



Climate Neutrality of the Economy

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**INTEGRATION POTENTIAL OF SMES
IN THE EASTERN PARTNERSHIP
COUNTRIES WITHIN THE EU GREEN
DEAL IMPLEMENTATION**

Abstract

The article examines the integration potential of small and medium-sized enterprises in the Eastern Partnership countries in the context of the European Green Deal. Using a mixed-method approach and drawing on EU4Business data,

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the study identifies spatial differences in the structure and effectiveness of SME support across three key areas: access to finance, competence development, and the institutional environment. The analysis highlights country-specific patterns in the use of SME development instruments that shape the green transition in Ukraine, Georgia, Moldova, Armenia, and Azerbaijan. Based on these findings, the paper proposes a conceptual model for strengthening SME integration potential, built around five interconnected components: integration readiness and environmental compliance; financial accessibility; competence and innovation development; the institutional integration framework; and monitoring and evaluation. The study shows that this model aligns with the core directions of EU SME support programs. It outlines a systemic approach to enhancing business resilience in the Eastern Partnership region, facilitating gradual convergence with the EU internal market and adaptation to the requirements of the green transition.

Key Words:

business development services, climate change, decarbonization, EaP, Eastern Partnership, ecologization, energy transition, European integration, European Union, global challenges, Green Deal, green economy, green financing, green transition, international enterprises, resilience, SMEs, sustainable development.

JEL: F15, Q56, L26, O44.

5 figures, 1 table, 33 references.

Problem Statement

Micro, small and medium-sized enterprises (SMEs) are pivotal to the economies of the Eastern Partnership (EaP) countries, providing over two-thirds of private sector employment and up to 60% of value added (OECD, 2024). Simultaneously, these countries are undergoing development within the context of intricate geopolitical and economic circumstances. These include Russia's war against Ukraine, disruption to supply chains, inflationary pressures, and energy

shocks. These factors serve to intensify pre-existing structural imbalances across the region. According to the EU4Business initiative, more than 67,264 SMEs in Eastern European countries (Ukraine, Georgia, Azerbaijan, Armenia, and Moldova) received support, which contributed to the creation of nearly 80,000 new jobs (EU Neighbourhood, 2024).

The Green Deal is regarded as a long-term strategy for the promotion of sustainable development and the achievement of climate neutrality. In the context of implementing the EU's Green Deal, the issue of enhancing the integration capacity of SMEs is of particular importance. This phenomenon is attributable not only to economic challenges, but also to the fact that the Green Agenda constitutes a formative component of Cluster 4 of the negotiating framework between the European Union and Eastern European countries. Consequently, the integration of business into EU markets is inextricably linked to the level of environmental and institutional readiness.

However, a number of systemic barriers can be observed across the Eastern Partnership countries, which limit the ability of SMEs to participate in the green transition:

1. Although the majority of Eastern European countries now acknowledge the significance of fostering green economic growth in their highest-ranking strategic documentation, only a limited number of these strategies encompass explicit provisions intended to facilitate the execution of such initiatives within the SME sector (EU4Environment, 2021; Gródek-Szostak et al., 2024).
2. It is evident that public institutions charged with the responsibility of regulating and developing business activities continue to prioritise conventional methods of enterprise support. These institutions lack a definitive mandate to promote environmentally sustainable SME practices (Bocquillon, 2024). Consequently, this component of SME integration into the European market remains inadequately addressed.
3. The majority of Eastern Partnership countries allocate only a limited amount of budgetary resources to support green SME initiatives (Czerwińska-Lubszczyk et al, 2024; Tsebenko et al, 2023). Consequently, the implementation of related programmes is contingent on donor funding and international assistance.
4. A further constraint that must be addressed pertains to the underdeveloped system of data collection and analysis. The current system lacks appropriate statistical metrics capable of capturing the environmental aspects of SME activity, and the practice of evaluating the effectiveness of green policies remains fragmented (Varbanova et al, 2025; Ivashchenko et al, 2021). This hinders the formulation of evidence-based strategies and the effective adjustment of support instruments.

It is important to note that these challenges are exacerbated by common problems in the development of small and medium-sized businesses in the Eastern Partnership countries. The aforementioned issues encompass constrained access to financial resources and inadequate incorporation into EU value chains, a circumstance that results in diminished competitiveness amongst domestic enterprises. The obstacles confronting the region are manifold, encompassing the challenges posed by digital transformation, inadequate levels of human capital development, and a pronounced reliance on external support and investment in sustainable development programmes, particularly in the domains of energy efficiency and decarbonisation.

Consequently, a multifaceted array of challenges has emerged, necessitating the formulation of novel models and mechanisms for the integration of SMEs into the EU ecosystem. It is imperative that these models guarantee financial and institutional resilience, promote environmental responsibility, and enhance integration potential in accordance with the principles of the European Green Deal.

Literature Review

Recent studies have demonstrated an intensification of scholarly discussions regarding the role of SMEs in the green transition of the Eastern Partnership countries, taking into account the prospects of their European integration trajectory.

Firstly, particular attention should be paid to the geopolitical dimension of this research agenda. The European Green Deal (EGD) is increasingly regarded as a pivotal political instrument for effecting transformation in the activities of various economic actors across the Eastern Partnership region. According to a recent fundamental studies (Gródek-Szostak et al, 2024; Czyżewska-Misztal et al, 2025; Witajewska-Baltvilka et al, 2024), the EGD for the Eastern Partnership countries should be interpreted not merely in environmental, but primarily in geopolitical terms. The implementation of sustainable development policies faces significant obstacles due to the war in Ukraine, energy dependence, and institutional weaknesses. As posited by Turchyn et al. (2022), the effective implementation of the EGD in the region is contingent upon three fundamental factors: the presence of a robust political will, the establishment of a stable legal environment, and the mitigation of Russia's influence on the energy sectors of the Eastern Partnership states. The authors emphasise the necessity for political stability and underscore the interlinkages between energy innovations, long-term development, and economic growth. In a similar manner, Lukashevych et al. (2024) emphasise the transition of businesses towards renewable energy sources as a strategic step in the region's energy policy. Energy integration continues to be a significant challenge for enterprises in Eastern European countries. Effective pricing policies

adopted by green energy companies strengthen their competitiveness, which is crucial for developing green markets involving SMEs in EaP countries (Brych et al., 2020). Conversely, scientists argue that institutional cooperation is crucial for mobilising the green transition of SMEs in the Eastern European region (Baltag & Romanyshyn, 2024; Ramos, 2021). It is also observed that the EU's Green political parties have maintained partnerships with environmental parties in Georgia, Ukraine, Moldova, Armenia, and Azerbaijan since the 1990s (Crucerescu & Bugaian, 2024; Tosun, 2023).

Secondly, the research problem is also examined through the lens of trade and economic integration. As demonstrated by Tomasz Grodzicki (Grodzicki, 2022), the European Union has become the primary trading partner for the majority of Eastern Partnership countries. This development is indicative of an intensification of economic integration, and it also outlines new prospects for SMEs in these economies. However, the war in Ukraine has precipitated a redistribution of trade flows, particularly in the energy and processing sectors (Maha & Socoliuc, 2025).

Thirdly, a significant dimension concerns the institutional and financial-economic capacity for implementing green transition programmes for SMEs. Studies highlight that in recent years, SMEs in Georgia, Azerbaijan and Moldova have experienced economic benefits from adapting to EU standards, despite remaining vulnerable to geopolitical pressures from Russia (Lee & Jang, 2025; Pintilescu & Viorica, 2025). Moreover, scientific studies emphasise that enhancing resource efficiency and implementing low-carbon standards in sectors dominated by SMEs is a pivotal prerequisite for integration into EEA policies, thereby generating supplementary institutional and technological incentives (Mykytyuk et al., 2024). Concurrently, the scholars posit that the green transition necessitates not only innovation but also long-term institutional support from the European Union. Furthermore, some researches draw attention to the fact that, for instance, Azerbaijan's energy independence is a unique historical case in the region, reducing the country's dependence on external assistance in comparison to that of other partners (Panov & Kushchak, 2021).

Fourthly, consideration should be given to the issues of digital transformation and security factors in the context of the implementation of a dual green and digital transition of businesses. Issues of security and stability in the region are important for shaping the integration potential of the Eastern Partnership economies (Lyzun et al., 2025). The study by Maksymova & Nastase (2024) proposes an approach to developing climate-neutral business models based on the principles of digitalisation, which is highly relevant both for the EU and for the Eastern Partnership countries. The use of digital innovations increases the transparency and efficiency of emergency management (Shevchuk et al., 2025). Abrat (2024) conducts an analysis of the level of cyber resilience across the EaP region, noting that Azerbaijan and Georgia remain the most protected, while Ukraine and Moldova demonstrate gradual progress in integrating into the EU's Single Digital

Market through the EU4Digital programme. SMEs in the Eastern Partnership countries are progressively realising the necessity of developing digital competencies and enhancing their cyber security capacities in order to successfully implement this «twin transition».

It is evident from an analysis of contemporary scientific sources that the integration potential and resilience of SMEs in the Eastern Partnership countries are shaped by a minimum of three groups of factors. These factors include the institutional capacity to implement the provisions of the European Green Deal, the availability of financing and access to investment, and the level of digital maturity alongside the development of an enabling business environment. Nevertheless, there is still a need to address the question of how the experience of EU support programs can be systematized and adapted to the specific conditions of the Eastern Partnership, with a view to accelerating integration and strengthening the resilience of local business communities.

The aim of the article is to develop a conceptual model for strengthening the integration potential of SMEs in the Eastern Partnership countries. This model is based on the analysis of EU support programs, with a particular focus on the priorities of the European Green Deal and the pathways for enhancing business resilience under these conditions.

Methodology

The methodological framework of this study combines qualitative and quantitative approaches, ensuring a comprehensive analysis of the integration potential of SMEs in the Eastern Partnership countries within the context of the European Green Deal implementation.

Stage 1. The empirical component of the research is grounded in an analysis of the EU4Business business support programme, which was implemented across the Eastern Partnership countries (EU4Business, 2024a). A particular focus was placed on three fundamental areas of support that are embedded within the programme's logic. The following elements are to be considered: Access to Finance (A2F), Business Development Services (BDS), and the Business Enabling Environment (BEE). The qualitative research methods employed included content analysis of strategic and policy documents of the European Union and the EU4Business initiative; comparative analysis of the policies of Eastern Partnership countries with the objective of supporting SMEs in the green transition; and the case study method, which entailed the identification of successful examples of implementing support instruments across different countries. Moreover, a structural-functional analysis was utilised to investigate the three programme dimensions (BDS, A2F, BEE) as interconnected components. In consideration of the

findings, a conceptual model of SME integration potential in the Eastern Partnership countries was formulated. This model is aligned with the EU acquis and the requirements of the green transition.

Stage 2. The quantitative stage of the research was based on the open statistical database EU4Business Results (EU4Business, 2024b), which contains various metrics on programme implementation across countries and areas of support. A range of analytical techniques, including descriptive statistics, spatial analysis, and clustering, were employed to identify cross-country variations in the implementation of the A2F, BDS, and BEE instruments in Ukraine, Georgia, Azerbaijan, Armenia, and Moldova. The database was then utilised to compile statistical samples of SME performance indicators for the preceding three years.

Stage 3. The integration of qualitative and quantitative findings enabled the identification of predominant directions in SME support across diverse countries and the evaluation of the efficacy of specific instruments in enhancing SME resilience. Furthermore, the analysis enabled the adaptation of collected data to facilitate the design of a system to bolster the resilience of SMEs in Eastern Partnership countries under the EU Green Deal. This system consolidates the essential components of the EU support programmes into a unified model for shaping the integration potential of SMEs in the Eastern Partnership region.

Research Results

For small and medium-sized enterprises in the Eastern Partnership countries, the European development vector has become a particularly significant factor. Convergence with the EU acquis necessitates the modernisation of production processes, adherence to environmental standards, innovation, and the scaling up of digitalisation. As stated in the EU4Business report (EU4Business, 2024a), SMEs in the Eastern Partnership region face a combination of economic, institutional and security barriers that impede their rapprochement with the European Union and restrict their overall integration potential.

In this context, instruments that stimulate the green transition of SMEs play an essential role. The region is currently experiencing the implementation of environmental regulatory reforms and incentive mechanisms. The following aspects should therefore be emphasised (EU4Environment, 2021):

- the objective of the risk-based environmental assessment and permitting procedures is to restrict environmentally harmful practices. These procedures are primarily focused in Armenia, Moldova, and Ukraine.
- the implementation of environmental management systems is imperative; however, the absence of adequate financial support for SMEs hinders their broader adoption and effectiveness.

An additional direction is represented by green public procurement initiatives, which are already being planned in Georgia, Moldova, and Ukraine. Nevertheless, their practical implementation and accessibility for small and medium-sized enterprises is still restricted. Simultaneously, there is a scarcity of specialised and comprehensive programmes that offer support for the green transition of SMEs. The majority of Eastern Partnership countries continue to prioritize the support of individual sectors, such as tourism or forestry, where the contribution of SMEs is particularly substantial (Radlińska, 2024; Sufyan et al, 2024).

The following set of factors has been identified as determining the integration potential of SMEs in the Eastern Partnership countries.

Firstly, it is important to note that a significant challenge is presented by the elevated level of macroeconomic instability that has been precipitated by Russia's war against Ukraine, in addition to energy and inflationary shocks. Notwithstanding these circumstances, during the initial years of the war, 67,264 SMEs received support, which was marginally lower than the average of recent years (approximately 80,000 on an annual basis), while 79,931 new employment opportunities were generated and an additional 543,961 existing employment opportunities were maintained (OECD, 2024). The findings of this study demonstrate the efficacy of EU programmes in mitigating the adverse effects of the war. However, they also reveal that the development potential remains lower than in the pre-war period.

Secondly, the integration potential of SMEs is constrained by a shortage of financial resources. The total annual volume of credit lines and complementary financial instruments exceeded €1.4 billion, of which €71 million represented direct EU funding (EU4Business, 2024a). However, in the context of the green transition, modernisation, and digitalisation, these resources are inadequate. Bank loans remain costly and inaccessible for innovative and «green» projects (Czerwińska-Lubszczyk, 2024).

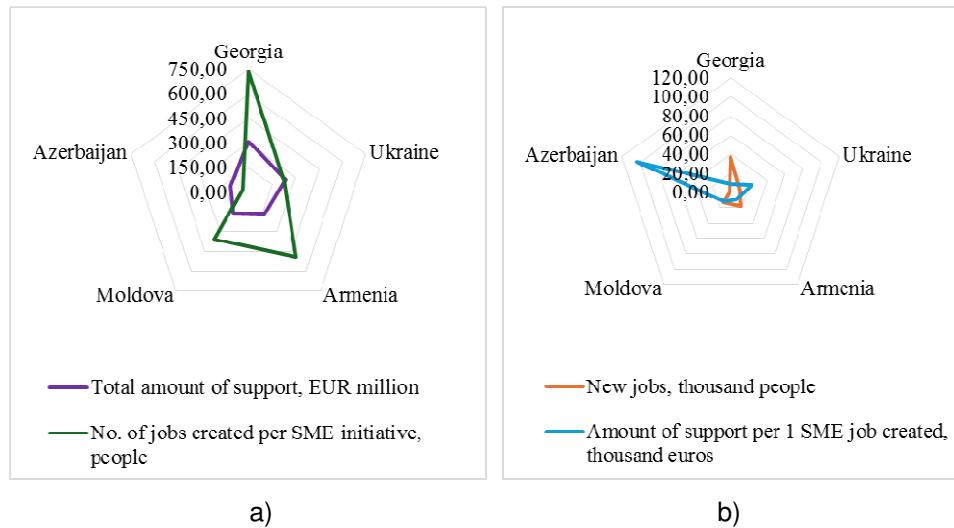
Thirdly, the issue of a low level of digital maturity combined with limited environmental responsibility among enterprises poses a significant challenge. Despite the fact that the total turnover of supported SMEs reached €8.2 billion, with an average growth rate of 10.7% (EU4Business, 2024b), the majority of firms remain at the initial stages of digitalisation and the adoption of energy-efficient solutions. This hinders their capacity to assimilate into the EU value chains, which are progressively founded on green standards and digital innovations.

Fourthly, the presence of a weak institutional support system and an underdeveloped business environment persists as significant barriers. Despite the fact that the total export volume of supported companies reached €1.1 billion and 1,262 enterprises entered foreign markets for the first time (EU4Business, 2024b), regulatory barriers, complex administrative procedures, and the low level of public–private dialogue substantially restrict integration opportunities.

The efficacy of EU support programmes for SMEs in the Eastern Partnership countries can be determined by the job creation metric relative to the volume of assistance provided (see Fig. 1 a, b).

Figure 1

Annual EU support for SMEs in the Eastern Partnership countries



Source: authors' elaboration based on statistical data (EU4Business, 2024a).

The findings indicate a substantial disparity between the volume of financial assistance received and the outcomes in terms of job creation across the Eastern Partnership countries. Concurrently, this disproportion is attributable to a multitude of factors associated with the distinct characteristics of national economies and their respective developmental contexts.

Georgia, for instance, received the largest volume of support (€308.4 million) and generated nearly 37,000 new jobs. This outcome demonstrates the effective transformation of external resources into employment growth and reflects the relative maturity of the institutional environment capable of mobilising European assistance to stimulate the integration potential of SMEs.

A comparable, albeit marginally diminished, degree of efficiency was witnessed in Armenia, where constrained domestic resources were supplemented

by €169.2 million in financial assistance, culminating in the establishment of over 18,000 novel employment opportunities. In such cases, a robust correlation is observed between EU programmes and the active phase of local business development. In contrast, Moldova (13,200 new jobs created with €156.6 million in support) represents a balanced scenario, where external funding was directed simultaneously toward sustaining existing enterprises and stimulating new employment. This pattern can be interpreted as indicative of measures undertaken by the country in an attempt to stabilise its business environment in the face of the structural vulnerabilities exhibited by its economy.

A contrasting pattern is evident in Ukraine and Azerbaijan, where the financial support was substantial (€241.2 million and €111.6 million, respectively), yet the number of new jobs created remained relatively low (10,300 and 1,000, respectively). In the context of Ukraine, this imbalance is not unexpected. In the midst of a full-scale war and widespread infrastructure destruction, the primary objective of EU programmes has been to preserve existing businesses and employment opportunities rather than to generate new ones. A similar situation is characteristic of Azerbaijan, where geopolitical instability and the limited integration of SMEs into international markets resulted in the predominance of external assistance aimed at stabilising existing enterprises rather than expanding their production capacities. In both countries, the primary emphasis was placed on business recovery and survival. This resulted in a short-term reduction in job creation indicators. However, it also became a necessary precondition for maintaining integration potential in the longer term.

In the context of assessing the potential for integration, it is imperative to recognise the significance of qualitative indicators in conjunction with quantitative metrics when evaluating the efficacy of EU programmes for SMEs in the Eastern Partnership countries. In certain countries (for example, Georgia and Armenia), EU assistance has been observed to act as a catalyst for new economic growth, whereas in others (for example, Ukraine and Azerbaijan) it has primarily served as an «economic shock absorber», aimed at preserving business operations under crisis conditions. Consequently, the preservation of existing economic activity, which constitutes the foundation for further integration into EU markets, is an equally important indicator of effectiveness.

Currently, EU assistance to SMEs in the Eastern Partnership countries is structured around three key areas. This classification is clearly reflected in the results of the EU4Business annual report (EU4Business, 2024a).

1. Access to Finance (A2F) is the financial cornerstone of integration. The fundamental level of enterprise resilience is constituted by ensuring SME access to credit, grants, microfinance, and financial literacy initiatives. Financial instruments offer businesses the opportunity to invest in modernisation, technology, and compliance with European standards, which is the primary prerequisite for integration into the EU internal market. Concurrently, the training of banking profes-

sionals and entrepreneurs in financial literacy has been demonstrated to reduce risk, increase transparency, and foster investor confidence.

2. The Business Development Services (BDS) sector is concerned with the development of competence and innovation. The range of services provided by BDS encompasses consulting, business incubation, cluster development, support for export organisations, and facilitation of access to new markets. This direction fosters the qualitative capacity of SMEs to integrate into European and global value chains. The aforementioned programmes have been designed to assist enterprises in enhancing their digital maturity, implementing environmentally responsible practices, developing innovative approaches, and adapting to the competitive environment of the EU. It is evident that BDS contribute to the individual resilience of firms. Furthermore, it is important to note that BDS also contribute to the collective integration potential of the business ecosystem through cooperation networks and clusters.

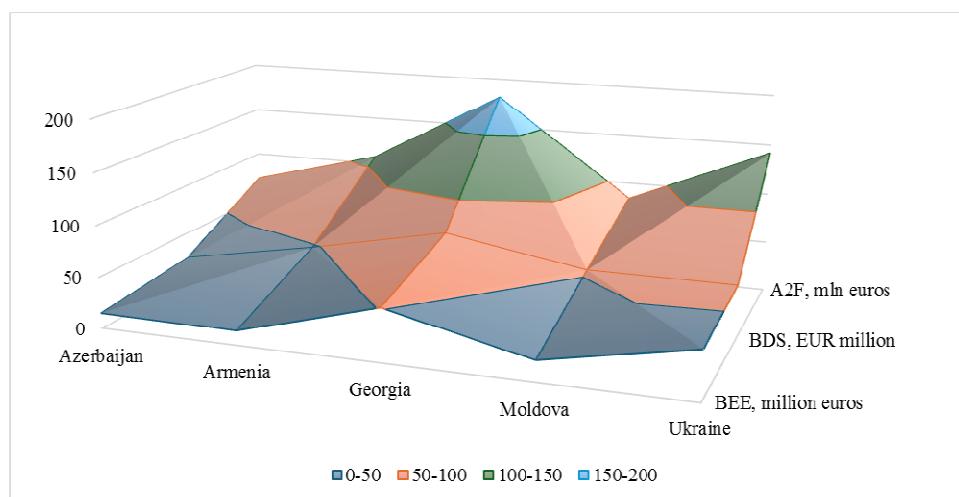
3. The Business Enabling Environment (BEE) can be defined as the institutional framework of integration. The BEE sector encompasses a multifaceted approach to capacity building, encompassing the support for regulatory reforms and the establishment of public-private dialogue. This dimension is indicative of the systemic layer of integration potential, insofar as it engenders greater proximity between the countries and the EU *acquis*, whilst concomitantly effecting a reduction in regulatory barriers and the creation of long-term preconditions for the integration of businesses into the European economic space. A further crucial element pertains to the enhancement of entrepreneurs' cognisance concerning the reforms' substance and procedural mechanisms. This fosters their capacity to align with European standards, thereby diminishing transaction expenses.

The distribution of these support directions among the Eastern Partnership countries exhibits a high degree of diversification. A spatial comparative analysis approach was used to assess differences in the scale of support for SMEs in the Eastern Partnership countries. Such an approach enabled the creation of a three-dimensional model of resource allocation across three key areas of support (A2F, BDS, BEE). The visualisation enables the tracking of funding inequality and the identification of countries with the most pronounced concentration of support. (Fig. 2).

The analysis of the support structure indicates that Access to Finance is the predominant direction in the majority of Eastern Partnership countries, accounting for 63.4% in Armenia, 64.8% in Azerbaijan, and 58.8% in Ukraine. This distribution is indicative of the severe necessity for businesses to acquire financial resources in order to sustain economic activity, a need that is particularly pronounced during periods of crisis. In the cases of Ukraine and Azerbaijan, where external risks are most severe, financial instruments act as an economic shock absorber, supporting the viability of enterprises as a foundation for further integration.

Figure 2

Spatial model of SME support distribution in the Eastern Partnership countries across three key dimensions (A2F, BDS, BEE)



Source: authors' elaboration based on statistical data (EU4Business, 2024a).

The highest emphasis on the Business Enabling Environment is observed in Ukraine (19.4%) and Georgia (16.6%), where the integration process is accompanied by active alignment of the regulatory framework with EU standards. This finding suggests that, in crisis and post-conflict economies, institutional adaptation becomes a pivotal factor in determining the integration potential of SMEs. It is therefore vital to understand how this adaptation affects the long-term capacity of SMEs to operate within the European legal and economic framework.

Concurrently, the largest proportion of support under the Business Development Services dimension is concentrated in Moldova (33.8%) and Georgia (24.6%), indicating a strategic orientation towards long-term transformation and innovation-driven growth. This finding indicates that these countries prioritize the development of new competencies and market opportunities, thereby enabling a proactive trajectory of integration potential aimed at expanding participation in European value chains.

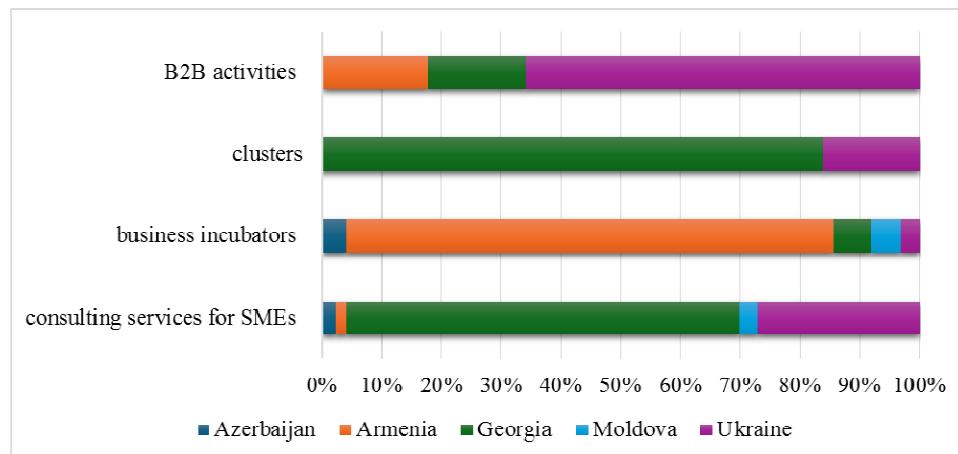
It is important to acknowledge the pivotal role of competence development and innovation (BDS sector) in enhancing the integration capabilities of small and medium-sized enterprises in the Eastern Partnership countries, particularly within the context of the green transition. This support dimension has been demon-

strated to enhance the professional knowledge and skills of entrepreneurs, thereby creating the prerequisites for the qualitative transformation of businesses in line with the standards of the European Green Deal. Moreover, the development of climate-digital innovations contributes to the formation of a low-carbon economy and increases the environmental sustainability of regions (Maksymova et al., 2023). The role of consulting services is of particular significance, as they account for over 90% of all BDS activities. These services facilitate the provision of customised guidance to enterprises on subjects including energy efficiency, digital technology implementation, environmental management, and innovation governance.

As illustrated in Figure 3, SME consulting services, business incubators, clusters, and B2B activities are among the most widely used BDS instruments.

Figure 3

Implementation of key business development services in the Eastern Partnership countries



Source: authors' elaboration based on data from (EU4Business, 2024a).

These initiatives offer SMEs an initial orientation within the intricate landscape of regulatory requirements, facilitating their comprehension of the mechanisms for adapting to the EU acquis in the context of the European Green Deal.

As demonstrated in the accompanying figure, consulting services represent the most prevalent instrument, with 31,614 enterprises utilising it, accounting for 90.8% of all SMEs encompassed by BDS programmes. This is indicative of a robust demand for consulting services pertaining to energy efficiency, digitalisation, and environmental management. The largest share of consulting services is observed in Georgia (97% of all BDS activities), demonstrating the country's orientation towards knowledge and competences as a fundamental resource of integration. In Ukraine, the indicator stands at 91.3%, in Moldova at 92.2%, and in Azerbaijan at 91.6%. In Armenia, consulting services are ranked below business incubators (24.7% versus 66.4%), a phenomenon that can be attributed to the country's strategic emphasis on fostering new start-ups as catalysts for innovation.

Concurrently, business incubators provided support to 1,707 SMEs (4.9%). The most notable example is that of Armenia, where incubators have emerged as the predominant instrument, accounting for 66.4% of all BDS activities. This suggests a clear commitment to the creation of new enterprises and business models that are in alignment with European sustainability requirements. In other countries, such as Ukraine, Georgia, Moldova and Azerbaijan, the scale of this instrument is much smaller, ranging from 0.5% to 8.2%.

It is also noteworthy that clusters comprise a relatively small number of SMEs (426 enterprises, constituting 1.2%), yet they play a strategic role. Georgia is the leader in this area, with 1.7% of businesses in the country falling into this category. The integration of businesses into global value chains and the strengthening of collective resilience is facilitated by clusters in this country. In Ukraine, this indicator stands at 0.7%, reflecting the gradual formation of industrial and regional clusters even amid wartime challenges.

A total of 1,052 enterprises participated in B2B activities, representing a proportion of 3.0% of the total. The highest intensity of participation was observed in Ukraine (7.4%) and Armenia (8.9%). This demonstrates the willingness of enterprises to engage in international cooperation, seek new partners, and enter new markets even under conditions of economic crisis.

When considered collectively, these BDS instruments contribute to the qualitative capacity of enterprises for innovation, digital maturity, and environmentally responsible production. These factors are essential for successful integration into the EU internal market and the effective implementation of a climate-neutral development strategy.

A comparative analysis of the specific features of support programme implementation in the Eastern Partnership countries was conducted, which made it possible to identify the following distinctive characteristics (see Table 1).

Table 1

Key features of SME support programmes in different EaP countries

| Country | Key SME issues and integration barriers | Priority forms of EU support (A2F, BDS, BEE) |
|------------|---|--|
| Armenia | Limited access to finance; high dependence on foreign markets; need to develop innovative businesses. | A2F – microfinance; BDS – advisory programs, incubators; BEE – institutional capacity building. |
| Azerbaijan | Low economic diversification; limited access to international markets; poor digital readiness. | A2F – loans and guarantees; BDS – digital services and export initiatives; BEE – dialog on improving the business environment. |
| Georgia | Complex regulatory environment; need for green transformation; weak market incentives. | A2F – the largest volumes of loans; BDS – clusters, training; BEE – reforms to bring Ukraine closer to the EU acquis. |
| Moldova | Vulnerability to external shocks; low institutional resilience; lack of human resources. | A2F – financial support; BDS – greening of production, educational programs; BEE – development of policies and institutions. |
| Ukraine | Destruction of infrastructure due to the war; high security risks; limited access to capital. | A2F – loans and grants for recovery; BDS – digitalization, export support; BEE – regulatory approximation, policy dialogue. |

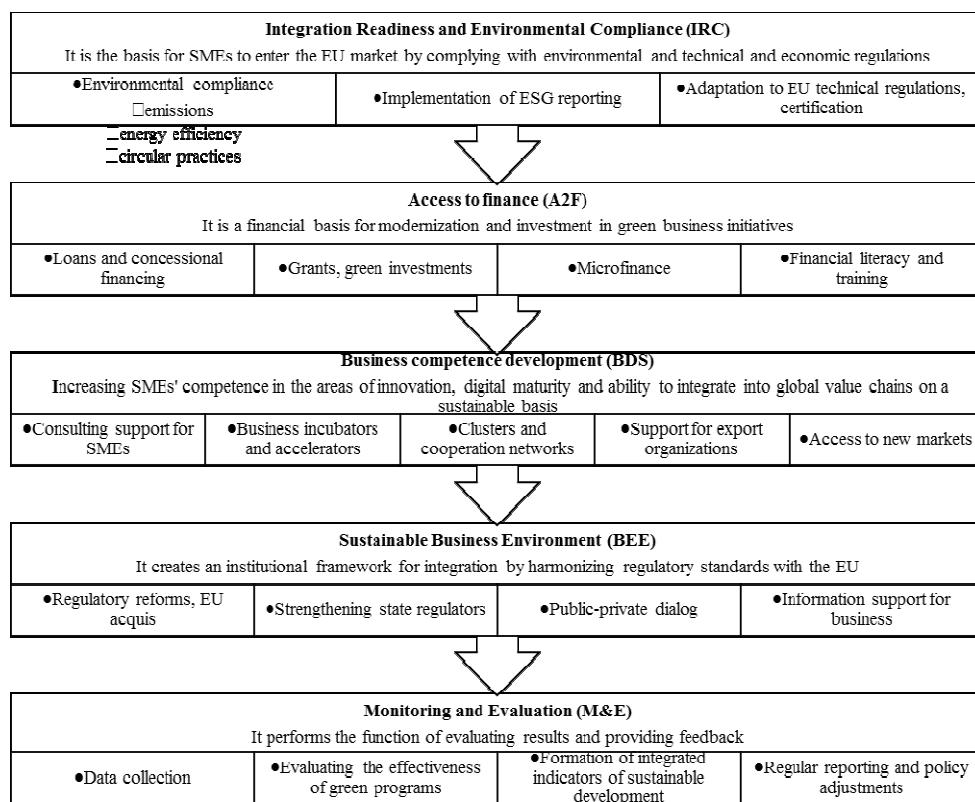
Source: compiled by the authors.

In the context of the Eastern Partnership countries, a pivotal element in the enhancement of integration potential by SMEs pertains to the congruence between their developmental agendas and European initiatives within the domain of climate sustainability. The European Green Deal, digital transformation policies, and numerous EU support programmes for SMEs set new requirements while simultaneously creating additional opportunities for business development. In this context, the integration potential and resilience of SMEs acquire a multidimensional nature, encompassing not only environmental compliance and adherence to technical regulations, but also financial resources, competence development, the institutional environment, and systematic monitoring of results.

The proposed conceptual model (Figure 4) illustrates the logic of forming SME integration potential in the Eastern Partnership countries within the framework of the green transition.

Figure 4

Conceptual model for strengthening the integration potential of SMEs in the Eastern Partnership countries



Source: authors' elaboration.

It is evident that the model for strengthening the integration potential and resilience of SMEs in the Eastern Partnership countries is predicated on three fundamental EU support dimensions: the financial foundation (A2F block), the development of competences and innovations (BDS block), and the institutional framework of integration (BEE block). These instruments are reflective of the fundamental logic of the EU4Business programmes and serve to determine the capacity of SMEs to modernise, enter new markets, and adapt to the EU acquis.

Concurrently, to ensure a comprehensive representation of integration dynamics within the context of the green transition, the model was augmented with two additional blocks.

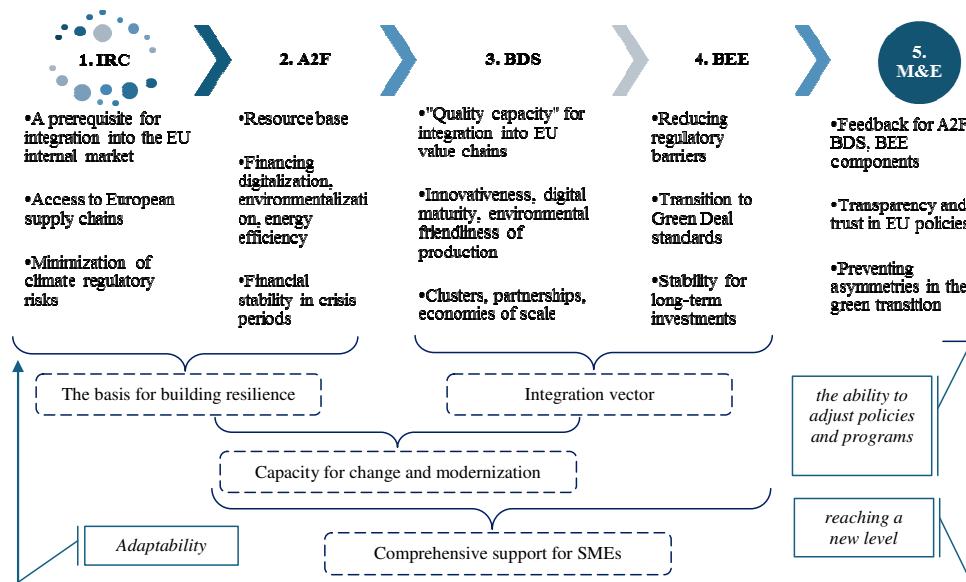
The initial block, designated as Inbound Readiness & Compliance (IRC block), functions as the foundational element. It encompasses compliance with environmental standards, the implementation of ESG reporting, and product certification in accordance with EU requirements.

The fifth block, Monitoring & Evaluation (M&E block), performs the function of systemic control and strategic feedback, enabling the assessment of policy effectiveness and the adjustment of measures in line with the objectives of the European Green Deal.

The sequence of components in the conceptual model for shaping the integration potential of SMEs in the Eastern Partnership countries reflects the logic of strengthening their resilience and capacity to integrate into the EU internal market under the conditions of the green transition (Figure 5).

Figure 5

Strengthening the resilience of SMEs in the Eastern Partnership countries under the EU Green Deal based on the integration potential model



Source: authors' elaboration.

Therefore, it can be concluded that the initial prerequisite is integration readiness and environmental compliance (the first IRC block). The latter ensures that enterprises comply with the EU's technical regulations and environmental standards. Furthermore, it also ensures that enterprises implement ESG reporting instruments. It is important to note the significance of these instruments, since access to European markets is impossible without them.

The subsequent stage is predicated on the establishment of the financial foundation (A2F block), which engenders the resource base for investments in production modernisation, the introduction of green technologies, and digital transformation. The effective deployment of the subsequent stage, namely the development of competencies and innovations (BDS block), is contingent upon the presence of stable financial mechanisms. This dimension fosters the growth of enterprises' digital maturity, the formation of business clusters, the support of start-ups, and integration into global value chains, collectively enhancing the competitiveness of SMEs.

The following stage in this process is the establishment of the institutional framework for integration (BEE block). This will involve the harmonisation of regulatory standards with the EU *acquis*, the development of public–private dialogue, and the strengthening of the capacity of regulatory institutions. The aim of these measures is to ensure transparent and stable conditions for business activity. The final component of the system is the Monitoring and Evaluation block, which performs the function of strategic feedback. The regular collection of data and performance assessment facilitate the adjustment of financial, innovation, and regulatory instruments, thereby ensuring the adaptability of policies to the challenges of the green transition.

It is evident that this sequence constitutes a closed cycle of integration potential development, in which each element reinforces the others, thereby creating a coherent ecosystem of SME integration and resilience.

The practical outcomes of SME support programmes implemented in the Eastern Partnership countries with the participation of the European Union and international organisations provide a significant confirmation of the efficacy of this logic. At the A2F level, enterprises received targeted expert assistance in enhancing resource and energy efficiency, as well as in the implementation of environmental innovations. The results reveal the following facts (EU4Business, 2024a): a total of 200 successful cases of business greening have been documented, as evidenced by pilot projects. Furthermore, 81 companies have been identified as demonstrating the potential to achieve annual savings of €4.32 million; a total of 128 companies in Georgia, Moldova, and Ukraine received consultancy support, enabling the estimation of potential economic benefits amounting to €8.1 million.

Financial instruments have been identified as playing a particularly significant role in stimulating the green transition, encompassing the development of transparent green public procurement schemes, the expansion of SME access to

diverse financial resources, and the establishment of institutional mechanisms that incentivize companies exceeding environmental performance standards.

At the stage of competence and innovation development (BDS), a key instrument has been the implementation of financial incentive programmes for business green transition. In Moldova, for instance, the local ODA agency initiated the implementation of two programmes: namely, the Greening Programme and the Energy Efficiency Programme, both of which were designed specifically for the benefit of SMEs. These initiatives provided grants of up to €75,000 for the modernisation of production and the adoption of renewable energy sources in 85 companies, thereby serving as a tangible impetus for the modernisation of SMEs towards a green economy (Gribincea & Gribincea, 2024).

The strengthening of the institutional framework of integration (BEE) is further reinforced through EBRD initiatives, notably the establishment of the Finance and Technology Transfer Centre for Climate Change (Inter American Development Bank et al., 2023). The programme's objective is to assist SMEs in reducing their energy and water consumption through the implementation of modern eco-technologies. A significant element of this Center is the Climate Innovation Vouchers scheme, which provides partial coverage for enterprise expenditures on innovative solutions, thereby facilitating access to clean technologies even for small firms.

Consequently, at all levels of the model, EU programmes provide pragmatic mechanisms for strengthening the integration potential of SMEs. It is logical for these levels to range from environmental compliance and financial foundations, to competence development, institutional frameworks, and monitoring. Together, they form a coherent system of support that enables SMEs to align with European standards and navigate structural constraints. Concurrently, these measures are expected to enhance business resilience to crisis challenges and facilitate its progressive integration into the EU internal market, in accordance with the principles of the European Green Deal.

Conclusions

The findings of the present study allow for the formulation of the following conclusions.

SMEs in the Eastern Partnership countries represent a key structural component of national economies; however, their integration potential is being shaped under conditions of heightened vulnerability to external crises. The war in Ukraine, energy dependence, limited institutional capacities, and uneven digital transformation have been identified as factors that exacerbate the gap between declared European integration ambitions and the real capabilities of businesses.

The European Green Deal functions for the Eastern Partnership countries not only as an environmental framework for integration, but also as a geopolitical one. The implementation of its provisions necessitates that SMEs modernise their production processes, ensure environmental compliance, advance digitalisation, and align with European standards. In such circumstances, the capacity of SMEs to integrate is contingent upon the rate and standard of implementation of EU acquis.

The analysis of the EU4Business initiative, the largest SME support initiative, confirmed the substantial financial and organisational assistance provided. However, it also revealed significant differences in its effects on labour markets and economic dynamics. In Georgia and Armenia, the support provided proved instrumental in generating novel economic opportunities. Conversely, in Ukraine and Azerbaijan, its primary function was to stabilise and preserve existing commercial entities. This discrepancy underscores the necessity to evaluate not solely direct outcomes but also the structural conditions under which support programmes are implemented.

The comparative analysis of the support dimensions (model's blocks A2F, BDS, BEE) demonstrated that the Eastern Partnership countries have adopted diverse strategic trajectories. The focus of Moldova has been on Business Development Services (BDS), Ukraine has concentrated on Access to Finance (A2F), and Georgia has placed significant emphasis on the Business Enabling Environment (BEE). This finding suggests a polycentric approach to integration progress, whereby each nation adapts the tools to suit its particular challenges.

In the contemporary context, the role of Business Development Services has become particularly critical. Through the development of competences, digital maturity, innovation ecosystems, and cluster structures, Small and Medium-sized Enterprises are able to integrate into European and global value chains. It is evident that BDS functions as the transformative element that facilitates the conversion of rudimentary financial assistance into long-term competitiveness.

The proposed conceptual model for shaping the integration potential of SMEs demonstrates that its foundation is built upon a sequential logic: The following elements are to be considered: Integration Readiness and Compliance, Access to Finance, Business Development Services, Business Enabling Environment, and Monitoring & Evaluation. This sequence establishes a systemic approach to the enhancement of business resilience. The functional interrelations between the model's elements reveal that IRC and A2F constitute the basis of environmental and financial sustainability, BDS and BEE determine the integration potential, while M&E ensures strategic adaptability through a feedback mechanism.

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