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WAYS OF STATE SUPPORT OF GREEN ECONOMY DEVELOPMENT

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Abstract

This paper explores the role and effectiveness of state subsidies in fostering the development of a green economy in Uzbekistan. It highlights the ecological and economic challenges facing the country and examines current financing mechanisms for biodiversity and environmental protection. Through analysis of government policy, financial instruments, and the implementation of the National Green Economy Taxonomy, the study evaluates the implications of subsidies in sectors such as agriculture, tourism, and education. The findings reveal mixed impacts on biodiversity – while certain subsidies promote sustainability, others may contribute to ecological degradation. The study underscores the need for a coordinated, interagency, and evidence-based approach to align economic growth with environmental preservation.

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Introduction

The financing of biodiversity is mainly carried out from the state budget, targeted funds, and extra-budgetary funds of various ministries and departments. From 2012 to 2020, excluding extra-budgetary funds, spending on environmental protection averaged 0.06% of total state expenditures and about 0.02% of GDP. Considering the ecological challenges the country faces, these figures are quite low.

The budget process in the Republic is regulated by the Budget Code and the Law of the Republic of Uzbekistan "On the Budget System." This law separately defines the mechanisms for forming, approving, executing, and controlling the budgets of all categories. Unfortunately, it does not identify specific expenditure items related to biodiversity conservation or other ecological issues. Moreover, from the perspective of state subsidies and biodiversity budgeting, despite consistent efforts over several years to transition to medium-term budgeting (with a three-year basis), Uzbekistan continues to operate under a short-term annual budget model. The reluctance or delay in adopting medium-term budgets can be explained, among other things, by the constantly evolving economic and administrative landscape resulting from ongoing reforms. This dynamic change can lead to uncertainty, making a shift to long-term budgeting more difficult.

Literature Review

At the initiative of President Shavkat Mirziyoyev, Uzbekistan became the first CIS country to join the Global Green Growth Institute in 2019. Under the Paris Agreement, Uzbekistan is consistently fulfilling its obligations to reduce greenhouse gas emissions into the atmosphere by 10% by 2030.

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E. Lyackovskaya and K. Grigorieva, in response to the question of whether the transition to a "green economy" means abandoning technological progress, presented models such as "balanced development," "inclusive development," "green," and "brown" economy models.

By Resolution No. 561 of the Cabinet of Ministers of the Republic of Uzbekistan dated October 25, 2023, the National "Green" Economy Taxonomy was approved to encourage private capital investment in "green" infrastructure, support financial provisioning of "green" economy sectors, and introduce classification criteria for "green" activities.

Accordingly, the Ministry of Economy and Finance was designated as the responsible executive body for implementing and coordinating the National "Green" Economy Taxonomy. By October 1, 2024, it was mandated that the classification of "green" projects financed through green bonds, loans, and other sources would be piloted using this taxonomy. Moreover, investment expenses of businesses benefiting from state financial support – subsidies, grants, credit lines, guarantees – will be classified based on the taxonomy, and data submission procedures to the responsible national authority were introduced.

Uzbekistan's environmental policy prioritizes regional and district-specific approaches, taking into account local characteristics. This policy is developed considering geographic and ecological-economic features of territories and aims to:

- Address development problems by considering natural and ecological features of specific regions;
- Preserve public genetic health;
- Promote integrated use of natural resources;
- Protect and maintain biodiversity.

Methodology

The research employs a **qualitative and analytical approach**. Key government resolutions, national laws, and strategic documents (such as the Budget Code and Resolution No. 561 on the Green Economy Taxonomy) are analyzed to assess Uzbekistan's policy and institutional framework. Descriptive statistics are used to evaluate biodiversity-related damages and financial allocations. Additionally, sectoral analysis is conducted to understand the impact of subsidies in agriculture, tourism, and social sectors. The study also incorporates a review of international practices and policy literature to provide comparative insights and propose reforms for sustainable development in Uzbekistan.

Analysis and Results

In 2021, biodiversity-related damages amounted to 40.8 billion UZS (approx. $3.71 million USD), resulting in over 1,800 administrative and 22 criminal cases. Of this, 25 billion UZS (approx. $2.3 million USD) was compensated, including 17.2 billion UZS ($1.5 million USD) for illegal tree cutting.

Agriculture plays a vital role in Uzbekistan's economy and society. As the country transitions to modern agriculture, state subsidies are essential in promoting economic growth, technological adoption, and reducing risks for farmers. This section describes various state subsidies aimed at agriculture and evaluates their potential impacts on biodiversity.

Subsidies for sustainable farming, efficient water use, and advanced agricultural methods highlight government efforts. Such measures can have mixed effects on biodiversity. Promoting water-saving technologies can reduce water extraction from natural sources, benefiting aquatic ecosystems. Subsidies encouraging biocontrol reduce excessive pesticide use, aiding soil organisms and broader ecosystems.

Some subsidies might neither harm nor directly benefit biodiversity – for instance, compensating energy costs for irrigation. However, indirect impacts must be monitored. Concerns arise over subsidies that support intensive farming or habitat destruction. For example, subsidies for drilling wells in specific regions may affect groundwater ecosystems and lead to unsustainable water use.

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Although subsidies aim to support agriculture, assessing their long-term impacts on biodiversity is vital. Balancing agricultural productivity and ecological sustainability remains a priority. Proper targeting, monitoring, and periodic review of subsidies can ensure that agricultural development aligns harmoniously with nature.

To stimulate different sectors, Uzbekistan's government has launched subsidy programs covering agriculture, industry, tourism, education, and social welfare. Sector-specific subsidies – such as for individual farmers or crops – have produced mixed results for biodiversity. For example, developing greenhouse farming might reduce deforestation but increase water pollution through greater fertilizer use.

Tourism-related subsidies, such as hotel construction and domestic aviation, also pose both risks and benefits. Tourism may harm habitats but also support biodiversity through ecotourism. However, aviation emissions contribute to climate change, indirectly affecting biodiversity.

Educational subsidies, mainly focused on vocational training and student placements, have minimal biodiversity impacts. Similarly, social subsidies targeting unemployment or student housing generally have neutral effects – unless infrastructure construction disrupts ecosystems.

These subsidies reflect active promotion in key sectors, but their biodiversity effects vary. While some have neutral or minimal impact, others – especially in agriculture and construction – have direct implications. Such incentives require careful evaluation to balance economic growth with biodiversity conservation.

Biodiversity financing decisions depend on funding sources. Proposed annual budget allocations by relevant authorities are not always approved due to fiscal strategy limitations, such as social expenditure mandates and international fiscal deficit guidelines (e.g., 4% of GDP by 2022). Other financing channels include targeted funds like the Ministry of Ecology's Environmental Protection and Waste Management Fund. These are annually approved in coordination with the Ministry of Economy and Finance.

Beyond government sources, biodiversity financing also relies on private contributions and donor funding. However, data on private investments in biodiversity remain limited.

Conclusion

The lack of comprehensive biodiversity accounting, inadequate penalties for violations, insufficient public awareness about environmental impacts, jurisdictional complexities, and misinterpretation of laws contribute to ineffective biodiversity management. Moreover, national categories not aligning with IUCN classifications, lack of biodiversity experts, and inconsistent government policies hinder a systematic environmental approach.

Despite GDP growth, no official data exist on growth in green production or ecosystem services. The disconnect between development plans and environmental priorities leads to fragmented problem-solving for biodiversity. Dual subordination of regional bodies to both ministries and local authorities creates conflicts and hinders policy implementation. Therefore, a comprehensive, systemic, and interagency approach – incorporating best international practices – is essential for effective biodiversity and environmental protection.

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