

## LAUNCH OF GREEN PROJECTS BY UZBEKISTAN COMMERCIAL BANKS

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**Abstract:** *Launching green projects by commercial banks in Uzbekistan is an important initiative aimed at sustainable development of the country's economy and solving environmental issues. These projects are supported by the "green economy" concept implemented by the Uzbek government.*

**Key words:** *Green projects, banking investment activities, credit institutions, green banking, strategy, corporate banking activities.*

### INTRODUCTION

In the development strategy of Uzbekistan until 2030, a special place is allocated to the development of the green economy. Commercial banks play an important role not only in lending, but also in encouraging people to actively participate in environmental projects. At the same time, the prospects for attracting international financial resources and technologies are expanding. Green projects have emerged as an important means of financing the transition to more sustainability the economy, especially in developed countries, is increasingly concentrated in developing countries such as Uzbekistan good. Green projects and other thematic links related to sustainability (e.g. social and sustainability bonds) similar to traditional bonds, which are fixed income debt instruments that collect money (debt) for bond issuer of bond holders against obligation to pay off the debt in regular payments over specified time

period at a fixed interest rate, but their income is clearly allocated for investments in regions like renewable energy, energy efficiency, clean transport, recycling and waste management. Bonds it can be issued by government bodies (both national and subnational governments, including municipalities, depending on jurisdiction), credit institutions, companies and supranational institutions primary markets. Bonds are one of the main tools of the capital market that are traditionally used to increase debt for projects needs large amounts of financing, such as infrastructure projects [3,5].

## ANALYSIS AND RESULTS

Globally, the green projects market has grown dramatically over the past 10 years. The first green bond was issued by the European Investment Bank in 2007. Since then, green beans have become a recognized and growing financing tool in the primary debt capital market. According to the climate projects initiative, the volume of new thematic clay releases exceeded US \$ 1 trillion for the first time in 2021 year, with the largest share being green bonds (49%, \$ 523 billion)<sup>1</sup>. Many actors, such as international financial institutions (IFI), governments (sovereign, subnational and municipal) and corporations (financial and non-financial), participate in domestic and international green bond markets and raise funds for financing or refinancing.Green Investment. Although developed economies form the majority of green bond issues, a number of countries in Africa, Latin America and Southeast Asia are making progress and issuers are preparing to enter this increasingly important green finance source. Eastern Europe, the Caucasus and Central Asia (EECCA) lagged behind other regions of the world in entering bond markets to finance green investment. Private sources of finance, such as capital or bonds, which can use bank financing, have so far been used to a limited extent in the region. Among the eecca countries, thematic bonds are issued only in Armenia, Georgia, Kazakhstan, Ukraine and, as of 2021, Uzbekistan. In addition to these first emissions, Capital Markets in the region, including Uzbekistan, remained underdeveloped, which serves as a major limitation for the wider use of the medium.

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<sup>1</sup> Climate Bonds Initiative, 2021

Following the first sovereign issue of a traditional bond in 2019, Uzbekistan began experimenting with thematic Bonds by issuing its first sovereign sustainable bond (known as the "Sustainable Development Goals bond") in late 2021. The sovereign green bond was issued in late 2023. In the coming years, two state-owned and three state-owned banks intended for privatization followed the government's leadership and issued traditional bonds. The first corporate green bond in the country was issued in private placement in August 2023 by the large state bank SanoatQirilishBank (SQB) (UzReport, 2023). The establishment of a green securities market is often seen as one of the main steps that allow the transition to a green economy. In more advanced markets, green bonds are also seen as a tool for interagency and intra-government debate on issues related to funding low-carbon transition. They encourage dialogue between financial and environmental communities, which in turn increase the reputation of climate and clean energy policies on the national agenda, improve cooperation between the two communities, and help develop mutually beneficial solutions to problems that impede high demand for green finance. However, the success of green bonds depends on the continuous operation of bond markets in general. They face the same risks, including the risk of currency exchange, as well as the risks associated with their main projects, such as the lack of market-ready green projects and the risk of prestige for the issuer, if it is determined that the projects differ from the criteria established under the bond. Although bonds and other fixed-income debt instruments are perceived as low-risk investments, the market's appetite for them varies according to various factors, in particular the interest rate and inflation. As interest rates and inflationary pressure rise as in 2022, the market's appetite for fixed-rate debt instruments, including green and conventional bonds, decreases as investors seek higher returns. In short, adding a "green" label to poorly performing financial instruments does not solve the main structural problems in the market.

As part of the promotion of the use of green bonds, the Ministry of Economy and Finance of Uzbekistan Commissioned the development of a National Green taxonomy adopted in October 2023. Experiments from other countries have shown that the

development of a functioning green taxonomy is an iterative process of gradual improvement, revision and expansion. The ministry should strive to use good practices arising from already developed jurisdictions and strive for specific classification. Economic activity corresponding to the environmental and Development Goals of Uzbekistan. Ideally, the taxonomy will continue to be developed in the future, taking into account more ambitious climate goals, such as a clear zero goal and a long-term low emission development strategy. In a similar way, the government may consider expanding the range of existing SDG bonds.

## **CONCLUSION**

In Uzbekistan, commercial banks play an important role in the financing and implementation of green projects. Their activities serve to ensure environmental stability in the country, adapt to climate changes, and improve the quality of life of the population. In the future, strengthening cooperation with state and international organizations will further develop this field.

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