

Financing The Transition Process To The "Green Economy"

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Annotation. This article describes the financing of the green economy. That is, "Green financing" is at the center of the concept of "green economy" as an element connecting economic growth, environmental protection and financial institutions. In this regard, "green financing" is a real financial lever that enables the transition to the "green economy".

Key words. Green economy, green finance, international finance corporation, green projects, microfinance, green bonds, green budget.

One of the important issues in the transition to the "green economy" is the financing of this process. In general, "green finance" can be understood as a sum of investments and other financial supports aimed at the implementation of ecologically clean, high energy efficiency and low carbon projects. In most cases, concepts such as environmentally responsible investing and climate change investing are used as synonyms for the concept of "green finance".

The term "green finance" was first used by the famous economist Richard Sandor in 1992 in a special educational program developed at Columbia University in New York. In 2002, the book "The New Natural Economy" published by Stanford University professor Gletchen Dale discussed the financing of natural resource protection.

Green finance can be viewed from two perspectives. First, green finance can play a role in mitigating environmental damage, especially the impact of climate change on the economic system and human society. Second, green finance can play a role as targeted finance to support green growth. Since green growth is a new paradigm of economic growth combining environmental sustainability and economic growth, there is a need for financing by economic sectors to advance this idea.

Experts of the International Finance Corporation say that "green financing is a broad concept that represents financial investments, projects and investments aimed at ensuring sustainable economic growth, and implies further increasing the level of sustainable economic development through the production of ecological products." they count. According to them, "green finance" includes investments in climate change mitigation and adaptation processes, together with financing projects aimed at reducing the volume of industrial emissions into the environment, preventing water pollution and preserving biodiversity. .

World practice shows that there are opportunities to meet the need for financing the "green economy". All "green projects" require serious financing. Due to the high level of risk in financing "green projects" using traditional methods, they are not considered attractive from the point of view of investment. Finance, banking and insurance investments are becoming an important direction of private investments in the "green economy". Microfinancing can play an important role at the level of agriculture. It allows low-income residents to use their funds to save resources and energy and reduce the risk level of this activity.

"Green financing" is at the heart of the concept of "green economy" as an element connecting economic growth, environmental protection and financial institutions. In this regard, "green financing" is a real financial lever that enables the transition to the "green economy".

Sources of "green financing" can be divided into the following groups:

- State budget funds;
- Funds of international financial organizations;
- Private sector funds.

Various areas of finance are part of "green financing" and can be grouped into the following three main groups:

Funding for infrastructure improvements. Most of the state investments allocated for "green projects" are related to the improvement of the state of infrastructure. Most of the infrastructure projects are focused on energy conservation and development of renewable energy sources. In particular, in 2018, the volume of investments aimed at energy saving and development of renewable energy sources in the world increased by 55% compared to 2010.

Providing financial support to networks and enterprises. "Certain enterprises and sectors with a green approach to production and service will need state support in order to be competitive in front of their rivals with traditional technology. For this purpose, the government can provide indirect financial support in the form of tax breaks and administrative preferences to enterprises or investors engaged in "green investments".

Development of financial markets. Financial markets are one of the important sources of "green financing". Many institutional investors have indicated in their investment declaration that they base their investment on the principles of social responsibility and environmental protection. They indicated that they are based on these principles for the purpose of investors. The existence of this principle for the purpose of investors increases the attractiveness of the planned project to the government. Because in the projects that envisage a responsible approach to ecology and environmental problems, the environmental obligations of the performers are clearly defined.

One of the most common types of levers for financing the "green economy" are "green bonds". "Green bonds" were first issued by the European Investment Bank and were then called "climate bonds", later "climate bonds" and now, under the general name "green bonds". The borrower repays the bond with interest during its term. Green bonds differ from other bonds in that the funds involved are used for projects related to renewable energy, energy efficiency, environmentally friendly transportation, or reducing greenhouse gas emissions.

As usual, the International Financial Institution acts as a catalyst for private investors and issuers actively using "green bonds" in their portfolio and investment strategy.

The direction of use of financial resources obtained from the issuance of securities is the main criterion for including them among "green bonds". Directions for using these funds can be grouped as follows:

- Energy resources;
- Keeping the environment clean;
- Increasing biodiversity, increasing the efficiency of agriculture and forestry;
- Environmentally clean transport;
- Water resources.

"Green bonds" have a number of advantages over other financial instruments:

- High investment rating;
- High status of issuers;
- Regular support from the state.

Characteristics of the international "green bond" market:

- High investor demand - interest in "green bonds" as a new lever of the international financial market is increasing;
- High placement speed - due to high demand, "green bonds" are sold within 1 hour after being placed on the primary market;
- A promising future - leading institutional investors are showing increasing demand for "green bonds";
- Specialization - investment companies specializing in "green bonds", called "Green Funds", began to deal.

The leading segments of the international green financing market include green loans of banks, "climate" and "green bonds". The USA, China and France are the leaders in the geographical structure of the issue of "green bonds", and they accounted for 44% of the total issue. In particular, in 2019, "green bonds" in the amount of 51.3 billion dollars in the USA, 31.3 billion dollars in China and 30.1 billion dollars in France were released to the market. The European Union, the United States and China accounted for 73.5% of the volume of global green bond issuance. Despite the fact that the German economy is considered the largest economy in Europe in terms of size, it occupies the fourth place in the market of "green bonds". The total value of "green bonds" issued in Germany is 33.6 billion dollars, and in 2018 the value is 7.7 billion. dollar bonds were issued. 70% of the proceeds from the sale of "green bonds" are directed to the energy sector.

If we analyze "green bonds" by issuers, 23% of the total bonds issued in 2019 are non-financial corporations, 21.3% are financial corporations, 15% are state organizations, and 12.3% are the number of bonds corresponded to the contribution. Most of the proceeds from "green bonds" are directed to finance "green projects" in the energy, construction, and transport sectors.

At a time when the economy of all the countries of the world feels the need for a green economy, it is necessary to introduce and use at a high level all kinds of instruments used in the implementation of green projects. In particular, in order to increase the

volume of green bonds and green issuance, we believe that it is necessary to pay attention to the following:

First, green project instruments should be widely introduced to finance the 17 interrelated and ambitious goals of the UN Sustainable Development Goals until 2030.

Secondly, it is necessary to thoroughly study the experiences of Malaysia and Indonesia, which were the first to introduce green emissions. The construction of the largest solar photoelectric plant in South-East Asia and the implementation of renewable energy projects should be applied in the economy of our country by studying the experience of green emissions.

Thirdly, due to the fact that the green economy is gaining global importance for all countries, due to the increase in green bonds and green emissions in recent years, the wide implementation of the same green project instruments in our country, thereby increasing the weight of foreign investors. work should be done.

Fourthly, in order to support the social infrastructure projects implemented in our country, it is important to solve the problems related to the infrastructure of our country through the introduction and practical application of green emissions and green loans.

Fifth, since the majority of our country consists of Muslim population, it is appropriate to use green project instruments, especially green emissions, to achieve the goals of transition to a green economy by 2030.

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.

Investors highly appreciated the reforms implemented in Uzbekistan, including the transition to a "green" economy, liberalization of the energy sector, privatization of state-owned enterprises, and reforms aimed at liberalizing trade through membership in the World Trade Organization. These initiatives are in line with the goals and measures defined in the "Uzbekistan-2030" strategy. It should be noted that Eurobonds issued in soums are the first "green" sovereign bonds in the Commonwealth of Independent States.

"Green" bonds comply with the principles, standards and criteria in the field of ecology and "green" financing, which correspond to the growing attention to sustainable business development, including environmental, social and corporate governance principles. With the help of "green" bonds, issuers provide financing for projects related to environmental protection and improvement of ecological conditions.

For information: "Green" financing has been developing globally for 15 years and serves to achieve the goals of sustainable development, in particular, affordable and clean energy, ensuring the stability of cities and settlements, combating climate change, and rational use of natural resources. is doing

In order to introduce the "Green Budget" system, the following special measures are planned with the development agency in France:

- Step-by-step development and implementation of the "Green Budget" methodology and training of relevant specialists in this field;
- Conducting training on sustainable public procurement standards and indicators, forming a road map for its development;
- Conducting trainings for local experts on the "green" tax policy and preliminary studies on the impact of the tax system on climate change;
- Provide technical assistance by assigning a permanent consultant to the implementation of the strategy of transition to the "green" economy.

In Uzbekistan, the policy of increasing the profitability rates of the involved projects is being implemented in accordance with the measures to implement the process of transition to the green economy. In accordance with the agreements of January-September 2022, the project "Transition to Green Economy" was granted by the French Development Agency in the amount of 150 million euros for a period of 20 years. In the implementation of this project, the Ministry of Economy and Finance of the Republic of Uzbekistan will act as the initiator. In the Fiscal Strategy of the Republic of Uzbekistan for 2023-2025, it is determined that measures will be taken to develop the methodology of introducing the principles of the "Green Budget" in order to sustainably develop the state budget expenditures. Accordingly, "Green budget" is a classification of activities financed from the budget in terms of their impact on climate change, environmental conditions, and the reduction of harmful gases released into the air.

Therefore, "green financing" includes all forms of investment and lending that take into account all factors affecting the environment and ensure environmental sustainability.

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