balance standardisation with adaptability to regional specificities. Equalisation mechanisms should be refined through multifactor transfer distribution formulas that account not only for population size but also socio-economic indicators, regional fiscal capacity, and infrastructure needs. The harmonisation of local budget legislation should follow a phased approach, with clearly defined priorities at each stage and an effective monitoring system for tracking implementation. Expanding the fiscal autonomy of local self-government by granting greater authority over local taxes and fees would incentivise local authorities to develop their tax base. To overcome resource constraints in reform implementation, adequate funding for legislative harmonisation must be secured, including support from international donors and European funds.

Conclusions

The study on the balance between unification and adaptation in the harmonisation of legislation concerning the institutional framework of the budgetary process at the local level revealed significant differences in the approaches of the examined countries. The Polish model demonstrated the effectiveness of gradual harmonisation through the development of institutional capacity and the establishment of a Joint Commission of the government and territorial self-government, which achieved a high degree of stakeholder engagement and reduced regional disparities by 27% due to a comprehensive equalisation formula that accounts not only for demographic indicators but also for the economic potential of territories.

The Estonian model proved particularly successful due to the digitalisation of the budgetary process and the creation of an Integrated Legislative System,

which reduced the time required for drafting regulatory acts by 42% and decreased the number of necessary amendments post-adoption by 28%. A key element of this model was the Advisory Council on Local Finance, which ensured a balance between general standards and local needs. The implementation of electronic budget monitoring platforms in Estonia increased public trust in local authorities by 32%.

The Croatian model demonstrated the advantages of gradual adaptation, initially focusing on fiscal discipline and transparency, followed by programme-based budgeting. The introduction of transparency provisions was accompanied by a 28% increase in public participation and higher resident satisfaction rates. In contrast to these successful examples, Serbia's centralised model, characterised by limited adaptation to local specificities, proved ineffective: the coefficient of variation in per capita local budget revenues increased from 0.32 to 0.47 during the first three years after the reform, while the transparency index of local budgets scored only 42 points compared to 76 in Estonia.

For Ukraine, the most relevant mechanisms demonstrating high effectiveness are: establishing institutional frameworks for coordinating the budgetary process following the Polish model, implementing digital budget monitoring tools based on the Estonian example, and phased reform implementation with an initial focus on transparency and accountability. It has been established that the insufficient institutional capacity of Ukrainian local self-government bodies (only 50% of finance department specialists have relevant qualifications compared to 70% in Poland and Estonia) is a key obstacle to effective harmonisation.

The study confirms that the most effective approach is a comprehensive one, combining clear standardised requirements at the national level with flexibility in local implementation. This approach ensures the unification of core budgetary principles while preserving the ability to adapt to regional specificities, which is particularly crucial for Ukraine given its significant regional disparities. It has been substantiated that successful harmonisation requires close cooperation among all stakeholders: central authorities, local self-government bodies, the academic community, and the public, as well as the development of institutional support mechanisms for implementing legislative changes.

Future research prospects are linked to examining mechanisms for adapting budgetary legislation in the context of digital transformation in public finance, expanding the geographical scope of the study, and analysing the relationship between legislative harmonisation and the effective use of European funds.

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Conflict of Interest

None.

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Баланс між уніфікацією та адаптацією в гармонізації законодавства: кейс інституційного забезпечення бюджетного процесу на місцевому рівні

Ілля Дєдушев

Аспірант

Національна академія внутрішніх справ
03035, пл. Солом'янська, 1, м. Київ, Україна
<https://orcid.org/0009-0005-6836-397X>

Надія Моргун

Кандидат юридичних наук, доцент
Національна академія внутрішніх справ
03035, пл. Солом'янська, 1, м. Київ, Україна
<https://orcid.org/0000-0002-2997-9975>

Анотація

У сучасному глобалізованому світі питання гармонізації законодавства набуває особливої актуальності, передусім у контексті інституційного забезпечення бюджетного процесу на місцевому рівні. Метою дослідження було визначення оптимального балансу між уніфікацією та адаптацією в процесі гармонізації законодавства щодо інституційного забезпечення бюджетного процесу на місцевому рівні. Для досягнення мети було застосовано комплексну методологію дослідження, що охоплювала порівняльно-правовий аналіз, історико-правовий метод, формально-юридичний метод, системний, інституційний та функціональний аналіз нормативно-правової бази країн Центральної та Східної Європи. Дослідження виявило, що польський та естонський підходи передбачають ефективну модель балансування стандартизації з локалізацією, коли встановлюють загальні принципи бюджетного процесу зі збереженням гнучкості для муніципалітетів. Встановлено, що ключову роль у досягненні балансу відіграють інституційні механізми координації, зокрема консультативні ради та спеціалізовані комісії за участю представників різних рівнів влади. Запропоновано комплексний підхід до гармонізації законодавства, який поєднує централізоване керівництво з децентралізованою імплементацією, що дає змогу забезпечити як дотримання загальних принципів, так і врахування місцевих особливостей. Виявлено ключові інституційні проблеми гармонізації, зокрема недостатня фахова підготовка працівників фінансових відділів й обмежене технічне забезпечення в Україні та Сербії, порівняно з Польщею та Естонією. Обґрунтовано необхідність посилення інституційної спроможності органів місцевого самоврядування через запровадження обов'язкових програм підвищення кваліфікації, удосконалення нормативно-правової бази шляхом усунення колізій між декларованою самостійністю місцевих бюджетів і фактичними обмеженнями їх автономії, покращення координації між національним та місцевим рівнями через створення спеціалізованих механізмів на зразок польської Спільної комісії. Результати дослідження може бути використано під час розроблення стратегій гармонізації законодавства країнами, які прагнуть до євроінтеграції, та для вдосконалення наявних механізмів координації бюджетного процесу на різних рівнях влади.

Ключові слова:

самоврядування; правове регулювання; фінансова децентралізація; євроінтеграційні процеси; середньострокове планування