



## GREEN ECONOMY AND ITS INNOVATIVE FINANCING TOOLS

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### ABOUT ARTICLE

**Key words:** "green economy," ecological challenges, financial instruments, "green" obligations, "green" financing.

**Received:** 06.12.23

**Accepted:** 08.12.23

**Published:** 10.12.23

**Abstract:** This article discusses the concept of green economy and its connection with the economy. Various financial instruments that play a role in managing sustainable development in the face of global ecological challenges are organized.

## YASHIL IQTISODIYOT VA UNING INNOVATSION MOLIYALASHTIRISH VOSITALARI

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### MAQOLA HAQIDA

**Kalit so'zlar:** "yashil iqtisodiyot", ekologik muammolar, moliyaviy vositalar, "yashil" majburiyatlar, "yashil" moliyalashtirish.

**Annotatsiya:** Ushbu maqolada yashil iqtisodiyot tushunchasi va uning iqtisodiyot bilan aloqasi muhokama qilinadi. Global ekologik muammolar sharoitida barqaror rivojlanishni boshqarishda rol o'ynaydigan turli moliyaviy vositalar tashkil etilgan.

## ЗЕЛЕНАЯ ЭКОНОМИКА И ЕЕ ИННОВАЦИОННЫЕ ИНСТРУМЕНТЫ ФИНАНСИРОВАНИЯ

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### О СТАТЬЕ

**Ключевые слова:** «зеленая экономика», экологические проблемы, рассматривается экономика и ее связь с экономикой.

**Аннотация:** В данной статье понятие зеленой экономики и ее связь с экономикой.

финансовые инструменты, «зеленые» Обязаны различные финансовые обязательства, «зеленое» финансирование. инструменты, которые играют роль в управлении устойчивым развитием перед лицом глобальных экологических проблем.

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## INTRODUCTION

In the process of developing the economy on a global scale and ensuring sustainable economic development, some challenges that arise in certain countries may be similar or take a similar form. Particularly, a significant portion of challenges affecting the entire world is related to ecology. In recent centuries, the increase in the world population and the sharp rise in the demands placed on natural resources have led to an unsustainable exploitation of nature's resources. The current situation has been exacerbated by issues such as climate change, depletion of natural resources, the decline of biodiversity, and the increasing social inequality. In response to these challenges, there has been a new stage in development focused on addressing ecological risks and promoting ecological sustainability. The development aimed at creating ecological products based on "green" technologies, as well as the transition to "green" economic principles, is considered a necessary step to significantly mitigate ecological risks and environmental pollution.

The introduction of "green economy" involves ensuring energy efficiency in the economic sphere, identifying and implementing necessary technologies for renewable energy sources, utilizing water resources efficiently, and addressing environmental issues. The development also aims to improve the conditions for people's lives through the production of ecologically clean products using natural methods. In our country, measures to increase the efficiency of using water, energy, and gas resources without harming the environment and the development of solutions for problems such as pollution from resource exploitation have been outlined in the Presidential Decree of the Republic of Uzbekistan "On the approval of the Strategy for the transition of the Republic of Uzbekistan to a 'green' economy for 2019-2030." Additionally, the strategy for the development of New Uzbekistan for 2022-2026 includes measures to enhance the effectiveness of initiatives related to the transition to a "green" and inclusive economy, increasing the efficiency of using renewable energy sources, and expanding the use of resources in all sectors of the economy.

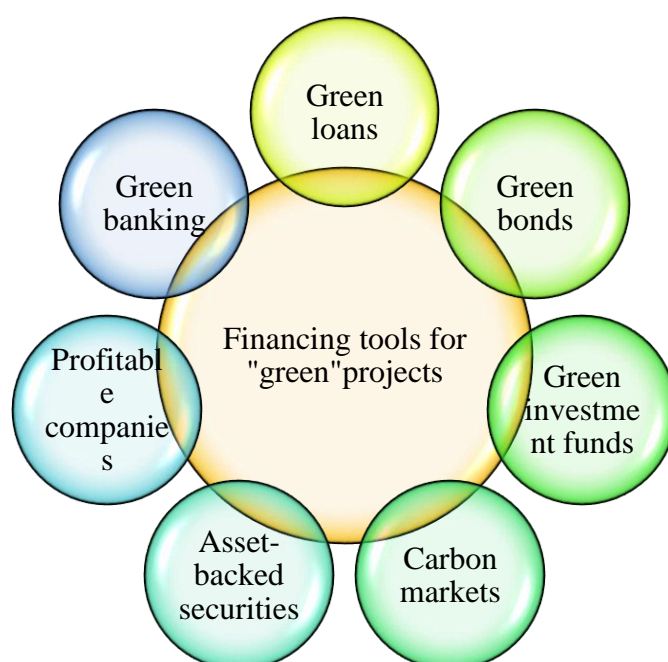
The financial provision to achieve the above goals is related to the application of green instruments in financing that actively contribute to solving the above problems. Therefore, the active use of green instruments in financing that is expanding in scope is a necessary condition for the successful solution of the above problems.

## THE MAIN RESULTS AND FINDINGS

During the era of modernization in the global economy, the transition to many updated innovative technologies is considered crucial for the sustainability of a dynamic economy.

However, it is essential to anticipate and address their potential negative impact on the lifestyle and living environment of the population. Consequently, many countries have adopted strategies to transition to a "green economy" to address this concern. These strategies primarily focus on efficient resource utilization, reducing carbon emissions, and promoting clean energy technologies. Transitioning to a green economy necessitates a fundamental change in our methods of production, consumption, and investment.

Certainly, any innovation and projects require financial support. According to the Global Landscape of Climate Finance report, in 2019-2020, the total volume of financing for climate-related projects amounted to \$632 billion USD. Out of this, \$321 billion came from public sources, and \$310 billion from private sources. In recent years, the term "green finance" has gained prominence alongside the concept of the "green economy." Green finance encompasses a wide range of financial instruments aimed at supporting projects and initiatives related to ecological goals, such as sustainable development projects, ecological products, and the overall development of a green economy. PricewaterhouseCoopers (PwC) Consultants specialists believe that "green finance" is a financial product that takes into account environmental factors specifically for the banking sector, and the entire process, from the initiation of the credit issuance process to the closing of the loan, operates within the framework of this concept [2]. International Monetary Fund (IMF) experts consider "green finance" as a broad concept encompassing financial instruments, projects, and investments directed towards ensuring sustainable economic growth [3]. Financing the transition to a green economy involves innovative financial solutions and strategies. Traditional financial models typically struggle to address the unique needs of ecological sustainable projects. However, several financial tools have emerged to mitigate these disparities and support the growth of a green economy (Image 1).



**Image 1: Financial Management Tools for "Green" Projects [2]**

Green bonds are specialized debt instruments designed to finance projects that generate benefits for the environment and have ecological impacts. Green bonds are particularly important for funding projects like improving energy efficiency, increasing energy productivity, and promoting sustainable agriculture. The issuance of green bonds has seen significant growth globally. Starting with the first green bond issued by the World Bank in 2008, investments in green bonds, which support ecological and social projects, have grown to nearly \$4 trillion. While this growth is substantial, it still represents only a fraction of the \$100 trillion global bond market [3]. According to statistical information, in 2022, China emerged as the leading country globally in issuing green bonds. Green bonds issued in China amounted to over 85 billion US dollars, surpassing the United States, which secured the second position with green bonds totaling 64.4 billion dollars. Germany ranked third in the ratings, having issued green bonds worth 61.2 billion dollars, making it the top European country in green bond issuance in 2022.

In today's world, the formation of "green" bonds holds significant importance for Uzbekistan, both in shaping the domestic market and entering international markets. In July 2021, the Republic of Uzbekistan listed 2.5 trillion soms worth of government bonds (SDG) on the London Stock Exchange, placing them in the form of "green" credits and bonds as part of "green" financial instruments for a period of three years. SDG (Sustainable Development Goals) bonds are issued to finance projects aligned with the United Nations' Sustainable Development Goals, which encompass a broad range of social and environmental objectives. Investments in green investment funds primarily target companies, organizations, and funds with the intention of making investments that positively impact both financial returns and beneficial social or environmental outcomes. Green investment funds are dedicated to supporting businesses and projects that promote environmental sustainability and social well-being.

Another emerging instrument in finance is carbon credits. These credits grant companies and nations the right to emit a certain amount of greenhouse gases. Mechanisms such as carbon trading allow companies to buy and sell emission allowances, encouraging competition to reduce emissions. The Chinese government officially launched a national carbon trading system in 2021, covering several sectors. This marked the initiation of a carbon emissions trading market, demonstrating significant development on global carbon markets, as China is recognized as one of the world's largest greenhouse gas emitters.

Green loans are positive-impact loans provided for financing projects that contribute to environmental and social benefits. They are suitable for funding renewable energy projects, improving energy efficiency, and supporting sustainable agriculture. These loans typically offer favorable terms, such as low-interest rates and extended repayment periods. The green and

sustainable loan market has grown to over \$700 billion USD in 2022, signifying a significant increase in demand for environmentally friendly financing.

### CONCLUSION

In summary, transitioning to a "green economy" is crucial for regional development, achieving social welfare, creating new sectors, and opening up new job opportunities, ultimately enhancing economic sustainability [4]. The "green economy" contributes to the economic progress of the country and ensures the growth of the overall domestic product, employment opportunities, and reduction of unemployment rates. There is an increasing emphasis from states, companies, and investors on the significance of the "green economy," leading to the continued development and acceptance of financial instruments. Simultaneously, efforts are underway to align financial strategies with global challenges such as climate change, sustainable mining practices, mineral conservation, and responsible water resource management.

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