

The Role of Investments in Developing A Green Economy in Our Country

Raimjanova Madina Asrarovna

Professor of the Department "Valuation and Investments"

Tashkent State University of Economics



Abstract

This article is devoted to the importance of investments in the development of a green economy in our country. The work analyzes various instruments of "green" financing and the features of their use. The Uzbek and foreign experience of socially-oriented investment, as well as the trends and barriers to its development are considered. Conclusions are made about the effective configuration of the state and the private sector to stimulate "green" investments.

The scientific significance of the study of this topic lies in the development of theoretical provisions related to investing in "green" projects with various financial instruments.

Keywords: "Green" investments, finance, sustainable development, "green" economy, financial law.

Introduction

The Paris Agreement, adopted by the international community in 2015, included a number of provisions, the implementation of which will ensure a reduction in the concentration of carbon dioxide in the atmosphere. Thus, the international community has set a clear goal: to avoid a global environmental crisis and significantly reduce the risks and impacts of climate change. A large number of countries have committed to actively engage in the process of reducing greenhouse gas emissions to "net zero" by the middle of the XXI century. Achieving this goal requires significant investment in a low-carbon economy from both states and non-governmental commercial and non-profit entities. According to calculations by the Intergovernmental Panel on Climate Change (IPCC), achieving the target of halting the average annual temperature increase in the world to 1.5°C and transforming the global energy sector requires a minimum average annual investment in "green" technologies in the period from 2016 to 2050 equal to US\$3.5 trillion; The indicated volume does not include investments required for the "green" transformation of other sectors of the economy, such as agriculture and construction[5].

Taking into account the important role of the financial sector in the distribution of monetary capital and its ability to activate the real sector of the economy, it is necessary to note the key importance of financial institutions for the creation of an environmentally friendly business and the transition of society to sustainable development. Innovative methods of investment, lending and insurance can provide significant progress in the creation and development of low-carbon solutions. In this

regard, a process is currently being observed that can be characterized as a qualitative transition of the financial sector to standards that meet the basic requirements of the "green" economy. At the same time, there is an increase in the responsibility of institutional investors for the management of the assets of their beneficiaries, which should include taking into account the consequences of climate change [2].

At the moment, the situation in the Uzbek and global investment markets demonstrates that the financial industry already has extensive experience in the creation and use of "green" financing instruments.

Material and Methods

As part of the work, scientific literature covering the problems of the field of "green" investments was analyzed, reports and materials of international organizations were studied and analyzed, and key features of socially responsible investing were identified.

Results and Discussion

"Green" investments are one of the areas that are being formed during the formation and development of the concept of socially-oriented investment. This approach began to actively develop in the second half of the XX century within the leading Western economies, primarily in the United States. It was a response to the expansion of standard investor requirements for projects, which began to include not only the criteria for the return on invested funds, but also the recipient's compliance with strict measures to minimize the negative impact of the project on environmental, ethical and social issues. The growing importance of the impact of business and economic activity on the environmental and, indirectly, social spheres as a whole has led to the understanding that such impact should be responsible, and business should take into account the whole range of factors during the implementation of various investment projects.

Today, the concept of "green investments" covers the mechanism of placing financial resources in projects and initiatives based on environmentally neutral technologies and solutions that allow them to be combined within the framework of the global main trend for the intersectoral development of the "green economy". In turn, the "green economy" can be described as a new stage of economic and business activity, which is based on a responsible attitude towards the environment, the introduction of intensive modernization of production and, as a result, an increase in the production volumes of products with high added value [4].

There are many factors that motivate economic entities to invest in "green" solutions, but in the scientific literature it is customary to distinguish the following groups of reasons:

- economic reasons (the level of return on investment, the quality of accounting and risk assessment, the level of production development, the degree of internalization of external impact);
- non-economic reasons (direct or indirect impact of the project on the environment, science, religion, ethical and political issues);
- PR effect from the placement of funds (impact on the public image of the investor, business image, marketing, impact of the media and civil society);
- compliance and observance of industry regulations (internal norms and codes, international conventions, standards and principles for ensuring openness of information) [2].

“The socially-oriented investment system includes a whole range of products, among which we can highlight “green” debt financing, “green” private equity and venture capital funds, “green” exchange-traded investment funds, “green” mutual funds, “green” financial and credit organizations and banking ecosystems, “green” services for insuring assets and operations, a “green” format of interaction between public and private structures, “green” bonds” [3].

"Green" funds, accumulating funds from private investors, invest financial resources in those environmental initiatives whose potential allows them to achieve the most competitive indicators of efficiency and effectiveness. A specific feature of such investments is a high degree of reliability of invested funds, as well as the long-term nature of investments associated with the scale of the projects. In this category of funds, one can single out "Environmental Capital Partners" - a leading investment banking group specializing in commercial opportunities provided by the low-carbon economy. Venture investment funds make financial investments in "green" projects at the initial stage of development, including innovative technologies with a low level of readiness. This type of investment has a large number of risks. It is assumed that about 70-80% of such projects will not be able to be successfully implemented, but the profit from the remaining projects covers the losses incurred [3]. "Green" or "ecological" mutual funds, like their regular counterparts, are also traded on the stock exchange; their difference is that they specialize in environmental projects and environmental initiatives. Like regular exchange-traded funds, they create their own stock portfolios, which include only securities of companies whose operating activities are harmless to nature. Among the largest global funds in this area are FTSE4Good Series and Dow Jones Sustainability [2].

"Green" mutual funds are distinguished by the fact that investors are holders of a certain share of the fund's property, which is under the control of the management company. At the same time, the investor must understand that such investments are associated with a high degree of risk due to the fact that the management company may go bankrupt, and the borrower will suffer significant financial losses.

"Green" banks include banks that specialize in innovative methods of preferential financing and market development tools in partnership with the private sector to accelerate the development of "green" solutions. The largest part of investments of such banks is aimed at the development of energy saving technologies, renewable energy sources and the fight against climate change [5].

"Green" insurance includes methods of insuring investment projects, which involve a comprehensive assessment of environmental risks. This measure is aimed at stimulating the provision of resources for environmental projects on preferential terms.

The "green" format of interaction between public and private structures is associated with public-private partnerships in the implementation of large-scale "green" projects. In it, the state provides significant financial support to private companies, allowing them to create a basis for the implementation of the project and its further operation [5]. A relatively new form of financing "green" projects is "green" bonds or bonds - a type of regular bonds, i.e. debt securities with a fixed income. As a rule, previously, "green" bonds were mainly issued by international banks, but now an increasing number of private companies are starting to issue them. A distinctive feature of "green" bonds is the obligation to invest all funds received from the issue in the development and implementation of initiatives to support the environment. One example in this area is the World Bank Green Bonds Program, developed in partnership with Skandinaviska Enskilda Banken to

support projects related to the transition to low-carbon technologies and the fight against climate change. The program is implemented through the International Bank for Reconstruction and Development [4].

Some experts note that the financial market in Uzbekistan is extremely unresponsive to international initiatives to develop socially responsible financing, since at the moment there are no incentives for the active use of the practice of taking into account environmental factors in the course of investment activities. At the same time, a number of large-scale state projects are being implemented, the purpose of which is to reduce the negative impact on the environment. For example, in the Resolution of the President of the Republic of Uzbekistan

One of such projects is the national project "On approval of the Strategy for the transition of the Republic of Uzbekistan to a "green" economy for the period 2019-2030", which involves attracting extra-budgetary funds and priority areas of the Strategy, as well as the goals and objectives of the Strategy [1].

Barriers to the development of "green" investment: despite the fact that the global volume of investment in various environmental projects increases every year, its scale remains relatively small. Among the barriers that hinder the development of "green" financing, the following can be distinguished:

- limitations in the capacity of investment trading platforms;
- risks associated with the lag of legal norms and the political context from the "green" demand of investors;
- low level of investor confidence, opacity of government management decisions and excessive requirements for the commercialization of capital;
- low efficiency of measures to promote "green" investments in small and medium-sized projects among institutional investors.

Among the potential solutions to the above problems, it is possible to note the cooperation of states and supranational structures in the work to minimize the negative impact of market externalities and stimulate the inflow of resources into innovative "green" investment projects.

Conclusions

Today, "green" investments are recognized as one of the most effective tools for implementing large-scale environmental projects, which is why "green" financing is one of the key drivers of the global transition to a low-carbon economy. At the same time, the volume of financial resources allocated for the "green" transformation of the economy and the reduction of greenhouse gas emissions is currently insufficient, although there is a steady trend towards an increase in this volume. This is largely due to various economic, political and regulatory risks, as well as a lack of confidence among investors.

Further development of innovative tools to stimulate "green" investments, such as "green" lending, insurance and financing, will significantly depend on the policies pursued by states and international organizations. One of the main factors for success in this area is the popularization of the idea of greening economic growth, as well as raising public awareness of the risks associated with climate change and the need to transition to a low-carbon economy.

References

1. Resolution of the President of the Republic of Uzbekistan//<https://lex.uz/docs/4539506>
2. Official website of the Coalition for Green Capital (CGC), “What is a Green Bank?” // URL:<https://coalitionforgreencapital.com/what-is-a-green-bank>
3. Kholmatov I. “Green Investments” in Uzbekistan Abroad: Problems, Mechanisms, Prospects // *Modern World*. 2023. No. 3. P. 168–188.
4. Elmiraev S., & Shavkatov N. (2023). Feedback issues from state particular mechanisms in "green" economic revival. *Economy and finance (Uzbekistan)*, (7 (167)), 9-16. doi:10.34920/eIf/vOL_2023_Issue_7_2
5. Kosimov A. A., Yuldashev G.T., Kurbanov U.F. The impact of the investment environment on economic development and analysis of factors related to it // *Scientific electronic journal "Economics and Innovative Technologies"*. No. 5, September-October, 2021.
6. Sangirova, U., Shadieva, D., Raimjanova, M., Umurzakova, N., & Akramova, N. (2024). Green economy development in the Republic of Uzbekistan. In *BIO Web of Conferences* (Vol. 130, p. 08028). EDP Sciences.
7. Asrarovna, R. M. (2024). TRANSITION TO “GREEN ECONOMY” AND ITS DIRECTIONS. *INTERNATIONAL JOURNAL OF SCIENCE AND TECHNOLOGY*, 1(17), 4-10.
8. Asrarovna, R. M. (2024). CHALLENGES AND OPPORTUNITIES IN GREEN PROJECT FINANCING IN DEVELOPING COUNTRIES. *Gospodarka i Innowacje.*, 47, 9-13.