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FROM ADOPTION TO OPERATIONALIZATION: BUILDING A SUSTAINABLE FINANCE SYSTEM IN UZBEKISTAN

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Abstract

Sustainable finance has become one of the principal channels through which capital is redirected toward climate, environmental and social objectives: by the end of 2025 cumulative aligned issuance of green, social, sustainability and sustainability-linked (GSS+) debt approached USD 6.8 trillion worldwide, with issuers from 109 countries. Uzbekistan entered this market unusually early relative to its stage of capital-market development. The Strategy for the Transition to a Green Economy for 2019–2030 (PP-4477) was followed by the first sovereign SDG bond in July 2021 – a UZS 2.5 trillion tranche (about USD 235 million) with a three-year maturity and a 14 percent coupon – and by UZS 4.25 trillion of sovereign green Eurobonds in October 2023, the first green sovereign issue in national currency among CIS governments. Further sovereign SDG issuance in May 2024, a EUR 500 million sovereign green bond in February 2025 and the USD 400 million plus UZS 2.25 trillion sustainability bond of Sanoat Qurilish Bank in July 2024 extended this record.

The regulatory architecture has strengthened in parallel. The National Green Economy Taxonomy was formally approved in October 2023¹, and a government framework for sustainable-development and ESG principles was adopted by

¹Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On approval of the National ‘Green’ Economy Taxonomy”, No. 561, dated 25 October 2023.



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Cabinet Resolution No. 221 of 4 May 2026. The key question is therefore no longer whether Uzbekistan has the basic elements of a sustainable finance system, but how early, internationally distributed issuance can evolve into a self-sustaining domestic system. Analysed through the Schoenmaker–Schramade typology, a national system consists of four interdependent layers: a strategic-policy layer that sets direction and legitimacy; a regulatory-taxonomy layer that defines which activities qualify; an instrument layer of securities and credit products; and a market-infrastructure layer of disclosure, verification, trading and the investor base. Uzbekistan has made clear progress in the first three layers, while the fourth remains least developed.

The landmark transactions reveal two regularities. First, they relied heavily on international standards, technical partners and foreign reviewers – UNDP support and Sustainalytics second-party opinions for the sovereign bonds, GGGI support and Sustainable Fitch verification for the SQB bond. This established credibility but also exposes the absence of scalable domestic verification and reporting capacity. Second, the principal labelled bonds, including their local-currency tranches, were placed in international markets. Access to foreign capital has widened, yet a deep domestic investor base and secondary-market liquidity remain a separate, unresolved challenge.

The central institutional gap is therefore best described as an operationalization gap rather than a taxonomy-adoption gap. The taxonomy and the ESG framework are in force, but their consistent translation into disclosure rules, bank-lending classification, labelled-instrument standards, assurance and supervisory practice is still incomplete. A complementary development is the Central Bank's growing attention to climate-related risks in its financial-stability work. For Uzbekistan the most relevant physical exposures are water scarcity, drought, heat and the dependence of irrigated agriculture on scarce water, which may be transmitted



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into bank credit quality, collateral values and sectoral concentration – a prudential rationale for taxonomy-linked finance.

Benchmarking against the European Union, China and Kazakhstan clarifies which elements of more developed systems are realistically transferable (Table 1).

The EU remains the reference model of a binding taxonomy combined with extensive reporting obligations, but its direct transplantation would ignore large differences in market depth, institutional capacity and compliance costs. China shows a bank-led alternative: by the third quarter of 2025 outstanding green loans reached RMB 43.51 trillion, far exceeding the green bond market. Given Uzbekistan's bank-dominated financial system, taxonomy-aligned bank lending may therefore reallocate capital faster than bond-market development alone, provided prudential safeguards are maintained.

Table 1. Comparative sustainable finance architecture: European Union, China, Kazakhstan and Uzbekistan²

Dimension	European Union	China	Kazakhstan	Uzbekistan
Taxonomy	Binding taxonomy regulation with quantitative thresholds	Green Finance Supported Project Catalogue (2025 edition)	National green-project taxonomy (2021), amended in 2024 and 2025	National Green Economy Taxonomy (2023); operational use still developing
Disclosure	Mandatory (CSRD, Taxonomy Regulation)	Evolving mandatory ESG disclosure for listed issuers	Developing; AIFC-promoted standards	ESG framework adopted in 2026; market practice developing
Dominant channel	Deep labelled-bond market and banks	Banking system (green loans)	Capital markets, bank-supported	Sovereign and quasi-sovereign international bonds
Institutional locus	European Commission, ESMA, national regulators	People's Bank of China, NDRC	AIFC Green Finance Centre	Ministry of Economy and Finance, Central Bank

²Compiled on the basis of materials of the World Bank, the Green Finance & Development Center, the AIFC Green Finance Centre and national legal acts; qualitative comparison.



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Kazakhstan, which adopted its green taxonomy in 2021 and has since updated it, is the closest regional example of moving from formal adoption to practical use in financial products, disclosure and verification.

The demand side is an equally important constraint. A system built on internationally distributed instruments leaves commercial banks, the nascent pension and insurance sector and retail savers largely outside the market it is meant to serve. Survey evidence from 450 active investors in Uzbekistan identifies financial literacy as the strongest predictor of investor risk-taking. Extended theoretically to sustainable instruments, this suggests a chain in which higher literacy improves understanding of duration, credit and impact-reporting risk, increases confidence in holding longer-tenor thematic bonds, supports diversification of savings away from short-term deposits and, ultimately, deepens primary placement capacity and secondary-market liquidity.

On this basis, a sustainable financing architecture centred on the Ministry of Economy and Finance and the Central Bank is proposed, built around five mutually reinforcing components: operationalization of the National Green Economy Taxonomy through links to public investment, labelled instruments and phased financial-sector classification; implementation of the 2026 ESG framework through proportionate disclosure and assurance requirements for listed issuers, banks and state-owned enterprises; expansion of taxonomy-aligned bank lending, drawing selectively on China's experience while avoiding mechanical lending quotas; development of pension and insurance funds as anchor holders of local-currency sustainable instruments, paired with retail financial education; and phased instrument diversification, with sustainability-linked loans and local-currency green bonds as near-term priorities and green sukuk as a medium-term option.



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In conclusion, Uzbekistan has moved beyond the pilot stage of sustainable finance: its taxonomy and ESG framework are in force and its labelled issuance is internationally recognized. The remaining challenge is operational rather than legislative – embedding these frameworks in disclosure, lending, verification and domestic investor participation. Kazakhstan’s experience in operationalizing an adopted taxonomy and China’s bank-led green-credit channel are the most transferable practices at the present stage, while the EU model serves as a long-term benchmark. The proposed financial-literacy channel remains a theoretical extension and should be tested with investor surveys that include sustainable-instrument-specific variables.

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