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ECONOMIC INCENTIVES IN DOMESTIC ENVIRONMENTAL POLICY: PROBLEMS AND PROSPECTS

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Abstract. *The paper examines the current state, problems, and prospects for the development of economic incentives in Ukraine's environmental policy. It identifies the main instruments of economic influence, including tax breaks, environmental payments, subsidies, support programs, and investment mechanisms. An analysis of the effectiveness of economic incentives is provided. It is shown that the domestic model of eco-stimulation is characterized by fragmentation, weak coordination between authorities, and insufficient motivation for businesses to implement “green” technologies. The main barriers to ensuring the effectiveness and efficiency of domestic environmental policy are identified. Promising areas for improving state policy are outlined, in particular the introduction of an emissions trading system, the development of “green” bonds, the improvement of the taxation system, and the creation of regional sustainable development funds.*

Keywords: *public administration, environmental governance, fiscal incentives in the environmental sphere, “green” investments, sustainable development*

The issue of effective economic incentives for Ukraine's environmental policy is particularly relevant in the context of global environmental challenges and the transformation of economic models. Domestic economic instruments often serve a fiscal rather than an incentive function, which reduces the effectiveness of environmental policy. Environmental taxes and payments for the use of natural resources are rarely directed towards conservation measures, limiting business confidence and investment attractiveness. The current stage of environmental policy is characterized by a commitment to European integration and alignment with the European Green Deal. The transition to market-oriented instruments involves the adoption of the “polluter pays” and “user compensates” principles. European experience demonstrates that fiscal policy can be an effective tool for achieving environmental objectives. Economic incentives integrate the interests of the state, business, and society in promoting environmentally sustainable development. This process relies on financial, tax, and institutional conditions for the implementation of environmentally friendly technologies. Direct methods, such as pollution charges, tax breaks, subsidies, and preferential lending, provide immediate support for environmental projects. Green grants and public-private partnerships facilitate the development of renewable energy and the circular economy. The largest share of budget expenditures is allocated to water supply, sanitation,

and waste management, indicating a concentration of incentives in sectors with a direct environmental impact. The lowest expenditures are observed in industry and education, reflecting the limited realization of green investment potential in these sectors. The main factors behind this concentration are policy adaptation to crisis conditions and institutional constraints. The war and macro-financial instability since 2022 have shifted government priorities towards social and infrastructure needs. Indirect instruments, such as tax incentives, environmental taxes, and green tariffs, create economic motivations for environmentally responsible behavior. Thus, Ukraine has established basic incentive mechanisms, but the transition to a systemic green economy remains at an early stage.

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