# THE ROLE OF GREEN INVESTMENTS IN ECONOMIC DEVELOPMENT

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**Annotation.** *This article analyzes the role and importance of green investments in economic development. Green investments focus on financing projects aimed at developing renewable energy sources, improving energy efficiency, and promoting environmentally friendly technologies, which are key factors in achieving sustainable development. They not only stimulate economic growth but also ensure environmental safety.*

**Keywords:** *green investments, renewable energy, energy efficiency, environmental sustainability, technological innovations, economic growth.*

The issue of financing "green" investment projects currently encompasses all areas of human activity worldwide. This is because the leading trend of modern social development is the widespread influence of globalization processes. Under the conditions of globalization in the world economy, the depletion of natural resources is intensifying. The demand for resources significantly exceeds the capacity and speed of natural replenishment. Consequently, natural reserves are inevitably depleted, leading to resource scarcity, pollution of water and air, freshwater shortages, and other issues. In light of the intensification of these problems, the concept of a "green" or "ecological" economy has been actively promoted in recent years within the global socio-political and scientific communities. Moreover, the impact of "green" investments in various sectors of the economy has become increasingly evident today.

Green investments are carried out through various financial instruments, the most common of which are green credit lines from local and international banks, private green financing, and green bonds. However, their potential remains limited in most countries, as they have not yet formed a unified system. "Green" investments represent one of the directions emerging in the process of forming and developing the concept of socially-oriented investments.

This approach serves as a basis for expanding the standard investor requirements for projects that include not only criteria for return on investment but also strict adherence to measures by the recipient to minimize the project's negative impact on the environment. The increasing influence of entrepreneurial and economic activity on the environment and indirectly on the social sphere has led to an understanding that such impact must be positive, and that all factors should be considered in the business development process. In practice, various investment projects are implemented and financed from different investment sources, providing a mechanism for enterprise development and improvement of market infrastructure.

It is known that an individual or legal entity, as an investor, invests money or other assets into any project to generate and increase them quantitatively. Unlike consumption or expenditures, investments primarily generate income. If a person saves more than 30% of their income, they can be considered a potential investor. Worldwide, there are various enterprises that invest significant amounts in both production and non-production purposes, as well as in green projects.

Certainly, there are many factors that encourage companies to invest in green investment projects. Currently, the economic investment mechanism covers several areas, including financing through "green" credit instruments; green private equity and venture capital funds; green exchange-traded funds (ETFs); green financial and credit institutions; green insurance services for assets and operations; green partnerships between public and private sectors; and green bonds. According to UNCTAD estimates, the value of sustainable investments in global financial markets reached $5.2 trillion in 2021, marking a 63% increase compared to 2020. This investment portfolio includes sustainable funds and sustainable bonds, including green, social, and mixed-sustainability bonds.

The goal of targeted green lending is directly linked to implementing green projects and initiatives with minimal anthropogenic impact on the environment, often at preferential interest rates (1-2%). Frequently, the sources of financial resources for these projects are large international banking structures and organizations dedicated to sustainable development.

One of the most developed green lending systems is China's banking system. In this country, the government adopted a "Green Credit" policy aimed at reducing carbon dioxide emissions. Under this policy, state banks provide support for implementing environmental initiatives, improving energy efficiency, conserving energy, and reducing greenhouse gas emissions. Additionally, they impose extra restrictions on enterprises with high emissions and significant environmental impact. As a result of this policy, China has successfully established an effective green lending system. From 2006 to 2017, the annual number of green loans issued by Chinese banks increased from zero to 3,800, with profits from these loans reaching 550 billion yuan in 2017.

It is noteworthy that there is no country in the world that has fully liberalized its foreign investment regime. All countries have, to varying extents, certain restrictions on the activities of foreign investors within their territories. When changes are made to the foreign investment regime, economic security remains a priority factor. In the case of the Republic of Uzbekistan, there are mechanisms in place to encourage foreign investments in key industrial sectors that shape the country's development prospects. Foreign capital is primarily directed toward industries that process raw materials and products. To improve the policy of attracting foreign investments for financing the green economy, Uzbekistan should implement the following measures:

- Develop a system of national-level measures aimed at ensuring the country's political, social, financial, and economic stability.
- Improve currency and financial relations, establish stable legislation and legal support for joint activities, and attract foreign investments.
- Focus on developing joint ventures in the real sector of the economy rather than in trade and intermediary sectors.

- Create an investment environment that addresses issues of restoring economic growth through effective foreign capital participation and the liberalization of capital flows.
- Ensure the country's economic security in the monetary and credit sector.
- Establish conditions to practically integrate cooperation with the global economy into the system of national priorities, among other measures.

Thus, the ongoing trend of investing in projects that generate sustainable income is a positive reality for the formation and development of a green economy. This is because the primary goal of investment activity, including foreign investment, is to generate profit. Foreign investors direct capital investments toward the development of the economies of emerging countries, including Uzbekistan, focusing on restructuring, technological advancement, and management improvements. It should be noted that only a very small portion of profits are reinvested in fixed capital. Therefore, a significant increase in investment volume alone may not promise substantial positive changes in the national economy.

Foreign investment plays a crucial role in the economic development of any country, regardless of its level of economic progress, by helping to foster economic growth based on more efficient use of domestic, material, and financial resources. An analysis of the dynamics of direct foreign investment inflow into the Republic of Uzbekistan indicates that the volume of these investments has been increasing yearly. Today, a favorable investment environment has been established in Uzbekistan through social-political and macroeconomic stability, improvement of the legislative framework, the creation of a system of guarantees for long-term financing of green investment projects, and measures to promote investment growth.

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