

COMPLIANCE AS A DRIVER OF SUSTAINABLE ECONOMIC DEVELOPMENT AND BUSINESS GROWTH IN THE CONTEXT OF EUROPEAN INTEGRATION

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Abstract. This article analyzes the strategic role of the compliance function as a pivotal administrative-legal mechanism that fosters sustainable economic development and corporate growth within the framework of European integration. The investigation focuses on how institutionalized compliance systems serve as a catalyst for investment attractiveness and market transparency, particularly during Ukraine's alignment with EU standards. The research employs a black letter legal method to examine key instruments, including the Corporate Sustainability Due Diligence Directive (CSDDD), the Rule of Law Conditionality Regulation, and Ukraine's Anti-Corruption Strategy for 2021-2025. This analysis is supplemented by a review of CJEU case law and OECD monitoring reports. The results indicate that while Ukraine has established a sophisticated anti-corruption infrastructure, its economic impact is hindered by a persistent commitment-capacity gap and merely symbolic, box-checking compliance at the corporate level. Furthermore, comparative analysis with Germany, Italy, and Hungary demonstrates that a one-size-fits-all approach is ineffective; compliance outcomes are profoundly shaped by national legal traditions, external financial conditionality, and the discretion of street-level administrators. The findings establish that integrating ESG principles into corporate compliance frameworks is a crucial driver for standardizing sustainability reporting, reducing systemic market risks, and building institutional trust. The article concludes that a robust, practically adaptable compliance function is indispensable not only for combating corruption but also for ensuring the institutional resilience and macroeconomic stability required for successful European integration and post-war economic recovery.

Keywords: Corporate Governance, European Union Law, Sustainable Development, Legal Harmonisation, ESG-integration, Economic Performance, Investment Climate.

JEL Classification:K20, K23, L21, O16

1. INTRODUCTION

The compliance function within the context of European integration is recognized as an integral part of both corporate governance and regulatory policy in the EU. Anti-corruption compliance enables companies to minimize corruption risks while meeting standards of transparency and business ethics. Establishing an effective compliance system involves adapting organizational processes to European legal requirements, implementing internal controls and monitoring procedures, and providing training for employees on anti-corruption matters. However, the compliance function cannot work effectively in isolation; it requires a robust corporate governance infrastructure and must evolve from mere regulatory

adherence into a strategic tool for enhancing economic performance. To achieve this, compliance issues must be integrated into corporate governance structures and decision-making processes at the highest organisational levels (Previtali & Cerchiello, 2023). The European Union (EU) has, over decades, developed a criminal policy against corruption, continuously refining its legal frameworks to protect its financial interests and ensure a level playing field for economic actors.

The significance of this academic inquiry is particularly pronounced in light of Ukraine's ongoing legal convergence with the EU. This process necessitates a meticulous comparative analysis of anti-corruption legislation in Ukraine and EU member states, focusing on the identification, implementation, and adaptation of best practices that effectively stimulate business growth within the Ukrainian legal system (Komarov, 2024). Ukraine's experience, particularly the challenges encountered during its wartime and post-conflict recovery, provides a unique dimension to the study of legal harmonisation as a prerequisite for sustainable economic development (Duhinets & Kolodko, 2023). For instance, the fight against corruption in wartime Ukraine highlights the critical interplay between national legal mechanisms and international cooperation in preventing illicit activities that distort market competition (Komarov, 2024). The external pressure from international bodies, including the EU and the Council of Europe, remains a crucial driver for building the institutional trust necessary for attracting foreign direct investment (Mazaraki & Melnyk, 2023). In a broader context, external economic and regulatory factors play a decisive role in shaping enterprise strategies, particularly under conditions of internationalization and increasing market integration. Their timely identification allows organizations to reduce risks and adapt strategic management practices to changing business environments (Blagun & Ilchuk, 2013).

The overarching importance of effective anti-corruption measures extends beyond legal frameworks to profoundly impact macroeconomic stability and sustainable growth. Research consistently demonstrates a strong inverse relationship between corruption and a country's economic development (Basheer et al., 2024; Mamo & Ayele, 2024; Serzhanov et al., 2022). High levels of corruption lead to economic stagnation, hinder capital accumulation, and distort public expenditures, thereby impeding investment and overall economic prosperity (Basheer et al., 2024; Mamo & Ayele, 2024). Conversely, robust anti-corruption measures act as a catalyst for economic growth, propelling economies towards a more prosperous and stable state (Mamo & Ayele, 2024). The integration of anti-corruption strategies is also intrinsically linked to the adoption of Environmental, Social, and Governance (ESG) principles, wherein compliance mechanisms play a vital role in mitigating corruption risks in investment and public procurement (Paliienko & Diachenko, 2024). Effective anti-corruption efforts are foundational for achieving the United Nations Sustainable Development Goals (SDGs), particularly SDG 16 (Peace, Justice, and Strong Institutions), and are essential for fostering accountability, transparency, and probity across all sectors (Mamo & Ayele, 2024; Misra et al., 2022). Without significant action to mitigate corruption, the achievement of other SDGs, including those related to economic sustainability and institutional resilience, is severely compromised (Mazaraki & Melnyk, 2023; Misra et al., 2022). The strategic role of compliance thus serves not only to prevent corruption but also to build institutional trust, attract sustainable investment, and facilitate the essential legal convergence required for genuine European integration (Haiyirete et al., 2024).

2. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The theoretical framework for understanding the compliance function in the context of European integration, anti-corruption, and business growth draws upon diverse scholarly works and institutional reports. This multi-faceted approach underscores the administrative-legal tools necessary for fostering robust governance and mitigating systemic economic risks.

Compliance is conceptualised as a comprehensive system of measures designed to ensure adherence to legal, ethical, and economic norms, thereby preventing corruption violations and eliminating associated market risks. In the corporate sector, anti-corruption compliance practices often exhibit

characteristics of self-regulation, adapting to industry-specific nuances and employing a risk-based approach to safeguard capital (Mazaraki & Melnyk, 2023). Melnyk et al. (2022), in their article, argue for the effectiveness of a compliance-oriented approach, specifically in detecting and preventing financial fraud, emphasizing its role in the context of European integration and corporate governance transformation in Ukraine. This perspective aligns with a broader understanding that a strong compliance function is crucial for institutional trust and sustainable investment attractiveness. Kussainov et al. (2023) further explore the application of compliance control systems as an administrative-legal tool to effectively reduce corruption risks, particularly in mitigating potential abuses that distort the economic environment.

However, the effective implementation of anti-corruption programmes, especially in transitional contexts like Ukraine, faces challenges. Smetanina and Cherevatuk (2022) highlight that despite the National Agency for Prevention of Corruption (NACP) approving “Typical Anti-Corruption Programs of a Legal Entity,” these are often duplicated by legal entities without constructive study or adaptation to specific enterprise management and organisation peculiarities. This results in merely symbolic compliance (“box-checking”), which fails to foster a genuine culture of integrity and leads to the inefficient allocation of corporate resources, thereby hindering business growth and competitiveness (Smetanina & Cherevatuk, 2022).

The international legal order has witnessed a profound transformation in the incentives driving corporate anti-corruption compliance. Initially focused on a narrow bribery-centric approach, these programs have broadened to encompass a holistic anti-corruption paradigm, now intrinsically linked to the Environmental, Social, and Governance (ESG) agenda (Viol, 2024). This endorsement of ESG factors reflects a strategic shift towards recognizing the economic value of corporate integrity within the global market. Adherence to anti-bribery laws has become a prerequisite for financial performance, especially in an environment characterized by aggressive enforcement and increasing cross-border cooperation (Funk et al., 2024). Modern research underscores that institutionalizing such frameworks through administrative-legal tools is a primary catalyst for attracting sustainable capital and enhancing the competitive growth of businesses (Baltrunaite et al., 2024; Paliienko & Diachenko, 2024).

The EU’s regulatory landscape for compliance has become increasingly complex, particularly with the advent of digital economic innovations. Regulators aim for legal certainty through a principle-based framework, yet face challenges from the hybrid nature of modern financial assets. This complexity can lead to varying interpretations across Member States, creating fragmentation that potential regulatory arbitrage might exploit. Such dynamics further complicate the notion of a uniform legal order, necessitating robust administrative oversight to ensure market stability (Cardwell, 2019).

Comparative analyses of national anti-corruption legislation, such as those comparing Ukraine with EU countries, identify best practices and possibilities for their implementation into the Ukrainian legal system (Komarov, 2024). These studies often highlight the role of independent anti-corruption agencies and the necessity of aligning national anticorruption policies with EU standards and international best practices (Komarov, 2024). Transparency International reports consistently underscore Ukraine’s ongoing efforts to combat corruption, despite significant challenges, particularly in the context of the ongoing war, emphasising transparency and integrity as foundational for European integration (Transparency International Ukraine, 2024; Transparency International Ukraine, 2025). Building on this, recent studies suggest that successful legal approximation is not only a requirement for EU membership but also a strategic necessity for enhancing the country’s investment climate and long-term economic resilience (Mazaraki & Melnyk, 2023).

The effectiveness of compliance frameworks is highly dependent on robust institutional and governance structures. Research in various contexts, including cybersecurity and corporate governance, reveals that organizations often face challenges in interpreting and implementing regulatory requirements due to complexity and resource constraints, which can lead to merely symbolic compliance (“checking the box”) rather than substantive improvement (Proudfoot et al., 2024). The Rule

of Law Reports by the European Commission systematically assess the anti-corruption frameworks, judicial systems, and media pluralism within EU Member States, providing critical insights into areas requiring further reform (European Commission, 2024; European Commission, 2025). Special reports by the European Court of Auditors reveal gaps in managing fraud risks and ensuring the integrity of EU spending, reinforcing the need for more comprehensive data and robust oversight mechanisms (European Court of Auditors, 2019).

The integration of strong anti-corruption measures is crucial for achieving sustainable development. Corruption acts as a major impediment to economic growth and institutional trust (Mamo & Ayele, 2024). Studies explicitly link corruption to the inability of countries to attain Sustainable Development Goals (SDGs), especially SDG 16, which focuses on promoting peace, justice, and strong institutions (Misra et al., 2022). Policies fostering transparency and openness within governance and financial institutions, along with strengthening law enforcement and promoting economic growth, are critical for combating corruption and achieving sustainability (Mamo & Ayele, 2024). Responsible business conduct, as detailed in the OECD Guidelines for Multinational Enterprises (2023), contributes significantly to sustainable development by setting standards for ethical and accountable operations (Maistrenko et al., 2023; OECD, 2023).

The concept of compliance is thus not merely about adherence to rules but serves as a strategic tool for enhancing institutional trust, attracting sustainable investment, and driving legal convergence. This is particularly salient for countries like Ukraine, where efforts to align with EU legal standards through administrative-legal tools for compliance and anti-corruption are viewed as integral to its long-term development and integration into the European economic and legal space (Komarov, 2024; Transparency International Ukraine, 2024).

3. RESEARCH OBJECTIVE, METHODOLOGY AND DATA

The primary research objective is to thoroughly analyse the operational modalities of the compliance function as an administrative-legal mechanism within the context of Ukraine's ongoing legal convergence with the European Union (Komarov, 2024; Rabinovych & Pintsch, 2023). This analysis specifically delves into the effectiveness and implications of this function in preventing corruption and fostering sustainable business development in Ukraine (Komarov, 2024). The study seeks to provide a deep understanding of how legal and administrative tools are employed, adapted, and enforced to achieve these critical objectives, particularly in light of Ukraine's integration aspirations and the challenges it faces (Rabinovych & Pintsch, 2023). Furthermore, the research explores these mechanisms as drivers of macroeconomic stability and post-conflict economic recovery (Duhinets & Kolodko, 2023).

The research primarily employs the black letter legal method, complemented by a comparative analysis and the examination of qualitative data derived from expert insights and institutional reports. This approach enables a critical examination of the formal legal requirements, judicial interpretations, and practical implementation of compliance frameworks across different jurisdictions. The methodology focuses on identifying the administrative-legal tools necessary for fostering robust governance and mitigating systemic risks that impede sustainable development.

The Black Letter Legal Method involves a meticulous examination of statutory provisions, regulatory instruments, and judicial precedents to ascertain their formal meaning, scope, and application. In this research, this method is applied to evaluate how legal norms create a predictable environment for business operations and capital protection.

1. Examination of EU Legal Instruments:

© The study will critically examine Directive (EU) 2017/1371 on the fight against fraud affecting the financial interests of the Union by means of criminal law. This Directive aims to harmonise criminal law definitions and sanctions related to fraud against the EU budget, directly impacting compliance obligations and the protection of the internal market's integrity for Member States and aspiring members

like Ukraine (Holovkin et al., 2023).

⊙ Directive 2024/1760 on Corporate Sustainability Due Diligence (CSDDD) will be analysed for its implications on corporate responsibility, human rights, environmental protection, and governance within supply chains, highlighting the expanding scope of compliance beyond financial integrity to encompass ESG factors (Maistrenko et al., 2023; OECD, 2023). While specific details of this new directive are emerging, its foundational principles of due diligence and sustainability reporting are central to modern compliance and serve as a strategic driver for investment attractiveness (Baltrunaite et al., 2024).

⊙ Regulation (EU) 2020/2092 on a general regime of conditionality for the protection of the Union budget will be scrutinised for its mechanisms that link the disbursement of EU funds to adherence to the rule of law, directly influencing governance and anti-corruption efforts in recipient countries (European Commission, 2024).

⊙ The EU-Ukraine Association Agreement (AA) forms a pivotal legal framework. Its detailed provisions, spanning political association, justice, freedom, security, trade (DCFTA), sectoral cooperation, and financial cooperation, necessitate extensive regulatory approximation by Ukraine (Rabinovych & Pintsch, 2023). The AA is designed to be a comprehensive roadmap for reforms, impacting Ukraine's legal system significantly by requiring the application of broad aspects of the EU *acquis*, including EU legal principles, common values, and CJEU case law (Petrov, 2024). Compliance negotiations under the AA are complex, involving multilevel interactions from informal networks to high-level political dialogues, often dealing with a "commitment-capacity gap" in Ukraine (Rabinovych & Pintsch, 2023).

2. Analysis of Ukrainian National Legal Acts:

⊙ The Law of Ukraine "On Prevention of Corruption" (2014) will be critically examined for its establishment of legal and organisational grounds for Ukraine's anti-corruption system, including preventive mechanisms and procedures (Holovkin et al., 2023).

⊙ Ukraine's Anti-Corruption Strategy 2021-2025 will be analysed to understand its prioritised areas for combating corruption, its structured approach to identifying problems, and proposed solutions, including specific focus on the defence sector, state regulation of the economy, and infrastructure (Holovkin et al., 2023; Mordas, 2022).

⊙ The study will consider draft laws and amendments aimed at harmonising Ukrainian legislation with EU requirements, acknowledging the challenges in judicial enforcement and adaptation of EU legal principles within the Ukrainian legal system (Otenko, 2022; Petrov, 2024). This includes efforts to define corruption-related crimes and offences more clearly and to enhance liability under martial law (Holovkin et al., 2023).

Review of Case Law and Decisions:

1. Court of Justice of the EU (CJEU) Case Law:

⊙ The research will review CJEU jurisprudence to understand its role in interpreting and enforcing EU law, particularly concerning Member States' compliance and the protection of fundamental rights and rule of law values (Cheruvu & Krehbiel, 2024; Kurepina, 2023). The CJEU's mechanism of preliminary references plays a crucial role in ensuring uniform application of EU law and can significantly influence public support for EU legal decisions within Member States (Cheruvu & Krehbiel, 2024).

⊙ Analysis will extend to how the CJEU addresses conflicts between national regulations and EU law, often revealing "noticeable dissonance" due to improper drafting or erroneous interpretation of national provisions (Kurepina, 2023). The CJEU's power to issue binding decisions and financially sanction non-compliant Member States is a key enforcement tool (Bloks & Brink, 2021; Dunn et al., 2022).

⊙ Insights will be drawn from the CJEU's approach to the principle of proportionality in tax law, demonstrating its application as an EU and constitutional standard and its influence on national legal systems and the regulation of economic activities (Mudrecki, 2021; Kurepina, 2023).

2. Decisions by the National Agency on Corruption Prevention (NACP) in Ukraine:

⊙ Decisions and explanations issued by the NACP will be analysed to understand its operational practice in overseeing anti-corruption programs and financial control measures, especially under martial law (Holovkin et al., 2023).

⊙ The study will assess the effectiveness of NACP-approved “Typical Anti-Corruption Programs,” considering critiques that these programs are often superficially adopted without genuine adaptation or employee involvement, leading to mere appearances of anti-corruption activity rather than substantive change that foster business integrity (Smetanina & Cherevatuk, 2022).

A comparative analysis will be conducted to highlight how selected EU Member States integrate compliance frameworks and how Ukraine adapts these approaches. This will involve examining both successful models and challenges in implementation, with a specific focus on their impact on administrative efficiency and market transparency.

Germany, Italy, and Hungary – these countries represent diverse approaches to legal and administrative compliance within the EU:

Germany and Italy	Provide insights into how national administrative bodies interact with CJEU case law, revealing varying levels of compliance (dialogue, subordination, or indifference) and the complexities of translating EU legal requirements into practical administrative action, particularly in areas like public procurement with social and environmental considerations. Studies on street-level managers in Germany and Italy (among others) show that factors such as resource availability, perception of policy effectiveness, and client-serving motivations significantly influence compliance with public policies (Ege et al., 2024).
Hungary	Hungary serves as a primary example of the application of the EU Rule of Law Conditionality Mechanism (Regulation 2020/2092). Mazaraki and Melnyk (2023) analyze the socio-legal dynamics within Hungary, focusing on the European Commission's suspension of budget funds as a corrective tool for systemic corruption. These insights are critical for understanding how administrative compliance is enforced through financial conditionality, which directly impacts national economic stability and serves as a significant benchmark for Ukraine's integration strategy (Mazaraki & Melnyk, 2023).
Ukraine's Adaptation	The comparative analysis will assess Ukraine's progress in adapting EU compliance frameworks, considering findings that despite legislative efforts, the impact of EU law on Ukrainian domestic legislation can be “insignificant” due to challenges in legal enforcement and adaptation (Yaroshenko et al., 2024). The comparison of tax compliance tools between Ukraine and selected EU Member States (e.g., Austria, Denmark, Germany, Poland, Switzerland) will highlight similarities in mechanisms but differences in practical application due to unique national contexts (Kotenko et al., 2023).

The data for this research is multifaceted and, in particular but not exclusively, drawn from primary legal texts, judicial decisions, institutional reports, and qualitative expert analysis:

Primary Legal Documents	Official texts of Directive (EU) 2017/1371, Directive 2024/1760, Regulation (EU) 2020/2092, the EU-Ukraine Association Agreement, the Law of Ukraine “On Prevention of Corruption,” and Ukraine's Anti-Corruption Strategy 2021-2025.
Judicial Case Law	Decisions from the Court of Justice of the European Union (CJEU) will be extracted from official CJEU databases and legal research platforms. Decisions and explanations by the National Agency on Corruption Prevention (NACP) in Ukraine will be sourced from official NACP

	publications and legal databases.	
Qualitative Data	Insights from thirteen in-depth semi-structured interviews with EU officials, technical assistance project representatives, Ukrainian state officials, and civil society and academic experts directly involved in EU-Ukraine compliance negotiations, conducted pre-war (February-October 2022) (Rabinovych & Pintsch, 2023).	
Institutional Reports	Transparency International Reports	Focusing on Ukraine and EU Member States, providing data on corruption perception and anti-corruption efforts (Transparency International Ukraine, 2024; Transparency International Ukraine, 2025).
	Rule of Law Reports by the European Commission	Offering systematic assessments of judicial systems, anti-corruption frameworks, and media pluralism across EU Member States and accession countries (European Commission, 2024; European Commission, 2025).
	OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023)	Providing recommendations on responsible business conduct (OECD, 2023).
	European Court of Auditors' Special Reports	Examining anticorruption and budget control measures within the EU, including findings on fraud prevention and financial management (European Court of Auditors, 2019).
Scholarly Literature	Relevant academic articles from peer-reviewed journals. These works provide theoretical foundations on EU legal integration, governance mechanisms, and the economic value of compliance (Paliienko & Diachenko, 2024; Baltrunaite et al., 2024).	

This comprehensive data collection and methodological approach aim to provide a robust and nuanced analysis of the compliance function's role in Ukraine's European integration and its impact on sustainable business development.

4. RESULTS AND DISCUSSION

The European Union has established a comprehensive, albeit complex, administrative-legal framework to combat corruption and protect its financial interests. This framework is not monolithic but consists of a web of directives, regulations, and institutional arrangements that impose compliance obligations on Member States and, through association agreements, on candidate countries like Ukraine. Recent developments indicate that these legal structures increasingly prioritize market transparency as a fundamental driver of sustainable economic growth.

A central pillar of this framework is Directive (EU) 2017/1371, commonly known as the PIF Directive (Protection of the EU's Financial Interests). This instrument harmonises the definitions of criminal

offences affecting the EU's financial interests, including fraud, corruption, and misappropriation. It mandates Member States to establish minimum rules on sanctions, including imprisonment, and introduces provisions for the liability of legal persons. The directive represents a shift towards a more repressive approach to anti-corruption, complementing the EU's traditional focus on prevention. The proposal by the European Commission in May 2023 to expand these definitions marks a further hardening of the regulatory environment to ensure economic stability (Holovkin et al., 2023).

Regulation (EU) 2020/2092 introduces a powerful compliance mechanism by establishing a general regime of conditionality for the protection of the Union budget. This regulation links access to EU funds to a Member State's respect for the rule of law, including the prevention of corruption and fraud (European Commission, 2024). This tool creates a strong financial incentive for compliance, moving beyond purely legal or political enforcement mechanisms. The effectiveness of such a "carrots-and-sticks" approach is evident in the cases of member states like Hungary, where the suspension of funds has been used to incentivize administrative reforms (Mazaraki & Melnyk, 2023; Rabinovych & Pintsch, 2023).

The broader governance framework is also informed by "soft law" instruments and institutional reports that shape compliance norms. The European Commission's Rule of Law Reports provide an annual, systematic assessment of the situation in each Member State across four pillars: the justice system, the anti-corruption framework, media pluralism, and other institutional issues related to checks and balances (European Commission, 2024; European Commission, 2025). These reports, while not legally binding in the same way as directives, serve as a powerful tool for peer review and public scrutiny, thereby fostering a predictable legal environment necessary for cross-border investment. Similarly, the European Court of Auditors' Special Reports highlight systemic weaknesses in the management of EU funds, providing an evidence base for enhancing fiscal oversight (European Court of Auditors, 2019).

In its pursuit of European integration, Ukraine has developed a sophisticated anti-corruption infrastructure, largely modelled on international and EU best practices. The Law on Prevention of Corruption (2014) and the Anti-Corruption Strategy 2021-2025 form the legislative backbone of these efforts (Holovkin et al., 2023). The Strategy outlines a clear roadmap, identifying priority areas such as the judiciary, public procurement, and the defence sector, and proposes concrete measures to mitigate corruption risks that impede sustainable business development (Holovkin et al., 2023; Mordas, 2022).

At the heart of this infrastructure is the National Agency on Corruption Prevention (NACP), an independent body tasked with shaping and implementing state anti-corruption policy. Table 1 illustrates the NACP's main compliance-related responsibilities, highlighting both their regulatory purpose and the practical implementation challenges in the context of economic stabilization.

Tab.1

Functional Mandate of the National Agency on Corruption Prevention (NACP) within Ukraine's Compliance Infrastructure

Function	Description	Challenges / Gaps
Asset Declaration System	The NACP manages one of the most extensive electronic asset declaration systems in the world. This tool is fundamental for transparency and detecting illicit enrichment among public officials (Holovkin et al., 2023).	However, the system's effectiveness has faced challenges under martial law, where the NACP has provided explanations to offer flexibility while maintaining oversight of financial integrity (Holovkin et al., 2023; OECD, 2024).
Development of Anti-Corruption	The NACP is responsible for approving "Typical Anti-Corruption Programs" for legal	Research indicates a significant implementation gap. These programmes are often adopted

Programmes	entities. This administrative-legal tool is intended to cascade compliance obligations down to the corporate level.	formally (“box-checking”) without being tailored to the specific operational realities and risks of an enterprise, thus failing to foster a genuine culture of integrity or to engage employees in the compliance process (Smetanina & Cherevatuk, 2022; OECD, 2024).
Political Party Financing and Whistleblower Protection	The NACP also oversees political party financing and is a key institution in the development of whistleblower protection mechanisms, both of which are critical for a holistic anti-corruption strategy and fair market competition (Holovkin et al., 2023; Prykhodko, 2020).	Implementation remains partial; underfunded systems; cultural resistance; need for legislative consolidation and enforcement.

Despite the establishment of the NACP, the National Anti-Corruption Bureau (NABU), and the High Anti-Corruption Court (HACC), systemic corruption persists. The effectiveness of these institutions is often hampered by political interference, resource constraints, and the immense challenges posed by the ongoing war, which has created new avenues for corruption related to humanitarian aid, military procurement, and draft evasion (Holovkin et al., 2023; Rabinovych & Pintsch, 2023). According to the OECD (2024) review, bridging the 'commitment-capacity gap' is essential for maintaining the trust of international investors and ensuring the efficient use of recovery funds. A significant debate has also emerged around President Zelenskyy's proposal to equate wartime corruption with high treason, a move criticised by some international partners and civil society as potentially undermining the independence of the established anti-corruption bodies by shifting investigative powers to the Security Service of Ukraine (SBU) (Holovkin et al., 2023).

The modern compliance function is increasingly intertwined with the principles of Environmental, Social, and Governance (ESG), reflecting a broader shift in corporate accountability as a driver of economic performance. This convergence is a key driver for ensuring sustainable business development and is heavily promoted by EU legal frameworks.

The Corporate Sustainability Due Diligence Directive (CSDDD) represents a landmark development in this area. It mandates that large companies conduct due diligence to identify, prevent, and mitigate adverse impacts on human rights and the environment within their own operations and across their value chains. This directive institutionalises ESG considerations as a core compliance obligation, transforming ethical conduct into a measurable economic asset (Maistrenko et al., 2023; OECD, 2023). The analysis by Baltrunaite et al. (2024) suggests that the CSDDD's potential impact lies in its ability to standardize sustainability reporting, thereby reducing risks for capital markets and enhancing the long-term growth of European enterprises. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023) provide a complementary framework, offering recommendations on due diligence, human rights, environment, anti-corruption, and other areas of responsible business conduct. These guidelines are not legally binding but carry significant normative weight and are referenced by the CSDDD.

The link between anti-corruption and sustainability is direct and profound. Corruption undermines sustainable development by diverting resources, weakening institutions, and eroding public trust (Mamo & Ayele, 2024; Misra et al., 2022). Conversely, strong compliance frameworks that integrate anti-corruption and ESG principles can enhance institutional trust and attract sustainable investment. For

Ukraine, aligning with these emerging EU standards is not only a requirement of legal convergence but also a strategic necessity for its post-war reconstruction. Ensuring that international aid and investment are managed transparently and in accordance with high ethical and environmental standards will be critical for building a resilient and sustainable economy (Holovkin et al., 2023). The development of a multi-level benchmark system for sustainability reporting, drawing on EU experience with instruments like the Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD), is a crucial step for Ukraine in this direction (Makarenko & Makarenko, 2023).

A comparative analysis of compliance frameworks in Ukraine, Germany, Italy, and Hungary reveals both common challenges and context-specific dynamics:

Institutional Performance and the "Commitment-Capacity Gap"	Research on CEE countries, including Hungary and Ukraine, highlights a persistent "commitment-capacity gap." In this model, EU directives are often formally transposed into national law, but practical enforcement is weak due to shortcomings in administrative performance. This finding suggests that the primary challenge is not legislative alignment but the political will to enforce laws that ensure market transparency and protect the financial interests of the Union(OECD, 2024;Rabinovych & Pintsch, 2023).
Behavioural Determinants of Compliance (Trust and Power)	Compliance is increasingly determined by external financial incentives and the "power" of supranational oversight. In post-communist contexts, the use of financial conditionality (e.g., Regulation 2020/2092) acts as a corrective tool, where the suspension of funds serves as a behavioural driver for administrative reform. High institutional trust is essential to transition from enforced compliance to voluntary adherence, which reduces transaction costs for businesses (Mazaraki & Melnyk, 2023; Duhinets & Kolodko, 2023).
Street-Level Compliance and Discretion	Comparative studies of policy implementation in Germany and Italy show that "street-level managers"(e.g., local administrative officials) play a crucial role in translating policy into practice. Their compliance is influenced by factors such as resource availability, the perceived effectiveness of the policy, and their relationship with clients. SLMs often exercise discretion, sometimes leading to "complementary modification"of policies to make them workable on the ground, or to non-compliance when policies are seen as ineffective or harmful to clients (Ege et al., 2024). This highlights the importance of designing administrative-legal tools that are not only legally sound but also practically implementable and adaptable to foster business growthat the local level.
Legal and Administrative Context	The specific legal and administrative contexts of each country significantly shape compliance outcomes. For instance, a comparison of tax compliance tools in Ukraine, Germany, and other European nations found that while the mechanisms(e.g., tax liens, seizure of property) are similar, their practical application and the protections afforded to taxpayers differ based on national legal traditions and administrative cultures (Kotenko et al., 2023). Similarly, pre-trial administrative dispute resolution mechanisms vary significantly between Germany, France, Italy, and Ukraine, indicating that Ukraine must carefully consider which European models are best suited for its own legal system (Prokopenko, 2024).

The table below summarises key comparative aspects of compliance challenges across the selected countries. This comparative analysis demonstrates that a "one-size-fits-all" approach to compliance is ineffective. For Ukraine, the path to EU legal convergence requires not only the adoption of EU acquis but also a deep reform of its administrative and judicial institutions, a concerted effort to build

institutional trust, and the design of administrative-legal tools that are both robust and practically adaptable to ensure long-term business growth.

Tab.1

Comparative Analysis of Compliance Challenges

Country	Key Compliance Challenge/Dynamic	Supporting Evidence/Context	Relevant Source(s)
Ukraine	Implementation Gap: Significant gap between extensive anti-corruption legislation and its practical enforcement (“commitment-capacity gap”).	Post-Maidan reforms created a sophisticated anti-corruption infrastructure, but effectiveness is hampered by political influence, resource constraints, and wartime pressures. The EU-Ukraine AA compliance is often “pre-emptive” and based on negotiation. The Anti-Corruption Strategy for 2021-2025 identifies infrastructure and economy as priority areas. Recent audits emphasize the need for institutional resilience to secure recovery funds.	(Holovkin et al., 2023; OECD, 2024; Rabinovych & Pintsch, 2023; Yaroshenko et al., 2024)
Hungary	“Financial Conditionality”: The impact of EU budget suspension as a corrective tool for systemic corruption.	Suspension of funds under Regulation 2020/2092 serves as a financial incentive for administrative reform, directly affecting national economic stability.	(Mazaraki & Melnyk, 2023)
Italy	Regulatory Integration (CSDDD): The challenge of standardizing sustainability due diligence across complex value chains.	Integration of the CSDDD is expected to reduce legal uncertainty, though it requires significant administrative adaptation to support business growth.	(Baltrunaite et al., 2024)
Germany	Institutional Efficiency: Discretionary policy implementation by street-level managers in a federal structure.	Compliance is shaped by resource availability and policy coherence, where the relationship with CJEU case law influences market transparency.	(Ege et al., 2024; Kotenko et al., 2023)

This comparative analysis demonstrates that a “one-size-fits-all” approach to compliance is ineffective. For Ukraine, the path to EU legal convergence requires not only the adoption of EU *acquis* but also a deep reform of its administrative and judicial institutions. A concerted effort to build institutional trust through the design of robust administrative-legal tools is essential for attracting foreign direct investment and ensuring that legal reforms translate into tangible economic benefits (Duhinets & Kolodko, 2023; Mazaraki & Melnyk, 2023).

5. CONCLUSIONS

The analysis presented in this research substantiates the role of the compliance function as a multi-layered and dynamic administrative-legal mechanism that is central to Ukraine's European integration and business growth. It serves as a fundamental instrument not only for combating corruption but also for embedding the principles of sustainable development and good governance into the national economic fabric. The examination of EU legal instruments, such as the PIF Directive, the CSDDD, and the Rule of Law Conditionality Regulation, reveals a clear trajectory towards an integrated, values-based compliance landscape where financial integrity and market transparency are inextricably linked to macroeconomic stability.

The study of Ukraine's national anti-corruption framework, anchored by the Law on Prevention of Corruption and the institutional role of the NACP, highlights significant progress in building a sophisticated infrastructure. However, the findings also underscore a persistent and critical challenge: the gap between the formal adoption of laws and their effective, consistent enforcement. This "implementation gap," exacerbated by the pressures of war and systemic institutional constraints, suggests that legal convergence must be accompanied by deep administrative reform. Ensuring that regulatory frameworks do not remain "dead letters" is a strategic necessity for securing the trust of international investors and achieving sustainable economic performance.

The comparative analysis with Germany, Italy, and Hungary further enriches this understanding by revealing that compliance outcomes are profoundly shaped by national context, including the level of market transparency, the predictability of enforcement mechanisms, and the discretion exercised by "street-level" administrative actors. For Ukraine, this implies that a successful compliance strategy must be two-pronged: it must adopt the robust legal standards of the EU *acquis* while simultaneously fostering a domestic environment of institutional predictability and administrative capability. Such a dual approach is essential for reducing systemic risks and ensuring that the legal framework serves as an effective catalyst for business growth and investment attractiveness.

Ultimately, this article contributes to the academic discourse by providing a holistic analysis of the compliance function at the intersection of law and economics. It posits that for a candidate country like Ukraine, the strategic and diligent application of compliance as an administrative-legal tool is not simply a requirement for accession but a fundamental prerequisite for building a resilient, transparent, and prosperous state fully integrated into the European community of law and values. Successful alignment with European standards is a primary driver of sustainable economic development and long-term institutional stability.

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Іваненко В'ячеслав, Муравіов Кирило. Комплаєнс як фактор сталого економічного розвитку та зростання бізнесу в умовах європейської інтеграції. *Журнал Прикарпатського університету імені Василя Стефаника*, 13 (2) (2026), 148-162.

У статті досліджується стратегічна роль комплаєнс-функції як ключового адміністративно-правового механізму, що сприяє сталому економічному розвитку та зростанню корпоративного сектору в межах європейської інтеграції. Основна увага приділяється тому, як інституціоналізовані системи комплаєнсу слугують каталізатором інвестиційної привабливості та прозорості ринку, зокрема в період адаптації України до стандартів ЄС. Дослідження використовує формально-юридичний метод для аналізу ключових інструментів, зокрема Директиви щодо належної обачності корпоративної сталості (CSDDD), Регламенту про зумовленість щодо верховенства права та Антикорупційної стратегії України на 2021-2025 роки. Цей аналіз доповнюється оглядом судової практики Суду ЄС та моніторингових звітів ОЕСР. Результати свідчать, що хоча в Україні створено складну антикорупційну інфраструктуру, її економічний вплив суттєво обмежується системним розривом між формальними зобов'язаннями та інституційною спроможністю, а також лише символічним комплаєнсом на рівні компаній. Крім того, порівняльний аналіз із Німеччиною, Італією та Угорщиною переконливо доводить неефективність універсальних підходів: результати комплаєнсу глибоко залежать від національних правових традицій, зовнішньої фінансової обумовленості та повноважень адміністраторів на місцях. Встановлено, що інтеграція принципів ESG у корпоративні системи комплаєнсу є вирішальним фактором стандартизації звітності зі сталого розвитку, зниження системних ринкових ризиків та зміцнення інституційної довіри. Робиться висновок, що надійна, практично адаптована функція комплаєнсу є незамінною не лише для боротьби з корупцією, а й для забезпечення інституційної стійкості та макроекономічної стабільності, необхідних для успішної європейської інтеграції та повоєнного відновлення.

Ключові слова: корпоративне управління, право Європейського Союзу, сталий розвиток, гармонізація законодавства, ESG-інтеграція, економічна ефективність, інвестиційний клімат.