

TRANSITION TO GREEN ECONOMY THROUGH GREEN FISCAL INSTRUMENTS IN UZBEKISTAN

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Abstract. Climate change presents a global challenge, necessitating country-specific responses to mitigate its impacts. Uzbekistan, heavily reliant on water resources, faces significant environmental challenges due to unsustainable irrigation practices, energy-intensive agricultural production, and fossil fuel dependency. This paper explores Uzbekistan's transition to a green economy through the implementation of green fiscal instruments such as carbon taxes, green subsidies, and environmental taxation. The effectiveness of these instruments is analyzed in the context of international experiences, policy frameworks, and Uzbekistan's economic and environmental objectives. The study also evaluates ongoing reforms, including the Uzbekistan 2030 Strategy, and their role in fostering economic sustainability, reducing greenhouse gas emissions, and improving resource efficiency.

Keywords. Climate change, fiscal instruments, greenhouse gas emissions, green taxes, subsidies, tax incentives.

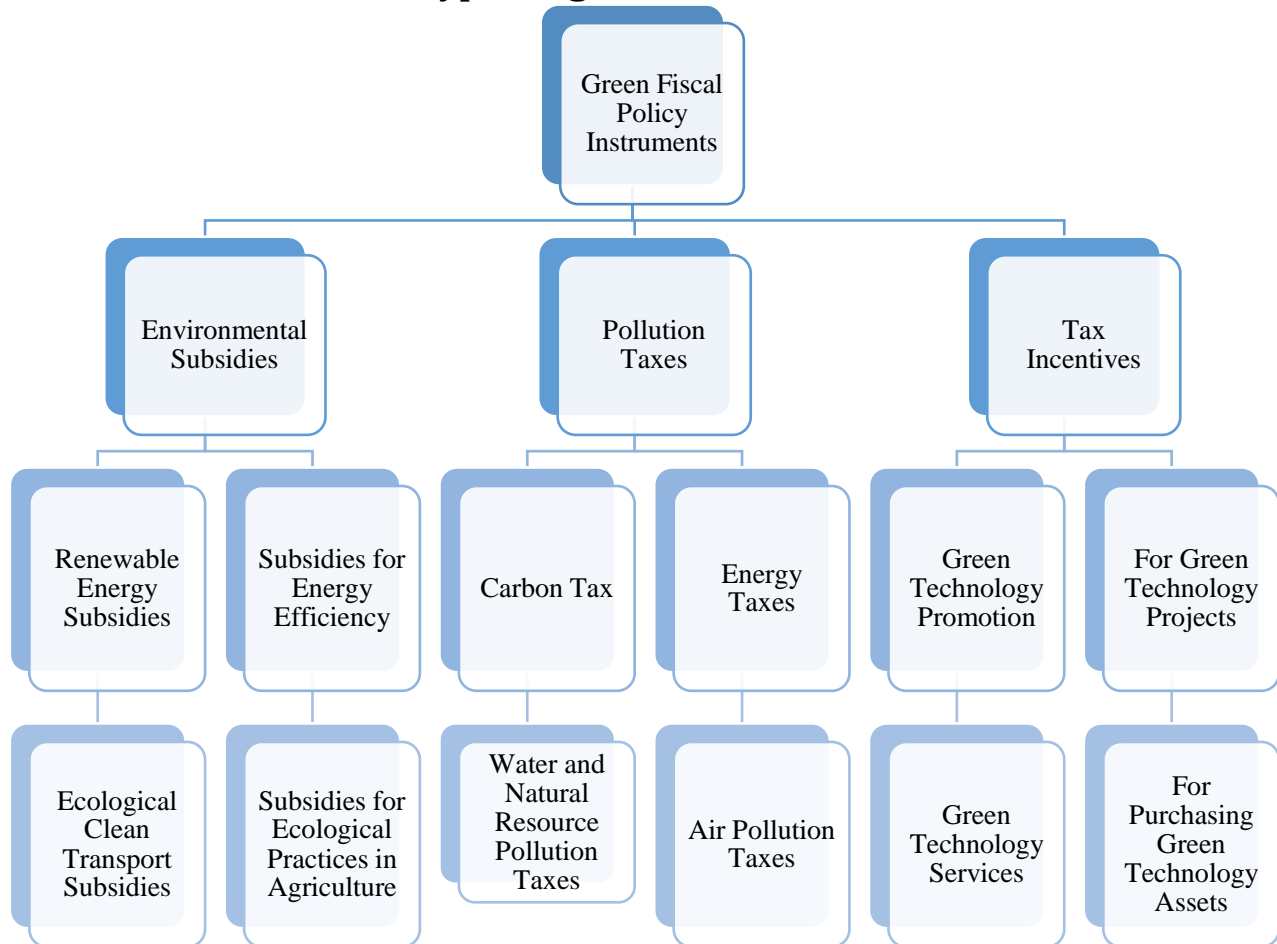
Introduction. Climate change is a pressing global issue, with measurable impacts across various regions. Countries worldwide have implemented diverse strategies to reduce pollution and enhance sustainability. Uzbekistan, with its heavy dependence on water resources and energy-intensive economic activities, faces challenges in environmental management. Unsustainable irrigation practices, particularly for cotton production, have accelerated desertification and contributed to the depletion of the Aral Sea. Additionally, Uzbekistan remains one of the most energy-intensive economies, with fossil fuel combustion and methane emissions accounting for 76–80% of total greenhouse gas emissions. The country's 2021 biennial report to the United Nations Framework Convention on Climate Change (UNFCCC) estimated greenhouse gas emissions at 189 million tons of CO₂ equivalent in 2017.

Green fiscal policies play a crucial role in addressing these challenges. Scholars such as Bowen and Hepburn argue that green fiscal instruments stimulate economic growth by promoting green industries and job creation in sectors like renewable energy, waste management, and ecotourism⁸. Pearce emphasizes that these instruments internalize environmental externalities, ensuring that social and environmental costs are reflected in market prices. Parry further suggests that green fiscal policies influence consumer and producer

⁸ Aldy, Joseph, Alan J. Krupnick, Richard G. Newell, Ian W. H. Parry, and William A. Pizer, 2010, "Designing Climate Mitigation Policy," *Journal of Economic Literature*, Vol. 48, pp. 903–34.

behavior by modifying relative prices, encouraging resource efficiency, and promoting sustainable consumption patterns⁹.

Types of green fiscal instruments



Carbon Taxation - is one of the most effective green fiscal tools for reducing fuel consumption and curbing greenhouse gas emissions. It is typically imposed on suppliers of carbon-intensive fuels such as coal, petroleum, and natural gas. This cost is subsequently passed on to consumers through higher prices for electricity, gasoline, and heating oil, thereby incentivizing a transition toward renewable energy sources.

Green Subsidies - are financial incentives provided by governments to encourage investment in renewable energy and environmentally friendly practices. While these subsidies enhance the competitiveness of clean energy sources, they do not necessarily lead to an overall reduction in fuel consumption. For example, Germany's renewable energy law subsidies have positioned the country as a global leader in green energy production. Similarly, China's extensive subsidies for electric vehicles and renewable energy have significantly accelerated the expansion of these sectors. However, as Searchinger warns, poorly designed subsidies can lead to inefficiencies and unintended

⁹ Milne, George & Villarroel Ordenes, F. & Kaplan, Begum. (2019). Mindful Consumption: Three Consumer Segment Views. Australasian Marketing Journal (AMJ). 28. 10.1016/j.ausmj.2019.09.003.

environmental consequences, such as deforestation and food insecurity due to biofuel incentives¹⁰.

Environmental Taxes - Environmental taxation serves to balance market prices by incorporating the external costs of economic activities. Milne and Villarroel Ordenes argue that these taxes play a pivotal role in incentivizing environmentally responsible behavior. However, environmental taxes, including energy taxes, may disproportionately affect low-income households. Fullerton suggests that targeted subsidies or redistributive mechanisms can mitigate these regressive effects.

Uzbekistan's Green Economy Initiatives

Uzbekistan has undertaken significant policy initiatives to support its transition to a green economy. The declaration of 2025 as the "Year of Environmental Protection and the Green Economy" underscores the government's commitment to sustainability. Furthermore, the country has launched the Regional Climate Strategy in collaboration with neighboring nations and established the Central Asian University for the Study of Environment and Climate Change.

The implementation of green fiscal policies in Uzbekistan is guided by strategic frameworks such as the Presidential Decree No. PF-60 (January 28, 2022) and the Uzbekistan 2030 Strategy (No. PF-158, September 11, 2023). These policies aim to enhance economic, environmental, and social sustainability by promoting energy efficiency, expanding renewable energy sources, reducing harmful emissions, and improving waste management. The country has also initiated several reforms to optimize environmental taxation, particularly in the areas of water use and subsoil resource extraction. Despite the high levels of water consumption historically, recent advancements in water-saving technologies have led to a decline in water usage in agriculture, demonstrating the effectiveness of these initiatives.

Economic and Environmental Implications

The transition to a green economy requires substantial financial investments but yields long-term economic and environmental benefits. Modernizing industrial processes to reduce energy consumption per unit of GDP will initially involve high costs but will ultimately enhance energy efficiency, reduce expenses, and improve industrial competitiveness. Investment in renewable energy and energy-efficient technologies will lay the foundation for sustainable economic growth.

Fiscal policy instruments also play a crucial role in climate adaptation. Targeted investments in climate-resilient agriculture and infrastructure, such as drought-resistant crops, efficient irrigation systems, and flood protection measures, will enhance Uzbekistan's capacity to cope with climate change. Furthermore, by reforming environmental taxes and subsidies, the government

¹⁰ Fullerton Fund Management ("Fullerton") is a signatory to the Principles for Responsible Investment ("PRI") and committed to upholding the PRI's Six Principles.

can improve resource allocation and increase state revenues while promoting sustainability.

Conclusion. Uzbekistan's transition to a green economy is a key priority of state policy, encompassing energy efficiency improvements, expansion of renewable energy sources, reduction of harmful emissions, and acceleration of waste recycling. The country is also focusing on the development of green financing mechanisms, ESG-aligned programs, and eco-friendly transportation systems. While significant progress has been made, further optimization of environmental taxes and resource management policies is necessary to maximize efficiency and sustainability. The integration of well-designed green fiscal instruments will enhance environmental sustainability, increase state revenues, and foster long-term economic growth. By aligning fiscal policies with sustainability objectives, Uzbekistan can successfully navigate its transition toward a greener and more resilient economy.

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ISSUES OF ATTRACTING SHORT-TERM FINANCIAL RESOURCES THROUGH BONDS IN COMMERCIAL BANKS

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For the growth and development of any industry, financial resources, considered the main instrument of the economy, are necessary. There are different district methods of attracting financial resources. For example, attracting resources through bank loans, attracting resources through securities, attracting resources through debt capital or attracting financial resources through crowdfunding using financial technologies, etc. In particular, it includes the attraction of financial resources through bonds, which is considered a type of attraction of financial resources through securities. In the conditions of the developing market economy, it is difficult to find idle funds in the hands of legal entities and individuals. The reason is that legal entities or individuals with such funds, realizing that keeping money will have a negative effect on its value, place