



ATTRACTING INVESTMENTS TO THE “GREEN” ECONOMY: RELEVANCE, CHALLENGES, AND SOLUTIONS

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Abstract

This study offers a comprehensive assessment of the critical role of investment mobilization in advancing the transition to a “green” economy in light of escalating global environmental challenges and the imperative for sustainable development. The paper explores key financial mechanisms for attracting private and international capital into green sectors, including renewable energy, energy-efficient and environmentally sound technologies, and green infrastructure. It further analyzes systemic barriers to green investment, such as underdeveloped legal and institutional frameworks, limited financial capacity, and insufficient infrastructure. Drawing on international best practices, the study outlines actionable solutions, including the issuance of green bonds, the development of public-private partnerships (PPPs), and enhanced cooperation with international financial institutions. Special attention is given to Uzbekistan’s strategic reforms, regulatory frameworks, and national programs designed to facilitate a low-carbon, resource-efficient, and inclusive economy. The findings underscore the indispensable role of targeted investments in achieving environmental sustainability and long-term economic resilience.

Keywords: Green economy, green investments, renewable energy, financial mechanisms, environmental sustainability, green bonds, sukuk, green certification.



Introduction

In the latter half of the 21st century, the world has witnessed a significant rise in ecological and economic threats due to climate change, resource depletion, and environmental degradation. Escalating greenhouse gas emissions, biodiversity loss, air and water pollution, and excessive energy consumption have all intensified the environmental impact of traditional economic activities. These developments have prompted serious concerns about the long-term viability of conventional growth models.

In response, there is a growing global consensus on the need for new economic paradigms that support sustainable development, minimize ecological footprints, and ensure intergenerational equity. In this context, the concept of the **green economy** has gained increasing prominence. It is viewed not only as a means of spurring economic growth but also as a comprehensive model for achieving environmental sustainability, optimizing the use of natural resources, and fostering social inclusion.

A green economy represents a modern, integrated framework that aligns economic growth with environmental responsibility. It encompasses the widespread use of renewable energy sources, implementation of low-carbon technologies, waste reduction strategies, and environmentally oriented economic restructuring. This model is relevant for both developed and developing countries, calling for a recalibration of global investment policies to align with green objectives.

By definition, a green economy is a sustainable economic system that achieves growth through the efficient use of natural resources while minimizing pollution and environmental degradation.

In the Republic of Uzbekistan, the “On Approval of the Strategy for Transition to a Green Economy in the Republic of Uzbekistan for 2019–2030” (Presidential Resolution No. PR–4477, dated October 5, 2019) serves as a foundational policy document in this area. The strategy outlines key national objectives, including doubling the energy efficiency of the economy by 2030, increasing the share of renewable energy in total electricity consumption to over 25%, reducing CO₂ emissions, and expanding the application of environmentally sound technologies.



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By 2030, greenhouse gas emissions in Uzbekistan are expected to be reduced by 35 percent per unit of GDP. This ambitious commitment, made under the Paris Agreement, was reaffirmed at the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP-27), which concluded on November 22, 2022. Such economic progress is anticipated to be achieved through the implementation of green economy principles. Priority areas include low-carbon development and resource efficiency across all sectors of the economy, as well as the adoption of effective and environmentally friendly technologies. This approach to economic development is supported by international financial institutions, which also offer assistance to small and medium-sized enterprises.

According to the World Bank and the International Monetary Fund, halving global CO₂ emissions by 2050 will require additional investments amounting to 1–2.5% of global GDP. Priority areas for such investment include renewable energy development, improvements in energy efficiency, and the reduction of atmospheric emissions. In this context, innovation and resource conservation emerge as essential drivers of transformation.

Uzbekistan possesses significant technical potential for renewable energy generation, with approximately 97% of its renewable energy capacity attributed to solar energy. The country's solar energy production potential is estimated to range from 525 to 760 billion kWh annually, supported by an average of 320 sunny days and around 3,000 hours of active sunlight per year.

By 2026, Uzbekistan aims to increase its installed green energy capacity to 8,000 megawatts, a move expected to reduce carbon dioxide emissions by 5 million tons. Furthermore, by 2030, the nation plans to double its energy efficiency and ensure that renewables contribute at least 25% to total energy consumption.

According to the State Committee on Statistics, harmful emissions into the atmosphere in Uzbekistan exceeded 1.162 million tons in 2014, but had decreased to 763.2 thousand tons by 2023.

In its green transition efforts, Uzbekistan prioritizes investment-attractive and energy-efficient sectors such as solar and wind power, energy-efficient manufacturing, sustainable transportation, organic agriculture, and water-saving technologies. These initiatives are expected to enhance energy security, promote



sustainable production, and generate competitive, environmentally friendly products for both domestic and export markets.

Public-private partnership plays a crucial role in financing green projects. The government provides financial support to enterprises through preferential loans, grants, subsidies, and tax incentives.

Creating a favorable investment climate for the private sector encourages investment in innovations.

Green financing refers to investments directed toward projects that aim to reduce environmental pollution, promote high energy efficiency, and support low-carbon development.

This, in turn, encompasses areas such as reducing carbon emissions, developing environmentally friendly transportation, and ensuring efficient management of irrigation and water resources.



2-picture. Sources of Green Investment in Uzbekistan¹

There are multiple sources for financing green projects. Considering the specific conditions of Uzbekistan, government financing plays a key role, including the

¹ A.V. Vakhabov, Sh.Kh. Khajibakiev. *“Green Economy” – Textbook*. Tashkent: “University”, 2020. – 262 pages.



provision of concessional loans and grants, tax incentives, and subsidies for green initiatives. Additionally, the government can promote the implementation of projects through public-private partnerships.

Mobilizing financial resources from international financial institutions constitutes a critical component of advancing green economic reforms. Green financing initiatives may be supported through grants, concessional loans, and subsidies offered by global organizations such as the United Nations, the World Bank, and the European Investment Bank. Furthermore, mobilizing private sector capital—through investments by corporations, philanthropic foundations, and institutional investors—presents a viable pathway for implementing environmentally sustainable projects.

Despite the strategic significance of transitioning to a green economy, Uzbekistan continues to face a range of systemic barriers. These challenges span economic, institutional, technological, and social domains, and collectively impede the successful execution of green initiatives while deterring potential investors.

Investments in green sectors in Uzbekistan are currently perceived as carrying elevated financial risks. These risks stem primarily from two interrelated factors: the absence of robust guarantee mechanisms to secure returns on green investments, and ambiguities within the regulatory and legal frameworks—particularly with regard to state guarantees and enforcement of environmental policies. As a consequence, both domestic and foreign investors exhibit caution, which in turn complicates long-term planning and decision-making processes for economic actors.

In addition, a pronounced shortage of specialized human capital in disciplines such as green economy, environmental engineering, renewable energy technologies, and carbon accounting poses a significant constraint. Higher education institutions offer limited academic and vocational programs in these fields, thereby impeding the diffusion of advanced technologies and hindering effective project management and implementation.

Moreover, domestic demand for green technologies remains relatively low, particularly in areas such as energy-efficient machinery, renewable energy



systems, and waste management infrastructure. The underdeveloped nature of the green technology market has limited the formation of competitive market dynamics and stymied private sector engagement.

Addressing these multifaceted challenges requires a holistic and well-coordinated policy response. Key priorities should include the provision of fiscal and tax incentives for green investment, institutional and regulatory reforms, the development of capacity-building and training programs, and public awareness campaigns aimed at enhancing environmental consciousness. Together, these measures can help establish a robust foundation for a sustainable and inclusive green transition in Uzbekistan.

To accelerate this process, the following recommendations and institutional reforms are proposed:

1. Facilitate the issuance of green bonds and sukuk instruments.

Green bonds and Islamic finance instruments such as sukuk represent vital tools for financing environmentally sustainable initiatives. Their introduction into Uzbekistan's financial market can attract private and international capital for renewable energy, waste management, and water conservation projects. These instruments can also mitigate investment risks and improve capital flow efficiency.

2. Develop and implement a national green certification framework.

A standardized certification mechanism for green technologies, projects, and products can help verify environmental compliance, thereby fostering trust and transparency among stakeholders. Such a system would enhance investor confidence and serve as a key driver in mainstreaming environmental standards across sectors.

3. Establish dedicated green startup incubators.

Creating innovation hubs and incubators targeting green startups—particularly those led by young entrepreneurs—can stimulate the development of eco-innovations. These incubators will help generate employment, encourage local production of sustainable goods, and cultivate a competitive green business ecosystem.



4. Promote financial and environmental literacy.

Raising awareness of green finance instruments, energy efficiency practices, environmental education, and responsible investment among the general public and business community is essential. Such efforts can build a culture of sustainability and foster active engagement in the emerging green economy. Confronting the aforementioned challenges and fostering the development of a green economy holds not only environmental significance but also strategic economic value for Uzbekistan. By cultivating a transparent, investor-friendly climate, enhancing regulatory clarity, investing in human capital development, and promoting ecological awareness, Uzbekistan can advance toward a model of sustainable and inclusive growth.

Ultimately, the green transition is not solely an environmental imperative—it also presents an opportunity to unlock new economic potentials, generate employment, and diversify export markets. Realizing these outcomes necessitates a forward-looking, systemic, and integrated approach.

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