TRANSFORMATION OF FINANCIAL INSTRUMENTS IN THE TRANSITION TO A GREEN ECONOMY: THE CASE OF UZBEKISTAN

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Annotation: *This study examines the global experience of green financing and its impact on economic growth in developed and developing countries. The research analyzes the role of green financial instruments, including green bonds, green loans, and sustainability-linked investments, in supporting environmentally responsible and economically sustainable development. The findings indicate that green financing enhances the quality and resilience of economic growth in developed economies through innovation and productivity gains, while in developing countries it plays a critical role in infrastructure development, job creation, and inclusive growth. The study highlights the importance of institutional capacity, regulatory frameworks, and financial market development in determining the effectiveness of green financing. The results underscore the need for differentiated green finance strategies tailored to the specific economic conditions of countries.*

Keywords: *green financing, economic growth, sustainable development, green bonds, green loans, ESG, developed and developing countries.*

In recent decades, the concept of sustainable development has become a central priority of global economic policy, driven by climate change, environmental degradation, and increasing social inequality. Within this

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context, green financing has emerged as a key instrument for aligning economic growth with environmental sustainability. Green financing refers to the mobilization of financial resources toward environmentally friendly, energy-efficient, and low-carbon projects, aiming to support long-term and inclusive economic development.

Global experience demonstrates that green financing plays a significant role in stimulating economic growth while reducing environmental risks. In developed countries, well-established financial markets, strong regulatory frameworks, and advanced ESG (Environmental, Social, Governance) standards have enabled the rapid expansion of green financial instruments such as green bonds, green loans, and sustainable investment funds. These instruments have contributed to technological innovation, energy transition, and productivity growth, thereby enhancing the quality and resilience of economic growth.

At the same time, green financing is gaining increasing importance in developing countries, where it serves as a crucial mechanism for addressing infrastructure gaps, improving energy efficiency, and promoting inclusive growth. International financial institutions and development banks actively support green projects in emerging economies by providing concessional financing, risk-sharing mechanisms, and technical assistance. As a result, green financing contributes not only to economic growth but also to job creation, poverty reduction, and environmental protection in these countries.

However, the impact of green financing on economic growth differs between developed and developing economies due to variations in institutional capacity, financial market depth, and policy implementation. While developed countries focus on innovation-driven and technology-intensive green investments, developing countries often prioritize basic infrastructure and renewable energy projects. Therefore, a comparative analysis of green

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financing practices across different economic contexts is essential for understanding its overall contribution to economic growth.

Recent international studies emphasize that green financing has become a key mechanism for supporting sustainable economic growth by directing capital toward low-carbon, resource-efficient, and environmentally responsible activities. According to the OECD, the effectiveness of green and transition finance largely depends on the credibility of regulatory frameworks and corporate transition plans, which help reduce greenwashing risks and improve the efficiency of capital allocation. The organization argues that well-designed green finance policies contribute to productivity growth and long-term economic resilience, particularly in developed economies with mature financial markets [1].

From a macro-financial perspective, the International Monetary Fund highlights that green financing plays a crucial role in addressing climate-related investment gaps, especially in emerging and developing economies. IMF research shows that mobilizing private green finance through banking systems and capital markets can stimulate economic growth by expanding investment in infrastructure, renewable energy, and climate-resilient projects. However, the impact of green financing on growth is closely linked to financial sector depth, risk-sharing mechanisms, and supportive public policies [2].

In addition, the United Nations Environment Programme Finance Initiative emphasizes the growing integration of sustainability principles into banking and financial institutions worldwide. UNEP FI reports indicate that the adoption of sustainable finance frameworks strengthens financial system stability and enhances long-term growth prospects by improving risk management and encouraging investments aligned with environmental and social objectives. This trend is particularly important for developing countries, where green financing supports inclusive growth and job creation while addressing environmental challenges [3].

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To better understand the differences in the role and impact of green financing on economic growth, it is essential to conduct a comparative analysis between developed and developing countries. These two groups of economies differ significantly in terms of financial market maturity, institutional capacity, regulatory frameworks, and access to capital. As a result, the mechanisms through which green financing contributes to economic growth vary across countries.

The following table presents a comparative overview of key characteristics of green financing in developed and developing economies, focusing on market development, financial instruments, institutional roles, regulatory conditions, and economic outcomes. This comparison provides a structured basis for assessing how green financing supports economic growth under different economic and institutional contexts and highlights the specific challenges and opportunities faced by each group of countries.

Table 1

Comparative characteristics of green financing and its economic impact

Criteria	Developed Countries	Developing Countries
Level of green finance market development	Highly developed and diversified green finance markets with strong participation of private investors	Emerging and relatively underdeveloped green finance markets, often dependent on public and international funding
Main green finance instruments	Green bonds, sustainability-linked bonds, ESG-based loans, green investment funds	Green loans, concessional financing, development bank loans, limited use of green bonds
Role of financial institutions	Commercial banks and capital markets act as key	Development banks and international financial

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	drivers of green investment	institutions play a dominant role
Regulatory and institutional framework	Strong regulatory frameworks, advanced ESG disclosure standards, climate risk integration	Developing regulatory frameworks, limited ESG disclosure, institutional gaps
Key sectors financed	Renewable energy, green technologies, energy efficiency, sustainable transport	Renewable energy, basic infrastructure, energy access, climate-resilient agriculture
Impact on economic growth	Improves growth quality through innovation, productivity gains, and technological advancement	Supports growth through infrastructure development, job creation, and capital accumulation
Risk management capacity	Advanced risk assessment tools and climate stress testing	Limited risk assessment capacity and higher exposure to climate and financial risks
Main challenges	Greenwashing risks, transition costs, policy coordination	Limited access to finance, weak institutions, high investment risks

Source: OECD, IMF, UNEP FI reports; compiled by the author.

The comparative analysis shows that green financing contributes to economic growth in both developed and developing countries, but through different channels. In developed economies, green finance primarily enhances growth quality, innovation, and productivity by supporting advanced green technologies and sustainable industries. Well-functioning capital markets and

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strong regulatory frameworks enable the large-scale mobilization of private capital.

In contrast, in developing countries green financing plays a more foundational role, focusing on infrastructure development, energy access, and climate resilience. Although the share of green finance in GDP is generally lower, its marginal impact on economic growth and employment is often higher. However, institutional weaknesses, limited financial market depth, and higher perceived risks constrain the expansion of green finance in these economies.

Overall, the table highlights the need for context-specific green finance strategies, where developed countries emphasize market efficiency and innovation, while developing countries focus on capacity building, regulatory development, and international financial support.

The analysis confirms that green financing plays a vital role in promoting economic growth in both developed and developing countries, although the channels and intensity of its impact differ significantly. In developed economies, green financing primarily contributes to improving the quality of economic growth by fostering innovation, enhancing productivity, and accelerating the transition toward low-carbon and energy-efficient industries. Well-developed financial markets, strong regulatory frameworks, and advanced ESG standards enable these countries to mobilize private capital effectively for sustainable investments.

In developing countries, green financing serves as a catalyst for inclusive and infrastructure-driven growth. By supporting renewable energy projects, climate-resilient infrastructure, and sustainable agriculture, green financing helps address structural development gaps, create employment, and improve access to essential services. Although the scale of green finance remains relatively limited, its marginal impact on economic growth and social development is substantial.

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Overall, the findings suggest that green financing does not hinder economic growth; instead, it enhances its sustainability and long-term resilience. To maximize these benefits, developed countries should focus on improving market efficiency and minimizing greenwashing risks, while developing countries should prioritize strengthening institutional capacity, regulatory frameworks, and access to international climate finance. A differentiated and context-specific approach to green financing is therefore essential for achieving sustainable economic growth at the global level.

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