

## FEATURES AND ADVANTAGES OF FINANCING THE GREEN ECONOMY

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### **Annotation**

*This article examines the interplay of Ecology and economics today. Various scientist approaches have been studied on the possibilities of overcoming Global environmental problems through the active introduction of modern financial instruments. Work on the transition to a green economy in order to reduce the environmental risks found in the country's economy has been analyzed, and suggestions and recommendations are presented in this regard.*

### **Keywords**

*environmental issues, financial instrument, green economy, renewable energy, green sukuk, green credit, green bonds.*

### **Introduction**

In the process of developing the world economy, conducting sustainable economic policies, we can find that many of the problems that arise are similar or in the same form in countries. In particular, most of the problems that pose a threat on a global scale are directly related to natural phenomena. As a result of the increase in the number of inhabitants of the world, the need for production is also observed. This situation is causing problems to expand as a result of climate change, natural resource deficits, loss of biodiversity, increasing social inequality, increased demand for energy, natural gas and water. Many foreign countries and our country also remain obliged to implement measures to develop the national economy through the transition to a green economy. By introducing the green economy as an economic sector, it is envisaged to find solutions to many globally occurring problems. This includes ensuring energy efficiency, identifying and applying the necessary technologies for renewable energy sources, rational use of water and solving drought problems, full water supply to all regions of the

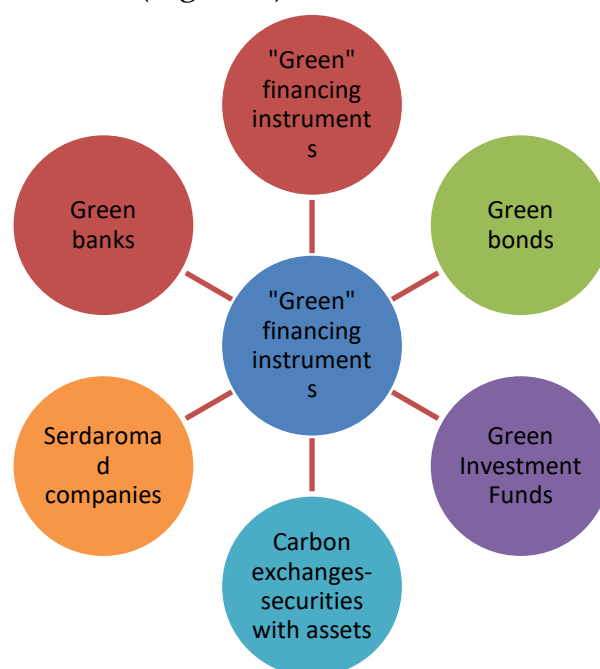
country, as a result of the improvement of the agricultural sector, the main goal is to improve the living conditions of the population by producing environmentally friendly products grown in a natural way. Approval of the strategy of the president of the Republic of Uzbekistan for the transition to a “green “economy in the period of 2019-2030 for the solution of such problems as industrialization, which is also accelerating in our country, and a significant increase in the need for resources as a result of an increase in the population the resolution was adopted. Also, in the new Uzbekistan development strategy for 2022-2026, within the framework of the strategy for the transition to a “green” economy, issues of improving the efficiency of measures implemented to ensure “green” and inclusive economic growth, the use of renewable energy and further expansion of resource savings in all sectors of the economy are outlined. Solving the problems posed, achieving the goals set, is directly related to the issue of financial security. Therefore, the application remains a prerequisite for the active use of green instruments of the ever-expanding financing.

Analysis and discussion of results, the increase in the entire world's population continues steadily, and as a result, the reserve of Natural Resources is increasingly shrinking. Investors around the world are looking for ways to protect their financial interests and contribute to a sustainable future. At the same time, more investment is required to address global issues such as climate change, loss of biodiversity and poverty. For more than the last decade, bond markets have provided opportunities to counter these challenges and help achieve Sustainable Development Goals (SDGs).



**Figure 1. Types of projects funded through green bonds .**

According to a recent report published by Global Landscape of Climate Finance, the total amount of climate-related funding in 2019-2020 was US \$ 632 billion. Of this, \$ 321 billion was funded by public sources and \$ 310 billion by private sources. Through the means of " green " financing, it is possible to make investments without the participation of the state, attract funds, obtain financial benefits and reduce environmental problems. In the form of green loans and bonds from green financing vehicles, the Republic of Uzbekistan placed government bonds (SDGs) on the London Stock Exchange in July 2021 for a 3-year period worth 2.5 trillion soums. Eurobonds were issued for a period of 10 years with a 3.9% coupon for the US dollar and 3 years with a 14% coupon for the sum. The funds received through these bonds will be directed to the implementation of activities and projects that will ensure the achievement of 9 specific national sustainable development goals. It is envisaged that the main part will be mobilized precisely for the implementation of the plans aimed at developing the green economy. In particular, it was envisaged to use the UN-developed pre-2030 Sustainable Development Goals (BRMS) to fund 17 interconnected and ambitious goals aimed at solving the main problems faced by the population of the whole world. Most of the goals of BRM are designed precisely to eliminate the problems of Ecology. Proceeds from the deployment of BRM bonds cover the implementation of green projects, areas such as health, education, water supply and irrigation and public transport. In the implementation of designated green projects, a direct alternative financing instrumentar is used (Figure 2).



## Figure 2. "Green" project financing instruments

Uzbekistan has set 16 national goals in the BRM field for the period up to 2030. The goals in the field of sustainable development are a call to action on a global scale to end poverty on Earth, protect the environment and climate, and ensure that everyone in the world enjoys peace and prosperity. Starting with the first green bond issued by the World Bank in 2008, green bonds supporting environmental and social projects have grown to nearly \$ 4 trillion. Although this increase is significant, it is only a fraction of the market for all other types of bonds worth \$ 100 trillion ..

Today, the formation of the national market of green bonds and the exit to international markets are also of urgent importance for Uzbekistan. Based on the analysis of foreign practice, green bonds vaqarzlar are considered a special means of financing environmental projects, providing the property interests of bond issuers and investors, as well as the environmental interests of society and the state

In Uzbekistan, the implementation of a policy on the effective distribution of State foreign debt and increasing the profitability rates of green projects, which are attracted by measures to implement the transition to the green economy, is underway. In accordance with its agreements in January-September 2022, the project "transition to a green economy" was awarded by the French Development Agency at a value of € 150.0 million, for a 20-year period. In the implementation of this project, the Ministry of economy and Finance of the Republic of Uzbekistan will take the place of the initiator executive. The fiscal strategy of the Republic of Uzbekistan for 2023-2025 defines measures for the development of the methodology for introducing the principles of the Green Budget in order to steadily develop the costs of the state budget. According to this, the " Green budget " consists in classifying the impact of activities (costs) financed from the budget on climate change, environmental condition and the reduction of harmful gases released into the air under Nifty.

At a time when the economy of all world countries is in need of a green economy, the implementation of green projects requires the introduction and high use of all types of instruments used. In particular, we believe that in order to implement green bonds and green sukuk to increase the volume of emissions, it is necessary to pay attention to the following: first, to introduce a wide range of green project instruments to finance the 17 interconnected and ambitious goals of Sustainable Development Goals (BRMS) by 2030, developed by the UN. Secondly, it is necessary to thoroughly study the experiences of Malaysia and Indonesia from the countries that first introduced on the green sukuk. It should be used in the

economy of our country by studying its experiments on the emission green sukuk for the construction of the largest solar photovoltaic plant in Southeast Asia and the implementation of renewable energy projects.

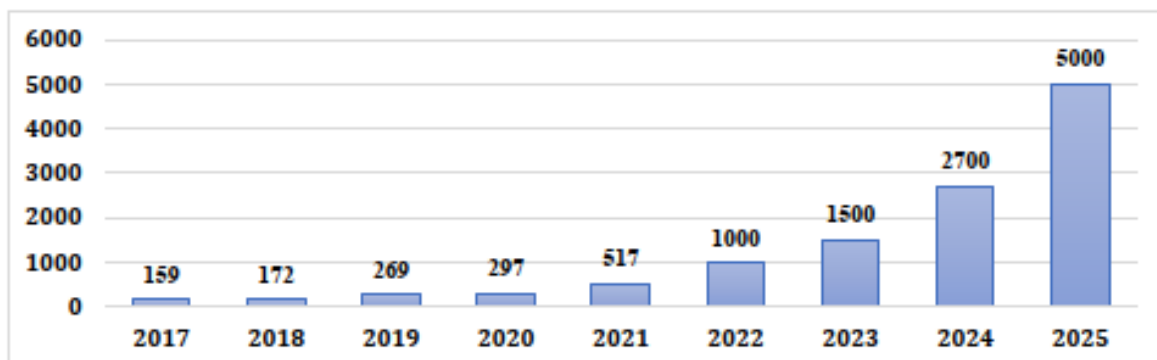
Eleven states in the European Union have had a "green budget" implemented, and the remaining states have also begun developing a transition methodology, training their employees, and other preparatory work. It is not for nothing that the project "transition to a green economy" was chosen to be managed by the French Development Agency. The reason is that within the EU states, France has been a progressive country in the direction of the Green Budget for the past two years. To implement the green budget system, the following special measures are planned with the French Development Agency:

-Step-by-step development, implementation of the Green Budget methodology and training of relevant specialists in this field;

- Conducting trainings on standards and indicators of sustainable (green) public procurement, formation of a road map for its development;

- Conducting trainings to local specialists from the face of the "green" tax policy, as well as preliminary studies on the impact of the tax system on climate change;

- To provide technical support through the allocation of a permanent consultant to the introduction of a strategy for the transition to a "green" economy.



**Figure 3. Green bond issue (US dollar, trln)**

Total annual green investments (green bonds, green loans and green sukuk) reached a record \$297 billion in 2020. At the end of the 3rd quarter of 2021, the green bond issue for the calendar year was \$ 354 billion, surpassing the previous years record. The acceleration of market growth has led Climate Bonds Market Intelligence to increase its forecast for 2021 to half a trillion (\$500 billion), compared to its January 2021 forecast that climate bond market survey results of 400-450 billion were also positive, predicting that global green investments backed by investors could reach \$ 1 trillion in a year by the end of 2022. For projects planned

to be implemented to address Global environmental concerns, keying is projected to attract an investment of 5 trillion for Green Bonds by 2025.

### **Conclusion**

At a time when the economy of all world countries is in need of a green economy, the implementation of green projects requires the introduction and high use of all types of instruments used. In particular, we consider that in order to implement green bonds and green sukuk to increase the volume of emission, it is necessary to pay attention to the following:

First of all, it is necessary to introduce a wide range of green project instruments to finance the 17 interconnected and ambitious goals of Sustainable Development Goals (BRMS) until 2030, developed by the UN.

Secondly, it is necessary to thoroughly study the experiences of Malaysia and Indonesia from the countries that first introduced on the green sukuk. It should be used in the economy of our country by studying its experiments on the emission green sukuk for the construction of the largest solar photovoltaic plant in Southeast Asia and the implementation of renewable energy projects.

Thirdly, due to the fact that the green economy is gaining global importance for all countries, the increase in green bond and green sukuk emissions in recent years, the widespread introduction of the scale of the use of similar green project instruments in our country, through which work should be carried out to be able to increase the share of foreign investors.

Fourth, it is important to solve the problems associated with the infrastructure of our country by introducing and practicing green sukuk and green loans in order to support the social infrastructure projects being implemented in our country.

Fifth, since the majority of our country is made up of Muslim population, it is advisable to use green project instruments, in particular green sukuk emissions, to target the transition to a green economy, which is aimed to be implemented by 2030. needed.

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