



The Insights on the Future Frameworks of Modern Eco-Industrial Parks in Uzbekistan





This brochure was prepared with the support of Institute of Legislation and Legal Policy under the President of the Republic of Uzbekistan. Their input helped to strengthen the analytical depth and policy relevance of the paper.

This activity is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

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1 EIP Enabling Environment

EIP enabling environment is a system of regulations, strategies and management structures, as well as principles and goals, aimed at the development of EIPs. This policy focuses on increasing the efficiency of resource use, improving the economic, environmental and social performance of industrial parks, which contributes to sustainable industrial development.

Key aspects of the EIP environment include:

1

Strategic vision, integrating EIP objectives into national priorities as regards sustainable development, circular economy and the implementation of international commitments (e.g. SDGs and EU directives).

2

Integration into existing frameworks, coordinating the development of EIPs within existing national economic, environmental, industrial and fiscal policies.

3

Management structures, including the creation or strengthening of institutions and systems for effective management of the EIPs.

4

Policy instruments, including the proposed use of specific instruments such as tax incentives, regulations and strategic planning to stimulate the development of EIPs.

5

International standards and guidelines, including specific proposed national opportunities for alignment and adherence to internationally recognized practices (such as UNIDO recommendations) to ensure that EIPs attain environmental, social and economic effectiveness.

6

Reporting mechanisms coupled with incentives.

The objective of the EIP policy is to create a enabling environment for the sustainable operation of industrial parks by minimising environmental impacts, developing industrial symbiosis and improving the quality of life of workers and local communities.

2 EIP Regulation Policy: An Inter-Sectoral Concept

The policy of regulation of eco-industrial parks (EIP) reflects a need for inter-sectoral regulation, given its complex nature and the need to take into account many different factors in order to achieve EIP impacts and outcomes. The development of EIPs covers several sectors of state policy, including economic, investment, environmental, industrial and fiscal, as well as labor and social regulation.

An inter-sectoral approach plays a key role in the development and formation of the regulatory framework necessary for the effective regulation and functioning of EIPs. This approach ensures consistency and interrelation between various branches of legislation, which contributes to the creation of a comprehensive and sustainable EIP management system.

Labor and social safeguards legislation	Regulation of foreign economic activity	Tax legislation	Customs legislation
Support for industrial development	Support for small and medium enterprises	Regulation and development of SEZs	Regulation of investment
Energy legislation	Land legislation	Regulation of gender equality	Environmental legislation

The foundation for implementing the inter-sectoral concept lies in the institutionalization of EIPs — establishing them as a distinct type or status of industrial zone, unified by specific characteristic features. This approach is considered essential to link EIPs to a dedicated regulatory framework, providing a special legal regime or integrating its specific elements.

Such institutionalization would require the formal definition of an EIP. One of the potential options could be to recognize EIPs as territorially based production complexes, where a system of relationships among business entities is established, characterized by industrial symbiosis, a unified area with defined boundaries, a single management and service center, and the integration of ESG principles.



One of the initiatives that could allow for the effective implementation of EIP in the conditions of the Republic of Uzbekistan as a separate institution, a type of industrial zone, is the definition of eco-industrial parks.

Similar to special economic zones, small industrial zones, technoparks, and youth industrial and entrepreneurial zones, an EIP would represent a designated territory where a special regulation is introduced. This regime would enable business entities to conduct profitable activities while simultaneously achieving socially significant objectives (enhancing export potential, promoting effective import substitution, integrating abandoned or unused state assets into production, fostering youth entrepreneurship, etc.).

In the case of EIPs, beyond creating conditions for profitable entrepreneurship based on industrial symbiosis, an additional objective would be the incorporation of ESG principles, Resource Efficient and Cleaner Production (RECP), and industrial symbiosis practices into the operations of resident enterprises.

While not excluding the need to form certain objectives as introduced for FEZs and SIZs, in the case of EIPs it is necessary to apply other mandatory objectives of activity than import substitution or export of products from the requirements imposed on SEZ residents. An example of such a target restriction could be the mandatory introduction of production into industrial symbiosis in the EIP territory, as well as compliance with environmental and social legislation.

3 Policy for Regulating EIPs in Uzbekistan

The industrial policy regulation in the Republic of Uzbekistan is based on the strategic objectives of sustainable development, transition to a "green economy" and modernization of the industrial sector. Despite the absence of direct legislative regulation of EIPs, a number of regulations provide for strategic guidelines that create prerequisites for the development of this concept.

3.1 Strategic Framework

The legal basis for the EIPs regulation policy in Uzbekistan should be built on the basis of the most important strategic documents and regulations that set the direction for sustainable development, environmental modernization and industrial growth in the country. The basis for these documents are the provisions of the Constitution, as well as a number of programmatic documents that define the country's long-term goals and priorities. The use of such documents as a justification for the need to introduce EFI is ensured through a detailed study of the benefits of EFI as a comprehensive model of production linkages, the principles of which coincide with the medium- and long-term strategic documents formulated above.

Constitution of the Republic of Uzbekistan

The updated version of the Constitution, adopted by referendum on April 30, 2023, enshrines the key principles of sustainable development, which provide the basis for the formation of policy in the field of EIPs:

Article 42

It constitutes the absolute right to favorable working conditions that meet safety and hygiene requirements, to fair remuneration for work without any discrimination and not lower than the established minimum wage, as well as to protection from unemployment in the manner prescribed by law.

Article 49

The State undertakes to "in accordance with the principle of sustainable development, implement measures to improve, restore and protect the environment, as well as maintain ecological balance." This provision serves as the basis for integrating environmental objectives into economic and industrial policy.

Article 55

This article calls for the rational use of natural resources, which is directly related to the principles of waste minimization and resource efficiency implemented in EIPs.

Article 50

It guarantees the right of citizens to a favorable environment, which creates obligations for the implementation of environmentally friendly technologies in industry.

Article 54

It guarantees the inviolability of private property, ensuring that investors in industrial parks and SEZs enjoy robust legal protections, once again contributing to their economic sustainability and impact.

These constitutional norms define the framework of state policy aimed at the transition to a "green economy" and the integration of sustainable approaches to the development of industrial zones.

Strategy "Uzbekistan-2030"

The Uzbekistan-2030 Strategy is a key document defining the country's long-term goals and priorities, including in the fields of "green economy" and sustainable development. It includes:

Sustainable Socio - Economic Development Goals

- Reducing the **unemployment rate to 7%** by ensuring stable and effective employment for the working-age population.
- Continuing the policy of ensuring **gender equality**.
- Creating new jobs, increasing household incomes, and thereby **reducing poverty by at least half** by the end of 2026.

Environmental Goals

- Increasing the share of renewable energy sources in **total energy consumption to 40%**.
- Reducing **greenhouse gas emissions by 35%** by 2030 compared to 2010.
- Implementation of **energy efficient technologies**.

Industrial Goals

- Creation of **technological industrial clusters**.
- Development of export potential and increase in export volumes to **30 billion US dollars**.
- Development of **new industrial zones**, taking into account environmental requirements.

The Strategy includes both goals that refer strictly to the implementation of the “green economy” (Goal 51), introduction of energy-saving technologies (Goal 65), ensuring the protection of water resources and their sparing use (Goals 62–64), development of industrial production and improvement of regional development, etc.

The goals outlined in the Strategy “Uzbekistan 2030” mark the priorities of the state policy, including in the field of industrial development, environmental protection, social security and innovative development in the Republic of Uzbekistan. A comprehensive analysis of these objectives allows us to conclude that they largely correlate with the key benefits of EIP implementation. More detailed analysis is given in Table A.

These goals are fully consistent with the principles of EIPs, including resource conservation, industrial symbiosis and minimization of environmental damage.

Development Strategy of New Uzbekistan for 2022–2026

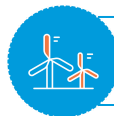
This document sets medium-term guidelines aimed at accelerating economic growth, while mitigating and reducing any negative environmental impacts of said growth. The main provisions of the strategy are aimed at:



Increasing energy efficiency by 20%.



Implementation of measures to reduce harmful emissions into the atmosphere.



Expanding the use of renewable energy sources.



Creation of 200 new industrial zones to support regional development.

Table A. Comparison of key objectives of the Constitution, Strategy 2030 and Strategy of New Uzbekistan for 2022-2026.

Aspects of the Positive Impact of Implementing Eco-Industrial Parks	Programmatic Documents Shaping the Development Policy of the Republic of Uzbekistan
1.Environmental Protection, Climate Change Mitigation, and Enhanced Resource Efficiency	<p>Increasing the energy efficiency of the economy by 20% and improving resource efficiency (Goal 24 of the "Development Strategy of New Uzbekistan for 2022–2026");</p> <p>Raising the share of renewable energy sources in total consumption to 40% (Goal 51 of the "Uzbekistan-2030 Strategy");</p> <p>Doubling the energy efficiency of economic sectors (Goal 52 of the "Uzbekistan-2030 Strategy").</p>
2.Enhancing the competitiveness of Industrial Sectors in the Economy	<p>Establishment of technological industrial zones (Goal 48 of the "Uzbekistan-2030 Strategy");</p> <p>Creation of special economic zones in collaboration with 50 prestigious global brands (Goal 55 of the "Uzbekistan-2030 Strategy");</p> <p>Further enhancement of the republic's export potential, aiming to increase export volumes to USD 30 billion by 2026 (Goal 28 of the "Development Strategy of New Uzbekistan for 2022–2026").</p>
3.Sustainable Socio-Economic Development and Improvement of Working Conditions, Safety, and Social Infrastructure Development	<p>Reducing the unemployment rate to 7% by ensuring stable and effective employment for the working-age population (Goal 28 of the "Uzbekistan-2030 Strategy");</p> <p>Establishing 200 new industrial zones in the regions (Goal 29 of the "Development Strategy of New Uzbekistan for 2022–2026");</p> <p>Continuing the policy of ensuring gender equality (Goal 69 of the "Development Strategy of New Uzbekistan for 2022–2026");</p> <p>Creating new jobs, increasing household incomes, and thereby reducing poverty by at least half by the end of 2026 (Goal 85 of the "Development Strategy of New Uzbekistan for 2022–2026").</p>

<p>4. Stimulating Economic Growth, Enhancing Workforce Skills, Integrating with Local Enterprises, and Adopting Advanced International Standards and Approaches to Regional Development</p>	<p>Reintegration of individuals returning from labor migration, including ensuring their employment, enhancing professional qualifications, and encouraging entrepreneurial initiatives (Goal 95 of the "Uzbekistan-2030 Strategy");</p> <p>Ensuring uninterrupted access to necessary infrastructure in all economic zones (Goal 49 of the "Uzbekistan-2030 Strategy");</p> <p>Development of key industrial sectors and full utilization of the industrial potential of the regions (Goal 48 of the "Development Strategy of New Uzbekistan for 2022–2026").</p>
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Transition to a "Green Economy"

Uzbekistan is actively developing **the concept of a “green economy”**, which is enshrined in a number of decrees and policy documents. **Decree of the President No. PP-436 of December 2, 2022 “On measures to improve the effectiveness of reforms aimed at transition of the Republic of Uzbekistan to a ‘green’ economy until 2030”** was adopted in order to implement the Strategy of New Uzbekistan for 2022 – 2026, and is one of the key in the study of the basis of “political” acts of strategic development of industrial policy of Uzbekistan in the context of EIP. This act adopts the Program on transition to a green economy and green growth in the Republic of Uzbekistan until 2030, and establishes a list of applied and measurable indicators, the achievement of which is expected by 2030:

- Reduction of specific greenhouse gas emissions per unit of gross domestic product by 35 percent from the 2010 level;
- Increasing the production capacity of renewable energy sources to 15 GW and bringing their share in the total volume of electricity production to over 30 percent;
- Increasing energy efficiency in the industrial sector by at least 20 percent;
- Reduction of energy intensity per unit of gross domestic product by 30 percent, including through increased use of renewable energy sources;
- Significant increase in the efficiency of water use in all sectors of the economy, introduction of water-saving irrigation technologies on an area of up to 1 million hectares;
- Expansion of green areas in cities to more than 30 percent by planting 200 million saplings per year and bringing the total number of saplings to more than 1 billion;
- Bringing the country's forest reserves to more than 90 million cubic meters;
- Organizing 600 new waste collection points in the regions.

Target indicators, the Concept of transition to a green economy, Action Plan and some other annexes containing specific measures to ensure the implementation of the Program of transition to a green economy were approved as annexes to the Program of transition to a green economy.

Chapter 1 of the Concept reflects that it is aimed at “increasing competitiveness, financial stability, energy and environmental security of the republic's economy, as well as improving the living standards of the population and the quality of services provided through capacity building, modernization, technological development of energy saving and rational use of fuel and energy resources, energy efficiency improvement”, which is a generalized description of the set of objectives formulated by the Concept. It is separately stipulated that it applies to all producers and consumers of energy resources by sectors of the economy.

The Concept reflects the main directions of measures envisaged by the Green Economy Transition Program and Action Plan, which include:

- Organizational measures for energy saving and energy efficiency improvement, which include formation of energy resource accounting systems at enterprises, energy audits at production events, and rationing of costs per unit of production
- Organizational measures to introduce energy saving and energy efficiency monitoring systems, which include creating a database of technical indicators of the main metering devices at enterprises, conducting regular monitoring of energy saving and energy efficiency, etc.
- Methodological and information support, including advanced training of employees, as well as introduction of projects with high indicators of resource efficient production, etc.

Concept of Environmental Protection

The Presidential Decree No. UP-5863 "On the Approval of the Environmental Protection Concept of the Republic of Uzbekistan until 2030"[1] outlines a comprehensive Environmental Protection Concept for the Republic of Uzbekistan until 2030, incorporating numerous measures that align with the principles of a green economy. A central focus of the concept is the integration of sustainability into economic development through innovative technologies and resource-efficient practices. The document emphasizes the importance of rational use of environmental resources, such as land and water, as well as the preservation and promotion of biodiversity, to ensure long-term ecological balance and minimize anthropogenic impacts.

Key measures stipulated under the decree include the ecological modernization of industries by prioritizing the use of materials and production methods that pose minimal environmental risks. The concept also introduces mechanisms to incentivize waste reduction, recycling, and the adoption of low-waste technologies. Specific efforts to strengthen the legal and institutional framework for environmental protection include the mandatory implementation of environmental insurance systems and strategic environmental assessments, as well as the possibility of certifications for eco-friendly products and services. These steps aim to create an economically viable transition to green practices while addressing current environmental challenges.

Additionally, the decree promotes the development and expansion of protected natural areas, and establishes stricter controls for hazardous substances, including toxic chemicals and radioactive materials. Public awareness and education are integral to this strategy, with a focus on cultivating environmental consciousness among citizens and fostering transparency in government actions related to ecological policies. The involvement of civil society is encouraged to ensure that environmental goals align with broader social and economic objectives.

The concept also seeks to foster international cooperation in environmental protection and climate action. By aligning with global standards and leveraging external investments, Uzbekistan aims to position itself as a proactive participant in global sustainability initiatives. The document underscores the importance of aligning green economic reforms with the overarching goal of achieving sustainable development and improving the quality of life for future generations.

The "Environmental Protection Concept of the Republic of Uzbekistan until 2030" places significant emphasis on the greening of the economy, including the introduction of economic mechanisms for natural resource management, prioritizing the use of environmentally safe materials, products and technologies, and creating incentivizing conditions for the development and implementation of zero-waste and low-waste production processes. The concept also provides for enhanced control over emissions and discharges of harmful substances, linking pollution fees to the level of their hazard and volume.

Special attention is given to the rational use of natural resources and the prevention of their degradation. Within the framework of the Concept, mandatory environmental assessments are required for all activities that significantly impact the environment, taking into account the regenerative capacity of ecosystems. The Concept envisions a phased implementation approach, with the Cabinet of Ministers adopting specific "roadmaps" every three years, outlining concrete measures aimed at achieving the goals of the Concept.

Conclusion

EIP can serve as a tool to achieve such national sustainable development goals within the context of these policies. They cover the fundamental prerequisites for the introduction of EIP into industrial policy: resource efficient production, ESG principles, ensuring environmental harm reduction, effective monitoring and management, ensuring positive social impact of industrial activities. These objectives are elements of the positive effect of EIP project implementation.

3.2 Institutional Framework

In international practice, the institutional framework for the management of EIPs is analyzed on national, regional, and local levels. Particular importance is placed on the effective organization of park management.

In Uzbekistan, due to the absence of a dedicated EIP institution in the national legislation, the closest legal analogues are SEZs and SIZs. In the case of Uzbekistan, the most appropriate approach is to analyze the management and governance system of SEZs and SIZs at two distinct levels: macro and micro. The established system is characterized by the frequent direct involvement of the highest state authorities (the President and the Cabinet of Ministers) in the organization and supervision of individual zones, reflecting the specific features of Uzbekistan's state governance system.

The management model for SEZs and SIZs has been developed over an extended period and, following active administrative reforms, has demonstrated its effectiveness.

Responsibilities and powers related to the management of SEZs and SIZs are established through laws, Presidential decrees, and resolutions of the Cabinet of Ministers. While the regulatory framework itself will be discussed in the following chapter, this section focuses on the structure of institutions and the mechanisms that ensure its implementation.

Macro Level

The macro level refers to the institutions responsible for formulating and ensuring the implementation of policies in the field of regulating SEZs and SIZs. These include government authorities and sectoral ministries, whose roles are as follows:

1

President of the Republic of Uzbekistan

2

Cabinet of Ministers

3

Sectoral Ministries and Agencies (Ministry of Investment, Industry, and Trade, Ministry of Ecology, Environmental Protection, and Climate Change, Ministry of Economy and Finance, etc.)

1. President of the Republic of Uzbekistan

The President of the Republic of Uzbekistan plays a central role in the governance and regulation of SEZs and SIZs. The President exercises the authority to:

- Define strategic objectives for the establishment and development of SEZs and SIZs in line with national development goals.
- Approve the creation, dissolution, or modification of SEZs and SIZs through Presidential decrees.
- Establish special legal regimes within SEZs, including economic incentives and administrative simplifications.
- Approve the list of activities prohibited within SEZ territories.
- Assign state bodies and agencies with specific tasks related to the implementation and operational support of SEZs and SIZs.
- Introduce reforms to improve the management structure of SEZs, such as the transfer of management functions from administrative councils to directorates, as part of broader efforts to streamline zone governance.

The direct involvement of the President ensures the strategic alignment of SEZs and SIZs with national industrial, economic, and environmental policies.

At the highest level, the President of Uzbekistan oversees key strategic decisions related to SEZs, including their establishment, boundary modifications, extension of operational timelines and dissolution. The President also approves the legal frameworks that govern SEZ operations and issues directives on prohibited activities within SEZs.

In implementing the objectives set forth in national concepts, programs, and strategies, the President of the Republic of Uzbekistan issues directives to shape the institutional framework intended to serve as a tool for the adopted industrial policy.

Supporting the President, the Advisory Division for Economic Development and Investment Policy coordinates the activities of ministries and agencies to address challenges in SEZ development and ensure practical support for investment projects.

2. Cabinet of Ministers

As previously noted, the Cabinet of Ministers of the Republic of Uzbekistan acts as the authority responsible for approving the regulations governing the operation of industrial zones.

As the supreme executive authority, the Cabinet is empowered to ensure the implementation of a unified state policy in the field of economic development and to carry out the country's industrial policy.

A particular emphasis is placed on the Cabinet's powers to promote the widespread adoption of energy-saving technologies and to facilitate the transition toward a green economy, as established under Article 10 of the Law of the Republic of Uzbekistan No. ZRU-982 of October 25, 2024.

Historically, under the former administrative councils, which were tasked with coordinating and monitoring the performance of industrial zones, the Cabinet of Ministers played a direct role: it was responsible for forming these councils, and Cabinet members were part of their composition.

This arrangement reflects the strategic importance attributed to industrial zones (SEZs, SIZs, technoparks, and youth industrial and entrepreneurial zones) within Uzbekistan's current industrial policy.

Furthermore, the Cabinet of Ministers is charged with approving national development programs for industrial zones, monitoring their execution, coordinating inter-agency cooperation, and aligning the activities of industrial zones with national economic priorities and sustainable development objectives.

The **Cabinet of Ministers** plays a pivotal role in implementing state policies concerning SEZs. Its responsibilities include:

- Approving SEZ development programs.
- Establishing and coordinating SEZ administrative councils.
- Monitoring SEZ investment/development projects.
- Setting the procedures for infrastructure development by private investors within SEZs.
- Provides coordination between ministries and agencies.

3. Sectoral Oversight

Key ministries and agencies are tasked with sector-specific roles to ensure the effective functioning and alignment of industrial zones with national development goals. It should be noted that the examination of these ministries is conducted in view of their expected role in the organization and implementation of EIP-related policies. These ministries and agencies include:

Ministry of Economy and Finance

The Ministry of Economy and Finance is responsible for shaping and implementing economic policies, including those related to the sustainable development of SEZs and SIZs. It plays a key role in developing fiscal support mechanisms, promoting energy efficiency and resource conservation, and coordinating green economy initiatives within industrial zones. The Ministry also establishes financial incentives for investors and monitors the economic performance of zones.

In the context of the green economy, the Ministry is also entrusted with the responsibility of implementing the national green transition policy. It is important to note that the Ministry of Economy and Finance is authorized to review and approve all draft legislation related to the green economy. Within the Ministry, a dedicated Department for Green Economy Development has been established, tasked with organizing and coordinating green economy projects.

Ministry of Investments, Industry, and Trade

The Ministry of Investment, Industry, and Trade serves as the primary body responsible for attracting investments, developing industrial infrastructure, and overseeing the implementation of projects within SEZs and SIZs. It formulates legal and methodological frameworks for industrial zones, coordinates investor relations, and ensures alignment of industrial development with national strategic priorities. The Ministry entitled to:

- Acts as the lead state body for SEZ governance
- Develops SEZ-related legal and methodological frameworks
- Coordinates SEZ investors/promoters and other SEZ participants (i.e., operators, contractors, enterprises, etc.) throughout project implementation
- Monitors project progress and evaluate SEZ and participant effectiveness.

Ministry of Ecology, Environmental Protection, and Climate Change

The Ministry of Ecology, Environmental Protection, and Climate Change oversees compliance with environmental regulations in SEZs and SIZs. It promotes sustainable practices, supports the implementation of green technologies, monitors environmental performance, and enforces standards related to pollution control, waste management, and climate resilience within industrial zones.

The Ministry is also responsible for ensuring the establishment and operation of mechanisms for monitoring and supervising the compliance of production activities at enterprises with environmental and sustainability standards. This includes conducting inspections, enforcing corrective measures where necessary, and providing guidance to enterprises on improving their environmental performance in accordance with national regulations and international best practices.

Ministry of Employment and Poverty Reduction

The Ministry of Employment and Poverty Reduction is tasked with promoting employment opportunities and ensuring social protection within SEZs and SIZs. It develops labor market policies aimed at increasing employment rates, oversees programs for workforce training and skill development, and supports initiatives designed to enhance the socio-economic impact of industrial zones on surrounding communities.

Micro Level

Having outlined the structure at the macro level, it is necessary to address the micro level, which focuses on the operational implementation of industrial zone policies. Micro-level institutions are directly responsible for the day-to-day management of industrial zones, such as SEZs and SIZs, facilitating investor operations, and ensuring compliance with national strategic and environmental objectives.

Although there is currently no dedicated regulatory framework for EIPs in Uzbekistan, the existing management structure of SEZs and SIZs provides a foundation upon which an EIP-specific governance branch could be established in the future. The management mechanisms and administrative approaches developed for SEZs and SIZs can serve as a model for organizing EIP operations, subject to the adoption of necessary legal and institutional adjustments.

1. Council of Ministers of Karakalpakstan, Regional Hokimiyats, and the Tashkent City Hokimiyat

Regional authorities play a crucial role in supporting the development and effective functioning of SEZs and SIZs at the local level. Their responsibilities include:

- Developing and approving regional industrial development plans
- Facilitating the provision of external infrastructure to industrial zones
- Supporting the implementation of investment projects through administrative assistance
- Promoting regional investment initiatives in coordination with national programs
- Overseeing land allocation for industrial development and ensuring compliance with land use regulations.

Regional hokimiyats and the Council of Ministers of Karakalpakstan, along with the hokimiyat of Tashkent city, act as key intermediaries between local businesses, communities, and national authorities, ensuring that local needs are reflected in the planning and operation of SEZs and SIZs. They are also responsible for providing land plots for SEZs and SIZs and for approving general development plans for the territories. Through interaction with local authorities, industrial zones are integrated into the activities of nearby settlements, establishing strong linkages and fostering regional economic development.

2. Directorates

Directorates are the main operational management bodies within SEZs and SIZs. They are responsible for the practical realization of investment projects, daily administrative management, and ensuring compliance with the established rules and objectives of the zones.

Directorates serve as the central governing entities, replacing administrative councils and assuming expanded responsibilities. In addition to their traditional roles of managing zone activities and supporting businesses, directorates now oversee critical functions such as approving SEZ investment/development projects, independently evaluating project compliance, and facilitating land and property allocations to SEZ developers and operators through transparent electronic auctions. In relation to SIZs, unified directorates operate, which manage several SIZs under a single administrative structure.

It is important that the most probable consequence of further reform of the legislation in the field of SEZ is the formation of special private operators with state participation in the corresponding authorized capital instead of directorates. The powers of the current directorates will be transferred to the corresponding private operators. In some cases, certain SEZs are transferred to the management of private enterprises or joint-stock companies with state participation; however, such a mechanism is not provided for by the legislation. It is expected that the further reform of SEZ management policies will involve the introduction of a mechanism for SEZ management by private enterprises.

The legislation does not provide for the possibility of creating and transferring management of directorates and single directorates to private developers and management companies, including within the framework of PPP. Despite this, in some cases, by-laws transformed some directorates into JSCs. It was also recommended to introduce the institution of private SEZs, which would be fully established and operated on the basis of PPP. One of the widespread global practices is the transfer of SEZ management to private management companies and developers in the form of civil-private partnership (PPP). Such practice allows (i) to mobilize private resources; (ii) to ensure management based on the commercial and managerial experience of private actors; (iii) to ensure effective practice of market analysis.

Their key responsibilities of directorates include:

- Investment Project Management (Reviewing, approving, and registering investment projects, providing "single window" administrative services for investors to streamline interactions with state authorities).
- Infrastructure Development and Maintenance (Coordinating the development of internal engineering, transport, and logistics infrastructure, overseeing the provision and maintenance of utility services within the zone).
- Land and Property Management (Organizing transparent allocation of land plots, buildings, and facilities through electronic auctions, managing leases and ensuring proper documentation for property use).
- Monitoring Compliance (Ensuring residents comply with environmental, industrial, and social standards, monitoring project execution timelines and enforcing corrective measures when necessary).
- Promotion and Investor Support (Facilitating investment attraction by promoting the zone to potential investors, providing advisory support to residents throughout the project lifecycle).

Directorates are intended to function as "one-stop" service centers that provide investors with comprehensive administrative and technical assistance. In the future development of EIPs, the experience and structure of the directorates may serve as a basis for establishing EIP-specific management bodies, with enhanced competencies in environmental management, industrial symbiosis facilitation, and resource efficiency promotion.

4 Legislative Basis for Regulation of Special Economic Zones (SEZs) and Small Industrial Zones (SIZs)

Some of the most important acts regulating the field of the relations related to SEZs and SIZs:

1

Law of the Republic of Uzbekistan No. ZRU-604 dated 02/17/2020, "On Special Economic Zones"

2

Resolution of the Cabinet of Ministers No. 134 of 03/09/2020 "On approval of the Regulations on Small Industrial Zones."

3

Decree of the President No. UP-153 dated 13.06.2022 "On Additional Measures To Improve The Efficiency Of Special Economic, Small Industrial, Youth Industrial And Business Zones"

The legislative framework of regulation of SEZs and SIZs in Uzbekistan covers a wide range of regulations aimed at developing sustainable industry, protecting the environment and social welfare, and supporting investment activity.

One of the key laws in this context is the Law of the Republic of Uzbekistan "On Special Economic Zones" (No. ZRU-604 dated 02/17/2020), which defines the legal framework for the creation and operation of SEZs. The document provides for various types of zones, including industrial, scientific and technological, tourism and recreational and others, with provisions for preferential conditions for their residents, such as tax and customs preferences. The law also introduces some provisions that relate to special requirements for investment projects: conducting a detailed social and environmental analysis of the proposed investment project (Article 21 of the Law).

Another important act is the Law "On Nature Protection" (No. 754-XII of 09.12.1992), which establishes the legal and organizational foundations for environmental protection in Uzbekistan. It includes standards governing mandatory environmental assessment of all projects that might have a significant impact on nature, as well as restrictions on emissions and discharges of pollutants. This law serves as the basis for environmental regulation of industrial facilities, including within any EIPs.

Particular attention is paid, under Uzbek legislation, to energy efficiency and the introduction of renewable energy sources. **The Law "On Energy Saving and Improving Energy Efficiency" (No. ZRU-672 of 12/18/2021)** obliges enterprises to conduct energy audits and introduce energy-efficient technologies. The document also provides for measures to stimulate the use of renewable energy sources, which is relevant to minimizing carbon footprints and optimizing resource consumption.

Presidential decrees also play a key role in the institutional and operational framework for the development of industrial zones. Decree No. UP-153 of 13.06.2022 “On Additional Measures To Improve The Efficiency Of Special Economic, Small Industrial, Youth Industrial And Business Zones” simplifies SEZ management procedures by replacing administrative councils with zone directors and introduces electronic auctions for the allocation of land plots. The same decree consolidates the powers of local authorities in approving investment projects, which increases the efficiency of decision-making and simplifies government interactions with investors. Decree No. PP-436 of 02.12.2022 “On measures to improve the effectiveness of reforms aimed at transitioning the Republic of Uzbekistan to a “green” economy until 2030” focuses on the transition to a “green economy”, setting targets for increasing the share of renewable energy sources to 40% and reducing greenhouse gas emissions by 35% by 2030. The decree also introduces a “green certification” system to assess the environmental safety of enterprises.

A number of key Cabinet of Ministers' resolutions are aimed at regulating and supporting small industrial zones (SIZ), and regulating waste management. Resolution No. 134 of 09.03.2020 “On approval of the Regulations on Small Industrial Zones.” establishes the procedure for the creation and operation of SIZs, including simplified access to infrastructure for enterprises and support for small and medium-sized businesses. Resolution No. 295 of 27.10.2014 “On the approval of the regulation on the procedure for state accounting and control in the field of waste management”, which regulates the accounting for and processing of solid waste, plays an important role in waste management. These measures are aimed at developing a circular economy and reducing the burden of industrial activity on the environment.

Environmental standards are also supported by the **Law "On State Environmental Expertise" (No. 73-II of 25.05.2000)**, which requires an expert assessment of projects that may have a significant impact on the environment. This law applies to activities within the framework of SEZs and MPZs, requiring enterprises to justify the environmental safety of their activities. Similar requirements are contained in the **Law "On Water and Water Use" (No. 837-XII of 06.05.1993)**, which regulates the use of water resources and prevents their pollution, introducing obligations for the rational use of water and the restoration of aquatic ecosystems. The Uzbek legislative framework applicable to any EIPs also actively interacts with Uzbekistan's international commitments, including the Paris Agreement on climate change and the UN Sustainable Development Goals. These reinforce national efforts to create a system that meets international standards in the field of sustainable development.

Despite the fact that the system of regulatory acts regulating SEZs and SIZs formed in this way is quite flexible and allows for prompt and effective implementation of changes in the regulation of SEZs and SIZs, it is also distinguished by a high degree of fragmentation of regulatory acts: at least **14** regulatory legal acts regulating the activities of SEZs, including the Law of the Republic of Uzbekistan "On Special Economic Zones" (dated December 9, 2019), the Tax and Customs Codes, **8** resolutions of the President of Uzbekistan and **3** resolutions of the Cabinet of Ministers.

Legislative norms may be amended and supplemented after the adoption of bylaws, which creates conditions for conflicts to arise between the norms of bylaws and the current legislation before the relevant amendments to the legislation are made. One of the possible ways to improve the current system of regulation of industrial zones, including the envisaged EIP, could be the way of regular revision of the existing normative acts in the field of regulation of certain types of industrial zones.

5 Environmental Protection Regulation - EIP Context

The various adopted concepts and strategies of the Republic of Uzbekistan previously reviewed serve as a framework for comprehensive reforms. They emphasize strategic framework, setting the stage for comprehensive reforms in the sector. It emphasizes the integration of sustainable practices, the rational use of natural resources, and the implementation of economic mechanisms to encourage environmental stewardship. In line with this vision, further modernization of the existing legal framework can be expected. These efforts will likely include updates to current legislation to reflect the priorities of resource efficiency, pollution control, and circular economy development.

The "Environmental Protection Concept of the Republic of Uzbekistan until 2030" places significant emphasis on the greening of the economy, including the introduction of economic mechanisms for natural resource management, prioritizing the use of environmentally safe materials, products and technologies, and creating incentivizing conditions for the development and implementation of zero-waste and low-waste production processes. The concept also provides for enhanced control over emissions and discharges of harmful substances, linking pollution fees to the level of their hazard and volume.

Special attention is given to the rational use of natural resources and the prevention of their degradation. Within the framework of the Concept, mandatory environmental assessments are required for all activities that significantly impact the environment, taking into account the regenerative capacity of ecosystems. The Concept envisions a phased implementation approach, with the Cabinet of Ministers adopting specific "roadmaps" every three years, outlining concrete measures aimed at achieving the goals of the Concept.

In addition to the concept, Presidential Decrees of the Republic of Uzbekistan play a significant role in implementing the outlined policies. For instance, Presidential Decree No. UP-5, dated January 4, 2024, introduces "green certificates" for enterprises engaged in processing solid municipal waste (SMW), particularly for activities where traditional disposal methods are inefficient. These include the production of organic fertilizers from organic waste (such as food, agricultural, landscaping waste, branches, manure, etc.), the processing of power sources (batteries, accumulators, etc.) and the recycling of glass waste.

Another Presidential Decree, effective from January 2025, establishes the Agency for Waste Management and Circular Economy Development under the Ministry of Ecology, Environmental Protection and Climate Change. This agency will be authorized to:

- Develop and organize the implementation of measures to promote a circular economy by fostering the production of energy resources, raw materials and materials, through the sorting and processing of waste in the country.
- Take measures to establish dedicated areas within landfills for the collection, sorting, decontamination, processing, incineration, recycling, and disposal of waste.

The fundamental basis of Uzbekistan's environmental protection legislation is established by the Law of the Republic of Uzbekistan "On Nature Protection" dated December 9, 1992, No. 754-XII. This law defines the legal, economic, and organizational foundations for environmental protection and the rational use of natural resources. Its primary purpose is to ensure harmonious development between human society and nature, protect ecosystems, and safeguard the right of citizens to a favorable environment.

6 Social and Labor Policy Regulation

In the Republic of Uzbekistan, labor relations and social protection within SEZs and SIZs are governed by general labor legislation without the introduction of specialized legal regimes for these territories.

The primary regulatory act governing labor relations is the Labor Code of the Republic of Uzbekistan, approved by Law No. ZRU-798 on October 28, 2022. The Code defines the rights and obligations of employees and employers, establishes procedures for concluding and terminating employment contracts, regulates working hours and rest periods, and provides guarantees for wage payments. Employers are required to comply with established norms, including the minimum wage, safe working conditions, and social guarantees.

Labor relations within SEZs are governed by the provisions of the Labor Code of the Republic of Uzbekistan, as well as collective and individual employment contracts. According to Article 40 of the Law, collective and individual contracts must not worsen the working conditions or social protections of employees compared to the standards established by national legislation and international conventions to which Uzbekistan is a party.

The workforce of enterprises operating in SEZs must consist of at least 90% citizens of the Republic of Uzbekistan. Social protection for employees working in SEZs is ensured in accordance with general legislative norms, including mandatory social insurance, occupational safety, and employee rights.

Additionally, under Article 3 of the same Law, SEZs may implement special regimes, including labor relations, tax, and customs benefits, to attract investments and create jobs. However, the document does not provide detailed provisions on specific labor regimes.

Particular attention is given to the creation of new jobs as part of the implementation of investment projects. The document specifies that SIZ participants must indicate the number and sources of employee recruitment, including college graduates, local specialists, and, when necessary, foreign specialists. These obligations are formalized in business plans, which are subject to approval by the United Directorates.

Social protection for workers in SIZs is ensured in accordance with general standards, including mandatory state social insurance, wage guarantees, and compliance with occupational safety requirements. Uzbekistan's social protection system includes mandatory state social insurance, pension provisions, and occupational safety measures. These guarantees apply to all workers regardless of their location, including those employed in SEZs and SIZs. However, the absence of specialized regulations in these zones creates risks for fully ensuring workers' rights in light of the economic specificity of these territories.

The Law of the Republic of Uzbekistan No. ZRU-410, dated September 22, 2016, "On Occupational Safety," addresses key aspects of labor relations and occupational safety regulation, which can be applied in SEZs and SIZs.

Occupational safety in organizations, including enterprises in SEZs and SIZs, is governed by general legislative provisions. The law defines key concepts such as "working conditions," "workplace," and "occupational accident," which form the legal basis for ensuring safe working conditions in enterprises.

According to the law, employers are required to comply with occupational safety requirements, organize mandatory pre-employment and periodic medical examinations for employees, and establish occupational safety services in organizations with more than 50 employees. These services report directly to the enterprise's management and monitor compliance with occupational safety norms and regulations.

For employees working under unfavorable conditions, the law provides for the provision of milk, therapeutic and preventive nutrition, personal protective equipment, and special measures to ensure their safety. Employers are obligated to allocate funds for occupational safety and establish dedicated funds for these purposes, with the use of such funds for other needs strictly prohibited.

7 Economic incentives

Examples of the introduction of economic preferences and incentives in relation to SIZs can be the SIZ of Tashkent city and the SIZ of Tashkent region: the SIZs of these regions were established in 2017, and special tax regimes were introduced in relation to them by relevant regulations, providing for the exemption of SIZ residents from paying property tax and corporate income tax, as well as a single tax payment (UTP) for a period of 2 years. From January 1, 2025, the specified benefits for residents of the specified SIZs were abolished. Similarly, in relation to the SIZs of the Bukhara region, special conditions are in place to exempt them from the obligation to comply with the minimum amount of the EPP, which is not less than three times the amount of the land tax.

Incentives may also depend on the intended area of activity (production specialization) of the FEZ and SIZs. For example, for SIZs specialized in textile production and located in the Andijan and Namangan regions and the industrial technopark located in the Tashkent region, special tax breaks are provided, including: installment plan for rent payments for leased buildings and structures; exemption from customs duties on imported raw materials and other components and spare parts necessary for the production of textile products and not produced in the Republic of Uzbekistan; financial assistance in placing advertisements and promoting products of the textile and garment and knitwear industry on e-commerce platforms; a ban on tax audits (except for audits within the framework of criminal cases) in relation to business entities in the textile and garment and knitwear sector of category "A"; a list of grounds for covering the expenses of enterprises on commercial activities from specialized state funds, incl. purchasing equipment and obtaining loans, etc.

Uzbekistan offers incentives and relief measures for participants in SEZs and SIZs, designed to stimulate investment, foster entrepreneurship and promote innovation. These measures range from tax and customs exemptions to administrative simplifications, with a view to creating an attractive environment for both domestic and foreign investors.

Residents of the SEZ are exempt from paying property tax, land tax and tax for the use of water resources for a period of 3 to 10 years, depending on the volume of investments.

¹ Decree of the President of the Republic of Uzbekistan, dated 18 May 2017, No. PP-2973 (as amended on 18 May 2017)

² Decree of the President of the Republic of Uzbekistan, dated 10 August 2017, No. PP-3194 (as amended on 10 August 2018)

³ Paragraph 1 of Annex No. 9 No. PP-455 dated 25 December 2024

⁴ Paragraph 5 of the Decree of the President of the Republic of Uzbekistan dated 11 October 2018 No. PP-3965 (as amended on 11 October 2018)

Participants in SEZs benefit from a special legal regime, which includes exemptions from taxes and customs duties based on the volume of investments. For example, companies investing between \$300,000 and \$3 million are exempt from corporate income tax for three years, while those investing over \$10 million enjoy exemptions for up to ten years. Additionally, SEZ participants are exempt from customs duties on the import of technological equipment not produced in Uzbekistan and on construction materials required for investment projects. Within SEZ territories, 'free customs zone' regimes can be introduced, allowing goods to be placed and used without paying customs duties or taxes and without applying economic policy measures. This regime removes restrictions such as licensing and quotas on certain imports, facilitating trade and investment.

For SIZs, incentives are tailored to the specific zone, considering its location, specialization and priority industries. Key benefits for participants include long-term leases of industrial premises and land plots for up to 10 years, with the possibility of extension, as well as the right to privatize facilities that are in state ownership upon fulfilling investment commitments. Participants in SIZs also gain access to state-funded infrastructure and may construct facilities at their own expense with subsequent reimbursement, providing flexibility and support for project implementation.

According to the international experience of UNIDO,⁵ one of the most common preferences aimed at ensuring the development of industrial parks is subsidizing the development of the industrial park itself as a complex or territory, as well as providing it with the necessary infrastructure. This is especially important to consider when developing a system of tools that stimulate the development of the EIP as a complex set of economic interests.

One of the general rules for the formation of economic incentives for investors to participate in SEZs and SIZs is related to one of their fundamental principles: SEZs and SIZs are established to combat the problems of the regional economy, and economic incentives aimed at attracting investment in such SEZs and SIZs should at least compensate for the costs incurred by investors and neutralize the negative factors affecting business in such regions. Fiscal and financial preferences for SEZ participants are not always decisive in achieving the success of such SEZs and are definitely not sufficient.⁶

It is separately emphasized that regardless of specific elements and levels, any incentives for investment in industrial parks should be formed based on the principles of expediency and sufficiency. In the case of developing a set of incentives for industrial parks, the following important components should be noted:

- incentives should be easy to use and transparent
- the impact of incentives should be measurable
- incentives should be tailored to the specific conditions, capabilities and comparative advantages of the host economy (e.g. location, infrastructure, sectors)
- incentives should take into account the international rules-based investment framework.

⁵ INTERNATIONAL GUIDELINES FOR INDUSTRIAL PARKS

⁶ Public-Private Partnerships in the development of Special Economic Zones: report was prepared by RebelGroup International BV

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Based on international experience in implementing economic incentives for the development of industrial parks, such incentives can be divided into:

- Financial incentives (preferential lending, direct investment, grants, etc.)
- Fiscal incentives (tax holidays, tax rate reduction or tax exemption, exemption from customs duties, etc.)
- Other incentives (provision of ready-made infrastructure for the implementation of investment projects on the territory of industrial parks, simplified procedures for administrative interaction with residents of industrial parks, etc.).

In the context of the EIP, there is a noticeable need not only to stimulate investors to invest in the relevant SEZ, but also to ensure that the activities carried out by the park residents and the management (management company) comply with the EIP indicators (environmental standards, circular economy standards, certification, etc.).

Taking into account the above approach, the current economic preferences for SEZs and SIZs in the Republic of Uzbekistan can be divided into different types. Analysis of existing incentives for SEZs, SIZs, clusters and technology parks is presented below.

Elements of special legal regime	
SEZs	<p>Special customs regime</p> <ul style="list-style-type: none"> • Temporary exemption or reduction of customs duties on certain types of operations (for import of construction materials for implementation of investment project, not produced in the territory of the Republic of Uzbekistan during construction; for import of technological equipment, analogues of which are not produced in the Republic of Uzbekistan; for import of raw materials, materials and components used for production and sale of products for export); • Cancellation, easing of non-tariff restrictions on export or import • Deferment of payment of value added tax on import of goods for a period of 120 days • The VAT amount, formed as a result of excess of VAT amount in offset, is reimbursed to the SEZ participant in a simplified manner within 7 days <p>Regime of regulation of labor relations</p> <ul style="list-style-type: none"> • The staff of employees of legal entities created on the territory of the SEZ must consist of citizens of the Republic of Uzbekistan at least by 90% of the total number of employees • Training of specialists for their inclusion in production activities (in certain cases)

SIZs	<p>Economic preferences</p> <ul style="list-style-type: none"> • Rent "holidays" with installment payments or complete exemption from obligations to pay rent for the transferred real estate (for individual SIZ) • Preferential lending (for example, deposit rates up to 5% ready for textile industry enterprises in individual regions of the Republic of Uzbekistan) • Compensation of transportation costs (for individual specializations of industrial activity) • For individual SIZ and specializations - advertising and information support, including coverage of part of the costs of advertising and information promotion of the manufactured products of enterprises <p>Special tax regime</p> <ul style="list-style-type: none"> • Exemption from property taxes, land taxes and taxes for the use of water resources • Infrastructure support • Organization of distribution channels for manufactured products for enterprises of individual production specializations • Training of specialists for their inclusion in production activities (in individual cases)
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In terms of EIP, it is important to take into account that EIP is subject to a certain level of requirements for compliance with certain environmental and social principles. In return, EIP acquires a more attractive status for international investors and also brings long-term benefits for regional development.⁷

Beyond environmental benefits, utilizing renewables in SEZs can bring significant economic and social benefits to the broader community. Investment in renewable energy creates jobs and, in many places, renewable energy is the most cost-effective option. Countries with more renewable energy are less exposed to oil price shocks and have greater energy security, resulting in lower operational costs for businesses.

The applicable environmental standards and principles of EIP that must be observed by SEZs to be recognized as EIPs must be reflected in by-laws directly related to the SEZ regulatory policy. Similarly, economic incentives for the implementation of the said standards and principles by investors and residents of SEZs must be formulated in the relevant acts.

⁷ Worldwide, renewable energy financing has largely come from the private sector, with about 70% of direct investments in renewable energy in 2020 coming from private sources.

Sustainability standards can encourage companies to adopt renewable energy. An SEZ could adopt energy performance standards that tenants' buildings and production processes must meet. However, mandatory design standards tend to be less efficient than price mechanisms like carbon taxes. Current SEZ sustainability leaders often voluntarily seek external environmental certifications. There are no special economic incentives for SEZs in terms of the introduction and development of elements of a green economy, however, the legislation provides for universal economic incentives.



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