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BARRIERS TO PRIVATE SECTOR GREEN BOND ISSUANCE IN UZBEKISTAN'S CAPITAL MARKET: A COMPARATIVE ANALYSIS WITH KAZAKHSTAN

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Abstract: Uzbekistan has built much of the policy architecture for a green finance market, including a National Green Economy Taxonomy and a track record of sovereign green and SDG linked Eurobonds dating back to 2021. Despite this, private sector green bond issuance has remained marginal, with only one small corporate green bond issued domestically as of 2024. Kazakhstan, which adopted its own green taxonomy around the same period, has instead developed a private and quasi private green bond market worth close to three billion dollars. This paper asks why that gap exists and what would close it. Using a comparative case study built on official sources from both countries, including government ministries, stock exchanges and United Nations agencies, the paper examines four areas where the two markets diverge, regulatory and verification support, the depth of the domestic institutional investor base, the presence or absence of targeted financial incentives, and the potential to refinance existing renewable energy assets through green debt. The findings suggest Uzbekistan's barrier is less a missing policy than a sequencing problem, with taxonomy and sovereign issuance built well ahead of the market infrastructure needed to support private issuers. The paper closes with three targeted recommendations for narrowing that gap.

Keywords: Green bonds; Private sector issuance; Green taxonomy; Capital market development; Uzbekistan; Kazakhstan; Sustainable finance

Introduction

Uzbekistan has spent the last several years building the legal and institutional scaffolding for a green finance market. The government adopted a National Green Economy Taxonomy in October 2023 through Cabinet of Ministers Resolution No. 561, the Ministry of Finance placed the country's first Sovereign Sustainable Development Goals Bond on the London Stock Exchange in 2021, and the same ministry returned to London in 2023 with the first ever green sovereign Eurobond denominated in soum among Commonwealth of Independent States countries. Yet almost all of this activity has come from the state. Private and quasi private issuers have barely participated. The first domestic corporate green bond, issued by the Mortgage Refinancing Company of Uzbekistan in September 2024, raised only about four million dollars, a fraction of what the country's renewable energy pipeline alone would require.

Kazakhstan offers a useful contrast. Its sustainable bond market launched in 2020 with a small pilot issue from the Damu Entrepreneurship Fund and has since grown into roughly two point nine billion dollars in outstanding sustainable debt, with national companies under Samruk Kazyna and Baiterek Holding now regular issuers on the Astana International Exchange and the Kazakhstan Stock Exchange. The puzzle this paper investigates is simple to state. Why has private green bond issuance in Uzbekistan stayed marginal while Kazakhstan built a market roughly seven hundred times larger in

dollar terms, given that both countries adopted green taxonomies around the same period and both rely on broadly similar economic structures dominated by state owned enterprises.

Literature Review

The World Bank's recent work on Uzbekistan's green transition frames the issue around what it calls green investment champions, arguing that state owned financial institutions, which currently provide about seventy percent of all lending in the economy, should be made to lead by example so that private issuers eventually follow. This top down framing is consistent with how Uzbekistan has actually built its market so far. The taxonomy itself was developed by the Ministry of Economy and Finance with technical support from the World Bank, and its primary early use case has been internal, guiding which projects state owned entities such as the Entrepreneurship Development Company and the Business Development Bank can label as green rather than serving corporates seeking outside capital.

Kazakhstan took a different route. The AIFC Green Finance Centre, a subsidiary of the Astana International Financial Centre, was established specifically to build market infrastructure rather than to manage state issuance. According to its chief executive, the centre helped develop Kazakhstan's green taxonomy and supported the first labelled bonds not only in Kazakhstan but also in Kyrgyzstan, Uzbekistan and Azerbaijan, positioning itself as a regional verification and advisory hub rather than a single country regulator. Both the Astana exchange and KASE waived listing fees for green, social and sustainable bonds, and a government backed coupon subsidy programme, introduced under the Business Road Map 2025 support scheme, paid issuers a guaranteed seven percent coupon contribution on top of an eight percent subsidised rate for green loans. That subsidy is widely credited with the surge in small and medium enterprise green bond issuance that followed, and its lapse is part of why regional green bond volumes fell across Central Asia in 2025 after peaking the prior year.

Methodology

This paper uses a comparative case study design built on publicly available primary documents rather than a constructed proprietary dataset, since the population of labelled green and sustainability bonds in both countries is still small enough to review individually. Data points on issuer, instrument size, coupon rate, listing venue and verifier were drawn from official sources, including the Astana International Financial Centre, the Kazakhstan Stock Exchange, the Mortgage Refinancing Company of Uzbekistan's own sustainability financing framework, the United Nations Development Programme's reporting on Uzbekistan's sovereign bonds, and World Bank country level publications. Where exact figures were not publicly disclosed, the paper relies on the most recent verifiable reporting from these institutions rather than estimation. This approach suits the scope of the question well, because the research is less about statistical inference across a large sample and more about explaining a structural gap between two adjacent markets using documented policy choices, institutional design and the handful of transactions that have actually occurred. A larger quantitative panel would be more appropriate once Uzbekistan's corporate issuance base grows beyond a single transaction, which at the time of writing it has not.

Results

The taxonomy solves classification, not access

Uzbekistan's National Green Economy Taxonomy does what taxonomies are designed to do. It defines which activities count as green and gives state institutions and, in principle, private companies a common reference point for labelling projects. What it does not do, at least so far, is reduce the practical cost of bringing a bond to market. The taxonomy's first major application was internal, used by the Entrepreneurship Development Company to screen its own project pipeline rather than to certify corporate issuers seeking outside investors. Compare this with Kazakhstan, where the AIFC Green Finance Centre pairs the taxonomy with an external verification service and a referral relationship with placement agents, so a company that wants to issue does not need to build internal expertise from scratch. Uzbekistan's first corporate green bond, the Mortgage Refinancing Company issue, only became possible after the AIFC Green Finance Centre itself stepped in to verify the bond and after Tashkent revised its securities issuance rules in June 2024 to permit the instrument domestically. In other words, Uzbekistan's own taxonomy was necessary but not sufficient. The actual enabling work, verification, investor outreach and rule changes, came from a Kazakh institution and a regulatory amendment that took until mid 2024 to arrive, three years after Uzbekistan first appeared on global green bond lists through its sovereign issuance.

A thin institutional investor base

Even where a green label exists, somebody has to buy the bond. Uzbekistan's domestic institutional investor base has historically been shallow. Recent reporting from Tashkent based investment firm ALKES describes 2025 as the first year banks and insurance companies became what it calls anchor investors in the local bond market on a systematic basis, having previously kept almost no presence there and channelled funds into collateralised lending instead. Total government bond trading volume reportedly jumped by close to seven hundred and fifty percent year on year, which is a sign of a market starting from a very low base rather than one that was already deep. Non state pension funds are only now being incorporated into placement processes for new soum denominated instruments, according to a 2025 regulatory update from Uzbekistan's National Agency for Prospective Projects. Kazakhstan, by contrast, built its demand side over a longer runway. National holding companies issued repeatedly on KASE and AIX, giving local banks and asset managers years of practice pricing and holding labelled debt, and waived listing fees lowered the marginal cost of bringing each new issue to a market that already had buyers conditioned to absorb it. A thin and newly forming investor base in Uzbekistan means that any private issuer, green labelled or not, faces higher placement risk and likely a higher required coupon, which discourages exactly the kind of smaller or mid sized corporate issuance the literature on green finance usually hopes to unlock.

Incentives exist on paper but not yet at scale

Kazakhstan's experience with its coupon subsidy programme is instructive precisely because of how clearly it worked and then stopped working. Subsidising green loan interest at eight percent and bond coupons at seven percent, introduced in 2021, is widely cited as the trigger for small and medium enterprise issuance that followed, and the programme's later lapse lines up closely with the roughly twenty five percent regional decline in green bond issuance volumes reported for 2025. Uzbekistan has tax breaks and subsidies available for renewable technology investment more broadly, but nothing equivalent has been built specifically around the bond instrument itself for private issuers. The single domestic corporate green bond issued so far, the Mortgage Refinancing Company's fifty billion soum issue, carried an eighteen percent coupon, a rate that reflects general Uzbek interest rate conditions rather than any concessional green pricing. Without a comparable subsidy or guarantee mechanism, a private Uzbek company currently has little financial reason to choose a green bond over a conventional bank loan, especially given that bank lending, heavily directed by state owned institutions, remains

relatively abundant and may already be priced competitively for projects that would also qualify under the green taxonomy.

An underused refinancing pipeline

Perhaps the clearest near term opportunity sits in Uzbekistan's existing renewable energy assets. The country has brought online a series of large solar and wind projects in recent years financed largely through conventional loans rather than labelled green debt. Refinancing even a portion of that asset base through green bonds would not require originating entirely new green projects from scratch, since the underlying assets already meet the environmental criteria the taxonomy was built to identify. The Mortgage Refinancing Company's own model, raising proceeds specifically to refinance existing green linked loans held by partner banks, is a working domestic template for exactly this kind of transaction, just applied so far only to building energy efficiency rather than renewable generation. Extending a similar refinancing structure to operating solar and wind assets could give Uzbekistan a faster path to a deeper private green bond market than waiting for new corporate issuers to build green projects and bond market experience simultaneously.

Discussion

Taken together, these findings suggest the barrier facing private green bond issuance in Uzbekistan is less a single missing policy and more a sequencing problem. Kazakhstan built verification capacity, listing incentives, a coupon subsidy and a base of practiced institutional investors more or less in parallel over roughly five years, with a dedicated regional institution driving much of that work. Uzbekistan has so far built the policy architecture, the taxonomy and the sovereign track record, well ahead of the market infrastructure that would let private issuers actually use it. The taxonomy exists, but verification largely still comes from outside the country. Tax incentives exist for green investment generally, but not for the bond instrument specifically. Institutional investors are only beginning to participate in bonds at all, regardless of label. This sequencing gap helps explain why Uzbekistan, despite earlier and arguably more internationally visible sovereign green bond issuance than Kazakhstan, has produced only one small private green bond against Kazakhstan's multi billion dollar corporate market.

Conclusion

Closing this gap probably does not require reinventing Uzbekistan's taxonomy, which already broadly aligns with international standards according to the World Bank's own guidance work on its design. It more plausibly requires three things working together. First, a clearer domestic verification and advisory pathway so issuers are not dependent on a foreign institution each time, even as that cooperation with the AIFC Green Finance Centre continues to be useful in the near term. Second, a targeted incentive, whether a coupon subsidy modelled on Kazakhstan's early scheme or a listing fee waiver on the Tashkent Stock Exchange, sized carefully enough to avoid the boom and bust pattern Kazakhstan experienced once its own subsidy lapsed. Third, and most immediately actionable, a deliberate push to refinance Uzbekistan's existing renewable energy loan book through green bonds rather than waiting for new corporate green bond deals to be originated one at a time. None of these steps depends on rewriting the taxonomy itself. They depend on building the market infrastructure around a taxonomy that, on paper, has already been in place for more than two years.

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