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## Quality of legislation as a factor of green financing: A regulatory approach

**Olena Lemishko\***

Doctor of Economics, Associate Professor  
National University of Life and Environmental Sciences of Ukraine  
03041, 15 Heroiv Oborony Str., Kyiv, Ukraine  
<https://orcid.org/0000-0002-6216-652X>

**Tetiana Mirzoieva**

Doctor of Economics, Associate Professor  
National University of Life and Environmental Sciences of Ukraine  
03041, 15 Heroiv Oborony Str., Kyiv, Ukraine  
<https://orcid.org/0000-0002-0034-6138>

**Nataliia Shevchenko**

PhD in Economics, Associate Professor  
National University of Life and Environmental Sciences of Ukraine  
03041, 15 Heroiv Oborony Str., Kyiv, Ukraine  
<https://orcid.org/0000-0001-8506-1782>

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### **Abstract**

The purpose of the study was to provide a theoretical explanation of the relationship between regulatory characteristics and the parameters of green finance flows. The methodology was based on an integrated approach that combined regulatory and comparative legal methods. It was shown that predictable, consistent, and stable regulation enhances capital mobilisation for environmental projects in developing countries, and green finance

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\*Corresponding author (1909\_@ukr.net)

appears as a special regime of sustainable finance with targeted use of funds and enhanced reporting and verification. International taxonomies, disclosure standards, and green bond principles provide the infrastructure to limit greenwashing, while the gap between climate investment needs and actual flows can be explained by the impact of legal environment characteristics on regulatory risk and cost of capital. The Bangladesh and Indonesia case studies have shown that mandatory requirements with clear goals and reporting encourage green assets, while fragmented norms hinder the transformation of the financial sector. China and the United States of America demonstrated different models: a comprehensive taxonomy and coordinated regulation against the decentralised regulatory architecture of green banking. Ireland and Estonia illustrated how the implementation of European Union acts and coordination of institutions increase certainty and transparency. The level of green financing is concentrated: in 2021-2023, global flows amounted to approximately USD 1.3 trillion per year, and more than 60% of green bond issuance is concentrated in jurisdictions with formalised taxonomies and disclosure requirements. Ukraine combines an approach to European standards with significant gaps, and the case of Ukrenergo's green and sustainability-linked bonds demonstrates the clash of well-thought-out regulatory design with high country risk. An agreed and predictable regulatory framework is a necessary prerequisite for the development of green finance, but its impact is realised only in conditions of institutional capacity and macroeconomic stability. The practical significance of the results lies in the possibility of their use by authorities, regulators, and market participants in improving the regulation of green investments

**Keywords:** legal architecture; legislative support; regulatory risk; taxonomy; environmental impact; financial regulations; regulatory indicators

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## Introduction

The global environmental crisis and accumulated risks to health and the economy indicate the inadequacy of traditional environmental measures. Under such conditions, the ability of financial systems to quickly redirect capital to green projects becomes of key importance, which directly depends on the quality of the regulatory framework. However, despite the proliferation of green finance instruments, regulation in many jurisdictions remains fragmented and mostly soft-law in nature, and the impact of certain characteristics of the quality of legislation (predictability, consistency, transparency) on the scale of green finance is considered as a determining factor in the development and expansion of relevant flows in states with a transitional regulatory framework.

The study by M. Becker *et al.* (2022) found that the introduction of sustainability labels under the Sustainable Finance Disclosure Regulation (SFDR) and the tightening of disclosure requirements creates a clear signal for the market, as a result of which funds covered by SFDR show a higher Environmental, Social, Governance (ESG) orientation compared to less "sustainable" alternatives. In response, investors are redistributing capital: products with "stronger" regulatory labeling attract relatively larger inflows, while those that are less transparent under SFDR standards lose their competitive position. This means that transparency and regulatory certainty (through classification and disclosure) have a real impact on the direction and scale of green finance flows, rather than being merely a formality. A systematic

review of green bonds conducted by U. Bhutta *et al.* (2022) showed that the development of this market is driven not only by investor demand, but also by the availability of clear standardised requirements for selection, fund management, and information disclosure. The researchers concluded that the characteristics of the regulatory environment are essential factors for both issue volumes and the real impact of green bonds on achieving the sustainable development goals. This approach directly points to the importance of “quality” rules of the game for the functioning of the green instruments market. The growth of the green bond market, as shown in the study by Y. Chen & Z. Zhao (2021), is accompanied by conflicts between international standards and national approaches. Differences in the definition of green projects, classification of sectors and reporting requirements create space for greenwashing (misleading about the green nature of activities or investments by exaggerating or falsifying their environmental impact) and reduce the comparability of instruments between jurisdictions. This means that the harmonisation of legal and taxonomic criteria is a prerequisite for investor confidence in the global green bond market, emphasising the importance of a consistent regulatory framework for scaling up green finance.

The study by B. Hutahayan *et al.* (2024) took the discussion to the level of legal certainty: the perception of green bonds by institutional investors depends significantly on the consistency of legislation, the legitimacy of the regulator, the expected economic benefits, and the clearly defined role of the state. The researchers showed that legal uncertainty and conflicting regulations reduce investors’ willingness to enter green instruments and increase the requirements for returns as compensation for regulatory risk, thereby directly linking the quality of the regulatory framework to their behaviour. Analysis of disclosure regimes in green finance was investigated by S. Steuer &

T. Tröger (2022) and proved that legally binding disclosure requirements serve the function of “fine-tuning” capital flows. Linking disclosure to taxonomies and standardised indicators reduces information asymmetry and directs resources to environmentally sustainable assets, provided that the relevant rules are clear and stable, making reporting regulation a key element of the legal quality of the green finance architecture.

In theoretical terms, S. Eriksson (2024) showed that for European markets for sustainable finance, law is not just a tool for implementing policies, but a “central infrastructure” that determines the very configuration of the market. The researcher outlined how taxonomy, disclosure requirements, reporting standards, and supervisory powers interact, and concluded that the tension between ambitious climate goals and the need for legal certainty for business and finance is one of the main challenges of European regulation. The quality and consistency of the legal framework is seen as key to understanding the effectiveness of sustainable/green finance. V. Brühl (2021), analysing the strategy, instruments, and regulation of green finance in Europe, showed that the European Union (EU) has built a complex multi-level system of norms – from the taxonomy of sustainable activity to bond standards and prudential requirements. The researcher found that this system, on the one hand, reduces the risks of greenwashing and improves market transparency, and on the other hand, creates significant adaptation requirements for market participants and other jurisdictions. The study served as a reference description of the “high-quality” regulatory architecture that developing countries are forced to relate to.

In the Ukrainian context, research by O. Cherbeyako & I. Leshchenko (2025) demonstrated that green finance can become a tool for sustainable development and post-war reconstruction, but its scaling is constrained by macroeconomic instability, high country risk, and institutional

weakness. Attracting significant amounts of green capital is possible only if it approaches European regulatory standards and strengthens institutional capacity, while the quality of legislation itself is determined by them only in general. The legal aspect of the same problem area was proposed by O. Sushch (2024), who, analysing the legal regulation of green investments, in particular green bonds, found fragmentation of national regulation, inconsistency of definitions, procedural gaps, and limited reporting requirements. This concretises legal uncertainties that undermine investor confidence, but are not yet systematically linked to the broader theory of legislative quality, which makes it necessary to further analyse the Ukrainian regulatory framework.

Despite the existence of research on green finance, the theoretical and legal perspective remains insufficiently developed, within which the properties of the regulatory environment (predictability, consistency, stability, operationalisation of environmental goals) would be considered as an independent factor in the scale of green financial flows. Therefore, the purpose of the study was to theoretically substantiate the impact of predictable and coordinated regulation of green investments on the volume and configuration of environmentally oriented financial flows in developing countries. The hypothesis is that predictability and consistency of the regulatory framework determines the scale of green finance in developing countries. Accordingly, the null hypothesis is that the level of consistency of the regulatory framework has no significant impact on the volume of green investments.

### **Materials and Methods**

The study was based on a comprehensive approach combining content analysis, regulatory, comparative law, structural functional, and systems analysis methods to develop a generalised methodological framework for assessing the quality of green finance legislation and its impact

on the development of green finance. The study included 4 stages. At the first stage, the conceptual and analytical method was used to conceptualise the basic categories – “green finance” – “sustainable finance”, “green investments”, “quality of legislation”, and “legal certainty” based on analytical reports of international organisations – United Nations (2022), International Monetary Fund (Goel *et al.*, 2022), United Nations Development Programme (Chen, 2022). On this basis, an analytical model of the quality of legislation in the field of green finance was theoretically constructed: criteria for predictability and clarity, consistency, stability, and coherence, operationalisation of environmental goals, transparency, and accountability were formulated. These categories and criteria were chosen because of their continued presence in the scientific and political discourse on climate investment, and the ability to directly link them to specific legal parameters (taxonomies, disclosure standards, stability, and certainty of norms).

At the second stage, a regulatory method was applied to analyse the key international framework for green and sustainable financing – mandatory EU direct-action regulations, Regulation of the European Parliament and of the Council No. 2020/852 (2020) and Regulation of the European Parliament and of the Council No. 2023/2631 (2023) and proposal / legislative proposal of European Commission (2025) with policy note Sustainable Finance Observatory (Poindessault & Vilpoux, 2025). The framework regional “soft law” document of the Association of Southeast Asian Nations (ASEAN) Taxonomy for Sustainable Finance (ASEAN Taxonomy Board, 2021), the voluntary market principles of industry self-regulation Green Bond Principles (International Capital Market Association, n.d.) and the basic standard for corporate reporting on sustainable development International Financial Reporting Standard S1: General Requirements for Disclosure of Sustainability-related Financial

Information (IFRS S1) (IFRS, n.d.). The choice of these documents was conditioned by the fact that they represent the main types of global regulatory frameworks in the field of green / sustainable finance (mandatory taxonomies and bond standards, regional flexible taxonomy, market principles of self-regulation and universal disclosure standard), and simultaneously act as the main reference points for emerging markets.

At the third stage, using the comparative legal, structural and functional, and case method, the legal architecture and results of green financing for jurisdictions were analysed – Bangladesh (phased implementation of the sustainable finance framework), Indonesia (fragmentation of Corporate Social Responsibility (CSR) and sustainable finance), China (integrated green finance architecture), the United States (green banking and net-zero financing principles), Ireland (national roadmap for sustainable financing), and Estonia (implementation of the EU taxonomy and the sustainable finance roadmap). The choice of these cases was determined by maximising the variability of regulatory models (from complex taxonomies to fragmented regimes, the level of economic development (developing states, large markets, developed jurisdictions), and the degree of approximation to the European model of sustainable finance. For each jurisdiction, separate types of sources were used – specialised country progress report International Finance Corporation (2023), official policy-document of the US Department of Treasury (U.S. Department of the Treasury, 2023) (USA) and analytical report of the European Commission (2023). For each case, the following criteria were identified: key elements of legal quality (predictability of classification, degree of consistency of norms, stability of the regulatory course, institutional capacity of supervision), observed consequences for the green finance market (structure and dynamics of green instruments, diversification of areas, level of regulatory risk).

At the fourth stage, comparative legal and regulatory analytical methods were applied to investigate the national legal framework of green financing of Ukraine. The analysis covered the basic laws – Law of Ukraine No. 3480-IV “On Capital Markets and Organised Commodity Markets” (2006), and Law of Ukraine No. 448/96-VR “On State Regulation of Capital Markets and Organised Commodity Markets” (1996). In addition, the strategic/policy document (roadmap) of the National Securities and Stock Market Commission (NSSMC) Sustainable Finance Roadmap 2025-2030 (National Securities and Stock Market Commission, 2025) and the analytical report of the international financial organisation on green finance and post-war reconstruction (International Finance Corporation, 2023) were also analysed. The regulatory framework was assessed by the clarity of the definition of green bonds and projects, the presence or absence of a national taxonomy, the stability and predictability of changes, the ratio of mandatory norms and “soft law”. To confirm the hypothesis, the dashboards of the international organisation Climate Bonds Initiative (n.d.) and the flagship report Climate Policy Initiative (Naran *et al.*, 2025) were reviewed, as these sources were the most representative for estimating the volume of green debt and overall climate financing in the global dimension. Their analysis allowed comparing the dynamics and geographical concentration of green capital flows with the quality of the regulatory environment in individual jurisdictions and empirically confirming the dependence of the scale of funding on the predictability, consistency, and stability of environmental legislation.

## Results

**Theoretical and legal foundations and international models of green financing.** In the literature, “green finance” is understood as a set of financial relationships, tools, and institutions that

mobilise capital for environmentally sustainable activities – decarbonisation, adaptation to climate change, environmental protection, and resource management (Chen, 2022). It covers, in particular, renewable energy, energy efficiency, sustainable infrastructure, and other green sectors (Goel *et al.*, 2022). The core of green financing consists of green bonds and loans, sustainability-linked bonds/loans, and specialised funds and platforms. They are united by the targeted use of funds and increased requirements for disclosing the environmental effect, which distinguishes these tools from traditional ones. The legal form (bond, loan, share, etc.) generally remains unchanged, with changes primarily affecting the regulatory regime for admission, labelling, monitoring, and reporting (Regulation of the European Parliament and of the Council No. 2020/852, 2020; Regulation of the European Parliament and of the Council No. 2023/2631, 2023). As a legal category, “green investments” are objects of legal regulation for which additional conditions are established in comparison with “ordinary” investments: compliance with the taxonomy of environmental sustainability, the focus of funds on certain types of activities, compliance with environmental and non-financial reporting standards, the possibility of external verification of the green status (International Capital Market Association, n.d., ASEAN Taxonomy Board, 2021). In legal terms, green financing is not just the support of “environmentally useful” projects, but a special regime for regulating financial instruments that combines financial and environmental goals and relies on legally defined criteria and transparency standards (Smoleńska, 2025).

The concept of sustainable finance is broader; it means the integration of Environmental, Social, and Governance (ESG) factors into financial flows and risk management systems (Chiu *et al.*, 2022). Green finance focuses primarily on the environmental dimension, while sustainable

finance additionally covers social and managerial aspects – human rights, working conditions, anti-corruption standards, corporate governance (Smoleńska, 2025). Accordingly, green instruments are a subset of sustainable finance. Regulation of the European Parliament and of the Council No. 2020/852 (2020), formally dedicated to environmentally sustainable activities, interacts with other acts of sustainable finance – rules on information disclosure, business model sustainability management, and due diligence of climate risks. The key role of law is to distinguish truly “green” or “sustainable” tools from greenwashing – when the illusion of environmental responsibility is created without real changes in the asset structure or business strategy (Goel *et al.*, 2022). It is the legal infrastructure of sustainable/green finance (definitions, taxonomies, disclosure requirements and supervisory powers) that allows separate the “marketing” and real “greenness” of financial products, without it, the transformational potential of sustainable finance is reduced to symbolic practices (Smoleńska, 2025).

Green and sustainable finance are directly related to public policy in the field of environment and climate. States’ international commitments are embodied in national energy transition strategies, climate doctrines, and environmental programmes (United Nations, 2022). However, the predominantly programmatic nature of these documents does not guarantee the redirection of financial flows to green sectors. The United Nations (UN) and the International Monetary Fund (IMF) record a significant “financial gap” between available and required investments, especially in developing countries (United Nations, 2022). One of the key reasons is a weak or unformed financial and legal architecture, the quality of which should be described through basic criteria – predictability, consistency, stability, and operationalisation of environmental goals in regulatory requirements (Table 1).

**Table 1.** Criteria for the quality of green finance legislation

Criteria	Legal content	Standard regulatory indicators
Predictability and clarity	The rules allow investors to assess the scope of rights and obligations in advance, do not contain internal contradictions, and are formulated unambiguously	Clear definitions of green instruments and activities; specified conditions for admission of instruments to the market; understandable reporting requirements
Consistency	Legislation on capital markets, banking, budget, and environmental law do not conflict with each other and reflect a common logic for regulating green finance	No conflicts between environmental goals and financial regulations; references to the same taxonomies and reporting standards in different acts
Stability and consistency	Norms do not change chaotically, changes are predictable in time and are accompanied by transition periods and official explanations	<i>Vacatio legis</i> , implementation roadmaps, public consultations with the market; absence of frequent regulatory “zigzags”
Operationalisation of environmental goals	General climate and environmental goals are translated into specific legal criteria for projects and tools	Taxonomies of sustainable activities; lists of acceptable green activities; mandatory standards for environmental and non-financial reporting
Transparency and accountability	The legislation ensures the availability of information about the greenness of tools and the possibility of external control	Requirements for disclosure of information on the use of funds and environmental impact; external verification of the green status; supervisory powers of the regulator

**Source:** compiled by the author based on I. Chiu *et al.* (2022), International Finance Corporation (2023), G. Farrelly *et al.* (2024), L. Mjadu (2025), G. Kurunczi (2025), D. Astari *et al.* (2025), D. Hu & C. Gan (2025), F. Jawadi *et al.* (2025), A. Smoleńska (2025)

In the legal doctrine, the “quality of legislation” is described as a set of characteristics: clarity of norms, their internal consistency and hierarchical order, absence of conflicts and gaps, accessibility to addressees, predictability and relative stability of regulation over time. A high-quality law is when it not only formally operates, but also really orients the behaviour of citizens, businesses, and investors. These requirements apply to both the text of the act and the rule-making procedure: transparency of preparation, participation of interested parties, proper justification, assessment of regulatory impact, reasonable *vacatio legis* (reasonable time between publication and entry into force), and the predictability of further changes. The lack of quality of the process leads to a lack of quality of the law, the requirements of clarity, consistency, and stability at the same time concretise the principle of the rule of law, which provides for accessible and predictable norms. Regulation of the European Parliament and of the Council No. 2020/852 (2020)

demonstrates a high level of compliance with predictability and clarity by establishing comprehensive “technical screening criteria”. This provides investors with algorithmic clarity: activities qualify as environmentally sustainable only if specific quantitative indicators are met. Law of Ukraine No. 3480-IV (2006) is characterised mainly by framework regulation. Article 8-1 of the Law contains blanket provisions that refer to subordinate acts of the regulator, which reduces the level of legal certainty for market participants and creates risks of ambiguous interpretation of the terms of issue. According to the criterion of consistency, European legislation is distinguished by end-to-end integration: the definition of Regulation of the European Parliament and of the Council No. 2020/852 (2020) is the regulatory framework for Regulation of the European Parliament and of the Council No. 2023/2631 (2023). This creates a single ecosystem where issuers use unified standards. In the case of Ukraine, there is a certain regulatory disparity. Law of Ukraine

No. 3480-IV (2006) on green instruments is currently insufficiently synchronised with tax and budget legislation, which makes it difficult to create comprehensive incentives for green investment.

Based on the criterion of operationalisation of environmental goals, the most significant difference was identified. Regulation of the European Parliament and of the Council No. 2020/852 (2020) translates abstract climate goals into mandatory legal requirements through the Delegated Acts mechanism (for example, setting limits on carbon dioxide emissions). In Ukrainian legislation, environmental goals are operationalised at the level of qualitative descriptions of acceptable projects (use of processes), but there is no strict regulatory binding to quantitative indicators of the environmental effect, which is a characteristic feature of emerging markets. The transparency and accountability criteria in both systems show a high quality of regulation. Law of Ukraine No. 3480-IV (2006) imperatively establishes the requirement for disclosure of information about the use of funds and the mandatory external verification (second party opinion), which complies with GBP principles. Regulation of the European Parliament and of the Council No. 2020/852 (2020) expands this approach by requiring companies to disclose the share of capital and operating expenses associated with sustainable operations, providing a deeper level of accountability. Regulation of the European Parliament and of the Council No. 2020/852 (2020) is a standard of consistency and operationalisation of norms, while Ukrainian legislation, while ensuring an appropriate level of transparency, requires further detailing of the legal content of concepts to minimise regulatory risks.

Legal certainty as a key element of the rule of law encompasses the clarity and accessibility of norms, the predictability of their application, and the stability of expectations – the inadmissibility of arbitrary, frequent, or retrospective rule changes

(Kurunczi, 2025). In the field of investment and finance, this is critical, since decisions are made on a long-term horizon. The investor assesses legal certainty by the sequence of legislative changes, stability of tax, licensing, and supervision regimes, transparency of procedures for registering instruments (in particular green bonds), market access and disclosure, and the absence of the practice of sudden reforms with minimal transition periods (Astari *et al.*, 2025). Fragmentary and inconsistent norms in the field of sustainable finance and corporate social responsibility lead to the fact that formally there are responsibilities, but there are not enough sanctions, standardised reporting requirements, and effective monitoring (Astari *et al.*, 2025). For the investor, this means increased regulatory risk – the probability of significant changes in legislation, new interpretations of norms or inconsistent judicial practice, which is traditionally higher in developing countries and directly affects the cost of capital and financing conditions, including green projects (Hu & Gan, 2025). Therefore, ensuring legal certainty in the field of green financing is both a matter of legal technology and a condition for financial stability and investment attractiveness.

The regulatory approach focuses not so much on empirical indicators of the volume of green financing, but on the structure, content, and logic of the legal norms that regulate it: the definitions used, green criteria, procedural requirements for issuers and investors, the organisation of supervision and responsibility (Mjadu, 2025). Law is considered as a constitutive element of the financial market: it is the legal constructions of sustainable financing instruments that determine whether they will contribute to the real redirection of capital to environmentally sustainable activities, or remain a purely communication sign (Smoleńska, 2025). In the field of public administration, high-quality legislation acts as a tool for implementing public policy, and not just “serving”

the market: by establishing rules for green financing and coordinating them with other sectoral policies (energy, transport, urban development), the state influences the readiness of private and institutional investors to finance the transition to a low-carbon economy (Chiu *et al.*, 2022).

The legal architecture of green finance in the EU is often considered in the literature as one of the most institutionally developed regulatory approaches aimed at both developed and developing states (Smoleńska, 2025). Regulation of the European Parliament and of the Council No. 2020/852 (2020) creates a high level of certainty through a clear classification logic: “significant contribution” to at least one environmental goal, the principle of “do no significant harm”, minimum social guarantees and detailed technical criteria. The taxonomy structure is constructed as a hierarchical system of categories (goals – activities – performance criteria), which provides a high level of clarity and internal logical ordering. This reduces the scope for discretion in classifying projects as green and, accordingly, the risks of greenwashing. For investors, this structure creates a predictable framework: it is possible to assess whether a specific project meets the requirements of the taxonomy and, therefore, whether it will be perceived by the market as “sustainable” (Mjadu, 2025). Regulation of the European Parliament and of the Council No. 2023/2631 (2023) introduces the EU Green Bond Standard and increases predictability by setting a minimum taxonomic compliance threshold (85%), revenue management requirements, disclosure, and external verification. Together, these acts form a consistent and predictable regime: it is determined which activities can be financed as green, what data the issuer should disclose, and how to attract external verifiers. From the standpoint of the study hypothesis, such regulatory transparency and stability can reduce regulatory risk and potentially contribute

to the scaling of green debt instruments in the EU (Smoleńska, 2025).

ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy Board, 2021) is designed as a common framework for Southeast Asian states and provides certainty at the level of a common framework, while consciously laying down phasing and different levels of application depending on data availability and institutional capacity. Unlike the rigidly codified European model, the ASEAN taxonomy is focused on flexibility and allows for transitional activities that are considered necessary for a realistic energy transition (ASEAN Taxonomy Board, 2021). A classic example of “soft law” in the field of green finance is the Green Bond Principles (GBP) of the International Capital Market Association (n.d.). GBP are not mandatory, but their four main blocks (targeted use of funds, project evaluation and selection process, revenue management, reporting) have de facto become the market standard. In jurisdictions without specific legislation, GBP compliance creates minimum expectations for transparency and predictability for investors.

The global framework for information disclosure is provided by the IFRS S1 standard (IFRS, n.d.), adopted by the International Council for Sustainable Development Standards. The standard sets out a single baseline level of disclosure for companies that apply International Financial Reporting Standards (IFRS), covering significant risks and opportunities associated with sustainable development. It is not purely “environmental”, but requires systematic integration of ESG factors into corporate reporting (IFRS, n.d.). From the investor perspective, it is important that ASEAN Taxonomy, GBP and IFRS S1 together form a network of complementary standards: taxonomy determines what is considered green; GBP sets procedural requirements for structuring, issuing, and administering green bonds; IFRS S1 sets what information about risks and

opportunities for sustainable development a company should disclose.

Regulation of the European Parliament and of the Council No. 2020/852 (2020) and Regulation of the European Parliament and of the Council No. 2023/2631 (2023) demonstrate internal consistency: the Green Bond Standard directly “links” the criteria for targeted use of funds to the taxonomic classification, building a single logic “definition → financing → disclosure/verification”. ASEAN Taxonomy, GBP, and IFRS S1 are compatible at the function level (classification/release process/basic disclosure), but their consistency with each other is more practical and voluntary than legally “stitched” into a single regime. EU regulations, as acts of direct action, set the highest formal stability of the rules. The trend towards regulatory “simplification” may also affect the consistency of approaches: the Digital Omnibus Regulation Proposal (European Commission, 2025) is positioned by the European Commission as a package of technical changes to a significant body of digital legislation aimed at providing “immediate relief” for businesses and increasing competitiveness. In terms of sustainable finance, a similar logic can be traced in the “omnibus” approach to taxonomy: an analytical note from the Sustainable Finance Observatory (Poindessault & Vilpoux, 2025) notes that the package includes a review of delegated taxonomy acts (“Climate”, “Environment”, “Disclosures”), which can potentially narrow the perimeter and detail of taxonomic disclosure. This, in turn, can affect the comparability of data for oversight and investors and increase the risks of reducing the controllability of “sustainable” statements.

The high level of operationalisation of environmental objectives is demonstrated by Regulation of the European Parliament and of the Council No. 2020/852 (2020), as it translates them into a set of measurable technical criteria and compliance conditions. Regulation of the European Parliament

and of the Council No. 2023/2631 (2023) specifies the application of these goals at the level of a financial instrument, establishing rules for allocating funds, managing revenues, and confirming compliance with the requirements of the standard. ASEAN Taxonomy also provides for operationalisation, but allows for transitional activities and different levels of classification, which increases its adaptability for economies with different institutional capacities, but makes the approach less strictly unified. Green Bond Principles (GBP) implement environmental goals procedurally (through issue and reporting organisation requirements), but do not set uniform technical thresholds. IFRS S1 operationalises the sustainability component as a requirement for disclosure of risks and opportunities associated with sustainable development, rather than as criteria for the “environmental sustainability” of a particular activity.

In terms of transparency and accountability, Regulation of the European Parliament and of the Council No. 2023/2631 (2023) sets out the most detailed instruments for issuers: pre- and post-issue disclosure, revenue management rules, and mandatory external verification. Regulation of the European Parliament and of the Council No. 2020/852 (2020) enhances transparency through unified criteria for classifying activities as environmentally sustainable. GBP support transparency as a market standard (reporting and transparent project selection process), but without a legal enforcement mechanism. IFRS S1 provides transparency at the corporate reporting level, unifying the basic level of disclosure of financial information to users.

For developing countries, the EU model is useful as a reference for “maximum regulatory certainty”: the taxonomy provides detailed criteria for environmental sustainability Regulation of the European Parliament and of the Council No. 2020/852 (2020), and the Green Bond

Standard – clear requirements for EU green Bond labelling and parameters for the use of funds and disclosure (Regulation of the European Parliament and of the Council No. 2023/2631, 2023). The ASEAN Taxonomy demonstrates a design that maintains certainty at the framework level, but allows for phasing and variability of application depending on data and capabilities, which is critical for jurisdictions with uneven quality of statistics and supervision (ASEAN Taxonomy Board, 2021). GBP can serve as the “minimum” standard for a clear issue procedure where special regulation is still being formed (International Capital Market Association, n.d.), and IFRS S1 – the role of a basic benchmark for the clarity of requirements specifically for sustainability-disclosure (IFRS, n.d.). The key difference for developing countries is whether the instruments form a single linked system: in the EU, the green bond standard is built in the direct logic of taxonomy (Regulation of the European Parliament and of the Council No. 2020/852, 2020; Regulation of the European Parliament and of the Council No. 2023/2631, 2023), which reduces the risk of fragmented rules and contradictions. In the “combined” model (ASEAN Taxonomy + GBP + IFRS S1), consistency is achieved not automatically, but through the way the national regulator “stitches” classification, funding rules and disclosure requirements, and it is this element of integration that determines the institutional quality of the regime.

For developing jurisdictions, the stability of rules is a factor of investor confidence, but it is necessary to maintain the possibility of updates without “regulatory leaps”. EU regulations set a high level of formal stability as binding acts of direct action (Regulation of the European Parliament and of the Council No. 2020/852, 2020; Regulation of the European Parliament and of the Council No. 2023/2631, 2023), however, when implementing foreign models, it should be considered

that technical parameters can be clarified and revised. Therefore, step-by-step approaches (as in ASEAN Taxonomy) are often more suitable for consistent implementation with limited institutional capacity (Goel *et al.*, 2022). In the broader context of batch regulation updates, the logic of omnibus revisions in the EU emphasises that even mature modes can adapt to the pressure of simplification, which must be considered when copying models for a long time (Poindessault & Vilpoux, 2025). The most technically operationalised regulation for transfer to national law is the Regulation of the European Parliament and of the Council No. 2020/852 (2020), as translates political objectives into compliance criteria. Regulation of the European Parliament and of the Council No. 2023/2631 (2023) shows operationalisation at the level of a financial instrument (rules for allocating funds, disclosure, verification). ASEAN Taxonomy offers operationalisation that is compatible with the realities of economic transformation, including transition activities and a level approach (ASEAN Taxonomy Board, 2021). GBP, in turn, operationalise green through procedures (selection, management of proceeds, reporting), which makes them suitable as a temporary basis for market practice (International Capital Market Association, n.d.). IFRS S1 operationalises sustainability as a risk/opportunity disclosure requirement that is important for access to capital, but does not replace taxonomic performance criteria (IFRS, n.d.).

For developing countries, the practical question is what transparency mechanisms are actually implemented without overloading the market. Regulation of the European Parliament and of the Council No. 2023/2631 (2023) lays down the strictest outline of accountability through disclosure and mandatory external scrutiny, whereas Regulation of the European Parliament and of the Council No. 2020/852 (2020) increases transparency through unified criteria for defining

“sustainability”. However, with a weaker independent verification infrastructure, countries often start with GBP as the minimum standard for market transparency (International Capital Market Association, n.d.) and simultaneously increase corporate disclosure through the introduction of approaches compatible with IFRS S1 (IFRS, n.d.). As a result, it is the design of disclosure requirements and their verification practices that are central to investor confidence and reducing the risks of green labelling without proper confirmation (Goel *et al.*, 2022). International reports emphasise that in developing countries, the need for green financing is the most acute, and access to resources is the most limited. Among the reasons are weak institutions, fragmentation of the regulatory framework, and high regulatory risk, which makes investments more expensive or not attractive to private capital at all. Developing countries face barriers: underdeveloped market infrastructure, poor data quality, lack of agreed disclosure standards, and limited ability of regulators to monitor new tools. A clear and consistent regulatory framework is a key prerequisite for expanding sustainable financing in these jurisdictions.

#### **Quality of legislation and the scale of green investment in the world and Ukraine.**

In view of the selected criteria for the quality of legislation and the review of international regulatory frameworks, it is advisable to refer to specific jurisdictions (Bangladesh, China, USA, Indonesia, Ireland, and Estonia) in which these approaches have been applied. Bangladesh demonstrates increased predictability through the phased introduction of a sustainable finance framework with clearer categories of “green/sustainable” assets and regular reporting, which reduces legal uncertainty for financial institutions (International Finance Corporation, 2023). China provides a high level of certainty through detailed taxonomic catalogues of green and transitional activities that set clear rules for lending and the debt instruments

market (Yue & Nedopol, 2025). Indonesia, on the contrary, is characterised by a lack of legal certainty: the conflict and fragmentation of CSR and sustainable finance norms complicate their practical application and stimulate formal compliance (Astari *et al.*, 2025). The US has a relatively clear framework in the green banks and GHGRF segment, but the overall regulatory landscape is fragmented, which limits the predictability of long-term conditions for investors (Buehler *et al.*, 2023). Ireland and Estonia are strengthening clarity through roadmaps and an action plan with time benchmarks that help translate EU requirements into national market instruments and practices (Farrelly *et al.*, 2024).

High consistency is evident where classification, funding tools, disclosure, and oversight form a single logic. China demonstrates consistency through harmonisation of banking regulation, capital market, and climate policies that support the development of both green credit and the green/transition bond market (Yue & Nedopol, 2025). Ireland is strengthening coherence through institutional coordination (International Sustainable Finance Centre of Excellence (ISFCOE)) and integrating sustainable finance and climate risks into strategy and oversight practices (Farrelly *et al.*, 2024). Estonia builds coherence through an implementation mechanism (gap analysis, pilots, market consultations) and linking financial policies to national climate goals (European Commission, 2023). Bangladesh demonstrates practical coherence through a gradual increase in banking and reporting requirements (International Finance Corporation, 2023). But Indonesia is characterised by duplication and dispersion of requirements between different acts, which reduces the consistency of the regime (Astari *et al.*, 2025). The US combines consistency within individual programmes (green banks/GHGRF) with the overall fragmentation of the regulatory architecture and the dominance of “soft law”,

which weakens the unified regulatory logic (U.S. Department of the Treasury, 2023).

Bangladesh is characterised by a consistent trajectory of transition from voluntary approaches to a more mandatory framework, which creates a predictable logic of change for financial institutions and promotes the development of green portfolios (International Finance Corporation, 2023). China demonstrates stability through a long-term strategic course to decarbonise and maintain institutional green finance architecture (Yue & Nedopol, 2025). Ireland and Estonia ensure consistency through roadmaps and mechanisms for implementing EU requirements, combining regulatory changes with increasing data quality and market participant competencies (Farrelly *et al.*, 2024). The US shows a mixed picture: more stable instruments in green banking co-exist with increased politicisation and the risk of changing approaches in a broader architecture that increases regulatory risk (Buehler *et al.*, 2023). Indonesia shows that in the absence of a holistic logic and a stable regulatory “framework”, compliance with requirements can be reduced to formal practices (Astari *et al.*, 2025).

In Bangladesh, operationalisation manifests itself through quantitative benchmarks, oversight tools, and regular reporting that translate overall sustainable finance goals into measurable expectations for banks (International Finance Corporation, 2023). China is implementing environmental goals through taxonomic catalogues and developing market instruments (green and transition bonds, speciality products), making “greenness” applicable in lending and the capital market (Yue & Nedopol, 2025). The United States operates targets primarily through a software-tool approach (green banks/GHGRF) and net-zero funding frameworks, but without a single system-wide taxonomy (U.S. Department of the Treasury, 2023). Ireland and Estonia are implementing goals through roadmaps, integrating

climate risks into surveillance and improving data quality, creating prerequisites for practical implementation of EU requirements (Farrelly *et al.*, 2024). Indonesia shows weaker operationalisation due to the conflict of laws and fragmentation of norms, which contributes to “execution by form” rather than by result (Astari *et al.*, 2025).

Bangladesh is characterised by regular reporting and supervisory expectations, which reduce information uncertainty and create a more transparent environment for financial institutions (International Finance Corporation, 2023). China increases transparency through the development of a regulatory framework and a market for green/transition instruments, which increases comparability and reduces information asymmetry for investors (Yue & Nedopol, 2025). The United States demonstrates high efficiency in capital mobilisation under individual programmes, but the overall fragmentation of standards and politicised regulatory environment complicate long-term predictability and comparability of approaches (Buehler *et al.*, 2023). Ireland and Estonia are strengthening transparency through the implementation of EU approaches, the development of data, and institutional coordination and oversight mechanisms (European Commission, 2023). Instead, Indonesia demonstrates that fragmentary and conflicting norms weaken real accountability and encourage compliance formalism instead of transparent disclosure and control (Astari *et al.*, 2025). Case studies show that the combination of clear rules, coherent architecture, consistency of implementation, and transparency/accountability mechanisms creates institutional prerequisites for scaling up green finance. But the fragmentation and conflict of laws of regulation increases legal and informational uncertainty and contributes to the formal implementation of requirements.

Basic legal certainty in Ukraine is provided by the fact that the institution of green bonds is

directly consolidated in the legislation on Capital Markets (Article 18) as a debt instrument with targeted use of funds for environmental projects and requirements for the issuer's reporting (Law of Ukraine No. 3480-IV, 2006). Institutional certainty is enhanced by the presence of a regulator with a mandate to monitor and detail requirements (NSSMC) (Law of Ukraine No. 448/96-VR, 1996). In practical terms, the clarity of the regime is limited by the fact that the classification criteria for "greenness" remain insufficiently standardised, which was outlined in the diagnosis of UNDP (Chen, 2022). The architecture is gradually being formed as a multi-level one: the legislative consolidation of the tool is combined with strategic planning of further steps in the development of the regime. In particular, the National Securities and Stock Market Commission (2025) sets the integration logic (implementation of EU acts, development of a national taxonomy, development of instruments and strengthening of non-financial disclosure), which can potentially "stitch" market instruments with disclosure requirements and regulatory practices. A limitation of coherence is that some of the key components of this regime are still in the design stage, and not completed regulatory integration. The stability of the basic framework is ensured by the existence of legislative regulation of Ukraine and a certain supervisor, and consistency is ensured by the existence of medium-term reform roadmaps (National Securities and Stock Market Commission, 2025). Actual predictability for investors depends significantly on macroeconomic and military risks: scaling up private investment in green reconstruction requires not only rules that are compatible with EU practices, but also effective oversight institutions and a more sustainable environment (International Finance Corporation, 2023).

At the instrumental level, environmental goals are partially operationalised through a green debt instrument (targeted use of funds + reporting)

(Verkhovna Rada of Ukraine, 2024). However, at the level of activity classification, operationalisation is limited by the lack of a national taxonomy and unified criteria for green projects, which makes it difficult to apply the standards equally in practice (Chen, 2022). That is why harmonisation with EU approaches is seen as a path to more measurable criteria and procedures (National Securities and Stock Market Commission, 2025). The current regime of Ukraine contains basic requirements for the issuer's financial statements and general rules of disclosure on the capital market (Law of Ukraine No. 3480-IV, 2006). UNDP diagnostics points to weak post-issue reporting and fragmented bylaws as key gaps that reduce the effectiveness of accountability (Chen, 2022). As an additional guideline for improving the quality of corporate disclosure, IFRS S1 is considered, which sets the structure of sustainability-related disclosure (IFRS, n.d.).

A comparison of Bangladesh, Indonesia, and Ukraine shows three different stages in the development of a regulatory framework for green finance in developing countries. Bangladesh demonstrates a more advanced stage of institutional certainty as the regulatory framework combines classification benchmarks, quantitative parameters, and regular reporting, reducing uncertainty for banks (International Finance Corporation, 2023). Indonesia, in the context of the interaction of sustainable finance with related regulatory requirements (in particular CSR) faces the problem of legal certainty, when the multiplicity and heterogeneity of requirements make it difficult to apply equally (Astari *et al.*, 2025). Ukraine has basic formal certainty due to the existence of legal norms regarding instruments, but the practical clarity of the regime is limited by the lack of a national taxonomy and the dominance of recommendation approaches in a number of components (National Securities and Stock Market Commission, 2025). In Bangladesh, consistency is

evident in the fact that classification benchmarks, monitoring, and reporting are integrated into banking practices as part of a single logic of regulatory expectations (International Finance Corporation, 2023). Indonesia demonstrates the risk of “stratification” of the regime: sustainable finance requirements can exist alongside CSR obligations without a sufficiently clear system logic, which reduces consistency and encourages compliance formalism (Astari *et al.*, 2025). Ukraine is characterised by the emergence of an integration framework at the level of strategies and roadmaps, but the regulatory “cross-linking” between classification, financing instruments, and disclosure is still in the process of development (National Securities and Stock Market Commission, 2025).

Bangladesh illustrates a consistent shift from softer approaches to a more structured regime that creates a predictable trajectory of change for the market (International Finance Corporation, 2023). For Indonesia, the key challenge lies not so much in the lack of norms, but in their internal consistency and predictability of application in related areas, which affects the consistency of implementation (Astari *et al.*, 2025). In Ukraine, strategic documents set a medium-term sequence of reforms, but macroeconomic and military risks significantly limit the stability of the institutional environment and increase the risk perceived by investors (International Finance Corporation, 2023). In Bangladesh, operationalisation is achieved through a combination of quantitative benchmarks and monitoring tools, making regulatory expectations applicable to banks (International Finance Corporation, 2023). Indonesia demonstrates that with regulatory fragmentation, operationalisation can remain formal: rules exist, but do not always translate into a real transformation of financial practices (Astari *et al.*, 2025). Ukraine is partially operationalising environmental goals through the legal consolidation of green bonds and reform roadmaps, but the lack of

taxonomy makes it difficult to standardise the identification of “green” activities and, accordingly, to fully operationalise the regime (Chen, 2022). Bangladesh increases transparency through regular reporting and supervisory expectations, which reduces information asymmetry for the regulator and the market (International Finance Corporation, 2023). Indonesia demonstrates the risk of “form-based” accountability, where heterogeneous requirements contribute to minimising effort instead of transparent comparable practices (Astari *et al.*, 2025). Ukraine has basic elements of transparency at the level of instrument requirements and a strategic course to strengthen disclosure, but the effectiveness of accountability depends on the transition from soft law to more formalised requirements and on increasing the institutional capacity of supervision (National Securities and Stock Market Commission, 2025). Comparison of the three cases allows interpreting Bangladesh as an example of a relatively “mature” regime with clearer operationalisation and accountability, Ukraine as an emerging regime with an existing strategic vector of harmonisation, but with a lack of taxonomic certainty and high external risks, and Indonesia as a case where the key barrier is internal fragmentation and conflict of laws of related norms, which reduces regulatory efficiency.

According to the Climate Policy Initiative (Naran *et al.*, 2025), the average annual amount of global climate funding in 2021-2023 was approximately USD 1.3 trillion, while a significant part of these flows was concentrated in jurisdictions with high predictability and stable regulatory environments, in particular in the EU (~25%), China (~30%), and the United States (US > 10%). Climate Bonds Initiative, (n.d.) shows that more than 60% of global green bond issues come from jurisdictions with formalised taxonomies of environmentally sustainable assets and clear disclosure requirements. This concentration of funding indicates a close relationship between regulatory

quality and attracted investments. Predictability and clarity of legislation are key: investors prefer markets with clear rules of the game that allow them to assess risks in advance. Consistency between environmental, financial, and corporate norms reduces transaction costs and promotes capital scaling through standards recognised by global market participants. Stability and consistency of the legal environment support long-term investments: countries with changes in regulatory policies show higher volatility of financial flows, while stable regimes provide a cumulative effect. The operationalisation of environmental goals through taxonomy mechanisms and reporting standards facilitates the integration of green projects into financial portfolios, increasing their attractiveness to investors, although in itself, without predictability and consistency, is not a sufficient condition for large-scale issuance. Transparency and accountability, post-issue reporting requirements, and external verification support market confidence, but their impact on funding volumes is derived from the overall quality of the legal regime. Green funding is growing in a high-quality regulatory environment, and predictability, clarity, and consistency of legislative norms are the most important criteria for raising capital, while transparency and accountability play a supporting role. Thus, the null hypothesis that there is no influence of the consistency of the regulatory framework on the level of green investment is not confirmed. On the contrary, the lower the predictability and consistency of environmental legislation, the lower the amount of green funding raised.

### **Discussion**

The results of the study showed that the quality of the regulatory framework for green finance in developing countries not only directly affects the scale of green flows, but also determines how much these flows translate into real progress in

achieving environmental and climate goals. This is consistent with the study by X. Sun *et al.* (2025), who, using the example of 46 countries, found that green finance is positively correlated with indicators of sustainable development, but the strength of this link increases significantly with the highest institutional quality. The researchers concluded that the institutional environment serves as an “enhancer” of the green finance effect, without which even significant amounts of green investment give limited results. Predictability, coherence, and stability of legislation are seen as a prerequisite for green capital to truly contribute to the transition to an environmentally sustainable development model, and not remain a purely financial marker.

The results of the study showed that fragmented and unstable legal regulation of green finance increases regulatory risk and reduces investor confidence, which is noticeable in developing countries. Similar conclusions were drawn by M. Çitil *et al.* (2023), who found that green finance and high institutional quality contribute to improved air quality, while weak institutions and regulatory uncertainty offset the environmental impact of green investment. The researchers emphasised that without stable and clear rules, green finance risks becoming a formal tool without significant environmental impact. In cases where green finance is supported by a qualitative regulatory framework (taxonomies, disclosure standards, supervision), it leads to environmental improvements, whereas in conditions of legal uncertainty, it is often reduced to declarations. E. Simeon *et al.* (2024) demonstrated that green finance and renewable energy statistically significantly contribute to the transition to a zero-carbon economy, while economic growth and urbanisation have a more ambivalent effect. The researchers concluded that to realise the potential of green finance, emerging market countries must provide stable and predictable policies that

allow investors to plan long-term investments in clean energy. The volume and sustainability of green financing directly depends on the quality of the legal regime and the consistency of climate policy. These conclusions are consistent with the results of the current study, which shows that without a predictable and coordinated regulatory framework, green finance cannot become a systemic driver of the zero-carbon transition, even with a formal increase in the volume of green instruments. It is the quality of legislation that determines whether green financial flows turn into sustainable results of decarbonisation, or remain mainly a declarative tool.

The study by J. Zhao *et al.* (2023), using the example of the G7 countries, found that green investment generally improves environmental performance, but this impact is non-linear and largely depends on institutional quality. The researchers showed that in jurisdictions with more stable and predictable legal regimes, green investment provides a long-term reduction in pollution and emissions, while under less defined regulation, the environmental effect is significantly weakened. This is consistent with the findings of the current study, which shows that EU, China, or Bangladesh models with clearer taxonomies and consistent disclosure standards provide a higher “return” on green funding based on a comparison of different jurisdictions. But in countries with fragmented or contradictory norms, in particular in terms of regulating sustainable financing, green capital often becomes formal and gives limited environmental results.

The study by M. Byaro & M. Timbuka (2025), analysing countries with different income levels, found that the impact of green growth and institutional quality on environmental sustainability differs significantly between the low-, middle-, and high-income groups. The researchers showed that it is in low- and middle-income states that the improvement of institutional

quality provides the greatest increase in environmental sustainability indicators, while in high-income jurisdictions the effect of additional improvement of institutions is more moderate. These findings support the results of this study, which focuses on developing countries, in particular Ukraine. It was shown that each step towards more predictable, coherent, and stable legislation in the field of green finance significantly changes the investment environment, reducing regulatory risk and expanding the opportunities for mobilising green capital to a much greater extent than in the already mature legal systems of developed countries.

The results of the study showed that the impact of green finance on the economies of developing countries significantly depends on the quality of legislation: where the norms are clear, consistent and stable, green capital is more easily integrated into long-term development strategies. This is consistent with the conclusions obtained by M. Ali *et al.* (2025), who, using a quantum approach, showed that green finance can both support economic growth and produce mixed results depending on the level of institutional quality. The researchers found that in countries with better institutions, green tools are more likely to contribute to sustainable growth, while in jurisdictions with weaker institutions, the effect may be blurry or even contradictory. The quality of legislation is considered as a factor that turns green finance from a formal category into a real development tool and reduces the risks of conflict between economic and environmental goals.

The study by M. Byaro *et al.* (2025) used Asian countries as an example to show that the same configuration of “economic growth + demographic pressure + renewable energy development” can have different environmental consequences depending on the quality of the legal and institutional environment. The researchers proved that institutional quality mitigates the negative impact

of economic and demographic growth on the environment and enhances the positive effect of renewable energy use. Institutions act as a kind of “filter” through which structural changes in the economy pass, determining whether they will lead to deterioration or improvement of environmental indicators. This is consistent with the findings of this study that the legal quality of green finance determines whether the growth of green instruments and the expansion of renewable energy sources can be transformed into real environmental outcomes in developing countries. Without sufficient legal certainty and consistency in the regulatory framework for green finance and renewable energy development, there is a risk that their potential will remain partially unrealised.

N. Maragopoulos (2023) analysed the European Green Bond Standard (EUGBS) as a tool for addressing key shortcomings in the EU green bond market. The introduced standard is designed to overcome the fragmentation of private frameworks by establishing a single set of requirements for “European green bonds”, ensure strict binding of the use of funds to the EU taxonomy, and introduce increased requirements for information disclosure and regulation of external verification. EUGBS is designed to reduce the risks of greenwashing, increase the comparability of instruments, and strengthen investor confidence in the green debt securities market. This correlates with the results of the study, where the EU Green Bond Standard is seen as a regulatory model for developing countries in the process of forming a roadmap for sustainable financing. Detailed standards such as EUGBS are key tools for improving the quality of legislation, reducing regulatory risk, and increasing the transparency of the green bond market, which creates prerequisites for scaling up green financial flows in jurisdictions with a transitional regulatory framework.

The results of the study proved that building consistent green finance architecture (taxonomy,

bond standards, information disclosure regimes) is a key prerequisite for the rapid growth of the green instruments market. This is consistent with the case analysis by L. Lin & Y. Hong (2022), who investigated the development of the green bond market in China. The researchers showed that through active government involvement, special rules, and institutional incentives, China managed to quickly build one of the world’s largest green bond markets, despite some issues with fragmented regulation and differing standards. A legal architecture, even in a transitive economy, can be a crucial factor for scaling green financial instruments. In this study, a similar conclusion is drawn on the examples of Bangladesh and Ukraine – where the state systematically builds a regulatory framework, the green bond market has a significantly higher development potential than in jurisdictions with passive or non-systemic regulation.

The results of the study showed that the EU model is considered as a standard of a high-quality legal framework for sustainable finance, but simultaneously creates challenges for countries seeking to harmonise with European standards. This is consistent with conclusions of D. Zetsche *et al.* (2022), who analysed the EU’s sustainable finance framework in the context of international standards and identified both areas of overlap and significant discrepancies, creating legal uncertainty for cross-border market participants. The researchers concluded that the EU’s complex, multi-level regulatory architecture is both a source of high-quality regulation and a potential source of friction for developing states trying to emulate it. The orientation towards the European model sets the direction for reforms, but the incomplete and fragmented implementation of EU standards does not yet provide the level of legal certainty that exists in the EU itself.

Thus, the quality of legislation in the field of green finance is the main “enhancer” of the green finance effect: it is a predictable, coordinated and

stable regulatory framework that transforms green investments from a formal label to real environmental results. Clear taxonomies and standards reduce regulatory risk and increase the return on green tools. For Ukraine, this means that accelerated improvement of the legal framework is a necessary condition for green financing to become a real driver of decarbonisation and reconstruction.

### **Conclusions**

The results of the study showed that green financial instruments are a subset of the broader system of sustainable finance, in which the integration of Environmental, Social, and Governance (ESG) factors sets the framework for reorienting capital to sustainable development. Green financing in developing countries should be considered as a separate legal regime with specific requirements for project selection, targeted use of funds, and non-financial reporting. The criteria for assessing the legal environment of green finance (certainty, coherence, stability, operationalisation of environmental goals, transparency, and accountability) specify the requirements of the rule of law and determine to what extent investors can predict the consequences of green instruments and plan long-term investments. The European model serves as a benchmark for a detailed legal architecture, while the lack of climate investment in developing countries is also conditioned by the imperfection of the financial and legal system, which increases regulatory risk and cost of capital. The case studies of Bangladesh and China have shown that a mandatory sustainable finance policy with taxonomy and harmonised regulation promotes the institutionalisation and scaling of green instruments, while the example of Indonesia has shown that the dispersion of sustainable finance and CSR rules between different acts leads to formal compliance

with the requirements and does not provide a significant transformation of financial practices towards sustainable development.

American green banks and GHGRF illustrate the mobilisation of private capital without a single taxonomy amid political volatility, while Ireland and Estonia demonstrate that systematic implementation of EU acts through roadmaps, coordination, and data work transforms sustainable finance requirements into a tool for developing financial hubs and building expertise. A comparison of green financial flows revealed that the bulk of climate finance is concentrated in jurisdictions with more predictable and structured regulation: in 2021-2023, the average annual global volume was approximately USD 1.3 trillion, with shares of approximately 30% in China, approximately 25% in the EU, and more than 10% in the US, and more than 60% of global green bond issuance is in jurisdictions with formalised taxonomies and clear disclosure requirements. For Ukraine, it was established that special legislation on capital markets and state regulation and NSSMC reports only form the basis of the green finance regime, but do not yet provide a national taxonomy and mandatory disclosure standards at the EU level. The Ukrainian green finance regime is a transitional one: the focus on EU law is combined with the dominance of “soft law” and dependence on external support, which reduces predictability for investors. The law in the field of green finance performs not only a regulatory, but also a constitutive function, forming the framework within which it is decided whether green capital will become an instrument of deep economic transformation, whether it will remain a marginal market segment in developing countries, including Ukraine. The limitation of the study is its theoretical and legal nature and the lack of empirical verification of the identified patterns. Further research should focus on empirical verification of the impact

of legislation quality on green financing in developing countries, particularly in Ukraine.

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## **Якість законодавства як чинник зеленого фінансування: нормативний підхід**

**Олена Лемішко**

Доктор економічних наук, доцент  
Національний університет біоресурсів і природокористування України  
03041, вул. Героїв Оборони, 15, м. Київ, Україна  
<https://orcid.org/0000-0002-6216-652X>

**Тетяна Мірзоєва**

Доктор економічних наук, доцент  
Національний університет біоресурсів і природокористування України  
03041, вул. Героїв Оборони, 15, м. Київ, Україна  
<https://orcid.org/0000-0002-0034-6138>

**Наталія Шевченко**

Кандидат економічних наук, доцент  
Національний університет біоресурсів і природокористування України  
03041, вул. Героїв Оборони, 15, м. Київ, Україна  
<https://orcid.org/0000-0001-8506-1782>

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### **Анотація**

Метою дослідження було теоретичне пояснення зв'язку між характеристиками регулювання та параметрами «зелених» фінансових потоків. Методологія базувалась на комплексному підході, що поєднував нормативно-правовий і порівняльно-правовий методи. Показано, що передбачуване, узгоджене й стабільне регулювання підсилює мобілізацію капіталу на екологічні проекти в державах, що розвиваються, а «зелене» фінансування (green finance) постає як спеціальний режим sustainable finance з цільовим використанням коштів і посиленою звітністю та верифікацією. Міжнародні таксономії, стандарти розкриття інформації та принципи «зелених» облігацій виступають інфраструктурою обмеження greenwashing, тоді як розрив між потребами

в кліматичних інвестиціях і фактичними потоками пояснюється впливом характеристик правового середовища на регуляторний ризик і вартість капіталу. Кейси Бангладеш та Індонезія показали, що обов'язкові вимоги з чіткими цілями й звітністю стимулюють «зелені» активи, тоді як фрагментарні норми стримують трансформацію фінансового сектора. Китай і Сполучені Штати Америки демонструють різні моделі: комплексна таксономія й узгоджене регулювання проти децентралізованої регуляторної архітектури «зеленого» банкінгу. Ірландія та Естонія ілюструють, як імплементація актів Європейського Союзу та координація інституцій підвищують визначеність і прозорість. Рівень зеленого фінансування є концентрованим: у 2021-2023 роках глобальні потоки становили близько 1,3 трлн дол. на рік, а понад 60 % емісії зелених облігацій припадає на юрисдикції з формалізованими таксономіями та вимогами до розкриття інформації. Україна поєднує наближення до європейських стандартів із суттєвими прогалинами, а кейс зелених і sustainability-linked облігацій «Укренерго» демонструє зіткнення продуманого нормативного дизайну з високим країновим ризиком. Узгоджена й передбачувана нормативна рамка є необхідною передумовою розвитку «green» фінансування, однак її вплив реалізується лише за умов інституційної спроможності та макроекономічної стабільності. Практичне значення результатів полягає в можливості їх використання органами влади, регуляторами та учасниками ринку під час вдосконалення регулювання «зелених» інвестицій

**Ключові слова:** правова архітектура; законодавче забезпечення; регуляторний ризик; таксономія; екологічний ефект; фінансові регуляції