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SUSTAINABLE FINANCE OF URBAN DEVELOPMENT PROJECTS IN UKRAINE

Abstract. *The article provides a comprehensive study of sustainable finance in the context of urban development projects in Ukraine. Research of this topic is important, because modern cities are rapidly growing, and innovative solutions are needed to manage this expansion while addressing environmental challenges. The authors emphasize the importance of sustainable finance in achieving the United Nations' Sustainable Development Goals, particularly Goal 11 "Sustainable cities and communities". Post-war reconstruction gives Ukraine the opportunity to rebuild its cities based on green principles, in line with the European Green Deal and aiming for climate neutrality by 2050. This transformation requires innovative financial strategies, including sustainable finance, which integrates environmental, social, and governance (ESG) considerations into investment decisions. The article highlights the key principles of sustainable finance framework and the main categories of financial instruments used in sustainable finance transactions. The authors studied the progress of sustainable finance in Ukraine, namely the formation and development of the legislative framework, strategic planning, financial instruments and the integration of ESG considerations into financial decision-making. Furthermore, the article discusses the funding sources and mechanisms for sustainable development in Ukrainian cities, including public and private financing, international technical assistance projects, and state programs. The authors also emphasize the importance of strategic planning and donor coordination in achieving sustainable urban development goals. Key tasks include improving financial mechanisms, stimulating private capital, and developing realistic post-war urban plans. Overall, the article concludes that while Ukraine has made progress in developing sustainable finance, there is still work to be done to fully integrate sustainable finance principles into the country's financial sector. The authors emphasize for continued efforts to improve the legislative framework, raise awareness, attract of private investors, enhanced risk management, develop digital technologies, and expand concessional funding to support sustainable urban development in Ukraine. Addressing these challenges will be important for achieving sustainable urban development and aligning Ukraine's financial system with global sustainability trends.*

Keywords: *sustainable finance; ESG goals; urban projects; urban development; SDG; sustainability*

Problem overview

The global trend of urban sustainable development is towards creating more habitable, resilient, and environmentally friendly areas that meet the needs of current and future generations. Despite the significant efforts of the world community, challenges such as slum-like living conditions, inadequate public transportation, and air pollution persist in urban areas worldwide. The issues surrounding sustainable urban development in Ukraine have become more pronounced due to the war,

and require significant structural changes and capital investments. Sustainable finance, which integrates environmental, social, and governance (ESG) considerations into investment decisions, can play a crucial role in attracting additional investments and transforming the financial system of Ukraine in accordance with European Union trends.

In Ukraine, the development of sustainable finance faces such obstacles as insufficient strategic planning, lack of environmental risk management practice,

insufficient awareness and experience in utilizing sustainable financial instruments. However, the country has shown a tendency towards improving its performance in SDG implementation.

Effective implementation of sustainable urban development projects in Ukraine requires innovative financial management approaches. Recommendations include finding new ways of managing financial resources, stimulating private capital, ensuring transparency in financing mechanisms, and aligning post-war development plans with green transformation strategies.

Analysis of recent research and publications

Sustainable finance has attracted significant academic attention due to its critical role in addressing climate change and environmental degradation. Researchers are focused on developing financial strategies that integrate ESG factors to ensure long-term sustainability. As global urbanization accelerates, scientists are exploring how sustainable finance can support the transition to green infrastructure and low-carbon economies. The growing recognition of the financial sector's power in driving positive change has sparked interest in creating innovative mechanisms to fund sustainable development. Some of the most prominent scientists who have contributed to the field of sustainable finance are: M. Carney, J. Stead, D. Schoenmaker, M. Robinson, V. Ramiah, O. Weber, S. Thompson and others. Sustainable finance is becoming increasingly critical for Ukraine's urban development, particularly in the context of post-war reconstruction and EU integration. While there are significant challenges, such as regulatory barriers and limited access to international capital, the growing body of research by Ukrainian authors provides valuable insights and recommendations. Key areas for future research include the role of digital technologies, decentralized governance, and circular economy principles in sustainable urban development. Ukrainian authors who have worked on the topic of sustainable finance: Prutskaya O., Dubina M., Solodovnik O., Kozhukhova T., Kovalenko Y. and others.

Formulation of the article's objective

The purpose of the article is to investigate a strategic approach to building and improving sustainable finance framework for the effective use of financial resources in ensuring the development of cities in Ukraine. We based our research methodology on thematic analysis to identify overarching themes in the data and how they are expressed, as well as content analysis to examine textual data gathered from literature

reviews. The analysis of existing reports, analytical and strategic documents, studies, and project materials was conducted through desk research. Through generalization, we identified the most acceptable world practices that deserve to be implemented in Ukraine.

Presentation of the main material

Make cities and human settlements inclusive, safe, resilient and sustainable - this is the 11th goal of sustainable development, as defined in the 2030 Agenda for Sustainable Development, and adopted by every United Nations Member State in 2015 [25]. This document offers a shared plan to promote peace and prosperity for both people and the planet, now and in the future. Central to this agenda are the 17 Sustainable Development Goals (SDGs), which serve as a pressing call to action for all countries, whether developed or developing, to engage in a global partnership. These goals acknowledge that eliminating poverty and other forms of deprivation must be pursued alongside efforts to enhance health and education, reduce inequality, and stimulate economic growth – all while addressing climate change and striving to protect our oceans and forests. According to The Sustainable Development Goals Report 2023 [30], achieving Goal 11 requires focusing efforts on implementing inclusive, resilient, and sustainable urban development policies and practices. This should prioritize access to basic services, affordable housing, efficient transportation, and green spaces for all. In 2022, only half of the world's urban population had convenient access to public transportation, and issues such as urban sprawl, air pollution, and limited open public spaces persist in cities (see Figure 1). More than half of the world's population currently resides in cities, and by 2050, this figure is expected to reach 70 percent. Around 1.1 billion people reside in slums or slum-like conditions in cities, with an additional 2 billion projected to do so in the next three decades. Therefore, the importance of attention to the development of urban areas in achieving global sustainable development goals is increasing. The most discussed topics of sustainable urban development are focused on:

- Sustainable infrastructure: Cities are increasingly investing in sustainable infrastructure, such as green buildings, renewable energy, and efficient public transportation systems. This helps reduce carbon emissions and improve the quality of life for residents.
- Smart cities: The concept of smart cities, which use technology to improve efficiency and sustainability, is gaining popularity. This includes initiatives such as smart grids, intelligent transportation systems, and digital governance.
- Risk management: Cities are facing increasing risks from climate change, natural disasters, and other shocks. There is a growing emphasis on risk management, which involves building infrastructure and

systems that can withstand and recover from these challenges.

- **Circular economy:** The concept of a circular economy, where resources are used more efficiently and waste is minimized, is gaining traction in urban areas. This includes initiatives such as recycling programs, composting, and the sharing economy.

- **Green spaces:** Cities are recognizing the importance of green spaces for health, well-being, and biodiversity. There is a trend towards creating more

parks, urban forests, and green roofs to improve the quality of life for urban residents.

Ukraine ranks 38th in the overall country ranking for SDG implementation, and also shows a tendency towards improving its performance [16].

As for Goal 11, "Sustainable cities and communities", Ukraine faces significant challenges. Total score is stagnating or increasing at less than 50% of the required rate (check Table).

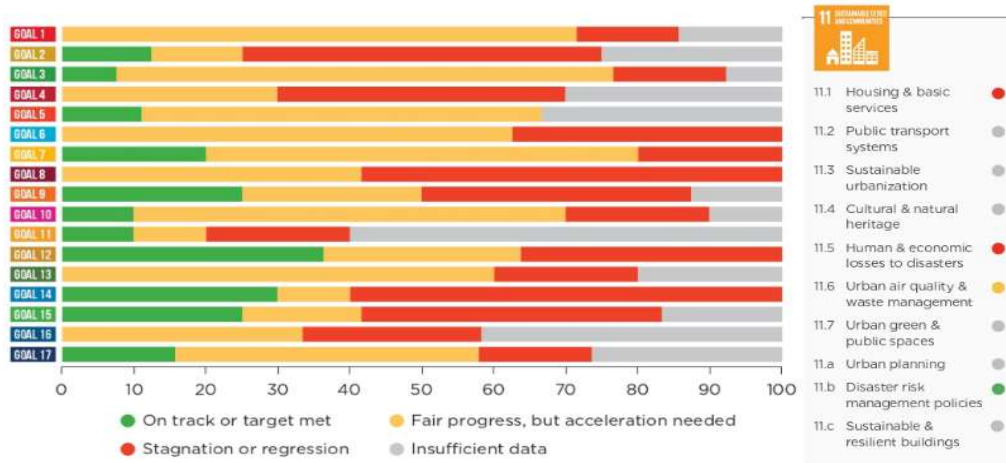


Figure 1 – World 11th SDG progress chart 2023. Sources: U N Statistics Division [29]

Table – Status for Goal 11 "Sustainable cities and communities" in Ukraine

Global/Local	Goal	Dashboards	Trends
11.1 Global	Proportion of urban population living in slums	SDG achieved	Unavailable
1.2 Global	Annual mean concentration of particulate matter of less than 2&5 microns in diameter (PM2&5) ($\mu\text{g}/\text{m}^3$, 2019)	Significant challenges remain	Moderately improving
11.3 Global	Access to improved water source, piped (% of urban population, 2020)	Significant challenges remain	Decreasing
11.4 Global	Satisfaction with public transport (% , 2022)	Challenges remain	Stagnating
11.1.1 Local	Solvency ratio of the borrower (ratio of monthly payments of the borrower and his/her family on mortgage debt servicing to total monthly income)	Challenges remain	Moderately improving
11.2.1 Local	Share of regions that have approved and implemented regional development strategies and action plans for their implementation developed with public participation, %	Significant challenges remain	Stagnating
11.3.2 Local	Number of monuments of national importance included in the State Monument List of Ukraine, units	SDG achieved	Unavailable
11.3.3 Local	Area of the nature reserve fund of national importance, % of the country area	Challenges remain	Stagnating
11.4.1 Local	Status of implementation (development, modernization, improvement) of local automated centralized public alert systems, %	Unavailable	On track or maintaining SDG achievement
11.5.1 Local	Emissions of air pollutants from stationary sources, % to 2015 level	Unavailable	Moderately improving
11.6.1 Local	Number of workers employed in tourism business entities, persons	Unavailable	Decreasing

Sources: The Sustainable Development Report (formerly the SDG Index & Dashboards) [16], Statistic Ukraine: 17 goals to transform our world [18]

In 2022, all cities in Ukraine faced extraordinary challenges during the Russian aggression. Many cities suffered serious destruction, and critical infrastructure of cities and regions became the target of deliberate attacks by the Russian Federation. Massive migration processes, catastrophic in scale, complicate the recovery and functioning of cities. The challenges and opportunities of rebuilding and post-war development of Ukraine, including regions and cities, open up the chance for a systemic rethinking and transformation of the country based on green principles. This means focusing on people and their desire to return to a healthy, safe, and sustainable environment. This process requires a complex of measures based on the principles of "build back better" and "build back greener". Various tools are necessary for the recovery of regions and cities that have suffered massive destruction, as well as those where the scale of destruction is smaller but require a review of the strategic vision of their development. Actions should be based on the best practices of urban planning and spatial development, environmental conservation, and consideration of energy efficiency, ecological, and other modern trends. The European development vector of Ukraine is important, including the application of the European Green Deal and the transformation of the European continent to climate neutrality by 2050. All this requires finding a balance between urgent needs and medium- and long-term development goals, as well as prioritizing people- and community-oriented reconstruction directions [15].

Therefore, the main tasks that need to be addressed for the effective implementation of projects for the development and reconstruction of cities in Ukraine are:

- New ways of managing financial resources need to be found for effective reconstruction, as significant funds are needed and their rapid utilization is required.
- Search for new and expansion of existing sources of financing.
- Stimulating of private capital and creating conditions for its involvement in the development and reconstruction of cities.
- Simplification and increased transparency of financial mechanisms to ensure the effective use of funds.
- Post-war development of cities should be based on sustainable development strategy.
- Cities should develop their own realistic post-war development plans and enhance their capacity to implement complex recovery programs.

In this case, sustainable finance becomes an important mechanism for the implementation of urban development projects in Ukraine, as it allows attracting additional investments and transforming the financial system of Ukraine in accordance with the trends of the European Union.

Definition of sustainable finance

Definition of the European Commission: "sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects. Environmental considerations might include climate change mitigation and adaptation, as well as the environment more broadly, for instance the preservation of biodiversity, pollution prevention and the circular economy. Social considerations could refer to issues of inequality, inclusiveness, labour relations, investment in people and their skills and communities, as well as human rights issues. The governance of public and private institutions – including management structures, employee relations and executive remuneration – plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process" [3].

Sustainable finance primarily seeks to secure funding over an extended period to support projects and programs by introducing innovative financing methods. Sustainable finance mechanism intends to address the problems of fund generation and mobilization and to manage all the stakeholders of project.

Sustainable finance framework

Sustainable finance framework aims to synchronize financial decision-making with sustainable development principles and usually consists of six components (see Figure 2):

1. Definition of projects possible categories with specific ESG criteria: Each project category should have specific ESG criteria to identify truly sustainable investment opportunities eligible for sustainable financing. For instance, a project category like "improving water sources" might allow the use of debt proceeds for acquiring specialized equipment for water improvement. Projects outside eligible categories or those failing to meet the established ESG criteria within each category will not qualify for sustainable financing.

2. Project evaluation and selection: Establishment of a methodology for identifying and verifying new projects for compliance with acceptable categories. Selection of projects in accordance with the established methodology.

3. Tracking the disbursements and allocation of financial resources: Ensure that funds are appropriately allocated and utilized in compliance with the "use of proceeds" provision.

4. Disclosure of information and public reports: Regularly disclose debt-related and project-specific information. These disclosures will aid debtholders in comprehending how their capital has been utilized.

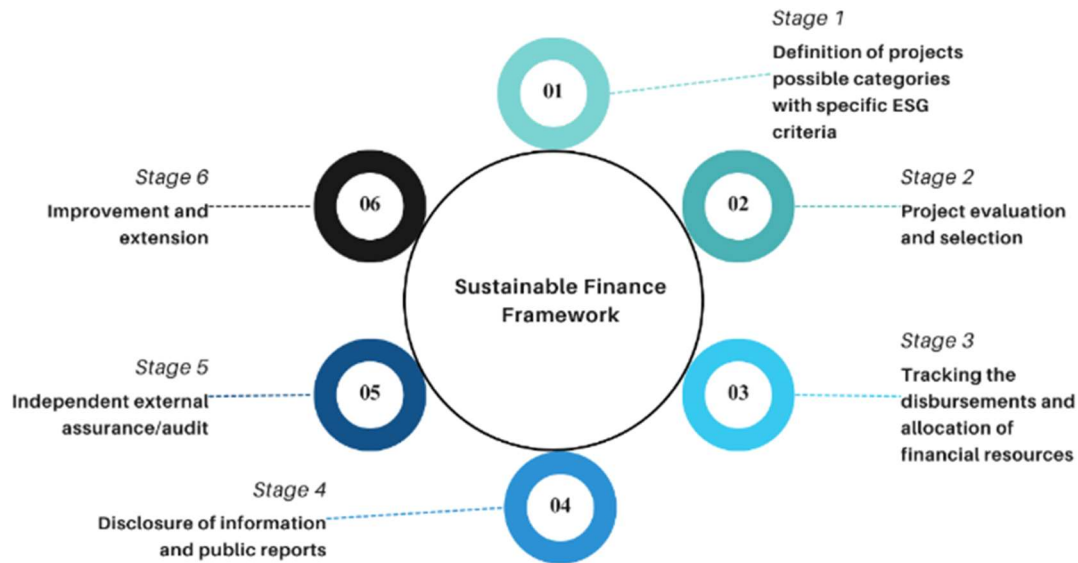


Figure 2 – Sustainable finance framework

Assess the environmental and social impact of projects using verifiable key performance indicators (KPIs). Impact reporting is essential to determine if projects that received sustainable financing have delivered the anticipated positive environmental and social outcomes.

5. Independent external assurance/audit: Verifying the credibility of the established framework and ensuring compliance with the international guidelines of sustainable finance principles.

1. Improvement and extension: Implementation of audit recommendations to improve the sustainable finance framework and expand its scope through the creation of new products/services and other sustainable business practices.

The principles of sustainable finance

The principles of sustainable finance encompass ideas and approaches aimed at providing financial support for projects and initiatives that contribute to sustainable development. According to ISO 32210 Sustainable finance – Guidance on the application of sustainability principles for organizations in the financial sector, published in October 2022 [8] key principles of sustainable finance include:

1. The Governance and Culture principle entails defining board commitment and accountability, identifying value, liability, impact, risks, and implementing a strategy into all appropriate processes and activities.

2. The Strategy and Objectives principle involves creation of the Sustainability Policy that aligns with global sustainability goals and stakeholder expectations,

and drives transformative changes to redefine purpose, values, and mission.

3. The Risk and Opportunity Impact Assessment principle involves developing a comprehensive understanding of impacts and effectively managing risks and opportunities. It's essential to conduct scenario analyses to assess future risks and opportunities accurately.

4. The Stakeholder Engagement is a key principle that provides actively involving relevant stakeholders. This interaction helps to gain information, improve understanding, reduce risk and identify both best and lagging practices. Feedback from stakeholders is important to the effective implementation of these principles.

5. The principle of Monitoring and Measurement ensures the achievement of strategic goals and is accompanied by metrics and key performance indicators (KPIs). They allow for effective tracking of progress and focus on important and relevant factors, as well as accurate assessment of performance, outcomes, impact, and benchmarking.

6. The principle of Reporting and Transparency involves publicly demonstrating progress of each principle, reporting on the achievement of strategic goals and objectives using KPIs, and conducting third-party audits to increase trust and confidence among stakeholders.

7. The principle of Continual Improvement involves continuous improvement of sustainable development results, increasing ambition to achieve global ESG goals, and periodic review of performance, processes, and organizational capacity.

Sustainable finance instruments

Sustainable finance instruments differ from traditional financial instruments primarily in their focus and objectives. Traditional financial instruments aim to maximize financial returns for investors without considering broader environmental, social, or governance (ESG) factors. In contrast, sustainable finance instruments integrate ESG criteria into investment decisions to generate positive social and environmental impacts alongside financial returns for the purpose of achieving the specific sustainable-related objective, project, or physical asset. The choice of financial instrument by the borrower will be determined by the project's unique characteristics, including the type of infrastructure, sector, scale, financing requirements, mitigation and/or adaptation goals, as well as the borrower's profile, investor risk appetite, return expectations, and available sources of financing. Four main categories of financial instruments used in sustainable finance transactions [24] (see Figure 3):

- debt instruments;
- equity instruments;
- credit enhancement instruments;
- risk transfer/sharing instruments.

Sustainable finance in Ukraine

In Ukraine, there is a growing recognition of the importance of sustainable financing to stimulate environmental and social progress. While sustainable finance practices are gaining traction, there is still work to be done to fully integrate these principles into the country's financial sector. Efforts are being made to

develop sustainable finance frameworks, enhance transparency and disclosure practices, and build capacity among financial institutions and investors. The government, along with international organizations and NGOs, is working to promote sustainable finance as a key driver of Ukraine's sustainable development agenda. In April 2022, SBFN Secretariat developed Ukraine Country Progress Report: Supplement to the 2021 global progress report of the sustainable banking and finance network [17]. This report demonstrates progress in building a sustainable financial ecosystem in Ukraine, namely the transition to the "Development" sub-stage of the "Implementation" stage in the SBFN Progression Matrix (see Figure 4). Ukraine is in the "Developing" sub-stage of the "Implementation" stage for the ESG Integration and Financing Sustainability. It is in the "Formulating" sub-stage of the "Preparation" stage for the Climate Risk Management.

On September 30, 2019, the President of Ukraine approved Decree No. 722/2019, "About sustainable development goals of Ukraine until 2030" [13]. The purpose of the decree is to ensure the national interests of Ukraine regarding the sustainable development of the economy, civil society, and the state to achieve growth in the standard and quality of life of the population, respect for the constitutional rights and freedoms of individuals and citizens, as well as to support the global sustainable development goals until 2030, as proclaimed by the resolution of the United Nations General Assembly on September 25, 2015, No. 70/1 [4], and the results of their adaptation, taking into account the specifics of Ukraine's development.

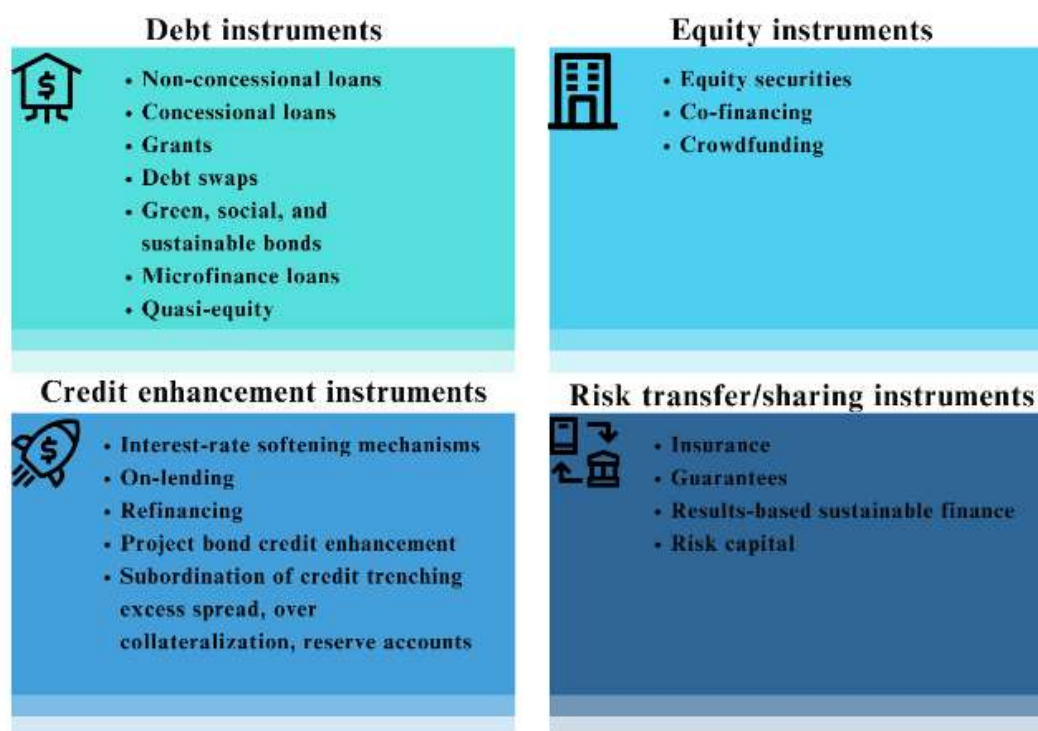


Figure 3 – Categories of sustainable finance instruments

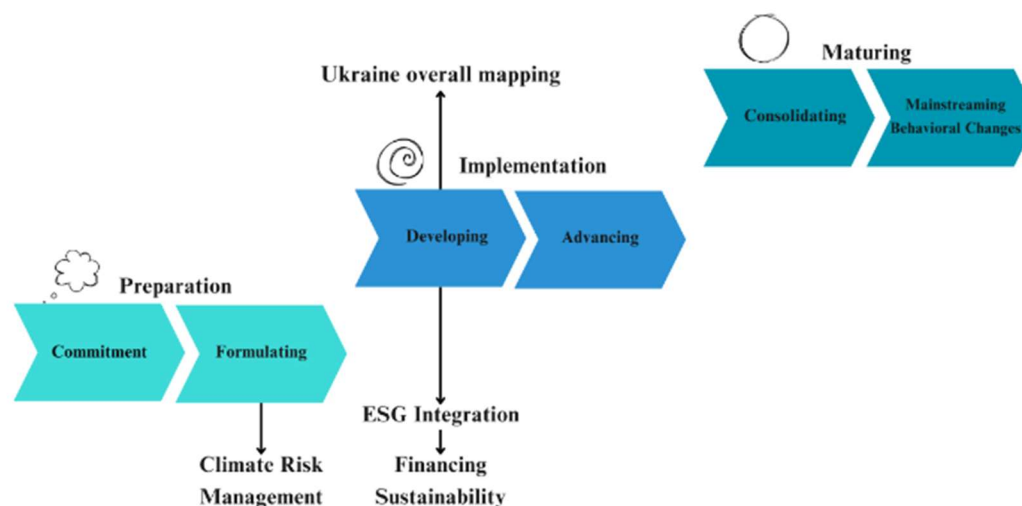


Figure 4 – Ukraine sustainable finance progression matrix

In March 2020, the National Securities and Stock Market Commission (NSSMC) approved the Corporate Governance Code [10], and in 2021, the Appendix on Corporate Governance and Sustainable Development (ESG) to the Corporate Governance Code [11], which reflects developments in the field of integrated environmental, social and corporate governance and describes the following key points:

- the rationale for implementing the ESG best practices;
- what is of interest to investors in terms of the ESG practice;
- the performance and reporting standards that companies can use to structure their sustainable practices;
- the Guidelines on how companies can implement the recommendations of the Code.

Since mid-2020, the United Nations Development Programme (UNDP) in Ukraine, alongside its UN partner agencies WHO, UNICEF, and UNECE, has been working on enhancing the management of current and potential financial flows to strengthen funding for Sustainable Development Goals (SDGs). This work is part of a joint programme (JP) called "Promoting Strategic Planning and Financing for Sustainable Development at National and Regional Levels" [26]. The JP encompasses four interconnected but distinct initiatives:

- developing an Integrated National Financing Framework (INFF);
- conducting a Rapid Integrated Assessment of SDGs mainstreaming into national and subnational planning;
- reviewing all current development financing modalities;

- assessing the budgeting system for the SDGs.

On August 5, 2020, the Cabinet of Ministers of Ukraine adopted Resolution No. 695 "On the approval of the State Strategy of Regional Development for 2021-2027" [1]. This Strategy is the main planning document for the implementation of sectoral development strategies, coordination of state policy in various areas, achieving efficiency in the use of state resources in territorial communities and regions in the interests of people, state unity, sustainable development of historical settlements, preservation of the traditional character of the historical environment, preservation of the natural environment, and sustainable use of natural resources for present and future generations of Ukrainians.

In March 2021, the Cabinet of Ministers of Ukraine approved the "National Economic Strategy for the period up to 2030" [2], according to which the country plans to achieve climate neutrality no later than 2060.

In July 2021, The National Securities and Stock Market Commission (NSSMC) has approved the "Recommendations for the Implementation or Financing of Environmental Projects through Green Bond Issuance" [12], which include ESG components and require issuers of green bonds to implement internal policies on environmental and social issues and corporate governance in line with international best practices.

On November 25, 2021, the National Bank of Ukraine published a document defining the long-term strategic direction for greening the overall financial system and developing the necessary components to advance sustainable financing programs in Ukraine "The National Bank of Ukraine's policy on sustainable finance development for the period up to 2025" [9]. The mission of this Policy is to formulate a comprehensive vision of the key principles of sustainable finance development in

Ukraine and the necessary actions of the National Bank of Ukraine to implement them, taking into account ensuring consistency and adaptation to changes in both the banking system and the activities of non-bank financial institutions, which will contribute to financial stability. The policy includes:

- the vision of the future development of sustainable finance;
- key principles of sustainable finance development;
- roadmap of development sustainable finance.

On December 20, 2021, the UN development system, alongside representatives of the Government of Ukraine, unveiled a new online platform for monitoring Sustainable Development Goal (SDG) indicators to the public and international partners [5]. This platform serves as a tool for collecting, disseminating, and tracking national data on SDG indicators in Ukraine. It aims to identify data gaps, enhance access to official statistics and metadata, and facilitate monitoring of SDG progress in the country by the government and international partners. The platform is managed by the State Statistics Service of Ukraine.

The National Bank of Ukraine is a member of the following international sustainable financing networks:

- Network of Central Banks and Supervisory Authorities for the Greening of the Financial System (NGFS) [19];
- Coalition of Finance Ministers for Climate Action [20];
- Sustainable banking and financial network (SFBN) [6].

The UN Global Compact Network Ukraine represents the world's largest community of socially responsible businesses in Ukraine. As the official representative of the United Nations Global Compact, it promotes the integration of Sustainable Development Goals into the strategic and operational practices of responsible businesses. With 22,000 companies in 162 countries, the UN Global Compact includes 120 participants from Ukraine [23].

International corporations, their branches, and subsidiaries operating in Ukraine are members of alliances and organizations that have committed to transitioning their investment portfolios to net-zero greenhouse gas emissions by 2050, aligning with a maximum temperature increase of 1.5°C.

Aegon Life Ukraine, Allianz Ukraine, AXA Ukraine, UKRSIBBANK BNP Paribas Group, QBE Ukraine, Crédit Agricole Ukraine, UNIQA Ukraine are the members of The UN-convened Net Zero Asset Owner Alliance (NZAOA) [27].

Alpha Bank Ukraine, UKRSIBBANK BNP Paribas Group, Commerzbank AG, Crédit Agricole Bank, Deutsche Bank Ukraine, ING Bank N.V., ProCredit Bank, Raiffeisen Bank Aval, Swedbank, UniCredit

Bank, Citibank are the members of The Net-Zero Banking Alliance [28].

Raiffeisen Bank Aval, UKRSIBBANK BNP Paribas Group, Crédit Agricole Bank, Commerzbank AG, Deutsche Bank Ukraine, ProCredit Bank, OTP Bank Plc, ING Bank N.V. are the members of The Partnership for Carbon Accounting Financials [22].

The sources of sustainable finance in Ukraine can be categorized as follows [7]:

- Public / private internal financing;
- Public / private external financing;
- Mixed financing: public-private partnership, social and investment projects financed by the IFIs against the state guarantees or as loans to the state or commercial loans against the state guarantees.

The principal sustainable finance instruments in Ukraine can include: direct investment, portfolio investment, loans, grants, transfers.

3.2.6. Funding for the sustainable development of cities in Ukraine

The sustainable development of cities and communities is financed by specific programs of the Ministry of Regions, including the State Fund for Regional Development (SFRD). Community development budgets play a crucial role in this regard. Private investments in urban development are quite limited. However, they can be a significant source of financing for sustainable development goals.

The State Regional Development Strategy until 2027 (SRDS 2027) [16] sets the regional development priorities and tasks for implementation. These strategies are important as they allow businesses to understand the local authorities' development policies and assess the financing needed to implement planned changes.

Several International Technical Assistance (ITA) [5] projects focus on community development by enhancing institutional capacity and supporting the drafting of development strategies. However, the effectiveness of such assistance depends significantly on donor coordination. Various proposals and approaches to local development strategies from different projects can complicate the introduction of strategic planning at the community level. One of the objectives of these strategies is to ensure affordable housing. Several state programs are dedicated to this goal and are funded by the State Budget. These programs include initiatives to lower mortgage and leasing costs for specific occupations, managed by the State Fund for Support of Youth Residential Construction and the Business Development Fund (Affordable Mortgage 7%).

Of course, in the context of war, the development of cities in Ukraine cannot be considered separately from the restoration of damaged cities, and vice versa, the restoration of cities should include elements of development. The Ukraine Recovery Plan was created with the aim of attracting international financing for the

recovery of Ukraine and to accelerate sustainable economic growth. It includes a list of national programs designed to achieve key results [14]. Also, with the aim of restoring critical infrastructure and the long-term reconstruction and modernization of Ukraine, a unique state digital ecosystem called DREAM has been created, which provides a single conveyor for all restoration projects [21]. DREAM collects, organizes and publishes open data across all stages of reconstruction projects in real time, implementing the highest standards of transparency, and accountability. Anyone, anywhere, can monitor the effectiveness of project delivery, and use these insights to mitigate risks, conduct accurate reporting and improve overall project performance.

Despite Ukraine's achievements in the field of sustainable finance, the main condition for its further development is the identification and neutralization of barriers and restrictions. Expanding a sustainable financial market without the necessary market infrastructure (a well-functioning banking system, efficient capital markets, reasonable development policies, and effective risk management tools) is problematic and inseparably linked to persistent financial barriers. Other specific barriers to sustainable finance include insufficient awareness and experience. Financiers and corporations do not yet sufficiently consider sustainability in their decisions or lack the technical and financial expertise in using available sustainable financial instruments. Many sustainability products and data are not yet available in traditional financial reporting, despite recommendations for sustainability reporting, due to the additional costs associated with obtaining such information. Also, in the process of development, the regulatory framework aims to improve risk management and align investments with stable goals.

Common tasks and discussions regarding the development of the potential of sustainable finance in Ukraine:

1. Improving the legislative framework of strategic planning at the national and local levels to clearly define the value of implementing urban development projects in terms of various sources of financing and maintaining an adequate balance of short-, medium-, and long-term needs.
2. Raising awareness of risks and opportunities associated with climate change and other sustainability factors.

3. Developing requirements and encouraging the disclosure of stable financial data.

4. Identification and management of environmental risks, assessment of project achievements using key performance indicators (KPI) to support sustainable operations.

5. Further development of digital technologies for sustainable finance.

6. Financing sustainable supply chains.

7. Expansion of concessional public funding, development funds, donors, and other third parties.

8. Introducing policy incentives such as carbon taxes, emissions trading mechanisms and fiscal subsidies for sustainable activities.

Conclusions

In conclusion, sustainable development of cities and communities requires concerted efforts and innovative approaches. Despite significant challenges, Ukraine is making progress in sustainable finance and urban development. The country's sustainable finance framework is evolving with a focus on integrating environmental, social, and governance (ESG) considerations into investment decisions. Efforts to enhance transparency, implementation of sustainable finance instruments, and build the capacity among financial institutions are underway.

The war has posed extraordinary challenges to Ukraine's cities, necessitating a systemic rethinking and transformation based on green principles. The rebuilding and post-war development offer opportunities to prioritize sustainable urban development, focusing on people's well-being and environmental sustainability. This requires a balance between immediate needs and long-term development goals, with an emphasis on community-oriented reconstruction.

To effectively implement urban development projects, Ukraine needs to find new ways of managing financial resources. Sustainable finance plays an important role in attracting investments and transforming the financial system in line with European trends. Removing barriers and integrating ESG into the financial infrastructure will be key to unlocking the full potential of sustainable finance in the country.

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СТАЛЕ ФІНАНСУВАННЯ ПРОЄКТІВ МІСЬКОГО РОЗВИТКУ В УКРАЇНІ

Анотація. Стаття надає комплексне дослідження сталого фінансування в контексті проєктів міського розвитку в Україні. Дослідження цієї теми є важливим, оскільки сучасні міста швидко розвиваються, що вимагає впровадження інноваційних підходів для управління їхнім зростанням та одночасним вирішенням екологічних викликів. Автори підкреслюють важливість сталого фінансування для досягнення цілей сталого розвитку ООН, зокрема цілі 11 "Сталий розвиток міст і громад". Післявоєнне відновлення надає Україні можливість відбудувати свої міста на основі принципів сталого розвитку, відповідно до Європейської зеленої угоди та з метою досягнення кліматичної нейтральності до 2050 р. Ця трансформація потребує інноваційних фінансових стратегій, зокрема сталого фінансування, яке інтегрує екологічні, соціальні та управлінські (ESG) фактори в інвестиційні рішення. Стаття висвітлює основні принципи концепції сталого фінансування й основні категорії фінансових інструментів, які використовуються у транзакціях сталого фінансування. Автори дослідили прогрес сталого фінансування в Україні, зокрема формування і розвиток законодавчої бази, стратегічного планування, фінансових інструментів та інтеграцію ESG-факторів у фінансові рішення. Крім того, стаття обговорює джерела фінансування і механізми сталого розвитку українських міст, зокрема державне та приватне фінансування, міжнародні технічні допомоги та державні програми. Автори також підкреслюють важливість стратегічного планування і координації донорів для досягнення цілей сталого розвитку міст. Основні завдання включають вдосконалення фінансових механізмів, стимулювання приватного капіталу та розроблення реалістичних планів розвитку міст. Загалом стаття робить висновок, що, хоча Україна досягла певного прогресу в розвитку сталого фінансування, ще багато зусиль потрібно докласти для повної інтеграції принципів сталого фінансування у фінансову систему країни. Автори наголошують на необхідності продовження роботи щодо покращення законодавчої бази, підвищення обізнаності, залучення приватних інвесторів, вдосконалення управління ризиками, розвитку цифрових технологій та розширення пільгового фінансування для підтримки сталого розвитку міст в Україні. Подолання цих викликів буде важливим для досягнення сталого розвитку міст і узгодження фінансової системи України з глобальними тенденціями сталого розвитку.

Ключові слова: *стале фінансування; ESG цілі; міські проєкти; міський розвиток; ЦСР; сталий розвиток*

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