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LEARNING FROM INTERNATIONAL MODELS: A FIVE-PILLAR STRATEGY FOR UZBEKISTAN'S DOMESTIC SUSTAINABLE DEBT MARKET

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Abstract

Sustainable debt markets have expanded rapidly worldwide: cumulative recorded issuance of green, social, sustainability and sustainability-linked (GSS+) instruments reached USD 8.1 trillion by the end of 2025. For developing economies with bank-based financial systems and shallow capital markets, however, the policy question is not whether such instruments exist but which institutional mechanisms can be adapted to local legal, monetary and market conditions. Uzbekistan has already built important foundations: the 2019 Green Economy Strategy, the “Uzbekistan – 2030” Strategy, the National Green Economy Taxonomy adopted in 2023 and Cabinet of Ministers Resolution No. 221 of 4 May 2026, which phases large strategic enterprises into sustainability reporting based on IFRS Sustainability Disclosure Standards¹.

International labelled issuance has also been substantial. Sovereign SDG and green bonds placed in 2021 and 2023 totalled about USD 1.2 billion, including the first sovereign green issue in the CIS (UZS 4.25 trillion at a 16.25 percent coupon), followed by a EUR 500 million green tranche in February 2025. In 2024 Sanoat Qurilish Bank placed a sustainability bond of USD 400 million and UZS 2.25

¹Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On measures for the introduction of sustainable development and environmental, social and corporate governance (ESG) principles”, No. 221, dated 4 May 2026.



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trillion, and Agrobank a green Eurobond equivalent to USD 455 million. Together these transactions amount to at least USD 2.7 billion, whereas the only domestic labelled issue – the green bond of the Uzbekistan Mortgage Refinancing Company placed in September 2024 – amounts to UZS 50 billion. The central challenge is therefore the operational integration of taxonomy, disclosure, verification, bank incentives, investor demand and secondary-market infrastructure.

This gap can be explained by four structural mismatches. The external–internal mismatch sets billions of dollars of international issuance against a single small domestic issue. The public–private mismatch reflects the dominance of sovereign and state-linked issuers. The strategy–instrument mismatch arises because adopted strategies and the taxonomy have not yet been translated into securities rules, verification and market infrastructure. The outcome–impact mismatch reflects uneven ex-post reporting: allocation and impact reports are published for sovereign issues, but outcome indicators are not reported on a harmonized basis across issuers. The pricing literature explains why these mismatches matter: the “greenium” on green bonds is small, and the positive market response is concentrated among externally certified issuers, so a market without credible verification and disclosure cannot expect a label alone to lower financing costs.

Financing conditions make the problem sharper. In an illustrative solar-PV calculation based on international benchmark costs, raising the discount rate from 6 percent, typical of concessional hard-currency financing, to 14 percent, the Central Bank’s policy rate, increases the levelised cost of electricity by about 72 percent – from USD 36.7 to USD 63.1 per MWh. Building domestic sources of long-term, lower-cost funding is therefore a precondition for the economic viability of green projects.



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Table 1. Country models of sustainable debt market development and lessons for Uzbekistan²

Country	Central architecture	Key instrument	Lesson for Uzbekistan
United States	Deep markets; tax-incentive-led	Clean-energy tax incentives; municipal financing	Targeted incentives with clear eligibility and disclosure baselines
Japan	Transition-finance-led	Sovereign Climate Transition Bonds	Transition bonds for a hydrocarbon-dependent energy mix
European Union	Binding taxonomy and disclosure	EU Taxonomy; European Green Bond Standard	Link taxonomy, disclosure and verification
China	Central-bank-led, bank-dominated	PBOC Carbon Emission Reduction Facility	Taxonomy-linked bank reporting and calibrated refinancing
Republic of Korea	Development-bank-anchored	KDB anchor issuance; dedicated KRX segment	State development bank as domestic anchor issuer
India	Sovereign auctions and bank sector	Green deposits; sovereign green auctions; BRSR	Green-deposit framework; mandatory disclosure

A structured comparison of six jurisdictions – the United States, Japan, the European Union, China, the Republic of Korea and India – shows that mature sustainable-debt markets combine clear eligibility rules, credible disclosure and verification, repeat issuance and either deep institutional demand or active public-sector market building. Each model offers a different lesson for Uzbekistan (Table 1). These cases support adaptation rather than direct transplantation. On this basis, a strategy for 2026–2030 is proposed, consisting of five mutually reinforcing

²Compiled on the basis of national legislation, central bank and regulator documents of the jurisdictions concerned; the lessons denote institutional features for consideration, not models to be copied unchanged.



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pillars under a coordination layer anchored in the Ministry of Economy and Finance and the Central Bank.

The first pillar, the regulatory foundation, operationalizes the 2023 taxonomy through technical screening and transition guidance and introduces dedicated GSS and sustainability-linked bond rules aligned with ICMA principles and with the IFRS-based reporting baseline of Resolution No. 221. The second pillar builds a domestic GSS segment through regular local-currency sovereign or state-backed labelled issuance with an issuance calendar, benchmark maturities, post-issuance reporting and a review of market-making and repo arrangements; at a later stage, digital placement could lower distribution costs for small retail tranches.

The third pillar mobilizes the banking sector through a calibrated pilot Green Refinancing Facility linked to the taxonomy and verified loan-level reporting, complemented by green-loan statistics and, later, a green-deposit framework. The fourth pillar introduces temporary, targeted fiscal incentives. The arithmetic is modest: a 3-percentage-point annual coupon subsidy on a UZS 500 billion three-year bond costs UZS 15 billion a year, with a present value of about UZS 34.8 billion, or roughly 7 percent of face value, when discounted at the 14 percent policy rate. Because some supported issues would occur anyway, any scheme must be time-bound, capped, independently verified and subject to additionality tests and clawback. The fifth pillar strengthens institutional infrastructure: an inter-agency coordination council, a transparent framework for recognizing external reviewers and a unified sustainability-information platform aligning securities disclosure, ESG reporting and impact reporting.

Illustrative issuance paths show why the domestic market should be the focus. Depending on the pace of implementation, cumulative labelled issuance by national issuers over 2026–2030 could reach USD 3.25 billion, USD 7.92 billion or USD 13.25 billion, with the domestic share rising to 14, 29 and 37 percent of



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annual issuance by 2030. In the baseline path, halving domestic issuance lowers the cumulative total by about USD 0.78 billion, whereas holding sovereign issuance flat lowers it by only USD 0.28 billion.

In conclusion, Uzbekistan's policy problem has shifted from creating basic green-finance institutions to making them operational and mutually consistent. Five priorities follow: operationalize the taxonomy and align it with securities and ESG disclosure; build repeat local-currency labelled issuance and secondary-market infrastructure; test bank-sector green refinancing only through a safeguarded pilot; use temporary fiscal support only where additionality can be verified; and strengthen coordination, external review and impact reporting. The proposed instruments involve trade-offs – coupon support may subsidize issuance that would occur anyway, and central-bank refinancing may blur monetary and credit-allocation objectives – so time limits, caps, transparent eligibility, audit and a clear exit strategy are essential.

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