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OPPORTUNITIES TO INCREASE THE FOREIGN INVESTMENT ATTRACTIVENESS OF UZBEKISTAN’S REGIONS THROUGH GREEN INITIATIVES

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ABSTRACT

Uzbekistan is enhancing its regional competitiveness by attracting foreign investments through green initiatives, focusing on renewable energy, waste-to-energy projects, and sustainable agriculture. The government’s policies, such as issuing green bonds and fostering international partnerships, are pivotal in driving these efforts. While challenges like investment gaps remain, Uzbekistan’s green transition offers significant opportunities for economic growth. By leveraging regional strengths and improving institutional coordination, Uzbekistan aims to position itself as a leader in Central Asia’s sustainable development.

KEYWORDS: green investment, foreign direct investment (FDI), renewable energy, sustainable development, green finance, green bonds, waste-to-energy projects, climate-smart agriculture, regional competitiveness, sustainable infrastructure, international partnerships

INTRODUCTION

Uzbekistan, a landlocked country in Central Asia, is strategically positioning itself as a regional leader in sustainability and green finance. As the world pivots towards sustainable development to address pressing climate change concerns, Uzbekistan recognizes the critical role of green initiatives in boosting its economic

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competitiveness. Through investments in renewable energy, waste management, and sustainable infrastructure, the nation is taking bold steps to attract foreign capital and improve its regions' economic standing on the global stage.

One of the key opportunities for Uzbekistan lies in leveraging green finance trends to enhance the attractiveness of its regions for foreign investment. Global green finance is rapidly evolving, driven by both policy shifts and increasing investor interest in sustainable projects. By aligning regional development with these trends, Uzbekistan can tap into the growing market for environmentally conscious investments. This article explores the potential for increasing the foreign investment attractiveness of Uzbekistan's regions through green initiatives, focusing on the role of global green finance trends and their impact on regional competitiveness.

Green Investment Landscape in Uzbekistan

Uzbekistan is actively cultivating a green investment ecosystem, positioning itself as a regional leader in sustainable development. This transformation is driven by strategic policy initiatives, institutional support, and significant foreign partnerships, all aimed at enhancing the country's environmental and economic resilience.

Government-Led Initiatives and Institutional Support

The Uzbek government has established a robust framework to promote green investments:

- **Green Sovereign Bonds:** In October 2023, Uzbekistan issued its inaugural green sovereign Eurobonds worth UZS 4.25 trillion (approximately \$660 million) on the London Stock Exchange. This move attracted interest from over 30 international investors, signaling the country's commitment to sustainable development;
- **State Financial Institutions:** Entities like the Entrepreneurship Development Company (EDC) and the Business Development Bank (BDB) are pivotal in financing green projects. EDC aims to allocate 35% of its funding to green initiatives by 2026, focusing on areas such as solar energy;
- **Green Bonds on the Tashkent Stock Exchange:** In June 2024, green bonds were issued on the Tashkent Stock Exchange to finance energy-efficient construction and renovation projects. This initiative reflects the government's efforts to develop sustainable financial instruments within the domestic market.

Foreign Investment and International Partnerships

Uzbekistan's green transition is bolstered by substantial foreign investments and collaborations:

- **Renewable Energy Projects:** The International Finance Corporation (IFC) provided a \$402 million Sharia-compliant loan to ACWA Power for solar projects in Uzbekistan. Additionally, ACWA Power is developing a 52 MW wind farm in Chirchik, with plans to expand to 120,000 tonnes per year of green ammonia production;

- **Waste-to-Energy Initiatives:** In October 2024, Uzbekistan announced plans to invest \$1.3 billion in waste-to-energy plants, collaborating with international firms like China's CAMC Engineering and the UAE's Tadweer Group. These plants aim to convert 4.7 million metric tons of solid waste annually into 2.1 billion kilowatt-hours of electricity by 2027;

- **Climate-Smart Agriculture:** With support from the Global Green Growth Institute (GGGI), Uzbekistan has mobilized \$1 billion for climate-sustainable agriculture projects. This funding aligns with the government's initiative to declare the year as the “Year of Environmental Protection and the Green Economy”.

Challenges and Opportunities

Despite these advancements, challenges remain:

- **Investment Gap:** The OECD highlights a significant gap between the investment needs for sustainable infrastructure and actual expenditures, primarily funded by the state budget. This underscores the necessity for increased private sector involvement and diversified financing sources;

- **Institutional Coordination:** The outsized role of the state in Uzbekistan's economy and its underdeveloped domestic capital market act as constraints, necessitating enhanced policy coordination and strategic planning to attract and efficiently utilize green investments.

Conclusion

In conclusion, Uzbekistan's green investment landscape is evolving through strategic government initiatives, institutional support, and international partnerships. While challenges persist, the country's commitment to sustainable development and its proactive approach to green finance position it as a promising destination for foreign investment in the region.

Uzbekistan is on a transformative path toward a greener and more sustainable future, leveraging its strategic position in Central Asia to attract foreign investment through innovative green initiatives. The government's proactive policies, the issuance of green bonds, and the support from international financial institutions have positioned Uzbekistan as a regional leader in green finance. Furthermore, the country's commitment to renewable energy, waste-to-energy projects, and climate-smart agriculture aligns with global sustainability goals, enhancing the competitiveness of its regions.

However, challenges remain, particularly in closing the investment gap for sustainable infrastructure and fostering a more coordinated approach to green finance. To fully capitalize on its potential, Uzbekistan will need to strengthen its institutional frameworks, encourage private sector participation, and continue attracting international capital for its green transition.

By addressing these challenges and leveraging regional strengths, Uzbekistan can solidify its position as a key player in the global green economy. Through continued investment in green initiatives, Uzbekistan has the opportunity to not only

bolster its economic growth but also contribute significantly to environmental sustainability in Central Asia and beyond.

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