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ANALYSIS OF THE PRACTICE OF FINANCING THE GREEN ECONOMY IN DEVELOPING COUNTRIES

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Abstract

This article analyzes the analysis of the practice of financing the green economy in developing countries. At present, when the world economy is gradually transforming into a low-carbon one, the criterion of sustainable development of the "green" economy is becoming an increasingly decisive factor in the competitiveness of the state. At the same time, aggressive business development, especially in relation to lending and investment, often opposes environmental protection issues. The purpose of the article is to study the practice of "green" finance in developed countries and identify development prospects in the Republic of Uzbekistan.

Keywords: "Green" finance, sustainable economic development, financing of environmental projects, responsible investment, environmentally responsible business

Introduction

The transformation of the global financial system and global climate and environmental changes leave virtually no choice for any major economy or country in the world — it is simply becoming impossible to ignore the changes taking place. In the new millennium, humanity has faced a number of problems of global significance.

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The governments of many countries, public institutions, and the population are concerned about climate change and environmental degradation on all continents of the planet. The causes of climate change are human activity, which leads to huge emissions of waste products and industrial production into the environment [4]. Therefore, the governments of many countries are taking measures to protect the environment, reduce carbon dioxide emissions into the atmosphere, improve energy efficiency in production, and stimulate the transition to environmentally friendly and renewable energy sources.
Having analyzed literary sources, the authors came to the conclusion that the direction of "green" finance is quite "young" relative to the time of functioning of the global financial system, and is of particular interest. The start date of the "greening" of the international credit and financial system is 1989, when the World Bank's practice of conducting environmental impact assessments was introduced and consolidated. As for "green" finances themselves, for example, the first "green" bonds were issued by international development banks in 2007-2008, which served as a starting point for the functioning of the "green" financial instruments market. This issue is especially acute at present against the backdrop of the unfolding energy crisis. The above factors predetermined the object and subject of the study, as well as its purpose and objectives.
The US green financial instruments market is the largest in the world in terms of the volume of green bonds issued, with the share of issuance amounting to one fifth of the entire world market. However, the share of the American currency continues to gradually decrease in the structure of green bonds. The main areas of green investment in the US are still the sectors that cause the greatest concern in terms of environmental issues, such as transport, energy, water use, and construction [2]. Despite the US being the world leader in terms of the volume of green bonds issued, within the country itself they make up no more than 0.1% of the total volume of bond issues, and this trend has been going on for several years [1]. At the same time, the US is also historically the world leader in terms of carbon dioxide emissions into the atmosphere, leaving the second largest ecological footprint after China, and, in general, having a very strong negative impact on the environment not only in its territory, but also around the world. It is logical to assume that such a country should also have

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leading positions in the intensity of development of "green" financing, environmentally responsible business, but in practice things are not quite as they should be [3]. The main reasons for this state of affairs are:

• lack of regularity in the placement of "green" bonds;
• lack of state standards for "green" bonds;
• low levels of awareness and trust on the part of management companies and investors regarding "green" debt securities;
• lack of competitive advantages in terms of profitability compared to traditional financial instruments.

In the US "green" finance market, there is still no common understanding of the degree of importance of environmental issues for the state and society. Similar difficulties in finding common interests in the direction of developing "green" financing are present in many areas of political and public life in the US, which does not add determination to investors and private companies to invest their funds in this direction.

One of the problems of "green" finance in the US is also a special tax regime for income received from municipal bonds. Municipalities are committed not only to receiving financial benefits, but are also interested in the environmental efficiency of the projects being implemented - this is the main incentive for issuing "green" bonds [5]. But in the US, this type of securities is almost completely exempt from income tax (about 80% of the total volume of issues are not subject to taxation), and therefore this market of debt securities has a number of restrictions for foreign investors [4].

At the same time, the world's largest financial market, the United States, is actively developing in the relatively new direction of "green" financing. The largest international companies are beginning to show interest in issuing "green" bonds. The Alphabet holding company, the owner of Google, issued "green" bonds in the amount of $ 5.75 billion in 2020, Apple issued "green" bonds in the amount of $ 4.7 billion in March 2021, Amazon issued its first sustainable development bonds in 2021, aimed at raising $ 1 billion for investments in renewable energy, clean transportation, green buildings and affordable housing [3].

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However, the main role in the development of corporate green debt belongs to domestic companies in the United States: according to the Climate Bonds Initiative (CBI), the largest issuer of green debt in 2020 was Fannie Mae, the largest American mortgage agency, with an issue volume of $13.0 billion in debt securities backed by green mortgages, that is, used to finance mortgages issued on newly built multi-family buildings that have a green certificate of compliance6. Other large issuers of green bonds are urban transport operators, such as the Metropolitan Transportation Authority in New York and Los Angeles. In the United States, the role of the state in the development of green finance is very insignificant. There are no regulatory laws at the federal level yet; basically, the state policy for regulating the green finance market concerns individual regions with their inclusion in certain development programs financed by green bonds. Each state has the right to choose the main directions of policy regarding green bonds. In addition, there are no criteria for classifying green bonds at the state level; their assessment is carried out by independent international experts [5].
The UK is involved in a number of regional and international initiatives, such as the 2015 Paris Agreement, the European Union (EU) Emissions Trading Scheme, and a number of carbon footprint reduction programmes. Even after leaving the EU (the so-called Brexit), the UK still has some EU legislation in place, including the EU Sustainable Finance Action Plan, which supports ESG (environmental, social and governance) investments10.
The objectives of the Strategy are to align private sector financial flows with clean, sustainable and resilient growth, supported by the UK government, and to improve the competitiveness of the UK financial sector11.
The three main areas of focus for the 2019 Strategy are:
• Greening finance;
• Green finance;
• Harnessing commercial opportunities.
Greening finance involves ensuring the sustainability of green financial product markets and ensuring that climate and environmental factors are closely linked to key financial decision-making processes12. Financing green involves mobilising and increasing the pace of private finance in key sectors of

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environmental protection and clean growth both domestically and internationally, developing long-term green finance policies and facilitating access to green financial instruments13. Capturing the opportunity involves UK financial services taking advantage of opportunities to exploit commercial opportunities both domestically and internationally that arise from greening finance. In summary, demand for green investment products is growing rapidly, largely driven by investor focus on fixed income financial markets. However, there is also growing concern that this new asset class could create a bubble unless market transparency is ensured. For this purpose, the largest economies of the USA and Great Britain, which set the tone for the pace and volume of "green" financing, are improving their regulatory framework.

It should be emphasized that the energy transition, the "greening" of the global financial system are trends of the XXI century, requiring colossal efforts and resources at the international and interstate levels. These processes are irreversible, they are vital, humanity cannot continue to consume and exhaust the planet's finite resources without control without the onset of harmful consequences. It will be especially difficult for developing economies, which also include the economy of the Republic of Uzbekistan, to keep up with global transition processes.

Uzbekistan is at the very beginning of the path to developing "green" finance, the number of issuers that have placed "green" bonds can be counted on the fingers, but the ruling circles understand the need to transform the traditional economy, and corresponding programs and development strategies and organizations are appearing. The climate agenda has not yet firmly integrated into the policy of socio-economic development. A full-fledged institutional environment for climate financing has not been formed. The solution of issues, primarily of a legislative and regulatory nature, the development of a state strategy on the climate agenda, the development and implementation of financial programs to support and stimulate “green” investment projects, the issue of state “green” bonds according to international standards will contribute to the development of a “green” economy and the market of “green” financial instruments in the Republic of Uzbekistan.

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Therefore, the meaning of the green economy should be clarified by the administrations of developing countries by unifying its definition, measurement tools and data sets used in calculations, improving institutions and policies to encourage public and private sector investment in green sectors, encouraging research, development initiatives and technological innovation. By allocating a significant portion of public expenditure on research and development in the field of green economy, developing special programs to improve the quality of the workforce through intensive training in advanced technologies for various green sectors and upgrading their skills. In addition, the adoption and development of a green economy transition policy aimed at encouraging public spending and foreign direct investment to create new economic sectors and investment opportunities that contribute to increasing the potential for job creation, especially for the poor and vulnerable groups, is considered a crucial step.

Encouraging the establishment of a national green financial system that provides some new financial instruments such as green securities, green insurance and green lending to meet the demand for sustainable green financing for the transition to a green economy is of crucial importance. Moreover, the promotion of new investments in the renewable energy sectors, in particular wind and solar energy, and the use of renewable energy sources should be institutionalized in all areas, since renewable energy products lack this character, so that the consumer can use these products without the existence of a mechanism responsible for regulating his rights and obligations in relation to the product. Accordingly, authorities and ministries dealing with renewable energy should ensure such an institutional character in order to ensure a wider use and dissemination of renewable energy in developing countries.

Green policies should integrate environmental, social and economic considerations in order to guarantee a fair distribution of wealth and ensure that different sections of the population have equal opportunities. In addition, encouraging the private sector to invest in green sectors through the use of economic incentives such as procurement policies, differential pricing and taxes to promote renewable technologies and financing mechanisms, as well as encouraging the use of renewable energy technologies by reducing tariffs on

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equipment and components, as well as eliminating or reducing subsidies for fossil fuels. For future research, we suggest expanding the scope of the study to include other sustainable development goals in the analysis, and also suggest including developed and developing countries for comparison and additional insights.

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