

“GREEN FINANCING” IN THE POST-WAR RECONSTRUCTION OF TERRITORIAL COMMUNITIES IN UKRAINE: A PRACTICAL DIMENSION

VOZNYAK Halyna

Doctor of Economics, Professor,

Leading Researcher, Department of Regional Financial Policy, M. Dolishniy

Institute of Regional Research of National Academy of Sciences of Ukraine,

Professor of the Department of Economics and Public Administration

Ivan Franko National University of Lviv

ORCID ID: <https://orcid.org/0000-0003-2001-0516>

SOROKOVYI Danylo

Postgraduate, M. Dolishniy Institute of Regional Research of National Academy of Sciences of Ukraine

ORCID ID: <https://orcid.org/0009-0001-3954-1854>

Abstract. *The article examines the role and potential of green financing in the post-war reconstruction of Ukrainian communities in the current context. The relevance of the topic is determined by the need to combine rapid infrastructure restoration with long-term goals of sustainable development, decarbonization of the economy, and improvement of financial stability of communities in accordance with the principles of the European Green Deal. Green financing instruments available to local authorities are systematized, divided into non-repayable, repayable, and partnership instruments, and analytically assessed in terms of accessibility, impact on financial stability, and potential for scaling up in wartime and post-war periods. Particular attention is paid to the analysis of energy service contracts (ESCOs) and green bonds as instruments that differ significantly in terms of their application logic, level of institutional requirements, and long-term effect on community development. It is argued that ESCOs are the most practical and accessible tool for implementing energy efficiency measures in conditions of limited financial capacity of communities, while their application in Ukraine is characterized by fragmentation and limited strategic planning compared to practices in EU countries. It has been established that green bonds have significant potential as a tool for financing capital-intensive infrastructure projects in the long term, but their use at the municipal level is hampered by institutional, financial, and regulatory barriers. It has been proven that green financing instruments are not interchangeable, but should be considered as complementary elements of the public investment management system of local communities. The practical significance of the study lies in the formation of scientifically sound approaches to a phased transition from a reactive model of local development financing to a proactive model focused on improving the financial sustainability of communities, achieving climate goals, and ensuring the sustainable socio-economic recovery of Ukraine in the post-war period.*

Key words: *territorial community, war, local self-government, green finance, investment, sustainability, reconstruction, development, European Union, financial policy.*

The post-war recovery of territorial communities in Ukraine is unfolding in a highly challenging environment shaped by the large-scale destruction of critical infrastructure, long-term fiscal constraints, and growing environmental and climate-related risks resulting from Russia's full-scale invasion of Ukraine. These factors have deepened structural vulnerabilities of local economies and public finance systems, disrupted development trajectories of communities, and significantly increased the importance of sustainability-oriented approaches to reconstruction. Under such conditions, post-war recovery cannot be limited to the restoration of pre-war assets but requires a strategic rethinking of development priorities in line with climate neutrality and European integration goals.

The purpose of this article is to justify the possibilities of applying green finance instruments in the post-war reconstruction of Ukraine's territorial communities and to develop proposals for their integration into local development financial policy.

Green financing instruments available to local governments have been systematized, divided into non-repayable, repayable, and partnership instruments, and analytically assessed in terms of accessibility, impact on financial stability, and scalability potential during wartime and post-war periods. Particular attention has been paid to the analysis of energy service contracts (ESCOs) and green bonds as instruments that differ significantly in terms of their application logic, level of institutional requirements, and long-term effect on community development. It is argued that ESCOs are the most practical and accessible tool for implementing energy efficiency measures in conditions of limited financial capacity of communities, while their application in Ukraine is characterized by fragmentation and limited strategic planning compared to practices in EU countries. It has been established that green bonds have significant potential as a tool for financing capital-intensive infrastructure projects in the long term, but their use at the municipal level is hampered by institutional, financial, and regulatory barriers. It has been proven that green financing instruments are not interchangeable but should be considered as complementary elements of the public investment management system of local communities.

The practical significance of the study lies in the formation of scientifically sound approaches to a phased transition from a reactive model of local development financing to a proactive model focused on improving the financial sustainability of communities, achieving climate goals, and ensuring Ukraine's sustainable socio-economic recovery in the post-war period.

Reference

1. Cheberiako, O. V., & Leshchenko, I. V. (2025). Green finance as an instrument of sustainable development and post-war recovery in Ukraine. *Ukrainian Economic Bulletin*, 20(1), 45–58. <https://doi.org/10.63341/2786-491X-2025-1-80>
2. Post-war green recovery of Ukraine: Processes, stakeholders, and public participation. (2024). Analytical report. Heinrich Böll Stiftung. https://ua.boell.org/sites/default/files/2024-05/racse-report_2024-5-13-1_ukr.pdf
3. Leshchukh, I. V., Patytska, Kh. O., Bashynska, Yu. I., Nestor, O. Yu., & Sorokovyi, D. O. (2025). *Challenges and priorities of economic governance of territorial communities in the Western macroregion of Ukraine based on the principles of the green transition*. SI “M. I. Dolishniy Institute of Regional Research of NAS of Ukraine”. URL: <https://ird.gov.ua/irdp/p20250036.pdf>
4. Karlin, M. I., & Ivashko, O. A. (2020). Green finance as a new direction for attracting investment into the economy of Ukraine. *Economic Forum*, 3, 97–104. . URL: [https://e-forum.com.ua/web/uploads/pdf/Economic_Forum_Vol_10_No_3%20\(1\)-97-104.pdf](https://e-forum.com.ua/web/uploads/pdf/Economic_Forum_Vol_10_No_3%20(1)-97-104.pdf)

5. Local Governments Climate Finance. Instruments Global Experiences and Prospects in Developing Countries. World Bank Group. 2024. URL: <https://documents1.worldbank.org/curated/en/099041224090039327/pdf/P17612810871700531ae091b1c089264caf.pdf>
6. EU4Energy & Covenant of Mayors – Eastern Partnership. (n.d.). *Energy service contracts as an effective instrument for financing energy efficiency projects: Guidelines* URL: https://decentralization.ua/uploads/library/file/282/Guideline_-_ESCO.pdf
7. Verkhovna Rada of Ukraine. (2015). *Law of Ukraine “On introducing new investment opportunities, guaranteeing the rights and legitimate interests of business entities for large-scale energy modernization”* No. 327-VIII of April 9, 2015. URL: <https://zakon.rada.gov.ua/laws/show/327-19#Text>
8. Verkhovna Rada of Ukraine. (2015). *Law of Ukraine “On amendments to the Budget Code of Ukraine regarding the introduction of new investment opportunities, guaranteeing the rights and legitimate interests of business entities for large-scale energy modernization”* No. 328-VIII of April 9, 2015. URL: <https://zakon.rada.gov.ua/laws/show/328-19#Text>
9. Cabinet of Ministers of Ukraine. (2015). *Resolution No. 845 of October 21, 2015*. URL: <https://zakon.rada.gov.ua/laws/show/845-2015-%D0%BF#Text>
10. Ministry for Communities and Territories Development of Ukraine. (2015). Order No. 178 of July 27, 2015 “On adoption of the national standard of Ukraine DSTU B A.2.2-12:2015 ‘Energy efficiency of buildings. Method for calculating energy consumption for heating, cooling, ventilation, lighting and domestic hot water supply’”. URL: https://online.budstandart.com/ua/catalog/doc-page.html?id_doc=61816
11. ESCO in Ukraine: 8 Years of Progress and Resilience amid war. ГТБЗ 2025. URL: https://c2e2.unepccc.org/wp-content/uploads/sites/3/2025/02/esco-in-ukraine-8-years-of-progress-and-resilience-amid-war.pdf?utm_source=chatgpt.com#page=8.00
12. Information base of potential energy service providers for the fourth quarter of 2025. (2025). Analytical and informational dataset. URL: <https://sae.gov.ua/static-objects/sae/sites/1/uploaded-files/iv-kvartal-2025.pdf>
13. ESCO in Ukraine: 8 Years of Progress and Resilience amid war. ГТБЗ 2025. URL: https://c2e2.unepccc.org/wp-content/uploads/sites/3/2025/02/esco-in-ukraine-8-years-of-progress-and-resilience-amid-war.pdf?utm_source=chatgpt.com#page=8.00
14. Verkhovna Rada of Ukraine. (2020). *Law of Ukraine “On amendments to certain legislative acts of Ukraine on simplifying investment attraction and introducing new financial instruments”* No. 738-IX of June 19, 2020. URL: <https://zakon.rada.gov.ua/laws/show/738-20#Text>
15. Cabinet of Ministers of Ukraine. (2022). Order No. 175-r of February 23, 2022 “On approval of the Concept for the introduction and development of the green bond market in Ukraine”. URL: <https://zakon.rada.gov.ua/laws/show/175-2022-%D1%80#Text>

Дата надходження статті: 04.09.2025

Дата прийняття статті: 17.09.2025

Дата публікації статті: 28.09.2025