

ECONOMIC AND FINANCIAL INSTRUMENTS IN CORPORATE STRATEGIES FOR SUSTAINABLE REGIONAL DEVELOPMENT: EU EXPERIENCE

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The paper analyzes the EU experience for economic and financial instruments in corporate strategies for sustainable regional development. The significance of these instruments in shaping regional development and environmental policy strategies is essential. Key growth indicators that have stabilized globally and within European Union countries have been identified, along with their applicability to Ukraine. An approach to financing Ukraine's development strategy has been established. The necessity of preserving the best practices of the European Union, developing a system of economic instruments within Ukraine's environmental policy framework, and implementing EU policies has been emphasized. This approach represents a vital step toward addressing the complex economic and ecological challenges faced by the regions.

Keywords: economic instruments, financial instruments, sustainable development, efficiency, regional development.

JEL Classification: Q01, Q56, R58, G28, D24

Access to the European framework of social, economic, and environmental benefits is a primary objective for Ukraine, as set out in the Association Agreement it has ratified with the European Union. The adoption and implementation of the European development strategy have the potential to confer substantial competitive advantages on Ukrainian enterprises, particularly in the context of establishing a free trade zone.

This study examines the economic and financial security mechanisms established within EU member states in corporate strategies for sustainable regional development. Considering Ukraine's current strategic priorities, the development of a comprehensive system of economic and financial instruments is likely to be pivotal for the nation's successful advancement.

Problem statement. Outdated technologies, the lack of capital for financing innovation, and the high energy efficiency of agricultural production negatively affect the natural environment, consuming it. These lead to drastic changes in ecological systems that threaten the emergence of systemic crises.

Ensuring sustainable development is closely connected to a complex of economic and socio-economic factors.

This means that the parameters characterizing sustainable development must include both a social and an economic vector. Moreover, in each of them, environmental factors play a vital role in supporting people's physiological functions and in the formation of the special components of "society".

During the remaining decades, the promotion of established European practices of stagnation in economic and financial instruments, as well as the development of sustainable practices, received insufficient respect from the state and enterprises alike. The research topic is timely and highly relevant.

Analysis of research and publications. To increase the competitiveness of Ukrainian enterprises and adapt government activities to new realities, it is necessary to revise financing and security strategies. According to current developments, numerous effective combinations of economic and financial instruments are available to Ukrainian enterprises. In the economic literature, Apergis et al. [2] review economic and financial instruments for ensuring sustainable development; Budko & Kirichenko [3]; Dev et al. [5]; Marchenko [10]; Zioło et al. [17; 18]; and others.

This paper aims to elucidate the economic and financial instruments that can be employed to shape and advance corporate strategies conducive to sustainable development.

The foundational concept of sustainable development was formally embraced in 1992 during the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro. This landmark event convened heads of state, government officials, experts from 179 countries, and representatives from numerous non-governmental organizations, scientific communities, and business sectors.

Several pivotal documents emerged from the conference, including the Rio Declaration on Environment and Development, the Declaration on Principles of a Global Consensus for the Management, Conservation, and Sustainable Development of All Types of Forests, and Agenda 21, a comprehensive framework designed to prepare the global community to address imminent ecological, economic, and socio-economic challenges.

Moreover, the conference facilitated the drafting of the Framework Convention on Climate Change and the Convention on Biological Diversity. All documents produced at UNCED are grounded in the principle of sustainable development, which was defined in the report of the International Commission chaired by the Prime Minister of Norway, Gro Harlem Brundtland. Sustainable development is development that meets the needs of the present without compromising the capacity of future generations to meet their own needs.

The term "sustainable development" embodies an inherent paradox, as it combines two semantically opposed concepts: "sustainability," which implies stability or stationarity, and "development," which requires continuous change and progress. Consequently, sustainable development entails the ongoing maintenance of a dynamic equilibrium, or homeostasis, in which periodic adjustments resolve internal systemic contradictions, ensuring that alterations within the biosphere remain within non-catastrophic thresholds.

Central to the sustainable development paradigm is the preservation of humanity both as a biological species and as a social entity capable of personal and collective growth. Achieving sustainable development is intrinsically linked to a complex array of economic and socio-economic indicators, such as per capita national income, employment rates, poverty levels, morbidity, and average life expectancy. Therefore, the metrics defining sustainable development must encompass social, economic, and environmental dimensions.

Equally important is the formulation and implementation of regional sustainable development policies. In this regard, Ukraine is encouraged to examine and adapt the experiences of leading European nations.

Regarding the financing and facilitation of sustainable development, global practice predominantly utilizes the following principal mechanisms [13]:

- The mobilization of financial resources encompasses various external flows, including private capital investments, official donor aid, commitments from developed nations,

and funding from international financial institutions, notably the Global Environmental Facility. Additionally, the release of funds involves global conservation efforts across diverse resource types, the cancellation of excessive sovereign debts, and the reduction of government budget expenditures. Tax revenues are also considered, particularly through the introduction of new minor taxes. Institutional and organizational financing sources include increased allocations from the Global Environmental Facility to support transboundary environmental initiatives within different regions. This strategy further entails organizing donor meetings at multiple levels [6; 7].

- Alternative financing sources serve to complement traditional funding mechanisms for sustainable development. These alternatives include exchanging environmental knowledge, preventing financial crises, and transferring environmentally sustainable technologies. Investments in education, scientific research, professional training, and the adoption of information technology innovations are also critical components.

- The European Union's formulation of a sustainable development strategy necessitates a comprehensive array of financial, economic, and institutional instruments. To this end, the EU actively employs Sustainable Development Strategies, the Multiannual Financial Framework (MFF) for 2021-2027 [8], and the Environment Action Programme (EAP) to 2030 [6].

- Concurrently with the enactment of framework legislation aimed at ensuring a high level of environmental protection, the EU has introduced several ecological protection instruments [6; 7; 8; 9]. Among these, the LIFE programme serves as a financial instrument dedicated to environmental protection, promoting the development, implementation, and updating of Community environmental policies and legislation. For the current 2021–2027 period, the LIFE programme has a total budget of approximately €5.4 billion to support environmental and climate action projects across Europe. In late 2025, the European Commission allocated over €358 million to 132 new LIFE projects addressing nature and biodiversity, circular economy and quality of life, climate change resilience and mitigation, and clean and the transition, reflecting the programme's continued role in fostering innovative responses to environmental challenges throughout the EU [9]. The programme supports enhanced management practices, information dissemination, and increased public awareness regarding environmental issues, contributing to the EU's broader environmental and sustainability goals.

- Environmental taxes and duties are designed to enhance the effectiveness of environmental policy and ensure compliance with Community law. Several environmental protection taxes have been implemented. According to the most recent Eurostat data for 2023, environmental tax revenues in the European Union reached about €341.5 billion, up from the previous year and continuing to represent a significant fiscal source for Member States [1]. Environmental taxes are imposed on each physical unit of substances proven to be harmful to

the environment. Revenues from such taxes constitute about 3% of the total European GDP and approximately 7% of total tax revenues. Furthermore, proceeds from permit sales under the European Union Emissions Trading System are expected to reach €1 billion (US\$1.36 billion), which will be allocated to finance 19 projects aimed at mitigating climate change. The financing is distributed within the framework of the EU program “NER 300,” the world's most extensive program that finances innovative low-carbon energy projects in the industry and energy sectors. Within the framework of this program, it is planned to sell 300 million emission permits from the reserve of new companies involved in the third phase of the emissions trading system.

– Environmental agreements and contracts: aimed at improving the environmental aspects of the activities of enterprises and the implementation of sustainable production methods. Some contracts are entirely focused on environmental protection; others contain separate provisions on environmental protection; and others are indirectly related to environmental protection.

– Integrated product policy – an approach to assessing products based on their life cycle: any product causes environmental degradation in one way or another, for example, as a result of its production, use, or disposal. An integrated approach to products can minimize this impact by analyzing all stages of the product life cycle and taking appropriate measures where this is most effective. The main goal is to promote the development of a market for environmentally friendly products and stimulate public debate on relevant issues.

– International governance and coordination (in particular, through the European Environment Agency (EEA); European Topic Centre on Spatial Analysis and Synthesis (ETC-UMA); European Topic Centre on Air Pollution, Transport, Noise and Industrial Pollution (ETC-ATNI)). The focus is on preventing climate change and biodiversity loss, understanding their spatial changes, protecting human health and quality of life, and using and managing natural resources and waste.

– Eco-labelling of products: Eco-labelling is designed to promote products with the lowest environmental impact throughout their life cycle and to provide consumers with accurate, scientifically sound information on the ecological effects of such products (e.g., the Blue Angel eco-label is Germany's national label and a reliable indicator that a product is the most “friendly” to the environment.

– The European Eco-Management and Audit Scheme (EMAS) is one of the most stringent environmental management schemes globally. It is generally considered more demanding than ISO 14001: regular publication of statements verified by independent auditors ensures the scheme's transparency and requires active communication both within and outside the organisation. The main objective of the programme is to improve environmental performance by involving companies in active ecological management. The scheme also aims to ensure the

continuous improvement of the environmental performance of European organisations and to provide the public and stakeholders with relevant information.

– Environmental audit – one of the most essential tools for eco-management, as it provides reliable data on the policies developed and the programs implemented. The main types of environmental audits used by enterprises are: compliance audit, system audit (the organization's own standard or an accredited standard, such as ISO 14001), and targeted audit (e.g., a waste audit).

Environmental audits – minimum criteria: ensuring greater compliance, as well as greater uniformity in the application and implementation of Community legislation on environmental protection by providing minimum criteria for the organization, conduct, post-control, and publication of the results of environmental audits in all Member States.

– European Pollutant Release and Transfer Register (PRTR): improving public access to information on the state of the environment and contributing to the prevention and reduction of pollution in the long term.

Assessment of the environmental impacts of plans and programmes: carried out to facilitate the integration of environmental aspects at the stages of development and adoption of plans and programmes.

These initiatives have solid financial support under the EU budget approved for 2021-2027. The 2021-2027 long-term budget and NextGenerationEU are an investment in a modern, more sustainable and resilient Europe: More than 50% of the long-term budget and NextGenerationEU are going to new priorities, such as research and innovation, fair climate and digital transitions, preparedness, recovery, and resilience. 30% of the long-term budget and NextGenerationEU will be spent on fighting climate change. 20% of the Recovery and Resilience Facility funds – the instrument at the heart of NextGenerationEU – will be invested in the EU's digital transformation [7] (Fig. 1).

Among the various economic instruments for managing the sustainable development of regions, we can highlight environmental taxes and tariffs on products, financial assistance, market licenses, payments, and forms of ownership transfer.

Features of Regional Sustainable Development Policy in Ukraine. The Ukrainian government defines the primary objectives of the regional sustainable development policy [4]:

– Ensuring the balanced development of regions and megacities by preserving their structural regional characteristics, natural resource potential, and economic and ecological capacities.

– Balanced development of the territory within the ecological space of a given region, along with coordination of actions with the development of other areas of Ukraine.

Regional development policy should focus on creating and implementing tailored strategies for transitioning to sustainable development.

– Achieving a natural and economic balance in the socio-economic development of regions.

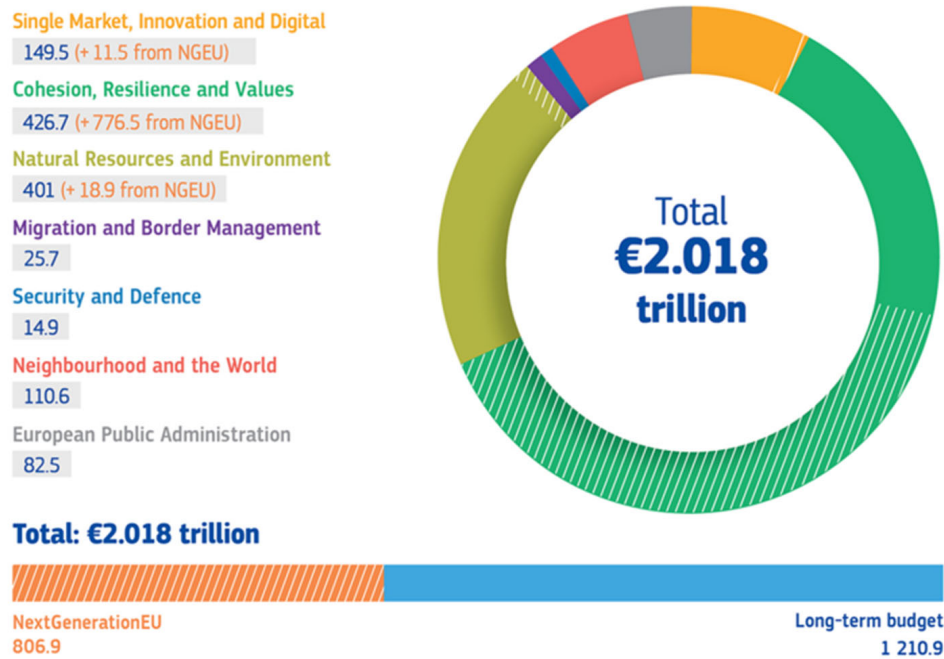


Figure 1 – Policies funded by the EU budget [7]

– Formation of a regional economic mechanism that aligns with the primary goals of the state's sustainable development.

Taking into account the specific characteristics inherent to each region, including the uniqueness of natural resources, as well as geographical, historical, economic, social, and other factors.

The implementation of these tasks can be verified using social, economic, and environmental indicators. In practice, the following EU sustainable development indicators can be utilized:

1) Ensuring a high and sustainable level of economic growth and employment, measured by GDP per capita, gross and social investments (as a percentage of GDP), and the ratio of employed individuals to the working-age population.

2) Achieving social progress that reflects the needs of each citizen, including the number of children in families with incomes below the subsistence minimum; the number of adults without qualifications; the number of unemployed individuals, beggars, and the elderly; healthy life expectancy of men and women; and the crime rate (percentage of solved crimes).

3) Effectiveness of environmental protection (greenhouse gas emissions); duration of periods with high or average air quality (number of days); rivers exhibiting high water quality; and new developments on previously used land.

4) Restrictions on the use of natural resources, including waste accumulation and management [13;14].

Today, Ukraine focuses on several key social indicators of sustainable development: the population's standard of living, the quality of human resources, and life security. Among the environmental indicators, attention is given to the quality of the atmosphere, hydrosphere, and lithosphere. Economic indicators include the level of economic development, consumption patterns, and financial resources, mechanisms, and instruments [10].

Conclusions: For Ukraine, which aspires to full membership in the European Union, it is essential to mobilize resources, including those required to ensure sustainable development. To achieve progress in sustainable development, it is crucial to coordinate, direct, and purposefully utilize external assistance and leverage the European Community's experience in deploying economic and financial instruments. To this end, Ukraine must expand dialogue and cooperation with EU Member States and international financial institutions and engage in consultations with European Union countries on the effective use of financial and economic instruments to promote sustainable development.

These tasks are becoming increasingly important today, given Ukraine's adaptation of its legislative system to align with EU legislation and the incorporation of EU experience in the use of economic and financial instruments to promote sustainable development.

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ЕКОНОМІЧНІ ТА ФІНАНСОВІ ІНСТРУМЕНТИ В КОРПОРАТИВНИХ СТРАТЕГІЯХ СТАЛОГО РЕГІОНАЛЬНОГО РОЗВИТКУ: ДОСВІД ЄС

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У статті аналізується досвід ЄС щодо економічних та фінансових інструментів у корпоративних стратегіях сталого регіонального розвитку. Значення цих інструментів у формуванні стратегій регіонального розвитку та екологічної політики є надзвичайно важливим. Визначено ключові показники зростання, які стабілізувалися в усьому світі та в країнах Європейського Союзу, а

також їх застосовність до України. Встановлено підхід до фінансування стратегії розвитку України. Наголошено на необхідності збереження передового досвіду Європейського Союзу, розробки системи економічних інструментів у рамках екологічної політики України та впровадження політики ЄС. Такий підхід є важливим кроком до вирішення складних економічних та екологічних проблем, з якими стикаються регіони.

Ключові слова: економічні інструменти, фінансові інструменти, сталий розвиток, ефективність, регіональний розвиток.

Дата надходження статті: 17.09.2025

Дата прийняття статті: 25.10.2025

Дата публікації статті: 28.11.2025