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IMPORTANCE OF GREEN ECONOMY AND INSTRUMENTS OF GREEN  
FINANCE IN SUSTAINABLE ECONOMIC GROWTH

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**ABSTRACT**

This article analyze current situation of green financing in Uzbekistan and how functions there are to achieve sustainable economic growth. All of main problems are discussed and given solutions with real cases.

Keywords: green economy, green financing, sustainable economic growth, socio-economic development, IPO, green bonds.

Introduction. In recent years, comprehensive reforms aimed at deepening structural changes, modernization and diversification of the basic sectors and directions of the country's national economy, and uniform socio-economic development of regions have been implemented in Uzbekistan. On October 5, 2019, the decision of the President of the Republic of Uzbekistan No. PQ-4477 on approving the strategy of the transition to the "green" economy of the Republic of Uzbekistan for the period of 2019-2030 came into force. In addition, the European and CIS countries aimed at fundamentally improving the legal framework and policy on "green" economy and financing in the capital city of Tashkent, and supporting innovative "green" investments through partnership relations between the state and the private sector. a conference of regional ministries on "green" economy was held.

Similarly, among the foreign scientists who contribute to the development of the field with their magnificent works and scientific researches in the global field of today, we should highlight Armstrong J. Taylor, Edgar M. Hoover, A. I. Tatarkin, V. G. Ignatov, and N. P. Ketova. Guillermo Magacho, the economist of the French Development Agency, expressed his readiness to make all efforts in the formation of the principles and base of the "green economy" in Uzbekistan. In addition, the works of mature economists and financiers of our country are widely studied, including N.H. Hakimov, O.M. Akhmedov, A.A. Abdumalikov, and Z.B. Sharipova in the textbook "Green Economy and Ecology", commenting on the national strategic features and relevance of sustainable economic growth. direct and indirect harmony of economic development and ecological situation is mentioned. The Institute of Forecasting and Macroeconomic Research conducts research in important areas such as



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macroeconomics, social sphere, real sector, "green economy", regional economy. This once again proves how relevant the sector is and that it is one of the main pillars of sustainable economic growth.

Main functions of green economy in Uzbekistan

The following are the main tasks of the transition of the Republic of Uzbekistan to the "green" economy:

- increasing energy efficiency of the economy and rational use of natural resources through technological modernization and development of financial mechanisms;

- introduction of "green" criteria based on advanced international standards into the priorities of state investments and expenditures, development of state incentive mechanisms, public-private partnership and

- by activating cooperation with international financial institutions, to support the implementation of pilot projects in the directions of transition to the "green" economy;

- development of the system of training and retraining of personnel related to the labor market in the "green" economy at the expense of encouraging investment in education, developing cooperation with leading foreign educational institutions and research centers;

- Take measures to mitigate the negative impact of the environmental crisis on the island;

- Strengthening of international cooperation in the field of "green" economy, including by concluding bilateral and multilateral agreements.

According to data collected by EY from more than 1,100 financial institutions around the world, the percentage of banks offering green financial products has increased from 34 to 42% over the past four years. In turn, disclosure of non-financial information increased from 77% in 2018 to 82% in 2021, and ESG increased from 4.46 to 4.93 on average. Such rapid growth can be seen in Uzbekistan in the near future.

The banking sector of Uzbekistan is gradually introducing the principles of sustainable development into operational activities and developing "green" products in connection with the preparation of a number of assets for IPO and planned placement on stock exchanges. One of the leaders is "Uzsanoatkurilishbank". In 2020, the financial institution launched a green financing platform and created a critical internal ESG ecosystem, including marketing, branding, new green product development, sales channel development and training. The bank now offers green mortgage loans, green loans for small and medium-sized businesses, and financing for corporate clients.

In other banks of Uzbekistan, "green" credit products have not yet been



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demonstrated on a large scale. In particular, the Mortgage Bank provides a "green" loan for the purchase of energy-saving funds at the base interest rate of the Central Bank (15%). "Asakabank" will soon start issuing preferential "green" consumer loans to individuals for the purchase of devices based on renewable energy sources (REE). Allocation of such loans partially satisfies the growing demand of the population for energy resources.

A lot of effort is being spent on the development of the capital market in Uzbekistan, so over the past three years, the volume of transactions with securities or goods on the exchanges has doubled to 8.2 billion dollars. But the regulatory structure for the introduction of such tools in the country is still not developed enough, and the market as a whole is not yet mature.

To reform the financial market, it is necessary to develop an institutional structure, so that the participants of the financial market will have the space to put into practice the means of "green" financing. This includes "green" standards, financial instrument valuation methodologies, taxonomy, certification and other key regulations that will govern the market in the future. The sooner we do this, the sooner we can start working with "green" financial instruments.

With the development of the institutional structure, carbon exchange, ESG funds and other organizations interested in the implementation of the "green" agenda begin to appear on the market. Rating agencies are already actively expanding their services and offering ESG ratings. The emergence of new organizations will accelerate market development and encourage private companies to adapt to ESG best practices.

Thanks to "green" financial instruments, enterprises that are the basis of the economy can use debt funds under reasonable conditions. Together, all these efforts will help to move to a more mature and stable model of Uzbekistan's development in the long term.

Uzbekistan has successfully placed Eurobonds worth 660 million US dollars and initial "green" sovereign Eurobonds worth 4.25 trillion soums on the London Stock Exchange. On October 2-4, officials of the Ministry of Economy and Finance of the Republic of Uzbekistan and the Central Bank of Uzbekistan held "road shows" in New York, Boston and London, during which more than 50 investors discussed the economic prospects of Uzbekistan. done.

Analysis and discussion of results

In Uzbekistan, the "green" financing system, or the "green" financing sector, offers a wide range of opportunities for the strengthening of environmentally friendly energy and



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economic consequences. The main problems of such a system can be:

1. Infrastructure: It is necessary to build and develop the necessary infrastructure and technologies for the development of green energy consumption. This requires a lot of money.

2. Investments: Investments in the field of green energy should increase. This is necessary for the implementation of financial resources and the development of new technologies.

3. Laws and legal environment: Development of laws and legal environment in the field of green finance is necessary. This protects green investments and projects.

4. Volatility: The field of green finance is volatile, so strategic planning and continuous monitoring and evaluation are important.

5. Development of the business environment: There should be well-educated personnel in the field of green financing, the necessary resources for the development of innovative technologies and production. These problems should be considered in the development of Uzbekistan's green financing sector.

The Ministry of Investments and Foreign Trade of the Republic of Uzbekistan is an authorized organization engaged in attracting foreign investments, as well as loans and grants from international financial institutions, foreign government financial organizations and other foreign donors to implement activities within the framework of the "green" economy. In the country, the GEF (Green Economy Financing Mechanism) project is highly private companies

provides financing, advice and grants to improve competitiveness through effective technologies and practices. "Green economy" is an economy that reduces the use of energy and water in production and consumption, thereby reducing the negative impact on the environment and climate.

The GEF mechanism supports this transition by financing investments in "Green" technologies, i.e.:

- Technologies that minimize energy use;
- Technologies that produce energy from renewable sources;
- Technologies that protect water resources.

Under the GEF agreement, the European Bank for Reconstruction and Development (EBRD) provides loans to participating local financial institutions (partner banks) for the refinancing of private borrowers. These funds will be spent on projects that reduce climate impact in accordance with YETTB's global strategy to transition to a "green



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economy", reduce greenhouse gas emissions, and increase energy efficiency. GEF is supported by a dedicated team of consultants in Uzbekistan consisting of engineers, environmental, finance and marketing experts, who directly support partner banks and their clients through the lifecycle of a green project using the best technologies. provide support and advice. The technical support package is free for customers. Technical assistance is provided by the local GEF team, which assists companies at various stages of project development, investment evaluation and implementation. It helps to identify the best solutions and successfully finance quality projects of the "green economy". In turn, in 2023, the Silk Road Bank received a \$5 million credit line from YETTB to finance private companies in the "green" economy.

According to YETTB representative office, in December 2023, it allocated a loan of 10 million dollars to "Hamkorbank" to encourage green lending. The loan allocated as part of Uzbekistan's "green economy" financing program will allow Hamkorbank to expand lending to energy efficiency improvement projects with companies and households throughout the country. Funds will be used to modernize production, improve energy efficiency and increase resilience to climate change. It is noted that GEF Uzbekistan is supported by technical cooperation funds provided through Climate Investment Funds with contributions from Denmark, the Netherlands, Switzerland and Great Britain. Grant funding from the Multi-Donor Cooperation Fund with contributions from Japan, Lithuania and Taiwan will promote inclusive green lending.

### Conclusions and suggestions

Nowadays, there is an increase in the activity of "green" financing in Uzbekistan. If earlier it was presented in the form of separate projects and grants from international financial institutions, in recent years other means of financing such as "green" loans and bonds have been implemented. All "green" projects require large amounts of financing. "Green" business models and projects are often fragile and unconventional. Accordingly, from a commercial point of view, traditional methods of financing may not attract attention and it may not be possible to use them. In order to solve this problem in world practice, new methods of financing focused on the "green economy" have been developed. The transition to a green economy is a long-term process that requires a lot of financial and human resources. Currently, the large tax-paying industrial sector in the Republic of Uzbekistan feels the need to modernize its assets, but this is a process that is carried out at the cost of attracting a large amount of capital. The banking sector in Uzbekistan cannot meet the demand for large-scale investment programs in the industrial sector with its own resources. The solution is to use global resources to create green financing and equity, bond, credit



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systems and ESG funds.

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