



Reforms Underway For "Green Financing"

Abdikarimova Aynura Abay qizi

Tashkent State Technical University

Annotation. This article presents the ongoing reforms in green finance. The high risks associated with "green financing" and the lack of sufficient returns may prevent private investors from investing in environmental projects.

Key words. Green economy, green financing, green projects, green investments, green loans, green development, green agenda, green silk road

In Uzbekistan, comprehensive measures aimed at deepening structural changes, modernization and diversification of the basic sectors of the economy, and simultaneous socio-economic development of the regions are being implemented.

The transition to a green economy is a long-term process that requires a lot of financial and human resources. The essence of creating a green economy is to support the growing demand for capital in the transition to a sustainable business model. Under the pressure of institutional investment funds, the state constantly develops new formats for controlling the production of greenhouse gases, introduces new acts that improve the quality of corporate governance, and creates regulatory bases for the development of society. This is not a Western innovation as people already think, but a set of real and concrete measures that are gaining interest in Uzbekistan. At the moment, the green economy in the financial sector in Uzbekistan is not as relevant in the sustainable development agenda as the industry, because a mature financial market is required to launch green financial instruments.

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 "green economy" concept 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 they can be combined into the following 3 major groups:

- Funding for infrastructure improvements. Most of the public 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 the development of energy saving and renewable energy sources in the world increased by 55% compared to 2010.
- Providing financial support to networks and enterprises. Some enterprises and industries with a "green" approach to production and service will need state support to be competitive in front of their competitors 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.

The high risks associated with "green financing" and the lack of sufficient returns may prevent private investors from investing in environmental projects. They can include:

- Availability of subsidies for fuel production;
- High primary costs in the implementation of "green projects" and long payback period of "green investments";
- Existence of technological risks;
- High costs associated with the integration of clean energy sources in the current energy system;
- Lack of information and other risks.

Therefore, the state should create a favorable investment environment for private investors in this direction. The use of political, financial and tax levers by the state to support the "green economy" is considered effective.

Among the risks that hinder the transition to "green" financing, the following can be cited:

1. **Innovative risk.** This risk arises when introducing any new product to the market and is mainly implemented through venture financing. Since the use of "green" financing instruments is new in practice, it is characterized by its focus on supporting projects whose economic effect is abstract. Therefore, the level of risk is considered high. In order to reduce this risk, state and state enterprises, public-private partnership projects come into play. Because the world knows from practice that they are the main subjects supporting the "green" economy through various concessions, preferences, subsidies and other instruments;



2. **Legal risk.** This risk is characterized by the fact that the normative legal documents related to the sector are not improved and in many countries they do not even exist yet, and practical difficulties arise in the organization of "green" financing. The shortcomings of the regulatory framework can lead to an increase in financial risks, failure to achieve the intended goal, increase in illegal processes, technological disruptions of the system, conflicts of interests and similar imbalances;
3. **Competitive risk.** It is known that "green" financing is based on the production of ecological alternative resources in order to stabilize the ecological balance, in which large corporations producing the currently used resources will have to give up their place in the market. On the one hand, these enterprises refuse to give way to other alternative resource-producing enterprises by using unhealthy competition tools, acquisitions and mergers in order to maintain financial stability, and this leads to the development of the industry against their interests. they may not put. On the other hand, large enterprises are large tax payers for the state, which may cause short-term economic losses for the state, which may continue to support these enterprises. This increases the risk of new enterprises being squeezed out in competition;
4. **Information risk.** Investors form their investment portfolio based on accurate calculations. These calculations are made on the basis of accurate structural dynamic data. But since the field we are studying is new, it is natural that there will be difficulties in obtaining the necessary information. Lack of information makes it difficult for investors to make investment decisions for issuers of "green" financial instruments. In addition, this risk is manifested by the lack of information about the economic effect of investments. The limited ability to calculate the economic effect weakens the monitoring of information about the rational use of the benefits provided by the state, which increases the abstraction of the information about the "green" economic effect of the established enterprise;
5. **Technical risk.** In this case, "green" financing is explained by the limited, non-existent or insufficient technical capabilities for timely and correct assessment of the environmental impact of the use of instruments. The main reasons for this are the high cost of this technical support, the lack of experts in the field, the lack of improvement of the mechanism and infrastructure for the effective use of information technologies such as artificial intelligence, satellite monitoring, large-scale data analysis;
6. **Institutional risk.** This risk is the underdevelopment of the environmental goods and services market and the lack of institutional regulatory mechanisms for its formation.

Immediately after the announcement of new projects on "green financing" in Uzbekistan, a heated discussion began. In order for projects related to the "green" economy to be successful, "green" loans must be issued for a period not less than the payback period of the equipment used and at an interest rate not higher than the profitability of the project. In some countries, green credit is understood as preferential, that is, it has a lower interest rate than usual. According to entrepreneurs who are currently trying to develop "green" projects in Uzbekistan, although international organizations are creating "green" credit lines in Uzbek banks and transferring funds there, it is still not possible to get such loans.



The Peerian Journal

Open Access | Peer Reviewed

Volume 31, June, 2024

ISSN (E): 2788-0303

Website: www.peerianjournal.com

Email: editor@peerianjournal.com

Also, President Shavkat Mirziyoyev called to reduce restrictions and obstacles in mutual trade of green products. Shavkat Mirziyoyev at the opening ceremony of the "One Place, One Road" international forum on October 18, 2023 in Beijing and at the general meeting on the topic "Together building the Green Silk Road in the path of harmony between man and nature" participated.

Referring to the complex ecological situation in the region, manifested in the form of anomalous weather conditions, frequent droughts and dust storms, rapid land degradation and desertification, loss of biodiversity, the head of state noted that Central Asia is one of the regions most affected by climate change in the world.

In order to exchange ideas and unite efforts to achieve the goals of "green" development in Central Asia, the head of Uzbekistan took the initiative to hold the Samarkand International Climate Forum in 2024.

It was proposed to develop a "Green" development program that includes the following within the framework of linking the conceptual initiatives of the "green agenda" and "green silk road" of Central Asia:

- Transformation and digitization of economic sectors based on the requirements of "green" development;
- Creation of stable infrastructure in transport and energy sectors;
- Commissioning of "green" industrial capacities;
- Reducing poverty and developing "smart" agriculture.

Another important task in building the "Green Silk Road" is the development of "green" production chains and innovations.

Together with the leading Chinese companies and involving other foreign partners, readiness was expressed to establish a special model technological park in the Archipelago region for the implementation of programs of significant social importance in the industrial sector and on the basis of the wide introduction of "green technologies".

The head of state proposed the establishment of the "Green financing" fund in Uzbekistan in order to develop a low-carbon economy and "clean" technologies and introduce high environmental standards in the countries of the region.

For financial market reform, it is necessary to develop an institutional structure so that financial market participants have a space to implement "green" financing instruments. 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.

In conclusion, it can be said that "green" financing as an instrument for reducing financial risks is manifested in the following ways: helping to prevent the climate crisis, supporting ecology, contributing to reducing the level of harmful substances emitted by enterprises that threaten the environment; supporting innovative ideas of high-risk but high-profit prospective enterprises,



The Peerian Journal

Open Access | Peer Reviewed

Volume 31, June, 2024

ISSN (E): 2788-0303

Website: www.peerianjournal.com

Email: editor@peerianjournal.com

building a "green" economy based on healthy competition; Making long-term investments in "green" companies and achieving high returns; reducing resource consumption, providing countries with resource shortages with alternative resources, achieving development of the country's economy; ensuring diversification of the investment portfolio by placing low-risk investments, etc. The development of this industry is largely the responsibility of the state and state-owned enterprises. For this purpose, the state should create a favorable investment environment, introduce tax incentives, and develop programs that support "green" projects.

REFERENCES

- 1) Xashimova S. N., Abdikarimova A. A. BARQAROR RIVOJLANISHNI TA'MINLASHDA YASHIL IQTISODIYOT VA RAQAMLASHTIRISH.
- 2) Nig'matullayevna, X. S. (2024). QAYTA TIKLANUVCHAN ENERGIYA TEXNOLOGIYALARINI QO'LLASH. ОБРАЗОВАНИЕ НАУКА И ИННОВАЦИОННЫЕ ИДЕИ В МИРЕ, 39(1), 98-101.
- 3) N.T.Toshpo'latov, D.B. Qodirov. "Qayta tiklanuvchi energiya manbalari" (O'quv qo'llanma). Toshkent-2020.
- 4) A.V. Vaxabov, Sh.X.Xajibakiev. "Yashil iqtisodiyot" (Darslik) T.: "Universitet", 2020.
- 5) Hashimova S. N. GUARANTEED GREEN ECONOMY AND DEVELOPMENT // Экономика и социум. – 2022. – №. 4-1 (95). – С. 61-64.
- 6) Nigmatullayevna H. S. GREEN TAXONOMY: ESSENCE, APPLICATION AND EFFECTIVENESS // British Journal of Global Ecology and Sustainable Development. – 2024. – Т. 24. – С. 84-87.
- 7) <https://lex.uz>
- 8) <https://www.imv.uz>