



**THE PLACE AND ROLE OF GREEN SUKUK IN UZBEKISTAN'S GREEN TRANSFORMATION**

Abdullaev Ravshan Vakhidovich,  
International Islamic Academy of Uzbekistan,  
Professor of the Department of Islamic Economics and Finance,  
Pilgrimage Tourism”, Doctor of Economic Sciences.  
ravshan.v.abdullaev@gmail.com, +99899-495-05-55

**ABSTRACT**

This article examines the potential of green sukuk as a tool for financing sustainable development in Uzbekistan. It analyzes the country's economic and financial context, the current state of Islamic finance and the sukuk market, and the conceptual framework of green sukuk. The article also identifies the opportunities and challenges associated with the implementation of this instrument. The study proposes strategies and practical recommendations for introducing green sukuk, including the development of a regulatory framework. The proposed measures are intended to facilitate the successful issuance of the first green sukuk in Uzbekistan and to unlock their potential in supporting the country's transition to a green economy.

**KEYWORDS**

Green bonds; green sukuk; Islamic finance; Islamic windows; Mudarabah; special purpose vehicle (SPV); sukuk issuer

**INTRODUCTION**

The global agenda for sustainable development and the fight against climate change require major financial resources. The UN estimates that developing countries face an annual gap of around \$2.5 trillion in financing to achieve the Sustainable Development Goals (SDGs). Many countries will not meet SDG targets unless this gap is filled through more public and private investment. Because of this challenge, new financial tools have emerged worldwide. These include thematic bonds like SDG and green bonds, Islamic finance instruments, and others focused on sustainable development.

Green sukuk is a bond instrument that complies with Shariah (Islamic law). It is designed to finance environmentally friendly projects. Since the first green sukuk appeared in 2017, it has gained attention as a way to mix Islamic finance and sustainable investment. Several successful green sukuk have been issued globally, showing strong investor demand. For example, in 2017, Malaysia's Tadau Energy issued the world's first green sukuk (\$64 million) for a solar power plant. In 2018, the Indonesian government issued the first sovereign green sukuk, worth \$1.25 billion. These cases demonstrate the instrument's potential and have interested countries like Uzbekistan.

Uzbekistan, a country with a predominantly Muslim population and an urgent need for investment to modernise the economy and implement environmental projects, views Islamic finance as a promising area. In 2021, the United Nations Development Programme (UNDP) prepared a detailed report – a

preliminary feasibility study on the possibility of issuing "green" sukuk in the Republic of Uzbekistan. This report served as the basis for this study. The article examines the current economic situation and Uzbekistan's needs for "green" financing; the state of Islamic finance and sukuk in the country and globally; the nature and characteristics of "green" sukuk; the advantages and risks of its implementation in the Uzbek context; and recommendations for the implementation of initial issues.

**Objectives and Tasks:** The purpose of this article is to analyse the potential of green sukuk for financing sustainable and environmentally oriented development processes in Uzbekistan, as well as to determine its role in the implementation of the national strategy for the transition to a green economy. To achieve this goal, the following objectives are addressed in the work: studying the economic and financial context of green financing development in the country; analyzing the current state of Islamic finance and the sukuk market; disclosing the conceptual features of green sukuk; identifying the main opportunities and risks of its implementation; and developing practical recommendations for the formation of institutional and regulatory conditions for the successful issuance and development of green sukuk in Uzbekistan.

**Materials and Methods:** The methodological basis of the study consists of general scientific and specialised methods of economic analysis. The study utilised comparative and systemic analysis methods to assess the development of green finance and Islamic financial instruments. The empirical basis of the study was statistical data from international organisations, analytical reports on the Islamic finance market, and research materials on the issuance of green sukuk in various countries. The use of comparative analysis allowed us to compare international experience with the potential for its implementation in Uzbekistan. Furthermore, logical generalisation, regulatory analysis, and expert assessment were used to identify the development prospects for green sukuk.

## DISCUSSION

Uzbekistan has demonstrated strong economic growth in recent years (~5–6% annually) with a moderate-income level (GDP per capita ~\$2,500) [1]. The government has set the goal of transitioning to a "green" economy, given Uzbekistan's high vulnerability to climate change. Although the country's contribution to global greenhouse gas emissions is small (about 0.44% of global emissions in 2014), the effects of climate change are already noticeable. Average annual temperatures are rising, and water shortages and desertification are worsening, particularly in the Aral Sea region [2]. In response, Uzbekistan adopted the National Strategy for the Transition to a "Green" Economy (approved in 2019) and updated its commitment to reduce specific greenhouse gas emissions by 35% by 2030 from 2010 levels [3].

One of the key priorities of Uzbekistan's "green" transformation is the development of renewable energy. In 2017, phased capacity expansion targets were established: solar power plants – up to 4 GW by 2025, wind power – up to ~3 GW, and total hydropower capacity – up to 12 GW by 2030+. To stimulate investment, incentives have been adopted, including exemptions for renewable energy producers from income and property taxes, subsidies for the installation of solar panels for households, and more. Major projects with foreign investors are already underway, such as the construction of solar and wind parks by Masdar (UAE) with a capacity of 100 MW or more [4]. Nevertheless, the need for financing green energy and infrastructure remains extremely high.

In this context, the government of Uzbekistan is showing interest in using green financing mechanisms, including green bonds and sukuk. In 2022–2023, with the support of the OECD and

other partners, work is underway to develop a national green bond system. At the same time, the possibility of issuing green sukuk is being explored as an innovative instrument for the country, capable of mobilising both domestic and external investment sources focused on environmental projects. This approach is significant given that a large portion of the country's population is Muslim and potentially interested in ethical investments consistent with their religious beliefs [5]. Thus, green sukuk could serve as a bridge between the goals of a green economy and the cultural and religious values of society, attracting additional resources to achieve national sustainable development goals. Islamic finance (IF) is in its infancy in Uzbekistan, although there is significant potential for growth. Uzbekistan is the largest Muslim country in Central Asia by population (approximately 37 million). After a long period of Soviet secularisation, interest in Islamic financial services began to grow only in the mid-2010s, particularly after the rise to power of President Shavkat Mirziyoyev in 2016, who initiated economic reforms and opened the country to investment.

The first steps toward creating a sukuk market infrastructure in Uzbekistan began recently. In October 2020, the Capital Market Development Agency published a draft presidential decree on the introduction of sukuk, envisaging a pilot issue of sovereign sukuk in 2021, applying English law and special tax incentives. The decree envisaged exempting participants in the pilot issue from certain taxes and fees, and designated the Committee on Religious Affairs under the Cabinet of Ministers as the body responsible for verifying sukuk's compliance with Sharia principles [6]. This initiative demonstrated the government's recognition of the importance of developing a legal framework for sukuk. Although the actual issuance of sukuk government bonds did not take place in 2021, work on the legislation continued. In 2022, a draft law "On the Capital Market" was prepared, including chapters regulating Islamic securities [7]. By 2025, amendments to the Tax Code, the Civil Code and other acts are expected to be adopted to create conditions for the equal circulation of sukuk along with regular bonds.

Opportunities for the introduction of "green" sukuk in Uzbekistan. The introduction of "green" sukuk offers Uzbekistan a number of significant opportunities:

1. Mobilising additional capital for green projects. The green sukuk will attract funds from investors in the Persian Gulf, Southeast Asia, and other regions where interest in Islamic financial products is high. For Uzbekistan, which faces a shortage of infrastructure financing, this is an opportunity to bridge the investment gap in energy efficiency, renewable energy, water management, and other priority areas.
2. Diversification of funding sources and financial market development. The introduction of sukuk will enrich the Uzbek capital market with a new instrument, complementing traditional bonds. This is in line with the government's strategy to develop the domestic financial market and reduce dependence on bank lending and external borrowing. The issuance of sovereign sukuk will signal to private corporations the viability of the mechanism.
3. Socioeconomic impact and alignment with the population's values. Since over 96% of the population is Muslim, the issuance of instruments based on Islamic principles will promote financial inclusion. Those who have avoided investing or using banking services due to inconsistencies with their beliefs will be able to participate in the purchase of sukuk. Thus, "green" sukuk can attract savings from households and businesses, previously unused, and channel them toward addressing the country's pressing environmental challenges.

## RESULTS

Based on the analysis and international experience, the following set of strategic measures can be proposed for launching the green sukuk market in Uzbekistan:

1. Develop a robust regulatory framework. Legislative amendments permitting the issuance of various types of sukuk must be expeditiously adopted. Priority should be given to amending tax codes to eliminate double taxation of sukuk transactions. A body responsible for validating sukuk's Shariah compliance (e.g., the Committee for Religious Affairs) should be formally designated, and the establishment of a national Shariah Council for Islamic Finance should be considered.
2. pipeline of suitable projects . It is recommended to pre-select pilot projects to be financed by the first green sukuk issue. Ideally, these should be well-prepared, commercially viable projects with a clear revenue model.
3. Collaboration with international financial institutions. The first green sukuk issue should ideally be conducted with the participation and support of the Islamic Development Bank and the International Finance Corporation ( IFC ). Firstly, they can act as participating investors (purchasing a significant share of the issue), which will ensure basic demand. Secondly, they can provide technical assistance in structuring the transaction, selecting a Shariah consultant, and preparing documentation in accordance with international standards.

## CONCLUSION

The study confirmed that green sukuk could play a significant role in financing Uzbekistan's green transformation. Given the country's need to attract significant resources for the development of renewable energy, environmental infrastructure, and climate change adaptation, the use of innovative financial instruments is becoming urgent. Green sukuk combines the advantages of Islamic finance (a broad potential investor base, alignment with public values) and targeted green investing (focus on environmental impact, alignment with the international ESG agenda).

Thus, green sukuk can become a catalyst for green transformation. In Uzbekistan, the Islamic Finance Fund (IHF) is a financial instrument that combines the goals of economic growth, environmental sustainability, and socio-cultural values. Its implementation will strengthen the country's position as a regional leader in Islamic finance and sustainable development and will mobilise domestic and external resources to address strategic challenges. With proper implementation of recommendations, Uzbekistan has every chance of successfully mastering this innovative mechanism and harnessing its potential for the benefit of current and future generations.

## References

1. ПРООН. Предварительное технико-экономическое обоснование выпуска «зеленого» сукук в Республике Узбекистан. – Ташкент: ПРООН, 2021. – 105 с. (Pre-Feasibility Study for Green Sukuk Issuance in Uzbekistan).
2. Fitch Ratings. Islamic finance shows potential in Central Asia as GCC ties deepen // Industry Insights, 05.03.2025. – Режим доступа: [cibafi.org](http://cibafi.org) (дата обращения: 20.04.2025).
3. Asadov A. Empirical Analysis of Demand for Sukuk in Uzbekistan // Economies – 2024. – Vol. 12, No. 8. – P. 220.
4. Агентство по развитию рынка капитала РУз. Проект Указа Президента «О мерах по внедрению ценных бумаг на принципах исламского финансирования» (пилотный проект

выпуска сукук). – 2020. – (Опубл. на новостном портале Kun.uz 12.10.2020). – Режим доступа: [kun.uz](http://kun.uz)

5. Securities Commission Malaysia; World Bank. Islamic Green Finance: Development, Ecosystem and Prospects. – Kuala Lumpur/Washington DC: World Bank Group, 2019. – 69 p. (Исламское «зеленое» финансирование – развитие, экосистема и перспективы).
6. Ассули Д., Асутай М., Мохиддин М. «Зеленый» сукук, энергетическая бедность и изменение климата: дорожная карта для стран Африки к югу от Сахары. – Рабочий документ. – Вашингтон, DC: Всемирный банк, 2018. – 40 с.
7. OECD. Financing Uzbekistan's Green Transition: Capital Market Development and Opportunities for Green Bond Issuance. – Paris: OECD Publishing, 2023. – 79 p.
8. Komilov A., Hakimov A. Islamic Finance in Uzbekistan: History, Current State and Prospects // Journal of Islamic Banking and Finance – 2021. – Vol. 38, No. 3. – P. 45–61. (Исламское финансирование в Узбекистане: история, текущее состояние, перспективы).
9. Группа Всемирного банка. Islamic Finance: A Catalyst for Shared Prosperity? – Washington DC: World Bank, 2017. – (Global Report on Islamic Finance 2016).
10. Climate Bonds Initiative. Green Infrastructure Investment Opportunities: Central Asia 2019. – London: CBI, 2019. – 44 p. (Инвестиционные возможности в зеленую инфраструктуру Центральной Азии).