GREEN FINANCE MARKET IN UZBEKISTAN: PROGRESS, CHALLENGES, AND PROSPECTS

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Abstract

Uzbekistan is making significant advances in green finance, marked by the issuance of its first sovereign green bond in 2023 and a major corporate green Eurobond by Agrobank in 2024. These initiatives support the nation's ambitious renewable energy goals and signal Uzbekistan's commitment to sustainable economic transformation. However, key obstacles remain, including the underdevelopment of the domestic capital market and limited private sector participation. This paper analyzes recent progress, key challenges, and strategic recommendations to expand green finance in Uzbekistan.

Keywords:green finance, green bonds, Uzbekistan, sustainable development, renewable energy, capital market, ESG, climate investment

1.Introduction

Green finance channels capital toward projects with clear environmental benefits. In Uzbekistan, the sector is still in its infancy but is growing rapidly as the government sets ambitious targets for renewable energy and sustainability. In recent years, the country has taken concrete steps to develop a local green finance ecosystem and attract international investment.

2.Key Instruments and Milestones

Uzbekistan's green finance market is dominated by green bonds. In 2023, the Ministry of Finance issued a sovereign green Eurobond—worth UZS 4.25 trillion, with a 3-year maturity—on the London Stock Exchange. This was the first CIS sovereign green bond denominated in national currency and drew interest from more than 30 international investors.

In 2024, Agrobank, one of the country's leading financial institutions, issued a corporate green Eurobond totaling USD 400 million (5 years) and UZS 700 billion (2 years), both also listed in London. The bonds were aligned with ICMA Green Bond Principles and received technical support from the Global Green Growth Institute.

3. Market Statistics and Trends

- **Total green bonds issued (2023–2024):** ~UZS 5.1 trillion (over USD 450 million equivalent)
- **Sectors financed:** renewable energy (solar, wind), energy efficiency, sustainable transport

- **Investor base:** international financial institutions, sovereign funds, and sustainability-focused investors
- **Renewable energy target:** 27 GW by 2030 (2.7 GW operational, 9 GW under construction as of 2024)
- **Annual green investment need:** estimated at ~USD 6 billion

4.Analysis: Strengths and Weaknesses Strengths:

- Landmark sovereign and corporate green bond issuances have positioned Uzbekistan as a regional leader
- International investor appetite for Uzbekistan's green finance products is strong
- Policy support for renewable energy expansion is robust and growing

Weaknesses:

- The domestic capital market remains underdeveloped, limiting local green bond placement
- Private sector issuances are few, and market depth is shallow
- Financial and ESG literacy among issuers, investors, and the public remains low
- Regulatory standards need further alignment with international best practices

5. Recommendations

- **Develop the domestic capital market:** Introduce clear green bond regulations, tax incentives, and support for local issuers
- **Encourage private sector participation:** Foster more non-state green issuances via public–private partnerships, blended finance, and credit enhancement
- **Increase financial literacy:** Implement ESG training programs and public awareness campaigns
- **Strengthen international cooperation:** Expand collaboration with organizations such as the World Bank, GGGI, EBRD, AIIB, and OECD
- **Ensure transparency:** Adopt international reporting standards, such as ICMA GBP and Climate Bonds Standard

6.Conclusion

Uzbekistan's early success in green finance, especially through its sovereign and corporate green bonds, reflects a strong commitment to sustainable growth. To build on this foundation, further development of the domestic market, deeper private sector engagement, and improved regulatory alignment are essential.

These efforts will help turn green finance into a core driver of Uzbekistan's low-carbon, climate-resilient future.

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