

THE IMPORTANCE OF GREEN FINANCE IN UZBEKISTAN

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Nowadays, all around the world producing eco-friendly product is the main target of all countries. There are numerous reasons for this, such as day by day behavior of our nature is changing towards the bad side, for young generation we are inheriting bad future which will be surrounded waste, scarcity, dust in the air, war and so on. To tackle this kind of problems, like other countries, now it is time to change our economy to greener economy. With the help of green finance, we can handle to tackle different kind of issues related to the economy and environment.

Green industries and technologies are all at different levels of maturity, thus, requiring different levels of funding from different sources of capital. There are generally three sources for green finance:

- domestic public finance;
- international public finance;
- private sector finance.

Domestic public finance refers to the direct funding by a government while international public finance refers to funding from international organizations and multilateral development banks and private sector finance consists of both domestic and international funding sources. Green financing can be packaged in different ways through various investment structures. Green finance is a core part of low carbon green growth because it connects the financial industry, environmental improvement and economic growth. One missing link between knowing and doing in the transition to green industry is green finance. All green industrial propositions cost money, and many green industry business models are more often than not

untested or unconventional. Therefore, traditional finance may find it difficult or commercially unattractive to finance these green industrial propositions.

In the following graph possible financial strategy to accelerate innovation for green growth in Uzbekistan is given. According to numerous scholars idea these strategy is the main footprint to move towards the green growth and sustainability.

Financial industries

- development of new financial products
- financing for more eco-friendly industries and organizations
- efficient operation in the field of emission fees, emission standards and transferable emissions

Green finance

- financing green enterprises and technologies
- create more facilities for green innovations and products
- efficient operation in the field of emission trading markets

Possible green growth innovations to Uzbekistan

Environmental Improvement

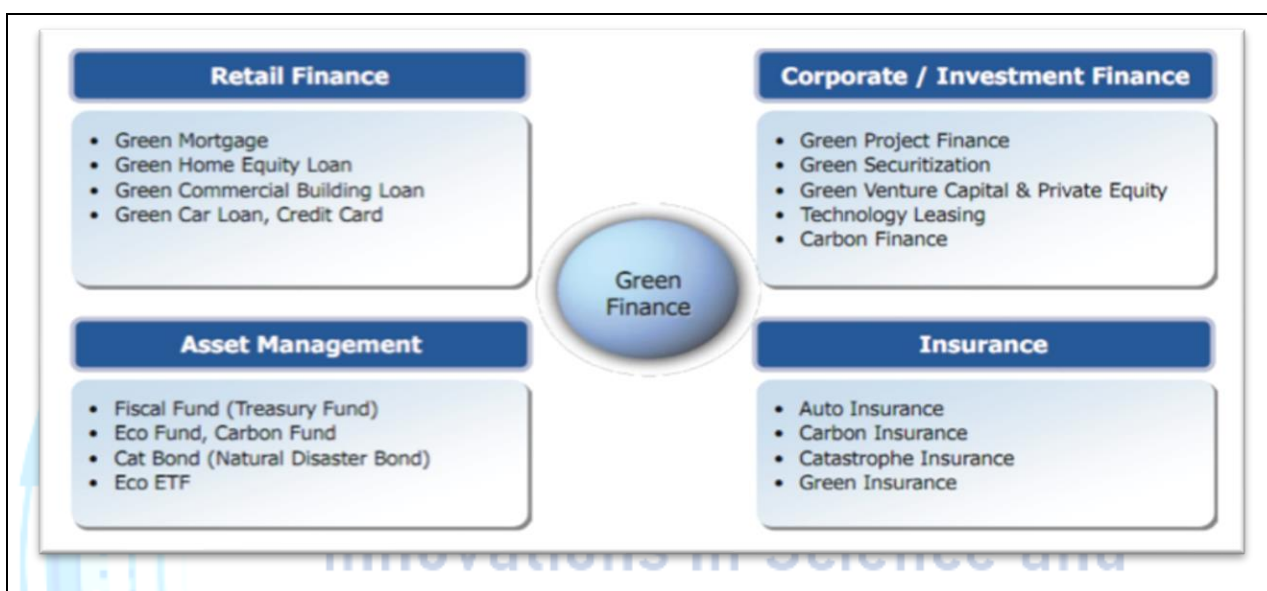
- Greener environment by supporting the technologies which are eco-friendly
- active trading carbon market (the important one is CO2 emission market)
- legislations for a better environment

Economic growth

- advancing the new technologies in the country
- Promotions for eco-friendly organizations
- try to find better logistics for emission trading market

Table 1. Possible green growth innovations to Uzbekistan

Green finance also important in the field of producing eco-friendly products, not only in Uzbekistan but also for entire world. Even if public investment is small relative to private funds, it can catalyse corresponding private-sector activities. Direct government financing for green growth can also take place through sustainable public procurement and eco-efficient investment in public buildings and enterprises. Hence, now in Uzbekistan it high time to promote the green finance products publicly. In the graph 1, the main directions of the financing eco-friendly products are given. But we should not forget one thing that, products can be replaced by another product when it needs.



Graph 1. Green finance products.

Generally, governments pursue the following objectives through green financing measures:

- Establish and secure funding for green industries and green growth;
- Support low carbon green growth by developing new financial products;
- Attract private investments to build and sustain green infrastructure;
- Strengthen corporate disclosure of green management practices and expand financial support for those businesses that apply them;

- Set up markets for environmental goods and services, such as carbon markets featuring carbon credits.

Much of the public investment in green growth relates to infrastructure. Governments of developing countries now have the opportunity to put infrastructure in place that will result in a better long-term management of resources, which will, in turn, channel private-sector capital into those investments. Infrastructure financing is generally project-based, with renewable energy and energy efficiency projects taking up the largest share of financing capital.

We can not say that green financing has only good side for the society. There are different level of pros and con exist in this field. If we count the beneficial point of the green financing are that:

- Promotes technology diffusion and eco-efficient infrastructure;
- Creates comparative advantage;
- Adds value;
- Increases economic prospects.

On the other hand, it has got negative impact also exist.

- Present and projected Competitiveness;
- Mispricing and no pricing of risks;
- Market distortions and shortcomings;
- Competing objectives;
- Limited capital and limited awareness;
- Regulatory gaps.

Due to the risks associated with the use of new technologies and their relatively weak stance against the well-established brown technologies, which externalize environmental costs

and profit from a fitting infrastructure system and well-developed supply chains, green businesses need government support, especially in the initial stages of their development that is why green finance is very important to figure out really green technologies and give a hand in terms of finance. However, governments should aim to attract and empower other financial institutions to take over their role as active facilitators of green businesses once they enter a mature stage.



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